



Environmental and Social Activities Report 2006



“Happiness and Harmony
in Our Community”

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About this Report

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 a sense of compassionate consideration for the environment—in the specific regions in which we operate, as well as globally—and LAWSON's headquarters and stores are cooperating to undertake environmental preservation and social contribution activities on a national scale.

This environmental report—our eighth—outlines our environmental activities in fiscal 2005, including the saving of energy and resources, and reduction of waste. The report also describes LAWSON's social contribution activities, including our Green Fund, as well as afforestation and regional environmental cleaning initiatives. Also, this report describes the full extent of our new corporate philosophy from the viewpoint of our contributions to our customers, the owners of franchise stores, crews (part-time staff), as well as society and the economy as a whole.

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." This report describes exactly how.

Scope of Report

•Scope

This report concentrates specifically on LAWSON as a parent company, its member stores and some affiliated companies, and includes some of the cooperative efforts of business partners involved in distribution, the manufacture of rice-related products, and sales and waste management.

•Period

The primary period covered by this report is fiscal 2005 (the fiscal year from March 1, 2005, through February 28, 2006), but also includes some information from previous fiscal years as well as activities for fiscal 2006.

•Next Publication

Scheduled for July 2007

•Reference Guidelines

Ministry of the Environment "Environmental Reporting Guidelines, fiscal 2003 edition"

Top Management Message

June 2005 marked the 30th anniversary of LAWSON's founding. We are using this landmark year as a starting point to create the LAWSON of the future.

LAWSON has always aimed continually to meet customer expectations. We have supported the convenience of people's lifestyles through new products and services—from 24-hour opening times to offering boxed lunches, side dishes and other products and to handling public utilities and other payments, ticket sales and regional product delivery services. Convenience store operations indisputably have an influence on local communities and the global environ-

ment. LAWSON has always been receptive to various opinions on its role as a convenience store, spanning the waste produced by its stores, the energy and noise generated by late-night operation and other issues.

The Company now needs to meet head on the various problems associated with its role as a convenience store and seek sincere solutions. We have to start creating a new LAWSON that is truly useful to and needed by local communities.

Embracing these ideas, we are taking the opportunity of the 30th anniversary of our founding to update our corporate philosophy and

code of conduct. "Happiness and Harmony in Our Community" is our new corporate philosophy. It clarifies the mission of the owners, crews (part-time staff) of franchise stores and employees that make up the LAWSON family and makes a pledge to society as a whole. Our code of conduct comprises three directives that embody this corporate philosophy: "Acting with utmost consideration for others," "Challenging with innovative ideas and actions" and "Having a strong will to attain the objectives." By questioning how each person should behave, we are encouraging behavioral reform. ✓

How to achieve "Happiness and Harmony in Our Community"

↘ We invited articles and ideas from staff and customers on the subject of "The convenience store of the future" as part of a 30th anniversary campaign to realize the high ideals of our new corporate philosophy. The number of submissions received from a broad age range exceeded our expectations, reemphasizing the strong feeling of the scale of expectations towards LAWSON and the weight of responsibility that we have to fulfill. We are truly grateful for the many suggestions we received on How to achieve "Happiness and Harmony in Our

Community," based on a variety of creative and visionary opinions.

LAWSON continues to progress step by step, while conversing with the customers, business partners, local citizens and many others who support its operations. We target a future, rising to our daily challenges, where LAWSON is "The 'Hot' Station in the Neighborhood" and at the center of every happy community.

Takeshi Niinami

President and Chief Executive Officer



30th Anniversary Special Feature

Toward the “LAWSON of the Future” that Everyone Wants

To mark the 30th anniversary of LAWSON’s founding, last year we invited articles on expectations of the “LAWSON of the Future” from customers and owners, managers, crews (part-time staff) of franchise stores and employees throughout Japan. In response to all the ideas presented in the 1,340 submissions, we are launching ourselves into the challenges of creating a new LAWSON.

30th anniversary articles and ideas on “The Convenience Store of the Future”

Top Prizewinning Entry

Realizing convenience stores that support raising kids!

The top prize for the submitted articles and ideas on “The Convenience Store of the Future” was by Ms. Misato Hanai, entitled “Convenience stores that support raising kids!”

This article is about developing the convenience store as a hub of communications for young mothers who are bringing up children.

To realize the ideas of this excellent article, on March 11 we formally established a task force to prepare for the opening of provisionally named LAWSON for Mothers with Kids stores. LAWSON is cooperating with local communities to create neighborhoods that are safe for children and mothers to live in and stores that are friendly and secure for women. We are developing new

LAWSON stores that bring a welcome change and provide lifestyle support to mothers with kids and provide a fun place for children to play and learn.

We aim to open LAWSON for Mothers with Kids pilots in 2006 centered in commercial areas where families gather and in residential areas with a high density of families. Applying the know-how accumulated by repeated investigations at the opened LAWSON for Mothers with Kids stores, we plan to develop regular stores to link this concept throughout the LAWSON chain.



The LAWSON for Mothers with Kids stores task force is launched, aiming to create stores that are friendly for children and mothers

The LAWSON for Mothers with Kids stores task force, based on an idea presented in a submitted article, aims to create new stores that embody our new corporate philosophy of “Happiness and Harmony in Our Community.” It draws on the expertise of 14 members, including store development, product and service development and store construction representatives. Through a process of trial and error, they are planning the locations and layouts for stores that are easy to use for children and their mothers and thinking of services that will attract drop-in customers.

At present, LAWSON is planning to implement wider aisles to aid stroller access and child toilets. Other initiatives under investigation include cafeteria areas for exchange of childcare information, where mothers can take time out to rest and chat, and short-term crèche services.

The members of the task force are at present enthusiastically rising to the new challenges of creating stores that are friendly to both mothers and children.



The members of the task force meet once a week to investigate the user-friendliness of LAWSON for mothers who are bringing up children



"The event of receiving a prize for the 30th anniversary article gave me new courage," said Ms. Misato Hanai

A place where mothers bringing up kids can shop at leisure and exchange information

Top prizewinning entry, **Ms. Misato Hanai**

Principal proposals in the article

- Sales of baby food
- Sales of discounted boxed lunches and desserts
- Restrictions on daytime sales of adult magazines
- Facilities for baby care at checkouts and baby beds and training seats in toilets
- Workspace for mothers with children

I could hardly bear the loneliness being off work in Osaka bringing up my child, with just the two of us in the house on our own. I'd have liked to get out to talk to someone, but it's difficult to find somewhere to go with the children. When I fell pregnant with my third, I moved back home to Mie Prefecture to devote myself to bringing up the children, but the situation was much the same.

We have currently formed a circle of 15 mothers who are looking after their children. We meet once a week and exchange information over lunch together. But still there are few places to go with the children. If the weather is fine, we can eat outdoors, but we're really stuck if it's raining. If we apply to rent a public hall, when we explain that we're bringing the children, we're refused:

What if they make the place dirty...

Just when I was really feeling *Wouldn't it be great to have a place we could use without worrying...* I found out from the in-store announcements that LAWSON was inviting articles and ideas as part of its 30th anniversary. I wrote the article and sent it off in one fell swoop.

I feel as though I should apologize for taking the first prize with a poorly written article that I simply dashed off, but realizing a LAWSON that supports mothers raising kids is like a dream to me. Please, I'd love you to create a place that is easy to use with the kids in tow, where we mothers can also exchange information.

I would wish for "The 'Hot' Station in the Neighborhood" to be at the center of our community.

As a mother bringing up kids, I am listening to the opinions of mothers while creating new stores.

I am a mother, bringing up a four-year-old boy. When I read Ms. Misato Hanai's article, I remembered the stress when I was off work raising my boy full time, wanting to go out and not being able to. Further, it reminded me that when I became a mother, I could no longer use the convenience store I had frequented when I was still single, as it was so inconvenient.

As leader of this task force, I truly want to realize stores where mothers can shop with peace of mind with their children, who themselves adamantly want to go to LAWSON. Accordingly, I am meeting with employees who are also mothers with children and not members of the task force to hear the opinions of women in this predicament as often as possible. This allows me to think about how our stores can best support mothers and the children they are raising.

In addition, stores that are friendly to mothers with kids should also be so to other customers. By looking again at our products, services and store facilities from a different viewpoint, I want to discover various features that we can use in regular LAWSON stores and relate this to the creation of the stores of the future.



Eri Kojima, leader of the LAWSON for Mothers with Kids stores task force

LAWSON is starting to respond to 1,340 requests...

The 1,340 submissions received from customers, owners, managers, crews (part-time staff) of franchise stores and employees are an expression of the scale of expectations we face. Just how far has LAWSON advanced in responding to everyone's ideas? Progress towards the principal proposals and suggestions is outlined below.

Products Ensuring product safety, information sharing and lineup expansion

- Completely eliminate artificial preservatives and colorings from boxed lunches, side dishes and other such products in favor of organic alternatives.
- Display for the consumer the product's sources of ingredients, nutrients and other information.
- Provide menus, after consideration by dietitians, that provide the necessary nutrients that cater to age and health conditions.

Update

Since 2004, we have eliminated the use of artificial colorings and preservatives in original LAWSON products. (See pages 13 and 14.)

We are expanding the fresh food products in some of our stores. (See page 12.)



Services Providing diverse services that reflect consumer lifestyles and opinions

- Accept packages for delivery services, offer DVD and CD rental and return and provide agency transactions for public utilities.
- Create participatory convenience stores reflecting consumer opinions.
- Take door-to-door orders and provide delivery services to eliminate the hardship for the elderly and other customers of carrying heavy purchases home.

Update

We offer services for payment of public utility bills and catalog shopping. (See pages 19 and 20.) LAWSON is also currently investigating its delivery services. We are considering programs to enhance responsiveness to customer opinions. (See pages 9 to 11.)



Store facilities Building stores that are enjoyable, comfortable and secure to use by everyone

- Install slopes and handrails at entranceways and automatic doors, along with other initiatives, such as lower counters and Braille signs, to create stores that consider disabled and elderly access and use.
- Facilitate on-site eating and drinking of purchases.
- Display store guides for easy location of products.
- Introduce checkouts with automatic payment systems for exact payment of purchases only.

Update

Since 2005, we have eliminated steps at the entranceways to new stores and have introduced automatic doors at some outlets. (See page 20.)

NATURAL LAWSON stores and some other branches have eat-in spaces. (See page 12.)



Environmental preservation measures

Installing solar energy systems providing services that feature environmental consideration points

- Install solar energy systems and storage cells to accumulate energy during the daytime for use at night.
- Cultivate greenery in and around stores and on rooftops.
- Investigate opening hours that consider the environment.
- Introduce a point system to reward customers for bringing their own shopping bags, chopsticks, straws and spoons.
- Provide recycling boxes for cans, bottles, milk cartons and other containers.

Update

Environmental trial stores are furnished with solar energy facilities. However, the power generated is insufficient so we are looking at expansion. We are currently promoting energy-saving equipment at regular stores. (See pages 27 to 28.)



Community response

Serve as a cultural hub through product development and information dissemination

- Market local specialties and limited-edition products to link regional production and sales directly.
- Install data terminals to offer such regional information as maps and tourist guides.
- Publicize cultural activities by the local community through notice boards and fliers.
- Offer facilities above the store as community space for use by local citizens.
- Host “mini-events” periodically, along the lines of small local festivals with the store as a nucleus.

Update

We have introduced a branch office system that provides impetus to regional product development. Stores provide guides to the neighborhood and hold their own individual events as part of our regional social contribution activities. (See pages 23 and 24.)

Hospitality toward customers

Improve hospitality toward customers and employ qualified counselors

- Rethink personnel training with emphasis on sincere and heart-felt hospitality.
- Encourage staff to train for counseling qualifications to promote exchange with customers.
- Publish user-friendly manuals for each region that are not compiled top-down from management directives, but that reflect the opinions of store staff and local customers.

Update

Each branch office has established a training center to hone store management skills. In addition, we have introduced a “mystery shopper” spot-check survey system. (See pages 15 and 16.)

Disaster and crime prevention measures

Act as a nucleus for neighborhood disaster and crime prevention, linking external agencies with local citizens

- Utilize the 24-hour operations of LAWSON stores to function as a crime-prevention hub, facilitating contact with the police, fire department and other services.
- Display signs to declare stores a refuge for women and children in case of emergencies.
- Link up with external agencies to provide emergency services in case of disasters: supplying food and water, confirming the well-being of residents through a communications network and using the store as a place for local exchange.

Update

LAWSON participates in the activities of the Japan Franchise Association’s Safety Station movement, to cooperate in creating safe and secure neighborhoods. We also have mutual cooperation agreements with regional autonomous agencies in the event of a major disaster. (See pages 20 and 21.)

New store formats

Expand into mobile store services and drive-through stores

- Provide mobile services operating from trucks to assist during disasters or events in areas not served by an accessible store.
- Develop drive-through stores, with touch-panel product selection at the entrance and payment-collection boxes on receipt of merchandise.
- Establish joint stores in tie-ups with the subway or other transportation agencies, or in conjunction with police boxes, pharmacies or laundrettes.

Update

LAWSON mobile stores currently provide services at concerts. We also have stores at post offices, in subway stations and at hospitals. (See page 12.)



Response to an aging society

Offer services that provide comprehensive support for the lifestyles and health of the elderly

- Establish 24-hour assurance support services for the elderly to provide assistance with housework and nursing care.
- Market healthy, small-serving boxed lunches and furnish stores with spaces to rest.
- Employ older staff to ensure stores are attuned to the needs of the elderly.

Update

Spaces to rest and shopping carts have already been introduced. Moreover, we have opened stores that stock traditional cooking ingredients. (See page 12.)

We have also begun employing people over 50 years of age.



Social contribution activities

Cultivate a symbiotic relationship with local citizens through volunteer activities and other efforts

- Organize volunteer activities based in the local community, including clean-ups and crime-prevention initiatives.
- Use stores to host extracurricular activities for elementary school students in the form of work experience placements.
- Earmark a portion of sales for contributions to preservation of the natural environment.

Update

Through the “Every Store Can Help” campaign, stores conduct their own workplace seminars and work experience schemes for elementary and junior high school students. (See pages 23 and 24.) We continue to contribute to organizations dedicated to preservation of the natural environment through the LAWSON Green Fund. (See pages 35 to 38.)



2005 ACTIVITIES REPORT

LAWSON and Human Relations

We are taking the opportunity of the 30th anniversary of LAWSON's founding to update our corporate philosophy and code of conduct. These represent our endeavors to contribute further to societal happiness.

To achieve our new corporate philosophy of "Happiness and Harmony in Our Community," we conduct our activities while visualizing our operations from the viewpoint of others and exchanging opinions with the people we embrace—customers, owners, crews, business partners, associates and shareholders—in addition to considering society and the global environment. This strategy ensures that we share the enjoyment generated by our activities and bring happiness to all.

Note: Crews comprise part-time staff.

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



Shareholders

LAWSON was listed on the first sections of the Tokyo Stock Exchange and Osaka Securities Exchange in 2000. Our shareholders numbered 45,036 as of the end of February 2006.

LAWSON aims to be a corporation with foresight, growth and stability, striking an appropriate balance between pursuit of profits and contribution to society. This means that through long-term holding of LAWSON stock, shareholders make an indirect contribution to society and help to achieve goals for the future.



Business Partners

LAWSON depends on approximately 2,200 business partners for products, materials and service provision, playing a major role in ensuring product quality and service delivery for customers.

LAWSON aims to cultivate relations with business partners that anticipate local needs and share our innovative ideas. Such relationships can ensure mutual growth and realize joint dreams.





Customers

LAWSON serves approximately 2.5 billion customers per year, a daily average of 820 visits per store. All people throughout Japan are valued customers to us.

LAWSON provides a product lineup that meets the needs of the community through fresh and stimulating products and services, showcased in an agreeable atmosphere. This combination makes our stores a much-loved drop-in spot.

For Customers



Owners

LAWSON's stores are managed through approximately 7,000 owners. Our franchisee-based store-development approach makes storeowners highly valued business partners to us.

LAWSON supports owners in contributing to their local communities and deriving fulfillment from their operations, enabling each storeowner to manage his or her store with confidence and pride.

For Owners



Employees

LAWSON employs a staff of 3,120, who form the core to propel Company-wide growth and realize its corporate philosophy. LAWSON evaluates the actions and performance of its employees, individually and as a team, in their drive toward common objectives. We strive for a workplace that imbues employees with a sense of pride and social purpose.

For Employees



Society

LAWSON is a truly national chain—the first convenience store to open stores in all 47 prefectures in Japan. We maintain a close relationship with all the communities where we operate. LAWSON, as a national chain, honors all laws and standards and acts with consideration for the local environment to promote safety and security throughout the neighborhoods in which it operates.

