

Flash Report on the Consolidated Financial Results [IFRS]

for the First Quarter of the Fiscal Year Ending February 29, 2024

July 11, 2023

Listed Company Name: Lawson, Inc.

Code No.: 2651

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Scheduled date for submission of quarterly securities report: July 14, 2023

Scheduled date for payment of dividend: —

Supplementary materials for quarterly financial results: Yes

Holding of presentation of quarterly results: None

(Amounts less than one million yen are truncated)

1. Consolidated operating results for the first quarter ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

(1) Consolidated operating results (cumulative)

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

	Gross operating revenue		Core operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the first quarter ended												
May 31, 2023	264,100	11.9	26,246	63.9	24,041	73.4	16,141	94.2	16,095	92.1	16,958	58.9
May 31, 2022	236,065	—	16,012	—	13,865	—	8,311	—	8,379	—	10,669	—

	Basic earnings per share	Diluted earnings per share
For the first quarter ended	Yen	Yen
May 31, 2023	160.83	160.70
May 31, 2022	83.73	83.66

Note: “Core operating profit” is a profit indicator for operating income under Japanese GAAP that is calculated by subtracting the cost of sales and selling, general and administrative expenses from gross operating revenues.

(2) Consolidated financial position

	Total assets	Equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
May 31, 2023	2,372,300	263,311	259,310	10.9
February 28, 2023	2,242,421	253,858	249,941	11.1

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2022 fiscal year	—	75.00	—	75.00	150.00
2023 fiscal year	—				
2023 fiscal year (forecast)		100.00	—	100.00	200.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for 2023 fiscal year (from March 1, 2023 to February 29, 2024)

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

	Gross operating revenue		Core operating profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1H of 2023 fiscal year	530,000	—	34,500	—	17,500	—	174.86
2023 fiscal year	1,060,000	6.0	64,000	(0.5)	29,000	(2.4)	289.77

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

4. Notes

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

Added: None

Excluded: None

(2) Changes in accounting policies, changes in accounting estimates

1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies other than 1. above: None
3. Changes in accounting estimates: None

Note: For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Main Notes, (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements (Significant Accounting Policies)” on page 17.

(3) Number of shares outstanding (common stock)

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

As of May 31, 2023:	100,300,000	As of February 28, 2023:	100,300,000
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2. Number of treasury shares at the end of period

As of May 31, 2023:	221,628	As of February 28, 2023:	222,962
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3. Average number of shares during the period (cumulative three months)

As of May 31, 2023:	100,078,265	As of May 31, 2022:	100,073,202
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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. Qualitative Information Regarding Quarterly Financial Results, (3) Explanation Regarding Forward-looking Statements” on page 8.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of fiscal 2023, from March 1 to May 31, 2023, we made concerted Group-wide efforts to realize the “Lawson Group Challenge 2025” medium-term management vision, while society shifted toward a post-COVID world driven primarily by the downgrade in the categorization of COVID-19 to Class 5, which includes seasonal flu. Specifically, we undertook various measures under our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020, and the whole Lawson Group collectively endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities and foster job satisfaction. Focusing on community, individual customers, and individual stores, we expanded a company system in eight areas across Japan and transferred authority and functions from the headquarters to the frontline stores with the aim of facilitating our organizational structure to more vigorously pursue the creation of customer value at stores where we are close beside our customers. We are undertaking various initiatives under this new structure.

As a result, during the first quarter of fiscal 2023 on a consolidated basis, gross operating revenue increased to 264,100 million yen (up 11.9% from previous fiscal year) and profit before tax increased to 24,041 million yen (up 73.4% from previous fiscal year). Profit attributable to owners of parent was 16,095 million yen (up 92.1% from previous fiscal year).

The Lawson Group has prepared its consolidated financial statements in compliance with IFRS from end of previous fiscal year, and the figures for the first quarter of the previous fiscal year have also been restated in accordance with IFRS for comparative analysis.

