

Flash Report on the Consolidated Financial Results

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

October 7, 2021

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

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

Company Representative: Sadanobu Takemasu, President and CEO, Representative Director,
Chairman of the Board

Contact: Tomoki Takanishi, Senior Vice President, Financial Administration Division Director

Tel.: +81-3-5435-2773

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

Scheduled date for payment of dividend: November 10, 2021

Supplementary materials for quarterly financial results: Yes

Holding of presentation of quarterly results: Yes

(Amounts less than one million yen are truncated)

1. Consolidated operating results for the first half ended August 31, 2021 (from March 1, 2021 to August 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 half ended August 31, 2021	348,768	8.0	26,706	60.0	27,830	87.3	17,405	426.2
August 31, 2020	322,890	(12.5)	16,690	(54.6)	14,862	(57.7)	3,307	(83.6)

Note: Comprehensive income:

For the first half ended August 31, 2021	18,811 million yen	178.3 %
For the first half ended August 31, 2020	6,758 million yen	(63.8)%

	Profit per share	Diluted profit per share
	Yen	Yen
For the first half ended August 31, 2021	173.93	173.79
August 31, 2020	33.05	33.03

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2021	1,320,872	284,316	21.1
February 28, 2021	1,365,430	272,931	19.6

Reference: Shareholders' equity:

As of August 31, 2021	278,915 million yen
As of February 28, 2021	267,632 million yen

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
2020 fiscal year	Yen —	Yen 75.00	Yen —	Yen 75.00	Yen 150.00
2021 fiscal year	—	75.00	—	—	—
2021 fiscal year (forecast)	—	—	—	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
2021 fiscal year	716,000	7.5	50,000	22.3	47,000	25.0	15,500	78.4	154.88

Note: Revision of the most recent consolidated operating results forecast: Yes

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 August 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 August 31, 2021: 228,774 As of February 28, 2021: 232,954

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

As of August 31, 2021: 100,069,928 As of August 31, 2020: 100,064,618

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 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.

Contents

1. Qualitative Information Regarding Quarterly Financial Results	2
(1) Explanation Regarding Consolidated Operating Results.....	2
(2) Explanation Regarding Consolidated Financial Position	8
(3) Explanation Regarding Forward-looking Statements.....	9
2. Consolidated Financial Statements and Main Notes.....	10
(1) Consolidated Balance Sheet	10
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Income.....	12
Consolidated Statement of Comprehensive Income.....	13
(3) Consolidated Statement of Cash Flows	14
(4) Notes to Consolidated Financial Statements.....	16
(Going Concern Assumption)	16
(Notes to Significant Changes in the Amount of Shareholders' Equity)	16
(Additional Information)	16
(Significant Subsequent Events)	16

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the first half of fiscal 2021, six months from March 1 to August 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 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, acquisition of new revenue opportunities and foster job satisfaction.

As a result, for the first half of fiscal 2021 on a consolidated basis, gross operating revenue increased to 348,768 million yen (up 8.0% from previous fiscal year), operating income increased to 26,706 million yen (up 60.0% from previous fiscal year) and ordinary income increased to 27,830 million yen (up 87.3% from previous fiscal year). Profit attributable to owners of parent was 17,405 million yen (up 426.2% 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 first half under review, the number of new COVID-19 cases began an upward trend in July 2021, and the declaration of state of emergency was issued in many areas in August. While workplace vaccination proceeded along with municipal vaccination, legal and voluntary restrictions continued to be imposed on a variety of social activities. On top of this, there were heavy rainfall events over a wide area from western to eastern Japan in August, which also had a negative impact on the store visits trend.

Under the circumstances, 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 adapt to changes taking place in the new normal business environment and better address customer needs. By the end of August 2021, we had completed the renovation of some 800 stores, and are working to refurbish around 5,000 stores by the end of the fiscal year ending 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. By developing distinctive