For Society



Environment

LAWSON consumes electricity, oil, water and other resources while conducting its operations, generating approximately 670,000 tons per year of CO₂. We therefore bear a great responsibility towards the environment.

LAWSON strives to use our limited natural resources effectively, minimizing environmental impact and ensuring that a healthy environment is passed on to successive generations.

For the Environment



Crews

LAWSON employs some 120,000 crew members, who are indispensable to the running of its stores. It is this body of part-time staff that carries out the sales, orders and stocking of products, in addition to cleaning, administration and other operations.

LAWSON provides its crews with a workplace that fosters personal growth, where they can work with enjoyment, pride and fulfillment. This is facilitated by working with consideration between friends and with strong connectivity to customers.



Customer Input

We consider customer input to be an asset, as it allows us to provide products and services that lead to satisfaction. Accordingly, we proactively elicit customer opinions and requests to foster a corporate culture that values customer satisfaction above all else.

LAWSON's Views on Customer Satisfaction

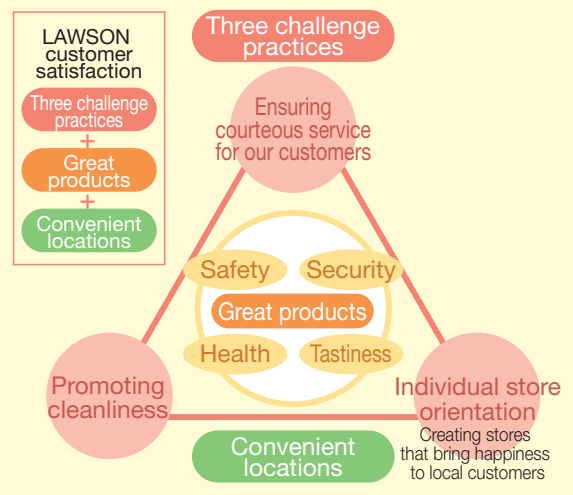
To bolster customer satisfaction, we follow three challenge practices, provide great products and operate from convenient locations. These are the three focuses of LAWSON's operations.

The three challenge practices are: ensuring merchandise assortments are tailored to individual stores, promoting cleanliness in stores and neighborhoods, and ensuring courteous service for our customers. Providing great products is a goal we continuously to strive for, as it is the key to customer satisfaction. Moreover, we are ever mindful of ensuring we operate from convenient locations when opening new stores.

LAWSON's core views on customer satisfaction are manifest in its three challenge practices, and its resolve to provide great 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!"

Note: 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

LAWSON embraces the three challenge practices to enhance the experience for customers of visiting its stores. These ongoing fundamentals to store management are vital elements in boosting customer satisfaction.

1 Ensuring merchandise assortments are tailored to individual stores

Based on the principle of “individual store orientation,” we aim to create stores attuned to local customers, firmly bonded to their neighborhoods and therefore preemptive in providing products on demand. During fiscal 2005, we surveyed each store’s sphere of operations (location, climate, functions) using individual store data analysis to tailor product lineups to residents in the vicinities of each store. We shall continue this approach during the subsequent fiscal year.

2 Promoting cleanliness in stores and neighborhoods

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



3 Providing courteous service to our customers

We stress personnel training for meeting customer expectations with high levels of hospitality. To ensure courteous service for our customers, we emphasize combining such educational tools as manuals with practical in-store training.

LAWSON conducts seminars for franchise stores and carries out training for owners and crews to ensure that the three challenge practices permeate throughout the organization. (See pages 15 and 16 for information about the LAWSON training system for owners and crews.) We are confident that continued application of this strategy will further raise customer satisfaction levels.

Great Products

LAWSON has maintained pride in its ability to deliver tasty, safe products to customers since its founding. Headquarters and stores are unified in their product development to ensure that the products that reach customers are safe, secure, healthy and tasty. (See pages 13 and 14.)

Convenient Locations

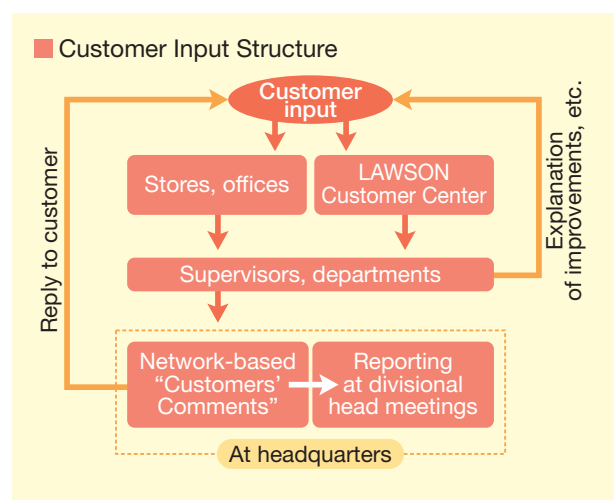
In our development of new stores, we pay close attention to proximity to schools, stations, hospitals and other facilities and to new residential developments. (See page 12 for information about stores in new residential developments.)

Customer Input Structure

To raise customer satisfaction, we established the LAWSON Customer Center to respond to customer inquiries, opinions and requests 365 days a year. These comments are integrated into creating new stores, developing products and providing services.

Customer input 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.

Positioning the LAWSON Customer Center as a new mechanism for eliciting feedback has resulted in a steady increase in such communications: from 20,948 during fiscal 2003 to 27,597 during fiscal 2004, rising to 31,898 during fiscal 2005. Customer comments are compiled in a booklet for internal distribution as a source of helpful hints for staff.



Customer Input

Feedback from the LAWSON Customer Center

During fiscal 2005, our customer center received more than 30,000 comments. Various campaigns, including those relating to the 30th anniversary of LAWSON's founding and the opening of LAWSON STORE100, prompted many calls. Rising customer interest in the calorific values displayed on our "safe, secure and healthy" product ranges was also a factor in the increase.

Store operations, spanning such issues as hospitality and service and product management, was the primary contributor, representing 34.5% of the total number of communications. This was followed by calls about products and services at 28.0%.



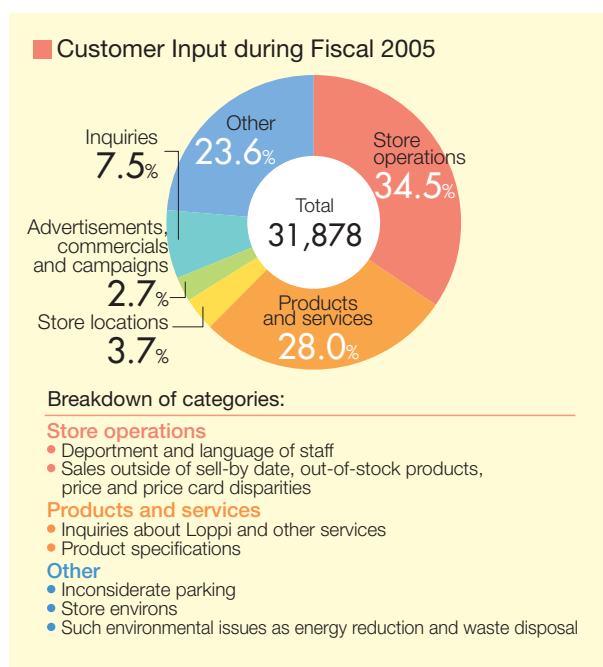
Sticker explaining good smoking manners

The other opinions and requests related to a broad range of subjects and opinions. These included concerns about parking of delivery trucks and gathering of people around our stores, and an increase in environment-related issues, such as opinions and suggestions about decreased use of shopping bags, energy-reduction measures, the LAWSON Clean Boxes and cigarette disposal facilities.

As there were numerous comments from customers

relating to the ashtrays provided outside stores, we have posted signs reminding customers of our smoking policy, relocated disposal facilities and reinforced adherence to smoking areas throughout our stores. (See page 20 for information about relocating ashtrays.)

LAWSON will continue to pay the greatest attention to customer comments and incorporate them in the improvements it makes.



Incorporating customer and owner comments in store improvements

Measures already existed on site for feedback from customers, owners, crews and employees. However, these were rarely optimized as a result of practical difficulties, problems with costs and the system. Awareness of this situation led to the establishment of the Workplace Improvement Office in September 2005. To link opinions from the workplace with the improvement process, the extraction, analysis and solutions for issues is being investigated under the auspices of the CEO.

The issues are gleaned from the daily opinions and comments of customers, owners, crews and employees. We prioritize the issues we have to deal with by importance, including pre-emptive measures, regardless of low inci-

dence of comments. Take, for example, comments on the placement of ashtrays. The incidence of grievances like "I hate the smoke from the ashtrays outside the store" or "I won't come in if there are people smoking around the entrance" have increased. Along with the product and distribution divisions and CSR Promotion Office, we have rethought policy on placement of ashtrays. Accordingly, ashtrays have been repositioned further from store entrances.

Last year we primarily focused on putting the infrastructure in place; fiscal 2006 is the year for putting the system into practice. This should enable us to implement successive improvements.



Shuichi Imagawa
Director, On Site
Improvement Office

Trends in New Business Development

LAWSON has established a three-store format system in response to the changing social environment and shifting customer needs. In addition to regular LAWSON stores, the Company operates through NATURAL LAWSON, with an emphasis on healthy living, and LAWSON STORE100, focused on low prices. Through flexible store development attuned to the regions where we operate and their customers, we are reinforcing our role as a lifestyle base for our diverse customers.

Demand-Driven Business Development Resulting in NATURAL LAWSON and LAWSON STORE100

NATURAL LAWSON

The keywords to NATURAL LAWSON's operations are health and beauty. Through this concept, we provide support for customers' lifestyles by developing unique products, spanning freshly baked bread, whole-grain rice balls, boxed lunches with heavy vegetable emphasis and salads. Stores have also been developed that provide fresh vegetables selected by our "vegetable sommelier" and seating space for in-store eating and drinking. Environmental consideration is also manifest through such products as 100% natural detergents and wooden chopsticks made from Japanese cedar lumber scraps.

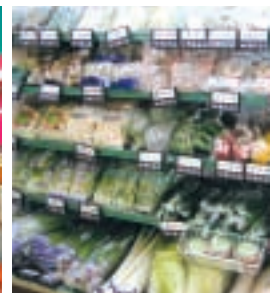


NATURAL LAWSON Ebisu Minami 3-chome store

LAWSON STORE100

With a generic pricing system of ¥100 (¥105 including tax) for many of its products, LAWSON STORE100 was instigated in May 2005 to supply such sundry products as fresh foods, tofu (bean curd) and *natto* (fermented soybeans) at moderate prices. This strategy has been a big hit with homemakers and elderly customers. Further, the product lineup is supplemented by more than 130 items from the Value Line original-brand series.

There were 35 LAWSON STORE100 outlets as of the end of February 2006. In the future, we plan to fortify this growth base, raise recognition and accelerate expansion of this store format.

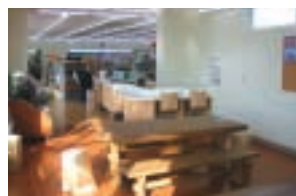


LAWSON STORE100 Kawasaki Kannon 1-chome store

Store development in new locations (hospitals, post offices, subway stations, universities)

LAWSON is developing stores attuned to the differing customer needs characteristic of individual locations. We strive to provide optimal products, services and interiors for the customers of each store.

Current inroads include hospitals and universities, stores in post offices in a tie-up with Japan Post, and stores with eat-in facilities. In consideration of specific needs, we also furnish stores having an elderly customer base with resting areas, wider aisles and shopping carts.



Resting space for the elderly at LAWSON Kawanishiyoshida store



LAWSON outlet at Kanto Chuo Hospital



Docho Akarengamae LAWSON postal store



LAWSON Tokyo University Yasudakodo store

Tasty Products that are Safe, Secure and Healthy

As a company that provides safe and secure products, LAWSON has a responsibility to respond to customer needs for tasty and healthy food products. LAWSON has implemented a stringent quality control system to meet these demands.

LAWSON's Concept for Safety, Security, Health and Taste

Measures for safety

LAWSON's products are manufactured and subjected to thorough quality control procedures in conformance with environmental and hygiene regulations. This stringent policy at all stages, from product development through production and sales, ensures that customers can purchase our products free from safety concerns.

Since 2003, 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 in the Kanto, Kinki and Tokai regions. This policy has been expanded throughout Japan since 2004. Furthermore, we have established in-house standards to restrict food additives to the minimum necessary quantities.

Measures for security

The labels on original LAWSON products display such mandatory information as product name, sell-by date, ingredients and allergy warnings.



In addition, nutritional data, including calorific values, is highlighted independently so that health-conscious customers can shop with peace of mind. Counter products bear no such labels, but calorific and allergy information for the majority of these is displayed on in-store point-of-purchase materials and published on our website.

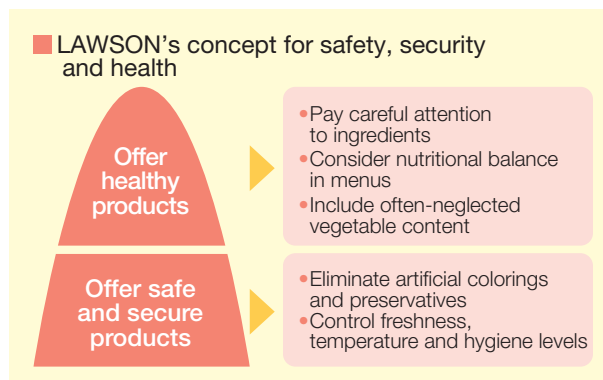
The Quality Control Office carries out stringent checks on the content of product labels, which are also checked by specialized external agencies and at the production stage. This ensures that all product labels have been double- and triple-checked before reaching the consumer.

Note: Counter products include *Kara-age Kun* fried chicken and other dishes cooked in-store.

Measures for health

LAWSON offers a menu of novel foods that are prepared with careful attention to ingredients and consideration of nutritional balance, generous with often-neglected vegetable content. An example is our revival of such traditional fare as the *Ichiju-Sansai* boxed lunch (containing three vegetable or fish dishes with soup).

In response to rising customer health awareness, we have developed the NATURAL LAWSON type of store that supports lifestyles focused on health and beauty. Part of the product lineup offered by these outlets is also available at regular LAWSON stores. (See page 12 for more information on the NATURAL LAWSON store concept.)



Quality Control Efforts

LAWSON has created a Hazard Analysis and Critical Control Point (HACCP) system that controls food product safety and hygiene to prevent outbreaks of food poisoning, intrusion of contaminants and other hazards. This stringent production control method records cooking time and temperature and other key control items during the production process, so that if a problem does occur the cause can be pinpointed immediately.

Each time a new plant comes on line or new facilities are introduced, members of the Quality Control Office

convene to confirm that there are no safety and hygiene risk factors.

To ensure uniform quality throughout the plants where our products are manufactured across Japan, we began trial implementation of uniformity standards in 2003. These stipulate quantities, preparation times, preparation methods and other specifications for every product in the production process. On the basis of trial implementation results, we are currently expanding these standards to other plants.

■ Developing Products (including such original products as rice and side dishes)

Ingredient selection

Product development

Quality control at production facilities



Baking stage (ingredient temperature check)



Post-cooling temperature check



Metal detector check for contaminants

Ingredient selection

We have established a specialist team for strict ingredient selection, ensuring that our standards for safety, security and health are observed from the ingredient selection stage. Checks are periodically carried out to confirm that ingredients received conform to our standards.

Product development

Original LAWSON products undergo specific inspections at all stages from ingredients through to finished products. A document inspection is carried out at the stage when product specifications are determined and trial production is executed on the actual line to be used for manufacture so that safety can be confirmed.

Quality control at production facilities

During the production process, heating temperatures and times, duration spent under refrigeration and other parameters are precisely specified. Controls are in place to ensure no deviation from standard temperatures. Further, during production ingredients and semiprocessed goods are sampled and temperature checks are conducted.

Sanitation is rigorously maintained in the plants that manufacture our products, with such hygiene control measures in force for staff entering the plant as changing of clothing and washing and disinfecting of hands.

Quality control at distribution centers

The processes of sorting and shipment from receipt through dispatch determine secure and timely delivery of fresh products. LAWSON effectively employs established procedures to maintain specified temperatures and times. The delivery trucks supplying our stores are equipped with thermometers to control product storage conditions.

Product quality at point of sale

Showcase temperatures are checked four times daily to ensure the in-store freshness and quality of products. Specialized external agencies make spot checks for hygiene once a year and thorough temperature and freshness control measures are in place.

