

LAWSON



Corporate Citizenship Report 2009

“Happiness and Harmony
in Our Community”

LAWSON Genki Plan

With the downturn in the global economy and other concerns, people in Japan are finding it increasingly difficult to be optimistic about the future. It was to give people and local communities a lift in these difficult times that we launched our LAWSON Genki Plan as the “Hot Station in the Neighborhood.” The first step to such a goal is to ensure that our employees and store personnel are cheerful and positive, and to create clean, bright stores that provide the products and information that people are looking for. It is our hope that these efforts will bring cheer to our customers and breathe new life into the neighborhoods in which we operate. We consider it to be our social responsibility to give people a reason to smile.



LAWSON Genki Plan logo



Cooperate 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

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Caring for Our Planet

LAWSON is committed to operating eco-friendly, people-friendly stores as the "Hot Stations in the Neighborhood" while aiming to address environmental issues.

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Enriching the Community

Working for "Happiness and Harmony in Our Community," LAWSON is committed to giving people and local communities a lift.

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Motivating People

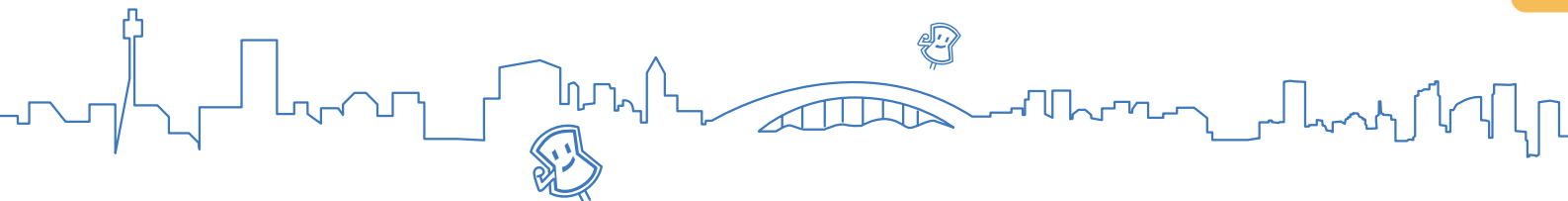
LAWSON is proactively enhancing communication within LAWSON family, including store owners and crews.

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● From the Editorial Team

LAWSON cares deeply about the health of our planet and local community life, and endeavors to contribute to both society and the environment in various ways based on its corporate philosophy of "Happiness and Harmony in Our Community." This report — our 11th — is composed of 3 key parts focusing respectively on the environment, local communities, and people. Each part contains special features and other information on the ways in which we are striving to help create a sustainable society, and on our relationship with our customers, franchise store owners and crews, business partners and society as a whole, laid out in what we hope is an easy readable format. We put this report together also to serve as a departure point for future activities. We sincerely hope that it will help you to understand the ways in which we are working for the betterment of our society.

● Scope of Report

Scope: This report focuses specifically on LAWSON as a parent company, its franchised stores and specific affiliated companies, and includes examples of the cooperative efforts of our business partners involved in logistics, manufacture of food products and waste management.

Period: The primary period covered by this report is fiscal 2008 (March 1, 2008 through February 28, 2009), but information on activities from previous fiscal years and fiscal 2009 has been included where appropriate.

Date of Issue: August 2009 (previous report: August 2008; next report: planned for August 2010)

Reference Guidelines: Japan's Ministry of the Environment Environmental Reporting Guidelines (fiscal 2007 version)



A Turning Point in Time

Contributing to Society through Breathing New Life into Local Communities

Our Corporate Philosophy

The World Economic Forum, known also as the Davos Conference after the Swiss resort that hosts it every year at the end of January, is a gathering of politicians, business leaders and other influential people from around the world. In 2008, I too participated in Davos to put forward LAWSON's philosophy — which is to work for "Happiness and Harmony in Our Community."

This corporate philosophy is effectively one of coexistence with society.

I don't believe that enterprises should concern themselves solely with making money. We want to work with society for the happiness of everyone. People in the audience from many different countries endorsed this philosophy as a sentiment worthy of putting into practice worldwide. Working with society, working with local communities, working with the neighborhood — this is, I think, the goal that enterprises need to pursue from now on.

Opening New Horizons with our Genki Plan

The world is changing more rapidly than ever. Japanese society is being buffeted by a multitude of pressing issues, including the financial crisis and concomitant economic recession and job insecurity, swine flu, bogus labeling that threatens food safety, declining birthrate and the graying of the population, and the increasingly serious issue of global warming. People's attitudes and behavior are being molded by these issues, and society is clearly approaching a major turning point. In the face of these circumstances, convenience stores, the retail industry and indeed society as a whole appears to be stuck in a rut, overtaken by a sense of helplessness and unable to find a way forward.

It was to address this situation and breathe new life into society that we launched our LAWSON *Genki* Plan in April 2008. This plan reflects our commitment, as a network of stores rooted in the local community, to work for the happiness and harmony of the communities in which our customers reside. By operating bright, clean stores manned by cheerful and considerate staff and offering whatever

products and information our customers need around the clock, as well as implementing a range of other initiatives, we aim to give our customers in the local community a lift when they need it.

Creating Stores and People Capable of Adapting to Change

LAWSON aims to create shops that keep abreast of changes in society. We try to constantly evolve by implementing various changes that better match the needs of the local community. In addition to our regular "blue" stores, we have launched new formats that focus on different needs, such as NATURAL LAWSON stores which put priority on health, beauty and comfortable lifestyle, LAWSON STORE 100 outlets with a priority on affordability, and LAWSON PLUS, which offer an abundance of fresh foods. We are also collaborating with Japan Post Holdings Co., Ltd. to operate joint post office/stores. As product initiatives, we are developing products made from local produce for both local and nationwide consumption under comprehensive agreements with local authorities, and have started offering our own Value Line products developed originally for LAWSON STORE 100 outlets in our regular CVS stores too.

The most important aspect of creating stores and products that appeal to our customers is to possess a thorough understanding of their wants. Leveraging our organization of seven regional branches, we practice store management based on the policies of store localization and development of products that address local needs. We use tools for analyzing individual store management to deepen our knowledge regarding the development of products and stores tailored to the local community.

We also strongly believe that happy employees make happy stores. Our employees need to be upbeat about their work, and so we actively implement various measures to motivate them and make them feel part of the LAWSON family,* such as developing products based on ideas from our store crews (part-time staff), providing our franchise store owners with opportunities for direct dialog with management, offering work styles designed for employees raising young children, and hiring overseas employees.

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

Working Towards a Low Carbon Society

At LAWSON, we devote a great deal of thought to what we can do to help leave a healthy Earth for future generations. One way is to contribute to the realization of a low carbon society, and to this end, we have set ourselves voluntary CO₂ emissions reduction targets. We are aiming for a 10% reduction in CO₂ emissions per store over fiscal 2006 levels by fiscal 2012 based on electricity consumption. This amounts to a yearly reduction of 60,000 tons in emissions compared with fiscal 2006.

To cut electricity consumption in our stores, we are replacing refrigeration, air conditioning, lighting and other equipment with new energy-efficient equipment. Further marked reduction in CO₂ emissions requires innovation, and so we have opened an eco-intensive store in Kure, Hiroshima Prefecture, that is fitted with the latest in environmental technology. We plan to test new technology and methods here for further reducing CO₂ emissions.

We are also working with the Institute of Industrial Science, The University of Tokyo, and others to research the utilization of artificial intelligence (AI) to bring about overall reductions in store electricity consumption. Under this project, we are seeking to implement environmental measures from a broad perspective by looking at store equipment, operation methods, impacts from outside the building and other factors.

Another ongoing initiative is pilot studies aimed at the introduction of eco-friendly electric vehicles (EVs). We are already using hybrid cars and automatic idling prevention systems for company cars used to visit stores, but we plan to introduce EVs that hold promise of delivering further energy efficiencies.

We also feel that the understanding of our customers and others is vital to the creation of a low carbon society, and we conduct activities aimed at enabling customers to contribute to environmental protection in their everyday lives. For example, with our Bring Your Own program, we encourage customers to take their own reusable shopping bags and chopsticks when they go out so as to reduce dependence on disposable chopsticks and plastic shopping bags, and with the LAWSON Green Fund, we offer opportunities for supporting afforestation activities in Japan

and overseas.

Such efforts by our customers and us can help to reduce CO₂ emissions, but no matter how hard we try, we cannot eliminate them entirely. We accordingly launched a CO₂ Offset program in 2008 to enable customers to offset CO₂ emissions. We feel that by joining hands with our customers, franchise owners, store crews and employees we can through all of these little efforts make a big contribution to the environment.

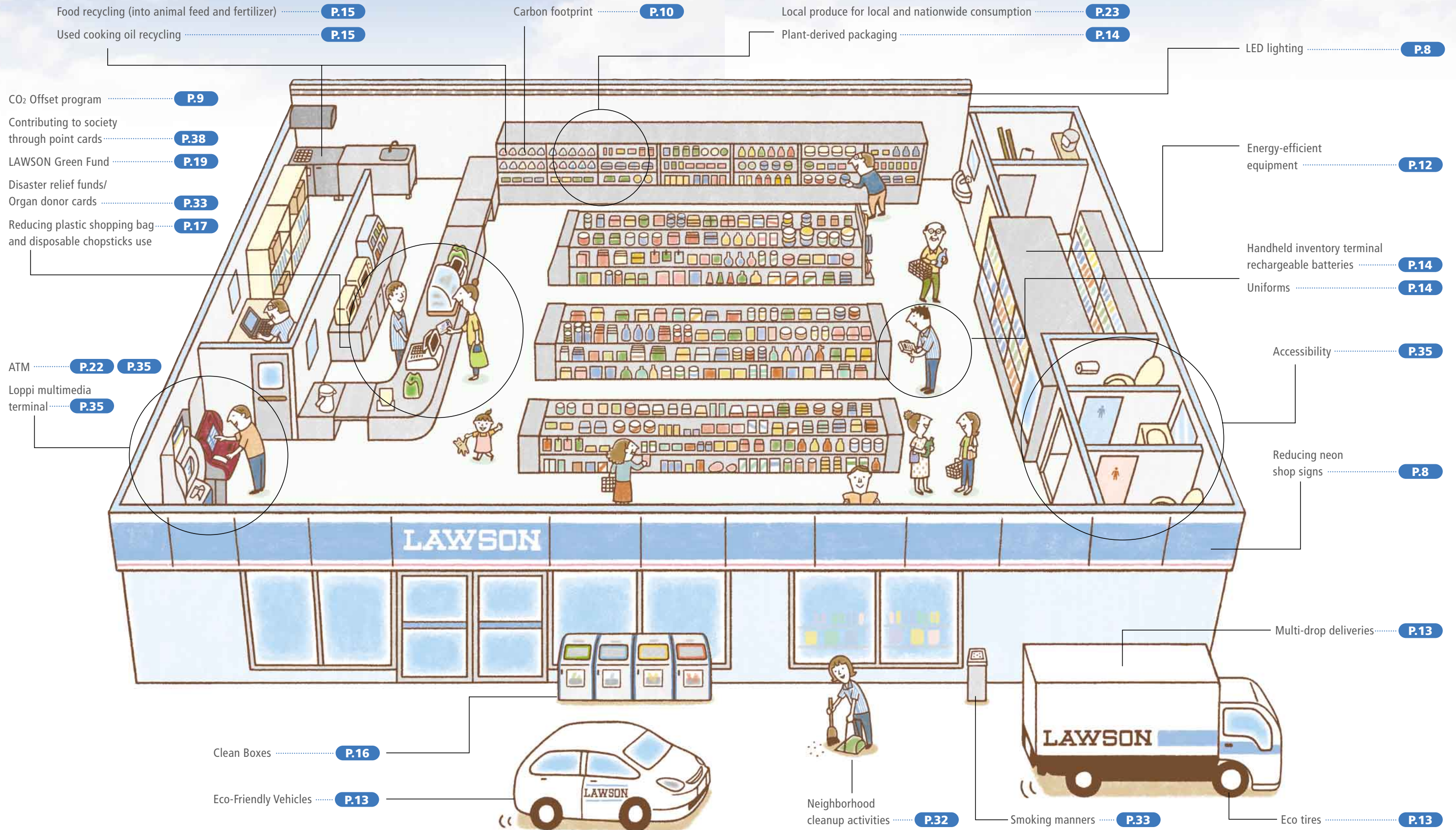
These initiatives are at the core of our corporate philosophy to work for "Happiness and Harmony in Our Community." We aim to go beyond retailing to serve as vital social infrastructure that benefits people, communities and the Earth.

Takeshi Niinami
President and CEO



LAWSON Stores: Environmental Protection and Corporate Citizenship Activities

As part of its efforts to become the "Hot Station in the Neighborhood," LAWSON works with its customers, franchise store owners, crews, business partners and others to implement initiatives aimed at protecting the environment and contributing to society. These efforts are evident in many different areas of store operation.



Caring for Our Planet

Special Feature 1

Store of the Future

Eco-Intensive Store Opens

LAWSON stores use a lot of electricity for air conditioning, lighting, refrigerators and freezers. To leave a healthy planet to future generations, we have always strived to minimize energy consumption in our stores, and will continue to implement new measures for saving energy.



LAWSON Numbers to Note

■ Percentage of total CO₂ emissions derived from electricity consumption

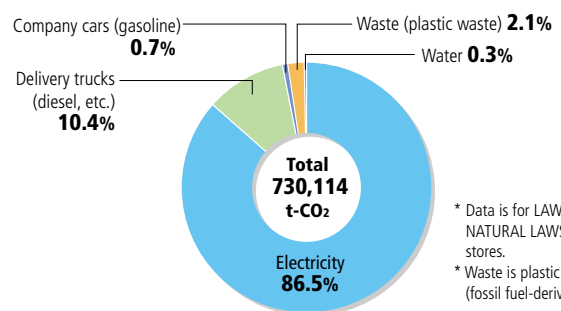
86.5%

Reducing Electricity Consumption in Stores

LAWSON's annual consumption of electricity, water and so forth is equivalent to about 730,000 tons of CO₂ emissions. Roughly 80 percent of those emissions are derived from electricity consumption.

To reduce electricity consumption in our stores, we have set ourselves the target of reducing CO₂ emissions by 10 percent from the fiscal 2006 levels by 2012, and are currently deploying energy-efficient equipment and taking various other measures to achieve this target (see P12 for details).

● Fiscal 2008 CO₂ Emissions Breakdown



Environmental Beacon for LAWSON Stores Nationwide

In October 2008, LAWSON opened an eco-intensive 2-story store in Hiro Park in the city of Kure in Hiroshima Prefecture. Located in a popular public park, this pilot store has been equipped with a great many eco-friendly and people-friendly features.

One energy-saving feature is the use of renewable energy. To reduce electricity consumption, rainwater is used to cool refrigeration and air conditioning outdoor units. The store has also been equipped with solar panels and a wind turbine that generate part of the electricity used by the store.

To minimize heat inflows and outflows, the outer walls and roof have been insulated with material that largely blocks the passage of heat, and polycarbonate windows help to reduce air conditioning needs. LEDs that consume half the

electricity of fluorescent lighting have also been installed experimentally for in-store lighting and signs. Energy was saved at the construction stage too through the use of very strong but lightweight steel beams that require less energy to manufacture and carry to the construction site.

To achieve our fiscal 2012 target, we are assessing the efficacy of the various energy-saving features of this pilot store, and we will apply the most effective features to other stores.

Key Energy-Saving Features of the Kure Hiro Koen Store



Basics Explained 1

Revised Energy Conservation Law

The Energy Conservation Law (Law Concerning the Rational Use of Energy) imposes energy management obligations on large factories and business premises over a certain size, but the latest revision, which will take effect in April 2010, requires businesses to manage energy companywide as a single unit. LAWSON, with a yearly energy consumption for its whole chain of over 1,500 kl (crude oil equivalent), is accordingly required under the revised law to manage energy in all of its stores from fiscal 2009.

From the Frontline: Employee



Atsushi Daikawa
Construction Planning Department

With environmental issues figuring so prominently these days, we took a hard look at what LAWSON could do, and incorporated all sorts of technology into the Kure Hiro Koen store.

There are many different environmental technologies out there, but until you actually try them out in a store, it's difficult to tell if they match the scale, and how they should be used or combined with other technologies and so on. That's why it's important to try them in a real world environment to find out which configuration is the most energy efficient. We've tested various theories and have managed to achieve an overall energy saving of about 15 percent. Since our estimate was 13.6 percent, we're quite pleased with this result.

I think that store construction requires a lifecycle approach that considers everything from transport of the building materials to reuse and recycling. It's an ongoing process that will continue to evolve.

Special Feature 2

Working with Customers for the Environment

Expanding our CO₂ Offset Program

As a convenience store rooted in local communities, LAWSON has a mission to provide opportunities for people to contribute to the environment through everyday activities. We seek to work with our customers to bring about the creation of a sustainable society.



LAWSON Numbers to Note

■ CO₂ emissions reduction from our CO₂ Offset Program

7,192t

Converted to beech trees*:

653,818 trees



* Assuming that one beech tree absorbs 11 kg of CO₂ per year (Forestry and Forest Products Research Institute yardstick)

 = 100,000 trees
 = 10,000 trees

What is CO₂ Offset ?

Reducing greenhouse gases has become an urgent global issue. LAWSON seeks to curb its own CO₂ emissions through reducing electricity consumption in its stores, but also endeavors to reduce CO₂ emissions on a wider scale through working with its customers. One such initiative is its CO₂ Offset Program.

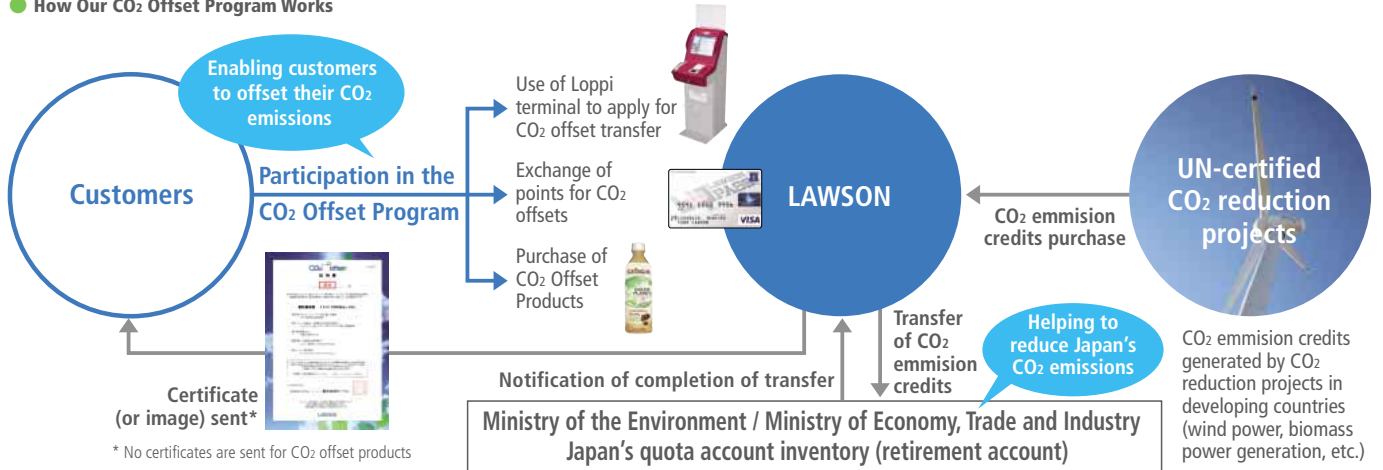
CO₂ offset is a mechanism for offsetting all or a portion of one's own CO₂ emissions by purchasing CO₂ emissions reduction — emissions credits — achieved in developing countries and other regions.

We also experimented with the display of carbon footprints (CO₂ emissions) related to products.

LAWSON's Approach to Reducing CO₂ Emissions

In April 2008, LAWSON launched its CO₂ Offset Program as a means of enabling its customers to contribute to environmental protection through their local convenience stores. Customers can exchange LAWSON Point Card points earned by shopping at LAWSON for CO₂ offsets, or purchase CO₂ offsets with cash using the Loppi multimedia terminals in our stores. Another way in which we enable customers to help reduce CO₂ emissions is through enlisting the cooperation of manufacturers to sell beverages and sundries with CO₂ offsets. In summer 2008, we also started a joint

● How Our CO₂ Offset Program Works



* No certificates are sent for CO₂ offset products

initiative with THE NISHI-NIPPON CITY BANK, LTD. to enable customers visiting our Fukuoka Prefecture stores to offset CO₂ emissions with every transaction conducted through a LAWSON ATM.

To support the efforts of customers to reduce their CO₂ emissions, LAWSON has also added a simple household CO₂ emissions calculation console to its website that anyone can use to check their household CO₂ emissions.

As a result of these initiatives, total offsets purchased as of the end of February 2009 amounted to 7,192 tons-CO₂.



