

Flash Report on the Consolidated Financial Results
for the First Half of the Fiscal Year Ending February 28, 2018

October 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: October 13, 2017

Scheduled date for payment of dividend: November 10, 2017

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, 2017 (from March 1, 2017 to August 31, 2017)

(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 first half ended								
August 31, 2017	329,402	7.6	38,945	(2.5)	38,456	0.2	23,644	4.6
August 31, 2016	306,231	5.8	39,925	(5.0)	38,384	(5.9)	22,608	14.1

Note: Comprehensive income:

For the first half ended August 31, 2017 24,500 million yen 17.9%

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

	Profit per share	Diluted profit per share
	Yen	Yen
For the first half ended		
August 31, 2017	236.36	236.21
August 31, 2016	226.07	225.90

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of			
August 31, 2017	918,597	289,797	30.9
February 28, 2017	866,577	285,995	31.7

Reference: Shareholders' equity:

As of August 31, 2017 283,815 million yen

As of February 28, 2017 274,880 million yen

2. Dividends

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2016 fiscal year	—	125.00	—	125.00	250.00
2017 fiscal year	—	127.50			
2017 fiscal year (forecast)			—	127.50	255.00

Note: Revision of the most recent dividends forecast: None

3. Forecast of consolidated operating results for the 2017 fiscal year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

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
2017 fiscal year	672,000	6.4	68,500	(7.1)	65,500	(10.3)	33,500	(8.0)	334.81

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: None

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, 2017: 100,300,000 As of February 28, 2017: 100,300,000

2. Number of treasury shares at the end of period

As of August 31, 2017: 244,923 As of February 28, 2017: 285,191

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

As of August 31, 2017: 100,034,650 As of August 31, 2016: 100,007,647

Note: This flash report is exempt from quarterly review.

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

Forward-looking statements presented herein such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. The achievement of said forecasts cannot be guaranteed. Actual results may be materially different from those in the forecast as a result of various factors. For preconditions of these financial forecasts and notes concerning their use, please refer to "1. Qualitative Information Regarding Quarterly Financial Results, (3) Explanation Regarding Forward-looking Statements" on page 8.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation Regarding Consolidated Operating Results

During the first half of fiscal 2017, six months from March 1 to August 31, 2017, we have advanced and accelerated our “1000-Day Action Plan”, which is in its second year, 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. 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 2017 on a consolidated basis, gross operating revenue increased to 329,402 million yen (up 7.6% from previous fiscal year), operating income decreased to 38,945 million yen (down 2.5% from previous fiscal year) and ordinary income increased to 38,456 million yen (up 0.2% from previous fiscal year). Profit attributable to owners of parent increased to 23,644 million yen (up 4.6% from previous fiscal year).

Furthermore, we also focused on addressing operating risks based on the 2017 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control even more.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

In our convenience store business in Japan, we have continued to develop products with features distinct to Lawson and strengthened our mainstay products including counter fast food items. We also endeavored to enhance store productivity by such measures as beginning the phased introduction of tablet terminals in August 2017 at Lawson stores nationwide to facilitate proper sales management of counter fast food items. Furthermore, new point-of-sale (POS) cash registers (for sales information management) equipped with an automatic change dispenser function will start to be introduced by the end of the current fiscal year with the aim of achieving higher cash-handling efficiency at stores, including expediting cash register transactions.

[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. Furthermore, we also actively promoted not only existing stores but also new stores by strengthening our product lineup, and improving operations and franchise support by headquarters.

[Merchandising and Service Strategies]

On the merchandise side, we strengthened our product capacity by expanding our merchandise assortment under our “Lawson Select” brand with a focus on daily delivered food and frozen food, as well as in our ready-made dish lineup with a change in our salad range. Our lineup of rice items, our core category, was also expanded.

In the dessert range, the “Uchi Café SWEETS X GODIVA Chocolat Roll Cake,” an item produced in collaboration with Godiva with well-selected ingredients and a special production method, was launched in June 2017, and the “Uchi Café SWEETS X GODIVA Chocolat Pudding,” the second collaborative product with Godiva, in July 2017. Both products received favorable feedback from our customers. In the counter fast food range, the “Deka Yakitori” (large grilled chicken) continued to record strong performance, while in June 2017 the “L-Chiki” (fried chicken), upsized by approximately 40% to around 110 g, also enjoyed robust sales.