Certain products, such as rice balls, boxed lunches and side dishes, have specified sell-by times, as these are purchased for direct consumption by customers. Checks are made three times a day, and outdated products are removed from display.

To guarantee safety, checks are also conducted between arrival at store and purchase to ensure that products maintain the condition of manufacture at the plant.

Quality control at distribution centers



Temperature check inside a distribution center

Product quality at point of sale



In-store temperature check



Support Structure for Owners

The cooperation of the owners who actually manage stores is vital to attaining customer satisfaction. LAWSON has created various schemes to support owners in their store management and incorporates their opinions into upgrading products and services.

Training and Support Systems

Sharing the corporate philosophy and other information

The owners of stores under the LAWSON franchise system have full responsibility for store management as independent operators. Headquarters provides various forms of backup so that owners can devote themselves solely to this task.

One such initiative is LAWSON seminars, held twice a year at eight locations across Japan. These serve as a forum for owners to share information relating to corporate philosophy, business strategy, product trends, marketing know-how and individual store data analysis.



Explanations to owners

Note: Under the LAWSON franchise system, marketing expertise developed by headquarters and relevant trademarks are made available to franchise stores. Franchise stores conduct said marketing and recompense headquarters. Headquarters and franchise stores are entirely independent operators with an equal relationship.

Training and support systems for owners and crews

The training system for owners and crews implemented at LAWSON supports smooth store management and customer satisfaction. When new stores are launched, we instigate a study and training program to ensure understanding of basic store management. After opening, various training continues at a branch office training center.

From fiscal 2006, under the Owner Support System headquarters will dispatch an employee to run a store if an owner is



Study and training at a training center

absent. Moreover, we have introduced the Store Support Desk to deal with inquiries related to store management. These initiatives provide owners with support for harmonious operation of their stores.

LAWSON's monthly business information magazine *PAL* and guide to business strategy *Plans for Creating Stores* help to provide store management information.

Communications

Communicating with supervisors

Supervisors form a bridge to headquarters for owners, which supports them in their store management. Recently, the role of supervisors has spanned providing product trend, external environment and other information, analyzing sales, customer and other data, to carrying out market surveys in the environs of stores they cover and advising on profits. They also pass on to headquarters comments from owners concerning customers and regional conditions for use in future product development and services.



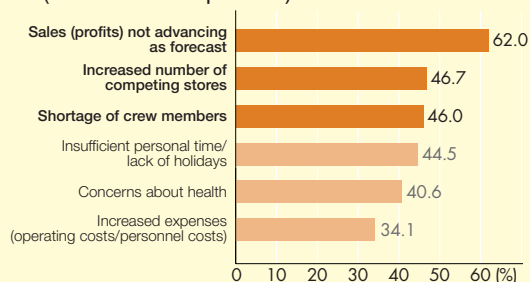
Owner questionnaire

During fiscal 2005, owners of all stores participated in a questionnaire to confirm owner awareness of headquarters' policy. In the 4,122 responses, 76.6% said they were "satisfied being a LAWSON owner," a substantial increase from the previous questionnaire in fiscal 2001. This survey also identified sources of anxiety and problems, citing intensified competition and personnel security, and requests to headquarters for improvements. The results from the questionnaire will be instrumental in reinforcing the owner support system, which will be reflected in the activities of supervisors.

Owners Welfare Society

We have organized an Owners Welfare Society to promote welfare for owners, their families and crews. The diverse menu of benefits on offer spans health facilities and sports clubs, correspondence courses, health management, condolence and congratulatory funds, loans and insurance.

■ Future sources of anxiety for store management (Number of responses)



Direct line to the CEO

LAWSON has established a direct channel of communications to the CEO for owners, store managers and crews to express their everyday opinions and ideas. During 2005, this facility was utilized 866 times, and the CEO responded directly to each comment.

We are improving store management and upgrading products and services by absorbing opinions from the front line—owners, store managers and crews.

■ Direct communications with CEO during fiscal 2005 (Number of comments)

Products/distribution	287	Facilities/equipment	82
Services	95	Franchise agreements	72
Sales promotion	32	Store instruction	153
Systems	57	Other	88

Introduction of Mystery Shopper System

To improve business performance, since 2004 LAWSON has introduced a "mystery shopper" spot-check survey system carried out by an external agency. The agency representative drops in and actually uses a store, taking the role of a customer, and makes objective assessments of product lineup, hospitality and cleanliness. We receive the observation results, investigate potential

problems, and prioritize and implement measures to improve operational performance. Since instigating this system, hospitality and cleanliness have improved conspicuously, but product lineup upgrading has been tardy. We are aiming to realize product lineups attuned to local customers through analysis of data from each store.



Personnel Training, Workplace Environment

Long-term personnel training and a lively workplace are vital to support customer satisfaction. LAWSON's training systems, workplace environment and internal communications aim to cultivate a corporate climate that encourages full expression of individual abilities and opinions.

LAWSON University

Through an original training program named LAWSON University, the Company shares its Corporate Philosophy and strategies with employees, to cultivate high-performing personnel.

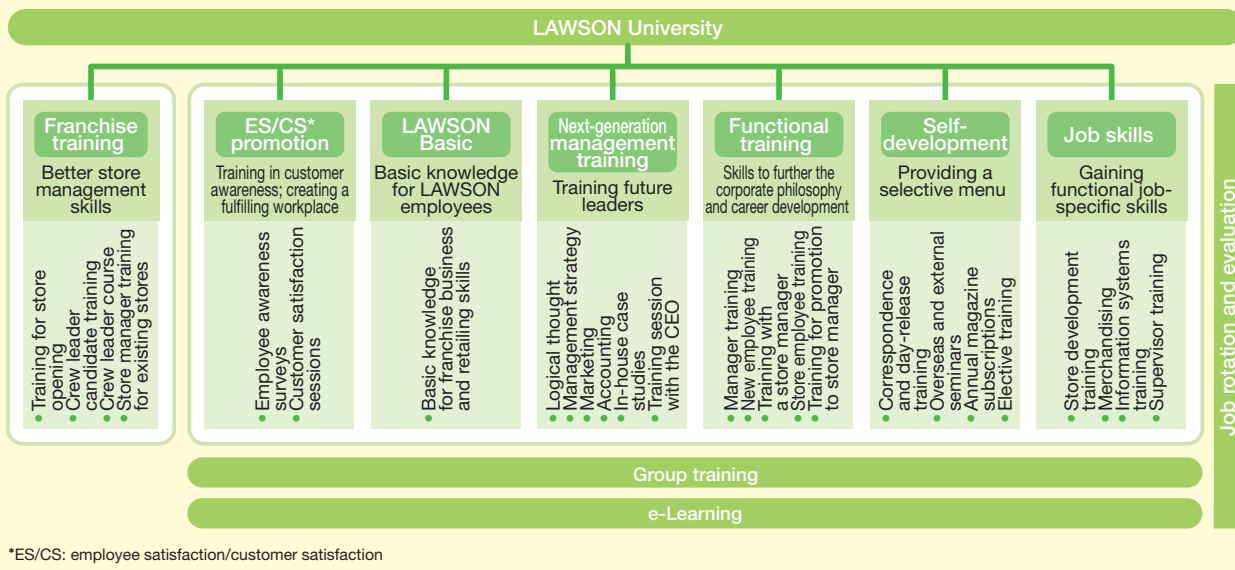
LAWSON University is a forum for open debate aimed at fostering Company-wide customer awareness. Courses include customer satisfaction sessions targeting the entire workforce and leader training for management candidates to systemize their operational capacity from a business standpoint. The program is based on an integrated training system from joining the Company through to supervisor level, spanning store employee training, training for promotion to store manager and training for promotion to assistant supervisor. In addition, LAWSON University encompasses training for management promotion and functional training for specific jobs to cultivate a professional class with high business promotion capacity melded with adherence to our corporate philosophy and customer awareness.

During 2005, we established the LAWSON Learning Center and e-Learning System to create an environment more conducive to employee study. LAWSON Learning Center, located close to the Head Office, forms a nucleus for LAWSON University's activities. It serves as a hub for employee training, led by the leader training program. Through the introduction of the e-Learning System, we have created a flexible nationwide environment for employees to study—anytime, anywhere. Moreover, this transition to computer-based training reduces paper consumption and travel. During 2005, our sixth year of training, the number of participants reached 10,000. In the future, we aim to continue to raise the results of training and carry out training programs that are sympathetic with the environment.



The training environment of the LAWSON Learning Center

LAWSON University Structure



Building an Amenable Workplace

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



The Company provides various employee tools, including a training system to raise personal abilities,

an assessment system to evaluate abilities and performance and a backup system for working conditions to support employee lifestyles. In particular, LAWSON facilitates a system of leave or reduced working hours for childcare, healthcare, nursing and other reasons.

Employee breakdown

	Fiscal 2003	Fiscal 2004	Fiscal 2005
No. of employees	3,148	3,095	3,120
Female (%)	7.4	8.6	8.6
Average age	36.3	36.4	37.1

Internal Communications

Employee feedback

The LAWSON intranet hosts a forum for exchange of employee opinions, which is a means for reflecting employee input in business reform and store management. The content of submitted opinions is primarily suggestions to headquarters by supervisors, and after gathering opinions the person in the relevant position posts a response. By extending this internal communications tool to allow any employee to post or check comments, share and accumulate information.

Employee awareness surveys

We conduct employee awareness surveys to monitor employee satisfaction. The 2005 survey had a 90.6%

response rate from employees, indicating a sense of fulfillment from the majority of staff and a forward-looking approach to work from the organization as a whole. Results confirmed that communications with management are needed to achieve our targets and that there is a high level of awareness of business strategies. However, we must deal with such issues as high workloads and gaps between expectations and results of assessments. By continuing to conduct such surveys, we can extract the issues facing LAWSON to realize a personnel system that is honed by employee opinions and an improved working environment.



Social Infrastructure

Through its nationwide chain of stores, LAWSON fulfills its role as “The ‘Hot’ Station in the Neighborhood” by activities that enhance the secure, comfortable lifestyles of the people in the areas it serves.

Gateway to a Host of Services

Expanded postal services

In addition to sales of stamps, postcards and other standard postal products, in 2003 LAWSON became the first in Japan’s convenience store industry to provide post boxes in all its stores. In November 2004, we introduced *Yu-Pack* postal packaging services in stores nationwide, followed by *Ex-Pack 500* postal deposit services in September 2005. Such services have proven extremely popular with customers who do not live near a post office or who find it difficult to visit a post office during standard business hours. We are investigating other new services we can provide in cooperation with Japan Post.



Extended public services

LAWSON stores accept payment for electricity, water, gas and other public utilities, as well as for telephone services, catalog sales and various other services. Since February 2004, stores have also been acting as a collection agency in accepting Nation Pension System payments and, in some cases, National Health Insurance, residents’ tax and automobile tax.

In the city of Ichikawa, Chiba Prefecture, and in Tokyo’s Kita Ward, residents can receive a copy of their certificate of residency from a LAWSON store by prior arrangement over the telephone with the relevant municipal office.

Loppi multimedia data terminals



LAWSON stores are equipped with Loppi multimedia data terminals. These multifunctional units facilitate sales of concert tickets, travel reservations, DVD reservations and applications for certification tests. Moreover, customers can utilize the *Peek-a-boo* share transaction service, provided in affiliation with Nikko Cordial Securities Inc. The Loppi multimedia data terminals installed at LAWSON stores place an expanded array of products at customers’ fingertips.

Automated teller machines

LAWSON stores are furnished with ATMs that facilitate withdrawals using cash cards issued by all city banks, regional banks and *shinkin* banks, as well as cashing

functions offered by credit companies. As of the end of February 2006, LAWSON maintained tie-ups with 17 financial institutions and had 3,812 ATMs in place. We plan to expand our ATM services.

Measures to Make Regional Societies Safer and More Secure

Participation in the Safety Station movement

Recently, convenience stores have been called upon by society to instigate 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 promote education among upcoming generations. Through such initiatives as reinforcing crime-prevention systems and acting as a refuge for women and children in need, the Safety Station movement provides an industry-wide platform for fulfillment of social responsibility.

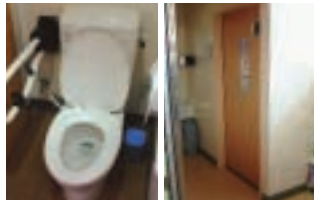
Poster advertising the Safety Station movement



Making Stores Friendly to Use

Barrier-free stores

LAWSON is promoting the floor space and access points of its stores as barrier-free zones to better accommodate elderly customers, expectant mothers and other customers with special needs. We have eliminated steps at the entranceways to new stores and introduced automatic doors at some outlets.



Clean, Western-style toilets with safety handrails

Elimination of floor height changes at doors

Moreover, toilets have been furnished with Western-style seats and handrails and access has been improved with same-level floors. Since fiscal 2006, stores with parking lots have one dedicated parking space for disabled customers.

Guide dogs (working dogs) welcome

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



A sticker displayed on the glass front of Lawson stores to declare that guide dogs are welcome

Repositioning of Ashtrays and Detering Underage Drinking and Smoking

Repositioning of ashtrays

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 thoroughfares. In response, LAWSON has introduced new restrictions for the benefit of smokers and nonsmokers alike.

Where bylaws prevent roadside smoking, we have in principle removed cigarette disposal facilities. If bans are not yet enforced, ashtrays are repositioned away from store entrances. Also, in cooperation with Japan Tobacco Inc., we display stickers at disposal points to reinforce adherence to smoking policies and disposal etiquette.

Detering underage drinking and smoking

To prevent underage consumption of alcohol and tobacco, we demand proof of age from customers who appear to be under the legal thresholds. LAWSON also displays posters and makes announcements on the in-store PA to heighten customers' awareness of this issue. We shall reinforce this system in the future to ensure a complete ban on sales of alcohol and tobacco to underage customers.



Social Infrastructure

Disaster Response

Agreements to provide support during disasters

LAWSON stores can become major support lifelines in the event of a natural disaster by continuing to provide uninterrupted operations. We have concluded agreements with regional agencies and other organizations to offer support during natural disasters by supplying provisions and helping displaced victims return to their homes.

In October 2005, LAWSON signed an agreement with Japan Post for the eventualities of disasters. Cooperation with this entity, which has Japan's largest network, can realize swifter implementation of effective measures and contribute to early recovery of afflicted areas.

LAWSON enters agreements for procurement of provisions in the case of major calamities. As of the end of February 2006, we had 18 such pledges in place to provide emergency provisions to possible affected areas. This agreement covered the Nagano Prefectural Office's response to requests for assistance from the Mid Niigata prefecture earthquake. We responded to 13 requests between March 6, 2003, and February 4, 2006, to provide food to Japan Airlines Corporation passengers stranded when typhoons or snow grounded flights.

We also have entered agreements to provide assistance to people stranded and forced to return to their homes on foot in the event that a disaster renders other modes of transport inoperable. LAWSON pledges to cooperate in providing sanitation facilities and information. Such agreements existed with 22 agencies as of the end of February 2006.



Concluding an agreement with Japan Post



A sticker declaring LAWSON a disaster return station, helping displaced persons returning to their homes

In-house disaster procedures

LAWSON holds disaster training drills twice a year to ensure all employees are clear on and prepared for how to act in case of a disaster. In addition, we periodically revise our emergency procedures and manuals to realize a system to ensure continuous operation and speedy recovery of stores in this eventuality.

A Company-wide earthquake drill held in January 2006 included confirmation of employees' whereabouts and satellite mobile telephone communications. We also conducted a special drill using a simulation of an earthquake directly impacting on the Kanto region. We carefully investigate the results of such training exercises, to bolster our disaster response strategies.



Disaster response drill

Agreements for procurement of provisions

Date of signing	Partner
March 24, 1998	Nara City, Nara Prefecture
April 1, 1999	Izu Nagaoka (currently Izunokuni City), Shizuoka Prefecture
June 1, 1999	Himeji City, Hyogo Prefecture
August 27, 2002	Sumida Ward, Tokyo
November 29, 2002	Shimizu City (currently Shizuoka City), Shizuoka Prefecture
February 12, 2003	Edogawa Ward, Tokyo
March 7, 2003	Japan Airlines Corporation
December 25, 2003	Nagano Prefecture
February 20, 2004	Wakayama Prefecture
November 9, 2004	Tokushima Prefecture
January 15, 2005	Tokyo Fire Department
February 14, 2005	Ehime Prefecture
July 13, 2005	Saga Prefecture
October 19, 2005	Japan Post
October 27, 2005	Niigata Prefecture
October 28, 2005	Gifu Prefecture
November 1, 2005	Hyogo Prefecture
February 14, 2006	Oita Prefecture

Agreements for assistance to displaced people

Date of signing	Partner
November 9, 2004	Tokushima Prefecture
February 17, 2005	Kansai Council (Shiga Prefecture, Kyoto Prefecture, Osaka Prefecture, Hyogo Prefecture, Nara Prefecture, Wakayama Prefecture, Mie Prefecture, Kyoto City, Osaka City, Sakai City, Kobe City)
June 9, 2005	Aichi Prefecture
August 31, 2005	Eight cities and prefectures (Saitama Prefecture, Tokyo, Chiba Prefecture, Kanagawa Prefecture, Saitama City, Chiba City, Kawasaki City, Yokohama City)
November 25, 2005	Gifu Prefecture

Disaster Relief Funds

LAWSON helps provide for areas stricken by large-scale disasters by replacing its LAWSON Green Fund collection boxes with a special disaster fund appeal for a limited period. These funds are used to alleviate the hardships of disaster victims.