CO₂ Offset Products



Georgia Green Planet Café au Lait and Real Rescue, launched jointly with Coca-Cola (Japan) Co., Ltd.



LAWSON's CO₂ offset products won the Service Category Award in the Business Category of "eco japan cup 2008", an event sponsored by a Public-Private Partnership.

Basics Explained 2

What is a Carbon Footprint?

In March 2009, LAWSON experimentally displayed the CO₂ emissions related to its Niigata Koshihikari Onigiri rice balls as their "carbon footprint" on the packages of products sold at some stores. A carbon footprint is the total greenhouse gas emissions derived directly and indirectly from a product or service throughout its lifecycle, from raw material procurement through manufacture to disposal and recycling. Displaying carbon footprints as CO₂ emissions on product labels etc. can help customers obtain accurate information for reducing environmental impacts. LAWSON too utilizes the concept to identify lifecycle stages in which impacts are greatest so as reduce such impacts more effectively.



From the Frontline: Employee



Shogo Kira
Senior Manager,
Product
Generalized
Department

We sold the rice balls displaying their carbon footprint in some Tokyo stores in spring 2009 as an experiment, but it is still a little-known concept among customers, and so it looks likely to take more time for it to have any impact on consumer behavior. For this experiment, we examined all sources of CO₂ from raw material procurement to manufacture, delivery to stores, store shelf lighting and so on. It was very time-consuming, but also very worthwhile, since it gave us a detailed picture of how much CO₂ is generated in the process of making and selling a product. I think the concept of carbon footprint will become increasingly important as a tool for promoting environmental protection and creating a low carbon society.

LAWSON's Commitment to the Environment

LAWSON positions the creation of a low carbon society as a major management priority, and actively pursues policies to reduce CO₂ emissions.

LAWSON's Environmental Policy

Basic Commitment

LAWSON is committed to operating eco-friendly, people-friendly stores. To ensure that future generations inherit a healthy planet, we do our utmost to reduce the environmental impacts of our business activities and work for the realization of a sustainable society through a wide range of corporate citizenship activities.

Policies

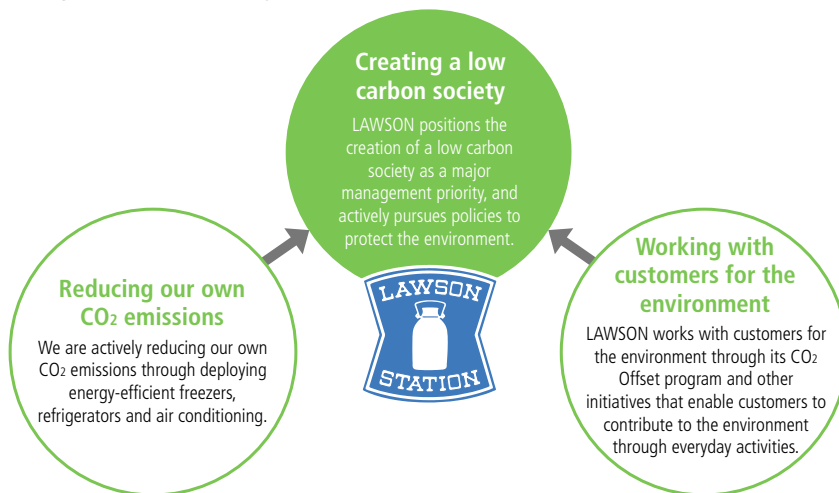
- (1) Provide safe products, services, and information, and pursue activities that reduce environmental impacts.
- (2) Set environmental objectives and targets based on assessments of the environmental impacts of our business operations, products and services, and strive to continuously improve them and prevent pollution.
- (3) Adhere to all environmental laws and regulations and improve our environmental management system.
- (4) Strive to reduce environmental pollutants, reduce and recycle waste, and conserve energy and resources in our daily operations.
- (5) Support and participate in environmental protection and citizenship activities such as community greening, cleanup and other initiatives with local authorities.
- (6) Raise awareness of the importance of environmental protection through environmental education and communication activities.

LAWSON's Endeavors for a Low Carbon Society

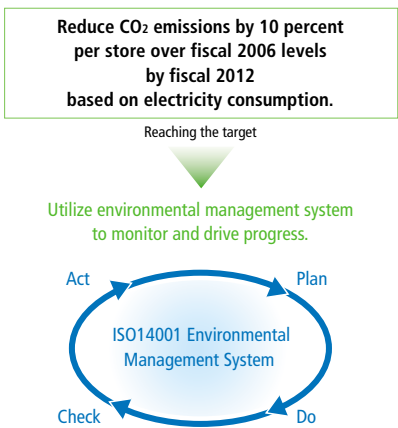
LAWSON is taking two key approaches to help create a low carbon society, based on its reconsideration of what it can do as a convenience store chain. One of those approaches is the setting and achievement of voluntary targets for reducing CO₂ emissions from our business activities. The other is the provision of services that will help our customers to contribute to a low carbon society. Through these two approaches, we are working as one with our customers, franchise store owners, and crews to help to create a low carbon society.

The voluntary target that we set ourselves in 2006 was to reduce CO₂ emissions by 10% per store over fiscal 2006 levels by fiscal 2012 based on electricity consumption. This amounts to a yearly reduction of 60,000 tons in emissions compared with fiscal 2006.

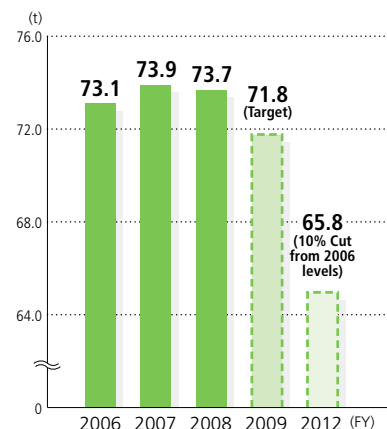
Aiming for a Low Carbon Society



CO₂ Emissions Voluntary Reduction Target



Per-Store CO₂ Emissions Based on Electricity Consumption





Aiming for a Low Carbon Society

Per-Store CO₂ Emissions Based on Electricity Consumption

Fiscal 2007 result

73.9_t

Fiscal 2008 result

73.7_t

Fiscal 2009 target

71.8_t

Measures for Reducing Electricity Consumption

Freezers, refrigerators and lighting account for most of the electricity consumed in our stores, and we are actively deploying new energy-efficient systems. New stores are being fitted with Energy Saver Pack combined refrigeration and air conditioning systems, and existing stores with Eco Pack energy consumption control systems. The combined total of such stores reached 5,127 in fiscal 2008, realizing a 22,000 tons reduction in CO₂ emissions. We are also taking other measures such as the use of automatic adjustment systems for controlling lighting levels according to ambient light level.



Using ISO14001 Processes to Monitor CO₂ Emissions

To achieve our environmental targets, we used an ISO14001 environmental management system to monitor progress and implement a Plan-Do-Check-Act (PDCA) cycle. We are also using the CO₂ emissions monitoring service offered by the Japan Quality Assurance Organization to obtain more objective and accurate third-party data on our CO₂ emissions. Use of an ISO14001 environmental management system to gather and analyze data on CO₂ emissions enhances the credibility of our CO₂ emissions data.

Partnership with the University of Tokyo on Reducing CO₂ Emissions

Joint Research in Stores

We are conducting joint research with the Yashiro Laboratory in the University of Tokyo's Institute of Industrial Science on reducing store CO₂ emissions. Under this project, we are testing an advanced automatic energy monitoring and control system to implement comprehensive measures that consider impacts from outside buildings as well as store equipment and operational improvements.

We started the tests in June 2008 at our Minamikase 4-chome, Tachikawa Ichibancho 4-chome, and Tokyo Daigaku Yasuda Kodo stores. We have already developed a detailed picture of energy usage and are now considering energy saving measures. This system, which provides a blueprint for optimum energy usage tailored to the circumstances of each store, holds promise as an effective means of reducing CO₂ emissions, and we will deploy it in other stores in fiscal 2009 to continue the verification.



Automatic control system utilizing artificial intelligence

Helping to Reduce CO₂ Emissions through Domestic Credit System*

In a joint project with the University of Tokyo, LAWSON is trading CO₂ emissions credits using the government's domestic carbon credit system.

Under its Sustainable Campus Project, the University of Tokyo is endeavoring to

reduce its CO₂ emissions through fitting its campus with inverter-equipped fluorescent lighting and replacing the freezers in the University of Tokyo Hospital with the latest energy-efficient equipment. LAWSON buys the carbon credits thus created to use in its CO₂ Offset Program.

* Domestic carbon credit system: a mechanism for joint energy saving by large, small and mid-sized businesses that enables large corporations to purchase credits as CO₂ emissions reductions to offset against their voluntary action plan targets.

From the Frontline: Joint Researcher

Aiming to Create the World's Most Sustainable Convenience Store

Mr. Bumpei Magori

Research Fellow, Yashiro Laboratory, Institute of Industrial Science, The University of Tokyo

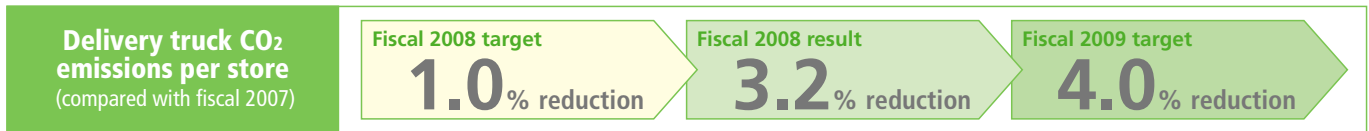
As the world seeks to address the issue of global warming, commercial facilities are under particularly strong pressure to reduce CO₂ emissions and save energy. LAWSON and the University of Tokyo have been conducting joint research since fiscal 2008, and I feel that the way we researchers and LAWSON's people have been able to produce results by discussing issues in depth is important. I anticipate that these efforts will yield a reduction of over 10% in energy consumption over the year, and if we maintain these efforts, I think that LAWSON could become one of the world's leading sustainable organizations.



Measures to Reduce Energy Consumption

LAWSON operates a nationwide logistics network to ensure the delivery of safe and healthy products to its stores in prime condition. We are doing our utmost to boost the efficiency of this network and reduce its environmental impacts through the use of eco tires and other measures.

Reducing CO₂ Emissions through Improving Logistics Efficiency and Introducing Eco Tires



Reduction of Delivery Truck CO₂ Emissions

LAWSON continues to implement a range of measures to reduce CO₂ emissions related to product delivery, and achieved a reduction of 3.2% in fiscal 2008 compared with fiscal 2007, exceeding its target of 1%. In fiscal 2009, we will aim for a 4% reduction compared with fiscal 2007.

Promoting Joint Delivery

LAWSON is reducing the number of deliveries to its stores through implementing delivery system improvements such as multi-drop delivery and the use of dual partition, dual temperature management trucks. These trucks enable the simultaneous delivery of products with different temperature requirements such as rice-related products (20°C) and dairy products, desserts and other items (10°C or below) through the dual partitioning of storage space.

By also reworking deliveries of sundries and other improvements, we have succeeded in reducing average daily deliveries per store from 16 in 1989 to 7.44.* We will continue to pursue improvements in delivery schedules and routes.

* Excluding newspapers and cigarettes

On-Board Operation Management System

All delivery trucks carrying chilled products* are equipped with an operation management system connected to a mobile communications network that enables real-time monitoring of product temperature, arrival and delivery status. It also monitors driving to help enhance operational efficiency by curbing speeding, sudden acceleration and deceleration, engine idling during deliveries, and so forth.

* Chilled products are rice, dairy, dessert and other products that require temperature control.

Eco Tire and Low-Emission Vehicle Deployment

Starting in fiscal 2008, LAWSON has fitted eco tires to about 420 delivery trucks to reduce fuel consumption. We are also promoting the use of low-emission natural gas-powered and hybrid vehicles, deploying 67 such delivery trucks by the end of fiscal 2008.



deployment of Mitsubishi Motors Corporation electric vehicle (EV) for supervisor store visits to test running performance, recharge time and so forth. Tests showed the EV to be capable of fully recharging in seven hours and traveling approximately 80 kilometers in urban traffic conditions. We plan to introduce them successively to Tokyo, Nagoya, Osaka and other locations to substantially reduce CO₂ emissions.



Improving Company Car Fuel Efficiency

Switching to Eco-Friendly Vehicles

LAWSON operates a fleet of approximately 1,600 company cars that are used by supervisors and store development staff nationwide, and since fiscal 2006, all of these cars except 4WDs have been upgraded to hybrid cars or equipped with automatic idling prevention systems. We have also fitted all company cars with electronic toll collection (ETC) systems to avoid tollgate congestion and boost fuel efficiency, and we instruct drivers to avoid sudden acceleration and deceleration, and otherwise practice safe and eco-friendly driving.

EV Deployment

In January 2009 LAWSON started a pilot

From the Frontline: Employee

Contributing to the Environment with EVs

Keisuke Tanaka

Supervisor in Koto District (Tokyo)

I really like driving EV. It accelerates well compared with conventional fuel-driven cars, and produces no engine noise, making it really quiet. There are still issues that need to be addressed, such as the limited distance EVs can run on one recharge and scarcity of recharge points, but these are not major problems in Tokyo inner city locations, since the total distance traveled between stores in one day is not that great. EVs are generating a lot of buzz these days, and so I think using them is a long way of communicating LAWSON's efforts for the environment.



Making Good Use of Finite Resources



LAWSON makes every effort to contribute to environmental protection and the building of a sustainable society through the wise use of finite resources.

Caring for our Planet

Reducing Environmental Impacts through Wise Resource Use

CO2 emissions from the incineration of containers and packaging (compared with fiscal 2006)

Fiscal 2007 result

5.2% reduction

Fiscal 2008 result

12.6% reduction

Fiscal 2009 target

7.0% reduction

Eco-Friendly Packaging

LAWSON's commitment to safety and health is evident in its efforts to eliminate harmful emissions during the production and use of packaging for boxed lunches and ready-made dishes through improving raw materials and equipment.

We use containers made from eco-friendly polylactic acid (PLA) for certain rice and ready-made dishes. PLA is a biodegradable resin made from maize and other plants, and is carbon-neutral since CO₂ emissions from its incineration are offset by the CO₂ absorbed when the raw materials are cultivated. As such, PLA use reduces CO₂ emissions over the product lifecycle.

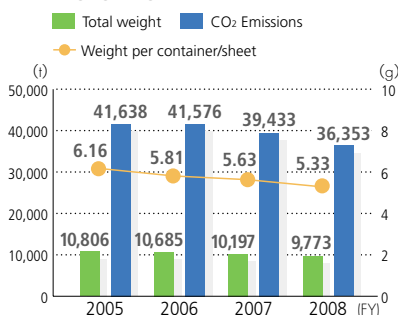
We also endeavor to conserve packaging-related resources through the use of foam and thin packaging that reduces overall weight while not compromising safety. These efforts have resulted in a reduction of 8.3% in each container weight and overall reduction in raw materials of 912 tons compared with fiscal 2006, which is equivalent to about 5,200 tons of CO₂ emissions reduction from the incineration of packaging.

As for our target of 5% reduction in CO₂ emissions, we achieved the result of 12.6%.



PLA Salad Container

Packaging Weight and CO₂ Emissions



Reuse of Rechargeable Batteries Used in Handheld Inventory Terminals

In March 2007, LAWSON began recycling the rechargeable battery packs used in its handheld inventory terminals.

Rechargeable battery packs whose cells have been replaced perform just like new packs. We recycled approximately 6,100 such packs in fiscal 2008, reducing annual waste by about one ton by reusing casings and recycling rare metals recovered from replaced cells.



Dynamic order terminal (DOT)

100% Uniform Recycling

Based on the views of store owners and crews, we introduced a newly designed uniform in autumn 2009 and at the same time started the chemical recycling of uniforms, almost entirely eliminating waste from uniform replacement. Our use of an anaerobic process that produces no CO₂ emissions also reduces the environment impact of recycling.

LAWSON plans to recycle about 800,000 uniforms weighing approximately

220,000 kilograms by March 2015. Recycling 220,000 kilograms would result in a 480,000 tons reduction in CO₂ emissions, helping to mitigate global warming.

The new uniforms will be the first in Japan's convenience store industry to receive the Japan Environment Association's Eco Mark certification.



TOPICS

Using Domestic Forest Thinnings for NATURAL LAWSON Disposable Chopsticks

Lunch boxes purchased at NATURAL LAWSON stores come with disposable chopsticks made from Japanese cypress plantation forest thinnings from Yoshino in Nara Prefecture. (Plantation forests are thinned to encourage growth of the best trees, a practice that also enhances CO₂ absorption.)

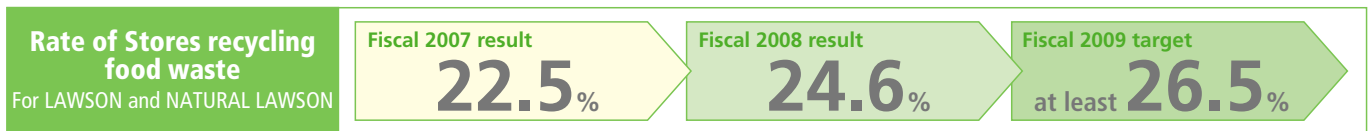
The disposable chopsticks also carry advertisements, part of the revenue from which is used to defray forest thinning costs. This system accordingly boosts the utilization of forest thinnings and helps to protect Japan's forests.



Boosting Recycling and Reducing Waste

Our stores generate a wide range of waste, from the cardboard boxes in which products are packaged to boxed lunches, bread snacks and other foodstuffs that have passed their sell-by dates. We do our utmost to reduce the impact of this waste on the environment by trying to cut waste generation and recycling as much as we can.

Helping to Build a Recycling Society



Reducing and Recycling Food Waste

Our stores each generate an average of about 11.6 kg per day of food waste, which includes oil used to fry *Kara-age Kun* chicken nuggets as well as boxed lunches and other foodstuffs that have passed their sell-by dates*. We strive to reduce such food waste both through

● Stores Recycling Food Waste (April 1 to March 31)

	FY2007	FY2008
Used oil recycling	7,403	7,599
Animal feed, compost	906	1,013
Thermal recycling	—	124
Percentage of stores recycling food waste	22.5%	24.6%

* The ratio of stores recycling food waste is 28.5% when waste output reduction is included in the calculation based on the Food Waste Recycling Law.

curbing output, and through material recycling (used oil recycling, production of swine feed and compost from food waste) and thermal recycling (recovery of heat energy).

In fiscal 2008, 24.6% of our stores recycled food waste (excluding waste output reduction). We aim to improve this rate by at least two percent each year from fiscal 2008 to fiscal 2012 compared with the fiscal 2007 rate of 22.5%, making for a fiscal 2012 target of 32.5%.

* Sell-by date: a date preceding the "eat-by date" that we set voluntarily to take into account the time likely to elapse between purchase and consumption by the customer

measuring raw material weight, final product weight and portion amounts etc. down to single grams.

In our stores, we are striving to reduce waste output by improving product assortment. Each store uses its computer to check past sales according to day of the week, weather, local events and other factors to adjust product assortment accordingly and reduce waste.

Promoting Reuse and Recycling

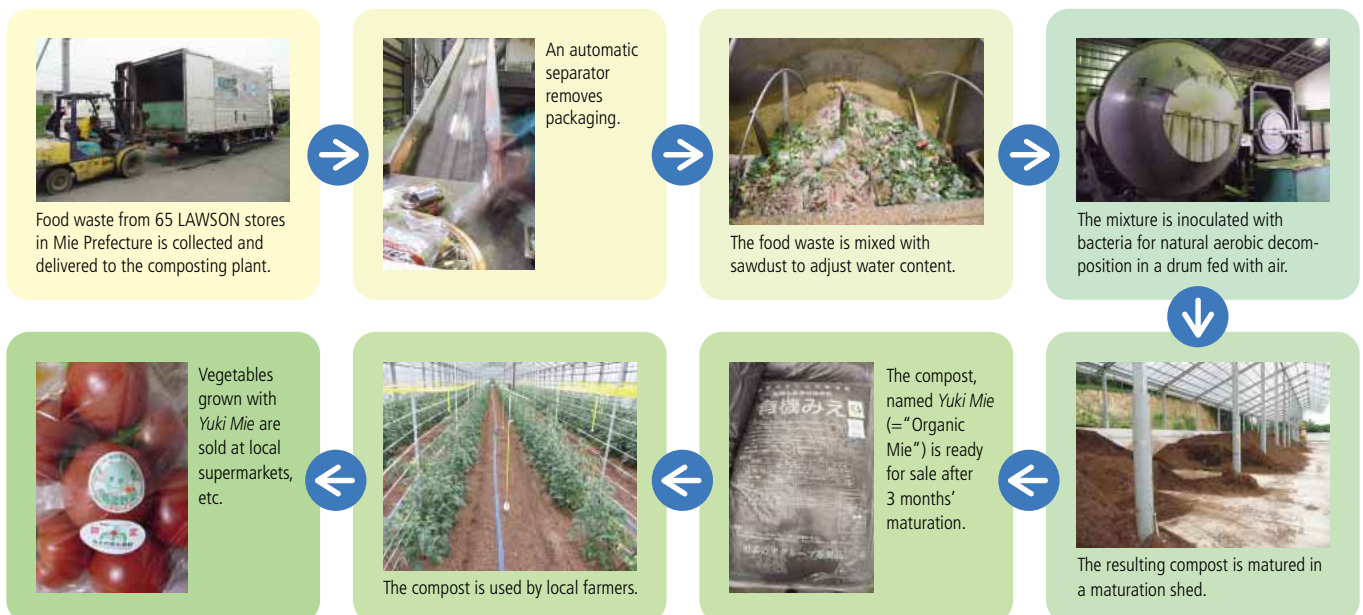
LAWSON started to recycle used cooking oil in January 2006, and has steadily increased the number of participating stores. By the end of May 2009, 7,594 stores were recycling used cooking oil, which is collected by industrial waste collection businesses for recycling as an additive in swine feed and construction industry paint, bio-diesel fuel (BDF) for public buses, additive-free soap and other

Curbing Waste Output

We are focusing on cutting down waste output. At the manufacturing stage, we have introduced a production management system designed to eliminate the production of surplus products by

● Recycling Food Waste as Compost (Partner: Sanko Co., Ltd.)

