Flash Report on the Consolidated Financial Results
for the First Half of the Fiscal Year Ending February 28, 2017

October 12, 2016

Listed Company Name: Lawson, Inc. Tokyo Stock Exchange (First Section)
Code No.: 2651 (URL http://www.lawson.jp/en/ir)
Company Representative: Sadanobu Takemasu, President and COO, Representative Director
Contact: Tomoki Takanishi, Deputy Senior Vice President, Finance and Accounting Division Director
Tel.: +81-3-5435-2773

Scheduled date for submission of quarterly securities report: October 13, 2016
Scheduled date for payment of dividend: November 10, 2016
Supplementary materials for quarterly financial results: Yes
Holding of presentation of quarterly results: Yes (For institutional investors and analysts)

(Amounts less than one million yen are truncated)

1. Consolidated operating results for the first half ended August 31, 2016 (from March 1, 2016 to August 31, 2016)

(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	
For the first half ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2016	306,231	5.8	39,925	(5.0)	38,384	(5.9)	22,608	14.1
August 31, 2015	289,338	19.6	42,044	5.1	40,794	3.0	19,811	(9.5)

Note: Comprehensive income:

For the first half ended August 31, 2016 20,785 million yen (3.4%)
For the first half ended August 31, 2015 21,516 million yen (0.7%)

	Profit per share	Diluted profit per share
For the first half ended	Yen	Yen
August 31, 2016	226.07	225.90
August 31, 2015	198.11	197.95

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2016	873,766	280,472	31.1
February 29, 2016	803,212	272,997	32.9

Reference: Shareholders' equity:

As of August 31, 2016 271,506 million yen
As of February 29, 2016 264,392 million yen

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2015 fiscal year	―	122.50	―	122.50	245.00
2016 fiscal year	―	125.00			
2016 fiscal year (forecast)			―	125.00	250.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for the 2016 fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

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
2016 fiscal year	642,000	10.0	76,000	4.8	73,000	4.9	35,500	13.1	354.95

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) 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

(4) Number of shares outstanding (common stock)

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

As of August 31, 2016:	100,300,000	As of February 29, 2016:	100,300,000

2. Number of treasury shares at the end of period

As of August 31, 2016:	287,993	As of February 29, 2016:	301,897

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

As of August 31, 2016:	100,007,647	As of August 31, 2015:	99,998,509

Note: Implementation status of audit procedures

This flash report is exempt from quarterly review procedures under the Financial Instruments and Exchange Act. As of the time of disclosure of this report, audit procedures for the financial statements have not been completed.

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.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the first half of fiscal 2016, six months from March 1 to August 31, 2016, we have launched our "1000-Day Action Plan" and focused our business activities on building Lawson's next-generation convenience store model. The convenience store industry is now undergoing a period of drastic transformation. This is attributable to changes in community needs resulting from an aging population and the prevalence of the nuclear family, among others, which have triggered a reorganization of the industry. Deeming the next three years as a crucial turning point for the Group, under the "1000-Day Action Plan", we have made efforts to evolve our business model as a manufacturing retailer targeting small catchment areas and to raise our store productivity to an unprecedented level toward the goal of fulfilling our customers' needs in everyday life by serving as an essential part of their communities.

As a result, for the first half of fiscal 2016 on a consolidated basis, gross operating revenue increased to 306,231 million yen (up 5.8% from previous fiscal year), operating income decreased to 39,925 million yen (down 5.0% from previous fiscal year), and ordinary income decreased to 38,384 million yen (down 5.9% from previous fiscal year). Profit attributable to owners of parent increased to 22,608 million yen (up 14.1% from previous fiscal year).

Furthermore, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2016 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

In our convenience store business, in our effort to attract customers by serving as stores for everyday use, we strengthened our product lineup of our private brand, "Lawson Select," renovated existing stores, invested aggressively in advertising and sales promotions, and expanded and improved merchandise selection.

