

Flash Report on the Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2020

January 10, 2020

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 submission of quarterly securities report: January 14, 2020

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, 2019 (from March 1, 2019 to November 30, 2019)

(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, 2019	550,901	4.4	52,122	9.0	48,663	4.3	25,953	2.5
November 30, 2018	527,637	6.8	47,807	(11.9)	46,641	(13.3)	25,319	(22.8)

Note: Comprehensive income:

For the third quarter ended November 30, 2019 23,890 million yen (12.5)%

For the third quarter ended November 30, 2018 27,301 million yen (20.7)%

	Profit per share	Diluted profit per share
	Yen	Yen
For the third quarter ended		
November 30, 2019	259.37	259.22
November 30, 2018	253.05	252.92

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2019	1,438,452	281,648	19.3
February 28, 2019	1,342,329	281,982	20.6

Reference: Shareholders' equity:

As of November 30, 2019 277,213 million yen

As of February 28, 2019 276,514 million yen

Note: Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), etc. have been applied from the beginning of the first quarter of the fiscal year ending February 29, 2020 in preparing the consolidated financial statements. The standards have been retrospectively applied to the consolidated financial statements for the previous fiscal year.

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2018 fiscal year	—	127.50	—	127.50	255.00
2019 fiscal year	—	75.00	—		
2019 fiscal year (forecast)				75.00	150.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for the 2019 fiscal year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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
2019 fiscal year	727,000	3.8	60,800	0.0	54,500	(5.5)	18,000	(29.6)	179.88

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: Yes

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

3. Changes in accounting estimates: None

4. Retrospective restatements: None

Note: For changes in accounting policies associated with revision in accounting standards, please refer to “2. Consolidated Financial Statements and Main Notes, (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 13.

(4) Number of shares outstanding (common stock)

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

As of November 30, 2019: 100,300,000 As of February 28, 2019: 100,300,000

2. Number of treasury shares at the end of period

As of November 30, 2019: 237,663 As of February 28, 2019: 241,897

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

As of November 30, 2019: 100,061,191 As of November 30, 2018: 100,056,896

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 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 8.

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	8
2. Consolidated Financial Statements and Main Notes	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Income	11
Consolidated Statement of Comprehensive Income	12
(3) Notes to Consolidated Financial Statements	13
(Going Concern Assumption)	13
(Notes to Significant Changes in the Amount of Shareholders' Equity)	13
(Changes in Accounting Policies)	13
(Additional Information)	13

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the third quarter of fiscal 2019, nine months from March 1 to November 30, 2019, changes in society needs resulting from an aging population, the prevalence of the nuclear family, the increasing number of working women, and the heightening awareness of healthy lifestyles, are serving as a tailwind for the convenience store industry. Meanwhile, competition is intensifying across sector lines and circumstances surrounding franchise stores are also becoming increasingly challenging due to a labor shortage and rising personnel expenses. Given such a business environment, we have made efforts to raise store productivity by making maximum use of digital technology. Specifically, since 2015, we have been introducing a semi-automatic ordering system and new point-of-sale (POS) cash registers equipped with an automatic change dispenser function. We will continue to provide franchise stores with stronger support and reinforce our relationships with them.

As a result, for the third quarter of fiscal 2019 on a consolidated basis, gross operating revenue increased to 550,901 million yen (up 4.4% from previous fiscal year), operating income increased to 52,122 million yen (up 9.0% from previous fiscal year) and ordinary income increased to 48,663 million yen (up 4.3% from previous fiscal year). Profit attributable to owners of parent increased to 25,953 million yen (up 2.5% from previous fiscal year).

Furthermore, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2019 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control even more.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

In our convenience store business, 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. 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 and the use of plastics.

The consumption tax rate was raised in Japan from 8% to 10% on October 1, 2019, although certain items are subject to a reduced rate. At LAWSON stores, reduced tax rates are applied to food and beverage items, excluding those consumed within their eat-in areas, and alcoholic beverages. In addition, as part of the Japanese government's support scheme to alleviate the impact of the tax hike, customers making cashless payments at applicable LAWSON stores receive a 2% refund on their payment amount.

