

Flash Report on the Consolidated Financial Results [IFRS]

for the Fiscal Year Ended February 28, 2023

May 25, 2023

Listed Company Name: Lawson, Inc.

Code No.: 2651

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

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(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		Core operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended February 28, 2023	1,000,385	6.1	64,311	22.6	47,134	42.4	29,673	30.8	29,708	31.3	33,124	36.0
February 28, 2022	943,206	—	52,442	—	33,109	—	22,690	—	22,625	—	24,352	—

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of core operating profit to gross operating revenue
For the fiscal year ended February 28, 2023	Yen 296.86	Yen 296.60	% 12.4	% 2.1	% 6.4
February 28, 2022	226.09	225.89	10.0	1.5	5.6

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

Fiscal year ended February 28, 2023 363 million yen

Fiscal year ended February 28, 2022 432 million yen

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

(2) Consolidated financial position

	Total assets	Equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of February 28, 2023	Millions of yen 2,242,421	Millions of yen 253,858	Millions of yen 249,941	% 11.1	Yen 2,497.49
February 28, 2022	2,144,778	235,693	231,853	10.8	2,316.89

(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	309,699	(51,725)	(252,548)	399,523
February 28, 2022	275,781	(56,185)	(231,626)	392,996

2. Dividends

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividend to equity attributable to owners of parent (consolidated)
	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	66.3	6.6
2022 fiscal year	—	75.00	—	75.00	150.00	15,011	50.5	6.2
2023 fiscal year (forecast)	—	100.00	—	100.00	200.00		—	

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

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

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

4. Notes

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

Added: None

Excluded: None

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

1. Changes in accounting policies required by IFRS: None
2. Changes in accounting policies other than 1. above: None
3. Changes in accounting estimates: 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
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2. Number of treasury shares at the end of year

As of February 28, 2023:	222,962	As of February 28, 2022:	228,807
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3. Average number of shares during the year

As of February 28, 2023:	100,076,025	As of February 28, 2022:	100,070,561
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Note: The Flash Report on the Consolidated Financial Results is not subject to audit.

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

(1) As announced in the “Notice of Voluntary Adoption of International Financial Reporting Standards (IFRS)” dated February 15, 2023, the Group has voluntarily adopted International Financial Reporting Standards (IFRS) for the consolidated financial statements in its Annual Securities Report effective from the fiscal year ended February 2023.

(2) This flash report and accompanying materials are voluntary disclosures of key financial information based on IFRS, as disclosed in the Annual Securities Report for the fiscal year ended February 28, 2023. In addition, the Company reported its financial results for the fiscal year ended February 28, 2023 based on Japanese GAAP on April 13, 2023.

(3) This flash report and the accompanying materials are provided to focus on certain financial information in accordance with IFRS in the Annual Securities Report. Accordingly, not all of the information in the Annual Securities Report that may be material to investors is included in this report. Please refer to the 48th Annual Securities Report for the consolidated financial statements and related matters not included in this report.

(4) The forward-looking statements in this report, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to various factors.

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1. Overview of Operating Results

(1) Future Outlook

The Group has voluntarily adopted International Financial Reporting Standards (IFRS) for the consolidated financial statements in its Annual Securities Report effective from the fiscal year ended February 2023. A forecast of the consolidated operating results for the 2023 fiscal year (from March 1, 2023 to February 29, 2024) is as follows.

Furthermore, the forecast of gross operating revenue and core operating profit, which was not included in the flash report for the fiscal year ended February 28, 2023 issued on April 13, 2023, is now additionally disclosed as it is possible to make a reasonable calculation.

	Gross operating revenue		Core operating profit		Profit attributable to owners of parent		Basic earnings per share	
	1H of 2023 fiscal year	2023 fiscal year	1H of 2023 fiscal year	2023 fiscal year	1H of 2023 fiscal year	2023 fiscal year	1H of 2023 fiscal year	2023 fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Previous forecast (A)	—	—	—	—	17,500	29,000	174.86	289.77
Revised forecast (B)	530,000	1,060,000	34,500	64,000	17,500	29,000	174.86	289.77
Change (B-A)	—	—	—	—	0	0	—	—
Change (%)	—	—	—	—	0.0	0.0	—	—

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Statement of Financial Position

	(Millions of yen)		
	IFRS Transition Date As of March 1, 2021	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Assets			
Current assets			
Cash and cash equivalents	403,554	392,996	399,523
Trade and other receivables	207,273	193,405	223,648
Finance lease receivables	16,621	15,071	13,710
Other financial assets	6,601	8,885	3,595
Inventories	22,539	25,066	28,689
Other current assets	12,706	12,453	10,671
Total current assets	669,298	647,878	679,839
Non-current assets			
Property and store equipment	166,829	176,820	186,398
Right-of-use assets	1,034,508	1,014,459	1,069,233
Investment property	36,737	41,037	46,734
Goodwill	39,224	49,516	50,150
Intangible assets	56,044	51,251	51,416
Investments accounted for using equity method	6,592	6,778	6,532
Guarantee deposits	93,829	94,155	92,916
Other financial assets	11,888	5,937	5,742
Deferred tax assets	50,284	51,261	48,234
Other non-current assets	6,849	5,682	5,223
Total non-current assets	1,502,788	1,496,900	1,562,582
Total assets	2,172,086	2,144,778	2,242,421

(Millions of yen)