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2023 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

Operating results by business segment were as follows.

(Domestic Convenience Store Business)

During the first quarter under review, a general increasing trend was seen in the movement of people. Against this backdrop, each area company reinforced their sales floors with a particular focus on the scope of merchandise assortment and the quantity of inventory by building on the foundation established by the Lawson Group Sweeping Transformation Executive Committee, which has been proceeding with store renovations and expanding the merchandise assortment of frozen foods and other daily necessities. As of the end of May 2023, 11,371 stores have introduced MUJI products, which began full-scale introduction in the previous year. Also, as we work our way toward 2025, our 50th anniversary year, we continue to expand HAPPY LAWSON PROJECT! with the aim of creating “new hubs of refreshment in every community,” and promoted measures to fulfill the three promises of our business policy-“Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness”-in an effort to operate LAWSON stores endorsed by all our customers.

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 we are continuing with our environmentally friendly

measures such as reducing food loss, plastic usage, and CO₂ emissions.

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

[Merchandising and Service Strategies]

Sales continued to surge in fast-food counter items, soft drinks and the rice range, products offered by the Machikado Chubo in-store kitchen service, and the cosmetics range driven by an increase in the movement of people. In the fast-food counter range, sales continued to surge in “Kara-age-kun” chicken nuggets of new flavors. In the rice range, sales continued to surge in rice bowls such as the renewed “Kinshari Onigiri Rice Ball” series. In the Machikado Chubo, we saw strong performance for regular items such as the Donburi rice bowls as well as deli items and box lunch items in which rice is packed separately. In the cosmetics range, new brand products jointly developed with a popular cosmetic brand enjoyed a growth in sales, as well as the MUJI product range, which is currently being introduced at more stores.

In food delivery service, the combined number of stores listed on 4 food delivery services such as Uber Eats, reached 3,676 in 46 prefectures as of May 31, 2023. In addition, Uber Eats delivers over-the-counter drugs sold at 92 LAWSON stores in 17 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, 2022 to May 31, 2022		Current fiscal year From March 1, 2023 to May 31, 2023	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	304,010	54.3	318,833	53.7
Fast foods	123,225	22.0	133,282	22.4
Daily delivered foods	86,336	15.4	89,635	15.1
Nonfood products	46,337	8.3	52,204	8.8
Total	559,910	100.0	593,957	100.0

[Store Development]

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

During the first quarter of fiscal 2023, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 61 stores. Meanwhile, we closed a total of 81. As of the end of May 2023, the total number of domestic stores was 14,611 ^{*1}.

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 over-the-counter drugs has reached 298 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of May 2023. Moreover, the number of stores with nursing care consultation desks for seniors has reached 19 as of the end of May 2023. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 340 as of the end of May 2023. 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 among customers for supporting their beauty, health, and comfortable lifestyles, 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 consistently offer safe and high-quality 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 May 2023, we operate 131 NATURAL LAWSON stores and 659 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, 2023	Change during fiscal year	Total stores as of May 31, 2023
LAWSON	13,839	(18)	13,821
NATURAL LAWSON	131	—	131
LAWSON STORE100	661	(2)	659
Total	14,631	(20)	14,611

[Number of LAWSON stores by prefecture (As of May 31, 2023)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	679	Ibaraki	213	Kyoto	326	Ehime	217
Aomori	277	Tokyo	1,664	Shiga	154	Tokushima	135
Akita	177	Kanagawa	1,063	Nara	134	Kochi	138
Iwate	180	Shizuoka	276	Wakayama	152	Fukuoka	520
Miyagi	258	Yamanashi	134	Osaka	1,194	Saga	77
Yamagata	108	Nagano	167	Hyogo	696	Nagasaki	122
Fukushima	169	Aichi	719	Okayama	244	Oita	202
Niigata	224	Gifu	177	Hiroshima	299	Kumamoto	162
Tochigi	197	Mie	135	Yamaguchi	127	Miyazaki	110
Gunma	243	Ishikawa	102	Tottori	137	Kagoshima	200
Saitama	695	Toyama	177	Shimane	140	Okinawa	259
Chiba	596	Fukui	104	Kagawa	132	Total (domestic)	14,611

(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 181,455 million yen (up 8.1% from previous fiscal year) and segment profit of 19,967 million yen (up 52.9% from previous fiscal year).

