

## Flash Report on the Consolidated Financial Results

for the Fiscal Year Ended February 28, 2021

April 8, 2021

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

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

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Scheduled date for the ordinary general meeting of shareholders: May 25, 2021

Scheduled date for submission of annual securities report: May 26, 2021

Scheduled date for payment of dividend: May 26, 2021

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 2020 fiscal year (from March 1, 2020 to February 28, 2021)

(1) 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, 2021	666,001	(8.8)	40,876	(35.1)	37,610	(33.3)	8,689	(56.8)
February 29, 2020	730,236	4.2	62,943	3.6	56,346	(2.3)	20,108	(21.4)

Note: Comprehensive income: Fiscal year ended February 28, 2021 10,046 million yen (42.9)%  
Fiscal year ended February 29, 2020 17,586 million yen (32.8)%

	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
	Yen	Yen	%	%	%
For the fiscal year ended					
February 28, 2021	86.84	86.78	3.2	2.8	6.1
February 29, 2020	200.95	200.84	7.3	4.2	8.6

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

Fiscal year ended February 28, 2021 332 million yen  
Fiscal year ended February 29, 2020 571 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
February 28, 2021	1,365,430	272,931	19.6	2,674.53
February 29, 2020	1,357,732	275,347	20.0	2,707.08

Reference: Shareholders' equity: As of February 28, 2021 267,632 million yen  
As of February 29, 2020 270,877 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, 2021	227,954	(29,983)	(140,642)	401,136
February 29, 2020	202,703	(49,074)	(163,910)	343,583

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	%	%
2019 fiscal year	—	75.00	—	75.00	150.00	15,009	74.6	5.5
2020 fiscal year	—	75.00	—	75.00	150.00	15,010	172.7	5.6
2021 fiscal year (forecast)	—	75.00	—	75.00	150.00		111.2	

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

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

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

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 associated with revision in accounting standards: None

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

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

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

As of February 28, 2021: 100,300,000 As of February 29, 2020: 100,300,000

2. Number of treasury shares at the end of year

As of February 28, 2021: 232,954 As of February 29, 2020: 237,762

3. Average number of shares during the year

As of February 28, 2021: 100,065,840 As of February 29, 2020: 100,061,451

Reference: Non-consolidated operating results for 2020 fiscal year (from March 1, 2020 to February 28, 2021)  
 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, 2021	354,825	(9.2)	26,150	(41.5)	33,700	(26.7)	15,894	2.6
February 29, 2020	390,811	1.3	44,725	(2.2)	45,962	(10.7)	15,486	(50.0)

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 12.

## Contents

1. Overview of Operating Results .....	2
(1) Overview of Operating Results for the Fiscal Year under Review .....	2
(2) Profit and Loss .....	11
(3) Overview of Financial Position for the Fiscal Year under Review .....	11
(4) Future Outlook .....	12
2. Basic Approach to Selection of Accounting Standards .....	12
3. Consolidated Financial Statements and Main Notes .....	13
(1) Consolidated Balance Sheet .....	13
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income .....	15
Consolidated Statement of Income .....	15
Consolidated Statement of Comprehensive Income .....	16
(3) Consolidated Statement of Changes in Equity .....	17
(4) Consolidated Statement of Cash Flows .....	19
(5) Notes to Consolidated Financial Statements .....	21
(Going Concern Assumption) .....	21
(Accounting Policies for the Preparation of Consolidated Financial Statements) .....	21
(Unapplied Accounting Standards, etc.) .....	24
(Changes in Presentation) .....	25
(Notes to Consolidated Balance Sheet) .....	26
(Notes to Consolidated Statement of Income) .....	27
(Notes to Consolidated Statement of Comprehensive Income) .....	29
(Notes to Consolidated Statement of Changes in Equity) .....	30
(Notes to Consolidated Statement of Cash Flows) .....	32
(Segment Information) .....	33
(Per Share Information) .....	39
(Significant Subsequent Events) .....	39

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

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

During the fiscal year under review, or fiscal 2020 ended February 28, 2021, the novel coronavirus disease (COVID-19) spread across the world. In Japan, the first state of emergency was declared in April 2020. This had an immense impact on the nation's economic and social activities and the daily lives of its people. Although the economy showed a gradual recovery trend after the state of emergency was lifted in May 2020, the number of new infections increased again in November 2020, resulting in the second state of emergency being declared in January 2021 for 11 prefectures including Tokyo. This dampened the recovery in economic and social activities and affected people's daily lives. Meanwhile, changes in consumer lifestyles and purchasing behavior have progressed, such as remote work becoming prevalent. Such changes have also affected the business of the Lawson Group, significantly reducing its net sales, but the Group continues to strive to address the changes by strengthening its merchandise assortment in line with the shifting customer demands, among other measures as strengthening its merchandise assortment, expanding its delivery service, and enhancing its smartphone-based sales campaign initiatives in line with the shifting customer demands.

As a result, for fiscal 2020 on a consolidated basis, gross operating revenue decreased to 666,001 million yen (down 8.8% from previous fiscal year), operating income decreased to 40,876 million yen (down 35.1% from previous fiscal year) and ordinary income decreased to 37,610 million yen (down 33.3% from previous fiscal year). Profit attributable to owners of parent decreased to 8,689 million yen (down 56.8% from previous fiscal year).

Against such a backdrop, based on our belief that as a company that provides essential and life-sustaining infrastructure our most important mission is to meet the needs of local people and stay close to our customers, our headquarters and franchise stores have made unified efforts toward making our stores the "Hub of refreshment in every community" under our Group philosophy of "Creating Happiness and Harmony in Our Communities."

Furthermore, we also focused on improving our group-wide internal control system and addressing operating risks based on the 2020 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

Operating results by business segment were as follows.

It should be noted that new reportable segments have been applied since fiscal 2020 and that the comparison and analysis of figures for the fiscal year from March 1, 2020 to February 28, 2021 were based on the new reportable segments.

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

After the state of emergency was lifted in May 2020, recovery trends were seen in the number of customers and sales. However, COVID-19 spread again after November 2020, resulting in the declaration of Japan's second state of emergency in January 2021, which had an immense impact on the number of customers. The number of new COVID-19 cases started decreasing again in February 2021, leading to a recovery trend in customer behavior.

As precautionary store measures against COVID-19, we continued to have transparent plastic barriers installed at cash registers; ensured social distancing; and made sure employees practiced rigorous hand washing and gargling, disinfected their hands with alcohol-based disinfectant, and wore face masks, giving

top priority to the safety of customers and store employees. We are also promoting self-checkout systems, which allow us to reduce interpersonal contact at checkout.