	IFRS Transition Date As of March 1, 2021	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Liabilities and equity			
Current liabilities			
Trade and other payables	213,398	213,728	231,925
Deposits received	300,073	245,485	274,224
Borrowings	141,595	67,372	92,877
Income taxes payable	4,109	7,403	10,800
Other financial liabilities	171,598	246,847	273,465
Provisions	2,539	2,576	2,480
Other current liabilities	20,071	16,688	19,505
Total current liabilities	853,385	800,102	905,279
Non-current liabilities			
Borrowings	129,824	159,984	80,000
Lease liabilities	886,605	869,314	923,588
Other financial liabilities	18,094	19,808	21,407
Retirement benefit liability	16,540	17,718	16,797
Deferred tax liabilities	485	459	430
Provisions	37,409	38,557	37,642
Other non-current liabilities	3,470	3,140	3,417
Total non-current liabilities	1,092,430	1,108,982	1,083,284
Total liabilities	1,945,816	1,909,085	1,988,563
Equity			
Share capital	58,506	58,506	58,506
Capital surplus	46,828	46,899	46,934
Treasury shares	(991)	(973)	(948)
Other components of equity	611	1,588	3,799
Retained earnings	117,679	125,832	141,650
Total equity attributable to owners of parent	226,633	231,852	249,941
Non-controlling interests	3,634	3,839	3,916
Total equity	226,270	235,693	253,858
Total liabilities and equity	2,172,086	2,144,778	2,242,421

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

(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
Gross operating revenue	943,206	1,000,385
Cost of sales	454,889	473,074
Operating gross profit	488,317	527,310
Selling, general and administrative expenses	435,874	462,998
Other income	3,465	3,133
Other expenses	19,077	12,985
Finance income	4,664	1,468
Finance costs	8,819	9,158
Share of profit of investments accounted for using equity method	432	363
Profit before tax	33,109	47,134
Income taxes	10,418	17,461
Profit	22,690	29,673
Profit (loss) attributable to		
Owners of parent	22,625	29,708
Non-controlling interests	65	(34)
	22,690	29,673
Earnings per share		
Basic earnings per share (Yen)	226.09	296.86
Diluted earnings per share (Yen)	225.89	296.60

Consolidated Statement of Comprehensive Income

(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
Profit	22,690	29,673
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,245)	120
Remeasurements of defined benefit plans	(227)	1,125
Share of other comprehensive income of investments accounted for using equity method	(10)	10
Total of items that will not be reclassified to profit or loss	(1,482)	1,256
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,114	2,175
Share of other comprehensive income of investments accounted for using equity method	29	18
Total of items that may be reclassified to profit or loss	3,144	2,194
Other comprehensive income (net of tax)	1,661	3,450
Comprehensive income	24,352	33,124
Comprehensive income attributable to		
Owners of parent	24,140	33,045
Non-controlling interests	211	79

(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)

	Equity attributable to owners of parent						Total
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2021	58,506	46,828	(991)	-	611	-	611
Profit							-
Other comprehensive income				(227)	(1,255)	2,997	1,515
Total comprehensive income				(227)	(1,255)	2,997	1,515
Purchase of treasury shares			(0)				-
Disposal of treasury shares			0				-
Dividends							-
Changes in equity of parent company arising from transactions with non-controlling interests		0					-
Exercise of share acquisition rights (issuance of treasury shares)		(17)	17				-
Share-based payment transactions		88					-
Transfer to retained earnings				227	(765)		(538)
Total transactions with owners	-	70	17	227	(765)	-	(538)
Balance as of February 28, 2022	58,506	46,899	(973)	-	(1,409)	2,997	1,588

	Equity attributable to owners of parent			
	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of March 1, 2021	117,679	222,635	3,634	226,270
Profit	22,625	22,625	65	22,690
Other comprehensive income		1,515	146	1,661
Total comprehensive income	22,625	24,140	211	24,352
Purchase of treasury shares		(0)		(0)
Disposal of treasury shares		0		0
Dividends	(15,010)	(15,010)	(2)	(15,012)
Changes in equity of parent company arising from transactions with non-controlling interests		0	(3)	(3)
Exercise of share acquisition rights (issuance of treasury shares)		-		-
Share-based payment transactions		88		88
Transfer to retained earnings	538	-		-
Total transactions with owners	(14,472)	(14,922)	(6)	(14,928)
Balance as of February 28, 2022	125,832	231,853	3,839	235,693

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

(Millions of yen)

	Equity attributable to owners of parent						Total
	Share capital	Capital surplus	Treasury shares	Remeasurements of defined benefit plans	Other components of equity		
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2022	58,506	46,899	(973)	-	(1,409)	2,997	1,588
Profit							-
Other comprehensive income				1,125	130	2,079	3,336
Total comprehensive income				1,125	130	2,079	3,336
Purchase of treasury shares			(0)				-
Disposal of treasury shares			0				-
Dividends							-
Exercise of share acquisition rights (issuance of treasury shares)		(24)	24				-
Share-based payment transactions		59					-
Transfer to retained earnings				(1,125)			(1,125)
Other							-
Total transactions with owners	-	34	24	(1,125)	-	-	(1,125)
Balance as of February 28, 2023	58,506	46,934	(948)	-	(1,278)	5,077	3,799

