

## Flash Report on the Consolidated Financial Results

for the Fiscal Year Ended February 28, 2022

April 11, 2022

Listed Company Name: Lawson, Inc.

Code No.: 2651

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Scheduled date for the ordinary general meeting of shareholders: May 25, 2022

Scheduled date for submission of annual securities report: May 26, 2022

Scheduled date for payment of dividend: May 26, 2022

Supplementary materials for annual financial results: Yes

Holding of presentation of annual results: Yes (for institutional investors and analysts)

(Amounts less than one million yen are truncated)

### 1. Consolidated operating results for 2021 fiscal year (from March 1, 2021 to February 28, 2022)

#### (1) Consolidated operating results (cumulative)

Note: Percentages represent increases (decreases) compared with 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 fiscal year ended								
February 28, 2022	698,371	4.9	47,096	15.2	47,571	26.5	17,900	106.0
February 28, 2021	666,001	(8.8)	40,876	(35.1)	37,610	(33.3)	8,689	(56.8)

Note: Comprehensive income: Fiscal year ended February 28, 2022 20,613 million yen 105.2 %  
Fiscal year ended February 28, 2021 10,046 million yen (42.9)%

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to gross operating revenue
For the fiscal year ended	Yen	Yen	%	%	%
February 28, 2022	178.87	178.71	6.6	3.5	6.7
February 28, 2021	86.84	86.78	3.2	2.8	6.1

Reference: Share of profit of entities accounted for using equity method:

Fiscal year ended February 28, 2022 50 million yen

Fiscal year ended February 28, 2021 332 million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2022	1,337,245	278,473	20.4	2,726.97
February 28, 2021	1,365,430	272,931	19.6	2,674.53

Reference: Shareholders' equity:

As of February 28, 2022 272,891 million yen

As of February 28, 2021 267,632 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2022	146,644	(51,781)	(109,516)	388,444
February 28, 2021	227,954	(29,983)	(140,642)	401,136

2. Dividends

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	1H	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2020 fiscal year	—	75.00	—	75.00	150.00	15,010	172.7	5.6
2021 fiscal year	—	75.00	—	75.00	150.00	15,010	83.9	5.6
2022 fiscal year (forecast)	—	75.00	—	75.00	150.00		68.2	

3. Forecast of consolidated operating results for 2022 fiscal year (from March 1, 2022 to February 28, 2023)

Note: Percentages represent increases (decreases) compared with 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
1H of 2022 fiscal year	510,000	46.2	27,500	3.0	26,000	(6.6)	13,500	(22.4)	134.90
2022 fiscal year	1,024,000	46.6	53,000	12.5	48,500	2.0	22,000	22.9	219.84

Note: Forecast of consolidated operating results for 2022 fiscal year (from March 1, 2022 to February 28, 2023) is based on figures after applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020).

4. Notes

(1) Change in significant subsidiaries during the fiscal year (Changes in certain specified subsidiaries resulting in changes in scope of consolidation): None

Added: None

Excluded: None

(2) 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

(3) Number of shares outstanding (common stock)

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

As of February 28, 2022: 100,300,000 As of February 28, 2021: 100,300,000

2. Number of treasury shares at the end of year

As of February 28, 2022: 228,807 As of February 28, 2021: 232,954

3. Average number of shares during the year

As of February 28, 2022: 100,070,561 As of February 28, 2021: 100,065,840

Reference: Non-consolidated operating results for 2021 fiscal year (from March 1, 2021 to February 28, 2022)  
 Non-consolidated operating results (cumulative)

Note: Percentages represent increases (decreases) compared with 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 fiscal year ended								
February 28, 2022	355,102	0.1	25,870	(1.1)	34,278	1.7	13,470	(15.3)
February 28, 2021	354,825	(9.2)	26,150	(41.5)	33,700	(26.7)	15,894	2.6

Note: The Flash Report on the Consolidated Financial Results is not subject to audit.

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. Overview of Operating Results, (4) Future Outlook” on page 12.

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## **1. Overview of Operating Results**

### **(1) Overview of Operating Results for the Fiscal Year under Review**

During the fiscal year under review, or fiscal 2021 ended February 28, 2022, we continued to take rigorous prevention measures against the infection of the novel coronavirus and responded to new normal demand by exerting concerted Group-wide efforts. Specifically, under the leadership of our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020 to realize “Challenge 2025” formulated for 2025, the 50th anniversary of our establishment, we renovated our stores and revamped our product lineups in Domestic Convenience Store Business in response to changes in the business environment, and the whole Lawson Group endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities and foster job satisfaction.

As a result, for fiscal 2021 on a consolidated basis, gross operating revenue increased to 698,371 million yen (up 4.9% from previous fiscal year), operating income increased to 47,096 million yen (up 15.2% from previous fiscal year) and ordinary income increased to 47,571 million yen (up 26.5% from previous fiscal year). Profit attributable to owners of parent increased to 17,900 million yen (up 106.0% from previous fiscal year).

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2021 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

In addition, with a view to promoting the Sustainable Development Goals (SDGs) and focusing on environmental, social and governance (ESG) practices in management, we established the Lawson Group Human Rights Policy and Lawson Group Sustainability Policy in June and August 2021, respectively, and revised the Lawson Group Environmental Policy in August.

Operating results by business segment were as follows.

#### **(Domestic Convenience Store Business)**

During the fiscal year under review, the number of new COVID-19 cases increased, resulting in a state of emergency or quasi-emergency being declared in many prefectures, while vaccinations by municipalities and workplaces progressed. During the first half of the fiscal year, legal and voluntary restrictions were imposed on a variety of social activities, but in the second half, new infection cases started decreasing in October 2021, leading to the nationwide lifting of the state of emergency or quasi-emergency, an easing of restrictions on social activities, and a recovery trend in the movement of people. However, in January 2022, the movement of people started showing a decreasing trend again due to the rapid spread of the Omicron variant.

Under such circumstances, Lawson has been proceeding with store renovations in line with the business environment surrounding each store, helping them expand their merchandise assortment of frozen foods and other daily necessities to adapt to changes in customers' lifestyles and better address customer needs. We renovated 2,636 stores in the fourth quarter, completing the refurbishment of 4,305 stores by the end of the fiscal year. Installation of the Machikado Chubo in-store kitchen service at stores also progressed, with 8,359 stores equipped with the service as of the end of February 2022.

In store operation, we are striving to establish LAWSON stores as convenience stores endorsed by all our

customers. To this end, we are implementing measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. In addition to further strengthening our distinctive products that focus on taste and health, we are also working to provide heartfelt customer service in our stores, and to strictly address environmental concerns such as reducing food loss, plastic usage, and CO<sub>2</sub> emissions, etc. We adopted an AI-based system that prompts stores to make timely discounts by providing reminders as part of our efforts to reduce food loss, conducted a pilot experiment on optimizing store delivery routes by using AI to reduce CO<sub>2</sub> emissions, and started selling food by weight at NATURAL LAWSON stores to reduce plastic.

#### [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. In our efforts to respond to customer needs and increase sales, we also focused on expanding our merchandise assortment to respond to changes in consumer lifestyles and values. Furthermore, we kept up our initiatives to increase the profitability of franchise stores, including helping them streamline their store operation and reduce costs associated with food waste and utility expenses.

#### [Merchandising and Service Strategies]

Sales continued to surge in fresh foods, frozen foods, daily delivered foods, room temperature Japanese/Western desserts, and alcoholic beverages, whose assortments we have been endeavoring to expand with the aim of supporting the daily lives of customers. In the frozen food range, sales strengthened as a result of expanding our merchandise assortment in phases from November 2021 by developing groundbreaking items such as frozen dessert, as well as capturing customer needs for stocking up on ingredients and ready-made dishes. In the rice range, our “Korega BENTO” box lunch series, which was revamped into a long-lasting chilled range in March 2021, continued to record steady sales throughout the fiscal year under review, and our “Kinshari Onigiri Rice Ball” series also enjoyed robust sales along with the modified regular lineup of onigiri rice balls. Our original products consecutively became huge hits, exemplified by “Nama Gateau Chocolat,” our new dessert product, and “Pari Chiki,” our new fast-food counter item, launched in September and October 2021, respectively. Partly owing to customers having fewer opportunities to go out, the Machikado Chubo in-store kitchen service enjoyed especially strong demand for items its products with established popularity including the “Thick-Sliced Sangenton Pork Cutlet Sandwich,” and items offered in collaboration with food service companies that provide delicious dishes from specialty restaurants as well as the “Local Bowl” series that responds to regional needs.

