

Flash Report on the Consolidated Financial Results

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

January 7, 2022

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

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

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

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

Tel.: +81-3-5435-2773

Scheduled date for submission of quarterly securities report: January 12, 2022

Scheduled date for payment of dividend: —

Supplementary materials for quarterly financial results: Yes

Holding of presentation of quarterly results: None

(Amounts less than one million yen are truncated)

1. Consolidated operating results for the third quarter ended November 30, 2021 (from March 1, 2021 to November 30, 2021)

(1) Consolidated operating results (cumulative)

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended								
November 30, 2021	522,489	5.0	38,651	19.5	39,440	30.3	24,378	104.8
November 30, 2020	497,425	(9.7)	32,356	(37.9)	30,273	(37.8)	11,904	(54.1)

Note: Comprehensive income:

For the third quarter ended November 30, 2021	26,094 million yen	68.6 %
For the third quarter ended November 30, 2020	15,478 million yen	(35.2)%

	Profit per share	Diluted profit per share
	Yen	Yen
For the third quarter ended		
November 30, 2021	243.61	243.39
November 30, 2020	118.96	118.88

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2021	1,328,043	284,094	21.0
February 28, 2021	1,365,430	272,931	19.6

Reference: Shareholders' equity:

As of November 30, 2021	278,591 million yen
As of February 28, 2021	267,632 million yen

2. Dividends

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

Note: Revision of the most recent dividends forecast: None

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

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

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2021 fiscal year	716,000	7.5	50,000	22.3	47,000	25.0	15,500	78.4	154.88

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

4. Notes

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

Added: None

Excluded: None

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

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

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

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

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of shares outstanding (common stock)

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

As of November 30, 2021: 100,300,000 As of February 28, 2021: 100,300,000

2. Number of treasury shares at the end of period

As of November 30, 2021: 228,807 As of February 28, 2021: 232,954

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

As of November 30, 2021: 100,070,354 As of November 30, 2020: 100,065,438

Note: This flash report is exempt from quarterly review.

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

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

Contents

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

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the third quarter of fiscal 2021, nine months from March 1 to November 30, 2021, we continued to take rigorous prevention measures against the infection of the novel coronavirus and responded to new normal demand by exerting concerted Group-wide efforts. Specifically, under the leadership of our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020 to realize “Challenge 2025” formulated for 2025, the 50th anniversary of our establishment, we renovated our stores and revamped our product lineups in Domestic Convenience Store Business in response to changes in the business environment, and the whole Lawson Group endeavored to resolve medium- to long-term issues for sustainable growth, acquisition of new revenue opportunities and foster job satisfaction.

As a result, for the third quarter of fiscal 2021 on a consolidated basis, gross operating revenue increased to 522,489 million yen (up 5.0% from previous fiscal year), operating income increased to 38,651 million yen (up 19.5% from previous fiscal year) and ordinary income increased to 39,440 million yen (up 30.3% from previous fiscal year). Profit attributable to owners of parent was 24,378 million yen (up 104.8% from previous fiscal year).

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2021 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

In addition, with a view to promoting the Sustainable Development Goals (SDGs) and focusing on environmental, social and governance (ESG) practices in management, we established the Lawson Group Human Rights Policy and Lawson Group Sustainability Policy in June and August 2021, respectively, and revised the Lawson Group Environmental Policy in August.

Operating results by business segment were as follows.

(Domestic Convenience Store Business)

During the third quarter under review, the number of new COVID-19 cases showed a decreasing trend, which resulted in the states of emergency and quasi-emergency being lifted nationwide in October 2021, restrictions on social activities being eased, and the movement of people showing a gradual recovery trend.

Under such circumstances, Lawson carefully examined the business environment surrounding each store and proceeded with store renovations to suit each of their respective situations in order to help them adapt to changes taking place in the new normal business environment and better address customer needs. By the end of November 2021, we had completed the renovation of some 1,669 stores, and are working to refurbish around 5,000 stores by the end of the fiscal year ending February 2022.

In store operation, we are striving to establish LAWSON stores as convenience stores endorsed by all our customers. To this end, we are implementing measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. In addition to further strengthening our distinctive products that focus on taste and health, we are also working to provide heartfelt customer service in our stores, and to strictly address environmental concerns such as reducing food loss, plastic

usage, and CO₂ emissions, etc. As part of our efforts to reduce the use of plastics, we launched the first-ever private brand mineral water sold in paper packaging in November 2021.

