

# Summary of Financial Results for the Fiscal Year Ended August 31, 2014

## [Japan GAAP] (Consolidated)

October 10, 2014

Company **Watts Co., Ltd.** Listed on the TSE  
 Stock Code 2735 URL: <http://www.watts-jp.com/>  
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 Director, General Manager of Corporate Planning Office  
 Expected date of annual shareholders meeting: November 26, 2014 Expected starting date of dividend payment: November 27, 2014  
 Expected date of filing of annual securities report: November 26, 2014  
 Preparation of supplementary financial document: Yes  
 Results briefing: Yes (for institutional investors)

*(Rounded down to million yen)*

### 1. Consolidated business results for the fiscal year ended August 2014 (September 1, 2013 through August 31, 2014)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Aug. 2014	43,573	4.4	1,784	-14.0	1,799	-13.3	948	-15.6
Year ended Aug. 2013	41,725	2.4	2,074	0.9	2,075	1.0	1,123	-4.6

(Note) Comprehensive income:

Fiscal year ended August 2014: 954 million yen (-19.0%)

Fiscal year ended August 2013: 1,177 million yen (0.9%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended Aug. 2014	69.97	-	11.8	9.7	4.1
Year ended Aug. 2013	88.63	-	16.6	12.6	5.0

(Reference) Investment earnings/loss on equity-method:

Fiscal year ended August 2014: 30 million yen

Fiscal year ended August 2013: 9 million yen

(Note) The company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the amount provided in diluted net income per share has been retrospectively adjusted by calculating it on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 2014	18,977	8,420	44.4	621.51
As of Aug. 2013	18,177	7,695	42.3	568.05

(Reference) Shareholders' equity:

As of August 2014: 8,420 million yen

As of August 2013: 7,695 million yen

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the amounts provided in net assets per share have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

### (3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Aug. 2014	1,808	-596	-788	6,714
Year ended Aug. 2013	2,769	-240	-367	6,280

## 2. Dividends

	Annual dividend					Total dividends (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Aug. 2013	—	0.00	—	17.00	17.00	230	19.2	3.4
Year ended Aug. 2014	—	0.00	—	17.00	17.00	230	24.3	2.9
Year ending Aug. 2015 (forecast)	—	0.00	—	15.00	15.00		19.5	

(Notes) Breakdown of year-end dividend for FY2013

Ordinary dividend ¥15.00; Dividend to commemorate the change in stock market listing to the TSE 2nd section ¥2.00

Breakdown of year-end dividend for FY2014 (forecast)

Ordinary dividend ¥15.00; Dividend to commemorate the change in stock market listing to the TSE 1st section ¥2.00

## 3. Forecast of consolidated business results for the fiscal year ending August 2015

(September 1, 2014 through August 31, 2015)

(% change from the previous corresponding period)

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Feb. 2015	22,400	4.0	880	-2.9	880	-2.8	500	4.0	36.91
Year ending Aug. 2015	45,300	4.0	1,790	0.3	1,800	0.0	1,040	9.7	76.76

### ※Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes

Excluded: 2 companies (company name) 上海望趣商貿有限公司, Watts Peru S.A.C.

(2) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies associated with revision of accounting standards: : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of August 2014 13,958,800 shares  
As of August 2013 13,958,800 shares

② Treasury stock at the end of period:

As of August 2014 410,825 shares  
As of August 2013 410,794 shares

③ Average number of stock during period

Fiscal year ended August 2014 13,547,995 shares  
Fiscal year ended August 2013 12,678,833 shares

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the numbers of shares provided have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

※**Implementation status of auditing procedure**

This financial summary is not subject to auditing procedure pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the auditing procedures for financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

※ **Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution concerning forward-looking statements)

The forward-looking statements regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Therefore, the company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

Please refer to ①(1) Analysis of operating results of ①. Results of operations on page 4 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