In store operations, we are striving to establish LAWSON stores as convenience stores endorsed by all our customers. To this end, we are continuing to implement measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. By developing distinctive products that are compellingly delicious and health-conscious, we are aiming to further reinforce our product lineup, while rigorously working to offer thoughtful customer service at our stores and ensure environmental friendliness by reducing food waste, the use of plastics and CO<sub>2</sub> emissions, etc.

#### [Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean. Furthermore, we kept up our initiatives to increase the profits made by franchise stores, including helping them streamline their store operation and reduce costs associated with food waste and utility expenses. Meanwhile, we also focused on expanding our merchandise assortment of items subject to heightened demand amid the COVID-19 crisis in our efforts to respond to customer needs and increase sales.

#### [Merchandising and Service Strategies]

Net sales decreased significantly owing to a decline in the number of customers, but sales surged in fresh vegetables, frozen foods, and daily delivered foods, among others, as a result of expanding the merchandise assortment in response to the rise in home cooking instead of dining out. In the spring of 2020, we divided our Lawson Select private brand products into two series, “L basic” and “L marche.” We are working to develop new products for the private brands with newly designed logos and packaging, focusing on ready-made dishes that are high in demand.

We will continue creating stores tailored to customers’ changing lifestyles and needs amid the spread of COVID-19.

In the rice range, we revamped our “Kinshari Onigiri Rice Ball” series in November 2020 by blending different varieties of brand-name rice—produced in the prefectures of Yamagata, Ishikawa, Toyama, or Gifu—for different geographic markets. High value-added products in the series such as those featuring rare and seasonal ingredients were launched, enjoying high popularity.

In the cooked noodles range, we launched the “RAMEN YOKOCHO” series of microwavable noodle products in October 2020 under the supervision of popular ramen noodle eateries nationwide, and they enjoyed robust sales.

In the dessert range, our original dessert products contributed to sales. Specifically, the “Uchi Café Spécialité” series, our newly released “reward dessert” products that bring out the pure tastiness of the ingredients, was well received by customers, along with our regular products including our BASCHEE Basque-style cheesecake as well as our novel dessert products that we are continuing to develop.

The Machikado Chubo in-store kitchen service offering freshly prepared boxed meals is being received well, partly owing to reduced opportunities to go out amid the COVID-19 crisis.

A range of promotional campaigns featuring popular contents designed to be fun for a wide variety of customers proved effective in driving sales of related products.

In food delivery service, for which needs have been growing owing to the COVID-19 crisis, we started

offering delivery service through foodpanda in November 2020 in addition to Uber Eats. As a result, the combined number of stores listed on food delivery services reached 1,472 in 27 prefectures as of February 28, 2021. In addition, Uber Eats started delivering over-the-counter (OTC) drugs sold at three LAWSON stores in Tokyo as the first OTC drugs included in Uber Eats' lineup in Japan.

The SMARI service, our non-face-to-face package shipment service using SMARI Box, which had been designed exclusively for the service, was expanded into the Chubu region in November 2020, with 250 stores in Aichi Prefecture introducing the service. As of the end of February 2021, the service is offered at 2,850 stores in the Tokyo, Nagoya and Osaka metropolitan areas.

[Breakdown of Sales by Merchandise Category at Chain Stores in Domestic Convenience Store Business]

Fiscal year Product group	Previous fiscal year From March 1, 2019 To February 29, 2020		Current fiscal year From March 1, 2020 to February 28, 2021		YoY(%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,237,391	52.8	1,156,760	53.4	93.5
Fast foods	546,542	23.3	462,497	21.3	84.6
Daily delivered foods	351,442	15.0	343,772	15.9	97.8
Nonfood products	209,624	8.9	202,788	9.4	96.7
Total	2,345,000	100.0	2,165,818	100.0	92.4

[Store Development]

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

During the fourth quarter under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 373 stores. Meanwhile, a total of 341 stores in the country were closed. As of the end of February 2021, the total number of domestic stores was 14,476.\*

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 250 stores (includes 53 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2021. Moreover, the number of stores offering nursing care consultation services has reached 23 as of the end of February 2021. Furthermore, we have also been expanding our chain of "in-hospital LAWSON stores," which feature strengthened focus on goods for inpatients and medical, sanitary, and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 335 as of the end of February 2021. Building on our expertise developed through operation of in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

With the aim of supporting our customers' beauty, health, and comfortable lifestyles, our NATURAL LAWSON stores offer an exclusive assortment of items including original products adopting select ingredients as well as products produced in collaboration with renowned brand names. Meanwhile, our LAWSON STORE100 stores, which are mini supermarkets in the size of a convenience store, aim to sustain

the daily lives of consumers by offering fresh, high-quality, safe, and reliable fruits and vegetables. 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 2021, we operate 143 NATURAL LAWSON stores and 679 LAWSON STORE100 stores.

\* The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc. and 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 29, 2020	Change during period	Total stores as of February 28, 2021
LAWSON	13,557	97	13,654
NATURAL LAWSON	145	(2)	143
LAWSON STORE100	742	(63)	679
Total	14,444	32	14,476

[Number of LAWSON stores by prefecture (As of February 28, 2021)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	679	Ibaraki	226	Kyoto	321	Ehime	212
Aomori	278	Tokyo	1,692	Shiga	155	Tokushima	135
Akita	182	Kanagawa	1,076	Nara	137	Kochi	139
Iwate	182	Shizuoka	281	Wakayama	152	Fukuoka	515
Miyagi	255	Yamanashi	137	Osaka	1,113	Saga	75
Yamagata	113	Nagano	174	Hyogo	663	Nagasaki	112
Fukushima	171	Aichi	723	Okayama	211	Oita	193
Niigata	230	Gifu	183	Hiroshima	244	Kumamoto	160
Tochigi	199	Mie	137	Yamaguchi	120	Miyazaki	111
Gunma	241	Ishikawa	104	Tottori	136	Kagoshima	199
Saitama	695	Toyama	183	Shimane	142	Okinawa	245
Chiba	604	Fukui	109	Kagawa	132	Total(domestic)	14,476

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

[Other]

On September 10, 2020, Lawson, Inc. entered into a joint business agreement with POPLAR Co., Ltd. to convert and operate some of the stores under the POPLAR, SEIKATSU SAIKA, and THREE EIGHT brands into LAWSON POPLAR or LAWSON brand stores.

Based on the content of the “Fact-Finding Survey Report on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees” (September 2020) and the “Fact-Finding Survey on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees



(Overall Questionnaire Results)” compiled by the Japan Fair Trade Commission, Lawson, Inc. implemented a self-inspection program, and formulated and announced an improvement plan on November 30, 2020.

