

## Flash Report on the Consolidated Financial Results

for the First Quarter of the Fiscal Year Ending February 28, 2022

July 8, 2021

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

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

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Scheduled date for submission of quarterly securities report: July 13, 2021

Scheduled date for payment of dividend: —

Supplementary materials for quarterly financial results: Yes

Holding of presentation of quarterly results: None

(Amounts less than one million yen are truncated)

### 1. Consolidated operating results for the first quarter ended May 31, 2021 (from March 1, 2021 to May 31, 2021)

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

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the first quarter ended								
May 31, 2021	169,264	8.9	10,617	304.6	10,397	760.1	5,637	—
May 31, 2020	155,360	(13.1)	2,623	(81.6)	1,208	(91.0)	(4,185)	—

Note: Comprehensive income:

For the first quarter ended May 31, 2021                      8,615 million yen                      —%

For the first quarter ended May 31, 2020                      (1,787) million yen                      —%

	Profit per share	Diluted profit per share
	Yen	Yen
For the first quarter ended		
May 31, 2021	56.33	56.29
May 31, 2020	(41.82)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
May 31, 2021	1,413,020	274,059	19.0
February 28, 2021	1,365,430	272,931	19.6

Reference: Shareholders' equity:

As of May 31, 2021                      268,745 million yen

As of February 28, 2021                      267,632 million yen

### 2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2020 fiscal year	—	75.00	—	75.00	150.00
2021 fiscal year	—				
2021 fiscal year (forecast)		75.00	—	75.00	150.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for the 2021 fiscal year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1H of 2021 fiscal year	358,000	10.9	26,500	58.8	24,500	64.8	13,000	293.0	129.91
2021 fiscal year	728,000	9.3	50,000	22.3	45,000	19.6	13,500	55.4	134.90

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

4. Notes

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

Added: None

Excluded: None

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

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

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

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

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of shares outstanding (common stock)

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

As of May 31, 2021: 100,300,000 As of February 28, 2021: 100,300,000

2. Number of treasury shares at the end of period

As of May 31, 2021: 231,208 As of February 28, 2021: 232,954

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

As of May 31, 2021: 100,068,636 As of May 31, 2020: 100,062,205

Note: This flash report is exempt from quarterly review.

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

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

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# **1. Qualitative Information Regarding Quarterly Financial Results**

## **(1) Explanation Regarding Consolidated Operating Results**

During the first quarter of fiscal 2021, from March 1 to May 31, 2021, 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 to address the changes in the business environment, and endeavored to resolve medium- to long-term issues for sustainable growth, acquisition of new revenue opportunities and foster job satisfaction.

As a result, for the first quarter of fiscal 2021 on a consolidated basis, gross operating revenue increased to 169,264 million yen (up 8.9% from previous fiscal year), operating income increased to 10,617 million yen (up 304.6% from previous fiscal year) and ordinary income increased to 10,397 million yen (up 760.1% from previous fiscal year). Profit attributable to owners of parent was 5,637 million yen (Loss attributable to owners of parent was 4,185 million yen in previous fiscal year).

Furthermore, 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.

Operating results by business segment were as follows.

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

During the first quarter under review, the number of new COVID-19 cases began an upward trend, prompting the declaration of the third state of emergency in April 2021. While vaccination proceeded among healthcare workers, the overall inoculation rate in Japan remained low, resulting in legal and voluntary restrictions being imposed on a variety of social activities.

Since last year, Lawson has been proceeding with store renovation by carefully examining the business environment surrounding each store and customizing the refurbishment to suit the circumstances in order to help our stores take rigorous infection prevention measures, adapt to changes taking place in the new normal business environment, and better address customer needs.

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. By developing distinctive products that are compellingly delicious and health-conscious, we are aiming to further reinforce our product lineup, while rigorously working to offer thoughtful customer service at our stores and ensure environmental friendliness by reducing food waste, the use of plastics and CO<sub>2</sub> emissions, etc.

[Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items

with high demand; and (3) keeping our stores and communities clean. 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, such as offering items subject to heightened demand amid the COVID-19 crisis. 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 rice range, our “Korega BENTO” box lunch series proved to be highly popular after it was revamped as a long-lasting chilled range in March 2021, and our “Kinshari Onigiri Rice Ball” series also enjoyed robust sales. Among the fast-food counter items, our regular products such as our “Kara-age-kun” chicken nuggets—marking the 35th anniversary of their debut—and our “Torikara” chicken fries recorded strong sales. Partly owing to customers having less opportunities to go out, the Machikado Chubo in-store kitchen service enjoyed especially strong demand for items offered in collaboration with food service companies that provide delicious dishes from specialty restaurants. Machikado Chubo in-store kitchens are installed at approximately 6,700 stores as of the end of May 2021, achieving sales growth even amid the coronavirus crisis. In response to the ongoing high demand, we are installing the kitchen at more stores.