During fiscal 2005, LAWSON carried out collections of the disaster relief funds listed below. The received contributions were passed on to disaster victims through the Japan Red Cross Society, Disaster Countermeasures Office and other organizations.



Presenting disaster relief funds at the Akita Prefectural Office following donations following heavy snowfalls

Disaster relief funds collected in fiscal 2005

Fund	Collection area	Period	Amount collected
Fukuoka West Coast Earthquake Relief Fund	All Kyushu branches (excluding Okinawa)	March 20–April 3, 2005	¥4,322,083
Typhoon No. 14 Disaster Relief Fund	Nationwide	September 10–25, 2005	¥21,015,555
Northern Pakistan Earthquake Relief Fund	Nationwide	October 15–31, 2005	¥23,303,402
Snowfall Relief Fund	Nationwide	January 18–31, 2006	¥15,125,696

Supporting Sports and Children

The First LAWSON Cup Mothers' Volleyball Tournament—serving to the world

LAWSON promotes lifelong sports as a vehicle for contributing to a happy and healthy society. As part of this commitment, we hosted the First LAWSON Cup Mothers' Volleyball Tournament. In February 2006, 49 representative teams that qualified in prefectural elimination rounds met for the national finals. The winning team and one runner-up then toured Hawaii, participating in international friendship matches with local teams.

We plan to continue to host the LAWSON Cup, supporting mothers who love to play volleyball, with our sights set on a world cup event in the future. We hope that mothers' volleyball will be launched from Japan to become a contribution to lifelong sports worldwide.



Contributing to “Local Rice Paddies and Water,” an exhibition of children’s art

To support the environmental education of upcoming generations, LAWSON is a sponsor of “Local Rice Paddies and Water,” a showcase for children’s art held by the Japan Land Improvement Operations Federation. By depicting beautiful rural landscapes and agricultural lifestyles, including such scenes as rice paddies, terraced fields, pond irrigation and agricultural work, children throughout Japan discover the wonder of their own towns and villages. LAWSON has participated since 2004, selecting one entry for the LAWSON Award.



This year’s LAWSON Prize: “After Pushing through the Rice Plants...” by Toshihiro Ihara

Regional Social Contribution Activities

This year marks the 10th anniversary of the start in March 1997 of LAWSON's "Every Store Can Help" campaign. Through this program, individual stores pursue their own activities to contribute to their communities and create stores that bring happiness to the neighborhoods to which they belong.

"Every Store Can Help" Campaign

Crime-prevention activities build secure neighborhoods

Tadahiro Yokoyama,
Owner of Higashijujo 2-chome store (Tokyo)

"More than 90% of visits are by regular customers who work or live in nearby, so we take links with the neighborhood seriously. Thinking of what the store could do for the local community, we hooked up with the local police station and set up a Convenience Store Cooperative Council on Crime Prevention, and participated with other chain stores in crime-prevention activities within the Police Department. In addition to crime-prevention training to target burglaries, we are cooperating with local elementary schools and the police station in a campaign called 'Kids 110.' Such initiatives are helping to eradicate crime and make the local community a safer and more secure place to live."



Product delivery services to the elderly

Yuichi Hamahira,
Owner of Kawasaki Shukukawara store (Kanagawa)

"We have implemented delivery services aimed at our elderly customers, for water, beer, and other heavy purchases. To customers who place periodic orders, deliveries are made two or three times a week. We also help with preparations for senior citizen and community meetings. Some older people can struggle with making photocopies, so we provide assistance with this or with setting tables, and are more than rewarded by the grateful response our help receives. Our store also carries out clean-ups in neighborhood parks, and we hope to be seen as a harmonious store by the local community."



The annual visit of the evil being to the nursery school

Akiko Kajihara,
Owner of Toyama Fuchusasaki store (Toyama)

"For the last three years around *Setsubun no Hi*, crew members have participated in the traditional celebrations by taking on the role of evil beings at a local nursery school. Although mindful of not reducing the children to tears, we revamped our performance after a school staff member told us: 'Exposure to scary things is an important part of emotional education, so go ahead and make them cry!' As predicted, there were many children who were frightened and tearful, but others felt so at home that they didn't want us to leave."

"Other activities have included carrying out work experience induction for junior high school students, who experienced the importance of work through such activities as greeting customers and cleaning. As a local business, we want to continue to help with the education of children."



Portrait exhibition for Fathers' Day

Mitsuko Kobayashi,

Wife of the owner of Shimoyamate 7-chome store (Hyogo)

"It is nine years since we opened a store in this neighborhood. We thought that we would like to contribute to the community by hosting some sort of local event, so last year we advertised for contributions for a Fathers' Day portrait exhibition, targeting kids up to early elementary school age. The response exceeded expectations, and the families visiting the exhibition filled the store with a congenial atmosphere. Customers told us gratefully that they would like to see further plans carried out, so we are thinking of periodically hosting other events in future."



Workplace experience for second year junior high school students

Mika Takemura,

Wife of the owner of Nankokutochi Park Town store (Kochi)

"The store is located in a new town, with many elementary and junior high schools nearby, and students frequently visit the store. For some time, we have hosted elementary school pupils on field trips for social studies in workplace seminars. Last fall, we took second year junior high school students for a three-day work experience placement. They were even more enthusiastic than expected in greeting customers, helping with cleaning, setting up displays and other activities. Afterwards, it delighted us to receive a letter saying: 'In the future, I want to work with customers, like at LAWSON.' We want to cooperate with other regional school activities in



the future, and continue to stay in touch with the neighborhood children."



Exhibition of "Hot" Station Maps to disseminate local information

Regional Clean-up Activities

Clean Aid

In addition to its own cleaning operations, LAWSON participates in regional clean-up activities, aiming to enhance the beauty of the areas where it operates.

The Clean Aid movement is founded on the concept of residents working with municipal, corporate and other entities to keep their communities, riverbanks and seashores clean. As a community member, LAWSON helps these cleanup efforts by picking up trash and evaluating the collected garbage. LAWSON franchise owners, store managers, crews, head office employees and their families all assist in these efforts, helping forge stronger links with the people of the neighborhoods where they operate.



Arakawa River Clean Aid

Road Safety Station

As some LAWSON stores face major national roads, we are participating in Road Safety Station volunteer activities at the request of the Ministry of Land, Infrastructure and Transport. The relevant stores provide a contact point to an office for each national road in the event of an incident. Moreover, staff carry out activities to keep the walkways and verges in front of the store clean.

LAWSON stores in Osaka and Kobe are participating in the Osaka Adopt a Road Program and the *Bi-ing* Kobe Citizen Movement. These initiatives consist of clean-up activities to keep the walkways, including those in front of stores, litter-free and attractive, and therefore pleasant for customers and pedestrians to use.

Participating stores

Road Safety Station	Tohoku, Chubu, Chugoku and Shikoku regions	439 stores
Adopt a Road Program	Osaka Prefecture	175 stores
Bi-ing Kobe Citizen Movement	Kobe City	133 stores

Participation in Clean Aid Events in Fiscal 2005

Clean Aid project	Date	Location	Participants	Type of trash
Tama River Clean Aid 2005	May 29, 2005	Futagobashi region, Setagaya-ku, Tokyo	20 people, comprising Setagaya region office employees and their families	Total of nine bags of trash, comprising three of burnable trash and six of nonburnable trash
Twelfth Fukuoka Love Earth Cleanup 2005	June 12, 2005	Ohori Park, Chuo-ku, Fukuoka	1,632 people, including 78 employees and family members from Kyushu branch office	Total of 332 bags of trash, comprising 235 bags of burnable trash, 38 bags of plastic, 24 bags of cans and bottles and 35 bags of nonburnable trash, as well as tires, bicycles and other larger objects
First Akutagawa River Clean Aid	July 17, 2005	Akutagawa River, Takatsuki City, Osaka	117 people, including 67 employees and family members from Kinki branch office	Total of 19 bags of trash, containing cigarette butts, PET bottles, cans and bottles, plastic bags, etc.
Eleventh Arakawa River Clean Aid 2005	October 30, 2005	Arakawa Riverside, Edogawa-ku, Tokyo	85 people, comprising Kanto branch office, Tokyo Head Office and related company employees and their families	Total of 92 bags of trash, comprising 33 bags of burnable trash, 22 bags of such recyclable trash as cans, bottles and PET bottles, and 37 bags of nonburnable trash, as well as futons, motorbikes and other larger objects

Supporting Customer Social Contribution Activities

LAWSON takes the role of a platform on which customers can carry out social contribution activities with ease. We have implemented a structure such that product sales contribute to society and are launching new projects.

Environmental and Social Contributions through LAWSON PASS

The LAWSON PASS has an Environmental Contribution Course option to enable the cardholder to support customer social contribution activities.

The LAWSON PASS accumulates points corresponding to the amount of payment each time a purchase is made at a LAWSON store. These points are rewarded in various ways, one being to use the Environmental Contribution Course option to exchange them in 50-unit increments to selected organizations that carry out social contribution activities. This option has been available since 2003, and this year we made our third set of donations. The total funds generated came to ¥2,572,600, which were donated to the following four nonprofit organizations (NPOs).



Registered NPO caring for young refugees



© Masanori Kobayashi

Reading a picture book (left) created from donated funds and a letter of thanks from the children.

This NPO supports the operation of care centers for children displaced from Cambodian villages and cities. Stable environments for children are created in cooperation with local residents.



NPO Education Sponsorship in Asia (ESA)



Kalagal School opening ceremony

ESA supports education for poor children, encourages autonomy for women and provides environments conducive to education in India, Bangladesh and Nepal. Funds received to date have been used to open new schools.

Japan Guide Dog Association



This association trains guide dogs, helping the visually impaired to participate more actively in society.

NPO Bridge Asia Japan



Classroom equipped with sewing machines

This NPO provides opportunities for refugees, disabled children and youths, women with few job prospects and other deserving cases with vocational training. Workplaces to turn these skills to income are also being created, such as through the use of funds so far to purchase sewing machines.

Love Saves Life! Project to Support AIDS Victims

LAWSON is cooperating with the Keith Haring Foundation and Sagami Rubber Industries Co., Ltd., to provide support to HIV-infected patients and AIDS victims through the Love Saves Life project, instigated in fiscal 2005. This campaign raises funds from condoms manufactured by Sagami Rubber marketed in packages bearing works by acclaimed New York artist Keith Haring, who died from the disease at the age of 31. A portion of sales are contributed to the Japan Stop AIDS Fund through the Japanese Foundation for AIDS

Prevention. The money is used for social support operations for HIV and AIDS sufferers, a telephone helpline and for AIDS-prevention education, publicity and other activities.

Condom sales in themselves are helping fight the spread of HIV infection, while donations from sales further support HIV and AIDS victims.



© Haring Estate

LAWSON Environmental Policy

LAWSON has created an environmental policy to reduce the burden it places on the environment and to form a basis to promote its activities. The Company has also established systems to move it steadily toward its activity targets.

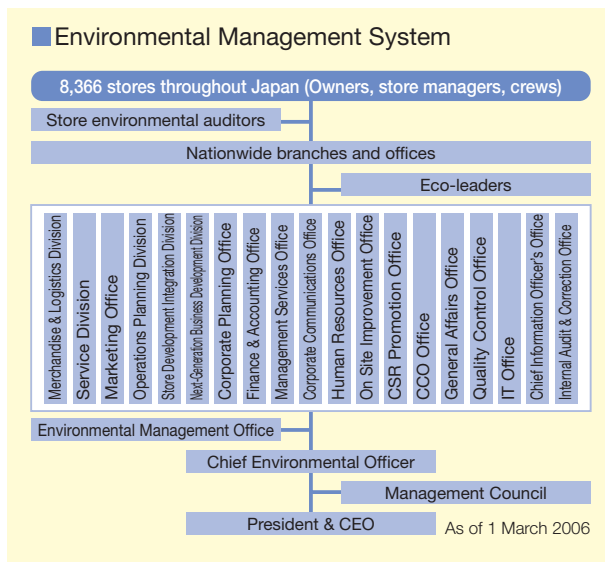
Environmental Policy

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 consideration 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 load 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 environmental 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.



Measures to Prevent Global Warming

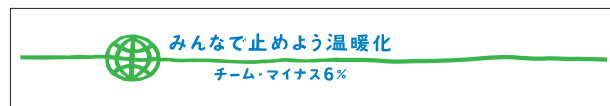
LAWSON's three-pronged strategy to prevent global warming, executed through its stores, distribution activities and various headquarters divisions, is spearheaded by measures to reduce energy consumption, minimize use of materials and cut waste production.

Measures to Reduce CO₂

Assessing CO₂ emission and setting targets

In recent years, global warming has escalated as a result of increased gases that exacerbate the greenhouse effect, such as CO₂. This has in turn caused such problematic phenomena as rising sea levels, intensified typhoons and droughts.

The Kyoto Protocol on reduction of greenhouse gases obliges us to reduce emissions. Japan has pledged to the international community to curtail emissions by 6% from the figure for 1990 in the five years from 2008 to 2012. LAWSON is leading its initiatives to decrease greenhouse gas emissions by accurately assessing CO₂ emissions. With cooperation throughout Japan from power companies and the business partners that provide our distribution services, we calculated LAWSON's total CO₂ emissions for fiscal 2005 at 674,937 tons.



Team Minus 6% mark

LAWSON CO₂ emission volumes (Fiscal 2005)

	CO ₂ emission volume (tons)	Contribution to total (%)
Electricity	545,529	80.8
Company vehicles (gasoline)	5,604	0.8
Delivery vehicles (light oil)	72,005	10.7
Waste (plastics, paper)	48,943	7.3
Water supply	2,856	0.4
Total CO ₂ emissions	674,937	100.0

Based on this breakdown of CO₂ emissions, we can set targets and manage progress toward these goals. LAWSON is aggressively pursuing measures, led by its stores, to reduce energy consumption by curtailing use of electricity, to minimize use of such materials as shopping bags at checkouts and containers for original LAWSON products, and to cut waste production by recycling food product waste.

We are participating in the consolidated national Team Minus 6% campaign to reduce CO₂ emissions by 6%. This reaches out beyond corporations to private citizens to cut their consumption of energy and resources.

Measures to Curtail Energy Consumption

More than half of LAWSON's energy consumption is accounted for by store electricity usage. We are attacking this figure by realigning air conditioning, cooling, lighting, ventilation and other systems to reduce in-store power use.

Introducing Energy-Saving Systems

Energy-Saver Pack and Eco-Pack

The average daily electricity consumption over a year of one store is approximately 176,000 kWh, accounting for 80% of LAWSON's energy consumption. We are introducing new 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. This initiative has reduced annual CO₂ emissions by 7.5 tons (11.3%). In existing stores, we are installing Eco-Pack automatic control systems for chilling and air conditioning units and anti-condensation heaters that monitor exterior unit gas pressure. This measure will cut annual CO₂ emissions by a further 5 tons (7.5%).

To facilitate real-time inspection of store electricity use and effectiveness of energy-saving equipment, we have introduced an Energy-saver Eco Monitor to automatically

gather measured data from each store. We are linking this to reduction of energy consumption and CO2 emissions.

Results of introducing energy-saving equipment

No. of stores	Fiscal 2005	Fiscal 2006 (forecast)
Energy-Saver Pack	483	1,000
Eco-Pack	223	2,000

CO2 emission effect (tons)	Fiscal 2005	Fiscal 2006 (forecast)
Energy-Saver Pack	1,999	5,561
Eco-Pack	1,020	5,558
Total	3,019	11,119



Eco-Pack for existing stores

Energy-Saver Pack outdoor unit for new stores

Minister of Economy, Trade and Industry prize

In February 2006, LAWSON became the first convenience store to be awarded a Minister of Economy, Trade and Industry prize at the 2006 National Convention of Energy Saving Cases of Excellence, hosted by the Energy Conservation Center, Japan.

