

LAWSON



Environmental and Social Activities Report 2008

"Happiness and Harmony
in Our Community"

LAWSON's Corporate Philosophy and Code of Conduct

Corporate Philosophy and Code of Conduct

Corporate Philosophy

Happiness and Harmony in Our Community

Code of Conduct

Acting with utmost consideration for others

Challenging with innovative ideas and actions

Having a strong will to attain the objectives

Editorial Direction

LAWSON is strengthening its resolve to truly live up to its corporate philosophy by promoting "Happiness and Harmony in Our Community." This philosophy incorporates compassionate consideration for the environment in the specific regions in which we operate, as well as globally, and our headquarters and stores are cooperating to undertake environmental preservation and social contribution activities on a national scale.

This report—our 10th—outlines our activities in FY2007, including energy and resource conservation, waste reduction and other environmental protection activities. LAWSON's environmental initiatives conducted in cooperation with our customers such as the LAWSON Green Fund, the "Bring Your Own" initiative and social contribution activities in local communities are also covered along with communicating the full extent of our corporate philosophy from the viewpoint of our relationship with our customers, the owners of franchise stores and store crews. In producing this report, we have also endeavored to make it as easy to read as possible.

Through the cooperation of our customers and residents of the regions in which we operate, LAWSON is striving to become "The 'Hot' Station in the Neighborhood." We hope this report will help you understand how we will achieve this goal.

Scope of Report

Scope

This report concentrates specifically on LAWSON as a parent company, its franchise stores and designated affiliated companies, and includes examples of the cooperative efforts of our business partners involved in distribution, the manufacture of food products and waste management.

Period

The primary period covered by this report is FY2007 (March 1, 2007 through February 29, 2008) as well as some information from previous fiscal years and activities during FY2008 to ensure its completeness.

Date of Issue

October 2008 (previous report: October 2007; next report: planned for August 2009)

Reference Guidelines

Japan's Ministry of the Environment *Environmental Reporting Guidelines* (FY2007 version)

Formulation of LAWSON Group Corporate Conduct Charter



In March 2008, we formulated the LAWSON Group Corporate Conduct Charter, under which we aim to maintain and raise an awareness of strict adherence to corporate ethics among all employees of the LAWSON Group.

We have prepared the *LAWSON Group C&R Handbook*, which integrates matters on compliance and risk management, for distribution to all employees of the LAWSON Group.

LAWSON Group Corporate Conduct Charter

1. Basic Declaration

We* believe that fulfilling our corporate social responsibilities while responding to the requests of LAWSON Group* stakeholders will lead to enhanced corporate value of the LAWSON Group. With a solid understanding of the Charter's contents, we pledge to always act sincerely and considerately with a high sense of corporate ethics while adhering to all laws.

*1 We refers to all directors, officers, regular employees, temporary employees and dispatched employees (hereafter regular employees, temporary employees and dispatched employees are collectively referred to as "employees.")

*2 The LAWSON Group refers to LAWSON, Inc. and companies within the scope of consolidation.

2. Basic Stance

1. We shall derive happiness from providing all customers with the highest levels of satisfaction and will continually act with consideration toward customers.
2. We shall support LAWSON franchise stores, which represent our largest partner.
3. We shall adhere to all laws and contracts with every business partner and carry out fair and transparent business transactions.
4. We shall respect the human rights of all employees without discrimination.
5. We shall disclose necessary information to all shareholders and investors to enable them to learn more about the LAWSON Group.
6. We shall take an active approach to environmental protection and proactively carry out social contribution activities as a member of the local community.
7. We shall maintain no ties with anti-social organizations and maintain healthy and proper relations with elected officials and public employees.
8. We shall adhere to internal regulations and various rules while undertaking our daily work to ensure that we do not lose any valuable assets of the LAWSON Group.

C O N T E N T S

LAWSON's Corporate Philosophy and Code of Conduct.....1	FY 2007 Activity Report15	■ Together with Franchise Owners and Store Crews.....37
Top Commitment.....3	■ Committed to Environmental Protection.....16	■ Together with Employees.....39
(Special Feature)	■ Offering Safe and Secure Products23	■ Together with Business Partners41
Undertaking Environmental Activities Together with Our Customers.....5	■ Together with the Local Community.....27	LAWSON's Organizational Structure.....42
	■ Social Contribution Activities.....32	Company Overview/Store Information.....45
	■ Together with Customers.....35	Outside Opinion/ LAWSON History.....46

Environmental and Social Activities Report 2007 Wins Outstanding Award

LAWSON's *Environmental and Social Activities Report 2007* earned the Outstanding Achievement Award at the Environmental Report and Sustainability Report Awards sponsored by TOYO KEIZAI INC. and the Green Reporting Forum. LAWSON was the only company in Japan's retail industry to win an award, which was presented in recognition of the diversity and distinctiveness of LAWSON's environmental protection and social initiatives. LAWSON will work to upgrade the contents of its Environmental and Social Activities Report to foster a better understanding of its environmental protection and social contribution activities among an even broader audience.

LAWSON seriously considers the needs of customers in local communities and formulates solutions that contribute to a vibrant society.

Operating in an Age When We Cannot Be Complacent in Past Successes

Japan is currently confronting a host of unprecedented circumstances that include a declining population amid falling birthrates and the aging of society, widening disparities between urban and regional areas, soaring prices for crude oil and other raw materials, heightened concern over food safety and a rising awareness of the threats posed by environmental problems. Several of these factors are dampening consumer sentiment, and the operating environment surrounding convenience stores as well as Japan's entire retail industry is likely to become increasingly harsh.

Viewing the current situation as an opportune time for action, in April 2008 we launched the LAWSON *Genki**1 Plan aimed at being "The 'Hot' Station in the Neighborhood"*2 that invigorates and energizes residents of local communities. Under this plan, we strive to operate vibrant and clean LAWSON stores that have bright and spirited employees and where customers can easily obtain desired products and information. To realize this objective, we will first focus on invigorating our franchise owners, store crews*3 and employees by making future-oriented investments for developing products that offer high value and that are cost competitive even in times of sharp rises in materials costs. Our investments will also be targeted at creating motivating work environments for store crews and for developing human assets, beginning with supervisors who provide instructions and other assistance to franchise owners to support store management.

*1 In Japanese, *genki* means to be vibrant, cheerful and vigorous.

*2 LAWSON has been using this slogan in both internal and external communications since 1991. By becoming a place where customers can "feel at home," as the Japanese word *HOTTO* means, as well as spreading a spirit of vibrancy to the local community in which it operates, each of our stores aims to be a "Hot' Station in the Neighborhood" loved and patronized by local customers.

*3 Store crews: Part-time and temporary workers

Creating Vibrant Stores Tailored to Local Communities

Determined to create vibrant stores tailored to the needs of customers in each neighborhood we serve, we are promoting store management based on the principle of "individual store orientation" and developing products especially suited to each neighborhood, with initiatives centered on our seven nationwide regional branches. As part of these efforts, we have been strengthening employee education to ensure proper decision-making that is ideally compatible with local conditions and the needs of each neighborhood. Accordingly, we have steadily developed human assets who are capable of self-initiative, while accumulating a wealth of know-how on creating stores and products that closely reflect the preferences of the local community. By constantly repeating this process on a trial-and-error basis, we are creating a framework for executing our "individual store orientation" principle.

LAWSON is presently opening stores with new formats crafted to the specific needs of each neighborhood. These new LAWSON formats include NATURAL LAWSON, which is suited to lifestyles based on the key words of beauty, health and comfort; LAWSON STORE100 value-priced fresh-food convenience stores; and LAWSON PLUS stores that utilize product development capabilities and the know-how gained from operating NATURAL LAWSON and LAWSON STORE 100 stores. Looking ahead, we will also build new business models utilizing our comprehensive business alliance with Japan Post Holdings Co., Ltd., as we aim to build stores that make the people of the neighborhood say, "Thank heavens for LAWSON!"

Realizing a Low-Carbon Society

Recent years have witnessed a host of problematic phenomena in regions worldwide attributed to global warming. To ensure our Earth remains a healthy and hospitable habitat where future generations can live with a sense of safety and reassurance, there has been greater attention on specific actions for reducing emissions of carbon dioxide (CO₂) and other greenhouse gases not just by companies but also by individuals and governments.

Keenly attuned to the critical importance of this issue, LAWSON has established its own autonomous targets for reducing CO₂ emissions. For example, by FY2012, LAWSON is striving for a 10% reduction in CO₂ emissions based on electricity consumption per store compared with FY2006 levels, which represents an overall CO₂ reduction of 60,000 tons per year. In working toward this goal, we are striving to reduce electricity usage at LAWSON stores by actively introducing energy-saving equipment such as chilling and refrigeration units as well as air conditioning and lighting systems.

We are also addressing environmental issues on other fronts as well, including the use of plastic shopping bags at check-out counters, the use of disposable chopsticks, disposing of unsold food such as boxed lunches and store operating hours. In working to realize a low-carbon society, we will re-evaluate our entire business operations as we think independently about customer needs of in each community, earnestly address various important issues and create a framework that promotes the conservation of energy and precious resources.

As a convenience store chain with close ties to customers in local communities, we are also striving to reduce CO₂ emissions by working hand-in-hand with our customers. To this end, LAWSON proposes a variety of environmental protection activities in which customers are able to participate in their daily lives. Prime examples of such activities include our ecology-focused "Bring Your Own" campaign that encourages shoppers to bring their own reusable shopping bags and chopsticks; the "CO₂ Offset Campaign," which offers a service enabling customers to autonomously offset CO₂ emissions; and the LAWSON Green Fund, which supports tree-planting activities in Japan and abroad. LAWSON is confident in being able to achieve meaningful results by undertaking each one of these activities in collaboration with the approximately 8 million customers frequenting LAWSON stores every day, franchise owners and store crews.



LAWSON Genki Plan symbol

Employing People from Different Cultures and Building a Flexible Organization

Today, business methods are undergoing significant changes and companies are shouldering increasingly heavy social responsibilities. Guided by our corporate philosophy of "Happiness and Harmony in Our Community," we recently formulated the new LAWSON Group Corporate Conduct Charter, under which we will strive to maintain and raise the awareness of strict adherence to corporate ethics among all members of the LAWSON family*³. In tandem, we are proactively establishing a risk management structure and an internal control system.

To create an organization that can respond flexibly to an ever-evolving society, LAWSON hired 10 non-Japanese staff members as new employees in FY2008. By bringing different cultures into the LAWSON Group, we are striving to change the mindset of our employees and imbue them with a sense of internationalism. We believe that LAWSON's corporate characteristics are conducive to embracing such new challenges. Backed by a business organization with diversity and flexibility, we will emphasize innovation in finding solutions for every issue we face as we spread a spirit of vibrancy throughout society.

*³ LAWSON family includes all employees, franchise owners and store crews.



Takeshi Niinami
President and CEO

Special Feature



Undertaking Environmental Activities Together with Our Customers



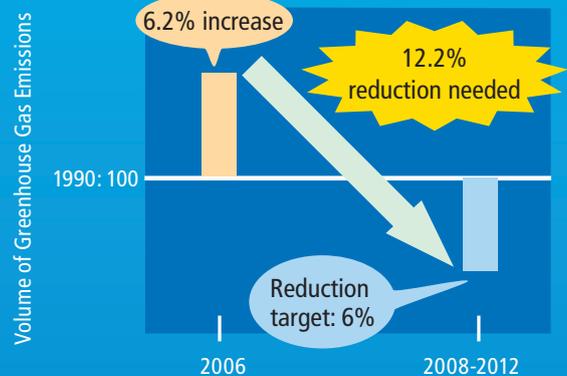
The first commitment period of the Kyoto Protocol began on April 1, 2008. Despite a 6.2% rise in greenhouse gas emissions in 2006, Japan is determined to do its part to prevent global warming and has pledged a 6% reduction in CO₂ and other greenhouse gas emissions compared with 1990 levels in the five-year period spanning 2008 to 2012.

In recent years, global warming is believed to be the principal factor underlying a variety of climatic irregularities and problematic phenomena worldwide. Consequently, adopting measures for reducing greenhouse gases is becoming increasingly crucial.

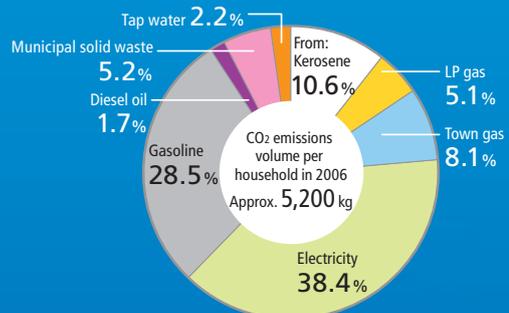
LAWSON is leading the way by implementing a diverse range of initiatives. As prime examples, we launched the LAWSON Green Fund in 1992, and we initiated the "Bring Your Own" campaign at check-out counters to reduce the use of plastic shopping bags and disposable chopsticks in 2007. As a more recent initiative, in April 2008 we launched the "CO₂ Offset Campaign," a service that allows individual customers to autonomously offset CO₂ emissions. LAWSON carries out the aforementioned activities based on the slogan "Undertaking Environmental Activities Together with Our Customers."

Environmental problems are no longer regarded as issues to be tackled solely by countries and companies, but require that individuals also re-examine their own personal lifestyles. As a convenience store chain that is an integral part of the lives of people of the local communities, LAWSON believes it must play a key role in proposing environmental activities that encourage the participation of people in their daily lives. Based on the philosophy of "Happiness and Harmony in Our Community," LAWSON works together with our customers in rising to the challenge of creating a sustainable society.

■ Japan's Greenhouse Gas Emissions in 2006 (%)



■ CO₂ Emissions of Japanese Households by Source



Source: Greenhouse Gas Inventory Office of Japan "The GHGs Emissions Data of Japan (1990-2006)" (released on July 9, 2008)

CO₂ Offset Campaign

Promoting Shopping that Contributes to the Prevention of Global Warming

What are CO₂ offsets?

Statistics in Japan on CO₂ generated in people's daily lives reveal that 5.2 tons of CO₂ are produced annually per household, which is equivalent to 1.5 tons per person even when excluding automobile usage. Moreover, CO₂ produced by households is trending upward and was more than 30% higher in FY2005 compared with FY1990 levels.

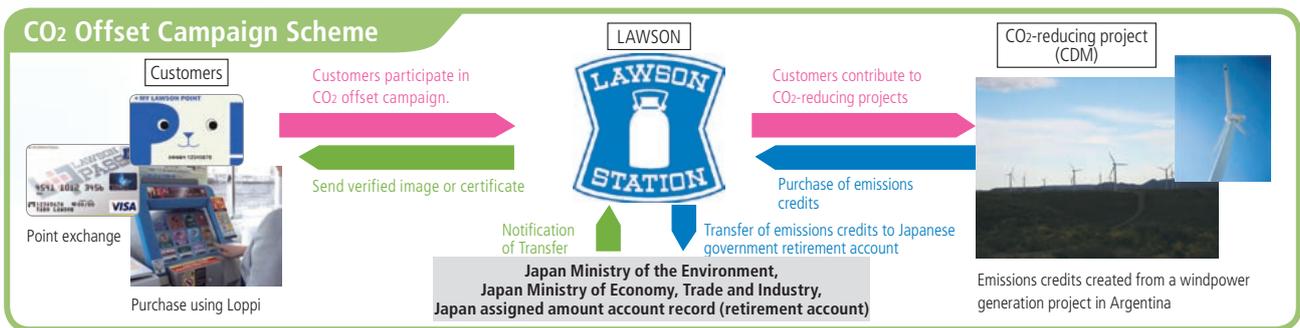
Highlighting our commitment to curbing CO₂ emissions, in April 2008 LAWSON commenced a new CO₂ offset service that allows for easy participation by individual customers. CO₂ offsets are based on the concept of offsetting all or a portion of CO₂ emissions utilizing CO₂ reductions, or emissions credits, achieved in developing countries and other regions. A representative example and method allowed under the Kyoto Protocol is the Clean Development Mechanism (CDM), a framework under which advanced countries and developing countries cooperate in undertaking activities for reducing CO₂ emissions. The amounts of CO₂ reductions in developing countries are then credited to

the reduction targets of advanced countries.

Under the new CO₂ offset service, LAWSON, on behalf of its customers, transfers emissions credits to a Japanese government account for redemption. Customers participating in the CO₂ offset campaign are then credited with reductions. This program thus allows customers to contribute to CO₂ reductions in Japan and throughout the world.



Akira Amari, former Minister of Economy, Trade and Industry, and Ichiro Kamoshita, former Minister of the Environment, supported the CO₂ offset campaign and have each purchased one ton of credits.



Offsetting CO₂ with Points from Purchases

Customers can exchange points in 50-unit increments accumulated from purchases with the LAWSON PASS and MY LAWSON POINT cards for emission rights to a 10-kg reduction in CO₂. In addition to reducing CO₂ levels by using these point cards, customers can also directly purchase emissions credits through Loppi multimedia data terminals in each LAWSON store. In the first three months of this campaign, we have received applications for emissions credits exceeding 600 tons of CO₂.



A unique identification number for emissions credits is listed on the certificate for each ton accumulated.

Verifying One's Own Emissions with CO₂ Household Account Books

When offsetting CO₂, people must first be able to ascertain the amount of their own personal CO₂ emissions. To do so, LAWSON offers customers CO₂ Household Account Books, which are posted and made available on our website. These CO₂ Household Account Books enable customers to easily calculate their own CO₂ emissions by simply inputting the amounts they consume such as electricity, gasoline and water.

Contributing to CO₂ Reductions Simply by Making Purchases

In cooperation with Coca-Cola (Japan) Company, Limited, in July 2008 LAWSON began selling a limited quantity of beverages that provide 1 kg of emissions credits for each drink purchased. We also allow customers to contribute to CO₂ reductions by purchasing over 20 types of household products, including batteries and light bulbs, with 250 g of emissions credits provided per product purchased. Under this scheme, LAWSON and various product manufacturers cover the cost of acquiring emissions credits using a portion of revenue rather than by including the costs in product prices. LAWSON is considering other measures that enable customers to contribute to the global environment through their everyday purchases of various products and services.



Real Spark (left) and Georgia Green Planet Café Au Lait (right)

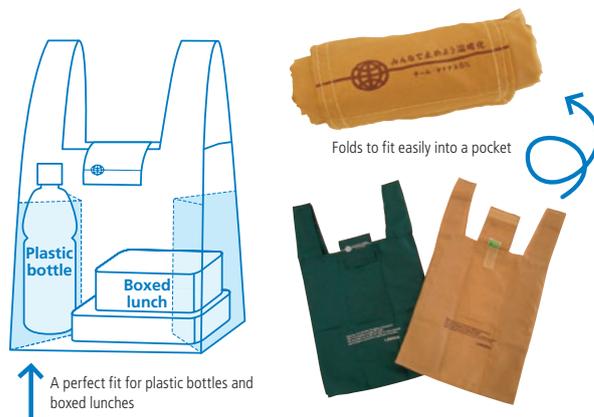
“Bring Your Own” Bag Campaign to Reduce the Use of Plastic Shopping Bags at Check-Out Counters.

The “Bring Your Own” bag campaign has gained momentum thanks to the cooperation of customers.

Distribution of “Bring Your Own” Bags (end of June 2008)	
Bags distributed at LAWSON stores and by Group companies	726,000
Bags produced by cooperating companies and organizations	602,000
Total bags distributed	1,328,000

To reduce the use of plastic shopping bags at check-out counters, LAWSON solicited customer opinions and suggestions to create the Convenience Store Eco-Bag. Frequent convenience store purchases such as boxed lunches and plastic bottles fit snugly into the bag, which also folds into a compact, pocket size. To circulate as many Convenience Store Eco-Bags as possible based on the conviction that these bags should be distributed rather than sold, in March 2007 we began distributing Eco-Bags at designated LAWSON stores in Tokyo’s Kasumigaseki government district and Otemachi financial district. We also published the design and specifications of these bags, and are calling for participation in this program from like-minded companies and organizations nationwide. By taking this approach, we are working to promote greater use of these bags not only through distribution at LAWSON stores but also through external organizations.

Thanks to the support of our customers, more than 1.3 million bags have been distributed during the one-year-plus period since the start of the campaign (as of the end of June 2008). In the future as well, we will work together with our customers to promote the increased use of such “Bring Your Own” bags.



