

## Flash Report on the Consolidated Result

for the First Quarter Ended February 28, 2015

July 4, 2014

Listed Company Name: Lawson, Inc.

Tokyo Stock Exchange (First Section)

Code No.: 2651

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

Company Representative: Genichi Tamatsuka, Representative Director, President and CEO

Contact: Tomoki Takanishi, Financial & Accounting Office General Manager

Tel.: +81-3-5435-2773

Scheduled date for submission of quarterly earnings report: July 9, 2014

Scheduled date for payment of dividend: —

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the current first quarter of the current period (from March 1, 2014, to May 31, 2014)

(1) Consolidated operating results (accumulated)

Notes:

1. Amounts below one million yen are truncated.

2. Percentages for total operating revenues, operating income, ordinary income and net income show increase (decrease) from previous year.

	Gross operating revenue		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1 <sup>st</sup> Quarter	117,128	(2.0)	16,820	17.6	16,509	14.5
Previous 1 <sup>st</sup> Quarter	119,498	(1.6)	14,302	2.5	14,418	4.8

	Net income		Net income per share	Fully diluted profit per share
	¥ Million	%	¥	¥
Current 1 <sup>st</sup> Quarter	9,099	26.5	91.10	90.91
Previous 1 <sup>st</sup> Quarter	7,194	14.8	72.02	71.89

Note: Comprehensive income: Current 1<sup>st</sup> Quarter: 8,990 million yen (7.0%)

Previous 1<sup>st</sup> Quarter: 8,399 million yen (38.9%)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ Million	¥ Million	%
Current 1 <sup>st</sup> Quarter	659,405	247,743	36.7
Previous fiscal year	620,992	250,497	39.5

Reference: Shareholders' equity: Current 1<sup>st</sup> Quarter: 242,302 million yen

Previous fiscal year: 245,289 million yen

2. Dividends status

	Annual dividends per share				
	1Q	1H	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2013 fiscal year	—	110.00	—	110.00	220.00
2014 fiscal year	—				
2014 fiscal year (forecast)		120.00	—	120.00	240.00

Note: Revision of forecast for dividends in the first quarter: None

### 3. Forecast Consolidated Performance for 2014 fiscal year (from March 1, 2014 to February 28, 2015)

#### Notes:

1. Amounts below one million yen are truncated.
2. Percentages for total operating revenues, operating income, ordinary income and net income show increase (decrease) from previous year.

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2014 1H (accumulated)	252,000	1.5	37,900	6.4	37,200	4.7	19,400	1.8
2014 fiscal year	498,000	2.6	75,000	10.1	73,900	7.3	38,900	2.5

References: Forecast net profit per share for the 2014 first half: 194.26 yen

Forecast net profit per share for the 2014 fiscal year: 389.53 yen

Note: Revision of forecasts for consolidated performance during the first quarter: None

#### 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: None

2. Other changes: Yes

3. Changes in accounting estimates: Yes

4. Retrospective restatements: None

(4) Number of issued shares:

i) The number of the stocks issued in the end of term

May, 2014: 100,300,000 February, 2014: 100,300,000

ii) The number of treasury shares in the end of term

May, 2014: 436,215 February, 2014: 395,953

iii) Average number of shares during the term

May, 2014: 99,876,949 May, 2013: 99,894,032

Note: Disclosure of progress of quarterly review procedures

At the time of disclosure of this quarterly flash report, review procedures for quarterly earnings reports based on the Financial Instruments and Exchange Act were being performed.

Note: Terms of use for financial 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 6.

## **1. Qualitative Information Regarding Quarterly Financial Results**

### **(1) Explanation Regarding Consolidated Operating Results**

During the first quarter of fiscal 2014, the period from March 1 to May 31, 2014, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce its social infrastructure function that provides essential items and services at the local level with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in our Communities.” Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM)<sup>\*1</sup> and supply chain management (SCM)<sup>\*2</sup> in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

<sup>\*1</sup> CRM: A marketing management method for providing merchandise and services that meet the specific needs of customers.

