

LAWSON



**Environmental and Social
Activities Report 2007**

“Happiness and Harmony
in Our Community”

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 our headquarters and stores are cooperating to undertake environmental preservation and social contribution activities on a national scale.

This environmental report—our ninth—outlines our environmental activities in FY2006, including the saving of energy and resources and reduction of waste. The report also describes LAWSON's social contribution activities, including its 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, store crews*, 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 we will achieve this goal.

*Store crews are part-time workers.

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 FY2006 (March 1, 2006, through February 28, 2007), but also includes some information from previous fiscal years, as well as activities for FY2007.

■ Date of Publication

October 2007 (previous: August 2006; next: planned for August 2008).

■ Reference Guidelines

Ministry of the Environment *Environmental Reporting Guidelines*, fiscal 2003 edition.

■ Published on the Web

This report is also available on our website, which we aim to update with the most recent information. Please have a look:

<http://www.lawson.co.jp/company/e/activity/>.

C O N T E N T S

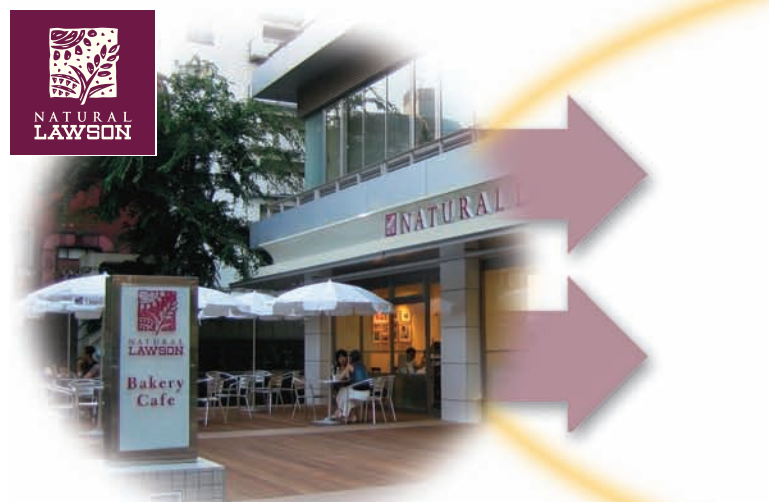
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Overview of Operations

Matching the Needs

At present, LAWSON is enthusiastically introducing initiatives to reach the four goals outlined in LAWSON Challenge, its three-year medium-term management plan that ends in FY2007. These four objectives are to: (1) promote innovation, (2) raise customer and employee satisfaction, (3) raise productivity and (4) emphasize CSR.

To grow, we must sustain our customer levels, but such changing social factors as the declining birthrate and the aging of Japanese society also means that customer needs are growing



NATURAL LAWSON

—Supporting Customers Who Focus on Beauty and Health—

NATURAL LAWSON stores strive to support customers whose lifestyles are oriented toward beauty, health and comfort. As of February 28, 2007, we had 100 of these stores, which are typically situated in busy urban office areas where many women work, as well as in peaceful bedroom communities. The stores feature healthy and calorie-conscious side dishes and boxed lunches and meet the needs of female customers, trending toward meals that offer small portions of a wide variety of foods and generous helpings of vegetables. These stores provide freshly baked bread and organic coffee and have on-premise seating where customers can enjoy these offerings.

of the Neighborhood

increasingly diverse. Addressing these changes and further enhancing customer satisfaction requires us to take an innovative approach to convenience stores.

LAWSON needs to take a fine-tuned approach toward meeting increasingly diverse needs. As part of this exercise, we are naturally working to make LAWSON stores even more convenient. We are also introducing a number of stores with new formats. For example, we have launched the NATURAL LAWSON

format to match lifestyles that prioritize beauty, health and comfort. We have introduced LAWSON STORE100, which emphasizes affordably priced fresh foods, and in January 2007 we began the full-fledged development of LAWSON PLUS stores, which respond to the needs of neighborhood customers with products and services and “something extra.” One of LAWSON’s strategies is remain an innovation leader as it continues working with such strategies.



LAWSON PLUS

—Products and Services that Meet the Needs of Customers in the Area and Offer “Something Extra” —

These stores are designed to meet the needs of customers in the surrounding area, but they also offer products and services that provide a bit “extra,” compared with other LAWSON stores. In regions where the aging of Japanese society is particularly pronounced, we put an emphasis on stores that are “friendly,” while at the same time housewives demand products that are fresh. Our response is the hybrid LAWSON PLUS format, which we have recently begun pursuing in earnest, primarily in urban areas. The color scheme of these stores is themed on a beautiful sunrise. Our first such store, the LAWSON PLUS Nagai 2-Chome store, opened its doors on January 19, 2007.

LAWSON STORE100

—A Value-Priced Fresh-Food Convenience Store—

LAWSON STORE100 stores are designed around the idea of offering both fresh and processed foods that are value priced, typically ¥100 (before consumption tax), hence the name. As of February 28, 2007, 80 of these stores were in operation, to the appreciation of the housewives and senior citizens that are their core customers. Because these customers have a particular penchant for fresh foods, the stores purchase perishable goods on a daily basis¹, have their products checked by a green-grocer specialist and offer products in small portions to suit the needs of customers with small families. For these stores, we are also enhancing our Value Line series of private-brand² products, which already number more than 320.



¹ Except on days when markets are closed
² Products we have designed ourselves

Top Commitment

Taking on New Challenges to Enhance the Happiness of the Community

Rush of Store Openings Skewed the Picture

Some 35 years have passed since the advent of convenience stores, and now they have become a regular part of the community infrastructure. Therefore, naturally the question arises of whether LAWSON is truly serving a vital role in the communities where it operates and acting as a positive force for the global environment.

In the past, convenience store operators—LAWSON included—succeeded by pursuing a nationwide “spurt” strategy to grow by opening as many stores as possible. We have begun to see some of the downsides of this aggressive expansion model. Market saturation is surely one factor behind the industry trend toward sluggish existing-store sales and the slowdown in corporate growth.

Our new products and services—24-hour operations, boxed lunch and side dish offerings, the ease of paying utility bills and purchasing tickets, and parcel delivery services—have made our customers’ lives more convenient. On the other hand, the negative factors—the energy usage and waste created by our stores, as well as the noise they make—deserve notice and attention.

We recognize that we need to take a fresh, close look at the reason for our existence.

Invigorating Existing Stores

LAWSON is pulling back from its previous strategy of growing by launching as many stores as possible in favor of a medium- to long-term strategy of sustainable growth. To achieve our goals, however, we aim to make to act in accordance with our corporate philosophy and help create happy communities. In line with our code of conduct, we will continued to value and cultivate our personnel and realize the importance of social harmony. To make the LAWSON stores more integral to their communities, the stores need to know their customers.

LAWSON currently uses “store charts” (individual store data analysis) to examine store sales areas and derive preliminary sketches of their operations. This process helps us determine what sort of store is best fitted to a specific region.

In cooperation with franchise owners are the supervisors and product, store and facility development personnel who take the initiative in harmonizing LAWSON with the community. By nurturing these human resources, we cultivate the seeds of future success.

Harmony with the Community

To achieve sustainable growth, a company requires three key types of support: economical, societal and environmental. Our corporate activities demonstrate that we serve a role as a member of society. Accordingly, as a result of our operations we do our best to earn the appreciation indicated by such phrases as “LAWSON stores are nice” and “LAWSON is a good company.”

To coexist in society, we recognize the importance of a thorough corporate governance system. In our efforts to assure a sound corporate structure, we have formulated the LAWSON Code of Ethics, which we ensure that all employees follow. We elicit the cooperation of employees and business partners in completing questionnaires to check that no issues related to our corporate activities go unresolved and to preempt misconduct.

We also realize the growing seriousness of global warming and take active measures to prevent this situation, concentrating primarily on reducing emissions of carbon dioxide (CO₂) and other greenhouse gases. As part of these efforts, in April 2007 we launched a “Bring Your Own*” initiative to encourage customers to bring their own shopping bags and chopsticks. In September 2006, we signed an agreement with Japan’s Ministry of the Environment, becoming the first private-sector company to do so. In this agreement, we promise to work toward a 20% reduction in the amount of materials

used in the plastic shopping bags we distribute in FY2008, compared with FY2005 levels. The support of people in the neighborhoods where we operate is essential to achieving these goals, which involve the dissemination of “eco-bags” for shopping at convenience stores. We believe the “Bring Your Own” campaign provides the quickest available shortcut to encourage everyone—including ourselves—to be more regionally and globally considerate, seek peaceful coexistence with society and protect the environment. We consider working toward the creation of a sustainable society one of LAWSON’s missions, and we are keenly aware of the social responsibilities we accept through our operations.

Taking on the Impossible

Japanese society is changing, and we must step back to contemplate how this society will look a decade into the future. Surely the average age will rise, and women will play increasing roles in all facets of society.

LAWSON has a role to play in these social changes. For example, we provide health-conscious boxed lunches and side dishes that offer generous helpings of fresh vegetables and fruit. We must also work to make our stores into places that are more appealing and

provide a more comfortable shopping experience for seniors and mothers with children in tow. As a result of our constant efforts to take customer input into account, in 2007 we launched the LAWSON PLUS store format. This is one of the challenges we are taking on to match our concept of society 10 years hence.

LAWSON is not afraid of change. We know that many hurdles remain in the path to achieving our goal of being “The ‘Hot’ Station in the Neighborhood.” We also have a history of taking on challenges that seem insurmountable and then resolving these issues. LAWSON aims to keep its corporate culture vibrant by continuing to take on new challenges rather than resting on the laurels of past successes. Turning this vision into reality requires ongoing dynamism, as we work to meet the ever-changing needs of society.

* The ecology-focused “Bring Your Own” campaign encourages shoppers to bring their own reusable shopping bags and chopsticks with them, reducing the use of disposable items.

■ 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



Takeshi Niinami
President and Chief Executive Officer

LAWSON's Organizational Structure

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

* Store crews are part-time workers.

Basic Stance on Corporate Governance

LAWSON works toward various goals for its stakeholders that it believes are linked to raising corporate value.

1. Customers feel they can drop in at any time.
2. Franchise owners can achieve self-fulfillment and enjoy their achievements.
3. Store crews can grow and develop as individuals.
4. Business partners can turn their dreams into reality.
5. Employees can have pride in their work and be socially aware.
6. Shareholders and other investors can contribute to society indirectly and achieve their financial goals.
7. Communities feel safe and secure.

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

Corporate Governance and Internal Controls

Board of Directors, Executive Officer System

As of May 31, 2007, LAWSON had seven directors, including four in-house directors and three external directors. The Board of Directors intentionally has few members, as our aim is to enable swift management decisions. The Company has also introduced an executive officer system to enhance management supervision and business execution. As of May 31, 2007, the Company had 19 executive officers, of whom three concurrently served as directors.

In FY2006, the Board of Directors met 15 times, including three extraordinary meetings. The rate of attendance at these meetings by external director was 78%. In FY2007, the Board of Directors plans to convene monthly.

Audit Function

LAWSON maintains a corporate auditor system, with three of the four members of the Board of Corporate Auditors from outside the Company. In principle, the Board meets monthly to state in a fair and impartial manner their opinions on general management and specific other topics. The Board also audits the execution of duties by directors, including the status of internal control systems. To ensure the effectiveness of audits by corporate auditors, in September 2006 the Company established the Corporate Auditors Office. Staff are assigned to this office to assist the corporate officers in their duties.

During FY2006, the Board of Corporate Auditors met 14 times, including two extraordinary meetings. The rate of attendance by outside corporate auditors was 97%. The Board of Corporate Auditors plans to meet 12 times in FY2007. The rate of attendance of outside corporate auditors at Board of Directors meetings was 93%.

LAWSON recognizes the importance of compliance with laws and regulations and of CSR and accordingly has

established the Internal Audit Office as an independent internal auditing organ to confirm that business is conducted in a fair and appropriate manner.

Remuneration System

In FY2006, the Remuneration Advisory Committee, chaired by external director Koji Furukawa, met four times. These meetings were held to discuss such topics as the method of determining director and executive officer remuneration, and the decisions of these meetings were reported to the Board of Directors.

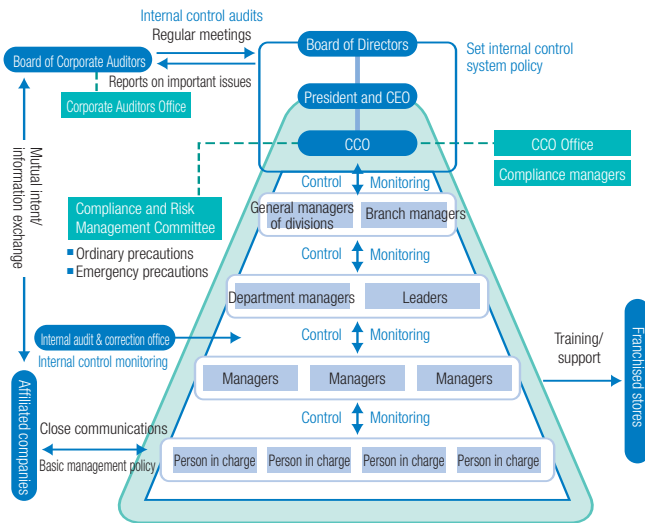
In addition to attaining individual targets, remuneration for management has been dependent on a multifaceted assessment carried out simultaneously with personnel assessments since February 2003.

Internal Control System

Its nationwide scale of business in the convenience store industry and operation of many several different store types put LAWSON into contact with a host of companies of different sizes that provide products and services. We are also required to comply with numerous laws and regulations, and we run a variety of risks if we do not comply appropriately.

For this reason and to ensure sound and sustained corporate development, we have created internal control systems. Recognizing the importance of compliance from a management perspective, in February 2006 the Board of Directors formulated the Basic Policy for the FY2006 Establishment of Internal Control Systems. Based on the status of this system, the Board further established and has begun implementing the Basic Policy for the FY2007 Establishment of Internal Control Systems. This policy is described on our website. In line with this policy, we aim to conduct our business in ways that are operationally appropriate, efficient and effective and enhance our corporate value.

LAWSON Internal Control System



Establishment of CCO Office

On March 1, 2006, LAWSON appointed a chief compliance officer (CCO), who has overall responsibility for compliance promotion and risk management. The CCO leads 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 CCO convenes Compliance and Risk Management Committee meetings once a month to tackle current problems and implement systems to prevent problematic incidents.

LAWSON's Compliance System

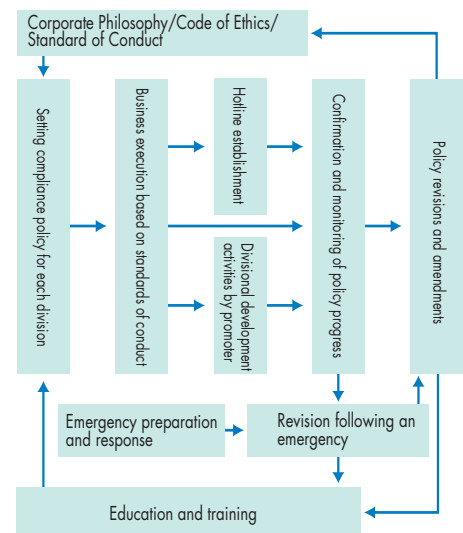
The Company adheres to the LAWSON Code of Ethics to ensure compliance to laws, regulations and social standards and to ensure a robust corporate structure that is fortified against unexpected occurrences. Based on this code, we expect every employee to strive to act with consideration for others. Through 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 survey conducted in January 2006 targeting all dispatched, part-time 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 understanding of compliance throughout our business.

In addition to creating a hotline to our Legal Department, we have formed a compliance system so that concerned parties can confer with outside parties, such as legal firms, about compliance issues.



Compliance and risk management training

LAWSON Compliance and Risk Management System

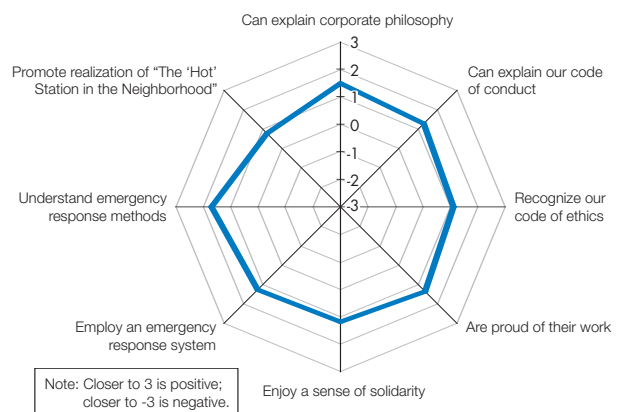


Compliance Survey

We perform compliance surveys involving all Company executives, employees, dispatched staff and part-time employees to determine the level of understanding of our compliance systems. Results of our third survey, conducted in FY2006, indicated a better understanding of our corporate philosophy and code of conduct than did the second survey's showings. We also confirmed that an emergency system had been established. However, survey respondents indicated issues with taking planned vacation time and concerning their workloads. Survey results also indicated misgivings concerning personal information, despite a high level of awareness of measures for handling such information.

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

Survey Results



Risk Management System

From the standpoint of our corporate philosophy, there are three major risk areas: product quality and hygiene management (page 38), information security and disaster and theft. LAWSON has a system in place for the 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, and this committee conducts analysis of the causes, ensures restoration of trust and prevents recurrence. In this manner, as well as through training and employee feedback, LAWSON strives to raise its risk management capabilities.

Information Security

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 also distribute to all stores and supervisors a compilation of hypothetical cases involving misclaims and corresponding laws to raise their awareness and 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.



Information security manual for headquarters personnel

Disaster Response

LAWSON strives to ensure that if a major disaster hits, its stores will continue to operate, serving as a lifeline to regions affected by the calamity. To this end, LAWSON's headquarters divisions have compiled a disaster response manual in three parts: initial operation, disaster response and recovery response. We have included portions of this manual in various store manuals and established a Disaster Response Office to ensure quick response in the event of a large-scale disaster. We periodically review our emergency response systems and manuals to ensure the ongoing operation of stores in affected

areas and the rapid recovery of stores if they are hit by a disaster.

