

## Flash Report on the Consolidated Financial Results

for the Fiscal Year Ended February 28, 2023

April 13, 2023

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange

Code No.: 2651

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

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Scheduled date for the ordinary general meeting of shareholders: May 24, 2023

Scheduled date for submission of annual securities report: May 25, 2023

Scheduled date for payment of dividend: May 25, 2023

Supplementary materials for annual financial results: Yes

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

(Amounts less than one million yen are truncated)

### 1. Consolidated operating results for 2022 fiscal year (from March 1, 2022 to February 28, 2023)

#### (1) Consolidated operating results

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended February 28, 2023	988,621	41.6	55,056	16.9	53,453	12.4	24,689	37.9
February 28, 2022	698,371	4.9	47,096	15.2	47,571	26.5	17,900	106.0

Note: Comprehensive income:                      Fiscal year ended February 28, 2023      27,498 million yen      33.4 %  
    Fiscal year ended February 28, 2022      20,613 million yen      105.2 %

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to gross operating revenue
For the fiscal year ended February 28, 2023	Yen 246.70	Yen 246.49	% 8.9	% 4.0	% 5.6
February 28, 2022	178.87	178.71	6.6	3.5	6.7

Reference: Share of profit of entities accounted for using equity method:  
    Fiscal year ended February 28, 2023      302 million yen  
    Fiscal year ended February 28, 2022      50 million yen

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and other standards are applied from the beginning of the first quarter of the fiscal year ended February 28, 2023.

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of February 28, 2023	Millions of yen 1,366,166	Millions of yen 287,099	% 20.6	Yen 2,810.33
February 28, 2022	1,337,245	278,473	20.4	2,726.97

Reference: Shareholders' equity:                      As of February 28, 2023      281,249 million yen  
    As of February 28, 2022      272,891 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	176,045	(45,626)	(124,028)	396,958
February 28, 2022	146,644	(51,781)	(109,516)	388,444

2. Dividends

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	1H	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2021 fiscal year	—	75.00	—	75.00	150.00	15,010	83.9	5.6
2022 fiscal year	—	75.00	—	75.00	150.00	15,011	60.8	5.4
2023 fiscal year (forecast)	—	100.00	—	100.00	200.00		69.0	

3. Forecast of consolidated operating results for 2023 fiscal year (Under IFRS)

(from March 1, 2023 to February 29, 2024)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
1H of 2023 fiscal year	17,500	—	174.86
2023 fiscal year	29,000	—	289.77

Note: Since the Group has decided to voluntarily apply International Financial Reporting Standards (IFRS) for the consolidated financial statements in its Annual Securities Report effective from the fiscal year ended February 2023, "Forecast of consolidated operating results for 2023 fiscal year" is based on figures after applying "IFRS," and the percentage changes from the results of the fiscal year ended February 28, 2023 are not provided.

Furthermore, financial forecasts for the fiscal year ending February 29, 2024 other than the Profit attributable to owners of parent based on "IFRS" will be provided in the flash report(Under IFRS) scheduled to be issued on May 25, 2023.

4. Notes

(1) Change in significant subsidiaries during the fiscal year (Changes in certain specified subsidiaries resulting in changes in scope of consolidation): Yes

Added: Yes

Excluded: None

Lawson Philippines, Inc.

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

1. Changes in accounting policies associated with revision in accounting standards: Yes

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

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

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

As of February 28, 2023: 100,300,000 As of February 28, 2022: 100,300,000

2. Number of treasury shares at the end of year

As of February 28, 2023: 222,962 As of February 28, 2022: 228,807

3. Average number of shares during the year

As of February 28, 2023: 100,076,025 As of February 28, 2022: 100,070,561

Reference: Non-consolidated operating results for 2022 fiscal year (from March 1, 2022 to February 28, 2023)

Non-consolidated operating results (cumulative)

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
February 28, 2023	357,571	0.7	35,188	36.0	40,618	18.5	22,595	67.7
February 28, 2022	355,102	0.1	25,870	(1.1)	34,278	1.7	13,470	(15.3)

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

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

Forward-looking statements presented herein such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. The achievement of said forecasts cannot be guaranteed. Actual results may be materially different from those in the forecast as a result of various factors. For preconditions of these financial forecasts and notes concerning their use, please refer to “1. Overview of Operating Results, (4) Future Outlook” on page 13.

## Contents

1. Overview of Operating Results.....	2
(1) Overview of Operating Results for the Fiscal Year under Review .....	2
(2) Profit and Loss .....	12
(3) Overview of Financial Position for the Fiscal Year under Review .....	12
(4) Future Outlook .....	13
2. Basic Approach to Selection of Accounting Standards.....	14
3. Consolidated Financial Statements and Main Notes.....	15
(1) Consolidated Balance Sheet .....	15
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income .....	17
Consolidated Statement of Income.....	17
Consolidated Statement of Comprehensive Income .....	18
(3) Consolidated Statement of Changes in Equity .....	19
(4) Consolidated Statement of Cash Flows.....	21
(5) Notes to Consolidated Financial Statements .....	23
(Going Concern Assumption).....	23
(Accounting Policies for the Preparation of Consolidated Financial Statements) .....	23
(Changes in Accounting Policies).....	27
(Changes in Presentation).....	28
(Notes to Consolidated Balance Sheet) .....	29
(Notes to Consolidated Statement of Income).....	31
(Notes to Consolidated Statement of Comprehensive Income).....	33
(Notes to Consolidated Statement of Changes in Equity) .....	34
(Notes to Consolidated Statement of Cash Flows) .....	36
(Segment Information) .....	37
(Per Share Information).....	43
(Significant Subsequent Events).....	43

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

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

During the fiscal year under review, or fiscal 2022 ended February 28, 2023, 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 foundation, we renovated our stores and revamped our product lineups in Domestic Convenience Store Business in response to changes in the business environment, and the whole Lawson Group endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities and foster job satisfaction. Fiscal 2022 was a year in which we took concrete actions. Upholding a strategic concept of focusing on community, individual customers, and individual stores, we introduced an area company system in the Hokkaido and Kinki regions ahead of other regions. Under the new system, the roles and scope of discretion assigned to the headquarters and areas were reviewed, and greater authority and discretion were delegated to the respective areas so as to expedite decision-making and speed up the hypothesis/verification cycle.

As a result, for fiscal 2022 on a consolidated basis, gross operating revenue increased to 988,621 million yen (up 41.6% from previous fiscal year), operating income increased to 55,056 million yen (up 16.9% from previous fiscal year) and ordinary income increased to 53,453 million yen (up 12.4% from previous fiscal year). Profit attributable to owners of parent was 24,689 million yen (up 37.9% from previous fiscal year).

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended February 28, 2023. Therefore, year-on-year comparative figures for the fiscal year represent amounts based on the previously adopted accounting policies. For information on the changes in relation to the application of the new accounting standards, please refer to “3. Consolidated Financial Statements and Main Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies).”

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2022 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 fiscal year under review, the state of quasi-emergency declaration was lifted in March 2022, there have been repeated waves of new COVID-19 cases during the fiscal year under review, but an overall rising trend was seen in the movement of people.