<sup>\*2</sup> SCM: A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

As a result, for the first quarter of fiscal 2014 on a consolidated basis, due to an increase in the number of franchised stores and a decrease in the number of company-operated stores, although operating revenue increased by ¥3,608 million, net sales decreased by ¥5,979 million, and gross operating revenue decreased to ¥117,128 million down 2.0% year on year from corresponding period of the previous fiscal year. In accordance with this, cost of sales also decreased by ¥4,525 million. Selling, general, and administrative expenses decreased by ¥363 million to ¥72,066 million down 0.5% year on year.

As a result, operating income increased by ¥2,518 million, up 17.6% year on year, to ¥16,820 million. Ordinary income increased by ¥2,091 million up 14.5% year on year, to ¥16,509 million. Net income increased by ¥1,904 million, up 26.5% year on year, to ¥9,099 million.

Operating results by business segment are as follows.

#### **(Domestic Convenience Store Business)**

[Merchandising Strategies]

On the merchandise front, we strengthened our evening and nighttime merchandise assortment throughout the year by expanding our lineup of ready-made meals, including carbohydrate-based foods such as lunch boxes, rice balls and sandwiches, and over-the-counter fast foods, in order to enhance satisfaction of customers visiting our stores, especially in and after evening hours.

In our mainstay rice category, our Furusato-no-umai! line offering lunch boxes and rice balls was tremendously popular for its high-value-added products using ingredients specific to different regions across Japan. We also strengthened our merchandise assortment of fresh foods centered on pre-cut vegetables and processed foods that tend to be purchased in combination with fresh foods.

In the over-the-counter fast foods category, new products such as “Genkotsumenchi” (fried minced meat balls) and “Ohgon-Chicken” (tender and juicy fried chicken with a golden crispy crust) were highly

received, achieving robust sales. At our in-store kitchen facility Machikado Chubo, which has been installed in as many as 2,371 stores as of the end of May 2014, “Thick Pork Loin Katsu Curry” and “Machikado Chubo Curry” were launched in addition to “Thick Pork Katsu Sandwiches,” all of which were well-received by customers. Furthermore, we further expanded the number of stores equipped with MACHI café, an in-store café offering freshly ground and brewed coffee, to 8,760 stores as of the end of May 2014, following a sharp increase last year.

In the dessert category, we launched Pure Series products, including “Pure Strawberry Shortcake” and “Pure Cheese Cake.” These products are made with a minimum number of carefully selected ingredients to bring out their inherent flavors, and their simple taste is popular among customers.

We are also continuing to reinforce our lineup of health-oriented products that are safe, reliable, and delicious, including bran<sup>\*3</sup> bread, a low-carbohydrate product, and pre-cut vegetables made with vegetables produced based on the Nakashima Farming Method<sup>\*4</sup>, one of the most prominent mineral farming methods in Japan. Moreover, the number of Lawson Farms, in which Lawson, Inc. (hereinafter, the “Company”) invests with the aim of stably supplying high-quality fresh foods, has increased to 18 nationwide. Based on these initiatives, we will further boost Lawson’s corporate brand image as a health-promoting company.

Furthermore, we are increasing our lineup of gift cards<sup>\*5</sup> offered at our stores. Among them, Variable Cards launched ahead of other convenience chains, whose value can be specified at purchase, is especially popular.

<sup>\*3</sup> Bran: The external layer of wheat. Contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrate.

<sup>\*4</sup> Nakashima Farming Method: A cultivation method that supplies appropriate nutrients in accordance with the growth status of crops and the nutritional balance of the soil (mineral balance). Uses techniques for developing healthy soil based on diagnosis of soil conditions in conjunction with techniques to control the growth process of crops to maintain healthy growth.

<sup>\*5</sup> 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 1 <sup>st</sup> Quarter March 1, 2013 to May 31, 2013		Current 1 <sup>st</sup> Quarter March 1, 2014 to May 31, 2014	
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)
Processed foods	267,851	56.1	262,122	54.4
Fast foods	95,112	20.0	103,140	21.4
Daily delivered foods	67,088	14.1	70,378	14.6
Nonfood products	46,523	9.8	46,353	9.6
Total	476,575	100.0	481,994	100.0

As for sales promotions, we continued to strengthen the point-reward campaign targeting Ponta members to encourage purchasing with the aim of increasing the rate of repeat visits. Specifically, a sales promotion campaign rewarding double points for credit card transactions<sup>\*6</sup> was commenced in March 2014. Total number of Ponta members reached 63 million as of the end of May 2014, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 50%.