(Seijo Ishii Business)

Seijo Ishii Co., Ltd provides customers with well-selected, and highly original 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 Co., Ltd stores reached 177 as of the end of May 2023. Existing store sales decreased year on year, but sales at stores in office buildings recovered from the sluggish sales resulting from the COVID-19 pandemic. Product-wise, dishes produced in-house at Seijo Ishii’s central kitchen recorded steady sales. In April 2023, “SEIJOISHII BAKERY,” specializing in bakery items, opened in Osaka City as part of our efforts to open stores with an innovative new format. 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 27,784 million yen (down 0.8% from previous fiscal year) and segment profit of 3,242 million yen (down 9.3% from previous fiscal year).

(Entertainment-related Business)

With respect to our ticketing business in our Entertainment-related Business undertaken by Lawson Entertainment, Inc., concerts, sports, leisure and other events continued to enjoy brisk demand. Under such circumstances, we focused our efforts on securing an expanded lineup of events in each genre with the aim of capturing the increased demand, which resulted in a year-on-year increase in our ticket transaction value for the first quarter under review. Furthermore, sales for our product sales business at HMV music/video software stores and others also showed a recovery trend driven by an increase in the movement of people. We are working to expand the scope of merchandise we handle to include entertainment and cosmetics goods. The number of stores has reached 55 as of May 31, 2023, including HMV stores, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records.

During the first quarter under review, United Cinemas Co., Ltd., an operator of cinema complexes, attracted more moviegoers and generated higher sales than in the same period of the previous fiscal year as a result of releasing much-talked-about movies as well as the long holiday in May. We also stepped up our efforts in theater commercials (theater media business) and theater rental business. As of May 31, 2023, 44 cinema complexes nationwide with 399 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 20,985 million yen (up 24.0% from previous fiscal year) and segment profit of 1,927 million yen (up 47.4% from previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, we endeavored to offer an expanded range of new services through Lawson Bank, Inc.'s ATMs and ATM settlement network. As of the end of May 2023, the number of ATMs installed nationwide reached 13,527, with each ATM used 55.1 times a day on average. The total number of our financial institution partners reached 387 nationwide. We now have seven partners for the “smartphone ATM (QR code deposit/withdrawal)”^{*2} service, 23 for the “Immediate Account Settlement Service”^{*3} (18 financial institutions and five other service operators), and nine for international money transfer cards. In addition to conventional demand for cash deposit and withdrawal services, charging to cashless payment services has also contributed to the increased use of ATMs, etc.

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. “smartphone ATM” is a registered trademark of Seven Bank, Ltd.

*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 8,867 million yen (up 2.2% from previous fiscal year) and segment profit of 892 million yen (down 9.7% from previous fiscal year).

(Overseas Business)

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

The number of LAWSON stores in the People's Republic of China, reached 5,788 as of the end of May 2023, up 168 stores from the end of 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. Meanwhile, the movement of people has been showing a phased recovery starting with cities where infection numbers have peaked from the end of 2022 to early January of 2023, which has resulted in a decline in the number of stores suspending their operations or operating with shorter hours and a recovery trend in daily sales. 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 by strengthening our delivery business.

