

Flash Report on the Consolidated Financial Results [IFRS]

for the Third Quarter of the Fiscal Year Ending February 29, 2024

January 12, 2024

Listed Company Name: Lawson, Inc.

Code No.: 2651

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Scheduled date for submission of quarterly securities report: January 12, 2024

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, 2023 (from March 1, 2023 to November 30, 2023)

(1) Consolidated operating results (cumulative)

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

	Gross operating revenue		Core operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended November 30, 2023	814,143	9.0	75,281	36.0	67,829	43.9	46,324	50.0	45,882	48.7	49,168	38.1
November 30, 2022	746,984	—	55,356	—	47,122	—	30,891	—	30,845	—	35,615	—

	Basic earnings per share	Diluted earnings per share
For the third quarter ended	Yen	Yen
November 30, 2023	458.46	457.98
November 30, 2022	308.22	307.95

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

(2) Consolidated financial position

	Total assets	Equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
November 30, 2023	2,265,490	283,888	279,395	12.3
February 28, 2023	2,242,421	253,858	249,941	11.1

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2022 fiscal year	—	75.00	—	75.00	150.00
2023 fiscal year	—	117.50	—		
2023 fiscal year (forecast)				132.50	250.00

Note: Revision of the most recent dividends forecast: Yes

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

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

	Gross operating revenue		Core operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2023 fiscal year	1,090,000	9.0	88,000	36.8	74,500	58.1	50,000	68.3	499.61

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

4. Notes

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

Added: None

Excluded: None

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

1. Changes in accounting policies required by IFRS: Yes

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

3. Changes in accounting estimates: None

Note: For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Main Notes, (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements (Significant Accounting Policies)” on page 17.

(3) Number of shares outstanding (common stock)

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

As of November 30, 2023: 100,300,000 As of February 28, 2023: 100,300,000

2. Number of treasury shares at the end of period

As of November 30, 2023: 221,630 As of February 28, 2023: 222,962

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

As of November 30, 2023: 100,078,336 As of November 30, 2022: 100,075,705

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. Qualitative Information Regarding Quarterly Financial Results, (3) Explanation Regarding Forward-looking Statements” on page 9.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the third quarter of fiscal 2023, from March 1 to November 30, 2023, we made concerted Group-wide efforts to realize the “Lawson Group Challenge 2025” medium-term management vision, while society shifted toward a post-COVID world driven primarily by the downgrade in the categorization of COVID-19 to Class 5, which includes seasonal flu. Specifically, we undertook various measures under our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020, and the whole Lawson Group collectively endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities, foster job satisfaction, and introduced a range of LGBTQ initiatives aimed at creating a workplace environment and system that maximizes the full potential of diverse human resources and we received the Gold rating in the PRIDE Index 2023.*¹ Focusing on community, individual customers, and individual stores, we expanded a company system in eight areas across Japan and transferred authority and functions from the headquarters to the frontline stores with the aim of facilitating our organizational structure to more vigorously pursue the creation of customer value at locations that are in close proximity to our customers. We are undertaking various initiatives under this new structure.

*¹ An assessment index established in 2016 by general incorporated association “work with Pride” with the aim of evaluating workplace initiatives to promote the inclusion of LGBTQ+ and other sexual minority employees.

As a result, during the third quarter of fiscal 2023 on a consolidated basis, gross operating revenue increased to 814,143 million yen (up 9.0% from previous fiscal year) and profit before tax increased to 67,829 million yen (up 43.9% from previous fiscal year). Profit attributable to owners of parent was 45,882 million yen (up 48.7% from previous fiscal year).

The Lawson Group has prepared its consolidated financial statements in compliance with IFRS from end of previous fiscal year, and the figures for the third quarter of the previous fiscal year have also been restated in accordance with IFRS for comparative analysis.

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2023 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

Operating results by business segment were as follows.

(Domestic Convenience Store Business)

During the third quarter under review, a general increasing trend was seen in the movement of people. Against this backdrop, each area company reinforced their sales floors with a particular focus on the scope of merchandise assortment and the quantity of inventory by building on the foundation established by the Lawson Group Sweeping Transformation Executive Committee, which has been proceeding with store renovations and expanding the merchandise assortment of frozen foods and other daily necessities. As of the end of November 2023, 12,689 stores have introduced MUJI products, which began full-scale introduction in the previous year. Also, as we work our way toward 2025, our 50th anniversary year, we continue to expand HAPPY LAWSON

PROJECT! with the aim of creating “new hubs of refreshment in every community,” and promoted measures to fulfill the three promises of our business policy-“Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness”-in an effort to operate LAWSON stores endorsed by all our customers.

