

# Summary of Financial Results for the Fiscal Year Ended August 31, 2015

## [Japan GAAP] (Consolidated)

October 9, 2015

Company **Watts Co., Ltd.**  
 Stock Code 2735 URL: <http://www.watts-jp.com/>  
 Representative Fumio Hiraoka, President and CEO  
 Contact Hidehito Mori,  
 Director, General Manager of Corporate Planning Office

Listed on the TSE

TEL: +81-6-4792-3280

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 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 2015 (September 1, 2014 through August 31, 2015)

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

	Sales		Operating profit		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Aug. 2015	44,462	2.0	1,257	-29.5	1,263	-29.8	700	-26.1
Year ended Aug. 2014	43,573	4.4	1,784	-14.0	1,799	-13.3	948	-15.6

(Note) Comprehensive income:

Fiscal year ended August 2015: 777 million yen (-18.6%)

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

	Net income per share	Diluted net income per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
Year ended Aug. 2015	51.73	-	8.1	6.9	2.8
Year ended Aug. 2014	69.97	-	11.8	9.7	4.1

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

Fiscal year ended August 2015: 33 million yen

Fiscal year ended August 2014: 30 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 2015	17,877	8,966	50.2	661.87
As of Aug. 2014	18,977	8,420	44.4	621.51

(Reference) Shareholders' equity:

As of August 2015: 8,966 million yen

As of August 2014: 8,420 million yen

### (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. 2015	-621	-687	-279	5,149
Year ended Aug. 2014	1,808	-596	-788	6,714

## 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. 2014	—	0.00	—	17.00	17.00	230	24.3	2.9
Year ended Aug. 2015	—	0.00	—	17.00	17.00	230	32.9	2.6
Year ending Aug. 2016 (forecast)	—	0.00	—	15.00	15.00		23.4	

(Notes) Breakdown of ¥17 of year-end dividend for FY8/14

Ordinary dividend ¥15.00; Commemorative dividend ¥2.00 (Commemorate the change in stock market listing to the TSE 1<sup>st</sup> section)

Breakdown of ¥17 of year-end dividend for FY8/15

Ordinary dividend ¥15.00; Commemorative dividend ¥2.00 (Commemorate the company's 20<sup>th</sup> anniversary)

## 3. Forecast of consolidated business results for the fiscal year ending August 2016

(September 1, 2015 through August 31, 2016)

(% change from the previous corresponding period)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Feb. 2016	22,700	3.1	570	-28.7	570	-28.8	360	-27.0	26.57
Year ending Aug. 2016	46,100	3.7	1,360	8.1	1,370	8.4	870	24.1	64.22

### ※Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(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 2015 13,958,800 shares

As of August 2014 13,958,800 shares

② Treasury stock at the end of period:

As of August 2015 410,825 shares

As of August 2014 410,825 shares

③ Average number of stock during period

Fiscal year ended August 2015 13,547,975 shares

Fiscal year ended August 2014 13,547,995 shares

**※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) Analysis of operating results” of “1. Results of operations” on page 2 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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## 1. Results of Operations

### (1) Analysis of operating results

#### a. Operating results

In the current consolidated fiscal year, the Japanese economy maintained relatively good trends, backed by strong business results centering on export industries, as the Abenomics policies of 2 years ago sent the yen down close to ¥120/USD and low crude oil prices became the new normal. But toward the end of the period there arose concerns about deceleration in China's economy, and share prices showed high volatility. In the U.S. economy, manufacturing industries looked to be potentially weak, but strength in non-manufacturing improved the employment environment substantially, prompting a comeback in consumer spending. In Europe, the situation in Greece was a factor for instability, but a gradual economic recovery was seen due to monetary relaxation, the weaker euro and lower crude oil prices. Instability prevailed as Asian economies were generally slower, and with uncertainties about the Chinese economy.

In Japan's retail industry, income growth could not keep up with cost increases due to induced inflation, and consumers became increasingly cautious. With the weaker yen's impact on import prices and abnormal summer weather added in, there was still no full-scale recovery in consumer spending.

Given this environment, the WATTS Group, which operates the 'Watts', 'meets.', 'silk' and other 100-yen shops, started restructuring its business model in the current consolidated fiscal year.

The Group has fostered know-how for achieving both greater customer satisfaction and higher earnings at shop by developing and selling ranges of private brand items under the 'WATTS SELECT' brand consisting of reasonably priced, best value for money products, mostly daily-use household items, and carrying out low-cost opening and closing of shops and low-cost shop operations. Restructuring its business model means that the Group is to carry out a complete revision of both its hardware side through development of shop packages and merchandise and the introduction of POS systems, and of its software side, which covers shop management and operations and employee training etc, for creating new brand value to meet diversifying customer needs with use of the fostered know-how.