“Bring Your Own” bag used at check-out counter



Examples of “Bring Your Own” bags created to date (includes cooperating companies and organizations)



As part of a comprehensive agreement with the local government, we are creating and distributing original “Bring Your Own” bags (Oita Prefecture).



In recognition of its growing popularity, the “Bring Your Own” Campaign won a Recognition Award (right) in the Retail Category of the “FY2007 Ministry of the Environment Award for Container and Packaging 3R Promotion.” The “Bring Your Own” bag earned a Recognition Award (left) in the Business Enterprise Category of the “My Bag, FY2007 Ministry of the Environment Award.”

Reduction of Plastic Shopping Bag Usage at Check-Out Counters

FY2007 Result

696kg

FY2008 Target

600kg



Weight of plastic shopping bags used per store per year

Under the Agreement on Environmental Protection Initiatives concluded in September 2006 by LAWSON and the Ministry of the Environment, LAWSON pledged a 20% reduction in plastic shopping bags by FY2008 compared with FY2005. LAWSON has long worked to reduce plastic shopping bag usage by having store staff ask customers to consider whether bags are necessary. To raise the effectiveness of these efforts, we have changed the content of staff suggestions regarding the use of plastic shopping bags and have requested the cooperation of customers in reducing plastic shopping bag usage through posters and in-store announcements. These efforts have led to an increase in the number of people foregoing plastic shopping bag usage, primarily customers making small purchases. Underscoring the success of these efforts, in FY2007 the total weight of plastic shopping bags used per store was reduced 22.7% compared with the fiscal 2000 level to 696 kg.

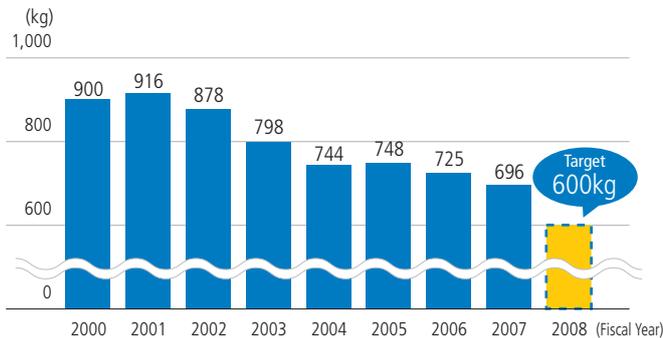
As another innovative initiative, all LAWSON stores in Hokkaido

started a new program that enables point card member customers who forego the use of plastic shopping bags at check-out counters to receive one point as an eco-point. After verifying its effectiveness in Hokkaido, we will consider extending the program across Japan.

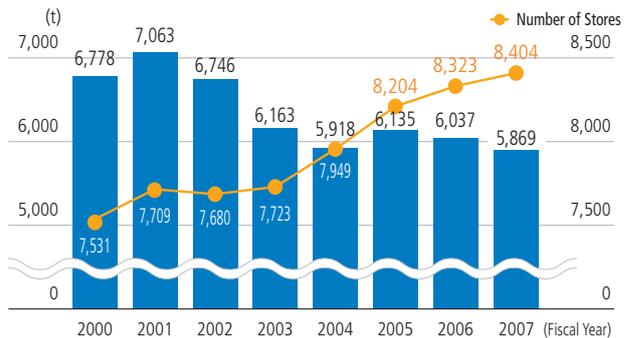


In Hokkaido, we have started a new trial program for awarding points to point card members who forego the use of plastic shopping bags at LAWSON stores.

Weight of Plastic Shopping Bags Used Per Store



Total Weight of Plastic Shopping Bags Used



Note: The number of stores is calculated by taking openings and closures during a period to represent a half-year of operation.

Cooperation in Reducing Plastic Shopping Bag Usage at Kyoto University—Providing Plastic Shopping Bags to Customers Only When Necessary

Kyoto University's COOP stores use approximately 1 million plastic shopping bags annually. Taking a more environmentally friendly approach, these stores are now striving to reduce plastic shopping bag usage by not providing plastic shopping bags with purchases as a general policy. LAWSON agrees with this approach, which is not based on providing any fee-based plastic shopping bags.

Accordingly, from January 2008 the LAWSON store at Kyoto University began providing plastic shopping bags only when requested by customers. To encourage customers to bring their own bags, the store sells and rents "Bring Your Own" bags in addition to having distributed such bags free of charge during a promotional campaign held prior to the introduction of this new system. Owing to these efforts, the store has lowered the plastic shopping bag distribution rate from 63.8% to 10.7% since commencing this program.



As a general rule, the LAWSON store at Kyoto University does not provide plastic shopping bags and instead sells and rents "Bring Your Own" bags.

Reducing Disposable Chopstick Usage through the “Bring Your Own” Chopsticks Campaign

Using Wood Not Approved for Baseball Bats

To reduce the use of disposable chopsticks, LAWSON launched the “Bring Your Own” chopsticks campaign in April 2007. This campaign is designed to promote the increased use of “Bring Your Own” chopsticks. In cooperation with MIZUNO TECHNICS CORPORATION and OAK VILLAGE Co., Ltd., we have produced “Bring Your Own” chopsticks using ash wood that did not meet baseball bat production standards.

To date, “Bring Your Own” chopsticks have been presented to customers using point cards in exchange for points. “Bring Your Own” chopsticks are also sold through Loppi multimedia data terminals as well as distributed to employees. We have distributed approximately 20,000 sets of “Bring Your Own” chopsticks, including chopsticks distributed by cooperating companies mutually supporting this initiative.



In June 2007, we presented 1,000 members of the Tokyo Yakult Swallows (professional baseball team) fan club with original sets of “Bring Your Own” chopsticks engraved with the logos of LAWSON and the Tokyo Yakult Swallows.

LAWSON also donates ¥100 to the non-profit organization (NPO) *Donguri no Kai* for each set of “Bring Your Own” chopsticks distributed. In an effort to promote the effective use of wood resources, we support the “Baseball Bat Forest” for preserving and cultivating ash, which grows slowly and has not undergone significant replanting.



Wood not approved for baseball bats

“Bring Your Own” chopsticks use previously discarded wood that does not meet baseball bat production standards. These chopsticks are included with a bat and ball accessories.



In April 2008, we supported the “4th Baseball Bat Forest Creation” held in Kiyomi-cho, Takayama City, Gifu Prefecture. Approximately 70 people from the NPO *Donguri no Kai* (Acorn Association) and local baseball teams participated in planting 160 ash and other trees.

Supporting the “My Challenge Declaration”

The “My Challenge Declaration” aims at achieving daily CO₂ reductions of 1 kg per person under Team Minus 6%, a national citizens’ campaign for preventing global warming. LAWSON supported the “My Challenge Declaration” by promoting a campaign that provides point card holders who have made a “challenge declaration” with ¥100 discounts on portable “Bring Your Own” chopsticks and other items.



“My Challenge Declaration” support poster

How “Bring Your Own” Chopsticks are Made

Cooperation: Student NPO “Have a Nice City”



Three-year-old saplings
Ash trees require 70-80 years of growth until harvesting.



70-year-old ash trees to be used for baseball bats



Around 4 to 10 bats can be produced from 1 tree and approximately 10% of the wood is unsuitable for bats.



The unsuitable wood can still be effectively utilized by applying lacquer to produce chopsticks.

Use of Disposable Chopsticks

FY2007 Result

56,636 sets

FY2008 Target

53,573 sets

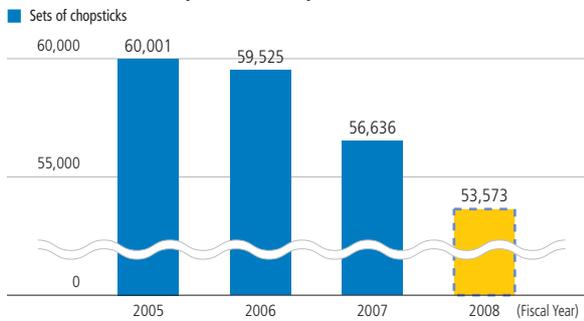
Volume of disposable chopsticks used per store per year

Disposable chopsticks are discarded after being used once. LAWSON store staff ask customers whether they need chopsticks with their purchases to avoid providing them unless absolutely necessary. We also strive to curb the wasteful use of chopsticks by bringing this issue to customers' attention through posters and in-store announcements.

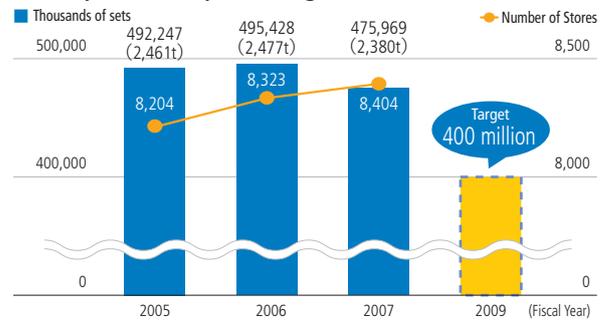
Through the implementation of these policies, LAWSON aims for a 20% reduction in disposable chopstick usage by FY2009 compared with

FY2006. In FY2007, per store use of disposable chopsticks amounted to 56,636 sets, approximately 5% lower than the previous fiscal year. LAWSON will strive to promote lifestyles that encourage people to carry their own chopsticks with them and will work to reduce the wasteful use of chopsticks by promoting the spread of portable "Bring Your Own" chopsticks and by not providing unnecessary disposable chopsticks.

■ Per Store Use of Disposable Chopsticks



■ Total Disposable Chopstick Usage



Note: The number of stores is calculated by taking openings and closures during a period to represent a half-year of operation.

Collecting and Recycling Disposable Chopsticks

In cooperation with *Kankyo Sanshiro*, a University of Tokyo environmental research group, we carried out a trial program for collecting and recycling used chopsticks at three LAWSON stores on the university's campus. Specifically, we installed collection boxes at LAWSON stores, and the disposable chopsticks collected were washed and dried before being sent to a paper production plant. The members of *Kankyo Sanshiro* cooperated with the collection and were involved in various on-campus publicity activities. From May 2007 through February 2008, approximately 18,000 chopsticks were collected for conversion into tissue paper and other paper products.



Collection boxes were installed at each LAWSON store.



The collected disposable chopsticks were washed, dried and then sent to a paper production plant.

Using Wood from Japanese Forests

The Japanese government aims to achieve a 3.8% (initially 3.9%) reduction in emissions of CO₂ and other greenhouse gases—two-thirds of the 6% reduction required by the Kyoto Protocol—through additional CO₂ absorption via better forest management. The Forestry Agency is advancing activities to promote the daily use of products made from Japanese materials and the cultivation of forestry initiatives. Within these activities, the agency is advocating a lifestyle called "3.9 GREENSTYLE."



include building wooden stores using wood produced in the surrounding areas, providing chopsticks made from Japanese cedar scraps at NATURAL LAWSON and using paper made from Japanese thinned trees in business reports and other booklets published by the headquarters.



Minami Aso Haksui Lawson Store (Kumamoto Prefecture) Prize (13th Prize-Winning Large-Scale Facilities that Use Timber, Kumamoto Prefecture Timber Cooperative Association Award)



Disposable chopsticks made from domestic timber are distributed at NATURAL LAWSON stores.

LAWSON supports this cause and makes active use of Japanese lumber to preserve forests and promote CO₂ absorption. Examples

LAWSON Green Fund

Creating Forests with the Support of Numerous Customers

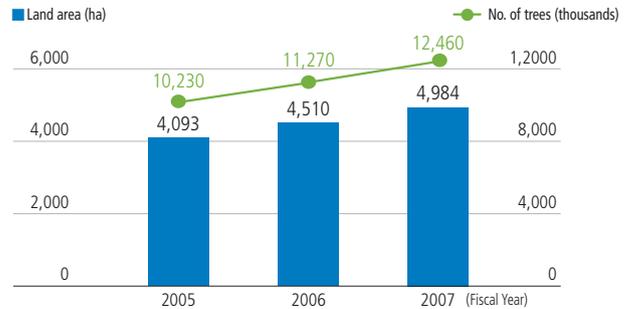
LAWSON Green Fund Marks its 17th Year

LAWSON Green Fund activities began in 1992 to cultivate forests, which has various benefits such as absorbing and storing CO₂, preventing landslides and preserving water. Funds donated at stores throughout Japan are provided to the National Land Afforestation Promotion Organization, which promotes various forestry management activities in Japan and overseas. Franchise owners, store crews and employees participate in some of these activities.



Donations to the LAWSON Green Fund, including contributions from the headquarters, totaled ¥2.52 billion as of February 29, 2008. Forestry management activities have benefited 1,736 locations in Japan and overseas and approximately 12.46 million trees over a total of 4,984 hectares were planted or thinned.

Land Area and Number of Trees Tended (Cumulative)

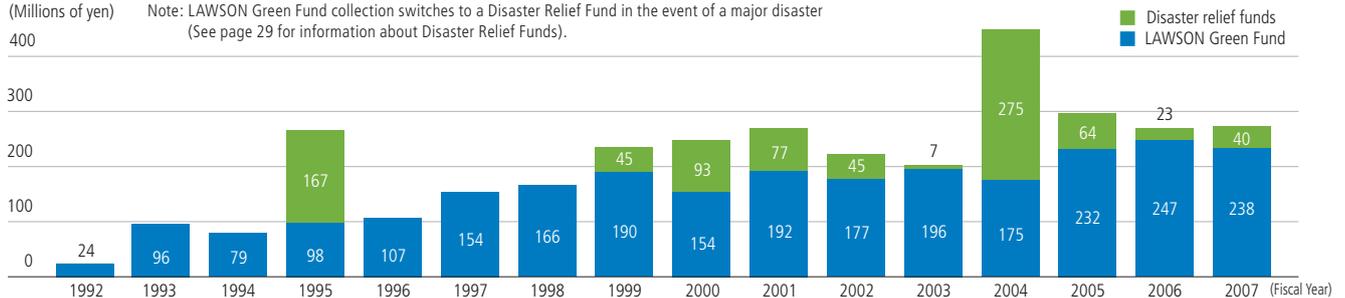


Note: Figures given for land area and number of trees are estimation based on total LAWSON Green Fund amounts and overall Green Fund activities

LAWSON Green Fund Donations

(Millions of yen)
400

Note: LAWSON Green Fund collection switches to a Disaster Relief Fund in the event of a major disaster (See page 29 for information about Disaster Relief Funds).



Mount Fuji LAWSON Greening Program

This program is directed toward restoring a 34-hectare tract of land on Mt. Fuji that was devastated by a typhoon in 1996 to the state of a natural forest. Franchise owners, store crews, employees and their families as well as customers participated in tree-planting and pruning operations at what will become "Mt. Fuji LAWSON Forest."

Some 170 people participated in Mt. Fuji forestry management activities on May 20, 2007, planting 620 Japanese cypress trees. In FY2008, approximately 180 people participated in such activities that included pruning, vine cutting and stabilizing trees. Also, each April we conduct forestry management activities as part of new employee orientation.



Planting trees (FY2007)

Voices

In 2007, we began encouraging the participation of regular customers through our LAWSON Mobile site. We carried out our forestry management activities with the participation of eight customers in 2007, and seven customers in 2008.

Customers Participating in 2008

- This was a tremendous experience for me to learn a lot about how the pruning process is essential for enabling trees to fully mature.
- I am curious about the tree I planted today, and hope to return in the future to see it again.

- I really like Mt. Fuji and traveled all the way from Hokkaido just to participate in the program. I am truly grateful for this hands-on experience.
- I am pleased to learn how the LAWSON Green Fund is used.



FY2007 Greening Projects with Participation of the LAWSON Family

Number of projects participated in

98 projects

Total number of participants

960

[Forestry management activities: 48 projects]
[School greening activities: 50 projects]

In FY2007 (March 1, 2007 to February 29, 2008), franchise owners, store crews and employees participated in greening projects at 97 locations in Japan and one overseas location (see page 14 for more details). Although unfamiliar with the tasks, they worked enthusiastically alongside other volunteers to plant trees, thin forests and clear away undergrowth.

Chubu Region

Niigata	Niigata/Agano	Total: 2 projects
Toyama	Toyama/Nanto/Imizu	Total: 4 projects
Ishikawa	Nomi	Total: 1 project
Fukui	Echizen Town/EchizenCity/Sabae/Eiheiji	Total: 4 projects
Yamanashi	Otsuki/Fujikawaguchiko	Total: 2 projects
Nagano	Nagiso/Chikuma/Nagano	Total: 3 projects
Gifu	Minokamo/Takayama	Total: 2 projects
Shizuoka	Fuji/Ito	Total: 2 projects
Aichi	Okazaki/Seto	Total: 2 projects
Mie	Tsu/Inabe	Total: 2 projects



Hokkaido Region

Hokkaido	Ebetsu/Sapporo/Furano/Kushiro/Chitose/Hakodate	Total: 7 projects
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Tohoku Region

Aomori	Owani	Total: 1 project
Iwate	Morioka/Hanamaki	Total: 2 projects
Miyagi	Kurihara	Total: 1 project
Akita	Odate/Katagami/Noshiro	Total: 3 projects
Yamagata	Tsuruoka	Total: 1 project
Fukushima	Sukagawa/Fukushima/Minamisoma	Total: 3 projects



Chugoku Region

Tottori	Kotoura/Tottori	Total: 2 projects
Shimane	Ohda	Total: 1 project
Okayama	Kagamino/Nishiawakura	Total: 2 projects
Hiroshima	Hiroshima	Total: 1 project
Yamaguchi	Shunan/Nagato/Shimonoseki	Total: 3 projects



Kanto Region

Ibaraki	Mito/Tsukuba	Total: 2 projects
Tochigi	Sakura/Nikko	Total: 2 projects
Gunma	Minakami/Shibukawa	Total: 2 projects
Saitama	Chichibu	Total: 1 project
Chiba	Chiba	Total: 1 project
Tokyo	Hachioji/Hino	Total: 3 projects
Kanagawa	Hadano/Hakone	Total: 2 projects



Shikoku Region

Tokushima	Mima/Naka/Tokushima	Total: 3 projects
Kagawa	Takamatsu	Total: 1 project
Ehime	Toon/Imabari	Total: 2 projects
Kochi	Hidaka/Ino/Susaki	Total: 3 projects



Kyushu Region

Fukuoka	Chikuzen/Kama	Total: 2 projects
Kumamoto	Kumamoto/Yatsushiro	Total: 2 projects
Oita	Kokonoe/Hita/Kusu	Total: 3 projects
Miyazaki	Kiyotake	Total: 1 project
Kagoshima	Kagoshima/Soo/Minamikyushu	Total: 3 projects
Okinawa	Naha	Total: 1 project



Kinki Region

Shiga	Nishiazai/Ohmihachiman	Total: 2 projects
Kyoto	Miyazu/Uji/Kyoto	Total: 3 projects
Osaka	Taishi	Total: 1 project
Hyogo	Itami/Kobe	Total: 3 projects
Wakayama	Taiji/Gobo/Nachikatsuura	Total: 3 projects

LAWSON Flower and Greenery Day

In 2001, as a symbol of the LAWSON Green Fund and forestry management activities, we declared the third Sunday in May as LAWSON Flower and Greenery Day. This celebration is marked by the LAWSON Flower Present Event in addition to the Mount Fuji LAWSON Greening Program. The LAWSON Flower Present Event consists of distribution of flower seeds to customers at stores nationwide to express the gratitude we feel toward customers. Approximately 900,000 customers (100 per store) each year were presented with morning glory seeds and miniature sunflower seeds, respectively, in FY2007 and FY2008.

In 2008, LAWSON collaborated with the movie *The Witch of the West Is Dead* by including special discount coupons for movie tickets with packs of flower seeds distributed at LAWSON stores. A portion of the revenue from the movie tickets is donated to the LAWSON Green Fund for various forestry management activities carried out by volunteers and other organizations.



In 2007, we presented customers with morning glory seeds.



In 2008, we provided miniature sunflower seeds under a tie-up with movie *The Witch of the West Is Dead*.

FY2007 Green Fund Promotional and Educational Activities

Event Eco-Life Fair 2007

- Date: June 2-3, 2007
- Location: Yoyogi Park, Shibuya Ward, Tokyo
- Sponsor: Eco-Life Executive Committee (Ministry of the Environment)



- Details:
 - Environmental activities, including the LAWSON Green Fund, were introduced via information panels.
 - LAWSON original merchandise was given away as prizes to quiz contests winners.