In addition to further strengthening our distinctive products that focus on taste and health, we are also working to provide heartfelt customer service in our stores, and we are continuing with our environmentally friendly measures such as reducing food loss, plastic usage, and CO₂ emissions.

[Store Operations]

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

[Merchandising and Service Strategies]

Sales continued to surge in fast-food counter items, soft drinks and the rice range, products offered by the Machikado Chubo in-store kitchen service, bakery, and the cosmetics range driven by an increase in the movement of people. In the fast-food counter range, a new Japanese fried chicken product, “L-kara,” enjoyed strong sales in addition to regular items such as the “Kara-age-kun” chicken nuggets. In the rice range, sales continued to surge in rice bowls such as the renewed “Kinshari Onigiri Rice Ball” series. In the Machikado Chubo, we saw strong performance for regular items such as the Donburi rice bowls as well as box lunch items in which rice is packed separately. In the daily delivered food range, bakery products including “Melon-pan Bread with Salty Butter” and regular items drove sales up, while in the non-food range, sales for MUJI products and cosmetics products under a new brand jointly developed with a popular cosmetics brand enjoyed growth.

In food delivery service, the combined number of stores listed on four food delivery services such as Uber Eats, reached 4,478 in 47 prefectures as of November 30, 2023. In addition, Uber Eats delivers over-the-counter drugs sold at 105 LAWSON stores in 20 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, 2022 to November 30, 2022		Current fiscal year From March 1, 2023 to November 30, 2023	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	929,928	53.7	974,898	53.3
Fast foods	388,438	22.4	413,459	22.6
Daily delivered foods	265,839	15.3	278,780	15.3
Nonfood products	149,389	8.6	160,147	8.8
Total	1,733,595	100.0	1,827,286	100.0

[Store Development]

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

During the third quarter of fiscal 2023, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 191 stores. Meanwhile, we closed a total of 196. As of the end of November 2023, the total number of domestic stores was 14,626*2.

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 over-the-counter drugs has reached 309 stores (includes 45 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of November 2023. Moreover, the number of stores with nursing care consultation desks for seniors has reached 19 as of the end of November 2023. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 338 as of the end of November 2023. Building on our expertise developed through operation of in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

Our NATURAL LAWSON stores, which are popular among customers for supporting their beauty, health, and comfortable lifestyles, offer an exclusive selection of finely picked items of value, including food made with healthy ingredients and environmentally friendly detergents and cosmetics. Meanwhile, our LAWSON STORE100 stores consistently offer safe and high-quality fruits and vegetables with a focus on freshness and daily necessities, supporting customers’ daily dietary lives by helping them plan their meals. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of the end of November 2023, we operate 131 NATURAL LAWSON stores and 648 LAWSON STORE100 stores.

*2 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2023	Change during fiscal year	Total stores as of November 30, 2023
LAWSON	13,839	8	13,847
NATURAL LAWSON	131	—	131
LAWSON STORE100	661	(13)	648
Total	14,631	(5)	14,626

[Number of LAWSON stores by prefecture (As of November 30, 2023)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	698	Ibaraki	215	Kyoto	326	Ehime	218
Aomori	279	Tokyo	1,654	Shiga	152	Tokushima	135
Akita	177	Kanagawa	1,058	Nara	134	Kochi	138
Iwate	179	Shizuoka	273	Wakayama	153	Fukuoka	526
Miyagi	259	Yamanashi	134	Osaka	1,201	Saga	77
Yamagata	108	Nagano	167	Hyogo	701	Nagasaki	122
Fukushima	168	Aichi	715	Okayama	244	Oita	199
Niigata	223	Gifu	177	Hiroshima	301	Kumamoto	164
Tochigi	198	Mie	136	Yamaguchi	129	Miyazaki	111
Gunma	240	Ishikawa	101	Tottori	137	Kagoshima	201
Saitama	690	Toyama	176	Shimane	140	Okinawa	260
Chiba	595	Fukui	105	Kagawa	132	Total (domestic)	14,626

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

As a result, Domestic Convenience Store Business posted gross operating revenue of 565,434 million yen (up 8.0% from previous fiscal year) and segment profit of 56,307 million yen (up 33.8% from previous fiscal year).

