

Flash Report on the Consolidated Result
for the First Half of the Fiscal Year Ended February 29, 2016

October 7, 2015

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

(URL <http://www.lawson.co.jp/company/ir/index.html>)

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Scheduled date for submission of quarterly securities report: October 13, 2015

Scheduled date for payment of dividend: November 10, 2015

Supplementary documents quarterly results: Yes

Presentation of quarterly results: Yes (For institutional investors and analysts)

(Amounts below one million yen are truncated)

1. Consolidated performance for the first half of the current period (from March 1, 2015, to August 31, 2015)

(1) Consolidated operating results (accumulated)

Note: Percentages for gross operating revenue, operating income, ordinary income and net income show increase (decrease) compared to the corresponding period of previous year.

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Half	289,338	19.6	42,044	5.1	40,794	3.0	19,811	(9.5)
Previous 1st Half	241,930	(2.5)	40,019	12.3	39,616	11.5	21,889	14.9

Note: Comprehensive income:

Current 1st Half	21,516 million yen	(0.7%)
Previous 1st Half	21,662 million yen	6.3%

	Net income per share	Fully diluted profit per share
	¥	¥
Current 1st Half	198.11	197.95
Previous 1st Half	219.15	218.73

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ Million	¥ Million	%
Current 1st Half	829,194	273,642	32.0
Previous fiscal year	764,614	263,797	33.5

Reference: Shareholders' equity:

Current 1st Half	265,564 million yen
Previous fiscal year	256,122 million yen

2. Dividends status

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	¥	¥	¥	¥	¥
2014 fiscal year	—	120.00	—	120.00	240.00
2015 fiscal year	—	122.50	—	—	—
2015 fiscal year (forecast)	—	—	—	122.50	245.00

Note: Revision of forecast for dividends published in the most recent: None

3. Forecast consolidated performance for 2015 fiscal year (from March 1, 2015 to February 29, 2016)

Note: Percentages for gross operating revenue, operating income, ordinary income and net income show increase (decrease) compared to the corresponding period of previous year.

	Gross operating revenue		Operating income		Ordinary income		Net income		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
2015 fiscal year	579,000	16.3	71,000	0.7	68,900	(3.9)	35,200	7.7	352.00

Note: Revision of forecast for dividends published in the most recent: Yes

4. Notes

(1) Change in important subsidiaries during this quarterly consolidated period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None

Added: None

Excluded: None

(2) Adoptions of special accounting methods in presentation of quarterly financial statements: None

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

1. Changes of accounting policies associated with revision in accounting standards: Yes

2. Other changes: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

(4) Number of issued shares:

1. The number of the stocks issued in the end of term

August, 2015: 100,300,000 February, 2014: 100,300,000

2. The number of treasury shares in the end of term

August, 2015: 301,681 February, 2014: 301,084

3. Average number of shares during the term

August, 2015: 99,998,509 August, 2014: 99,879,873

Note: Implementation status of quarterly review 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, quarterly review procedures for the financial statements are incomplete.

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

Forward-looking statements presented in this material such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. They are not intended to guarantee the Company's achievement. Actual results may differ significantly from these forecasts due to many 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 Information Such As Forecast Consolidated Performance" on page 7.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the first half of fiscal 2015, six months from March 1 to August 31, 2015, the Lawson Group (hereinafter, the “Group”) implemented business activities with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in Our Communities.” In particular, we reinforced the foundation of our convenience store business, for example, by enhancing our retail space, merchandise assortment, and relationship with franchise store owners. In addition, while addressing changes in each neighborhood such as an increase in the number of working women, the declining birth rate and the aging population, we also focused on areas unique to Lawson, including over-the-counter fast food, health-oriented products, home convenience, and entertainment.