Event Karuizawa Arts Festival 2007

- Date: August 20-26, 2007
- Location: Karuizawa Town and Miyota Town, Nagano Prefecture
- Sponsor: Karuizawa Arts Festival Executive Committee



- Details:
 - LAWSON Green Fund was promoted through the Karuizawa Arts Festival Pass, which provided discounts and special benefits at shops and facilities during the festival period.
 - A portion of the sales of this pass were donated to the LAWSON Green Fund.

Event Eco-Products 2007

- Date: December 13-15, 2007
- Location: Tokyo Big Sight
- Sponsor: Japan Environmental Management Association for Industry, Nikkei Inc.



- Details:
 - Environmental activities, including the LAWSON Green Fund, were introduced via information panels.
 - Importance of forests explained to children who participated in a children's eco-tour sponsored by Green Cross Japan.

Event Morning Musume "Cooling Down the Earth" Cultural Festival 2007 in Yokohama

- Date: October 7-8, 2007
- Location: Pacifico Yokohama
- Sponsor: Morning Musume, Cultural Festival Executive Committee, The Yomiuri Shimbun (Tokyo Headquarters), Nippon Television Network Corporation



- Details:
 - Environmental activities, including the LAWSON Green Fund, were introduced via information panels.
 - LAWSON original merchandise was given as prizes to quiz contest winners.
 - Original Cultural Festival "green" piggy banks were handed out.

Movie Arthur and the Minimoys

- Details:
 - Promotional stickers placed on LAWSON Green Fund boxes in all stores (implementation period: August 25 – October 14, 2007)
 - Calls for cooperation with the LAWSON Green Fund at movie previews and movie screenings in Japan
 - A portion of sales of advance tickets donated to the LAWSON Green Fund
 - Merchandise presented by the cast for the Japanese-language version is available for sale via an Internet auction and proceeds donated to the LAWSON Green Fund.



Concert Natural Songs

- Details:
 - Promotional stickers placed on LAWSON Green Fund boxes in all stores (implementation period: February 8 – April 21, 2008)
 - Calls for cooperation with the LAWSON Green Fund at Natural Songs concert venues
 - A portion of sales of concert merchandise donated to the LAWSON Green Fund



LAWSON Employees Participate in Volunteer Tree-Planting Tour in Datong City, China

Almost all disposable chopsticks used by LAWSON are imported from China. In cooperation with the specified non-profit corporation Green Earth Network, as part of LAWSON Green Fund activities, in April 2007 we began annual overseas tree-planting tours, with LAWSON employees and their families participating as volunteers. To date, 30 employees have participated, including 15 in 2007 and 15 in 2008. As part of the tour, participants carried out tree-planting activities together with local residents in the Loess Plateau, in Datong City, Shanxi, China.

With virtually no forested areas, the Loess Plateau faces a number of severe problems that include soil erosion, desertification and water shortages. Yellow sand carried by winds from these barren areas in spring is a problem not only for China, but affects other countries as well. As a resident of one of China's neighboring countries, LAWSON considered a way in which to address this problem and thus decided to initiate the tree-planting tours.



Once abundant in greenery, the Loess Plateau now closely resembles a desert.



No matter how many trees are planted, the horizon seems to stretch onward. The dryness of the region has hardened the ground and each dig with the shovel raises a cloud of dust. (2007)



Access to water is taken for granted in Japan, but in the Loess Plateau region water is a precious commodity that must be transported from long distances. (2007)



A young poplar tree is removed from the ground. Saplings will be cultivated and later replanted in a different area after growing to a certain size. This process is an enormous task due to the large size of the trees. (2008)



Local children assisted in the work. Although verbal communication was not possible, all participants shared an amiable and enjoyable experience. (2008)



The flower of an apricot tree resembles that of a cherry tree. Planting fruit trees enables local residents to earn income from harvesting the fruit of these trees.



Tour participants comprised both males and females and represented diverse job categories and age groups. A strong sense of teamwork was gained by toiling and sweating together.



Participants and children not only work hard but also enjoy having fun playing soccer or jump rope after tree-planting activities are finished.

Participant Interviews

Takahito Murai Supervisor, Hakodate District

The most indelible impression of my trip was the warm hospitality of the village's people. We visited local villagers' homes for lunch and were welcomed with a smorgasbord of homemade dishes. In stark contrast to the area's harsh climate and forbidding desert, I could really feel the warmth of the people.

By participating in the tour, I was able to get a first-hand glimpse of how donations to Green Fund boxes in each store are being put to work around the world. This was a meaningful trip for me because I was able to interact more deeply with LAWSON employees from different geographic regions and who perform different jobs.



Chie Hara Accounting Advisor, Kinki Management Center



The most impressive aspect of the tour was the village's children, who would call out to us in rudimentary English. The village is certainly not affluent and its people must make do with limited provisions. However, the people have a strong zest for learning and would make comments such as "I want to learn." The trip provided an excellent opportunity for me to rethink the many things I should do.

It was very meaningful for me to participate in a tour that continues such activities as planting fruit trees at schools, thus allowing the fruit to be harvested for income, as well as planting coniferous trees as part of disaster-prevention efforts in areas that have undergone desertification.

FY2007 Activity Report

For "Happiness and Harmony in Our Community"

In realizing our corporate philosophy of "Happiness and Harmony in Our Community," LAWSON considers the ideal presence it should maintain for people of the local communities we serve and our role in society. As "The 'Hot' Station in the Neighborhood," LAWSON strives to undertake activities that bring happiness to all and to realize a society that can share the enjoyment created by our activities.

Environment ▶p16

LAWSON consumes electricity, oil, water and other resources while conducting its operations, generating approximately 730,000 tons of CO₂ per year. Aware of its responsibilities in helping protect the natural environment, LAWSON works to curb global warming by introducing energy-saving equipment, conserving resources and reducing waste.



Products ▶p23

Each LAWSON store stocks approximately 2,700 merchandise items. Besides allowing customers to make their purchases with a sense of safety and security, we are continuing to ensure customer satisfaction by offering an exciting selection of seasonally oriented products with an emphasis on health.



Local Communities ▶p27

A truly national chain that operates stores in all 47 prefectures of Japan, LAWSON maintains close relationships with all communities in which we operate. As individual members of society, each person in the LAWSON family also adheres to all laws and social norms and makes their utmost efforts to ensure that LAWSON's presence leads to the happiness of all communities.



Social Contributions ▶p32

Striving to be useful to society as a company, LAWSON also actively carries out volunteer activities. Through such initiatives as supporting children's and sports activities, LAWSON plays a key role in creating happy and vibrant communities.



Business Partners ▶p41

LAWSON depends on the cooperation of its business partners to provide safe, high-quality products and services to its customers.

LAWSON aims to build relations with business partners with whom we can anticipate local needs and share our innovative ideas, while mutually providing each other with know-how and knowledge.

Employees ▶p39

LAWSON employees serve as the nucleus of our efforts to realize our corporate philosophy and to drive companywide growth. LAWSON strives to create workplace environments that allow employees to work energetically with a sense of pride and social purpose.

Franchise Owners and Store Crews ▶p37

LAWSON stores are managed by approximately 7,000 franchise owners, who are supported by around 120,000 store crew members responsible for interacting with customers at the front line of business at each store. Both franchise owners and store crews are thus highly valuable assets and crucial to the operation of LAWSON stores. LAWSON provides a variety of support to ensure franchise owners maintain confidence and pride and that store crews can work with enjoyment and motivation.

Customers ▶p35

LAWSON believes its stores must be comfortable and relaxing places that people wish to visit. LAWSON serves approximately 2.5 billion customers per year, with a daily average of 812 customers per store. As "The 'Hot' Station in the Neighborhood," we operate stores and provide merchandise assortments geared to the needs of each community, thereby ensuring customer satisfaction in every neighborhood we serve.

Committed to Environmental Protection

LAWSON has designated initiatives for reducing the environmental burden as a crucial management task for realizing a low-carbon society. Accordingly, LAWSON will make earnest efforts to implement plans that minimize CO₂ emissions.

LAWSON Environmental Policy

Fundamental Philosophy

LAWSON believes in operating stores that are friendly to people and the environment. To ensure the health of the environment that we will pass on to future generations, we incorporate environmental considerations into all our actions, seek to operate in a sustainable manner that is in harmony with our environment and participate actively in social contribution activities.

Policies

(1) Provide information on safe and secure products and services, and continuously pursue activities that reduce our burden on the environment.

- (2) Based on environmental evaluations of our operations, products and services, set environmental goals and targets, strive to continuously improve them and prevent pollution.
- (3) Respect all laws and regulations concerning environmental preservation activities and improve our environmental management system.
- (4) Strive to reduce CO₂ emissions and pollutants by conserving energy in our daily operations, conserving resources, minimizing waste and recycling.
- (5) Promote regional greening and beautification by participating in and supporting the environmental preservation and social contribution initiatives of municipal bodies.
- (6) Raise awareness of environmental protection through environmental education and communications.

CO₂ Emissions and Reduction Targets

Measures to Reduce Electricity Consumption

Proactively pursuing a reduction of CO₂ emissions, LAWSON has established several Voluntary Action Targets. Among these, LAWSON aims for a 10% reduction in per store CO₂ emissions resulting from store electricity usage by FY2012 compared with FY2006 levels. Based on total emissions in FY2006, this corresponds to a total reduction of approximately 60,000 tons of CO₂.

Electricity consumed at stores accounts for approximately 80% of LAWSON's CO₂ emissions. Over the past several years, electricity consumption by LAWSON has trended upward along with the introduction of new products and services. We will continue to actively introduce energy-saving equipment, spanning chilling and refrigeration units and air conditioning, to reduce CO₂ emissions.

Principal Electricity Reduction Measures at LAWSON Stores

- (1) Introduce Energy-Saver Pack integrated cooling and ventilation systems at new stores
- (2) Introduce Eco-Pack energy saving and controlling units at existing stores
- (3) Introduce automatic adjustable lighting systems for controlling in-store illumination
- (4) Install reflectors in store signage to reduce the number of fluorescent lights by half

Note: For details, please refer to page 17.

Voluntary Action Targets for CO₂ Reductions

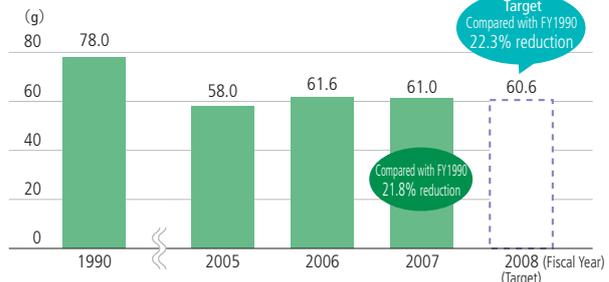
By FY2012,
LAWSON will strive for a 10% reduction in per store CO₂ emissions resulting from store electricity usage compared with the FY2006 level.

To attain this target,

we will utilize environmental management systems and continually monitor the state of our progress.

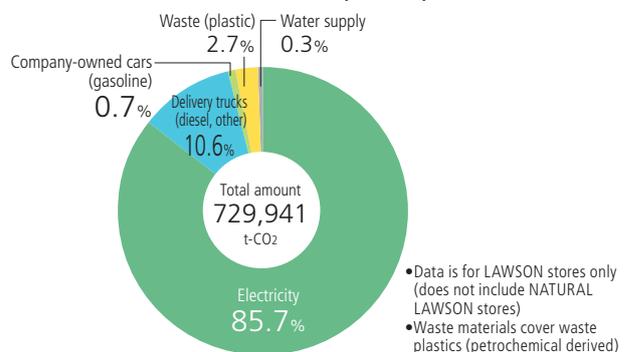


Unit CO₂ Emissions*



*Unit CO₂ emissions: total floor space x CO₂ emissions per hour of operation (g of CO₂/m² h) Taking into consideration the results of third-party verifications starting in FY2008, LAWSON is making more precise evaluations and corrections of data from FY2006 onward.

LAWSON CO₂ Emission Volumes (FY2007)



Environmental Management Systems

To facilitate efforts to reach our targets, we are utilizing environmental management systems (ISO 14001) and operating the Plan, Do, Check, Action (PDCA) cycle to confirm the state of our progress toward achieving set targets.

We commissioned Japan Quality Assurance Organization (JQA), a third-party institution, to verify the volume of CO₂ emissions for the entire LAWSON chain. This will enable LAWSON to obtain highly objective and reliable data on its CO₂ emissions.

Measures to Curtail Energy Consumption

Introducing Energy-Saving Systems in Stores

FY2007 result

2,907 stores

FY2008 target

4,882 stores

Energy-Saving Systems Spanning Refrigeration Units and Air Conditioning

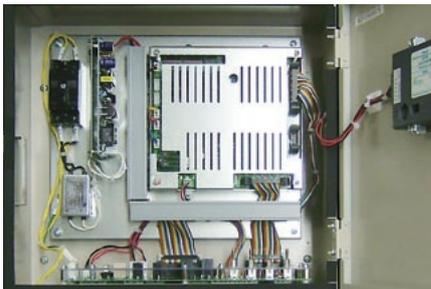
Electricity consumption at stores accounts for over 80% of LAWSON's energy consumption. We are introducing energy-saving systems, spanning chilling and refrigeration units and air conditioning, to reduce power use by stores.

Our new stores are equipped with an Energy-Saver Pack, comprising an integrated cooling and ventilation system. Consolidating the outside units for chilling, refrigeration and air conditioning, which are conventionally controlled separately, boosts efficiency. In existing stores, we are installing Eco-Pack automatic energy saving and controlling systems that monitor exterior unit gas pressure for chilling and air conditioning units and anti-condensation heaters.

In FY2007, we introduced the Energy-Saver Pack and Eco-Pack automatic control systems at a total of 2,907 stores. In FY2008, we plan to introduce these at 4,882 stores and expect this will lead to a reduction in CO₂ emissions of approximately 21,000 tons.



Energy-Saver Pack outdoor unit for new stores



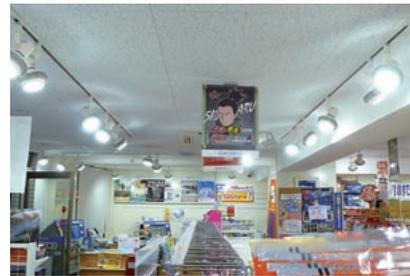
Eco-Pack for existing stores

Adjustable Lighting Systems

Automatic adjustable lighting systems provide in-store illumination that makes products easy to see. Sensors control lighting in areas near windows, making efficient use of natural sunlight and reducing electricity consumption by around 30%.

We also use reflectors in our store signage for amplifying lighting, reducing the number of fluorescent lights by half.

We are also experimenting with the use of light-emitting diodes (LEDs) in store signs and lighting equipment. By introducing LEDs, which consume about half the power of fluorescent lights, we are seeking to further reduce CO₂ emissions.



We are experimenting with LEDs in store lighting.



Reduced fluorescent usage in store signage

Other Energy-Saving Measures

LAWSON is promoting the introduction of total heat exchangers as ventilation systems, which have been introduced to 1,400 stores by the end of FY2007. These units efficiently recover heat and humidity generated by air conditioners and returning it to the store interior. Heat recovery is more than 70% higher versus conventional systems that only recover heat, and air conditioner efficiency is also enhanced.

In FY2008, we began using an external heat insulation method for the exterior walls and roofs of LAWSON stores. For exterior walls, we are utilizing metal panels that surround insulating materials on two sides, while installing insulating material on roofs, thereby effectively shutting out heat from outside the store. This allows the interiors of each store to be maintained at a fixed temperature and reduces the burden on air conditioners.

Number of Stores Introducing Energy-Saving Systems

	Number of stores (cumulative)	
	FY2007	FY2008 (target)
Energy-Saver Pack (integrated cooling and ventilation systems)	1,422	1,877
Eco-Pack (energy saving and controlling units)	1,485	3,005
Total	2,907	4,882

Initiatives to Conserve Energy and Reduce the Environmental Load of Delivery Trucks and Company-Owned Cars

Promoting Joint Deliveries

In logistics, we are promoting multi-drop deliveries and revamping our delivery system to reduce the number of trucks that deliver to a given store, thereby reducing our environmental load.

An example of such efforts is the use of double-chamber, double-temperature management cargo vehicles for carrying products of two different temperature requirements; rice-related products, which are stored at 20°C; and dairy products, desserts and other items that are stored at 10°C or below. Partitioning the cargo areas of delivery trucks into different zones allows both types of products to be transported in one vehicle.

Through this practice, as well as by reworking our sundry item delivery schedules, we have cut average deliveries per store to 7.5 daily versus 16 in 1989. We will continue to further improve delivery schedules and routes.

Traffic Management System

All trucks that deliver chilled products* are mounted with a travel management system linked to a mobile communications network. This configuration allows LAWSON headquarters and distribution centers to monitor cargo temperatures and arrival and delivery status in real time, facilitating more accurate quality control. The system also allows monitoring of driving conditions, including over-acceleration, over-braking and speeding, thus promoting travel efficiency and ensuring engine cut-off during unloading.

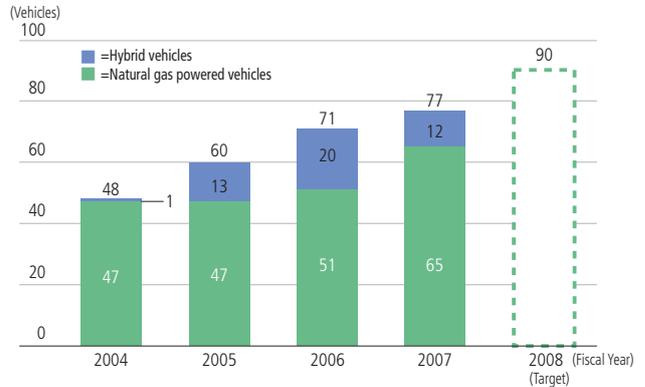
*Chilled products include rice and dairy products, desserts and other products that require temperature control.

Other Measures

To lower gas emissions and reduce its environmental load, in 1997 LAWSON became the first company in its industry to use low-pollution delivery trucks powered by natural gas. We also have been promoting the introduction of hybrid-fuel trucks since March 2004, and as of February 29, 2008, we have introduced 77 such low-pollution vehicles in total. In addition, we are planning to introduce the use of biodiesel fuel (fuel made from recycled waste oil) on an experimental basis.

We are also promoting the use of eco-tires, which have a different shape and rubber composition than conventional tires as well as a lower rolling resistance, thereby minimizing fuel consumption. The introduction of eco-tires is expected to yield an approximate 4% improvement in fuel economy per vehicle.

Introduction of Low-Pollution Vehicles



Eco-tire



Hybrid truck

Improving the Fuel Efficiency of Company-Owned Cars

We have introduced the Electronic Toll Collection (ETC) system to all Company-owned cars. This upgrade helps avoid tollgate traffic jams, thus improving fuel efficiency and lowering CO₂ emissions. Also, in an effort to reduce the environmental burden caused by our 1,641



Company-owned car (hybrid vehicle)

Company-owned cars, we have been installing an automatic idling cut-off system in these cars or switching them to hybrid vehicles since FY2006.

TOPICS!

Participation in a Solar Energy Business that Utilizes a Citizens-Operated Fund

LAWSON participated in the Minami-Shinshu *Ohisama* Community Solar Project, a solar energy project that utilizes the Stop Global Warming *Ohisama* Solar Fund. Under this scheme, the fund used subsidies provided by the Ministry of the Environment to install rooftop solar panels at two LAWSON stores in Iida City, Nagano Prefecture. The electricity generated by the panels is then purchased by the two stores for in-store use.

The panels generate approximately 5,000 kWh at the Iida Dashina store and around 9,500 kWh at the Iida Zakoji store. Moreover, the power generated by this business has been certified by the Green Energy Certification Center Japan, and plans also call for the "environmental value" of this electricity to be certified through the issue of Green Electricity Certification*.