This award was in recognition of LAWSON's introduction of Eco-Pack energy-saving equipment and Energy-Saver Eco Monitor in pursuit of reduced energy consumption and CO2 emissions. By fiscal 2005, Eco-Pack had been installed in 223 stores, curtailing annual CO2 emissions by 1,020 tons.

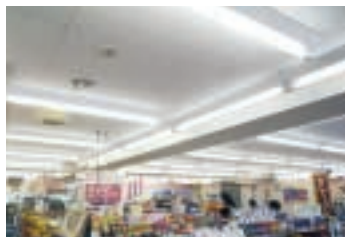


Award ceremony for the Minister of Economy, Trade and Industry prize

Other Measures

Adjustable lighting systems

Adjustable lighting systems provide an in-store illumination of 1,000 lux immediately when powered up. This level of lighting facilitates easy viewing of products and a bright ambience for the store, while reducing electrical power consumption. We also use automatic light sensor systems on windows, which cuts electricity use by 30% through more efficient use of natural sunlight. This is achieved by sensing the natural sunlight incident on fluorescent lights in the window area, and using sensors to make corresponding adjustments to illumination. The electricity-saving benefits of this initiative



Automatic adjustable lighting system

were gained at an additional 670 stores during fiscal 2005, bringing the total to 2,456.

We also use reflectors in our fluorescent store signage, achieving amplified lighting with half the fluorescent lights, and thus reducing electricity consumption by 50%. During 2006, 2,900 stores were fronted with such lighting.

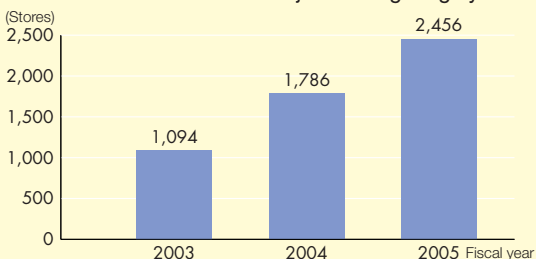
Total enthalpy heat exchangers

LAWSON is promoting the introduction of total enthalpy heat exchangers, which were employed in 130 stores during fiscal 2005. These units only dispel contaminated air during the heat exchange process, efficiently recovering heat and humidity through combined heating/cooling and returning it to the store interior. Heat recovery is more than 70% higher than for conventional systems that only recover heat, and air conditioner efficiency is also enhanced.

We are also restricting contamination of the outside air with dust and other impurities through positive pressure control in all stores. Moreover, we deal with the issue of odors from toilets and other sources with independent exhaust outlets, not integrated to the total enthalpy heat exchanger system, ensuring unpleasant smells do not infiltrate the store interior.

Compared with our former system, total enthalpy heat exchangers reduce annual power consumption by approximately 5,300 kWh per store, providing a further contribution to energy conservation.

Introduction of automatic adjustable lighting systems



Waste Reduction

Stores emit a variety of waste, from cardboard packaging to outdated boxed lunches. To minimize its environmental burden, LAWSON seeks to constrain waste generation and promote recycling.

Survey on Waste Production

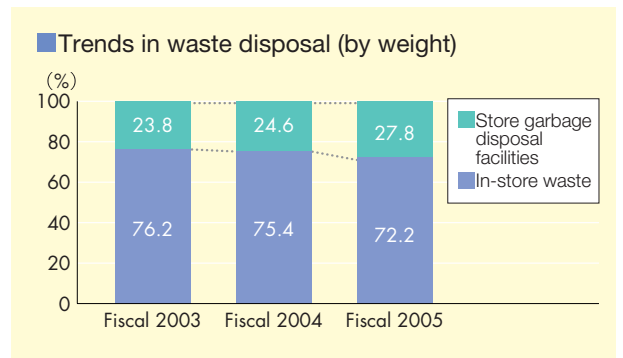
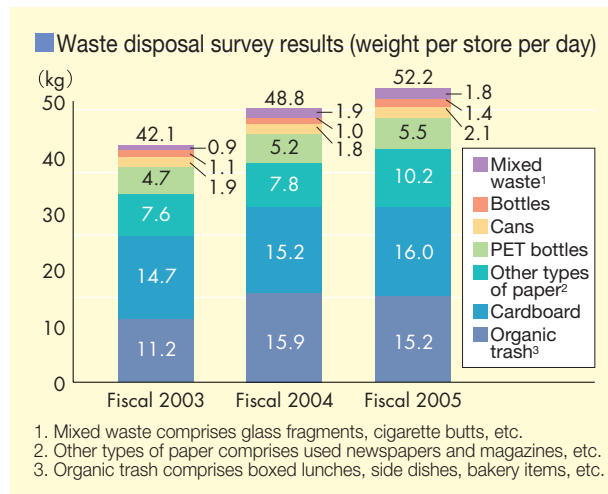
LAWSON conducts fact-finding surveys on the waste that stores generate to reduce volumes and promote recycling. Each year, six LAWSON stores in Hiroshima City collect their daily garbage output, sort it by category and weigh each component.

During fiscal 2005, the average daily waste output per store was 52.2 kg. The largest contributor was card-

board boxes for packaging, at 16.0 kg, followed closely by 15.2 kg of discarded food products past their sell-by dates, such as boxed lunches, side dishes and bakery products. Another major category was paper, at 10.2 kg, which included used newspapers and magazines.

Investigating the Clean Box store front disposal facilities showed a year-on-year increase in garbage volumes, rising 23.8% during fiscal 2003 and 24.6% in 2004, with a 27.8% rise for 2005.

Note: LAWSON independently sets sell-by dates, incorporating a hypothetical consumption period between sale of the product and consumption by the customer.



Store-Front Clean Boxes

LAWSON places Clean Boxes (trash cans) outside its stores to help keep surrounding neighborhoods clean. In response to increasingly strict municipal regulations for the sorting of trash, we amended the classifications of our Clean Boxes in February 2005. These facilities had been introduced at 253 stores by fiscal 2004, 1,325 by fiscal 2005, and with new store openings this number is forecast to rise to 1,700 in fiscal 2006. There are four types of new-style Clean Boxes accepting different sorts of trash: paper, plastics, bottles and cans (divided), and PET bottles. Depending on regional requirements, the insertion slots can be removed and tailored to different sorting stipulations. The Clean Boxes themselves are manufactured with environmental consideration from plastic recycled from PET bottles.

This material also renders them more durable than conventional steel models.

From April 2006, a sticker, issued in cooperation with Ministry of the Environment, has been displayed at the slots to Clean Boxes, declaring "Cooperating with waste reduction and sorting."

Through the new specifications and appeals to customers, we are striving to turn around the yearly increases in waste that our Clean Boxes invite.



Sticker commending waste reduction and sorting issued in cooperation with Ministry of the Environment



Food Waste Reduction Measures

LAWSON has designed its supply routes to provide customers with products that are safe and fresh. At the same time, waste from our stores includes a large proportion of food products past their sell-by dates. We are rapidly decreasing food product waste to conform to the Food Product Recycling Law, which went into force in 2001. LAWSON is striving to tackle this problem on three fronts: curtailing waste generation, implementing recycling and reducing waste volumes.

In areas of Kumamoto and Nagano cities, food product waste is recycled to manufacture agricultural fertilizer and in Tokyo to produce animal feed. In the future, we plan to continue expanding this policy of recycling food product waste.

Note: The Food Recycling Law refers to the Law Concerning Reuse, etc. of Food Product Recycling Resources, which requires that food product recycling levels must reach at least 20% by fiscal 2006.

Curtailing waste generation

Reduction of waste begins at the production stage, where LAWSON has introduced production treatment management systems and improved process management to eliminate unnecessary waste.

In our stores, computers are used to track the past sales performance of each product line in relation to the day, weather and local conditions. This information is confirmed during stock taking before placing orders in an ongoing drive to reduce waste generation.



Computerized stock taking and ordering

Implementing recycling

Waste oil remaining from deep frying of *Kara-age Kun* chicken nuggets is being recycled from January 2006, which was already the case in some parts of Akita and Hyogo prefectures. By the end of February, 860 stores were recovering waste oil, and this policy should extend Company-wide by August 2006.

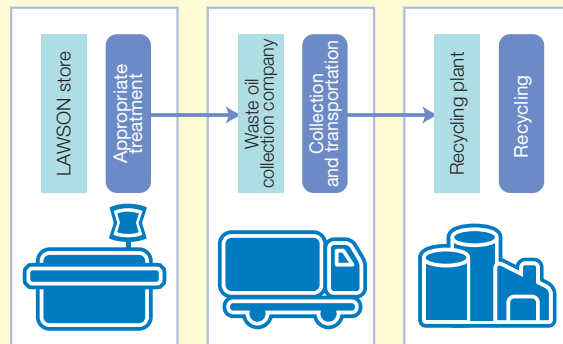
The waste oil is recovered by a collection company and



Additive-free soap produced from waste oil

is recycled and treated at a recycling plant to produce fodder material, construction coatings, alternative fuel for public buses, additive-free soap and other products.

Waste oil recycling system



Eco-Town Recycling Plant in Kitakyushu (Kyushu Yamaguchi Oil and Fat Industry Cooperative)

Examples of recycled products

1. **Additives for animal feed**
Fodder material
2. **Construction coatings**
Rust inhibitors for construction materials
3. **Bio-diesel fuel**
Fuel for public buses and garbage trucks
4. **Pharmaceuticals and cosmetics**
5. **Additive-free soap**

Waste oil is refined and recycled to high-purity fatty acids, which are used as raw materials for antioxidant, coloring, antiseptic, perfumed additive-free soap.

Reducing waste volumes

Organic waste is dehydrated and dried using a processor to reduce volumes. From 2005, we introduced organic waste processors on a trial basis at two stores in



Organic waste processor

the Tokyo metropolitan area to reduce store food product waste volumes. We are currently examining the results with a view to expansion.

Through this multifaceted approach, LAWSON forecasts that it is on target to meet the Food Recycling Law mandatory levels for food product recycling of at least 20% by fiscal 2006.

Measures to Conserve Resources

LAWSON has extended its consideration for safety, security and health to shopping bags and packaging of boxed lunches and side dishes. We are implementing measures to use environmentally friendly materials in reduced volumes that are free from noxious substances.

Reduced-Weight Shopping Bags

To avoid unnecessary use of resources and generation of waste, LAWSON is implementing measures to reduce the weight of shopping bags dispensed at checkouts and appealing to customers to refrain from overuse of these items.

Each year in October, LAWSON joins local municipalities in a one-month Environmentally Conscious Shopping Campaign, encouraging shoppers to bring their own carrying bags, to use recycled items and to favor purchases with less packaging.

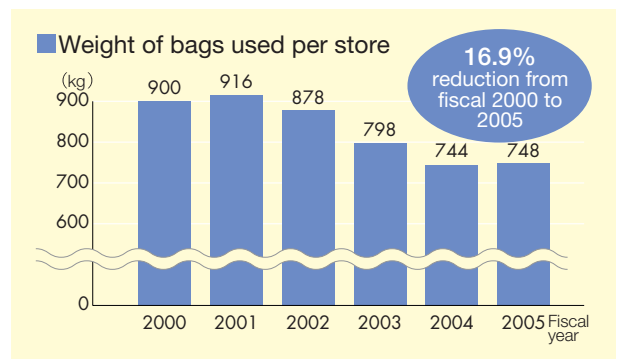
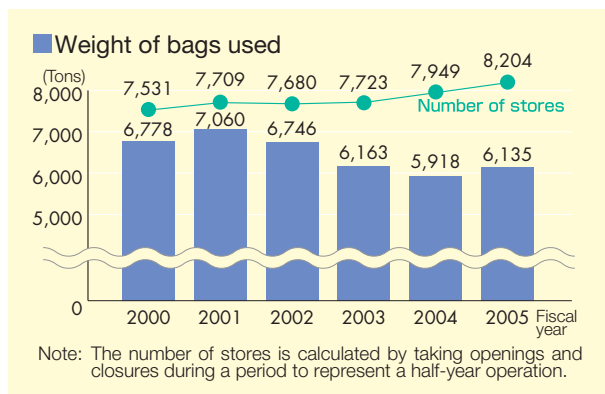
In the month from November 29 to December 31, we carried out activities to promote reduced use of store shopping bags to customers. The staff at registers ask customers if they are happy to take their purchases without a bag if appropriate for the volume of shopping. This is supported by posters, notices at checkouts and in-store announcements. As a result of these endeavors, average annual weight of shopping bags used per store during fiscal 2005 was 16.9% lower than during 2000. This represents a 9.5% reduction for LAWSON as

a whole, a saving equivalent to 246,000 liters of crude oil, or 1,367 barrels.

From 2006, the Japan Franchise Association, in which LAWSON and other convenience stores participate voluntarily, is setting its own targets and reinforcing measures for reducing shopping bag use. Consumption of shopping bags per store for fiscal 2006 is cited at 20% below 2000, with a gradual decline thereafter, attaining a 35% cut by fiscal 2010.



Poster from our activities to promote reduced use of store shopping bags from November to December 2005



Cutting Disposable Chopstick Use

In a year, each LAWSON store hands over approximately



NATURAL LAWSON's chopsticks made from Japanese cedar lumber scraps

60,000 sets of disposable chopsticks with purchases of boxed lunches and side dishes. To reduce this figure,

customers are asked at checkout if they would like chopsticks to avoid unnecessary default distribution.

Moreover, NATURAL LAWSON stores supply wooden chopsticks made from Japanese cedar lumber scraps, as opposed to the Chinese white birch generally used, as part of promotion of domestic materials.

Giving Careful Consideration to Packaging

LAWSON applies its commitment to safety, security and health in seeking to reduce levels of toxic emissions in the usage and production of packaging materials. Accordingly, we are implementing measures to upgrade packaging materials and facilities.

Currently, we use such environmentally considerate materials as polypropylene and polyethylene to package rice and side dishes and we promote the use of environmentally friendly film printing processes using water-based inks.

During fiscal 2005, we started to use non-petroleum-based plastics, offsetting declining total volumes of environmentally friendly materials used during the year. From September 2005, NATURAL LAWSON salad containers have been made from corn-oil plastic.

By using thinner film wrap for rice ball packaging, we reduced consumption



Packaging for rice balls with thinner wrapping and higher paper content

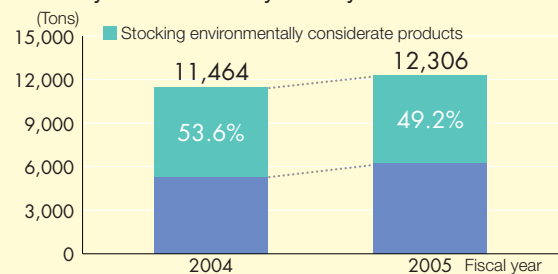


Our finer sandwich wrapping materials are endorsed with the Team Minus 6% logo

by 9.2 tons during fiscal 2005. Increased use of paper in packaging also favors the environment, and we boosted the proportion of paper materials from 1.3% to 5.6% during the year. From April 2006, we have shaved 25% from the thickness of sandwich wrapping film, from 40µm to 30µm, a move that is forecast to save 40 tons of materials during fiscal 2006.

LAWSON is also developing other packaging that is lighter and does not use wrapping in its ongoing drive to conserve resources.

■ Proportion of total packaging materials accounted for by environmentally friendly resources



Proportion of Environmentally Friendly Materials

LAWSON stocks such environmentally conscious products as office supplies made from recycled plastics and items bearing the Japan Environment Association's Eco-Mark to denote environmental consideration. In March 2006, we began marketing the Eco Personal Shampoo Series, jointly developed with Sunstar Inc., and TRAIN CORPORATION. The flexible packaging serves as a refillable dispenser for the shampoo to save on unnecessary use of resources.

NATURAL LAWSON stores stock an array of environmentally considerate products that support the lifestyles of customers with high consciousness of health and beauty. (See page 12 for information about NATURAL LAWSON.)

The Eco Personal Shampoo Series' six-item lineup includes shampoo, conditioner and body soap.



Other Measures

LAWSON is promoting paperless operations at its headquarters through electronic accounting and through "green purchasing," prioritizing procurement of environmentally friendly products. We also reduce our environmental burden by enforcing sorting of garbage to constrain waste generation and promote recycling.

In fiscal 2005, we introduced ETC to our entire fleet of Company vehicles. This fuel upgrade reduces CO₂ emissions, in addition to enabling such business efficiency benefits as lightening the accountancy load and cutting toll charges on highways.

We extended our environmental measures to all company vehicles (excluding four-wheel drives) during fiscal 2006, installing an automatic cut-off function during idling throughout the 1,281-vehicle fleet. Moreover, we have embarked on a gradual program to convert all cars to hybrid vehicles.