	Equity attributable to owners of parent			Total equity
	Retained earnings	Total	Non-controlling interests	
Balance as of March 1, 2022	125,832	231,853	3,839	235,693
Profit	29,708	29,708	(34)	29,673
Other comprehensive income		3,336	114	3,450
Total comprehensive income	29,708	33,045	79	33,124
Purchase of treasury shares		(0)		(0)
Disposal of treasury shares		0		0
Dividends	(15,011)	(15,011)	(2)	(15,013)
Exercise of share acquisition rights (issuance of treasury shares)		(0)		(0)
Share-based payment transactions		59		59
Transfer to retained earnings	1,125	-		-
Other	(5)	(5)		(5)
Total transactions with owners	(13,890)	(14,957)	(2)	(14,960)
Balance as of February 28, 2023	141,650	249,941	3,916	253,858

(4) Consolidated Statement of Cash Flows

(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 flows from operating activities:		
Profit before tax	33,109	47,134
Depreciation and amortization	203,864	211,745
Impairment loss	15,110	9,623
Interest income	(1,305)	(1,280)
Interest expenses	8,819	8,298
Loss on retirement of non-current assets	1,473	1,438
Decrease (increase) in trade and other receivables	15,933	(28,693)
Increase (decrease) in trade and other payables	(4,368)	16,801
Increase (decrease) in deposits received	(54,372)	29,971
Increase (decrease) in net defined benefit liability	1,177	(923)
Net increase (decrease) in call money for banking business	68,000	15,000
Other	(1,909)	14,731
Subtotal	285,531	323,849
Interest and dividends received	1,202	1,354
Interest paid	(3,541)	(4,002)
Income taxes paid	(7,410)	(11,502)
Net cash provided by (used in) operating activities	275,781	309,699
Cash flows from investing activities:		
Purchases of property and store equipment, right-of-use assets and investment property	(44,782)	(42,239)
Purchase of intangible assets	(8,615)	(12,427)
Purchase of investments	(12,730)	(4,461)
Proceeds from sales and redemption of investments	18,135	8,140
Payments for guarantee deposits	(11,124)	(11,261)
Proceeds from collection of guarantee deposits	11,902	11,880
Purchase of long-term prepaid expenses	(366)	(210)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,101)	-
Other	498	(1,146)
Net cash provided by (used in) investing activities	(56,185)	(51,725)
Cash flows from financing activities:		
Proceeds from borrowings	331,306	196,195
Repayments of borrowings	(375,470)	(250,836)
Repayments of lease liabilities	(172,467)	(182,918)
Dividends paid	(15,010)	(15,011)
Other	14	21
Net cash provided by (used in) financing activities	(231,626)	(252,548)
Effect of exchange rate changes on cash and cash equivalents	1,472	1,100
Net increase (decrease) in cash and cash equivalents	(10,557)	6,526
Cash and cash equivalents at beginning of period	403,554	392,996
Cash and cash equivalents at end of period	392,996	399,523

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

(Segment Information)

1. Outline of reportable segments

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

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

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

Regarding Domestic Convenience Store Business, Lawson, Inc. operates a franchise system as well as undertaking the direct management of stores in Japan as the parent company of LAWSON, NATURAL LAWSON, and LAWSON STORE100. Lawson urbanworks, Inc. undertakes the direct management of LAWSON stores mainly in Tokyo and Chiba prefectures. Lawson Store100, Inc. undertakes the direct management of LAWSON STORE100 stores and provide management support for franchised stores. SCI, Inc. is a functional subsidiary that comprehensively manages the business process from procurement to sales, improving the efficiency of the entire process.

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

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

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

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

2. Information on reportable segments

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

Transition Date (March 1, 2021)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Segment assets	1,654,427	79,638	67,747	451,107	63,423	4,213	2,320,557	(148,471)	2,172,086
Investments in equity method affiliates	5,589	—	—	—	136	867	6,592	—	6,592

(Notes)

1. The business segments within the "Others" category that do not fall under the main reportable segments include Consulting Business, etc.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	242,462	782	—	—	3,318	—	246,564	—	246,564
Net sale Company-operated stores	78,947	107,830	49,625	—	64,161	—	300,565	—	300,565
Other	312,064	147	9,418	30,526	20,614	1,895	374,667	—	374,667
Other revenue	20,880	50	—	—	478	—	21,409	—	21,409
Revenue from external customers									
1. Revenue from external customers	654,355	108,811	59,044	30,526	88,572	1,895	943,206	—	943,206
2. Intersegment revenue or transfer	7,039	806	1,354	3,077	—	630	12,907	(12,907)	—
Total	661,394	109,617	60,398	33,603	88,572	2,526	956,113	(12,907)	943,206
Segment profit	33,167	12,849	2,684	2,951	708	81	52,442	—	52,442
Segment assets	1,602,731	80,043	66,103	407,441	96,541	4,437	2,257,300	(112,521)	2,144,778
Other									
Depreciation and amortization	172,867	5,993	4,574	7,283	11,193	75	201,987	—	201,987
Impairment loss	12,836	12	1,864	—	397	—	15,110	—	15,110
Investments in equity method affiliates	5,368	—	—	—	352	1,057	6,778	—	6,778
Capital Expenditure	39,362	3,813	836	1,067	7,390	54	52,524	—	52,524