products that are compellingly delicious and health-conscious, we are aiming to further reinforce our product lineup, while rigorously working to offer thoughtful customer service at our stores and ensure environmental friendliness by reducing food waste, the use of plastics and CO₂ emissions, etc. In June 2021, we initiated a pilot experiment at some stores involving an AI-based discount campaign with the aim of reducing food waste. Also, we started using light-duty hydrogen fuel cell trucks at our distribution centers in Tokyo in July in an effort to decrease 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 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, which was revamped into a long-lasting chilled range in March 2021, continued to record steady sales during the second quarter under review, and our “Kinshari Onigiri Rice Ball” series also enjoyed robust sales along with the modified regular lineup of onigiri rice balls. Among the fast-food counter items, our regular products such as our “Kara-age-kun” chicken nuggets—which are marking the 35th anniversary of their debut—and our “Torikara” chicken fries as well as the summer-limited products sold at MACHI cafés achieved 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 as well as the “Local Bowl Series” that responds to regional needs. Machikado Chubo in-store kitchens are installed at approximately 7,100 stores as of the end of August 2021, achieving sales growth even amid the COVID-19 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 a delivery service through DiDi Food in July 2021 in addition to Uber Eats, foodpanda and Wolt. As a result, the combined number of stores listed on food delivery services reached 2,089 in 32 prefectures as of August 31, 2021. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 41 LAWSON stores in 9 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 August 31, 2020		Current fiscal year From March 1, 2021 to August 31, 2021	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	583,479	53.4	601,285	53.7
Fast foods	233,105	21.3	242,822	21.7
Daily delivered foods	176,478	16.2	176,873	15.8
Nonfood products	98,834	9.1	98,244	8.8
Total	1,091,898	100.0	1,119,225	100.0

[Store Development]

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

During the first half under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 292 stores. Meanwhile, we closed a total of 117. As of the end of August 2021, the total number of domestic stores was 14,651.* 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. Based on the comprehensive business alliance entered into with H2O Retailing Corporation in May 2021, Lawson converted 26 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 254 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of August 2021. Moreover, the number of stores offering nursing care consultation services has reached 23 as of the end of August 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 339 as of the end of August 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 stores, which are mini supermarkets in the size of a convenience store, aim to sustain the daily lives of consumers by offering high-quality, safe and reliable fruits and vegetables with a focus on freshness. 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 August 2021, we operate 137 NATURAL LAWSON stores and 671 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 August 31, 2021
LAWSON	13,654	189	13,843
NATURAL LAWSON	143	(6)	137
LAWSON STORE100	679	(8)	671
Total	14,476	175	14,651

[Number of LAWSON stores by prefecture (As of August 31, 2021)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	681	Ibaraki	225	Kyoto	327	Ehime	212
Aomori	280	Tokyo	1,702	Shiga	155	Tokushima	134
Akita	183	Kanagawa	1,079	Nara	140	Kochi	139
Iwate	182	Shizuoka	281	Wakayama	153	Fukuoka	528
Miyagi	258	Yamanashi	138	Osaka	1,138	Saga	75
Yamagata	112	Nagano	174	Hyogo	670	Nagasaki	124
Fukushima	172	Aichi	725	Okayama	230	Oita	197
Niigata	227	Gifu	182	Hiroshima	288	Kumamoto	162
Tochigi	200	Mie	138	Yamaguchi	128	Miyazaki	111
Gunma	241	Ishikawa	105	Tottori	139	Kagoshima	201
Saitama	695	Toyama	183	Shimane	142	Okinawa	252
Chiba	602	Fukui	108	Kagawa	133	Total (domestic)	14,651

(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 216,245 million yen (up 1.6% from previous fiscal year) and segment profit of 18,528 million yen (up 34.7% 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 167 as of the end of August 2021. During the first half under review, the sales of stores in station buildings and commercial facilities continued to be strong, and sales of street-side stores grew as well. On

the product side, capturing the demand from stay-at-home customers steadily amid the COVID-19 crisis, dishes produced in-house at central kitchen and perishables as well as fish enjoyed strong sales. 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 53,890 million yen (up 8.2% from previous fiscal year) and segment profit of 5,377 million yen (up 11.6% from previous fiscal year).

(Entertainment-related Business)

Our Entertainment-related Business undertaken by Lawson Entertainment, Inc. continued to see a recovery trend in its ticket transaction value during the second quarter under review, driven by such event types as concerts and theatrical performances, although many events were postponed, cancelled or restricted in terms of the number of admissions due to reinstatement of the state of emergency and quasi-emergency from July through August 2021. As concerts for popular artists are likely under preparation, we have started organizing transactions for tickets and related products. We are also continuing with our efforts to expand ticket transactions for online live performances, a fledgling market, while striving to expand sales for our e-commerce business, which has sustained steady performance, by commencing live commerce in August 2021. In our product sales business, a total of 57 stores are in operation nationwide as of August 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.