To ensure that all employees are fully aware of the behaviors expected of them in times of disaster, we conduct disaster response training programs semiannually. The companywide disaster response training we held in September 2006 addressed safety concerns and included training on the use of satellite mobile phones. The training was held on a Saturday to emphasize the use of communication systems that would ensure swift response even at a time when few people were in their offices. We will take advantage of lessons learned through these training activities to reinforce our disaster response measures.



Disaster response training

Store Crime-Prevention Measures

To prevent crime at stores, LAWSON has 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."



Crime-prevention training

Special Feature

Eliminating Those “MOTTAINAI!” Moments

LAWSON, Ministry of the Environment Sign Environmental Protection Agreement

On September 12, 2006, LAWSON signed an agreement with Japan's Ministry of the Environment on joint business-government initiatives conducted jointly by business and the state to protect the environment. The first such accord involving Japan's private sector, the voluntary agreement promotes initiatives that evoke the sentiment expressed in Japanese as “MOTTAINAI!” or, “It's such a waste!” Drawing on this “waste-not, want-not” mentality, we aim to build a sustainable economy and in the process, help reduce global warming.

By signing this agreement, LAWSON has set an aggressive goal. We aim to reduce the amount of materials used in plastic shopping bags at LAWSON stores by 20% of FY2005 levels by FY2008, promote energy and resource conservation initiatives, plant trees and generally reduce the global warming impact of our activities. The ministry will provide information on and promotional support of such efforts through its website.

Of course, on its own a single business can make only limited headway toward environmental objectives. To really push things forward, we need the stalwart support of our customers. LAWSON believes that reducing the use of plastic shopping bags and disposable chopsticks is an environmental initiative that can be conducted as part of regular business operations and in cooperation with customers. Accordingly, we have launched a “Bring Your Own” movement. We have designed a “Convenience Store Eco-Bag” and environmentally friendly chopsticks for customers to carry with them. Responding to popular demand, we have also mounted initiatives to reduce the amount of food products going to waste, in compliance with the Food Product Recycling Law.

Through such efforts, LAWSON is helping to build a sustainable economy and turning into reality its corporate philosophy of “Happiness and Harmony in Our Community.”



Former Minister of the Environment Yuriko Koike and Takeshi Niinami, LAWSON president and CEO



Storefront poster explaining efforts to reduce use of plastic shopping bags and chopsticks



“ECO FIRST” mark, signifying LAWSON's agreement with Japan's Ministry of the Environment

Key Terms and Conditions

Agreement on Environmental Protection Initiatives by LAWSON and the Ministry of the Environment

- ◆ LAWSON to reduce plastic shopping bag materials used by 20% of FY2005 levels by FY2008
 - Offer discounts and membership points on a trial basis to customers who do not require shopping bags
 - Create reusable bags that are easy to carry and use at convenience stores
- ◆ LAWSON to promote energy conservation and tree planting to reduce global warming
- ◆ LAWSON to receive from the Ministry of the Environment information needed to conduct these initiatives
- ◆ Ministry of the Environment to provide website publicity and other support for LAWSON's environmental protection initiatives



Environmental agreement

* The ecology-focused “Bring Your Own” campaign encourages shoppers to bring their own reusable shopping bags and chopsticks with them, reducing the use of disposable items.

1

LAWSON's "Bring Your Own" Initiative with Customer Cooperation LAWSON aims to reduce plastic shopping bag use by promoting reusable bags.

We ask our customers to cooperate in efforts to reduce plastic shopping bag use by raising their awareness and promoting the "Convenience Store Eco-Bag."



Plastic Shopping Bag Use

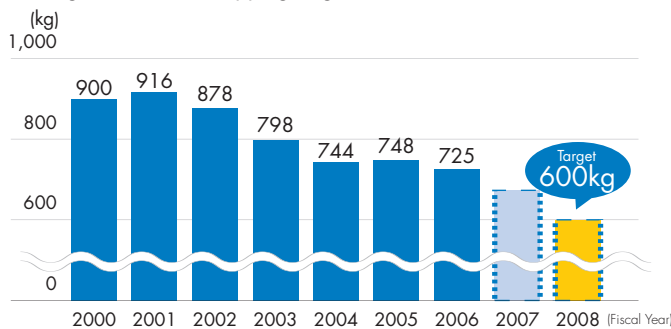
In addition to encouraging customers who typically make small purchases to consider whether bags are really necessary, LAWSON is working to reduce plastic shopping bag use through such initiatives as the Environmentally Conscious Shopping Campaign, conducted with prefectural and municipal governments across the country.

LAWSON's agreement with the Ministry of the Environment states the aim of reducing its plastic shopping bag use by 20% of FY2005 levels by FY2008, with a target of 600kg each year per store, down from 750kg. In FY2006, LAWSON put up posters and encouraged customers to use

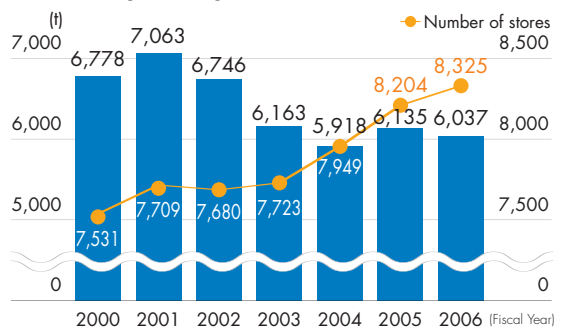
fewer plastic shopping bags. We also began tracking plastic shopping bag use in the months of June and October, aiming to reduce usage. We confirmed a 19.4% reduction against FY2000 levels in plastic shopping bag use per store. Total use dropped 10.9% from FY2000 levels, equivalent to conserving 284,000 liters of oil, nearly 1,800 barrels.

Building on this momentum and pressing onward toward our target, we are expanding the "Bring Your Own" initiative with our customers. We are stepping up the campaign by redoubling store efforts to attract customer attention to this topic and developing the "Convenience Store Eco-Bag."

■ Weight of Plastic Shopping Bags Used Per Store



■ Total Weight of Bags Used



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

Creating the “Convenience Store Eco-Bag”

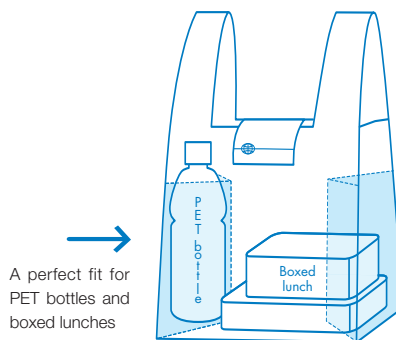
When store employees ask customers whether they require a bag for their purchases, a growing number of people—especially those who purchase few items—decide that bags are not necessary. For people who purchase larger quantities, we have begun developing a bag that customers can bring with them.

Based on customer opinions and suggestions, we have designed the Convenience Store Eco-Bag to maximize practicality. Boxed lunches, which are frequent convenience store purchases, fit snugly into the bag. Convenient pockets in the side of the bag hold PET bottles firmly in place. The bag folds to a compact size that fits into a pocket and is out of the way.

To get into circulation as many Convenience Store Eco-Bags as possible, we have launched the “Bring Your Own” initiative to let customers experience firsthand the usefulness of these bags. Results exceeded expectations when we began distributing the bags on March 28, 2007, at LAWSON stores in Tokyo’s Kasumigaseki government district and Otemachi financial district. Encouraged by a response that exceeded our initial expectations, we expanded the program in May 2007. As of June 30, 2007, we had distributed some 146,000 bags. We have also published the design and specifications of the Convenience Store Eco-Bag, and are soliciting participation from like-minded companies and organizations nationwide to promote further adoption of the “Bring Your Own” concept.



The NATURAL LAWSON New Tokyo Building store



A perfect fit for PET bottles and boxed lunches



Folds to fit easily into a pocket

Sales of NATURAL LAWSON Original Eco Bags

On April 17, 2007, we began marketing NATURAL LAWSON Original Eco Bags in limited quantities. Offered in large and small sizes, the bags feature dog and cat illustrations by Setsu Asakura, a stage artist named a “person of cultural merits” in 2006. NATURAL LAWSON stores around Japan sold 4,000 of these popular bags.



NATURAL LAWSON Original Eco-Bags



HAPPY LAWSON original bags

Using “Bring Your Own” Bags to Aid Families with Children

HAPPY LAWSON stores, which specifically encourage patronage by families raising children, began selling an original bag on April 29, 2007. The bag is large enough to carry the many items required by families with children and folds into a small package when not in use. At the same time, we introduced a mini-bag for children. The bag is illustrated by the works of Dick Bruna, creator of Miffy, a popular children’s character.

Giving away Original “My Furoshiki” Wrapping Cloths

Through random drawings, LAWSON gave away 100 original “My Furoshiki” traditional wrapping cloths each month from August 2006 to January 2007 to people who applied to participate in the Environmental and Social Contribution Course of the LAWSON PASS membership card. Made of recycled PET material, the My Furoshiki wrapping cloths come in two designs and include instructions for use. Promoting the use of *furoshiki* (wrapping cloths) is another way in which LAWSON is working to reduce plastic shopping bag use.



My Furoshiki

2

LAWSON's "Bring Your Own" Initiative with Customer Cooperation

LAWSON works to reduce use of disposable chopsticks through "Bring Your Own" chopsticks campaign.

To help preserve forests in Japan and overseas, LAWSON is distributing "Bring Your Own" chopsticks to cut down on disposable chopsticks in cooperation with its customers.



Chopstick Use

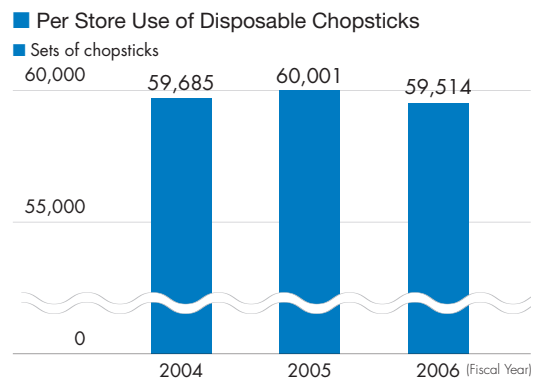
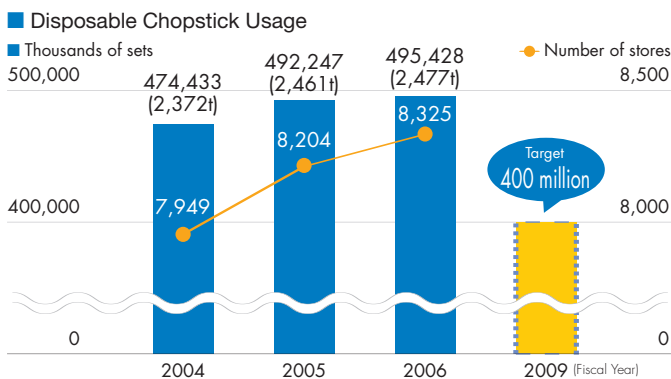
LAWSON strives to use fewer plastic shopping bags and chopsticks by asking customers whether they want these items and through its "Bring Your Own" initiative. Currently, chopsticks distributed with purchases of boxed lunches, side dishes and other food items amount to approximately 60,000 sets per store per year, or 500 million sets across all LAWSON stores. This amount corresponds to 1.7% of chopsticks used in Japan. Recently, more customers have commented that they would like to be asked whether they need chopsticks with their purchases. It is important to save resources and reduce usage by avoiding unnecessary distribution.

LAWSON has set a goal for fiscal 2009 to decrease

disposable chopstick usage by 20% compared with FY2006. This would amount to approximately 100 million fewer sets of chopsticks used, a reduction of approximately 500 tons. Achieving this goal would save approximately 54 hectares of forest—some 11 times the area of the Tokyo Dome—each year.

We continue to ask customers whether they need chopsticks with their purchases, and bring this matter to customers' attention through posters and other notices. As a result, per store chopstick usage decreased approximately 0.8% in FY2006.

In April 2007, LAWSON started the "Bring Your Own" chopsticks campaign. By popularizing the use of these chopsticks, we aim to reduce the use of disposable chopsticks.



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

“Bring Your Own” Chopsticks Increasingly Popular

LAWSON launched its “Bring Your Own” chopsticks campaign in April 2007 to cut back on disposable chopsticks. The campaign aims to curtail chopstick usage by distributing portable “Bring Your Own” chopsticks, which can be carried around and used at any time.

These portable chopsticks are made from wood of the domestic ash that fails to pass standards for use in baseball bats. Ash is considered an ideal material for baseball bats, but only knot-free wood with a smooth grain may be used for bats used by professional baseball players. In cooperation with MIZUNO TECHNICS CORPORATION and OAK VILLAGE Co., Ltd., we have produced “Bring Your Own” chopsticks from ash wood that did not meet baseball bat production standards.

During the three-month period from April to June 2007, portable “Bring Your Own” chopsticks were given to the first 1,000 customers each month (3,000 in total), through use of LAWSON PASS and MY LAWSON POINT. We are working with cooperating companies to spread portable chopstick usage. OAK VILLAGE and other companies are selling the products directly, and we have given sets to 1,000 members of the Tokyo Yakult Swallows (professional baseball team) fan club.

LAWSON Headquarters also donates ¥100 to the National Land Afforestation Promotion Organization for each set of “Bring Your Own” chopsticks. The ash grows slowly and has not experienced significant replanting, making its protection and nurturing a matter of urgency. We support

the development of “Baseball Bat Forest” and will work to establish a bat recycling system, which will also help ensure the stable long-term supply of high-quality wooden bats.



At a press conference, LAWSON president and CEO Takeshi Niinami, Tokyo Yakult Swallows professional baseball player Shinya Miyamoto, Mizuno Technics Co. Pro Bat Meister Isokazu Kubota and Oak Village president Tadashi Inamoto call for support.



Wood not approved for baseball bats

“Bring Your Own” chopsticks with bat and ball accessories

Using Wood Produced by Thinning Japanese Forests

The Japanese government aims to achieve a 3.8% (initially 3.9%) reduction in emissions of CO₂ and other greenhouse gases—two-thirds of the 6% reduction required by the Kyoto Protocol—through additional CO₂ absorbed through better forest management. To manage forest resources effectively, a forestry cycle must be established that makes plentiful use of Japanese lumber products in familiar lifestyle settings and uses trees intelligently through planting, growing and harvesting. The Forestry Agency is advancing activities to promote the active use of products made from Japanese materials in everyday life and the cultivation of forestry initiatives. Within these activities, the agency is advocating a lifestyle called “3.9 GREENSTYLE.”



B-(2)-060001



NATURAL LAWSON's chopsticks made from Japanese cedar lumber scraps

LAWSON sympathizes with this cause and makes active use of Japanese lumber to preserve forests and promote CO₂ absorption. Examples include providing chopsticks made from Japanese cedar scraps at NATURAL LAWSON and using forestry undergrowth clearance in business reports and other booklets published by headquarters.

As part of these efforts, in February 2007 LAWSON assisted with the Green Eco Project, an educational program at Shoin High School in Kobe, Hyogo Prefecture. In the program, 2,400 sets of eco-chopsticks—made of undergrowth cleared from Japanese forests—were handed over to customers at each of five LAWSON stores in Kobe, for a total of 12,000 sets.

LAWSON cooperated with this program at the request of participating third-year students of Shoin High School, finding the program a good match for its activities to promote Japanese materials usage.



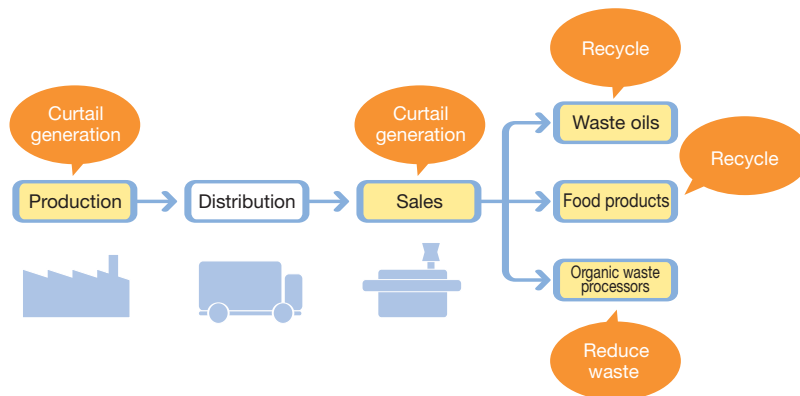
Envelope enclosing a set of eco-chopsticks

3

Creating a Sustainable Society

LAWSON aims to completely eliminate waste, promote food product recycling and reduce food product refuse.

We are committed to eliminating waste at the production and sales stages, promoting food product recycling and reducing food product refuse.



Reducing Food Product Waste through Effective Resource Use

LAWSON strives to reduce food product waste by steadily implementing an array of measures in the three-pronged approach of curtailing waste generation, implementing recycling and reducing waste volumes. The Food Product Recycling Law*—which aims to limit food waste generation, promote effective utilization of resources and create a sustainable society—has entered its final year.

LAWSON's food product recycling rate during March 2007 was 24.3%. Average rates during FY2006 were 36.3% at directly managed stores and 18.2% in total. In FY2007, we will aim to raise the average for all stores above 25% and achieve higher than 28% for February 2008. We are increasing the number of participating stores to help achieve this.

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

Curtailing Waste Generation

● Efforts at the Production Stage

In the production stages of rice-related and other products, LAWSON has introduced a production treatment management system for efficient production planning to ensure consistent product quality at rice product plants nationwide and avoid unneeded output. (Please refer to page 38 for details on production treatment management systems.)

This system has improved product consistency and reduced raw material cost ratios and food product waste. At some rice product plants, the system cut waste by 40% and improved the ratio of production volume accounted for by waste by one percentage point.



Raw material weighing at rice production facility reduces waste.

■ Food Product Recycling Rate (%)

	FY2006*		FY2007 (Target)	
	All stores	Directly managed stores	All stores	Directly managed stores
Waste oil recycling	12.3	12.7	14.6	14.5
Food (animal feed and fertilizer)	5.8	22.8	10.0	41.0
Organic waste processors	0.1	0.8	0.4	6.5
Total	18.2	36.3	25.0	62.0

*Set to coincide with the Japanese fiscal year (FY2006: April 1, 2006 to March 31, 2007)

● Store Initiatives

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



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

Recycling

In January 2006, LAWSON began introducing measures to recycle waste oil after being used in stores to prepare such products as *Kara-age Kun* fried chicken nuggets. As of March 31, 2007, approximately 7,300 stores recycled their waste oil. The waste oil is recovered by collection companies and recycled and treated at a recycling plant to produce animal feed, construction coatings, alternative fuel for public buses, additive-free soap and other products.