In food delivery service, for which needs have been growing owing to the COVID-19 crisis, we started offering delivery service through Wolt in April 2021 in addition to Uber Eats and foodpanda. As a result, the combined number of stores listed on food delivery services reached 1,635 in 28 prefectures as of May 31, 2021. In addition, Uber Eats started delivering over-the-counter (OTC) drugs sold at 12 LAWSON stores in 4 prefectures as the first OTC drugs included in Uber Eats’ lineup in Japan.

[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 May 31, 2020		Current fiscal year From March 1, 2021 to May 31, 2021	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	285,751	54.1	296,214	54.3
Fast foods	111,721	21.1	116,453	21.3
Daily delivered foods	85,904	16.3	85,667	15.7
Nonfood products	44,819	8.5	47,602	8.7
Total	528,197	100.0	545,938	100.0

[Store Development]

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

During the first quarter under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 190 stores. Meanwhile, we closed a total of 54. As of the end of May 2021, the total number of domestic stores was 14,612.\* Based on the joint business agreement concluded with POPLAR Co., Ltd. in September 2020, we converted 116 stores from its brand to the LAWSON POPLAR or

LAWSON brand 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 252 stores (includes 52 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of May 2021. Moreover, the number of stores offering nursing care consultation services has reached 23 as of the end of May 2021. 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 336 as of the end of May 2021. Building on our expertise developed through operation of in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

With the aim of supporting our customers’ beauty, health, and comfortable lifestyles, our NATURAL LAWSON stores offer an exclusive assortment of items including original products adopting select ingredients as well as products produced in collaboration with renowned brand names. Meanwhile, our LAWSON STORE100 meets customers’ needs with a wide-ranging assortment of products sold at the value-for-money price of 100 yen, including fresh fruit and vegetables, daily delivered fresh foods, prepared dishes, beverages, and daily necessities. The stores are visited by customers of all ages including children and the elderly, and single people and homemakers, in particular. As of the end of May 2021, we operate 141 NATURAL LAWSON stores and 674 LAWSON STORE100 stores.

\* 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 period	Total stores as of May 31, 2021
LAWSON	13,654	143	13,797
NATURAL LAWSON	143	(2)	141
LAWSON STORE100	679	(5)	674
Total	14,476	136	14,612

[Number of LAWSON stores by prefecture (As of May 31, 2020)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	679	Ibaraki	222	Kyoto	319	Ehime	212
Aomori	278	Tokyo	1,709	Shiga	155	Tokushima	135
Akita	183	Kanagawa	1,079	Nara	139	Kochi	139
Iwate	183	Shizuoka	282	Wakayama	152	Fukuoka	527
Miyagi	257	Yamanashi	138	Osaka	1,121	Saga	75
Yamagata	113	Nagano	174	Hyogo	663	Nagasaki	120
Fukushima	171	Aichi	723	Okayama	228	Oita	197
Niigata	227	Gifu	182	Hiroshima	289	Kumamoto	162
Tochigi	200	Mie	137	Yamaguchi	128	Miyazaki	111
Gunma	242	Ishikawa	105	Tottori	139	Kagoshima	201
Saitama	694	Toyama	186	Shimane	142	Okinawa	249
Chiba	603	Fukui	109	Kagawa	133	Total (domestic)	14,612

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

[Other]

Lawson, Inc. entered into a comprehensive business alliance agreement with H<sub>2</sub>O Retailing Corporation on May 7, 2021 with the objective of enhancing corporate value by drawing on the strengths of both parties and promoting the creation of sustainable communities. A total of 98 station stores and convenience stores operated by asnas Co., Ltd., an H<sub>2</sub>O Retailing Corporation Group company, will be converted from “asnas” stores into Lawson stores in phases starting July 2021. In addition to this, we will hold specific discussions with regard to various areas such as products, logistics, marketing and sustainability.

Under the Lawson Group Sweeping Transformation Executive Committee, efforts are underway to refine our supply chains and minimize food waste by utilizing digital technology and to achieve centralized management and effective utilization of the membership data owned by Group companies.