Amid such drastic shifts in the business landscape, Lawson has been proceeding with store renovations considering the characteristics/situation of each store, helping them expand their merchandise assortment of frozen foods and other daily necessities to adapt to changes in customers’ lifestyles and better address customer needs. By the end of fiscal year 2022, we had completed the renovation of some 2,985 stores, and the total

number of stores renovated since fiscal 2021 reached 7,290. Installation of the Machikado Chubo in-store kitchen service at stores also progressed, with 9,191 stores equipped with the service as of the end of fiscal year 2022. In addition, we implemented a full-scale introduction of MUJI products at LAWSON stores in May 2022, with a total of 9,621 stores including those in the previous fiscal year offering the merchandise as of the end of fiscal year 2022.

In store operations, as we work our way toward 2025, our 50th anniversary year, we launched the HAPPY LAWSON PROJECT! in June 2022 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. Furthermore, we are continuing with our environmentally friendly measures such as reducing food loss, plastic usage, and CO<sub>2</sub> 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 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 frozen foods, fast-food counter items and products offered by the Machikado Chubo in-store kitchen service, whose assortments we have been endeavoring to expand with the aim of supporting the daily lives of customers with store renovations. In the frozen food range, sales were strong for ingredients and deli items that fulfill customers’ pantry needs as well as for groundbreaking items such as frozen desserts. In the fast-food counter range, “Kara-age-kun” chicken nuggets in new flavors, their “Sauce-topped” series, and “Protein Chicken” for protein lovers enjoyed robust sales. With regard to products offered by the Machikado Chubo, we saw strong performance for regular items such as the “Mixed-seafood Tempura Rice Bowl” as well as deli items and box lunch items in which rice is packed separately launched after October 2022 .

Furthermore, we strengthened our merchandise assortment of regular products and rolled out sales promotional measures, which resulted in the strong performance of onigiri rice balls and the “Korega BENTO” box lunch series in the rice range and deli items in the daily food range. In addition, new dessert products such as “NAMA CUSTARD CREAM PUFF” and “Rich Canele” also contributed to sales. MUJI cosmetics and baked sweets, which we are currently in the process of introducing, recorded strong sales.

In food delivery service, the combined number of stores listed on 4 food delivery services such as Uber Eats, reached 3,558 in 46 prefectures as of February 28, 2023. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 91 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, 2021 to February 28, 2022		Current fiscal year From March 1, 2022 to February 28, 2023		YoY(%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,190,886	53.9	1,229,474	53.5	103.2
Fast foods	480,260	21.7	517,272	22.5	107.7
Daily delivered foods	343,668	15.5	352,081	15.3	102.4
Nonfood products	197,166	8.9	200,690	8.7	101.8
Total	2,211,981	100.0	2,299,518	100.0	104.0

[Store Development]

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

During the fiscal year under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 228 stores. Meanwhile, we closed a total of 253. As of the end of February 2023, the total number of domestic stores was 14,631 \*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 non-prescription drugs has reached 298 stores (includes 51 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2023. Moreover, the number of stores with nursing care consultation desks for seniors has reached 20 as of the end of February 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 345 as of the end of February 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 offer high quality, safe and reliable fruits and vegetables with a focus on freshness and daily necessities, supporting customers’ daily dietary lives by helping them plan their meals. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of the end of February 2023, we operate 131 NATURAL LAWSON stores and 661 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, 2022	Change during fiscal year	Total stores as of February 28, 2023
LAWSON	13,851	(12)	13,839
NATURAL LAWSON	136	(5)	131
LAWSON STORE100	669	(8)	661
Total	14,656	(25)	14,631

[Number of LAWSON stores by prefecture (As of February 28, 2023)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	679	Ibaraki	215	Kyoto	328	Ehime	216
Aomori	277	Tokyo	1,673	Shiga	153	Tokushima	137
Akita	179	Kanagawa	1,063	Nara	134	Kochi	138
Iwate	180	Shizuoka	276	Wakayama	152	Fukuoka	524
Miyagi	257	Yamanashi	135	Osaka	1,193	Saga	76
Yamagata	109	Nagano	167	Hyogo	699	Nagasaki	122
Fukushima	169	Aichi	717	Okayama	241	Oita	201
Niigata	225	Gifu	178	Hiroshima	299	Kumamoto	163
Tochigi	198	Mie	135	Yamaguchi	127	Miyazaki	110
Gunma	243	Ishikawa	102	Tottori	137	Kagoshima	200
Saitama	694	Toyama	176	Shimane	141	Okinawa	259
Chiba	596	Fukui	105	Kagawa	133	Total (domestic)	14,631

(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 691,363 million yen (up 62.8% from previous fiscal year) and segment profit of 39,001 million yen (up 37.3% 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 175 as of the end of February 2023. In the first half of the fiscal year, sales were slow for perishable food and grocery items including fruit and vegetables, meat and fish, and confectionery, especially at street-side stores. This was attributable to the high relative basis of comparison resulting from the spike in demand same period of last year from customers staying at home during the COVID-19 pandemic. In the second half of the fiscal year, however, dishes produced in-house at Seijo Ishii’s central



kitchen recorded steady sales, driven by promotional projects and reinforced publicity activities.

Furthermore, in July 2022 we started operating a new central kitchen, doubling our production capacity. By harnessing the expanded capacity, we are stepping up our efforts to develop new items in-house and to increase the proportion of items produced in-house. In addition, on December 16, 2022, due to a comprehensive consideration of trends in the stock market and other factors, Seijo Ishii Co., Ltd withdrew its listing application filed with the Tokyo Stock Exchange on September 9, 2022. 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 109,541 million yen (up 0.8% from previous fiscal year) and segment profit of 11,189 million yen (down 0.5% from previous fiscal year).

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

With respect to our ticketing business in our Entertainment-related Business undertaken by Lawson Entertainment, Inc., concerts and other events were resumed in force in an environment in which restrictions on movement were lifted for the first time in three years. 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 our ticket transaction value for the full fiscal year exceeding the pre-pandemic level recorded in fiscal 2019. Furthermore, sales for our product sales business also increased year on year at HMV music/video software stores and others. Meanwhile, demand from stay-at-home customers slowed in our e-commerce business, which resulted in decreased sales, but 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 February 28, 2023, including HMV stores, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records.

During the fiscal year under review, United Cinemas Co., Ltd., an operator of cinema complexes, again attracted more moviegoers than in the same period of the previous fiscal year. Sales increased as a result of measures taken to attract customers, such as distributing discount coupons to members, and strengthening digital advertising. As of February 28, 2023, 44 cinema complexes nationwide with 399 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 72,167 million yen (up 14.6% from previous fiscal year) and segment profit of 3,963 million yen (up 74.2% 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 February 2023, the number of ATMs installed nationwide reached 13,519, with each ATM used 52.6 times a day on average. The total number of our financial institution partners reached 384 nationwide. We now have seven partners for the “smartphone ATM (QR code deposit/withdrawal)”<sup>\*2</sup> service, 23 for the “Immediate Account Settlement Service”<sup>\*3</sup> (18 financial institutions and five other service operators), and seven for international money transfer cards. In addition to conventional demand for cash deposit and withdrawal services, charging to cashless payment services has 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 34,486 million yen (up 2.6% from previous fiscal year) and segment profit of 3,882 million yen (up 31.1% from previous fiscal year).