With regard to regions other than China, sales increased due to the recovery in the movement of people resulting from the elimination and easing of COVID-related restrictions in respective countries. While making preparations to accelerate the pace of new store openings, we will continue to operate our stores to sustain the daily lives of our customers and strive to further expand our earnings.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2023)	Change during fiscal year	Number of stores (As of May 31, 2023)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	2,483	35	2,518
China Chongqing and surrounding area (Chongqing, Sichuan)	798	42	840
China Liaoning (including Shenyang, Dalian)	586	39	625
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	432	23	455
China Guangdong and Fujian (including Shenzhen, Xiamen)	174	24	198
China Hubei (including Wuhan)	617	10	627
China Anhui (including Hefei)	231	(14)	217
China Hunan (including Changsha)	160	1	161
China Hainan (including Haikou)	139	8	147
China Subtotal	5,620	168	5,788
Thailand	181	(2)	179
Indonesia	256	124	380
Philippines	101	3	104
United States of America (Hawaii)	2	—	2
Total	6,160	293	6,453

As a result, Overseas Business posted gross operating revenue of 27,607 million yen (up 63.0% from previous fiscal year) and segment profit of 212 million yen (segment loss was 2,880 million for the same period of the previous year).

(2) Explanation Regarding Consolidated Financial Position

① Assets, Liabilities and Equity at end of current first quarter of fiscal 2023

Current assets increased by 129,807 million yen from the end of the previous fiscal year to 809,647 million yen, mainly reflecting an increase of 114,233 million yen in cash and cash equivalents and an increase of 14,877 million yen in trade and other receivables. Non-current assets increased by 70 million yen from the end of the previous fiscal year to 1,562,653 million yen, mainly reflecting increases of 2,160 million yen in intangible assets, 1,957 million yen in guarantee deposits, and decreases of 3,798 million yen in rights-of-use assets. Consequently, total assets increased by 129,878 million yen from the end of the previous fiscal year to 2,372,300 million yen.

Current liabilities increased by 124,338 million yen from the end of the previous fiscal year to 1,029,618 million yen, mainly reflecting increases of 75,455 million yen in deposits received and 48,181 million yen in other financial liabilities. Non-current liabilities decreased by 3,912 million yen from the end of the previous fiscal year to 1,079,371 million yen, mainly reflecting a decrease of 4,719 million yen in lease liabilities. Consequently, total liabilities increased by 120,425 million yen from the end of the previous fiscal year to 2,108,989 million yen.

Equity increased by 9,452 million yen from the end of the previous fiscal year to 263,311 million yen, mainly reflecting increases of 8,589 million yen in retained earnings and 779 million yen in other components of equity. Consequently, shareholders' equity ratio was 10.9%, down from 11.1% as of the end of the previous fiscal year.

② Cash flows during the first quarter of fiscal 2023

Cash and cash equivalents on May 31, 2023 increased by 114,233 million yen from the end of the previous fiscal year to 513,756 million yen.

Net cash provided by operating activities was 194,364 million yen, a decrease of 20,182 million yen from the first quarter of fiscal 2022, mainly because of the movement in deposits received, call money for banking business, trade and other payables, trade and other receivables.

Net cash used in investing activities was (15,556) million yen, an increase of 5,515 million yen from the first quarter of fiscal 2022, mainly because of an increase in purchases of long-term prepaid expenses and a decrease of proceeds from collection of guarantee deposits.

Net cash used in financing activities was (64,860) million yen, a decrease of 30,549 million yen from the first quarter of fiscal 2022 mainly because of a decrease in repayments of borrowings and proceeds from borrowings.

The Group's sources of capital and funding liquidity are used to fund new store openings, remodel existing stores, and develop new business, as well as to pay dividends.

Working capital and investment funds are basically allocated from operating cash flow, and funds are procured as needed.

(3) Explanation Regarding Forward-looking Statements

Regarding the financial forecasts for the first half and full year of the current fiscal year ending February 29,

2024, the financial forecasts remain unchanged from those announced on May 25, 2023.

