LAWSON, INC.

Interim Results for Fiscal 2010

October 13, 2010

Cautionary Statement

This presentation contains forward-looking statements and forecasts regarding the future plans, strategies and performances of LAWSON and its subsidiaries and affiliates. These statements and forecasts are not historical fact. They are expectations based on assumptions and beliefs derived from information currently available to the Company and are subject to risks and uncertainties including, but not limited to, economic trends, heightened competition in the domestic convenience store sector, personal consumption, market demand, the tax system and other legislation.
As such, actual results may differ materially from estimates.
Figures in this presentation have been rounded down.
LAWSON's fiscal year-end is the end of February.

Interim Results for Fiscal 2010

Yoshiyuki Yahagi

Chief Financial Officer

FY2010 Interim Results

(Consolidated: Billions of yen)	1H FY2009	1H FY2010		
	Actual	Actual	YoY	vs. Initial Plan
Net sales of all stores	840.7	**837.8**	99.7%	99.3%
Operating profit	30.1	**30.1**	100.0%	108.1%
Operating profit ratio	3.6%	**3.6%**	0.0%P	0.3%P
Recurring profit	29.7	**29.6**	99.7%	109.6%
Interim net profit	15.8	**12.2**	77.4%	94.5%
EPS (Yen)	160.17	**123.44**	77.1%	94.2%
Projected dividend per share (Yen)	80	**85**	5	-
Total number of stores	9,629	**9,860**	231	-

(Notes) Interim net profit and EPS for 1H FY2009 have been corrected due to prior-year adjustments of LAWSON ENTERMEDIA, INC. Results for 1H FY2009 include the results of Ninety-nine Plus Inc. for the period from January to June.

■Consolidated operating profit: Slightly increased

We achieved our year-on-year plan for interim existing store sales, with the second quarter offsetting underperformance in the first quarter.
We continued to make progress cutting SG&A expenses. Consequently, interim operating profit far exceeded our plan.

■Consolidated interim net profit: Declined

We recorded a loss on disposal of 1.2 billion yen on the training facility to reduce maintenance costs, as well as a 1.8 billion yen impairment loss for old IT systems at Ninety-nine Plus Inc. due to the early introduction of new IT system, PRiSM.
Together, these restructuring costs totaled 3.0 billion yen and were booked as extraordinary losses.

Existing Stores (Non-Consolidated)

