LAWSON, INC.
Interim Results Presentation for Fiscal 2008

October 15, 2008

Cautionary Statement

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Interim Results for Fiscal 2008

Yoshiyuki Yahagi

Member of the Board

Chief Financial Officer (CFO)

FY2008 Interim Results

(Consolidated: Billions of yen)	1H FY2007	1H FY2008		
	Actual	Actual	YoY	vs. Initial Plan
Net sales of all stores	**721.9**	**770.3**	106.7%	102.0%
Operating profit	**25.5**	**29.1**	114.0%	118.3%
Operating profit ratio	**3.5%**	**3.8%**	0.3%P	0.5%P
Recurring profit	**25.5**	**28.8**	113.2%	119.9%
Interim net profit	**12.3**	**15.5**	125.9%	125.1%
EPS (yen)	**117.94**	**156.42**	132.6%	-
Projected dividend per share (yen)	**55**	**80**	145.5%	-
(Store data)				
Gross profit at existing stores (YoY)*1	**98.4%**	**102.8%**	4.4%P	1.3%P
Net sales at existing stores (YoY)*1	**99.0%**	**105.4%**	6.4%P	1.9%P
Gross profit margin ratio*1	**31.3%**	**30.5%**	-0.8%P	-0.2%P
Daily sales at new stores (¥thousands)*1	**447**	**542**	95	-
Total number of stores*2	**8,603**	**8,614**	11	-

(*1 Non-consolidated basis; *2 Excluding stores in Shanghai)

Analysis of Interim FY2008 Results Against Plan (Consolidated)

	YoY	Vs. Plan
Operating profit	114.0%	118.3%
Recurring profit	113.2%	119.9%
Net profit	125.9%	125.1%

<Reasons>

・**Net sales of all stores:** Due to strong existing store sales and net increase in store numbers +48.4 billion yen YoY (+15.3 billion yen against plan)

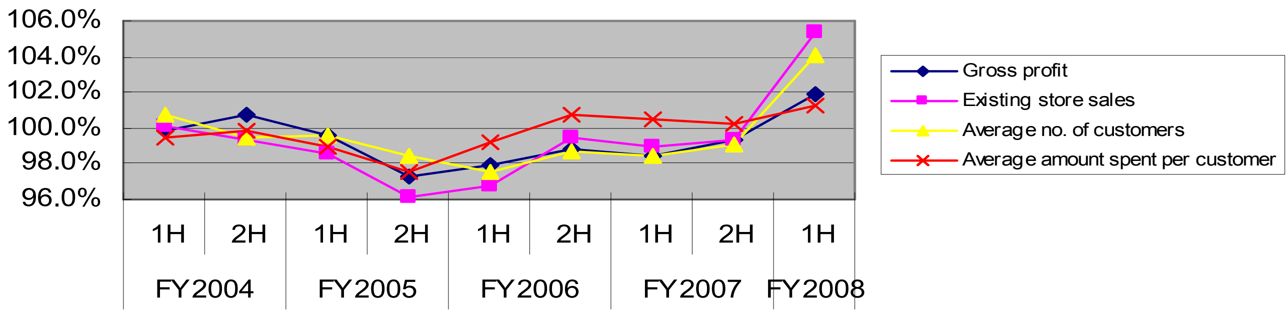
・**Gross profit margin ratio:** -0.8 %point YoY (-0.2 %point against plan) (Impact of tobacco products -1.0 %point, improvement in non-tobacco products +0.2 %point)

・**SG&A expenses**: +4.3 billion yen YoY (-2.1 billion yen against plan)
*Explained in detail later

・**FC owner earnings:** Improved due to higher sales of non-tobacco products as well as tobacco products