As part of our measures to enhance the financial stability of our franchise stores, we are proceeding with a range of short-, medium-, and long-term initiatives to support them with multiple store ownership, store manager development, and measures for new franchise owners. In addition, we have been providing financial support to stores facing considerable sales declines due to the spread of COVID-19, and will proceed with further measures to increase their sales and profits under strong partnerships with them.

We jointly develop products with regional business operators nationwide that have been affected by COVID-19. Through such initiatives, we aim to support local businesses and producers through our LAWSON stores.

As a result, Domestic Convenience Store Business posted gross operating revenue of 422,501 million yen (down 10.4% from previous fiscal year) and segment profit of 28,739 million yen (down 39.0% from previous fiscal year).

#### **(Seijo Ishii Business)**

At stores of Seijo Ishii, a high-end supermarket chain offering quality foods, we provide our customers with well-selected, safe, and reliable foods. The number of directly operated Seijo Ishii stores reached 164 as of the end of February 2021. Demand at supermarkets remained high amid the spread of COVID-19, and demand for perishables including fruit and vegetables as well as meat and fish grew markedly, especially at street-side stores. In addition, Seijo Ishii’s original ready-made dishes that had always been popular among many customers were also in high demand, contributing to pushing up overall sales significantly.

By continuing to leverage the company’s strengths including its product development expertise, know-how acquired as a manufacturing retailer, and retailing techniques, we will endeavor to enhance the brand capacity of Seijo Ishii.

As a result, Seijo Ishii Business posted gross operating revenue of 103,037 million yen (up 10.7% from previous fiscal year) and segment profit of 10,329 million yen (up 23.7% from previous fiscal year).

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

With regard to our Entertainment-related Business, the ticketing business of Lawson Entertainment, Inc., we experienced a precipitous drop in ticket transaction value as a result of event cancellations and postponements owing to the spread of COVID-19. Hosting of events continues to be restricted, but we are striving to expand ticket transactions for online live streaming events featuring prominent artists and for leisure facilities and sports events that have reopened/resumed, as well as boosting our e-commerce business, for which demand has risen due to voluntary stay-at-home efforts.

In our product sales business, a total of 57 stores are in operation nationwide as of February 28, 2021, including our mainstay HMV stores dedicated to selling music and video software, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records.

United Cinemas Co., Ltd., an operator of cinema complexes, had to close all its theaters when the state of emergency was declared in April 2020, and operated with limits imposed on audience sizes even after the state of emergency was lifted. Currently, however, it is executing normal operations, with the exception of some regions. Audience numbers continued to grow after popular films were launched in October 2020, resulting in a recovery trend in sales.

As of February 28, 2021, all 43 sites nationwide offering 389 screens including those operated on commission are in operation while taking rigorous measures to protect their customers and employees from infection.

As a result, Entertainment-related Business posted gross operating revenue of 57,909 million yen (down 32.1% from previous fiscal year) and segment loss of 297 million yen (segment profit was 5,313 million yen in previous fiscal year).

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

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

As of the end of February 2021, the number of ATMs installed nationwide reached 13,458 (up 105 from previous fiscal year), with each ATM used 43.1 times a day on average, decreasing as a result of the decline in the number of customers visiting LAWSON stores due to the spread of COVID-19. The total number of our financial institution partners was 129 nationwide (up 5 from previous fiscal year), including online banks.

By harnessing Lawson Bank's ATMs and their transaction network, we are continuing with our efforts to enhance the bank's functions and convenience and to expand our service partners. In June 2020, we started offering an "instant bank account settlement service," in which money can be withdrawn from a user's bank account to top up a mobile payment app. Furthermore, other new services have been launched including the "ATM charge service," where cash can be charged to the user's mobile payment app at an ATM; the "smartphone ATM service," which allows the user to deposit and withdraw cash at an ATM with the bank's smartphone app without using the user's bank card; and the "ATM deposit service for business operators," which allows store revenues to be deposited to a Lawson Bank account at an ATM by using a dedicated deposit card.

During the fourth quarter, Lawson Bank entered into partnerships with overseas remittance service providers Unidos Co., Ltd. and SBI Remit Co., Ltd., allowing their overseas remittance cards to be used at its ATMs.

In addition, the LAWSON Ponta Plus credit card issued by Lawson Bank allows cardholders to earn additional Ponta points when making purchases with their card at LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores to encourage the use of the card. Furthermore, the Ponta point reward rate was raised in November 2020 to facilitate point accumulation when using the credit card at other stores. By implementing promotional campaigns and soliciting new cardholders at LAWSON stores, we are also trying to expand its membership.

\* "Up/down from previous fiscal year-end" represents a comparison with the figure as of the end of February 2020.

As a result, Financial Services Business posted gross operating revenue of 31,573 million yen (down 7.4% from previous fiscal year) and segment profit of 1,753 million yen (down 43.2% 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).

In the People's Republic of China, we advanced into Haikou, Hainan province in October 2020. The

number of LAWSON stores in the entire country reached 3,344 as of the end of February 2021. In response to the spread of COVID-19, we closed some stores or shortened their opening hours at the beginning of the fiscal year under review, but as normal operations were resumed relatively earlier than in Japan and other regions, net sales have generally recovered.

In other regions, apart from some stores that have suspended their operations in response to the spread of COVID-19, all other stores are carrying out normal operations, with rigorous infection prevention measures in place, in order to sustain the daily lives of customer

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 29, 2020)	Change during fiscal year	Number of stores (As of February 28, 2021)
China Shanghai and surrounding area	1,574	252	1,826
China Chongqing	235	106	341
China Dalian	192	57	249
China Beijing and surrounding area	153	62	215
China Shenyang	26	52	78
China Wuhan	401	40	441
China Hefei	50	56	106
China Changsha	15	50	65
China Haikou	—	23	23
Thailand	133	7	140
Indonesia	72	(4)	68
Philippines	65	2	67
United States of America Hawaii	2	—	2
Total	2,918	703	3,621

As a result, Overseas Business posted gross operating revenue of 61,356 million yen (up 9.2% from previous fiscal year) and segment profit of 809 million yen (segment loss was 1,005 million yen in previous fiscal year).

**(Measures to pursue Sustainable Development Goals (SDGs))**

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.

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).

“6 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

We are especially making focused efforts on addressing our sixth material issue, “sustainable environment preservation activities toward carbon-free society, by setting social and environmental key performance indicators (KPIs) as Goals for 2030 in three areas: (1) reducing food waste; (2) reducing plastic use (for containers, packaging and shopping bags); and (3) reducing CO<sub>2</sub> emissions. Furthermore, toward Lawson’s Vision 2050, we are taking on difficult challenges to achieve high goals so that we can create a carbon-free society and contribute more to the ideal world that the SDGs aim to realize. To fulfill Lawson’s Vision 2050, we are looking back on what we have done so far and examining and discussing what we should do now to steadily proceed with our material issues and KPIs for 2030.