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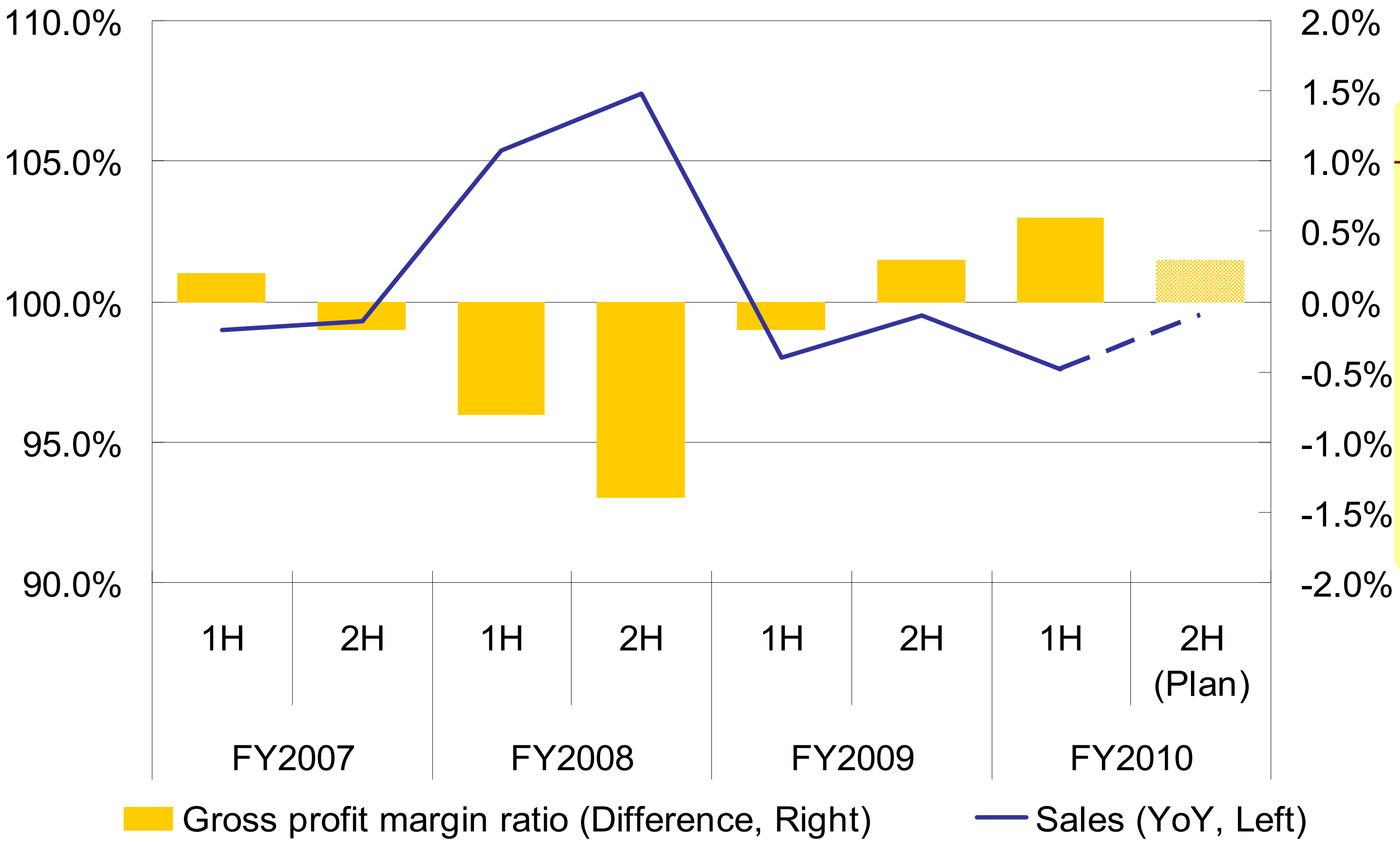


