Flash Report on the Consolidated Result

for the First Half Ended February 28, 2014

October 8, 2013

Listed Company Name: Lawson, Inc.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Takeshi Niinami, Representative Director, CEO
Contact:Tomoki Takanishi , Financial & Accounting Office General Manager Tel.+81-3-5435-2773
Scheduled date for submission of quarterly earnings report: October 11, 2013
Scheduled date for payment of dividend: November 11, 2013
Supplementary Documents quarterly results: Yes
Presentation of quarterly results: Yes

1. Consolidated Performance for the current first half of the current period (from March 1, 2013, to August 31, 2013)
(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Gross operating revenue		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Half	248,197	(0.3)	35,624	3.1	35,533	3.7
Previous 1st Half	248,963	3.7	34,554	6.1	34,260	5.1

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Half	19,047	6.6	190.67	190.32
Previous 1st Half	17,861	99.3	178.82	178.54

Notes: Comprehensive income August, 2013 20,373 million(16.1 %) August, 2012 17,548 million(86.4 %)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio
	¥ Million	¥ Million	%
At August 31,2013	626,195	241,978	37.8
Last fiscal year	579,809	230,181	39.1

Notes: Shareholders’ equity August, 2013 236,912 million February, 2013 226,475 million

2. Dividends status

	Annual dividends per share				
	1Q	1H	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2012 fiscal year	—	100.00	—	100.00	200.00
2013 fiscal year	—	110.00			
2013 fiscal year (Forecast)			—	110.00	220.00

Notes: Revision of forecast for dividends in the first quarter: Yes

3. Forecast Consolidated Performance for 2013 fiscal year（from March 1, 2013, to February 28, 2014）

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2013 fiscal year	503,000	3.2	70,000	5.7	68,400	3.8	35,900	8.2

Reference: Forecast net profit per share for the 2013 fiscal year: 359.36yen

Note: Revision of forecasts for consolidated performance during the first half: Yes

4. Notes

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): No

(2) Adoptions of special accounting methods in presentation of quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimation, retrospective restatement

1. Changes of accounting policies associated with revision in accounting standards: Yes
2. Other changes: No
3. Changes in accounting estimation: Yes
4. Retrospective restatement: No

(4) Number of issued shares:

i) The number of the stocks issued in the end of term
August, 2013: 100,300,000 February, 2013: 100,300,000

ii) The number of treasury shares in the end of term
August, 2013: 400,708 February, 2013: 406,853

iii) Average number of shares during the term
August, 2013: 99,895,181 August, 2012: 99,885,014

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. Review of Operations, (3) Qualitative Information Regarding Consolidated Financial Forecasts" on page 9.

1. Review of Operations

(1) Review of Operating Results

During the first six months fiscal 2013, the period from March 1 to August 31, 2013, 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)[*1] and supply chain management (SCM)[*2] in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

[*1] CRM

A marketing management method for providing merchandise and services that meet the specific needs of customers.

[*2] 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 six months of fiscal 2013 on a consolidated basis, gross operating revenue decreased by 0.3% from the corresponding period of the previous fiscal year to ¥248,197 million owing to a decline of ¥12,557 million in net sales, which offset an increase of ¥11,791 million in operating revenue resulting from franchised stores and other operating revenue resulting from an increase in the number of franchised stores and a decrease in the number of company-operated stores. Although cost of sales fell ¥9,128 million owing to the promotion of franchising, selling, general and administrative expenses grew 5.3% year on year to ¥146,120 million driven by a rise in rents and depreciation.

As a result, Operating income rose ¥1,070 million up 3.1% year on year, to ¥35,624 million. Ordinary income rose ¥1,273 million up 3.7% year on year, to ¥35,533million. Net income rose ¥1,186 million, up 6.6% year on year, to ¥ 19,047 million.

Operating results by business segment are as follows.

(Convenience Store Operations)

The status of merchandise and services, store operations, store development and other aspects of Convenience Store Operations and Overseas Businesses for the first six months fiscal 2013 is outlined as follows.