Issues	KPIs for 2030	KPIs for 2050
Reducing food waste	Reduce by 50% over 2018	Reduce by 100%
Reducing plastic use (for containers and packaging)	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%	—
Reducing CO <sub>2</sub> emissions	CO <sub>2</sub> emissions per store Reduce by 30% over 2013	Reduce by 100%

To reduce food waste, we optimize the number of purchases, offer discounts to sell out all stock, and reduce unsold leftovers by selling special feature items on a reservation basis. Meanwhile, we take leftover food products to recycling plants to have them recycled into pig and chicken feed or fertilizers for growing vegetables. Oil waste is also recycled into nutritional additives for feedstuffs and biodiesel.

To reduce plastic use, we have replaced the plastic cups used for iced coffee and café latte offered at “MACHI café” with paper cups and adopted lids with openings to eliminate the need for straws. We also

started charging fees for plastic shopping bags in response to the mandatory surcharge implemented nationwide from July 2020, and now use plastic bags with a mix of 30% plant-derived materials. As a result of these measures, the percentage of Lawson customers declining single-use plastic shopping bags is currently 74.9% as of the end of February 2021.

To prevent global warming and reduce electricity consumption at stores, we have been installing chlorofluorocarbon (CFC)-free (CO<sub>2</sub> refrigerant) refrigerator/freezer systems. The number of stores equipped with such systems reached approximately 4,200 as of the end of February 2021, up 500 stores from the end of the previous fiscal year. Furthermore, Lawson, Inc. endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. To combat worsening climate change issues, we have analyzed climate-related risks and opportunities and made our first disclosure on our official website in December 2020. We will further implement scenario analysis on major transition risks and physical risks, identify their impact on our business strategies, examine measures to take, and endeavor to proactively disclose information.

On March 1, 2021, the position of chief sustainability officer (CSO) was established and assumed by the president and CEO, representative director. We intend to further strengthen our initiatives under the new structure.

We also continued with our scholarship program for children from single-parent families, selecting 400 students to receive scholarships in fiscal 2020. Since August 2019, Lawson has 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. The donated products are delivered to various bodies across Japan, which then provide them to families who need food aid, children's cafeterias, orphanages, facilities for people with a disability, etc. In fiscal 2020, we donated a total of some 270,000 items (about 30 tons) of food products, including Lawson's original items and national-label products developed exclusively for Lawson.

While working to take protective measures against the spread of COVID-19 at our stores, we have also conducted various initiatives to support people who are forced to persevere amid difficult situations in their day-to-day lives. In March 2020, in response to a request, we distributed free rice balls to after-school childcare centers in 47 prefectures nationwide as a way to supplement children's lunches during the temporary school closure. Under the three-day program, 584,983 rice balls were delivered to 307,332 children at a total of 7,163 facilities. In addition, for children with limited space to play during the stay-home period, LAWSON stores helped them have fun at home by offering free printouts of coloring sheets produced using multifunction copiers at our stores from March to April 2020. Furthermore, we developed food products using milk intended for school lunches and sea bream produced in Ehime Prefecture, consumption of which decreased due to the COVID-19 crisis, to support local producers across the nation.

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

In terms of operating results for the fiscal year, gross operating revenue increased to 666,001 million yen (down 8.8% from previous fiscal year), operating income totaled 40,876 million yen (down 35.1% from previous fiscal year), and ordinary income amounted to 37,610 million yen (down 33.3% from previous fiscal year). Profit attributable to owners of parent was 8,689 million yen (down 56.8% 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 54,113 million yen from the end of the previous fiscal year to 690,811 million yen, mainly reflecting an increase of 58,997 million yen in cash and deposits and a decrease of 4,283 million yen in current assets-other due to the movement in call loans for banking business. Non-current assets decreased by 46,416 million yen from the end of the previous fiscal year to 674,618 million yen, mainly reflecting decreases of 25,297 million yen in property and store equipment, 10,656 million yen in intangible assets and 10,461 million yen in investments and other assets such as guarantee deposits. Consequently, total assets increased by 7,697 million yen from the end of the previous fiscal year to 1,365,430 million yen.

Current liabilities increased by 205,791 million yen from the end of the previous fiscal year to 767,754 million yen, mainly reflecting increases of 100,000 million yen in current portion of long-term loans payable, 60,979 million yen in current liabilities-other due to the movement in call money for banking business, and 53,014 million yen in deposits received. Non-current liabilities decreased by 195,678 million yen from the end of the previous fiscal year to 324,743 million yen, mainly reflecting a decrease of 180,000 million yen in long-term loans payable. Consequently, total liabilities increased by 10,113 million yen from the end of the previous fiscal year to 1,092,498 million yen.

Net assets decreased by 2,415 million yen from the end of the previous fiscal year to 272,931 million yen, mainly reflecting a decrease of 6,582 million yen in retained earnings and an increase of 1,889 million yen in capital surplus. Consequently, shareholders' equity ratio was 19.6%, down from 20.0% as of the end of the previous fiscal year.

### **② Cash flows during fiscal year 2020**

Cash and cash equivalents at February 28, 2021 increased by 57,553 million yen from the end of the previous fiscal year to 401,136 million yen.

Net cash provided by operating activities was 227,954 million yen, an increase of 25,250 million yen from the previous fiscal year, mainly because of an increase (decrease) in accounts receivable-other, an increase (decrease) in deposits received and a net decrease (increase) in notes and accounts payable-trade.

Net cash used in investing activities was (29,983) million yen, a decrease of 19,090 million yen from the previous fiscal year, mainly because of a decrease in purchase of property and store equipment, an increase of proceeds from sales of investment securities and a decrease of payments for guarantee deposits.

Net cash used by financing activities was (140,642) million yen, a decrease of 23,268 million yen from the previous fiscal year, mainly because of a net increase (decrease) in short-term loans payable, a decrease in proceeds from long-term loans payable and an increase in repayments of long-term loans payable.