Reference

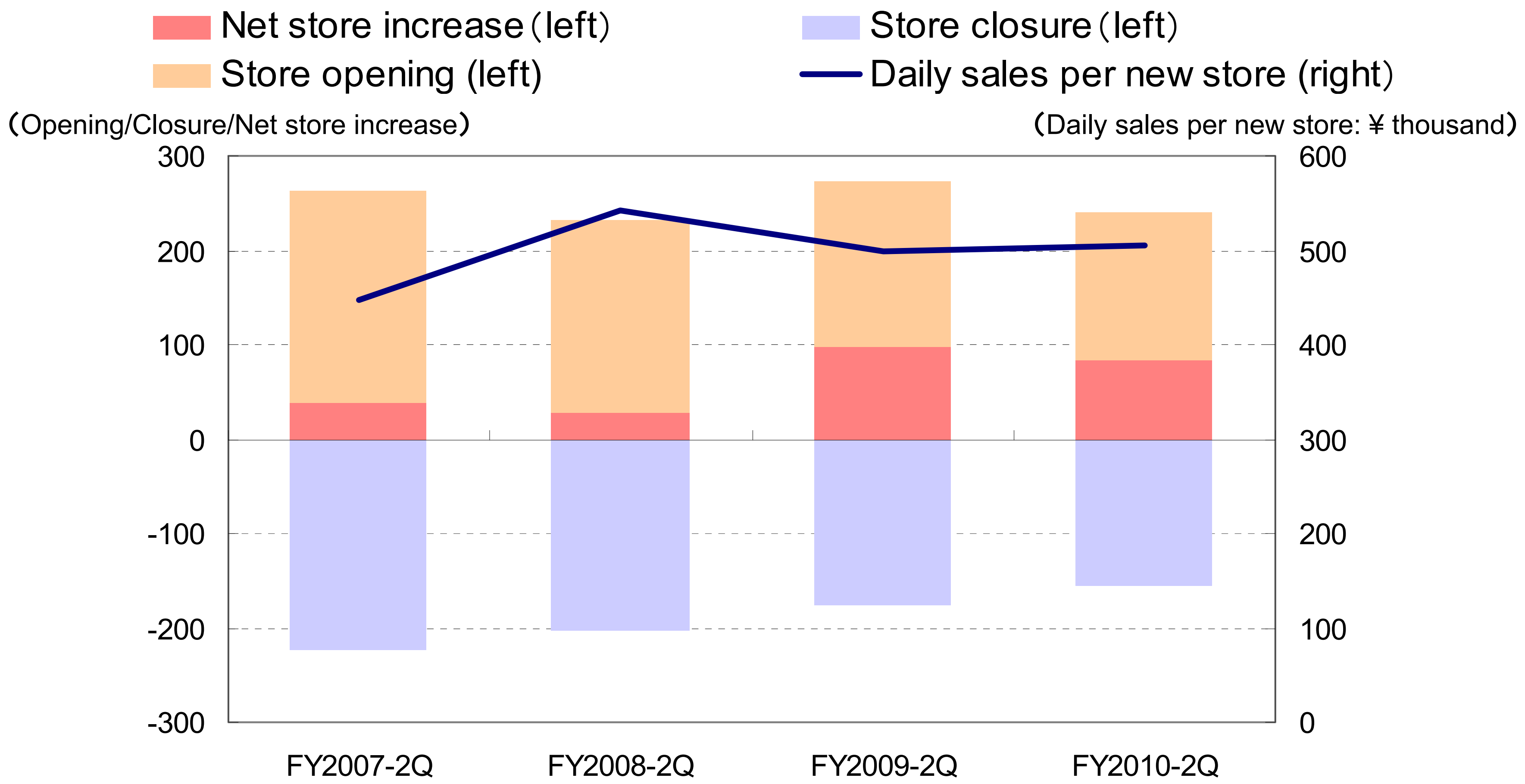
1H FY2010
Existing stores (YoY)

- ✓ Gross profit: 99.5%
- ✓ Sales: 97.6%
- ✓ Average no. of customers: 99.8%
- ✓ Average amount spent per customer: 97.8%

- Gross profit margin improved considerably due to revamping raw materials procurement and promoting projection ordering method.
- Customer numbers improved on the back of the popularity of desserts and cooked noodles, and the summer heatwave.
- Existing store sales dropped due to a decline in average amount spent per customer, reflecting ongoing price competition.

Existing Stores (Non-Consolidated)

LAWSON



- The net increase in stores ended up with 84 stores as a consequence of the number of store openings, which was 40 higher than planned, and of the number of store closure, which was 24 less than planned.
  => Revised the annual plan of net increase for 120 stores.
- Outstanding contracts at period-end was 286, which covered the annual plan.
- Daily sales at new stores increased to 505 thousand yen. Persistent efforts in improving efficiency of opening new stores continued to boost the sales at new stores.

Key Components of SG&A Expenses

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(Billions of yen)		1H FY2010 Actual	1H FY2010 YoY	FY2010 (Full Year) Forecast[1)]
Non-consolidated	Selling, general and administrative (SG&A) expenses	88.3	▲ 0.6	Slight increase
	<Major Strategic Expenses>			
	Personnel costs	17.0	▲ 1.8	Down approx. 10%
	IT-related costs	7.0	1.5	*Up approx. 10%*
	(Hardware leasing, software amortization, maintenance, etc.)			
	Advertising and promotional expenses	4.7	▲ 0.6	Down approx. 10%
Consolidated SG&A expenses		119.0	1.7	*Slight decrease*

1) Italics mean revised figures for the full year.