### **(Overseas Business)**

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

The number of LAWSON stores in the People’s Republic of China, reached 5,620 as of the end of February 2023, up 1,060 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. In July 2022, the number of stores exceeded 5,000, a milestone first for a Japanese convenience store chain. Due to the spread of COVID-19, large-scale movement restrictions were imposed across China in and after April 2022, and about half of the stores in the eastern part of the country suspended their operations due to the lockdown across Shanghai. Almost all stores were reopened after the lockdown was lifted in June 2022, but both government-imposed and self-imposed restrictions on movement continued intermittently in different regions. After China’s zero COVID policy was eased in early December 2022, the number of new cases among store staff increased, forcing stores to suspend their operations or operate with shorter hours. Thus, the business environment remained extremely challenging throughout the year. Meanwhile, the movement of people has been showing a phased recovery starting with cities where infection numbers have peaked, 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. Furthermore, from fiscal year 2022, Chengdu Lawson, Inc. has been included in the scope of consolidation.

With regard to regions outside China, stores that had been suspending their operations or operating with shorter hours have resumed normal operations and are gradually recovering from the impact of COVID-19 in almost all stores. 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. In addition, from fiscal year 2022, Lawson Philippines, Inc. has been included in the scope of consolidation.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2022)	Change during fiscal year	Number of stores (As of February 28, 2023)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	2,349	134	2,483
China Chongqing and surrounding area (Chongqing, Sichuan)	489	309	798
China Liaoning (including Shenyang, Dalian)	461	125	586
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	343	89	432
China Guangdong and Fujian (including Shenzhen, Xiamen)	-	174	174
China Hubei (including Wuhan)	526	91	617
China Anhui (including Hefei)	175	56	231
China Hunan (including Changsha)	117	43	160
China Hainan (including Haikou)	100	39	139
China Subtotal	4,560	1,060	5,620
Thailand	166	15	181
Indonesia	65	191	256
Philippines	69	32	101
United States of America Hawaii	2	-	2
Total	4,862	1,298	6,160

As a result, Overseas Business posted gross operating revenue of 92,132 million yen (up 15.1% from previous fiscal year) and segment loss of 3,064 million yen (segment profit was 2,342 million yen in previous fiscal year).

#### **(Sustainability Philosophy and Initiatives)**

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

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

Lawson’s “Six Material Issues”

1. Providing safety/security-oriented overwhelmingly high value-added products and services friendly to society and the environment
2. Supporting health promotion for all people through products and stores
3. Providing comfortable work environment leading to job satisfaction
4. Supporting women, senior people as well as children’s growth
5. Coexisting synergistically with communities by serving as part of social infrastructure
6. Sustainable environment preservation activities toward carbon-free society

In Environmental Initiatives, we formulated its environmental vision, “Lawson Blue Challenge 2050!” in 2019, aiming to realize a (1) reducing CO<sub>2</sub> emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags) and focused efforts are under way.

Furthermore, in an effort to tackle climate change issues, we are following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to analyze climate-related risks and opportunities and promote disclosure of their impact on our business activities and financial performance.

Goals related to the environmental aspect (KPIs)

<b>Issues</b>	<b>Short-term KPIs for 2025</b>	<b>Medium-term KPIs for 2030</b>	<b>Long-term KPIs for 2050</b>
Reducing CO <sub>2</sub> emissions (per store)	Reduce by 15% over 2013	Reduce by 50% over 2013	Reduce by 100% over 2013
Reducing food waste	Reduce by 25% over 2018	Reduce by 50% over 2018	Reduce by 100% over 2018
Reducing plastic use (for containers and packaging)	Reduce by 15% over 2017	Reduce by 30% over 2017 (50% of materials used for Lawson’s original product containers and packaging are eco-friendly)	(100% of materials used for Lawson’s original product containers and packaging are eco-friendly)
Reducing plastic use (Plastic shopping bags)	—	Plastic shopping bags Reduce by 100%	—

Our measures for social issues include promoting respect for human rights and diversity, health and productivity management, and social contribution activities.

• Respect for Human Rights

With the aim of embodying our Group’s corporate philosophy, “Creating Happiness and Harmony in Our Communities,” we focus on respecting the human rights of all the stakeholders of our Group including our supply chain by complying with the Lawson Group Human Rights Policy, which was established in June 2021 as our top-level basic policy on human rights. We signed the United Nations Global Compact, a

worldwide initiative to achieve sustainable growth in the international community in May 2022. We will respect human rights in all aspects of its business activities, build relationships of trust with all people involved in its business activities, and promote initiatives to respect human rights with support and respect international norms such as the United Nations Guiding Principles on Business and Human Rights.

- Promoting Diversity and Inclusion

Our goal is for employees with diverse values to come together to exert their maximum power as a whole, strengthening our chain even further. In hiring new employees, we focus on the aptitude, motivation, and competence of each individual regardless of their gender, nationality, age, academic background, or place of origin. In our regular recruitment, we have been working to achieve our target of a 50:50 gender ratio since 2005, and have continued to actively hire non-Japanese nationals since 2008. In addition, in an effort to achieve the target of raising the proportion of female managers to 30% by fiscal 2030, top management members offer training to female executive candidates as part of our program to develop the next generation of leaders from among general managers.

Data on Active Role of Female Employees

	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Number of female managers (percentage of women in this role)	111 10.3%	121 11.4%	134 12.2%	154 13.8%
Number of female senior managers (percentage of women in this role)	16 9.3%	10 6.2%	14 8.3%	11 7.1%
Number of female (Deputy) Senior Vice Presidents (percentage of women in this role)	1 3.1%	2 5.7%	2 5.6%	2 6.1%
Number of female corporate officers (percentage of women in this role)	5 41.7%	6 46.2%	6 50.0%	5 50.0%

(Note) The number of senior vice presidents is the total number of senior vice presidents and deputy vice presidents. Also, the number of corporate officers is the total number of members of the board and corporate auditors.

- Health and Productivity Management

As a company that contributes to customers' overall health, we announced a health declaration to this end in 2013. With the President serving as Chairman of Health and Wellness Promotion Committee, we have recently established a system to promote health management and lead efforts to reinforce and direct health initiatives and health management for the Company and its customers.

- Social Contributions

We conduct social contribution activities to realize the concept of "aiming to create a better future for children." Under our scholarship program for children from single-parent families, we extended non-repayable scholarships to 400 recipients every year from fiscal 2017 to 2022 to help them achieve their dreams.

Major sustainability initiatives we implemented in 2022 were as follows.

- In November 2022, in Toshima Ward, Tokyo, we opened a GREEN LAWSON store as part of our efforts to achieve a sustainable society. Focusing on achieving sustainability in collaboration with customers and communities, the futuristic store incorporates over 20 sustainability measures including endeavoring to decrease its environmental impact by reducing CO<sub>2</sub> emissions, food loss, and plastic usage, serving customers with on-screen avatars to realize less restrictive work options for employees, and leveraging digital transformation to facilitate smooth communication with customers. After verifying these measures, we will seek to introduce each measure to stores where they will be suitable nationwide.