[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. During the current fiscal year, we are taking decisive steps to improve store operations and strengthen franchise support by headquarters.

With regard to our initiative to introduce self-checkout machines by leveraging the self-checkout function of the POS cash registers installed at all stores during the previous fiscal year, we have been verifying the effect of the introduction at each store since November 2019. Based on the results, we will proceed with the initiative in phases.

[Merchandising and Service Strategies]

In the rice range, we added a new flavor to our popular “Akuma-no-onigiri” (meaning “devil’s rice ball”) line and introduced the new “Kinshari Onigiri Rice Ball” series featuring rice with enhanced sweetness, which contributed to sales. In the processed bread range, we were able to capture a new type of meal demand by launching the new “SAND FULL” series characterized by voluminous fillings and also successfully revamped our standard products including our mixed and egg sandwiches, which resulted in a year-on-year sales increase.

In our dessert range, sales significantly grew from the same period of the previous fiscal year as a result of the great popularity achieved by our new dessert type, which includes “BASCHEE” (short for Basque-style cheesecake), and the “Uchi Café” dessert range including our “CUPKE” series launched in October 2019.

In the bakery products range, our “Machinopan” (meaning “town bakery”) series reinforced with new products including “Pain au Chocolat” was well received, while sales for bread with a selection of delicious fillings climbed, partly owing to product changes.

On our service front, we commenced a pilot experiment in October 2019 on the e-shipping service provided by Japan Post Co., Ltd., a service for shipping items sold on auction sites and flea market apps. The pilot experiment was conducted at LAWSON stores in Tokyo and Kanagawa Prefectures where SMARI, a service for returning rented items or products purchased via e-commerce websites, is offered.

On our sales promotion side, we rolled out an autumn stamp rally campaign, and implemented effective measures to attract customers, including a speed lottery capitalizing on our strength in the entertainment field.

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

Fiscal period Product categories	Previous 3rd Quarter From March 1, 2018 to November 30, 2018		Current 3rd Quarter From March 1, 2019 to November 30, 2019	
	Net sales (Millions of yen)	Percentage of total (%)	Net sales (Millions of yen)	Percentage of total (%)
Processed foods	910,057	52.6	943,324	52.9
Fast foods	414,901	24.0	417,373	23.4
Daily delivered foods	251,887	14.5	268,069	15.0
Non-food products	154,764	8.9	155,353	8.7
Total	1,731,611	100.0	1,784,121	100.0

(Note) These figures include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.

[Store Development]

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

Regarding the entire Lawson Group, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during the current fiscal year stood at 451 and 466 stores, respectively, with the total number of stores reaching 14,644 as of the end of November 2019. *

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 218 stores (includes 48 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of November 2019. Moreover, the number of stores offering nursing care consultation services has reached 23 as of the end of November 2019. 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 322 as of the end of November 2019. 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 meets customers’ needs with a wide-ranging assortment of products sold at the value-for-money price of 100 yen, including fresh fruit and vegetables, daily delivered fresh foods, prepared dishes, beverages, and daily necessities. As of the end of November 2019, we operate 143 NATURAL LAWSON stores and 769 LAWSON STORE100 stores.

* The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., subsidiary Lawson Sanin, 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, 2019	Change during period	Total stores as of November 30, 2019
LAWSON	13,714	18	13,732
NATURAL LAWSON	139	4	143
LAWSON STORE100	806	(37)	769
Total	14,659	(15)	14,644

[Number of LAWSON stores by prefecture (As of November 30, 2019)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	681	Ibaraki	222	Kyoto	327	Ehime	215
Aomori	267	Tokyo	1,745	Shiga	157	Tokushima	137
Akita	187	Kanagawa	1,121	Nara	141	Kochi	139
Iwate	177	Shizuoka	285	Wakayama	151	Fukuoka	524
Miyagi	254	Yamanashi	138	Osaka	1,138	Saga	76
Yamagata	114	Nagano	174	Hyogo	674	Nagasaki	111
Fukushima	165	Aichi	736	Okayama	202	Oita	191
Niigata	227	Gifu	183	Hiroshima	235	Kumamoto	160
Tochigi	201	Mie	139	Yamaguchi	119	Miyazaki	105
Gunma	255	Ishikawa	105	Tottori	142	Kagoshima	199
Saitama	696	Toyama	192	Shimane	146	Okinawa	237
Chiba	609	Fukui	113	Kagawa	132	Total (domestic)	14,644