Meanwhile, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2015 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

As a result, for the first half of fiscal 2015 on a consolidated basis, gross operating revenue increased by ¥4,748 million to ¥289,338 million (up 19.6% from last year), resulting from an increase of ¥33,173 million in net sales resulting from acquiring United Cinemas Co., Ltd. and SEIJO ISHII CO., LTD. from second quarter and third quarter of previous fiscal year respectively, and an increase of ¥14,234 million in operating revenue due to an increase in number of franchised stores. Operating income increased by ¥2,024 million to ¥42,044 million (up 5.1% from last year). Ordinary income increased by ¥1,177 million to ¥40,794 million (up 3.0% from last year). Net income decreased by ¥2,078 million to ¥19,811 million (down 9.5% from last year) due to an increase of ¥2,585 million in extraordinary losses resulting from an increase of impairment loss.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

[Merchandising Strategies]

On the merchandise front, in June 2015, we launched 40 items under the following three themes in commemoration of the 40th anniversary of the opening of the first LAWSON store: “Premium Products” made with specially selected ingredients and production methods; “Fun Products” that bring smiles to customers’ faces; and “Nostalgic Revivals” of popular products from the past. Furthermore, under “Honkide Oishii Project [delicious in earnest project]” launched in serious pursuit of palatability, we reviewed our product development process and paid increased attention to ingredients, production methods and taste. The first item introduced under the project, “Sockeye Salmon Lunchbox with Niigata Koshihikari Rice,” and the second items, “Niigata Koshihikari Rice Ball Topped with Raw Salted Mature Cod Roe” and “Niigata Koshihikari Rice Ball Topped with Fire-grilled Fatty Pork” were all received well by customers.

We have started selling “Doughnuts” over the counter in anticipation of encouraging purchases of “MACHI café” coffee since April 2015, and have expanded it in around 8,000 stores by the end of August.

Moreover, as a “Health Station in Town,” we also placed emphasis on selling health-oriented products. In particular, the “Green Smoothie” sold under the NATURAL LAWSON brand and made with a full meal’s

worth of vegetables, enjoyed great popularity among customers. In addition, there are currently 23 Lawson Farms in which Lawson, Inc. holds equity stakes. 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. The Group will continue to support the health of customers through such initiatives.

In addition to strengthen the above products, we are increasing our lineup of "Gift Cards*" offered at our stores, which are received well.

For sales promotions, in July and August, we continuously implemented measures to attract customers mainly to our mainstay category, including offering rice balls at "Rice Ball 100 Yen Sale," which was started from May.

* 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 group	Previous 1st Half March 1, 2014 to August 31, 2014		Current 1st Half March 1, 2015 to August 31, 2015	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	531,655	53.7	523,790	52.7
Fast foods	215,721	21.8	233,479	23.5
Daily delivered foods	145,841	14.8	142,602	14.4
Nonfood products	96,230	9.7	93,127	9.4
Total	989,449	100.0	992,999	100.0

[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, strengthened guidance to franchise store owners and revised order placement methods as a way of reforming operations in order to create stores that could grasp customers' satisfactions and supports. In June 2015, we started phasing in a semi-automated ordering system for our ready-made meal category, with a plan to put the system in place at all stores by the end of February 2016. In addition to concluding a new franchise agreement with existing stores ahead of schedule to offer enhanced support to franchise store owners, we strived to create retail spaces that stimulate potential demand from customers and offer what they need at any time.

[Store Development and Store Format Strategy]

In opening new stores, the Group prioritized profitability based on its proprietary return on investment (ROI)-focused store development standard.

Furthermore, based on business alliance agreement between Lawson, Inc. and Metro Commerce Co., Ltd., a group company of Tokyo Metro Co., Ltd., we transformed 2 Metro shops in Tokyo Metro stations into Lawson Metro Akihabara store and Lawson Metro Akasakamitsuke store. We plan to transform 50 stores in the future. From July, based on the part of the rights and obligations associated with the convenience store

business run by SAVE ON Co., Ltd. in Nagano prefecture succeeded by Lawson, Inc., part of SAVE ON stores located in Nagano prefecture were transformed into LAWSON stores.

Furthermore, by building partnerships in local area, in addition of healthcare items including OTC pharmaceuticals, cosmetics, and daily necessities, the stores offer a merchandise assortment of around 5,500 items, twice as many as conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 106 stores (included 37 Pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of August 2015. Moreover, under a business alliance agreement entered into with Wisnet Co., Ltd., Lawson, Inc. has launched Wisnet-owned franchise LAWSON stores housing an office base for home nursing care or a nursing care hub center equipped with a lounge space. In August 2015, the second LAWSON store under this partnership was opened.