## 1. Results of Operations

### (1) Analysis of operating results

#### a. Operating results

In the current consolidated fiscal year, the Japanese economy recorded a large decline in domestic GDP in the April to June quarter as a result of a sharp decline from April onwards in reaction to the sharp demand seen in anticipation of the hike in the consumption tax rate in April 2014 and the negative impact of unfavourable weather conditions during the summer. Moreover, recovery in the employment situation also contributed to the decline by generating a conspicuous shortage of labour resources and raising fares. Conversely stock prices started to rise again due to a positive reaction to the announcement of the third arrow of government economic initiatives (so-called "Abenomics"), which is a growth strategy (the revised version of the Japan Revival Strategy), and to the September Cabinet reshuffle. The foreign exchange markets were impacted by the view that a rise in US interest rates appears to be approaching, and rising geopolitical risk in the former Eastern Europe, the Middle East, and Asia etc, with the result that the situation remained very unclear and there was considerable weakness in the yen.

The retail industry experienced a striking increase in consumer's propensity to economise in the wake of the hike in the consumption tax rate and fierce sales competition across all industry sectors and formats continues. With a weak tone to the yen now having become firmly established, the sector is experiencing rises in buying costs due to soaring prices for raw materials and crude oil, whilst factors including rising personnel costs deriving from labour shortage are also having an impact on selling, general & administrative expenses.

Given this environment, the 100-yen shops operated by the Group such as "meets" and "silk" have been developing and selling ranges of private brand items under the "WATTS SELECT" brand consisting of reasonably priced, best value for money products, mostly practical use household items, and the Group has continued to carry out low-cost opening and closing of shops and low-cost shop operations. Furthermore, the Group has embarked upon a study aimed at restructuring its business model and is carrying out a complete revision of both its hardware side through the introduction of POS systems and the construction of new store packages and the development of new products that should create new brand value, and of its software side, which covers store management and operations and employee training etc.

In the current consolidated financial year, the Group opened 123 directly managed 100-yen shops, and closed 63 directly managed 100-yen shops and 2 franchised/other shops. As a result, the total number of 100-yen shops at the end of the current consolidated fiscal year was 959, which includes 908 directly managed stores, and 51 franchised/other shops. As for the number of the other shops as of the end of the current consolidated fiscal year, "Buona Vita," which sells natural taste lifestyle goods, opened 12 shops and closed 1 shop, with an end result of 28 shops. "Value-100," the fresh-foods supermarket collaboration, continues with 1 shop.

Regarding the Group's overseas operations, Watts transferred a portion of its shares in the Thai Watts Co., Ltd. to a major local retail company called Central Department Store Limited to establish a joint venture and the Company is now ready to accelerate the pace of its store opening activity in Thailand. "Komonoya" a fixed-price shop in Bangkok opened 7 shops without store closures, with an end result of 15 shops. "Komonoya" also opens 3 stores in Malaysia. It also handles the Group's products in Vietnam exclusively, provides knowhow about store design and product display, etc. and has opened its first "Komonoya" store in the country. Additionally, it has opened a fixed-price "小物家園" store in Shanghai, China, and closed 1 store. The Group is pressing ahead with making preparations to open stores early by establishing a local company in Peru with a view to exploiting the markets of Central and South America, so as to supplement its business in the Asian region.

As described above, the company has made considerable progress with the implementation of its plans to open 100-yen shops and to expand its other operations, but because it has taken longer than anticipated to respond to the rise in procurement costs, and because of continuing problems with controlling increases in new store opening expenses, refurbishment-related costs for existing stores, personnel expenses, transportation and utilities costs, etc. the Group has struggled in generating profit.

As a result, net sales for the current consolidated fiscal year were 43,573 million yen (up 4.4% year on year), operating profit was 1,784 million yen (down 14.0% year on year), recurring profit was 1,799 million yen (down 13.3% year on year) and net income was 948 million yen (down 15.6% year on year).

Since the Group operates under a single segment consisting of the operation of 100-Yen shops associated business, segment information is omitted.

#### b. Forecast for the next fiscal year

The trends of firm establishment of weak yen, rising in raw materials prices and recover in the employment situation are expected to continue, therefore, it is likely that the environment in the retail industry will remain challenging.