Furthermore, in May 2017, five new products were added to our bran bread series^{*1}, popular among health-conscious customers, including sandwich bran bread and bran bread anpan containing sweet red bean paste.

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 part of our efforts 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 “speed lottery” themed on “HiGH&LOW THE MOVIE 2&3,” which demonstrated our strength in the entertainment field.

*1 Bran: The external layer of wheat. It contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrates.

*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, 2016 to August 31, 2016		Current 1st Half From March 1, 2017 to August 31, 2017	
	Net sales (Millions of yen)	Percentage of total (%)	Net sales (Millions of yen)	Percentage of total (%)
Processed foods	541,286	52.6	575,867	52.7
Fast foods	241,686	23.5	257,237	23.5
Daily delivered foods	148,918	14.5	161,151	14.8
Non-food products	96,735	9.4	98,010	9.0
Total	1,028,626	100.0	1,092,266	100.0

(Note) These figures include stores operated by both Lawson, Inc. and Lawson Sanin, Inc. as well as LAWSON THREE F and LAWSON POPLAR brand stores.

[Store Development]

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

Regarding the entire Lawson Group, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during the first half of the current fiscal year stood at 493 and 154 stores, respectively, with the total number of stores in Japan reaching 13,450 as of the end of August 2017.^{*3}

With regard to our partnership initiatives with other chain retailers in Japan, based on business integration agreements, we are remodeling THREE F stores operated by Three F Co., Ltd. into LAWSON THREE F stores, and SAVE ON stores operated by Save On Corp. into LAWSON stores.

In June 2017, Lawson, Inc. subscribed to new shares in POPLAR Co., Ltd. through a third-party allotment,

expanding its shareholder voting rights in POPLAR to 18.27%. Its business alliance with the company will also be further strengthened. With regard to LAWSON THREE F stores, we opened the first LAWSON THREE F store in Kanagawa Prefecture at the Yokohama City Office in August 2017. By the end of August 2017, 6 stores in Kanagawa Prefecture, as well as one each in Tokyo and Chiba Prefecture, were remodeled into LAWSON THREE F stores. The remodeling of THREE F stores into LAWSON THREE F stores will be largely completed by the end of the current fiscal year, ending February 2018. Meanwhile, a total of 45 SAVE ON stores in Saitama Prefecture were remodeled into LAWSON stores in phases from June to the end of August 2017, with more SAVE ON stores planned to be remodeled in Chiba and Tochigi Prefectures. The remodeling of SAVE ON stores into LAWSON stores will be completed by the end of the next fiscal year, ending February 2019. Furthermore, in July 2017, Lawson, Inc. became the operator of stores located at Nagoya Municipal Subway stations, and opened 8 LAWSON stores simultaneously at certain stations.

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 161 stores (includes 45 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of August 2017. Furthermore, the number of stores offering nursing care consultation services has reached 10 as of the end of August 2017. 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 will continue to increase the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value.

*3 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc. as well as LAWSON THREE F and LAWSON POPLAR brand stores.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2017	Change during period	Total stores as of August 31, 2017
LAWSON	12,172	339	12,511
NATURAL LAWSON	141	3	144
LAWSON STORE100	798	(3)	795
Total	13,111	339	13,450

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

[Number of LAWSON stores by prefecture (As of August 31, 2017)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	654	Ibaraki	203	Kyoto	338	Ehime	218
Aomori	239	Tokyo	1,607	Shiga	154	Tokushima	133
Akita	189	Kanagawa	901	Nara	135	Kochi	136
Iwate	168	Shizuoka	261	Wakayama	138	Fukuoka	483
Miyagi	230	Yamanashi	125	Osaka	1,105	Saga	69
Yamagata	106	Nagano	175	Hyogo	667	Nagasaki	106
Fukushima	137	Aichi	655	Okayama	178	Oita	179
Niigata	154	Gifu	171	Hiroshima	205	Kumamoto	150
Tochigi	158	Mie	138	Yamaguchi	118	Miyazaki	104
Gunma	118	Ishikawa	102	Tottori	140	Kagoshima	194
Saitama	658	Toyama	188	Shimane	149	Okinawa	218
Chiba	552	Fukui	112	Kagawa	132	Total (domestic)	13,450

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

[Other]

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.