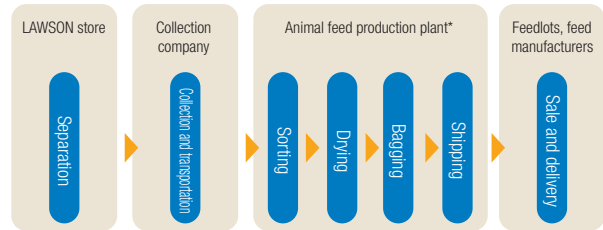
Around Japan, approximately 900 LAWSON stores currently recycle food waste into animal feed and fertilizer. This waste includes such items as boxed lunches and side dishes that have passed their sell-by dates. Some stores in the Tokyo metropolitan region, as well as the cities of Yokohama, Kawasaki and Kyoto, turn this waste into hog feed. Similar waste in the cities of Kumamoto and Nagoya are converted into fertilizer. For recycling into animal feed, collection companies pick up food waste from stores for delivery to plants, where it is sorted, ground and dried before being used in animal feed.



Food processed into animal feed

The food product recycling system is possible because of cooperation by collection companies, processing plants, feedlots and agriculturalists. This system is one example of how LAWSON works with its business partners and members of the communities in which it operates to form effective cycles of resource use.

■ Recycling Food into Animal Feed



* Animal feed production plant: Agritech Marketing Co., Ltd.



Collection and transportation processes



Sorting process

Reducing Waste

At 62 directly managed stores (as of March 31, 2007) around Japan, we have introduced organic waste processors to reduce the amount of food waste that stores generate by drying the waste prior to transport.

Effective Uses of Leftover Food

LAWSON sets voluntary sell-by dates and times to ensure that customers can enjoy its products safely. All items that pass their sell-by dates and times are removed from store shelves. As one aspect of our corporate social responsibilities, in June 2006 we began putting in place measures to use this leftover food more effectively.

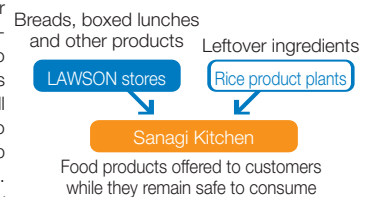
Through the cooperation of the city of Yokohama, the Sanagitachi Project, a nonprofit organization (NPO), delivers inexpensive and nutritionally balanced meals to needy people in Yokohama's Kotobuki-cho district through the Sanagi Kitchen. LAWSON stores in the area provide this NPO with breads, boxed lunches and other products that have passed their sell-by dates and times, but remain safe to consume. In December 2006, we increased our support of this NPO by providing foods left over at rice product plants.

Surmounting the Obstacles, One at a Time

Yoshimitsu Okano, NPO Sanagitachi Project

Because nothing like this had ever been done before, it was a trial-and-error process at first. We had to make absolutely certain that products were consumed while they were still safe to eat. We also needed to confirm that people would show up to eat the foods that were provided. After a few false starts, we finally found a process that worked.

Once LAWSON began providing food products, the number of meals we are able to offer rose substantially, and the people who came to us are very grateful. We also received newspaper and television coverage that made more people aware of the plight of needy people in Kotobuki-cho, helping to support their efforts to become independent. We look forward to LAWSON's continued cooperation.



Sanagi Kitchen members, from left: Yoshimitsu Okano, Hideo Iwasawa and Imari Tsuchiya

FY2006 Activity Report

LAWSON and Human Relations

To achieve our 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, franchise owners, store crews*, business partners, shareholders and other investors—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.

*Store crews are part-time workers.

Customers

Each year, LAWSON serves approximately 2.5 billion customers, making a daily average of 813 visits per store. Accordingly, we believe that our stores must be enjoyable places for people to visit and meet the needs of the community by provide a lineup of fresh and stimulating products and services, showcased in an agreeable atmosphere. This combination makes our stores a much-loved drop-in spot.

Franchise Owners and Store Crews

LAWSON stores are managed by approximately 7,000 franchise owners and who employ around 120,000 store crew members. Our franchise-based store-development approach makes store owners highly valued business partners for us. The store crews are also indispensable to the running of LAWSON stores, carrying out the sales, orders and stocking of products, in addition to cleaning, administration and other operations. LAWSON provides its store crews with a workplace that fosters personal growth, where they can work with enjoyment, pride and fulfillment.

Shareholders and Investors

LAWSON was listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange in 2000. Our shareholders numbered 40,904 as of February 28, 2007. LAWSON aims to disclose information fairly and swiftly, and 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.



Employees

LAWSON employs a staff of 3,614, who form the core to propel companywide 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.

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.

Environment

LAWSON consumes electricity, oil, water and other resources while conducting its operations, generating approximately 720,000 tons per year of CO₂. Our initiatives to combat global warming include the introduction of energy-saving equipment, conservation of resources and the reduction of waste.

Business Partners

LAWSON depends on products, materials and services from approximately 2,200 business partners, 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.

LAWSON Nurturing the Environment

LAWSON places a high management priority on efforts to reduce its impact on the global environment and help create a sustainable society. Accordingly, many of our corporate activities are designed toward these objectives.

LAWSON Environmental Policy

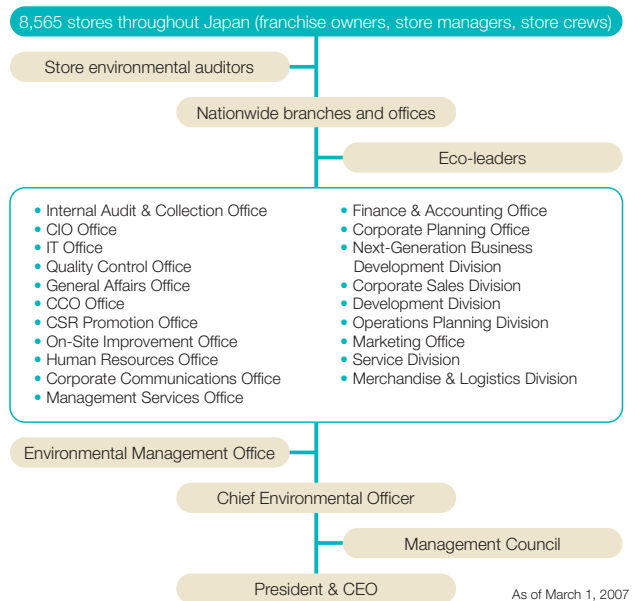
Fundamental Philosophy

LAWSON believes in operating stores that are friendly to people and the environment. To ensure the health of the environment that we will pass on to future generations, we incorporate environmental 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 burden on the environment.
- (2) Based on environmental evaluations of our operations, products and services, set environmental goals and targets, strive to continuously improve them and prevent pollution.
- (3) Respect all laws and regulations concerning environmental preservation activities and improve our environmental management system.
- (4) Strive to reduce 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.

Environmental Management System



As of March 1, 2007

System to Promote Environmental Activities

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.

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 FY2006 program was "LAWSON: The Tasks Ahead." To raise effectiveness of our environmental education, we provide this

training through e-learning, via personal computer. 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.



May 2006 LAWSON Green Fund advertisement in *Nihon Keizai Shimbun* newspaper

Measures to Prevent Global Warming

The Increasing Seriousness of Global Warming

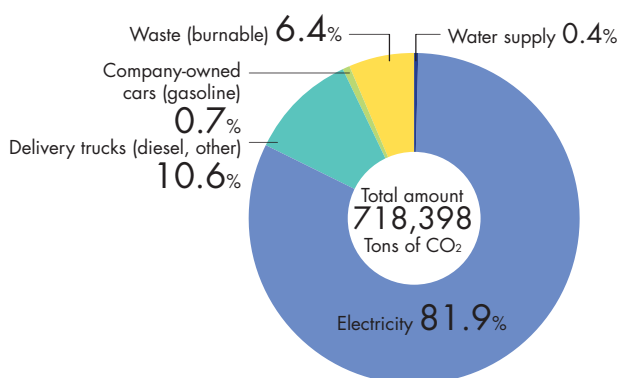
The recent documentary movie *An Inconvenient Truth* warned of the many ways in which a ongoing global warming-driven by rising emissions of such greenhouse gases as CO₂—could impact the lives of people around the world. In a bid to stop global warming, Japan has signed the Kyoto Protocol, promising to reduce greenhouse gas emissions by 6% of 1990 levels during the period from 2008 through 2012. In fact, though, Japanese greenhouse emissions in 2005 were 7.8% higher than in 1990, highlighting the need to step up global warming efforts.

CO₂ Emission Ratios

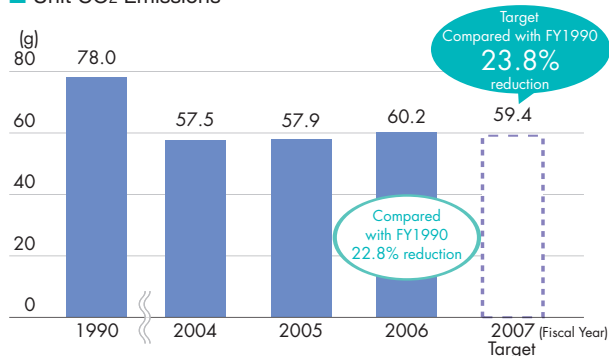
In FY2006, LAWSON's CO₂ emissions were equivalent to 718,398 tons of CO₂. Store electricity use accounted for more than 80% of this amount. Unit CO₂ emissions* in FY2006 were 22.8% lower than in FY1990. The recent aggressive introduction of energy-saving equipment, efforts to reduce emissions through ongoing improvements in the efficiency of logistics operations. However, the introduction of fast-food showcases and increases in other sales-oriented equipment resulted in a slight increase against our FY2005 levels.

* Unit CO₂ emissions: floor space x CO₂ emissions per hour of operation (kg of CO₂/m² h)

LAWSON CO₂ Emission Volumes (FY2006)



Unit CO₂ Emissions



Curtailing CO₂ Emissions

From FY2007, we will accelerate the introduction of energy-saving equipment in stores, as they are the source of majority of LAWSON's CO₂ emissions and offer the best opportunity to reduce air pollution. Next, we will work to improve the fuel efficiency of our logistics operations and in our vehicles. Among our other efforts to combat global warming, we will continue introducing various energy-reduction measures, such as working to curtail usage of shopping bags and disposable chopsticks and making packaging materials thinner. LAWSON is also launching measures to reduce overall waste by recycling food waste. (Shopping bags, disposable chopsticks and recycling are discussed on pages 8–14.)

We are active participants in Team Minus 6%, which represents a pulling together of all members of society. In addition to corporate efforts that encourage our customers and employees to each save one kilogram of CO₂ per day, we are promoting individual lifestyle choices oriented toward saving energy and resources.

Through the combination of these efforts, in FY2007 we aim to achieve a level of emissions that is 23.8% lower than our FY1990 level.

CO₂ Reduction Measures: FY2007 Targets

(1) Reduce the amount of electricity that stores consume

1. Introduce Energy-Saver Pack integrated cooling and ventilation systems at new stores, bringing the total to 1,605 units
2. Introduce Eco-Pack units at existing stores, raising the total to 730 units
3. Introduce automatically adjustable lighting system
4. Introduce total heat exchangers

Note: For details on energy-saving equipment, refer to page 18.

(2) Improve fuel efficiency of logistics operations

1. Reduce number of product deliveries by promoting joint deliveries to stores
2. Introduce new traffic management system
3. Bring cumulative total of low-pollution vehicles to 82
4. Promote eco-driving

(3) Improve fuel efficiency of Company-owned cars

Shift to hybrid vehicles and vehicles with automatic idling cutoff (cumulative: 1,227 vehicles)

Note: Measures concerning logistics and Company-owned cars are described on page 19.



みんなで止めよう温暖化

チーム・マイナス6%

This "Team Minus 6%" mark designates LAWSON as a member of the national campaign to fight global warming. This campaign was launched by Japan's Ministry of the Environment to achieve Japan's commitments under the Kyoto Protocol.



めざせ! 1人、1日、1kg CO₂削減

This mark advises each person to save one kilogram of CO₂ per day.

Measures to Curtail Energy Consumption in Stores

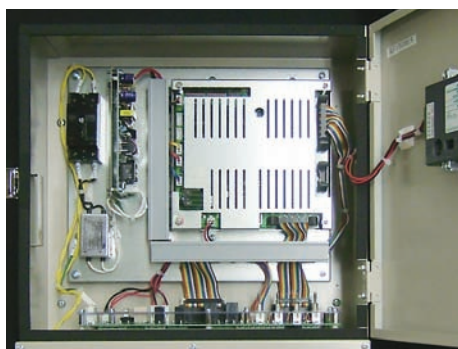
Energy-Saving Systems

Stores account for approximately 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. 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. In FY2006, such measures reduced CO₂ emissions approximately 7,300 tons. We expect a further reduction, to approximately 13,000 tons of CO₂, in FY2007.

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.



Energy-Saver Pack outdoor unit for new stores



Eco-Pack for existing stores

Adjustable Lighting Systems

Automatic adjustable lighting systems provide in-store illumination of 1,000 lux. This level of lighting makes products easy to see. Sensors control lighting in areas near windows, making efficient use of natural sunlight and reducing electricity consumption by around 30%.

We also use reflectors in our store signage, achieving amplified lighting with half the number of fluorescent lights needed before.

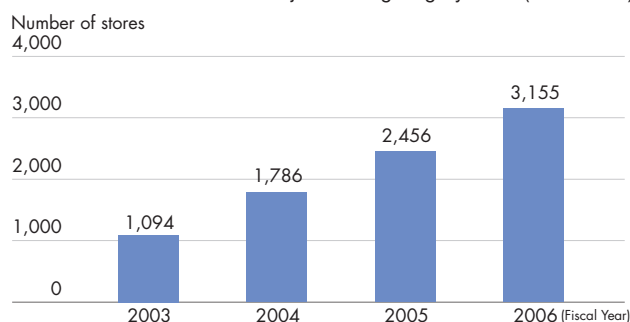


Automatic adjustable lighting system



Reduced lighting requirements on store signage

Introduction of Automatic Adjustable Lighting Systems (Cumulative)



Total Enthalpy Heat Exchangers

LAWSON is promoting the introduction of total heat exchangers, which were employed in 627 stores during FY2006, raising the total to 757 stores. These units only exhaust 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.

Results of Introducing Energy-Saving Equipment

	No. of stores (cumulative)		CO ₂ emission effect (tons)	
	FY2006	FY2007 (forecast)	FY2006	FY2007 (forecast)
Energy-Saver Pack	1,105	1,605	6,273	10,705
Eco-Pack	639	730	1,057	2,163
Total	1,744	2,335	7,330	12,868

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

Promoting Joint Deliveries

We are promoting multidrop deliveries and revamping our delivery system to reduce the number of trucks that deliver to a given store, thereby reducing our environmental footprint. Chilled products* are further classified 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 one vehicle.

Through this practice, as well as by reworking our sundry item delivery schedules, we have cut average daily deliveries to 7.5 per day, from 16 in 1989. Moreover, we continue to improve delivery schedules and routes.

New Traffic Management System

All trucks that deliver chilled products* are mounted with a travel management system that links to a mobile communications network. This configuration allows LAWSON headquarters and distribution centers to monitor cargo temperatures and arrival and delivery status in real time, facilitating more accurate quality control. The system also allows monitoring of driver safety, including overacceleration, overbraking 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.

In FY2006, as part of our ongoing effort to achieve greater fuel efficiency, we installed on 80 vehicles driving recorders, which track driver performance, and conducted thorough driver training.

* Chilled products include rice and dairy products, as well as desserts.

Using Low-Pollution Vehicles

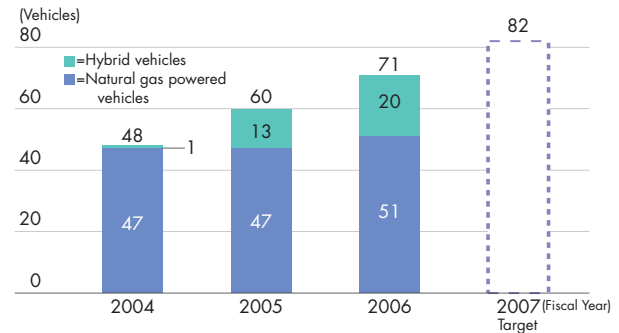
To lower greenhouse gas emissions and reduce its environmental footprint, in 1997 LAWSON became the



Natural gas powered vehicle

first company in its industry to use delivery trucks powered by natural gas. Leading our next-generation low-pollution vehicles was the March 2004 introduction of a hybrid-fuel truck. As of February 28, 2007, we operated 71 such low-pollution vehicles and are reviewing trials of trucks running on biodiesel.

Introduction of Low-Pollution Vehicles



Other Measures

LAWSON is developing cargo trucks with noise-reduction features. For example, part of our fleet is equipped with powered rear gates to minimize annoyance to customers and people who live and work along our routes during store deliveries. In FY2006, we introduced 162 trucks with low-noise powered rear gates, bringing this total to 723 vehicles.

In FY2005, we introduced ETC-system automatic toll-card systems to our 1,663 Company-owned cars. This upgrade helps reduce toll-gate traffic jams, lowers CO₂ emissions and improves fuel efficiency. We extended environmental measures to all Company-owned cars (excluding four-wheel drives) during FY2006, installing an automatic idling cutoff function

and converting to hybrid fuel use all vehicles in our 1,281-vehicle fleet.



Company-owned car (hybrid vehicle)

Resource Conservation Initiatives

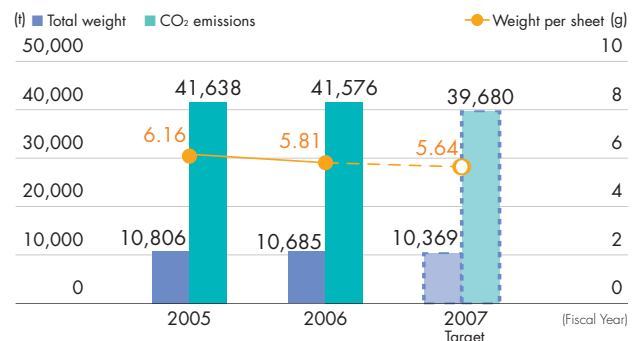
Packaging Considerations

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

Currently, we use such environmentally conscious 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.