(Note) Plan here refers to the initial plan announced by LAWSON in April 2008

■Existing Stores YoY Performance

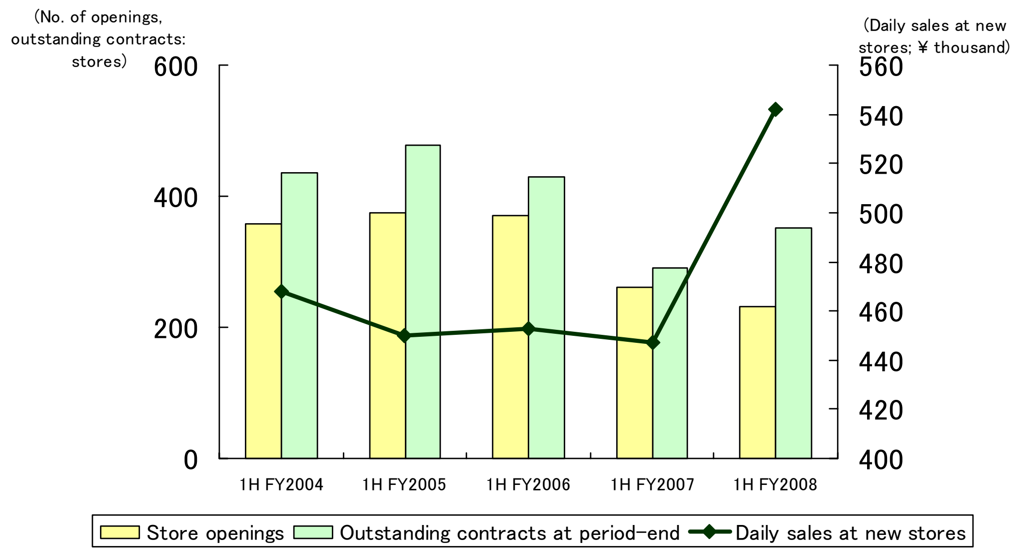


Reference: 1H FY2008
Existing store gross profit: 102.8%
Existing store sales: 105.4%
Average no. of customers: 104.1%
Average amount spent per customer: 101.2%

■Significant growth, particularly in customer numbers, due to taspo's introduction and a recovery in consumer's action to neighborhood shopping area

■Existing store sales exceeded 100% over year on year even excluding boost from taspo's introduction.

■Store Openings



■Major improvement in daily sales at new stores, reflecting benefits of focus on quality regarding opening store.

*Store numbers include 42 stores related to Shinsengumi Honbu.