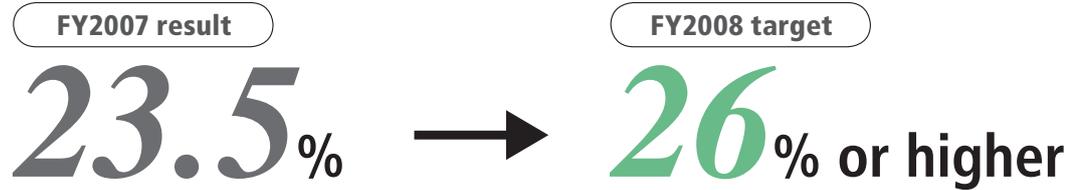
*Green Electricity Certification is a type of certification that can be traded for the environmental value of such naturally produced energy as solar power and wind power.



Solar panels at Iida-Dashina LAWSON store

LAWSON's Measures for Reducing Waste

Food Product Waste Recycling Rate



Reducing Food Product Waste

LAWSON's daily food product waste, which is the combined amount of leftover food and waste oil, amounts to approximately 11 kgs per store. We strive to reduce food product waste and promote recycling by steadily implementing an array of measures in the three-pronged approach of curtailing waste generation, implementing recycling and reducing waste volumes.

Food product recycling involves the recycling of waste oil in combination with the recycling of food waste into animal feed and fertilizer. In FY2007, LAWSON's food product recycling rate was 61.3% for directly managed stores and 23.5% for all stores. In FY2008, we will strive for a food recycling rate of 26% or higher for all stores and will work to increase the number of stores implementing food recycling.

Food Product Recycling Rate (%)

	FY2007*		FY2008 (target)*
	All stores	(Directly managed stores)	All stores
Waste oil recycling	14.0	(13.9)	14.2
Food (animal feed and fertilizer)	9.1	(40.5)	11.5
Organic waste processors	0.4	(6.9)	0.3
Total	23.5	(61.3)	26.0

*Set to coincide with the Japanese governmental fiscal year (e.g., FY2007: April 1, 2007 to March 31, 2008)

Curtailing Waste Generation

Efforts at the Production Stage

In the production stages of rice-related and other food products, LAWSON has introduced a Manufacturing Process Control System for efficient production planning to ensure consistent product quality at rice product plants nationwide and avoid unnecessary output. (Please refer to page 24 for details on the Manufacturing Process Control System.)

By implementing this system, ingredient input can be managed as prescribed by regulations and food waste is thus reduced.



Weighing of raw materials at rice production facility reduces waste.

Store Initiatives

Each store has a store computer used to track sales trends based on the day of the week, the weather, regional activities and other factors before orders are placed. This is one way we reduce waste caused by over ordering.



Using a store computer to check product lineups and order new items

Reducing Waste

We have introduced organic waste processors to reduce the amount of food waste that stores generate by drying the waste prior to transport at 62 directly managed stores (as of March 31, 2008) around Japan.



Organic waste processor

Recycling

In January 2006, LAWSON began introducing measures to recycle waste oil after being used in stores to prepare such products as *Kara-age Kun* fried chicken nuggets. As of June 30, 2008, approximately 7,460 stores recycled their waste oil. The waste oil is recovered by collection companies and recycled and treated at a recycling plant to produce animal feed additives, construction coatings, alternative fuel for public buses, additive-free soap and other products.

Around Japan, 1,020 LAWSON stores currently recycle leftover food into animal feed and fertilizer. This waste includes such items as boxed lunches and side dishes that have passed their sell-by dates. All stores in the Tokyo metropolitan region and some stores in Yokohama, Kawasaki and Kyoto cities, as well as NATURAL LAWSON and LAWSON STORE 100 stores, turn this waste into hog feed. Similar waste from stores in the cities of Kumamoto, Nagoya, Aomori and Matsue and Mie prefecture are converted into fertilizer.

For recycling into fertilizer, collection companies pick up leftover food from stores for delivery to plants, where it is ground and fermented before being used in fertilizer (eco-feed).

The food product recycling system is possible because of cooperation by collection companies, processing plants, feedlots and

farm owners. This system is one example of how LAWSON works with its business partners and members of the communities in which it operates to effectively use resources.

Recycling food waste into fertilizer in Matsue, Shimane Prefecture*
Partner: Earth Support Corporation



1. Leftover food collected from stores using specialized vehicles



2. Transportation to recycling plants



3. Leftover food put into a liquefier and then fermented



4. Liquid fertilizer produced. Fertilizer used by Earth Farm, an agricultural production corporation operated by a Group company, as well as by nearby farms.

*Fertilizer production methods differ by plant.

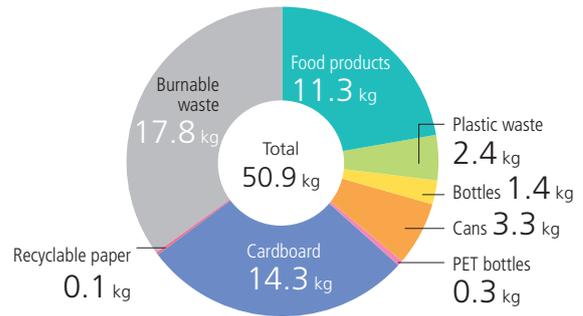
Waste Volumes

To reduce the amount of waste produced and promote recycling, LAWSON conducts fact-finding surveys on waste that stores generate by actually sorting and weighing refuse from stores.

A survey of 315 LAWSON stores in the Tokyo area conducted in FY2007 indicated average daily output of 50.9 kg of waste per store. The largest contributors were burnable materials, including wastepaper, wrapping paper, disposable chopsticks and dead leaves, totaling 17.8 kg, followed by 14.3 kg of cardboard boxes for packaging and 11.3 kg of food products.

In the breakdown of waste output by source, the Clean Box store-front trash cans account for approximately 30% of total waste output, showing an upward trend every year.

Waste Disposal Survey Results (Average Weight per Store per Day)



Installing Clean Boxes

LAWSON places Clean Boxes (trash cans) outside stores for disposal of lunch boxes or drink containers purchased at the store and consumed in front of the store or in the parking space.

In response to increasingly strict municipal regulations for the sorting of trash, we have been introducing new Clean Boxes since February 2005. With the new Clean Boxes, waste types are reclassified into the four categories* of paper, plastics, bottles and cans and PET bottles, and insertion slots can be replaced accordingly. These boxes are made from plastic recycled from PET bottles and other materials, which is more durable than conventional steel materials.

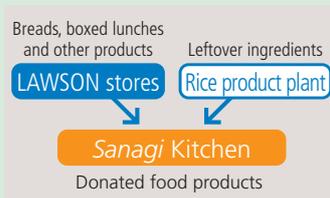
*The number of boxes installed varies by region, depending on specific municipal waste disposal regulations.



Effective Use of Leftover Food

LAWSON sets voluntary sell-by dates and times to ensure that customers can enjoy its products safely. All items that pass their sell-by dates and times are removed from store shelves. As these products are removed from shelves well before they reach their expiration date, there are no quality-related problems with these products. As one aspect of our corporate social responsibilities, in June 2006 we began putting in place measures to use this leftover food more effectively.

Through the cooperation of the city of Yokohama, the NPO *Sanagitachi* Project delivers inexpensive and nutritionally balanced meals to people in need in Yokohama's Kotobuki-cho



district through the *Sanagi Kitchen*. LAWSON stores in the area as well as a rice product plant provide this NPO with breads, boxed lunches and other products that have passed their sell-by dates and times, but remain safe to consume.



Sanagi Kitchen

Resource Conservation Initiatives

Environmental Considerations in Packaging

LAWSON's commitment to safety, security and health is evident in efforts to eliminate toxic emissions in the use and production of packaging materials. Accordingly, we are implementing measures to upgrade packaging materials and facilities.

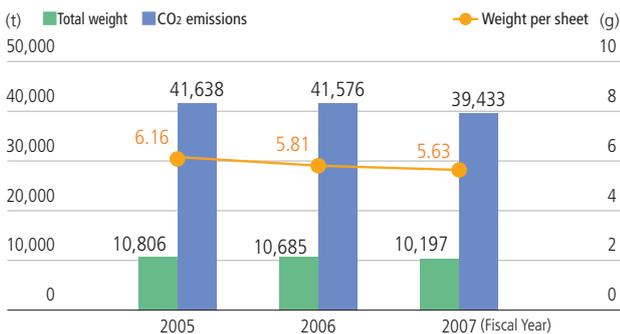
In terms of environmental considerations, we use containers made from polylactic acid (PLA) for some rice and side dish products, and promote the use of environmentally friendly film-printing processes using water-based inks. PLA is a biodegradable substance made from corn and other vegetables. Unlike petroleum-based materials, PLA is carbon neutral, meaning that the amount of CO₂ emitted during incineration equals the amount absorbed when its source materials are grown, reducing emissions over the product lifecycle.

LAWSON also makes efforts to conserve resources in packaging and achieved an approximately 490-ton reduction in the weight of packaging in FY2007. This reduction in packaging also enabled an approximately 2,100-ton reduction in the volume of CO₂ emissions that result from the incineration of packaging. In FY2008, we will aim for a 5% reduction in CO₂ emissions from the incineration of packaging.



Salad containers made with PLA

■ Packaging Weight and CO₂ Emissions



Offering Environmentally Conscious Products

Today, much attention is being focused on so-called LOHAS (Lifestyles of Health and Sustainability), which promotes sustainable lifestyles that aim for mutual harmony and benefits for people and the Earth, with an emphasis on environmental protection and health. In collaboration with the magazine *SOTOKOTO* and the Lohas Club, LAWSON has developed environmentally conscious beverages sold in LAWSON stores. These beverages have low-carbon packaging approximately 17% lighter than conventional cup-type containers and feature simple product designs. For

example, café au lait products use only fresh milk, coffee and sugar as the main ingredients, and no other unnecessary ingredients are added. A portion of sales from "Café Au Lait with Extra-Rich Fresh Milk" is donated to More Trees, a forest-conservation organization headed by musician Ryuichi Sakamoto. Additionally, the 14.8 g of plastic that comprise the cup-type container of our "English Style MILK TEA" are offset through emission credits provided by *SOTOKOTO* and the Lohas Club.



"Café Au Lait with Extra-Rich Fresh Milk" (left)
English Style MILK TEA (right)

NATURAL LAWSON also sells an array of environmentally conscious products (Please refer to page 27 for more information on NATURAL LAWSON).

Uniforms from Recycled PET Bottles

LAWSON uniforms worn by staff at stores throughout Japan now bear the Eco Mark, as more than 50% of the materials used for these uniforms are derived from recycled PET bottles. In addition, used uniforms are again recycled into buttons, fasteners and hangers as a circulation-type recycling system.



Eco Mark certified uniform

Recycling the Rechargeable Batteries Used in Dynamic Order Terminals

In March 2007, LAWSON began recycling the rechargeable battery packs used in its product order placement terminals.

When recycling rechargeable batteries, the rechargeable cells inside are replaced, essentially turning them into new rechargeable batteries. LAWSON recycled some 6,000 such batteries in FY2007. By recycling the rare metals used in these batteries and reusing their casings, we reduced annual waste by approximately 1 ton.



Dynamic Order Terminal (DOT)

Environmental Targets and Results

FY2007 Targets and Results

Area	Activities	Targets	Achievement Status	Achieved?
Saving energy	Cut store air conditioner and cooler electricity use	Introduce energy-saving units in 1,000 existing stores (cumulative: 1,500 stores)	Introduced in 761 stores Cumulative: 1,485 stores	Nearly*
		Introduce energy-saving units in 600 new stores (cumulative: 1,600 stores)	Introduced in 388 stores Cumulative: 1,422 stores	Nearly
	Cut CO ₂ emissions by upgrading delivery truck fuel	Increase the total number of low-pollution vehicles (hybrid, natural gas) to 82	Cumulative: 77 vehicles (12 hybrid vehicles, 65 natural gas powered vehicles)	Nearly
	Cut CO ₂ emissions by upgrading Company-owned car fuel	Switch Company-owned cars to fuel-efficient models	Switched all of 1,641 Company-owned cars	Attained
	Promote companywide prevention of global warming (reduce CO ₂)	Reduce unit CO ₂ emissions (operation hours x floor space) by 23.8% from FY1990 levels	Down 21.8% compared with FY1990	Nearly
Saving resources	Reduce the use of plastic shopping bags	Reduce the weight used per store by 28.0% compared with FY2000	Per store use down 22.7% compared with FY2000	Nearly
	Reduce the use of disposable chopsticks	Reduce the number of sets used per store by 5.0% compared with FY2006	Per store use down 4.9% compared with FY2006	Nearly
	1) Promote the reduction of package weight 2) Promote the use of non-plastic materials (paper, green plastics)	1) Reduce CO ₂ emissions from incineration of packaging by 4.6% compared with FY2006 2) Reduce packaging weight by 3%	1) Reduced total annual packaging weight by 4.6% 2) Reduce packaging weight per package by 3%	Attained
	Reduce sales promotion materials delivered	Reduce material delivery volume per store by 10% compared with FY2006	Reduced material delivery volume per store by 1% compared with FY2006	No
Reducing waste	Reduce food product waste, recycle	Recycling of food waste: 25% or more 1) Waste-oil recycling: 7,600 stores 2) Recycling into feed and fertilizer: 1,240 stores 3) Introduction of organic waste processors: 65 units	Recycling of food waste: 23.5% (as of March 31, 2008) 1) Waste-oil recycling: 7,403 stores 2) Recycling into feed and fertilizer: 974 stores 3) Introduction of organic waste processors: 62 units	Nearly
Regional social contributions	Continue collecting donations through LAWSON Green Fund	1) Fundraising activities in all stores 2) Participation in greenery operations	1) FY2007 collections: ¥0.24 billion Collections to date: ¥2.52 billion 2) Participated in 98 greenery operations	Attained

* Assessment of quantitative targets: 100% attained: **Attained** 70% or higher attained: **Nearly** Less than 70% attained: **No**

Assessment of qualitative targets: Implementation (execution) completed: **Attained** Implementation (execution) in progress: **Nearly** Not implemented (executed): **No**

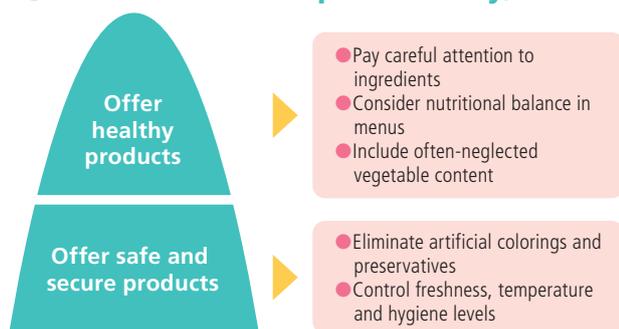
FY2008 Environmental Targets

Area	Activities	Targets
Saving energy	Cut store air conditioner and cooler electricity use	Introduce energy-saving units in 1,500 existing stores (cumulative: 3,000 stores)
		Introduce energy-saving units in 90% of new stores
	Cut emissions of CO ₂ and hazardous substances from delivery trucks by promoting eco-driving and introduction of low-pollution vehicles/eco-tires	Reduce CO ₂ emission per store by 1.0% (91 kg-CO ₂ per store) compared with FY2007
	Promote eco-driving and safety-driving of company-owned cars	Improve the fuel efficiency of Company-owned cars by 3% compared with FY2007
	Promote companywide prevention of global warming (reduce CO ₂)	Reduce unit CO ₂ emissions (operation hours x floor space) by 22.3% compared with FY1990 levels
Saving resources	Reduce the use of plastic shopping bags	Reduce the weight used per store by 17.2% compared with FY2006
	Reduce the use of disposable chopsticks	Reduce the number of sets used per store by 10.0% compared with FY2006
	1) Promote the reduction of packaging weight 2) Promote the use of non-plastic materials (paper, green plastics)	Reduce CO ₂ emissions from incineration of packaging by 5.0% compared with FY2006
	Reduce waste by effective creation and distribution of sales promotion materials	Reduce the volumes of materials delivered and extra materials disposed per store by 5% compared with FY2007
Reducing waste	Reduce food product waste, recycle	Recycling of food waste: 26% or more (yearly average in FY2008) 1) Waste-oil recycling: 7,750 stores 2) Recycling into feed and fertilizer: 1,400 stores 3) Introduction of organic waste processors: 62 units
Regional social contributions	Continue collecting donations through LAWSON Green Fund	1) Fundraising activities in all stores 2) Participation in greenery operations

Offering Safe and Secure Products

LAWSON believes that one of its most important responsibilities is responding to the needs of our customers for safe and secure food and healthiness. The headquarters and LAWSON stores are working in unison to build a structure for providing "safe, secure, and healthy products."

LAWSON's Concept of Safety, Security and Health



Measures for Safety and Security

LAWSON's products are subjected to thorough quality control procedures in conformance with environmental and hygiene regulations. Our stringent policies at all stages, from product development through production and sales, ensure that customers can purchase our products without any safety concerns.

We have eliminated the use of artificial colorings and preservatives in such original LAWSON products as boxed lunches, rice balls, sushi, prepared bread, side dishes, salads, prepared noodles and pasta.

The labels on original LAWSON products display such mandatory information as product name, expiration date, ingredients and allergy warnings. In addition, nutritional data, including per-serving calories, is

indicated voluntarily. We create specification documents for each product by accurately tracking and recording the information of each ingredient including its supplier, preparation method and any food additives included. All this information is reflected in the ingredients section of the label.

Furthermore, the Quality Control Office carries out stringent checks on the content of product labels, which are also checked by specialized external agencies and at the production stage. This ensures that all product labels have been double- and triple-checked before reaching the consumer.

Main Display Categories and Product Labels

Expiration Date The time period during which customers can consume our products with assurance.

Packaging Identification The identification of materials such as plastics facilitates trash separation for packaging materials

Nutritional Information Listing of per-serving calories, protein, fat, carbohydrates and sodium

Ingredients Ingredients displayed in the order of those ingredients accounting for the highest proportional weight of the product

Food Additives Food additives displayed as prescribed by the Food Sanitation Law

Allergens Five required categories displayed as stipulated by laws in addition to 20 voluntarily included categories

Quality Control Initiatives

Quality Control through HACCP

LAWSON has created a system to manage hygiene and food safety based on the Hazard Analysis and Critical Control Point (HACCP) system, identifying potential risks of food poisoning or hazards due to foreign substances before reaching customers. The system maintains records of such key aspects of quality control as preparation time and temperature, allowing prompt investigation of the causes of a problem in the unlikely case an incident should occur.

Quality Control Office personnel are present when a new plant goes on line or new systems are installed. Their job is to check for possible hygiene and safety control issues.



Regular checks for foreign substances

Manufacturing Process Control System to Ensure Uniform Quality

LAWSON has adopted a Manufacturing Process Control System to promote uniform quality at rice product and other plants at 49 locations nationwide. This system regulates all standard aspects of the production process for each product from quantity and preparation method to placement in the container. Quantities of ingredients used and prepared food, amounts of servings and waste are all weighed to the nearest gram during the production process. The historical data accumulated during the manufacturing process is utilized to enable quality assurance of products. At the same time, the system enables corrections in production quantities, which helps reduce waste.



Checking weights after chilling

Measures for Healthiness

Considering the health of those customers who shop at convenience stores regularly, LAWSON considers not only the taste but also each ingredient and the nutritional balance of its meals, including often-neglected vegetable content. Since 2003, we have developed a number of new health-focused food products under the supervision of the Osaka Medical Center for Health Science and Promotion, which have since been sold throughout the Kinki region.

In August 2007, we held a contest for convenience store boxed lunches and solicited ideas of original boxed lunches from students in Osaka who aspire to become registered dietitians. Four boxed lunches earned the Osaka Governor's Award in recognition of such outstanding ideas as "including large amounts of vegetables," "using low calories," and "using less salt." Consecutive introduction of these boxed lunches at LAWSON stores started in the Kinki region from November 2007.

In response to a great emphasis on health by our customers, we have begun offering some NATURAL LAWSON products at our LAWSON stores all over Japan. We plan to continue to increase the number of such product varieties to meet the requests of customers nationwide.



Four boxed lunches selected for the Osaka Governor's Award

Preventing a Recurrence of the Use of *Oden* Ingredients Beyond the Sell-by Date —Implementing Thorough Quality Control in Stores—

In November 2007, it was learned that *oden* (hot pot dish) ingredients at one LAWSON store were sold after the sell-by date. LAWSON sincerely apologizes to its customers for this incident and any problems this may have caused.

