

Flash Report on the Consolidated Financial Results

for the Third Quarter of the Fiscal Year Ending February 28, 2017

January 11, 2017

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 13, 2017

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, 2016 (from March 1, 2016 to November 30, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended								
November 30, 2016	461,955	6.1	57,685	(7.0)	56,906	(6.2)	33,855	7.6
November 30, 2015	435,534	20.2	62,058	3.8	60,677	1.6	31,472	(4.5)

Note: Comprehensive income:

For the third quarter ended November 30, 2016	31,529 million yen	(4.6)%
For the third quarter ended November 30, 2015	33,055 million yen	(2.9)%

	Profit per share	Diluted profit per share
	Yen	Yen
For the third quarter ended		
November 30, 2016	338.51	338.26
November 30, 2015	314.73	314.48

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2016	853,939	281,931	31.7
February 29, 2016	803,212	272,997	32.9

Reference: Shareholders' equity:

As of November 30, 2016	270,967 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: 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

(4) Number of shares outstanding (common stock)

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

As of November 30, 2016: 100,300,000 As of February 29, 2016: 100,300,000

2. Number of treasury shares at the end of period

As of November 30, 2016: 288,014 As of February 29, 2016: 301,897

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

As of November 30, 2016: 100,009,087 As of November 30, 2015: 99,998,426

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 third quarter of fiscal 2016, nine months from March 1 to November 30, 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 third quarter of fiscal 2016 on a consolidated basis, gross operating revenue increased to 461,955 million yen (up 6.1% from previous fiscal year), operating income decreased to 57,685 million yen (down 7.0% from previous fiscal year), and ordinary income decreased to 56,906 million yen (down 6.2% from previous fiscal year). Profit attributable to owners of parent increased to 33,855 million yen (up 7.6% 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 addition, we expanded our soup menu lineup in response to the increased demand for a greater variety of vegetables from health-conscious customers, and it has been well received, mainly by female customers. To celebrate the 30th anniversary of our “Kara-age Kun” fried chicken in April 2016, we

divided Japan into 12 areas wherein we launched “Local Kara-age Kun,” and held an event entitled “Local Kara-age Kun Grand Prix.”

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, a “speed lottery” themed on “Sandaime J Soul Brothers from EXILE TRIBE,” which demonstrated our strength in the entertainment field, and rewarding Ponta Card members with five times the points on purchases in evenings and at night.

*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 3rd Quarter From March 1, 2015 to November 30, 2015		Current 3rd Quarter From March 1, 2016 to November 30, 2016	
	Net sales (Millions of yen)	Percentage of total (%)	Net sales (Millions of yen)	Percentage of total (%)
Processed foods	785,018	52.9	812,155	52.6
Fast foods	351,348	23.7	364,641	23.6
Daily delivered foods	209,657	14.1	222,472	14.4
Non-food products	138,943	9.3	145,027	9.4
Total	1,484,968	100.0	1,544,297	100.0

[Store Development]

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

With regard to our partnership initiatives with other chain retailers, based on a mega-franchise agreement concluded with Save On Corp., we remodeled 54 Save On stores into LAWSON stores which operated in Yamagata, Fukushima and Ibaraki Prefectures in a phased manner during the first half of fiscal 2016. Furthermore, under our partnership with Three F Co., Ltd., 22 Three F stores were remodeled to become LAWSON stores by November 2016. Also, L•TF Co., Ltd., a joint venture established in September 2016, operates (as of the end of November) 89 LAWSON Three F stores that were formerly Three F stores. Under

our partnership with Poplar Co., Ltd., Lawson Sanin, Inc., a joint venture between Lawson and Poplar, commenced operation of a regional franchise business in the Tottori and Shimane region. The joint venture has consolidated all existing POPLAR-brand convenience stores in the region that had wished to shift to a joint LAWSON POPLAR brand and all stores run by Lawson's Tottori and Shimane branch offices. As of the end of November 2016, it operates a total of 271 stores (of which 40 are LAWSON POPLAR stores).

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 149 stores (includes 40 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of November 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 November 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 743 and 311 stores, respectively, with the total number of stores in Japan reaching 12,312 as of the end of November 2016. ^{*3}

In addition, equity method affiliates Lawson Kochi, Inc. operates 133 LAWSON chain stores in Kochi Prefecture, Lawson Minamikyushu, Inc. operates 190 LAWSON chain stores in Kagoshima Prefecture and Lawson Okinawa, Inc. operates 204 LAWSON chain stores in Okinawa Prefecture as of the end of November 2016.

^{*3} The numbers of store openings and closings and total number of stores in Japan include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 29, 2016	Change during fiscal year	Total stores as of November 30, 2016
LAWSON	10,937	437	11,374
NATURAL LAWSON	134	5	139
LAWSON STORE100	809	(10)	799
Total	11,880	432	12,312

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

Furthermore, LAWSON Three F and LAWSON POPLAR brand stores are also included.