[Store Operations]

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

[Merchandising and Service Strategies]

Sales continued to surge in fresh foods, frozen foods, daily delivered foods, room temperature Japanese/Western desserts, and alcoholic beverages, whose assortments we have been endeavoring to expand with the aim of supporting the daily lives of customers. In the rice range, our “Korega BENTO” box lunch series, which was revamped into a long-lasting chilled range in March 2021, continued to record steady sales during the third quarter under review, and our “Kinshari Onigiri Rice Ball” series also enjoyed robust sales along with the modified regular lineup of onigiri rice balls. Our original products consecutively became huge hits, exemplified by “Nama Gateau Chocolat,” our new dessert product, and “Pari Chiki,” our new fast-food counter item, launched in September and October 2021, respectively. Partly owing to customers having fewer opportunities to go out, the Machikado Chubo in-store kitchen service enjoyed especially strong demand for items offered in collaboration with food service companies that provide delicious dishes from specialty restaurants as well as the “Local Bowl Series” that responds to regional needs. Machikado Chubo in-store kitchens are installed at 7,464 stores as of the end of November 2021, achieving sales growth. In response to the ongoing high demand, we are installing the kitchen at more stores.

Regarding food delivery services, for which needs have been growing, we started offering “menu” in September 2021 in addition to the four services we already provide including Uber Eats.

As a result, the combined number of stores listed on food delivery services reached 2,492 in 41 prefectures as of November 30, 2021. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 51 LAWSON stores in 12 prefectures.

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

Fiscal year Product group	Previous fiscal year From March 1, 2020 to November 30, 2020		Current fiscal year From March 1, 2021 to November 30, 2021	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	877,164	53.5	903,417	53.9
Fast foods	350,521	21.4	363,818	21.7
Daily delivered foods	260,812	15.9	261,438	15.6
Nonfood products	151,701	9.2	148,235	8.8
Total	1,640,199	100.0	1,676,910	100.0

[Store Development]

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

During the third quarter under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 401 stores. Meanwhile, we closed a total of 180. As of the end of November 2021, the total number of domestic stores was 14,697 ^{*1}. Based on the joint business agreement concluded with POPLAR Co., Ltd. in September 2020, we converted 122 stores from its brand to the LAWSON POPLAR or LAWSON brand stores from this year. Based on the comprehensive business alliance entered into with H2O Retailing Corporation in May 2021, Lawson converted 84 station stores and convenience stores operated by asnas Co., Ltd., an H2O Retailing Corporation Group company, from “asnas” stores into LAWSON stores.

In an effort to establish convenience store models catered to an aging population and a trend toward self-treatment, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented LAWSON stores that offer over-the-counter pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 258 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of November 2021. Moreover, the number of stores offering nursing care consultation services has reached 21 as of the end of November 2021. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary, nursing and rehabilitation supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 339 as of the end of November 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, offer high quality, safe and reliable fruits and vegetables with a focus on freshness, providing customers with their daily dietary requirements. 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 November 2021, we operate 137 NATURAL LAWSON stores

and 669 LAWSON STORE100 stores.

*1 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2021	Change during period	Total stores as of November 30, 2021
LAWSON	13,654	237	13,891
NATURAL LAWSON	143	(6)	137
LAWSON STORE100	679	(10)	669
Total	14,476	221	14,697

[Number of LAWSON stores by prefecture (As of November 30, 2021)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	678	Ibaraki	225	Kyoto	327	Ehime	212
Aomori	280	Tokyo	1,695	Shiga	155	Tokushima	135
Akita	183	Kanagawa	1,079	Nara	141	Kochi	139
Iwate	182	Shizuoka	279	Wakayama	154	Fukuoka	527
Miyagi	257	Yamanashi	137	Osaka	1,170	Saga	75
Yamagata	113	Nagano	174	Hyogo	693	Nagasaki	125
Fukushima	173	Aichi	722	Okayama	233	Oita	196
Niigata	227	Gifu	181	Hiroshima	292	Kumamoto	162
Tochigi	199	Mie	137	Yamaguchi	129	Miyazaki	111
Gunma	243	Ishikawa	104	Tottori	138	Kagoshima	202
Saitama	693	Toyama	183	Shimane	142	Okinawa	253
Chiba	602	Fukui	107	Kagawa	133	Total (domestic)	14,697

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

As a result, Domestic Convenience Store Business posted gross operating revenue of 322,306 million yen (up 0.6% from previous fiscal year) and segment profit of 25,546 million yen (up 4.2% from previous fiscal year).