Some of our Care-focused LAWSON stores, which are equipped with a nursing care consultation desk and a salon space, started offering a face-to-face consultation service to help people book their COVID-19 vaccination appointments.

Lawson was included in the 2021 Health & Productivity Stock Selection for the fourth time in a program jointly run by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) that aims to recognize enterprises for their efforts to promote employee health. METI also recognized Lawson for the fifth time under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program. In addition, Lawson was selected as a Nadeshiko Brand by METI and the TSE for the sixth time, which is more than any other company in the retail sector. The Nadeshiko Brand program acknowledges listed companies that take superior steps to help female employees demonstrate their full potential.

As a result, Domestic Convenience Store Business posted gross operating revenue of 104,984 million yen (up 2.1% from previous fiscal year) and segment profit of 6,622 million yen (up 202.8% 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 164 as of the end of May 2021.

The state of emergency declared in April pushed up demand at supermarkets. Demand for perishables including fruit and vegetables as well as meat and fish grew, especially at street-side stores. Dishes produced in-house at Seijo Ishii’s central kitchen also enjoyed strong sales. The recovery trend in demand at stores in station buildings and commercial facilities is continuing. We are striving to elevate the brand power of Seijo Ishii by pursuing higher standards in our product development expertise, know-how acquired as a manufacturing retailer, and retailing techniques.

As a result, Seijo Ishii Business posted gross operating revenue of 27,410 million yen (up 9.1% from previous fiscal year) and segment profit of 2,943 million yen (up 12.5% from previous fiscal year).

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

Our Entertainment-related Business undertaken by Lawson Entertainment, Inc. saw a slowdown in the recovery of its ticket transaction value in the ticketing business due to the impact of the state of emergency declared in April. However, we drew on our experience last year and secured venues where events could be held amid restrictions imposed on admissions. As a result, ticket transaction values showed a recovery trend during the first quarter under review, driven by such genres as sports, theatrical performance and leisure. We also continue to work on expanding ticket transactions for online live performances, a fledgling market, while striving to create opportunities to generate earnings by collaborating with the company’s e-commerce business and HMV stores to sell original items related to the live performances.

In our product sales business, a total of 57 stores are in operation nationwide as of May 31, 2021, including our mainstay HMV stores dedicated to selling music and video software, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records. Stores are making efforts to expand earnings through a range of measures including procuring limited items tied to new music and video products. Our e-commerce business is achieving solid performance on the back of demand from cocooning customers, which has remained high since last year.

United Cinemas Co., Ltd., an operator of cinema complexes, takes appropriate infection prevention measures in line with the situation in each region and continues with its operations amid a state of emergency

or quasi-emergency, unlike during the same period of the previous fiscal year when all its theaters had to be closed. Currently, audience numbers and sales are seeing a recovery trend, with restrictions on operations being eased and postponed films starting to be released. As of May 31, 2021, 42 cinema complexes nationwide with 387 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 15,494 million yen (up 37.8% from previous fiscal year) and segment profit of 337 million yen (segment loss was 961 million yen in previous fiscal year).

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

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

As of the end of May 2021, the number of ATMs installed nationwide reached 13,571 (up 148 from previous fiscal year), with each ATM used 46.2 times a day on average (up 7.8 from previous fiscal year). The total number of our financial institution partners reached 377 nationwide (up 253 from the previous fiscal year) with the addition of *shinkin* banks in April 2021.

Our “instant bank account settlement service” allows users to withdraw money from their bank account to top up a mobile payment app by harnessing Lawson Bank’s ATMs and their transaction network. During the first quarter under review, the service was expanded with the participation of four banks.

In the “ATM charge service,” where cash can be charged to a user’s mobile payment app at an ATM, the PayPay cashless payment service was included among the applicable apps. We will continue to expand our partner financial institutions and services.

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.

As a result, Financial Services Business posted gross operating revenue of 8,336 million yen (up 8.7% from previous fiscal year) and segment profit of 493 million yen (segment profit was 27 million yen in 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).

As the People’s Republic of China recovered from the impact of the coronavirus relatively quickly, all our stores are operating as usual. The number of LAWSON stores in the entire country reached 3,640 as of the end of May 2021, up 296 stores from the end of previous fiscal year.

Our business in China generated operating profit in fiscal 2020, and the total number of stores there is one of the highest among all Japanese convenience store operators. We will continue working to expand our network of stores, offer our signature high-quality original products in wider areas, enhance recognition of Lawson, and increase earnings. With regard to new store openings, we will proceed to conclude area license agreements with

local partners in addition to directly establishing our own stores.