Given this situation, the Group continues to make every effort to meet the desire of consumers for low prices and being able to saving money by fulfilling its mission to provide its customers with products with a value of more than ¥100, by investing in the development of even better value for money products, and accumulate earnings by opening new stores at low cost and continuing its policy of low-cost store operation. Moreover, with the aim of overcoming the issues that it is currently faces, the Group continues to meet the challenges of restructuring its business model and is fully implementing tight control of its input costs and operating expenses.

Furthermore, in its overseas operations, which offer the potential of achieving substantial growth in the future, the Group continues to make full-scale investments aimed at achieving further growth in the share of sales within the Group and in securing profits.

Based on the above, Watts expects the following consolidated operating results in the next fiscal year: net sales of 45,300 million yen (up 4.0% year on year), operating profit of 1,790 million yen (up 0.3% year on year), recurring profit of 1,800 million yen (up 0.0% year on year) and net income of 1,040 million yen (up 9.7% year on year).

### (2) Analysis of financial position

#### a. Assets, liabilities and net assets

As of the end of the current consolidated fiscal year, total assets stood at 18,977 million yen, an increase of 800 million yen compared with the end of the previous consolidated fiscal year. This is mainly because cash and deposits increased 434 million yen, and merchandise and finished goods increased 264 million yen. Furthermore, as the result of new store openings, buildings and structures increased 53 million yen, tools, furniture and fixtures increased 66 million yen, and guarantee deposits increased 62 million yen.

Total liabilities stood at 10,557 million yen, an increase of 75 million yen compared with the end of the previous consolidated fiscal year. This is mainly because notes and accounts payable-trade increased 591 million yen. While long-term loans payable decreased 240 million yen and current portion of long-term loans payable decreased 278 million yen by repaying. Interest-bearing debt decreased 558 million yen to 1,183 million yen.

Net assets stood at 8,420 million yen, an increase of 724 million yen. This is mainly because retained earnings increased 717 million yen.

## b. Cash flows

Cash and cash equivalents (hereinafter referred to as *ōcashō*) at the end of the current consolidated fiscal year amounted to 6,714 million yen, an increase of 434 million yen compared with the previous consolidated fiscal year. This is mainly due to an increase in cash flows from operating activities and decreases in cash flows from investing activities and financing activities.

Details and main reasons for increases and decreases of each cash flow in the current consolidated fiscal year are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities was 1,808 million yen (2,769 million yen was provided in the previous fiscal year). Cash was provided mainly by notes and accounts payable-trade of 636 million yen and income before income taxes and minority interests of 1,745 million yen. Cash was used mainly for income taxes paid of 783 million yen and inventory assets of 258 million yen.

### (Cash flows from investing activities)

Net cash used in investing activities was 596 million yen (240 million yen was used in the previous fiscal year). Cash was used mainly for payments for purchase of property, plant and equipment of 393 million yen for opening new shops, payments for lease and guarantee deposits of 226 million yen and proceeds from collection of lease and guarantee deposits of 90 million yen.

### (Cash flows from financing activities)

Net cash used in financing activities was 788 million yen (367 million yen was used in the previous fiscal year). Cash was used mainly for repayment of long-term loans payable of 1,018 million yen, dividend paid of 229 million yen and proceeds from long-term loans payable of 500 million yen.

### (Reference) Cash flow indicators

	Fiscal year ended August 31, 2010	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014
Equity ratio (%)	32.6	35.5	39.3	42.3	44.4
Market value equity ratio (%)	26.2	37.7	42.8	66.5	68.0
Interest-bearing debt to cash flows ratio (years)	1.6	1.8	1.3	0.6	0.7
Interest coverage ratio (times)	41.1	53.9	101.5	224.3	246.2

(Notes) Equity ratio: Equity/Total assets

Market value equity ratio: Total market capitalization/Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

1. Total market capitalization is calculated by multiplying closing stock price at the end of the period by the total number of shares issued at the end of the period (excluding treasury stock).
2. Net cash provided by operating activities in the consolidated statements of cash flows is used as *ōOperating cash flow.ō*
3. Interest-bearing debt includes all debt on which interest is paid reported on the consolidated balance sheet.
4. For interest payment, interest expenses paid in the consolidated statements of cash flows are used.