- In November 2022, in Kawasaki City, Kanagawa Prefecture, we opened an energy-saving model store with approximately 80% of its refrigerated/frozen display cases equipped with doors and solar panels installed on its roof, the store achieves reductions of 40% and 55% in electricity consumption and CO<sub>2</sub> emissions, respectively, from its fiscal 2013 levels. We will be launching similar stores in other regions to verify the effectiveness of this initiative until February 2024, after which we will seek to make this a standard for new and renovated stores from the fiscal 2024.

- We launched some new initiatives to reduce food loss in fiscal 2022, including offering certain dessert items on discount through Cookpad Mart<sup>\*4</sup>, in order to use products after their sell-by date<sup>\*5</sup>. We also conducted a pilot experiment in which we donated fast-food items to children's cafeterias by using rapid freezers. Furthermore, we periodically donated original dessert products and processed foods that missed their store delivery deadlines (but were still well within their best-before dates) to the Japan Food Bank Promotion Group and Kodomo Takushoku Oendan, a charity organization that delivers food to children. In fiscal 2022, we donated a total of approximately 1,350,000 items (about 126 tons) of food products <sup>\*6</sup>.

\*4 Fresh food e-commerce platform provided by Cookpad Inc.

\*5 The sell-by date is set by Lawson and indicates the limit by which a product should be sold. After the sell-by date, the product is removed from the shelf even though the expiry date has not passed.

\*6 The figures include donations by suppliers.

- To reduce the use of plastic, we started using paper containers for our bento box lunches and cooked noodles, and have adopted thinner plastics and environmentally friendly materials. Furthermore, in response to the enforcement of the Plastic Resource Circulation Act in April 2022, we introduced lightweight plastic cutlery developed with an open-handle design.

- In an effort to promote diversity, in August 2022 we affixed a communication support guide at the cashier counter in Lawson stores nationwide with the aim of helping customers with hearing impairments or other conditions convey their need for plastic shopping bags, cutlery, or microwave usage by identifying their request on the guide. In response to requests from municipalities nationwide as well as customers, we have made the data for the communication sheet support guide available to the public. In addition, to support people with disabilities, we made a full-scale start on our project to use pictures drawn by artists with disabilities. Such

pictures were employed in 2022 for the cover of the SDGs Handbook issued in August, awareness stickers for toilets in November, and postcards and tissue boxes, which were put on sale to coincide with the International Day of Persons with Disabilities in December.

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

In terms of operating results for the fiscal year, gross operating revenue increased to 988,621 million yen (up 41.6% from previous fiscal year), operating income totaled 55,056 million yen (up 16.9% from previous fiscal year), and ordinary income amounted to 53,453 million yen (up 12.4% from previous fiscal year). Profit attributable to owners of parent was 24,689 million yen (up 37.9% from previous fiscal year).

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

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

Current assets increased by 37,327 million yen from the end of the previous fiscal year to 704,954 million yen, mainly reflecting an increase of 30,717 million yen in accounts receivable-trade, an increase of 8,515 million yen in cash and deposits, an increase of 3,577 million yen in merchandise, and a decrease of 4,883 million yen in accounts receivable-other. Non-current assets decreased by 8,406 million yen from the end of the previous fiscal year to 661,211 million yen, mainly reflecting a decrease of 19,004 million yen in investments and other assets, an increase of 9,617 million yen in property and store equipment and an increase of 980 million yen in intangible assets. Consequently, total assets increased by 28,920 million yen from the end of the previous fiscal year to 1,366,166 million yen.

Current liabilities increased by 99,983 million yen from the end of the previous fiscal year to 804,674 million yen, mainly reflecting an increase of 60,000 million yen in current portion of long-term loans payable, an increase of 42,669 million yen in accounts payable-trade, an increase of 19,757 million yen in deposits received, an increase of 15,000 million yen in call money, an increase of 10,599 million yen in deposits received for banking business, an increase of 6,753 million yen in other, a decrease of 33,492 million yen in short-term loans payable and a decrease of 24,853 million yen in accounts payable-other. Non-current liabilities decreased by 79,688 million yen from the end of the previous fiscal year to 274,392 million yen, mainly reflecting a decrease of 80,000 million yen in long-term loans payable. Consequently, total liabilities increased by 20,294 million yen from the end of the previous fiscal year to 1,079,066 million yen.

Net assets increased by 8,625 million yen from the end of the previous fiscal year to 287,099 million yen, mainly reflecting an increase of 5,856 million yen in retained earnings and an increase of 1,893 million yen in foreign currency translation adjustments. Consequently, shareholders' equity ratio was 20.6%, up from 20.4% as of the end of the previous fiscal year.

### **② Cash flows during fiscal 2022**

Cash and cash equivalents on February 28, 2023 increased by 8,513 million yen from the end of the previous fiscal year to 396,958 million yen.

Net cash provided by operating activities was 176,045 million yen, an increase of 29,400 million yen from the previous fiscal year, mainly because of the movement in deposits received, call money for banking business and accounts receivable-other.

Net cash used in investing activities was (45,626) million yen, a decrease of 6,155 million yen from the previous fiscal year, mainly because of a decrease of purchase of shares of subsidiaries and associates, a decrease of proceeds from sales of investment securities and an increase in purchase of intangible assets.

Net cash used in financing activities was (124,028) million yen, an increase of 14,512 million yen from

the previous fiscal year, mainly because of a decrease in repayments of long-term loans payable and proceeds from long-term loans payable.

(Reference) Trends in cash flow indicators

	2020 fiscal year	2021 fiscal year	2022 fiscal year
Shareholders' equity ratio (%)	19.6	20.4	20.6
Shareholders' equity ratio on market value basis (%)	36.5	35.9	39.3
Interest-bearing debt/cash flow ratio (years)	1.9	2.7	1.9
Interest coverage ratio (times)	62.3	42.7	48.9

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

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

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

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

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

#### (4) Future Outlook

Since the Group has decided to voluntarily apply International Financial Reporting Standards (IFRS) for the consolidated financial statements in its Annual Securities Report effective from the fiscal year ended February 2023, "Future Outlook" is based on figures after applying "IFRS," and the percentage changes from the results of the fiscal year ended February 28, 2023 are not provided.

Furthermore, financial forecasts for the fiscal year ending February 29, 2024 other than the Profit attributable to owners of parent based on "IFRS" will be provided in the flash report(Under IFRS) scheduled to be issued on May 25, 2023.

Outlook for the next fiscal year (2023 fiscal year ending February 29, 2024)

	1H of 2023 fiscal year		2023 fiscal year	
	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)
Profit attributable to owners of parent	17,500	—	29,000	—



## **2. Basic Approach to Selection of Accounting Standards**

In order to improve the international comparability of its financial information in capital markets, the Group has decided to voluntarily apply International Financial Reporting Standards (IFRS) instead of Japanese Generally Accepted Accounting Principles (J-GAAP) for the consolidated financial statements in its Annual Securities Report effective from the fiscal year ended February 2023.