We also focus on resource conservation in our packaging. Increasingly, we use paper wrapping for rice balls, in addition

Packaging Weight



to thinner film wrap. Since April 2006, we have shaved 25% from the weight of sandwich wrapping film, by reducing thickness from 40 microns to 30. These moves saved 120 tons of packaging materials and reduced CO₂ emissions from incineration of such packaging by 63 tons during FY2006.

■ Adopting Environmentally Friendly Polylactic Acid in Salad Packaging

LAWSON began packaging its salads in environmentally friendly containers made from polylactic acid (PLA) on April 3, 2007. LAWSON stores throughout Japan use 14cm PLA containers for three products, including tuna/corn and seaweed salads. PLA is a biodegradable substance made from corn and other vegetables. Unlike petroleum-based materials, PLA is carbon neutral, meaning that the amount of CO₂ emitted during incineration equals the amount absorbed when its source materials are grown, reducing emissions over the product lifecycle. This nationwide PLA initiative is the first in the convenience store industry and reduces CO₂ emissions 870 tons, compared with conventional containers.



Salad containers made with PLA

In FY2007, LAWSON will continue developing thinner packaging, as well as opting for lighter-weight plastic packaging materials. Plans call for reducing packaging material weight 3% and decreasing by 4.6% the CO₂ emissions per store from the incineration of this packaging through the April 2007 adoption of polylactic acid materials.

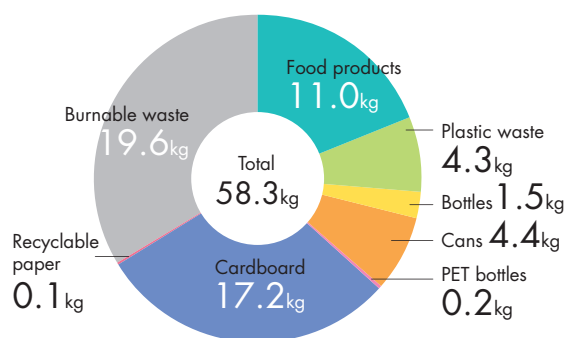
Reducing Waste

Waste Volumes

To reduce the amount of waste produced and promote recycling, LAWSON conducts fact-finding surveys on the waste that stores generate, actually sorting and weighing this refuse. A survey of 300 LAWSON stores in the Tokyo area that began in April 2006 indicated average daily output of 58.3kg of waste per store. The largest contributors were burnable waste, including wastepaper, wrapping paper, disposable chopsticks, wood shavings and dead leaves, at 19.6kg, followed by cardboard boxes for packaging, at 17.2kg, and 11.0kg of food products.

Investigating Clean Box (trash can) storefront disposal facilities showed a year-on-year increase in garbage volumes, accounting for 28.5% of total waste output.

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



In previous reports, we showed results of surveys conducted at six LAWSON stores in Hiroshima. This report indicates survey findings for 300 stores in the Tokyo area.

■ Waste Disposal Ratios (by Weight)



Based on findings of surveys conducted at six stores in Hiroshima

Clean Boxes

LAWSON places Clean Boxes (trash cans) outside 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 3,365 stores as of FY2006. Our new Clean Box trash cans come in four types, one each for paper, plastics, bottles and cans (divided), and PET bottles*. Insertion slots can be removed and tailored to different municipal trash sorting requirements. We also take the environment into account when manufacturing the Clean Boxes, which are made from plastic recycled from PET bottles. This plastic also makes them more durable than conventional steel materials.

From April 2006, near the slots of Clean Boxes we have displayed stickers issued in cooperation with the Ministry of the Environment that declare our commitment to waste reduction and sorting. Through the new specifications and appeals to customers, we are striving to turn around the yearly increases in waste that Clean Boxes invite.



Sticker issued in cooperation with the Ministry of the Environment

* The boxes that are installed vary by region, depending on specific municipal waste disposal regulations.

Recycling the Rechargeable Batteries Used in Dynamic Order Terminals

In March 2007, LAWSON began recycling the rechargeable battery packs used in its product order placement terminals. A trial conducted from August 2006 at LAWSON stores in Hokkaido showed that performance and safety requirements had been satisfied, leading to the nationwide rollout of this program.

When recycling rechargeable batteries, the rechargeable cells inside are replaced, essentially turning them into new rechargeable batteries. Plans call for LAWSON to recycle some 6,000 such batteries in FY2007. Recycling the rare metals used in these batteries and reusing their casings will reduce annual waste by approximately one ton.



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, 2006, to February 28, 2007; encompassing LAWSON INC., franchised stores and some subsidiaries)

Environmental preservation costs

(Thousands of yen)

Classification	Principal measures	Investment	Expense
(1) Business area costs	● Global environmental protection costs	¥6,768,077	¥66,600
	● Resource cycle costs		63,996
(2) Upstream and downstream costs	Industrial waste disposal and processing	2,412	3,440,260
	General waste disposal and processing (stores)		348,376
	Food product waste recycling		1,351
	Expenses for survey on waste production and other		
(3) Management activity costs	Consignment fees for recyclable products in accordance with the Containers and Packaging Recycling Law		532,106
	Environmental Management System Operation		4,814
	Environmental education		202
	Environmental publications and corporate advertising		12,058
(4) Research and development costs	Environmental publicity activities		6,003
	Recycling R&D costs		139
	Purchase of environmental reporting books, participation in seminars		240
(5) Social activity costs	Costs for R&D on reducing plastic shopping bags and disposable chopsticks		275
	Donations to the National Land Afforestation Promotion Organization and NPOs		21,000
(6) Costs to counter environmental damage	Costs for greenery and clean-up activities		9,026
			0
Total		¥6,770,489	¥4,506,446

Environmental Preservation Results

(Tons of CO₂)

Details	Indicator of environmental preservation results	
	Categories	Improved CO ₂ volume
(1) Business area cost performance	● Performance of resources invested in business activities	
	Reduction in electrical power consumption	4,969
(2) Upstream and downstream cost performance	● Asset and service performance generated by business activities	
	Company-owned cars (gasoline reduction)	913
Total	Reduction in emissions of substances with environmental impact (collection and disposal of fluorocarbons)	38,555
		44,437

Economic Effects of Environmental Preservation Measures

(Thousands of yen)

Effect	Value
Energy cost reduction owing to energy conservation	¥196,419
Reduction in equipment costs through resource savings	1,089
Reduced use of paper through employment of electronic ledgers	1,980
Total	¥199,488

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.

Activity Targets and Results

Notes: For quantitative indicators, "yes" in the target achievement column indicates 100% achievement of the target level, "nearly" a 70% achievement and "no" achievement of less than 70%. For qualitative indicators, "yes" indicates that targeted measures have been implemented, "nearly" that measures are being implemented and "no" that measures remain unimplemented.

Environmental Accounts

Area	Actions	Activities	Targets	Achievement Status	Achieved?
Saving energy	Reduce electricity consumption	Cut store air conditioner and cooler electricity use	Introduce energy-saving units in 2,000 existing stores	Completed setup at 434 stores (cumulative: 639 stores) Revised introduction plan to allow more detailed measurement of energy-saving effect	No
			Introduce energy-saving units in 1,000 new stores	In FY2006, introduced at 622 stores; cumulative: 1,105 stores	Yes
	Improve delivery truck fuel consumption	Cut CO ₂ emissions by upgrading delivery truck fuel	Introduce 70 low-pollution delivery trucks	Cumulative: 71 vehicles (20 hybrid vehicles, 51 CNG vehicles)	Yes
			Begin making FDC ^{*1} deliveries five days per week (expand nationwide in second half)	Began making FDC deliveries five days per week (nationwide from September)	Yes
			Implement Eco-Drive for delivery truck drivers (using new traffic management system)	For six CDCs ^{*2} , introduced drive recorders in 80 vehicles	Yes
	Improve Company-owned car fuel consumption	Cut CO ₂ emissions by upgrading Company-owned car fuel	Switch Company-owned cars to fuel-efficient models (869 vehicles)	Switchover at lease expiration (869 vehicles)	Yes
Promote prevention of global warming (reduce CO ₂)	Promote companywide reduction of CO ₂ emissions	Reduce unit CO ₂ emissions (per hour of operation, per unit floor space) 28% from FY1990 levels	Down 22.8% compared with FY1990 Introduced energy-saving units (Eco-Pack) at existing stores owing to revisions and increase in number of units for sale	Nearly	
Saving resources	Reduce weight of plastic shopping bags used	Reduce weight of plastic shopping bags used	Appeal to customers at stores for restraint (per-store volume down 20% from FY2000)	Per store use down 19.4%	Nearly
	Reduce volume of container packaging materials	Percentage of paper packaging materials: up 5% Reduction of package weight: 2%	1. Use paper packaging for rice balls 2. Use thinner film wrap for packaging rice balls and triangular sandwiches, reduce container weight 3. Use non-plastic materials	1. Using paper packaging for rice balls. Under revision 2. Use thinner film wrap for packaging rice balls and triangular sandwiches, reduce container weight 5.1% less than FY2005 3. Considering introduction of green plastics	Yes
	Reduce sales promotion materials	Reduce sales promotion materials, use environmentally considerate materials	Reduce material delivery volume 5% (compared with FY2004) Promote reuse of materials	Owing to increased sales promotion campaigns, per-store usage 45% higher than in FY2004	No
Reducing waste	Reduce food product waste, recycle	Recycling of food waste: 23%	1. Waste oil recycling: 7,000 stores 2. Recycling to feed and fertilizer: 700 stores 3. Introduction of organic waste processors: 68 stores	[March 31, 2007] 1. Waste oil recycling: 7,305 stores 2. Recycling to feed and fertilizer: 894 stores 3. Introduction of organic waste processors: 62 stores [FY2006 average] Introduction of food product recycling: 18.2% (36.3% at directly managed stores)	Nearly
	Reduce store waste	Promote introduction of new Clean Boxes (trash cans) specifications, change locations and educate customers	Promote introduction of Clean Box (trash cans) with new specifications, relocate to store interior and affix stickers to encourage reduction of volume and separation of types of trash	In cooperation with the Ministry of the Environment, affixed stickers to encourage the reduction and sorting of waste	Yes
Regional social contributions	Support environmental protection	Continue collecting donations through LAWSON Green Fund	Continue fundraising activities in all stores	FY2006 collections ¥0.25 billion Collections to date ¥2.29 billion	Yes
			Expand greenery operations to new areas	FY2006 Green Fund support to 188 ventures, including greening activities at 34 schools	Yes

*1 FDC: Frozen product distribution center *2 CDC: Chilled product distribution center

FY2007 environmental targets

Area	Actions	Activities	Targets
Saving energy	Reduce electricity consumption	Cut store air-conditioner and cooler electricity use	Introduce energy-saving equipment at 91 existing stores (cumulative: 730 stores)
			Introduce energy-saving equipment at 500 stores (cumulative: 1,605 stores)
	Improve delivery truck fuel consumption	Cut CO ₂ emissions by upgrading delivery truck fuel	Promote introduction of low-pollution vehicles Cumulative: 82 vehicles
			Reduce per-store CO ₂ emissions 1% (91kg/store less CO ₂)
Improve Company-owned car fuel consumption	Cut CO ₂ emissions by upgrading Company-owned car fuel	Switch Company-owned cars to fuel-efficient vehicles (358 vehicles)	
Promote prevention of global warming (reduce CO ₂)	Promote reduction of CO ₂ emission volumes companywide	Reduce unit CO ₂ emissions (per hour of operation, per unit floor space) 23.8% from FY1990 levels	
Saving resources	Reduce weight of plastic shopping bags used	Appeal to customers at stores for restraint	Reduce per store use 28.0%, compared with FY2000 levels
	Reduce use of disposable chopsticks	Appeal to customers at stores for restraint	Reduce per store use 5.0%, compared with FY2006 levels
	Reduce volume of container packaging materials	Promote more lightweight containers Aggressively introduce non-plastic packaging (paper, green plastics)	Reduce CO ₂ emissions per store 4.6% and per sheet packaging material weight 3% compared with FY2006 levels
	Reduce sales promotion materials	Reduce per-store amount of materials used in sales promotion, continue to expand use of efficient delivery systems	Reduce number of materials used 10%, compared with FY2006
Reducing waste	Reduce food product waste, recycle	Increase areas of recycling food waste to feed and fertilizer, consider new recycling methods 1. Waste oil recycling: 7,600 stores 2. Recycling to feed and fertilizer: 1,240 stores 3. Introduction of organic waste processors: 65 stores	[FY2007 average] Raise food waste recycling to 25% or more
	Reduce store waste	Promote introduction of modified Clean Boxes, change locations, educate customers	Reduce amount of store waste
Regional social contributions	Support environmental protection	Continue collecting donations through LAWSON Green Fund	Continue fund-raising activities in all stores

Deeply Rooted in Society

Through its nationwide chain of stores that optimize the characteristics of the areas they serve, LAWSON fulfills its role as “The ‘Hot’ Station in the Neighborhood” through activities that enhance secure, comfortable lifestyles.

Measures to Meet Regional Needs

Measures to Further Local Production for Local Consumption

In recent years, against the background of more intense orientation toward safety and security, expectations for local production for local consumption have swelled as a part of a deeper mutual understanding between consumers and producers. In line with its strategy of promoting store formats and merchandise assortments tailored to store locations, LAWSON offers a lineup of seasonings and confectionaries tempered to the local palate, provides opportunities to purchase regional foods, and stimulates local industry and related businesses. In the Tohoku region in northeastern Japan, where each prefecture has its own distinctive fare, we are strengthening our product development through a pioneering menu, to be extended nationwide, based on the themes of local production for local consumption and of traditional fare.

As the first stage, from March 2007 we began marketing products featuring the foodstuffs and flavors of Aomori Prefecture in the other prefectures of the Tohoku regions and in Niigata Prefecture.



LAWSON Michinoku Flavor Tour Miyagi promotion

This initiative was the first of the LAWSON Michinoku Flavor Tour promotions, which we will expand in the future to boost the development of products matched to regional tastes.

National Promotion of Regional Specialties

In parallel with local production for local consumption promotion efforts, we are taking the cuisine of each region nationwide by utilizing our strengths as a nationwide chain. In addition, we are developing the high-value-added original menus inspired by these regional characteristics in cooperation with local companies, associations and other organizations. As a part of this approach, from June 2006 we accepted advance sales for regional



Hokkaido Ramen Series of instant noodles

specialty products. The four initial products, which included Hamamatsu eel pie and Hiroshima Momiji steamed buns, were popular throughout Japan.

September 2006 marked the sales launch of our *Hokkaido Ramen Series* in LAWSON stores across Japan. These luxury instant noodles, which draw on the northern island of Hokkaido's abundant culture of farming and fishing, were developed in cooperation with local noodle manufacturers and commerce and industry associations. Initially, two lines will be marketed, featuring Tokachi sweet corn and Nemuro crabmeat.

Catering to Elderly Customers

As the aging of Japan's society continues, LAWSON is supplementing its focus on conventional services for younger customers with an approach that emphasizes the needs of the elderly as a crucial element of convenience store operations. As part of this drive, we are initiating measures to build stores that are friendly to older customers.

A project team formed in 2005 has been carrying out investigations in this vein, and in July 2006 we commenced a nationwide store development program. The new stores boast comfortable and relaxed interior layouts, wider aisles, no split floor levels and shopping cart facilities. Further initiatives to enhance shopping for the elderly include large, easily readable price tags, installation of massage chairs and maintenance of community bases.

In terms of product portfolio, the stores offer fresh vegetables, local Japanese confectionaries and flowers to be bolstered by an original sushi line and other products popular with older customers that are currently being developed. In the future, we aim to continue to develop stores that support a broad customer base—from grandchildren to grandparents.



Meeting the needs of the elderly at LAWSON Plus Higashiura-cho Ura store (Hyogo Prefecture)



Massage chairs installed in stores

Cooperative Operations through Partnership Agreements with Local Authorities

LAWSON aims to be “The ‘Hot’ Station in the Neighborhood”—a popular and much-loved spot with customers in all parts of Japan—by promoting community-based store management and aggressive regional contribution activities.

Starting with an agreement with Wakayama Prefecture in August 2003, we have formed various inclusive partnership agreements with local authorities to promote cooperative operations. Examples of successful initiatives have included construction of a store made from timber to blend with the town ambience in Wakayama Prefecture, publicity for domestic violence consulting organizations in the women’s toilets of stores in Mie Prefecture and installation of a corner showcasing local specialties in stores in Saga Prefecture.

In Tottori Prefecture, we are promoting product development in cooperation with local companies and associations, collaborative projects with the regional media and other tie-ups and activities to stimulate industry within the area.

We entered an agreement in Toyama Prefecture in August 2006 to carry out various initiatives. These span training for the young people who will make up the next-generation workforce into induction for store crews, displaying posters and technology bulletins inside stores, and cooperation over events at nurseries and kindergartens to mark Christmas and Setsubun-no-Hi (the traditional end of winter).

As of July 31, 2007, LAWSON had in place 10 such inclusive partnership agreements with local authorities. We will continue to promote such cooperative operations in the diverse neighborhoods in which we operate.



Corner showcasing local specialty goods at the LAWSON Plus Saga Katatae store



Cooperation at Setsubun-no-Hi celebrations in Toyama Prefecture

Inclusive Partnership Agreements with Local Authorities

Date of signing	Partner	Date of signing	Partner
8/03	Wakayama Prefecture	12/06	Tokushima Prefecture
4/06	Mie Prefecture	3/07	Fukui Prefecture
5/06	Tottori Prefecture	5/07	Oita Prefecture
8/06	Toyama Prefecture	6/07	Miyazaki Prefecture
9/06	Saga Prefecture	7/07	Okinawa Prefecture

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 2004, we introduced You-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 the Japan Post Group.



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. Stores also act as collection agencies in accepting Nation Pension System payments and, in some cases, payments for National Health Insurance, residents’ tax and automobile tax.