[Merchandise and Service Strategies]

On the merchandising front, we continued to strengthen our evening and nighttime merchandise assortment by expanding our lineup of ready-made meals, including carbohydrate-based foods and fast foods, in order to enhance satisfaction of customers visiting our stores in and after evening hours.

In an effort to expand our customer base, we continued to reinforce our merchandise assortment of fresh foods as well as foods delivered on a daily basis and processed foods that are often purchase in combination with fresh foods.

Starting this fiscal year, as part of our endeavors to fully strengthen our in-store lineup of health-related foods, we have started to step up marketing efforts for low-carbohydrate products including bran[3] bread and expand our merchandise assortment of pre-cut vegetables made with vegetables produced based on the Nakashima Farming Method[4], one of the most prominent mineral farming methods in Japan. By highlighting health-consciousness in our products, in-store presentation, and sales campaigns, we will strive to boost Lawson's corporate brand image as a health-promoting convenience store.

[*3] 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.

[*4] 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.

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 made in Japan.

In the over-the-counter fast foods category, we continued to fortify our lineup with the aim of improving store profitability. In particular, fast food ready-made dishes recorded robust sales due to the launch of hit products such as'Genkotsumenchi'(a fried minced meat ball). The number of stores equipped with MACHI café offering freshly brewed coffee reached 4,294 stores as of August 31, 2013. The number of stores with MACHI Café, which were first launched in fiscal 2011, is projected to expand to about 8,000 stores by the end of this fiscal year. The number of stores with an in-store kitchen facility named Machikado Chubo stood at 1,483 stores as of August 31, 2013.

In the delicatessen category, our efforts to develop products aimed at expanding our customer base resulted in favorable demand for such products as ready-made dishes and salads.

Furthermore, we promoted product development of frozen dessert items for the high summer season. Hugely popular items released included waffle-cone ice cream launched from the dessert category under our original dessert brand UCHI café SWEETS, as well as the Frozen Sweets series frozen cupped dessert launched from the over-the-counter fast foods category, which are served by thawing in the microwave oven.

[Breakdown of sales at chain stores by merchandise category]

Fiscal period / Product group	Previous 1st Half March 1, 2012 to August 31, 2012		Current 1st Half March 1, 2013 to August 31, 2013	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	543,056	55.9	548,080	55.2
Fast foods	188,396	19.5	206,860	20.9
Daily delivered foods	141,211	14.5	141,119	14.2
Nonfood products	98,292	10.1	96,716	9.7
Total	970,956	100.0	992,776	100.0

Note: The above figures represent sales of convenience stores managed by the Group.

In sales promotions, the Group implemented programs with the aim of achieving a high return on investment (ROI), mainly focusing on advertisements using the mass media for the summer season when the highest demand is expected. Specifically, TV commercials on rice balls, fast-food ready-made dishes, and dessert items were aired.

We proactively implemented a point-rewarding campaign targeting Ponta members to motivate purchase with the aim of increasing the rate of repeat visits.

Total Ponta members reached 56 million as of August 31, 2013, including members that joined through other participating companies.

The sales ratio of Ponta members reached approximately 47%.

[Store Operations]

In store operations, by using the store-by-store analysis reports formulated based on Ponta members' data, which we started distributing to franchised stores in March, we encouraged sharing of initiatives and knowledge among all stores and continued striving to achieve merchandise assortment and store features tailored to each store.

Furthermore, we have also continued implementing measures to streamline our order placement procedures and reduce lost opportunities. Going forward, we will further push forward with our efforts to achieve merchandise assortment that suits customers visiting each store by leveraging Ponta members' data and implementing shelf allocation tailored to the locational characteristics of each store.

[Store Development and Store Format Strategy]

In opening new stores, the Group has focused on maximizing return on investment (ROI) and has strictly adhered to its proprietary standards for opening stores, in addition to prioritizing profitability.