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheet

As of February 28, 2022 and February 28, 2023

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	388,463	396,978
Accounts receivable-trade	4,990	35,708
Accounts receivable-due from franchised stores	47,202	50,522
Lease receivables	15,071	13,712
Merchandise	22,128	25,706
Accounts receivable-other	146,443	141,560
Other	43,344	40,782
Allowance for doubtful accounts	(17)	(16)
<b>Total current assets</b>	<b>667,627</b>	<b>704,954</b>
<b>Non-current assets:</b>		
<b>Property and store equipment:</b>		
Buildings and structures-net	189,190	193,703
Tools, furniture and fixtures-net	22,762	25,502
Land	8,507	8,420
Leased assets-net	124,978	127,694
Construction in progress	4,720	1,704
Other-net	18,609	21,360
<b>Total property and store equipment</b>	<b>368,768</b>	<b>378,385</b>
<b>Intangible assets:</b>		
Software	34,884	36,543
Goodwill	34,459	34,435
Trademark right	7,721	7,172
Other	680	575
<b>Total intangible assets</b>	<b>77,746</b>	<b>78,727</b>
<b>Investments and other assets:</b>		
Investment securities	21,738	16,759
Long-term loans receivable	38,044	36,720
Guarantee deposits	103,277	98,384
Deferred tax assets	34,736	32,924
Other	26,066	20,133
Allowance for doubtful accounts	(759)	(823)
<b>Total investments and other assets</b>	<b>223,103</b>	<b>204,098</b>
<b>Total non-current assets</b>	<b>669,618</b>	<b>661,211</b>
<b>Total assets</b>	<b>1,337,245</b>	<b>1,366,166</b>

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable-trade	125,681	168,350
Short-term loans payable	47,072	13,580
Current portion of long-term loans payable	20,000	80,000
Lease obligations	45,955	45,862
Accounts payable-other	90,412	65,559
Income taxes payable	7,368	10,896
Deposits received	151,809	171,567
Provision for bonuses	4,854	4,967
Call money	108,000	123,000
Deposits received for banking business	91,420	102,020
Other	12,117	18,871
<b>Total current liabilities</b>	<b>704,691</b>	<b>804,674</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	160,000	80,000
Lease obligations	118,445	119,910
Deferred tax liabilities	449	414
Provision for retirement benefits to executive officers and audit and supervisory board members	248	286
Net defined benefit liability	17,438	16,656
Asset retirement obligations	36,622	37,977
Other	20,875	19,146
<b>Total non-current liabilities</b>	<b>354,080</b>	<b>274,392</b>
<b>Total liabilities</b>	<b>1,058,771</b>	<b>1,079,066</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	58,506	58,506
Capital surplus	46,495	46,495
Retained earnings	161,299	167,156
Treasury shares	(973)	(948)
<b>Total shareholders' equity</b>	<b>265,327</b>	<b>271,209</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,585	1,007
Revaluation reserve for land	(69)	(69)
Foreign currency translation adjustments	6,273	8,167
Remeasurements of defined benefit plans	(227)	934
<b>Total accumulated other comprehensive income</b>	<b>7,563</b>	<b>10,040</b>
<b>Subscription rights to shares</b>	<b>368</b>	<b>328</b>
<b>Non-controlling interests</b>	<b>5,213</b>	<b>5,521</b>
<b>Total net assets</b>	<b>278,473</b>	<b>287,099</b>
<b>Total liabilities and net assets</b>	<b>1,337,245</b>	<b>1,366,166</b>

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

For the fiscal years ended February 28, 2022 and February 28, 2023

(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
<b>Gross operating revenue</b>	698,371	988,621
<b>Net sales</b>	292,237	604,812
<b>Cost of sales</b>	199,738	476,684
<b>Gross profit</b>	92,498	128,127
<b>Operating revenue:</b>		
Income from franchised stores	291,802	251,564
Other operating revenue	114,331	132,244
<b>Total operating revenue</b>	406,134	383,809
<b>Operating gross profit</b>	498,633	511,937
Selling, general and administrative expenses	451,537	456,881
<b>Operating income</b>	47,096	55,056
<b>Non-operating income:</b>		
Interest income	976	960
Dividend income	369	678
Gain on investments in investment partnerships	1,624	-
Compensation income	483	553
Employment adjustment subsidy due to novel coronavirus disease	1,762	622
Other	1,202	1,611
<b>Total non-operating income</b>	6,420	4,426
<b>Non-operating expenses:</b>		
Interest expenses	3,440	3,514
Loss on cancellation of leases	1,423	1,225
Other	1,081	1,288
<b>Total non-operating expenses</b>	5,944	6,028
<b>Ordinary income</b>	47,571	53,453
<b>Extraordinary income:</b>		
Gain on sales of investment securities	1,103	-
<b>Total extraordinary income</b>	1,103	-
<b>Extraordinary losses:</b>		
Loss on retirement of non-current assets	1,746	1,541
Impairment loss	16,616	8,362
Loss on novel coronavirus disease	701	1,261
Other	1,512	350
<b>Total extraordinary losses</b>	20,576	11,515
<b>Profit before income taxes</b>	28,098	41,937
Income taxes-current	11,226	15,136
Income taxes-deferred	(1,160)	1,886
<b>Total income taxes</b>	10,065	17,023
<b>Profit</b>	18,032	24,914
<b>Profit attributable to non-controlling interests</b>	131	224
<b>Profit attributable to owners of parent</b>	17,900	24,689

## Consolidated Statement of Comprehensive Income

For the fiscal years ended February 28, 2022 and February 28, 2023

(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
<b>Profit</b>	18,032	24,914
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(196)	(578)
Revaluation reserve for land	138	-
Foreign currency translation adjustment	2,730	2,000
Remeasurements of defined benefit plans	(92)	1,161
<b>Total other comprehensive income</b>	2,580	2,583
<b>Comprehensive income</b>	20,613	27,498
Comprehensive income attributable to		
Owners of parent	20,340	27,166
Non-controlling interests	272	331

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

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

(Millions of yen)

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

(Millions of yen)

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

Current fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	46,495	161,299	(973)	265,327
Cumulative effect of changes in accounting policies			(723)		(723)
Restated balance	58,506	46,495	160,576	(973)	264,604
Changes of items during period					
Dividends of surplus			(15,011)		(15,011)
Change in scope of consolidation			(3,098)		(3,098)
Profit attributable to owners of parent			24,689		24,689
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Exercise of subscription rights to shares (Delivery of treasury shares)		(0)		24	24
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	6,579	24	6,604
Balance at end of current period	58,506	46,495	167,156	(948)	271,209

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,585	(69)	6,273	(227)	7,563	368	5,213	278,473
Cumulative effect of changes in accounting policies								(723)
Restated balance	1,585	(69)	6,273	(227)	7,563	368	5,213	277,750
Changes of items during period								
Dividends of surplus								(15,011)
Change in scope of consolidation								(3,098)
Profit attributable to owners of parent								24,689
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Exercise of subscription rights to shares (Delivery of treasury shares)								24
Net changes of items other than shareholders' equity	(578)	—	1,893	1,161	2,477	(40)	307	2,744
Total changes of items during period	(578)	—	1,893	1,161	2,477	(40)	307	9,348
Balance at end of current period	1,007	(69)	8,167	934	10,040	328	5,521	287,099