[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, and we strengthened our merchandise assortment of ready-made dishes, frozen food items, and seasonings by taking strong steps to renovate existing stores, including installing more refrigerators and freezer flatbeds as well as raising the heights of product display shelves and putting in more shelves.

[Merchandising and Service Strategies]

On the merchandise side, we expanded our merchandise assortment under our "Lawson Select" brand, focusing on products purchased for everyday life, such as Japanese ready-made dishes and salads in the daily delivered food category. In our dessert range, we launched our "Pure Cheese Tart" made with three kinds of cheese. Bringing out the natural and inherent flavor of cheese, the product was well received. In addition, we ran the "Root-for-Kumamoto Campaign" with the aim of donating part of the sales of certain items to support regions affected by the "2016 Kumamoto Earthquake" in partnership with the Japanese Red Cross Society. A selection of 10 products including bakery products and desserts made with milk produced in Kumamoto Prefecture as well as rice balls and sushi made with red seabream were promoted under the campaign.

There are currently 23 Lawson Farms throughout the country. The farms assume the role of supplying safe and fresh fruits and vegetables to the Group's stores and factories that produce LAWSON's original products. With the aim of establishing an appropriate farm management system for Lawson Farms, Lawson has been endeavoring to obtain certification for Japan Good Agricultural Practice (JGAP), a set of agricultural production process management techniques. In July 2016, Lawson and the Presidents and CEOs of Lawson Farms were awarded the "GAP Initiative Award 2016" hosted by the Asia GAP Research Institute in recognition of their unrivalled contribution to the dissemination of Good Agricultural Practice (GAP) [*1]. The Group will continue its efforts to deliver safe and secure products through such initiatives.

In addition to thus strengthening our merchandise lineup, we also enhanced our service offerings, one of which is our "Gift Cards" [*2], whose transaction value continued to remain solid.

On our sales promotion side, as our effort to increase the number of purchased items per customer, we rolled out a monthly promotional "Lawson Tokuichi!" campaign, where a 10% discount was offered on "Lawson Select" chilled/frozen foods as well as some items offered in the counter cases. Furthermore, measures to effectively attract customers were launched, including a "100-yen rice ball sale" for periods during which increases in sales are expected and a "speed lottery" themed on "E-girls", which demonstrated our strength in the entertainment field.

*1 GAP: Good Agricultural Practice (A set of agricultural production process management techniques).

*2 Gift Cards: Collective term for prepaid cards that can be used for online transactions.

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

Fiscal period / Product categories	Previous 1st Half From March 1, 2015 to August 31, 2015		Current 1st Half From March 1, 2016 to August 31, 2016	
	Net sales (Millions of yen)	Percentage of total (%)	Net sales (Millions of yen)	Percentage of total (%)
Processed foods	523,790	52.7	541,286	52.6
Fast foods	233,479	23.5	241,686	23.5
Daily delivered foods	142,602	14.4	148,918	14.5
Non-food products	93,127	9.4	96,735	9.4
Total	992,999	100.0	1,028,626	100.0

[Store Development]

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

Based on a mega-franchise agreement concluded with Save On Corp. in April 2016, we remodeled 54 Save On stores into LAWSON stores which operated in Yamagata, Fukushima and Ibaraki prefectures in a phased manner. In addition, Lawson, Inc. signed a capital and business alliance contract and an absorption-type company split agreement, among others, with Three F Co., Ltd. from April to May 2016. Under these agreements, we remodeled 8 Three F stores into LAWSON stores during the period up to the end of August 2016 and will also remodel approximately other 90 Three F stores into LAWSON Three F stores. Furthermore, it was resolved at the Board of Directors' meeting in August 2016 that Lawson, Inc. will sign a joint convenience store operation contract with Poplar Co., Ltd. to run LAWSON stores with the company in the San'in region. Lawson San'in Co., Ltd., a joint venture between Lawson and Poplar, will consolidate all existing POPLAR-brand convenience stores in the region that wish to shift to a joint LAWSON POPLAR brand and all LAWSON stores run by Lawson's Tottori and Shimane branch offices to commence regional franchise business operations.