Regarding to LAWSON STORE100, we promoted to close unprofitable stores under the business revitalization plan. During the first half of current fiscal year, 317 LAWSON STORE100 stores (included stores which were transformed into LAWSON stores) were closed. With regard to the remaining 835 stores, we increased 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, sales at these stores gradually improved, with existing-store sales for the second quarter of fiscal 2015 exceeding those for the same period of the previous fiscal year.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 (including LAWSON MART) stores opened and closed during current fiscal year stood at 461 and 556 stores, respectively, with the total number of stores in Japan reaching 11,677 as of the end of August 2015.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2015	Change during fiscal year	Total stores as of August 31, 2015
LAWSON	10,633	95	10,728
NATURAL LAWSON	116	(2)	114
LAWSON STORE100/LAWSON MART	1,151	(316)	835
Total	11,900	(223)	11,677

Note: For change during fiscal year, it includes a decrease of 128 stores which were transferred into Lawson Kochi, Inc. from Lawson, Inc. on April 1, 2015.

[Number of LAWSON stores by prefecture (As of August 31, 2015)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	626	Ibaraki	149	Kyoto	315	Ehime	208
Aomori	213	Tokyo	1,507	Shiga	155	Tokushima	133
Akita	184	Kanagawa	822	Nara	129	Fukuoka	437
Iwate	162	Shizuoka	231	Wakayama	131	Saga	66
Miyagi	212	Yamanashi	111	Osaka	1,003	Nagasaki	105
Yamagata	80	Nagano	167	Hyogo	631	Oita	166
Fukushima	104	Aichi	562	Okayama	149	Kumamoto	138
Niigata	135	Gifu	154	Hiroshima	184	Miyazaki	106
Tochigi	140	Mie	111	Yamaguchi	124	Total (domestic)	11,677
Gunma	99	Ishikawa	102	Tottori	114		
Saitama	512	Toyama	190	Shimane	120		
Chiba	459	Fukui	106	Kagawa	125		

In addition to the above, Lawson Kochi, Inc. operates 135 LAWSON chain stores in Kochi prefecture, Lawson Minamikyushu, Inc. operates 200 LAWSON chain stores in Kagoshima prefecture and Lawson Okinawa, Inc. operates 183 LAWSON chain stores in Okinawa prefecture as of the end of August 2015.

(Other)

With regards to our efforts in Home Convenience, in June 2015, Lawson, Inc. jointly established an operating company with SG Holdings Co., Ltd., which owns Sagawa Express Co., Ltd. as the core operating company, and started to offer delivery and order-taking service with LAWSON stores serving as hubs. In addition, in partnership with Sagawa Express Co., Ltd., we launched a “Convenience Store Pick-up Service” that enables customers to pick up items that they purchased online at LAWSON stores nationwide. The pick-up service was also made available in July 2015 for merchandise bought at the “JINS Online Shop”, which sells eyewear items, and in August 2015 at the “Dinos Online Shop”, which sells interior and clothing items. Furthermore, starting in September 2015, the “Convenience Store Pick-up Service” will be available for items purchased at “Rakuten Ichiba”, an Internet shopping mall. 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.

(Seijo Ishii Business)

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 110 as of the end of August 2015. Performance was strong, driven by sales of coconut oil and perilla oil that became popular after their positive health effects were introduced on television and other media. 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.

(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. The number of HMV stores that sell music CDs and DVDs totaled 53 as of the end of August 2015. Furthermore, United Cinemas Co., Ltd. operates a total of 37 sites with 333 screens (includes management contract) at its cinemas nationwide. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our ticketing business.

(Other Business)

In addition to Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, the Group also involved in Overseas Business, Financial Services-related Business and other businesses.

With regards to overseas business, the Group's operating companies opened LAWSON stores in the People's Republic of China (Shanghai, Chongqing, Dalian, and Beijing), Thailand, United States of America (Hawaii), Indonesia and Philippines.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2015)	Change during fiscal year	Number of stores (As of August 31, 2015)
China Shanghai and surrounding area	354	56	410
China Chongqing	104	4	108
China Dalian	30	9	39
China Beijing	19	4	23
Thailand	32	7	39
Indonesia	48	(11)	37
Philippines	—	9	9
United States of America Hawaii	3	—	3
Total	590	78	668

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. In this fiscal year 2015, we strengthened partnership with new financial institution bringing the total number of our financial institution partners to 79 nationwide (up 8 year on year), including online banks, and the number of ATMs installed nationwide to 10,978 (up 211 year on year) as of the end of August 2015.