Regarding food delivery services, we started offering “Demae-can” in February 2022 in addition to the five services we already provide including Uber Eats, which was provided by Lawson for the first time in the convenience store sector. As a result, the combined number of stores listed on food delivery services reached 2,903 in 45 prefectures as of February 28, 2022. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 71 LAWSON stores in 14 prefectures.

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

Fiscal year Product group	Previous fiscal year From March 1, 2020 to February 28, 2021		Current fiscal year From March 1, 2021 to February 28, 2022		YoY(%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,156,760	53.4	1,190,886	53.9	103.0
Fast foods	462,497	21.3	480,260	21.7	103.8
Daily delivered foods	343,772	15.9	343,668	15.5	100.0
Nonfood products	202,788	9.4	197,166	8.9	97.2
Total	2,165,818	100.0	2,211,981	100.0	102.1

[Store Development]

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

During the fiscal year under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 483 stores. Meanwhile, we closed a total of 303. As of the end of February 2022, the total number of domestic stores was 14,656 \*1. Based on the joint business agreement concluded with POPLAR Co., Ltd. in September 2020, we converted 122 stores from its brand to the LAWSON POPLAR or LAWSON brand stores from this year. Based on the comprehensive business alliance entered into with H2O Retailing Corporation in May 2021, Lawson converted 97 station stores and convenience stores operated by asnas Co., Ltd., an H2O Retailing Corporation Group company, from “asnas” stores into LAWSON stores.

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 280 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2022. Moreover, the number of stores offering nursing care consultation services has reached 22 as of the end of February 2022. 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 337 as of the end of February 2022. 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.

Our NATURAL LAWSON stores, which are popular particularly among female customers for supporting their beauty, health, and comfortable lifestyles, marked their 20th anniversary in July 2021. NATURAL LAWSON stores offer an exclusive selection of finely picked items of value, including food made with healthy ingredients and environmentally friendly detergents and cosmetics. Meanwhile, our LAWSON STORE100 stores offer high quality, safe and reliable fruits and vegetables with a focus on freshness and daily necessities, supporting customers’ daily dietary lives by helping them plan their meals. 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 February 2022, we operate 136 NATURAL LAWSON stores and 669 LAWSON STORE100 stores.

\*1 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc. and three 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 28, 2021	Change during fiscal year	Total stores as of February 28, 2022
LAWSON	13,654	197	13,851
NATURAL LAWSON	143	(7)	136
LAWSON STORE100	679	(10)	669
Total	14,476	180	14,656

[Number of LAWSON stores by prefecture (As of February 28, 2022)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	675	Ibaraki	217	Kyoto	329	Ehime	212
Aomori	279	Tokyo	1,683	Shiga	154	Tokushima	135
Akita	182	Kanagawa	1,077	Nara	138	Kochi	138
Iwate	178	Shizuoka	275	Wakayama	153	Fukuoka	529
Miyagi	255	Yamanashi	137	Osaka	1,175	Saga	75
Yamagata	112	Nagano	174	Hyogo	698	Nagasaki	125
Fukushima	170	Aichi	717	Okayama	235	Oita	197
Niigata	226	Gifu	181	Hiroshima	297	Kumamoto	161
Tochigi	197	Mie	136	Yamaguchi	127	Miyazaki	109
Gunma	244	Ishikawa	103	Tottori	136	Kagoshima	202
Saitama	692	Toyama	181	Shimane	141	Okinawa	260
Chiba	600	Fukui	107	Kagawa	132	Total(domestic)	14,656

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

As a result, Domestic Convenience Store Business posted gross operating revenue of 424,567 million yen (up 0.5% from previous fiscal year) and segment profit of 28,396 million yen (down 1.2% from previous fiscal year).

**(Seijo Ishii Business)**

Seijo Ishii provides customers with well-selected, safe, and reliable foods under its philosophy of “Quality food for a quality life.” Operating diverse store formats including street-side stores and stores in station buildings and commercial facilities, the supermarket chain leverages its distinguished product development expertise to offer original products and food items made in-house under the Seijo Ishii brand. The number of directly operated Seijo Ishii stores reached 169 as of the end of February 2022. Until the end of the first half of the fiscal year, street-side stores, which captured the demand that would have been fulfilled by supermarkets had it not been for the intermittent declarations of states of emergency. In the second half of the fiscal year, after the state of emergency was lifted in October 2021, sales growth slowed mainly at street-



side stores primarily due to a decrease in demand from stay-at-home customers. Product wise, dishes produced in-house at our central kitchen continued to enjoy robust sales driven by a range of measures. We will continue striving to elevate the brand power of Seijo Ishii by promoting the sustainable development of products of value, effective promotional campaigns, and publicity activities as a manufacturing retailer eager to send messages out to consumers.

As a result, Seijo Ishii Business posted gross operating revenue of 108,632 million yen (up 5.4% from previous fiscal year) and segment profit of 11,240 million yen (up 8.8% from previous fiscal year).

#### **(Entertainment-related Business)**

In our Entertainment-related Business undertaken by Lawson Entertainment, Inc., a large number of events were postponed, cancelled or restricted in terms of the number of admissions in the first half of the fiscal year as a result of the declaration of states of emergency and quasi-emergency. In the second half, however, as the states of emergency and quasi-emergency were lifted in October 2021, concerts began to be staged, which led to a recovery trend. In January 2022, a state of quasi-emergency was issued in response to the spread of the Omicron variant, adversely affecting our business environment by forcing us to cancel the scheduled sale of Go To Eat coupons and restricting the number of admission tickets for popular live events. Notwithstanding this situation, the ticket transaction value continued to display a recovery trend as a result of our concentrated efforts to secure an expanded lineup of concerts and sporting events. We are also continuing with our efforts to expand ticket transactions for online live performances, a fledgling market, while striving to further expand sales for our steady e-commerce business by putting our live commerce into full swing. In our product sales business, a total of 55 stores are in operation nationwide as of February 28, 2022. Stores are making efforts to expand earnings through a range of measures including organizing store events and selling goods at concert venues.

In the first half of the fiscal year, United Cinemas Co., Ltd., an operator of cinema complexes, had been affected by the states of emergency and quasi-emergency in applicable regions, such as having to reduce seating capacity and adopt shorter operating hours, but in the second half, almost all theaters resumed their usual operating hours from October 2021, although business hours were shortened at cinemas in some regions after a state of quasi-emergency was declared in January 2022. Furthermore, the company has continued with its efforts to increase the number of visitors, such as by rolling out content-based initiatives. As of February 28, 2022, 42 cinema complexes nationwide with 387 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 62,996 million yen (up 8.8% from previous fiscal year) and segment profit of 2,275 million yen (segment loss was 297 million yen in previous fiscal year).

#### **(Financial Services Business)**

With respect to our Financial Services Business, we worked to expand our network of financial institution partners and improve the Lawson Bank ATM service in our foundational ATM business. As of the end of February 2022, the number of ATMs installed nationwide reached 13,547 (up 89 from previous fiscal year), with each ATM used 48.4 times a day on average. The total number of our financial institution partners reached 378 nationwide (up 249 from the previous fiscal year) with the addition of shinkin banks in April 2021. As of the end of February 2022, the “smartphone ATM (QR code deposit/withdrawal)”\*2 service and

“Immediate Account Settlement Service,”\*3 had five partners and 12 partners (nine financial institutions and three other service operators), respectively. In addition to the conventional needs to withdraw cash, the use of our ATMs has been increasing, driven by the “ATM charge service,” where cash can be charged at an ATM to “au PAY,” “WebMoney Prepaid Card,” or “PayPay” mobile payment apps.