Furthermore, by building partnerships with dispensing pharmacy and drug store chains, we offer not only OTC pharmaceuticals, cosmetics, and daily necessities, but also offer a more numerous assortment of merchandise than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 142 stores (includes 40 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of August 2016. Furthermore, with the addition of Lawson Kure Hironagahama store, the first store serving as a nursing care hub center in Hiroshima Prefecture, which opened in July 2016, the number of stores offering nursing care consultation services has reached 7 as of the end of August 2016. We will continue to engage in establishing convenience store models that address and deal with social changes such as the aging population and increased health awareness.

With respect to LAWSON STORE100, we continued to increase the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value, and strengthened our popular fruit and vegetable lineup. As a result, existing-store sales for the period exceeded those for the same period of the previous fiscal year.

Consequently, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during current fiscal year stood at 427 and 224 stores, respectively, with the total number of stores in Japan reaching 12,083 as of the end of August 2016. In addition to the above, Lawson Kochi, Inc. operates 133 LAWSON chain stores in Kochi Prefecture, Lawson Minamikyushu, Inc. operates 189 LAWSON chain stores in Kagoshima Prefecture and Lawson Okinawa, Inc. operates 201 LAWSON chain stores in Okinawa Prefecture as of the end of August 2016.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 29, 2016	Change during fiscal year	Total stores as of August 31, 2016
LAWSON	10,937	209	11,146
NATURAL LAWSON	134	4	138
LAWSON STORE100	809	(10)	799
Total	11,880	203	12,083

[Number of LAWSON stores by prefecture (As of August 31, 2016)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	638	Ibaraki	182	Kyoto	326	Ehime	210
Aomori	227	Tokyo	1,553	Shiga	155	Tokushima	136
Akita	185	Kanagawa	847	Nara	126	Fukuoka	459
Iwate	167	Shizuoka	245	Wakayama	134	Saga	68
Miyagi	217	Yamanashi	121	Osaka	1,016	Nagasaki	103
Yamagata	103	Nagano	169	Hyogo	642	Oita	171
Fukushima	123	Aichi	598	Okayama	161	Kumamoto	141
Niigata	143	Gifu	156	Hiroshima	191	Miyazaki	102
Tochigi	154	Mie	124	Yamaguchi	121	Total (domestic)	12,083
Gunma	105	Ishikawa	104	Tottori	115		
Saitama	536	Toyama	184	Shimane	120		
Chiba	469	Fukui	106	Kagawa	130		

[Other]

With regards to our efforts in home convenience, we will strive to enhance customer convenience by additionally partnering with other companies to establish an “Open Platform” based on the networks of LAWSON stores that offer a range of services encompassing ordering, collection, and home delivery.

With respect to distribution, from March 2016, we commenced operation of our distribution center, a three-temperature-zone distribution center offering an integrated environment for chilled, frozen and ambient-temperature foods. Through independent operation of the distribution center, the Group aims at further streamlining the entire supply chain and improving store productivity.

As a result, Domestic Convenience Store Business posted gross operating revenue of 213,173 million yen (up 5.4% from previous fiscal year) and segment profit of 33,312 million yen (down 8.2% from previous fiscal year).

(**Seijo Ishii Business**)

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 127 as of the end of August 2016. Sales remained robust, and in April 2016, the first Seijo Ishii store combining “Le Bar a Vin 52” was opened in Atre Ebisu West. With respect to merchandise, a new private brand dubbed “desica” was launched, which achieved strong sales. Collaborations between SEIJO ISHII and our Domestic Convenience Store Business were promoted, such as expanding Seijo Ishii’s selection of wine offered at NATURAL LAWSON stores, jointly importing confectionery, and rolling out jointly developed products including nuts and cup soup. We will continue to enhance the brand image and corporate value of SEIJO ISHII Co., Ltd., while absorbing the company’s product development expertise, knowhow acquired as a manufacturing retailer, and sales methods, to strengthen our Domestic Convenience Store Business.