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

For the fiscal years ended February 28, 2022 and February 28, 2023

(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
<b>Net cash provided by (used in) operating activities:</b>		
Profit before income taxes	28,098	41,937
Depreciation and amortization	79,942	84,848
Impairment loss	16,616	8,362
Interest and dividend income	(976)	(1,638)
Interest expenses	3,440	3,514
Loss (gain) on sales of investment securities	(1,103)	-
Loss on retirement of non-current assets	1,746	1,541
Decrease (increase) in trade receivables	(1,713)	(6,892)
Decrease (increase) in accounts receivable-other	15,068	(21,189)
Increase (decrease) in trade payables	(3,467)	11,770
Increase (decrease) in accounts payable-other	(1,450)	2,648
Increase (decrease) in deposits received	(94,328)	19,720
Increase (decrease) in net defined benefit liability	1,153	(806)
Net increase (decrease) in call money for banking business	68,000	15,000
Other-net	46,113	31,037
<b>Subtotal</b>	<b>157,138</b>	<b>189,856</b>
Interest and dividend income received	982	1,527
Interest expenses paid	(3,434)	(3,597)
Income taxes paid	(8,042)	(11,741)
<b>Net cash provided by (used in) operating activities</b>	<b>146,644</b>	<b>176,045</b>
<b>Net cash provided by (used in) investing activities:</b>		
Purchase of investment securities	(12,001)	(4,022)
Proceeds from redemption of securities	10,000	8,000
Purchase of property and store equipment	(39,038)	(35,084)
Purchase of intangible assets	(7,731)	(12,899)
Proceeds from sales of investment securities	6,073	-
Purchase of shares of subsidiaries and associates	(10,783)	(493)
Long-term loan advances	(2,352)	(1,950)
Proceeds from collection of long-term loans receivable	4,772	5,045
Payments for guarantee deposits	(11,122)	(10,296)
Proceeds from collection of guarantee deposits	11,904	10,150
Purchase of long-term prepaid expenses	(1,045)	(354)
Other-net	(457)	(3,721)
<b>Net cash provided by (used in) investing activities</b>	<b>(51,781)</b>	<b>(45,626)</b>



(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term loans payable	4,752	(34,608)
Proceeds from long-term borrowings	50,000	-
Repayments of long-term borrowings	(100,000)	(20,000)
Repayments of lease obligations	(49,233)	(54,385)
Cash dividends paid	(15,010)	(15,011)
Other-net	(24)	(23)
<b>Net cash provided by (used in) financing activities</b>	<b>(109,516)</b>	<b>(124,028)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>1,941</b>	<b>901</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,711)</b>	<b>7,291</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>401,136</b>	<b>388,444</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	<b>-</b>	<b>1,221</b>
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	<b>19</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>388,444</b>	<b>396,958</b>

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

Not Applicable.

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 20

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

Lawson HMV Entertainment United Cinemas Holdings, Inc. and United Entertainment Holdings Co., Ltd. were excluded from the scope of consolidation because of an absorption-type merger with United Cinemas Co., Ltd. as the surviving company on September 1st 2022.

Zhejiang Lawson, Inc. changed its Chinese trade name on January 12, 2023.

Chengdu Lawson, Inc. and Lawson Philippines, Inc. have been included in the scope of consolidation due to an increase in significance.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. Seikaken, Inc. SEIJO ISHII SYUHAN CO., LTD. TOKYO EUROPE TRADE CO., LTD. Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. LAWSON (TIANJIN) INC. SLV Retail Company Limited Shenyang LAWSON Inc. Canton Lawson, Inc. Hebei Lawson, Inc. Shenzhen Lawson, Inc.

(Reasons for exclusion from the scope of consolidation)

The above nonconsolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, profit or loss (corresponding to equity interest)

and retained earnings (corresponding to equity interest) and others have no material influence on the consolidated financial statements.

## 2. Application of the equity method

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

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

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

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

## 3. Fiscal year end of the consolidated subsidiaries

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

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

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

## 4. Summary of Significant Accounting Policies

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

#### ① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

With market quotations:

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

Without market quotations:

Stated at cost determined by the moving-average method.

#### ② Inventories:

Merchandise:

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

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

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

Mainly computed by the straight-line method.

The ranges of useful lives are from 11 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

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

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is

the estimated useful life. Furthermore, for right of trademark, amortization is mainly computed using the straight-line method over 20 years.

③ Leased assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

④ Rights-of-use assets:

Rights-of-use assets of the Company's foreign consolidated subsidiaries that apply International Financial Reporting Standard 16 (IFRS 16) "Leases"

The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

(3) Accounting standard for significant reserves

① Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables and on estimated recoverability for specific doubtful receivables.

② Provision for bonuses:

Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.

③ Provision for retirement benefits to executive officers and audit & supervisory board members:

Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries is recorded under internal regulations.

(4) Accounting method for retirement benefits

① Period attributable method of estimated amount of retirement benefits

In calculating retirement benefit obligation, in order to attribute estimated amount of retirement benefits in the period up to the end of the current fiscal year, it is based on the benefit formula basis.

② Cost treatment method of actuarial difference and prior service cost

Prior service cost is amortized starting the fiscal year incurred mainly on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.

(5) Principles for revenue and expenses

① Methods for recognizing revenue

The Company recognizes revenue from contracts with customers by applying the following five steps:

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

Since the consideration corresponding to the transaction price is received within one month of satisfaction of the performance obligation, the practical expedient method is used and there is no adjustment for a significant financing component.

② Recognition of revenues for the Group's major businesses

The Group's primary business comprises the Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business, and Overseas Business.

• Revenues from franchised stores in the Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business

For franchised stores in its Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business, the Group has contractual obligations to prepare for their openings, provide knowledge on how to operate the stores, grant licenses for trademarks, etc., provide training, accounting and other services, and lease fixtures for sale, signboards, and information systems, among others. As these

activities are closely inter-related and cannot be performed as separate services, they are collectively deemed as a single performance obligation except for the lease transactions. The performance obligation is deemed to be satisfied over time and when the services are provided, but as the royalty revenues fluctuate based on the operating gross profit of each franchised store, the revenues are recognized whenever the applicable operating gross profit is registered throughout the contract period.

• Revenues from directly operated stores in the Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business; Entertainment-related Business; and Financial Services Business

The Group sells general consumer goods at its directly operated stores in the Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business, and music and video software products and concert tickets in the Entertainment-related Business. Revenues from selling such goods are recognized when an item is handed over to the customer, at which point its control is deemed to have been transferred to the customer.

In the Entertainment-related Business, the Group operates multiplex movie theaters, for which revenues are recognized when a movie has been screened, at which point its control is deemed to have been transferred to the viewers.

In the Financial Services Business, the Group provides ATM transaction services via cash cards of partner financial institutions and sales deposit services for franchised store owners, for which revenues are recognized when a transaction has occurred, at which point the control of the service is deemed to have been transferred.