With the help of Sanko Co., Ltd. (Tsu, Mie Prefecture), 65 LAWSON stores (as of May 2009) in Mie Prefecture are recycling their food waste. Sanko collects the food waste and then processes it over the space of 3 months into compost that is then sold to local farmers, landscape gardeners, forest owners etc. Vegetables grown by farmers using this compost are sold in local supermarkets and other outlets.





products.

As of May 2009, 1,022 stores were also recycling boxed lunches and ready-made foods that had passed their sell-by dates. Such unsold foodstuffs from all Tokyo, Yokohama City, and Kawasaki City stores and some Kyoto City stores, including NATURAL LAWSON outlets are recycled as animal (pig) feed, while those from Kumamoto City, Nagoya City, Aomori City, Mie Prefecture, and Matsue City stores are recycled as compost. 66 LAWSON STORE 100 are also recycling of unsold foodstuffs.

Reducing Waste Using Garbage Processors

We have deployed garbage processors in 49 of our directly managed stores (as of May 2009). These processors reduce the weight of food waste by removing water content and drying the waste.

Utilization of Unsold Foodstuffs

From June 2006, two LAWSON stores in Yokohama in corporation with a rice product plant have provided unsold boxed lunches and bread products that have passed their sell-by dates to *Sanagi Kitchen*, an eatery run by an NPO in Yokohama's Kotobuki district. *Sanagi Kitchen* uses these unsold foodstuffs before their eat-by dates to make inexpensive meals.

Collecting Recyclable Waste (Partner: Sanko Co., Ltd.)

Sanko Co., Ltd. also collects other recyclable waste. The PET bottles, cans and glass containers that Sanko collects from LAWSON stores in Mie Prefecture are recycled as resources.

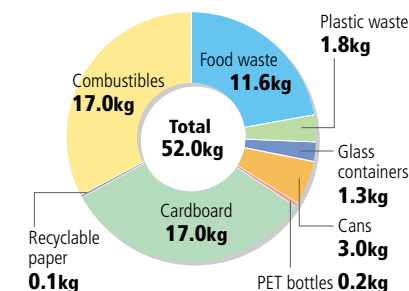


Store Waste Output

A year-long survey (April 2008 to March 2009) of the waste output of 343 Tokyo stores revealed an average daily output per store of 52.0 kg. Much of this is either combustible waste such as waste paper, disposable chopsticks and wrapping paper (17.0 kg) or the cardboard boxes in which products are delivered (17.0 kg). Food waste accounts for another 11.6 kg. Breakdown of waste output location showed storefront clean boxes to account for about 30% of the total, with in-store waste accounting for the remaining 70%. However, storefront clean box waste is

increasing every year due to people disposing household waste when they come to shop.

Store Waste Output Survey Results (Average Daily Waste Output Per Store)



From the Frontline: Business Partner

Recycling is Productive Activity

Mr. Takashi Magara

Sales Manager, Sanko Co., Ltd.

The way I see it, we're involved in production rather than garbage treatment. We sort the garbage thoroughly and produce the best possible compost. If we don't make good compost, farmers won't buy it. Thankfully, we have no shortage of order — in fact, too many to fill!

We have a group company involved in growing vegetables with our compost. It sells these vegetables at its own sales corner in local supermarkets, for example, the tomatoes invariably sell out within 30 minutes. Even children with a dislike for vegetables like our tomatoes, saying they taste really fruity.

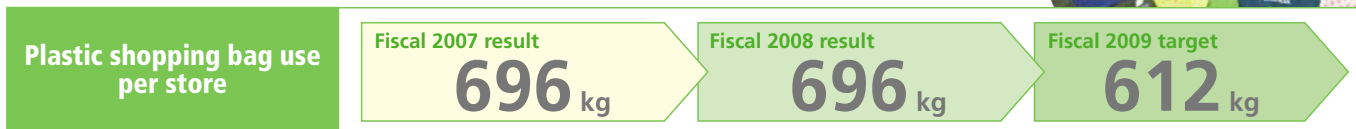


Working with our Customers for the Environment

As a network of convenience stores rooted in local communities, LAWSON endeavors to work with its customers to help create a sustainable society through offering opportunities for people to contribute to the environment through everyday activities.



"Bring Your Own" Program to Reduce Plastic Shopping Bag Use



Over 2 Million "Bring Your Own" Bags Distributed

To reduce plastic shopping bag use, LAWSON created its Convenience Store Eco-Bag to best fit the boxed lunches and plastic bottles that are the most frequent items purchased. To get as many customers as possible to use them, we started handing them out free at some stores from March 2007. We have also made the bag's specifications publicly available and have called on like-minded companies to make use of them to promote more widespread use of these bags. In the 2 years that have passed since we launched the campaign, we have distributed over 2 million bags.

"Bring Your Own" Bag Distribution

Bags distributed at LAWSON stores and by Group companies	1,360,000
Bags made by cooperating companies and organizations	649,000
Total bags distributed	2,009,000

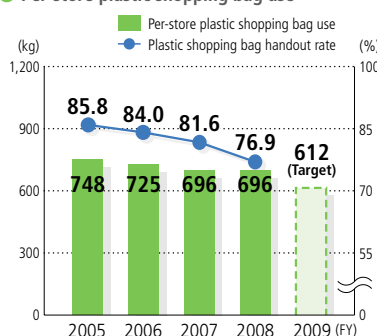
(As of February 28, 2009)

Aiming to Reduce Plastic Shopping Bag Use by 32%

Under the Agreement on Environmental Protection Initiatives concluded in September 2006 by LAWSON and the Ministry of the Environment, LAWSON ensured a 20% reduction in plastic shopping bags by fiscal 2008 compared with fiscal 2005.

The introduction in fiscal 2008 of Taspo smart cards for preventing cigarette purchase by minors had the effect of boosting customer numbers, and as a result shopping bag use fell by only 7%

Per-store plastic shopping bag use



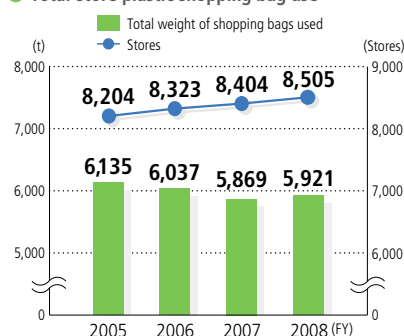
compared with fiscal 2005. However, the reduction in plastic shopping bags per customer was 13.5%, and so our efforts — posters, in-store broadcasts and the practice of asking customers if they need a bag, as well as the distribution of Bring Your Own bags — would appear to be having an impact.

We plan to combine such measures to reduce plastic shopping bag use in fiscal 2009 by 32% compared with fiscal 2000 (the shared target of the 12 convenience store chains belonging to Japan Franchise Association).

Reducing Plastic Shopping Bag Use with Customers

In all of our Hokkaido and some other stores, we launched a point card member

Total-store plastic shopping bag use



system in fiscal 2008 that awards one point to customers foregoing plastic shopping bags at checkout. This resulted in a reduction of 8.6% in plastic shopping bag handout rate* since commencing the program.

Endorsing Kyoto University's efforts to reduce plastic shopping bag use, the LAWSON store at the campus has since January 2008 provided such bags only when customers ask for them. By also selling and lending Bring Your Own bags, the store reduced average monthly plastic shopping bag handout rate from 63.8% to 2% (the average rate during January to December 2008).

* Plastic shopping bag handout rate = plastic shopping bag number ordered/customer number

TOPICS

Popular Character Helps Promote Convenience Store Eco-Bag Use

In a tie-up with the producers of the anime movie *Evangelion New Theatrical Version: Breaking* aimed at promoting the use of its eco-bags, LAWSON started selling original figurines of the popular character Rei Ayanami using a Loppi terminal with a Convenience Store Eco-Bag in her other hand.





Reducing Disposable Chopstick Use through "Bring Your Own" Chopsticks Program

Per-store disposable chopstick use

Fiscal 2007 result

56,636 sets

Fiscal 2008 result

55,264 sets

Fiscal 2009 target

47,620 sets

Promoting a New Lifestyle through Reducing Disposable Chopstick Use

LAWSON store staffs ask customers whether they need disposable chopsticks or not to ensure no chopsticks are handed out unnecessarily. We also use posters and in-store broadcasts to encourage customers to help reduce disposable chopstick use.

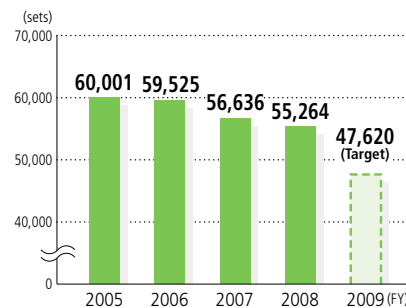
Through such measures, we aim to reduce disposable chopstick use in fiscal 2009 by 20% compared with fiscal 2006.

Creating a "Baseball Bat Forest" through "Bring Your Own" Chopstick Use

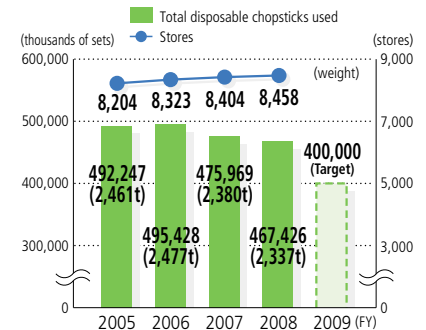
To reduce the use of disposable chopsticks, LAWSON started to promote Bring Your Own chopsticks in April 2007 using chopsticks made from baseball bat factory ash wood discards with the help of MIZUNO TECHNICS CORPORATION and OAK VILLAGE Co., Ltd.

In addition to sales through our store Loppi multimedia terminals, 15,000 sets of these Bring Your Own chopsticks have

● Per-store disposable chopstick use



● Total-store disposable chopsticks used



* The disposable chopsticks used in NATURAL LAWSON stores are excluded since they are aimed at promoting the use of disposable chopsticks made from Japanese forest thinnings.

been distributed to LAWSON employees and 18,000 sets to companies supporting this initiative.

These Bring Your Own chopsticks are also helping to protect and grow a forest, since LAWSON donates ¥100 to the nonprofit organization *Donguri no Kai* for each set distributed. The money funds a "Baseball Bat Forest" being cultivated by *Donguri no Kai* for preserving ash, which grows slowly and has not undergone significant replanting.

Using Japanese Timber to Preserve Forests

LAWSON helps to promote better management of Japanese forests and enhance their CO₂ absorption capabilities by actively using timber from well-managed forests. Our NATURAL LAWSON stores provide disposable chopsticks made from Japanese cedar forest thinnings (for details, see P14: NATURAL LAWSON Disposable Chopsticks). We also build wooden stores using local timber, and use paper made from Japanese forest thinnings for business reports and other headquarters publications.

TOPICS

"Bring Your Own" Program Wins Two Awards

LAWSON's Bring Your Own program, aimed at encouraging people to take their own reusable shopping bags and chopsticks when they go out, won the Minister of Economy, Trade and Industry Award in the 3R* Promotion Council's 2008 3R Awards to recognize endeavors to promote the 3Rs.

In January 2009, our Bring Your Own Bag program also received a Minister of the Environment Container and Packaging 3R Promotion Award for Excellence 2008.

* 3R: Reduce/Reuse/Recycle. We aim for a recycling-oriented society that efficiently recycle the limited materials while reducing waste generation as much as possible.



Minister of Economy, Trade and Industry Award



Minister of the Environment Container and Packaging 3R Promotion Award for Excellence

LAWSON Green Fund: Growing Forests with Customer Generosity

Participation in greening projects in fiscal 2008	Projects participated in	Forest improvement	71	Participants	1,387 people
		School greening	64		
		Overseas greening	2		

LAWSON Green Fund Marks its 18th Year

LAWSON launched its Green Fund initiative in 1992 to help grow the forests that absorb and store CO₂, prevent landslides, conserve water, and bring us so many other benefits. The generous donations of our customers throughout Japan have since supported a great many forest improvement projects both in Japan and overseas through the National Land Afforestation Promotion Organization. Franchise store owners, store crews and employees have also participated in some

of these projects.

Donations to the LAWSON Green Fund from its inception, including headquarters contributions, totaled 2.78 billion yen as of February 28, 2009. A total of 2,017 locations in Japan and overseas have benefited from the funded forestry improvement projects, with approximately 13.32 million trees over a total area of 5,328 hectares being thinned, planted or otherwise improved.

Note: The area and number of planted trees are calculated based on certain conditions presumed from the total of LAWSON Green Fund and the past results of Green Fund activities.

this day. In 2009, we handed out packets of marigold seeds to about 900,000 customers.



Packets of marigold seeds



LAWSON Green Fund collection boxes

LAWSON Flower and Greenery Day

In 2001, as a symbol of the LAWSON Green Fund and its forestry improvement activities, we designated the third Sunday in May as "LAWSON Flower and Greenery Day." On this day, customers, store owners crews, and employees and their families participate in tree planting and branch pruning aimed at restoring a 34 hectare tract of forest — named the Mt. Fuji LAWSON Forest — that was devastated by a serious typhoon in 1996. We also hand out packets of flower seeds to customers at LAWSON stores throughout Japan on

From the Frontline: Participant in Mt. Fuji Forest Restoration

Social Contribution that Builds Confidence

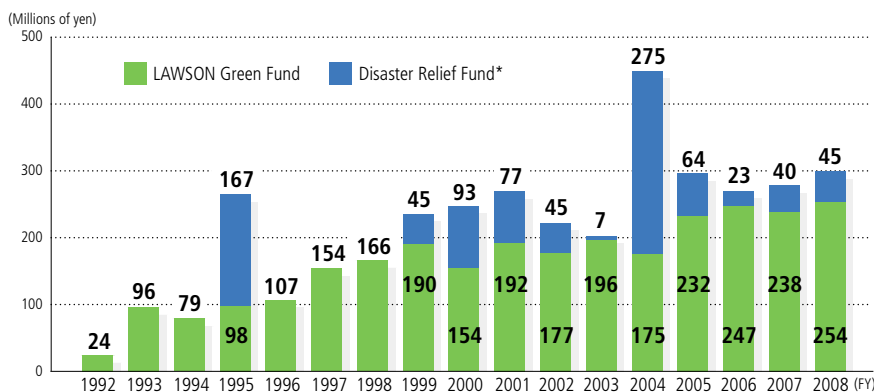
Ms. Naomi Ishizuka
Owner, Shizuoka Shikichi Store

Being in a store gives you very few opportunities to enjoy nature, and it's really exhilarating to get out into the mountains. I wanted others to share the experience, and so got a number of my crew members to come along. To participate in activities like this, you need to run your store well and make sure that you have the time, but I really enjoyed participating and feel the experience has helped build my self-confidence.



Ms. Naomi Ishizuka (Owner second from right)

LAWSON Green Fund Donations



Note: LAWSON Green Fund collection boxes are replaced for a period by Disaster Relief Fund collection boxes in the event of a major disaster (see P33 for information about Disaster Relief Funds).



Forest Improvement Projects in Fiscal 2008

LAWSON store owners, crew members and other employees participated in forest improvement projects at 135 Japanese and 2 overseas locations in fiscal 2008 (March 1, 2008 to February 28, 2009). Volunteers helped to plant saplings, thin out forests, prune branches and clear brush on steep slopes in all kinds of weather conditions including rain and snow, but everyone participating got a lift out of working together in the great outdoors.

Hokkaido Region

Hokkaido	Date	Date Greenery and Flower Festival Project
	Toyoura	Hokkaido Steiner School
	Toyako	Toyako Summit 50-Day Countdown Tree Planting Festival
	Toyako	Hokkaido Toyako Summit Forest Creation Project
	Hakodate	21st century South Hokkaido Forestation Project
	Otobe	Otobe Forest, River and Sea Beautification Project
	Ebetsu	Nopporo Elementary School
	Yubetsu	Baro Elementary School
	Obihiro	Kaisei Elementary School
	Shakotan	Fruit Tree Forest Project
	Tsukigata	Forest Improvement Project to Mitigate Global Warming
	Bihoro	Newborn Baby Commemoration Tree Planting
	Takikawa	Ishikari River Basin 3 Million Tree Planting Project
	Tsubetsu	Forestry Experience and Green Fund Activity Project
	Shiraoi	Northern Woodland Plantation Thinning Volunteer Day

Tohoku Region

Aomori Prefecture	Aomori	Asamushi Elementary School
	Fukaura	Beautiful Forest and Pine Sawyer Beetle Eradication Forest Belt Project
	Tsugaru	Tsugaru City Amalgamation 3rd Year Anniversary Tree Planting
Iwate Prefecture	Hanamaki	Hanamaki Special Needs School
Akita Prefecture	Kitakami	Waga Nishi Elementary School
	Katagami	Tenno Minami Middle School
	Ugo	Fureai Hiroba Construction Launch Commemorative Tree Planting
	Misato	Kanazawa Elementary School
Yamagata Prefecture	Nishikawa	Watershed Forest Protection Volunteer Project
	Tsuruoka	Sakae Elementary School
	Kaminoyama	Minami Elementary School
	Nishikawa	National Participation Forest Thinnings Utilization Project
Miyagi Prefecture	Ishimaki	Kinkazan Forestation and Forest Improvement Project
	Osaki	National Participation Forest Restoration and Preservation Project
Fukushima Prefecture	Ishikawa	Minami Yamagata Elementary School
	Tenei	Hiroto Elementary School

Kanto Region

Ibaraki Prefecture	Hitachi	Mottainai Kids Afforestation Project, Sukegawayama Citizens' Forest Oak Planting Day
	Ushiku	Kamiya Elementary School
Tochigi Prefecture	Sakura	City Folk Forestry Experience and Woodland Conservation Project
	Sakura	Forest Fan Club Forestry Experience Project
	Utsunomiya	Mottainai Kids Afforestation Project
	Utsunomiya	Utsunomiya Tree Planting Day
	Nikko	Ashio Elementary School
Gunma Prefecture	Minakami	Fureai no Mori Forest Improvement Project
Saitama Prefecture	Takasaki	Notsuke Elementary School
	Saitama	Omiya High School Forest of Life Project
	Saitama	Nakacho Elementary School
	Saitama	Shimo-ochiai Elementary School
	Saitama	Harigaya Elementary School
	Chichibu	Low Pollen Maple Forest Project
	Hachioji	Takao Forest Tree Planting Festival
Tokyo	Minato Ward	Aoyama Elementary School
	Toshima Ward	Sugamo Elementary School

Kanagawa Prefecture	Yokohama	Takada Elementary School
	Yokohama	Kurata Elementary School
	Hadano	Ochiai Hachiman Shrine Thousand Year Forest Project
	Atsugi	Echi Minami Elementary School
	Sagamihara	Hikarigaoka Elementary School