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	250,292	860	—	—	1,862	—	253,016	—	253,016
Net sale Company-operated stores	77,237	109,134	58,016	—	72,918	—	317,307	—	317,307
Other	337,907	123	12,001	31,367	19,554	1,952	402,906	—	402,906
Other revenue	26,504	27	—	—	622	—	27,154	—	27,154
Revenue from external customers									
1. Revenue from external customers	691,941	110,146	70,017	31,367	94,959	1,952	1,000,385	—	1,000,385
2. Intersegment revenue or transfer	5,939	—	2,149	3,118	—	813	12,021	(12,021)	—
Total	697,881	110,146	72,167	34,486	94,959	2,765	1,012,406	(12,021)	1,000,385
Segment profit(loss)	47,611	12,798	4,858	3,848	(4,999)	195	64,311	—	64,311
Segment assets	1,685,636	78,564	101,509	413,733	95,729	4,493	2,379,666	(137,244)	2,242,421
Other									
Depreciation and amortization	174,287	6,780	4,881	7,184	16,093	72	209,298	—	209,298
Impairment loss	9,133	3	92	—	393	—	9,623	—	9,623
Investments in equity method affiliates	5,245	—	—	—	382	904	6,532	—	6,532
Capital Expenditure	33,907	4,556	1,774	4,060	10,323	46	54,667	—	54,667

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.

3. Information on products and services

A description is omitted because the products and services are the same as those of the reportable segments.

4. Information by geographical area

(1) Revenue from external customers

(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
Japan	854,633	905,425
Overseas*	88,572	94,959
Total	943,206	1,000,385

* Overseas mainly includes China.

(2) Non-current assets (excluding financial assets, deferred tax assets and assets related to retirement benefits)

(Millions of yen)

	IFRS Transition Date As of March 1, 2021	Previous fiscal year As of February 28, 2022	Current fiscal year As of February 28, 2023
Japan	1,315,067	1,289,321	1,353,582
Overseas*	31,719	56,225	62,106
Total	1,346,786	1,345,546	1,415,689

* Overseas mainly includes China.

5. Information by major customer

There are no external customers that account for 10% or more of the Group's operating revenues.

(Per Share Information)**1. Basis for the calculation of basic earnings per share**

Basic earnings per share and the basis for calculating basic earnings per share are as follows:

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Profit attributable to owners of parent (Millions of yen)	22,625	29,708
Profit not attributable to common shareholders of parent (Millions of yen)	—	—
Profit used for calculating basic earnings per share (Millions of yen)	22,625	29,708
Weighted-average number of shares of common stock (Thousands of shares)	100,070	100,076
Basic earnings per share (Yen)	226.09	296.86

2. Basis for the calculation of diluted earnings per share

Diluted earnings per share and the basis for calculating diluted earnings per share are as follows:

	Previous fiscal year From March 1, 2021 to February 28, 2022	Current fiscal year From March 1, 2022 to February 28, 2023
Profit used for calculating basic earnings per share (Millions of yen)	22,625	29,708
Profit adjustments (Millions of yen)	—	—
Profit used for calculating diluted earnings per share (Millions of yen)	20,625	29,708
Weighted-average number of shares of common stock (Thousands of shares)	100,070	100,076
Effect of dilutive securities for share-based compensation (Thousands of shares)	88	86
Weighted-average number of shares of common stock after dilution (Thousands of shares)	100,159	100,162
Diluted earnings per share (Yen)	225.89	296.60
Potential shares not included in calculation of diluted earnings per share due to anti-dilutive effect	—	—

(Significant Subsequent Events)

Not applicable.

(First-Time Adoption of IFRS)

The Lawson Group has prepared its consolidated financial statements in compliance with IFRS from the current fiscal year. The consolidated financial statements for the year ended February 28, 2022 were the most recent financial statements prepared in accordance with Japanese GAAP and the date of transition to IFRS (hereinafter, the “Transition Date”) is March 1, 2021.

1. Exemptions and mandatory exceptions under IFRS 1

In principle, IFRS requires that companies adopting IFRS for the first time (hereinafter, “First-time Adopter”) apply the standards required under IFRS retrospectively. However, for some of the standards required under IFRS, IFRS 1 “First-Time Adoption of International Financial Reporting Standards” (hereinafter, “IFRS 1”) specifies standards for which application of the exemption is required and those for which the application of the exemption is voluntary. The impact due to the application of these exemptions is reflected as an adjustment to retained earnings and other components of equity at the Transition Date. The exemptions that the Group applies in connection with the transition from Japanese GAAP to IFRS are as follows:

(1) Business combinations

First-time Adopter may elect not to apply IFRS 3 “Business Combinations” (hereinafter, “IFRS 3”) retrospectively to past business combinations. The Group elected not to apply IFRS 3 retrospectively to business combinations that occurred before the Transition Date. Accordingly, goodwill and equivalent to goodwill in equity method affiliates arising from business combinations that occurred before the Transition Date were recorded at the carrying amount under Japanese GAAP at the Transition Date.

However, goodwill was tested for impairment as of the Transition Date irrespective of whether there was any indication of impairment.

(2) Cumulative amount of exchange differences on translation of foreign operations

Under IFRS 1, entities can elect either to deem accumulated exchange differences on translation of foreign operations to be zero as of the Transition Date, or to retroactively calculate the exchange differences to the date of the founding or acquisition of the relevant subsidiary or affiliate. The Group elected to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the Transition Date.