The first step was the complete remodeling of the 100-yen shop 'meets.' Harborland shop (Kobe-shi, Chuo-ku). The new shop, which was rebranded as the 100-yen Shop 'Watts' Harborland shop, opened on February 22, 2015, the 20<sup>th</sup> anniversary of the establishment of WATTS Group. From now on, the Watts brand will be used for new certain large shops. Existing shops will be rebranded as they are remodeled. The number of Watts branded shops at the end of the current consolidated fiscal year was 15.

In the core 100-yen shop business in Japan, Watts opened 113 shops with the full-year plan of opening 90 shops although there were many shops with relatively low sales. There were 64 shop closings, including certain unprofitable shops and unpredictable closing of stores where the company's shops were located in. As a result, the total number of 100-yen shops at the end of the fiscal year ended August 2015 was 1,008, which includes 958 directly managed shops (net increase of 50), and 50 franchised/other shops (net decrease of 1). The company achieved to open over 1,000 shops.

As for the number of the other shops as of the end of the fiscal year ended August 2015, 'Buona Vita,' which sells natural taste lifestyle goods, opened 4 shops and closed 8 directly managed shop and 1 franchise shop, with an end result of 23 shops. 'Value-100,' the fresh-foods supermarket collaboration, continues with 1 shop. Although the Group opened the first 'threege' shop, offering stylish and colorful items at 3 prices, in Narimasu, Itabashi-ku, Tokyo in November 2014, the Group abandoned the operation plan because results fell short of initial targets. The shop was closed in August 2015.

Regarding the Group's overseas operation, Watts operates 'KOMONOYA', a fixed-price shop. At the end of the current fiscal year, 'KOMONOYA' opened 9 shops and closed 2 shops in Thailand, with an end result of 22 shops. In Malaysia, 'KOMONOYA' opened 1 shop, with an end result of 4 shops. In Vietnam, one 'KOMONOYA' shop which was operated

by wholesale became a franchised shop operated by a local retailer, and opened new 2 shops, with an end result of 3 shops. In Peru, where Watts Peru S.A.C. was established in August 2014, the first 'KOMONOYA' shop which was opened in March 2015 is performing well, and the second shop was opened in June 2015. In China, there are 4 '小物家園' shops as 1 unprofitable shop was closed, 2 directly-managed shops were opened and 1 shop was opened through an agent contract (Chinese style franchise). Furthermore, several limited period sales events based in newly-opened directly-managed shops are significantly performing well. The company expects that this business will make contribution to the Group's profit.

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, sales for the current consolidated fiscal year were 44,462 million yen (up 2.0% year on year), operating profit was 1,257 million yen (down 29.5% year on year), recurring profit was 1,263 million yen (down 29.8% year on year) and net income was 700 million yen (down 26.1% 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: sales of 46,100 million yen (up 3.7% year on year), operating profit of 1,360 million yen (up 8.1% year on year), recurring profit of 1,370 million yen (up 8.4% year on year) and net income of 870 million yen (up 24.1% year on year).

## (2) Analysis of financial position

### a. Assets, liabilities and net assets

As of the end of the current fiscal year, current assets stood at 17,877 million yen, a decrease of 1,100 million yen compared with the end of the previous consolidated fiscal year. This is mainly because merchandise and finished goods increased 408 million yen. While cash and deposits decreased 1,564 million yen and notes and accounts receivable-trade decreased 266 million yen mainly because the previous fiscal period ended on a banking holiday. Furthermore, as the result of new store openings, buildings and structures increased 69 million yen, and tools, furniture and fixtures increased 34 million yen.

Total liabilities stood at 8,910 million yen, a decrease of 1,647 million yen compared with the end of the previous consolidated fiscal year. This is mainly because notes and accounts payable-trade decreased 1,327 million yen due to the same reason mentioned above for the decrease in cash and deposits and notes and accounts receivable-trade. While current portion of long-term loans payable decreased 113 million yen and income taxes payable decreased 156 million yen by repaying. Interest-bearing debt decreased 49 million yen to 1,134 million yen.

Net assets stood at 8,966 million yen, an increase of 546 million yen. This is mainly because retained earnings increased 470 million yen.

### b. Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the second quarter of the current consolidated fiscal year amounted to 5,149 million yen, a decrease of 1,564 million yen compared with the previous consolidated fiscal year mainly because the previous fiscal period ended on a banking holiday.