Automated Teller Machines

LAWSON stores are furnished with ATMs that facilitate withdrawals using cash cards issued by city banks, regional banks and *shinkin* banks, and for postal savings accounts as well as cashing functions offered by credit companies. As of February 28, 2007, LAWSON offered ATM services in 30 prefectures. We had tie-ups with 18 financial institutions, including all the nation’s city banks and 13 regional banks and had 4,245 ATMs in place. We plan to expand our services to raise the level of convenience to customers.

Loppi Multimedia Data Terminals



LAWSON stores are equipped with Loppi multimedia data terminals, which are operated by subsidiary LAWSON TICKET, INC. These multifunctional units facilitate sales of tickets for concerts, the “toto” sports promotion lottery, travel reservations, DVD reservations and applications for certification tests. Loppi terminals will offer more services in the future.

Disaster Recovery Support

Agreements to Provide Support during Disasters

LAWSON stores can become major support lifelines in the event of natural disasters by providing uninterrupted operations. (Disaster response is discussed in detail on page 7.) 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 July 2006, we signed an agreement with the Japanese Red Cross Society involving the procurement of provisions in the case of major calamities. Under the accord, if a large-scale disaster strikes we will do our utmost to supply provisions in disaster-stricken areas. As of June 30, 2007, we had signed 31 such agreements with municipal bodies and corporations.

We also have entered agreements to provide assistance to people stranded and forced to return to their homes on foot in the event that a disaster renders other modes of transport inoperable. LAWSON pledges to cooperate in providing sanitation facilities and information. In FY2006, we signed agreements with four additional government bodies, bringing the total to 27 as of June 30, 2007.

Agreements to Procure Provisions Signed in or after FY2006

Date of signing	Partner	Date of signing	Partner
3/20/06	Chiba Prefecture	1/10/07	Kumamoto Prefecture
3/28/06	Fukuoka Prefecture	1/17/07	Okayama Prefecture
7/3/06	Japanese Red Cross Society	1/18/07	Yamaguchi Prefecture
7/10/06	Akita Prefecture	2/21/07	All Nippon Airways Co., Ltd.
7/24/06	Yamagata Prefecture	3/29/07	Tottori Prefecture
11/1/06	Mie Prefecture	5/28/07	Miyagi Prefecture
11/28/06	Hiroshima Prefecture		

Agreements for Assistance to Displaced People Signed in or after FY2006

Date of signing	Partner	Date of signing	Partner
9/1/06	Fukuoka Prefecture	1/17/07	Okayama Prefecture
11/27/06	Saga Prefecture	3/9/07	Oita Prefecture
11/28/06	Hiroshima Prefecture		



Agreement with the Japanese Red Cross Society



Sticker declaring store a disaster return station

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. In FY2006, we contributed ¥19,396,883, including headquarters' donations, to the Japan Red Cross Society for distribution to the victims of the earthquakes that hit central Java. We also provided disaster funding as outlined below, underscoring our intention to demonstrate the goodwill of the Japanese people and assist in times of disaster. We thank the customers that cooperated in providing these funds.



On July 3, 2006, receiving a register of funds provided to the Japanese Red Cross Society for central Java earthquake relief



Disaster Relief Funds Collected during or after FY2006

Fund	Collection area	Period	Amount collected
Central Java Earthquake Relief Fund	All stores in Japan (8,350 stores)	June 1–15, 2006	¥19,396,883
Northern Kagoshima Prefecture Flood Relief Fund	All stores in Kyushu region, except Okinawa (858 stores)	July 27–August 10, 2006	¥1,750,319
Nagano Prefecture Flood Relief Fund	All stores in Tokai, Koshinetsu regions (1,113 stores)	July 27–August 10, 2006	¥1,998,428
Noto Peninsula Earthquake Relief Fund	All stores in Tokai, Hokuriku, Koshinetsu regions (1,220 stores)	March 26–April 10, 2007	¥4,343,228

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 initiate measures for crime and disaster prevention, public safety and youth education.

LAWSON participates in activities of the Japan Franchise Association's Safety Station movement, an autonomous organization formed by convenience stores with support from the relevant municipal and law-enforcement agencies. Through these activities, we aim to create a focal point for safe and secure lifestyles in the neighborhood and ensure that environments are safe for youth. By reinforcing systems to prevent robbery and other crime and acting as a refuge for women and children in need, the Safety Station movement provides an industrywide platform for fulfillment of social responsibility.



Poster advertising the Safety Station movement

Making Stores Friendly to Use

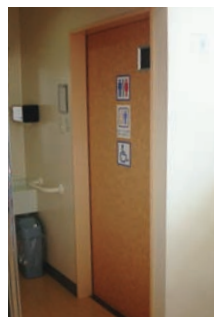
Barrier-Free Stores

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.

Moreover, toilets have been furnished with Western-style seats and handrails and access has been improved with same-level floors. Since FY2006, stores with parking lots have one dedicated parking space for disabled customers.



Clean, Western-style toilets with safety handrails



Elimination of floor height changes at doors

Guide Dogs and Service Dogs

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



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

Encouraging Good Smoking Manners

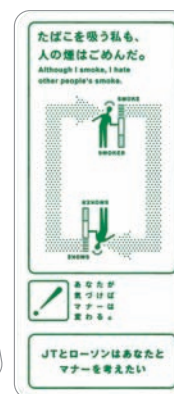
Repositioning Ashtrays and Adding Stickers on Smoking Manners

As LAWSON stores are no-smoking areas, ashtrays have been located outside the doors for customers to extinguish their cigarettes before entering. Recently, regional legislation has been introduced in Japan to prohibit smoking on pavements and thoroughfares. In response, LAWSON has introduced new restrictions for the benefit of smokers and nonsmokers alike.

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



Book on smoking manners

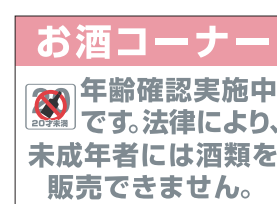


Sticker to encourage smoking manners

Deterring Underage Drinking and Smoking

Confirming Ages of Customers Who Purchase Alcohol and Cigarettes

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



Notice that the sale of alcohol to minors is forbidden

LAWSON Green Fund and Afforestation Activities

LAWSON Green Fund

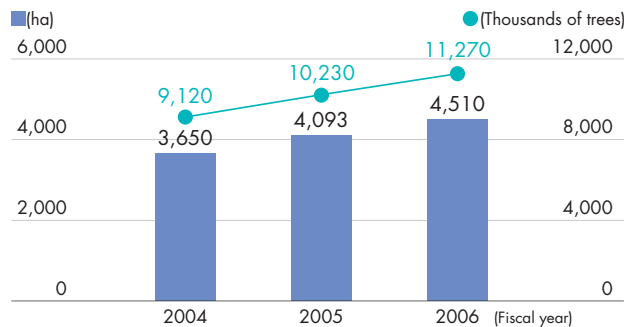
LAWSON Green Fund activities began in 1992 to ensure that the forests survive to absorb and store CO₂, protect the soil, prevent landslides and preserve water.

Funds donated at stores throughout Japan are provided to the National Land Afforestation Promotion Organization, which promotes various forestry management activities in Japan and overseas. Franchise owners, store crews and employees participate in some of these activities. Donations to the LAWSON Green Fund, including contributions from headquarters, totaled ¥2.29 billion as of February 28, 2007.



Forestation activities have benefited 1,528 locations in Japan and overseas, a total of 4,510 hectares and 11.27 million trees through planting and arboriculture.

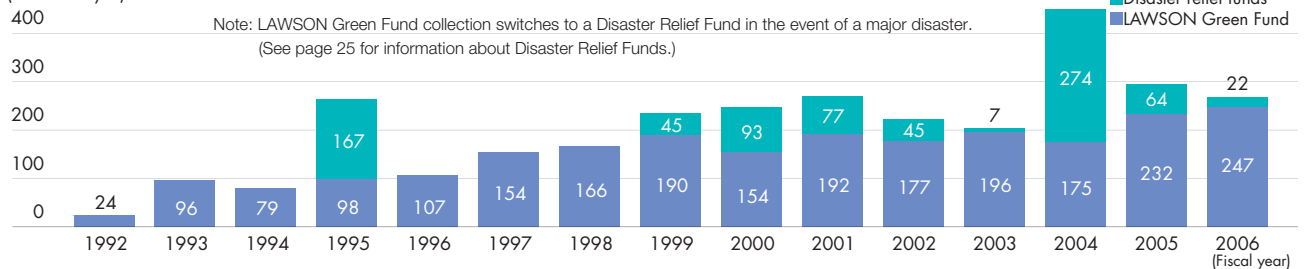
Land Tended and Afforested Area (Cumulative)



Note: Figures given for afforested area and number of trees are approximate, based on total LAWSON Green Fund amounts and overall Green Fund activities.

LAWSON Green Fund Donations

(Millions of yen)



Note: LAWSON Green Fund collection switches to a Disaster Relief Fund in the event of a major disaster. (See page 25 for information about Disaster Relief Funds.)

LAWSON Flower and Greenery Day

In 2001, as a symbol of the LAWSON Green Fund and afforestation 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.



Event notices displayed at checkouts



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 store crews, employees and their families participated in tree planting and undergrowth clearance operations at this "Mt. Fuji LAWSON Forest." Some 120 people participated in Mt. Fuji planting activities on May 21, 2006, planting 800 Japanese cypress trees. Also, each April we include tree planting as part of the new employee induction experience.



Planting trees in FY2006



Trees planted in FY2006

LAWSON Flower Present Event

The LAWSON Flower Present Event consists of free distribution of flower seeds to customers at stores nationwide to encourage the adornment of local towns across all regions and express the gratitude we feel toward customers on a daily basis. In FY2006, approximately 900,000 customers (the first 100 per store) were presented with miniature sunflower seeds.



Miniature sunflower seeds



New employees each year experience tree planting during their induction training (photograph of FY2006 entrants).



2006 Afforestation Activities

In FY2006, LAWSON franchise owners, store crews and employees participated in afforestation activities at 80 locations throughout Japan (March 1, 2006, to February 28, 2007). Although unfamiliar with the tasks, they worked enthusiastically alongside other volunteers to plant trees, thin forests and clear away undergrowth.



FY2006
LAWSON franchise owners,
store crews and employees
participated in
80 projects.
Details
(Afforestation Activities
47 projects
School Greening Activities
33 projects
Participants (approx.) : **730**



Chubu Region

Niigata	Shibata/Agano	Total: 2 projects
Toyama	Nanto	Total: 2 projects
Ishikawa	Hakusan	Total: 1 project
Fukui	Echizen	Total: 1 project
Yamanashi	Otsuki	Total: 1 project
Nagano	Omachi/Nagiso	Total: 2 projects
Gifu	Nakatsugawa/Gujo/Ogaki	Total: 3 projects
Shizuoka	Fuji/Ito/Hamamatsu	Total: 3 projects
Aichi	Toyota/Seto/Shinshiro/Tokai	Total: 4 projects
Mie	Inabe	Total: 1 project

Hokkaido Region

Hokkaido	Ebetsu/Bekkai/Sapporo	Total: 3 projects
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Tohoku Region

Aomori	Owani	Total: 1 project
Iwate	Kuji	Total: 1 project
Miyagi	Kami/Ishinomaki	Total: 2 projects
Yamagata	Nishikawa	Total: 1 project
Fukushima	Date/Namie/Aizu Wakamatsu/Minami Soma	Total: 4 projects

Kanto Region

Ibaraki	Ishioka/Mito/Tsukuba	Total: 3 projects
Tochigi	Sakura/Kanuma/Yaita	Total: 3 projects
Gunma	Ota/Minakami	Total: 2 projects
Saitama	Chichibu/Fukaya	Total: 2 projects
Tokyo	Shinagawa/Hachioji	Total: 2 projects
Kanagawa	Yokohama/Ebina	Total: 3 projects

Chugoku Region

Tottori	Yonago	Total: 1 project
Okayama	Kasaoka	Total: 1 project
Hiroshima	Hatsukaichi/Mihara/Hiroshima	Total: 3 projects
Yamaguchi	Shimonoseki	Total: 1 project



Shikoku Region

Tokushima	Mima	Total: 1 project
Kagawa	Takamatsu	Total: 1 project
Ehime	To-on/Imabari	Total: 2 projects
Kochi	Kochi	Total: 1 project

Kinki Region

Shiga	Ohmihachiman	Total: 2 projects
Kyoto	Uji/Kyoto/Nantan	Total: 4 projects
Osaka	Higashi Osaka/Neyagawa	Total: 2 projects
Hyogo	Kobe/Itami	Total: 2 projects
Nara	Yamato Koriyama	Total: 1 project
Wakayama	Inami	Total: 1 project



Kyushu Region

Saga	Ogi/Saga/Karatsu	Total: 3 projects
Kumamoto	Asagiri/Kumamoto	Total: 2 projects
Oita	Hita	Total: 1 project
Miyazaki	Kiyotake	Total: 1 project
Kagoshima	Yaku/Kirishima	Total: 2 projects
Okinawa	Kadena	Total: 1 project



LAWSON Green Fund Notice Activities

To promote understanding of the LAWSON Green Fund, we are developing a range of activities that reach out to audiences beyond customers of LAWSON stores nationwide. We participate in environment-related events and implement ecology campaigns to encourage citizens around the country to cooperate in the LAWSON Green Fund.

● Exhibit at the "Cooling Down the Earth" Cultural Festival

On September 16 and 17, 2006, we presented an exhibit at the Cooling Down the Earth Cultural Festival at Pacifico Yokohama highlighting global warming prevention. Promoted as an eco-activity for participation close to home, exhibits illustrated how LAWSON Green Fund is applied to create lush forests. A giant collection box represented the funds collected to date. In keeping with the environmentally conscious theme, all exhibits were paper-based and recycled after the event.



● Exhibition at the Yokohama Port Opening Candle Cafe

In cooperation with Yokohama City and associated companies, LAWSON conducted an ecological activity promotion campaign joined by area residents. As the first stage, the Yokohama Port Opening Candle Cafe took place from December 22 to 24, 2006, featured LAWSON Green Fund clean-up activities and news coverage. The campaign incorporated an environmental quiz and used a giant collection box to portray collection activities. The exhibition helped visitors understand forests' functions and the LAWSON Green Fund's role in protecting these forests.



Cultivating the Stewards of the Next Generation

LAWSON focuses on greening activities at schools and work-study programs in stores in its aim to create better environments for children.

School Greening Activities

In addition to afforestation programs in mountainous areas, the LAWSON Green Fund supports greening efforts at schools. Beginning in February 2006, as of May 2007 such activities were in place at 50 schools. We plan to continue supporting green activities at approximately 50 institutions each year, spanning elementary schools, junior high schools and schools for the disabled.

Opportunities for Children to Experience Nature

Most of the school greening activities we support involve tree planting on school grounds. Although their type and number vary by school, these trees are usually local varieties that the students select. We also cooperate in creating flowerbeds and biotopes* and improving the wooded portions of school grounds. Our efforts are designed to create environments where students can enjoy closer contact with nature through activities such as researching plant names and observing their life forms.

* A biotope is an artificially created environment, such as a pond, in which life can be observed in a favorable habitat.



Students viewing a completed garden after a ceremony Onoue Elementary School in the city of Kumamoto, Kumamoto Prefecture



Part of the biotope at Chodo Elementary School in the city of Higashi Osaka, Osaka Prefecture



Children's chorus following the improvement of wooded school grounds at Mishima Elementary School in the city of Mima, Tokushima Prefecture



Shrubby additions around buildings constructed to house an influx of students at the Ota School for the Disabled in the city of Ota, Gunma Prefecture

LAWSON Green Fund Activities: Planting New and Conserving Existing Trees

This was the first time that had I participated in greening activities sponsored by the LAWSON Green Fund. As I graduated from Yara Elementary School, I was glad to be able to plant 180 trees there. We planted Okinawan varieties, such as the Ryukyu ebony and the Ryukyu pine. With environmental protection a growing focus, such activities as these are very important.

In the future, I hope that in addition to planting new trees the LAWSON Green Fund can help protect trees that are already in place, such as the Ryukyu pine. Such support is important, as recent pine beetle infestations are causing some of these 100-year-old trees to wither.

LAWSON opened its first store in Okinawa a decade ago, and it is important to continue contributing to the community in useful ways. I hope that funds collected in stores can be used in further regional afforestation activities.



Minoru Tsuha

Franchise owner of Nevulu Kadena store, Okinawa Prefecture

Cooperation with School Work-Study Programs

LAWSON is active in providing the next generation with opportunities to think about how society works and how they interact with society.

Kyoto Student City

In January 2007, we opened a training store in Kyoto Student City, which was established by the Kyoto City Board of Education and Junior Achievement Japan. The store is part of a program developed by the Japanese branch of Junior Achievement—the world’s largest economic education group. The Kyoto Student City work-study facility is used as part of the fifth-grade elementary school curriculum.

As well as a LAWSON store, lining the street of the Kyoto Student City community is a ward office, bank, newspaper headquarters and pickle purveyor, created through the cooperation of 12 companies and groups. After studying societal and employment-related mechanisms, children experience buying and selling in the stores on this street, in the process learning how societies and economics function.

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



Kyoto Student City booth



Kyoto Student City
Learning to operate the register—a popular job

Leading-Edge Social Study Program

On August 24, 2006, a Leading-Edge Social Study Program sponsored by the Future Innovation Forum took place at the Higashi Kanagawa Training Center. As part of the program, a LAWSON store staff trainer led 15 Kanto area elementary and junior high school students in experiencing a “leading-edge convenience store” by performing such tasks as cleaning, greeting customers, operating the register and preparing *Kara-age Kun* fried chicken nuggets. The avid expressions of these young “employees” brought smiles to the faces of surprised customers.



Leading-Edge Social Study Program
The first orientation, where everyone is still a little nervous

“Every Store Can Help” Campaign (See page 32)

As a part of their social responsibility activities, some stores are implementing their own workplace schemes for elementary and junior high school students. These programs let students learn about the functioning of a convenience store, and the work-study program helps them experience such skills as cleaning, product display and serving customers.

LAWSON also cooperates with outside groups to provide additional opportunities for students to learn about being members of society.



Leading-Edge Social Study Program
Students tasting *Kara-age Kun* nuggets they have prepared

Regional Clean-Up Activities

Clean Aid

In addition to normal cleaning operations, LAWSON participates in regional clean-up activities aiming to enhance the beauty of 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 riverbanks and parks clean. As a community member, LAWSON helps in these cleanup efforts by picking up trash and evaluating the collected garbage. LAWSON franchise owners, store managers, store crews, head office employees and their families assist in these efforts, helping to forge stronger links with the people of the neighborhoods where they operate.