(3) Deemed cost

Under IFRS 1, the fair value of property and store equipment, investment property and intangible assets at the Transition Date can be used as deemed cost. The Group uses the fair value at the Transition Date as the deemed cost for certain items of property and store equipment (buildings and structures).

(4) Leases

IFRS 1 allows First-time Adopter to determine whether or not an arrangement contains a lease on the basis of facts and circumstances existing at Transition Date. In addition, IFRS 1 permits a First-time Adopter to measure a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS, and to measure a right-of-use asset at an amount equal to the lease liability. Furthermore, IFRS 1 permits a First-time Adopter, to recognize a lease for which the lease term ends within 12 months of the Transition Date or for which the underlying asset is of low value as an expense and initial direct costs are excluded from the measurement of right-of-use assets at Transition Date.

The Group applies these exemptions to recognize and measure leases.

(5) Designation of financial instruments recognized prior to the Transition Date

IFRS 1 allows First-time adopter to designate changes in fair value of equity instruments as financial assets measured through other comprehensive income on the basis of facts and circumstances existing at the date of

transition. The Group determined the classification based on the facts and circumstances that exist at the Transition Date and designated equity instruments as financial assets measured through other comprehensive income.

(6) Share-based payments

IFRS 1 encourages but does not require First-time adopter to apply IFRS 2 “Share-based Payment” (hereinafter, “IFRS 2”) to share-based payments vested before the Transition Date. The Group elected not to apply IFRS 2 to share-based payments vested before the Transition Date.

2. Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates” and “classification and measurement of financial instruments”, etc.

The Group has applied IFRS to these items prospectively from the Transition Date.

3. Reconciliations

Reconciliations required to be disclosed in the first-time adoption of IFRS are as follows.

In the reconciliation below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” include items that affect retained earnings and comprehensive income. As a “Difference in scope of consolidation,” certain insignificant subsidiaries that were not included in the scope of consolidation and were classified as non-consolidated subsidiaries under Japanese GAAP, are included in the scope of consolidation under IFRS.

Reconciliation of equity as of the Transition Date (March 1, 2021)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	402,584	(1,447)	2,417	—	403,554	(a)	Cash and cash equivalents
Accounts receivable-due from franchised stores	46,385	171,488	(250)	(10,350)	207,273	(b)	Trade and other receivables
Lease receivables	16,621	—	—	—	16,621		Finance lease receivables
Merchandise	20,657	760	1,374	(252)	22,539	(c)	Inventories
Accounts receivable-other	161,062	(161,062)	—	—	—	(b)	
Other	43,519	(36,097)	(820)	—	6,601	(a),(b),(c),(d)	Other financial assets
	—	21,506	371	(9,171)	12,706		Other current assets
Allowance for doubtful accounts	(20)	20	—	—	—	(b),(d)	
Total current assets	690,811	(4,832)	3,093	(19,774)	669,298		Total current assets
Non-current assets							Non-current assets
Property and store equipment	367,640	(145,430)	2,756	(58,137)	166,829	Ⓐ	Property and store equipment
	—	193,257	2,399	838,851	1,034,508	Ⓑ	Right-of-use assets
	—	—	—	36,737	36,737		Investment property
Goodwill	38,215	—	1,009	—	39,224	Ⓒ	Goodwill
Other intangible assets	48,191	9,170	122	(1,440)	56,044		Intangible assets
	—	9,691	(3,138)	39	6,592	(e)	Investments accounted for using equity method
Guarantee deposits	103,030	(626)	303	(8,879)	93,829		Guarantee deposits
Investment securities	27,624	(6,618)	(8,900)	(216)	11,888	(d),(e)	Other financial assets
Long-term loans receivable	40,621	(40,621)	—	—	—	(d),Ⓑ	
Deferred tax assets	33,484	—	86	16,713	50,284		Deferred tax assets
Other	16,474	(14,654)	35	4,993	6,849	(d)	Other non-current assets
Allowance for doubtful accounts	(663)	663	—	—	—	(d)	
Total non-current assets	674,618	4,832	(5,324)	828,662	1,502,788		Total non-current assets
Total assets	1,365,430	—	(2,231)	808,887	2,172,086		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities							Liabilities and equity
Current liabilities							Current liabilities
Accounts payable-trade	127,486	92,646	997	(7,731)	213,398	(f)	Trade and other payables
Accounts payable-other	90,798	(90,798)	—	—	—	(f)	
Deposits received	246,110	56,456	23	(2,516)	300,073	(g)	Deposits received
Short-term loans payable	42,320	100,000	(700)	(24)	141,595		Borrowings
Current portion of long-term loans payable	100,000	(100,000)	—	—	—		
Income taxes payable	4,078	—	31	—	4,109		Income taxes payable
Lease obligations	44,584	(44,584)	—	—	—	(h)	
Call money	40,000	(40,000)	—	—	—	(h)	
Deposits received for banking business	52,168	(52,168)	—	—	—	(g)	
	—	84,588	747	86,262	171,598	(h)	Other financial liabilities
Provision for bonuses	4,818	(4,818)	—	—	—	(i)	
	—	71	—	2,467	2,539		Provisions
Other	15,388	2,892	315	1,475	20,071	(f),(h),(i)	Other current liabilities
Total current liabilities	767,754	4,284	1,413	79,932	853,385		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term loans payable	130,000	—	—	(175)	129,824		Borrowings
Lease obligations	121,491	—	1,502	763,611	886,605	Ⓒ	Lease liabilities
	—	15,845	—	2,249	18,094	(h)	Other financial liabilities
Net defined benefit liability	16,278	—	148	113	16,540	Ⓓ	Retirement benefit liability
Deferred tax liabilities	485	—	—	—	485		Deferred tax liabilities
Asset retirement obligations	35,694	—	—	1,714	37,409	(i)	Provisions
Provision for retirement benefits to executive officers and audit and supervisory board members	277	(277)	—	—	—		
Other	20,516	(19,852)	56	2,750	3,470	(h)	Other non-current liabilities
Total non-current liabilities	324,743	(4,284)	1,707	770,264	1,092,430		Total non-current liabilities
Total liabilities	1,092,498	—	3,121	850,196	1,945,816		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net assets							Equity
Capital stock	58,506	—	—	—	58,506		Share capital
Capital surplus	46,494	333	—	—	46,828	(j)	Capital surplus
Treasury shares	(991)	—	—	—	(991)		Treasury shares
Accumulated other comprehensive income	5,123	—	—	(4,511)	611	Ⓓ,Ⓔ	Other components of equity
Subscription rights to shares	333	(333)	—	—	—	(j)	
Retained earnings	158,498	—	(6,396)	(34,422)	117,679	Ⓕ	Retained earnings
Non-controlling interests	4,965	—	1,043	(2,374)	3,634		Non-controlling interests
Total net assets	272,931	—	(5,352)	(41,308)	226,270		Total equity
Total liabilities and net assets	1,365,430	—	(2,231)	808,887	2,172,086		Total liabilities and equity