1H YoY Differences

Non-consolidated

- Personnel costs
  Decrease in store crew expenses due to decline in number of Company-operated stores
- IT-related costs
  Rebound increase after streamlining from last year
- Advertising and promotional expenses
  Decrease due to effective use of shopping points program

Consolidated

- Ninety-nine Plus
  Increase due to increased store openings

1H Plan Differences

Non-consolidated

Difference from initial plan: Minus 2.3 billion yen

- IT-related costs
  Minus 0.9 billion yen due to reduced maintenance costs
- Advertising and promotional expenses
  Minus 0.8 billion yen due to use of shopping points program

Consolidated

Difference from initial plan: Minus 3.0 billion yen

- Ninety-nine Plus
  Minus 0.5 billion yen against plan due to non-achievement of store-openings

Earnings of Major Subsidiaries and Affiliates

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(Billions of yen)

<Operating Profit of Major Subsidiaries>	Fiscal Year-end	Shareholding	1H FY2010 Actual	1H FY2010 YoY	FY2010 (Full Year) Forecast[1)]
LAWSON ENTERMEDIA, INC.	Feb.	100.0%	**0.61**	▲ 0.10	***1.0***
Ninety-nine Plus Inc.	Feb.	100.0%	**1.03**	0.07[2)]	**2.2**
LAWSON ATM Networks, Inc.	Feb.	44.0%	**1.65**	0.24	***2.8***
Cross Ocean Media, Inc.	Feb.	42.0%	**▲ 0.17**	-	**▲0.4**

<Operating Profit of Equity-method Affiliates>			1H FY2010	
LAWSON Okinawa, Inc.	Feb.	49.0%	**0.28**	-
SHANGHAI HUALIAN LAWSON CO., LTD.	Dec.	49.0%	**▲ 0.05**	▲ 0.00

1) Italics mean revised figures for the full year.

2) Compared with the operating profit from January to June for FY2009, which was included in LAWSON's consolidated results for that fiscal year.

LAWSON ENTERMEDIA, INC.	Although earnings fell, performance was better than planned with no impact observed from the recent incident.
Ninety-nine Plus Inc.	Although earnings fell short of plan, they contributed to consolidated operating profit.
LAWSON ATM Networks, Inc.	Achieved higher earnings due to increased ATM installations.
Cross Ocean Media, Inc.	Upfront investments for launching digital signage business.

1H FY2010 Balance Sheet and Cash Flows (Consolidated)

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(Billions of yen)

	As of Aug. 31, 2010	YoY
Total current assets	158.5	26.3
(Cash and bank deposits)	97.6	33.6
(Marketable securities)	1.0	▲ 1.5
(Accounts receivable)	30.5	4.0
Total property and store equipment	323.2	7.3
Fixed assets	152.0	6.7
Total intangible fixed assets	36.3	1.9
Investments and other assets	134.9	▲ 1.3
(Long-term loans receivable)	31.5	1.7
(Lease deposits)	81.8	▲ 1.3
Total assets	481.8	33.7

	As of Aug. 31, 2010	YoY
Total current liabilities	206.3	21.8
(Accounts payable-trade for franchised stores)	93.2	20.0
(Deposits received)	74.9	9.0
Total long-term liabilities	72.0	6.5
(Deposits received from franchisees and lessees)	38.2	▲ 0.4
Net assets	203.4	5.3
(Common stock)	58.5	–
(Retained earnings)	94.9	0.8
Total liabilities and net assets	481.8	33.7

Impact of new lease accounting standard
“Fixed assets” +8.7 billion yen
“Current/long-term liabilities” +7.7 billion yen

(Billions of yen)

	1H FY2008	1H FY2009	1H FY2010
Cash flows from operating activities	48.7	49.5	63.4
Cash flows from investing activities	3.7	▲ 15.8	▲ 12.6
Free cash flows	52.4	33.6	50.7
Cash flows from financing activities	▲5.3	▲ 11.2	▲ 16.1
(Reference) Cash and bank deposits	104.8	102.0	97.6

Cash flows from operating activities increased 13.9 billion yen year on year to 63.4 billion yen in 1H FY2010

- Reflected improvement in working capital in line with increase in bill settlement transactions

FY2010 Forecasts (Consolidated)