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

[Other]

In April 2019, we formulated an action plan to strengthen relationships with and support franchise stores in terms of (1) support for franchise store management, (2) shortening of store hours, (3) store opening policy aimed at increasing franchise store earnings, and (4) initiatives to strengthen communications with franchise stores. In November 2019, we announced our progress made under the action plan. We will continue to provide franchise stores with stronger support and reinforce our relationships with them.

Furthermore, as part of our initiative to help achieve the Sustainable Development Goals (SDGs), we began supplying leftover food to be discarded at our logistics centers to facilities that need food support via the Japan Food Bank Association. In September 2019, we also redesigned all our triangular sandwich packages, which is expected to reduce the annual amount of plastic consumption by approximately 60 tons.

As a result, Domestic Convenience Store Business posted gross operating revenue of 360,083 million yen (up 0.8% from previous fiscal year) and segment profit of 40,659 million yen (up 2.1% 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 154 as of the end of November 2019. Seijo Ishii's original quality prepared food continued to be supported by many customers, contributing to steady sales. 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 67,842 million yen (up 7.6% from previous fiscal year) and segment profit of 5,614 million yen (up 15.7% from previous fiscal year).

(Entertainment-related Business)

With regard to our Entertainment-related Business, the ticketing business of Lawson Entertainment, Inc., which forms the core of the business, continued to secure top-class transaction value in the ticketing industry. In our product sales business, as of the end of November 2019 we operate 56 stores, mainly comprised of HMV stores dedicated to selling music and video software nationwide, as well as HMV&BOOKS, which markets books, CDs, and DVDs, and HMV record shop stores specializing in analog records.

As of the end of November 2019, United Cinemas Co., Ltd., an operator of cinema complexes, operates cinema theaters at 43 sites nationwide, offering 389 screens including those operated on commission.

As a result, Entertainment-related Business posted gross operating revenue of 65,877 million yen (up 14.1% from previous fiscal year) and segment profit of 4,979 million yen (up 48.4% from 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.

Lawson Bank, Inc. issues LAWSON Ponta Plus credit cards, which allow cardholders to collect extra Ponta points when used at LAWSON, NATURAL LAWSON, or LAWSON STORE100 stores as well as when certain usage conditions are achieved. As a result of such expanded services, credit card membership is seeing steady growth.

As of the end of November 2019, the number of ATMs installed nationwide reached 13,458 (down 1 from previous fiscal year), with each ATM used 47.9 times a day on average. The total number of our financial institution partners increased to 120 nationwide (up 9 from previous fiscal year), including online banks.

As a result, Financial Services Business posted gross operating revenue of 25,757 million yen (up 14.2% from previous fiscal year) and segment profit of 2,126 million yen (up 21.3% from previous fiscal year).

(Other Business)

In addition to the aforementioned businesses, the Group is also involved in the 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 have expanded mainly into Shanghai, as well as into Chongqing, Dalian, Beijing, Wuhan, Hefei, and other cities. The number of LAWSON stores in the entire country reached 2,509 as of the end of November 2019.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2019)	Change during fiscal year	Number of stores (As of November 30, 2019)
China Shanghai and surrounding area	1,227	314	1,541
China Chongqing	198	18	216
China Dalian	146	30	176
China Beijing and surrounding area	108	26	134
China Shenyang	—	13	13
China Wuhan	308	69	377
China Hefei	20	23	43
China Changsha	—	9	9
Thailand	120	10	130
Indonesia	42	16	58
Philippines	39	20	59
United States of America Hawaii	2	—	2
Total	2,210	548	2,758