(Seijo Ishii Business)

Seijo Ishii provides customers with well-selected, safe, and reliable foods under its philosophy of “Quality food for a quality life.” Operating diverse store formats including street-side stores and stores in station buildings and commercial facilities, the supermarket chain leverages its distinguished product development expertise to offer original products and food items made in-house under the Seijo Ishii brand. The number of directly operated Seijo Ishii stores reached 169 as of the end of November 2021. Until the end of September 2021, street-side stores, which captured the demand that would have been fulfilled by supermarkets had it not been for the intermittent

declarations of states of emergency, and stores in station buildings and commercial facilities enjoyed strong performance. However, after the most recent state of emergency was lifted in October 2021, sales slowed, primarily due to the restoration of demand for eating out. Product wise, dishes produced in-house at our central kitchen continued to enjoy robust sales driven by a range of measures. In addition, we introduced the Ponta common point system at five Seijo Ishii stores on November 15, 2021. The system will be adopted at more stores in phases. We are striving to elevate the brand power of Seijo Ishii by pursuing higher standards in our product development expertise, know-how acquired as a manufacturing retailer, and retailing techniques.

As a result, Seijo Ishii Business posted gross operating revenue of 80,661 million yen (up 6.9% from previous fiscal year) and segment profit of 7,799 million yen (up 9.6% from previous fiscal year).

(Entertainment-related Business)

In our Entertainment-related Business undertaken by Lawson Entertainment, Inc., a large number of events were postponed, cancelled or restricted in terms of the number of admissions as a result of the states of emergency and quasi-emergency being extended until the end of September 2021. Driven partly by the lifting of the states of emergency and quasi-emergency in October and the rising vaccination rates, concerts by popular artists and sporting events began to be held again, and the ticket transaction value continued to display a recovery trend, as in the first half of the year. We are also continuing with our efforts to expand ticket transactions for online live performances, a fledgling market, while striving to further expand sales for our e-commerce business by putting our live commerce into full swing. In our product sales business, a total of 57 stores are in operation nationwide as of November 30, 2021. Stores are making efforts to expand earnings through a range of measures including organizing store events and selling goods at concert venues.

United Cinemas Co., Ltd., an operator of cinema complexes, had been affected by the states of emergency and quasi-emergency in applicable regions up until the end of September 2021, such as having to reduce seating capacity by 50% and adopt shorter operating hours, but since October almost all theaters have resumed their usual operations. As of November 30, 2021, 42 cinema complexes nationwide with 387 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 46,891 million yen (up 10.0% from previous fiscal year) and segment profit of 1,250 million yen (segment loss was 101 million yen in previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, we worked to expand our network of financial institution partners and improve the Lawson Bank ATM service in our foundational ATM business. As of the end of November 2021, the number of ATMs installed nationwide reached 13,580 (up 101 from previous fiscal year), with each ATM used 47.9 times a day on average. The total number of our financial institution partners reached 378 nationwide (up 252 from the previous fiscal year) with the addition of *shinkin* banks in April 2021. During the third quarter under review, one new financial institution joined our partnership for the “smartphone ATM (QR code deposit/withdrawal)”^{**2} service, while our “Immediate Account Settlement Service”^{**3} was expanded

with the participation of two new partner financial institutions. In addition to the conventional needs to withdraw cash, the use of our ATMs has been increasing, driven by the “ATM charge service,” where cash can be charged at an ATM to “au PAY,” “WebMoney Prepaid Card,” or “PayPay” mobile payment apps. Regarding LAWSON Ponta Plus credit cards issued by Lawson Bank, Inc, we are steadily expanding credit card membership by rolling out a range of promotional campaigns and strengthening promotional efforts at stores.

*2 A service where customers can deposit/withdraw cash or take out/repay a credit card loan at an ATM by using a smartphone app instead of a bank card.

*3 A service that allows customers to top up their mobile payment app from their account with a financial institution by harnessing the ATM network.