(Billions of yen)	FY2009 Actual	1H FY2010 Actual	FY2010 Forecasts [1]	FY2010 YoY
Net sales of all stores	1,666.1	837.8	***1,655.0***	*99.3%*
Operating profit	50.2	30.1	**50.5**	100.4%
Operating profit ratio	3.0%	3.6%	***3.1%***	0.1%P
Recurring profit	49.4	29.6	**49.1**	99.3%
Net profit	12.5	12.2	***22.0***	*175.1%*
ROE	6.5%	6.3%	***11.2%***	*4.7%P*
EPS (Yen)	126.67	123.44	***220.29***	*173.9%*
Dividend payout ratio	126.3%	―	***77.2%***	*▲49.1%P*
Projected dividend per share (Yen)	160	85	**170**	10
Total number of stores in Japan	9,761	9,860	***10,011***	250

(Non-Consolidated)

	FY2009 Actual	1H FY2010 Actual	FY2010 Forecasts	FY2010 YoY
Gross profit at existing stores (YoY)	96.8%	99.5%	**100.0%**	3.2%P
Net sales at existing stores (YoY)	95.9%	97.6%	***98.6%***	*2.7%P*
Gross profit margin ratio	30.4%	30.9%	**30.9%**	0.5%P

1) Revisions to initial full-year forecasts for fiscal 2010 are italicized.

2H FY2010

- 0.3 percentage point increase in the gross profit margin ratio due to progress in structural reforms.
- Invest in improving products to minimize backlash impact on cigarette sales from rushing buy ahead of tobacco tax hike
- Increase investment in growth fields (fresh food convenience stores, etc.)
- Downward revision of net profit (-1.8 billion yen) due to unexpected first-half extraordinary losses (3.0 billion yen)

LAWSON Management Strategy

Takeshi Niinami
President & CEO

1H FY2010 Review

		Key Initiatives	1H Achievements
Short-term		Improvement in franchise owner QSC	✓ Increased ratio of S/A ranked stores in Mystery Shoppers Program
	Strategies to increase gross profit	Structural reforms of procurement and distribution PRiSM	✓ Raised gross profit margin ratios by 0.6% points
		Multi-partner shopping points program	✓ Grew cardholder base to more than 25 million ✓ Sales to cardholders accounted for 28% of total sales
		Strengthened Group governance	✓ Implemented recommendations of third party investigating committee ✓ Acquired 100% Ownership of subsidiaries, Ninety-nine Plus and LAWSON ENTERMEDIA (LEM)
Medium- to long-term		Fresh food-type	✓ Conversion to fresh food-type stores (hybrid) ✓ Delayed acquisition of LAWSON STORE100
		Healthcare-type	✓ CVS with prescription pharmacies ✓ Opened a store with a drug store chain
		In-store kitchen-type	✓ Trial sales of fresh lunch boxes and delicatessen items
		Overseas development	✓ Opened first store in Chongqing in July, 2010