As a result, Other Business posted gross operating revenue of 39,650 million yen (up 18.1% from previous fiscal year) and segment loss of 1,256 million yen (down 35.9% from previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

Current assets increased by 86,760 million yen from the end of the previous fiscal year to 706,364 million yen, mainly reflecting an increase of 46,221 million yen in accounts receivable-other and an increase of 27,884 million yen in other due to call loans. Non-current assets increased by 9,362 million yen from the end of the previous fiscal year to 732,088 million yen, mainly reflecting an increase of 19,059 million yen in property and store equipment and a decrease of 6,534 million yen in intangible assets. Consequently, total assets increased by 96,123 million yen from the end of the previous fiscal year to 1,438,452 million yen.

Current liabilities increased by 38,324 million yen from the end of the previous fiscal year to 636,847 million yen, mainly reflecting an increase of 66,812 million yen in deposits received, an increase of 57,585 million yen in other due to call money, a decrease of 53,520 million yen in short-term loans payable, and a decrease of 50,000 million yen in current portion of long-term loans payable. Non-current liabilities increased by 58,132 million yen from the end of the previous fiscal year to 519,956 million yen, mainly reflecting an increase of 50,000 million yen in long-term loans payable. Consequently, total liabilities increased by 96,456 million yen from the end of the previous fiscal year to 1,156,804 million yen.

Net assets decreased by 333 million yen from the end of the previous fiscal year to 281,648 million yen, mainly reflecting a decrease of 2,379 million yen in capital surplus, a decrease of 1,112 million yen in foreign currency translation adjustment, a decrease of 1,072 million yen in non-controlling interests and an increase of 5,094 million yen in retained earnings. Consequently, shareholders' equity ratio was 19.3%, down from 20.6% as of the end of the previous fiscal year.

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), etc. have been applied from the beginning of the first quarter of the fiscal year ending February 29, 2020 in preparing the consolidated financial statements. Related information regarding the consolidated financial position at the end of the third quarter under review was calculated based on an analysis in comparison with the consolidated financial statements for the previous fiscal year after retrospectively applying the standards.

(3) Explanation Regarding Forward-looking Statements

The financial forecasts remain unchanged from those announced on October 9, 2019.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 28, 2019 and November 30, 2019

(Millions of yen)

	Previous fiscal year As of February 28, 2019	Current 3rd Quarter As of November 30, 2019
Assets		
Current assets:		
Cash and deposits	354,240	358,170
Accounts receivable-due from franchised stores	47,179	54,589
Lease receivables	19,120	18,215
Merchandise	20,862	23,123
Accounts receivable-other	120,969	167,191
Other	57,355	85,240
Allowance for doubtful accounts	(124)	(166)
Total current assets	619,603	706,364
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	207,755	208,679
Tools, furniture and fixtures, net	16,056	17,266
Leased assets, net	146,880	151,583
Other, net	11,607	23,829
Total property and store equipment	382,300	401,359
Intangible assets:		
Software	49,791	47,037
Goodwill	46,836	43,472
Trademark right	9,468	9,005
Other	576	622
Total intangible assets	106,672	100,137
Investments and other assets:		
Long-term loans receivable	44,024	43,940
Guarantee deposits	107,034	107,744
Deferred tax assets	30,995	29,423
Other	52,535	50,135
Allowance for doubtful accounts	(835)	(652)
Total investments and other assets	233,753	230,591
Total non-current assets	722,726	732,088
Total assets	1,342,329	1,438,452

(Millions of yen)