An investigation into the cause of the problem revealed that the store involved incorrectly assumed there was no safety issue because the ingredients had already been heat-treated. Based on this erroneous belief, the store thus sold ingredients that were from one to two days beyond the sell-by date. LAWSON Headquarters had implemented a checking system at all our stores but failed to ascertain that the system was being operated contrary to the manual.

As measures to prevent a recurrence, we are implementing education not only for the store involved but for all LAWSON stores, while reviewing our checking system at stores. We are also taking the following measures.

- (1) Implement spot investigations by external institutions (one per year)
- (2) Implement monthly investigation by supervisors (previously conducted twice per year prior to improvement measures)
- (3) Check sell-by dates of ingredients for products sold at check-out counters before 12:00 a.m. daily and record in operations notebook.
Dispose of all products with expired sell-by dates.
- (4) Make additional provisions and revisions to our manual stating that ingredients for products sold at check-out counters with expired sell-by dates will not be stored.



Step by Step *Kara-age Kun* Fried Chicken Nuggets

Kara-age Kun crispy Japanese-style fried chicken nuggets were introduced 22 years ago. *Kara-age Kun* nuggets have become a favorite of numerous customers and we have steadily cultivated this product, with shipments now reaching 500,000 pieces per day. Long before *Kara-age Kun* and other products are delivered to customers, however, LAWSON implements a variety of safety and hygiene management measures in addition to quality-control procedures at production plants and stores. In the future as well, we will continue to provide customers with safe and tasty *Kara-age Kun*.

Pre-Production



Ingredient Selection

In selecting the chicken meat and other ingredients used for *Kara-age Kun*, we visit poultry farms and production plants, respectively, to confirm manufacturing processes and quality control procedures.

What procedures are used for other products?

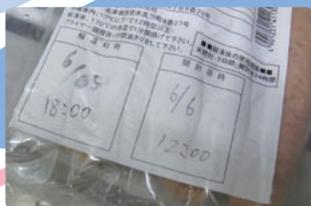
We established the Raw Materials Purchasing Department for selecting new ingredients for such items as rice balls, boxed lunches, side dishes, sandwiches and pasta, and implement periodic checks at new and existing business partners. For example, when selecting salmon for rice balls, we ascertain the type of feed and methods used for farming salmon, the processing plant facilities used and process management.



Confirmation of Product Specifications

Once product specifications have been set, production documents are inspected and production on an actual manufacturing line takes place to confirm safety and other important factors. For new flavor *Kara-age Kun* products as well, we carry out various types of stringent testing that include hygiene inspections, metal inspections, weight inspections as well as strict testing for preservation and flavor. Only products passing this strict testing reach store shelves as new products.

Stores



Times and dates of thawing and unsealing are recorded to ensure that sell-by dates can be confirmed.



A store hygiene inspection report



Quality Control at Stores

At stores, in addition to temperature checks four times per day, supervisors also perform regular hygiene checks. Also, on-the-spot hygiene inspections by external institutions, including inspections of the state of food management, are made once per year as part of our thorough temperature- and freshness-level control.



Quality Control at Time of Delivery

Accurate and quick deliveries are ensured through efficient sorting and loading, adhering to prescribed temperatures and times in accordance with predetermined operating procedures. Delivery vehicles are equipped with temperature gauges and the state of product preservation is continually monitored.



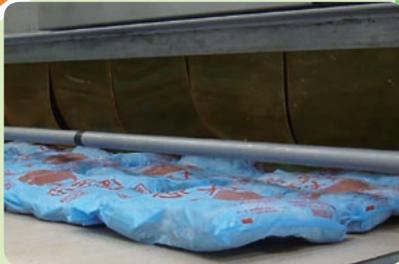
Mr. Michihisa Saito
Plant Manager
Nichirei Group

Special Emphasis on Hygiene Control

Nichirei Foods Group has been involved in the manufacture of *Kara-age Kun* since this product was first launched. At our production plant, above all we pay careful attention to quality control. Because we process raw meat, we undertake hygiene control inside the plant and make bacteria inspections during the manufacturing process. We have also established separate staff entrances for processing and packaging to ensure that respective personnel involved in these areas do not move back and forth between each process.

Kara-age Kun has been a top-selling product for 22 years. Due to its longevity, there are always features of this product that can be improved and others that should remain unchanged. Therefore, developing new flavors always proves to be a difficult task. In view of this challenge, I am particularly gratified when *Kara-age Kun* achieves solid sales. Having been involved in manufacturing the product for many years, I have utmost confidence in the quality and flavor of *Kara-age Kun*. In the future, I will make my best efforts to create products that meet customer expectations to ensure that numerous *Kara-age Kun* products reach the shelves of LAWSON stores.

Manufacturing Plant



1

Shipment Arrival and Thawing

To ensure the safe handling of raw meat, hygiene inspections are performed when shipments arrive. At the same time, quality is verified through inspections for foreign substances.



2

X-Ray Inspection

Foreign substances, mainly bone, are removed through X-ray inspections. To find even the smallest bones, such as those shown in the picture (upper right), two X-ray machines are used and a skilled specialist determines whether any foreign substances were overlooked.



6

Metal Check Inspection and X-Ray Inspections

Finished products undergo a metal inspection and an additional X-ray inspection to ensure no contamination by foreign substances during processing. The metal inspection is performed carefully after packaging.



3

Selection

Upon passing the X-ray inspection, the meat is subject to visual and hand inspections, and feathers and other foreign substances difficult to detect with x-rays are removed.



5

Quick Freezing

To maintain quality, fried chicken meat is then subjected to quick freezing at -20°C . Samples are extracted on a regular basis to check temperatures.



4

Processing

Flavor is added to the chicken meat that passes inspection. The meat is shaped and then deep-fried in batter. As part of this process, chicken meat is prepared in a manner that allows for additional heat processing, which enables the chicken meat to retain its juiciness even when reheated at LAWSON stores.

Together with the Local Community

LAWSON aims to fulfill its role as "The 'Hot' Station in the Neighborhood" through a nationwide chain of stores that seek to satisfy the needs of customers in each area and ensure a safe and comfortable life for everyone.

Store Network Expansion to Meet Customer Needs

Customer needs are becoming more diversified in line with changes in the social environment. At LAWSON, we actively promote reforms atypical of existing convenience store methods in order to meet the specific customer needs in each surrounding area.

NATURAL LAWSON

NATURAL LAWSON stores strive to make people's lifestyles more beautiful, healthy and comfortable. These stores are established mainly in busy urban office areas where there are many professional females and quiet residential areas.

The stores feature an array of healthy, low-calorie boxed lunches and other prepared meals that provide balanced nutrition and include seasonal ingredients. Conscious efforts are also made to offer organic food, as well as cleaning agents and cosmetics that use natural materials so customers can shop with reassurance.



LAWSON STORE100

These stores provide both fresh and processed foods mainly at the reasonable price of ¥100 (excluding consumption tax), making it a pleasant place to shop for its core customers of housewives and senior citizens.

Placing an emphasis on freshness and quality, these stores provide seasonal products such as vegetables and fruit at the best time of year. It is also possible to buy in small portions, which suits smaller families. We continue to develop the Value Line Series of our private-brand products, which have been well received by many customers.



LAWSON PLUS

LAWSON PLUS stores are designed to meet customers' need in the surrounding area, and offer products and services that provide a bit "extra" compared with other LAWSON stores. These stores are a hybrid of stores predominantly in provincial areas in which senior citizens feel comfortable shopping and stores mainly located in urban centers that focus on providing fresh food to housewives. We have been proactively establishing new LAWSON PLUS stores since January 2007.



Developing Products that Use Local Ingredients

Community-based initiatives go beyond store development and include product development. In recent years, amid higher expectations for local production and local consumption, LAWSON has been developing original area-specific products using local ingredients, as well as seasonings and confectionaries that suit local tastes.

In addition, LAWSON brings the cuisine of each region nationwide by utilizing our strengths as a nationwide chain. To celebrate the G8 Hokkaido Toyako Summit, LAWSON sold boxed lunches featuring

Hokkaido cuisine as well as special Hokkaido chicken and two-colored rice in the 23 wards of Tokyo in June and July 2008.



Boxed lunch with specialty food from Hokkaido

TOPICS!

Comprehensive Alliance with Japan Post Holdings Co., Ltd.

In February 2008, LAWSON agreed to form a comprehensive alliance with Japan Post Holdings Co., Ltd. with the aim of increasing customer convenience nationwide and contributing to the local community. Specifically, the two companies will look into creating a new business model for providing LAWSON goods and services at post offices, mutually utilizing real estate assets to open new branches and locations and jointly developing goods and services. Other areas of focus will include joint purchasing and delivery of goods and services and determining the most effective way of using finances and human resources in order to increase management efficiency at both companies.



Cooperative Operations through Partnership Agreements with Local Authorities

LAWSON aims to be "The 'Hot' Station in the Neighborhood" as a popular spot loved by local customers by promoting community-based store management and extensive regional contribution activities. As part of these efforts, we are pushing ahead with regional cooperative operations through partnerships with local authorities aimed at making communities more convenient and easier to live in, while also driving regional development. Beginning with Wakayama Prefecture in August 2003, we had concluded 19 agreements with local authorities by the end of June 2008. Examples of successful initiatives include the development of products that use items made in a particular prefecture, events for children and distribution of "Bring Your Own" bags.

Inclusive Partnership Agreements with Local Authorities (as of June 30, 2008)

Date of signing	Partner	Date of signing	Partner
8/1/03	Wakayama Pref.	9/14/07	Kagoshima Pref.
4/24/06	Mie Pref.	9/19/07	Nagano Pref.
5/1/06	Tottori Pref.	10/31/07	Kochi Pref.
8/9/06	Toyama Pref.	12/17/07	Kumamoto Pref.
9/30/06	Saga Pref.	2/21/08	Hokkaido Pref.
12/4/06	Tokushima Pref.	3/13/08	Kagawa Pref.
3/7/07	Fukui Pref.	5/30/08	Yamagata* Pref.
5/9/07	Oita Pref.	6/23/08	Iwate Pref.
6/4/07	Miyazaki Pref.	6/24/08	Yamanashi Pref.
7/10/07	Okinawa Pref.	6/30/08	Saitama Pref.

*An environmental protection agreement was signed with Yamagata Prefecture.

Hokkaido Commemorated the G8 Hokkaido Toyako Summit with Tree-Planting Activities



To commemorate the G8 Hokkaido Toyako Summit held in July 2008, we conducted tree-planting activities in Hokkaido. In Toyako, we planted 2,000 trees, including Mizunara (Japanese oak) and maple, to help curb global warming. We also distributed 50,000 "Bring Your Own" bags aimed at reducing plastic shopping bags and sold boxed lunches made with local ingredients such as salmon and squid to mark the occasion of the summit.

Nagano Prefecture Held Morning Markets to Promote Local Production for Local Consumption



In FY2008, we started our "LAWSON Morning Market" at the Zenkojishita store in Nagano to promote local production for local consumption. Beginning in May, the markets are held once a month in line with the prefecture's slogan, "Enjoy the taste of the Shinshu region weekend*." Besides selling fresh vegetables picked that morning and delivered directly from farmers in Nakano City and Iizuna Town, the markets are an ideal place for families to come and enjoy the day.

*Families come to savor the taste of local produce from Nagano Prefecture every month.

Iwate Prefecture Provided Relief Aid to Earthquake Victims



We concluded an agreement with Iwate Prefecture concerning efforts to ensure support, safety and assurance in regions struck by natural disasters. We provided relief aid to Ichinoseki and Oshu cities after the 2008 Iwate-Miyagi Nairiku Earthquake. A total of 860 LAWSON stores in the six prefectures of Tohoku and Niigata Prefecture collected donations (see page 29).

Kochi Prefecture Marketed Products Using Locally Produced Japanese Ginger



LAWSON stores in Kochi Prefecture have set up community noticeboards as well as prefectural police boards to provide information on suspicious individuals. In addition, umbrellas are lent to children at times of a sudden downpour. These stores also sell original products such as pickles and side dishes using Japanese ginger, a regional specialty that boasts the highest product yield nationwide, and pudding made using locally produced eggs. This helps to increase familiarity with produce from Kochi prefecture.

Saitama Prefecture Offset 1 kg of CO₂ with Each Pack of Kara-age Kun Fried Chicken Nuggets



To help support a major sports event in Saitama in July 2008, LAWSON distributed 50,000 venue maps that included a discount coupon for *Kara-age Kun* at the venue itself as well as 332 stores prefecture-wide. We offset 1 kg of CO₂ for every pack sold using the coupon. We also gave out 35,000 "Bring Your Own" bags printed with the Saitama Prefecture mascot.

Oita Prefecture Supported 1st Asia Pacific Water Summit



In support of the 1st Asia-Pacific Water Summit held in Beppu City in December 2007, LAWSON displayed posters and stickers of the summit in stores throughout the city. We also presented display panels introducing LAWSON's environmental protection activities at Beppu and Oita stations, and distributed 5,000 limited-edition original summit "Bring Your Own" bags.

Agreements to Provide Support during Disasters

LAWSON stores strive to become major support lifelines in the event of natural disasters by remaining open and providing uninterrupted operations (see page 44). We have concluded agreements with regional agencies and other organizations to offer support during natural disasters by supplying provisions and supporting people who are forced to return to their homes on foot.

In July 2006, we signed an agreement with the Japanese Red Cross Society involving the procurement of provisions in the case of major calamities. Under the accord, if a large-scale disaster strikes we will do our utmost to supply provisions in disaster-stricken areas. As of June 30, 2008, we had signed 49 such agreements with local governments and corporations.

We also have entered agreements to provide assistance to people stranded and forced to return to their homes on foot in the event a disaster renders other modes of transport inoperable. LAWSON also has pledged its cooperation in providing sanitation facilities, tap water and information. As of June 30, 2008, we had signed agreements with a total of 28 local governments.



Agreement with Saitama Prefectural Government in November 2007



Sticker declaring that the store will provide assistance to return home after a disaster

Agreements to Procure Provisions Signed in or after FY2007 (as of June 30, 2008)

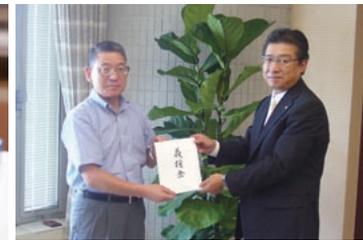
Date of signing	Partner	Date of signing	Partner	Date of signing	Partner
3/29/07	Tottori Pref.	11/27/07	Saitama Pref.	2/21/08	Hokkaido Pref.
5/28/07	Miyagi Pref.	11/27/07	Toyama Pref.	3/24/08	Fukui Pref.
7/24/07	Ishikawa Pref.	12/18/07	Aomori Pref.	3/27/08	Fukushima Pref.
7/30/07	Yokohama New Transit Co., Ltd.	12/19/07	Shizuoka Pref.	4/23/08	Kagawa Pref.
		12/21/07	Osaka Pref.	5/29/08	Kagoshima Pref.
9/21/07	Nagasaki Pref.	2/13/08	Shimane Pref.	6/23/08	Iwate Pref.
11/22/07	Kochi Pref.	2/18/08	Tochigi Pref.	6/24/08	Yamanashi Pref.

Agreements for Assistance to Displaced People Signed in or after FY2007 (as of June 30, 2008)

Date of signing	Partner	Date of signing	Partner
3/9/07	Oita Pref.	6/24/08	Kagawa Pref.

Disaster Relief Funds

LAWSON provides help to areas stricken by large-scale disasters by replacing its LAWSON Green Fund collection boxes with a special disaster fund appeal for a limited period. In FY2007, we contributed ¥35,677,179, including headquarters' donations, to the Niigata Prefectural Government for distribution to the victims of the Niigata-ken Chuetsu-oki Earthquake. We also provided disaster funding as outlined below to deliver the donations of people from across the country to the victims of disasters. We sincerely thank the customers for their monetary support.



Presenting a register of relief funds for the victims of Niigata-ken Chuetsu-oki Earthquake to the Niigata Prefectural Government on August 14, 2007

Disaster Relief Funds Collected during or after FY2007 (as of June 30, 2008)

Fund	Collection area	Period	Amount collected
Noto Hanto Earthquake Relief Fund	All stores in Tokai, Hokuriku, Koshinetsu regions (1,220 stores)	March 26 – April 10, 2007	¥4,343,228
Niigata-ken Chuetsu-oki Earthquake Relief Fund	All stores in Japan (8,516 stores)	July 17-31, 2007	¥35,677,179
Sichuan Earthquake in China Relief Fund	All stores in Japan (8,518 stores)	May 14-31, 2008	¥42,247,555
Iwate-Miyagi Nairiku Earthquake Relief Fund	All stores in Tohoku region (6 prefectures) and Niigata Prefecture (except Joetsu area) (860 stores)	June 15-30, 2008	¥3,129,431

Measures to Make Regional Societies Safer and More Secure

Recently, convenience stores have been called upon by society to initiate measures for crime and disaster prevention, public safety and youth education.

LAWSON participates in activities of the Japan Franchise Association's Safety Station movement, an autonomous organization formed by convenience stores with support from the relevant municipal and law-enforcement agencies. Through these activities, we aim to create a focal point for safe and secure lifestyles in the neighborhood

and ensure that environments are safe for youth. By reinforcing systems to prevent robbery and other crime and acting as a refuge for women and children who feel threatened, the Safety Station movement provides an industry-wide platform for fulfillment of social responsibility.



Poster advertising the Safety Station movement

Making Stores User-Friendly

Barrier-Free Stores

LAWSON is promoting the floor space and access points of its stores as barrier-free zones to better accommodate senior citizens, expectant mothers and other customers with special needs. We have eliminated steps at the entranceways to new stores, and since FY2006, new stores with parking lots have one dedicated parking space for customers using wheelchairs. Moreover, toilets have been furnished with easy-to-use Western-style seats and handrails, and access has been improved with same-level floors.

Also, we have introduced shopping carts and large-print price tags at designated LAWSON stores in an effort to make our stores user-friendly for elderly people.



Western-style toilets with safety handrails

Guide Dogs and Service Dogs

Guide dogs for the visually and hearing impaired and dogs assisting individuals with other disabilities are welcome to enter LAWSON stores.



Sticker displayed on the glass front of LAWSON stores declaring that guide dogs are welcome

Deterring Underage Drinking and Smoking

To prevent underage consumption of alcohol and tobacco, we demand proof of age from all customers except for those who appear to be clearly over the legal threshold. LAWSON also displays posters and makes in-store announcements to heighten customers' awareness of this issue. Posters guiding personnel on how to appropriately confirm a customer's age in line with the introduction of "taspo" (an ID card system for purchasing cigarettes initiated by the Japanese tobacco industry)

have been placed in stores. We will make further efforts to ensure a complete ban on sales of alcohol and tobacco to underage customers.

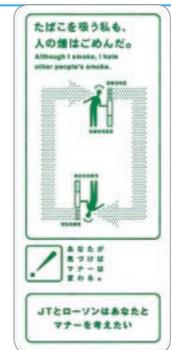


Poster educating staff how to properly check age

Encouraging Good Smoking Manners

As LAWSON stores are no-smoking areas, ashtrays have been located outside the doors for customers to extinguish their cigarettes before entering. Recently, regional legislation has been introduced in Japan to prohibit smoking on pavements and walkways. In response, LAWSON has introduced new restrictions for the benefit of smokers and non-smokers alike. Where bylaws prevent smoking on sidewalks, as a rule we have removed ashtrays. If bans are not yet enforced, ashtrays are repositioned away from store entrances. Also, to reinforce adherence to

smoking policies and disposal etiquette, in cooperation with Japan Tobacco Inc., we display stickers at disposal points.



Sticker showing proper smoking etiquette

Gateway to a Host of Services

Electronic Payment Terminals

Customers have been able to make electronic payments at LAWSON stores*1 nationwide since March 2007. At present, the stores handle three types of payment service: "iDTM*2," "QUICKPayTM*3" and "Edy*4." By diversifying payment methods and shortening time spent at the cash register, we have further enhanced customer convenience.



*1 Excludes certain stores

*2 "iDTM" is a trademark of NTT DOCOMO, INC.

*3 "QUICKPayTM" is a recommended scheme of the Mobile Payment Promotion Association (MOPPA)

*4 "Edy" is the brand name of the prepaid-type electronic money service operated by bitWallet, Inc.