## 2. Management policy

### (1) Basic policy for the management of the company

Our work is made up of an “Always having the mind of thankfulness” for all of our shareholders, for all of the customers visiting our stores, for everyone of our trading partners, for all of the part-time and temporary employees involved in the running of our stores, and to all of our employees working both at our stores and at our head office. Our group takes this issue of “Always having the mind of thankfulness” very seriously, and aims to pursue growth in cooperation with everyone involved, and takes making a contribution to regional society as its mission, and being useful to all the people that it is indebted to.

### (2) Specifically targeted management benchmarks

The Group consistently aims to achieve profitability by enhancing the efficiency of its management, and prioritises recurring profit margin and return on equity (ROE) as its key management benchmarks.

The recent trend in the Group's recurring profit margin has been as follows: 5.0% in the consolidated fiscal year ended August 2012, 5.0% in the consolidated fiscal year ended August 2013, and 4.1% in the consolidated fiscal year ended August 2014. The recent trend in the Group's ROE has been as follows: 22.2% in the consolidated fiscal year ended August 2012, 16.6% in the consolidated fiscal year ended August 2013, and 11.8% in the consolidated fiscal year ended August 2014.

The Group's ROE has been marking out a declining trend because of factors including an increase in shareholders' equity worth as a result of the disposal of treasury shares in the consolidated fiscal year ended August 2013, but the Group aims to enhance its capital efficiency by restructuring the business model for its domestic operation in Japan, and by engaging in positive investments in its overseas operations.

### (3) Medium to long-term management strategy

The Group's basic strategy is “building a structure that sells good things at low prices”

This basic strategy is reflected in the Group's policy of conducting sales of reasonably priced, best value for money products, mostly daily use household items, in a low-cost operation (operating strategy) by opening and operating medium to small format stores at low cost (store opening strategy). The Group's low-cost store opening strategy calls for “not having assets whenever possible” “reducing store opening costs to the absolute minimum” and “making the withdrawal conditions from store leasing contracts as light as possible” all in the interests of minimising losses incurred from store closures. Low-cost operation calls for simplifying and streamlining the operation of the Group's shops, having them run by part-timers and temporary employees as the standard model, and enhancing the efficacy of the leadership provided by the Group's employees. Moreover, we shall strive to invest the earnings captured in the development of reasonably priced, best value for money products, mostly in our “WATTS SELECT” private brand. By means of this virtuous circle, and by strengthening our earnings base, we shall fulfil our Group's mission of providing “goods with a value of more than ¥100 to our customers” Furthermore, the Group has embarked upon a study aimed at restructuring its business model and is carrying out a complete revision of both its hardware side through the introduction of POS systems and is the construction of new store packages and the development of new products that should create new brand value, and of its software side, which covers store management and operations and employee training etc.

Moreover, so as to realise future growth for the Group, we are developing growth strategies for both the domestic Japanese operation and for our overseas operations. The growth strategy for the domestic Japanese operation calls for the securing of profitability for new business formats and an increase in the share within the Group. For the overseas business operations the Group aims to expand the scale and maximise the profitability of the Thai Watts Co., Ltd.

through the joint venture, establish a store opening and store operating model in China, expand its network of stores in Malaysia and Vietnam, and also to accelerate the pace of its store openings and of its wholesale sales in Peru and other new countries. Moreover, we are achieving the construction of a logistics functionality when China as a structure to realise these aims. Furthermore, we aim to expand the scale of the operation to the point where it can become the driver for the Group's future growth.

(4) Issues that the company must deal with

We are developing the management of our operations with the aim of realising our growth potential by further enhancing our profitability by taking the following issues seriously: ~~the building of a new business model~~ ~~the reinforcement of our earnings strength~~ ~~confirming the profitability of new business formats~~ ~~expanding the Group's overseas operations~~ and ~~training the next generation of human resources~~. Consequently, the Group is embarking upon the following initiatives to deal with these issues.