[Change in the Total Number of Stores]

	Total stores as of February 28, 2013	Change during fiscal year	Total stores as of August 31, 2013
LAWSON	9,642	245	9,887
NATURAL LAWSON	110	(1)	109
LAWSON STORE100	1,224	(19)	1,205
Total	10,976	225	11,201

[Distribution of Stores in Japan by Region (As of August 31, 2013)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	591	Saitama	473	Mie	109	Okayama	138	Saga	63
Aomori	191	Chiba	448	Ishikawa	100	Hiroshima	162	Nagasaki	97
Akita	176	Ibaraki	130	Toyama	184	Yamaguchi	115	Oita	151
Iwate	158	Tokyo	1,558	Fukui	104	Tottori	104	Kumamoto	106
Miyagi	207	Kanagawa	825	Kyoto	268	Shimane	106	Miyazaki	93
Yamagata	68	Shizuoka	207	Shiga	137	Kagawa	110	Kagoshima	119
Fukushima	92	Yamanashi	98	Nara	101	Ehime	172	Total	11,201
Niigata	119	Nagano	149	Wakayama	114	Tokushima	114		
Tochigi	130	Aichi	525	Osaka	1,003	Kochi	65		
Gunma	84	Gifu	135	Hyogo	602	Fukuoka	400		

The number of LAWSON STORE 100 fresh foods convenience stores reached 1,205 as of August 31, 2013. Conversion of company-operated stores into franchised stores is steadily progressing. In addition, the number of fresh food-type LAWSON stores, which are enhanced conventional LAWSON stores with a stronger assortment of perishable foods and daily delivered foods, totaled 5,985 as of August 31, 2013. With the aim of steadily supplying high-quality products, we are operating ten Lawson Farms in Japan, which are partially funded by the Group, and are selling fresh vegetables produced at these farms primarily at fresh food-type convenience stores.

In August 2013, Lawson, Inc. acquired from Eisai Co., Ltd. 70% of the total number of issued stocks of Eisai Seikaken Co., Ltd., which owns the trademark of the Nakashima Farming Method mentioned earlier and patents for the fertilizer developed in connection with this method. One of the most prominent mineral farming techniques developed in Japan, the Nakashima Farming Method enables production of safe, reliable, and high quality fruits and vegetables. Since April 2012, Nakashima Farming Method-certified Lawson Select pre-cut vegetables have been sold at Lawson stores in the Kanto Koshinetsu region, enjoying a great popularity with customers. We will be adopting the Nakashima

Farming Method at Lawson Farms nationwide in order to expand our offering of high-value-added fruits and vegetables that are safe, reliable, and rich in minerals.
The number of LAWSON chain stores operated by Lawson Okinawa, Inc. in Okinawa Prefecture reached 158 as of August 31, 2013.

[Overseas Operations]

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 May 2013, we established Beijing Lawson, Inc. which opened two stores in August. 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. (hereinafter, "Saha Lawson"), a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON108. Starting this second quarter, Saha Lawson's financial performance has been posted on the Group's consolidated profit and loss statement.

[Distribution of LAWSON Brand Stores Overseas by Region (As of August 31, 2013)]

Company	Country/region	Number of stores (As of February 28, 2013)	Change during fiscal year	Number of stores (As of August 31, 2013)
Shanghai Hualian Lawson, Inc.	Shanghai, China	305	(8)	297
Chongqing Lawson, Inc.	Chongqing, China	49	16	65
Dalian Lawson, Inc.	Dalian, China	8	4	12
Beijing Lawson, Inc.	Beijing, China	-	2	2
Saha Lawson Co., Ltd.	Bangkok, Thailand	-	15	15
PT MIDI UTAMA INDONESIA Tbk	Indonesia	83	(20)	63
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	2	2	4
Total		447	11	458

*Saha Lawson Co., Ltd. possesses 251 stores under the "108 Shop" brand in addition to the Lawson108 stores above.