(Reference) Trends in cash flow indicators

	2018 fiscal year	2019 fiscal year	2020 fiscal year
Shareholders' equity ratio (%)	20.6	20.0	19.6
Shareholders' equity ratio on market value basis (%)	50.3	42.2	36.5
Interest-bearing debt/cash flow ratio (years)	4.7	2.6	1.9
Interest coverage ratio (times)	46.4	50.6	62.3

(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

Outlook for the next fiscal year (2021 fiscal year ending February 28, 2022)

	1H of 2021 fiscal year		2021 fiscal year	
	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)
Gross operating revenue	358,000	110.9	728,000	109.3
Operating income	26,500	158.8	50,000	122.3
Ordinary income	24,500	164.8	45,000	119.6
Profit attributable to owners of parent	13,000	393.0	13,500	155.4

## 2. Basic Approach to Selection of Accounting Standards

The Group applies Japanese generally accepted accounting principles, and it has no plan to apply International Financial Reporting Standards (IFRS) for the time being. The Group intends to respond appropriately to the application of the IFRS by considering the situation prevailing in Japan and overseas.

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheet

As of February 29, 2020 and February 28, 2021

(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current fiscal year As of February 28, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	343,587	402,584
Accounts receivable-due from franchised stores	47,366	46,385
Lease receivables	17,876	16,621
Merchandise	20,985	20,657
Accounts receivable-other	159,122	161,062
Other	47,802	43,519
Allowance for doubtful accounts	(42)	(20)
<b>Total current assets</b>	<b>636,697</b>	<b>690,811</b>
<b>Non-current assets:</b>		
<b>Property and store equipment:</b>		
Buildings and structures-net	201,526	191,977
Tools, furniture and fixtures-net	20,093	19,044
Land	8,913	8,468
Leased assets-net	146,235	131,779
Construction in progress	1,825	1,818
Other-net	14,343	14,551
<b>Total property and store equipment</b>	<b>392,938</b>	<b>367,640</b>
<b>Intangible assets:</b>		
Software	45,151	39,088
Goodwill	42,381	38,215
Trademark right	8,849	8,349
Other	680	752
<b>Total intangible assets</b>	<b>97,063</b>	<b>86,408</b>
<b>Investments and other assets:</b>		
Investment securities	28,665	27,624
Long-term loans receivable	42,488	40,621
Guarantee deposits	107,193	103,030
Deferred tax assets	34,378	33,484
Other	18,938	16,474
Allowance for doubtful accounts	(630)	(663)
<b>Total investments and other assets</b>	<b>231,033</b>	<b>220,571</b>
<b>Total non-current assets</b>	<b>721,035</b>	<b>674,618</b>
<b>Total assets</b>	<b>1,357,732</b>	<b>1,365,430</b>



(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current fiscal year As of February 28, 2021
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable-trade	129,397	127,486
Short-term loans payable	39,850	42,320
Current portion of long-term loans payable	—	100,000
Lease obligations	45,610	44,584
Accounts payable-other	94,848	90,798
Income taxes payable	7,915	4,078
Deposits received	193,096	246,110
Provision for bonuses	4,667	4,818
Other	46,577	107,557
<b>Total current liabilities</b>	<b>561,963</b>	<b>767,754</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	310,000	130,000
Lease obligations	136,665	121,491
Deferred tax liabilities	521	485
Provision for retirement benefits to executive officers and audit and supervisory board members	282	277
Net defined benefit liability	16,245	16,278
Asset retirement obligations	35,335	35,694
Other	21,370	20,516
<b>Total non-current liabilities</b>	<b>520,421</b>	<b>324,743</b>
<b>Total liabilities</b>	<b>1,082,385</b>	<b>1,092,498</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	58,506	58,506
Capital surplus	44,605	46,494
Retained earnings	165,081	158,498
Treasury shares	(1,011)	(991)
<b>Total shareholders' equity</b>	<b>267,181</b>	<b>262,508</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,496	1,782
Revaluation reserve for land	(207)	(207)
Foreign currency translation adjustments	3,341	3,684
Remeasurements of defined benefit plans	(934)	(134)
<b>Total accumulated other comprehensive income</b>	<b>3,695</b>	<b>5,123</b>
<b>Subscription rights to shares</b>	<b>255</b>	<b>333</b>
<b>Non-controlling interests</b>	<b>4,214</b>	<b>4,965</b>
<b>Total net assets</b>	<b>275,347</b>	<b>272,931</b>
<b>Total liabilities and net assets</b>	<b>1,357,732</b>	<b>1,365,430</b>

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

For the fiscal years ended February 29, 2020 and February 28, 2021

(Millions of yen)

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
<b>Gross operating revenue</b>	730,236	666,001
<b>Net sales</b>	302,843	275,945
<b>Cost of sales</b>	205,746	188,441
<b>Gross profit</b>	97,097	87,503
<b>Operating revenue:</b>		
Income from franchised stores	314,260	288,480
Other operating revenue	113,132	101,576
<b>Total operating revenue</b>	427,393	390,056
<b>Operating gross profit</b>	524,490	477,559
Selling, general and administrative expenses	461,547	436,682
<b>Operating income</b>	62,943	40,876
<b>Non-operating income:</b>		
Interest income	651	729
Dividend income	70	403
Share of profit of entities accounted for using equity method	571	332
Compensation income	680	490
Employment adjustment subsidy due to novel	—	793
Other	1,719	1,794
<b>Total non-operating income</b>	3,692	4,544
<b>Non-operating expenses:</b>		
Interest expenses	4,006	3,678
Loss on cancellation of leases	3,675	2,065
Expense due to system failure	632	828
Other	1,974	1,238
<b>Total non-operating expenses</b>	10,289	7,810
<b>Ordinary income</b>	56,346	37,610
<b>Extraordinary income:</b>		
Gain on sales of investment securities	164	6,232
<b>Total extraordinary income</b>	164	6,232
<b>Extraordinary losses:</b>		
Loss on retirement of non-current assets	6,120	3,213
Impairment loss	18,722	16,635
Loss on novel coronavirus disease	—	3,607
Other	1,348	2,158
<b>Total extraordinary losses</b>	26,191	25,613
<b>Profit before income taxes</b>	30,319	18,230
Income taxes-current	12,814	9,197
Income taxes-deferred	(2,563)	378
<b>Total income taxes</b>	10,250	9,576
<b>Profit</b>	20,068	8,653
<b>Profit attributable to non-controlling interests</b>	(39)	(36)
<b>Profit attributable to owners of parent</b>	20,108	8,689

## Consolidated Statement of Comprehensive Income

For the fiscal years ended February 29, 2020 and February 28, 2021

(Millions of yen)

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
<b>Profit</b>	20,068	8,653
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,852)	285
Foreign currency translation adjustment	(543)	307
Remeasurements of defined benefit plans	(86)	799
<b>Total other comprehensive income</b>	(2,481)	1,392
<b>Comprehensive income</b>	17,586	10,046
Comprehensive income attributable to		
Owners of parent	17,579	10,117
Non-controlling interests	7	(71)