Regarding LAWSON Ponta Plus credit cards issued by Lawson Bank, Inc, we are steadily expanding credit card membership by rolling out a range of promotional campaigns and strengthening promotional efforts at stores.

\*2 A service where customers can deposit/withdraw cash or take out/repay a credit card loan at an ATM by using a smartphone app instead of a bank card.

\*3 A service that allows customers to top up their mobile payment app from their account with a financial institution by harnessing the ATM network.

As a result, Financial Services Business posted gross operating revenue of 33,603 million yen (up 6.4% from previous fiscal year) and segment profit of 2,962 million yen (up 69.0% 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, where business is continuing to expand, the number of LAWSON stores exceeded 4,000 in September 2021, reaching 4,560 as of the end of February, up 1,216 from the end of the previous fiscal year. In addition to opening new stores through our subsidiaries, we are also launching stores by concluding mega franchise agreements with local retailers in different cities, as well as area license agreements—where partner companies serve as headquarters in designated areas and assume overall operation and development—in efforts to accelerate the expansion of business areas and the number of stores. Chongqing Lawson, Inc. and Guangdong Lawson, Inc. agreed to acquire 100% of the shares of Sichuan WOWO Supermarket Chain Management Co., Ltd. in December 2021 and Tianhong Weiwo Convenience Store (Shenzhen) Co., Ltd. in January 2022, respectively. As a result, we are seeing an expansion of our store network in China and an increased recognition of Lawson in the country, which has led to rises in the number of franchised store applicants, franchised store openings, and directly operated stores converting to franchise stores. We will work to offer our signature high-quality original products including rice and dessert items, enhance the value of the Lawson brand in China, and increase earnings.

In other regions of the world, although some stores have suspended their operations in response to the spread of COVID-19, all other stores are carrying out normal operations with rigorous infection prevention measures in place, sustaining the daily lives of our customers as their most accessible store.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2021)	Change during fiscal year	Number of stores (As of February 28, 2022)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	1,826	523	2,349
China Chongqing and surrounding area (Chongqing, Sichuan)	341	148	489
China Liaoning (Shenyang, Dalian)	327	134	461
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	215	128	343
China Hubei (Wuhan, etc.)	441	85	526
China Anhui (Hefei, etc.)	106	69	175
China Hunan (Changsha)	65	52	117
China Hainan (Haikou, etc.)	23	77	100
China Subtotal	3,344	1,216	4,560
Thailand	140	26	166
Indonesia	68	(3)	65
Philippines	67	2	69
United States of America Hawaii	2	-	2
Total	3,621	1,241	4,862

As a result, Overseas Business posted gross operating revenue of 80,039 million yen (up 30.5% from previous fiscal year) and segment profit of 2,342 million yen (up 189.4% from previous fiscal year).

**(Measures to pursue Sustainable Development Goals (SDGs))**

With the aim of achieving a sustainable society through Lawson’s business activities based on our corporate philosophy, “Creating Happiness and Harmony in Our Communities,” we established the SDGs Committee effective March 1, 2019. We are making Group-wide efforts led by our SDGs Committee to conduct individual initiatives that solve social issues through our business activities. Furthermore, on March 1, 2021 the position of Chief Sustainability Officer (CSO) was assumed by the president and CEO and representative director to further strengthen our initiatives.

Specifically, we identified issues having significant impacts on the environment, society and economy across our business activities including our value chains, identified social issues that should be prioritized, and uphold them as our six material issues (materiality).

Lawson’s “Six Material Issues”

1. Providing safety/security-oriented overwhelmingly high value-added products and services friendly to society and the environment
2. Supporting health promotion for all people through products and stores
3. Providing comfortable work environment leading to job satisfaction
4. Supporting women, senior people as well as children’s growth

5. Coexisting synergistically with communities by serving as part of social infrastructure

6. Sustainable environment preservation activities toward carbon-free society

We are especially making focused efforts on addressing our sixth material issue, “sustainable environment preservation activities toward carbon-free society,” by setting social and environmental key performance indicators (KPIs) as Goals for 2030 in three areas: (1) reducing CO<sub>2</sub> emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags). Furthermore, toward Lawson’s Vision 2050, we are taking on difficult challenges to achieve high goals so that we can create a carbon-free society and contribute more to the ideal world that the SDGs aim to realize. To fulfill Lawson’s Vision 2050, we are looking back on what we have done so far and examining and discussing what we should do now to steadily proceed with our material issues and KPIs for 2030.

<b>Issues</b>	<b>KPIs for 2030</b>	<b>KPIs for 2050</b>
Reducing CO <sub>2</sub> emissions	CO <sub>2</sub> emissions per store Reduce by 50% over 2013 (Target revised upward in June 2021)	Reduce by 100%
Reducing food waste	Reduce by 50% over 2018	Reduce by 100%
Reducing plastic use (for containers and packaging)	Reduce by 30% over 2017 (50% of materials used for Lawson’s original product containers and packaging are eco-friendly)	(100% of materials used for Lawson’s original product containers and packaging are eco-friendly)
Reducing plastic use (Plastic shopping bags)	Plastic shopping bags Reduce by 100%	—

To reduce CO<sub>2</sub> emissions, we will start using solar-derived renewable energy in the fiscal year ending February 2023 at approximately 3,600 stores in the Kanto Koshinetsu region and Gifu, Shizuoka, Aichi and Mie prefectures in collaboration with Mitsubishi Corporation. This will lead to an annual CO<sub>2</sub> emissions reduction of about 19,000 tons. Moreover, Lawson, Inc. endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. To combat worsening climate change issues, we analyze climate-related risks and opportunities and have been disclosing the results on our official website since December 2020. We will identify impact on our business strategies, examine measures to take, and endeavor to proactively disclose information.

To reduce food waste, we strive to optimize the number of purchases and offer discounts at stores to sell

out all stock by utilizing AI, and reduce unsold leftovers by selling special feature items on a reservation basis. In addition, we also seek to develop more bento box lunches and ready-made dishes with longer shelf lives and expand our frozen foods lineup, while reducing waste by introducing the Machikado Chubo in-store kitchen service at more stores.

To reduce plastic use, we have replaced the plastic cups used for iced coffee and café latte offered at “MACHI café” with paper cups. We started using paper containers for our bento box lunches and cooked noodles, and have adopted thinner plastics and environmentally friendly materials. At about 10 NATURAL LAWSON and LAWSON stores, we sell detergents and dried fruit and nuts by weight, and are looking to expand this sales format. In July 2021, we embarked on a pilot experiment at a store in Yokohama City with the aim of promoting the recycling of used plastic bottles in partnerships with Kirin Holdings Company, Limited and Kirin Beverage Company, Limited by using their infrastructure. Furthermore, timed with the enforcement of the Plastic Resource Circulation Act in April 2022, we will start introducing in phases from April 1 shorter plastic spoons and forks with an opening in the handle, which is expected to reduce plastic by approximately 67 tons.

Additionally, we implemented the following initiatives during the fiscal year under review in relation to SDGs.

In the area of education for children, we continued with our scholarship program for children from single-parent families, selecting 400 students to receive scholarships in fiscal 2021. Furthermore, in the second half of the fiscal year, we offered special in-hospital classes for children at university hospitals in three prefectures.

Since August 2019, Lawson has periodically donated original dessert products and processed foods that missed their store delivery deadlines (but were still well within their best-before dates) to the Japan Food Bank Promotion Group and Kodomo Takushoku Oendan, a charity organization that delivers food to children. The donated products are delivered to various bodies across Japan, which then provide them to families who need food aid, children’s cafeterias, orphanages, facilities for people with disabilities, etc. In fiscal 2021, we donated a total of some 270,000 items (about 30 tons) of food products, including Lawson’s original items and national-label products developed exclusively for Lawson.