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	Previous fiscal year As of February 28, 2023	Current 1st Quarter As of May 31, 2023
Assets		
Current assets		
Cash and cash equivalents	399,523	513,756
Trade and other receivables	223,648	238,525
Finance lease receivables	13,710	13,644
Other financial assets	3,595	2,148
Inventories	28,689	29,762
Other current assets	10,671	11,808
Total current assets	679,839	809,647
Non-current assets		
Property and store equipment	186,398	187,770
Right-of-use assets	1,069,233	1,065,435
Investment property	46,734	46,015
Goodwill	50,150	50,426
Intangible assets	51,416	53,577
Investments accounted for using equity method	6,532	6,588
Guarantee deposits	92,916	94,873
Other financial assets	5,742	6,109
Deferred tax assets	48,234	45,422
Other non-current assets	5,223	6,434
Total non-current assets	1,562,582	1,562,653
Total assets	2,242,421	2,372,300

	(Millions of yen)	
	Previous fiscal year As of February 28, 2023	Current 1st Quarter As of May 31, 2023
Liabilities and equity		
Current liabilities		
Trade and other payables	231,925	253,220
Deposits received	274,224	349,680
Borrowings	92,877	81,334
Income taxes payable	10,800	3,952
Other financial liabilities	273,465	321,647
Provisions	2,480	338
Other current liabilities	19,505	19,443
Total current liabilities	905,279	1,029,618
Non-current liabilities		
Borrowings	80,000	80,119
Lease liabilities	923,588	918,868
Other financial liabilities	21,407	21,906
Retirement benefit liability	16,797	16,912
Deferred tax liabilities	430	420
Provisions	37,642	37,640
Other non-current liabilities	3,417	3,503
Total non-current liabilities	1,083,284	1,079,371
Total liabilities	1,988,563	2,108,989
Equity		
Share capital	58,506	58,506
Capital surplus	46,934	46,928
Treasury shares	(948)	(943)
Other components of equity	3,799	4,578
Retained earnings	141,650	150,240
Total equity attributable to owners of parent	249,941	259,310
Non-controlling interests	3,916	4,000
Total equity	253,858	263,311
Total liabilities and equity	2,242,421	2,372,300

(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed Quarterly Consolidated Statement of Profit and Loss

(Millions of yen)

	Previous 1st Quarter From March 1, 2022 to May 31, 2022	Current 1st Quarter From March 1, 2023 to May 31, 2023
Gross operating revenue	236,065	264,100
Cost of sales	(111,721)	(123,567)
Operating gross profit	124,344	140,533
Selling, general and administrative expenses	(108,331)	(114,286)
Other income	820	618
Other expenses	(1,091)	(1,191)
Finance income	327	408
Finance costs	(2,292)	(2,452)
Share of profit of investments accounted for using equity method	88	412
Profit before tax	13,865	24,041
Income taxes	(5,553)	(7,900)
Profit	8,311	16,141
Profit (loss) attributable to		
Owners of parent	8,379	16,095
Non-controlling interests	(67)	46
	8,311	16,141
Earnings per share		
Basic earnings per share (Yen)	83.73	160.83
Diluted earnings per share (Yen)	83.66	160.70

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous 1st Quarter From March 1, 2022 to May 31, 2022	Current 1st Quarter From March 1, 2023 to May 31, 2023
Profit	8,311	16,141
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	22	55
Share of other comprehensive income of investments accounted for using equity method	10	—
Total of items that will not be reclassified to profit or loss	33	55
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,300	753
Share of other comprehensive income of investments accounted for using equity method	23	8
Total of items that may be reclassified to profit or loss	2,324	761
Other comprehensive income (net of tax)	2,357	817
Comprehensive income	10,669	16,958
Comprehensive income attributable to		
Owners of parent	10,628	16,874
Non-controlling interests	41	83

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Previous 1st Quarter (From March 1, 2022 to May 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2022	58,506	46,899	(973)	(1,409)	2,997	1,588
Profit						—
Other comprehensive income				33	2,215	2,249
Total comprehensive income				33	2,215	2,249
Dividends						—
Exercise of share acquisition rights (issuance of treasury shares)		(14)	14			—
Total transactions with owners	—	(14)	14	—	—	—
Balance as of May 31, 2022	58,506	46,885	(959)	(1,376)	5,213	3,837