<sup>\*6</sup> Exclusively applicable in cases where a specific credit card has been registered and used for a transaction.

[Store Operations]

In store operations, we continued to reinforce 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, in addition to expanding our lineup of health-conscious products. Notably, with the increasing number of stores equipped with MACHI café, store employees are more capable of offering products and services in a caring manner through better communication with customers. We strived to further improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them.

We will continue to promote merchandise assortments that best suit customers in each neighborhood by leveraging store-by-store analysis reports on Ponta members' purchase data, shelf allocation tailored to the locational characteristics of each store, and sharing of best practices presented at monthly area-based meetings where we discuss area strategies with franchise store owners.

[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. With regard to store format strategy, we increased the number of LAWSON MART stores, which were developed based on LAWSON STORE 100, to 15 as of the end of May 2014. As for LAWSON stores equipped with pharmacies, we strengthened our collaboration with pharmacies and drug store chains across the country, expanding the number of LAWSON stores equipped with drug-dispensing pharmacies to 39 and the number of LAWSON stores offering over-the-counter

pharmaceuticals to 89 as of the end of May 2014. Through these stores, we will strive to respond to changes in our customer bases resulting from population aging and an increase in the number of working women. In addition, in March 2014, the Company concluded a mega-franchise agreement with I&L for the Osaka, Kyoto, and Nara regions, and began changing store names to LAWSON from April 2014. Furthermore, Lawson Kumamoto, Inc. was merged into Lawson, Inc. effective March 1, 2014.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON MART (including LAWSON STORE 100) stores opened and closed during the first quarter of the fiscal year under review stood at 269 and 93 stores, respectively, with the total number of stores in Japan reaching 11,497 as of the end of May 2014.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2014	Change during fiscal year	Total stores as of May 31, 2014
LAWSON	10,108	85	10,193
NATURAL LAWSON	107	—	107
LAWSON STORE100/ LAWSON MART	1,202	(5)	1,197
Total	11,417	80	11,497

Note: Small stores are included in this figure.

[Number of LAWSON stores by prefecture (As of May 31, 2014)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	608	Ibaraki	140	Kyoto	323	Ehime	174
Aomori	201	Tokyo	1,571	Shiga	151	Tokushima	118
Akita	181	Kanagawa	836	Nara	130	Kochi	66
Iwate	159	Shizuoka	214	Wakayama	116	Fukuoka	420
Miyagi	221	Yamanashi	105	Osaka	1,011	Saga	63
Yamagata	72	Nagano	149	Hyogo	620	Nagasaki	102
Fukushima	99	Aichi	552	Okayama	137	Oita	162
Niigata	126	Gifu	145	Hiroshima	170	Kumamoto	137
Tochigi	132	Mie	106	Yamaguchi	119	Miyazaki	99
Gunma	90	Ishikawa	101	Tottori	106	<b>Total(domestic)</b>	<b>11,497</b>
Saitama	492	Toyama	184	Shimane	112		
Chiba	456	Fukui	104	Kagawa	117		

Note: Small stores are included in this figure.

In addition to the above, Lawson Minamikyushu, Inc. operates 202 Lawson chain stores in Kagoshima Prefecture and Lawson Okinawa, Inc. operates 168 Lawson chain stores in Okinawa Prefecture as of the end of May 2014.

**(Other Businesses)**

In addition to domestic convenience store business, the Group is involved in overseas business, Entertainment & Home Convenience business, financial services-related business, and other businesses.

With regards to overseas business, the Group's operating companies, shown in the following table, opened stores in Shanghai, Chongqing, Dalian, and Beijing in the People's Republic of China.