(Seijo Ishii Business)

Seijo Ishii Co., Ltd provides customers with well-selected, and highly original foods under its philosophy of “Quality food for a quality life.” Operating diverse store formats including street-side stores and stores in station buildings and commercial facilities, the supermarket chain leverages its distinguished product development expertise to offer original products and food items made in-house under the Seijo Ishii brand. The number of directly operated Seijo Ishii Co., Ltd stores reached 181 as of the end of November 2023. Sales at stores in office buildings recovered from the sluggish sales resulting from the COVID-19 pandemic. Product-wise, daily delivered foods and dishes produced in-house at Seijo Ishii’s central kitchen recorded steady sales, while sales also grew for fresh food including fruits and vegetables, meat, and fish, primarily at street-level stores. In November, the first store, Seijo Store, was completely renovated as a new flagship store. We will continue striving to elevate the brand power of Seijo Ishii by promoting the sustainable development of products of value, effective promotional campaigns, and publicity activities as a manufacturing retailer eager to send messages out to consumers.

As a result, Seijo Ishii Business posted gross operating revenue of 81,902 million yen (up 1.0% from previous fiscal year) and segment profit of 8,716 million yen (down 6.8% from previous fiscal year).

(Entertainment-related Business)

With respect to our ticketing business in our Entertainment-related Business undertaken by Lawson

Entertainment, Inc., concerts, leisure, and other events enjoyed brisk demand. In addition, we focused our efforts on securing an expanded lineup of events and strengthening sales in each genre, which resulted in a year-on-year increase in our ticket transaction value. Furthermore, sales for our product sales business at HMV music/video software stores and others grew as a result of a rise in the number of concerts and events held, which drove up sales for related products, as well as an increase in the movement of people. In our e-commerce business, we are making efforts to expand the scope of merchandise we handle, including band and artist merchandise, cosmetics and other items. The number of stores has reached 52 as of November 30, 2023, including HMV stores, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records.

During the first nine months under review, United Cinemas Co., Ltd., an operator of cinema complexes, attracted more moviegoers and generated higher sales than in the same period of the previous fiscal year as a result of the release of much-talked-about and highly anticipated movies, such as during the long holiday in spring and the summer holiday season, as well as the strong performance of high ticket-price films screened using 4D movie screening systems. As of November 30, 2023, 43 cinema complexes nationwide with 398 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 60,817 million yen (up 13.2% from previous fiscal year) and segment profit of 5,316 million yen (up 24.5% from previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, we endeavored to offer an expanded range of new services through Lawson Bank, Inc.'s ATMs and ATM settlement network. As of the end of November 2023, the number of ATMs installed nationwide reached 13,579, with each ATM used 55.7 times a day on average. The total number of our financial institution partners reached 391 nationwide. We now have 5 partners for the cash charging at ATMs, 8 for the "Smartphone ATM (QR code deposit/withdrawal)"^{*3} service, 24 for the "Immediate Account Settlement Service"^{*4} (18 financial institutions and 6 other service operators), and 11 for international money transfer cards. In addition to cash deposit and withdrawal services, charging to cashless payment services has also contributed to the increased use of ATMs, etc. Furthermore, from October we also started offering the "Pontama ATM" service, which allows users to accumulate Ponta points by scanning their Ponta card after deposit or withdrawal transactions at Lawson Bank ATMs.

Regarding LAWSON Ponta Plus credit cards issued by Lawson Bank, Inc, we are continuing to work on expanding credit card membership and promoting card usage by drawing public attention to the benefits of using the card at LAWSON stores and other Ponta affiliated stores.

*3 A service where customers can deposit/withdraw cash or take out/repay a credit card loan at an ATM by using a smartphone app instead of a bank card. "Smartphone ATM" is a registered trademark of Seven Bank, Ltd.

*4 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 26,767 million yen (up 2.9% from previous fiscal year) and segment profit of 2,385 million yen (down 20.1% from previous fiscal year).

(Overseas Business)

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

The number of LAWSON stores in the People's Republic of China, exceeded 6,000 in August and reached 6,251 as of the end of November 2023, up 631 stores from the end of previous fiscal year. In addition to opening new stores through our subsidiaries, we are also launching stores by concluding mega franchise agreements with local retailers in different cities, as well as area license agreements, where partner companies serve as headquarters in designated areas and assume overall operation and development, in efforts to accelerate the expansion of business areas and the number of stores. The spread of the COVID-19 pandemic peaked from the end of 2022 to early January of 2023 and daily sales increased due to the recovery in the movement of people, though there are regional differences in the degree of recovery. We will work to offer our signature high-quality original products including rice and dessert items, enhance the value of the Lawson brand in China, and increase earnings by strengthening our delivery business.