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

Previous fiscal year ended February 29, 2020 (From March 1, 2019 to February 29, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	46,984	166,187	(1,028)	270,649
Cumulative effects of changes in accounting policies			(593)		(593)
Restated balance	58,506	46,984	165,593	(1,028)	270,056
Changes of items during period					
Decrease by merger					—
Change in ownership interest of parent due to transactions with non-controlling shareholders		(2,375)			(2,375)
Dividends of surplus			(20,262)		(20,262)
Profit attributable to owners of parent			20,108		20,108
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Reversal of revaluation reserve for land			(358)		(358)
Exercise of subscription rights to shares (Delivery of treasury shares)		(3)		18	14
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,379)	(512)	17	(2,874)
Balance at end of current period	58,506	44,605	165,081	(1,011)	267,181

(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	3,349	(566)	3,930	(848)	5,865	215	5,251	281,982
Cumulative effects of changes in accounting policies								(593)
Restated balance	3,349	(566)	3,930	(848)	5,865	215	5,251	281,388
Changes of items during period								
Decrease by merger								—
Change in ownership interest of parent due to transactions with non-controlling shareholders								(2,375)
Dividends of surplus								(20,262)
Profit attributable to owners of parent								20,108
Purchase of treasury shares								(0)
Disposal of treasury shares								—
Reversal of revaluation reserve for land								(358)
Exercise of subscription rights to shares (Delivery of treasury shares)								14
Net changes of items other than shareholders' equity	(1,852)	358	(589)	(86)	(2,169)	39	(1,037)	(3,167)
Total changes of items during period	(1,852)	358	(589)	(86)	(2,169)	39	(1,037)	(6,041)
Balance at end of current period	1,496	(207)	3,341	(934)	3,695	255	4,214	275,347

Current fiscal year ended February 28, 2021 (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	44,605	165,081	(1,011)	267,181
Cumulative effects of changes in accounting policies					—
Restated balance	58,506	44,605	165,081	(1,011)	267,181
Changes of items during period					
Decrease by merger			(262)		(262)
Change in ownership interest of parent due to transactions with non-controlling shareholders		1,886			1,886
Dividends of surplus			(15,009)		(15,009)
Profit attributable to owners of parent			8,689		8,689
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Reversal of revaluation reserve for land					—
Exercise of subscription rights to shares (Delivery of treasury shares)		3		21	24
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,889	(6,582)	20	(4,672)
Balance at end of current period	58,506	46,494	158,498	(991)	262,508

(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	1,496	(207)	3,341	(934)	3,695	255	4,214	275,347
Cumulative effects of changes in accounting policies								—
Restated balance	1,496	(207)	3,341	(934)	3,695	255	4,214	275,347
Changes of items during period								
Decrease by merger								(262)
Change in ownership interest of parent due to transactions with non-controlling shareholders								1,886
Dividends of surplus								(15,009)
Profit attributable to owners of parent								8,689
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								—
Exercise of subscription rights to shares (Delivery of treasury shares)								24
Net changes of items other than shareholders' equity	285	—	343	799	1,428	78	751	2,257
Total changes of items during period	285	—	343	799	1,428	78	751	(2,415)
Balance at end of current period	1,782	(207)	3,684	(134)	5,123	333	4,965	272,931

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

For the fiscal years ended February 29, 2020 and February 28, 2021

(Millions of yen)

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
<b>Net cash provided by (used in) operating activities:</b>		
Profit before income taxes	30,319	18,230
Depreciation and amortization	79,183	80,778
Impairment loss	18,722	16,635
Interest income	(651)	(729)
Interest expenses	4,006	3,678
Loss (gain) on sales of investment securities	(164)	(6,232)
Loss on retirement of non-current assets	6,120	3,213
Decrease (increase) in notes and accounts receivable-trade	(205)	992
Decrease (increase) in accounts receivable-other	(38,388)	(1,923)
Increase (decrease) in notes and accounts payable-trade	6,116	(1,952)
Increase (decrease) in accounts payable-other	(7,013)	(4,417)
Increase (decrease) in deposits received	61,292	53,013
Increase (decrease) in net defined benefit liability	783	34
Net decrease (increase) in call loans for banking business	10,000	10,000
Net increase (decrease) in call money for banking business	19,000	21,000
Other-net	28,390	51,511
<b>Subtotal</b>	<b>217,512</b>	<b>243,829</b>
Interest income received	632	704
Interest expenses paid	(4,006)	(3,656)
Income taxes paid	(11,435)	(12,922)
<b>Net cash provided by (used in) operating activities</b>	<b>202,703</b>	<b>227,954</b>
<b>Net cash provided by (used in) investing activities:</b>		
Purchase of investment securities	—	(5,010)
Purchase of property and store equipment	(33,851)	(26,293)
Purchase of intangible assets	(10,931)	(8,471)
Proceeds from sales of investment securities	243	7,792
Purchase of shares of subsidiaries and associates	(2,246)	(1,733)
Payments of long-term loans receivable	(5,960)	(3,675)
Collection of long-term loans receivable	5,735	4,917
Payments for guarantee deposits	(18,023)	(11,832)
Proceeds from collection of guarantee deposits	17,836	16,010
Purchase of long-term prepaid expenses	(796)	(380)
Other-net	(1,079)	(1,305)
<b>Net cash provided by (used in) investing activities</b>	<b>(49,074)</b>	<b>(29,983)</b>

(Millions of yen)

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term loans payable	(86,750)	2,470
Proceeds from long-term loans payable	50,000	—
Repayments of long-term loans payable	(50,000)	(80,000)
Repayments of lease obligations	(53,318)	(50,700)
Proceeds from share issuance to non-controlling shareholders	—	2,622
Cash dividends paid	(20,262)	(15,009)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,521)	—
Other-net	(59)	(25)
<b>Net cash provided by (used in) financing activities</b>	<b>(163,910)</b>	<b>(140,642)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(371)</b>	<b>224</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(10,652)</b>	<b>57,553</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>354,236</b>	<b>343,583</b>
<b>Cash and cash equivalents at end of period</b>	<b>343,583</b>	<b>401,136</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 Entertainment, Inc. BestPractice, Inc. SCI, Inc. Lawson Store100, Inc. Lawson HMV Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. United Cinemas Co., Ltd. SEIJO ISHII CO., LTD. Lawson Bank, Inc. Lawson urbanworks, Inc.
(Foreign)	Chongqing Lawson, Inc. Shanghai Lawson, Inc. Dalian Lawson, Inc. Lawson (China) Holdings, Inc. Saha Lawson Co., Ltd. Shanghai Le Song Trading Co., Ltd. Shang Hai Gong Hui Trading Co., Ltd. Zhejiang Lawson, Inc. Beijing Lawson, Inc. BEIJING LUOSONG Co., Ltd.