Led by the Japanese Ministry of Economy, Trade and Industry, Lawson, Inc. and other domestic convenience store operators jointly issued the Declaration of Plan to Introduce 100 Billion Electronic Tags for Products in Convenience Stores. By using electronic tags, we aim to enhance store operating efficiency and continue to respond quickly to changing customer expectations.

As a result, Domestic Convenience Store Business posted gross operating revenue of 225,375 million yen (up 5.7% from previous fiscal year) and segment profit of 32,781 million yen (down 1.6% from previous fiscal year).

(Seijo Ishii Business)

The number of directly operated Seijo Ishii high-end supermarket chain stores offering quality foods reached 137 as of the end of August 2017, and sales were also strong. In June 2017, we opened the S-PAL Sendai store as the first Seijo Ishii store in the Tohoku region, which successfully attracted many customers. We will continue increasing locations such as this, where Seijo Ishii’s array of premium quality products can be conveniently purchased. Furthermore, we remain committed to enhancing the brand image and corporate value of SEIJO ISHII Co., Ltd., which has marked its 90th anniversary, while absorbing the company’s product development expertise, know-how 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 38,933 million yen (up 7.9% from previous fiscal year) and segment profit of 3,032 million yen (up 3.1% from previous fiscal year).

(Entertainment-related Business)

With regards to our entertainment-related business, Lawson HMV Entertainment, Inc., which forms the core of the business, continued to secure top-class ticket transaction value in the ticketing industry. HMV, which sells music CDs and DVDs, also operates the HMV Record Shop specializing in second-hand analog records and CDs. Including the HMV Record Shop, the number of HMV stores totaled 54 as of the end of August 2017. We will strive to offer an even wider selection of products and services to better respond to customer needs by, for example, expanding the scope of our entertainment business. As of the end of August 2017, United Cinemas Co., Ltd. operates cinemas at 39 sites, offering 353 screens nationwide including those operated on commission. In July 2017, Japan's first ScreenX, a triple-screen film projection system, was introduced at the United Cinemas Aqua City Odaiba. By projecting images not only on the front screen, but also on screens on both side walls, ScreenX provides a 270-degree view, offering the audience an immersive movie experience.

As a result, Entertainment-related Business posted gross operating revenue of 39,379 million yen (up 10.2% from previous fiscal year) and segment profit of 2,464 million yen (up 9.2% 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).

In the People's Republic of China, after being the first Japanese convenience store operator to advance into Shanghai, we made inroads into Chongqing, Dalian, Beijing, and Wuhan. The number of LAWSON stores in the country is increasing steadily, reaching 1,216 as of the end of August 2017, including 5 stores opened simultaneously in Nanjing City, Jiangsu Province in August 2017.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2017)	Change during period	Number of stores (As of August 31, 2017)
China Shanghai and surrounding area	665	115	780
China Chongqing	136	9	145
China Dalian	82	14	96
China Beijing	48	13	61
China Wuhan	72	62	134
Thailand	85	7	92
Indonesia	36	1	37
Philippines	30	2	32
United States of America Hawaii	2	—	2
Total	1,156	223	1,379

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 89 nationwide (up 2 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 12,172 (up 260 from previous fiscal year) as of the end of August 2017.

As a result, Other Business posted gross operating revenue of 29,706 million yen (up 20.1% from previous fiscal year) and segment profit of 642 million yen (down 54.5% from previous fiscal year).

Through Lawson Bank Preparatory Company, Inc. established in November 2016, we are continuing to work on establishing a bank by leveraging Lawson's past experience in financial services. We are proceeding on the assumption that approval from the relevant authorities will be obtained.

(2) Explanation Regarding Consolidated Financial Position

① Assets, liabilities and net assets at the end of the first half of fiscal year 2017

Current assets increased by 20,577 million yen from the end of the previous fiscal year to 269,855 million yen, mainly reflecting an increase of 11,907 million yen in accounts receivable-other and an increase of 7,975 million yen in cash and deposits. Non-current assets increased by 31,442 million yen from the end of the previous fiscal year to 648,741 million yen, mainly reflecting an increase of 14,305 million yen in property and store equipment. Consequently, total assets increased by 52,019 million yen from the end of the previous fiscal year to 918,597 million yen.

Current liabilities increased by 42,370 million yen from the end of the previous fiscal year to 399,154 million yen, mainly reflecting an increase of 33,436 million yen in deposits received. Non-current liabilities increased by 5,846 million yen from the end of the previous fiscal year to 229,645 million yen, mainly reflecting an increase of 5,352 million yen in lease obligations. Consequently, total liabilities increased by 48,217 million yen from the end of the previous fiscal year to 628,799 million yen.

