

Flash Report on the Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2021

January 8, 2021

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

(URL <http://www.lawson.jp/en/ir>)

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Scheduled date for submission of quarterly securities report: January 14, 2021

Scheduled date for payment of dividend: —

Supplementary materials for quarterly financial results: Yes

Holding of presentation of quarterly results: None

(Amounts less than one million yen are truncated)

1. Consolidated operating results for the third quarter ended November 30, 2020 (from March 1, 2020 to November 30, 2020)

(1) Consolidated operating results (cumulative)

Note: Percentages represent increases (decreases) compared with the corresponding period of the previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended								
November 30, 2020	497,425	(9.7)	32,356	(37.9)	30,273	(37.8)	11,904	(54.1)
November 30, 2019	550,901	4.4	52,122	9.0	48,663	4.3	25,953	2.5

Note: Comprehensive income:

For the third quarter ended November 30, 2020	15,478 million yen	(35.2)%
For the third quarter ended November 30, 2019	23,890 million yen	(12.5)%

	Profit per share	Diluted profit per share
	Yen	Yen
For the third quarter ended		
November 30, 2020	118.96	118.88
November 30, 2019	259.37	259.22

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2020	1,314,656	275,631	20.6
February 29, 2020	1,357,732	275,347	20.0

Reference: Shareholders' equity:

As of November 30, 2020	271,261 million yen
As of February 29, 2020	270,877 million yen

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2019 fiscal year	—	75.00	—	75.00	150.00
2020 fiscal year	—	75.00	—		
2020 fiscal year (forecast)				75.00	150.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for the 2020 fiscal year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

Note: Percentages represent increases (decreases) compared with the corresponding period of the previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2020 fiscal year	670,000	(8.2)	35,000	(44.4)	30,000	(46.8)	5,000	(75.1)	49.96

Note: Revision of the most recent consolidated operating results forecast: None

4. Notes

(1) Change in significant subsidiaries during the quarterly consolidated period (Changes in certain specified subsidiaries resulting in changes in scope of consolidation): None

Added: None

Excluded: None

(2) Adoptions of specific accounting methods for preparing quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates or restatements

1. Changes in accounting policies associated with revision in accounting standards: None

2. Changes in accounting policies other than 1. above: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding at the end of period (including treasury shares)

As of November 30, 2020: 100,300,000 As of February 29, 2020: 100,300,000

2. Number of treasury shares at the end of period

As of November 30, 2020: 232,904 As of February 29, 2020: 237,762

3. Average number of shares during the period (cumulative nine months)

As of November 30, 2020: 100,065,438 As of November 30, 2019: 100,061,191

Note: This flash report is exempt from quarterly review.

Note: Descriptions on appropriate use of financial performance forecasts and other special notes

Forward-looking statements presented herein such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. The achievement of said forecasts cannot be guaranteed. Actual results may be materially different from those in the forecast as a result of various factors. For preconditions of these financial forecasts and notes concerning their use, please refer to “1. Qualitative Information Regarding Quarterly Financial Results, (3) Explanation Regarding Forward-looking Statements” on page 9.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the third quarter of fiscal 2020, nine months from March 1 to November 30, 2020, the novel coronavirus disease (COVID-19) spread across the world. A temporary state of emergency was declared in Japan, but after the declaration was lifted a gradual recovery trend was seen in the nation's economic and social activities, in part driven by the government-led Go To Travel and Go To Eat campaigns. Meanwhile, restrictions on large-scale events have continued and remote working has become prevalent among consumers, which together have brought changes to consumer lifestyles and purchasing behavior. Such changes have also affected the business of the Lawson Group, significantly reducing its net sales, but the Group continues to strive to address the changes by strengthening its merchandise assortment in line with the shifting customer demands, among other measures.

As a result, for the third quarter of fiscal 2020 on a consolidated basis, gross operating revenue decreased to 497,425 million yen (down 9.7% from previous fiscal year), operating income decreased to 32,356 million yen (down 37.9% from previous fiscal year) and ordinary income decreased to 30,273 million yen (down 37.8% from previous fiscal year). Profit attributable to owners of parent decreased to 11,904 million yen (down 54.1% from previous fiscal year).