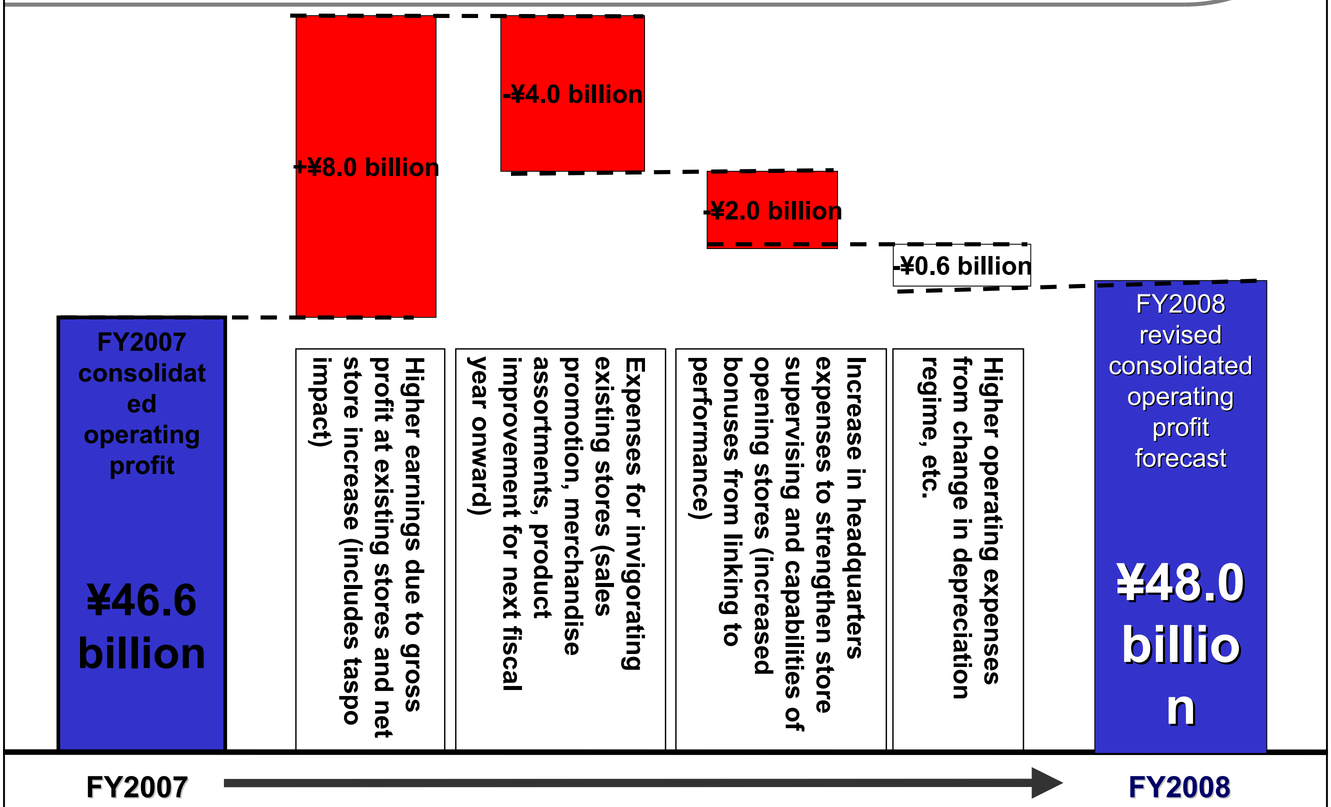
Key Components of SG&A Expenses

(Billions of yen)		1H FY2008 Actual	1H FY2008 YoY	FY2008 Forecast
Parent base	Selling, general and administrative (SG&A) expenses	**89.6**	2.7	*Up approx. 6%*
	<Major Strategic Expenses>			
	IT-related costs	**6.5**	▲ 1.6	*Same as last year*
	(Hardware leasing, software amortization, maintenance, etc.)			
	Personnel costs	**19.1**	1.3	*Up approx. 5%*
	Advertising and promotional expenses	**6.8**	2.1	*Up approx. 45%*
Consolidated SG&A expenses		**100.8**	4.3	*Up approx. 11%*

Note) Revisions to full-year forecasts are italicized

- **IT-related costs**: less than planned, drop achieved due to benefits of cost reductions in next-generation IT system development.
- **Personnel costs**: More than planned due to adoption of performance-linked bonus system by our strong results in 1H.
- **Advertising and promotional expenses**: Largely as planned and centered on expenses for motivating franchise owners.
- **Increased FY2008 forecast of consolidated SG&A expenses**: Mainly due to Ninety-nine Plus being consolidated from LAWSON's fourth quarter.

Analysis of FY2008 Consolidated Operating Profit Forecast (Revised)



Earnings of Major Subsidiaries and Affiliates

(Billions of yen)

Operating Profit of Major Subsidiaries	Shareholding	1H FY2008 Actual	1H FY2008 YoY	FY2008 Forecast[3]
LAWSON TICKET INC.	75.1%	0.55	0.21	0.75
LAWSON ATM Networks, Inc.	55.0%	1.00	0.26	*1.39*
VALUE LAWSON Inc.	100.0%	▲ 0.08	0.22	*▲ 0.14*

Operating Profit of Equity-method Affiliates	Shareholding	1H FY2008 Actual	1H FY2008 YoY
SHANGHAI HUALIAN LAWSON CO., LTD.[1]	49.0%	▲ 0.04	0.01
Ninety-nine Plus Inc.[2]	34.2%	▲ 0.35	

1)SHANGHAI HUALIAN LAWSON CO., LTD. has a December fiscal year-end.
2)Because Ninety-nine Plus Inc. has a March fiscal year-end, the first half of fiscal 2008 represents the revised forecast announced on September 24. Furthermore, profit for this company for the period from January to the end of June is included in LAWSON's operating results as equity in (losses) earnings of associated companies. Following a tender offer bid (TOB) conducted on September 5 for Ninety-nine Plus, LAWSON now holds 76.8% of this company's issued shares.
3)Revisions to full-year forecasts are italicized.