While working to take protective measures against the spread of COVID-19 at our stores, we have also conducted various initiatives to support people who are forced to persevere amid difficult situations in their day-to-day lives. In our efforts to support medical professionals and care managers, we offered a complimentary s-size MACHI café coffee to each registered member of a website dedicated to medical professionals and a website dedicated to care managers in May/June and August 2021, respectively. In December 2021, we presented a gift of some 900 Christmas cakes to students and other people in need of support amid the pandemic, as well as 282 sets of New Year’s osechi meals to 846 medical professionals and children requiring support. Furthermore, on December 31, 2021 and January 1, 2022, we sold “Hot Milk” at 65 yen including tax, half the regular price, to raise demand for milk, which had been suffering a delayed recovery in demand owing to the pandemic and reduced consumption due to schools closing for the winter holiday when no lunches are served. The initiative was extremely popular. We intend to continue providing support to people who are negatively affected by the spread of COVID-19.

## **(2) Profit and Loss**

In terms of operating results for the fiscal year, gross operating revenue increased to 698,371 million yen (up 4.9% from previous fiscal year), operating income totaled 47,096 million yen (up 15.2% from previous fiscal year), and ordinary income amounted to 47,571 million yen (up 26.5% from previous fiscal year). Profit attributable to owners of parent was 17,900 million yen (up 106.0% from previous fiscal year).

## **(3) Overview of Financial Position for the Fiscal Year under Review**

### **① Total assets, total liabilities, total net assets analysis**

Current assets decreased by 23,184 million yen from the end of the previous fiscal year to 667,627 million yen, mainly reflecting a decrease of 14,619 million yen in accounts receivable-other and a decrease of 14,121 million yen in cash and deposits and an increase of 4,815 million yen in current assets-other. Non-current assets decreased by 5,000 million yen from the end of the previous fiscal year to 669,618 million yen, mainly reflecting a decrease of 8,660 million yen in intangible assets and an increase of 2,531 million yen in investments and other assets and an increase of 1,128 million yen in property and store equipment. Consequently, total assets decreased by 28,184 million yen from the end of the previous fiscal year to 1,337,245 million yen.

Current liabilities decreased by 63,063 million yen from the end of the previous fiscal year to 704,691 million yen, mainly reflecting a decrease of 94,300 million yen in deposits received and a decrease of 80,000 million yen in current portion of long-term loans payable, an increase of 68,000 million yen in call money and an increase of 39,251 million yen in deposits received in banking business. Non-current liabilities increased by 29,336 million yen from the end of the previous fiscal year to 354,080 million yen, mainly reflecting an increase of 30,000 million yen in long-term loans payable. Consequently, total liabilities decreased by 33,726 million yen from the end of the previous fiscal year to 1,058,771 million yen.

Net assets increased by 5,541 million yen from the end of the previous fiscal year to 278,473 million yen, mainly reflecting an increase of 2,800 million yen in retained earnings and an increase of 2,589 million yen in foreign currency translation adjustments. Consequently, shareholders' equity ratio was 20.4%, up from 19.6% as of the end of the previous fiscal year.

### **② Cash flows during fiscal 2021**

Cash and cash equivalents at February 28, 2022 decreased by 12,692 million yen from the end of the previous fiscal year to 388,444 million yen.

Net cash provided by operating activities was 146,644 million yen, a decrease of 81,309 million yen from the previous fiscal year, mainly because of the movement in accounts receivable-other, deposits received and call money for banking business.

Net cash used in investing activities was (51,781) million yen, an increase of 21,798 million yen from the previous fiscal year, mainly because of an increase in purchase of property and store equipment and purchase of shares of subsidiaries and associates.

Net cash used in financing activities was (109,516) million yen, a decrease of 31,125 million yen from the previous fiscal year, mainly because of proceeds from long-term loans payable.

(Reference) Trends in cash flow indicators

	2019 fiscal year	2020 fiscal year	2021 fiscal year
Shareholders' equity ratio (%)	20.0	19.6	20.4
Shareholders' equity ratio on market value basis (%)	42.2	36.5	35.9
Interest-bearing debt/cash flow ratio (years)	2.6	1.9	2.7
Interest coverage ratio (times)	50.6	62.3	42.7

(Note) Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on market value basis: Market capitalization/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debt/Cash flow provided by operating activities

Interest coverage ratio: Cash flow provided by operating activities/Interest expense

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated by multiply closing share price at the end of fiscal year with the number of shares outstanding at the end of fiscal year (excluding treasury shares)
3. The figure for net cash provided by operating activities in the consolidated statements of cash flows is used as cash flow provided by operating activities. Interest-bearing debt refers to the sum of all liabilities in the consolidated balance sheets on which interest is paid. The figure for interest paid in the consolidated statements of cash flows is used as interest expense.

#### (4) Future Outlook

Outlook for the next fiscal year (2022 fiscal year ending February 28, 2023)

	1H of 2022 fiscal year		2022 fiscal year	
	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)
Gross operating revenue	510,000	146.2	1,024,000	146.6
Operating income	27,500	103.0	53,000	112.5
Ordinary income	26,000	93.4	48,500	102.0
Profit attributable to owners of parent	13,500	77.6	22,000	122.9

(Note) Future Outlook is based on figures after applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).

## 2. Basic Approach to Selection of Accounting Standards

The Group currently prepares consolidated financial statements based on Japanese Generally Accepted Accounting Principles (J-GAAP), but to provide internationally comparable financial information for capital market participants, we are preparing to apply voluntarily International Financial Reporting Standards (IFRS).

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheet

As of February 28, 2021 and February 28, 2022

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	402,584	388,463
Accounts receivable-due from franchised stores	46,385	47,202
Lease receivables	16,621	15,071
Merchandise	20,657	22,128
Accounts receivable-other	161,062	146,443
Other	43,519	48,334
Allowance for doubtful accounts	(20)	(17)
<b>Total current assets</b>	<b>690,811</b>	<b>667,627</b>
<b>Non-current assets:</b>		
<b>Property and store equipment:</b>		
Buildings and structures-net	191,977	189,190
Tools, furniture and fixtures-net	19,044	22,762
Land	8,468	8,507
Leased assets-net	131,779	124,978
Construction in progress	1,818	4,720
Other-net	14,551	18,609
<b>Total property and store equipment</b>	<b>367,640</b>	<b>368,768</b>
<b>Intangible assets:</b>		
Software	39,088	34,884
Goodwill	38,215	34,459
Trademark right	8,349	7,721
Other	752	680
<b>Total intangible assets</b>	<b>86,406</b>	<b>77,746</b>
<b>Investments and other assets:</b>		
Investment securities	27,624	21,738
Long-term loans receivable	40,621	38,044
Guarantee deposits	103,030	103,277
Deferred tax assets	33,484	34,736
Other	16,474	26,066
Allowance for doubtful accounts	(663)	(759)
<b>Total investments and other assets</b>	<b>220,571</b>	<b>223,103</b>
<b>Total non-current assets</b>	<b>674,618</b>	<b>669,618</b>
<b>Total assets</b>	<b>1,365,430</b>	<b>1,337,245</b>



(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable-trade	127,486	125,681
Short-term loans payable	42,320	47,072
Current portion of long-term loans payable	100,000	20,000
Lease obligations	44,584	45,955
Accounts payable-other	90,798	90,412
Income taxes payable	4,078	7,368
Deposits received	246,110	151,809
Provision for bonuses	4,818	4,854
Call money	40,000	108,000
Deposits received for banking business	52,168	91,420
Other	15,388	12,117
<b>Total current liabilities</b>	<b>767,754</b>	<b>704,691</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	130,000	160,000
Lease obligations	121,491	118,445
Deferred tax liabilities	485	449
Provision for retirement benefits to executive officers and audit and supervisory board members	277	248
Net defined benefit liability	16,278	17,438
Asset retirement obligations	35,694	36,622
Other	20,516	20,875
<b>Total non-current liabilities</b>	<b>324,743</b>	<b>354,080</b>
<b>Total liabilities</b>	<b>1,092,498</b>	<b>1,058,771</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	58,506	58,506
Capital surplus	46,494	46,495
Retained earnings	158,498	161,299
Treasury shares	(991)	(973)
<b>Total shareholders' equity</b>	<b>262,508</b>	<b>265,327</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,782	1,585
Revaluation reserve for land	(207)	(69)
Foreign currency translation adjustments	3,684	6,273
Remeasurements of defined benefit plans	(134)	(227)
<b>Total accumulated other comprehensive income</b>	<b>5,123</b>	<b>7,563</b>
<b>Subscription rights to shares</b>	<b>333</b>	<b>368</b>
<b>Non-controlling interests</b>	<b>4,965</b>	<b>5,213</b>
<b>Total net assets</b>	<b>272,931</b>	<b>278,473</b>
<b>Total liabilities and net assets</b>	<b>1,365,430</b>	<b>1,337,245</b>