Reconciliation of equity as of February 28, 2022 (previous fiscal year end)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	388,463	(18)	4,519	32	392,996	(a)	Cash and cash equivalents
Accounts receivable-due from franchised stores	47,202	156,872	(1,402)	(9,267)	193,405	(b)	Trade and other receivables
Lease receivables	15,071	—	—	—	15,071		Finance lease receivables
Merchandise	22,128	792	2,399	(254)	25,066	(c)	Inventories
Accounts receivable-other	146,443	(146,443)	—	—	—	(b)	
Other	48,334	(38,128)	(1,321)	—	8,885	(a),(b),(c),(d)	Other financial assets
	—	22,240	876	(10,663)	12,453		Other current assets
Allowance for doubtful accounts	(17)	17	—	—	—	(b),(d)	
Total current assets	667,627	(4,667)	5,071	(20,152)	647,878		Total current assets
Non-current assets							Non-current assets
Property and store equipment	368,768	(142,779)	4,137	(53,306)	176,820	Ⓐ	Property and store equipment
	—	187,433	5,944	821,081	1,014,459	Ⓑ	Right-of-use assets
	—	—	—	41,037	41,037		Investment property
Goodwill	34,459	—	11,227	3,829	49,516	Ⓒ	Goodwill
Other intangible assets	43,286	9,203	75	(1,313)	51,251		Intangible assets
	—	9,687	(2,936)	27	6,778	(e)	Investments accounted for using equity method
Guarantee deposits	103,277	(537)	336	(8,920)	94,155		Guarantee deposits
Investment securities	21,738	4,062	(19,769)	(93)	5,937	(d),(e)	Other financial assets
Long-term loans receivable	38,044	(38,044)	—	—	—	(d),Ⓑ	
Deferred tax assets	34,736	—	122	16,402	51,261		Deferred tax assets
Other	26,066	(25,119)	31	4,703	5,682	(d)	Other non-current assets
Allowance for doubtful accounts	(759)	759	—	—	—	(d)	
Total non-current assets	669,618	4,667	(831)	823,445	1,496,900		Total non-current assets
Total assets	1,337,245	—	4,240	803,293	2,144,778		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities							Liabilities and equity
Current liabilities							Current liabilities
Accounts payable-trade	125,681	92,564	2,997	(7,514)	213,728	(f)	Trade and other payables
Accounts payable-other	90,412	(90,412)	—	—	—	(f)	
Deposits received	151,809	94,829	202	(1,356)	245,485	(g)	Deposits received
Short-term loans payable	47,072	20,000	300	—	67,372		Borrowings
Current portion of long-term loans payable	20,000	(20,000)	—	—	—		
Income taxes payable	7,368	—	35	—	7,403		Income taxes payable
Lease obligations	45,955	(45,955)	—	—	—	(h)	
Call money	108,000	(108,000)	—	—	—	(h)	
Deposits received for banking business	91,420	(91,420)	—	—	—	(g)	
	—	153,955	1,938	90,952	246,847	(h)	Other financial liabilities
Provision for bonuses	4,854	(4,854)	—	—	—	(i)	
	—	31	—	2,545	2,576		Provisions
Other	12,117	2,668	414	1,488	16,688	(f),(h), (i)	Other current liabilities
Total current liabilities	704,691	3,406	5,889	86,114	800,102		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term loans payable	160,000	—	92	(107)	159,984		Borrowings
Lease obligations	118,445	—	3,888	746,980	869,314	Ⓔ	Lease liabilities
	—	17,282	490	2,034	19,808	(h)	Other financial liabilities
Net defined benefit liability	17,438	—	140	139	17,718	Ⓓ	Retirement benefit liability
Deferred tax liabilities	449	—	—	9	459		Deferred tax liabilities
Asset retirement obligations	36,622	—	—	1,935	38,557	(i)	Provisions
Provision for retirement benefits to executive officers and audit and supervisory board members	248	(248)	—	—	—		
Other	20,875	(20,441)	55	2,649	3,140	(h)	Other non-current liabilities
Total non-current liabilities	354,080	(3,406)	4,666	753,642	1,108,982		Total non-current liabilities
Total liabilities	1,058,771	—	10,556	839,756	1,909,085		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net assets							Equity
Capital stock	58,506	—	—	—	58,506		Share capital
Capital surplus	46,495	368	—	35	46,899	(j)	Capital surplus
Treasury shares	(973)	—	—	—	(973)		Treasury shares
Accumulated other comprehensive income	7,563	—	384	(6,359)	1,588	Ⓓ, Ⓔ	Other components of equity
Subscription rights to shares	368	(368)	—	—	—	(j)	
Retained earnings	161,299	—	(7,713)	(27,753)	125,832	Ⓕ	Retained earnings
Non-controlling interests	5,213	—	1,012	(2,386)	3,839		Non-controlling interests
Total net assets	278,473	—	(6,316)	(36,463)	235,693		Total equity
Total liabilities and net assets	1,337,245	—	4,240	803,293	2,144,778		Total liabilities and equity