(Other Businesses)

In addition to Convenience business and Overseas business, the Group is involved in the Entertainment & Home Convenience business, and other businesses.
Lawson HMV Entertainment, Inc., the Company's subsidiary that operates Entertainment & Home Convenience business posted a solid performance led by an increase in ticket sales of concerts, events and leisure activities.Lawson ATM Networks, Inc., which operates a financial services-related business, started providing financial services for Tokyo Tomin Bank and ORIX Bank.

A solid financial performance was displayed by Lawson ATM Networks, with the total number of its financial institution partners reaching 61 nationwide including online banks and the number of ATMs installed nationwide totaling 9,935 (up 476 year on year) as of August 31, 2013.

(2) Qualitative Information Regarding Changes in Consolidated Financial Indicators

(i) Financial Position at the First Half end

As of August 31, 2013, total current assets stood at ¥216,587 million yen, climbing ¥36,290 million from February 28, 2013, the end of the previous fiscal year. This reflected an increase of ¥15,515 million in cash and deposits mainly due to the end of the first six months under review falling on a bank holiday, and a rise of ¥11,154 million in accounts receivable-other because of an increase in transaction volume at subsidiary companies. Noncurrent assets grew ¥10,095 million from February 28, 2013 to ¥409,608 million, mainly owing to an increase of ¥10,585 million in property and store equipment resulting from opening of new stores. Consequently, total assets climbed ¥46,385 million from the end of the previous fiscal year to ¥626,195 million.

As of August 31, 2013, total current liabilities increased ¥30,457 million from the end of the previous fiscal year to ¥270,251 million, mainly reflecting an increase of ¥21,247 million in accounts payable-trade owing to a rise in the number of stores and total procurement value across the entire chain, as well as a growth of ¥11,720 million in accounts payable-other owing to the end of the first six months under review falling on a bank holiday. Noncurrent liabilities stood at ¥113,965 million, growing ¥4,131 million from February 28, 2013, mainly owing to lease obligations growing ¥4,339 million due to opening of new stores. Consequently, total liabilities increased ¥34,589 million from the end of the previous fiscal year to ¥384,216 million.

As of August 31, total net assets stood at ¥241,978 million, climbing ¥11,796 million from February 28, 2013. This was mainly due to an increase resulting from a first six months' net income of ¥19,047 million, a decrease resulting from payment of ¥9,989 million in dividends, foreign currency translation adjustments of ¥1,592 million, and a growth of ¥1,215 million in minority interests. Consequently, shareholders' equity ratio amounted to 37.8%, down from 39.1% as of the end of the previous fiscal year.

(ii) Cash Flows during the First Six Months

Cash and cash equivalents at August 31, 2013 were ¥86,281 million, up ¥13,515 million compared with February 28, 2013.

Operating activities provided net cash of ¥61,744 million, an increase of ¥8,423 million from the corresponding period of the previous fiscal year, mainly due to a rise in accounts payable—other.

Investing activities used net cash of ¥29,841 million, an increase of ¥884 million from the corresponding period of the previous fiscal year, mainly due to a growth in payment for purchase of stocks of subsidiaries and affiliates.

Financing activities used net cash of ¥19,467 million, an increase of ¥4,730 million from the corresponding period of the previous fiscal year, mainly due to a net increase in short-term loans payable.

(3) Qualitative Information Regarding Consolidated Financial Forecasts

We have amended the gross operating revenue forecast for the 2013 fiscal year.

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

2. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): No

(2) Adoptions of accounting methods particular to presentation of quarterly financial statements: No

(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)

Pursuant to an amendment in the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed their depreciation method with respect to properties and store equipment acquired on and after March 1, 2013, starting from the first quarter of the consolidated fiscal 2013 under review. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the consolidated the first six months fiscal 2013 is minimal.