In identifying a performance obligation, the Group assesses whether it should act as a principal or an agent in performing the promise to provide the specified goods or services. In cases where the nature of the promise constitutes a performance obligation of the Group itself to provide the goods or services as a principle, the revenue in total amount of consideration is registered in the consolidated profit and loss statement, whereas in cases where the performance obligation requires that the Group arrange a third party to provide the goods or services, the revenue as an agent is registered therein in the amount of commissions or remunerations or the net amount of consideration.

The Group considers the following indicators in assessing whether it should act as a principal.

• The Group has the primary responsibility to fulfill the promise to provide the specified goods or services.

• The Group has an inventory risk either before the specified goods or services are transferred to the customer or after the control of the specified goods or services is transferred to the customer.

• The Group has discretion over the price of the specified goods or services.

Revenues are based on the transaction price less consideration paid to the customer such as discounts and rebates. If the Group grants the customer an option to acquire additional goods or services and provides a material right to do so, transaction value is allocated to the optional transaction by deeming it as a separate performance obligation, for which revenues are recognized when the goods or services are transferred to the customer or when the option is extinguished.

(6) Significant foreign currency transactions and foreign currency financial statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The consolidated balance sheet accounts as well as revenue and expense accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" and "non-controlling interests," a separate component of net assets.

(7) Amortization method and period of goodwill

Goodwill is amortized on a straight-line basis over the relevant years, depending on the reason for the occurrence of goodwill, with a maximum of 20 years.

(8) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, demand deposits and short-term investments due within three months of the acquisition date, which are easily convertible into cash with little risk of value fluctuation.

(9) Other significant items related to the preparation of consolidated financial statements

① Adoption of consolidated taxation system:

The Company and certain consolidated subsidiaries in Japan adopt the consolidated taxation system.

②Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system:

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with tax laws in effect before amendment based on the treatment of Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

Furthermore, effective from the beginning of the next fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 42 (August 12, 2021).

**(Changes in Accounting Policies)**

(Application of Accounting Standards for Revenue Recognition, etc.)

Effective from March 1, 2022, the Company applies the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, “Accounting Standard for Revenue Recognition”) and other standards and recognizes revenue at an amount that it expects to receive in exchange for promised goods or services when control of the goods or services is transferred to a customer.

The changes in relation to the application of the accounting standards for revenue recognition are stated below:

(1) Sales transactions involving a subsidiary

Sales transactions involving SCI, Inc., a subsidiary of the Company in the domestic convenience store business, that were previously recognized on a net basis are now recorded on a gross basis in consideration of the subsidiary’s role in sales to customers (whether it is principal or agent).

(2) Consideration paid to customers

Sales promotion costs and other costs were previously recognized as selling, general and administrative expenses, such as sales commission and advertising expenses, but such consideration paid to customers is now deducted directly from revenue.

(3) IT systems fees received from customers

Fees received from customers for IT system utilization and data provision were previously deducted from selling, general and administrative expenses, but transactions based on contracts with customers are now recognized as revenue.

(4) Points program operated by a subsidiary

With respect to the in-house points program operated by United Cinemas Co., Ltd., a subsidiary of the Company in the Entertainment-related Business, points awarded were previously recognized as revenue on a gross basis at the time the services were sold. However, the points awarded at the time of sales are now recognized as a separate performance obligation to be executed when customers choose to purchase additional services in the future. As a result, transaction values allocated to points are recognized as contract liabilities at the time the points are awarded, and later recognized as revenue when services are sold in exchange for the points. Transaction values are allocated in proportion to the independent selling prices. The membership fees for the points program were previously recognized as revenue in a lump sum at the time of receipt, but they are now recorded based on the elapsed period.

The Accounting Standards for Revenue Recognition have been applied in accordance with Proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition with the cumulative effect of retrospective application added to or deducted from the beginning balance of retained earnings of the first quarter of the current fiscal year, thus, the new accounting policy has been adopted from the first quarter of this fiscal year.

As a result, compared with the amounts based on the previously adopted accounting policies, accounts receivable-trade increased by 29,568 million yen, accounts receivable-other decreased by the same amount, accounts payable-trade increased by 32,123 million yen and accounts payable-other decreased by the same amount, net sales and operating revenue increased by 232,971 million yen, cost of sales increased by 264,400 million yen, and selling, general and administrative expenses decreased by 31,441 million yen for the fiscal year under review, while operating income, ordinary income, and profit before income taxes increased by 12 million yen, respectively. The balance of retained earnings at the beginning of the fiscal year decreased by 723 million yen.

The account transfer (related to the changes in accounting policy for revenue recognition) on the Consolidated Balance Sheet has no effect on the Consolidated Statement of Cash Flows as a non-cash transaction. As a result of reclassifications, accounts receivable-trade increased by 26,359 million yen, accounts receivable-other decreased by the same amount, accounts payable-trade increased by 29,430 million yen and accounts payable-other decreased by the same amount for the fiscal year under review.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not restated the financial results for the previous fiscal year to reflect the new method of presentation. Furthermore, the information on the disaggregation of revenue from contracts with customers for the previous fiscal year is not presented in accordance with the transitional treatment stipulated in Article 89-3 of the Accounting Standard for Revenue Recognition.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereafter “Fair Value Accounting Standards” ) has been applied prospectively from the beginning of the first quarter of the current fiscal year as prescribed by the Fair Value Accounting Standards in accordance with the transitional treatment set forth in Paragraph 19 of Fair Value Accounting Standards and Section 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019). This change had no effect on the quarterly consolidated financial statements.

#### **(Changes in Presentation)**

(Consolidated Balance Sheet)

In the “Current assets” section, “Accounts receivable-trade” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Accounts receivable-trade” is now separately presented. To reflect this change in method of presentation, the Consolidated Balance Sheet for the previous fiscal year has been reclassified.

As a result, in the “Current assets” section, 48,334 million yen that was presented as “Other” in the Consolidated Balance Sheet for the previous fiscal year are now presented as 4,990 million yen of “Accounts receivable-trade” and 43,344 million yen of “Other.”

(Consolidated Statement of Cash Flows)

In the “Cash flows from operating activities” section, “Decrease (increase) in accounts receivable-trade” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is included in “Decrease (increase) in trade receivables” in the current fiscal year. To reflect these changes in method of presentation, the Consolidated Statement of Income for the previous fiscal year has been reclassified.

As a result, in the “Cash flows from operating activities” section, 45,072 million yen that was presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as (1,040) million yen of “Decrease (increase) in trade receivables” and 46,113 million yen of “Other.”