(2) Explanation Regarding Consolidated Financial Position

(i) Assets, liabilities and net assets position at the end of the first half of fiscal year 2015

Total current assets stood at ¥263,997 million, climbed ¥40,354 million from February 28, 2015, the end of the previous fiscal year. This reflected an increase of ¥35,515 million in cash and deposits, and a rise of ¥12,421 million in accounts receivable-other. Non-current assets grew ¥24,225 million from February 28, 2015 to ¥565,196 million, mainly owing to an increase of ¥15,725 million in property and store equipment resulting from opening of new stores. Consequently, total assets climbed ¥64,580 million from the end of the previous fiscal year to ¥829,194 million.

Total current liabilities increased by ¥46,940 million from the end of the previous fiscal year to ¥348,009 million, mainly reflecting an increase of ¥20,989 million in account payable-trade, an increase of ¥12,745 million in deposits received and a rise of ¥12,518 million in accounts payable-other. Non-current liabilities stood at ¥207,541 million, growing ¥7,794 million from February 28, 2015, mainly owing to an increase of ¥8,667 million in lease obligations due to new store investments. Consequently, total liabilities increased by ¥54,734 million from the end of the previous fiscal year to ¥555,551 million.

Total net assets stood at ¥273,642 million, increased by ¥9,845 million from February 28, 2015. This was mainly due to an increase of ¥8,111 million in retained earnings resulting from such as net income of the first half ¥19,811 million and a decrease resulting from payment of ¥11,999 million in dividends. Consequently, shareholders' equity ratio amounted to 32.0%, down from 33.5% as of the end of the previous fiscal year.

(ii) Cash flows during the first half of fiscal year 2015

Cash and cash equivalents at August 31, 2015 were ¥112,170 million, up ¥35,415 million compared with February 28, 2015.

Operating activities provided net cash of ¥92,621 million, an increase of ¥493 million from the corresponding period of the previous fiscal year, mainly due to an increase of operating income.

Investing activities used net cash of ¥33,262 million, a decrease of ¥5,024 million from the corresponding period of the previous fiscal year, mainly due to a nonoccurrence of purchase of investments in subsidiaries resulting in change in scope of consolidation.

Financing activities used net cash of ¥24,158 million, an increase of ¥15,551 million from the corresponding period of the previous fiscal year, mainly due to a nonoccurrence of long-term loans payable.

(3) Explanation Regarding Forward-looking Information Such As Forecast Consolidated Performance

We have amended the gross operating revenue forecast for the 2015 fiscal year.

The business forecasts and future prospects in this document are made based on currently available information and contain 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.

2. Matters Related To Summary Information (Notes)

- (1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): Not Applicable
- (2) Adoptions of accounting methods particular to presentation of quarterly financial statements:
Not Applicable
- (3) Changes in accounting policies, changes in accounting estimation, retrospective restatement
(Changes in accounting policies)

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter “Accounting Standard Retirement Benefits”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter “Guidance Retirement Benefits”) from the first quarter of the consolidated fiscal year under review included stipulations stated in the main clause of paragraph 35 of ASBJ Statement No. 26, and the main clause of paragraph 67 of ASBJ Guidance No. 25. The Company reviewed the calculation method of retirement benefit liabilities and service cost, changed the standard of payment period of retirement benefits estimated amounts from period straight-line basis recorded to benefit formula basis. The method for calculating the discount rate was changed from the method in which bond duration, a base used for calculating the discount rate, was decided based on the number of years that approximates the average remaining service period of the employees, to the method in which multiple discount rates are calculated in accordance with the expected payment period of retirement benefits.

The application of Accounting Standards for Retirement Benefits, etc. has followed the transitional treatment stipulated in paragraph 37 of ASBJ Statement No. 26, and the impact due to change of calculation method of retirement benefit liabilities and service cost was charged to Retained earnings at the beginning of the first half of the consolidated fiscal year under review.