Lawson Sanin, Inc. was excluded from the scope of consolidation, because it was dissolved after merging with Lawson, Inc. on March 1, 2020.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. Seikaken, Inc. SEIJO ISHII SYUHAN CO., LTD. TOKYO EUROPE TRADE CO., LTD. LT CO., LTD. Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. Lawson Philippines, Inc. LAWSON (TIANJIN) INC. SLV Retail Company Limited Shenyang 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., LT CO., LTD., Lawson Digital Innovation Inc., Lawson USA Hawaii, Inc., Jiangsu Lawson, Inc., Lawson Philippines, Inc., LAWSON (TIANJIN) INC., SLV Retail Company Limited and Shenyang 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, Jianguin Hualian Guzhitian Food Co., Ltd., POPLAR 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 Chongqing Lawson, Inc., Shanghai Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc., Saha Lawson Co., Ltd., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc., Beijing Lawson, Inc. and BEIJING LUOSONG Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information 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 formulating 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:

Securities whose market value is readily determinable:

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.

Other:

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 10 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) 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.
- (6) 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.
- (7) 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.
- (8) Other significant items related to the preparation of consolidated financial statements
  - ① Accounting for consumption tax:
    - Consumption tax and local consumption tax are accounted for using the tax exclusion method.
  - ② Adoption of consolidated taxation system:
    - The Company and certain consolidated subsidiaries in Japan adopt the consolidated taxation system.

③ Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system:

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

**(Unapplied Accounting Standards, etc.)**

(The Company and its domestic consolidated subsidiaries)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 30, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 30, 2020)

(1) Outline

This is a comprehensive accounting standard on revenue recognition. Revenue is recognized 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: Recognized revenue when as the entity satisfies a performance obligation.

(2) Scheduled date of application

The Company plans to adopt the accounting standards, etc. from the beginning of the fiscal year ending February 28, 2023.

(3) Impact of the application of the accounting standards, etc.

The impact was being evaluated at the time of preparation of these consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30; July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31; July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9; July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19; March 31, 2019)

(1) Outline

To improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, “Accounting Standard for Fair Value Measurement, etc.”) have been developed as guidance on how to measure fair value. “Accounting Standard for Fair Value Measurement, etc.” will be applied in determining the fair value of the following items.

- Financial instruments set forth in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes set forth “Accounting Standard for Measurement of Inventories”

(2) Scheduled date of application

The Company plans to apply the accounting standards, etc. from the beginning of the fiscal year ending February 28, 2023.

(3) Impact of the application of the accounting standards, etc.

The impact was still being evaluated at the time of preparation of these consolidated financial statements.

**(Changes in Presentation)**

(Consolidated Statement of Income)

In the “Non-operating income” section, “Dividend income” was included in “Other” in the previous fiscal year. In order to enhance the clarity of the consolidated financial statements from the current fiscal year, “Dividend income” is now separately presented.

In the “Non-operating income” section, “Penalty income” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Penalty income” is now included in “Other.” 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 “Non-operating income” section, 408 million yen that was presented as “Penalty income” and 1,381 million yen that was presented as “Other” in the Consolidated Statement of Income for the previous fiscal year are now presented as 70 million yen of “Dividend income” and 1,719 million yen of “Other.”

In the “Non-operating expenses” section, “Expense due to system failure” was included in “Other” in the previous fiscal year. In order to enhance the clarity of the consolidated financial statements from the current fiscal year, “Expense due to system failure” is now separately presented. 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 “Non-operating expenses” section, 632 million yen that was presented as “Other” in the Consolidated Statement of Income for the previous fiscal year are now presented as “Expense due to system failure.”

In the “Extraordinary losses” section, “Loss on sales of non-current assets” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Loss on sales of non-current assets” is now included in “Other.” 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 “Extraordinary losses” section, 508 million yen that was presented as “Loss on sales of non-current assets” and 840 million yen that was presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as 1,348 million yen of “Other.”

(Consolidated Statement of Cash Flows)

In the “Cash flow from operating activities” section, “Gain on sale of investment securities” was included in “Other” in the previous fiscal year. In order to enhance the clarity of the consolidated financial statements from the current fiscal year, “Gain on sale of investment securities” is now separately presented. To reflect these changes in method of presentation, the Consolidated Statement of Cash Flows for the previous fiscal year has been reclassified.

As a result, in the “Net cash provided by (used in) operating activities” section, (164) million yen that was presented as “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now presented as “Gain on sale of investment securities.”

In the “Cash flow from investing activities” section, “Purchase of investment securities” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Purchase of investment securities” is now included in “Other.” To reflect these changes in method of presentation, the Consolidated Statement of Cash Flows for the previous fiscal year has been reclassified.

As a result, in the “Cash flow from investing activities” section, (129) million yen that was presented as “Purchase of investment securities” and (950) million yen that was presented as “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now presented as (1,079) 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 29, 2020	Current fiscal year As of February 28, 2021
Accumulated depreciation	366,817	385,891

\*2. Investments in associates

(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current fiscal year As of February 28, 2021
Investment securities (stocks)	18,717	19,257
(Investment amount for jointly-controlled companies)	(956)	(959)
Investment securities (bonds)	68	61
Other (other equity investments)	1,800	1,908
(Investment amount for jointly-controlled companies)	(799)	(302)

\*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 29, 2020	Current fiscal year As of February 28, 2021
Difference between book value and market value of the revalued land as of balance sheet date	81	53

\*4. Overdraft and loan commitment agreements

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 29, 2020	Current fiscal year As of February 28, 2021
Total overdraft limit and loan commitment	220,000	220,000
Amount utilized	3,000	14,070
Unutilized balance	217,000	205,930

\*5. Guarantee obligations

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

(Millions of yen)

	Previous fiscal year As of February 29, 2020	Current fiscal year As of February 28, 2021
Lawson Philippines, Inc.	—	110

**(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, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Employees' salaries and allowances	62,324	58,214
Provision for bonuses	3,860	3,801
Retirement benefit expenses	2,722	2,899
Rents	133,880	128,952
Depreciation	79,069	80,643

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

(Millions of yen)

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Buildings and structures	4,872	2,394
Tools, furniture and fixtures	363	560
Leased assets	867	224
Software	17	32
Others	0	0
Total	6,120	3,213

\*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, 2019 to February 29, 2020)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	2,533
	Osaka	"	1,689
	Others	"	13,434
Other	—	Land	116
	—	Software	947
Total	—	—	18,722

Category by non-current assets

Buildings and structures	10,774	million yen
Tools, furniture and fixtures	708	"
Land	116	"
Leased assets	6,104	"
Software	947	"
Other	70	"

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 3.8%.