Net assets increased by 3,801 million yen from the end of the previous fiscal year to 289,797 million yen, mainly reflecting an increase of 10,578 million yen in retained earnings. Consequently, shareholders' equity ratio was 30.9%, down from 31.7% as of the end of the previous fiscal year.

② Cash flows during the first half of fiscal year 2017

Cash and cash equivalents at August 31, 2017 increased by 8,394 million yen from the end of the previous fiscal year to 76,086 million yen.

Net cash provided by operating activities was 119,144 million yen, an increase of 27,671 million yen from the corresponding period of the previous fiscal year, mainly due to an increase in deposits received.

Net cash used in investing activities was (44,439) million yen, an increase of (15,448) million yen from the corresponding period of the previous fiscal year, mainly due to an increase in payments for transfer of business.

Net cash used in financing activities was (67,007) million yen, an increase of (39,248) million yen from the corresponding period of the previous fiscal year, mainly due to a decrease in short-term loans payable.

(3) Explanation Regarding Forward-looking Statements

We have amended the gross operating revenue forecast for the 2017 fiscal year.

The business forecasts and future prospects presented herein 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.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 28, 2017 and August 31, 2017

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current 1st Half As of August 31, 2017
Assets		
Current assets:		
Cash and deposits	68,115	76,090
Accounts receivable-due from franchised stores	39,982	38,142
Lease receivables	12,336	12,176
Merchandise	18,130	18,803
Accounts receivable-other	78,363	90,271
Deferred tax assets	3,907	3,630
Other	28,493	30,773
Allowance for doubtful accounts	(50)	(33)
Total current assets	249,278	269,855
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	183,747	189,759
Tools, furniture and fixtures, net	18,581	18,037
Leased assets, net	110,472	118,488
Other, net	11,708	12,531
Total property and store equipment	324,510	338,816
Intangible assets:		
Software	37,567	42,439
Goodwill	46,041	44,383
Trademark right	10,691	10,382
Other	499	7,215
Total intangible assets	94,800	104,421
Investments and other assets:		
Long-term loans receivable	44,495	45,481
Guarantee deposits	95,594	97,803
Deferred tax assets	23,138	21,610
Other	35,728	41,626
Allowance for doubtful accounts	(968)	(1,018)
Total investments and other assets	197,988	205,504
Total non-current assets	617,299	648,741
Total assets	866,577	918,597

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current 1st Half As of August 31, 2017
Liabilities		
Current liabilities:		
Accounts payable-trade	110,834	136,424
Short-term loans payable	31,180	1,420
Current portion of long-term loans payable	575	575
Lease obligations	28,012	30,244
Accounts payable-other	59,734	65,632
Income taxes payable	9,876	12,247
Deposits received	103,156	136,593
Provision for bonuses	3,427	3,728
Other	9,985	12,288
Total current liabilities	356,783	399,154
Non-current liabilities:		
Long-term loans payable	56,703	56,131
Lease obligations	99,983	105,336
Deferred tax liabilities	957	1,708
Provision for retirement benefits to executive officers and audit and supervisory board members	332	328
Net defined benefit liability	13,083	13,453
Asset retirement obligations	26,958	27,794
Other	25,779	24,893
Total non-current liabilities	223,798	229,645
Total liabilities	580,581	628,799
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	49,083	46,689
Retained earnings	165,162	175,740
Treasury shares	(1,210)	(1,040)
Total shareholders' equity	271,541	279,896
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	274	1,163
Revaluation reserve for land	(618)	(618)
Foreign currency translation adjustment	4,610	4,225
Remeasurements of defined benefit plans	(927)	(851)
Total accumulated other comprehensive income	3,338	3,918
Subscription rights to shares	314	197
Non-controlling interests	10,800	5,785
Total net assets	285,995	289,797
Total liabilities and net assets	866,577	918,597

(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 28, 2017 and the first half of the fiscal year ending February 28, 2018