As a result, Seijo Ishii Business posted gross operating revenue of 36,081 million yen (up 7.4% from previous fiscal year) and segment profit of 2,940 million yen (up 13.6% from previous fiscal year).

(Entertainment-related Business)

With regards to Entertainment-related Business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales and continued to secure top position in the ticketing industry. Regarding HMV stores that combine selling music and books, a second “HMV&BOOKS”, which is HMV’s largest entertainment complex store, was opened in Hakata. The number of HMV stores that sell music CDs and DVDs totaled 54 as of the end of August 2016. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our entertainment business. In April 2016, United Cinemas Co., Ltd. opened the “Premium Dining Cinema” in Fukuoka-shi, Kyushu, as the first cinema in Japan where moviegoers can dine while enjoying a film. Furthermore, United Cinemas Co., Ltd. operates a total of 38 sites with 340 screens (includes those under management contract) at its cinemas nationwide as of the end of August 2016.

As a result, Entertainment-related Business posted gross operating revenue of 35,723 million yen (up 4.3% from previous fiscal year) and segment profit of 2,256 million yen (up 29.4% from previous fiscal year).

(Other Business)

In addition to Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, the Group is also involved in other business such as Overseas Business and Financial Services-related 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 China, this year marks our 20th anniversary since we became the first Japanese convenience store to advance into Shanghai. In May 2016, the Group made inroads into Wuhan in China’s Hubei Province.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 29, 2016)	Change during fiscal year	Number of stores (As of August 31, 2016)
China　Shanghai and surrounding area	458	107	565
China　Chongqing	110	10	120
China　Dalian	53	14	67
China　Beijing	34	4	38
China　Wuhan	—	14	14
Thailand	47	16	63
Indonesia	38	(2)	36
Philippines	16	5	21
United States of America　Hawaii	2	—	2
Total	758	168	926

Lawson ATM Networks, Inc., which operates a Financial Services-related Business, continued contributing to consolidated results owing to an increase in the number of ATMs installed. We strengthened partnerships with new financial institutions bringing the total number of our financial institution partners to 83 nationwide (up 3 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 11,414 (up 213 from previous fiscal year) as of the end of August 2016.

As a result, Other Business posted gross operating revenue of 24,737 million yen (up 10.6% from previous fiscal year) and segment profit of 1,411 million yen (up 0.2% from previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

① Assets, liabilities and net assets at the end of the first half of fiscal year 2016

Current assets increased by 54,819 million yen from the end of the previous fiscal year to 279,028 million yen, mainly reflecting an increase of 34,918 million yen in cash and deposits. Non-current assets increased by 15,735 million yen from the end of the previous fiscal year to 594,738 million yen, mainly reflecting an increase of 17,652 million yen in property and store equipment. Consequently, total assets increased by 70,554 million yen from the end of the previous fiscal year to 873,766 million yen.

Current liabilities increased by 53,459 million yen from the end of the previous fiscal year to 373,067 million yen, mainly reflecting an increase of 22,430 million yen in deposits received. Non-current liabilities increased by 9,619 million yen from the end of the previous fiscal year to 220,227 million yen, mainly reflecting an increase of 9,945 million yen in lease obligations. Consequently, total liabilities increased by 63,079 million yen from the end of the previous fiscal year to 593,294 million yen.

Net assets increased by 7,474 million yen from the end of the previous fiscal year to 280,472 million yen reflecting an increase of 9,215 million yen in retained earnings. Consequently, shareholders' equity ratio was 31.1%, down from 32.9% as of the end of the previous fiscal year.

② Cash flows during the first half of fiscal year 2016

Cash and cash equivalents at August 31, 2016 increased by 34,223 million yen from the end of the previous fiscal year to 104,016 million yen.