Against such a backdrop, we considered what Lawson could do, and took rigorous precautionary measures to protect our customers and employees from infection and flexibly responded to changing customer needs while continuing with our business operations. Notwithstanding the increasingly challenging business environment surrounding Lawson, Inc. and its franchise stores, our headquarters and franchise stores are making unified efforts toward our shared goal, "Creating Happiness and Harmony in Our Communities," under Lawson's Way, our new action guideline set forth this fiscal year.

Furthermore, we also focused on improving our group-wide internal control system and addressing operating risks based on the 2020 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

Operating results by business segment were as follows.

It should be noted that new reportable segments have been applied since the first quarter of fiscal 2020 and that the comparison and analysis of figures for the nine months from March 1 to November 30, 2020 were based on the new reportable segments.

(Domestic Convenience Store Business)

Signs of recovery were seen in the number of customers and sales, which had decreased owing to the prevalence of remote working and reduced opportunities to go out amid the spread of COVID-19. However, in September, stores were temporarily closed in the Kyushu region as well as in Yamaguchi and Ehime prefectures due to Typhoon Haishen, and the number of new cases of infection rose sharply from November, which had an impact on the number of customer visits. Against this backdrop, as precautionary store measures against COVID-19, we continued to have transparent plastic barriers installed at cash registers; ensured social distancing; and made sure employees practiced rigorous hand washing and gargling, disinfected their hands with alcohol-based disinfectant, and wore face masks, giving top priority to the safety of customers and store

employees.

In store operations, we are striving to establish LAWSON stores as convenience stores endorsed by all our customers. To this end, we are continuing to implement measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. By developing distinctive products that are compellingly delicious and health-conscious, we are aiming to further reinforce our product lineup, while rigorously working to offer thoughtful customer service at our stores and ensure environmental friendliness by reducing food waste, the use of plastics and CO₂ emissions, etc.

[Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean. Furthermore, we kept up our initiatives to increase the profits made by franchise stores, including helping them streamline their store operation and reduce costs associated with food waste and utility expenses.

[Merchandising and Service Strategies]

Net sales decreased significantly owing to a decline in the number of customers, but sales surged in five categories (fresh vegetables, frozen foods, daily delivered foods, alcoholic beverages, and Japanese and Western confectionery stored at room temperature) as a result of expanding the merchandise assortment in response to the rise in home cooking instead of dining out. In the frozen food category, for which demand is rising, we launched the “Bistro” series that goes well with wine with the aim of allowing customers to casually enjoy a little luxury at home. We will continue creating stores tailored to customers’ changing lifestyles and needs amid the spread of COVID-19.

In the rice range, we revamped our “Kinshari Onigiri Rice Ball” series by blending different varieties of brand-name rice—produced in the prefectures of Yamagata, Ishikawa, Toyama, or Gifu—for different geographic markets. High value-added products in the series such as “Matsutake mushroom and Wagyu beef” and “Crab and salmon roe” featuring seasonal ingredients were hugely popular.

In the dessert range, our original dessert products contributed to sales. Specifically, the “Uchi Café Spécialité” series, our newly released “reward dessert” products that bring out the pure tastiness of the ingredients, was well received by customers, along with our regular products including our BASCHEE Basque-style cheesecake as well as our novel dessert products that we are continuing to develop.

In food delivery service, for which needs have been growing owing to the COVID-19 crisis, we started offering delivery service through foodpanda in November 2020 in addition to Uber Eats. As a result, the combined number of stores listed on food delivery services reached 1,472 in 27 prefectures as of November 30, 2020.

The SMARI service, our non-face-to-face package shipment service using SMARI Box, which had been designed exclusively for the service and offered at some 2,500 stores in the Tokyo metropolitan area and the Kinki region, was expanded into the Chubu region in November 2020, with 249 stores in Aichi Prefecture introducing the service.

[Breakdown of Sales by Merchandise Category at Chain Stores in Domestic Convenience Store Business]

Fiscal year Product group	Previous fiscal year From March 1, 2019 to November 30, 2019		Current fiscal year From March 1, 2020 to November 30, 2020	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	943,324	52.9	877,164	53.5
Fast foods	417,373	23.4	350,521	21.4
Daily delivered foods	268,069	15.0	260,812	15.9
Nonfood products	155,353	8.7	151,701	9.2
Total	1,784,121	100.0	1,640,199	100.0

[Store Development]

In opening new stores, the Group continued to focus on developing profitable stores.