	Previous fiscal year As of February 28, 2019	Current 3rd Quarter As of November 30, 2019
Liabilities		
Current liabilities:		
Accounts payable-trade	123,408	142,283
Short-term loans payable	126,600	73,080
Current portion of long-term loans payable	50,000	—
Lease obligations	38,750	45,054
Accounts payable-other	101,995	95,903
Income taxes payable	6,683	6,051
Deposits received	131,804	198,617
Provision for bonuses	4,263	3,256
Other	15,015	72,600
Total current liabilities	598,522	636,847
Non-current liabilities:		
Long-term loans payable	260,000	310,000
Lease obligations	131,441	139,919
Deferred tax liabilities	550	530
Provision for retirement benefits to executive officers and audit and supervisory board members	300	264
Net defined benefit liability	15,125	15,813
Asset retirement obligations	31,102	31,681
Other	23,303	21,747
Total non-current liabilities	461,824	519,956
Total liabilities	1,060,347	1,156,804
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	46,984	44,605
Retained earnings	166,187	171,281
Treasury shares	(1,028)	(1,010)
Total shareholders' equity	270,649	273,382
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,349	2,312
Revaluation reserve for land	(566)	(566)
Foreign currency translation adjustment	3,930	2,817
Remeasurements of defined benefit plans	(848)	(732)
Total accumulated other comprehensive income	5,865	3,831
Subscription rights to shares	215	255
Non-controlling interests	5,251	4,179
Total net assets	281,982	281,648
Total liabilities and net assets	1,342,329	1,438,452

(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, 2019 and the third quarter of the fiscal year ending February 29, 2020

	Previous 3rd Quarter From March 1, 2018 to November 30, 2018	Current 3rd Quarter From March 1, 2019 to November 30, 2019
	(Millions of yen)	
Gross operating revenue	527,637	550,901
Net sales	216,485	226,469
Cost of sales	149,377	154,089
Gross profit	67,108	72,379
Operating revenue:		
Income from franchised stores	230,683	239,242
Other operating revenue	80,468	85,189
Total operating revenue	311,151	324,432
Operating gross profit	378,260	396,811
Selling, general and administrative expenses	330,452	344,689
Operating income	47,807	52,122
Non-operating income:		
Interest income	576	508
Share of profit of entities accounted for using equity method	602	664
Compensation income	144	583
Other	1,575	1,173
Total non-operating income	2,899	2,929
Non-operating expenses:		
Interest expenses	1,757	2,964
Loss on cancellation of leases	1,267	1,502
Other	1,040	1,921
Total non-operating expenses	4,065	6,388
Ordinary income	46,641	48,663
Extraordinary income:		
Gain on sales of investment securities	—	163
Total extraordinary income	—	163
Extraordinary losses:		
Loss on retirement of non-current assets	2,843	4,380
Impairment loss	1,403	4,187
Other	417	871
Total extraordinary losses	4,664	9,439
Profit before income taxes	41,976	39,387
Income taxes-current	15,042	11,535
Income taxes-deferred	1,606	1,951
Total income taxes	16,649	13,486
Profit	25,327	25,901
Profit (loss) attributable to non-controlling interests	7	(52)
Profit attributable to owners of parent	25,319	25,953

Consolidated Statement of Comprehensive Income

For the third quarter of the fiscal year ended February 28, 2019 and the third quarter of the fiscal year ending February 29, 2020

(Millions of yen)

	Previous 3rd Quarter From March 1, 2018 to November 30, 2018	Current 3rd Quarter From March 1, 2019 to November 30, 2019
Profit	25,327	25,901
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,324	(1,036)
Foreign currency translation adjustment	(320)	(1,089)
Remeasurements of defined benefit plans	(29)	115
Total other comprehensive income	1,974	(2,010)
Comprehensive income	27,301	23,890
Comprehensive income attributable to		
Owners of parent	27,281	23,919
Non-controlling interests	19	(28)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

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

Not Applicable.

(Changes in Accounting Policies)

The Company's foreign consolidated subsidiaries are applying International Financial Reporting Standard 16 "Leases" (IFRS 16) from the first quarter of the fiscal year ending February 29, 2020.

The impact of the application of IFRS 16 on the Company's consolidated financial statements is immaterial.

(Additional Information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), etc. have been applied from the beginning of the first quarter of the fiscal year ending February 29, 2020 in preparing the consolidated financial statements. Accordingly, deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities.

(Application of consolidated taxation system)

The Company and certain of its consolidated subsidiaries have applied the consolidated taxation system from the first quarter of the fiscal year ending February 29, 2020.