Chubu Region

Niigata Prefecture	Agano	Woodland Thinnings Utilization Project
	Sado	Ondeko no Mori Forest Improvement Project
Toyama Prefecture	Kamiichi	Yonan Elementary School
	Namerikawa	Nambu Elementary School
Ishikawa Prefecture	Hakusan	Green Planet Conservation Volunteer Project
	Kanazawa	Shinkanda Elementary School
	Anamizu	Anamizu Elementary School
	Fukui	Hongo Elementary School
Fukui Prefecture	Fuefuki	Ichinomiya Nishi Elementary School
Yamanashi Prefecture	Nakano	Hirano Elementary School
	Ogawa	Woodland Improvement Experience Workshop
	Iida	Kamihisakata Elementary School
	Ibigawa	Ibigawa Basin Citizens' Gongen Watershed Forest Project
Gifu Prefecture	Kani	Minami Katabira Elementary School
	Shizuoka	Yatsuyama Landscape Restoration Project
Shizuoka Prefecture	Fujinomiya	Mt. Fuji LAWSON Forest Project
	Arai	Hamana Special Needs School
	Makinohara	Hagima Elementary School
	Ito	Derelect Plantation Forest Rejuvenation and Thinnings Utilization Project
	Shimizu	Shimizu Elementary School
	Toyokawa	Tobu Elementary School
Aichi Prefecture	Handa	Kamezaki Elementary School
	Seto	Sanage Forest Improvement Project
	Gamagori	Miya Elementary School
Mie Prefecture	Kameyama	Kameyama Higashi Elementary School
	Inabe	Let's Enjoy the Forest Project

Kinki Region

Shiga Prefecture	Omi Hachiman	Musa Elementary School
	Nishiazai	Yamakado Watershed Forest Volunteer Project
Kyoto Prefecture	Nantan	Forest Management and Improvement Experience Project
	Kyotango	Toyosaka Elementary School
	Nantan	Charcoal Maker Training Workshop
	Nara	Manyo no Mori Tree Planting Festival
Nara Prefecture	Sennan	Sennan Woodland Conservation Society
Osaka Prefecture	Toyonaka	Daijugo Middle School
	Izumisano	Mottainai Kids Afforestation Project Senshu Danjiri no Mori Tree Planting Festival
	Ikeda	Project to Turn Mt. Satsuki into a Rhinoceros Beetle Mountain
Hyogo Prefecture	Shiso	Thousand Year Oak Forest Association Tree Planting Project
Wakayama Prefecture	Iwade	Negoroyama Genki no Mori Smoked Thinnings Utilization Project

Chugoku Region

Tottori Prefecture	Tottori	Tsunoi Elementary School
	Tottori	Hamasaka Elementary School
	Yonago	Mottainai Kids Afforestation Project Yonago Tree Planting Day

Shimane Prefecture	Matsue	Woodland Restoration and Local Biomass Energy Production and Use Project
Okayama Prefecture	Niimi	Eco-Camp 2008
	Bizen	Higashi Tsuruyama Elementary School
	Okayama	Mayakami Elementary School
Hiroshima Prefecture	Mihara	Sankeien Tree Planting Festival
	Fuchu	Ashida River Watershed Forest Project
	Fuchu	Ashida River Watershed Forest Project
	Fukuyama	Isegaoka Elementary School
	Hiroshima	Hirose Elementary School
	Hiroshima	Magame Elementary School
Yamaguchi Prefecture	Yamaguchi	Higami Sanno Shrine Relic Commemorative Tree Planting

Shikoku Region

Tokushima Prefecture	Naka	Naka Oku Forest Improvement Project
Kagawa Prefecture	Manno	Forest Thinning Workshop
	Takamatsu	Higashi Ueta Elementary School
	Higashi Kagawa	Honmachi Elementary School
Ehime Prefecture	Imabari	Soja River Watershed Forest Conservation Project
	Uchiko	Thinnings Utilization and Water Resource Conservation Forestry Project
Kochi Prefecture	Ino	Mirai no Mori (Forest of the Future) Project
	Kochi	Ichinomiya Higashi Elementary School

Kyushu Region

Fukuoka Prefecture	Chikujo	Buzenkai Watershed Forest Conservation Project
	Nakagawa	Katanawa Elementary School
	Shima	Derelect Bamboo Woodland Restoration Project
	Yukuhashi	Hieda Elementary School
	Omura	Fukushige Elementary School
Nagasaki Prefecture	Omura	Fukushige Elementary School
Saga Prefecture	Taku	Chubu Elementary School
Kumamoto Prefecture	Kumamoto	Yamanouchi Elementary School
	Yatsushiro	Uyanagi Elementary School
	Aso	Kumamoto Watershed Forest Improvement Project
	Asagiri	Mountain Village Exchange Forest Revitalization Project
	Minami Aso	Hakusui Elementary School
	Koshi	Mottainai Kids Afforestation Project Koshi Tree Planting Day
	Uki	Misumi Elementary School Forest Project
	Taketa	Ogi Elementary School
Oita Prefecture	Hita	Nakatsue Forestry Volunteer Commemorative Afforestation Project
	Hita	Thinnings Utilization-Driven Watershed Forest Conservation
Kagoshima Prefecture	Kagoshima	Kotsuki River Upper Reaches Forestation Project
	Kagoshima	Hometown Beautiful Forest Project
	Ichikushikino	Kushikino Elementary School
	Kirishima	Beautiful Riverside Woods Project
Okinawa Prefecture	Kunigami	Shurijo Koji no Mori Forestation Project
	Yomitan	Tokeshi Elementary School
	Naha	Naha Middle School












Overseas




China	Datong	Loess Plateau greening
Laos	Sayaboury Province	Mottainai Kids Afforestation Project (Nong Sawan Elementary School)

Lawson Environmental Activities Report

Environmental Activities: Targets and Results

FY2008 Environmental Activities Results

Item	Activity	Targets	Achievement Status	Achievement level ¹
Saving energy	Reduce electricity consumed by store air conditioning and refrigeration.	Install energy-efficient equipment in 1,500 existing stores (cumulative: 3,000 stores).	Newly installed in 1,768 stores (Cumulative: 3,253 stores).	Achieved 
		Install energy-efficient equipment in 90% of new stores.	Installed in 430 out of 452 new stores 95% deployment.	Achieved 
	Reduce CO ₂ emissions and atmospheric pollutants through the promotion of eco-friendly driving, and use of low emission vehicles and eco tires.	Reduce per-store CO ₂ emissions by 1.0% (91 kg-CO ₂ /store) compared with FY2007.	Down 3.2% compared with FY2007 (291 kg-CO ₂ /store).	Achieved 
	Promote safe eco-friendly driving of company cars.	Set targets and draw up action plan.	Established system to promote safe eco-friendly driving and improve mileage.	
	Promote companywide mitigation of global warming (reduction of CO ₂ emissions).	Reduce unit CO ₂ emissions (operating hours x floor space) by 22.3% compared with FY1990.	Reduced unit CO ₂ emissions by 60.3g-CO ₂ /m ² h Down 22.7% compared with FY1990.	Achieved 
Saving resources	Reduce plastic shopping bag use (by asking customers if they need shopping bags).	Reduce per-store use by 17.2% by weight compared with FY2006.	Down 4.0% compared with FY2006. (Reference) Down by 22.7% by weight compared with FY2000. Handout rate (plastic shopping bag number ordered + customer number): 76.9%	
	Reduce disposable chopstick use (by asking customers if they need chopsticks).	Reduce sets used per store by 10% compared with FY2006.	Down 6.9% compared with FY2006.	
	(1) Use more lightweight packaging. (2) Use non-plastic packaging (paper, biodegradable plastic) where possible.	Reduce CO ₂ emitted by incineration of packaging by 5% compared with FY2006.	Down 12.6% compared with FY2006.	Achieved 
	Reduce waste through more efficient preparation and delivery of sales promotion materials.	Reduce materials delivered to stores by 5% and unused materials by 5% compared with FY2007.	Materials delivered down 1.5% compared with FY2007. Unused materials down 13.7% compared with FY2007.	
Reducing waste	Reduce and recycle food waste.	Stores recycling food waste: at least 26% (1) Used oil recycling: 7,750 stores (2) Recycling into animal feed or compost: 1,400 stores (3) Garbage processors: 61 units	Stores recycling food waste: 24.6% ² (1) Used oil recycling 7,599 stores (2) Recycling into animal feed or compost: 1,013 stores (3) Garbage processors: 50 units (4) Thermal recycling: 124 stores	
Contributing to local community	Continue collecting donations through LAWSON Green Fund	(1) Place donation boxes in all stores. (2) Participate in greening projects.	(1) FY2008 donations: 250 million yen (Cumulative: 2.78 billion yen) (2) Greening projects: 137 locations	Achieved 

1. Achievement level: Quantitative assessment: 100% achieved:  70% or higher achieved:  Under 70%: 

2. Stores recycling food waste including curbing of food waste generation according to the Food waste Recycling Law: 28.5%

FY2009 Environmental Targets

Item	Activity	Targets (FY2009)
Saving energy	Reduce electricity consumed by store air conditioning, refrigeration and lighting.	Install energy-efficient equipment in 90% of new stores.
		Install adjustable lighting systems or LED lighting in 90% of new stores.
	Reduce CO ₂ emissions through the promotion of eco-friendly driving and use of eco tires in delivery trucks.	Reduce per-store CO ₂ emissions by 4% compared with FY2007 (364 kg-CO ₂ /store).
	(1) Promote safe eco-friendly driving of company cars. (2) Reduce emissions through introduction of electric vehicles.	(1) Improve company car mileage by 10% compared with FY2008. (2) Introduce 40 electric vehicles.
	Reduce store electricity consumption through installation of energy-efficient equipment. Promote companywide mitigation of global warming (reduction of CO ₂ emissions).	Reduce monthly electricity consumption by new store equipment installed in FY2009 by 326 kW/store. (1) Build CO ₂ emissions database. (2) Build energy-efficient store model.
Saving resources	Reduce plastic shopping bag use.	(1) Reduce through asking customers and expanding points system. (2) Promote Bring Your Own Bag program. Reduce per-store handout rate by 3% compared with FY2008 (32% reduction compared with FY2000).
	Reduce disposable chopstick use.	(1) Reduce through asking customers. (2) Promote Bring Your Own Chopsticks program. Reduce per-store use by 20% compared with FY2006.
	(1) Use more lightweight packaging. (2) Use non-plastic packaging (paper, biodegradable plastic) where possible.	Reduce CO ₂ emissions from incineration of packaging by 7.0% compared with FY2006.
	Reduce store sales slips.	Reduce sales slips and other paper by 80 million sheets.
	Promote efficient use of sales promotion materials and comply with disposal laws.	Base materials on standards, and comply with disposal laws.
Reducing waste	Reduce and recycle food waste.	Increase stores recycling food waste by at least 4% compared with FY2007 (at least 26.5%).
Contributing to local community	Continue collecting donations through LAWSON Green Fund.	(1) Place donation boxes in all shops. (2) Participate in greening projects.
Promoting use / education	Work with customers to mitigate global warming (CO ₂ Offset program).	(1) Promote CO ₂ offset (points, Loppi) (2) Continue to sell CO ₂ offset products. (3) Research carbon footprint display on labels.



Environmental Accounting

Period: March 1, 2008 to February 28, 2009

Scope: LAWSON INC. (parent company) and franchise stores

Unit: thousands of yen

	Main activities	Cost	Investment	Benefits
Environmental protection	Energy-efficient equipment such as Eco-pack units and automatically adjustable lighting systems	—	4,905,957	Energy savings: 34,407,654 kWh
	Industrial waste disposal	417,110	—	Compliance with laws and regulations
	Store waste disposal	3,832,836	—	Compliance with laws and regulations
	Food waste recycling (animal feed, compost, used oil recycling, reduction measures, etc.)	669,090	—	5,770 tons of animal feed and compost production
	CFC collection and destruction	59,467	—	Ozone layer protection, global warming mitigation
R&D	Investment in artificial intelligence and new electric vehicle technology testing	7,440	13,076	Energy savings
Management and maintenance	Environmental management system operation	2,501	—	Promotion of environmental activities
	Container and Packaging Recycling Law recycling contractor charges	292,682	—	Wise resource use
	Environmental advertising, enlighting, education, and reporting	91,606	—	Raising awareness of environmental activities
Social contribution	Donations to the National Land Afforestation Promotion Organization and NPOs	21,671	—	Support for social contribution activities
	Greening and cleanup activities	13,816	—	Local community greening and cleanup

1. Store waste disposal and recycling cost is an estimate based on the figures for a standard store.
2. Travel expenses are distributed according to expenditure purpose.

Group Company Environmental Initiatives

LAWSON ATM Networks, Inc.

Switching to New ATMs to Reduce CO₂ Emissions

LAWSON ATM Networks, Inc., which was operating about 6,200 ATMs in 38 prefectures as of May 31, 2009, replaced old ATMs. The new ATMs use paper rolls that can issue 1.5 times as many ATM receipts as the old ATMs, reducing maintenance visits and saving energy as a result.



LAWSON ENTER MEDIA, INC. (formerly LAWSON TIKET INC.)

Raising LAWSON Green Fund at Music Events

LAWSON ENTER MEDIA, INC. supports forest improvement projects both in Japan and overseas through concerts and other events. Initiatives include collecting donations at NATURAL Songs concerts, and the donation to LAWSON Green Fund of part of the ticket price for Music Tree Live, a music event held at Yakushiji Temple in Nara Prefecture with the aim of supporting forests through music.



Stickers promoting the concert

Ninety-nine Plus Inc.

Reducing plastic shopping bag use

Ninety-nine Plus Inc., which operates about 900 SHOP99 single-price, small portion stores and other outlets, endeavors to reduce plastic shopping bag, disposable chopstick and spoon use at its stores by displaying original posters and asking customers whether they need shopping bags or chopsticks.



In-store notice

Enriching the Community

Special Feature 3

LAWSON's Efforts to Enrich Local Communities

LAWSON seeks to offer products and create stores that meet local customer and neighborhood needs while making use of the advantages offered by a nationwide network. We hope to give everyone a lift through a wide range of initiatives to enrich the local communities in which we operate.



LAWSON Numbers to Note

Number of "Eat Local*" products sold in fiscal 2008: approximately

430

* Local production for local consumption

Products to Enrich the Community

● Developing Products with Local Produce for Local and Nationwide Consumption

With its nationwide chain of stores, LAWSON implements all sorts of initiatives for enriching the local communities in which it operates. Our "Eat Local" initiative is a good example. We develop and sell original products made with local produce and tailored to local tastes for local sale. Using locally produced ingredients adds to food safety and selling locally made products locally contributes to the local economy too.

We have also taken the concept a step further by selling local specialties in other regions too. In December 2008, we started selling a boxed lunch that uses *Awa Odori*, a local Tokushima breed of poultry, in stores nationwide.



The *Kayaku Gohan* boxed lunch that uses *Awa Odori* chicken

● Products Tailored to Different Lifestyles

LAWSON endeavors to enrich the community by providing high value products tailored to the increasingly diverse lifestyles of its customers. Our Value Line private brand, products developed for LAWSON STORE 100 outlets are tailored to 1-2 person households and others looking for small portions. We added to our range of original Value Line

frozen foods, soft drinks, and processed foods (seasonings, instant foods, etc.) with the sale of Value Line Ready-to-Eat foods in April 2009 and Value Line Salads in June 2009, all priced at 105 yen includes tax.

We make these products in our own factories to offer top quality while keeping prices low through bulk purchase of ingredients and simplified packaging. This initiative has boosted customer convenience by expanding product choice.



Value Line products



Value Line Ready-to-Eat products

Stores that Enrich the Community

As society and lifestyles evolve, customer needs are diversifying. To keep abreast of these changing needs, LAWSON is implementing various reforms that try to take convenience stores to the next level.

● NATURAL LAWSON for Health-Conscious Consumers and Working Women

NATURAL LAWSON stores put priority on health, beauty and comfortable lifestyle, and are located in business districts of large cities to cater to the large number of working women. They offer healthy, low-calorie ready-to-eat foods and boxed lunches, sweets made from select ingredients, detergents and cosmetics made from natural materials, and other products that can be used with peace of mind. NATURAL LAWSON stores have won a following among health-conscious men as well as women.



● LAWSON STORE 100 Popular with housewives, students and the elderly

These stores sell almost all of fresh food, processed foods and sundries at the simple price of 105 yen including tax, and are very popular particularly among housewives, students and the elderly. We sell only the freshest and best quality fresh foods, putting priority on selling vegetables and fruits in season.



● LAWSON PLUS Offering Products Tailored to Local Needs

LAWSON PLUS stores offer fresh produce alongside regular LAWSON offerings to meet the needs of local customers. Products offered are adjusted according to location such as urban, rural etc.



From the Frontline: Employee



Kiyoshi Shimotori
Chief Buyer, Processed Foods Department, Ninety-nine Plus Inc.

I handle chocolates, snacks, rice biscuits and other sweets.

The price of SHOP99 and LAWSON STORE 100 products is fixed, and so the challenge is to offer products with real value for the price.

I get ideas for products I'd like to handle by wandering around supermarkets and other shops, and we also get feedback from customers on the kind of materials they want us to offer, but we're to a certain extent limited by price, and with the rise in price of produce recently, it's not always easy to offer some products. We offer small portions and so forth to surmount such issues, but we need to square this with volume demands too. However, when you manage to overcome hurdles and see the products you developed lining store shelves, you get a real sense of achievement.

I aim to continue adding to product assortment while also providing even safer products.

Keeping Customers Satisfied

LAWSON eagerly heeds customer feedback to earn trust, provide greater convenience, improve products and services, and ensure that customers remain satisfied.

Efforts to Ensure Customer Satisfaction

To enhance customer satisfaction and serve as the "Hot Station in the Neighborhood," LAWSON focuses on three key priorities — the provision of quality products, operation in convenient locations and implementation of the three challenge practices.

The Three Challenge Practices

Our the three challenge practices of store operation are: (1) ensuring merchandise assortments are matched to individual store locations; (2) serving customers courteously; and (3) keeping stores surrounding areas clean.

To ensure that we can supply what our customers are looking for, we utilize individualized "store charts"¹ to ensure the right mix of merchandise for the neighborhood. Each and every store differs in location, climate and local event, and analyzing these neighborhood attributes enables FC owners to tailor their stores to the needs of local customers.

To provide enjoyable customer experiences and ensure that neighbors welcome our presence, we keep our stores and their surroundings immaculately clean. To respond to the feedback and requests we receive from customers on the courtesy of our store crews, we use conduct manuals to promote the provision of courteous, heartfelt customer service.

We conduct seminars for franchise stores and training for FC owners and

crews to promote the practice of the three challenge practices throughout the LAWSON organization.

In fiscal 2009, we plan to launch PRISM, a next-generation information system designed to further promote customer-driven merchandise assortment and innovate the ordering process. PRISM will enable precision ordering and enhance product lineup, hospitality, and other aspects of customer service.

1: Store charts: an important tool for franchised store owners to make decisions as it includes analysis of marketing and management on an individual store basis. Through the use of these "store charts," each store is able to promote merchandise assortment and ordering that is matched to the individual characteristics of each store locations.

Quality Products

Our headquarters works hand-in-hand with our stores to constantly improve operations and ensure that the products

that reach customers are safe, trustworthy, healthy and delicious.

Convenient Locations

We actively seek to open new shops in locations such as schools, hospitals, post offices, subway and train stations, airports and expressway parking areas, tailoring stores to the nature of the location to best meet customer needs.



Kyushu Expressway Kiyama Parking Area
LAWSON Highway Pit Kiyama Nobori Store

LAWSON's approach to customer satisfaction

LAWSON customer satisfaction

Three golden rules + Quality products + Convenient locations



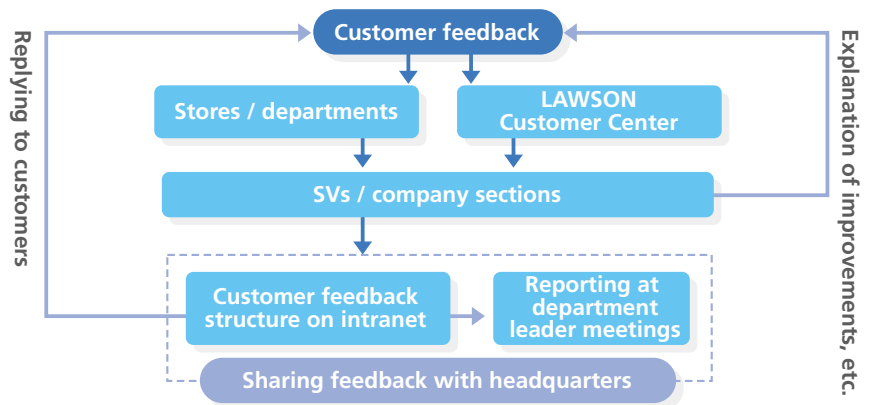


Customer Feedback Structure

The LAWSON Customer Center is dedicated to channeling customer enquiries and feedback to appropriate sections for prompt response, and to sharing any issues with all employees through the company intranet and other means to make any necessary improvements.

Feedback is used to improve customer satisfaction through developing store quality, new products, and new services.