	Previous 1st Half From March 1, 2016 to August 31, 2016	Current 1st Half From March 1, 2017 to August 31, 2017
		(Millions of yen)
Gross operating revenue	306,231	329,402
Net sales	116,997	131,033
Cost of sales	80,034	90,077
Gross profit	36,962	40,956
Operating revenue:		
Income from franchised stores	139,422	147,248
Other operating revenue	49,811	51,120
Total operating revenue	189,234	198,369
Operating gross profit	226,196	239,325
Selling, general and administrative expenses	186,270	200,380
Operating income	39,925	38,945
Non-operating income:		
Interest income	365	352
Share of profit of entities accounted for using equity method	391	431
Other	1,148	1,103
Total non-operating income	1,905	1,887
Non-operating expenses:		
Interest expenses	961	959
Loss on cancellation of leases	722	660
Loss on disaster	723	—
Other	1,039	755
Total non-operating expenses	3,447	2,376
Ordinary income	38,384	38,456
Extraordinary income:		
Gain on sales of shares of subsidiaries and associates	—	302
Total extraordinary income	—	302
Extraordinary losses:		
Loss on sales of non-current assets	99	149
Loss on retirement of non-current assets	1,928	1,293
Impairment loss	522	668
Total extraordinary losses	2,551	2,111
Profit before income taxes	35,832	36,648
Income taxes-current	9,399	10,581
Income taxes-deferred	3,387	2,157
Total income taxes	12,786	12,739
Profit	23,045	23,908
Profit attributable to non-controlling interests	437	263
Profit attributable to owners of parent	22,608	23,644

Consolidated Statement of Comprehensive Income

For the first half of the fiscal year ended February 28, 2017 and the first half of the fiscal year ending February 28, 2018

(Millions of yen)

	Previous 1st Half From March 1, 2016 to August 31, 2016	Current 1st Half From March 1, 2017 to August 31, 2017
Profit	23,045	23,908
Other comprehensive income		
Valuation difference on available-for-sale securities	(780)	888
Foreign currency translation adjustment	(1,513)	(373)
Remeasurements of defined benefit plans	34	76
Total other comprehensive income	(2,260)	592
Comprehensive income	20,785	24,500
Comprehensive income attributable to		
Owners of parent	20,455	24,224
Non-controlling interests	329	276

(3) Consolidated Statement of Cash Flows

For the first half of the fiscal year ended February 28, 2017 and the first half of the fiscal year ending February 28, 2018

(Millions of yen)

	Previous 1st Half From March 1, 2016 to August 31, 2016	Current 1st Half From March 1, 2017 to August 31, 2017
Net cash provided by (used in) operating activities:		
Profit before income taxes	35,832	36,648
Depreciation and amortization	26,971	27,911
Impairment loss	522	668
Interest income	(365)	(352)
Interest expenses	961	959
Loss on retirement of non-current assets	1,928	1,293
Decrease (increase) in notes and accounts receivable-trade	(3,655)	1,818
Decrease (increase) in accounts receivable-other	(19,360)	(11,974)
Increase (decrease) in notes and accounts payable-trade	21,596	25,692
Increase (decrease) in accounts payable-other	6,134	5,471
Increase (decrease) in deposits received	22,428	33,434
Increase (decrease) in net defined benefit liability	409	369
Other	6,037	5,840
Subtotal	99,441	127,780
Interest income received	367	355
Interest expenses paid	(966)	(960)
Income taxes paid	(7,368)	(8,031)
Net cash provided by (used in) operating activities	91,473	119,144
Net cash provided by (used in) investing activities:		
Purchase of property and store equipment	(16,139)	(17,801)
Purchase of intangible assets	(7,295)	(8,635)
Purchase of long-term prepaid expenses	(2,528)	(7,362)
Payments for transfer of business	(343)	(6,692)
Other	(2,684)	(3,947)
Net cash provided by (used in) investing activities	(28,991)	(44,439)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(240)	(30,047)
Repayments of lease obligations	(14,698)	(16,365)
Cash dividends paid	(12,249)	(12,501)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(7,799)
Other	(570)	(293)
Net cash provided by (used in) financing activities	(27,758)	(67,007)
Effect of exchange rate change on cash and cash equivalents	(836)	(67)
Net increase (decrease) in cash and cash equivalents	33,887	7,629
Cash and cash equivalents at beginning of period	69,793	67,692
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	335	765
Cash and cash equivalents at end of period	104,016	76,086

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

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

Not Applicable.

(Additional Information)

The Company and its domestic consolidated subsidiaries are applying “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, revised March 28, 2016) from the first quarter of the fiscal year ending February 28, 2018.