With regard to regions other than China, sales increased due to the recovery in the movement of people resulting from the elimination and easing of COVID-related restrictions in respective countries. We have been accelerating the pace of new store openings, and the number of stores in Thailand, Indonesia, the Philippines, and the United States (Hawaii) combined reached 964 as of November 30, 2023, up 424 stores from the end of the previous fiscal year, achieving a record high in these countries combined. We will continue to operate our stores to sustain the daily lives of our customers and strive to further expand our earnings.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2023)	Change during fiscal year	Number of stores (As of November 30, 2023)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	2,483	168	2,651
China Chongqing and surrounding area (Chongqing, Sichuan)	798	83	881
China Liaoning (including Shenyang, Dalian)	586	122	708
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	432	64	496
China Guangdong and Fujian (including Shenzhen, Xiamen)	174	131	305
China Hubei (including Wuhan)	617	29	646
China Anhui (including Hefei)	231	(7)	224
China Hunan (including Changsha)	160	3	163
China Hainan (including Haikou)	139	38	177
China Subtotal	5,620	631	6,251
Thailand	181	4	185
Indonesia	256	390	646
Philippines	101	30	131
United States of America (Hawaii)	2	—	2
Total	6,160	1,055	7,215

As a result, Overseas Business posted gross operating revenue of 88,124 million yen (up 27.2% from previous fiscal year) and segment profit of 2,511 million yen (segment loss was 3,488 million yen for the same period of the previous year).

(2) Explanation Regarding Consolidated Financial Position

① Assets, Liabilities and Equity at the end of the third quarter of fiscal 2023

Current assets increased by 2,594 million yen from the end of the previous fiscal year to 682,434 million yen, mainly reflecting increases of 15,538 million yen in trade and other receivables and 3,804 million yen in inventories, and decreases of 11,386 million yen in cash and cash equivalents and 5,847 million yen in finance lease receivables. Non-current assets increased by 20,473 million yen from the end of the previous fiscal year to 1,583,056 million yen, mainly reflecting increases of 9,485 million yen in property and store equipment, 8,804 million yen in intangible assets, and 4,830 million yen in guarantee deposits, and a decrease of 3,880 million yen in deferred tax assets. Consequently, total assets increased by 23,068 million yen from the end of the previous fiscal year to 2,265,490 million yen.

Current liabilities increased by 76,612 million yen from the end of the previous fiscal year to 981,892 million yen, mainly reflecting an increase of 133,583 million yen in other financial liabilities and a decrease of 56,424 million yen in deposits received. Non-current liabilities decreased by 83,574 million yen from the end of the previous fiscal year to 999,709 million yen, mainly reflecting decreases of 79,925 million yen in borrowings and 5,402 million yen in lease liabilities. Consequently, total liabilities decreased by 6,961 million yen from the end of the previous fiscal year to 1,981,601 million yen.

Equity increased by 30,030 million yen from the end of the previous fiscal year to 283,888 million yen, mainly reflecting increases of 26,617 million yen in retained earnings and 2,706 million yen in other components of equity. Consequently, ratio of equity attributable to owners of parent to total assets was 12.3%, up from 11.1% as of the end of the previous fiscal year.

② Cash flows during the third quarter of fiscal 2023

Cash and cash equivalents as of November 30, 2023 decreased by 11,386 million yen from the end of the previous fiscal year to 388,136 million yen.

Net cash provided by operating activities was 301,259 million yen, an increase of 90,530 million yen from the third quarter of fiscal 2022, mainly because of the movement in call money for banking business, deposits received, trade and other receivables, income taxes paid, and trade and other payables.

Net cash used in investing activities was (50,021) million yen, an increase of 15,266 million yen from the third quarter of fiscal 2022, mainly because of a decreases of proceeds from sales and redemption of investments and increases in purchase of intangible assets and payments for guarantee deposits.

Net cash used in financing activities was (263,723) million yen, an increase of 71,968 million yen from the third quarter of fiscal 2022 mainly because of increases in repayments of borrowings and proceeds from borrowings.