Customer feedback structure



Enriching the Community

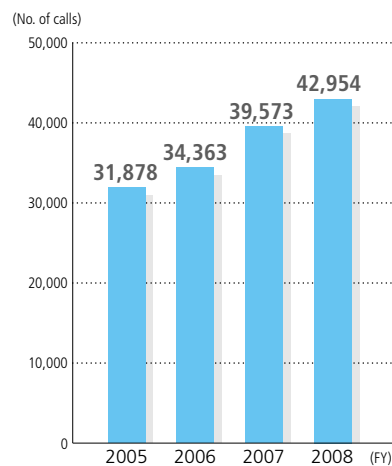
Feedback Received by the LAWSON Customer Center

As the number of our services grows, so does the volume of feedback received each year by the Customer Center. We are also seeing an increasing diversity of feedback that appears to be prompted by the major changes that started to sweep society in fiscal 2008.

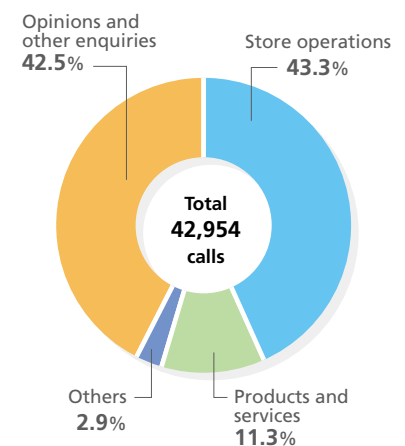
As in the past, the most frequent type of feedback in fiscal 2008, accounting for 43.3%, concerned store operations. Enquiries about products and services decreased, but opinions and other enquiries rose dramatically to 42.5%. We received considerable feedback on environmental topics, and also an increasing number of improvement requests regarding noise, litter and ashtrays around our stores.

We will continue to share feedback across our organization to implement further improvements.

Customer Feedback Numbers



Fiscal 2008 Customer Feedback Breakdown



TOPICS

Acting on Customer Feedback:

In March 2009, we launched the sale of the third version of Nissin Ultimate Curry: Chicken Curry Noodles developed largely by "NAZO NO LAWSON-BU", a LAWSON fan community.

This is a hit series launched in 2007 that has sold out rapidly with the release of every new version. NAZO NO LAWSON-BU is an online fan community located within LAWSON's official mobile site. Members engage in lively dialog, and this product was developed in cooperation with NISSIN FOODS PRODUCTS CO., LTD. based on the suggestions of community members.



謎の
ローソ部

Providing Safe, Healthy Products

Providing customers with safe products that contribute to their health is a major responsibility of the Company, and we place maximum priority on food safety in all processes from product development to manufacture and sale.

Ensuring Customer Safety and Health

Concerns about food safety have risen dramatically in recent years. One of our most important responsibilities at LAWSON is to provide safe food products that address health requirements. Our headquarters works hand-in-hand with stores to ensure that all of our food products are safe, healthy and delicious.



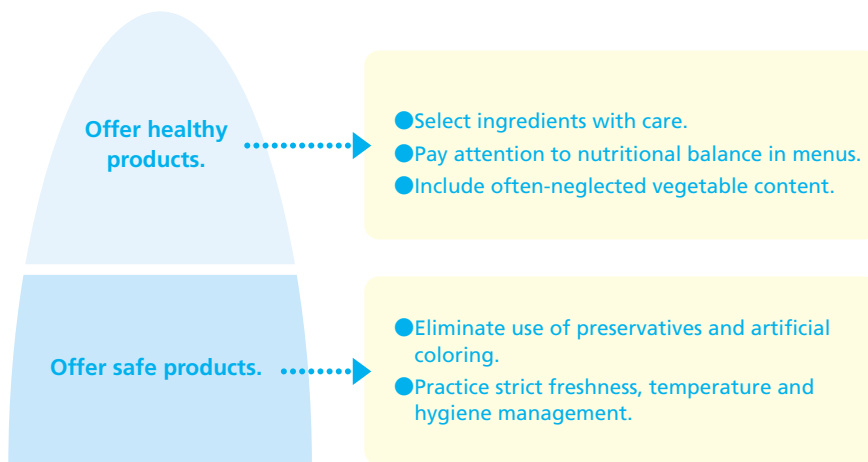
Safety Measures

LAWSON's products are subjected to thorough quality control procedures in compliance with environmental and hygiene regulations. Our stringent policies at all stages from product development through production and sales ensure that customers can purchase our products without any safety concerns. We are doing our utmost to minimize food additives, and use no artificial colorings and preservatives in original LAWSON products*.

In addition to mandatory information such as product name, use-by date, ingredients and allergy warnings, we voluntarily display calories per serving and other nutritional data on original LAWSON product labels. We prepare specifications for each product, and take accurate records of suppliers, preparation methods and any food additives included for each ingredient, reflecting this information in the ingredients section of the label. Our Quality Control Dept also carries out stringent checks on the content of product labels, and further checks are carried by external specialists and at the production stage, ensuring that product labels have been double-or triple-checked for accuracy before reaching the consumer.

* Boxed lunches, rice balls, sushi, bread snacks, salads, ready-made noodles, pasta which has LAWSON's trademark on the price tag. Dishes cooked within each store are excluded.

LAWSON's Approach to Safety and Health



Main Items Displayed on Product Labels

Use-By Date

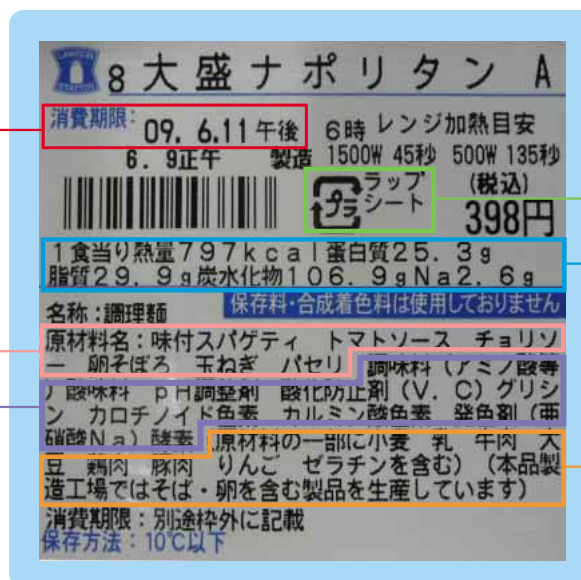
The period in which the product may be eaten with confidence

Ingredients

Ingredients displayed in the order of highest content by weight

Food Additives

Displayed as prescribed by the Food Sanitation Act



Packaging Identification

Packaging material information to facilitate sorting for recycling and disposal

Nutritional Information

Calories per serving, protein, fat, carbohydrates and sodium content

Allergens

Five items required by law and 20 items displayed voluntarily



Quality Checks at All Stages from Ingredients to Stores

We practice strict safety, hygiene and quality management at every stage from selection of ingredients to manufacture and sale in our stores to ensure that our customers can feel completely confident about buying our boxed lunches, rice balls, ready-made noodles and other dishes, bread snacks and fast foods.

Selecting Ingredients

LAWSON's Raw Material Purchasing Department inspects ingredients, for original products carrying out regular checks of established as well as new suppliers. For the salmon used in rice balls, for example, we check salmon feed content, culture methods, processing plant equipment, and process management.

Product development

Once product specifications have been decided, we conduct document checks and carry out pilot production on a working production line to check safety.

Manufacturing Plants

Cooking temperature, time and other manufacturing process parameters are precisely stipulated and strictly adhered to. Sampling checks are conducted on ingredients and semi-processed products during manufacture. Plant interiors are kept spotlessly clean at all times. Employees are required to wear uniforms and follow sanitization procedures prior to entering plants to prevent the introduction of foreign matter, and to scrub and disinfect their hands thoroughly. Metal detectors and X-ray scanners are used to check for foreign bodies. Other checks are run at various stages to confirm adherence to specified quantities and weights, correct label displays and so forth.



Delivery

Set work processes are used for sorting and loading products for delivery to stores to ensure efficient operations that follow stipulated temperatures and times. Delivery trucks are fitted with thermometers and product storage status is monitored constantly.

Stores

At stores, product display case temperatures are checked four times daily, and supervisors also conduct regular hygiene checks. Fast foods and other products are subject to stringent temperature and freshness management, including once-yearly unannounced hygiene checks by external regulatory authorities.



Contributing to Health

Customer health is becoming an increasingly important issue, and LAWSON pays attention to ingredient quality, nutritional balance and the inclusion of often-neglected vegetable content when developing products. To address growing customer interest in health, we are expanding our NATURAL LAWSON product lineup, and have started selling some products originally developed for NATURAL LAWSON in conventional LAWSON stores too.

Product Example 1: Liquid Salad

We developed a chilled soup rich in vegetables and providing vital fiber and minerals (sold in June 2008).

Product Example 2: Healthy Vegetable Rice Makunouchi Boxed Lunch

An ideal boxed lunch both for people observing dietary restrictions as part of treatment regimens and for those wanting to change their eating habits was developed under the supervision of the Japan Diabetes Society 51st Executive Committee (sold in May 2008).



Product Example 3: Fancl-Designed Salad

A salad was developed under the supervision of health supplement and health-related product vendor FANCL CORPORATION to contribute to stress release, maintenance of physical condition, diet and skin condition. It comes with a dressing containing GABA, vitamin C and other ingredients (sold in April 2008).



Niigata Koshihikari Onigiri Rice Balls Using Designated Farmer Rice

Niigata Koshihikari Onigiri Rice Balls that Address Customer Safety

LAWSON's Niigata Koshihikari Onigiri rice balls have been very popular among customers ever since they were first sold in 2002. We currently sell an annual 150 million of these rice balls, which are made only from select ingredients — Niigata Koshihikari rice flavored with Seto Bizen



Niigata Koshihikari Onigiri rice balls

sea salt and wrapped in *nori* (dried laver seaweed) from the Setouchi region.

Switch to Designated Farmer Rice

Why We Use Only Designated Producers

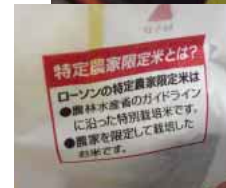
Customer concerns about food safety have been growing recently. To offer the kind of high quality product demanded by our customers, in October 2008 we switched to the exclusive



Signs bearing the names of producers and managers

use of Niigata Koshihikari “Specially-Cultivated Rice”* for our Niigata Koshihikari Onigiri series of rice balls. This rice makes up no more than 20% of all of the Koshihikari rice cultivated in Niigata Prefecture.

The “Specially-Cultivated Rice” used in this series is grown by approximately 2,900 designated rice farmers belonging to 4 Niigata agricultural cooperatives (JA)



* “Specially-Cultivated Rice” is a name based on Ministry of Agriculture, Forestry and Fisheries display guidelines.

From the Frontline 1: Rice Farmer

Growing Rice that Consumers Can Trust



Mr. Yoshiji Ogawa

Joetsu City

We have put about 100 four-ton truckloads of compost on these paddy fields every year from about 5 to 6 years ago. Using organic fertilizer boosts the ability of the soil to grow crops. We use no weed killers whatsoever on the paddy field banks, cutting the grass back by hand 5 or 6 times from spring through to harvest.

We could get higher yields if we used chemical fertilizers, and we wouldn't have to cut the grass on the banks so often if we used weed killers, but what we're growing here is tasty rice that consumers can trust as being totally safe. It takes a lot of toil to make such rice, but we're proud that consumers choose our product, and we'll make every effort to grow rice that continues to earn that trust.

Photo: Mr. Yoshiji Ogawa (left) and Mr. Shinichi Iikawa

From the Frontline 2: Rice Farmer

Making Paddy Fields Inhabited by Medaka



Mr. Masao Hosoya

Joetsu City

What prompted me to rethink how I made rice was the almost total disappearance of pond snails, which you could find in their thousands in paddy fields when I was a kid. I decided to try and restore that habitat, and five years ago switched to a more eco-friendly way of soil management. My efforts were recognized by Niigata Prefecture, which certified me as an eco-farmer. The methods I use take a lot of time and it's quite a sweat, but I see more snails every year, and feel that paddy habitat is definitely changing. I hope that in the future, medaka (Japanese killifish) will also inhabit these paddies, since there are almost none at the moment. And of course, I always want to grow even safer, tastier rice.



— JA Echigo Joetsu, JA Echigo Nagaoka, JA Niigata City, and JA Niigata Nankan. Using designated farmers enables thoroughgoing cultivation record keeping. The carefully managed paddy fields are identified with signs bearing the names of producers and managers, and undergo 3 rigorous on-site inspections up to harvest to check on cultivation management status.

The rice balls wrappings are labeled “Designated Farmer Rice” to communicate the special nature of this “Specially-Cultivated Rice.”

Safty is derived from Mutual Trust

We feel that the farmers behind the rice balls eaten by so many people deserve to be seen, and so we display them on our website and on posters and other media. This more personal relationship with customers also motivates farmers to keep growing great rice.

We aim to create even safer and tastier products by building mutual trust between producers and customers like this.

Meticulous Cultivation

“Specially-Cultivated Rice” is rice that is cultivated according to special guidelines drawn up by the Ministry of Agriculture, Forestry and Fisheries. The cultivation process requires extra work, since use of chemical fertilizers is curbed and organic fertilizers are stipulated.*

* Chemical fertilizer quantity and the number of applications of chemical pesticides are required to be below 50% of what is customary for the area concerned.

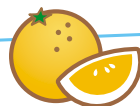


Agriculture in Tune with Nature

Creating fertile soil is essential for growing tasty rice. Organic fertilizer made mostly from manure and bean pods is used to equip the paddy fields with the kind of fertility required to grow “Specially-Cultivated Rice.” Organic fertilizer allows soil microorganisms to flourish, and this boosts the biodiversity of the fields. This kind of agriculture allows pond snails and frogs to thrive, attracting herons and other wildlife that feed on these life forms, and creating fertile paddy fields in which life is constantly renewing itself.



Paddy fields where snails live too



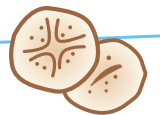
TOPICS 1

Products with a Face to Them

LAWSON sells vegetables and fruits grown by identified producers under the name “Fresh Produce with a Face.” Identifying the producer enables people to feel even more reassured about the safety of products. Producer information is displayed on shelf and product labels. In fiscal 2008 we sold about 50 such products. The greenhouse-cultivated tangerines grown by members of Saga Prefecture’s JA Karatsu Greenhouse Tangerine Produce Group and sold at the end of June only in Hokkaido and the Kanto Region proved to be particularly popular.



The greenhouse-cultivated tangerines grown by members of Saga Prefecture’s JA



TOPICS 2

New Employees Plant Rice for Rice Flour Bread

In September 2008, LAWSON started to sell bread made with 100% Japanese-grown rice flour. At the beginning of May 2009, as part of their training program, new LAWSON employees joined Niigata Prefecture Governor Hirohiko Izumida in planting the paddy fields in Niigata Prefecture’s Kaetsu Region where the rice for this flour is cultivated with the cooperation of JA Zennoh Niigata Division. In fall 2009, rice flour bread made with the rice planted by our new employees will be sold in our stores.



Rice flour bread products

Together with the Local Community

LAWSON aims to fulfill its role as the “Hot’ Station in the Neighborhood” through a nationwide chain of stores that satisfy the needs of customers and contribute to the safety, comfort and quality of life of the neighborhoods in which they operate.

Community Cooperation Programs through Comprehensive Agreements with Local Authorities

LAWSON aims to be the “Hot’ Station in the Neighborhood” through store management rooted in the local community and activities that contribute to that community. As part of these efforts, we partner with local authorities on joint projects to improve neighborhoods and promote local development.

By the end of May 2009, we had entered into comprehensive agreements with 28 local authorities, and are involved in a wide variety of projects such as the development of products that use the produce of the prefecture concerned.

- List of Comprehensive Agreements with Local Authorities Concluded since the Start of Fiscal 2008 (as of May 31, 2009)

Date of Agreement	Agreement Partner
Mar. 13, 2008	Kagawa Pref.
May 30, 2008	Yamagata Pref.
Jun. 23, 2008	Iwate Pref.
Jun. 24, 2008	Yamanashi Pref.
Jun. 30, 2008	Saitama Pref.
Jul. 9, 2008	Nagasaki Pref.
Sep. 22, 2008	Shizuoka Pref.
Nov. 27, 2008	Ishikawa Pref.
Dec. 15, 2008	Aomori Pref.
Mar. 13, 2009	Shimane Pref.
Mar. 31, 2009	Gifu Pref.
May 21, 2009	Yokohama City
May 27, 2009	Hyogo Pref.

●Hokkaido Staging the Hokkaido Environmental Declaration Fair

From November 18 to December 1, 2008, all LAWSON stores in Hokkaido staged the Hokkaido Environmental Declaration Fair, an initiative implemented in conjunction with the Hokkaido government’s Eco-Island Hokkaido Declaration of Environmental Conservation. During this period, LAWSON’s Hokkaido stores handed out original design bring your own bags decorated with Hokkaido’s environmental conservation mascot as free gifts to any customers who purchased an “Eat Local” Hokkaido Daimansai boxed lunch made entirely from Hokkaido produce.



●Iwate Prefecture 38 Morioka Stores Earn Eco Shop Certification

As part of LAWSON’s agreement with Iwate prefecture, 38 LAWSON stores in the city of Morioka received “Eco Shop” certification in March 2009. Under Iwate Prefecture’s Eco Shop program, retail outlets in Iwate Prefecture that proactively endeavor to reduce waste and promote recycling can be certified as Eco Shops by Iwate Prefecture, local governments in the prefecture and Environment Partnership Iwate, a local environmental NPO.

All other LAWSON stores in Iwate Prefecture also plan to earn Eco Shop certification.



●Saitama Prefecture Providing Tourist Information with Boxed Lunches

LAWSON stores in Saitama Prefecture sold boxed lunches bundled with Saitama Prefecture publicity magazines packed with tourist information and a free gift — a Kobaton mascot wooden tag handmade from local timber by the students of Saitama Sakura High School. Altogether 32,500 such boxed lunches were sold at the 325 LAWSON stores in Saitama Prefecture.



●Ishikawa Prefecture Promoting Eco-Bags under a Plastic Bag Reduction Agreement

LAWSON concluded a Plastic Bag Reduction Agreement as well as a Comprehensive Agreement with Ishikawa Prefecture, and is implementing measures to reduce plastic shopping bag use by promoting reusable eco-bags.

LAWSON stores in Ishikawa

Prefecture are aiming to achieve at least 30% usage of eco-bags and other reusable bags by displaying posters and having crews personally encourage customers to use eco-bags and reduce plastic shopping bag use.

●Tokushima Prefecture Operation of an Antenna Shop in Tokyo’s Toranomom District

In March 2009, LAWSON opened a Tokushima Antenna Shop within its Toranomom Tomoe-cho Store. Assigned the role of developing sales channels for Tokushima Prefecture products and disseminating Tokushima information, the Tokushima Antenna Shop is the first prefectural antenna shop to be opened within a convenience store, and offers about 60 Tokushima food and other products.



Comment from Iwate Prefecture Coordinator

Showing Industry Leadership in Promoting Eco Mindsets

Ms. Kumiko Hareyama

Engineer, Resources and Recycling Division, Department of Environment and Residential Life, Iwate Prefecture

Convenience stores are a very familiar presence in the neighborhood, and so LAWSON’s participation in our Eco Shop certification



system means a lot. We’d like to see LAWSON show leadership in the industry in promoting environmental initiatives such as foodstuff recycling.

Where plastic shopping bags are concerned, we hope to raise awareness among both retailers and shoppers about the need to reduce dependence on them. Some things aren’t easy, but I’d like government and industry to get together to think about what can be done.



Together with the Local Community

Neighborhood Cleanup Efforts

LAWSON helps to keep neighborhoods tidy by participating in cleanup activities.

Fukuoka Love Earth Cleanup

LAWSON participated in Fukuoka Love Earth Cleanup held in Ohori Park in Fukuoka Prefecture in June 2008. This was LAWSON's 15th year of participation in the event, which is organized by the non-profit organization Clean Fukuoka Association. Of the 2,127 participants, 76 were LAWSON employees.



Kyoto Citizen Mass Cleanup Action

80 LAWSON employees participated in the Kyoto Citizen Mass Cleanup Action event held in November 2008. A total of 3,500 Kyoto residents and people from companies participated in this mass effort to tidy shopping districts and tourist spots.

LAWSON also set up a booth in the square in front of Kyoto City Hall to exhibit panels introducing environmental and social contribution initiatives such as its



Green Fund, Bring Your Own program and CO₂ Offset program.

Arakawa Clean Aid

In November 2008, LAWSON held Arakawa Clean Aid 2008 with the participation of 102 employees. This was our 14th such cleanup of Arakawa riversides in Tokyo since we started this initiative in 1994. We gathered 48 bags of litter and larger junk.



Mixing with Local Communities through Sports

LAWSON actively supports a wide range of sports activities to foster close relations with local communities.

All Japan Elementary School Volleyball Championship

LAWSON has since 2007 supported the All Japan Elementary School Volleyball Championship, a competition launched to promote physical fitness and motivation among elementary school students. The 28th Championship, held in August 2008, was fought out fiercely between 98 boys' and girls' teams (1,332 players and bench staff) representing their respective prefectures.