United Cinemas Co., Ltd., an operator of cinema complexes, has been affected by states of emergency and quasi-emergency in applicable regions, such as having to reduce seating capacity by 50% and adopt shorter operating hours, but its audience numbers and sales are seeing a recovery trend. As of August 31, 2021, 42 cinema complexes nationwide with 387 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 32,186 million yen (up 28.8% from previous fiscal year) and segment profit of 879 million yen (segment loss was 1,037 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, which is subject to the impact of fluctuations in the number of LAWSON store visits resulting from the spread of COVID-19. As of the end of August 2021, the number of ATMs installed nationwide reached 13,589 (up 124 from previous fiscal year), with each ATM used 47.3 times a day on average (up 5.5 from previous fiscal year). The total number of our financial institution partners reached 377 nationwide (up 251 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 second quarter under review, the service was expanded by adding one financial institution partner for a total of eight participating financial institutions. For our "ATM charge service," where cash can be charged at an ATM to "au Pay," "WebMoney Prepaid Card" or "PayPay" mobile payment apps, the number of transactions increased, driven in part by promotional campaigns. 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 16,895 million yen (up 6.9% from previous fiscal year) and segment profit of 1,429 million yen (up 93.0% 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).

The number of LAWSON stores in the People's Republic of China reached 3,958 as of the end of August 2021, up 614 stores from the end of previous fiscal year. Lawson is ranked fifth in terms of the total number of stores in China, one of the highest among all Japanese convenience store operators. In addition to opening new stores through our subsidiaries, we are also launching stores by concluding area license agreements with local partners. 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 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.

We are also working to address environmental issues. In July 2021, Dalian Lawson, Inc., a subsidiary of Lawson, Inc., opened a state-of-the-art store in Dalian, Liaoning Province, in collaboration with Panasonic Corporation of China. The store is responding to post-pandemic customer needs and contributes to achieving the SDGs.

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 August 31, 2021)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	1,826	254	2,080
China Chongqing	341	78	419
China Liaoning (Shenyang, Dalian)	327	84	411
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	215	47	262
China Hubei (Wuhan, etc.)	441	36	477
China Anhui (Hefei, etc.)	106	45	151
China Hunan (Changsha)	65	30	95
China Hainan (Haikou, etc.)	23	40	63
China Subtotal	3,344	614	3,958
Thailand	140	10	150
Indonesia	68	-	68
Philippines	67	-	67
United States of America Hawaii	2	-	2
Total	3,621	624	4,245

As a result, Overseas Business posted gross operating revenue of 35,317 million yen (up 43.9% from previous fiscal year) and segment profit of 632 million yen (segment loss was 1,371 million yen in previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

① Assets, liabilities and net assets at the end of the first half of fiscal year 2021

Current assets decreased by 35,059 million yen from the end of the previous fiscal year to 655,752 million yen, mainly reflecting a decrease of 31,687 million yen in cash and deposits, a decrease of 1,674 million yen in current assets-other due to a decrease in prepaid expenses and decrease of 1,280 million yen in accounts receivable-other. Non-current assets decreased by 9,498 million yen from the end of the previous fiscal year to 665,120 million yen, mainly reflecting a decrease of 8,094 million yen in investments and other assets, a decrease of 4,491 million yen in intangible assets and an increase of 3,086 million yen in property and store equipment. Consequently, total assets decreased by 44,558 million yen from the end of the previous fiscal year to 1,320,872 million yen.

Current liabilities decreased by 53,496 million yen from the end of the previous fiscal year to 714,258 million yen, mainly reflecting a decrease of 103,321 million yen in deposits received, a decrease of 35,550 million yen in short-term loans payable, an increase of 64,871 million yen in current liabilities-other due to the movement in call money and an increase of 14,127 million yen in accounts payable-trade. Non-current liabilities decreased by 2,446 million yen from the end of the previous fiscal year to 322,297 million yen,

mainly reflecting a decrease of 3,879 million yen in lease obligations. Consequently, total liabilities decreased by 55,942 million yen from the end of the previous fiscal year to 1,036,556 million yen.

Net assets increased by 11,384 million yen from the end of the previous fiscal year to 284,316 million yen, mainly reflecting an increase of 9,949 million yen in retained earnings and an increase of 1,474 million yen in foreign currency translation adjustment. Consequently, shareholders' equity ratio was 21.1%, up from 19.6% as of the end of the previous fiscal year.

② Cash flows during the first half of fiscal year 2021

Cash and cash equivalents at August 31, 2021 decreased by 32,653 million yen from the end of the previous fiscal year to 368,483 million yen.

Net cash provided by operating activities was 47,536 million yen, a decrease of 70,817 million yen from the corresponding period of the previous fiscal year, mainly because of the movement in deposits received and call money for banking business.

Net cash used in investing activities was (13,852) million yen, a decrease of 3,927 million yen from the corresponding period of the previous fiscal year, mainly because of decreases in purchase of property and store equipment, an increase in proceeds from sale of investment securities and a decrease in proceeds from collection of guarantee deposits.