~~The building of a new business model~~

The Group is making progress with restructuring its business model and is carrying out a complete revision of both its hardware side through the introduction of POS systems and is the construction of new store packages and the development of new products that should create new brand value, and of its software side, which covers store management and operations and employee training etc. Moreover, in the same way as it has previously positioned practical daily use sundries as its core products, it is now introducing high-quality best value for money products, mainly in the areas of independently developed kitchen, cleaning, leisure, and other items under its ~~WATTS SELECT~~ private brand

~~The reinforcement of our earnings strength~~

The Group is striving to boost its product sourcing power and strengthen its control of costs, and combining them into the above-mentioned ~~building of a new business model~~ so as to be able to preserve its profitability in an environment in which a weak tone to the yen has recently become established.

~~Confirming the profitability of new business formats~~

The Group wishes to make the expansion of its business by means of developing new operations diversifying the content of its business and by integrating it with its existing operations the fundamental driving power for new growth. The Group is striving to construct a new source of earnings that supplements its 100-yen shop business with contributions from ~~Buona Vita~~ which sells natural taste lifestyle goods, ~~Value-100~~ the fresh-foods supermarket collaboration, and similar ventures developed to feature shops that maintain direct relationships with consumers.

~~Expanding the Group's overseas operations~~

The Group expects that growth in the domestic Japanese market is likely to slacken off in the future, and so it has been striving to develop stores overseas since the consolidated fiscal year ended August 2009. Having established a bridgehead and subsequently developed a business in Thailand in a joint venture with a powerful local company, it is now accelerating its drive towards maximising sales and earnings. We shall continue to take on further challenges in the future so that we can create a business that is the driver for the Group's future growth through the positive development of operations in China, Malaysia, Vietnam, Peru, and other countries.



-Training the next generation of human resourcesø

The Group is aiming to construct a personnel system that is able to cope with the changes in the environment that surrounds the Group by nurturing a large number of staff with the ability to respond to the demands of its aims of expanding the scale of the Group, diversifying the content of its operations, positively developing its operations overseas and accepting the challenges presented by operating in business areas of which it has no previous experience. Moreover, the Group is also conducting mid-career recruiting for adaptable fighting potential.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (August 31, 2013)	Current consolidated fiscal year (August 31, 2014)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,280,114	6,714,266
Notes and accounts receivable-trade	2,320,628	2,318,842
Merchandise and finished goods	4,961,451	5,225,992
Raw materials and supplies	14,514	8,591
Deferred tax assets	261,722	238,186
Consumption taxes receivable	9,745	6,922
Other	457,977	374,647
Allowance for doubtful accounts	-24,245	-24,686
<b>Total current assets</b>	<b>14,281,909</b>	<b>14,862,762</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	879,330	944,176
Accumulated depreciation and impairment loss	-585,220	-596,556
Buildings and structures, net	294,110	347,620
Vehicles	27,460	8,690
Accumulated depreciation and impairment loss	-25,144	-7,518
Vehicles, net	2,315	1,172
Tools, furniture and fixtures	2,339,954	2,579,972
Accumulated depreciation and impairment loss	-1,892,543	-2,066,379
Tools, furniture and fixtures, net	447,411	513,593
Land	257,800	257,800
<b>Total property, plant and equipment</b>	<b>1,001,637</b>	<b>1,120,186</b>
<b>Intangible assets</b>		
Other	28,109	33,254
<b>Total intangible assets</b>	<b>28,109</b>	<b>33,254</b>
<b>Investments and other assets</b>		
Investment securities	216,527	245,643
Deferred tax assets	88,224	98,281
Guarantee deposits	2,474,314	2,536,515
Other	114,777	110,691
Allowance for doubtful accounts	-27,778	-29,497
<b>Total investments and other assets</b>	<b>2,866,066</b>	<b>2,961,634</b>
<b>Total noncurrent assets</b>	<b>3,895,813</b>	<b>4,115,075</b>
<b>Total assets</b>	<b>18,177,723</b>	<b>18,977,838</b>