Arakawa River Clean Aid

Yokohama Clean-Up Activities

In cooperation with the city of Yokohama and associated companies, LAWSON began regional clean-up activities in participation with local residents in December 2006. We implemented a campaign with the slogan “Clean and Delightful Yokohama.” As part of the campaign, people took home the garbage they collected. At the Yokohama Port Opening Candle Cafe 2006, held December 22–24, 2006, all 30 participants cleaned the venue inside and out, and we delivered original bags to stores in Yokohama to encourage people to take home their garbage.

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. These 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 walkways and storefront borders clean.

LAWSON stores in Osaka and Kobe are participating in the Osaka Adopt a Road Program and the B-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.

■ Clean Aid Results

Activity	Location	Date	Participants	Collected
Fukuoka Love Earth Clean-up	Ohuri Park, Chuo-ku, Fukuoka	6/4/06	62 (total: 1,964)	Collected approx. 315 bags of garbage
88 Clean Walk Shikoku	Four Prefectures in Shikoku	8/8/06	40 (total: 12,200)	Cleaned the roadsides and rest areas
Arakawa Clean Aid	Arakawa Riverside, Edogawa-ku, Tokyo	11/5/06	75	Collected 55 bags of garbage, including chairs and speakers

Supporting Lifelong Sports

Official Partnership and Cooperation with the Japan Sports Association

In June 2006, LAWSON concluded an official partnership and comprehensive cooperation agreement with the Japan Sports Association—the only retailer to do have done so. The mission of the Japan Sports Association is “sports for all,” and through affiliations with 106 groups, the association works to realize a society of lifelong sports. LAWSON shares this ethos and plans to use its economic resources to offer support wherever possible, by disseminating sports information at stores nationwide and helping develop products for athletes. We continue to work toward an environment in which sports are a more accessible pastime for people in communities throughout Japan.



Japan Sports Association Chairman Yoshiro Mori and LAWSON president and CEO Takeshi Niinami

LAWSON Cup Mothers' Volleyball Tournament—Serving to the World

As part of its contribution to a happy and healthy society, LAWSON has hosted the “LAWSON Cup Mothers' Volleyball Tournament—Serving to the World” since 2005, and aims to promote mothers' volleyball as a worldwide and lifelong sport. Every year, teams that win in regional elimination rounds meet for national finals. The winning team and the first runner-up then tour overseas, participating in international friendship matches. For four days from March 28, 2007, we held the Second LAWSON Cup at the Kita-Kyushu Combined Gymnasium in Fukuoka Prefecture. Some 40,000 participants in 2,700 teams first battled their way through the regional elimination matches, in an event hosting 48 teams hailing from every prefecture in Japan. The intense competition proved to be quite a spectacle. Additionally, we sold boxed lunches designed for this tournament, featuring items incorporating suggestions from participating mothers.



Opening ceremony

“Every Store Can Help” Campaign

In 1997, LAWSON started “Every Store Can Help” campaign activities for regional communities. Through this program, each store pursues individual activities that contribute to their communities and ensure their stores bring happiness to the neighborhoods where they are situated. These activities include cooperating with work experience programs for elementary and junior high school students and carrying out clean-ups in the vicinity of stores.

Hosting the Mothers’ Volleyball Tournament

Takuya Kitamura, Store Manager, Kande-cho Tai store (Hyogo)

We have hosted the mother’s volleyball tournaments since they began in 2001. The impetus behind our sponsorship was a store visit by a woman after finishing practice. She said, “I want to play games, not just practice all the time.” Thinking about this comment, it occurred to me that hosting a tournament would be a good way to thank her for her continued patronage.

We held our 6th “LAWSON Cup” in 2006, attended by seven teams with 50 participants ranging in age from 10 to 60. Our team didn’t make the finals but the chance to mingle with people from around the region makes us look forward to taking part every year. We are actually the first convenience store in Kande-cho. We hope that we can continue to forge closer ties with the community, while also making a contribution.



Crosswalk Duties for 19 Years

Kazushige Sakano, Owner, Nikko Tokorono store (Tochigi)

I’ve been a crossing guard for 19 years, from the time my daughter was in elementary school. Nikko has always been forward-looking when it comes to traffic safety and crime prevention, so in the spirit of doing what I can to help, almost every morning I act as a crossing guard, watching out for the children as they cross the street. I’ve become firmly fixed in the children’s minds as “Mr. Lawson.” Every year, the children hold an event to thank crossing guards, and they sometimes present me with potted plants when they graduate. Being a crossing guard for all these years has given me a chance for more interaction with different generations in the community. I hope that my activities as a crossing guard can contribute to building a happier community.



Helping with Shopping Lessons at the School for the Disabled

Kaoru Itoi, Store Manager, Ota Kanto Gakuen Daigaku-Mae store (Gunma)

Since we opened nine years ago, we have cooperated with a local school for the disabled in their lessons in shopping. At the first lesson, we practice bringing items to the register and paying for them. As we’ve learned most of the children’s names, we call them by name and talk with them when they enter the store. The children also remember my face, and when attending school festivals I have heard them point me out and say, “That’s the Lawson Lady.” Disabled or not, they are all children and our customers. Although we don’t really do anything special for them, we do our best to greet them cheerfully. At any rate, I like people. I hope we can continue to create a cheery store where people feel at ease.



Supporting Customer Social Contribution Activities

Environmental and Social Contribution Course by Member Card

LAWSON PASS and MY LAWSON POINT member cards have an "Environmental and Social Contribution Course" option that lets cardholders contribute to society as they make purchases.

When making purchases at LAWSON, member cards accumulate points corresponding to the purchase amount when they are presented at the register. Accumulated points earn rewards that vary, depending on the course selected. The Environmental and Social Contribution Course option allows points to be exchanged in 50-unit increments to benefit organizations that carry out environmental and social contribution activities. This option has been available since 2003, and this year we used accumulated points to make our fourth set of donations.

Total funds generated in FY2006 came to ¥2,799,400, which were donated to the following five NPOs.



LAWSON PASS

MY LAWSON POINT

• NPO Ecology-Café



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



• Registered NPO Caring for Young Refugees (CYR)



© Masanori Kobayashi

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

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



• NPO Bridge Asia Japan (BAJ)



This NPO provides vocational training for women, refugees and others who face difficulties, and helps them convert the skills that they have acquired into income.

• Japan Guide Dog Association



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

• NPO Education Sponsorship in Asia (ESA)



ESA offers educational support for poor children, encourages autonomy for women and provides environments conducive to education in Bangladesh and India.

Support for HIV-Infected Patients and AIDS Victims

In July 2006, the LOVE SAVES LIFE! Project contributed a portion (¥2 million) of its sales of condoms to the Japan Stop AIDS Fund through the Japanese Foundation for AIDS Prevention. This project was established in 2005 in cooperation with the Keith Haring Foundation, Sagami Rubber Industries Co., Ltd., and LAWSON, with the aim of supporting HIV*1-infected patients and AIDS*2 victims.



Carrying on from the acclaimed *Keith Haring Condoms*, *Andy Warhol Condoms* (a total of 100,000 boxes) went on sale in October 2006. We will continue to fight the spread of HIV through the sale of condoms and use funds generated from their sale to support HIV and AIDS victims.

*1 HIV: Human immunodeficiency virus

*2 AIDS: Acquired immune deficiency syndrome

Customer Relations

We consider customer input to be an asset, as it allows us to provide products and services that lead to satisfaction. Accordingly, we elicit dialogs with our customers and take under serious advisement their opinions and requests, as this input helps us to provide products and services that satisfy their needs.

Achieving Customer Satisfaction

LAWSON's Views on Customer Satisfaction

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

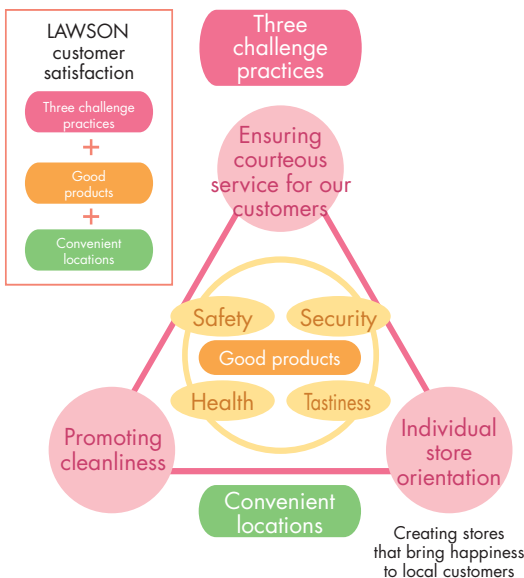
The three challenge practices are: ensuring merchandise assortments are tailored to individual stores*¹, promoting cleanliness in stores and neighborhoods and ensuring courteous service for our customers. Providing good products*² is a goal we continuously strive toward, as it is the key to customer satisfaction. Moreover, when opening new stores we are ever mindful of operating in convenient locations.

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

*¹ 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.

*² LAWSON defines "good products" as being "secure, safe, healthy and tasty."

■ LAWSON's Views on Customer Satisfaction



Three Challenge Practices

● Ensuring Merchandise Assortments Are Tailored to Individual Stores

Based on the principle of "individual store orientation," we aim to create stores that are attuned to local customers, firmly bonded to their neighborhoods and therefore preemptive in providing products on demand. LAWSON employs "store charts" (individual store data analysis) to round out its product offerings. By surveying each store's sphere of operations, taking into account store locations, climate and local activities, we tailor product lineups to residents in the vicinities of each store.

● 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.



● Ensuring Courteous Service for Our Customers

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

LAWSON conducts seminars for franchise stores and carries out training for franchise owners and store crews to ensure that the three challenge practices permeate the organization. (See page 39 for information about the LAWSON training system for franchise owners and store crews.) We are confident that continued application of this strategy will further raise customer satisfaction levels.

Good 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 page 37.)



Convenient Locations

We develop new stores, paying close attention to customers' requests. We have opened Lawson stores in schools, hospitals, post offices and train stations. In FY2006, we also began opening stores in rest areas along expressways.



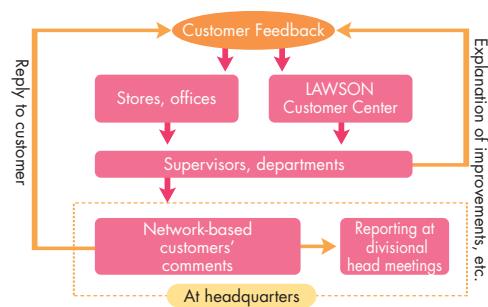
The Lawson Highway Pit Kiyama Nobori store (Saga Prefecture)

Customer Feedback 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 feedback is directed to the appropriate department, where it receives a prompt and sincere response. Using the Company Intranet and in-house publications, issues are shared with all employees with a view to making any necessary improvements. Customer comments are compiled in a booklet for internal distribution as a source of helpful hints for staff.

Customer Feedback Structure



Feedback from Lawson Customer Center

Each year, the number of comments that our customer center receives rises significantly. In FY2004, we received 27,597 comments. Owing to such factors as an increase in the number of new services, this number was to 31,878 in FY2005. In FY2006, this number surged to 34,363, and included comments about the Lawson Fair, held in June 2006.

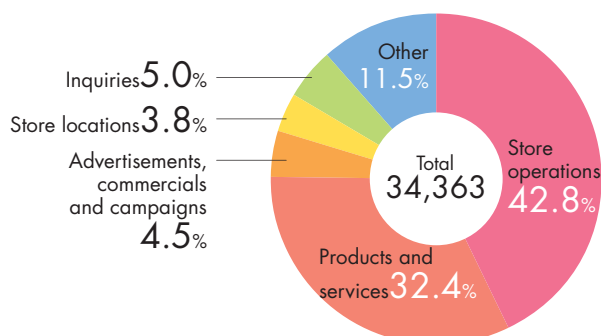
The highest ratio of comments, 42.8%, concerned store operations. Next was products and services, at 32.4%. These two categories accounted for three-fourths of the total. In the store operations category, we noticed a particular increase in comments concerning customer courtesy, product management and product lineups.

Regarding products and services, we received comments about Loppi (multimedia terminals) and Lawson Mobile. In addition, customers offered opinions on product quality problems and specifications.

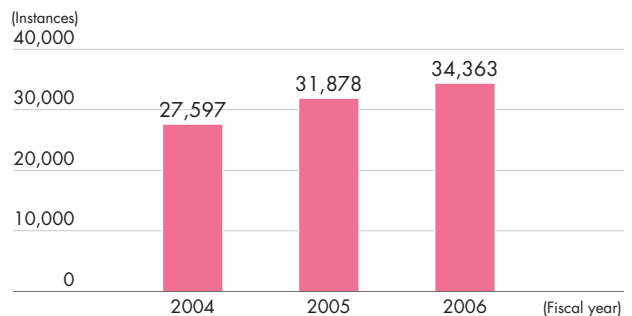
Comments concerning advertisements, commercials and campaigns increased notably. In addition, we noted that require improvement, such as delivery truck parking and groups tending to gather in store vicinities.

We will continue to share such customer feedback throughout the Company and reflect feedback through further improvements.

Customer Comments during FY2006



Customer Feedback



Adopting Customer Recommendations

December 15, 2006, the opening day of the HAPPY LAWSON Nihonbashi store—our first store designed specifically to be friendly to mothers with children—a concept that evolved through dialog with our customers. This idea arose from the theme of the prizewinning entry in a contest that we held in 2005 to commemorate our 30th anniversary of establishment. The contest solicited ideas on “The Convenience Store of the Future” from customers, franchise owners, store managers, store crews and employees. The prizewinning entry, entitled “Convenience stores that support raising kids!” was penned by Ms. Misato Hanai, of Mie Prefecture. Ms. Hanai was chosen as the prizewinner on November 12, 2005. In March 2006, we formed a project team to drive the idea forward. In July, the “Happy Child-Raising Project” was announced on our website, which invited customers to provide their input on child-raising.



HAPPY LAWSON Nihonbashi store

During store concept development, we incor-

porated the myriad ideas offered by Ms. Hanai—herself a child-raising mother—and other families with children. We incorporated such suggestions as making the aisles wide enough to accommodate a baby carriage, installing diaper-changing seats in the toilets and adding baby foods and disposable diapers to the product lineup, as well as products to help soothe harried mothers. We also set aside a convenient space for taking short breaks and offered a short-term child-care service.

Through cooperation with the NPO Kosodate Adviser Network, we introduced a free-of-charge service for mothers. We also arranged child-oriented activities, such as science experiments and picture-book times. We provide such new services to reflect customers' needs.

The Nihonbashi store, which was designed as an operational trial, closed its doors on June 30, 2007, but during that 6.5-month period we accumulated a solid base of knowledge and expertise on products and services to meet child-raising needs. Based on this information, on July 12, 2007, we opened the HAPPY LAWSON Yamashita Koen store. We plan to apply the ideas generated through this store to our regular LAWSON stores, making them more accessible to mothers raising children.



HAPPY LAWSON Yamashita Koen store



Supporting Mothers and Children

LAWSON is launching various child-raising support initiatives, beginning with the “Happy Child-Raising Project,” which commenced in July 2006. As one such activity, we ran two gift campaigns, offering originally designed plates adorned with the popular Miffy character created by artist Dick Bruna of the Netherlands to child-support organizations.

At a rate of one yen per plate, the first campaign generated ¥2.1 million, which we donated to the United

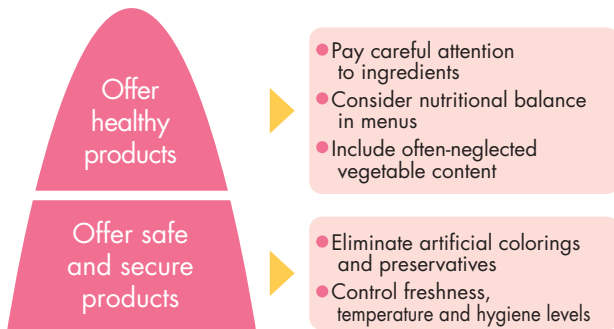
Nations International Children's Emergency Fund (UNICEF). Funds from the second campaign, conducted in November 2006, were used to provide Miffy picture books, toys and bath items with the keywords “parent-child communications” to the Japanese National Council of Social Welfare and the Japanese Mother and Child Life Support Foundation, benefiting the mothers and children nationwide who rely on these organizations.



Illustrations Dick Bruna © copyright Mercis bv, 1953-2007 www.miffy.com

Tasty Products That Are Safe, Secure and Healthy

LAWSON's Concept of Safety, Security and Health



Measures for Safety

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

Since FY2003, 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 FY2004.

Measures for Security

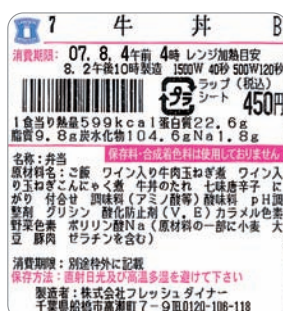
The labels on original LAWSON products display such mandatory information as product name, sell-by date, ingredients and allergy warnings.

In addition, nutritional data, including calorific values, is highlighted independently so that health-conscious customers can shop with peace of mind. We create specification documents for each product, such as boxed lunches and side dishes, clearly recording each ingredient, the way each dish was prepared and any food additives included. All this information is reflected in the ingredients section of the label. 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.

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



Product label

Measures for Health

Considering the health of those customers who shop at convenience stores regularly, LAWSON considers each ingredient and the nutritional balance of its meals, including often-neglected vegetable content. Since 2003, we have cooperated with Osaka Prefecture, which has mounted an initiative to improve dietary habits. Under the supervision of the Osaka Medical Center for Health Science and Promotion, we have developed a number of new health-focused food products, for sale principally in the Kinki region. As of June 2007, we had introduced 11 such products, ranging from low-calorie/low-sodium boxed lunches with extra vegetables and boxed lunches featuring nutritionally balanced combinations of Western- and Japanese-style side dishes.

At LAWSON stores nationwide, we have rolled out a series of products featuring highly nutritious ingredients such as okra, *tororo* potatoes and *natto*. In June 2006, we launched a series of such products to beat the summer blues ranging from cold noodles to salads and pickles. The lineup was well received by our customers.