[Number of LAWSON stores by prefecture (As of November 30, 2016)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	637	Ibaraki	186	Kyoto	326	Ehime	210
Aomori	229	Tokyo	1,568	Shiga	155	Tokushima	136
Akita	186	Kanagawa	852	Nara	126	Fukuoka	467
Iwate	166	Shizuoka	249	Wakayama	136	Saga	68
Miyagi	219	Yamanashi	122	Osaka	1,020	Nagasaki	103
Yamagata	103	Nagano	169	Hyogo	650	Oita	172
Fukushima	125	Aichi	607	Okayama	165	Kumamoto	143
Niigata	145	Gifu	157	Hiroshima	194	Miyazaki	103
Tochigi	156	Mie	125	Yamaguchi	122	Total (domestic)	12,312
Gunma	107	Ishikawa	105	Tottori	134		
Saitama	574	Toyama	186	Shimane	137		
Chiba	535	Fukui	106	Kagawa	131		

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

Furthermore, LAWSON Three F and LAWSON POPLAR brand stores are also included.

[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, we aim at further streamlining the entire supply chain and improving store productivity.

As a result, Domestic Convenience Store Business posted gross operating revenue of 321,441 million yen (up 6.5% from previous fiscal year) and segment profit of 48,500 million yen (down 8.4% from previous fiscal year).

(Seijo Ishii Business)

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 130 as of the end of November 2016. Sales remained robust, and in April 2016, the first Seijo Ishii store combining “Le Bar a Vin 52” was opened in Atré 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 53,364 million yen (up 7.5% from previous fiscal year) and segment profit of 3,852 million yen (up 17.7% 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 CDs and DVDs, the second “HMV Record Shop,” a used analog record and CD store, was opened in Shinjuku, and was well received. The number of HMV stores that sell music CDs and DVDs totaled 55 as of the end of November 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 November 2016.

As a result, Entertainment-related Business posted gross operating revenue of 54,231 million yen (up 0.7% from previous fiscal year) and segment profit of 3,084 million yen (down 14.6% from previous fiscal year).

(Other Business)

In addition to the aforementioned businesses, the Group is also involved in the Overseas Business and the 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), and in October 2016, the total number of stores overseas exceeded the 1,000 mark.

In China, we mark our 20th anniversary in July 2016 since we became the first Japanese convenience store to advance into Shanghai. We made inroads into Wuhan in China’s Hubei Province in May 2016.

[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 November 30, 2016)
China Shanghai and surrounding area	458	145	603
China Chongqing	110	19	129
China Dalian	53	22	75
China Beijing	34	10	44
China Wuhan	—	39	39
Thailand	47	32	79
Indonesia	38	(2)	36
Philippines	16	10	26
United States of America Hawaii	2	—	2
Total	758	275	1,033

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 85 nationwide (up 5 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 11,634 (up 433 from previous fiscal year) as of the end of November 2016.

In November 2016, we established Lawson Bank Preparatory Company, Inc., which aims to establish a bank leveraging Lawson's previous experience in financial services, and meet necessary preconditions for obtaining approval from the relevant authorities.

As a result, Other Business posted gross operating revenue of 38,285 million yen (up 10.0% from previous fiscal year) and segment profit of 2,242 million yen (down 0.0% from previous fiscal year).

(2) Explanation Regarding Consolidated Financial Position

Current assets increased by 16,173 million yen from the end of the previous fiscal year to 240,382 million yen, mainly reflecting an increase of 14,008 million yen in accounts receivable-other. Non-current assets increased by 34,553 million yen from the end of the previous fiscal year to 613,556 million yen, mainly reflecting an increase of 23,960 million yen in property and store equipment. Consequently, total assets increased by 50,727 million yen from the end of the previous fiscal year to 853,939 million yen.

Current liabilities increased by 32,248 million yen from the end of the previous fiscal year to 351,855 million yen, mainly reflecting an increase of 11,791 million yen in accounts payable-trade, an increase of 5,680 million yen in accounts payable-other and an increase of 16,141 million yen in deposits received. Non-current liabilities increased by 9,544 million yen from the end of the previous fiscal year to 220,152 million yen, mainly reflecting an increase of 9,792 million yen in lease obligations. Consequently, total liabilities increased by 41,792 million yen from the end of the previous fiscal year to 572,008 million yen.

Net assets increased by 8,934 million yen from the end of the previous fiscal year to 281,931 million yen, mainly reflecting an increase of 7,960 million yen in retained earnings. Consequently, shareholders' equity ratio was 31.7%, down from 32.9% as of the end of the previous fiscal year.

(3) Explanation Regarding Forward-looking Statements

The financial forecasts remain unchanged from those announced on October 12, 2016.

At the Board of Directors meeting held on December 21, 2016, the Company reaffirmed its resolution that it would support the tender offer for shares of the Company's common stock by Mitsubishi Corporation, given the fact that all conditions have been fulfilled, including the completion of procedures required by competition laws in Japan and overseas.

Furthermore, on February 9, 2017, 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 Quarterly Consolidated Period (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 third quarter and the previous fiscal year have been reclassified to reflect this change in presentation.

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.