Reconciliation of income and comprehensive income for the previous fiscal year (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Gross operating revenue	698,371	(205)	12,833	232,207	943,206	(k)	Gross operating revenue
Cost of sales	199,738	—	6,949	248,201	454,889		Cost of sales
Operating gross profit	498,633	(205)	5,883	(15,994)	488,317		Operating gross profit
Selling, general and administrative expenses	451,537	496	6,960	(23,119)	435,874	(k),(n), ©,①	Selling, general and administrative expenses
	—	5,021	160	(1,716)	3,465	(l)	Other income
	—	21,586	351	(2,860)	19,077	(l)	Other expenses
Non-operating income	6,420	(6,420)	—	—	—		
Non-operating expenses	5,944	(5,944)	—	—	—		
Extraordinary income	1,103	(1,103)	—	—	—		
Extraordinary losses	20,576	(20,576)	—	—	—		
	—	2,449	(186)	2,401	4,664	(l)	Finance income
	—	4,231	182	4,404	8,819	(l),(n)	Finance costs
	—	50	354	27	432	(l)	Share of profit of investments accounted for using equity method
Profit before income taxes	28,098	—	(1,283)	6,294	33,109		Profit before tax
Income taxes-current	11,226	(1,160)	137	215	10,418	(m)	Income taxes
Income taxes-deferred	(1,160)	1,160	—	—	—		
Profit	18,032	—	(1,420)	6,078	22,690		Profit
Profit attributable to owners of parent	17,900	—	(1,371)	6,096	22,625		Profit attributable to owners of parent
Profit attributable to non-controlling interests	131	—	(48)	(17)	65		Profit attributable to non-controlling interests

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Profit	18,032	—	(1,420)	6,078	22,690		Profit
Other comprehensive income							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(196)	—	—	(1,049)	(1,245)	⑤	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(92)	—	—	(134)	(227)	④	Remeasurements of defined benefit plans
Revaluation reserve for land	138	—	—	(138)	—		
	—	—	(10)	—	(10)		Share of other comprehensive income of investments accounted for using equity method
Foreign currency translation adjustment	2,730	—	342	41	3,114	⑤	Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations
	—	—	—	29	29		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	2,580	—	332	(1,251)	1,661		Other comprehensive income (net of tax)
Comprehensive income	20,613	—	(1,088)	4,827	24,352		Comprehensive income

4. Note on reclassifications and reconciliations of equity, profit and loss, and comprehensive income (Reclassifications)

In accordance with IFRS, the Group has reclassified certain elements of equity, profit and loss, and comprehensive income. The main changes are as follows:

(a) Cash and cash equivalents

Time deposits with maturities of more than three months, which were included in “Cash and deposits” under Japanese GAAP, are reclassified to “Other financial assets (current)” under IFRS.

(b) Trade receivables

“Accounts receivable-other” and “Accounts receivable-due from franchised stores,” which were separately presented, and “Accounts receivable-trade” and “Deposits paid,” which were included in “Other” in the “Current assets” section under Japanese GAAP, are reclassified and presented as “Trade and other receivables” under IFRS. In addition, “Allowance for doubtful accounts (current)” related to “Trade and other receivables” is also reclassified and is directly deducted from “Trade and other receivables,” which are presented on a net basis.

(c) Inventories

“Merchandise,” which was separately presented and “Supplies,” “Raw materials,” and “Finished goods,” which were included in “Other” in the “Current assets” section under Japanese GAAP, are presented as “Inventories” under IFRS.

(d) Other financial assets

“Investment securities (except equity-method affiliates),” and “Long-term loans receivable (except construction cooperation payments),” which were separately presented, “Short-term loans receivable” and “Advances paid,” which were included in “Other” in the “Current assets” section, and “Insurance funds,” which were included in “Other” in “Investments and other assets” under Japanese GAAP, are presented as “Other financial assets” under IFRS. In addition, the “Allowance for doubtful accounts (current)” related to “Other financial assets” and the “Allowance for doubtful accounts (non-current),” which were presented separately under Japanese GAAP, have been reclassified and are directly deducted from “Other financial assets,” which are presented on a net basis.