In the People's Republic of China, the Group's operating companies shown on the following table have opened stores in Shanghai, Chongqing, Dalian, and Beijing. In Indonesia, PT MIDI UTAMA INDONESIA Tbk, in which Lawson Asia Pacific Holdings Ptd. Ltd. (hereinafter, "LAP"), our Asian umbrella subsidiary in Singapore, holds a 30% stake, operates Lawson stores.

In Thailand, Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON108 and 108SHOP. In addition, in Hawaii in the United States, Lawson USA Hawaii, Inc. operates LAWSON stores. Furthermore, in an effort to advance into the Philippines, we concluded an agreement to invest in PG Lawson Company, Inc. established by Puregold Price Club, Inc. (hereinafter, "PPCI"), a leading retailer in the Philippines. In July 2014, PG Lawson Company, Inc. will become a joint venture between LAP and PPCI. We will strive to operate LAWSON stores tailored to the regional characteristics of the Philippines.

[Distribution of LAWSON Brand Stores Overseas by Region]

Company	Country/region	Total stores As of February 28, 2014	Change during fiscal year	Total stores As of May 31, 2014
Shanghai Hualian Lawson, Inc.	Shanghai, China	289	7	296
Chongqing Lawson, Inc.	Chongqing, China	77	3	80
Dalian Lawson, Inc.	Dalian, China	18	1	19
Beijing Lawson, Inc.	Beijing, China	5	1	6
Saha Lawson Co., Ltd.	Bangkok, Thailand	29	2	31
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	61	(2)	59
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	4	—	4
Total		483	12	495

Note: Saha Lawson Co., Ltd. operates 205 108SHOP brand stores as of the end of May 2014 in addition to the above LAWSON108 stores. PT MIDI UTAMA INDONESIA Tbk operates 696 stores other than LAWSON brand stores.

With regards to Entertainment & Home Convenience business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales of leisure activities, etc and continued to secure top position in the ticketing industry. The number of HMV stores that sell music CDs and DVDs totaled 51 as of the end of May 2014.

Furthermore, it was resolved on April 10, 2014 that the food delivery service operated by Smart Kitchen, Inc., the Company's consolidated subsidiary, will be succeeded by the Company subsequent to a company split. Through this move, we will aim to strengthen collaboration between our food delivery service and Lawson's Convenience Store business and further enhance our business efficiency.

Lawson ATM Networks, Inc., which operates a financial services-related business, posted a solid performance owing to an increase in the number of ATMs installed, along with a rise in the number of transactions. In May, we started providing financial services for Tomato Bank, and Kansai Urban Bank, bringing the total number of our financial institution partners to 67 nationwide, including online banks, and the number of ATMs installed nationwide to 10,313 (up 195 year on year) as of the end of May 2014.

## **(2) Explanation Regarding Consolidated Financial Position**

Current assets increased by ¥28,302 million from the end of previous fiscal year to ¥224,086 million. This reflected an increase of ¥24,879 million in cash and deposits due mainly to a growth in total transaction value of bill settlement services. Non-current assets grew ¥10,110 million from the end of the previous fiscal year to ¥435,318 million, mainly owing to an increase of ¥6,632 million in property and store equipment resulting from opening of new stores. Consequently, total assets climbed ¥38,412 million from the end of the previous fiscal year to ¥659,405 million.

Current liabilities increased by ¥37,406 million from the end of previous fiscal year to ¥284,113 million. This reflected an increase of ¥23,651 million in deposits received due mainly to a growth in total transaction value of bill settlement services. Non-current liabilities grew ¥3,760 million from the end of previous fiscal year to ¥127,549 million, mainly owing to an increase of ¥4,300 million in lease obligations from opening of new stores. Consequently, total liabilities climbed ¥41,167 million from the end of previous fiscal year to ¥411,662 million.

Total net assets decreased by ¥2,754 million from the end of previous fiscal year to ¥247,743 million. This was primarily due to a decrease by ¥2,498 million of retained earnings resulting from payment of ¥10,989 million despite an increase resulting from a quarterly net income of ¥9,099 million. Consequently, shareholders' equity ratio amounted to 36.7%, down from 39.5% as of the end of the previous fiscal year.