- **LAWSON TICKET**: Strong sales on higher concert ticket sales.
- **LAWSON ATM Networks**: Transaction volumes running ahead of forecasts. Introduction of new model ATMs and accompanying lease changes proceeding largely as planned.

1H FY2008 Balance Sheet and Cash Flows (Consolidated)

(Billions of yen)

	As of Aug. 31, 2008	YoY
Total current assets	179.0	40.7
(Cash and bank deposits)	104.8	42.7
(Marketable securities)	11.1	6.9
(Accounts receivable—other)	27.9	0.9
Total property and store equipment	259.3	0.4
Fixed assets	103.6	▲ 2.7
Total intangible fixed assets	21.8	3.5
Investments and other	133.8	▲ 0.3
(Long-term loans receivable	25.9	0.3
(Lease deposits)	82.3	▲ 0.3
Total assets	438.3	41.2

	As of Aug. 31, 2008	YoY
Total current liabilities	187.7	31.7
(Accounts payable-trade for FC)	77.6	16.4
(Deposits received)	65.3	9.0
Total long-term liabilities	51.5	▲ 1.0
(Deposits received from FC and lessees)	44.2	▲ 1.6
Net assets	199.0	10.5
(Common stock)	58.5	-
(Retained earnings)	97.4	10.0
Total liabilities and net asset	438.3	41.2

(Billions of yen)

	1H FY2006	1H FY2007	1H FY2008
Cash flows from operating activities	56.3	44.4	48.7
Cash flows from investing activities	▲ 17.0	▲ 13.7	3.7
Free cash flows	39.3	30.7	52.4
Cash flows from financing activities	4.4	▲ 5.2	▲5.3
(Reference) Cash and bank deposits at year-end	89.3	98.0	104.8

FY2008 Forecasts (Consolidated)

(Consolidated: Billions of yen)	FY2007 Actual	FY2008 Forecasts[2]	FY2008 YoY Change
Net sales of all stores	1,415.1	*1,560.0*	110.2%
Operating profit	46.6	*48.0*	103.0%
Operating profit ratio	3.3%	*3.1%*	-0.2%P
Recurring profit	46.2	*47.2*	102.1%
Net profit	22.1	*23.9*	108.1%
ROE	11.6%	*12.5%*	0.9%P
EPS (yen)	214.69	*241.01*	112.3%
Dividend payout ratio	51.2%	*66.4%*	15.2%P
Projected dividend per share (yen)	110	160	+50
Gross profit at existing stores (YoY)*	98.9%	*102.7%*	+3.8%P
Net sales at existing stores (YoY)*	99.2%	*105.7%*	+6.5%P
Gross profit margin ratio*	31.2%	*30.3%*	-0.9%P
Total number of stores[1]	8,587	8,687	+100

1) Excluding stores run by Ninety-nine Plus and in Shanghai
2) Revisions to initial full-year forecasts for fiscal 2008 are italicized
*)Non-consolidated basis

Capital Policy

Capital Policy

FY2008-FY2010

- LAWSON pledged to return the majority of free cash flows generated over the 3-year period from FY2008 to FY2010 (forecast total amount: ¥40 to ¥50 billion) to shareholders as dividends based on an initial forecast for lower earnings in fiscal 2008.
- LAWSON has revised its initial forecast due to its strong interim results, but there has been no major change to our capital policy, as below.

(1)We will increase annual dividend per share from ¥110 to ¥160 from fiscal 2008.

We plan to maintain this level for 3 years (FY08-FY10) as long as there is no major change in business conditions.

(2) **We will buy back and cancel own shares up to a certain level to raise consolidated ROE.**

We expect to achieve the 100% EPS growth YoY we targeted initially, but we now plan to conduct share buybacks and cancellations flexibly with reference to stock price fluctuations and other factors.

We continue to aim for consolidated ROE of 15% over the medium and long term by executing earnings growth and capital policies.