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

For the fiscal years ended February 28, 2021 and February 28, 2022

(Millions of yen)

	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
<b>Gross operating revenue</b>	666,001	698,371
Net sales	275,945	292,237
Cost of sales	188,441	199,738
<b>Gross profit</b>	87,503	92,498
<b>Operating revenue:</b>		
Income from franchised stores	288,480	291,802
Other operating revenue	101,576	114,331
<b>Total operating revenue</b>	390,056	406,134
<b>Operating gross profit</b>	477,559	498,633
Selling, general and administrative expenses	436,682	451,537
<b>Operating income</b>	40,876	47,096
<b>Non-operating income:</b>		
Interest income	730	976
Dividend income	403	369
Gain on investments in investment partnerships	109	1,624
Compensation income	490	483
Employment adjustment subsidy due to novel coronavirus disease	793	1,762
Other	2,016	1,202
<b>Total non-operating income</b>	4,544	6,420
<b>Non-operating expenses:</b>		
Interest expenses	3,678	3,440
Loss on cancellation of leases	2,065	1,423
Expense due to system failure	828	—
Other	1,238	1,081
<b>Total non-operating expenses</b>	7,810	5,944
<b>Ordinary income</b>	37,610	47,571
<b>Extraordinary income:</b>		
Gain on sales of investment securities	6,232	1,103
<b>Total extraordinary income</b>	6,232	1,103
<b>Extraordinary losses:</b>		
Loss on retirement of non-current assets	3,213	1,746
Impairment loss	16,635	16,616
Loss on novel coronavirus disease	3,607	701
Other	2,158	1,512
<b>Total extraordinary losses</b>	25,613	20,576
<b>Profit before income taxes</b>	18,230	28,098
Income taxes-current	9,197	11,226
Income taxes-deferred	378	(1,160)
<b>Total income taxes</b>	9,576	10,065
<b>Profit</b>	8,653	18,032
<b>Profit (loss) attributable to non-controlling interests</b>	(36)	131
<b>Profit attributable to owners of parent</b>	8,689	17,900

## Consolidated Statement of Comprehensive Income

For the fiscal years ended February 28, 2021 and February 28, 2022

(Millions of yen)

	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
<b>Profit</b>	8,653	18,032
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	285	(196)
Revaluation reserve for land	—	138
Foreign currency translation adjustment	307	2,730
Remeasurements of defined benefit plans	799	(92)
<b>Total other comprehensive income</b>	1,392	2,580
<b>Comprehensive income</b>	10,046	20,613
Comprehensive income attributable to		
Owners of parent	10,117	20,340
Non-controlling interests	(71)	272

### (3) Consolidated Statement of Changes in Equity

Previous fiscal year ended February 28, 2021 (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	44,605	165,081	(1,011)	267,181
Changes of items during period					
Decrease by merger			(262)		(262)
Change in ownership interest of parent due to transactions with non-controlling shareholders		1,886			1,886
Dividends of surplus			(15,009)		(15,009)
Profit attributable to owners of parent			8,689		8,689
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Reversal of revaluation reserve for land					—
Exercise of subscription rights to shares (Delivery of treasury shares)		3		21	24
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,889	(6,582)	20	(4,672)
Balance at end of current period	58,506	46,494	158,498	(991)	262,508

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,496	(207)	3,341	(934)	3,695	255	4,214	275,347
Changes of items during period								
Decrease by merger								(262)
Change in ownership interest of parent due to transactions with non-controlling shareholders								1,886
Dividends of surplus								(15,009)
Profit attributable to owners of parent								8,689
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								—
Exercise of subscription rights to shares (Delivery of treasury shares)								24
Net changes of items other than shareholders' equity	285	—	343	799	1,428	78	751	2,257
Total changes of items during period	285	—	343	799	1,428	78	751	(2,415)
Balance at end of current period	1,782	(207)	3,684	(134)	5,123	333	4,965	272,931

Current fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	46,494	158,498	(991)	262,508
Changes of items during period					
Increase by merger			49		49
Change in ownership interest of parent due to transactions with non-controlling shareholders		0			0
Dividends of surplus			(15,010)		(15,010)
Profit attributable to owners of parent			17,900		17,900
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Reversal of revaluation reserve for land			(138)		(138)
Exercise of subscription rights to shares (Delivery of treasury shares)		0		17	18
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	2,800	17	2,818
Balance at end of current period	58,506	46,495	161,299	(973)	265,327

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,782	(207)	3,684	(134)	5,123	333	4,965	272,931
Changes of items during period								
Increase by merger								49
Change in ownership interest of parent due to transactions with non-controlling shareholders								0
Dividends of surplus								(15,010)
Profit attributable to owners of parent								17,900
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								(138)
Exercise of subscription rights to shares (Delivery of treasury shares)								18
Net changes of items other than shareholders' equity	(196)	138	2,589	(92)	2,439	34	248	2,722
Total changes of items during period	(196)	138	2,589	(92)	2,439	34	248	5,541
Balance at end of current period	1,585	(69)	6,273	(227)	7,563	368	5,213	278,473

#### (4) Consolidated Statement of Cash Flows

For the fiscal years ended February 28, 2021 and February 28, 2022

(Millions of yen)

	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
<b>Net cash provided by (used in) operating activities:</b>		
Profit before income taxes	18,230	28,098
Depreciation and amortization	80,778	79,942
Impairment loss	16,635	16,616
Interest income	(730)	(976)
Interest expenses	3,678	3,440
Loss (gain) on sales of investment securities	(6,232)	(1,103)
Loss on retirement of non-current assets	3,213	1,746
Decrease (increase) in notes and accounts receivable-trade	992	(673)
Decrease (increase) in accounts receivable-other	(1,923)	15,068
Increase (decrease) in notes and accounts payable-trade	(1,952)	(3,467)
Increase (decrease) in accounts payable-other	(4,417)	(1,450)
Increase (decrease) in deposits received	53,013	(94,328)
Increase (decrease) in net defined benefit liability	34	1,153
Net decrease (increase) in call loans for banking business	10,000	—
Net increase (decrease) in call money for banking business	21,000	68,000
Other-net	51,512	45,072
<b>Subtotal</b>	<b>243,829</b>	<b>157,138</b>
Interest income received	704	982
Interest expenses paid	(3,656)	(3,434)
Income taxes paid	(12,922)	(8,042)
<b>Net cash provided by (used in) operating activities</b>	<b>227,954</b>	<b>146,644</b>
<b>Net cash provided by (used in) investing activities:</b>		
Purchase of investment securities	(5,010)	(12,001)
Proceeds from redemption of securities	10	10,000
Purchase of property and store equipment	(26,293)	(39,038)
Purchase of intangible assets	(8,471)	(7,731)
Proceeds from sales of investment securities	7,792	6,073
Purchase of shares of subsidiaries and associates	(1,733)	(10,783)
Payments of long-term loans receivable	(3,675)	(5,088)
Collection of long-term loans receivable	4,917	7,507
Payments for guarantee deposits	(11,832)	(11,122)
Proceeds from collection of guarantee deposits	16,010	11,904
Purchase of long-term prepaid expenses	(380)	(1,045)
Other-net	(1,315)	(457)
<b>Net cash provided by (used in) investing activities</b>	<b>(29,983)</b>	<b>(51,781)</b>

(Millions of yen)

	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term loans payable	2,470	4,752
Repayments of long-term loans payable	—	50,000
Repayments of lease obligations	(80,000)	(100,000)
Proceeds from share issuance to non-controlling shareholders	(50,700)	(49,233)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2,622	—
Cash dividends paid	(15,009)	(15,010)
Other-net	(25)	(24)
<b>Net cash provided by (used in) financing activities</b>	<b>(140,642)</b>	<b>(109,516)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>224</b>	<b>1,941</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>57,553</b>	<b>(12,711)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>343,583</b>	<b>401,136</b>
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	<b>—</b>	<b>19</b>
<b>Cash and cash equivalents at end of period</b>	<b>401,136</b>	<b>388,444</b>

**(5) Notes to Consolidated Financial Statements**  
**(Going Concern Assumption)**

Not Applicable.