The Group's sources of capital and funding liquidity are used to fund new store openings, remodel existing stores, and develop new business, as well as to pay dividends.

Working capital and investment funds are basically allocated from operating cash flow, and funds are procured as needed.

(3) Explanation Regarding Forward-looking Statements

Regarding the financial forecasts for the current full fiscal year ending February 29, 2024, in light of recent performance trends and other factors, we have revised gross operating revenue, core operating profit, profit before tax, profit attributable to owners of parent and basic earnings per share.

	Gross operating revenue	Core operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	1,080,000	85,000	70,500	47,000	469.63
Revised forecast (B)	1,090,000	88,000	74,500	50,000	499.61
Change (B-A)	10,000	3,000	4,000	3,000	
Change (%)	0.9	3.5	5.7	6.4	
Reference: Results for previous fiscal year ended February 28, 2023	1,000,385	64,311	47,134	29,708	296.86

The above mentioned forecasts are determined based on information currently available to the Company and include potential risks and uncertainties. For a variety of reasons, actual performance may differ substantially from these projections.

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	Previous fiscal year As of February 28, 2023	Current 3rd Quarter As of November 30, 2023
Assets		
Current assets		
Cash and cash equivalents	399,523	388,136
Trade and other receivables	223,648	239,187
Finance lease receivables	13,710	7,863
Other financial assets	3,595	1,244
Inventories	28,689	32,494
Other current assets	10,671	13,508
Total current assets	679,839	682,434
Non-current assets		
Property and store equipment	186,398	195,883
Right-of-use assets	1,069,233	1,065,539
Investment property	46,734	46,471
Goodwill	50,150	52,617
Intangible assets	51,416	60,220
Investments accounted for using equity method	6,532	6,427
Guarantee deposits	92,916	97,747
Other financial assets	5,742	7,503
Deferred tax assets	48,234	44,353
Other non-current assets	5,223	6,292
Total non-current assets	1,562,582	1,583,056
Total assets	2,242,421	2,265,490

	(Millions of yen)	
	Previous fiscal year As of February 28, 2023	Current 3rd Quarter As of November 30, 2023
Liabilities and equity		
Current liabilities		
Trade and other payables	231,925	261,248
Deposits received	274,224	217,800
Borrowings	92,877	65,656
Income taxes payable	10,800	8,785
Other financial liabilities	273,465	407,048
Provisions	2,480	69
Other current liabilities	19,505	21,282
Total current liabilities	905,279	981,892
Non-current liabilities		
Borrowings	80,000	74
Lease liabilities	923,588	918,185
Other financial liabilities	21,407	22,415
Retirement benefit liability	16,797	17,056
Deferred tax liabilities	430	391
Provisions	37,642	38,121
Other non-current liabilities	3,417	3,464
Total non-current liabilities	1,083,284	999,709
Total liabilities	1,988,563	1,981,601
Equity		
Share capital	58,506	58,506
Capital surplus	46,934	47,058
Treasury shares	(948)	(943)
Other components of equity	3,799	6,505
Retained earnings	141,650	168,267
Total equity attributable to owners of parent	249,941	279,395
Non-controlling interests	3,916	4,493
Total equity	253,858	283,888
Total liabilities and equity	2,242,421	2,265,490

(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income
Condensed Quarterly Consolidated Statement of Profit and Loss

(Millions of yen)

	Previous 3rd Quarter From March 1, 2022 to November 30, 2022	Current 3rd Quarter From March 1, 2023 to November 30, 2023
Gross operating revenue	746,984	814,143
Cost of sales	(352,900)	(380,407)
Operating gross profit	394,084	433,735
Selling, general and administrative expenses	(338,727)	(358,453)
Other income	1,899	1,940
Other expenses	(4,502)	(4,612)
Finance income	1,135	1,314
Finance costs	(7,172)	(7,166)
Share of profit of investments accounted for using equity method	406	1,070
Profit before tax	47,122	67,829
Income taxes	(16,230)	(21,505)
Profit	<u>30,891</u>	<u>46,324</u>
Profit attributable to		
Owners of parent	30,845	45,882
Non-controlling interests	46	441
	<u>30,891</u>	<u>46,324</u>
Earnings per share		
Basic earnings per share (Yen)	308.22	458.46
Diluted earnings per share (Yen)	307.95	457.98