Net cash used in financing activities was (67,411) million yen, a decrease of 49,782 million yen from the corresponding period of the previous fiscal year, mainly because of an increase in repayments of long-term loans payable and the movement in short-term loans payable.

(3) Explanation Regarding Forward-looking Statements

Regarding the financial forecast for the current full fiscal year ending February 28, 2022, the forecast of consolidated gross operating revenue, ordinary income and profit attributable to owners of parent have been revised in view of the recent trends in operating results.

The business forecasts and future prospects presented herein are made based on currently available information and are subject to potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.

	Previous forecast		Revised forecast	
	Forecast (millions of yen)	YoY comparison (%)	Forecast (millions of yen)	YoY comparison (%)
Gross operating revenue	728,000	109.3	716,000	107.5
Operating income	50,000	122.3	50,000	122.3
Ordinary income	45,000	119.6	47,000	125.0
Profit attributable to owners of parent	13,500	155.4	15,500	178.4

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 28, 2021 and August 31, 2021

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 1st Half As of August 31, 2021
Assets		
Current assets:		
Cash and deposits	402,584	370,897
Accounts receivable-due from franchised stores	46,385	46,027
Lease receivables	16,621	15,684
Merchandise	20,657	21,535
Accounts receivable-other	161,062	159,781
Other	43,519	41,845
Allowance for doubtful accounts	(20)	(20)
Total current assets	690,811	655,752
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	191,977	193,757
Tools, furniture and fixtures, net	19,044	20,292
Leased assets-net	131,779	129,035
Other-net	24,838	27,641
Total property and store equipment	367,640	370,727
Intangible assets:		
Software	39,088	36,819
Goodwill	38,215	36,329
Trademark right	8,349	8,035
Other	752	731
Total intangible assets	86,406	81,915
Investments and other assets:		
Long-term loans receivable	40,621	39,548
Guarantee deposits	103,030	103,388
Deferred tax assets	33,484	31,656
Other	44,099	38,573
Allowance for doubtful accounts	(663)	(688)
Total investments and other assets	220,571	212,477
Total non-current assets	674,618	665,120
Total assets	1,365,430	1,320,872

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 1st Half As of August 31, 2021
Liabilities		
Current liabilities:		
Accounts payable-trade	127,486	141,613
Short-term loans payable	42,320	6,770
Current portion of long-term loans payable	100,000	100,000
Lease obligations	44,584	44,938
Accounts payable-other	90,798	94,172
Income taxes payable	4,078	6,565
Deposits received	246,110	142,789
Provision for bonuses	4,818	4,980
Other	107,557	172,428
Total current liabilities	767,754	714,258
Non-current liabilities:		
Long-term loans payable	130,000	130,000
Lease obligations	121,491	117,612
Deferred tax liabilities	485	467
Provision for retirement benefits to executive officers and audit and supervisory board members	277	240
Net defined benefit liability	16,278	16,790
Asset retirement obligations	35,694	36,270
Other	20,516	20,915
Total non-current liabilities	324,743	322,297
Total liabilities	1,092,498	1,036,556
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	46,494	46,495
Retained earnings	158,498	168,448
Treasury shares	(991)	(973)
Total shareholders' equity	262,508	272,477
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,782	1,560
Revaluation reserve for land	(207)	(207)
Foreign currency translation adjustment	3,684	5,158
Remeasurements of defined benefit plans	(134)	(71)
Total accumulated other comprehensive income	5,123	6,438
Subscription rights to shares	333	368
Non-controlling interests	4,965	5,031
Total net assets	272,931	284,316
Total liabilities and net assets	1,365,430	1,320,872

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

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

	Previous 1st Half From March 1, 2020 to August 31, 2020	Current 1st Half From March 1, 2021 to August 31, 2021
	(Millions of yen)	
Gross operating revenue	322,890	348,768
Net sales	129,683	145,150
Cost of sales	88,658	99,234
Gross profit	41,025	45,916
Operating revenue:		
Income from franchised stores	145,908	148,836
Other operating revenue	47,298	54,781
Total operating revenue	193,206	203,617
Operating gross profit	234,232	249,534
Selling, general and administrative expenses	217,541	222,827
Operating income	16,690	26,706
Non-operating income:		
Interest income	327	448
Dividend income	284	276
Gain on investments in investment partnerships	119	1,664
Employment adjustment subsidy due to novel coronavirus disease	409	584
Other	959	873
Total non-operating income	2,100	3,846
Non-operating expenses:		
Interest expenses	1,943	1,753
Loss on cancellation of leases	957	613
Other	1,028	356
Total non-operating expenses	3,929	2,722
Ordinary income	14,862	27,830
Extraordinary income:		
Gain on sales of investment securities	—	1,025
Total extraordinary income	—	1,025
Extraordinary losses:		
Loss on retirement of non-current assets	1,832	595
Impairment loss	2,099	1,243
Loss on novel coronavirus disease	2,910	566
Other	635	396
Total extraordinary losses	7,478	2,801
Profit before income taxes	7,383	26,055
Income taxes-current	2,231	6,767
Income taxes-deferred	1,954	1,880
Total income taxes	4,185	8,647
Profit	3,198	17,407
Profit (loss) attributable to non-controlling interests	(109)	1
Profit attributable to owners of parent	3,307	17,405