Net cash provided by operating activities was 91,473 million yen, a decrease of 1,147 million yen from the corresponding period of the previous fiscal year, mainly due to an increase in notes and accounts receivable-trade and a decrease in deposits received.

Net cash used in investing activities was 28,991 million yen, a decrease of 4,271 million yen from the corresponding period of the previous fiscal year, mainly because there was no purchase of shares of subsidiaries and associates in the period compared with the previous fiscal year.

Net cash used in financing activities was 27,758 million yen, an increase of 3,600 million yen from the corresponding period of the previous fiscal year, mainly due to an increase in repayments of lease obligations.

(3) Explanation Regarding Forward-looking Statements

We have amended the gross operating revenue forecast for the 2016 fiscal year.

The business forecasts and future prospects in this document are made based on currently available information and are subject to potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.

Furthermore, in its Board of Directors meeting held on September 16, 2016, the Company adopted a resolution that it would support the tender offer (the "Tender Offer") for shares of the Company's common stock ("Lawson Shares") by Mitsubishi Corporation. If the Tender Offer is commenced and the maximum number of shares in the Tender Offer is reached, the Company will become a consolidated subsidiary of Mitsubishi Corporation, which will then hold more than 50% of its outstanding shares. However, Mitsubishi Corporation plans to maintain the listing of Lawson Shares after completion of the Tender Offer.

2. Matters Related to Summary Information (Notes)

(1) Change in Significant Subsidiaries during the First Half (Changes in Certain Specified Subsidiaries Resulting in Changes in Scope of Consolidation)

Not Applicable.

(2) Adoptions of Specific Accounting Methods for Preparing Quarterly Financial Statements

Not Applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates or Restatements

(Changes in Accounting Policies)

The Company and its domestic consolidated subsidiaries are applying "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ)) Statement No. 21, revised September 13, 2013; hereinafter, "Business Combination Accounting Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised September 13, 2013; hereinafter, "Consolidated Accounting Standard") and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised September 13, 2013; hereinafter, "Business Divestiture Accounting Standard"), etc., from the first quarter of the fiscal year ending February 28, 2017. Under these revised accounting standards, any differences arising from changes in a parent's ownership interests in subsidiaries when the parent retains control are recognized in capital surplus and acquisition-related costs are expensed in the fiscal year in which they were incurred. For business combinations completed from the beginning of the first quarter, the Company applies a method in which any adjustments to the allocation of acquisition costs arising from the finalization of provisional accounting treatment are reflected in the consolidated financial statements for the period in which the business combination occurs. In addition, the presentation of quarterly profit, etc., was changed and "Minority interests" was changed to "Non-controlling interests." The quarterly consolidated financial statements and the consolidated financial statements for the previous first half and the previous fiscal year have been reclassified to reflect this change in presentation.

In the quarterly consolidated statement of cash flows, the Company changed to a method of recording cash flows related to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation under "Net cash provided by (used in) financing activities", and recording cash flows related to expenses incurred in relation to the purchases of shares of subsidiaries resulting in change in scope of consolidation and expenses incurred in relation to changes in ownership interests in subsidiaries that do not result in change in scope of consolidation under "Net cash provided by (used in) operating activities".

The Company has applied the transitional treatment prescribed in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard, and Article 57-4 (4) of the Business Divestiture Accounting Standard from the beginning of the first quarter of the fiscal year ending February 28, 2017. Meanwhile, the Company will be following the transition procedures set forth in Article 58-2 (1) of the Business Combination Accounting Standard, Article 28-13 of the Accounting Standard for Quarterly Financial Statements, and Article 81-7 of the Implementation Guidance on Accounting Standard for Quarterly Financial Statements in reviewing the allocation of acquisition-related costs resulting from the finalization of provisional accounting treatment for business combinations that take effect from the beginning of the first quarter of the fiscal year ending February 28, 2017.