LAWSON Management Strategy

Takeshi Niinami

President & CEO

Analysis of Macro-Economic Environment

Interim Period

LAWSON assumptions

- Soaring raw material prices
- Economic malaise

・Declining consumption momentum
・Further economic slowdown
(particularly in regions and rural areas)
・Succession of product price increases,
much higher product costs

Actual situation

- Soaring gasoline prices → Recovery in consumer's action to neighborhood commercial areas
- Belt tightening by consumers → Shift from eating out to consuming ready-made meals or cooking at home
- Greater-than-expected taspo effect → Ongoing boost in other product categories from increased store patronage

Beneficial impact for the CVS industry

2H External Operating Environment

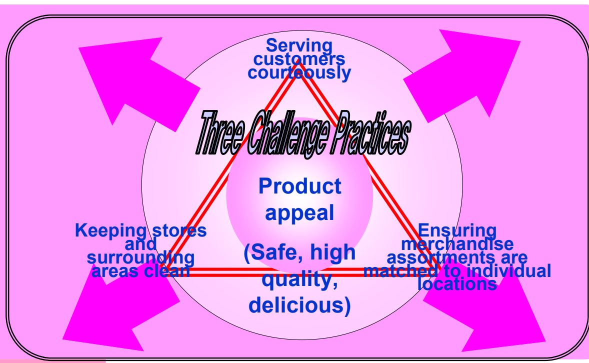
U.S.-triggered financial turmoil ⇒ Increasing economic uncertainty in 2H
Increasing belt tightening by consumers

LAWSON Management Strategy From 2H: Time to Consolidate on Our Position

Goal: Turn the increased numbers of customers into loyal customers

Increase in customer numbers driven by taspo

+



Create merchandise assortments even more closely matched to individual locations

Higher earnings for franchise owners of existing stores

LAWSON's Integrated Initiatives to Raise Corporate Value

LAWSON is making efforts to increase corporate value

1

Improving ordering accuracy
↓
・Creating merchandise assortments matched to individual locations
・Minimizing both waste and lost sales opportunities

+

Store format strategy

Encouraging a given franchise owner to run multiple stores

+

CSR

CO2 reduction efforts
Major reductions in electricity bill

2

Growth emphasizing ROI

M&As Alliances

Store openings emphasizing earnings

Overseas strategy

Higher earnings for franchise owners of existing stores

1 Actions to Further Improve Ordering Accuracy

Business reform using next-generation IT

Create merchandise assortments even more closely matched to individual locations

Merchandise assortments of core products matched to each store

→Achieve using point card data and next-generation IT

Effectively use sales promotion expenses

Improved ordering accuracy

Minimize both waste and lost sales opportunities

Merchandise assortments to help belt-tightening consumers

Leverage know-how of industry pioneer Ninety-nine Plus

VALUE LAWSON VL VALUE LINE

Higher earnings for franchise owners of existing stores

1 Possible to Establish Loyal Customers Driven to Stores by taspo by Offering Merchandise Assortments of Core Products Matched to Each Store

Complete the framework for winning over customers driven to stores by taspo by using next-generation

- **Point-card customers are visiting stores more frequently and spending more**
- **Able to use card data from 7.2 million cardholders to create merchandise assortments (Cardholder base continues to increase at rate of 200,000 a month)**
- **Full operation of next-generation IT will improve merchandise assortments of core products matched to individual stores.**