(e) Investments accounted for using equity method

“Investments accounted for using equity method,” which were included in “Investment securities” under Japanese GAAP, are separately presented under IFRS.

(f) Trade payables

“Accounts payable-trade” and “Accounts payable-other,” which were separately presented, and “Accounts payable-due from franchised stores,” which were included in “Other” in “Current liabilities” under Japanese GAAP, are reclassified as “Trade and other payables” under IFRS.

(g) Deposits received

“Deposits received for banking business” which was separately presented under Japanese GAAP is reclassified as “Deposits received” under IFRS.

(h) Other financial liabilities

“Lease obligations” and “Call money,” which were separately presented in the “Current liabilities” section, and “Guarantee deposits,” which were included in “Other” in “Non-current liabilities” under Japanese GAAP, are presented as “Other financial liabilities” under IFRS.

(i) Provisions

“Provision for bonuses,” which was separately presented under Japanese GAAP, is reclassified as “Other current liabilities” under IFRS. Moreover, “Asset retirement obligations,” which were separately presented under Japanese GAAP, is presented as “Provisions” under IFRS.

(j) Capital surplus

“Subscription rights to shares,” which was separately presented under Japanese GAAP, is included in “Capital surplus” under IFRS.

(k) Sales

“Compensation to merchants,” which was included in “Selling, general and administrative expenses” under Japanese GAAP, is offset against net sales as consideration paid to customers under IFRS.

(l) Non-operating income (losses) and extraordinary income (losses)

The items presented as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary losses” under Japanese GAAP are presented as “Finance income” and “Finance costs” under IFRS for financial-related gains and losses, while other items are presented as operating items in “Other income,” “Other expenses,” and “Share of profit of investments accounted for using equity method.”

(m) Income taxes

“Income taxes-current” and “Income taxes-deferred” which were separately presented under Japanese GAAP, are presented collectively as “Income taxes” under IFRS.

(n) Periodic interest costs

Periodic interest costs on asset retirement obligations etc. incurred over time, which were included in “Selling, general and administrative expenses” under Japanese GAAP, are included in “Finance costs” under IFRS in accordance with the regulations.

(Differences in recognition and measurement)

Ⓐ Property and store equipment

Upon first-time adoption, the Company elected the exemption provided in IFRS 1 and used the fair value as of the Transition Date of certain property and store equipment (buildings and structures) as deemed cost under IFRS at that date, and transferred the difference between the fair value and the Japanese GAAP carrying amount to retained earnings.

The fair value of such property and store equipment as of the transition date was 35,909 million yen, a reduction of 44,315 million yen compared with the carrying amount in accordance with Japanese GAAP. Furthermore, fair value is determined by third-party appraisals and other methods and is classified as Level 3.

Ⓑ Right-of-use assets

Operating leases expensed under Japanese GAAP are recorded as both a right-of-use asset and a lease liability under IFRS. Furthermore, construction cooperation payments, which were separately classified as “Long-term loans receivable” under Japanese GAAP, are reclassified as “Right-of-use assets” and offset against “Lease liabilities.”

Ⓒ Recorded amount of goodwill and goodwill to equity-method affiliates

Under Japanese GAAP, goodwill is amortized but, under IFRS, goodwill is not amortized but tested for impairment each period beginning on the Transition Date.

In addition, goodwill of equity-method affiliates is amortized under Japanese GAAP but not under IFRS, and thus amortization ends after the Transition Date.

Ⓓ Employee benefit

i Liabilities have been recorded for unused paid vacation and long service compensation, which were not accounted for under Japanese GAAP, and an adjustment has been made to “Selling, general and administrative expenses.”

ii Unrecognized actuarial gains and losses on defined benefit plans were included in “Accumulated other comprehensive income” in Japanese GAAP, whereas in IFRS they are recognized in other comprehensive income when incurred and immediately transferred to retained earnings.

Ⓔ Other components of equity

i The Company has elected the exemption provided in IFRS 1 and transferred the balance of all accumulated differences on translation of foreign operations to retained earnings as of March 1, 2021, the Transition Date.

ii Under Japanese GAAP, unlisted shares were carried at cost and, if necessary, impairment loss was recognized when the financial position of the issuing company deteriorated; under IFRS, the Company

has elected to measure them at fair value through other comprehensive income.

㊦ Retained earnings

(Millions of yen)

	IFRS Transition Date (As of March 1, 2021)	End of previous fiscal year (As of February 28, 2022)
Adjustments due to difference in scope of consolidation	(6,396)	(7,713)
Adjustments for property and store equipment	(30,659)	(27,611)
Adjustments for right-of-use assets and lease liabilities	(1,400)	(3,045)
Adjustments for goodwill	—	3,857
Adjustments for employee benefits	(2,035)	(2,115)
Adjustments for other components of equity	4,923	6,667
Other	(5,251)	(5,505)
Total	(40,818)	(35,466)

5. Adjustments for cash flows for the previous fiscal year (From March 1, 2021 to February 28, 2022)

Under Japanese GAAP, lease payments under operating leases are presented in cash flows from operating activities. However, under IFRS, all leases should be recognized as lease liabilities, in principle, and repayments of lease liabilities are presented in cash flows from financing activities.

As a result, “Net cash provided by (used in) financing activities” decreased by 123,243 million yen, while “Net cash provided by (used in) operating activities” increased by 123,243 million yen.