As a result, net defined benefit liability as of the beginning of the first half of the consolidated fiscal year under review decreased ¥2,130 million, while retained earnings increased ¥1,411 million. The impact of this change to operating income, ordinary income, and income before income taxes and minority interests for the first half of the consolidated fiscal year under review is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

As of February 28, 2015 and August 31, 2015

(Millions of yen)

	Previous fiscal year As of February 28, 2015	Current 1st Half As of August 31, 2015
Assets		
Current assets:		
Cash and deposits	76,758	112,274
Accounts receivable-due from franchised stores	37,052	29,604
Merchandise	17,044	16,930
Accounts receivable-other	58,666	71,088
Deferred tax assets	5,299	4,348
Other	31,400	29,773
Allowance for doubtful accounts	(2,578)	(23)
Total current assets	223,642	263,997
Non-current assets:		
Property and store equipment:		
Buildings and structures	313,867	317,135
Accumulated depreciation	(160,491)	(154,175)
Buildings and structures, net	153,375	162,959
Vehicles, tools, furniture and fixtures	74,270	73,493
Accumulated depreciation	(59,445)	(58,091)
Vehicles, tools, furniture and fixtures, net	14,825	15,401
Lease assets	154,932	170,118
Accumulated depreciation	(63,270)	(70,749)
Lease assets, net	91,661	99,369
Other	15,022	12,894
Accumulated depreciation	(448)	(462)
Other, net	14,574	12,431
Total property and store equipment	274,436	290,162
Intangible assets:		
Software	18,800	24,352
Goodwill	48,189	47,845
Right of trademark	11,989	11,686
Other	550	542
Total intangible assets	79,530	84,426
Investments and other assets:		
Long-term loans receivable	37,232	39,133
Guarantee deposits	93,205	92,906
Deferred tax assets	26,251	22,916
Other	31,435	36,541
Allowance for doubtful accounts	(1,121)	(889)
Total investments and other assets	187,004	190,608
Total non-current assets	540,971	565,196
Total assets	764,614	829,194

(Millions of yen)

	Previous fiscal year As of February 28, 2015	Current 1st Half As of August 31, 2015
Liabilities		
Current liabilities:		
Accounts payable-trade	103,458	124,448
Due to franchised stores	1,507	2,354
Short-term loans payable	1,740	1,840
Current portion of long-term loans payable	575	575
Lease obligations	19,948	22,395
Accounts payable-other	43,518	56,037
Income taxes payable	13,301	12,010
Deposits received	103,634	116,379
Provision for bonuses	2,976	3,227
Other	10,408	8,742
Total current liabilities	301,069	348,009
Non-current liabilities:		
Long-term loans payable	58,425	58,137
Lease obligations	76,174	84,841
Provision for retirement benefits to executive officers and audits & supervisory board members	367	407
Net defined benefit liability	12,958	11,118
Asset retirement obligations	21,530	24,032
Other	30,290	29,004
Total non-current liabilities	199,746	207,541
Total liabilities	500,816	555,551
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,696	47,696
Retained earnings	147,177	155,288
Treasury shares	(1,272)	(1,277)
Total shareholders' equity	252,107	260,213
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(393)	514
Revaluation reserve for land	(566)	(566)
Foreign currency translation adjustment	5,492	5,903
Remeasurements of defined benefit plans	(518)	(501)
Total accumulated other comprehensive income	4,014	5,350
Subscription rights to shares	223	307
Minority interests	7,452	7,771
Total net assets	263,797	273,642
Total liabilities and net assets	764,614	829,194

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

For the first half of the fiscal years ended February 28, 2015 and February 29, 2016