3. Consolidated Financial Statements etc.

(1)Consolidated Balance Sheets (Unaudited)

As of August 31, 2013 and February 28, 2013 (Millions of yen)

	February 28, 2013	August 31, 2013
Current assets:		
Cash and deposits	84,770	100,285
Accounts receivable-due from franchised stores	25,374	27,121
Merchandise	8,963	9,029
Accounts receivable-other	46,008	57,163
Deferred tax assets	4,656	4,393
Other	11,804	20,435
Allowance for doubtful accounts	(1,281)	(1,842)
Total	**180,296**	**216,587**
Noncurrent assets:		
Property and store equipment		
Buildings and structures	242,934	255,709
Accumulated depreciation	(124,562)	(130,545)
Buildings and structures, net	118,372	125,164
Vehicles, tools, furniture and fixtures	67,399	67,315
Accumulated depreciation	(52,637)	(53,539)
Vehicles, tools, furniture and fixtures, net	14,761	13,775
Lease assets	96,251	108,698
Accumulated depreciation	(30,452)	(37,780)
Lease assets, net	65,799	70,917
Other	10,205	9,866
Subtotal	**209,138**	**219,724**
Intangible assets:		
Software	23,914	21,542
Goodwill	9,683	9,977
Other	491	494
Subtotal	**34,089**	**32,014**
Investments and other assets:		
Long-term loans receivable	34,580	33,320
Guarantee deposits	86,109	85,925
Deferred tax assets	16,215	17,037
Other	20,596	22,694
Allowance for doubtful accounts	(1,217)	(1,107)
Subtotal	**156,285**	**157,869**
Total	**399,513**	**409,608**
Total assets	**579,809**	**626,195**

	February 28, 2013	August 31, 2013
	(Millions of yen)	
Current liabilities:		
Accounts payable-trade	87,187	108,435
Accounts payable-due to franchised stores	1,403	1,695
Short-term loans payable	1,431	180
Lease obligations	14,489	15,715
Accounts payable-other	26,105	37,826
Income taxes payable	14,474	13,494
Deposits received	87,529	84,629
Provision for bonuses	2,544	1,980
Provision for point card certificates	215	162
Other	4,412	6,130
Total	**239,794**	**270,251**
Noncurrent liabilities:		
Lease obligations	47,207	51,546
Provision for retirement benefits	9,898	10,503
Provision for retirement benefits to executive officers	332	368
Long-term guarantee deposited	34,804	33,324
Asset retirement obligations	16,682	17,368
Other	907	854
Total	**109,833**	**113,965**
Total Liabilities	**349,627**	**384,216**
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,718	47,731
Retained earnings	121,154	130,212
Treasury stock	(1,593)	(1,572)
Total Shareholders' equity	**225,785**	**234,877**
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	78	(170)
Revaluation reserve for land	(567)	(567)
Foreign currency translation adjustment	1,179	2,772
Total accumulated other comprehensive income	**690**	**2,035**
Subscription rights to shares	**427**	**571**
Minority interests	**3,279**	**4,494**
Total net assets	**230,181**	**241,978**
Total Liabilities and net assets	**579,809**	**626,195**

(2) Consolidated Statements of Income (Unaudited)

For the 1st Half of the fiscal year (From March 1, 2012 to August 31, 2012) (From March 1, 2013 to August 31, 2013)

(Millions of yen)

	August 31, 2012	August 31, 2013
Gross operating revenue	**248,963**	**248,197**
Net sales	**100,843**	**88,286**
Cost of sales	75,580	66,451
Gross Profit	**25,263**	**21,834**
Income from franchised stores	117,183	123,424
Other	30,936	36,486
Operating revenue	**148,119**	**159,910**
Operating gross profit	**173,382**	**181,745**
Selling, general and administrative expenses	138,828	146,120
Operating income	**34,554**	**35,624**
Non-operating income and expenses:		
Non-operating income:	**925**	**1,274**
Interest income	360	406
Other	564	867
Non-operating expenses:	**1,219**	**1,366**
Interest expenses	602	649
Loss on cancel of lease contracts	236	404
Other	379	311
Ordinary income	**34,260**	**35,533**
Extraordinary income and loss:		
Extraordinary income:	**309**	**-**
Gain on sales of investment securities	145	-
Gain on bargain purchase	153	-
Other	10	-
Extraordinary loss:	**3,570**	3,456
Loss on retirement of noncurrent assets	664	1,241
Impairment loss	2,700	1,815
Other	205	399
Income before income taxes and minority interests	**30,998**	**32,077**
Income taxes:	**13,024**	**12,990**
Income taxes-current	12,085	13,414
Income taxes-deferred	939	(424)
Income before minority interests	**17,974**	**19,087**
Minority interests in income	112	39
Net income	**17,861**	**19,047**