In other regions, apart from some stores that 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, in order to sustain the daily lives of our customers.

[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 May 31, 2021)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	1,826	119	1,945
China Chongqing	341	42	383
China Liaoning (Shenyang, Dalian)	327	46	373
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	215	22	237
China Hubei (Wuhan, etc.)	441	17	458
China Anhui (Hefei, etc.)	106	20	126
China Hunan (Changsha)	65	15	80
China Hainan (Haikou)	23	15	38
China Subtotal	3,344	296	3,640
Thailand	140	4	144
Indonesia	68	—	68
Philippines	67	(1)	66
United States of America Hawaii	2	—	2
Total	3,621	299	3,920

As a result, Overseas Business posted gross operating revenue of 15,923 million yen (up 44.5% from previous fiscal year) and segment profit of 337 million yen (segment loss was 1,142 million yen in previous fiscal year).

## (2) Explanation Regarding Consolidated Financial Position

Current assets increased by 47,861 million yen from the end of the previous fiscal year to 738,673 million yen, mainly reflecting an increase of 60,241 million yen in cash and deposits, and a decrease of 12,745 million yen in accounts receivable-other. Non-current assets decreased by 271 million yen from the end of the previous fiscal year to 674,347 million yen, mainly reflecting a decrease of 2,328 million yen in intangible assets, and an increase of 1,758 million yen in property and store equipment. Consequently, total assets increased by 47,590 million yen from the end of the previous fiscal year to 1,413,020 million yen.

Current liabilities increased by 48,030 million yen from the end of the previous fiscal year to 815,785 million yen, mainly reflecting an increase of 127,000 million yen in call money, a decrease of 42,608 million yen in deposits received, and decrease of 37,370 million yen in short-term loans payable. Non-current liabilities decreased by 1,567 million yen from the end of the previous fiscal year to 323,175 million yen, mainly

reflecting a decrease of 2,689 million yen in lease obligations. Consequently, total liabilities increased by 46,462 million yen from the end of the previous fiscal year to 1,138,961 million yen.

Net assets increased by 1,127 million yen from the end of the previous fiscal year to 274,059 million yen, mainly reflecting an increase of 1,774 million yen in valuation difference on available-for-sale securities, an increase of 1,161 million yen in foreign currency translation adjustment, and a decrease of 1,818 million yen in retained earnings. Consequently, shareholders' equity ratio was 19.0%, down from 19.6% as of the end of the previous fiscal year.

### **(3) Explanation Regarding Forward-looking Statements**

Regarding the financial forecasts for the first half and full year of the current fiscal year ending February 28, 2022, the financial forecasts remain unchanged from those announced on April 8, 2021.

## 2. Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheet

As of February 28, 2021 and May 31, 2021

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 1st Quarter As of May 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	402,584	462,825
Accounts receivable-due from franchised stores	46,385	46,883
Lease receivables	16,621	16,076
Merchandise	20,657	21,658
Accounts receivable-other	161,062	148,317
Other	43,519	42,933
Allowance for doubtful accounts	(20)	(22)
<b>Total current assets</b>	<b>690,811</b>	<b>738,673</b>
<b>Non-current assets:</b>		
<b>Property and store equipment:</b>		
Buildings and structures, net	191,977	193,101
Tools, furniture and fixtures, net	19,044	19,335
Leased assets-net	131,779	129,711
Other-net	24,838	27,250
<b>Total property and store equipment</b>	<b>367,640</b>	<b>369,399</b>
<b>Intangible assets:</b>		
Software	39,088	37,846
Goodwill	38,215	37,282
Trademark right	8,349	8,192
Other	752	756
<b>Total intangible assets</b>	<b>86,406</b>	<b>84,078</b>
<b>Investments and other assets:</b>		
Long-term loans receivable	40,621	40,097
Guarantee deposits	103,030	103,575
Deferred tax assets	33,484	30,968
Other	44,099	46,942
Allowance for doubtful accounts	(663)	(714)
<b>Total investments and other assets</b>	<b>220,571</b>	<b>220,869</b>
<b>Total non-current assets</b>	<b>674,618</b>	<b>674,347</b>
<b>Total assets</b>	<b>1,365,430</b>	<b>1,413,020</b>