Automated Teller Machines (ATMs)

LAWSON stores are furnished with ATMs that facilitate withdrawals using cash cards issued by local and regional banks and other financial institutions as well as cash loan functions offered by credit companies. As of June 30, 2008, LAWSON offered ATM services in 36 prefectures.

We had tie-ups with 24 financial institutions, including all the nation's city banks and certain regional banks, and had 5,659 ATMs in place. We plan to expand our services to raise the level of convenience to customers.



Loppi Multimedia Data Terminals

LAWSON stores are equipped with Loppi multimedia data terminals. These multifunctional units facilitate sales of concert and other event tickets handled by LAWSON TICKET, INC., and the "toto" sports promotion lottery, transport tickets and leisure ticket reservations, DVD reservations and applications for certification tests. Loppi terminals will offer more services in the future.



"Every Store Can Help" Campaign

In 1997, LAWSON started the "Every Store Can Help" campaign. Through this program, each store pursues activities that contribute to its community depending on respective needs aimed at making people in the neighborhood happy.

Cleaning the Town Together with Local High School Students

Mr. Kenichi Nishiyama, Store Owner, Noheji Koukou-mae Store (Aomori Prefecture)

We cleaned up along the roadside and created flowerbeds together with volunteers from Aomori Prefectural Noheji Senior High School, which is located adjacent to the store. Although we have been cleaning up the roadside in front of the store for a while now, we were never able to get rid of all the rubbish and wondered if there was a better way when we heard about the High School volunteer group. This group helps us clean up the area every week. For added encouragement, we began issuing original coupons that can be exchanged for pre-paid cards. Around 1,000 seedlings were given to us by the municipal government for the flowerbeds.

Since starting activities with the volunteer group, we have succeeded in reducing the amount of rubbish on the road and in the surrounding area. We will continue to work with the local community to make the town more beautiful.



Cooperation in Event to Collect Recycled Candles

Mr. Hideki Hashimoto, Store Owner, Osaka Sangyo Daigaku Store (Osaka Prefecture)

The Junior Chamber International Daito, of which I am deputy director, held an event in November 2007 to collect and light recycled candles made of used tempura oil and milk cartons. The event was aimed at reaffirming the value of everyday items and raising awareness of environmental issues. Our store and the eight other LAWSON stores in Daito City served as collection points. Many candles were collected, making the event a huge success.

We will continue to conduct activities as a friendly neighborhood convenience store together with the local people to lift their spirits.



Always Thinking about Bringing Excitement to Our Customers

Mr. Hideaki Doi, Store Owner, Iyo Tobe-cho Store (Ehime Prefecture)

Around our store, there is Tobe Zoo, a sports park and various craft shops with "tobe-yaki" pottery, a source of local pride. Thinking of how to brighten the lives of people in Tobe by making use of our unique character, we put up a "tobe-yaki" map.

The map uses wood in true local style with sear iron prints, and includes photos of pottery and local viewing spots taken by LAWSON employees. We also distribute pamphlets and hold exhibitions of "tobe-yaki" crafts. In addition, we have painted an illustration of the zoo featuring giraffes, lions and other animals in our parking area, which is particularly popular with children.

Our store recently celebrated 20 years in business. We aim to make it as welcoming as possible so that customers are happy.



"Every Store Can Contribute" Campaign in Fukui Prefecture

As part of a comprehensive agreement concluded with Fukui Prefecture in March 2007, LAWSON has been promoting its "Every Store Can Contribute" campaign in which all of its stores in the prefecture make efforts to contribute to respective local communities. Besides clean-up activities around each store, we provide store parking areas for morning markets to help encourage local production for local consumption. Some stores also lend umbrellas to primary school students on rainy days. This initiative has a true local flavor of the Hokuriku region, where the weather is particularly changeable.



Social Contribution Activities

LAWSON, not only as individual stores but also as a corporation, is a business supported by many people every day. We recognize this fact and are working to contribute to society in various fields, including providing support for children, the international community and sports.

For Children, the Leaders of Tomorrow

LAWSON is eager to give children, the leaders of tomorrow, an opportunity to learn and think independently through work. For that purpose, certain stores host social studies field trips for primary school students and on-site training for junior high school students. Other social contribution activities include providing a space for children to learn about how society works and the means of interaction in cooperation with outside groups.

Kyoto Student City

In January 2007, LAWSON opened a training store in Kyoto Student City. Established by the Kyoto City Board of Education and the Japanese branch of Junior Achievement, the world's largest economic education group, the Kyoto Student City work-study facility is used as part of the city's fifth-grade elementary school curriculum.

As well as a LAWSON store, lining the street of the Kyoto Student City community are a ward office, bank, newspaper headquarters and pickle purveyor, created through the cooperation of 12 companies and groups. After studying social and employment-related mechanisms, children engage in hands-on activities.

The activities of the LAWSON training store involve working with customers and operating the cash register. Over time, initially shy children grow increasingly confident and learn to greet customers in a loud and cheerful voice. The work helps children learn by enjoying a range of experiences.



LAWSON training store exterior



Learning about how the cash register works

Leading-Edge Social Study Program

On July 30, 2007, a Leading-Edge Social Study Program sponsored by the Future Innovation Forum took place for the second consecutive year. As part of the program, a LAWSON store staff trainer led 14 Kanto area elementary school students in experiencing a "leading-edge convenience store" by performing such tasks as greeting customers, cleaning, operating the cash register and preparing *Kara-age Kun*. The children worked enthusiastically at an actual LAWSON store, and at the program's conclusion, had the chance to voice their opinions and ask questions to LAWSON President and CEO Takeshi Niinami.



Children with LAWSON President and CEO Takeshi Niinami after the program

JUNEC Asia Forum 2007

LAWSON participated in the Junior United Nations Eco Workshop (JUNEC) Asia Forum 2007 on November 18, 2007. This forum encourages discussion among junior and senior high school students on "the environment, culture and people." This year the theme was "the environment and people" and around 30 junior and senior high school students were asked to consider the "Bring Your Own" movement.

Participants discussed what kind of bags and chopsticks they would like to carry and what could be done to encourage more people to do the same. Each group presented their ideas, which included fresh and exciting concepts unique to young students.

Some were of the opinion that a charge should be attached to plastic shopping bags and disposable chopsticks, or that they should be abolished altogether. The event was successful in raising awareness of the need for environmental preservation.



Each group engaged in lively discussions

Supporting Families with Children

HAPPY LAWSON Stores for Families with Children

As a way to support families with children, LAWSON has been promoting its "Happy Child-Raising Project." The idea arose from the theme of the prizewinning entry in a contest held in 2005 to commemorate our 30th anniversary that solicited ideas on "The Convenience Store of the Future," with the winning entry entitled "Convenience stores that support raising kids."

In March 2006, we formed a project team to drive the idea forward, opening the HAPPY LAWSON Nihonbashi store* in December 2006 and the HAPPY LAWSON Yamashita Koen store in July 2007. We incorporated many of the ideas raised by families with children such as making the aisles wide enough to accommodate a baby carriage, adding a play area for kids and setting aside a space for caregivers to take a break.

We also bolstered our lineup with disposable diapers, baby food, picture books, toys, as well as products to help soothe harried mothers.

*The Nihonbashi store was designed to operate for a limited trial period and closed its doors in June 2007



HAPPY LAWSON Yamashita Koen store



The stores occasionally hold picture book reading sessions.

"Miffy" Gift Campaigns Contribute to Charity

As part of its child-raising support project, LAWSON runs gift campaigns offering originally designed small dishes, mugs and other goods adorned with the popular Miffy character created by artist Dick Bruna of the Netherlands. For each promotional item offered through the campaign, LAWSON donates ¥1 to the Japanese National Council of Social Welfare and the Japanese Mother and Child Life Support Foundation. In FY2007, we donated around ¥10 million worth of products through the spring and autumn campaigns.



Promotional products featuring illustrations by Dick Bruna
©copyright Mercis bv, 1953-2008 www.miffy.com

Regional Beautification Initiative

LAWSON staff and their families actively participate in clean-up activities to promote a more beautiful community.

Arakawa Clean Aid

Arakawa Clean Aid was held in November 2007, with 83 people pitching in to collect a total of 61 bags of garbage. This was the 13th time the event to clean up the Arakawa riverside had been held since starting in 1994. Tests on water from the river were also conducted, which showed a positive improvement compared with results taken during the event's first year.



gathered to clean Ohori Park in Fukuoka City, including 86 LAWSON employees and family members, helping to collect 380 bags of garbage.



Yokohama Clean-Up Activities

In cooperation with the city of Yokohama and other supporting companies, LAWSON began regional clean-up activities in participation with local residents in December 2006. We implemented a campaign with the slogan "Clean and Delightful Yokohama."

In April, October and December 2007, we distributed original bags for people to use to take their garbage home and cleaned up inside various venues on designated days. The amount of collected garbage decreases every event as people become more aware of the activities.



Supporting Customer Social Contribution Activities

Environmental and Social Contribution Option via LAWSON Point Member Card

The point programs of LAWSON point member cards have an Environmental and Social Contribution option that lets cardholders contribute to society as they make purchases. Using this option available since 2003, 50 points are exchanged for ¥50, which is donated to organizations that carry out environmental and social contribution activities.

Funds generated in FY2007 totaled ¥3,996,750, which was donated to the following six organizations.



LAWSON PASS



MY LAWSON POINT

Registered NPO Caring for Young Refugees (CYR)



© Masanori Kobayashi

CYR helps operate care centers in Cambodian villages and cities, working with local residents to create safe and stable environments for children.

Registered NPO Bridge Asia Japan (BAJ)

BAJ provides vocational training for women, refugees and others who face difficulties, and helps them convert acquired skills into income.



Japan Guide Dog Association



This association provides friendly guide dogs to help the visually impaired move about safely.

NPO Education Sponsorship in Asia (ESA)



ESA provides support ensuring a basic level of education for many children in Bangladesh and India based on the concept that education helps preserve human dignity and makes a major contribution to overcoming poverty and discrimination.

NPO Ecology-Café



This NPO provides learning opportunities to children based upon ecosystem conservation and preservation activities that help them learn about the natural environment.



National Land Afforestation Promotion Organization (LAWSON Green Fund)

This organization supports forest management activities in Japan and overseas as well as school greening initiatives.

*Please refer to page 11 for details on the LAWSON Green Fund.

Supporting Sports for All

Official Partnership with the Japan Sports Association — Supporting Sports throughout Japan

LAWSON is the only retailer with an official partnership and comprehensive cooperation agreement with the Japan Sports Association. We displayed signs and put up posters advertising sports events in Akita and Nagano in 2007 and sold original boxed lunches in line with the events. We continue to work toward an environment in which leisure sports activities are more accessible for people in communities throughout Japan.



Japan Sports Association Chairman Yoshiro Mori (former Japanese Prime Minister) and LAWSON President and CEO Takeshi Niinami

LAWSON Cup Mothers' Volleyball Tournament—Serving to the World

As part of its contribution to a happy and healthy society, LAWSON has hosted the "LAWSON Cup Mothers' Volleyball Tournament—Serving to the World" since 2005, and aims to promote mothers' volleyball as a worldwide and lifelong sport.



Winning team in 2008

Every year, teams that win in regional elimination rounds compete in national finals. The winning team and the first runner-up then tour overseas, participating in international friendship matches.

For four days from March 20, 2008, we held the Third LAWSON Cup at the Hamamatsu Arena in Hamamatsu City, Shizuoka Prefecture. The 48 winning teams of regional elimination matches, in which about 50,000 players from 3,030 teams participated, represented each prefecture in Japan and gave a thrilling performance during the competition.

Together with Customers

Customers' opinions are a valuable asset for LAWSON. By listening carefully to their opinions and desires and doing our best to respond to each and every customer, we can provide products and services that achieve ultimate customer satisfaction.

Achieving Customer Satisfaction

To bolster customer satisfaction, we place emphasis on the three key areas of "following the three challenge practices," "providing quality products" and "operating in convenient locations."

The three challenge practices entail ensuring merchandise assortments are tailored to individual stores*, promoting cleanliness in stores and neighborhoods and ensuring courteous customer service.

At the same time, we aim to bolster our product lineup to satisfy customers through providing safe, secure, healthy and tasty products. Moreover, when opening new stores we are ever mindful of operating in convenient locations.

LAWSON's core views on customer satisfaction are manifest in its three challenge practices, and its resolve to provide quality products and operate in convenient locations. These directives are inextricably linked to our drive to make LAWSON "The 'Hot' Station in the Neighborhood." We are working to build stores that make the people of the neighborhood say, "Thank heavens for LAWSON!"

*LAWSON operates under the principle of "individual store orientation," which refers to tailoring each store to the customers of a region, rather than insisting on uniform store management and product lineups.

LAWSON's Views on Customer Satisfaction



Three Challenge Practices

● Ensuring Merchandise Assortments Are Tailored to Individual Stores

Based on the principle of "individual store orientation," we aim to create stores that are attuned to local customers, firmly linked to their neighborhoods and therefore able to provide products on demand. Every LAWSON store uses store charts* to round out its product offerings. By surveying each store's sphere of operations, taking into account store locations, climate and local activities, we tailor product lineups to residents in the vicinities of each store.

*Store charts are tools that each store uses to analyze its trade area and facilitate tailoring stores to the respective areas.

● Promoting Cleanliness in Stores and Neighborhoods

To make visits to LAWSON more enjoyable, we keep our stores and their surrounding areas clean. Through these endeavors, we aim to enhance the lifestyles of local citizens.



● Ensuring Courteous Customer Service

We are redoubling our efforts to provide courteous store services, taking into account customers' opinions and requests. As we place a high priority on cultivating human assets, we stress high levels of hospitality during personnel training, combining such educational tools as manuals with practical in-store training.

LAWSON conducts seminars for franchise stores and carries out training for franchise owners and store crews to ensure that the three challenge practices permeate the organization. (Please refer to page 38 for information about the LAWSON training system for franchise owners and store crews.) We will further raise customer satisfaction levels through continued application of this strategy.

Quality Products

LAWSON has maintained pride in its ability to deliver delicious, safe products to customers since its founding. The headquarters and stores are unified in their product development to ensure that the products that reach customers are safe, secure, healthy and tasty. (Please refer to page 23.)



Convenient Locations

LAWSON actively seeks to open stores in new locations such as inside schools, hospitals, post offices, subway and train stations, airports and expressway parking areas. Each store is tailored to the specific characteristics of each location in order to best respond to customer needs.

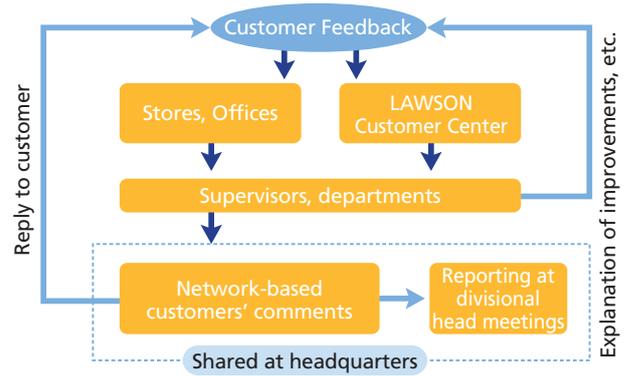


LAWSON store in the South Wing of Haneda Airport Terminal 1

Customer Feedback Structure

The LAWSON Customer Center functions as a specialized section to respond to customer inquiries, opinions and requests 365 days a year. To raise customer satisfaction, these comments are integrated into creating new stores, developing products and providing new services. Customer feedback is directed to the appropriate department, where it receives a prompt and sincere response. Using the Company Intranet and in-house publications, issues are shared with all employees with a view to making any necessary improvements.

Customer Feedback Structure



Feedback to LAWSON Customer Center

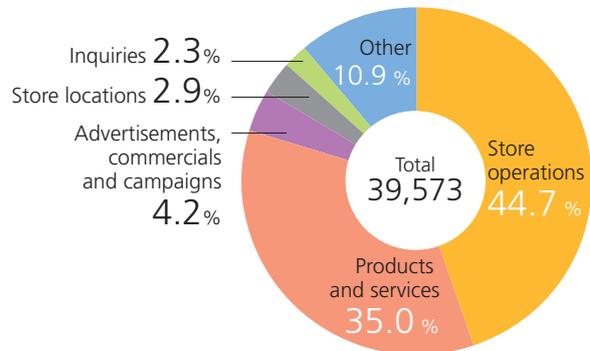
Each year, the number of comments that our customer center receives rises significantly, owing to such factors as an increase in the number of new services. In FY2007, we received 39,573 comments and inquiries due to an increase in the number of stores and in food safety related queries.

The highest ratio of comments, at 44.7%, concerned store operations. Next were products and services at 35.0%. These two categories accounted for 80% of the total number of comments received.

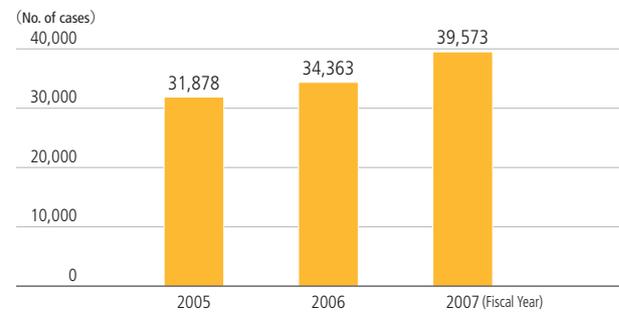
In the store operations category, we noticed a particular increase in comments concerning customer courtesy and product management. Regarding products and services, we received comments about Loppi multimedia data terminals and the LAWSON Mobile website. Comments concerning product quality and details were particularly prevalent in 2007 owing to the much-discussed issue of food safety.

There was also a surge in environment-related comments, as well as requests for less noise and garbage around stores. We will continue to share such customer feedback throughout the Company and reflect feedback through further improvements.

Breakdown of Customer Comments during FY2007



Number of Customer Comments



Implementing Customer Recommendations

Mobile Convenience Store for Senior Citizens

LAWSON started a mobile convenience store in Kofu, Tottori Prefecture, in April 2008. It is operated in collaboration with local foods supermarkets and stocks around 700 standard supermarket items inside the vehicle complete with fridge and freezer. Of these, LAWSON has roughly 30 different products such as original rice balls and boxed lunches. Around 37% of Kofu's population is over 65 years of age, making the mobile convenience store an extremely welcome addition to a town that has many steep slopes and where the nearest supermarket may be many kilometers away. It is particularly handy for senior citizens who do not have their own mode of transportation.



"Sunflower," the mobile convenience store, visits various areas in town 1-2 times a week. More than just a convenience store on wheels, it also provides an opportunity for neighborly interaction.

Together with Franchise Owners and Store Crews

LAWSON cooperates with franchise owners, store managers and store crews in our pursuit of higher levels of customer satisfaction. Along with employing various initiatives to assist franchise owners with their operations, we also exchange opinions with franchise owners, store managers and store crews in our ongoing efforts to improve our products and services.

Sharing Information and Imparting Our Corporate Philosophy

Franchise owners who participate in the LAWSON Franchise System*1 are responsible for all aspects of operations, including sales, procurement and management of costs and store crews*2. LAWSON supports franchise owners in various ways, allowing them to concentrate on their businesses.

Supervisors are a bridge between franchise owners and the headquarters, as they support store operations. Supervisors provide information on the latest product trends and changes in the business environment, analyze sales and customer data, conduct market research on areas where franchises operate and offer suggestions regarding revenues and income.

We also hold a LAWSON Seminar semiannually at eight locations nationwide, where we describe the LAWSON corporate philosophy, management policy and product trends, as well as offering business know-how and analyses of information on a per store basis. We provide

sustained support to make our stores pleasing to local customers by sharing such information with our franchise owners.

*1 The corporate headquarters provides business know-how, trademarks and other properties to participating stores, which in return pay a royalty for the right to use these business systems. Both the corporate headquarters and participating stores are independent businesses engaged in a contractual relationship as equal partners.