Company vehicle

Distribution Efforts

LAWSON's distribution network plays a vital role in the process of receiving items from its business partners and transporting products throughout Japan. We maintain stringent quality control during delivery, and strive to enhance the efficiency of our distribution system and reduce its environmental burden.

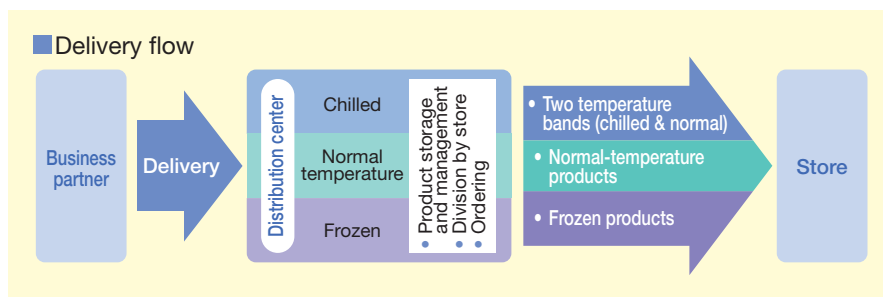
Product Delivery System

Items from our business partners are delivered to our distribution centers before being divided for dispatch to individual stores. Throughout Japan, we operate 118 distribution centers, which classify products into three temperature bands: chilled products, including rice-related products, dairy products, desserts and other items with short quality guarantee periods; normal related products, consisting of such processed foods as confectioneries and seasonings; and frozen products.

At distribution centers, products are stored and managed according to their temperature classification.

Such information as the date products are received and dispatch limits is monitored. We also check products at the point of loading them onto delivery trucks.

During delivery, the temperature of products is closely monitored. Trucks equipped to deliver chilled products have a thermometer mounted near the driver seat for easy monitoring of cargo temperatures. If product temperatures rise above the specified level, the driver immediately alerts the distribution center.



Thermometer mounted in a delivery truck

Promoting Joint Deliveries

LAWSON is promoting multidrop deliveries and revamping its delivery system to reduce the number of trucks that visit one store and consequently lower environmental impact. Chilled products subclassify into rice-related products, which are stored at 20°C, and dairy products, desserts and other items that are stored at 10°C or below. We have partitioned the cargo areas of delivery trucks into different zones to allow both types of products to be transported in the same vehicle.

Through this practice, as well as by reworking our sundry item delivery schedules, we have cut average daily deliveries to 7.6 trucks per day. Moreover, we are continuing to revise delivery schedules and routes.

Average daily deliveries of
7.6 trucks per store



Using Low-Pollution Vehicles

In 1997, LAWSON became the first company in its field to use delivery trucks powered by natural gas to lower emissions and reduce the environmental burden. Our

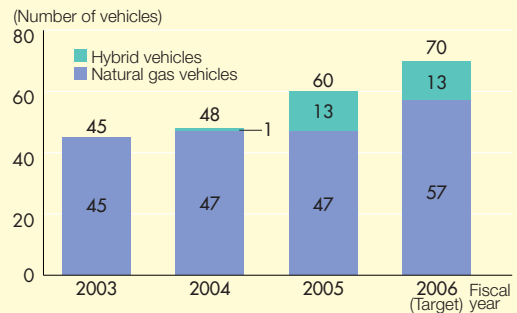
next-generation low-pollution vehicles were led by the introduction of a hybrid fuel truck in March 2004. By the end of fiscal 2005, we had expanded our low-pollution

truck fleet to 60 vehicles. The Company also plans to start trial introduction of biodiesel-fuelled delivery trucks, using vegetable oils as a raw material.

In cooperation with our business partners, in June 2005 we carried out a survey of total CO₂ emissions from delivery trucks. Total annual CO₂ generation was calculated at 72,005 tons. We plan to continue to conduct such surveys as part of our strategy to reduce emissions.



Introduction of low-pollution vehicles



Noise-Reduction Efforts

LAWSON is implementing measures to reduce noise, which is potentially annoying to customers and local residents, from trucks and trolleys during delivery. We have upgraded metal casters to all-plastic units as part of development of a reduced-noise trolley. These trolleys are now being introduced to deliver all our chilled and frozen products.

Power gate trucks, with an elevation platform between ground and cargo deck level, generate noise from their motors and through contact with the ground. We have reduced this noise pollution through slower elevation speeds and by installing rubber stops to the contact surface with the ground.

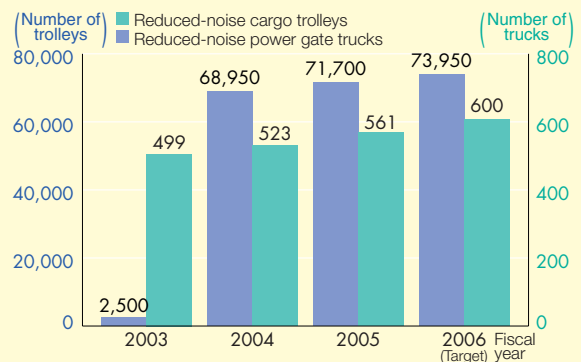


Moreover, we have developed a reduced-noise cargo trolley with a dual-structure

metal exhaust pipe to reduce tail-note resonance.

By 2005, our fleet included 561 reduced-noise power gate trucks (an introduction ratio of 86%) and 71,700 reduced-noise cargo trolleys (94%).

Noise-pollution strategy



Traffic Management System

All trucks that deliver chilled products are mounted with a travel management system that is linked to a mobile communications network. This 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 driver safety, including over-acceleration, over-braking and speeding. In addition, it promotes travel efficiency and is useful in checking whether trucks are being shut off while idling, as leaving the engine running during deliveries

contributes to global warming and atmospheric pollution and wastes fuel. To further enforce this practice, each driver has a key on key rope that must be removed from the ignition for the driver to disembark. To heighten driver awareness of this issue,



The Travel Management System

we have produced a driver's manual video, and also carry out driver training and promote "eco-driving."

LAWSON Green Fund and Afforestation Activities

The LAWSON Green Fund and the afforestation activities it supports are entering their 15th year. We can all join forces in projects to ensure that future generations can enjoy Japan's forests.

LAWSON Green Fund

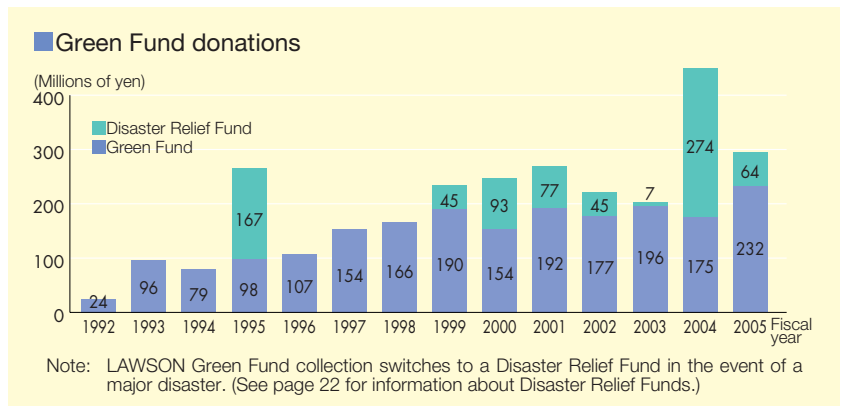
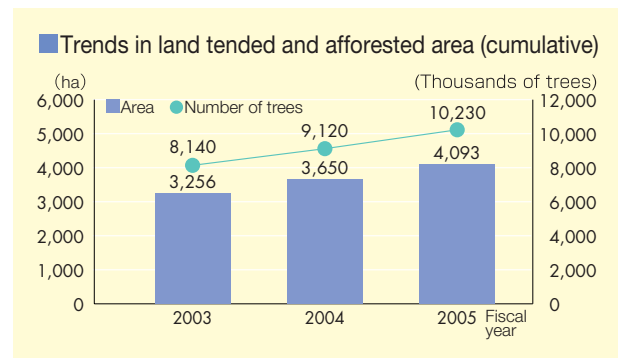
LAWSON Green Fund activities were instigated in 1992 to ensure that the forests survive to absorb and store CO₂, protect the soil and prevent landslides, and preserve water resources into the future.

Funds donated at stores throughout Japan are provided to the National Land Afforestation Promotion Organization, which promotes volunteer tree planting, thinning, undergrowth clearance and other forestation activities in Japan and overseas. Franchise owners, crews and employees participate in some of these activities.

Donations to the LAWSON Green Fund, including contributions from headquarters, totaled ¥2,039 million



as of the end of February 2006. Forestation activities have benefited 1,340 locations in Japan and overseas, over 4,100 hectares, benefiting more than 10 million trees through planting and arboriculture.



Green Culture Prize

In April 2005, the LAWSON Green Fund and forestation activities were recognized by His Highness the Prince Akishinomiya by the award of the Green Culture Prize—the first time a private-sector entity has received this honor.

Acclaim was given for participation by citizens through the LAWSON Green Fund in forestation activities that contribute to reducing CO₂ levels and preventing global warming. LAWSON franchise owners and crews and employees have been vital to the success of these nationwide programs.



Presentation by Speaker of the House of Representatives Yohei Kono of a letter of commendation at the Green Appreciation Celebration, presided over by His Highness the Prince Akishinomiya

LAWSON Flower and Greenery Day

In 2001, as a symbol of the LAWSON Green Fund and forestation activities, we declared the third Sunday in May as LAWSON Flower and Greenery Day. This celebration is marked by a LAWSON Flower Event and Mount Fuji LAWSON Greening Program.



Notices concerning the event displayed at checkouts

LAWSON Flower Event

The LAWSON Flower Event consists of free distribution of flower seeds to customers at stores nationwide, with the aims of encouraging the adornment of local towns across all regions and heightening awareness of the date of LAWSON Flower and Greenery Day.

In 2005, approximately 800,000 customers (100 per store) were presented with Cosmos seeds.



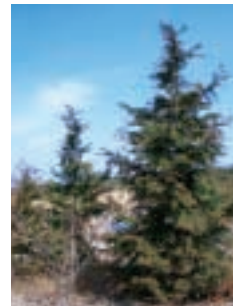
Cosmos seeds

Mount Fuji LAWSON Greening Program

The object of this program is to restore a 34-hectare tract of land at Mount Fuji that was devastated by Typhoon Number 17 in 1996 to the ecological state of a natural forest. Franchise owners and crews, employees, and their families participate in tree planting and undergrowth clearance operations. Progress to date is attributable to some 1,700 volunteers.



New employees each year experience tree planting during their induction training. (Photograph of fiscal 2006 entrants)



A hinoki cypress tree from the first wave of planting now stands at almost two meters.

Mount Fuji Greening Program —I'll continue to participate if I possibly can!

Kazuo Kubo, Owner of Numazu Satsuki-cho store, Shizuoka Prefecture

I have participated in the Mount Fuji Greening Program forestation activities since the second year. When I was a child, I helped with tree planting and thinning around the local hills, and I basically enjoy these types of green activities.

It is satisfying to see the landform changing as a result of the trees planted each year. I put my heart into planting each tree, to ensure it takes root.

When dealing with customers at the checkout in the store, I tell them about the 100-year plan to reforest Mount Fuji. Some stop in their tracks and listen, praising what we are doing. Very often, people also make a donation.

Saplings don't grow into trees overnight. Reforestation is an arduous process, but it is a path that I want to continue to progress along. It will be



my grandchildren's generation by the time it grows into a forest. I'd like to keep participating for as long as I possibly can: 50 years is out of the question, but I'm aiming for another 20.

LAWSON Green Fund and Afforestation Activities

School Greenery Activities

To reinforce its useful role in local communities, LAWSON has expanded its forestation activities from mountainous areas to urban neighborhoods. We have started applying the LAWSON Green Fund to activities at schools, to ensure that the next generation is cultivated in a verdant environment.

School greenery activities luxuriate the environment of educational facilities through creation of trees and biotopes, which boosts the opportunities for children to



The opening ceremony for the Asuke Wind Garden, attended by 310 participants, including all 276 Asuke Junior High students, plus parents, forestry cooperative representatives and others



The transformed Asuke Wind Garden

experience nature hands on and contributes to their healthy growth.

In urban environments, the phenomenon of heat islands arises from heat discharge from the external units of air conditioners and retention caused by the concrete-covered ground. Flora intercepts the hot rays of the sun and eases the heat build-up through evaporation, which are effective deterrents to this phenomenon.



Tree planting by LAWSON President and CEO Takeshi Niinami and Kanto Branch President Norikazu Nishiguchi, along with all the children, at a ceremony to mark completion of work at Hosui Elementary School, Shinagawa, Tokyo

In May 2006, LAWSON supported Asuke Junior High School, Toyota, Aichi Prefecture, in the construction of the Asuke Wind Garden. We were responding to a request to help build a tranquil space for the children amid the hustle and bustle of the school grounds. The LAWSON Green Fund

sponsored procurement of trees and materials, and for two days more than 200 students, parents, teachers and other volunteers prepared the site, building wooden platforms, a stone pavement, paths and other features. Moreover, to utilize local resources, some of the trees were transplanted from the nearby hills.

Through school greenery activities, LAWSON had supported 24 establishments by August 2006. We plan to extend these benefits to 50 schools between September 2006 and August 2007.

Note: A biotope is an independent space of variable size with a unique ecology and environmental conditions necessary for survival of wildlife, in this case in the form of swamp, grass and miscellaneous trees.

From the first step through LAWSON Green Fund, to hosting social contribution events

Takumi Fujisawa, Headmaster of Asuke Junior High School, Toyota City, Aichi Prefecture

The construction amid the hustle and bustle of the school grounds of “a tranquil place where we can gather” was spawned from the students’ ideas. The project team was also student based, with volunteer staff and parents following their directives. When it came to actual building work in the school grounds, the pupils themselves cut and carried trees from the hills and laid the stones. As

a result, I think that this achievement will remain with them forever.

I first heard of the LAWSON Green Fund when we were at the planning stage. Funds had mainly been collected through contributions and voluntary activities, but the assistance offered was an exact match to our plans, so we applied. We are grateful that as a school we were given free rein with use of the funds, so long as it was



related to greening activities.

At Asuke Junior High, we are currently developing projects outside the school, such as riverside and roadside clean-ups and other activities to restore the local environment. From here on, after this first step taken with LAWSON Green Fund we would like to investigate hosting litter-gathering and other events.

Forestation Activities Participated in by the LAWSON Family during Fiscal 2005

During fiscal 2005, the LAWSON Green Fund supported forestation activities in 186 locations, bringing the total to date to 1,340 sites covering 4,100 hectares. Such arboricultural activities as tree planting and thinning have now spanned more than 10 million trees. Of these

endeavors, LAWSON franchise owners and crews and employees have directly participated at 289 locations in Japan and abroad, carrying out tree planting, thinning and undergrowth clearance alongside volunteers to luxuriate our forests.