■Reference: Card Members

Cumulative cards issued: more than 7.2 million

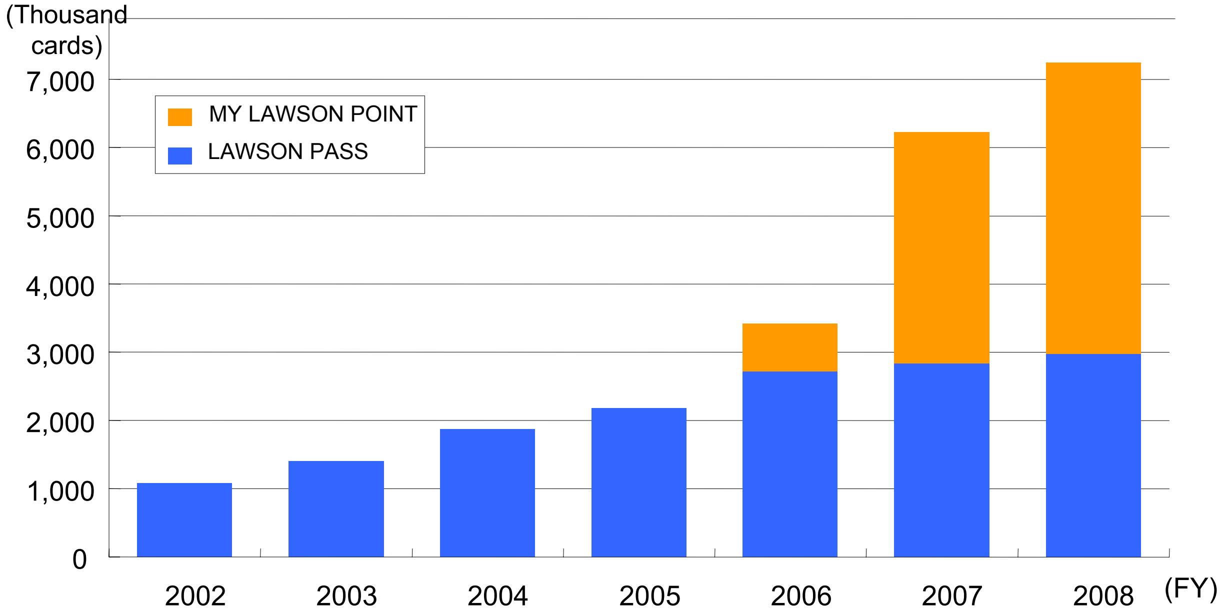


*Figure for FY2008 is the cumulative total through August 2008.
*LAWSON began issuing MY LAWSON POINT nationwide in January 2007.

1 Strengthen Merchandise Assortments to Help Belt-Tightening Consumers

LAWSON has already created merchandise assortments for belt-tightening consumers!

Value Line
Steadily increasing lineup, 500 SKUs by March 2009

Economies of scale
Improved markups
by Ninety-nine Plus

LAWSON STORE100
Strong existing store sales

Average daily sales approx. ¥600,000
(Almost no taspo impact)

Useful in strengthening merchandise assortments at regular LAWSON stores

Higher earnings for franchise owners of existing stores

2 Thinking on Growth Emphasizing ROI

Higher earnings for franchise owners of existing stores

- Improved ordering accuracy
- Store conversion investments
- One franchise owner running multiple stores
- Electricity bill savings

Corporate growth centered on ROI

- New store openings
- M&As Alliances
- Overseas strategy

Stress balance between higher ROE and sustainable EPS growth

Selecting Worthwhile Initiatives for Society, Franchise Owners and LAWSON CSR Mindset

Chilling, Refrigeration and Air Conditioning

- Energy-Saver Packs for new stores (Integrated cooling and ventilation system)
- Eco-Pack for existing stores (Energy-saving control system)

Lighting Equipment

- Automatic adjustable lighting system
- Halved the number of fluorescent lamps used
- Introduced LED lighting

Distribution, etc.

- Optimized distribution and delivery
- Introduced low-pollution, low-fuel consumption vehicles
- Fitted eco tires to delivery vehicles
- Running CO2 offset program