	Equity attributable to owners of parent			
	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of March 1, 2022	125,832	231,853	3,839	235,693
Profit	8,379	8,379	(67)	8,311
Other comprehensive income		2,249	108	2,357
Total comprehensive income	8,379	10,628	41	10,669
Dividends	(7,505)	(7,505)		(7,505)
Exercise of share acquisition rights (issuance of treasury shares)		0		0
Total transactions with owners	(7,505)	(7,505)	—	(7,505)
Balance as of May 31, 2022	126,706	234,976	3,880	238,857

Current 1st Quarter (From March 1, 2023 to May 31, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2023	58,506	46,934	(948)	(1,278)	5,077	3,799
Profit						—
Other comprehensive income				55	723	779
Total comprehensive income				55	723	779
Purchase of treasury shares			(0)			—
Dividends						—
Exercise of share acquisition rights (issuance of treasury shares)		(5)	5			—
Total transactions with owners	—	(5)	5	—	—	—
Balance as of May 31, 2023	58,506	46,928	(943)	(1,223)	5,801	4,578

	Equity attributable to owners of parent			
	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of March 1, 2023	141,650	249,941	3,916	253,858
Profit	16,095	16,095	46	16,141
Other comprehensive income		779	37	817
Total comprehensive income	16,095	16,874	83	16,958
Purchase of treasury shares		(0)		(0)
Dividends	(7,505)	(7,505)		(7,505)
Exercise of share acquisition rights (issuance of treasury shares)		0		0
Total transactions with owners	(7,505)	(7,506)	—	(7,506)
Balance as of May 31, 2023	150,240	259,310	4,000	263,311

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Previous 1st Quarter From March 1, 2022 to May 31, 2022	Current 1st Quarter From March 1, 2023 to May 31, 2023
Cash flows from operating activities:		
Profit before tax	13,865	24,041
Depreciation and amortization	52,482	52,536
Impairment loss	574	585
Interest income	(294)	(318)
Interest expenses	2,225	2,451
Loss on retirement of non-current assets	285	231
Decrease (increase) in trade and other receivables	(22,678)	(14,682)
Increase (decrease) in trade and other payables	11,516	19,930
Increase (decrease) in deposits received	135,104	75,788
Increase (decrease) in net defined benefit liability	120	114
Net increase (decrease) in call money for banking business	27,000	48,000
Other	1,770	(2,380)
Subtotal	221,971	206,297
Interest and dividends received	708	517
Interest paid	(972)	(1,117)
Income taxes paid	(7,160)	(11,333)
Net cash provided by (used in) operating activities	214,546	194,364
Cash flows from investing activities:		
Purchases of property and store equipment, right-of-use assets and investment property	(9,536)	(8,838)
Purchase of intangible assets	(2,983)	(4,024)
Purchase of investments	(1,239)	(112)
Proceeds from sales and redemption of investments	3,047	2,025
Payments for guarantee deposits	(2,622)	(4,381)
Proceeds from collection of guarantee deposits	4,587	2,417
Purchase of long-term prepaid expenses	(83)	(2,415)
Other	(1,209)	(226)
Net cash provided by (used in) investing activities	(10,040)	(15,556)
Cash flows from financing activities:		
Proceeds from borrowings	68,813	51,141
Repayments of borrowings	(111,412)	(62,585)
Repayments of lease liabilities	(45,319)	(45,913)
Dividends paid	(7,505)	(7,505)
Other	13	4
Net cash provided by (used in) financing activities	(95,409)	(64,860)
Effect of exchange rate changes on cash and cash equivalents	988	286
Net increase (decrease) in cash and cash equivalents	110,084	114,233
Cash and cash equivalents at beginning of period	392,996	399,523
Cash and cash equivalents at end of period	503,081	513,756

**(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements
(Going Concern Assumption)**

Not Applicable.