As a result, profit before income taxes of the third quarter of the consolidated fiscal year decreased by 2,583 million yen. Furthermore, capital surplus at the end of the third quarter of the consolidated fiscal year increased by 1,387 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

As of February 29, 2016 and November 30, 2016

(Millions of yen)

	Previous fiscal year As of February 29, 2016	Current 3rd Quarter As of November 30, 2016
Assets		
Current assets:		
Cash and deposits	69,797	62,008
Accounts receivable-due from franchised stores	30,547	40,465
Merchandise	17,976	18,615
Accounts receivable-other	67,736	81,744
Deferred tax assets	4,524	3,012
Other	33,635	34,561
Allowance for doubtful accounts	(8)	(24)
Total current assets	224,209	240,382
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	167,098	182,704
Tools, furniture and fixtures, net	16,307	18,414
Leased assets, net	101,546	112,540
Other, net	17,808	13,062
Total property and store equipment	302,761	326,722
Intangible assets:		
Software	26,377	34,637
Goodwill	46,309	47,561
Trademark right	11,381	10,948
Other	527	503
Total intangible assets	84,595	93,650
Investments and other assets:		
Long-term loans receivable	40,886	42,529
Guarantee deposits	92,495	95,396
Deferred tax assets	22,016	20,496
Other	37,107	35,627
Allowance for doubtful accounts	(860)	(866)
Total investments and other assets	191,645	193,183
Total non-current assets	579,002	613,556
Total assets	803,212	853,939

(Millions of yen)

	Previous fiscal year As of February 29, 2016	Current 3rd Quarter As of November 30, 2016
Liabilities		
Current liabilities:		
Accounts payable-trade	112,225	124,016
Short-term loans payable	1,990	1,210
Current portion of long-term loans payable	575	575
Lease obligations	23,898	27,076
Accounts payable-other	57,214	62,895
Income taxes payable	8,500	5,556
Deposits received	101,908	118,050
Provision for bonuses	3,832	2,030
Other	9,462	10,444
Total current liabilities	319,607	351,855
Non-current liabilities:		
Long-term loans payable	57,562	56,999
Lease obligations	88,060	97,852
Provision for retirement benefits to executive officers and audit and supervisory board members	413	434
Net defined benefit liability	12,186	12,783
Asset retirement obligations	24,664	26,225
Other	27,719	25,857
Total non-current liabilities	210,607	220,152
Total liabilities	530,215	572,008
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,697	49,083
Retained earnings	154,608	162,569
Treasury shares	(1,280)	(1,221)
Total shareholders' equity	259,532	268,938
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	801	136
Revaluation reserve for land	(566)	(566)
Foreign currency translation adjustment	5,531	3,301
Remeasurements of defined benefit plans	(906)	(842)
Total accumulated other comprehensive income	4,860	2,029
Subscription rights to shares	307	323
Non-controlling interests	8,296	10,641
Total net assets	272,997	281,931
Total liabilities and net assets	803,212	853,939

(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 29, 2016 and the third quarter of the fiscal year ending February 28, 2017

	Previous 3rd Quarter From March 1, 2015 to November 30, 2015	Current 3rd Quarter From March 1, 2016 to November 30, 2016
	(Millions of yen)	
Gross operating revenue	435,534	461,955
Net sales	166,592	176,718
Cost of sales	114,248	121,516
Gross profit	52,343	55,201
Operating revenue:		
Income from franchised stores	198,681	208,907
Other operating revenue	70,260	76,329
Total operating revenue	268,942	285,237
Operating gross profit	321,286	340,439
Selling, general and administrative expenses	259,227	282,754
Operating income	62,058	57,685
Non-operating income:		
Interest income	569	542
Share of profit of entities accounted for using equity method	320	494
Other	1,417	1,960
Total non-operating income	2,307	2,997
Non-operating expenses:		
Interest expenses	1,390	1,434
Loss on cancellation of leases	1,466	1,000
Other	831	1,341
Total non-operating expenses	3,688	3,776
Ordinary income	60,677	56,906
Extraordinary income:		
Gain on change in equity	892	—
Total extraordinary income	892	—
Extraordinary losses:		
Loss on retirement of non-current assets	2,821	2,420
Impairment loss	5,125	686
Other	—	284
Total extraordinary losses	7,947	3,391
Profit before income taxes	53,622	53,514
Income taxes-current	15,619	13,944
Income taxes-deferred	5,959	5,098
Total income taxes	21,578	19,042
Profit	32,043	34,472
Profit attributable to non-controlling interests	571	617
Profit attributable to owners of parent	31,472	33,855

Consolidated Statement of Comprehensive Income

For the third quarter of the fiscal year ended February 29, 2016 and the third quarter of the fiscal year ending February 28, 2017

(Millions of yen)

	Previous 3rd Quarter From March 1,2015 to November 30, 2015	Current 3rd Quarter From March 1,2016 to November 30, 2016
Profit	32,043	34,472
Other comprehensive income		
Valuation difference on available-for-sale securities	1,048	(665)
Foreign currency translation adjustment	(72)	(2,341)
Remeasurements of defined benefit plans	35	63
Total other comprehensive income	1,012	(2,942)
Comprehensive income	33,055	31,529
Comprehensive income attributable to		
Owners of parent	32,276	31,023
Non-controlling interests	779	505

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

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

Not Applicable.