*2 Part-time workers at stores



Survey of Franchise Owners

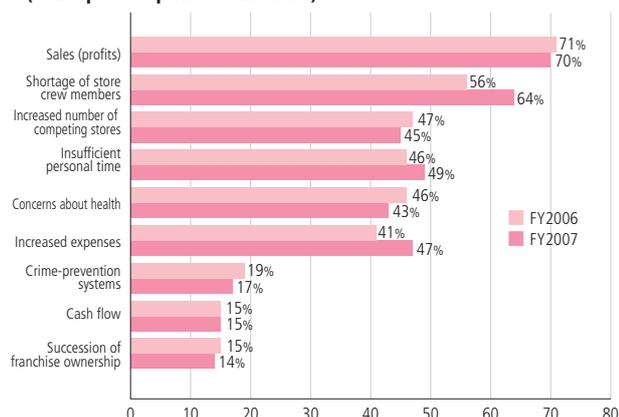
Communicating the Issues of Running a Store

LAWSON surveys franchise owners of all stores to confirm their awareness of and opinions on headquarters policies. In a FY2007 survey, we received replies from approximately 4,200 stores.

In terms of future issues in operating a store, the number of responses to "shortage of store crew members" increased the most over the previous year. Other categories with a greater number of responses included "insufficient personal time" and "increased expenses," which are a direct result of the shortage in store crews.

At LAWSON, we take the results of this survey seriously and do our best to enhance our support system to make sure franchise owners can run their store with assurance.

Future Sources of Concerns for Store Management (Multiple Responses Allowed)



Supporting Staff Recruitment

LAWSON adopted three main policies in FY2007 in response to the problem of "shortage of store crew members," a pressing issue facing franchise owners.

First, to show our appreciation to existing personnel, we give them preferential treatment for concert tickets in cooperation with LAWSON TICKET, INC. We will also implement a self-development system so that individuals can monitor their degree of personal growth as a means to boost motivation.

Second, we will expand the scope of recruitment. As a measure to help recruit foreign workers and make them feel settled, particularly our numerous store crews from China, we will create a store manual in Chinese and an employment manual for franchise owners. This will facilitate a comfortable environment for both employer and employee. We will also evaluate hiring people over the age of 55 in the future.

Third, we will hold study sessions regarding employment and make a manual on recruitment methods. We will also propose recruitment methods befitting the characteristics of each store.



Owner manuals for recruiting and hiring Chinese students

Support Systems for Franchise Owners and Store Crews

Enhancing Training and Support Programs

LAWSON assists the smooth functioning of franchise stores and the realization of customer satisfaction through training and support programs for franchise owners and store crews. When a store opens, we conduct a basic management course to teach franchise owners the fundamentals of store management. We follow up with a wide range of courses at training centers located in our branch offices.

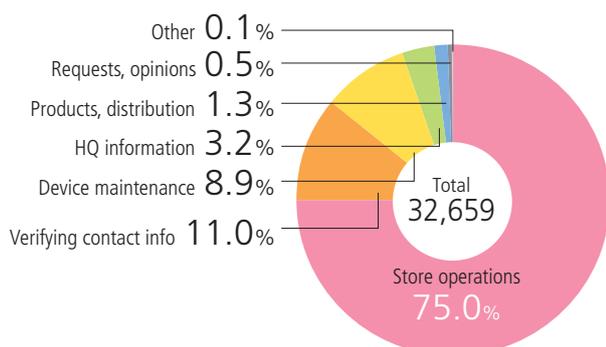
In addition, we have a Franchise Owner Support System, wherein corporate personnel operate franchise stores on behalf of owners when owners take vacation time. We have also opened a 24-hour support desk to offer advice on store management to franchise owners. These programs have been helping relieve franchise owners' concerns regarding store management.

We also provide franchise store management information through *Pal*, a business news magazine, and a brochure with information on store management and recommendations for improving store operations, both of which are published monthly.



Training center workshop

Comments to the Store Support Desk in FY2007



Franchise Owner Welfare Association

We at LAWSON want our franchise owners to maintain the vitality they need to do their jobs. We have founded the Franchise Owner Welfare Association to expand and improve social welfare support for owners and their families, as well as store managers and crews, all grounded in a concept of leisure, health and assurance.

This association has prepared a diverse menu to achieve these objectives, including member discounts to sports clubs, accommodation subsidies, distance learning, health monitoring, and assistance with interest payments for car rentals, leases and loans through member fees.

Mystery Shopper Program

LAWSON has a Mystery Shopper program, in which the company uses undercover examiners to conduct anonymous surveys of stores, aiming to improve the way stores do business. By acting as typical LAWSON customers, these examiners can take objective views of store product placement, selections, customer courtesy and cleanliness. Feedback is provided via supervisors to franchise owners. Based on these findings, shop owners inspect problems identified in stores, rank them in order of priority and take steps to improve operations. We have seen improvements since the program was instituted, especially regarding customer courtesy and in-store cleanliness.

Direct Line to the CEO

LAWSON has a Direct Line to the CEO as a channel of communication for franchise owners, store managers and store crews to express their everyday opinions and ideas. The CEO responds to each comment individually. In FY2007, a total of 586 opinions were expressed.

Comments on the Direct Line to the CEO, by Subject (FY2007)

Products/distribution	158	Systems	27	Store instruction	106
Services	59	Facilities/equipment	42	Other	99
Sales promotion	37	Franchise agreements	58	Total	586

Our Dream is to Nurture Many People through Store Management

This year marks exactly 10 years since we opened our store. It was our first time in the retail industry as well as in Matsudo, so it took some time to find our way. We went around observing different stores every day, taking the initiative in any way possible. Looking back, it was all a bit chaotic. But around four years ago we were forced to start leaving the store more frequently, often for a few days at a time, which meant relying solely on store crew. We were worried at first, but the crew relieved any worries, running the store without a problem, which gave me the confidence to trust them in similar situations more often.

Since we were somehow linked by fate, we would like to help people working at our store to find their dreams and what they want to do in life through their jobs at LAWSON. We openly encourage people who want to open their own store in the future. It is our dream for the next 10 years to make the store a kind of school that nurtures young people.

The Mystery Shopper program is a useful method devised by the headquarters to provide an objective view of the store and how it operates. Although in-store cleaning would occasionally get put off, the more it was done, the higher our store's assessment would be. With such tangible results, motivation to ensure in-store cleanliness is at an optimum level. Supervisors always say that it is important to look at the store from the customer's perspective.

We hope to create a store that will continue to make our customers happy for the next 10 years as well.



Mr. & Mrs. Susumu and Machiko Ichige,
Owners of Matsudo Kamishiki Store

Together with Employees

We believe vibrant stores are created from the vitality of employees. By improving our training systems, workplace environment and internal communications, we aim to cultivate a corporate climate that encourages full expression of individual abilities and opinions.

Creating an Ideal Work Environment

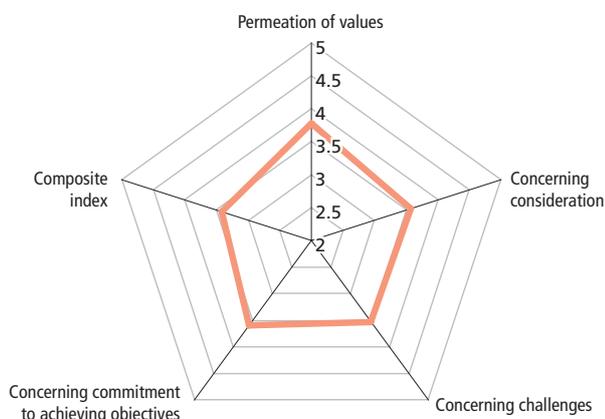
Employee Awareness Surveys

We conduct employee awareness surveys every year to monitor employee satisfaction.

The FY2007 survey demonstrated that there was mutual consideration between staff members and very little distance felt between superiors and subordinates. It was also found that employees keep LAWSON's corporate philosophy in mind at all times and act accordingly.

However, compared with other items, the overall results indicated that pride in the company and raising satisfaction are key areas of the composite index that need to be addressed. We will continue to review our operations and support system in order to lessen the burden felt by employees in the workplace.

Results of Employee Awareness Survey



*The higher the number, the better the result.

Questionnaire for Female Employees

In an effort to create an environment in which motivated female staff can flourish and fully display their capabilities, we conducted a questionnaire for all female employees in August 2007.

The results indicated that, in general, females do not feel any difference as compared to their male counterparts when it comes to work. Around 90% of respondents stated a desire to continue working after marriage, while 80% said they would keep working after having a child, demonstrating a high level of work motivation. The questionnaire also showed that most female staff wanted shorter work hours, however, prompting the need to further enhance the work environment and provide better support.

Although more than 30% of respondents said they would aspire to managerial positions if the opportunity arose, many were of the opinion that they were not confident due to a lack of precedent. This indicates the need for more female role models at LAWSON.

Daycare Center at the Headquarters on Public Holidays

Since FY2006, the Tokyo headquarters is operating an experimental daycare center program on public holidays when most private daycare centers are closed. Employees, store crews and employees of affiliated companies can bring their children from one year old through the third year of elementary school to the center, which operates in a headquarters conference room. Parents have expressed a strong wish for the program to continue, while at the same time, the chance for the children to accompany their parent on the way to work is always a happy event.

We will continue to measure the effects and enhance this initiative to gain the understanding and establish backup structures throughout the Company.



Childcare provided on eight public holidays in FY2007

Communication

Feedback from Employees

LAWSON has a system to reflect employee opinions in business improvements and store management, using the LAWSON Intranet Forum as a venue for employees to exchange opinions. By allowing employees to post or check comments, the system aims to assure the gathering and sharing of information. Submitted opinions are mostly supervisors' suggestions to the headquarters. After gathering related opinions and feedback from other employees, the appropriate person in the relevant department posts a response.

Financial Assistance for Sports and Recreation

LAWSON started a subsidy system for sports and recreation fees in FY2007 aimed at boosting communication between superiors and subordinates within departments outside of work hours, increasing mutual understanding and strengthening teamwork. Around 80% of all departments participated in this scheme during the fiscal year.

Fostering Human Assets and Diversification

Employing Foreign Students

At LAWSON, employment and promotion are based on individual capabilities; no discrimination is made on the basis of religion or beliefs, gender, place of birth or other factors other than abilities.

LAWSON welcomed 10 foreign students as new recruits in FY2008. By absorbing diversified cultures, we help create a more flexible and dynamic workplace. We plan to step up the employment of foreign students from the next fiscal year.



“LAWSON University” Employee Training Program

LAWSON has developed a training system based on respective objectives, work roles and positions. The original training program has been dubbed “LAWSON University.” We have also established the LAWSON Learning Center (LLC) near the headquarters and an e-learning system so that employees can take the required training anytime, anywhere. Initiatives such as these have reinforced foundations for learning.

By actively investing to foster our human assets, we can share

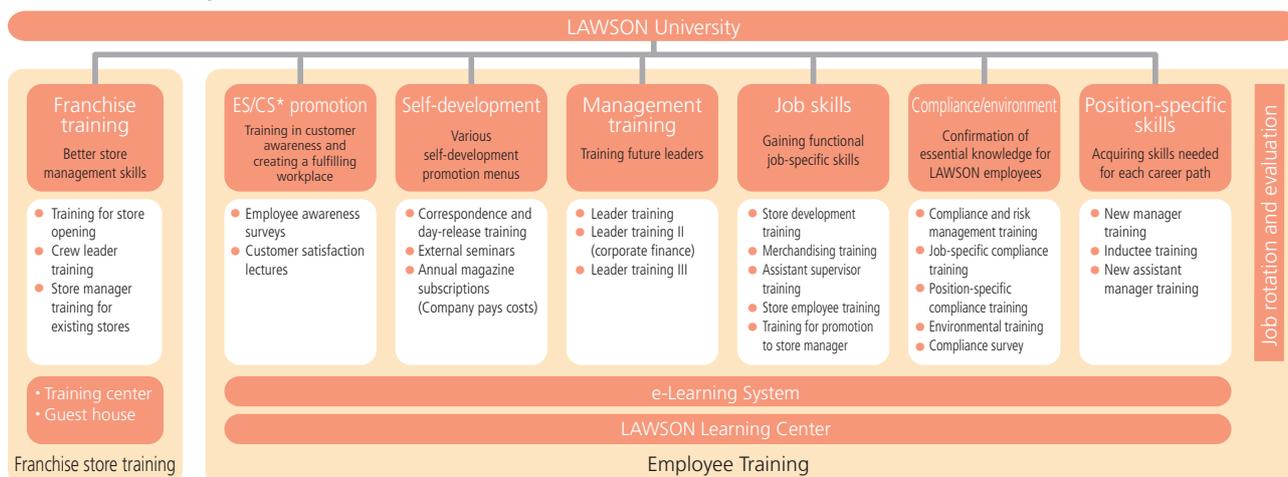
Overview of Employees

	FY2005	FY2006	FY2007
Employees (consolidated)	3,585	3,614	3,548
Breakdown: male/female	3,176/409	3,184/430	3,202/346
Employees (non-consolidated)	3,120	3,131	3,316
Breakdown: male/female	2,847/273	2,839/292	2,979/337
Women in managerial positions (%)	0.6	0.4	4.7
Employees with disabilities (%)	1.8	1.6	1.4
Employees on maternity leave	9	14	17
Employees taking childcare leave	13	17	21
Employees working reduced hours for childcare	12	14	20
Employees taking leave as caregivers	1	0	1
Insured and having health checks (%)	—	81.7	89.3
Average age	37.1	37.8	37.6
Average length of employment (years)	10.7	11.4	11.2
Employee turnover (%)	6.6	11.5*	9.2
Workplace incidents	39	46	47

*Increase is due to the effect of a business startup support program for employees.

awareness of corporate philosophy and the importance of a customer-oriented focus. At the same time, we aim to form a group of professionals ready to take on any challenge and succeed.

LAWSON University Structure



Note: This is only a sample of the full range of training courses that are provided. ES: Employee Satisfaction/CS: Customer Satisfaction

Sending Out Positive Energy from Staff

I am currently the supervisor* for eight stores. As a supervisor, the things that I value most are trying to discover the positive aspects of each franchise owner so that I can build a cordial relationship and to promote dialogue. The most profitable results will arise when the franchise owner is in agreement with store policy. So even if it takes time, I am careful to lend an ear to what they have to say.

Meetings and work content have become significantly streamlined over the 11 years that I have been a supervisor, and the systems are more convenient. However, it has become harder to have your voice heard at headquarters divisions, perhaps since it has grown so much in size. I hope communication between the frontline and the various divisions gets smoother so that I can better perform my duty as a supervisor in passing on information to stores.

Sports such as softball are used to boost communication among employees in the Utsunomiya District, where I work, as well as among branch offices. Everyone trains hard together as a team, which has steadily raised the sense of teamwork and increased dynamism at work. This has led to improved physical and mental well-being.

Our slogan for 2008 is “Energetic LAWSON.” We as employees will send out positive energy to stores and customers and do our best to make stores as vibrant as possible.

* Supervisors provide instructions and other assistance to franchise owners to support store management.



Osamu Kawafuchi
Utsunomiya District
Supervisor

Together with Business Partners

Cooperating with business partners is essential to create a store that can provide safe and reliable products to customers. Growing together with these partners, we work to promote fairness in transactions and comply with all agreements and rules to create trust-based relationships.

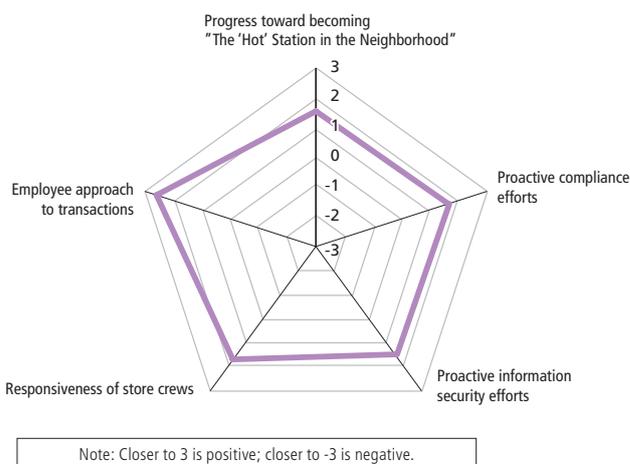
Promoting Equitable Transactions

To form trust-based relationships with business partners, the LAWSON Code of Ethics calls for fair and transparent transactions that are conducted sincerely and diligently. We educate merchandisers to discourage them from taking advantage of potentially superior negotiating positions. Specific measures include e-learning for all employees, and training sessions upon promoting personnel to positions as assistant merchandising developers and store development assistants.

LAWSON conducts an annual survey of business partners in such fields as product delivery and store construction. Survey results provide an early awareness of potential problems, enabling us to take a broad-based approach when revising and enhancing our compliance structure.

Although a questionnaire conducted in January 2008 indicated that there had been an improvement in "employee approach to transactions" compared with the previous year, certain challenges remained in terms of "progress toward becoming The 'Hot' Station in the Neighborhood" and "responsiveness of store crews." We take these results seriously and provide feedback at general meetings and conduct appropriate training for each division. We also give feedback to business partners to whom we sent questionnaires.

Business Partner Questionnaire Results



Our Valuable Business Partners

LAWSON's business partners are valuable allies, as they offer knowledge and expertise and are essential to the Company's objectives of anticipating the needs of the community and commercializing innovative ideas. We recognize that we are only able to deliver safe and reliable products to customers through the cooperation of our business partners. Through their daily efforts, our Merchandise & Logistics Division and Quality Control Office work to demonstrate to business partners that providing safe and reliable products is our highest priority.

To support its business partners, LAWSON established a vendor support section within the Merchandise & Logistics Division to offer advice on utilizing the Manufacturing Process Control System at rice product and other production facilities, and to support operational enhancements. We work with rice production facility employees to reduce raw material cost ratios and eliminate unnecessary, inconsistent

and wasteful elements in the production process by inspecting and comparing current and historical production process data. (Please refer to page 24 for information about the Manufacturing Process Control System.)



LAWSON's Organizational Structure

LAWSON aims to do its utmost to meet the expectations of its customers, franchise owners, store crews, business partners, shareholders and other investors. In our view, the first step toward achieving these aims is to bolster management soundness and transparency, and focus on enhancing our corporate governance systems.

Basic Stance on Corporate Governance

LAWSON works to realize various goals on behalf of its stakeholders and in turn strives to raise corporate value by making LAWSON stores a welcoming place for everyone.

1. The customer is always made to feel welcome
2. Franchised store owners can feel that they are realizing their full potential
3. Store crews can develop their skills and grow as a result of their own efforts
4. Suppliers and service providers see their dreams take shape
5. Employees can take pride in their work and really feel a sense of being useful to society
6. Shareholders can contribute indirectly to society and invest in their dreams for the future, and
7. Customer communities can feel welcome and safe.

To achieve these objectives, we conduct our corporate activities with an awareness based on the corporate philosophy and the LAWSON Code of Ethics. Through these efforts, as well as proactive disclosure, we focus on enhancing corporate governance by bolstering management soundness and transparency.

Corporate Governance and Internal Controls

Board of Directors, Executive Officer System

As of May 23, 2008, LAWSON had seven directors, including three external directors. The Board of Directors intentionally has few members, as our aim is to enable swift management decisions. The Company has also introduced an executive officer system to enhance management supervision and business execution. The Company has 14 executive officers, three of whom concurrently serve as directors.

In FY2007, the Board of Directors met 15 times, including three extraordinary meetings. The rate of attendance at these meetings by external directors was 82%. In FY2008, the Board of Directors plans to convene monthly.

Audit Function

LAWSON maintains a corporate auditor system, with three of the four members of the Board of Corporate Auditors from outside the Company. In principle, the Board meets monthly to state in a fair and impartial manner their opinions on general management and other specific topics. The Board also audits the execution of duties by directors, including the status of internal control systems.

During FY2007, the Board of Corporate Auditors met 14 times, including two extraordinary meetings. The rate of attendance by outside corporate auditors was 100%, and the rate of attendance of outside corporate auditors at Board of Directors meetings was 96%.

LAWSON recognizes the importance of compliance with laws and regulations and of CSR and accordingly has established the Internal Audit and Correction Office as an independent internal auditing organ to confirm that business is conducted in a fair and appropriate manner.

Compensation System

In FY2007, the Compensation Advisory Committee, chaired by external director Takehiko Kakiuchi, met four times. These meetings were held to discuss such topics as the method of determining director and executive officer compensation, and the decisions of these meetings were reported to the Board of Directors.