During the third quarter under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 313 stores. Meanwhile, we closed a total of 254 such stores in the country as a result of shutting down stores with low earnings and for other reasons. As of the end of November 2020, the total number of domestic stores was 14,503.*

In an effort to establish convenience store models catered to an aging population and a trend toward self-treatment, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented LAWSON stores that offer over-the-counter pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 245 stores (includes 52 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of November 2020. Moreover, the number of stores offering nursing care consultation services has reached 25 as of the end of November 2020. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary, nursing and rehabilitation supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 333 as of the end of November 2020. Building on our expertise developed through operation of in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

With the aim of supporting our customers’ beauty, health, and comfortable lifestyles, our NATURAL LAWSON stores offer an exclusive assortment of items including original products adopting select ingredients as well as products produced in collaboration with renowned brand names. Meanwhile, our LAWSON STORE100 stores, which are mini supermarkets in the size of a convenience store, aim to sustain the daily lives of consumers by offering fresh, high-quality, safe, and reliable fruits and vegetables. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of the end of November 2020, we operate 145 NATURAL LAWSON stores and 685 LAWSON STORE100 stores.

* The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc. and equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 29, 2020	Change during period	Total stores as of November 30, 2020
LAWSON	13,557	116	13,673
NATURAL LAWSON	145	—	145
LAWSON STORE100	742	(57)	685
Total	14,444	59	14,503

[Number of LAWSON stores by prefecture (As of November 30, 2020)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	678	Ibaraki	229	Kyoto	322	Ehime	214
Aomori	277	Tokyo	1,700	Shiga	155	Tokushima	135
Akita	183	Kanagawa	1,083	Nara	137	Kochi	139
Iwate	181	Shizuoka	281	Wakayama	152	Fukuoka	517
Miyagi	257	Yamanashi	137	Osaka	1,112	Saga	75
Yamagata	114	Nagano	174	Hyogo	660	Nagasaki	114
Fukushima	168	Aichi	727	Okayama	209	Oita	193
Niigata	230	Gifu	182	Hiroshima	248	Kumamoto	160
Tochigi	200	Mie	137	Yamaguchi	120	Miyazaki	110
Gunma	242	Ishikawa	105	Tottori	138	Kagoshima	198
Saitama	691	Toyama	186	Shimane	143	Okinawa	244
Chiba	604	Fukui	109	Kagawa	133	Total (domestic)	14,503

(Note) These figures include stores operated by Lawson, Inc. and equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Other]

On September 10, 2020, Lawson, Inc. entered into a joint business agreement with POPLAR Co., Ltd. to convert and operate some of the stores under the POPLAR, SEIKATSU SAIKA, and THREE EIGHT brands into LAWSON POPLAR or LAWSON brand stores.

Based on the content of the “Fact-Finding Survey Report on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees” (September 2020) and the “Fact-Finding Survey on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees (Overall Questionnaire Results)” compiled by the Japan Fair Trade Commission, Lawson, Inc. implemented a self-inspection program, and formulated and announced an improvement plan on November 30, 2020.

As part of our measures to enhance the financial stability of our franchise stores, we are proceeding with a range of short-, medium-, and long-term initiatives to support them with multiple store ownership, store manager development, and measures for new franchise owners. In addition, we have been providing financial support to stores facing considerable sales declines due to the spread of COVID-19, and will proceed with further measures

to increase their sales and profits under strong partnerships with them.

We jointly develop products with regional business operators nationwide that have been affected by COVID-19. Through such initiatives, we aim to support local businesses and producers through our LAWSON stores.

In pursuit of solving environmental issues, we launched the “Surprise ‘Whew!’ Kindness Project,” under which initiatives are undertaken toward the Sustainable Development Goals (SDGs). For example, the proportion of customers declining the use of plastic shopping bags has reached approximately 75%, which exceeds the target of 60% upheld by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. We will continue with our efforts to reduce the use of plastic containers and packages, CO2 emissions from stores, and food waste. Furthermore, Lawson, Inc. endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020 in its efforts to combat climate change issues. We are disclosing more information on our environmental initiatives as recommended by the TCFD.