In 2007, we launched a promotional campaign emphasizing physical vigor. The program suggests various foods that are convenient and contribute to healthy lifestyles.

To meet the increasing health emphasis of our customers, we have begun offering some NATURAL LAWSON products at our regular LAWSON stores. These nutritionally balanced, reduced-calorie offerings were developed with the working woman in mind. We plan to continue increasing our number of such product varieties to meet the requests of customers nationwide.



Neba Nebi Hime salad



Neba Nebi Oji soba

Quality Control Measures

In its pursuit of advanced manufacturing control procedures, LAWSON has created the Hazard Analysis and Critical Control Point (HACCP) system to manage hygiene and food safety, identifying potential risks of food poisoning or hazards due to foreign substances before they come near customers. The system maintains records of such key aspects of quality control as preparation time and temperature, allowing prompt investigation of the causes of a problem on the off-chance that something should go wrong.

Quality Control Office personnel are present when a new plant goes on

line or new systems are installed. Their job is to check for possible hygiene and safety control issues. We are also installing a manufacturing process control system that regulates all standard aspects of the production process for each and every product, from weight and preparation method to placement in the container, to ensure that we deliver products of uniform quality regardless of where in Japan the product is actually made. Following assessments of a trial that began in FY2003, since FY2006 we have commenced full-scale adoption of the system in 49 locations nationwide, including our rice product and other plants.

Quality Control in Production: Focus on Original Rice Products and Side Dishes

Use of Ingredients

LAWSON has an ingredient procurement section tasked with handpicking the ingredients the Company uses. This section ensures that we give due consideration to safety, security and health from the ingredient procurement stage. We also conduct regular inspections that involve collecting these ingredients and checking that delivered ingredients meet our standards.

Product Development

LAWSON inspects original products at every stage, from raw materials to products. We inspect documentation when product specifications have been set, and prototype the products on our assembly lines to verify their safety.

Quality Control in Production Plants

Production processes are closely regulated in all aspects, from heating temperatures and times to cooling times. Thermometers ensure that temperatures remain within specifications. We also take samples of raw materials and semi-prepared products to check that they are at proper temperatures.

Plants maintain sanitary conditions at all times. We ensure that no foreign substances enter the facilities during operation. When people enter the plants, we maintain hygiene control by requiring them to wash and disinfect their hands.



Rigorous washing of hands



Checking temperatures of cooked ingredients



Metal detector checks for foreign substances



Regular checks for foreign substances

Manufacturing Process Control System to Ensure Uniform Quality

LAWSON has adopted a manufacturing process control system to promote uniform quality at rice product and other plants nationwide. This system regulates all standard aspects of the production process for each and every product, from weight and preparation method to placement in the container. Weights of ingredients used, weights of finished products, weights of arranged products and weights of waste product are all weighed to the nearest gram in product manufacture. The accumulated manufacturing process history data is utilized to facilitate production of products as designed. The system ensures a consistent finished product, as well as allowing closely coordinated compensation in production quantities at production plants, which helps reduce waste.



Checking weights after chilling



“We are always working to provide safe, quality products.”

There are 10 NIPPON COOKERY plants across Japan. The company's plant in Atsugi supplies boxed lunches and rice balls to 700 LAWSON stores in the Tokyo and Kanagawa regions three times a day.

The manufacturing process control system at this plant ensures consistent quality and a proper match between product quantities manufactured and amounts ordered, computing production levels based on manufacturing process history data for each product.

Initiatives are also underway to reduce product returns by inspecting products yet another time after production is finished. We check product arrangements and volumes, making sure that labels are affixed firmly and ensuring that products pass LAWSON's standards.

Kiyoshi Minato

Plant Manager, Atsugi Plant, NIPPON COOKERY CO., LTD.

Franchise Owner and Store Crew Relations

LAWSON employs various initiatives to assist franchise owners with their operations. We are also attentive to what franchise owners, store managers and store crews say to each other in our ongoing efforts to improve our products and services. We cooperate with franchise owners, store managers and store crews who run stores day in and day out, in our pursuit of higher levels of customer satisfaction.

Training and Support Programs

Corporate Philosophy, Sharing Information

Franchise owners who participate in the LAWSON Franchise System* are responsible for all aspects of operations, including sales, procurement and management of costs and store crews. LAWSON supports franchise owners in various ways, allowing them to concentrate on their businesses. Supervisors are a bridge between franchise owners and headquarters as they support store operations. Supervisors provide information on the latest product trends and changes in the business environment, analyses of sales and customer data, conduct market research on areas where franchises operate and offer suggestions regarding revenues and income.

We also hold a LAWSON Seminar twice annually at eight locations nationwide, where we describe the LAWSON corporate philosophy, management policy and product trends, as well as offering product knowledge and analyses of information on a per store basis. We provide sustained support to make our stores pleasing to local customers by sharing such information with our franchise owners.

*Corporate headquarters provides sales knowledge, trademarks and other properties to participating stores, which compensate headquarters for the right to use these business systems. Both corporate headquarters and participating stores are independent businesses, engaged in a contractual relationship as equal partners.



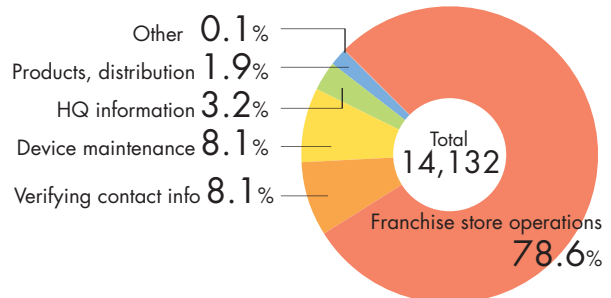
Supervisor makes a franchise owner presentation

We also provide franchise store management information by publishing *Pal*, a monthly business news magazine, and a brochure with information on store management and recommendations improving store operations.



Training center workshop

Comments to the Store Support Desk in FY2006



Franchise Owner Welfare Association

LAWSON wants its franchise owners, who are its business partners, to maintain the vitality they need to do their jobs. We have founded the Franchise Owner Welfare Association to expand and improve social welfare support for owners and their families, as well as store managers and crews, all grounded in a concept of leisure, health and peace of mind.

Franchise owners become eligible to participate upon applying for a LAWSON franchise agreement. Benefits include access to healthcare facilities and sports clubs, distance learning, car rentals and leases, loans and various insurance.

Mystery Shopper Program

At LAWSON, we have adopted a Mystery Shopper program, wherein Company employees conduct anonymous surveys of stores, aiming to improve the way the stores do business. By acting as typical LAWSON customers, these examiners can take objective views of store product placement, selections, customer treatment and cleanliness. Feedback is provided via supervisors to franchise owners. Based on these findings, both parties work together to inspect problems spotted in stores, rank them in order of priority and take steps to improve operations. We have seen improvements since the program was instituted, especially regarding customer treatment and in-store cleanliness.

Training and Support Programs

LAWSON assists the smooth functioning of franchise stores and the satisfaction of customers through training and support programs for franchise owners and store crews. When a store opens, we conduct a basic management course for about three weeks to teach franchise owners the basics of store management. We follow with a wide range of courses at training centers located in our branch offices. In FY2006, we adopted a Franchise Owner Support System, wherein corporate personnel operate franchise stores on behalf of owners so owners can take vacation time with peace of mind. This program became available nationwide in September. We have also opened a 24-hour support desk to assist franchisees, gradually extending the program nationwide since August. The program has resulted in a drop in franchise owners' concerns regarding store management. In FY2006, this desk fielded 14,132 inquiries, 78.6% of which concerned franchise store operations.

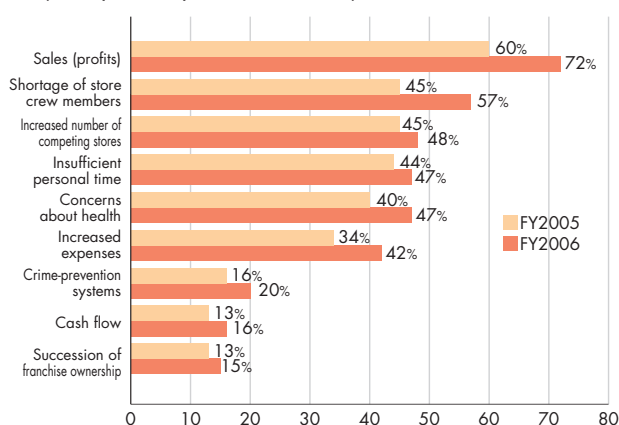
Communications

Survey of Franchise Owners

LAWSON surveys franchise owners of all stores to confirm their awareness of headquarters policies. Replies from 4,612 stores on the FY2006 survey represented a 57.7% response rate. The survey identified future sources of concern for store management. The number of responses has increased in all categories, with a majority of responses concerning anxieties over sales and profits and a shortage of store crew members.

LAWSON takes the results of this survey most seriously. Its findings play a major role at headquarters in raising awareness,

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



alleviating concerns and increasing satisfaction levels for franchise owners by improving the system of support provided for them.

During FY2006, we introduced a nationwide Owner Support System and Store Support Desk with the goal of bolstering the sense of security among franchise owners. In response to staff shortages, we commenced trial recruitment, employment and training of senior store crew members, presenting this new position through seminars. In addition, we carried out a major campaign, incorporating television commercials and the mass media to increase numbers of LAWSON PASS holders and conducted various sales promotion activities.

Direct Line to the CEO

LAWSON has established a Direct Line to the CEO as a channel of communications for franchise owners, store managers and store crews to express their everyday opinions and ideas. In FY2006, this facility was utilized 753 times, and the CEO responded directly to each comment. Commonly featured themes were products/distribution and store instruction.

Comments on the Direct Line to the CEO, by Subject

Products/distribution	204	Systems	31	Store instruction	111
Services	87	Facilities/equipment	94	Other	124
Sales promotion	57	Franchise agreements	45	Total	753

“We would like to see work toward improving the brand image.”

Akira Maeda, Franchise owner, Yokohama Onoe-cho, San-chome store

We opened our first store in 1999, and now we operate three stores in the city of Yokohama. We owe the fact that these stores operate without major problems to the employees and store crews, who are truly key, and I appreciate how hard everyone works. My dream is to operate more stores. We actually have a multistore operation now, but it would be helpful to improve our contracts and training systems. Our request for headquarters would be to provide an easy-to-understand explanation of how to operate the Loppi terminals*. It would also be nice to introduce simpler cleaning methods and reduce the time we spend with operational tasks.

Another request I have is to build up the LAWSON brand image. One way to do this would be to use the Mystery Shopper program to improve stores. I would like to see supervisors and headquarters take the initiative in raising the brand. Ideally, people would think, “I’d really like to work at LAWSON!”



Mr. and Mrs. Maeda



Mr. and Mrs. Maeda are very proactive people who seem to enjoy taking on new challenges. Working with them is truly a learning experience for me. Each day as I do my rounds, I remind myself to speak to people from the heart, without holding back. Once people understand that what I am saying is the unvarnished truth, they tend to respond in kind. My goal is to find out what franchise owners need to know and offer suggestions to make their stores run more smoothly. Once the franchise owners and I are speaking a common language, we can get down to the real operating issues.

Harutaka Akimoto, Supervisor, Yokohama District, Kanto Operations Division 5

*Loppi refers to the multimedia data terminals in LAWSON stores.

Employee Relations

LAWSON's service improvements and ongoing growth derive from the day-to-day vitality of the people who work at the Company. Our training systems, workplace environment and internal communications aim to cultivate a corporate climate that encourages full expression of individual abilities and opinions.

Employee Training Systems

LAWSON University

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

Currently, the university curriculum includes a LAWSON Basic course, which all employees attend to learn minimum companywide requirements. LAWSON employees raise their basic skill levels through core skills courses that accentuate specific functions, as well as through various training plans.

In FY2005, we established the LAWSON Learning Center (LLC). Located near Company headquarters, LLC forms a nucleus for LAWSON University's activities. In addition to employee training, we use the facility for press conferences and other external activities. Through the introduction of the e-Learning System, we have created a flexible nationwide environment for employees to undergo necessary training—anytime, anywhere. LLC reinforces an employee's educational base through group training, whereas the

e-Learning System enables specific knowledge to be obtained through e-learning at each person's own pace.

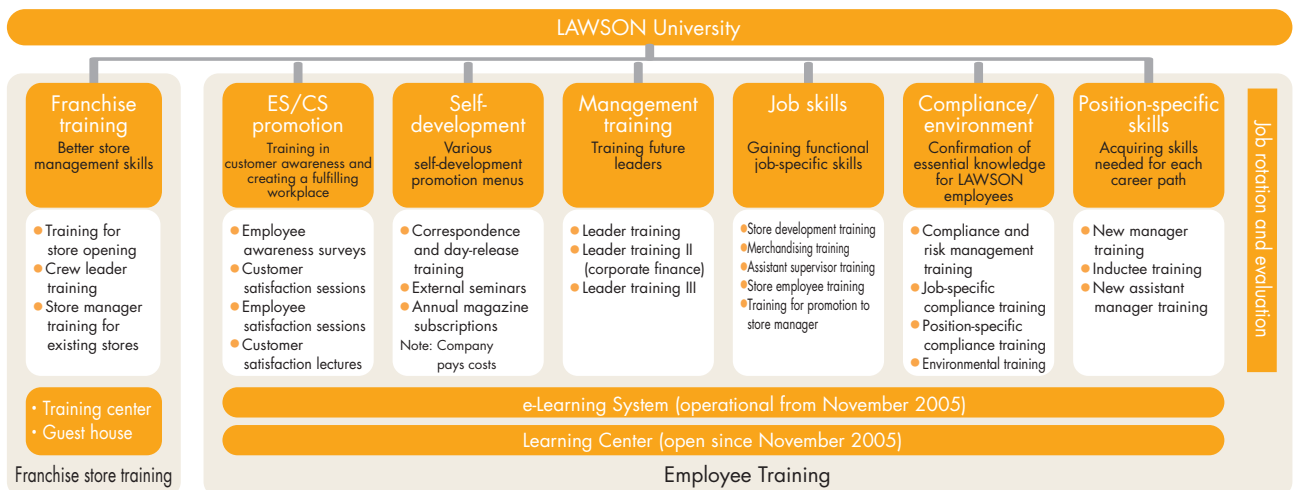
On-the-job training is provided to help employees absorb key practical skills. We continue to enhance our new employee training, so that inductees interested in becoming supervisors can select that training curriculum, whereas others may opt to study LAWSON's franchise business model.

We invest aggressively in human resource development because we consider the companywide dissemination of our corporate philosophy and customer orientation important. At the same time, through such programs we aim to promote the operation of a highly progressive and challenging professional organization.



Training at the LAWSON Learning Center

LAWSON University Structure



Note: This is only a sample of the full range of training courses that are provided.

Internship Program

In FY2006, LAWSON introduced an internship program that gives students an opportunity to learn more about the Company's business and operations, as well as to understand the sort of people LAWSON seeks. From August 1 to August 23, we accepted 10 interns into this program. Interns taste and compare industry competitors' mainstay products, analyze LAWSON's strengths and weaknesses and participate in working groups to develop their own product ideas. The

program succeeded in deepening the participants' understanding of LAWSON.



Student presentation

Building an Amenable Workplace

A Fair and Just Employment Environment

At LAWSON, employment and promotion are based on individual capabilities; no discrimination is made on the basis of religion or beliefs, gender, place of birth or other factors other than abilities. The Company provides various employee tools, including a training system to raise personal abilities, and operates an evaluation system that measures the abilities and performance of each employee accurately and fairly.

Overview of Employees

	FY2004	FY2005	FY2006
Employees (consolidated)	3,391	3,585	3,614
Of which, male/female		3,176/409	3,184/430
Employees (non-consolidated)	3,095	3,120	3,131
Breakdown: male/female	2,829/266	2,847/273	2,839/292
Women in managerial positions (%)	0.5	0.6	0.4
Physically challenged (%)	1.8	1.8	1.6
Employees on maternity leave	3	9	14
Employees taking childcare leave	12	13	17
Reduced hours for childcare	8	12	14
Employees taking leave as care-givers	0	1	0
Insured and having health checks (%)	—	—	81.7
Average age (years)	36.4	37.1	37.8
Average length of employment (years)	10.3	10.7	11.4
Employee turnover (%)	5.1	6.6	11.5*
Workplace incidents	25	39	46

* Increase is due to the effect of support for single employees.

The Company is making progress toward creating a workplace where abilities can be developed to their full potential without regard to gender through such measures as prioritizing the promotion of female employees to positions as supervisors and merchandisers. However, we recognize that this is an issue of importance. The Company has also reached a level of 1.6% in the employment of the physically challenged. Conscious of its social responsibility, the Company is committed to build a robust and creative workplace that will raise this level to the legally mandated 1.8%.

System that Respects and Supports Lifestyles

LAWSON is building an employment structure that respects and supports individual lifestyles. In particular, the Company has honored requests that help its employees live well-rounded lives and has emphasized the creation of a comprehensive employment structure with shorter working hours and leave for childcare, nursing and care-giving.

Since FY2006, the Tokyo headquarters has operated a daycare center on public holidays. Employees, part-time workers and employees of affiliated companies can bring their children from one year old through the third year of elementary school to the center, which operates out of a headquarters conference room. Parents praised the center, while for the children joining Mom or Dad on the way to work is always a happy event. We will continue to measure the effects of and enhance these initiatives throughout the Company.



Providing childcare on seven public holidays in FY2006

Internal Communications

Feedback from Employee

The LAWSON Intranet hosts a forum for the exchange of employee opinions, reflecting their input regarding business improvement and store management. Submitted opinions are mostly supervisors' suggestions to headquarters. After accumulating such opinions, the appropriate person in the relevant department posts a response. Extending this internal communications tool to allow any employee to post or check comments prevents duplicate postings and assures the accumulation and sharing of information.

Employee Awareness Surveys

We conduct employee awareness surveys to monitor employee satisfaction. The FY2006 survey demonstrated support for management policies and a high priority on teamwork and creative work carried out independently. However, compared to the previous year this year's survey also indicated a slight decline in employee satisfaction and a feeling that workloads had increased. By continuing to conduct such surveys, LAWSON intends to define the issues it faces as it works towards further improvements in the working environment.