Miyazaki City, Miyazaki Prefecture
Forestation voluntary improvement activities, April 24, 2005



Sangou-cho, Nara Prefecture
Ongoing Sasayuri Path Project, November 12, 2005



Krabi, Thailand
Japan-Thailand Friendship Mangrove Planting 2005, November 26-27, 2005



Tomacho, Hokkaido
Forestation experience activities, May 29, 2005



Odate City, Akita Prefecture
Forestation at the riverhead of Nagaki River, October 30, 2005



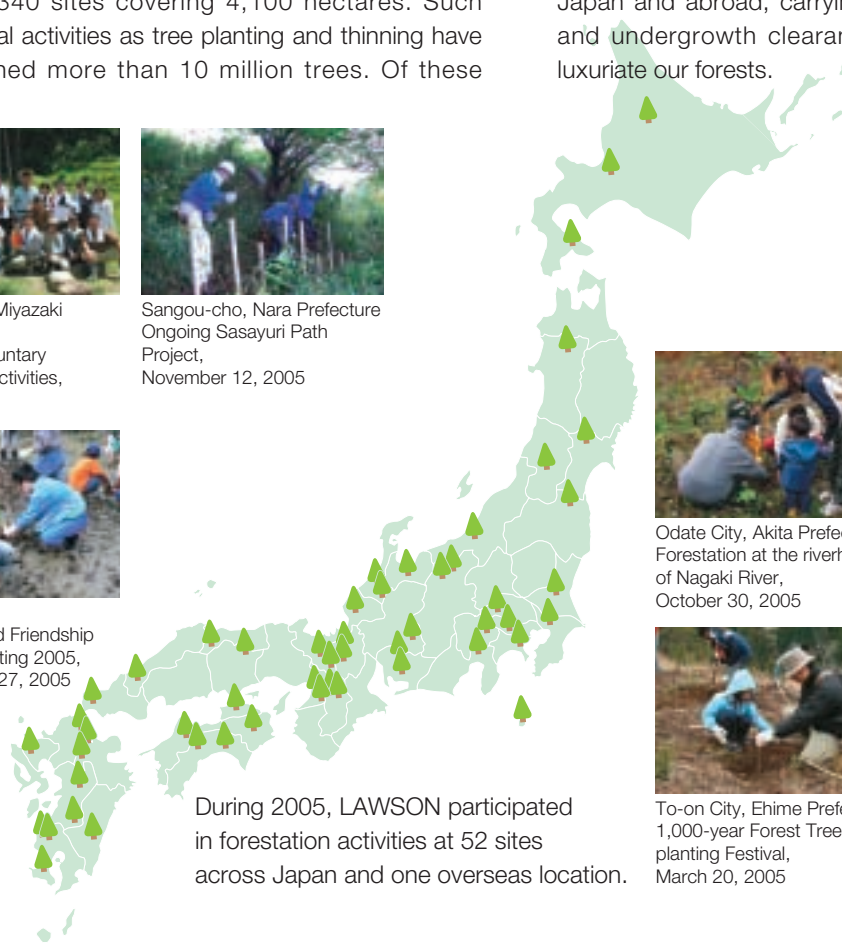
Sabae City, Fukui Prefecture
New Lapause Kawada forestation volunteers, March 26, 2005



To-on City, Ehime Prefecture
1,000-year Forest Tree-planting Festival, March 20, 2005



Hachioji City, Tokyo
Fifth Mount Takao Forest Planting, April 10, 2005



During 2005, LAWSON participated in forestation activities at 52 sites across Japan and one overseas location.

Promoting CO₂ Absorption by Utilizing Japanese Materials

In addition to LAWSON Green Fund and forestation activities, we are contributing to cultivating domestic forestry and preventing global warming by actively using Japanese materials.

Through the Kyoto Protocol, the Japanese Government has committed to a 6% reduction in CO₂ and other greenhouse gases. It is forecast that two-thirds of this figure, or 3.9%, can be accounted for by CO₂ absorption attributable to domestic forestation. It is important to stimulate the forestry cycle by successively using products made from Japanese resources in daily life, supported by planting, cultivating, harvesting and careful use of these products. The Forestry Agency is carrying out activities to promote use of products made from Japanese materials and cultivation of forestry. Part of this drive is to encourage a lifestyle plan conducive to

these aims, under the banner "3.9 Green Style." LAWSON is demonstrably sympathetic to the targets of these activities, using paper made from domestic forest undergrowth clearance in publications issued by headquarters and aggressively promoting use of domestic resources.



Booklets made from forestry undergrowth clearance

Structure for Promoting Environmental Activities

LAWSON has established an environmental policy to reduce the burden it places on the environment. In line with this policy, we have set activity targets and created flexible systems to move steadily toward these objectives.

Environmental Targets and Results

LAWSON has carried out its environmental protection activities during fiscal 2005 based on targets in four areas: saving energy, saving resources, reducing waste

and regional social contributions. We will continue to adjust our targets upward as we strive to achieve these objectives.

Environmental targets and results for fiscal 2005

Area	Actions	Activities	Targets	Progress	Status
Saving energy	Reduce electricity consumption	Cut store air conditioner and cooler electricity use	Introduce energy-saving units in 2,000 existing stores	Introduced in 38 stores	Not achieved
			Introduce 300 energy-saving units in new stores (total 500 units)	Introduced in 433 stores (total 483)	Not achieved
	Improve delivery truck fuel consumption	Cut CO ₂ emissions by upgrading delivery truck fuel	Boost total low-pollution delivery vehicles to 51	Introduced to 60 trucks	Achieved
			Implement Eco-Drive for delivery truck drivers	Made a video manual and gradually carrying out training	Achieved
	Improve Company vehicle fuel consumption	Cut CO ₂ emissions by upgrading Company vehicle fuel	Decrease fuel costs 1% by introducing ETC	ETC introduced to all Company vehicles (1,663)	Achieved
	Promote prevention of global warming (reduce CO ₂)	Assess CO ₂ emission volumes	Create measures for accurate assessment of CO ₂ emission volumes	Created	Achieved
Gather data as a basis for CO ₂ emission volumes			Data gathered	Achieved	
Saving resources	Reduce weight of shopping bags used	Reduce weight of shopping bags used	Appeal to customers at stores for restraint	Increase of 0.5% from fiscal 2004 in weight of bags used	Not achieved
	Reduce volume of container packaging materials	Reduce weight of container packaging and store consumables and use environmentally considerate materials	Use thinner film wrap and increased paper materials for packaging Niigata <i>Koshihikari</i> rice balls	Switch to thinner film wrap and increased paper materials completed (paper content from 1.3% to 5.6%, container weight down 0.07%)	Achieved
			Use of "green plastics" for container packaging	Green plastics used at NATURAL LAWSON stores	Achieved
	Reduce sales promotion materials	Reduce sales promotion materials, use environmentally considerate materials	Reduce delivery volumes of sales promotion materials 5% from fiscal 2004 (per store)	Delivery volumes of sales promotion materials up 14%	Not achieved
			Promote use of recycled materials for sales promotion materials (to 3% or more)	Recycled material content approximately 25%	Achieved
Reducing waste	Reduce food product waste, recycle	Reduce food product waste, recycle	Full introduction of waste-oil recycling	Introduced at 856 stores	Achieved
			Trial introduction of organic waste processors	Trial introduction at 2 stores	Achieved
			Expand areas for recycling to fodder and fertilizer	Areas expanded	Achieved
	Reduce store waste	Modify Clean Box (trash cans) specifications and change locations	Introduce new Clean Boxes conforming to regional municipal regulations, promote moving Clean Boxes in store	Introduced new Clean Boxes conforming to regional municipal regulations, promoted moving Clean Boxes in store	Achieved
Regional social contributions	Support environmental protection	Continue collecting donations through LAWSON Green Fund	Continue fundraising activities in all stores	Total raised to date ¥2,039 million, ¥232 million raised during fiscal 2005	Achieved
			Expand greenery operations to new areas	Green Fund support to 186 ventures, including 4 representing start of school greenery activities	Achieved

Fiscal 2006 environmental targets

Area	Actions	Activities	Targets
Saving energy	Reduce electricity consumption	Cut store air conditioner and cooler electricity use	Introduce energy-saving units in 2,000 existing stores Introduce energy-saving units in 1,000 new stores
	Improve delivery truck fuel consumption	Cut CO ₂ emissions by upgrading delivery truck fuel	Boost total low-pollution delivery trucks to 70 Implement Eco-Drive for delivery truck drivers
	Improve Company vehicle fuel consumption	Cut CO ₂ emissions by upgrading Company vehicle fuel	Introduce 869 low-fuel-cost Company vehicles
	Promote prevention of global warming (reduce CO ₂)	Promote reduction of CO ₂ emission volumes Company-wide	Reduce CO ₂ emission volume base units* to 28% of fiscal 1990 value
Saving resources	Reduce weight of shopping bags used	Reduce weight of shopping bags used	Appeal to customers at stores for restraint (decrease weight use per store by 20% of fiscal 2000 value)
	Reduce volume of container packaging materials	Reduce weight of container packaging and store consumables and use environmentally considerate materials	Use thinner film wrap for packaging rice balls and sandwiches, reduce container weight Use non-plastic container packaging materials
	Reduce sales promotion materials	Reduce sales promotion materials, use environmentally considerate materials	Reduce delivery volumes of sales promotion materials 5% from fiscal 2004 Promote use of recycled materials for sales promotion materials
Reducing waste	Reduce food product waste, recycle	Food product waste recycling ratio of 20% or more	Introduce waste-oil recycling Company-wide (7,500 stores) Promote waste reduction through introduction of organic waste processors (100 stores) Expand areas for recycling to fodder and fertilizer (750 stores)
	Reduce store waste	Promote introduction of modified Clean Boxes, change locations, educate customers	Promote introduction of new Clean Boxes, promote moving Clean Boxes in store, display waste reduction and sorting promotion stickers
Regional social contributions	Support environmental protection	Continue collecting donations through LAWSON Green Fund	Continue fund-raising activities in all stores Expand greenery operations to new areas

*Base units (kg CO₂/m²h): CO₂ emissions corresponding to unit is floor area x operating hours.

Environmental Management System Activities

LAWSON conducts efficient and effective activities, which it strives to improve and upgrade, in accordance with its Environmental Policy. To this end, an Environmental Management System has been in effect in all LAWSON stores since December 1998, which have been awarded ISO14001 certification. To ensure continual improvement,

our Environmental Management System operates through a cycle of Plan > Do > Check > Action.

Note: ISO14001 certification is conferred by the International Organization for Standardization (ISO) to confirm that an organization has created an environmental management system to promote ongoing improvements in environmental performance. Prior to receiving such certification, an organization must undergo assessment and registration.

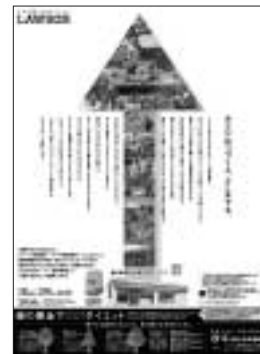
Environmental Education and Training

LAWSON conducts various types of environmental education and training and in-house promotion activities to ensure that all staff at stores and headquarters understand environmental issues and the Company's environmental preservation activities and act in an environmentally appropriate manner.

All employees are required to undergo general environmental training once a year. The theme for the 2005 program was "Considering global warming." To raise effectiveness of our environmental education, we provide this training as an e-learning course. Additional group training is provided to staff with responsibilities in departments that have particular impact on the environment, such as product development and store construction.

Environmental training is scheduled so that franchise owners can participate at times of store openings. In addition, headquarters circulates in-house publications and promotional materials to share environmental knowledge and information.

To ensure understanding of our environmental preservation measures by as many people as possible, we issue environmental bulletins and promulgate information on our homepage and through advertisements.



LAWSON Green Fund advertisement in Nikkei Shimbun newspaper.

Systems to Promote Environmental Activities

Environmental Accounting

Environmental accounting is the process of assessing a company's costs arising from environmental preservation activities as well as quantitative expression of

the results of these actions on a monetary or volumetric basis. We use this information to optimize future environmental management.

Environmental accounts

(For the period from March 1, 2005, to February 28, 2006; encompassing LAWSON INC., franchised stores and some logistics service providers)

[Environmental preservation costs]

(Thousands of yen)

Classification	Principal measures	Investment	Expense
(1) Business area costs	Introduction of energy saving equipment (automatic adjustable lighting system, Eco-Pack, Energy-Saver Pack, etc.) Collection and disposal of fluorocarbon gases	4,734,694	58,500
• Global environmental protection costs			
• Resource cycle costs	Industrial waste disposal and processing General waste disposal and processing Food product waste recycling Expenses for survey on waste production and other	1,072	138,000 3,269,655 62,705 1,218
(2) Upstream and downstream costs	Consignment fees for recyclable products in accordance with the Containers and Packaging Recycling Law		261,182
(3) Management activity costs	Environmental Management System Operation Environmental education Environmental publications and corporate advertising Environmental publicity activities		1,485 300 15,865 4,105
(4) Research and development costs	Recycling R&D costs Purchase of environmental reporting books, participation in seminars		1,789 487
(5) Social activity costs	Donations to the National Land Afforestation Promotion Organization and NPOs Costs for greenery and clean-up activities		15,511 7,841
(6) Costs to counter environmental damage			0
Total		4,735,766	3,838,643

[Environmental Preservation Results]

(Tons of CO₂)

Details	Indicator of environmental preservation results	
	Target category	Improved CO ₂ volume
(1) Business area cost performance	Reduction in electrical power consumption	3,319
• Performance of resources invested in business activities		
• Environmental preservation performance related to environmental load and waste generated by business activities	Confidential document recycling	14
(2) Upstream and downstream cost performance	Reduction in emissions of substances with environmental impact (collection and disposal of fluorocarbons)	50,320
• Asset and service performance generated by business activities		
Total		53,653

[Economic Effects of Environmental Preservation Measures]

(Thousands of yen)

Effect	Value
Energy cost reduction owing to energy conservation	132,771

Notes

- As each franchised store operates as an independent business, a representative sample has been used for calculation purposes.
- As investment amount during the accounting period exceeds the total of investment costs, no depreciation or amortization costs have been assessed.
- The loss recorded is because economic benefits of environmental protection activities are computed in terms of reductions measured relative to the previous fiscal year.
- A simplified method of accounting for transportation by purpose of trip has been adopted.



About **LAWSON**

LAWSON's Organization

LAWSON maintains a robust and transparent business structure to fulfill a useful role for its business partners and citizens of the regions in which it operates. Implementing a corporate governance system is vital to these goals.

Corporate Governance and Internal Control

Board of Directors, executive officer system

As of May 26, 2006, LAWSON appoints a board of nine directors: four in-house directors and five outside directors. We believe that this majority of external directors ensures fairer decision making on important business issues.

Since fiscal 2002, we have maintained an executive officer system that separates the functions of management supervision and business execution. As of May 31, 2006, LAWSON had 18 executive directors (including two concurrent directors).

Audit function

LAWSON maintains a corporate auditor system, with three of the four members of the Board of Corporate Auditors deriving from outside the Company. The Board of Corporate Auditors meets, in principle, once a month, and supervises the execution of duties by directors.

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

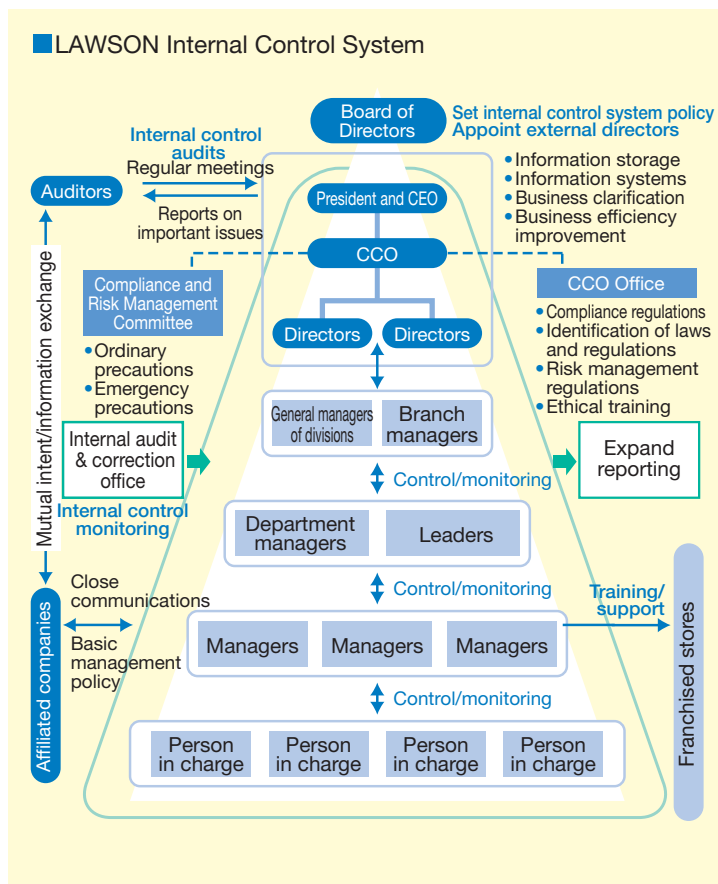
Remuneration system

LAWSON has introduced a performance-linked remuneration system, with a discretionary portion of approximately 30% that is determined according to each director's role and performance. A Remuneration Advisory Committee meeting was held, presided over by External Director Furukawa, and a report was compiled for the Board of Directors relating to the determination method for remuneration for directors and executive directors and other issues.

In addition to attaining individual targets, remuneration for management has been dependent on a multifaceted assessment carried out simultaneously with personnel assessments since February 2003.

Proactive and fair disclosure

LAWSON aims to treat information disclosure as proactive display rather than fulfillment of accountability. For example, monthly business reports and details of financial results are available on the LAWSON website and we release video coverage of the General Meeting of Shareholders (Japanese language only). Such initiatives encourage exchange with all LAWSON stakeholders and promote disclosure of information.



Internal control system

To reinforce the LAWSON internal control system, in February 2006 the Board of Directors established the Fiscal 2006 Internal Control System Basic Policy, which was implemented from March 1.

The internal control system is maintained to ensure healthy and sustainable development, and its application is a management priority. By guaranteeing effectiveness, efficiency and fairness, the basic policies that LAWSON has determined will lead to increased business merits.