Current fiscal year (From March 1, 2020 to February 28, 2021)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	2,626
	Osaka	"	1,264
	Others	"	11,845
Other	—	Land	76
	—	Software	821
Total	—	—	16,635

Category by non-current assets

Buildings and structures	9,603	million yen
Tools, furniture and fixtures	563	"
Land	76	"
Leased assets	5,500	"
Software	821	"
Other	70	"

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 3.0%.

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

\* The components of other comprehensive income for the years ended February 29, 2020 and February 28, 2021 were as follows:

	(Millions of yen)	
	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	(2,509)	6,630
Reclassification adjustments to profit or loss	(120)	(6,219)
Amount before income tax effect	(2,630)	410
Income tax effect	778	(125)
Valuation difference on available-for-sale securities	(1,852)	285
Foreign currency translation adjustment		
Gain or loss arising during the period	(543)	307
Foreign currency translation adjustment	(543)	307
Remeasurements of defined benefit plans		
Gain or loss arising during the period	(334)	891
Reclassification adjustments to profit or loss	177	260
Amount before income tax effect	(157)	1,152
Income tax effect	70	(353)
Remeasurements of defined benefit plans	(86)	799
Total other comprehensive income	(2,481)	1,392



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

Previous fiscal year (From March 1, 2019 to February 29, 2020)

## 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 (*)	241	0	4	237

(\*)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 the exercise of stock option rights.

## 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)	—	—	—	—	—	255
Total		—	—	—	—	—	255

## 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 21, 2019)	Common stock	12,757	127.50	February 28, 2019	May 22, 2019
Directors' meeting (October 9, 2019)	Common stock	7,504	75.00	August 31, 2019	November 8, 2019

## 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 27, 2020)	Common stock	Retained earnings	7,504	75.00	February 29, 2020	May 28, 2020

Current fiscal year (From March 1, 2020 to February 28, 2021)

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 (*)	237	0	5	232

(\*) 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)	—	—	—	—	—	333
Total		—	—	—	—	—	333

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 27, 2020)	Common stock	7,504	75.00	February 29, 2020	May 28, 2020
Directors' meeting (October 8, 2020)	Common stock	7,505	75.00	August 31, 2020	November 10, 2020

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 25, 2021)	Common stock	Retained earnings	7,505	75.00	February 28, 2021	May 26, 2021

**(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, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Cash and deposits	343,587	402,584
Time deposits for which the deposit period exceeds three months	(4)	(1,447)
Cash and cash equivalents	343,583	401,136

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, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Assets and liabilities related to finance lease transactions	50,007	31,841

(\*)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, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Significant asset retirement obligations	5,363	916

## **(Segment Information)**

### 1. Outline of reportable segments

#### 1) 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 and Thailand.

#### 2) Changes in reportable segments

Due to its increased importance, Overseas Business, which was included in Others, has been recorded as a single reporting segment from the current fiscal year. As a result, segment information for the previous fiscal year was reclassified to reflect the change and presented in "3. Information on net sales, and profit or loss by reportable segment."

### 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.

3. Information on net sales, and profit or loss by reportable segment  
 Previous fiscal year (From March 1, 2019 to February 29, 2020)

(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	465,333	93,119	83,960	31,646	56,169	7	730,236	—	730,236
Internal sales or transfers between segments	6,218	—	1,385	2,443	—	1,098	11,145	(11,145)	—
Total	471,551	93,119	85,346	34,089	56,169	1,106	741,382	(11,145)	730,236
Segment profit	47,121	8,348	5,313	3,088	(1,005)	76	62,943	—	62,943
Segment assets	908,974	71,903	69,736	395,854	42,112	384	1,488,965	(131,232)	1,357,732
Other									
Depreciation	57,755	1,887	2,365	6,401	6,333	0	74,743	—	74,743
Amortization of goodwill	2,443	1,437	501	—	57	—	4,440	—	4,440
Investments in Associates	5,099	—	—	—	—	—	5,099	—	5,099
Increase in non-current assets	33,165	1,045	2,771	2,586	5,213	—	44,782	—	44,782

(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, 2020 to February 28, 2021)

(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	416,436	103,037	56,592	28,575	61,356	2	666,001	—	666,001
Internal sales or transfers between segments	6,064	—	1,317	2,997	—	207	10,586	(10,586)	—
Total	422,501	103,037	57,909	31,573	61,356	210	676,588	(10,586)	666,001
Segment profit	28,739	10,329	(297)	1,753	809	(456)	40,876	—	40,876
Segment assets	881,172	73,382	53,785	450,973	56,703	508	1,516,526	(151,095)	1,365,430
Other									
Depreciation	57,712	1,975	2,301	6,974	7,641	—	76,606	—	76,606
Amortization of goodwill	2,179	1,437	501	—	53	—	4,171	—	4,171
Investments in Associates	4,942	—	—	—	—	—	4,942	—	4,942
Increase in non-current assets	25,827	1,542	885	2,456	4,053	—	34,764	—	34,764

(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, 2019 to February 29, 2020)

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

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.

Current fiscal year (From March 1, 2020 to February 28, 2021)

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, 2019 to February 29, 2020)

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	18,359	17	73	—	272	—	18,722	—	18,722

Current fiscal year (From March 1, 2020 to February 28, 2021)

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	16,206	196	142	—	89	—	16,635	—	16,635

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

Previous fiscal year (From March 1, 2019 to February 29, 2020)

(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	13,654	20,958	7,185	—	583	—	42,381	—	42,381

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



Current fiscal year (From March 1, 2020 to February 28, 2021)

(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	11,475	19,521	6,683	—	534	—	38,215	—	38,215

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, 2019 to February 29, 2020)

Not applicable.

Current fiscal year (From March 1, 2020 to February 28, 2021)

Not applicable.

**(Per Share Information)**

	Previous fiscal year From March 1, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Net assets per share	2,707.08 yen	2,674.53 yen
Profit per share	200.95 yen	86.84 yen
Diluted profit per share	200.84 yen	86.78 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, 2019 to February 29, 2020	Current fiscal year From March 1, 2020 to February 28, 2021
Profit per share		
Profit attributable to owners of parent (millions of yen)	20,108	8,689
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common stock (millions of yen)	20,108	8,689
Average number of common stock during the fiscal year (thousands of shares)	100,061	100,065
Diluted profit per share		
Profit attributable to owners of parent adjustment (millions of yen)	—	—
Increase in number of outstanding common shares (thousands of shares)	58	69
(Subscription rights to shares) (thousands of shares)	(58)	(69)
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.