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous 3rd Quarter From March 1, 2022 to November 30, 2022	Current 3rd Quarter From March 1, 2023 to November 30, 2023
Profit	30,891	46,324
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	56	93
Share of other comprehensive income of investments accounted for using equity method	10	–
Total of items that will not be reclassified to profit or loss	67	93
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,610	2,721
Share of other comprehensive income of investments accounted for using equity method	45	29
Total of items that may be reclassified to profit or loss	4,656	2,750
Other comprehensive income (net of tax)	4,723	2,844
Comprehensive income	35,615	49,168
Comprehensive income attributable to		
Owners of parent	35,366	48,588
Non-controlling interests	249	579

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Previous 3rd Quarter (From March 1, 2022 to November 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2022	58,506	46,899	(973)	(1,409)	2,997	1,588
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	67	4,453	4,520
Total comprehensive income	—	—	—	67	4,453	4,520
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Exercise of share acquisition rights (issuance of treasury shares)	—	(24)	24	—	—	—
Share-based payment	—	59	—	—	—	—
Other	—	—	—	—	—	—
Total transactions with owners	—	34	24	—	—	—
Balance as of November 30, 2022	58,506	46,934	(949)	(1,342)	7,451	6,109

	Equity attributable to owners of parent			
	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of March 1, 2022	125,832	231,853	3,839	235,693
Profit	30,845	30,845	46	30,891
Other comprehensive income	—	4,520	202	4,723
Total comprehensive income	30,845	35,366	249	35,615
Purchase of treasury shares	—	(0)	—	(0)
Dividends	(15,011)	(15,011)	(2)	(15,013)
Exercise of share acquisition rights (issuance of treasury shares)	—	0	—	0
Share-based payment	—	59	—	59
Other	7	7	—	7
Total transactions with owners	(15,003)	(14,944)	(2)	(14,947)
Balance as of November 30, 2022	141,674	252,275	4,086	256,361

Current 3rd Quarter (From March 1, 2023 to November 30, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
	Other components of equity					Total
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	
Balance as of March 1, 2023	58,506	46,934	(948)	(1,278)	5,077	3,799
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	93	2,613	2,706
Total comprehensive income	—	—	—	93	2,613	2,706
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Exercise of share acquisition rights (issuance of treasury shares)	—	(5)	5	—	—	—
Share-based payment	—	130	—	—	—	—
Total transactions with owners	—	124	5	—	—	—
Balance as of November 30, 2023	58,506	47,058	(943)	(1,185)	7,690	6,505

	Equity attributable to owners of parent			
	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of March 1, 2023	141,650	249,941	3,916	253,858
Profit	45,882	45,882	441	46,324
Other comprehensive income	—	2,706	137	2,844
Total comprehensive income	45,882	48,588	579	49,168
Purchase of treasury shares	—	(0)	—	(0)
Dividends	(19,264)	(19,264)	(2)	(19,267)
Exercise of share acquisition rights (issuance of treasury shares)	—	0	—	0
Share-based payment	—	130	—	130
Total transactions with owners	(19,264)	(19,135)	(2)	(19,137)
Balance as of November 30, 2023	168,267	279,395	4,493	283,888

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Previous 3rd Quarter From March 1, 2022 to November 30, 2022	Current 3rd Quarter From March 1, 2023 to November 30, 2023
Cash flows from operating activities:		
Profit before tax	47,122	67,829
Depreciation and amortization	158,637	158,943
Impairment loss	2,718	1,967
Interest income	(947)	(960)
Interest expenses	6,579	7,164
Loss on retirement of non-current assets	719	1,489
Decrease (increase) in trade and other receivables	(36,134)	(14,911)
Increase (decrease) in trade and other payables	30,855	23,288
Increase (decrease) in deposits received	14,897	(56,394)
Increase (decrease) in net defined benefit liability	510	218
Net increase (decrease) in call money for banking business	(1,000)	133,000
Other	167	58
Subtotal	224,125	321,693
Interest and dividends received	1,172	1,180
Interest paid	(2,871)	(3,424)
Income taxes paid	(11,697)	(18,189)
Net cash provided by (used in) operating activities	210,729	301,259
Cash flows from investing activities:		
Purchases of property and store equipment, right-of-use assets and investment property	(29,157)	(27,981)
Purchase of intangible assets	(9,583)	(14,427)
Purchase of investments	(4,415)	(1,855)
Proceeds from sales and redemption of investments	8,113	3,100
Payments for guarantee deposits	(7,607)	(11,337)
Proceeds from collection of guarantee deposits	9,713	6,230
Purchase of long-term prepaid expenses	(147)	(2,806)
Other	(1,670)	(944)
Net cash provided by (used in) investing activities	(34,755)	(50,021)
Cash flows from financing activities:		
Proceeds from borrowings	208,220	1,321,977
Repayments of borrowings	(248,603)	(1,429,963)
Repayments of lease liabilities	(136,382)	(136,473)
Dividends paid	(15,011)	(19,264)
Other	21	1
Net cash provided by (used in) financing activities	(191,754)	(263,723)
Effect of exchange rate changes on cash and cash equivalents	2,047	1,098
Net increase (decrease) in cash and cash equivalents	(13,732)	(11,386)
Cash and cash equivalents at beginning of period	392,996	399,523
Cash and cash equivalents at end of period	379,264	388,136