**(Accounting Policies for the Preparation of Consolidated Financial Statements)**

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 20

(Domestic)	Lawson urbanworks, Inc. Lawson Store100, Inc. SCI, Inc. SEIJO ISHII CO., LTD. Lawson Entertainment, Inc. Lawson HMV Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. United Cinemas Co., Ltd. Lawson Bank, Inc. BestPractice, Inc.
(Foreign)	Lawson (China) Holdings, Inc. Shanghai Lawson, Inc. Shanghai Le Song Trading Co., Ltd. Shang Hai Gong Hui Trading Co., Ltd. Zhejiang Lawson, Inc. Chongqing Lawson, Inc. Dalian Lawson, Inc. Beijing Lawson, Inc. BEIJING LUOSONG Co., Ltd. Saha Lawson Co., Ltd.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. Seikaken, Inc. SEIJO ISHII SYUHAN CO., LTD. TOKYO EUROPE TRADE CO., LTD. Lawson Digital Innovation Inc.
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(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. Lawson Philippines, Inc. LAWSON (TIANJIN) INC. SLV Retail Company Limited Shenyang LAWSON Inc. Guangdong Lawson, Inc. Chengdu Lawson, Inc.
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(Reasons for exclusion from the scope of consolidation)

The above nonconsolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) and others have no material influence on the consolidated financial statements.



## 2. Application of the equity method

### (1) Equity-method associates: 3

- (Domestic) Lawson Okinawa, Inc.
- Lawson Minamikyushu, Inc.
- Lawson Kochi, Inc.

### (2) Nonconsolidated subsidiaries and entities excluded from the scope of the equity-method application

Nonconsolidated subsidiaries (LAWSONWILL, Inc., Seikaken, Inc., SEIJO ISHII SYUHAN CO., LTD., TOKYO EUROPE TRADE CO., LTD., Lawson Digital Innovation Inc., Lawson USA Hawaii, Inc., Jiangsu Lawson, Inc., Lawson Philippines, Inc., LAWSON (TIANJIN) INC., SLV Retail Company Limited and Shenyang LAWSON Inc., Guangdong Lawson, Inc., Chengdu Lawson, Inc.) and entities (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., Lawson Staff, Inc., TA Platform Corporation, LTF Co., Ltd., StageAround TOKYO Production Committee, Jiangyin Hualian Guzhitian Food Co., Ltd., POPLAR Co., Ltd., New Designed by Tokyo Ltd., Boogie Woogie Entertainment Co., Ltd., TA Platform Software, and Lawson Farm Chiba and others) were excluded from the scope of the equity-method application because their profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these entities are not significant either individually or in aggregate to the consolidated financial statements.

## 3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of Lawson (China) Holdings, Inc., Shanghai Lawson, Inc., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc., Chongqing Lawson, Inc., Dalian Lawson, Inc., Beijing Lawson, Inc., BEIJING LUOSONG Co., Ltd., and Saha Lawson Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

The balance sheet date of Lawson Bank, Inc. is March 31. In preparing the consolidated financial statements, the Company used this subsidiary's provisional settlement of accounts as of the consolidated balance sheet date.

The fiscal year end date for the other consolidated subsidiaries corresponds with the consolidated balance sheet date.

## 4. Summary of Significant Accounting Policies

### (1) Valuation basis and method for significant assets

#### ① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Other:

Stated at cost determined by the moving-average method.

#### ② Inventories:

Merchandise:

Stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability).

### (2) Depreciation method of depreciable significant assets

#### ① Property and store equipment (except for leased assets):

Mainly computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

#### ② Intangible assets (except for leased assets):

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the estimated useful life. Furthermore, for right of trademark, amortization is mainly computed using the straight-line method over 20 years.

- ③ Leased assets:
  - Leased assets related to finance leases that do not transfer ownership of leased property
  - The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.
- ④ Rights-of-use assets:
  - Rights-of-use assets of the Company's foreign consolidated subsidiaries that apply International Financial Reporting Standard 16 (IFRS 16) "Leases"
  - The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.
- (3) Accounting standard for significant reserves
  - ① Allowance for doubtful accounts:
    - Allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables and on estimated recoverability for specific doubtful receivables.
  - ② Provision for bonuses:
    - Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.
  - ③ Provision for retirement benefits to executive officers and audit & supervisory board members:
    - Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries is recorded under internal regulations.
- (4) Accounting method for retirement benefits
  - ① Period attributable method of estimated amount of retirement benefits
    - In calculating retirement benefit obligation, in order to attribute estimated amount of retirement benefits in the period up to the end of the current fiscal year, it is based on the benefit formula basis.
  - ② Cost treatment method of actuarial difference and prior service cost
    - Prior service cost is amortized starting the fiscal year incurred mainly on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.
    - Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.
    - Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.
- (5) Significant foreign currency transactions and foreign currency financial statements
  - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The consolidated balance sheet accounts as well as revenue and expense accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" and "non-controlling interests," a separate component of net assets.
- (6) Amortization method and period of goodwill
  - Goodwill is amortized on a straight-line basis over the relevant years, depending on the reason for the occurrence of goodwill, with a maximum of 20 years.
- (7) Cash and cash equivalents in the consolidated statement of cash flows
  - Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, demand deposits and short-term investments due within three months of the acquisition date, which are easily convertible into cash with little risk of value fluctuation.
- (8) Other significant items related to the preparation of consolidated financial statements
  - ① Accounting for consumption tax:
    - Consumption tax and local consumption tax are accounted for using the tax exclusion method.
  - ② Adoption of consolidated taxation system:
    - The Company and certain consolidated subsidiaries in Japan adopt the consolidated taxation system.

③ Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system:

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with tax laws in effect before amendment based on the treatment of 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” (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

**(Unapplied Accounting Standards, etc.)**

(The Company and its domestic consolidated subsidiaries)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 26, 2021)

(1) Outline

This is a comprehensive accounting standard on revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognized revenue when as the entity satisfies a performance obligation.

(2) Scheduled date of application

The Company plans to adopt the accounting standards, etc. from the beginning of the fiscal year ending February 28, 2023.

(3) Impact of the application of the accounting standards, etc.

The impact was being evaluated at the time of preparation of these consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30; July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31; June 17, 2021)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9; July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19; March 31, 2020)

(1) Outline

To improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, “Accounting Standard for Fair Value Measurement, etc.”) have been developed as guidance on how to measure fair value. “Accounting Standard for Fair Value Measurement, etc.” will be applied in determining the fair value of the following items.

- Financial instruments set forth in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes set forth “Accounting Standard for Measurement of Inventories”

(2) Scheduled date of application

The Company plans to apply the accounting standards, etc. from the beginning of the fiscal year ending February 28, 2023.

(3) Impact of the application of the accounting standards, etc.

The impact was still being evaluated at the time of preparation of these consolidated financial statements.

**(Changes in Presentation)**

(Consolidated Balance Sheet)

In the “Current liabilities” section, “Call money” and “Deposits received for banking business” were included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Call money” and “Deposits received for banking business” are now separately presented. To reflect this change in method of presentation, the Consolidated Balance Sheet for the previous fiscal year has been reclassified.

As a result, in the “Current liabilities” section, 107,557 million yen that was presented as “Other” in the Consolidated Balance Sheet for the previous fiscal year are now presented as 40,000 million yen of “Call money” and 52,168 million yen of “Deposits received for banking business” and 15,388 million yen of “Other.”