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

Regarding to forecasts for the first half and full year of the current fiscal year ended February 28, 2015, the financial forecasts remains unchanged from those announced on April 10, 2014.

## **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): None

(2) Adoptions of accounting methods particular to presentation of quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimation, retrospective restatement: Yes  
(Changes in accounting policies that are difficult to differentiate from changes in accounting estimation)

Lawson, Inc. and its domestic consolidated subsidiaries had previously adopted the declining-balance method as the depreciation method for property, store and equipment (excluding lease assets). Starting from the first quarter of the consolidated fiscal year under review, however, the depreciation method was changed to the straight-line method.

Under the Lawson Group's policy of placing emphasis on existing stores, the Group adopted a strategy of enhancing their competitiveness through such initiatives as capitalizing on membership card data, and started restructuring of group businesses. Accordingly with this opportunity, the depreciation method for property, store and equipment was reviewed. As a result, it was considered appropriate to allocate equal amounts of depreciation (straight-line method) because the number of customers is expected to remain at the current level even if store assets age with the passage of time, and the degree of facility usage, a major factor that reduces economic value, is proportionate to the number of customers.

Based on this change, operating income, ordinary income, and income before income taxes and minority interests for the first quarter of the consolidated fiscal year under review have increased respectively by ¥2,046 million compared with the figures based on the conventional declining-balance method.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

As of February 28, 2014 and May 31, 2014

(Millions of yen)

	As of February 28, 2014	As of May 31, 2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	76,763	101,643
Accounts receivable— due from franchised stores	32,186	34,654
Merchandise	9,596	9,680
Accounts receivable— other	54,193	57,049
Deferred tax assets	4,481	2,708
Other	20,956	20,641
Allowance for doubtful accounts	(2,393)	(2,292)
<b>Total current assets</b>	<b>195,784</b>	<b>224,086</b>
<b>Non-current assets:</b>		
<b>Property and store equipment:</b>		
Buildings and structures	265,952	272,064
Accumulated depreciation	(137,117)	(138,314)
Buildings and structures, net	128,835	133,750
Vehicles, tools, furniture and fixtures	65,944	65,738
Accumulated depreciation	(53,861)	(53,733)
Vehicles, tools, furniture and fixtures, net	12,083	12,005
Lease assets	126,056	130,940
Accumulated depreciation	(45,289)	(48,673)
Lease assets, net	80,767	82,266
Others	11,751	12,046
<b>Total property and store equipment</b>	<b>233,436</b>	<b>240,068</b>
<b>Intangible assets:</b>		
Software	18,262	17,278
Goodwill	9,719	9,584
Other	497	497
<b>Total intangible assets</b>	<b>28,480</b>	<b>27,361</b>
<b>Investments and other assets:</b>		
Long-term loans receivable	33,727	34,069
Guarantee deposits	86,150	85,895
Deferred tax assets	21,627	22,213
Other	22,751	26,664
Allowance for doubtful accounts	(965)	(953)
<b>Total investments and other assets</b>	<b>163,291</b>	<b>167,888</b>
<b>Total non-current assets</b>	<b>425,208</b>	<b>435,318</b>
<b>Total assets</b>	<b>620,992</b>	<b>659,405</b>

(Millions of yen)

	As of February 28, 2014	As of May 31, 2014
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable—trade	89,171	104,871
Accounts payable—due to franchised stores	1,405	1,470
Short-term loans payable	680	990
Lease obligations	16,585	17,037
Accounts payable—other	29,344	36,493
Income taxes payable	14,330	4,345
Deposits received	87,585	111,236
Provision for bonuses	2,372	1,453
Other	5,232	6,215
<b>Total current liabilities</b>	<b>246,706</b>	<b>284,113</b>
<b>Non-current liabilities:</b>		
Lease obligations	61,666	65,967
Provision for retirement benefits	11,082	11,323
Provision for retirement benefits to executive officers and audits & supervisory board members	408	373
Asset retirement obligations	17,874	17,949
Other	32,755	31,935
<b>Total non-current liabilities</b>	<b>123,788</b>	<b>127,549</b>
<b>Total liabilities</b>	<b>370,494</b>	<b>411,662</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	58,506	58,506
Capital surplus	47,741	47,741
Retained earnings	138,141	135,642
Treasury shares	(1,556)	(1,840)
<b>Total shareholders' equity</b>	<b>242,832</b>	<b>240,049</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(93)	(136)
Revaluation reserve for land	(567)	(567)
Foreign currency translation adjustment	3,118	2,957
<b>Total accumulated other comprehensive income</b>	<b>2,456</b>	<b>2,252</b>
<b>Subscription rights to shares</b>	<b>557</b>	<b>687</b>
<b>Minority interests</b>	<b>4,650</b>	<b>4,752</b>
<b>Total net assets</b>	<b>250,497</b>	<b>247,743</b>
<b>Total liabilities and net assets</b>	<b>620,992</b>	<b>659,405</b>