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2013)	Current consolidated fiscal year (August 31, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,578,900	7,170,185
Short-term loans payable	140,000	100,000
Current portion of long-term loans payable	957,844	679,491
Income taxes payable	285,577	294,209
Accrued consumption taxes	61,667	154,680
Provision for bonuses	140,390	139,659
Other	1,159,302	1,106,975
<b>Total current liabilities</b>	<b>9,323,682</b>	<b>9,645,201</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	644,375	403,783
Provision for retirement benefits	127,309	-
Liabilities relating to retirement benefits	-	140,719
Provision for directors' retirement benefits	121,492	102,751
Asset retirement obligations	74,762	75,691
Other	190,203	189,445
<b>Total noncurrent liabilities</b>	<b>1,158,142</b>	<b>912,391</b>
<b>Total liabilities</b>	<b>10,481,825</b>	<b>10,557,592</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	440,297	440,297
Capital surplus	1,583,816	1,583,816
Retained earnings	5,716,939	6,434,626
Treasury stock	-84,093	-84,123
<b>Total shareholders' equity</b>	<b>7,656,960</b>	<b>8,374,618</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,515	12,196
Foreign currency translation adjustment	35,421	33,430
<b>Total accumulated other comprehensive income</b>	<b>38,937</b>	<b>45,627</b>
<b>Total net assets</b>	<b>7,695,898</b>	<b>8,420,245</b>
<b>Total liabilities and net assets</b>	<b>18,177,723</b>	<b>18,977,838</b>

(2) Consolidated Statements of Income and Statements of Comprehensive Income  
(Consolidated Statements of Income)

	(Thousands of yen)	
	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Net sales	41,725,291	43,573,725
Cost of sales	25,743,954	26,989,280
Gross profit	15,981,337	16,584,445
Selling, general and administrative expenses	13,906,341	14,799,595
Operating income	2,074,995	1,784,849
Non-operating revenues		
Interest income	1,679	2,786
Dividends income	1,141	958
Rent income	21,136	24,471
Equity in earnings of affiliates	9,549	30,110
Reversal of allowance for doubtful accounts	9,078	2,521
Other	12,346	9,785
Total non-operating income	54,931	70,634
Non-operating expenses		
Interest expenses	13,235	7,493
Early-withdrawal penalty	15,422	21,884
Exchange loss	10,646	5,346
Cost of lease revenue	9,924	10,861
Other	5,126	10,027
Total non-operating expenses	54,355	55,614
Ordinary income	2,075,571	1,799,869
Extraordinary income		
Surrender value of insurance	-	7,204
Gain on sales of investment securities	730	-
Compensation income	23,198	1,874
Gain on sales of noncurrent assets	789	2,102
Gain on sales of subsidiariesøstocks	25,128	-
Total extraordinary income	49,846	11,182
Extraordinary loss		
Loss on retirement of noncurrent assets	8,189	4,112
Impairment loss	61,761	61,713
Total extraordinary losses	69,951	65,825
Income before income taxes and minority interests	2,055,466	1,745,225
Income taxes-current	914,076	792,072
Income taxes-deferred	17,729	5,150
Total income taxes	931,805	797,222
Income before minority interests	1,123,661	948,003
Net income	1,123,661	948,003

(Consolidated Statements of Comprehensive Income)

	(Thousands of yen)	
	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Income before minority interests	1,123,661	948,003
Other comprehensive income		
Valuation difference on available-for-sale securities	5,705	8,681
Foreign currency translation adjustment	24,885	7,248
Share of other comprehensive income of associates accounted for using equity method	23,708	-9,240
Total other comprehensive income	54,299	6,689
Comprehensive income	1,177,960	954,693
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,177,960	954,693
Comprehensive income attributable to minority shareholders	-	-