(Consolidated Statement of Income)

In the “Non-operating income” section, “Gain on investments in investment partnerships” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is presented separately in the current fiscal year.

In the “Non-operating income” section, “Share of profit of entities accounted for using equity method” was presented separately in the previous fiscal year. Due to a decline in financial materiality, it is now included in “Other.” To reflect these changes in method of presentation, the Consolidated Statement of Income for the previous fiscal year has been reclassified.

As a result, in the “Non-operating income” section, 332 million yen that was presented as “Share of profit of entities accounted for using equity method” and 1,794 million yen that was presented as “Other” in the Consolidated Statement of Income for the previous fiscal year are now presented as 109 million yen of “Gain on investments in investment partnerships” and 2,016 million yen of “Other.”

(Consolidated Statement of Cash Flows)

In the “Net cash provided by (used in) investing activities” section, “Proceeds from redemption of securities” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is presented separately in the current fiscal year. To reflect this change in method of presentation, the Consolidated Statement of Cash Flows for the previous fiscal year has been reclassified.

As a result, in the “Net cash provided by (used in) investing activities” section, (1,305) million yen that was presented as “Other” is now presented as 10 million yen of “Proceeds from redemption of securities.” and (1,315) million yen of “Other.”

**(Notes to Consolidated Balance Sheet)**

\*1. Accumulated depreciation of property and store equipment

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Accumulated depreciation	385,891	416,609

\*2. Investments in associates

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Investment securities (stocks)	19,257	18,260
(Investment amount for jointly-controlled companies)	(959)	(963)
Investment securities (bonds)	61	54
Other (other equity investments)	1,908	12,470
(Investment amount for jointly-controlled companies)	(302)	(132)

\*3. Revaluation of land used for business

Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as "Revaluation reserve for land."

Revaluation method:

The value of land is determined based on the notified prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.

Date of revaluation: February 28, 2002

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Difference between book value and market value of the revalued land as of balance sheet date	53	9

\*4. Overdraft and loan commitment agreements

(1) Lender

Certain of the Company's consolidated subsidiaries providing credit card services also provide ancillary cash advance services. The following unused lines of credit represent loan commitments as part of these operations.

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Total overdraft limit and loan commitment	9,809	22,268
Amount of loans executed	107	460
Unutilized balance	9,702	21,807

The above loan commitment agreements do not necessarily indicate the amount of the loans to be disbursed, since the loan is subject to a review of the borrower's use of funds, credit status, and other factors.

(2) Borrower

The Company and its consolidated subsidiaries have entered into overdraft and loan commitment agreements to ensure efficient funding of working capital.

The unutilized balances of loans under these overdraft and loan commitment agreements as of the end of the fiscal year are as follows.

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Total overdraft limit and loan commitment	220,000	320,000
Amount utilized	14,070	22,062
Unutilized balance	205,930	297,938

\*5. Guarantee obligations

The Company guarantees the borrowings from financial institutions of the following subsidiary.

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current fiscal year As of February 28, 2022
Lawson Philippines, Inc.	110	1,163
Lawson USA Hawaii, Inc.	—	92

**(Notes to Consolidated Statement of Income)**

\*1. Major components of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Employees' salaries and allowances	58,214	59,391
Provision for bonuses	3,801	3,441
Retirement benefit expenses	2,899	2,717
Rents	128,952	130,770
Depreciation	80,643	79,822

\*2. Breakdown of loss on retirement of non-current assets

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Buildings and structures	2,394	1,043
Tools, furniture and fixtures	560	249
Leased assets	224	405
Software	32	46
Others	0	0
Total	3,213	1,746

\*3. Impairment loss

The Company and its consolidated subsidiaries (collectively, the "Group") identify each store as the smallest cash generating unit.

The carrying value of asset groups whose profitability has significantly decreased was written down to the recoverable amount, with the difference recognized as impairment loss under extraordinary losses.

Previous fiscal year (From March 1, 2020 to February 28, 2021)

			(Millions of yen)
Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	2,626
	Osaka	"	1,264
	Others	"	11,845
Other	—	Land	76
	—	Software	821
Total	—	—	16,635

Category by non-current assets

Buildings and structures	9,603	million yen
Tools, furniture and fixtures	563	"
Land	76	"
Leased assets	5,500	"
Software	821	"
Other	70	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 3.0%.

Current fiscal year (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	2,644
	Osaka	"	1,500
	Others	"	12,353
Other	—	Land	50
	—	Software	67
Total	—	—	16,616

Category by non-current assets

Buildings and structures	9,812	million yen
Tools, furniture and fixtures	678	"
Land	50	"
Leased assets	5,648	"
Software	67	"
Other	359	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 2.6%.



**(Notes to Consolidated Statement of Comprehensive Income)**

\* The components of other comprehensive income for the years ended February 28, 2021 and February 28, 2022 were as follows:

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	6,630	665
Reclassification adjustments to profit or loss	(6,219)	(948)
Amount before income tax effect	410	(282)
Income tax effect	(125)	86
Valuation difference on available-for-sale securities	285	(196)
Revaluation reserve for land		
Gain or loss arising during the period	—	138
Revaluation reserve for land	—	138
Foreign currency translation adjustment		
Gain or loss arising during the period	307	2,730
Foreign currency translation adjustment	307	2,730
Remeasurements of defined benefit plans		
Gain or loss arising during the period	891	(282)
Reclassification adjustments to profit or loss	260	149
Amount before income tax effect	1,152	(133)
Income tax effect	(353)	40
Remeasurements of defined benefit plans	799	(92)
Total other comprehensive income	1,392	2,580

**(Notes to Consolidated Statement of Changes in Equity)**

Previous fiscal year (From March 1, 2020 to February 28, 2021)

## 1. Number of shares of outstanding stock and treasury shares

	Number of shares at the beginning of the period (thousands of shares)	Increase during the period (thousands of shares)	Decrease during the period (thousands of shares)	Number of shares at the end of the period (thousands of shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury shares Common stock (*)	237	0	5	232

(\*)The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit. The decrease in treasury shares of 5 thousand shares resulted from decreases of 5 thousand shares due to the exercise of stock option rights and 0 thousand shares due to requests for additional purchases of stock of less than one share unit.

## 2. Subscription rights to shares and treasury subscription rights to shares

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Issuing company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	333
Total		—	—	—	—	—	333

## 3. Dividend

## 1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 27, 2020)	Common stock	7,504	75.00	February 29, 2020	May 28, 2020
Directors' meeting (October 8, 2020)	Common stock	7,505	75.00	August 31, 2020	November 10, 2020

## 2) Dividends for which the record date is in the current fiscal year and the effective date is after the fiscal year-end

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 25, 2021)	Common stock	Retained earnings	7,505	75.00	February 28, 2021	May 26, 2021

Current fiscal year (From March 1, 2021 to February 28, 2022)

1. Number of shares of outstanding stock and treasury shares

	Number of shares at the beginning of the period (thousands of shares)	Increase during the period (thousands of shares)	Decrease during the period (thousands of shares)	Number of shares at the end of the period (thousands of shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury shares Common stock (*)	232	0	4	228

(\*) The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit. The decrease in treasury shares of 4 thousand shares resulted from decreases of 4 thousand shares due to the exercise of stock option rights and 0 thousand shares due to requests for additional purchases of stock of less than one share unit.

2. Subscription rights to shares and treasury subscription rights to shares

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Issuing company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	368
Total		—	—	—	—	—	368

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 25, 2021)	Common stock	7,505	75.00	February 28, 2021	May 26, 2021
Directors' meeting (October 7, 2021)	Common stock	7,505	75.00	August 31, 2021	November 10, 2021

2) Dividends for which the record date is in the current fiscal year and the effective date is after the fiscal year-end

Plan for resolution is as follows.