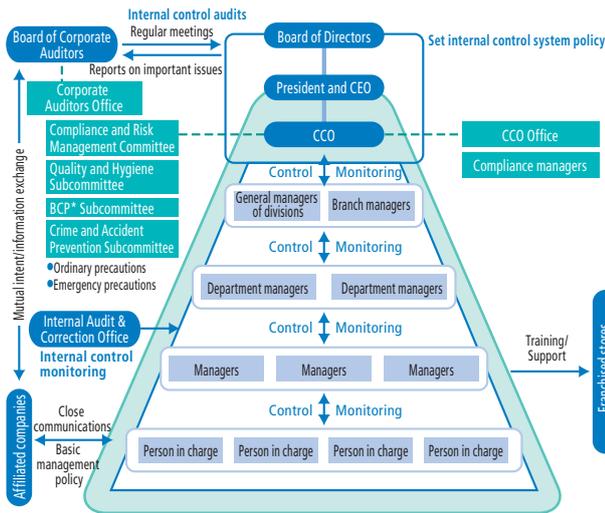
Compensation for management is dependent on a multifaceted assessment system, which was introduced in FY2003 and carried out simultaneously with personnel assessments.

Internal Control System

Through its nationwide scale of business in the convenience store industry and operation of several different store types LAWSON comes into contact with a host of companies of different sizes that provide products and services. We are also required to comply with numerous laws and regulations and face various risks if we do not comply in an appropriate manner.

For this reason, and to ensure sound and sustained corporate development, we have created internal control systems. Recognizing the importance of compliance from a management perspective, in February 2007 the Board of Directors formulated the Basic Policy for the FY2007 Establishment of Internal Control Systems. Based on the status of this system, the Board added new policies aimed at eliminating anti-social forces and begun implementing the Basic Policy for the FY2008 Establishment of Internal Control Systems. An explanation of this policy is available on our website. In line with this policy, we aim to conduct our business in ways that are operationally effective, efficient and appropriate and enhance our corporate value.

LAWSON Internal Control System



*BCP: Business Continuity Plan

Appointment of CCO and Compliance Managers

LAWSON has appointed a Chief Compliance Officer (CCO), who has overall responsibility for compliance promotion and risk management. The CCO leads the CCO Office, which is comprised of specialized staff. Compliance managers are also appointed at each division and the seven branch offices in Japan.

To ensure practical results in compliance with laws and regulations and management of risk, the CCO convenes Compliance and Risk Management Committee meetings once a month to identify current problems and build and implement systems to preempt problematic incidents.

Compliance managers promote compliance and risk management in their own department, provide related training and propose ways to make improvements at the Compliance and Risk Management Committee meetings.

Compliance System

LAWSON always pays serious attention to adhering to a corporate stance that ensures compliance with social standards and morals. To achieve this, we have developed compliance-related regulations and regularly conduct compliance training, including e-learning and group training by job type. In March 2008, we formulated the "LAWSON Group Corporate Conduct Charter*," and revised the "LAWSON Code of Ethics." We also issued the *LAWSON Group C&R Handbook*, which summarizes these standards of conduct so that we can maintain and enhance employee awareness of compliance through work.

We perform awareness surveys involving all employees, as well as surveys for business partners concerning product delivery and store construction. Surveys help us to identify problems and challenges in compliance promotion activities and transaction details, providing us with the opportunity to review and improve our compliance system with a wider vision.

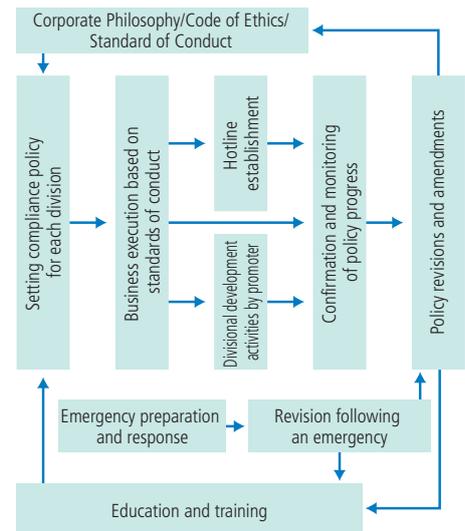
For our internal reporting system, we have set up a point of contact (Hotline) both inside and outside the Company (legal office) to make it easier to report and consult on various matters. This enables swift discovery of internal problems so that we can implement a speedy response.

*Please refer to page 2 for details on the "LAWSON Group Corporate Conduct Charter."



Compliance and risk management training provided by compliance managers

LAWSON Compliance and Risk Management System

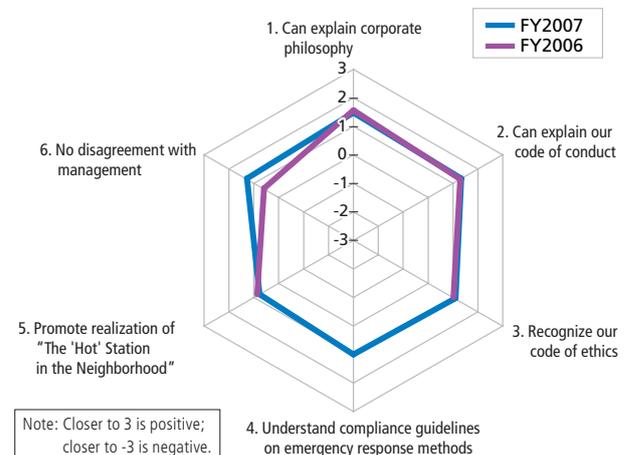


Compliance Survey

We perform compliance surveys involving all Company executives, employees, dispatched staff and part-time employees once a year to identify the degree of penetration of our compliance system. Results of our fourth survey, conducted in FY2007, indicated a marked improvement in the item "no disagreement with management" versus the third survey's results. However, survey respondents indicated no improvement for issues concerning difficulties in taking vacation time and workloads, demonstrating the need for further measures.

We plan to continue conducting such surveys. By doing so, we aim to confirm that improvements have been made to areas indicated previously and to raise ethics awareness.

Compliance Survey Results



*The above graph does not include item 4 since it was newly added in FY2007.

Risk Management System

From the standpoint of corporate ethics, LAWSON emphasizes three major risk areas: product quality and hygiene management (see page 23-26), information security and disaster response. We have a system in place for the swift resolution of problems in the event of an emergency.

In normal circumstances, the Compliance and Risk Management Committee and the three subcommittees (Quality and Hygiene Subcommittee, BCP Subcommittee and Crime and Accident Prevention Subcommittee) convene to minimize risk. Their roles involve setting clear priorities in tackling potential risks, drafting and promoting prevention measures, and overseeing the progress of problem-solving processes.

In the case of an emergency, we set up an emergency risk response council to contain risk and limit the damage. After recovering, we conduct analysis of the causes of risk elevation to ensure restoration of trust and prevent recurrence. In this manner, as well as by giving feedback to employees through training, LAWSON strives to raise its risk management capabilities.

Information Security

In anticipation of the full enforcement of the Protection of Personal Information Act in March 2005, LAWSON established a Personal Information Protection Policy. Through this internal directive, we strive to further promote and improve the protection of personal information. This policy is reflected in store manuals to ensure it is manifest in the understanding and actions of store staff. Aiming at raising awareness, we also use internal information newsletters and other communication tools to familiarize all stores and supervisors with hypothetical cases involving frequent errors and complaints at stores, as well as remedies and recommended ways to appropriately respond to such cases. At the headquarters, staff use the LAWSON Office Security Rules for the same functions.



Information security manual for headquarters personnel

We regularly check our information management system using self-examination and internal auditing processes. LAWSON is striving to tighten its information security system through various other measures, including thorough rules for use, storage and disposal of personal information and information security training.

Disaster Response

LAWSON strives to ensure that if a major disaster strikes, its stores will continue to operate, serving as a lifeline to regions affected by the calamity. To this end, LAWSON has compiled basic and organization-specific (for district, branch, headquarters) disaster response manuals

and distributed these to each division and branch office. We have also included portions of this manual in various store manuals. In the event of a large-scale disaster, we have systems in place to establish Disaster Response Offices. Through these measures, we are ensuring quick response to disasters.

We periodically review our disaster response manuals addressing problems or questions that may have arisen during response training or actual disasters to ensure the ongoing operation of stores in affected areas and the rapid recovery of stores if they are hit by a disaster.

To ensure that all employees are fully aware of the actions expected of them in times of disaster, we conduct disaster response training programs semiannually. The companywide disaster response training held in September 2007 included training on confirming safety in case an earthquake above magnitude 5 strikes. The training was held on a Saturday to ensure that a system for swift communication at a time when few people were in their offices is in place. We will apply the benefits of lessons learned through these training activities to reinforce our disaster response measures.



Disaster response training

Store Crime Prevention Measures

To prevent crime at stores, LAWSON has a crime prevention system and conducts various activities. We have introduced and promote use of pigment-filled anti-crime color balls, dispatch headquarters staff to make late night rounds of stores, participate with local police departments in robbery simulation exercises and adhere to the "Five Principles of Crime Prevention."



Crime prevention training

Disaster Response

When the Niigata-ken Chuetsu-oki Earthquake struck on July 16, 2007 we immediately established Disaster Response Offices and swiftly gathered information on the disaster and provided support with supplies.

Timeline of Disaster Response

- 10:13 Earthquake hits
- 10:30 Established Disaster Response Offices at the headquarters, Tohoku branch office and Chubu branch office
- 10:45 Held disaster response meeting
- 14:30 Held disaster response meeting
- 15:00 Issued news release concerning delivery of aid supplies*1
- 15:30 Formed an outline of activities to raise relief money*2

*1: Supplies provided on the day of the disaster (free of charge)

Item	Amount	Item	Amount
Rice balls	15,000	2 L water bottles	600
Sweet buns	2,000	Wet tissue packs	960
Instant noodle packs	4,428	Plastic shopping bags	4,000
500 ml water bottles	4,800	Disposable chopstick sets	4,000

*2: A total of ¥35,677,179 was raised as relief money and provided to the Niigata Prefectural Office on August 14, 2007 (see page 29 for details).

Company Overview (As of February 29, 2008)

Name	LAWSON, INC.
Address	East Tower, Gate City Ohsaki, 11-2, Ohsaki 1-chome, Shinagawa-ku Tokyo 141-8643, Japan
President and CEO	Takeshi Niinami
Established	April 15, 1975
Capital	¥58,506,644,000
Employees	3,548 (consolidated)
Scope of Operation	Mainly management of LAWSON and NATURAL LAWSON franchise and directly managed convenience store chain as headquarters
Store Revenues	¥1,415.1 billion (FY2007)
Stores	8,587 (in Japan)
Store Coverage	All 47 prefectures in Japan and Shanghai, People's Republic of China (joint venture)

Stores of major affiliated companies

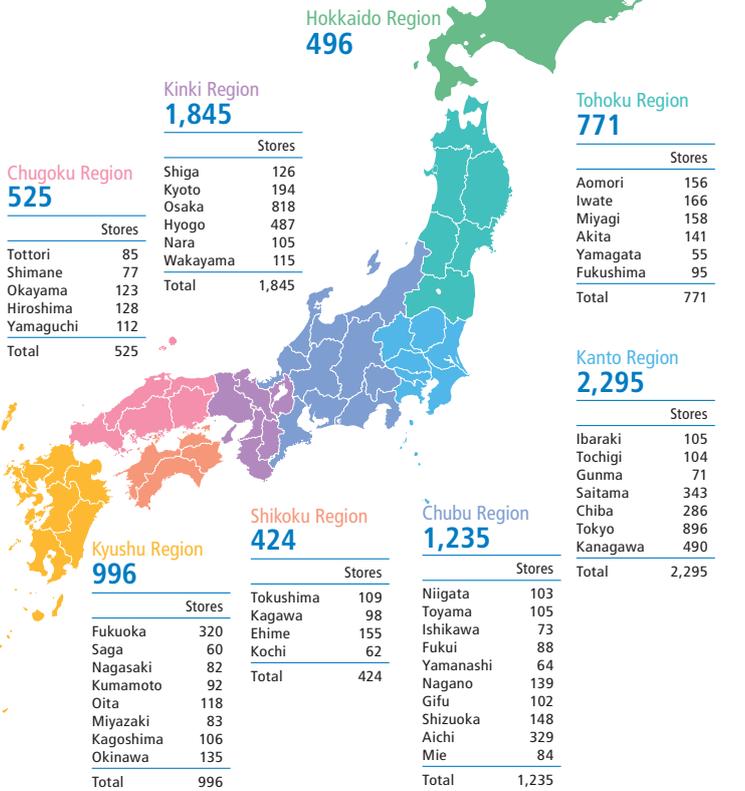
SHANGHAI HUALIAN LAWSON Co., Ltd.	287 stores
Ninety-nine Plus Inc.	827 stores

(As of December 31, 2007)

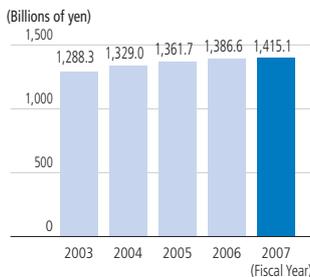
Store Information (As of February 29, 2008)

8,587 stores in Japan

Including: 91 NATURAL LAWSON stores
72 LAWSON STORE 100 stores



Consolidated Net Sales



Number of Stores



Note: Store numbers include NATURAL LAWSON and LAWSON STORE 100.

Average Number of Customers/Average Daily Sales Per Store



Consolidated Subsidiaries (As of February 29, 2008)



LAWSON TICKET, INC.

Listed on JASDAQ, sells tickets for concerts, movies, sporting and other events, mainly through Loppi multimedia data terminals located inside LAWSON stores.



i-Convenience, Inc.

Operation of the official LAWSON Mobile website for mobile phone users and provision of online merchandise, services and information through this site



LAWSON ATM Networks, Inc.

Installation, operation and management of jointly operated ATMs in LAWSON stores and deposits/withdrawals, transfers and related financial services via ATMs outsourced from partner financial institutions



BEST PRACTICE

BestPractice Inc.

All activities related to conducting convenience store surveys and proposals for improving LAWSON stores



VALUE LAWSON, Inc.

Format development, product planning, development and operational guidance of LAWSON STORE100 shops, which offer value products at reasonable prices, primarily targeting women and elderly shoppers

Affiliated Companies (As of February 29, 2008)

Ninety-nine Plus Inc.

Direct operation and franchise chain management of SHOP99 single-price stores and other stores

SHANGHAI HUALIAN LAWSON Co., Ltd.

Development of LAWSON store chain in Shanghai, PRC, through a joint venture with Hualian Group Corporation

naturalBeat Co., Ltd.

Develops products such as handmade sandwiches and deli products, sweets and beverages, with a focus on attentive preparation of natural products with as few additives as possible for sales in naturalBeat stores.

LAWSON CS Card, INC.

Issuance of LAWSON PASS credit cards to LAWSON customers and provision of card-based services through Loppi multimedia data terminals and other channels (excluded from equity-method affiliates as a result of sales of all shares by the Company on April 30, 2008)

Outside Opinion

LAWSON asked for an external evaluation of its environmental conservation activities. We will take these views and suggestions to heart, using them to improve and develop our future activities.

“I hope the university and the Company can work together to help preserve the environment”



In front of the store at the Tatsuoka Gate of The University of Tokyo

Dr. Ayano Takeuchi

**Kankyo Sanshiro*,
The University of Tokyo**

Assistant Professor,
Department of Biostatistics,
School of Public Health

*Kankyo Sanshiro is an environmental research group comprising mainly students and alumni of The University of Tokyo that aims to resolve environmental issues.

Aware of the environmental impact of widespread use of disposable chopsticks, we at *Kankyo Sanshiro* started a survey in 1999. Our relationship with LAWSON began when we inquired into the number of disposable chopsticks consumed at stores. We used data supplied by LAWSON when summarizing survey results.

When LAWSON initiated a drive to recover disposable chopsticks at the three LAWSON stores on the university campus, we assisted in this effort via student announcements. Also, as an individual user, I made a special box to collect the

chopsticks and regularly take it to one of the stores when it is full. LAWSON also accepts disposable chopsticks from stores other than LAWSON, which is a great help.

Through interaction with employees at LAWSON, I came to see that this was more than just a temporary initiative and that the company is serious about working to resolve environmental issues. It really changed my impression of the convenience store. I had also been of the opinion that all convenience stores in Japan provided the same monotonous products and services. I was surprised to learn during the chopstick campaign that each LAWSON store could implement its own initiatives. I learned that stores in different regions provided products and services that most suited the characteristics of the region. I was glad to hear that LAWSON was working so hard on activities that considered the community. However, I don't think many people know this side of LAWSON, so I really feel that this should be promoted more.

The LAWSON initiative that most interests me is the one concerning child-raising support. I hope LAWSON extends this program nationwide to support families with children through their products and services. It would also be great if LAWSON simplified containers and packages for boxed lunches and other items from an environmental perspective.

Kankyo Sanshiro will celebrate its 15th anniversary this year. As we move ahead, I would like to enhance and expand our key survey activities. I believe that collaborations between the business and academic worlds are extremely valuable and really appreciate the chance to work together with LAWSON on our campaign to recover disposable chopsticks. I hope we can work together on future endeavors, beginning with reviewing the responses to the disposable chopstick collection activities.

LAWSON History

1975	April	Daiiei LAWSON Co., Ltd. established	2000	July	Company's shares listed on the First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
	June	First store opens in Sakurazuka (Osaka)		October	Established i-Convenience, Inc.
1976	October	T.V.B. Sun Chain Co., Ltd., established	2001	May	Established LAWSON ATM Networks, Inc.
1977	April	Inaugurated system for joint delivery of milk and other daily use products		July	Opened the first NATURAL LAWSON store
	November	Created specialized plant to make boxed lunches and began supplying freshly made boxed lunches	2002	June	Introduced the LAWSON PASS card
1978	January	Installed first-generation computer system		November	Established the Compliance Promotion Committee
1980	September	Business tie-up established between LAWSON and Sun Chain	2003	January	Established post office counters at all stores
1982	March	Began accepting home delivery service orders		May	Began staged removal of artificial colorings and preservatives from products sold in the Tokyo metropolitan and Kinki regions
1986	April	Began sales of <i>Kara-age Kun</i> fried chicken nuggets		August	Signed an agreement with Wakayama Prefecture on local cooperation activities
1988	May	Began employing a new three-delivery system	2004	June	Appointed a Chief Compliance Officer and compliance managers
	September	Use of point-of-sale tracking system commenced	2005	March	Announced Personal Information Protection Policy
1989	March	Merger with Sun Chain Corporation, creating Daiiei Convenience Systems Co., Ltd.		May	Opened the first LAWSON STORE100
	October	Began agency service to accept electricity and gas bill payments		June	Created new corporate philosophy to mark the 30th anniversary of LAWSON's founding
1991	February	Began employing the slogan "The 'Hot' Station in the Neighborhood" in internal and external communications	2006	January	Officially started waste-oil recycling
1992	September	Started collecting donations for charities working to protect the global environment (currently called "LAWSON Green Fund")		September	Became first private company to sign agreement with Japan's Ministry of the Environment
1993	April	Commenced Clean Aid activities	2007	December	Opened first HAPPY LAWSON store designed to support child-raising
1995	January	Conducted recovery and donation activities in wake of Kobe earthquake		January	Began full-fledged development of LAWSON PLUS stores
1996	March	Began handling sales of stamps, postcards and revenue stamps		January	Launched MY LAWSON POINT card without credit function
	April	Initiated LAWSON Ticket sales		February	Formed operating and capital alliance with naturalBeat Co., Ltd.
	June	Company name changed to LAWSON, INC.		February	Formed a business and capital alliance with Ninety-nine Plus Inc.
	July	Opened first LAWSON store in Shanghai, People's Republic of China		March	Introduced electronic payment terminals
1997	March	Started "Every Store Can Help" campaign		March	Employed environmentally friendly PLA for salad containers
	July	Commenced operations in Okinawa, marking the Company's extension of operations to all 47 Japanese prefectures		March	Started "Bring Your Own" campaign
1998	February	Installed Loppi multimedia data terminals at all stores		June	Transferred head office to Shinagawa-ku, Tokyo
	November	Established the LAWSON Code of Ethics		July	Opened HAPPY LAWSON Yamashita Koen store to support families with children
	December	Received ISO 14001 certification (international environmental management system standard)	2008	January	Concluded mega franchise agreement with Shinsengumi Honbu K.K.
				February	Formed comprehensive alliance with Japan Post Holdings Co., Ltd.

LAWSON

LAWSON, INC.

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