Establishment of CCO Office

On March 1, 2006, LAWSON appointed a Chief Compliance Officer (CCO), taking general responsibility for compliance promotion and risk management. The CCO will lead the CCO Office, which is composed of specialized staff, including compliance representatives from each division and the seven branch offices. To ensure practical results in compliance with laws and regulations and management of risk, the Compliance and Risk Management Committee convenes once a month to tackle current problems and implement systems to pre-empt problematic incidents.

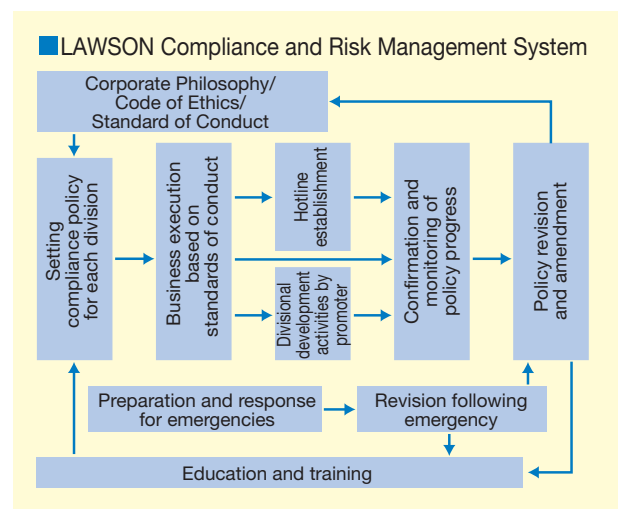
LAWSON's Compliance System

The Company adheres to the LAWSON Code of Ethics to ensure compliance to laws, regulations and social standards and to ensure a robust corporate structure that is fortified against unexpected occurrences. Based on this code, we expect every employee to strive to act with consideration for others. Through its compliance system, LAWSON maintains and enforces regulations relating to compliance and holds periodic training sessions. The LAWSON Code of Ethics was revised in March 2006, reflecting the results of a consciousness survey conducted in January 2006 targeting all dispatched staff, crews and other employees. We have also issued a *Compliance Handbook*, with commentary on business-related laws and regulations and questions and answers compiled by job function as part of our drive to raise consciousness of compliance through business.

We conducted a questionnaire among our business partners on product deliveries, store construction and other subjects to ascertain any problems or issues they might have and to help our endeavors to conduct fair transactions. Such feedback is in turn recycled as

corrections and improvements to our compliance system.

LAWSON has also established facilities for in-house and external inquiries and reporting and a response system for the early detection and resolution of problems within the Company.



Risk Management System

From the standpoint of our corporate philosophy, there are three major risk areas: products and hygiene management, information security, and disaster and theft. LAWSON has a system in place for swift resolution of problems in case of emergency.

In normal circumstances, the Compliance and Risk Management Committee convenes once a month to minimize risk. The committee oversees an organization that defines potential risks, sets clear priorities and promotes prevention measures. We have also established an emergency risk response council to contain risk and limit its damage. A Risk Investigation and Prevention Committee has been established to cover the eventuality of risk escalation, which conducts analysis of the causes, ensures restoration of trust and prevents recurrence. In this manner, LAWSON strives to raise its crisis management capabilities.

We have established a Disaster Response Office to implement measures swiftly in times of calamity (For information about regional and societal reconstruction support in case of disasters, see pages 21 and 22.)

To prevent crime at stores, LAWSON has established a crime-prevention system and conducts various activities. We have introduced and promote pigment-filled anticrime 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.”



Robbery simulation exercises

Information Security System

In anticipation of the full enforcement of the Private Information Protection Law in Japan, in March 2005 LAWSON created a Private Information Protection Policy. Through this in-house directive, we enact all regulations and standards necessary for private information protection.

This policy is reflected in store manuals to ensure it is manifest in the understanding and actions of employees. We have also distributed to all stores and supervisors a compilation of hypothetical cases involving misclaims and corresponding laws to assist them in responding appropriately in such cases. At headquarters, staff use the LAWSON Office Security Rules for the same functions.

We check our information management system by processes of self-examination and internal auditing.

LAWSON is striving to tighten its information security system through various other measures, including thorough rules for use, storage and disposal of private information and information security training.



LAWSON Office Security Rules

Collection of hypothetical case studies

Taking every opportunity to promote respect for regulations

LAWSON's operations are multifaceted, so the laws to be obeyed are numerous and the risks diversified. Compliance with laws and dealing with risk are carried out by each division, but we have established a specialized CCO Office to cover Company-wide promotion of compliance and general risk management. Linking the organization laterally in this way enables the Company to move forward in a coherent direction.

We currently consider three major risk areas: products and hygiene management,

information security, and disaster and theft. We have a system in place for swift resolution of problems in case of emergency. Each division has a specialized representative, a training curriculum is in place, and the Compliance and Risk Management Committee holds regular meetings. Accordingly, there are many opportunities to disseminate our policies on compliance and further fortify our preventative system.




Manabu Asano
Director,
Chief Compliance Officer

LAWSON's History

1975	April	Daiei LAWSON Co., Ltd. established	
	June	First store opens in Sakurazuka (Osaka)	
1976	April	Increased joint deliveries of chilled products	
	October	T.V.B. Sun Chain Co., Ltd., established	
1977	April	Began 24-hour operation	 <p>First LAWSON store</p>
	November	Inaugurated system for joint delivery of milk and other daily use products Created specialized plant to make boxed lunches and began supplying freshly made boxed lunches Established the industry's first distribution center Installed first-generation computer system	
1978	January	Installed <i>Ayumi no Hako</i> in all stores (formerly Sun Chain convenience store)	
1980	September	Business tie-up established between LAWSON and Sun Chain	
1981	July	Began advance sales of movie tickets	
1982	March	Began accepting home delivery service orders	
	September	Began sales of <i>oden</i> (Japanese hotchpotch boiled in kelp-based broth and seasoned with soy sauce)	
1986	April	Began sales of <i>Kara-age Kun</i> fried chicken nuggets	
1988	May	Began employing a new three-delivery system (same-day delivery of rice and bread)	
	September	Use of point-of-sale tracking system commenced	
1989	March	Merger with Sun Chain Corporation, creating Daiei Convenience Systems Co., Ltd.	
	October	Began agency service to accept electricity and gas bill payments	
1990	April	Started joint deliveries of processed foods, confectionery and sundry goods	
	November	Launched ECOLOGY LIFE products, designed to protect the natural environment	
1991	February	Began employing the slogan "The 'Hot' Station in the Neighborhood" in internal and external communications	
	September	Started using recycled paper for photocopies, internal publications and business cards Began using 80% recycled paper for store receipts	
1992	January	Opened Station Park Waseda and five other experimental environment and welfare stores	
	September	Started collecting donations for charities working to protect the global environment (Currently called "LAWSON Green Fund")	
1993	April	Held first Tama River Clean Aid campaign	
	August	Joined volunteer rescue activities after earthquake off the Hokkaido southwest coast	
1994	February	Attached "Guide Dogs Welcome" stickers to all stores	
	March	Began employing two-temperature delivery trucks with partitioned cargo areas for chilled foods	
	May	Planted greenery using money from first LAWSON Green Fund (Fukuoka)	
1995	January	Collected donations for rescue work after Hanshin Awaji Earthquake	 <p>All stores provided assistance during the Hanshin Awaji Earthquake</p>
	March	Started joint deliveries of frozen products Developed "Hot" Station Maps	
1996	March	Began handling sales of stamps, postcards and revenue stamps	
	April	Initiated LAWSON Ticket sales	
	June	Company name changed to LAWSON, INC.	
	July	Opened first LAWSON store in Shanghai, People's Republic of China	
	September	Started using 50% recycled paper for thermal paper receipts Started recycling of bottles, cans, PET bottles and cardboard boxes in the Tokyo metropolitan area	
1997	January	Made donations to rescue work for an oil spillage in the Japan Sea	
	March	Started "Every Store Can Help" campaign	
	July	Commenced operations in Okinawa, marking the Company's extension of operations to all 47 Japanese prefectures	
	September	Started an experiment to recycle food products in Kanagawa Prefecture Started using low-emission CNG delivery vehicles Introduced plastic containers for delivery Joined Tokyo Rule II to collect PET bottles in stores	
	October	Started campaign to encourage drivers to shut off vehicles when idling	
1998	February	Implemented Loppi system at all stores	
	March	Changed packaging materials for boxed lunches and side dishes to polyolefin	

• Environmental activities • Social contribution activities

	May	Started using new ice cream refrigeration cases with substitute fluorocarbons	
	November	Opened experimental environmental action store in Katsushima 1-chome	
	December	Started recovering and destroying fluorocarbons from cooling and air conditioning equipment when discarded Established the "LAWSON Code of Ethics"	
1999	January	Received ISO14001 certification, the environmental management system standard	
	April	Started providing organ donor cards at all stores Published first edition of Environmental and Social Activities Report Created fund to support victims of an earthquake in north-western Turkey	
	November	Stopped adding disposable chopsticks, spoons and forks to lunch boxes	
2000	February	Opened the second environmental action store, Numata Interchange Store	
	June	Commenced "Mount Fuji LAWSON Greening Program" Guide dogs for the hearing impaired (all working dogs) welcomed at all stores Started implementing noise-reduction measures on delivery trucks	
	July	Company's shares listed on the first sections of the Tokyo Stock Exchange and Osaka Securities Exchange	
	October	Established i-Convenience, Inc.	
2001	March	Adopted new uniforms made from recycled PET bottles Started cogeneration system trials	
	May	Established the LAWSON Flower and Greenery Day (third Sunday in May) Established LAWSON ATM Networks, Inc. for joint ATM operation	
	July	Opened the first NATURAL LAWSON store	
	September	Supported the temporary homecoming of Miyakejima residents after a volcanic eruption on their island; LAWSON provided free food and drink Collected aid donations for victims of the September 11 terrorist attacks in the United States	
2002	January	Appointed a Corporate Ethics Officer	
	February	Established LAWSON CS Card, INC.	
	June	Introduced the LAWSON PASS card	
	August	Participated in the Volunteer Support Program run by the Ministry of Land, Infrastructure and Transport	
	November	Launched the <i>Onigiriya</i> rice ball Established the Compliance Promotion Committee	
2003	January	Established post office counters at all stores	
	May	Began staged removal of artificial colorings and preservatives from products sold in the Tokyo metropolitan and Kinki regions Participated in the <i>Bi-ing</i> Kobe Citizen Movement	
	August	Signed an agreement with Wakayama Prefecture on local cooperation activities Participated in Roadside Cleanup Stamp Rally, run by Wakayama Prefecture and Wakayama National Highway Office	
2004	December	Launched National Waste Recycling Promotion Study Group	
	June	Appointed a Compliance Promotion Officer	
	August	Started the <i>Peek-a-boo</i> stock brokerage service	
	November	Received Environment Minister's Award 2004 for the LAWSON Green Fund Launched <i>Gohantei</i> series of boxed lunches	
2005	March	Announced Personal Information Protection Policy	
	April	Received Green Culture Prize for the LAWSON Green Fund	
	May	Opened the first LAWSON STORE100	
	June	Created new corporate philosophy to mark the 30th anniversary of LAWSON's founding LAWSON PASS holders exceeded 2,000,000	
	July	Collected aid donations for victims of Typhoon No. 14	
	September	Signed an agreement with Japan Post on disaster measures	
	October	Collected aid donations for victims of earthquake in northern Pakistan Participated in Team Minus 6%	
	November	Began campaign to reduce use of bags at all store check-outs (November 29 to December 31) Held award ceremony for articles and ideas submitted to mark the 30th anniversary of LAWSON's founding	
2006	January	Formally started waste-oil recycling Collected aid donations for victims of heavy snowfalls	 <p>Award ceremony for the Minister of Economy, Trade and Industry prize</p>
	February	Became the first convenience store operator to receive Minister of Economy, Trade and Industry prize for energy-saving units	

Company Overview

(As of February 28, 2006)

English Company Name	LAWSON, INC.
Address	Tokyo Headquarters: East Tower, Gate City Osaka, 11-2, Osaki 1-chome, Shinagawa-ku Tokyo 141-8643, Japan Osaka Headquarters: 9-1, Toyotsu-cho, Suita City Osaka 564-0051, Japan
President and CEO	Takeshi Niinami
Established	April 15, 1975
Capital	¥58,506,644,000
Employees	3,120
Scope of Operation	Development of LAWSON convenience store franchise chain
Store Revenues	¥1,361.7 billion
Stores	8,366 (in Japan)
Store Coverage	All 47 Japanese prefectures, as well as Shanghai, People's Republic of China (joint venture)

Primary Affiliates

LAWSON TICKET, INC.

Sales of tickets for concerts, movies, sporting and other events, mainly through Loppi multimedia terminals located inside Lawson stores

i-Convenience, Inc.

Operation of the official LAWSON Mobile website for mobile phone users; 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; deposits/withdrawals, transfers and related financial services via ATMs (outsourced from partner financial institutions)

BestPractice Inc.

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

NATURAL LAWSON, Inc.

Establishment of the NATURAL LAWSON store format, product planning and development, oversight of shop management

VALUE LAWSON, Inc.

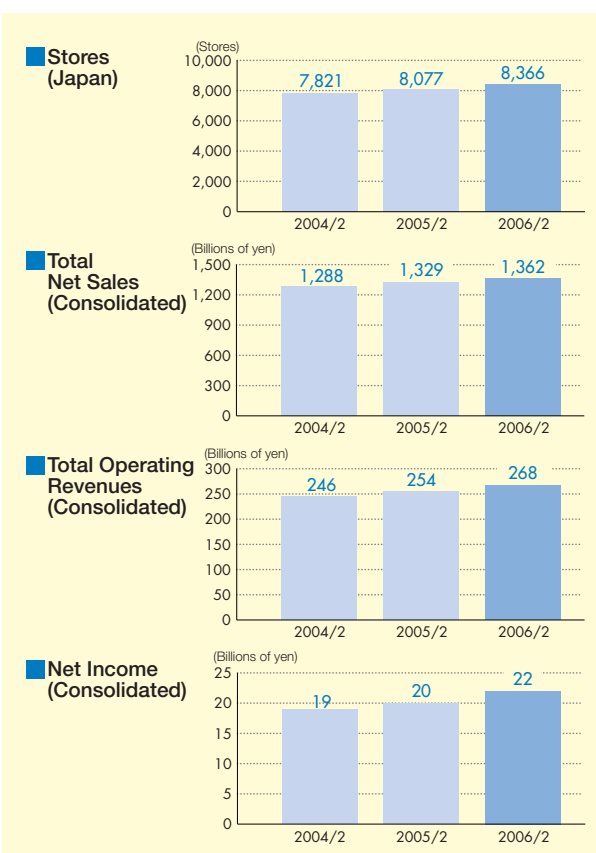
Establishment, product planning, development and operational guidance of shops of the LAWSON STORE100 format, which offers value products at simple prices, primarily targeting women and senior shoppers

LAWSON CS Card, INC.

Issuance of LAWSON PASS credit cards to Lawson customers; provision of card-based services through Loppi multimedia terminals and other channels

SHANGHAI HUALIAN LAWSON Co., Ltd.

Development of Lawson store chain in Shanghai, PRC



LAWSON Stores (in Japan, as of February 28, 2006)

Branch Office	Count	Branch Office	Count
Hokkaido Branch Office	500	Kinki Branch Office	1,818
Tohoku Branch Office	861	Shiga	118
Aomori	139	Kyoto	181
Iwate	171	Osaka	837
Miyagi	162	Hyogo	471
Akita	131	Nara	100
Yamagata	55	Wakayama	111
Fukushima	97	Chugoku / Shikoku Branch Office	889
Niigata	106	Tottori	71
Kanto Branch Office	2,218	Shimane	65
Ibaraki	107	Okayama	114
Tochigi	105	Hiroshima	122
Gunma	68	Yamaguchi	110
Saitama	323	Tokushima	103
Chiba	287	Kagawa	96
Tokyo	843	Ehime	152
Kanagawa	485	Kochi	56
Chubu Branch Office	1,109	Kyushu Branch Office	971
Yamanashi	62	Fukuoka	311
Nagano	136	Saga	58
Gifu	91	Nagasaki	83
Shizuoka	151	Kumamoto	89
Aichi	340	Oita	113
Mie	80	Miyazaki	80
Toyama	102	Kagoshima	110
Ishikawa	73	Okinawa	127
Fukui	74	Nationwide Total	8,366
		Shanghai, PRC*	283

*As of December 31, 2005

LAWSON

LAWSON, INC.

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White wood from forest thinning.
approval number K0301090



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