“Even once I become a mother with kids, I want to continue working with the store.”

It's been almost two years since I became a supervisor. The job is quite demanding, but I had a burning ambition to be a supervisor when I joined the Company, so I am strongly motivated to do my best. Especially when I hear that franchise owners have increased their customer numbers, or that sales have gone up because of the initiatives we implemented together, I get a real sense of “Yes! We've done it!” I love LAWSON and I love my job as a supervisor, so I really want to keep on working even after I get married and have children. However, I realize it might be difficult to do this, as I recognize that stores that are open year-round. It would be good if we had a system whereby supervisors could return to work after they have raised their children. Also, if we had specialist training for supervisors in fields such as labor consulting or accounting similar to store instructors, we would have categories of supervisors who would be specialized in both front- and back-office store operations. They would find it easier to plan their working hours even while they are bringing up a family, and we would be using supervisors' experience closer to the front line. Perhaps other supervisors could also specialize in sales-related areas.

I hope the Company will develop a system that lets me work on the front line, even after I marry and raise a family.



Satoko Ito
Supervisor,
Shizuoka East District

Business Partner Relations

LAWSON grows with its business partners, and they remain essential to its objectives of anticipating the needs of the community and commercializing its innovative ideas. To ensure ongoing cooperation, we prioritize trust-based relationships developed through fairness in our transactions.

Promoting Equitable Transactions

To form trust-based relationships with business partners, the LAWSON Code of Ethics calls for fair and transparent transactions that are conducted sincerely and diligently. We educate merchandisers to discourage them from taking advantage of potentially superior negotiating positions.

Specific measures to enable employees to verify the legitimacy of their actions include e-learning for all employees, and raising awareness at training sessions prior to promoting personnel to positions as assistant merchandisers or store development assistants. We also provide a compliance handbook for merchandisers so they can review their activities.

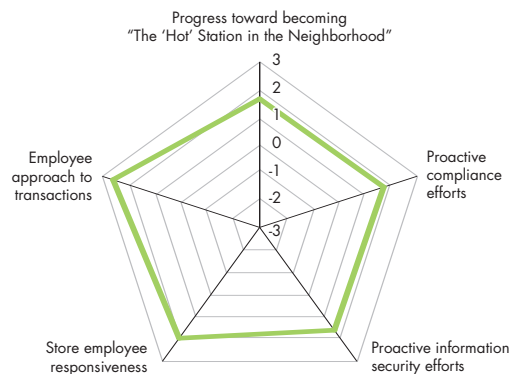


Compliance handbook

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

Respondents to the January 2007 questionnaire gave us higher marks than in last year's survey for our progress toward becoming "The 'Hot' Station in the Neighborhood," as well as on proactive compliance and information security efforts. At the same time, some issues arose concerning employee approaches to transactions and the responsiveness of store employees, although in general these results were positive. We accept the sincerity and validity of these responses and pass them on to appropriate divisions so they can consider improvements.

Business Partner Questionnaire Results



Note: Closer to 3 is positive; closer to -3 is negative.

Our Valuable Business Partners

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

To support its business partners, LAWSON established a vendor support team in March 2005 to offer advice on utilizing

production process management systems at rice product and other production facilities, and to support operational enhancements. We work with rice production facility employees to reduce raw material cost ratios and eliminate unnecessary, inconsistent and wasteful elements in the production process by inspecting and comparing current and historical production process data.



Shareholder and Investor Relations

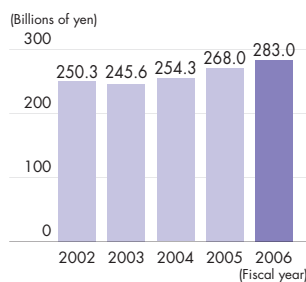
LAWSON is committed to raising corporate value through medium- to long-term growth. At the same time, we strive to remain reliable and maintain the trust of our shareholders and other investors through timely, appropriate and unbiased disclosure and proactive communications.

Fairly Assessing Corporate Value

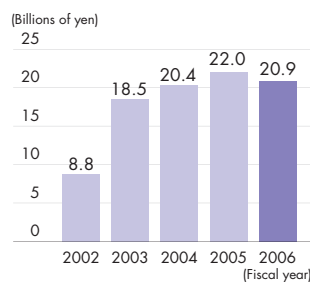
To fulfill its social responsibilities and corporate governance obligations, LAWSON has formulated Basic Principles on Disclosure. We disclose corporate information with full recognition that timely and appropriate disclosure is the basis of healthy capital market formation and provides peace of mind to customers of LAWSON stores.

We go beyond mere accountability, taking a proactive approach in disclosing material information to capital market participants and media organizations in a timely, appropriate and unbiased manner. Through these efforts, we strive to achieve a high level of trust and ensure that capital markets assess our corporate value fairly.

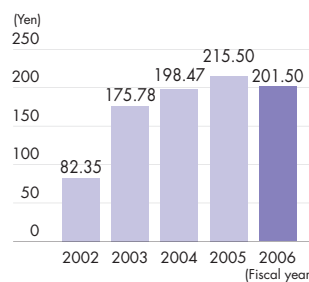
Total Operating Revenues (Consolidated)



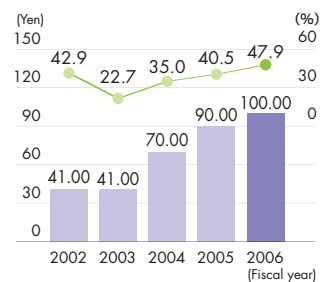
Net Income (Consolidated)



Net Income per Share (Consolidated)



Dividends per Share (Yen) (Non-Consolidated) / Payout Ratio (%)



Note: Fractional amounts rounded down

Communicating with Shareholders and Investors

In addition to legal disclosure requirements, LAWSON discloses information voluntarily through detailed annual and business reports, monthly corporate information updates and video coverage of the General Meeting of Shareholders. We also hold quarterly earnings announcements and small-group meetings, engaging in direct dialogs with securities analysts and institutional investors.



Earnings announcement

LAWSON Selected by Securities Analysts for Excellence in Disclosure

LAWSON was chosen as the top company in the retail business category in the FY2006 Superior Corporate Disclosure Awards. These awards were introduced in FY1995 by the Disclosure Research Council of the Security Analysts Association of Japan. In these rankings, companies are segmented by business type and their disclosure status is assessed through various methods by securities analysts.

The association accorded LAWSON's management high marks for its disclosure stance and approach, noting that top management provides thorough explanations on business policies during quarterly earnings announcements and at other events, the investor relations department is easily accessible, and general disclosure

and investor relations activities clearly define LAWSON's corporate philosophy and medium- to long-term vision.

Regarding the fairness of disclosure, we earned an overall superior ranking within the retail industry. We received high ratings for unbiased disclosure, evinced by the rapid website availability of documents pertaining to quarterly earnings announcements, monthly data and other materials, as well as a full range of information published in English. For disclosure of corporate governance information, we were also evaluated favorably for our detailed explanations on capital policies, policy for return to shareholders and business goals.

We will continue to emphasize and enhance our disclosure of information.

Third-Party Opinion

LAWSON asked a third party to evaluate its environmental preservation activities. We will take these views and suggestions to heart, using them to improve and develop our future activities.

“Using the stores as a medium, provide opportunities for environmental consideration and activity.”

Switch Environmental Group

Representatives Shingo Koizumi
(Environmental and Information Studies, Environmental and Information Studies Department, Musashi Institute of Technology)

Masayuki Ichikawa
(Environmental and Information Studies, Environmental and Information Studies Department, Musashi Institute of Technology)

Designer Yasuko Matsumoto
(Scenography, Display and Fashion Design; Department of Sculpture; Musashino Art University)

We formed the Switch Environmental Group in June 2005. The group grew out of the desire to raise public consciousness about the environment and transition society toward sustainable systems. Our main activity so far has been to provide policy recommendations on corporate environmental activities. After forming the group, we were considering ways to approach companies from our position as students when we learned of LAWSON's 30th anniversary contest on “The Convenience Store of the Future.” We submitted our idea for a system to reduce shopping bag use and won a prize. In the process, had the chance to exchange views with LAWSON representatives. Our suggestions focused on prototyping and popularizing personal bags for customer use. LAWSON representatives considered our opinions and suggestions at length, making the experience highly valuable to us.

LAWSON has the twin advantages of a network of around 8,600 stores nationwide and a sense of proximity to consumers. We hope LAWSON will leverage these strengths to use stores as a medium for educating consumers on environmental issues and encouraging them to think about and help the environment. One example of these activities is the LAWSON Green Fund. The fund uses in-store notices



Prototype bags designed for LAWSON by the Switch Environmental Group (Masayuki Ichikawa, left; Shingo Koizumi, center; and Yasuko Matsumoto)

throughout its store network to raise customers' environmental awareness and collect donations. We would like to see more such efforts that leverage the strengths of convenience stores.

The Convenience Store Eco-Bag—distributed since March—is highly commendable. However, cashiers often appear flustered when customers offer these bags at the register. To popularize the use of these bags, we believe store staff need to have a better understanding of this movement.

Although disclosing such information in this report and on the LAWSON website is certainly necessary, surely the stores themselves are LAWSON's closest point of contact with its customers. We would like LAWSON to use its stores to raise customer awareness and consideration of environmental preservation, nudging them on to the next step—environmental action. We also believe that achieving LAWSON's corporate philosophy of “Happiness and Harmony in our Community” requires community-specific contributions. To accomplish this aim, we believe that LAWSON needs to ask for more input from store employees. We would like the opinions of people such as ourselves to be reflected as well. LAWSON has a very favorable image as a dynamic company at the forefront of its industry that is implementing a variety of environmental conservation measures. We hope to see LAWSON continue to take on diverse challenges and promote environmental activities on an ongoing basis.

LAWSON's History

1975 April	Daiei Lawson Co., Ltd. established
June	First store opens in Sakurazuka (Osaka)
1976 October	T.V.B. Sun Chain Co., Ltd., established
1977 April	Inaugurated system for joint delivery of milk and other daily use products
November	Created specialized plant to make boxed lunches and began supplying freshly made boxed lunches
1978 January	Installed first-generation computer system
1980 September	Business tie-up established between LAWSON and Sun Chain
1982 March	Began accepting home delivery service orders
1986 April	Began sales of <i>Kara-age Kun</i> fried chicken nuggets
1988 May	Began employing a new three-delivery system
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
1991 February	Began employing the slogan “The ‘Hot’ Station in the Neighborhood” in internal and external communications
1992 September	Started collecting donations for charities working to protect the global environment (Currently called “LAWSON Green Fund”)
1993 April	Commenced Clean Aid activities
1995 January	Conducted recovery and donation activities in wake of Kobe earthquake
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
1997 March	Started “Every Store Can Help” campaign
July	Commenced operations in Okinawa, marking the Company's extension of operations to all 47 Japanese prefectures

1998 February	Installed Loppi multimedia data terminals at all stores
November	Established the LAWSON Code of Ethics
December	Received ISO14001 certification, the environmental management system standard
2000 July	Company's shares listed on the First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
October	Established i-Convenience, Inc.
2001 May	Established LAWSON ATM Networks, Inc.
July	Opened the first NATURAL LAWSON store
2002 February	Established LAWSON CS Card, INC.
June	Introduced the LAWSON PASS card
November	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
August	Signed an agreement with Wakayama Prefecture on local cooperation activities
2004 June	Appointed a compliance promotion officer
2005 March	Announced Personal Information Protection Policy
May	Opened the first LAWSON STORE100
June	Created new corporate philosophy to mark the 30th anniversary of LAWSON's founding
2006 January	Formally started waste-oil recycling
September	Became first private company to sign agreement with Japan's Ministry of the Environment
December	Opened first HAPPY LAWSON store, designed to support child-raising
2007 January	Began full-fledged development of LAWSON PLUS stores
January	Launched MY LAWSON POINT card without credit function
February	Formed operating and capital alliance with naturalBeat Co., Ltd.

Company Overview (As of February 28, 2007)

Name	LAWSON, INC.
Address	Tokyo Headquarters: East Tower, Gate City Osaki, 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	3,614 (consolidated basis)
Scope of Operation	Development of LAWSON convenience store franchise chain
Store Revenues	¥1,386.6 billion (FY2006)
Stores	8,564 (in Japan)
Store Coverage	All 47 Japanese prefectures, as well as Shanghai, People's Republic of China (joint venture)

Store Information (As of February 28, 2007)

Stores
In Japan, **8,564**

Chugoku Region **509** Chubu Region **1,229** Hokkaido Region **500**

Chugoku Region		Chubu Region	
Stores		Stores	
Tottori	82	Niigata	108
Shimane	74	Toyama	99
Okayama	119	Ishikawa	72
Hiroshima	124	Fukui	85
Yamaguchi	110	Yamanashi	61
Total	509	Nagano	139
		Gifu	104
		Shizuoka	148
		Aichi	329
		Mie	84
		Total	1,229

Tohoku Region **770**

Tohoku Region	
Stores	
Aomori	151
Iwate	172
Miyagi	157
Akita	136
Yamagata	57
Fukushima	97
Total	770

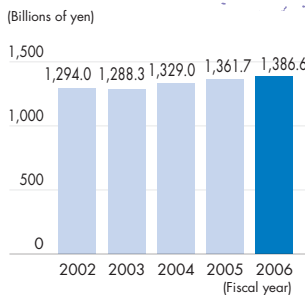


(As of December 31, 2006)

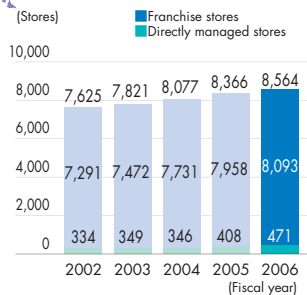
Kyushu Region **986** Shikoku Region **429** Kinki Region **1,855** Kanto Region **2,286**

Kyushu Region		Shikoku Region		Kinki Region		Kanto Region	
Stores		Stores		Stores		Stores	
Fukuoka	316	Tokushima	108	Shiga	125	Ibaraki	105
Saga	60	Kagawa	97	Kyoto	193	Tochigi	103
Nagasaki	79	Ehime	163	Osaka	835	Gunma	69
Kumamoto	91	Kochi	61	Hyogo	482	Saitama	333
Oita	119	Total	429	Nara	104	Chiba	287
Miyazaki	84			Wakayama	116	Tokyo	895
Kagoshima	107			Total	1,855	Kanagawa	494
Okinawa	130					Total	2,286
Total	986						

Consolidated Net Sales

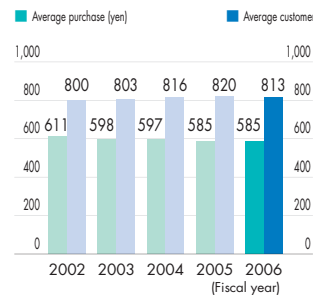


Directly Managed Stores/Franchise Stores

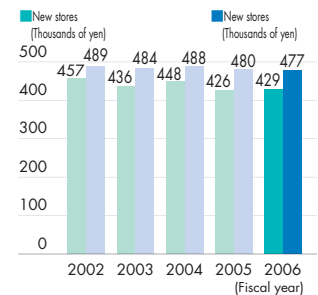


Note: Store numbers include NATURAL LAWSON and LAWSON STORE100.

Average Customers/Average Purchase



Average Daily Sales



Consolidated Subsidiaries



LAWSON TICKET, INC.

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



i-Convience, Inc.

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



LAWSON ATM Networks, Inc.

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



BestPractice Inc.

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



NATURAL LAWSON, Inc.

Development of the NATURAL LAWSON store format-where beauty, health and comfort are keywords; product planning and development; oversight of shop management.



VALUE LAWSON, Inc.

Format development, 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.

Affiliated Companies

LAWSON CS Card, INC.

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

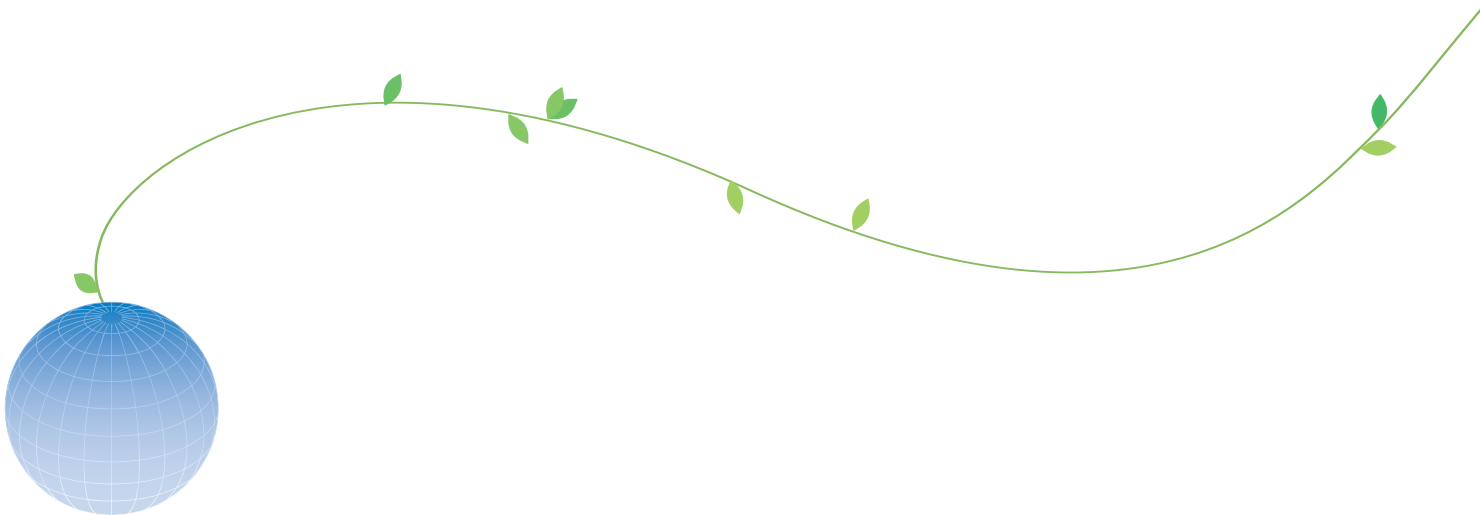
SHANGHAI HUALIAN LAWSON Co., Ltd.

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

naturalBeat Co., Ltd.

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

LAWSON



LAWSON, INC.

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