As a result, Financial Services Business posted gross operating revenue of 25,326 million yen (up 6.3% from previous fiscal year) and segment profit of 2,328 million yen (up 68.6% 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, where business is continuing to expand, the number of LAWSON stores exceeded 4,000 in September 2021, reaching 4,312 as of the end of November, up 968 from the end of the previous fiscal year. In addition to opening new stores through our subsidiaries, we are also launching stores by concluding mega franchise agreements with local retailers in different cities, as well as area license agreements—where partner companies serve as headquarters in designated areas and assume overall operation and development—in efforts to accelerate the expansion of business areas and the number of stores.

As a result, we are seeing an expansion of our store network in China and an increased recognition of Lawson in the country, which has led to rises in the number of franchised store applicants, franchised store openings, and directly operated stores converting to franchise stores. We will work to offer our signature high-quality original products including rice and dessert items, enhance the value of the Lawson brand in China, and increase earnings.

In other regions of the world, although some stores have suspended their operations in response to the spread of COVID-19, all other stores are carrying out normal operations with rigorous infection prevention measures in place, sustaining the daily lives of our customers as their most accessible store.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2021)	Change during fiscal year	Number of stores (As of November 30, 2021)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	1,826	429	2,255
China Chongqing	341	97	438
China Liaoning (Shenyang, Dalian)	327	124	451
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	215	80	295
China Hubei (Wuhan, etc.)	441	65	506
China Anhui (Hefei, etc.)	106	65	171
China Hunan (Changsha)	65	45	110
China Hainan (Haikou, etc.)	23	63	86
China Subtotal	3,344	968	4,312
Thailand	140	16	156
Indonesia	68	-	68
Philippines	67	-	67
United States of America Hawaii	2	-	2
Total	3,621	984	4,605

As a result, Overseas Business posted gross operating revenue of 55,878 million yen (up 30.5% from previous fiscal year) and segment profit of 1,853 million yen (segment loss was 188 million yen in previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

Assets, liabilities and net assets at the end of third quarter of fiscal year 2021

Current assets decreased by 25,567 million yen from the end of the previous fiscal year to 665,243 million yen, mainly reflecting a decrease of 38,732 million yen in cash and deposits, an increase of 6,029 million yen in accounts receivable due from franchised stores, and an increase of 2,973 million yen in merchandise. Non-current assets decreased by 11,818 million yen from the end of the previous fiscal year to 662,799 million yen, mainly reflecting a decrease of 10,799 million yen in investments and other assets, a decrease of 6,710 million yen in intangible assets, and an increase of 5,690 million yen in property and store equipment. Consequently, total assets decreased by 37,386 million yen from the end of the previous fiscal year to 1,328,043 million yen.

Current liabilities decreased by 74,652 million yen from the end of the previous fiscal year to 693,101 million yen, mainly reflecting a decrease of 113,826 million yen in deposits received, a decrease of 80,000 million yen in current portion of long-term loans payable, and an increase of 106,353 million yen in current liabilities-other due to the movement in call money. Non-current liabilities increased by 26,104 million yen from the end of the previous fiscal year to 350,847 million yen, mainly reflecting an increase of 30,000 million yen in long-term loans payable and a decrease of 5,579 million yen in lease obligations. Consequently, total

liabilities decreased by 48,548 million yen from the end of the previous fiscal year to 1,043,949 million yen.

Net assets increased by 11,162 million yen from the end of the previous fiscal year to 284,094 million yen, mainly reflecting an increase of 9,417 million yen in retained earnings and an increase of 1,682 million yen in foreign currency translation adjustments. Consequently, shareholders' equity ratio was 21.0%, up from 19.6% as of the end of the previous fiscal year.

(3) Explanation Regarding Forward-looking Statements

Regarding the financial forecasts for the full fiscal year ending February 28, 2022, the financial forecasts remain unchanged from those announced on October 7, 2021.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 28, 2021 and November 30, 2021

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 3rd Quarter As of November 30, 2021
Assets		
Current assets:		
Cash and deposits	402,584	363,852
Accounts receivable-due from franchised stores	46,385	52,415
Lease receivables	16,621	15,454
Merchandise	20,657	23,631
Accounts receivable-other	161,062	159,583
Other	43,519	50,321
Allowance for doubtful accounts	(20)	(15)
Total current assets	690,811	665,243
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	191,977	193,729
Tools, furniture and fixtures, net	19,044	21,246
Leased assets-net	131,779	127,506
Other-net	24,838	30,849
Total property and store equipment	367,640	373,331
Intangible assets:		
Software	39,088	35,726
Goodwill	38,215	35,386
Trademark right	8,349	7,876
Other	752	706
Total intangible assets	86,406	79,696
Investments and other assets:		
Long-term loans receivable	40,621	38,829
Guarantee deposits	103,030	103,417
Deferred tax assets	33,484	29,549
Other	44,099	38,722
Allowance for doubtful accounts	(663)	(746)
Total investments and other assets	220,571	209,772
Total non-current assets	674,618	662,799
Total assets	1,365,430	1,328,043