Furthermore, the Company did not reclassify comparative information in the quarterly consolidated statement of cash flows for the first half of the previous fiscal year in accordance with the transitional treatment prescribed in Article 26-4 of the Practical Guidance on Accounting Standard for Preparing Consolidated Statements of Cash Flows.

The impact on the quarterly consolidated financial statements for the first half of the fiscal year ending February 28, 2017 was immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

As of February 29, 2016 and August 31, 2016

(Millions of yen)

	Previous fiscal year As of February 29, 2016	Current 1st Half As of August 31, 2016
Assets		
Current assets:		
Cash and deposits	69,797	104,716
Accounts receivable-due from franchised stores	30,547	34,006
Merchandise	17,976	17,843
Accounts receivable-other	67,736	86,580
Deferred tax assets	4,524	3,918
Other	33,635	31,988
Allowance for doubtful accounts	(8)	(24)
Total current assets	224,209	279,028
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	167,098	178,278
Tools, furniture and fixtures, net	16,307	17,869
Lease assets, net	101,546	112,389
Other, net	17,808	11,876
Total property and store equipment	302,761	320,414
Intangible assets:		
Software	26,377	29,720
Goodwill	46,309	44,891
Right of trademark	11,381	11,099
Other	527	513
Total intangible assets	84,595	86,224
Investments and other assets:		
Long-term loans receivable	40,886	41,759
Guarantee deposits	92,495	93,443
Deferred tax assets	22,016	19,675
Other	37,107	34,084
Allowance for doubtful accounts	(860)	(864)
Total investments and other assets	191,645	188,099
Total non-current assets	579,002	594,738
Total assets	803,212	873,766

(Millions of yen)

	Previous fiscal year As of February 29, 2016	Current 1st Half As of August 31, 2016
Liabilities		
Current liabilities:		
Accounts payable-trade	112,225	133,023
Short-term loans payable	1,990	1,750
Current portion of long-term loans payable	575	575
Lease obligations	23,898	26,487
Accounts payable-other	57,214	62,783
Income taxes payable	8,500	10,429
Deposits received	101,908	124,339
Provision for bonuses	3,832	3,100
Other	9,462	10,578
Total current liabilities	319,607	373,067
Non-current liabilities:		
Long-term loans payable	57,562	56,999
Lease obligations	88,060	98,005
Provision for retirement benefits to executive officers and audit and supervisory board members	413	458
Net defined benefit liability	12,186	12,592
Asset retirement obligations	24,664	25,747
Other	27,719	26,424
Total non-current liabilities	210,607	220,227
Total liabilities	530,215	593,294
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,697	47,689
Retained earnings	154,608	163,824
Treasury shares	(1,280)	(1,221)
Total shareholders' equity	259,532	268,799
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	801	20
Revaluation reserve for land	(566)	(566)
Foreign currency translation adjustment	5,531	4,123
Remeasurements of defined benefit plans	(906)	(871)
Total accumulated other comprehensive income	4,860	2,706
Subscription rights to shares	307	334
Non-controlling interests	8,296	8,630
Total net assets	272,997	280,472
Total liabilities and net assets	803,212	873,766

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

Consolidated Statement of Income

For the first half of the fiscal year ended February 29, 2016 and the first half of the fiscal year ending February 28, 2017

(Millions of yen)