LAWSON Cup Mothers' Volleyball Tournament

LAWSON supports Mothers' Volleyball, a homegrown Japanese lifelong sport. The 4th LAWSON Cup All Japan Mothers' Volleyball Tournament Finals were held over the space of four days from March 26, 2009, at the Green Arena Kobe in Hyogo Prefecture. After preliminary regional rounds that attracted 3,040 teams and approximately 50,000 participants, 48 winning teams representing their respective prefectures went on to battle each other in the Finals.



Supporting J.League's ALBIREX NIIGATA — LAWSON Thanks Day

The Japan Professional Football League (J.League) has a strong regional element, and LAWSON has supported ALBIREX NIIGATA as an official sponsor since 2003, with one game each year being held under the auspices of LAWSON Thanks Day.

In fiscal 2008, November 23 was that day, with 15 minutes before the start of the game devoted as LAWSON Thanks Day Time to a "Heart and Soul Support Declaration" that brought everyone in the stadium together in spirit.



©ALBIREX NIIGATA

Contributing to Peace of Mind in the Community

As the “Hot Station in the Neighborhood,” LAWSON works with local authorities and other organizations on disaster preparedness and other areas to contribute to safety in the local community. We aim to exploit our unique capabilities as a nationwide network of about 8,600 stores encompassing all 47 of Japan’s prefectures to implement disaster response measures promptly and efficiently, and contribute to the early restoration of normality in areas struck by natural disasters.

Disaster Assistance Agreements

LAWSON stores strive to become major support lifelines in the event of natural disasters by remaining open and providing uninterrupted operations (see P48). As of May 31, 2009, we had concluded Provision Procurement Agreements with 55 local authorities and other organizations to supply as many essential provisions as possible to affected areas when a large-scale disaster strikes.

As of May 31, 2009, we had also concluded Displaced People Assistance Agreements with 32 local authorities promising to do our utmost to lend toilet facilities and provide tap water, information updates and so forth to disaster victims forced to travel on foot due to the collapse of roads and means of transport in disaster-stricken areas.



Conclusion of Agreement with Kagoshima Prefecture in May 2008

● Provision Procurement Agreements Concluded Since Fiscal 2008 (As of May 31, 2009)

Agreement Date	Agreement Partner	Agreement Date	Agreement Partner
Mar. 24, 2008	Fukui Pref.	Sep. 9, 2008	Ibaraki Pref.
Mar. 27, 2008	Fukushima Pref.	Nov. 11, 2008	Miyazaki Pref.
Apr. 23, 2008	Kagawa Pref.	Dec. 1, 2008	Kanagawa Pref.
May 29, 2008	Kagoshima Pref.	Jan. 15, 2009	Shiga Pref.
Jun. 23, 2008	Iwate Pref.	Mar. 26, 2009	Aichi Pref.
Jun. 24, 2008	Yamanashi Pref.	May 21, 2009	Yokohama City

● Displaced People Assistance Agreements Concluded Since Fiscal 2008 (As of May 31, 2009)

Agreement Date	Agreement Partner	Agreement Date	Agreement Partner
Jun. 24, 2008	Kagawa Pref.	Mar. 23, 2009	Shimane Pref.
Jul. 24, 2008	Nagano Pref.	Mar. 30, 2009	Tottori Pref.
Dec. 17, 2008	Hokkaido		

Disaster Relief Fund-Raising

LAWSON provides help to areas stricken by large-scale disasters by replacing its LAWSON Green Fund collection boxes with a special disaster fund appeal for a limited period. In fiscal 2008, we contributed ¥3,129,431 including headquarter donations to the Iwate Prefecture branch of the Japanese Red Cross Society and Miyagi Prefecture to assist victims of the Iwate-Miyagi Nairiku Earthquake. We also provided disaster funding as outlined below to deliver the donations of people from across the country to the victims of disasters. We sincerely thank our customers for their generous donations.

● Disaster Relief Funds Collected in Fiscal 2008

Fund	Sichuan (China) Earthquake Relief Fund	Iwate-Miyagi Nairiku Earthquake Relief Fund
Area	All stores in Japan (8,518 stores)	All stores in Tohoku region (6 prefectures) and Niigata Prefecture (except Joetsu area) (860 stores)
Period	May 14 to 31, 2008	June 15 to 30, 2008
Total donations	¥42,247,555	¥3,129,431

Deterring Underage Drinking and Smoking

To prevent underage consumption of alcohol and tobacco, we demand proof of age from all customers except for those who appear to be clearly over the legal threshold. We also display posters and makes in-store announcements to heighten customers’ awareness of this issue. We will make further efforts to ensure 100 percent compliance with the ban on sales of alcohol and tobacco to underage customers.

Encouraging Good Smoking Manners

LAWSON has established new standards for the placement of storefront ashtrays. Where bylaws prohibit smoking on sidewalks, we have as a rule removed ashtrays, and in locations not covered by such bylaws, we have repositioned ashtrays away from store entrances. We also take various measures, including the display of smoking etiquette stickers on ashtrays in cooperation with Japan Tobacco Inc., to raise awareness of the importance of observing good smoking manners.

TOPICS

First Private Enterprise to Receive a Letter of Appreciation from Minister of Health, Labour and Welfare for Distinguished Service in the Promotion of Organ Transplant Measures

In October 2008, LAWSON became the first private enterprise to receive a letter of appreciation for distinguished service in the promotion of organ transplant measures. To help promote organ transplants, since January 1999 we have displayed organ donor cards at our checkout counters for customers to help themselves to, and we will continue our efforts to raise awareness regarding organ transplants.





Contributing to Public Safety "Safety Station" Initiative

In recent years, convenience stores are increasingly expected to contribute to crime prevention, disaster response, public safety and youth education. LAWSON participates in the Japan Franchise Association's Safety Station initiative,

positioning stores as neighborhood safe havens and helping to keep young people out of trouble.

The Safety Station movement provides convenience stores with an industry-wide platform for fulfillment of social responsibility through helping to prevent crime and serving as refuges for women and children who feel threatened.

In fiscal 2008, 46 LAWSON stores in

14 prefectures were commended for such activities. We will continue to actively pursue these efforts to contribute to public safety as friendly neighborhood convenience stores.



● Commendations Received in Fiscal 2008 for Safety Station Activities

Prefecture	Store	Reason for Commendation	Prefecture	Store	Reason for Commendation
Hokkaido	Hakodate Taya	Gave protection to a woman and reported to police.	Toyama Pref.	Kurobe Ikuji	Cooperated in local community crime prevention activities.
	Hakodate Hitomi-cho	Gave protection to an elementary school student.		Toyama Kusajima	Continued provision of societal experiences to middle school students.
	Yakumo-cho Tateiwa	Cooperated in local community crime prevention activities.		Toyama Shimohori	Activities to prevent juvenile delinquency.
Aomori Pref.	Mutsu Chuo	Prevented a bank transfer scam.	Osaka Pref.	Kishibe Minami	Prompt reporting of a nearby case of arson.
Iwate Pref.	Ofunato Nakaizawa	Gave protection to a high school girl who felt threatened.		JR Sakai-shi Ekimae	Cooperated in local community crime prevention activities.
	Kamaishi Kokomae	Cooperated in local community crime prevention activities.		Suita Enoki-cho	Activities to prevent juvenile delinquency.
	Mizusawa Sakurakawa	Gave protection to a high school girl who felt threatened.		Sekime Takadono Ekimae	Activities to protect children.
	Morioka Inari-cho	Cooperated in local community crime prevention activities.		Tsuruyamadai	Cooperated in local community crime prevention activities.
Tochigi Pref.	Morioka Ekimae	Gave protection to a woman involved in a violence and reported to police. Provided information that led to an arrest of a criminal.		Hyogo Pref.	Minami Kasumicho Ekimae
	Utsunomiya Fudomae	First aid and call to emergency services for a customer who suddenly fell ill.	Amagasaki Tsukaguchi-cho 3-chome		First aid and call to emergency services for an injured customer.
Tokyo Pref.	Utsunomiya Yanagidacho	Kindness to an old man.	Yamaguchi Pref.	Ogori Inter	Activities to protect children.
	Nikko Tokorono	Activities to protect children.		Kudamatsu Eki Minami	First aid and call to emergency services for a customer who suddenly fell ill.
Gifu Pref.	Kitakojima 1-chome	Prevented a bank transfer scam.		Kudamatsu Nozomicho 1-chome	Activities to prevent juvenile delinquency.
	Kitashinjuku 1-chome	Prevented a bank transfer scam.		Shinnanyo Doi 1-chome	Activities to prevent juvenile delinquency.
	Shitaya 3-chome	Gave protection to a woman and reported to police.		Mine Omine	Gave protection to missing elderly person and notified police.
	Shinjuku Sumiyoshi-cho	Prevented a bank transfer scam.	Yamaguchi Yoshiki	First aid and call to emergency services for a customer who suddenly fell ill.	
	Setagaya 2-chome	Prevented a bank transfer scam.	Nagasaki Pref.	Mizunoura	Prevented a bank transfer scam.
	Toneri 1-chome	Gave protection to a woman and reported to police.		Miyazaki Pref.	Shintomi Kamitonda
	Hachioji Sennin-cho	Continued provision of workplace experiences to middle school students.	Kagoshima Pref.	Kagoshima Chuo Ekimae	Activities to prevent juvenile delinquency.
	Hirai Ekimae	Prevented a bank transfer scam.		Kajiki Kida	Activities to prevent juvenile delinquency.
	Futaba	Prevented a bank transfer scam.		Kanoya Fudamoto 2-chome	Activities to protect children.
	Mie Pref.	Mizuho Shiyakushomae	Prevented a bank transfer scam.		
Mie Pref.	Kuwana Shinnishikata	Protection of elderly people through cooperation with care facilities.			
	Tsu Katada	Continued provision of societal experiences to elementary school students.			
	Yokkaichi Hazuyama	First aid and call to emergency services for an injured woman.			

"Every Store Can Contribute" Initiative

Community Engagement Activities Tailored to Neighborhood Needs

We launched our Every Store Can Contribute initiative in 1997. Each of our stores conducts community engagement activities tailored to neighborhood needs.

Gamagori Eki Nan Store in Aichi Prefecture has equipped itself with an automated external defibrillator (AED) near its entrance. After noticing how an increasing number of schools and public facilities have AEDs, the store decided that it too should take such precautions as a place frequented by various customers. "AEDs are actually more useful in convenience stores, which are open around the clock, than in public facilities that close at night," says owner Hiroshi Ishida, who seeks to offer a sense of safety as well as products at his store.



The AED fitted by Gamagori Eki Nan Store

Wakayama Hironishi Store in Wakayama Prefecture helps children from a local special needs school to shop. The children are taught how to shop at school as part of their education in social skills, and the store opens its doors to the children as a real world environment where they can practice their shopping skills.

Other examples of community engagement activities include a rice cake pounding event held in the storefront car park by Wadayama Kuwabara Store in Hyogo Prefecture, and a store that joined forces with local high school students to plant flowers alongside a nearby national highway.



Wadayama Kuwabara Store Rice Cake Pounding Event

Aiming to Become a Vital Part of Neighborhood Life

LAWSON will become a vital part of everyday life, the "Hot' Station in the Neighborhood" whose presence is a source of comfort to local residents.

Delivering Convenience and Comfort Every Day

Leveraging its nationwide network of stores, LAWSON seeks to offer convenience in the form of essential services such as payment of public utility charges. We are also in the process of making our stores barrier-free and accessible to all.

Opening Post Offices in Stores

Under its comprehensive alliance with Japan Post Holdings Co., Ltd., LAWSON is leveraging its nationwide network of stores to improve the convenience of postal services, an important component of social infrastructure, by equipping all of its stores with mailboxes, opening stores in post offices, and other innovations. Building on this experience, in September 2008 our Sakaki Murakami Store in Nagano Prefecture opened the Kamigomyo Sub Post Office of Ueda Post Office to provide post office services within the store. The original Kamigomyo Post Office was closed down in September 2007. LAWSON will make efforts to improve the convenience in communities in recent years.



Offering a Wide Range of Services

Using Points at Checkout Counters

Up until recently, the only way that LAWSON point card members could use points for shopping was by exchanging them for shopping coupons at a Loppi multimedia terminal, but since December 2008, we have enabled points to be used

directly at checkout counters, making them much more convenient.

E-Payment Terminals

To enable a wider variety of payment methods and shorten checkout payment time, we have introduced e-payment services to almost all of our stores nationwide. In addition to iD^{TM1}, QUICPay^{TM2}, Edy³ and Visa Touch (Smartplus)⁴, in April 2009 we enabled even more customers to use e-payment by introducing JR East Suica⁵ e-payment to about 3,300 stores, more than any other convenience store chain.

1 iD is a trademark of NTT DOCOMO, INC.

2 QUICPay is a system endorsed by Mobile Payment Promotion Association (MOPPA).

3 Edy is a prepaid e-money service operated by bitWallet, INC.

4 Visa Touch and Smartplus are non-contact e-payment services offered respectively by Visa International Inc. and Mitsubishi UFJ NICOS Co., Ltd.

5 Suica is a registered trademark of East Japan Railway Company.



Providing ATM Services

LAWSON provides ATM services for cash withdrawals using the cash cards of Japan's city banks and some regional banks credit unions, Japan Post Bank cards, as well as credit card company cash loans. As of May 31, 2009, LAWSON operated 6,177 ATMs in 38 prefectures and had partnerships with all of Japan's city banks and 32 regional and Internet-only banks.

Loppi Multimedia Terminals

LAWSON stores are equipped with Loppi multimedia terminals that can be used for a growing range of services, including the purchase of concert and other event tickets handled by LAWSON ENTERMEDIA INC. (formerly LAWSON TICKET, INC.), "toto" sports promotion lottery tickets and various transport and leisure facility tickets, advanced ordering of DVDs, and applications for certification tests.

Store Accessibility

We are striving to make our stores completely barrier-free and accessible to all people including the elderly, pregnant women and people with disabilities. All new stores have wheelchair-accessible entrances, and stores with car parks have a dedicated space for wheelchair users. Store toilets are Western-style and are equipped with handrails, and access has been improved with same-level floors.

We have also introduced shopping carts and large-print price tags at designated LAWSON stores in an effort to make our stores user-friendly for elderly people, and we welcome guide dogs, hearing dogs and other assistance dogs at our stores.



"Working Dogs Welcome" Sticker Displayed on Storefront Windows

For the Next Generation



At LAWSON, we feel that creating an ideal environment for children to grow up in will help society to flourish and breathe new life into local communities. We work as one with those communities to implement various activities to support children and the families raising them.

Supporting Social Education

We open our doors to elementary school social experience and work experience programs designed to help children learn about society through work. We also work with third-party organizations to offer opportunities for children to learn about how society works and their relationship with society.

Local Elementary School Company Tour

On July 29, 2008, we used our training facility LAWSON Higashi Fuji Guesthouse in Shizuoka Prefecture to host a company tour by a party of children from the nearby Oyama-cho Meirin Elementary School. We cooperate in the Hometown Study Program organized by the school every year to give students an opportunity to learn about work and how it relates to their lives and Oyama-cho. The 32 children who participated learned how to operate cash registers and communicate with customers.



Fifth Grader Work Experience in Kyoto Student City

In January 2007, LAWSON opened a store (hands-on corner) in Kyoto Student City designed to give children a taste of what work in a convenience store entails. Established by the Kyoto City Board of Education and the Junior Achievement Japan, the Japanese branch of the world's largest economic education group, the Kyoto Student City work-study facility is used by the city's fifth-graders as part of their school curriculum. As well as a

LAWSON store, Kyoto Student City's little town boasts a ward office, bank, newspaper publisher, traditional pickle purveyor and other work experience facilities created through the cooperation of 12 companies and other organizations. After being taught about society and employment-related mechanisms, children engage in hands-on activities.

At the LAWSON store, children learn how to communicate courteously with customers and operate cash registers. Though shy at first, the children soon learn to greet customers cheerfully, and appear to gain a great deal from their experiences in the store.



Cooperating in Children's Group Seminar

LAWSON cooperated in the staging of a "Kids' Seminar: Learning from Real Pros" by the Kitashukugawa Children's Group on November 25, 2008 at the Koshikiwa Hall in the city of Nishinomiya in Hyogo Prefecture. The event was aimed at giving the children a chance to gain experiences of a kind that school classrooms cannot provide, a goal that we endorsed. About 80 children, parents and others participated in the seminar, with the children changing into LAWSON uniforms and learning about communication with customers, shelf stacking, and LAWSON Green Fund and other initiatives, and then actually trying their own hand at stacking shelves.



HAPPY Lawson Stores for Families with Children

LAWSON is implementing a Happy Childrearing Project as a way to support families with small children. The idea arose from the theme of the prizewinning entry in a contest held in 2005 to commemorate our 30th anniversary that solicited ideas on The Convenience Store of the Future, with the winning entry entitled convenience stores that support childrearing.

We incorporated many of the ideas raised by families with children into the HAPPY LAWSON Yamashita Koen store that we opened in July 2007. For example, we made the aisles wide enough to accommodate a baby carriage and added a play area for kids and a space for caregivers to relax and chat. We also bolstered our lineup with disposable diapers, baby food, picture books, toys, as well as products to help make childrearing a little easier for busy mothers.



Diverse Citizenship Activities

Both through its stores and as an enterprise, LAWSON owes its existence to the enduring support of many different people. In recognition of this fact, we seek to contribute to society in many different ways, including assistance to developing countries and infrastructural support for the social contribution activities of customers.

Supporting Education Overseas

There are many countries in which educational facilities for children are inadequate. LAWSON supports the work of NGOs that build schools in such countries and provides students with opportunities for higher education.

Building the Elementary School in Laos with Revenue from Accessories

Impressed by the activities of nail artist Junko Kusano and MEKOGA, the NPO she founded to build schools for needy children in developing countries, LAWSON helped the NPO to build such a school in Nong Sawan, Sayaboury Province, Lao



People's Democratic Republic.

The construction of Nong Sawan Elementary School, which was opened on December 3, 2008, was funded by part of the revenue from original Junko Kusano-designed accessories and other items sold in LAWSON stores throughout Japan. The product packages carried an explanation of the aim of the project, and the school was in effect built from the generosity of customers who bought the accessories.

Fruit trees were planted in the school forecourt to mark the opening of the school. Since the completion of this project, we are working with Ms. Kusano to further expand MEKOGA's educational program for the school. There are plans to incorporate an English language education program to nurture Laotians capable of communicating with the world, and painting classes to nurture expressive abilities.



Scholarships for Vietnamese Students

LAWSON has established a scholarship program for Vietnamese students wishing to study in Japan. The first two students came to Japan in March 2009, and started to attend Japanese colleges and language schools in April.

This program emerged from our procurement of ingredients grown in Vietnam for our products. Vietnamese students are very diligent, and since many want to study in Japan, we established the program to provide the opportunity to some of them. We hope that this initiative will contribute to Vietnam's development and the building of even friendlier ties between Vietnam and Japan.

Comment from the Project Originator

Building a School in Laos: the Crystallization of a Vision

Ms. Junko Kusano

Nail Artist and Director of MEKOGA Association to Build Schools for Needy Children

From when I was still young, I've always wanted to do something for society. I used to do volunteer work in sign language and so on while I was raising my children, but I felt I wanted to do something more fundamental.

I think it's probably because they don't really teach children in Japan why poor countries are poor. Nothing is more important to a country's prosperity than its education system, and so I wanted to do something to help in that direction. I had already spent years thinking about what exactly I could do when, quite by chance, I met a LAWSON product developer, and the vision suddenly crystallized. It was like finally seeing the light at the end of the tunnel.

Getting the school built required the cooperation of all sorts of people who gave their support despite the fact that we had never met — LAWSON customers and stores, people in the companies who helped with the products, and so on. And it was the generosity of all those people that built that elementary school in Laos. Looking back, it seems almost magical. I can still barely believe it.





Building Social Contribution Infrastructure

LAWSON supports the social contribution activities of customers by providing services and products that enable customers to contribute to society through shopping.

LAWSON Point Card Environment and Social Contribution Course

To help customers wanting to contribute to society through everyday shopping, LAWSON has since 2003 offered an Environment and Social Contribution course in its LAWSON Point Card point program that enables point card holders to donate units of 10 points (=¥10) to organizations dedicated to social contribution activities. In fiscal 2008, a total of ¥3,857,450 was donated through this course to the following six organizations:



Caring for Young Refugees (CYR)

CYR supports the training of teachers, provision of lunches and creation of safe and stable environments for the education of needy children in Cambodia.



© Masanori Kobayashi

Bridge Asia Japan (BAJ)

BAJ provides vocational training for women and refugee in India and Bangladesh who face difficulties, and helps them translate acquired skills into income.



Japan Guide Dog Association

This association trains guide dogs for the visually impaired so as to enable them to move about safely in society.