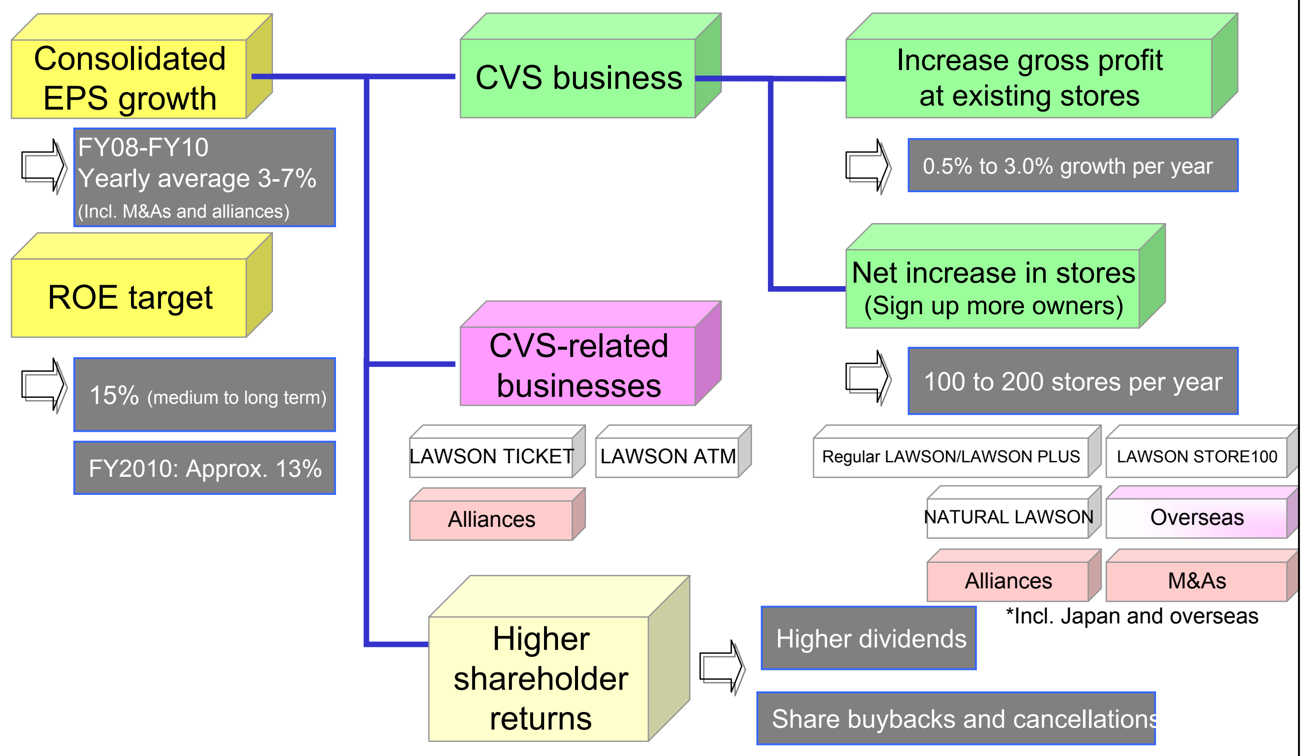
Slashed electricity bill

Higher earnings for franchise owners of existing stores

Worthwhile initiatives for society, franchise owners and LAWSON

<LED lighting>

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



Reference Materials

1H and 2H Breakdown of FY2008 Forecasts

(Consolidated: Billions of yen)	FY2008			
	1H Plan	1H Actual	2H Plan	Full-year Plan
Net sales of all stores	755.0	770.3	*789.6*	*1,560.0*
Operating profit	24.6	29.1	*18.9*	*48.0*
Operating profit ratio	3.3%	3.8%	*2.4%*	*3.1%*
Recurring profit	24.1	28.8	*18.3*	*47.2*
Net profit	12.4	15.5	8.3	*23.9*
Gross profit at existing stores (YoY)	101.5%	102.8%	*102.5%*	*102.7%*
Net sales at existing stores (YoY)	103.5%	105.4%	*106.0%*	*105.7%*
Gross profit margin ratio	30.7%	30.5%	*30.0%*	*30.3%*

Note) Revisions to full-year and 2H forecasts are italicized.

Capital Expenditure

(Consolidated: Billions of yen)	1H FY2007 Actual	1H FY2008 Actual	FY2008 Plan
New store investments	7.8	5.6	*15.5*
Existing store investments	3.9	2.5	*8.0*
IT-related investments	4.8	4.6	15.0
Other	0.6	1.6	*4.0*
Subtotal	17.2	14.4	*42.5*
Investments and advances	6.0	▲ 20.4	▲ *14.5*
Leases	7.7	8.9	*30.0*
Total	30.9	2.9	*58.0*
Depreciation	10.6	9.8	*21.2*

1) Revisions to initial FY2008 plan are italicized