**(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements
(Going Concern Assumption)**

Not Applicable.

(Significant Accounting Policies)

The significant accounting policies adopted for the Condensed Quarterly Consolidated Financial Statements are the same as those for the Consolidated Financial Statements for the fiscal year ended February 28, 2023, except for the following standards, which have been newly adopted.

In addition, income taxes for the third quarter ended November 30, 2023 are calculated based upon an estimated average annual effective tax rate. The Company and certain subsidiaries have transitioned from a consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year.

The standard that the Group has adopted from the first quarter ended May 31, 2023 is as follows:

Standard	Standard name	Outline
IAS 12	Income Taxes	<ul style="list-style-type: none">• Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction• Accounting and disclosure of income tax by tax laws enacted or substantively enacted to implement Pillar Two model rules published by the Organization for Economic Co-operation and Development

Furthermore, there was no material impact on the Condensed Quarterly Consolidated Financial Statements for the third quarter resulting from the application of the above standard.

A temporary exception has been provided from the recognition and disclosure requirements about deferred tax assets and deferred tax liabilities related to Pillar Two model rules, which the Group has retrospectively applied.

Consequently, the Group does not recognize deferred tax assets and deferred tax liabilities related to Pillar Two model rules.

(Segment Information)

1. Outline of reportable segments

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

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

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

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

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

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

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

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

2. Information on reportable segments

Methods of accounting for reportable segments are described in note “Significant Accounting Policies” and are consistent with the accounting policies of the Group.

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

Previous 3rd Quarter (From March 1, 2022 to November 30, 2022)

(Millions of yen)

	Reportable segment					Others (Note)	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	188,896	651	—	—	1,493	—	191,041	—	191,041
Net sales from Company-operated stores	57,565	80,355	42,938	—	52,739	—	233,598	—	233,598
Other	251,311	64	9,160	24,127	14,608	1,574	300,846	—	300,846
Other revenue	21,021	21	—	—	454	—	21,497	—	21,497
Revenue from external customers									
1. Revenue from external customers	518,795	81,093	52,098	24,127	69,295	1,574	746,984	—	746,984
2. Intersegment revenue or transfer	4,922	—	1,619	1,886	—	572	9,000	(9,000)	—
Total	523,717	81,093	53,718	26,014	69,295	2,146	755,985	(9,000)	746,984
Segment profit (loss)	42,087	9,354	4,270	2,986	(3,488)	145	55,356	—	55,356

(Note) The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.

Current 3rd Quarter (From March 1, 2023 to November 30, 2023)

(Millions of yen)

	Reportable segment					Others (Note)	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment- related Business	Financial Services Business	Overseas Business				
Revenue from contracts with customers									
Income from franchised stores	204,460	638	—	—	3,226	—	208,326	—	208,326
Net sales from Company-operated stores	65,488	81,191	48,569	—	65,759	—	261,010	—	261,010
Other	265,250	55	10,141	24,425	18,633	1,476	319,982	—	319,982
Other revenue	24,303	16	—	—	504	—	24,824	—	24,824
Revenue from external customers									
1. Revenue from external customers	559,503	81,902	58,711	24,425	88,124	1,476	814,143	—	814,143
2. Intersegment revenue or transfer	5,931	—	2,106	2,342	—	538	10,918	(10,918)	—
Total	565,434	81,902	60,817	26,767	88,124	2,014	825,062	(10,918)	814,143
Segment profit	56,307	8,716	5,316	2,385	2,511	43	75,281	—	75,281

(Note) The business segments within the “Others” category that do not fall under the main reportable segments include the Consulting Business, etc.