As a result, Domestic Convenience Store Business posted gross operating revenue of 320,403 million yen (down 11.0% from previous fiscal year) and segment profit of 24,511 million yen (down 39.7% from previous fiscal year).

(Seijo Ishii Business)

At stores of Seijo Ishii, a high-end supermarket chain offering quality foods, we provide our customers with well-selected, safe, and reliable foods. The number of directly operated Seijo Ishii stores reached 163 as of the end of November 2020. On the back of heightened demand at supermarkets amid the spread of COVID-19, demand for perishables including fruits and vegetables, meat and fish grew markedly, resulting in strong overall sales. By continuing to leverage the company’s strengths including its product development expertise, know-how acquired as a manufacturing retailer, and retailing techniques, we will endeavor to enhance the brand capacity of Seijo Ishii.

As a result, Seijo Ishii Business posted gross operating revenue of 75,423 million yen (up 11.2% from previous fiscal year) and segment profit of 7,115 million yen (up 26.8% from previous fiscal year).

(Entertainment-related Business)

With regard to our Entertainment-related Business, the ticketing business of Lawson Entertainment, Inc., we experienced a precipitous drop in ticket transaction value as a result of event cancellations and postponements owing to the spread of COVID-19. Hosting of large-scale events continues to be restricted, but we are striving to expand the ticket transactions to live streaming events by prominent artists, along with tickets for leisure facilities and sports events that have resumed. In our product sales business, a total of 58 stores are in operation nationwide as of November 30, 2020, including our mainstay HMV stores dedicated to selling music and video software, HMV&BOOKS, which markets books, CDs and DVDs, and HMB record shop stores specializing in analog records.

United Cinemas Co., Ltd., an operator of cinema complexes, was operating its theaters at 50% of the maximum audience capacity after the lifting of the state of emergency declaration, but in line with the scale and customer

demand for each film, the theaters are now accommodating audiences at 100% maximum capacity by taking necessary infection countermeasures. With popular films launched in October 2020, there has been a significant surge in audience numbers, resulting in sales that show a recovery trend. As of November 30, 2020, all 43 sites nationwide offering 389 screens including those operated on commission are in operation while taking rigorous measures to protect their customers and employees from infection.

As a result, Entertainment-related Business posted gross operating revenue of 42,623 million yen (down 35.3% from previous fiscal year) and segment loss of 101 million yen (segment profit was 4,979 million yen in previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, in our ATM business, the foundation of our banking business, we expanded our network of financial institution partners, while working to expand the ATM service of Lawson Bank, Inc.

As of the end of November 2020, the number of ATMs installed nationwide reached 13,479 (up 126 from previous fiscal year), with each ATM used 42.7 times a day on average, decreasing as a result of the decline in the number of customers visiting LAWSON stores due to the spread of COVID-19. The total number of our financial institution partners was 126 nationwide (up 2 from previous fiscal year), including online banks.

By harnessing Lawson Bank's ATMs and their transaction network, we are continuing with our efforts to enhance the bank's functions and convenience and to expand our service partners. In June 2020, we started offering an "instant bank account settlement service," in which money can be withdrawn from a user's bank account to top up a mobile payment app. Furthermore, other new services have been launched including the "ATM charge service," where cash can be charged to the user's mobile payment app at an ATM; the "smartphone ATM service," which allows the user to deposit and withdraw cash at an ATM with the bank's smartphone app without using the user's bank card; and the "ATM deposit service for business operators," which allows store revenues to be deposited to a Lawson Bank account at an ATM by using a dedicated deposit card. In addition, the LAWSON Ponta Plus credit card issued by Lawson Bank allows cardholders to earn additional Ponta points when making purchases with their card at LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores to encourage the use of the card. By implementing promotional campaigns and soliciting new cardholders at LAWSON stores, we have also been expanding its membership.

As a result, Financial Services Business posted gross operating revenue of 23,820 million yen (down 7.5% from previous fiscal year) and segment profit of 1,380 million yen (down 35.1% from previous fiscal year).

(Overseas Business)

With regards to Overseas Business, the Group's operating companies opened LAWSON stores in the People's Republic of China, Thailand, Indonesia, the Philippines, and the United States of America (Hawaii).