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 1st Quarter As of May 31, 2021
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable-trade	127,486	134,881
Short-term loans payable	42,320	4,950
Current portion of long-term loans payable	100,000	100,000
Lease obligations	44,584	45,332
Accounts payable-other	90,798	85,705
Income taxes payable	4,078	1,686
Deposits received	246,110	203,502
Provision for bonuses	4,818	3,906
Call money	40,000	167,000
Other	67,557	68,819
<b>Total current liabilities</b>	<b>767,754</b>	<b>815,785</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	130,000	130,000
Lease obligations	121,491	118,802
Deferred tax liabilities	485	476
Provision for retirement benefits to executive officers and audit and supervisory board members	277	241
Net defined benefit liability	16,278	16,546
Asset retirement obligations	35,694	36,099
Other	20,516	21,008
<b>Total non-current liabilities</b>	<b>324,743</b>	<b>323,175</b>
<b>Total liabilities</b>	<b>1,092,498</b>	<b>1,138,961</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	156,680
Treasury shares	(991)	(983)
<b>Total shareholders' equity</b>	<b>262,508</b>	<b>260,698</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,782	3,556
Revaluation reserve for land	(207)	(207)
Foreign currency translation adjustment	3,684	4,846
Remeasurements of defined benefit plans	(134)	(147)
<b>Total accumulated other comprehensive income</b>	<b>5,123</b>	<b>8,047</b>
<b>Subscription rights to shares</b>	<b>333</b>	<b>317</b>
<b>Non-controlling interests</b>	<b>4,965</b>	<b>4,996</b>
<b>Total net assets</b>	<b>272,931</b>	<b>274,059</b>
<b>Total liabilities and net assets</b>	<b>1,365,430</b>	<b>1,413,020</b>

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

### (Consolidated Statement of Income)

For the first quarter of the fiscal year ended February 28, 2021 and the first quarter of the fiscal year ending February 28, 2021

	Previous 1st Quarter From March 1, 2020 to May 31, 2020	Current 1st Quarter From March 1, 2021 to May 31, 2021
		(Millions of yen)
<b>Gross operating revenue</b>	155,360	169,264
<b>Net sales</b>	62,708	71,164
<b>Cost of sales</b>	43,116	48,670
<b>Gross profit</b>	19,592	22,494
<b>Operating revenue:</b>		
Income from franchised stores	69,821	72,045
Other operating revenue	22,830	26,053
<b>Total operating revenue</b>	92,652	98,099
<b>Operating gross profit</b>	112,244	120,593
Selling, general and administrative expenses	109,620	109,976
<b>Operating income</b>	2,623	10,617
<b>Non-operating income:</b>		
Interest income	163	215
Dividend income	1	195
Employment adjustment subsidy due to novel coronavirus disease	—	237
Other	496	481
<b>Total non-operating income</b>	660	1,130
<b>Non-operating expenses:</b>		
Interest expenses	998	847
Loss on cancellation of leases	907	367
Other	169	135
<b>Total non-operating expenses</b>	2,075	1,350
<b>Ordinary income</b>	1,208	10,397
<b>Extraordinary losses:</b>		
Impairment loss	880	754
Loss on novel coronavirus disease	2,258	318
Other	1,511	565
<b>Total extraordinary losses</b>	4,650	1,637
<b>Profit (loss) before income taxes</b>	(3,441)	8,760
Income taxes-current	572	1,427
Income taxes-deferred	246	1,729
<b>Total income taxes</b>	819	3,157
<b>Profit (loss)</b>	(4,260)	5,603
<b>Profit (loss) attributable to non-controlling interests</b>	(75)	(34)
<b>Profit (loss) attributable to owners of parent</b>	(4,185)	5,637

**(Consolidated Statement of Comprehensive Income)**

For the first quarter of the fiscal year ended February 28, 2021 and the first quarter of the fiscal year ending February 28, 2022

	(Millions of yen)	
	Previous 1st Quarter From March 1, 2020 to May 31, 2020	Current 1st Quarter From March 1, 2021 to May 31, 2021
<b>Profit (loss)</b>	(4,260)	5,603
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,718	1,774
Foreign currency translation adjustment	(290)	1,251
Remeasurements of defined benefit plans	45	(12)
<b>Total other comprehensive income</b>	2,472	3,012
<b>Comprehensive income</b>	(1,787)	8,615
Comprehensive income attributable to		
Owners of parent	(1,658)	8,560
Non-controlling interests	(129)	55

### **(3) Notes to Consolidated Financial Statements**

#### **(Going Concern Assumption)**

Not Applicable.

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

Not Applicable.

#### **(Additional Information)**

(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 line with the transition to the group tax sharing system.