2H FY2010 Initiatives

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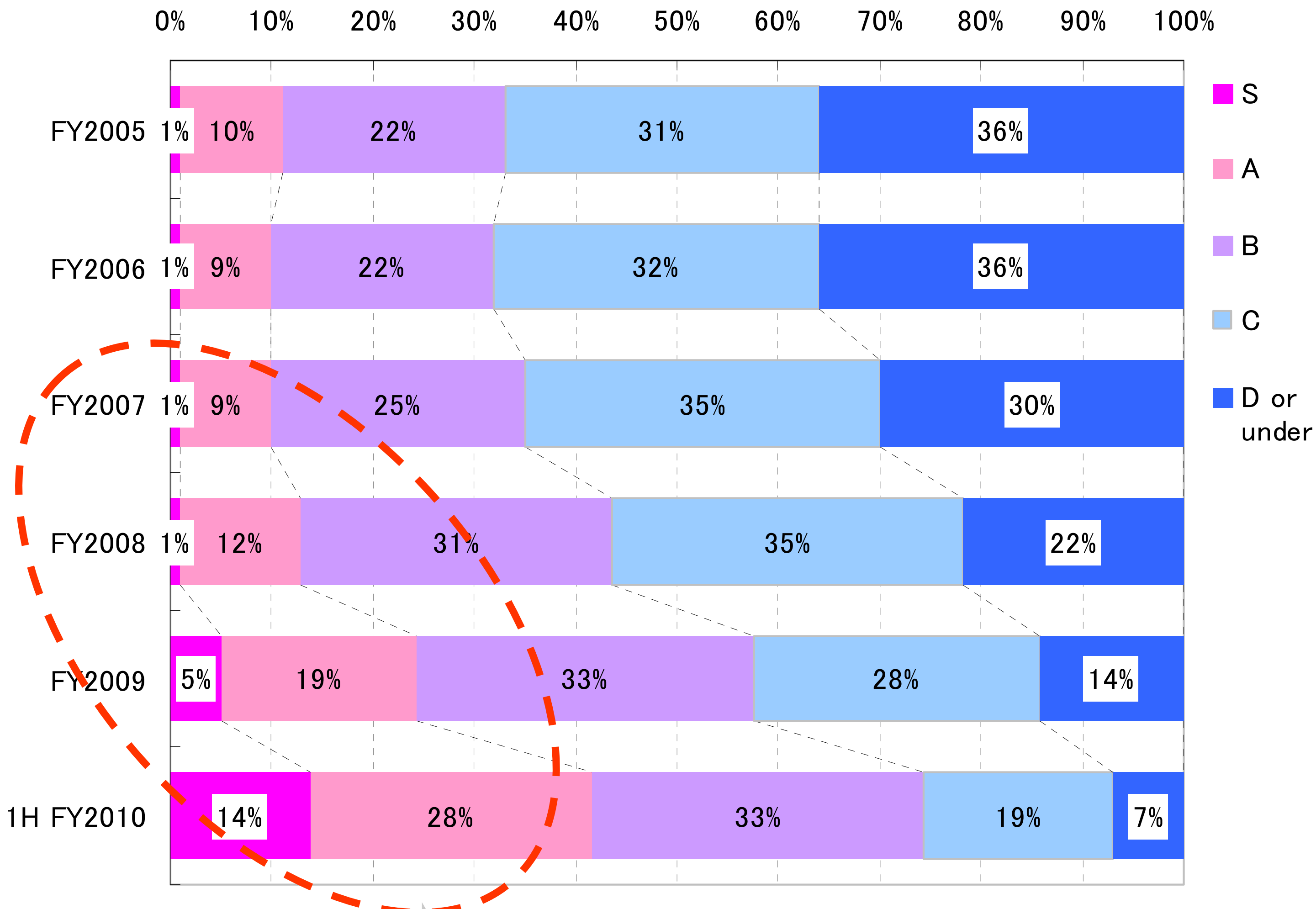
Key Issues	Actions
Backlash from rushing buy of cigarettes	✓ Development and promotion of value-added products ➢ Counter fast foods ➢ Original products ✓ Utilize PRiSM to minimize opportunity loss
Multi-format strategy to expand customer base	✓ Fresh food-type stores ✓ In-store kitchen-type stores ✓ Healthcare-type stores (Stores with prescription pharmacies, joint store openings with drug store chain)
Proactive initiatives for overseas development	✓ Revitalization of Shanghai Business ✓ Aggressive store expansion in Chongqing ✓ Further training for foreign national employees and appointment to overseas offices

Improving Franchise Owner QSC

Mystery Shoppers Rankings



Increase in S & A ranked shares ▶ Enables initiatives for growth fields such as multi-formats

Structural Reforms of Procurement and Distribution

1H Achievements

Existing value chain

R&D → Procurement → Production → Distri-bution → Sales

Vendor

Procurement

Factory

Production

- **Rice balls & lunch boxes**
- **Desserts**
- **Processed foods**
- ⋮

Chicken rice bowl (made with iodine-enriched eggs)

Premium Rolls

Ability to sell out merchandise

Higher gross profit margins through bulk purchase of ingredients

Establish high-quality brands by collaborative procurement and product development