## (3) Consolidated Statements of Changes in Net Assets

	(Thousands of yen)	
	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the beginning of current period	876,066	1,583,816
Changes of items during the period		
Disposal of treasury stock	707,750	-
Transfer of loss on disposal of treasury stock	-	-
Total changes of items during the period	707,750	-
Balance at the end of current period	1,583,816	1,583,816
Retained earnings		
Balance at the beginning of current period	4,783,057	5,716,939
Changes of items during the period		
Dividends from surplus	-189,780	-230,316
Transfer of loss on disposal of treasury stock	-	-
Net income	1,123,661	948,003
Total changes of items during the period	933,881	717,687
Balance at the end of current period	5,716,939	6,434,626
Treasury stock		
Balance at the beginning of current period	-267,504	-84,093
Changes of items during the period		
Purchase of treasury stock	-	-29
Disposal of treasury stock	183,411	-
Total changes of items during the period	183,411	-29
Balance at the end of current period	-84,093	-84,123
Total shareholders' equity		
Balance at the beginning of current period	5,831,917	7,656,960
Changes of items during the period		
Dividends from surplus	-189,780	-230,316
Net income	1,123,661	948,003
Purchase of treasury stock	-	-29
Disposal of treasury stock	891,161	-
Total changes of items during the period	1,825,043	717,657
Balance at the end of current period	7,656,960	8,374,618

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	-2,189	3,515
Changes of items during the period		-
Net changes of items other than shareholders' equity	5,705	8,681
Total changes of items during the period	5,705	8,681
Balance at the end of current period	3,515	12,196
Foreign currency translation adjustment		
Balance at the beginning of current period	-13,171	35,421
Changes of items during the period		
Net changes of items other than shareholders' equity	48,593	-1,991
Total changes of items during the period	48,593	-1,991
Balance at the end of current period	35,421	33,430
Total accumulated other comprehensive income total		
Balance at the beginning of current period	-15,361	38,937
Changes of items during the period		
Net changes of items other than shareholders' equity	54,299	6,689
Total changes of items during the period	54,299	6,689
Balance at the end of current period	38,937	45,627
Subscription rights to shares		
Balance at the beginning of current period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	-
Total changes of items during the period	-	-
Balance at the end of current period	-	-
Total net assets		
Balance at the beginning of current period	5,816,555	7,695,898
Changes of items during the period		
Dividends from surplus	-189,780	-230,316
Net income	1,123,661	948,003
Purchase of treasury stock	-	-29
Disposal of treasury stock	891,161	-
Net changes of items other than shareholders' equity	54,299	6,689
Total changes of items during the period	1,879,342	724,347
Balance at the end of current period	7,695,898	8,420,245

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,055,466	1,745,225
Depreciation and amortization	237,777	255,675
Impairment loss	61,761	61,713
Amortization of goodwill	37,622	-
Increase (decrease) in allowance for doubtful accounts	-8,214	2,160
Increase (decrease) in provision for bonuses	2,943	-731
Increase (decrease) in provision for directors' bonuses	-9,700	-
Increase (decrease) in provision for retirement benefits	15,262	-127,309
Increase (decrease) in liabilities relating to retirement benefits	-	140,719
Increase (decrease) in provision for directors' retirement benefits	3,389	-18,740
Interest and dividends income	-2,820	-3,744
Interest expenses	13,235	7,493
Loss (gain) on sales of investment securities	-730	-
Loss on retirement of noncurrent assets	8,189	4,112
Loss (gain) on sales of subsidiaries' shares	-25,128	-
Decrease (increase) in accounts receivable-trade	-470,999	1,554
Decrease (increase) in inventories	-246,449	-258,385
Increase (decrease) in notes and accounts payable-trade	2,100,401	636,995
Increase (decrease) in accrued consumption taxes	-190,813	95,934
Other	436,297	-36,800
Subtotal	4,017,491	2,505,873
Interest and dividends income received	2,887	3,661
Interest expenses paid	-12,349	-7,345
Income taxes paid	-1,238,313	-783,315
Income taxes refunded	-	89,800
Net cash provided by (used in) operating activities	2,769,716	1,808,674
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-256,562	-393,562
Proceeds from sales of property, plant and equipment	1,665	3,039
Payments for asset retirement obligations	-6,319	-1,188
Payments for lease and guarantee deposits	-209,921	-226,900
Proceeds from collection of lease and guarantee deposits	165,642	90,571
Proceeds from sales of investment securities	13,097	-
Sales of investments in subsidiaries resulting in changes in scope of consolidation	15,390	-
Purchase of investments in subsidiaries resulting in changes in scope of consolidation	42,301	-
Payments for transfer of business	-	-
Other	-5,996	-68,872
Net cash provided by (used in) investing activities	-240,702	-596,912