In the People's Republic of China, we have expanded mainly into Shanghai, as well as into Chongqing, Dalian, Beijing, Wuhan, Hefei, Changsha, Shenyang, and other cities. In October 2020, we advanced into Haikou, Hainan province. The number of LAWSON stores in the entire country reached 3,158 as of the end of November 2020.

In response to the spread of COVID-19, we closed some stores or shortened their opening hours overseas, but normal operations at almost all stores have now resumed.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 29, 2020)	Change during fiscal year	Number of stores (As of November 30, 2020)
China Shanghai and surrounding area	1,574	172	1,746
China Chongqing	235	75	310
China Dalian	192	47	239
China Beijing and surrounding area	153	48	201
China Shenyang	26	43	69
China Wuhan	401	33	434
China Hefei	50	46	96
China Changsha	15	36	51
China Haikou	—	12	12
Thailand	133	9	142
Indonesia	72	(5)	67
Philippines	65	—	65
United States of America Hawaii	2	—	2
Total	2,918	516	3,434

As a result, Overseas Business posted gross operating revenue of 42,814 million yen (up 10.2% from previous fiscal year) and segment loss of 188 million yen (down 85.7% from previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

Assets, liabilities and net assets at the end of the third quarter of fiscal year 2020

Current assets decreased by 18,602 million yen from the end of the previous fiscal year to 618,095 million yen, mainly reflecting a decrease of 9,415 million yen in accounts receivable and a decrease of 5,656 million yen in current assets-other due to the movement in call loans for banking business. Non-current assets decreased by 24,473 million yen from the end of the previous fiscal year to 696,561 million yen, mainly reflecting decreases of 10,404 million yen in property and store equipment, 8,191 million yen in intangible assets. Consequently, total assets decreased by 43,075 million yen from the end of the previous fiscal year to 1,314,656 million yen.

Current liabilities increased by 149,910 million yen from the end of the previous fiscal year to 711,874 million yen, mainly reflecting an increase of 100,000 million yen in current portion of long-term borrowings, an increase of 91,673 million yen in current liabilities-other due to the movement in call money for banking business, and a decrease of 46,313 million yen in deposits received. Non-current liabilities decreased by 193,270 million yen from the end of the previous fiscal year to 327,151 million yen, mainly reflecting a decrease of 180,000 million yen in long-term loans payable. Consequently, total liabilities decreased by 43,359 million yen from the end of the previous fiscal year to 1,039,025 million yen.

Net assets increased by 284 million yen from the end of the previous fiscal year to 275,631 million yen, mainly reflecting an increase of 3,597 million yen in valuation difference on available-for-sale securities and a decrease of 3,367 million yen in retained earnings. Consequently, shareholders' equity ratio was 20.6%, up from 20.0% as of the end of the previous fiscal year.

(3) Explanation Regarding Forward-looking Statements

Regarding the financial forecasts for the full fiscal year ending February 28, 2021, the financial forecasts remain unchanged from those announced on July 9, 2020.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 29, 2020 and November 30, 2020

(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current 3rd Quarter As of November 30, 2020
Assets		
Current assets:		
Cash and deposits	343,587	338,969
Accounts receivable-due from franchised stores	47,366	47,802
Lease receivables	17,876	17,114
Merchandise	20,985	22,389
Accounts receivable-other	159,122	149,706
Other	47,802	42,145
Allowance for doubtful accounts	(42)	(33)
Total current assets	636,697	618,095
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	201,526	201,459
Tools, furniture and fixtures, net	20,093	18,912
Leased assets, net	146,235	137,863
Other, net	25,082	24,298
Total property and store equipment	392,938	382,534
Intangible assets:		
Software	45,151	40,498
Goodwill	42,381	39,165
Trademark right	8,849	8,505
Other	680	702
Total intangible assets	97,063	88,871
Investments and other assets:		
Long-term loans receivable	42,488	41,334
Guarantee deposits	107,193	103,617
Deferred tax assets	34,378	28,482
Other	47,604	52,321
Allowance for doubtful accounts	(630)	(599)
Total investments and other assets	231,033	225,155
Total non-current assets	721,035	696,561
Total assets	1,357,732	1,314,656