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 25, 2022)	Common stock	Retained earnings	7,505	75.00	February 28, 2022	May 26, 2022

**(Notes to Consolidated Statement of Cash Flows)**

\*1. Reconciliation between the year-end balance of cash and cash equivalents and cash and deposits in the consolidated balance sheet

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Cash and deposits	402,584	388,463
Time deposits for which the deposit period exceeds three months	(1,447)	(18)
Cash and cash equivalents	401,136	388,444

**2. Description of significant non-cash transactions**

1) Assets and liabilities related to finance lease transactions are as follows.

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Assets and liabilities related to finance lease transactions	31,841	42,512

(\*)The Company's foreign consolidated subsidiaries apply International Financial Reporting Standard 16 (IFRS 16) "Leases" and the lease transactions concluded by those subsidiaries are included in the description above of the amount of assets and liabilities related to finance lease transactions.

2) Significant asset retirement obligations are as follows.

	(Millions of yen)	
	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Significant asset retirement obligations	916	1,451

## **(Segment Information)**

### 1. Outline of reportable segments

#### Method to determine reportable segments

The Company's financial information is provided separately by reportable segment and is subject to regular review by the board of directors with regard to the allocation of managerial resources and performance evaluation.

The Group operates primary businesses Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business and Overseas Business while incorporating other related businesses.

Therefore, the Group has made the Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business and Overseas Business units its main reportable segments, based on consideration of financial characteristics and the nature of the services provided.

Regarding Domestic Convenience Store Business, Lawson, Inc. operates a franchise system as well as undertaking the direct management of stores in Japan as the parent company of LAWSON, NATURAL LAWSON, and LAWSON STORE100. Lawson urbanworks, Inc. undertakes the direct management of LAWSON stores mainly in Tokyo and Chiba prefectures. Lawson Store100, Inc. undertakes the direct management of LAWSON STORE100 stores. SCI, Inc., a functional subsidiary which comprehensively manages the process from procurement to sale, aims to improve the efficiency of the entire process.

Regarding Seijo Ishii Business, SEIJO ISHII CO., LTD. operates SEIJO ISHII supermarkets.

Regarding Entertainment-related Business, Lawson Entertainment, Inc. conducts the management and sales of concert tickets at LAWSON stores and others, music and video software products at HMV stores and others. In addition, United Cinemas Co., Ltd. operates multiplex movie theatres.

Regarding Financial Services Business, Lawson Bank, Inc. carries out a banking business.

Regarding Overseas Business, the Group's operating companies opened LAWSON stores in the People's Republic of China and Thailand.

### 2. Computation method of the amount of net sales, profit or loss, assets and liabilities, and other items by reportable segment

The segment accounting policies are the same as those described in the "Accounting Policies for the Preparation of Consolidated Financial Statements." Segment profit is based on operating income. Intersegment revenue and transfers are based on market value.

3. Information on net sales, and profit or loss by reportable segment  
 Previous fiscal year (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Gross operating revenue									
Sales to external customers	416,436	103,037	56,592	28,575	61,356	2	666,001	—	666,001
Internal sales or transfers between segments	6,064	—	1,317	2,997	—	207	10,586	(10,586)	—
Total	422,501	103,037	57,909	31,573	61,356	210	676,588	(10,586)	666,001
Segment profit	28,739	10,329	(297)	1,753	809	(456)	40,876	—	40,876
Segment assets	881,172	73,382	53,785	450,973	56,703	508	1,516,526	(151,095)	1,365,430
Other									
Depreciation	57,712	1,975	2,301	6,974	7,641	—	76,606	—	76,606
Amortization of goodwill	2,179	1,437	501	—	53	—	4,171	—	4,171
Investments in associates	4,942	—	—	—	—	—	4,942	—	4,942
Increase in non-current assets	25,827	1,542	885	2,456	4,053	—	34,764	—	34,764

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments, include Consulting Business.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.
3. Segment profit (loss) corresponds to consolidated operating income.

Current fiscal year (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Gross operating revenue									
Sales to external customers	417,527	108,632	61,641	30,526	80,039	3	698,371	—	698,371
Internal sales or transfers between segments	7,039	—	1,354	3,077	—	630	12,101	(12,101)	—
Total	424,567	108,632	62,996	33,603	80,039	633	710,472	(12,101)	698,371
Segment profit	28,396	11,240	2,275	2,962	2,342	(121)	47,096	—	47,096
Segment assets	837,123	71,898	52,315	407,479	83,641	402	1,452,861	(115,615)	1,337,245
Other									
Depreciation	56,183	2,009	1,181	7,094	9,642	—	76,113	—	76,113
Amortization of goodwill	1,827	1,437	501	—	62	—	3,829	—	3,829
Investments in associates	4,728	—	—	—	—	—	4,728	—	4,728
Increase in non-current assets	34,352	3,773	868	1,112	6,662	—	46,769	—	46,769

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments, include Consulting Business.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.
3. Segment profit (loss) corresponds to consolidated operating income.

(Related information)

Previous fiscal year (From March 1, 2020 to February 28, 2021)

1. Information by product and service

Since similar information is disclosed in segment information, this information is omitted.

2. Information by geographical area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statement of income, this information is omitted.

(2) Property and store equipment

Since property and store equipment in Japan exceed 90% of property and store equipment on the consolidated balance sheet, this information is omitted.

3. Information by major customer

Information about major customers has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.

Current fiscal year (From March 1, 2021 to February 28, 2022)

1. Information by product and service

Since similar information is disclosed in the segment information, this information is omitted.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	China	Others	Total
618,331	72,406	7,633	698,371

(2) Property and store equipment

Since property and store equipment in Japan exceed 90% of property and store equipment on the consolidated balance sheet, this information is omitted.

3. Information by major customer

Information about major customers has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.



(Information on impairment loss on non-current assets by reportable segment)

Previous fiscal year (From March 1, 2020 to February 28, 2021)

The Group identifies each store as the smallest cash generating unit.

Regarding asset groups whose profitability from operating activities has continuously been negative, the book value of such assets has been written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses.

The amount of impairment loss recorded for each reportable segment is as follows.

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Impairment loss	16,206	196	142	—	89	—	16,635	—	16,635

Current fiscal year (From March 1, 2021 to February 28, 2022)

The Group identifies each store as the smallest cash generating unit.

Regarding asset groups whose profitability from operating activities has continuously been negative, the book value of such assets has been written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses.

The amount of impairment loss recorded for each reportable segment is as follows.

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Impairment loss	15,774	16	417	—	407	—	16,616	—	16,616

(Information on amortization of goodwill and amortized balance by reportable segment)

Previous fiscal year (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Balance at end of fiscal year	11,475	19,521	6,683	—	534	—	38,215	—	38,215

Note: Regarding amortization of goodwill, this information is omitted since similar information is disclosed in segment information.

Current fiscal year (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Balance at end of fiscal year	9,647	18,084	6,181	—	546	—	34,459	—	34,459

Note: Regarding amortization of goodwill, this information is omitted since similar information is disclosed in segment information.

(Information on gain on negative goodwill by reportable segment)

Previous fiscal year (From March 1, 2020 to February 28, 2021)

Not applicable.

Current fiscal year (From March 1, 2021 to February 28, 2022)

Not applicable.

**(Per Share Information)**

	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Net assets per share	2,674.53 yen	2,726.97 yen
Profit per share	86.84 yen	178.87 yen
Diluted profit per share	86.78 yen	178.71 yen

Note: The basis for the calculation of profit per share and diluted profit per share is as follows:

Item	Previous fiscal year From March 1, 2020 to February 28, 2021	Current fiscal year From March 1, 2021 to February 28, 2022
Profit per share		
Profit attributable to owners of parent (millions of yen)	8,689	17,900
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common stock (millions of yen)	8,689	17,900
Average number of common stock during the fiscal year (thousands of shares)	100,065	100,070
Diluted profit per share		
Profit attributable to owners of parent adjustment (millions of yen)	—	—
Increase in number of outstanding common shares (thousands of shares)	69	88
(Subscription rights to shares) (thousands of shares)	(69)	(88)
Summary of issuable shares not included in the computation of diluted profit per share, since these securities are not dilutive	—	—

**(Significant Subsequent Events)**

Not applicable.