(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Net cash provided by (used in) investing activities		
Net increase (decrease) in short-term loans		-40,000
Proceeds from long-term loans payable	600,000	500,000
Repayment of long-term loans payable	-1,669,807	-1,018,945
Proceeds from sales of treasury stock	891,161	-
Proceeds from purchase of treasury stock	-	-29
Cash dividends paid	-189,227	-229,420
Net cash provided by (used in) investing activities	-367,872	-788,395
Effect of exchange rate change on cash and cash equivalents	32,352	10,785
Net increase (decrease) in cash and cash equivalents	2,193,493	434,151
Cash and cash equivalents at beginning of period	4,086,621	6,280,114
Cash and cash equivalents at end of period	6,280,114	6,714,266

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(Changes in reporting method)

(Relating to Consolidated Balance Sheet)

In accordance with the application of the ~~Accounting Standards relating to Retirement Benefits~~(Company Account Standard No. 26 of May 17, 2012. Hereafter ~~Retirement Benefits Accounting Standards~~) and the ~~Application Guidelines for the Accounting Standards relating to Retirement Benefits~~(Company Account Standards Application Guideline No. 25 of May 17, 2012), the ~~Provision for Retirement Benefits~~item reported in the consolidated balance sheet for preceding fiscal year is reported as ~~Liabilities relating to Retirement Benefits~~from this consolidated fiscal year.

The application of the Accounting Standards relating to Retirement Benefits conforms with the treatment of past transactions as stipulated in Article 37 of the Accounting Standards relating to Retirement Benefits, and no restatement of the reported item has been undertaken.

(Segment information)

Since the Group has a single segment consisting of the operation of 100-Yen shops and associated business, this information is omitted.

(Per share information)

	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Net assets per share	568.05 yen	621.51 yen
Net income per share	88.63 yen	69.97 yen

1. No diluted net income per share is presented because dilutive shares do not exist.

2. The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013.

Consequently, the amounts provided in net income per share and diluted net income per share have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

3. The basis for calculating net income per share and diluted net income per share are as follows.

	Previous consolidated fiscal year (from September 1, 2012 to August 31, 2013)	Current consolidated fiscal year (from September 1, 2013 to August 31, 2014)
Net income per share		
Net income	1,123,661	948,003
Amount that does not belong to common shareholders	-	-
Net income attributable to common stock	1,123,661	948,003
Average number of shares during the period	12,678,833	13,547,995

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013.

Consequently, the average number of shares during the period and increase in number of common shares provided have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(Important subsequent events)

No items to report

#### 4. Other

##### (1) Changes in Directors and Auditors

###### a. Change in Representative Director

No items to report

###### b. Changes in other Directors and Auditors

###### • Candidates for new Auditors

Full-time Auditor(Outside company)	Yoshitaka Doi
Auditor	Kiichiro Yamamoto

###### • Auditors scheduled to resign

Full-time Auditor	Eiji Fujita
Auditor(Outside company)	Yoshihiro Sawamura

###### c. Scheduled date of assumption

November 26, 2014

##### (2) Sales

Net sales by area and business type are as follows

Area	Amount (Thousands of yen)	Year-on-year change (%)	Number of shops		
			As of August 31, 2014	Newly opened	Closed
Hokkaido area	1,181,355	115.5	45	14	2
Tohoku area	1,206,608	108.3	38	4	2
Kanto area	11,729,851	104.2	231	32	16
Chubu area	5,782,210	105.9	145	24	12
Kinki area	9,019,431	105.7	196	25	11
Chugoku/Shikoku area	4,442,040	110.3	139	15	16
Kyushu area	3,656,727	102.2	114	9	4
100-Yen shop business Directly managed	37,018,225	105.8	908	123	63
100-Yen shop business Wholesale	6,555,500	97.4	101	24	4
100-Yen shop business Total	43,573,725	104.4	1,009	147	67