(Significant Accounting Policies)

The significant accounting policies adopted for the Condensed Quarterly Consolidated Financial Statements are the same as those for the Consolidated Financial Statements for the fiscal year ended February 28, 2023, except for the following standards, which have been newly adopted.

In addition, income taxes for the first quarter ended May 31, 2023 are calculated based upon an estimated average annual effective tax rate. The Company and certain subsidiaries have transitioned from a consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year.

The standard that the Group has adopted from the first quarter ended May 31, 2023 is as follows:

Standard	Standard name	Outline
IAS 12	Income Taxes	<ul style="list-style-type: none">• Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction• Accounting and disclosure of income tax by tax laws enacted or substantively enacted to implement Pillar Two model rules published by the Organization for Economic Co-operation and Development

Furthermore, there was no material impact on the Condensed Quarterly Consolidated Financial Statements for the first quarter resulting from the application of the above standard.

(Segment Information)

1. Outline of reportable segments

The Company's reportable segments are separate components for which discrete financial information is available and which are subject to regular review by the board of directors in order to determine the allocation of managerial resources and evaluate financial performance.

The Group is primarily engaged in the domestic convenience store business, Seijo Ishii business, entertainment-related business, financial services business and overseas business while incorporating related businesses and managed as a group.

Therefore, the Group aggregates its main reportable segments considering the nature of the services provided and economic characteristics as follows: Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business and Overseas Business.

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 and provide management support for franchised stores. SCI, Inc. is a functional subsidiary that comprehensively manages the business process from procurement to sales, improving 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. operates a banking business.

Regarding Overseas Business, the operating company in each region develops LAWSON stores in the People's Republic of China, Thailand, the Philippines, and the United States of America (Hawaii).

2. Information on reportable segments

Methods of accounting for reportable statements are described in note “Significant Accounting Policies” and are consistent with the accounting policies of the Group.

The Group’s reportable segments are as follows. Segment profit represents operating gross profit less selling, general and administrative expenses. Intersegment revenues and transactions are based on market prices.

Previous 1st Quarter (From March 1, 2022 to May 31, 2022)

(Millions of yen)

	Reportable segment					Others (Note)	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	61,412	213	—	—	119	—	61,745	—	61,745
Net sales from Company-operated stores	18,477	27,753	13,535	—	13,237	—	73,003	—	73,003
Other	79,882	24	2,874	7,971	3,491	480	94,725	—	94,725
Other revenue	6,500	5	—	—	84	—	6,590	—	6,590
Revenue from external customers									
1. Revenue from external customers	166,273	27,996	16,409	7,971	16,933	480	236,065	—	236,065
2. Intersegment revenue or transfer	1,544	—	510	708	—	141	2,905	(2,905)	—
Total	167,818	27,996	16,919	8,680	16,933	622	238,971	(2,905)	236,065
Segment profit (loss)	13,058	3,575	1,307	989	(2,880)	(38)	16,012	—	16,012

(Note) The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.

Current 1st Quarter (From March 1, 2023 to May 31, 2023)

(Millions of yen)

	Reportable segment					Others (Note)	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	66,015	215	—	—	715	—	66,946	—	66,946
Net sales from Company-operated stores	21,529	27,552	17,144	—	20,331	—	86,557	—	86,557
Other	84,646	11	3,172	8,064	6,470	476	102,841	—	102,841
Other revenue	7,660	4	—	—	89	—	7,754	—	7,754
Revenue from external customers									
1. Revenue from external customers	179,851	27,784	20,316	8,064	27,607	476	264,100	—	264,100
2. Intersegment revenue or transfer	1,603	—	669	803	—	169	3,244	(3,244)	—
Total	181,455	27,784	20,985	8,867	27,607	645	267,345	(3,244)	264,100
Segment profit	19,967	3,242	1,927	892	212	3	26,246	—	26,246

(Note) The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.