	Previous 1st Half From March 1,2015 to August 31, 2015	Current 1st Half From March 1,2016 to August 31, 2016
Gross operating revenue	289,338	306,231
Net sales	109,920	116,997
Cost of sales	75,411	80,034
Gross profit	34,508	36,962
Operating revenue:		
Income from franchised stores	132,278	139,422
Other operating revenue	47,139	49,811
Total operating revenue	179,418	189,234
Operating gross profit	213,926	226,196
Selling, general and administrative expenses	171,882	186,270
Operating income	42,044	39,925
Non-operating income:		
Interest income	380	365
Share of profit of entities accounted for using equity method	221	391
Other	837	1,148
Total non-operating income	1,440	1,905
Non-operating expenses:		
Interest expenses	911	961
Loss on cancellation of leases	982	722
Loss on disaster	―	723
Other	794	1,039
Total non-operating expenses	2,689	3,447
Ordinary income	40,794	38,384
Extraordinary income:		
Gain on change in equity	892	―
Total extraordinary income	892	―
Extraordinary losses:		
Loss on retirement of non-current assets	1,833	1,928
Impairment loss	4,705	522
Other	―	99
Total extraordinary losses	6,539	2,551
Profit before income taxes	35,148	35,832
Income taxes-current	11,745	9,399
Income taxes-deferred	3,218	3,387
Total income taxes	14,963	12,786
Profit	20,184	23,045
Profit attributable to non-controlling interests	373	437
Profit attributable to owners of parent	19,811	22,608

Consolidated Statement of Comprehensive Income

For the first half of the fiscal year ended February 29, 2016 and the first half of the fiscal year ending February 28, 2017

(Millions of yen)

	Previous 1st Half From March 1,2015 to August 31, 2015	Current 1st Half From March 1,2016 to August 31, 2016
Profit	20,184	23,045
Other comprehensive income		
Valuation difference on available-for-sale securities	908	(780)
Foreign currency translation adjustment	407	(1,513)
Remeasurements of defined benefit plans	16	34
Total other comprehensive income	1,332	(2,260)
Comprehensive income	21,516	20,785
Comprehensive income attributable to		
Owners of parent	21,146	20,455
Non-controlling interests	369	329

(3) Consolidated Statement of Cash Flows

For the first half of the fiscal year ended February 29, 2016 and the first half of the fiscal year ending February 28, 2017

(Millions of yen)

	Previous 1st Half From March 1,2015 to August 31, 2015	Current 1st Half From March 1,2016 to August 31, 2016
Net cash provided by (used in) operating activities:		
Profit before income taxes	35,148	35,832
Depreciation and amortization	23,867	26,971
Impairment loss	4,705	522
Interest income	(380)	(365)
Interest expenses	911	961
Loss on retirement of non-current assets	1,833	1,928
Decrease (increase) in notes and accounts receivable-trade	7,330	(3,655)
Decrease (increase) in accounts receivable-other	(15,704)	(19,360)
Increase (decrease) in notes and accounts payable-trade	21,610	21,596
Increase (decrease) in accounts payable-other	10,906	6,134
Increase (decrease) in deposits received	12,745	22,428
Increase (decrease) in net defined benefit liability	(1,840)	409
Other	4,520	6,037
Subtotal	105,655	99,441
Interest income received	363	367
Interest expenses paid	(927)	(966)
Income taxes paid	(12,470)	(7,368)
Net cash provided by (used in) operating activities	92,621	91,473
Net cash provided by (used in) investing activities:		
Payments into time deposits	(1,297)	(695)
Proceeds from withdrawal of time deposits	1,197	1,236
Purchase of property and store equipment	(16,719)	(16,139)
Purchase of intangible assets	(8,684)	(7,295)
Purchase of shares of subsidiaries and associates	(3,226)	—
Purchase of long-term prepaid expenses	(723)	(2,528)
Other	(3,808)	(3,569)
Net cash provided by (used in) investing activities	(33,262)	(28,991)
Net cash provided by (used in) financing activities:		
Repayments of lease obligations	(11,936)	(14,698)
Cash dividends paid	(11,999)	(12,249)
Other	(222)	(810)
Net cash provided by (used in) financing activities	(24,158)	(27,758)
Effect of exchange rate change on cash and cash equivalents	71	(836)
Net increase (decrease) in cash and cash equivalents	35,271	33,887
Cash and cash equivalents at beginning of period	76,754	69,793
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	144	335
Cash and cash equivalents at end of period	112,170	104,016

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

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

Not Applicable.