(Millions of yen)

	Previous fiscal year As of February 28, 2021	Current 3rd Quarter As of November 30, 2021
Liabilities		
Current liabilities:		
Accounts payable-trade	127,486	139,289
Short-term loans payable	42,320	39,670
Current portion of long-term loans payable	100,000	20,000
Lease obligations	44,584	45,043
Accounts payable-other	90,798	95,821
Income taxes payable	4,078	3,427
Deposits received	246,110	132,284
Provision for bonuses	4,818	3,655
Other	107,557	213,910
Total current liabilities	767,754	693,101
Non-current liabilities:		
Long-term loans payable	130,000	160,000
Lease obligations	121,491	115,912
Deferred tax liabilities	485	458
Provision for retirement benefits to executive officers and audit and supervisory board members	277	259
Net defined benefit liability	16,278	17,051
Asset retirement obligations	35,694	36,415
Other	20,516	20,750
Total non-current liabilities	324,743	350,847
Total liabilities	1,092,498	1,043,949
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	46,494	46,495
Retained earnings	158,498	167,915
Treasury shares	(991)	(973)
Total shareholders' equity	262,508	271,944
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,782	1,544
Revaluation reserve for land	(207)	(207)
Foreign currency translation adjustment	3,684	5,366
Remeasurements of defined benefit plans	(134)	(56)
Total accumulated other comprehensive income	5,123	6,646
Subscription rights to shares	333	368
Non-controlling interests	4,965	5,134
Total net assets	272,931	284,094
Total liabilities and net assets	1,365,430	1,328,043

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

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

	(Millions of yen)	
	Previous 3rd Quarter From March 1, 2020 to November 30, 2020	Current 3rd Quarter From March 1, 2021 to November 30, 2021
Gross operating revenue	497,425	522,489
Net sales	203,409	216,946
Cost of sales	139,248	148,398
Gross profit	64,161	68,548
Operating revenue:		
Income from franchised stores	219,735	222,621
Other operating revenue	74,279	82,921
Total operating revenue	294,015	305,543
Operating gross profit	358,176	374,091
Selling, general and administrative expenses	325,820	335,440
Operating income	32,356	38,651
Non-operating income:		
Interest income	516	713
Dividend income	364	368
Gain on investments in investment partnerships	119	1,634
Employment adjustment subsidy due to novel coronavirus disease	555	1,040
Other	1,918	1,323
Total non-operating income	3,473	5,080
Non-operating expenses:		
Interest expenses	2,776	2,607
Loss on cancellation of leases	1,416	1,075
Other	1,363	608
Total non-operating expenses	5,556	4,291
Ordinary income	30,273	39,440
Extraordinary income:		
Gain on sales of investment securities	—	1,025
Total extraordinary income	—	1,025
Extraordinary losses:		
Loss on retirement of non-current assets	2,421	961
Impairment loss	2,719	2,105
Loss on novel coronavirus disease	3,125	639
Other	1,037	510
Total extraordinary losses	9,303	4,217
Profit before income taxes	20,970	36,248
Income taxes-current	4,943	7,775
Income taxes-deferred	4,221	3,978
Total income taxes	9,164	11,754
Profit	11,805	24,493
Profit (loss) attributable to non-controlling interests	(99)	115
Profit attributable to owners of parent	11,904	24,378

(Consolidated Statement of Comprehensive Income)

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

(Millions of yen)

	Previous 3rd Quarter From March 1, 2020 to November 30, 2020	Current 3rd Quarter From March 1, 2021 to November 30, 2021
Profit	11,805	24,493
Other comprehensive income		
Valuation difference on available-for-sale securities	3,597	(237)
Foreign currency translation adjustment	(59)	1,760
Remeasurements of defined benefit plans	135	77
Total other comprehensive income	3,673	1,600
Comprehensive income	15,478	26,094
Comprehensive income attributable to		
Owners of parent	15,632	25,901
Non-controlling interests	(153)	193

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

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

Not Applicable.

(Additional Information)

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)

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