Education Sponsorship in Asia (ESA)

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



Ecology Café

This NPO provides learning opportunities to children based on local ecosystem conservation activities that help them learn about the natural environment and the importance of protecting it.



National Land Afforestation Promotion Organization (LAWSON Green Fund)

This organization supports forest management activities in Japan and overseas as well as school greenification initiatives. (Please refer to P19 for details)

Donating Products Through the "Miffy" Gift Campaign

As part of its childrearing support project, LAWSON runs gift campaigns offering originally designed small dishes, mugs and other goods adorned with the popular Miffy character created by artist Dick Bruna of the Netherlands. LAWSON sets aside ¥1 for each promotional item offered through these campaigns, and donates products equivalent to the total to the Japan National Council of Social Welfare and the National Council of Women's Shelter. In fiscal 2008, we donated products equivalent to ¥4,659,164.



Letter of Appreciation from Organization Receiving Donation

Motivating People

Supecial Feature 4

Enhancing Communication through our Genki Project

LAWSON implements a range of initiatives designed to motivate both store owners and crews, and help them to derive satisfaction from their work. We do our utmost to create bright and cheerful workplaces through employee questionnaires, events and other means to enhance communication.



LAWSON Numbers to Note

Bands participating in
LAWSON Crew
Band Contest:

185

No. of entries in Crew
Boxed Lunch Contest:

272

Projects to Support Motivated Crews

● LAWSON Crew Band Contest

Since April 2008, we have been carrying out a LAWSON Genki Plan aimed at creating bright and cheerful stores that give our customers a lift. As one component of this plan, we held a LAWSON Crew Band Contest to cheer on bands to which store crew members belong. To participate, bands need to have at least one store crew member, and they must not be under a professional contract. Our Crew Band Screening Committee screens all entries in a preliminary round and selects 12 bands who go on to the final round to be judged by an open vote and Special Jury.

The first top band chosen as “Crew Band King” through this process was a 3-member male band called PINCH COX. Their song was featured during February 2009 on LAWSON CS Hot Station, our in-store satellite radio station. It is also available nationwide through *chaku-uta* ringtone distribution sites.

We will continue to back music-loving crew members who nurture hopes and dreams as they go about their duties.



PINCH COX Performing at LAWSON Seminar

● Store Crew Boxed Lunch Contest

LAWSON wants to give customers throughout Japan a lift by providing them with wholesome and delicious food with a regional flavor, and so we launched a Crew Boxed Lunch Contest to get our store owners, managers and crews to apply their detailed local knowledge to the creation of boxed lunches that make the most of neighborhood specialties.

Entries must use local produce or recipes, and include an original topping or seasoning. Entries were accepted from March 1, 2009, and by the end of April, we had already received 272 totally unique recipes. In October 2009, we will select one entry from those submitted by crews working in each of the areas covered by our seven branches as a Crew Boxed Lunch King to be sold in the respective area. Then, in February 2010, we will select the No.1 entry based on sales in each area and the decision of a Special Jury. The winning entry will be sold nationwide.



Written applications for the contest

Promoting Communication with Owners and Crews

Under our Get a Lift with LAWSON! Project, in autumn 2008 we asked stores to let us know what they were doing for the environment. The aim of the survey was to encourage an eco mindset among our people. Responses showed the stores to be carrying out all sorts of measures such as asking customers if they needed plastic bags or disposable chopsticks instead of just assuming they did, and switching off back-room lights when not in use. We introduced these various initiatives in *Pa!*, our in-house information magazine for our stores.

We have also conducted a questionnaire survey of owners, crews and our employees on the new uniform design planned for autumn 2009. The questionnaire presented four designs and asked the subjects to vote for their favorite. LAWSON's blue stripe image seems to have become firmly established, but while the current design proved to be very popular, in the end a new design that retained the stripes won out. (See P14 for details on the new uniform.)



Eco Questionnaire

From the Frontline: Employee

Motivating Others through Communication



Get a Lift with LAWSON! Project
Project Leader
Eri Kojima (right)
Akira Kojima (left)

Our involvement in the Get a Lift with LAWSON! Project has taught us how important communicating with others is to wellbeing and a positive attitude. We've held product idea contests, sports tournaments, and various other events to give owners, crews and employees a lift and get them in the spirit, and they've all helped to enhance communication.

When the project was first launched, we really were fumbling around in the dark, but as we pressed ahead, we met lots of really cheerful and upbeat people, real live wires who infected us with their enthusiasm. And meeting all these people made us aware of the need for more communication between employees, and between store owners and headquarters.

Enthusiasm comes in all sorts of forms. We'll keep on doing whatever we can to motivate people in a way that benefits everyone — our stores, the company, neighborhoods, Japan, the whole world, our planet Earth! We want everyone to get a lift with LAWSON!

Together with Franchise Owners and Store Crews

We support the management of stores by franchise owners in various ways, and put a lot of weight on exchanging views with franchise owners, store managers and store crews in our ongoing efforts to improve our products and services.

Supporting Owners and Crews

Expanding Training and Support Programs

LAWSON has established training and support programs to help promote smooth store management and customer satisfaction.

We hold a Basic Management Course (BMC) to provide prospective owners with basic knowledge in store management prior to opening their stores. After opening, we provide further training of various kinds at branch office training centers.

Other support includes a Franchise Owner Support program for sending headquarters employees to sub for franchise owners when they take a holiday, and a Store Support Desk that fields questions from stores about store operation 24 hours a day. These systems enable franchise owners and store crews to operate stores confident in the knowledge that they can depend on headquarters backup at any time.

We also provide regular information on store management in the form of *Pal*, our monthly store management newsletter, and *Making Your Store Buzz*, a monthly publication packed with information on sales and operation strategies.



Training seminar at a LAWSON Training Center

Supporting Crew Recruitment and Loyalty

To respond to the rapidly changing employment market, LAWSON provides a range of support for recruiting crews and fostering their loyalty.

We have established a website dedicated to recruiting crews. Prospective crew members can input desired location and other information to instantly find stores meeting their conditions, and stores too can post photos as well as job information to better attract crew members. The website is rated highly by users as a means of linking prospective crew members with stores looking for staff.

We also have a Crew Leader program for ambitious crew members, a Crew Rank-Up program to pay recognition to hard work, and a Store Setup Support program for crew members who are eager to become franchise owners themselves. We also provide crews with preferential advanced ticket purchase for concerts, plays, sports and other events.



Website on recruiting crews

Mystery Shopper Program

To improve store operations, we implement a Mystery Shopper program that uses third party examiners to anonymously inspect stores from a customer's perspective. Examiners objectively check product assortment, customer courtesy and cleanliness. Feedback is provided via supervisors to franchise owners, who seek to remedy any issues accordingly. Improvements have been noticeable since the start of the program, particularly regarding courtesy and cleanliness.

Franchise Owner Welfare Association

We want our franchise owners to be happy in their work, and have created a Franchise Owner Welfare Association to expand and improve welfare for franchise owner and their families, store managers and crew members.

Aimed at providing quality time, health and peace of mind, the Welfare Association offers a wide variety of benefits, including a system for helping to cover obligatory congratulatory and condolence payments, sports club membership discounts, travel subsidies, distance learning, health management, car rental at special Association rates, and loan interest subsidies.

CEO Direct Line

Franchise owners, store managers and crew members can use our CEO Direct Line to express their opinions and ideas directly to the CEO, who personally responds to each message. In fiscal 2008, CEO Direct Line received and replied to 509 Direct Line messages.

CEO Direct Line Messages by Subject (FY2008)

Subject	Messages
Products/ logistics	116
Services	63
Sales promotions	23
Systems	16
Facilities/ Equipment	39
Franchise agreements	41
Store guidance	99
Other	112
Total	509



Communicating with Franchise Owners and Crews

Sharing Information and Corporate Philosophy

Franchise owners who participate in the LAWSON Franchise System¹ 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 business.

Serving as a bridge between franchise owners and the headquarters, supervisors support store operations from a customer perspective, providing information on the latest product trends and changes in the business environment, analyzing sales and customer data, conducting market research on areas where franchises operate and offering suggestions regarding revenues and income.

We also hold a "LAWSON Seminar"



semiannually at 8 locations nationwide, where we explain our corporate philosophy, management policy and product trends, as well as offering business know-how and analyses of information on a per store basis. We hope that sharing such information with our franchise owners on a sustained basis will help ensure that our stores are always valued by the local communities in which they operate.

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

Management and Franchise Owner Get-Togethers

We hold get-togethers in each region for LAWSON management and franchise owners to talk candidly about store



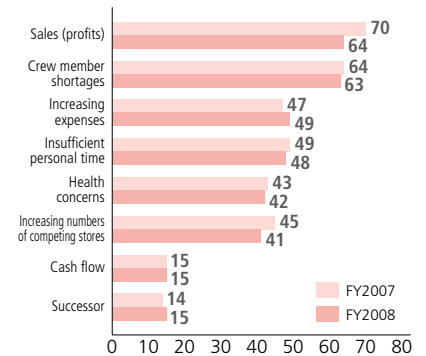
management. In fiscal 2008, 20 such get-togethers were held to discuss topics such as products, sales promotions, and food recycling.

Identifying Store Operation Issues

We carry out questionnaire-based surveys of franchise owners to identify their concerns regarding store operation as well as to check on their awareness of headquarters policies. In fiscal 2008, 3,546 stores responded to this survey.

Results showed improvements or no change in all areas except "increasing expenses" and "successor." This probably reflects both the results of improvements that we have implemented to resolve crew shortages and so forth, and changes in society as a whole.

Concerns Regarding Store Operation (multiple responses allowed)



From the Frontline: Franchise Owner

Creating Stores that Customers Care About

Mr. Masaki & Ms. Kumiko Konno

Owners of Hokkaido Jingumae, Sapporo Miyanomori 1-Jo, Sapporo Maeda 9-Jo, Hokkaido Kogyo Daigaku Stores

The most important aspect of work is your attitude to it. Are your crew members thinking about customers? Or are they just trying to please their boss? This can make a huge difference to your store. As long as they understand the store owner's ideas, crew members should look to the customers' needs. If they do so, they'll each come to think for themselves, and then you can feel safe about leaving a store in their charge.

We became owners 11 years ago. Right from the start, we thought we'd like to run a number of stores, and we now have 4. Our first store, Hokkaido Jingumae, came to be much appreciated by both the local people and the shrine. At one of our stores, an old lady living nearby even cuts the grass around the store's car park. All of our store managers are well-liked by our customers. If customers find your store to their liking, then you should be able to make a success of it.



Nurturing Enthusiasm

Stores flourish when their employees work with enthusiasm to drive their growth. Through the enhancement of educational programs, workplace environment and internal communications, LAWSON aims to nurture a corporate culture in which all employees can realize their full potential and feel free to voice candid opinions.

Aiming to be an Easy Place to Work

Improving Internal Communication

Head Office Section Visits

To enhance mutual understanding between front line employees and headquarters, in February 2009 we provided employees with opportunities to experience what goes on in the headquarters as part of our Get a Lift with LAWSON! Project. A total of 36 young employees from our branches and stores participated in the program, selecting either a one-day course that enabled them to experience a single section in depth, or a tour course that gave them a broad look at 3 sections. Employees of different sections have few opportunities to mix, and by enabling them to experience other sections, this program did much to deepen the mutual understanding of each other.

Making Good Use of the Company Intranet

LAWSON uses its company intranet for internal communications, announcements and exchange of opinions. In spring 2009, we launched a portal site that can be accessed by all employees to further enhance internal communication. Hosting a wide range of communities from forums for discussing work to hobby groups and groups of employees hired in the same year, the portal serves to enhance communication across sections of our organization.

We have also launched a blogs that introduces Get a Lift with LAWSON! Project activities and initiatives for customers.

enabling participants to see other sides of each other outside of the workplace and to mix with employees from other sections.



Kanto Branch Softball Tournament

Employee Attitude Surveys

LAWSON conducts employee attitude surveys to monitor employee satisfaction. The results of the fiscal 2008 survey showed that the whole employees were happy with the company. Organization operations, proactive corporate culture, setting concrete targets, and promotion of a more open atmosphere within the company all received a conspicuously higher rating than the previous year. Sectionalist tendencies are being remedied and communication within the company is clearly improving.

The survey however showed that we still have room to improve in areas of employee satisfaction such as fulfillment and a sense of achievement.

Improving Support for Employees Raising Children

LAWSON has long provided child daycare services for employees working on public holidays and has also conducted experiments in teleworking from home, but in April 2009 we revised and enriched such programs to provide greater support for employees raising small children. We will continue to raise awareness throughout the company and implement improvements for facilitating childrearing.

Reduced Working Hours for Childrearing

We have extended eligibility for this system from employees with pre-school children to those with children up to 3rd grade.

Shorter Working Weeks

Employees with a pre-3rd grade child are allowed to work 3- or 4-day weeks if they wish to.

Holidays

Employees with a pre-3rd grade child are allowed to take public holidays off if they wish to.

Teleworking

Employees of over one year with a pre-3rd grade child are allowed to telework from home for up to 2 days a week.

Product Manager Work Location Choice

Product managers with a pre-3rd grade child are able to choose their work location.

Babysitting Service Support

Financial assistance is available for babysitter use.

Relocation to Accompany Spouse

We readily consider requests for relocation from employees wishing to accompany spouses who have been transferred to a new work location.

Loan of PCs to Employees on Childcare Leave

Laptop PCs are loaned to employees on childcare leave to enable them to keep abreast with company affairs.

Diversity Training

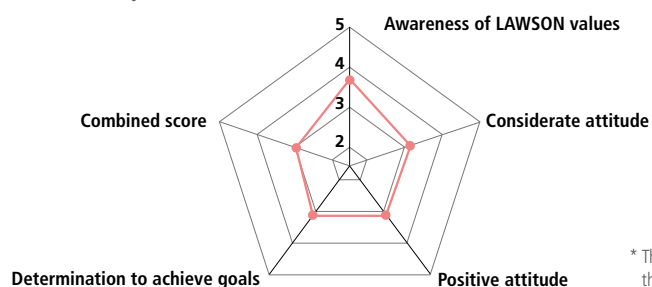
LAWSON conducts diversity* training to promote better work environment by improving understanding of support for childrearing and other aspects of diversity.

* Diversity: valuing diversity means maximizing the potential of all employees by respecting differences in gender, nationality and others.

Sports and Recreation

LAWSON hosts a range of sports and recreational events to foster communication within the company, with branches holding sports days, softball and futsal tournaments, and various other sports events in fiscal 2008. Such activities help to promote smooth operations by

Employee Attitude Survey Results



* The higher the score, the better



Promoting Diversity

Hiring Foreign Students to Address Increasing Diversification of Society

We consider our employees to be our greatest asset, and seek to create an organization that makes the most of their individuality and enables them to realize their full potential. In fiscal 2009, we hired 39 foreign students as new employees, and will continue to breathe new life into our workplaces through multicultural hiring.

Employee Overview

	FY2006	FY2007	FY2008
Employees (consolidated)	3,614	3,548	5,186
Male/female	3,184/430	3,202/346	4,517/669
Employees (non-consolidated)	3,131	3,316	3,459
Male/female	2,839/292	2,979/337	3,083/376
Women in managerial positions (%)	0.4	4.7	1.3
Employees with disabilities (%)	1.6	1.4	1.7
Employees on maternity leave	14	17	4
Employees taking childcare leave	17	21	25
Employees working reduced hours for childcare	14	20	16
Employees taking leave as caregivers	0	1	2
Insured employee health check rate (%)	81.7	89.3	90.8
Average age	37.8	37.6	37.8
Average length of employment (years)	11.4	11.2	10.9
Employee turnover (%)	11.5	9.2	6.6
Workplace accidents	46	47	67

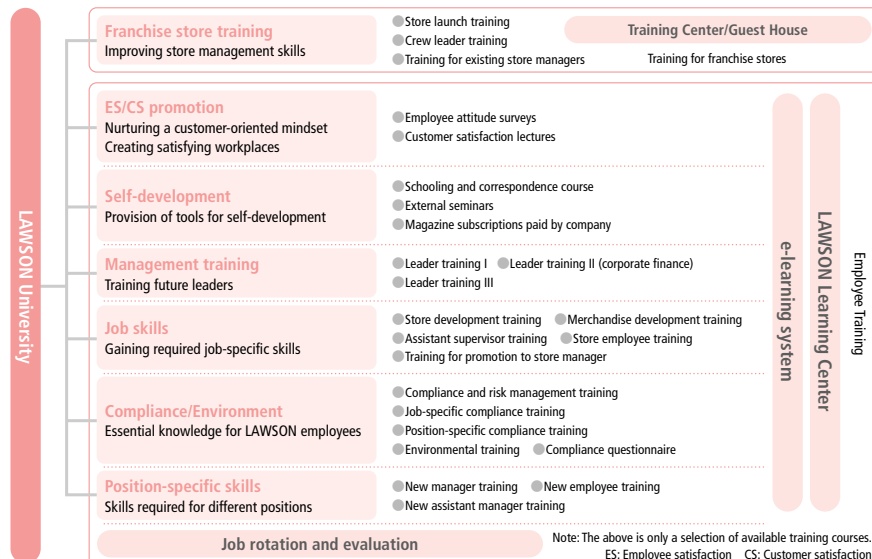
"LAWSON University" Training Program

LAWSON proactively invests in employee training to instill its corporate philosophy and priority on customers, and create an organization of ambitious professionals with outstanding work skills.

Under our original LAWSON University training program, we provide a range of training courses according to

goal, occupation and position at the LAWSON Learning Center (LLC) near our headquarters, and have also deployed an e-learning system for employees to take required training at any time irrespective of location.

LAWSON University Structure



From the Frontline: Employee

My Dream is to Establish LAWSON in Vietnam

Tong Thi Thao
Human Resources Office

I'm currently involved in hiring people and watching over our foreign employees to help resolve any work issues or issues related to living in Japan. As a foreigner myself, I think I'm very lucky to be able to chat with other employees who share the same dreams and concerns. My dream is to establish LAWSON in Vietnam. It's still a very big hurdle, but I want to study hard and gain as much experience as I can for the future. I hope that someday my children will say they think it's great that I work for LAWSON.



Together with our Business Partners



We do our utmost to build trust with our business partners, since their cooperation is absolutely essential to providing our customers with safe products.

Promoting Fair Transactions

To build trust with business partners, the LAWSON Code of Ethics calls for fair and transparent transactions conducted in good faith, and we educate our merchandising personnel on the importance of not taking advantage of superior negotiating positions. Specific measures include e-learning for all employees, and training sessions upon promoting personnel to assistant merchandising developers and store development assistants. LAWSON conducts an annual questionnaire survey of business partners in such fields as product delivery and store construction to identify problems and gain a broad perspective from which to revise and enhance our compliance structure.

Although the results of the 15th survey in July 2008 were the best so far, responses included some hard-hitting opinions regarding transactions. We take

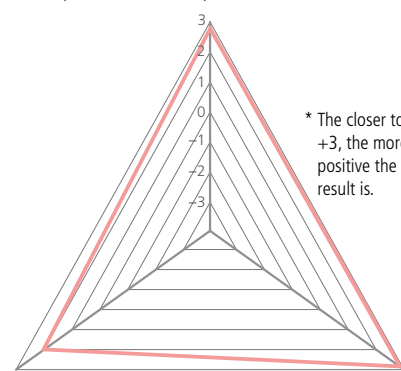
these results seriously, providing feedback at general meetings and conduct appropriate training for each division. We also provide feedback to business partners who respond to our questionnaires.



Survey results being announced at a general meeting

● Business Partner Questionnaire Results

No pressure or compulsion in transactions



* The closer to +3, the more positive the result is.

Store crew response

No unfair trade practices as a large-scale retailer

Corporate Citizenship Activities Conducted with Our Business Partners

We conduct more and more corporate citizenship activities with our business partners every year. Joining hands with others to carry out greening projects, cleanups, Bring Your Own programs and various other activities expands the dimension to those activities, making them more meaningful than ever.

Under our CO₂ Offset program, we partnered with Coca-Cola (Japan) Co., Ltd., Saitama Prefecture, Yokohama City, Suntory Beer & Spirits Limited, THE NISHI-NIPPON CITY BANK, LTD., PILOT CORPORATION, ZEBRA Co., Ltd., PENTEL CO., LTD., Panasonic Consumer Marketing Co., Ltd., TOSHIBA LIGHTING & TECHNOLOGY CORPORATION and others to offer products and services with attached CO₂ offsets.

For our Bring Your Own Bag program, we partnered in fiscal 2008 with SGR Inc., TOKYU CORPORATION and others.

CDG Co., Ltd. and PHILIP MORRIS JAPAN K.K. again participated in Mt. Fuji LAWSON Forest activities that we carry out every year in May.

Kentucky Fried Chicken Japan Ltd. and Kei Emu Esu Co., Ltd. participated in

our Arakawa Clean Aid cleanup activity conducted in November 2008.