(Consolidated Statement of Comprehensive Income)

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

(Millions of yen)

	Previous 1st Half From March 1, 2020 to August 31, 2020	Current 1st Half From March 1, 2021 to August 31, 2021
Profit	3,198	17,407
Other comprehensive income		
Valuation difference on available-for-sale securities	3,786	(221)
Foreign currency translation adjustment	(316)	1,562
Remeasurements of defined benefit plans	90	62
Total other comprehensive income	3,560	1,404
Comprehensive income	6,758	18,811
Comprehensive income attributable to		
Owners of parent	6,894	18,720
Non-controlling interests	(135)	90

(3) Consolidated Statement of Cash Flows

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

(Millions of yen)

	Previous 1st Half From March 1, 2020 to August 31, 2020	Current 1st Half From March 1, 2021 to August 31, 2021
Net cash provided by (used in) operating activities:		
Profit before income taxes	7,383	26,055
Depreciation and amortization	40,500	39,323
Impairment loss	2,099	1,243
Interest income	(327)	(448)
Interest expenses	1,943	1,753
Loss (gain) on sales of investment securities	—	(1,025)
Loss on retirement of non-current assets	1,832	595
Decrease (increase) in notes and accounts receivable-trade	7,111	439
Decrease (increase) in accounts receivable-other	8,511	1,546
Increase (decrease) in notes and accounts payable-trade	8,234	13,188
Increase (decrease) in accounts payable-other	(7,482)	2,912
Increase (decrease) in deposits received	(50,920)	(103,336)
Increase (decrease) in net defined benefit liability	303	505
Net decrease (increase) in call loans for banking business	(10,000)	—
Net increase (decrease) in call money for banking business	73,000	45,000
Other	43,212	25,521
Subtotal	125,403	53,272
Interest income received	343	431
Interest expenses paid	(1,958)	(1,728)
Income taxes paid	(5,435)	(4,438)
Net cash provided by (used in) operating activities	118,353	47,536
Net cash provided by (used in) investing activities:		
Purchase of securities	—	(4,000)
Proceeds from redemption of securities	—	4,000
Purchase of property and store equipment	(13,203)	(16,500)
Purchase of intangible assets	(4,692)	(3,761)
Proceeds from sales of investment securities	—	5,974
Purchase of shares of subsidiaries and associates	(1,203)	(106)
Payments of long-term loans receivable	(2,231)	(1,265)
Collection of long-term loans receivable	2,444	2,398
Payments for guarantee deposits	(5,995)	(6,060)
Proceeds from collection of guarantee deposits	9,047	5,869
Purchase of long-term prepaid expenses	(135)	(830)
Other	(1,809)	430
Net cash provided by (used in) investing activities	(17,779)	(13,852)

(Millions of yen)

	Previous 1st Half From March 1, 2020 to August 31, 2020	Current 1st Half From March 1, 2021 to August 31, 2021
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(3,500)	(35,550)
Repayments of long-term loans payable	(80,000)	—
Repayments of lease obligations	(26,165)	(24,331)
Cash dividends paid	(7,504)	(7,505)
Other	(24)	(24)
Net cash provided by (used in) financing activities	(117,194)	(67,411)
Effect of exchange rate change on cash and cash equivalents	(96)	1,054
Net increase (decrease) in cash and cash equivalents	(16,717)	(32,673)
Cash and cash equivalents at beginning of period	343,583	401,136
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	19
Cash and cash equivalents at end of period	326,865	368,483

(4) 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.

(Significant Subsequent Events)

(Borrowing of Funds)

Lawson Bank, Ltd., a consolidated subsidiary of the Company, borrowed the following funds based on the resolution of the board of directors meeting held on September 16, 2021.

Summary of Borrowing

(1) Lender	Two financial institutions and Mitsubishi Corporation Financial & Management Services (Japan) Ltd.
(2) Loan amount	50,000 million yen
(3) Interest rate	Fixed interest rate and floating rate
(4) Execution date	September 30, 2021
(5) Borrowing period	Three years
(6) Use of proceeds	Working capital