2H Actions

Expand scope of bulk purchase of ingredients

SPA-type value chain

R&D → Procurement → Production → Distri-bution → Sales

PRiSM

1H Achievements

Strengthen franchise owner operating capabilities

Products in stores

Gap

Merchandise matched to location

Lost sales oppor-tunity

Improve owner profits and increase LAWSON earnings

Reduce lost sales opportunities in terms of volume and coverage

Visualize lost sales opportunities with PRiSM

PRiSM

Improve ordering accuracy

- ✓ Target merchandise assortments
- ✓ Projection ordering

Reduce lost sales opportunities in terms of quality

- ✓ Develop products matching customer needs
- ✓ Provide store formats suited to each location

Improve procurement

- ✓ Set competitive prices
- ✓ Procure distinctive ingredients

GIS

Store charts

Strengthen product and store development capabilities

2H Actions

Expand scope to reduce opportunity losses further

Ensure the whole company is aware of successful practices

Strengthening Group Internal Controls

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1H Achievements

Actions at LEM	Actions in the LAWSON Group
✓Prevent reoccurring of misconduct under the Risk Management and Compliance Committee, incorporating the third party investigating committee's recommendations. ➢ Implemented compliance training and promoted compliance awareness activities. ➢ Encouraged use of internal whistleblower system. ➢ Regularly monitored progress with countermeasures ➢ Analyzed risk in the ticket business.	✓ Acquired Ninety-nine Plus and LEM. ✓ Established a double-checking procedure for payments. ✓ Established a Compliance and Risk Management Committee for the whole group.

2H Actions

- ✓ Implement fund risk management for the Group integrated fund management (Implemented from October 1, 2010)
- ✓ Formulated and adopted regulations for strengthening risk management at subsidiaries (Revised on October 1, 2010)

Fresh Food-type Stores

1H Achievements

Fresh food-type LAWSON (Hybrid)	✓ Refurbished regular LAWSON stores and introduced fresh foods ✓ No. of store conversions 471 stores (1H) ✓ Improved sales from conversions Approx. 5% point increase
LAWSON STORE100	✓ Unfulfilled store opening plan, partly due to delayed conversion to subsidiary (from February to July) ✓ Improvement in existing store sales: Higher sales year on year since August 2010 ✓ Progress in franchising: 52 stores (1H)

2H Actions

✓ Refurbish 1,000 stores in total for the full year

✓ Achieve 2H store-opening plan

✓ Franchise* 150 stores during the year*
*Includes franchising of former SHOP99 stores

✓ Introduce PRiSM

Healthcare-type LAWSON Stores

1H Achievements

<Convenience Stores With Prescription Pharmacies>

<u>NATURAL LAWSON Shiroyama Trust Tower Store (Opened in August)</u>

- Introduced NATURAL LAWSON health-oriented products and healthcare products
- Enhanced consultation by pharmacists

<Opened a Store Jointly With a Drug Store Chain>

<u>LAWSON STORE100 Urayasu Higashino Store (Opened in July)</u>

Trialing a one-stop shopping model combining a convenience store with drug store

2H Actions

- ✓ Open and trial convenience stores with drug-dispensing pharmacies ⇒ Open a number of stores
- ✓ Open and trial stores jointly with a drug store chain ⇒ Develop a new store format
- ✓ Develop and trial stores selling OTC medications

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In-store Kitchen-type Stores

1H Achievements

- ✓Opened 20 stores
- ✓Sold more than 200 fresh lunch boxes a day
- ✓Sold more than 100 fresh delicatessen items per day
- ✓Average daily sales of fresh lunch boxes and delicatessen items of approximately 100,000 yen
- ✓Investment efficiency: ROI of 25% (Model case)
- ✓Succeeded in expanding customer base: Approx. 15% increase in women in their 30s and 40s

2H Actions

- ✓Increase store openings
- ✓Improve margins: Accelerated increase from 55% to 60%
- ✓Improve productivity per man-hour
- ✓Improve investment efficiency

Overseas Development

2H Actions

- ✓Aggressive Expansion to Other Cities in Chain
- ✓Spread of Japanese-Style CVS Model (Unique Supply-Chain)
- ✓Appointment of Foreign National Employees to Overseas Offices
- ✓Feasibility Study on Other Asian Countries