Consolidated Statements of Comprehensive Income (Unaudited)

For the 1st Half of the fiscal year (From March 1, 2012 to August 31, 2012) (From March 1, 2013 to August 31, 2013)

(Millions of yen)

	August 31, 2012	August 31, 2013
Income before minority interests	**17,974**	**19,087**
Other comprehensive income		
Valuation difference on available-for-sale securities	52	(248)
Foreign currency translation adjustment	(179)	1,497
Share of other comprehensive income of associates accounted for using equity method	(299)	37
Total other comprehensive income	**(425)**	**1,286**
Comprehensive income	**17,548**	**20,373**
Comprehensive income attributable to		
Owners of the parent	17,430	20,392
Minority interests	117	(18)

(3)Consolidated Statements of Cash Flows(Unaudited)

For the 1st Half of the fiscal year (From March 1, 2012 to August 31, 2012) (From March 1, 2013 to August 31, 2013)

(Millions of yen)

	August 31, 2012	August 31, 2013
Net cash provided by (used in) operating activities:		
Income before income taxes	30,998	32,077
Depreciation and amortization	20,825	22,809
Increase (decrease) in provision for retirement benefits	584	604
Increase (decrease) in allowance for doubtful accounts	(14,499)	268
Interest income	(360)	(406)
Interest expenses	602	649
Impairment loss	2,700	1,815
Loss on retirement of noncurrent assets	664	1,241
Other loss (gain)	(683)	640
Decrease (increase) in notes and accounts receivable-trade	415	(1,645)
Decrease (increase) in accounts receivable-other	(5,669)	(10,748)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	14,475	89
Increase (decrease) in notes and accounts payable-trade	17,885	19,966
Increase (decrease) in accounts payable-other	1,374	11,343
Increase (decrease) in deposits received	1,363	(2,904)
Increase (decrease) in guarantee deposits received	(238)	(1,485)
Increase/decrease in other assets/liabilities	(2,416)	1,617
Subtotal	**68,021**	**75,932**
Interest income received	355	405
Interest expenses paid	(598)	(642)
Income taxes paid	(14,456)	(13,950)
Net cash provided by (used in) operating activities	**53,321**	**61,744**
Net cash provided by (used in) investing activities:		
Payments into time deposits	(11,900)	(14,000)
Proceeds from withdrawal of time deposits	10,100	12,000
Purchase of stocks of subsidiaries and affiliates	(625)	(3,155)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	480	1,661
Purchase of property, plant and equipment	(20,130)	(16,984)
Purchase of intangible assets	(2,589)	(2,240)
Other	(4,291)	(7,122)
Net cash provided by (used in) investing activities	(28,957)	(29,841)

Net cash provided by (used in) financing activities**:**		
Net increase (decrease) in short-term loans payable	1,128	(1,443)
Repayments of lease obligations	(6,578)	(8,194)
Cash dividends paid	(9,289)	(9,989)
Other	2	160
Net cash provided by (used in) financing activities	(14,736)	(19,467)
Effect of exchange rate change on cash and cash equivalents	12	1,079
Net increase (decrease) in cash and cash equivalents	9,639	13,515
Cash and cash equivalents at beginning of period	73,670	72,766
Cash and cash equivalents at end of period	83,309	86,281

(4) Notes on Premise of Going Concern

Not Applicable.

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

Not Applicable.