(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current 3rd Quarter As of November 30, 2020
Liabilities		
Current liabilities:		
Accounts payable-trade	129,397	136,229
Short-term loans payable	39,850	57,400
Current portion of long-term borrowings	—	100,000
Lease obligations	45,610	44,392
Accounts payable-other	94,848	83,778
Income taxes payable	7,915	1,478
Deposits received	193,096	146,783
Provision for bonuses	4,667	3,561
Other	46,577	138,250
Total current liabilities	561,963	711,874
Non-current liabilities:		
Long-term loans payable	310,000	130,000
Lease obligations	136,665	123,395
Deferred tax liabilities	521	494
Provision for retirement benefits to executive officers and audit and supervisory board members	282	275
Net defined benefit liability	16,245	16,904
Asset retirement obligations	35,335	35,679
Other	21,370	20,400
Total non-current liabilities	520,421	327,151
Total liabilities	1,082,385	1,039,025
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	44,605	44,608
Retained earnings	165,081	161,713
Treasury shares	(1,011)	(990)
Total shareholders' equity	267,181	263,837
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,496	5,094
Revaluation reserve for land	(207)	(207)
Foreign currency translation adjustment	3,341	3,335
Remeasurements of defined benefit plans	(934)	(798)
Total accumulated other comprehensive income	3,695	7,423
Subscription rights to shares	255	333
Non-controlling interests	4,214	4,036
Total net assets	275,347	275,631
Total liabilities and net assets	1,357,732	1,314,656

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**(Consolidated Statement of Income)**

For the third quarter of the fiscal year ended February 29, 2020 and the third quarter of the fiscal year ending February 28, 2021

(Millions of yen)

	Previous 3rd Quarter From March 1, 2019 to November 30, 2019	Current 3rd Quarter From March 1, 2020 to November 30, 2020
Gross operating revenue	550,901	497,425
Net sales	226,469	203,409
Cost of sales	154,089	139,248
Gross profit	72,379	64,161
Operating revenue:		
Income from franchised stores	239,242	219,735
Other operating revenue	85,189	74,279
Total operating revenue	324,432	294,015
Operating gross profit	396,811	358,176
Selling, general and administrative expenses	344,689	325,820
Operating income	52,122	32,356
Non-operating income:		
Interest income	508	516
Share of profit of entities accounted for using equity method	664	408
Employment adjustment subsidy due to novel coronavirus disease	—	555
Other	1,757	1,994
Total non-operating income	2,929	3,473
Non-operating expenses:		
Interest expenses	2,964	2,776
Loss on cancellation of leases	1,502	1,416
Other	1,921	1,363
Total non-operating expenses	6,388	5,556
Ordinary income	48,663	30,273
Extraordinary income:		
Gain on sales of investment securities	163	—
Total extraordinary income	163	—
Extraordinary losses:		
Loss on retirement of non-current assets	4,380	2,421
Impairment loss	4,187	2,719
Loss on novel coronavirus disease	—	3,125
Other	871	1,037
Total extraordinary losses	9,439	9,303
Profit (loss) before income taxes	39,387	20,970
Income taxes-current	11,535	4,943
Income taxes-deferred	1,951	4,221
Total income taxes	13,486	9,164
Profit (loss)	25,901	11,805
Profit (loss) attributable to non-controlling interests	(52)	(99)
Profit (loss) attributable to owners of parent	25,953	11,904

(Consolidated Statement of Comprehensive Income)

For the third quarter of the fiscal year ended February 29, 2020 and the third quarter of the fiscal year ending February 28, 2021

	(Millions of yen)	
	Previous 3rd Quarter From March 1, 2019 to November 30, 2019	Current 3rd Quarter From March 1, 2020 to November 30, 2020
Profit (loss)	25,901	11,805
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,036)	3,597
Foreign currency translation adjustment	(1,089)	(59)
Remeasurements of defined benefit plans	115	135
Total other comprehensive income	(2,010)	3,673
Comprehensive income	23,890	15,478
Comprehensive income attributable to		
Owners of parent	23,919	15,632
Non-controlling interests	(28)	(153)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not Applicable.

(Additional Information)

(Adoption of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

With respect to items subject to review under the Non-Consolidated Taxation System conducted to coincide with the transition from the Consolidated Taxation System to the Group Tax Sharing System stipulated under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and certain domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39 issued March 31, 2020). Accordingly, the amounts of deferred tax liabilities and deferred tax assets have been calculated based on the provisions of tax laws in effect before the revision.