The elementary school in Laos that opened its doors in December 2008 was build with the cooperation of Kai Corporation, LAUREL CO., LTD.,

WAKODO CO., LTD., Oji nepia Co., Ltd., OMI Corp., Paltac Corporation, and Miyata Boxing Gym.



Elementary School Opened in Laos

LAWSON's Organization

We firmly believe in the importance of enhancing the soundness and transparency of our management and further developing our corporate governance system to meet the expectations and earn the constant trust of our customers, franchise owners, store crews, business partners, shareholders and other investors.

LAWSON Group Corporate Conduct Charter

1. Basic Declaration

We*¹ believe that fulfilling our corporate social responsibilities while responding to the requests of LAWSON Group*² stakeholders will lead to enhanced corporate value of the LAWSON Group. With a solid understanding of the Charter's contents, we pledge to always act sincerely and considerately with a high sense of corporate ethics while adhering to all laws.

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

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

2. Basic Stance

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

Corporate Governance and Internal Controls

Board of Directors, Executive Office System

As of May 27, 2009, LAWSON had 7 directors, including 3 outside directors. The Board of Directors intentionally has few members, as our aim is to enable swift management decisions. The Company has also introduced an executive officer system to enhance management supervision and business execution. The Company has 16 executive officers, 2 of whom concurrently serve as directors.

In fiscal 2008, the Board of Directors met 16 times, including 4 extraordinary meetings. The rate of attendance at these meetings by outside directors was 79%. In fiscal 2009, the Board of Directors plans to convene monthly.

Audit System

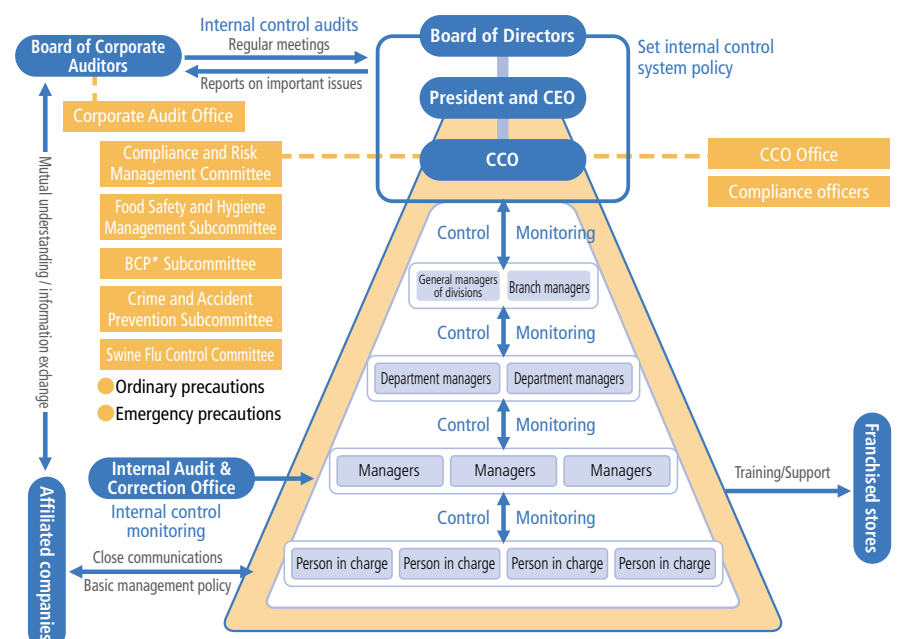
LAWSON's Board of Corporate Auditors has 4 members, 3 of which are from outside the Company. In principle, the Board meets monthly to provide fair and impartial opinion on general management and other specific topics. The Board also audits the execution of duties by directors, including the status of internal control

systems.

During fiscal 2008, the Board of Corporate Auditors met 14 times, including 2 extraordinary meetings. The rate of attendance was 100%, and the rate of attendance of outside corporate auditors at Board of Directors meetings was 94%.

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

LAWSON Internal Control System



* BCP: Business Continuity Plan

Compensation System

In fiscal 2008, the Compensation Committee, chaired by Members of the Board (Outside) Takehiko Kakiuchi, met three times. These meetings were held to discuss topics such as methods of determining director and executive officer compensation, and the decisions of these meetings were reported to the Board of Directors. A multi-source assessment system for deciding management compensation was introduced in fiscal 2003, and is referred to when carrying out personnel assessments.

Internal Control System

LAWSON faces many different risks as a company involved in many different business areas centered on convenience stores and providing a wide range of products and services through its nationwide chain of stores.

We believe that the establishment and operation of a system of internal controls is of vital importance to ensuring sound and sustained corporate development. To further ensure appropriate financial reporting, in February 2009 the Board of Directors added new measures to its Fiscal 2008 Basic Policy for the Establishment of the Internal Control System, and is now executing them under the Fiscal 2009 Basic Policy for the Establishment of the Internal Control System. An explanation of this policy is available on our website. In line with this policy, we aim to conduct our business in ways that are operationally effective, efficient and appropriate in order to enhance our corporate value.

Initiatives to Promote Compliance

Creating Structures for Raising Awareness

LAWSON has appointed a Chief Compliance Officer (CCO), who has overall responsibility for the promotion of compliance and management of risks. The CCO leads the CCO Office, which has its own fulltime staff. Compliance officers are also appointed at each division and the seven branch offices in Japan.

With the aim of ensuring compliance with laws and regulations and effective risk management measures, the CCO convenes Compliance and Risk Management Committee meetings once a month to identify current problems and build and implement systems to preempt misconduct and other problematic incidents.

Compliance officers promote compliance and risk management in their own sections, provide related education

and propose ways to make improvements. Affiliated companies also appoint compliance officers to oversee compliance and risk management and participate in meetings of affiliated company compliance officers to share information and knowledge throughout the Group.



Affiliated Company Compliance Officer meeting

Ensuring Effective Operation of Compliance System

LAWSON has developed compliance-related rules and conducts regular compliance training, including e-learning and group training by job type, to ensure that it fulfills its corporate responsibility to comply with laws and regulations and respect social standards and morals at all times. In March 2008, we formulated the LAWSON Group Corporate Conduct Charter, and revised the LAWSON Code of Ethics. We also issued the LAWSON Group C&R Handbook, which summarizes these standards of conduct so that we can maintain and enhance employee awareness of compliance through their work.



LAWSON Group C&R Handbook

We conduct attitude surveys covering all employees, as well as surveys for business partners concerning product delivery and store construction. These surveys help us to identify issues in compliance-related activities and transaction details, and gain a broad perspective from which to revise and enhance our compliance structure.

For our internal reporting system, we have set up hotlines both inside and outside the company (law firm) for employees to report and consult on various matters so as to enable early discovery of internal problems and the swift implementation of necessary remedies.



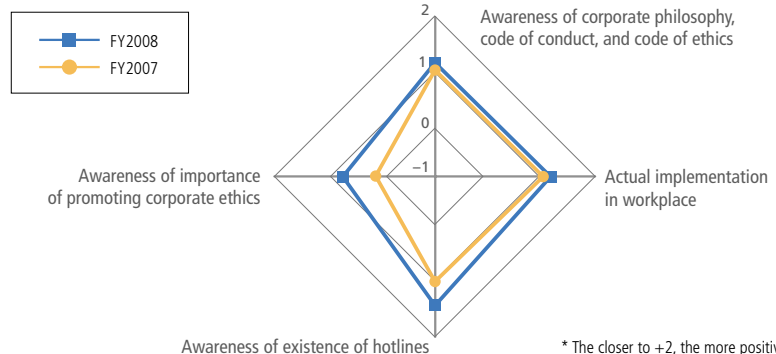
Compliance and risk management training session organized by the CCO Office

Compliance Survey

We perform compliance surveys covering all company personnel once a year to gain an understanding of the degree to which our compliance system is being upheld. Results of our 5th survey, conducted in fiscal 2008, indicated a marked improvement in awareness of the existence of hotlines and the importance of observing our corporate code of ethics.

We will continue to conduct surveys and other activities to further raise awareness of compliance issues and ensure that this awareness is translated in action.

Compliance Survey Results



Creating a Swift Response Risk Management Structure

Enhancing Structure to Address New Risks

LAWSON focuses on 3 major risk areas from the corporate ethics perspective: product quality and hygiene management (see P27-28 for quality management), information security, and disaster response. We have a system in place for the swift resolution of problems in the event of an emergency, and the Compliance and Risk Management Committee and four subcommittees convene in normal times to identify and minimize risks.

In the event of a serious risk emerging, we set up an emergency risk management committee to contain the risk and minimize damage. After resolution of the situation, we analyze causes to ensure restoration of trust and prevent recurrence, and seek to further improve our risk management capabilities by providing feedback on our findings to employees through training.

Swine Flu Prevention Manual

As one of our measures to mitigate swine flu-related risks, in December 2008 we prepared a 24-page prevention manual for distribution to all of our employees. Divided into information and action sections, the manual uses plentiful illustrations and diagrams to explain the subject in an easy-to-grasp format under 14 themes.

We have also procured a stock of masks at headquarters, placed alcohol disinfectant at office entrances, and installed air purifiers in our headquarters and branch offices.



Prevention manual

Improving Information Security

LAWSON has established a Personal Information Protection Policy that is also reflected in store manuals to ensure that it is understood and put into practice. To raise awareness, we also use internal newsletters and other communication tools to describe common errors and complaints at stores and ways to resolve them. Headquarters employees use the

LAWSON Office Security Rules as their manual.

We strive to improve our information security on all fronts through measures such as regularly checking our information management system using self-testing and internal auditing processes, rigorous observation of rules for use, storage and disposal of personal information, and information security training.



Office security rules

Maintaining Lifeline Functions during Major Disasters

LAWSON strives to ensure that if a major disaster strikes, its stores will continue to operate, serving as a lifeline to affected communities. To this end, LAWSON has compiled basic and organization-specific (district offices, branch offices, headquarters) disaster response manuals and distributed these to each division and branch office. We have also included relevant parts in store manuals. In the event of a large-scale disaster, we have systems in place to establish Disaster Response Offices and ensure quick response to disasters. We periodically review our disaster response manuals in the light of problems or questions that may have arisen during response training or actual disasters to ensure the ongoing operation of stores in affected areas and the rapid restoration of service in stores hit by a disaster. To ensure that all

employees are fully aware of the actions expected of them in times of disaster, we also conduct disaster response training programs twice a year.

For the companywide disaster response training held in January 2009, each branch office practiced drills for confirming the safety of employees and their families and communicating with headquarters using satellite phones and other means of communication in the event of an earthquake of 5-upper or stronger on the Japanese seismic intensity scale. They also practiced transport of supplies with local authorities with which they have disaster assistance agreements. Staff in the Headquarters Disaster Response Office returned home on foot to check walking routes.

Store Crime Prevention Measures

To prevent crime at stores, LAWSON has created a crime prevention system and conducts various activities including promoting the use of pigment-filled anti-crime colored balls, dispatching headquarters staff to make late night rounds of stores, participating with local police departments in mock robbery exercises, and adherence to the "Five Principles of Crime Prevention."



Mock robbery exercise

Disaster Response Case Study

When the Iwate-Miyagi Nairiku Earthquake struck on June 14, 2008, we immediately established Disaster Response Offices to gather information on the disaster and provide support with supplies.

Disaster Response Timeline

8:43 Earthquake strikes (Intensity 6 upper of on Japan's seismic intensity scale = automatic establishment of Disaster Response Office)

8:55 Establishment of Disaster Response Offices in Headquarters and Tohoku Branch Office confirmed

14:00 Start of relief provisioning

16:00 Earthquake relief donation collection outline decided

Provisions delivered on the day of the disaster

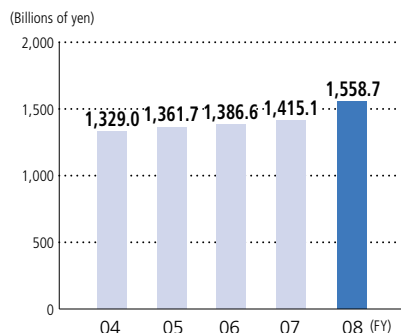
Item	Number
Rice balls	2,000
500 ml bottles of green tea	1,080

* A total of ¥3,129,431 in disaster relief donations was collected and passed on to the Iwate branch of the Japanese Red Cross Society and Miyagi Prefectural Office on July 18, 2008 (see P33 for details).

Company Overview (As of February 28, 2009)

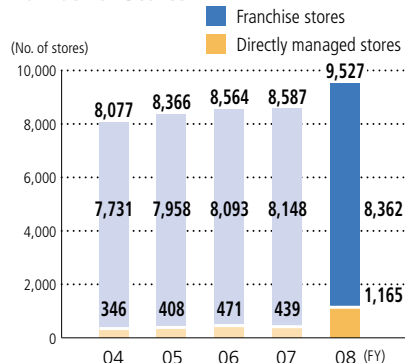
Name	LAWSON, INC.
Address	East Tower, Gate City Ohsaki, 11-2, Osaki 1-chome, Shinagawa-ku Tokyo 141-8643, Japan
President and CEO	Takeshi Niinami
Established	April 15, 1975
Capital	¥58,506,644,000
Employees	5,186 (consolidated)
Scope of Operation	Mainly management of LAWSON and NATURAL LAWSON franchise and directly managed convenience store chain as headquarters
Store Revenues	¥1,558.7 billion (FY2008)
Store Coverage	All 47 prefectures in Japan and Shanghai, People's Republic of China (joint venture)

Consolidated Net Sales*

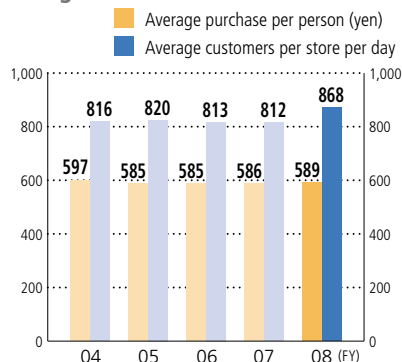


* Ninety-nine Plus added from fiscal 2008

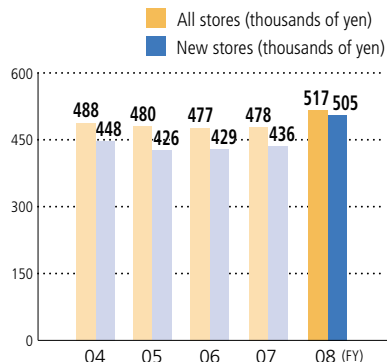
Number of Stores



Average Number of Customers/ Average Purchases



Average Daily Sales per Store



Store Information (As of February 28, 2009)

9,527 stores in Japan

Including: 93 NATURAL LAWSON stores
925 LAWSON STORE 100 and SHOP99 stores

Kyushu Region 1,012

Stores	Count
Fukuoka	331
Saga	58
Nagasaki	84
Kumamoto	90
Oita	126
Miyazaki	84
Kagoshima	106
Okinawa	133
Total	1,012

Chugoku Region 531

Stores	Count
Tottori	87
Shimane	82
Okayama	122
Hiroshima	132
Yamaguchi	108
Total	531

Kinki Region 2,037

Stores	Count
Shiga	123
Kyoto	236
Osaka	935
Hyogo	529
Nara	104
Wakayama	110
Total	2,037

Hokkaido Region 498

Chubu Region 1,359

Stores	Count
Niigata	100
Toyama	106
Ishikawa	78
Fukui	92
Yamanashi	66
Nagano	133
Gifu	110
Shizuoka	167
Aichi	423
Mie	84
Total	1,359

Tohoku Region 807

Stores	Count
Aomori	162
Iwate	166
Miyagi	183
Akita	142
Yamagata	56
Fukushima	98
Total	807

Kanto Region 2,866

Stores	Count
Ibaraki	106
Tochigi	105
Gunma	68
Saitama	372
Chiba	342
Tokyo	1,233
Kanagawa	640
Total	2,866

Shikoku Region 417

Stores	Count
Tokushima	109
Kagawa	98
Ehime	150
Kochi	60
Total	417

SHANGHAI HUALIAN LAWSON Co., Ltd. 300 stores
(As of December 31, 2008)

Subsidiaries and Affiliate

Consolidated Subsidiaries (As of February 28, 2009)

LAWSON TICKET, INC.¹

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

i-Convenience, Inc.¹

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

VALUE LAWSON, Inc.²

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

Ninety-nine Plus Inc.²

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

1 LAWSON TICKET, INC. and i-Convenience, Inc. merged on March 1, 2009, and the name of the resulting company was changed to LAWSON ENTERMEDIA, INC. on July 20, 2009.

2 Ninety-nine Plus Inc. and VALUE LAWSON, Inc. merged on May 1, 2009.

Affiliated Company (As of February 28, 2009)

SHANGHAI HUALIAN LAWSON Co., Ltd.

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

Third Party Comment

We have received the following third party comment on our environmental activities. We take such opinions to heart and act on them to improve and expand our activities.



Ms. Shiho Fujita
 Founder of “gal” marketing company SGR Inc.

Profile

Born in Chiba Prefecture in 1985. After graduating from high school, Ms. Fujita founded Shiho GRevo Inc. to launch a “gal (= girl) revolution” aimed at giving girls of her generation a completely new image. Shiho GRevo, now renamed SGR Inc., specializes in marketing that leverages the gal image to develop new products and organize promotions. As a gal company president, Ms. Fujita also became popular on Japan’s lecture circuit, and has become increasingly involved in environmental issues and AIDS prevention efforts. She stepped down from SGR in December 2008 to focus on food issues with her “No Gal” (= farm girl) Project to cultivate interest in food and agriculture among young people. Initiatives that she has launched under the project include the cultivation of Shibuya Rice in Akita Prefecture and a line of chic farming wear.

High Hopes for Convenience Store Eco Initiatives

My interest in the environment started with litter picking. I love Shibuya and I was sad to see so much litter lying around, so I started cleaning up the streets around our office. When I wrote about this in my blog, people started asking me to participate in eco and cleanup events, and I found myself getting more and more involved in eco issues. When I think I’ve learned something worthy, I want others to know it too, and that’s basically how I got into organizing eco activities from the young people’s viewpoint. That’s how I came to collaborate with LAWSON in spring 2008 to make the Ekokawa Bag (=cute eco-bag).

LAWSON and other convenience stores are very much a part of the lives of young people. You can get to know about environmental issues through TV or radio, but they seem distant and unconnected to your own reality. It’s a different matter, though, if convenience stores get involved. You see them doing something, and feel that maybe you should be doing something too. You feel kind of pressured, in a good sense!

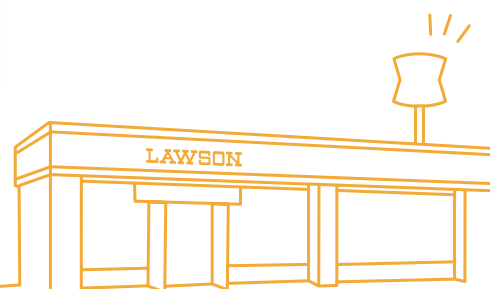
Recently food safety has become a big issue. Food goes into your mouth, and so safety is a big worry. That’s why I figured the best thing would be to make my own, and so from spring 2009, I started growing rice in Akita Prefecture and vegetables in Shizuoka Prefecture.

My image of rice has also changed. I used to think that rice was fattening, and ate very little of it, but now I know that was a mistaken view. I eat a lot of rice now, and find it filling enough that I no longer snack so much between meals.

I think it’s important for people to have accurate information about eco issues and food, and I plan to continue communicating what I’ve learned and found worthy. And since LAWSON and other convenience stores are so close to the hearts of young people, I hope to be able to work with them to get the message across to my generation.

LAWSON 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 contribute” initiative
	July	Commenced operations in Okinawa, marking the Company’s extension of operations to all 47 Japanese prefectures
1998	February	Installed Loppi multimedia terminals at all stores
	November	Established the LAWSON Code of Ethics
	December	Received ISO 14001 certification (international 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	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 Chief Compliance Officer and compliance managers
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	Officially started waste-oil recycling
	September	Became first private company to sign agreement with Japan’s Ministry of the Environment
2007	March	Employed environmentally friendly PLA for salad containers
	March	Started “Bring Your Own” program
	July	Opened HAPPY LAWSON Yamashita Koen store to support families with children
2008	February	Formed comprehensive alliance with Japan Post Holdings Co., Ltd.
	April	CO ₂ Offset program launched
	April	Equipped two stores in Nagano Prefecture with solar panels in partnership with a citizen fund
	September	Opened a sub-post office in a LAWSON store in Sakaki, Nagano Prefecture
	October	Letter of Appreciation from Minister of Health, Labour and Welfare for Distinguished Service in the Promotion of Organ Transplant Measures
	October	Switched to Designated Farmer Rice for Niigata Koshihikari Onigiri rice balls
	December	Opening of elementary school in Laos built through the sale of products with donations attached
2009	January	Started electric vehicle working trial



LAWSON

LAWSON, INC.

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