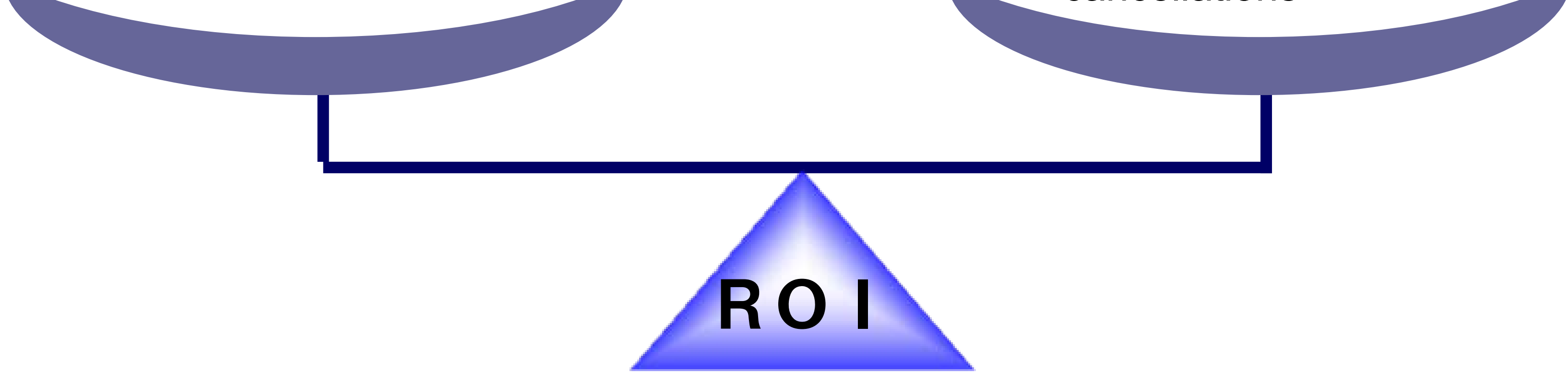
Cash Flow Allocation

Investment in Growth Fields

- Conversion of existing stores into fresh food-type stores, etc.
- Healthcare
- In-store kitchens
- Overseas
- M&A, etc.

Shareholder Returns

- Increased dividends
- Treasury stock buybacks/ cancellations



References

1H and 2H Breakdown of FY2010 Forecasts

(Consolidated: Billions of yen)	FY2010			
	1H Plan	1H Actual	2H Plan	Full-Year Plan
Net sales of all stores	844.0	837.8	*817.2*	*1,655.0*
Operating profit	27.9	30.1	*20.4*	50.5
Operating profit ratio	3.3%	3.6%	*2.5%*	*3.1%*
Recurring profit	27.1	29.6	*19.5*	49.1
Net profit	13.0	12.2	*9.8*	*22.0*

Gross profit of existing stores (YoY)*	99.5%	99.5%	100.5%	100.0%
Net sales at existing stores (YoY)*	97.5%	97.6%	99.5%	*98.6%*
Gross profit margin ratio*	30.9%	30.9%	30.8%	30.9%

Note: Italics mean revised figures.
* Non-consolidated

Capital Expenditure

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(Consolidated: Billions of yen)	1H FY2009 Actual	1H FY2010 Actual	FY2010 (Full-Year) Plan
New Stores	9.6	7.1	15.0
Existing Stores	3.9	3.7	10.0
IT-related	4.6	4.3	9.5
Other	0.1	0.6	1.5
Subtotal for Capital Expenditure	18.3	15.8	36.0
Depreciation	11.9	15.7	33.8

1) Depreciation for 1H FY2010 and FY2010 includes depreciation for leased property treated as a sale-and-purchase transaction due to the application of new lease accounting standards.

2) Depreciation for 1H FY2010 and FY2010 includes amortization.

3) Payments due to the repayment of lease obligations for 1H FY2010 were 4.6 billion yen.

- Allocate funds for new store investments based on Group store opening strategy
- Concentrate investment in existing stores on conversion to fresh food-oriented stores

(Reference)
Impact of consolidating Ninety-nine Plus Inc. (1H FY2010)
Capital expenditure: Approx. 0.9 billion yen