	(Millions of yen)	
	Previous 1st Half From March 1, 2014 to August 31, 2014	Current 1st Half From March 1, 2015 to August 31, 2015
Gross operating revenue	241,930	289,338
Net sales	76,746	109,920
Cost of sales	58,092	75,411
Gross profit	18,653	34,508
Operating revenue:		
Income from franchised stores	127,272	132,278
Other	37,911	47,139
Total operating revenue	165,183	179,418
Operating gross profit	183,837	213,926
Selling, general and administrative expenses	143,818	171,882
Operating income	40,019	42,044
Non-operating income:		
Interest income	389	380
Share of profit of entities accounted for using equity	97	221
Other	783	837
Total non-operating income	1,270	1,440
Non-operating expenses:		
Interest expense	679	911
Loss on cancel of lease contracts	543	982
Other	450	794
Total non-operating expenses	1,673	2,689
Ordinary income	39,616	40,794
Extraordinary income:		
Gain on sales of investment securities	369	—
Gain on change in equity	756	892
Total extraordinary income	1,126	892
Extraordinary losses:		
Loss on retirement of non-current assets	1,390	1,833
Impairment loss	2,526	4,705
Other	36	—
Total extraordinary losses	3,953	6,539
Income before income taxes and minority interests	36,789	35,148
Income taxes-current	14,098	11,745
Income taxes-deferred	527	3,218
Income taxes	14,626	14,963
Income before minority interests	22,163	20,184
Minority interests in income	274	373
Net income	21,889	19,811

Consolidated Statement of Comprehensive Income

For the first half of the fiscal years ended February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous 1st Half From March 1, 2014 to August 31, 2014	Current 1st Half From March 1, 2015 to August 31, 2015
Income before minority interests	22,163	20,184
Other comprehensive income		
Valuation difference on available-for-sale securities	4	908
Foreign currency translation adjustment	(468)	407
Remeasurements of defined benefit plans	—	16
Share of other comprehensive income of associates accounted for using equity method	(37)	—
Total other comprehensive income	(500)	1,332
Comprehensive income	21,662	21,516
Comprehensive income attributable to		
Owners of the parent	21,394	21,146
Minority interests	267	369

(3) Consolidated Statement of Cash Flows

For the first half of the fiscal years ended February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous 1st Half From March 1, 2014 to August 31, 2014	Current 1st Half From March 1, 2015 to August 31, 2015
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	36,789	35,148
Depreciation and amortization	19,902	23,867
Impairment loss	2,526	4,705
Increase (decrease) in provision for retirement benefits	434	—
Increase (decrease) in net defined benefit liability	—	(1,840)
Interest income	(389)	(380)
Interest expenses	679	911
Loss on retirement of noncurrent assets	1,390	1,833
Decrease (increase) in notes and accounts receivable-trade	1,040	7,330
Decrease (increase) in accounts receivable-other	(11,465)	(15,704)
Increase (decrease) in notes and accounts payable-trade	22,817	21,610
Increase (decrease) in accounts payable-other	13,657	10,906
Increase (decrease) in deposits received	24,421	12,745
Other	(5,934)	4,520
Subtotal	105,870	105,655
Interest income received	394	363
Interest expenses paid	(674)	(927)
Income taxes paid	(13,462)	(12,470)
Net cash provided by (used in) operating activities	92,127	92,621
Net cash provided by (used in) investing activities:		
Payments into time deposits	(11,200)	(1,297)
Proceeds from withdrawal of time deposits	8,000	1,197
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(10,914)	—
Purchase of shares of subsidiaries and affiliates	(634)	(3,226)
Purchase of property and store equipment	(18,713)	(16,719)
Purchase of intangible assets	(2,378)	(8,684)
Purchase of long-term prepaid expenses	(2,915)	(723)
Other	470	(3,808)
Net cash provided by (used in) investing activities	(38,287)	(33,262)

	(Millions of yen)	
	Previous 1st Half From March 1,2014 to August 31, 2014	Current 1st Half From March 1,2015 to August 31, 2015
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	9,000	—
Proceeds from share issuance to minority shareholders	2,000	—
Repayments of lease obligations	(10,080)	(11,936)
Cash dividends paid	(10,989)	(11,999)
Other	1,463	(222)
Net cash provided by (used in) financing activities	(8,606)	(24,158)
Effect of exchange rate change on cash and cash equivalents	(234)	71
Net increase (decrease) in cash and cash equivalents	44,999	35,271
Cash and cash equivalents at beginning of period	68,759	76,754
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	144
Cash and cash equivalents at end of period	113,759	112,170

(4) Notes to Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

Not Applicable.

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

Not Applicable.