**(Notes to Consolidated Balance Sheet)**

## 1. Accumulated depreciation of property and store equipment

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Accumulated depreciation	416,609	439,578

## 2. Investments in associates

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Investment securities (stocks)	18,260	13,744
(Investment amount for jointly-controlled companies)	(963)	(978)
Investment securities (bonds)	54	47
Other (other equity investments)	12,470	7,677
(Investment amount for jointly-controlled companies)	(132)	(112)

## 3. Revaluation of land used for business

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

Revaluation method:

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

Date of revaluation: February 28, 2002

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Difference between book value and market value of the revalued land as of balance sheet date	9	4



#### 4. Overdraft and loan commitment agreements

##### (1) Lender

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

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Total overdraft limit and loan commitment	22,268	28,831
Amount of loans executed	460	744
Unutilized balance	21,807	28,087

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

##### (2) Borrower

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

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

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Total overdraft limit and loan commitment	320,000	380,204
Amount utilized	22,062	41,900
Unutilized balance	297,938	338,304

#### 5. Guarantee obligations

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

(Millions of yen)

	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Lawson USA Hawaii, Inc.	92	84

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

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

(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Employees' salaries and allowances	59,391	62,163
Provision for bonuses	3,441	3,297
Retirement benefit expenses	2,717	2,728
Rents	130,770	130,431
Depreciation	79,822	84,510

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

(Millions of yen)

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Buildings and structures	1,043	827
Tools, furniture and fixtures	249	396
Software	46	177
Others	406	140
Total	1,746	1,541

3. Impairment loss

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

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

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

(Millions of yen)

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

Category by non-current assets

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

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	1,112
	Osaka	"	419
	Others	"	5,451
Other	—	Software	87
	—	Goodwill	1,288
	—	Other	2
Total	—	—	8,362

Category by non-current assets

Buildings and structures	4,112	million yen
Tools, furniture and fixtures	301	"
Leased assets	2,563	"
Software	87	"
Goodwill	1,288	"
Other	9	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 2.9%.

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

The components of other comprehensive income for the years ended February 28, 2022 and February 28, 2023 were as follows:

	(Millions of yen)	
	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	665	(888)
Reclassification adjustments to profit or loss	(948)	54
Amount before income tax effect	(282)	(833)
Income tax effect	86	255
Valuation difference on available-for-sale securities	(196)	(578)
Revaluation reserve for land		
Gain or loss arising during the period	138	—
Revaluation reserve for land	138	—
Foreign currency translation adjustment		
Gain or loss arising during the period	2,730	2,000
Foreign currency translation adjustment	2,730	2,000
Remeasurements of defined benefit plans		
Gain or loss arising during the period	(282)	1,523
Reclassification adjustments to profit or loss	149	150
Amount before income tax effect	(133)	1,674
Income tax effect	40	(512)
Remeasurements of defined benefit plans	(92)	1,161
Total other comprehensive income	2,580	2,583

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

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

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

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

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

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

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

## 3. Dividend

## 1) Dividend payment

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

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

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

1. Number of shares of outstanding stock and treasury shares

	Number of shares at the beginning of the period (thousands of shares)	Increase during the period (thousands of shares)	Decrease during the period (thousands of shares)	Number of shares at the end of the period (thousands of shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury shares Common stock (*)	228	0	5	222

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

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

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Issuing company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	328
Total		—	—	—	—	—	328

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 25, 2022)	Common stock	7,505	75.00	February 28, 2022	May 26, 2022
Directors' meeting (October 6, 2022)	Common stock	7,505	75.00	August 31, 2022	November 10, 2022

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

Plan for resolution is as follows.

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 24, 2023)	Common stock	Retained earnings	7,505	75.00	February 28, 2023	May 25, 2023

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

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

	(Millions of yen)	
	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Cash and deposits	388,463	396,978
Time deposits for which the deposit period exceeds three months	(18)	(19)
Cash and cash equivalents	388,444	396,958

2. Description of significant non-cash transactions

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

	(Millions of yen)	
	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Assets and liabilities related to finance lease transactions	42,512	50,289

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

2) Significant asset retirement obligations are as follows.

	(Millions of yen)	
	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Significant asset retirement obligations	1,451	1,620

## **(Segment Information)**

### 1. Outline of reportable segments

#### Method to determine reportable segments

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

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

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

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

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

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

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

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

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

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

As mentioned in the changes in accounting policies, the Company has started applying the Accounting Standard for Revenue Recognition and other standards to its consolidated financial statements from the fiscal year under review, changing its accounting method for revenue recognition. The method of calculating profit or loss by business segment has also changed as a result.

Consequently, in comparison with the figures resulting from the previous method, gross operating revenue for the fiscal year under review increased by 237,523 million yen for the Domestic Convenience Store Business, increased by 275 million yen for the Seijo Ishii Business, and decreased by 4,827 million yen for the Entertainment-related Business. The impact of the change on segment profit or loss is minimal.



3. Information on net sales, profit or loss, assets, other items, and disaggregation of revenue by reportable segment

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

(Millions of yen)

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

(Notes)

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Gross operating revenue									
Revenue from contracts with customers									
Income from franchised stores	250,272	860	—	—	431	—	251,564	—	251,564
Net sales of Company-operated stores	77,237	108,641	58,016	—	64,234	—	308,129	—	308,129
Other	337,313	33	12,052	31,751	26,958	12	408,121	—	408,121
Other revenue	20,291	6	—	—	508	—	20,806	—	20,806
Sales to external customers	685,114	109,541	70,069	31,751	92,132	12	988,621	—	988,621
Internal sales or transfers between segments	6,248	—	2,098	2,735	—	808	11,889	(11,889)	—
Total	691,363	109,541	72,167	34,486	92,132	820	1,000,511	(11,889)	988,621
Segment profit	39,001	11,189	3,963	3,882	(3,064)	83	55,056	—	55,056
Segment assets	852,275	73,706	88,387	413,458	88,258	458	1,516,544	(150,378)	1,366,166
Other									
Depreciation	57,867	2,239	1,264	6,993	11,992	—	80,357	—	80,357
Amortization of goodwill	1,794	1,437	501	—	758	—	4,491	—	4,491
Investments in associates	4,876	—	—	—	—	—	4,876	—	4,876
Increase in non-current assets	30,744	4,528	1,838	4,060	7,237	—	48,408	—	48,408

(Notes)

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

(Related information)

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

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

(Millions of yen)

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

(2) Property and store equipment

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

3. Information by major customer

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

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

(2) Property and store equipment

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

3. Information by major customer

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

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

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

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

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

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

(Millions of yen)

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

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

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

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

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Impairment loss	8,054	—	66	—	241	—	8,362	—	8,362

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

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

(Millions of yen)

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

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

Current fiscal year (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Reportable segment					Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business				
Balance at end of fiscal year	6,565	16,647	5,679	—	5,543	—	34,435	—	34,435

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

(Information on gain on negative goodwill by reportable segment)

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

Not applicable.

Current fiscal year (From March 1, 2022 to February 28, 2023)

Not applicable.

**(Per Share Information)**

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Net assets per share	2,726.97 yen	2,810.33 yen
Profit per share	178.87 yen	246.70 yen
Diluted profit per share	178.71 yen	246.49 yen

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

Item	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Profit per share		
Profit attributable to owners of parent (millions of yen)	17,900	24,689
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common stock (millions of yen)	17,900	24,689
Average number of common stock during the fiscal year (thousands of shares)	100,070	100,076
Diluted profit per share		
Profit attributable to owners of parent adjustment (millions of yen)	—	—
Increase in number of outstanding common shares (thousands of shares)	88	86
(Subscription rights to shares) (thousands of shares)	(88)	(86)
Summary of issuable shares not included in the computation of diluted profit per share, since these securities are not dilutive	—	—

**(Significant Subsequent Events)**

Not applicable.