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

### Consolidated Statement of Income

For the First Quarter of the fiscal year (From March 1, 2013 to May 31, 2013) (From March 1, 2014 to May 31, 2014)

(Millions of yen)

	From March 1,2013 to May 31, 2013	From March 1,2014 to May 31, 2014
<b>Gross operating revenue</b>	<b>119,498</b>	<b>117,128</b>
<b>Net sales</b>	<b>43,436</b>	<b>37,457</b>
<b>Cost of sales</b>	<b>32,765</b>	<b>28,240</b>
<b>Gross profit</b>	<b>10,670</b>	<b>9,216</b>
<b>Operating revenue:</b>		
Income from franchised stores	58,520	61,724
Other	17,540	17,945
<b>Total operating revenue</b>	<b>76,061</b>	<b>79,670</b>
<b>Operating gross profit</b>	<b>86,732</b>	<b>88,887</b>
Selling, general and administrative expenses	72,429	72,066
<b>Operating income</b>	<b>14,302</b>	<b>16,820</b>
<b>Non-operating income:</b>		
Interest income	199	180
Penalty income	28	113
Other	512	242
<b>Total non-operating income</b>	<b>740</b>	<b>537</b>
<b>Non-operating expenses:</b>		
Interest expense	327	332
Loss on cancel of lease contracts	188	307
Other	108	209
<b>Total non-operating expenses</b>	<b>624</b>	<b>848</b>
<b>Ordinary income</b>	<b>14,418</b>	<b>16,509</b>
<b>Extraordinary income:</b>		
Gain on change in equity	—	756
<b>Total extraordinary income</b>	<b>—</b>	<b>756</b>
<b>Extraordinary losses:</b>		
Loss on retirement of non-current assets	619	485
Impairment loss	1,545	1,897
Other	1	16
<b>Total extraordinary losses</b>	<b>2,166</b>	<b>2,399</b>
<b>Income before income taxes and minority interests</b>	<b>12,251</b>	<b>14,866</b>
Income taxes - current	4,417	4,314
Income taxes - deferred	628	1,359
<b>Income taxes</b>	<b>5,046</b>	<b>5,673</b>
<b>Income before minority interests</b>	<b>7,205</b>	<b>9,193</b>
<b>Minority interests in income</b>	<b>10</b>	<b>94</b>
<b>Net income</b>	<b>7,194</b>	<b>9,099</b>

Consolidated Statements of Comprehensive Income

For the First Quarter of the fiscal year (From March 1, 2013 to May 31, 2013) (From March 1, 2014 to May 31, 2014)

(Millions of yen)

	From March 1,2013 to May 31, 2013	From March 1,2014 to May 31, 2014
<b>Income before minority interests</b>	<b>7,205</b>	<b>9,193</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(73)	(43)
Foreign currency translation adjustment	1,252	(420)
Share of other comprehensive income of associates accounted for using equity method	15	260
<b>Total other comprehensive income</b>	<b>1,194</b>	<b>(203)</b>
<b>Comprehensive income</b>	<b>8,399</b>	<b>8,990</b>
Comprehensive income attributable to		
Owners of the parent	8,408	8,894
Minority interests	(9)	95

(3) Notes to consolidated financial statements

( Notes Concerning Going Concern Assumption)

Not Applicable.

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

Not Applicable.