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 used in operating activities was 621 million yen (1,808 million yen was provided in the previous fiscal year).

Cash was provided mainly by income before income taxes of 1,174 million yen and depreciation and amortization of 281 million yen and decrease in accounts receivable-trade of 270 million yen and depreciation of 127 million yen. Cash was used mainly for decrease in accounts payable-trade of 1,335 million yen, income taxes paid of 658 million yen and increase in inventory assets of 394 million yen mainly because the previous fiscal period ended on a banking holiday.

#### (Cash flows from investing activities)

Net cash used in investing activities was 687 million yen (596 million yen was used in the previous fiscal year).

Cash was used mainly for property, plant and equipment of 507 million yen for opening of new shops, payments for lease and guarantee deposits of 180 million yen and proceeds from collection of lease and guarantee deposits of 115million yen.

#### (Cash flows from financing activities)

Net cash used in financing activities was 279 million yen (788 million yen was used in the previous fiscal year). Cash was used mainly for repayment of long-term loans payable of 849 million yen and dividend paid of 229 million yen and proceeds from long-term loans payable of 800 million yen.

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014	Fiscal year ended August 31, 2015
Equity ratio (%)	35.5	39.3	42.3	44.4	50.2
Market value equity ratio (%)	37.7	42.8	66.5	68.0	74.3
Interest-bearing debt to cash flows ratio (years)	1.8	1.3	0.6	0.7	-
Interest coverage ratio (times)	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 “Operating cash flow.”
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.
5. “Interest coverage ratio” and “Interest-bearing debt to cash flows ratio” for the fiscal year ended August 2015 are not presented, since the cash flows from operating activities were negative.

## 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 2013, 4.1% in the consolidated fiscal year ended August 2014, and 2.8% in the consolidated fiscal year ended August 2015. The recent trend in the Group's ROE has been as follows: 16.6% in the consolidated fiscal year ended August 2013, 11.8% in the consolidated fiscal year ended August 2014, and 8.1% in the consolidated fiscal year ended August 2015.

The Group's ROE has been marking out a declining trend because of factors including an increase in shareholders' equity worth (increase in denominator) as a result of the disposal of treasury shares in the consolidated fiscal year ended August 2013 and the current decrease in profits (decrease in numerator), 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 aims at restructuring its business model and has been carrying out a complete revision since the current fiscal year, 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. These efforts have gradually started to achieve positive effects.

Moreover, we are developing growth strategies for both the domestic Japanese operation and for our overseas operations so as to realise future growth for the Group. 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 by establishing franchise model in Vietnam, expand its business for both franchise and directly-managed stores in Malaysia, expand its directly-managed store in Peru, and also to accelerate the pace of its store openings and of its wholesale sales in other new countries.

Moreover, we are achieving the construction of a logistics functionality in 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 other domestic businesses', '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 other domestic businesses’

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 resources’

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. Basic policy regarding selection of accounting standards

In order to secure comparability with domestic peer companies, we apply Japanese accounting standards.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2014)	Current consolidated fiscal year (August 31, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,714,266	5,149,822
Notes and accounts receivable-trade	2,318,842	2,052,047
Merchandise and finished goods	5,225,992	5,634,254
Raw materials and supplies	8,591	8,970
Deferred tax assets	238,186	237,046
Consumption taxes receivable	6,922	23,567
Other	374,647	383,606
Allowance for doubtful accounts	-24,686	-22,151
<b>Total current assets</b>	<b>14,862,762</b>	<b>13,467,162</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	944,176	1,092,539
Accumulated depreciation and impairment loss	-596,556	-675,268
Buildings and structures, net	347,620	417,270
Vehicles	8,690	5,120
Accumulated depreciation and impairment loss	-7,518	-2,585
Vehicles, net	1,172	2,535
Tools, furniture and fixtures	2,579,972	2,756,720
Accumulated depreciation and impairment loss	-2,066,379	-2,208,831
Tools, furniture and fixtures, net	513,593	547,889
Land	257,800	257,800
<b>Total property, plant and equipment</b>	<b>1,120,186</b>	<b>1,225,495</b>
<b>Intangible assets</b>		
Other	33,254	54,945
<b>Total intangible assets</b>	<b>33,254</b>	<b>54,945</b>
<b>Investments and other assets</b>		
Investment securities	245,643	384,556
Deferred tax assets	98,281	124,803
Guarantee deposits	2,536,515	2,532,536
Other	110,691	117,907
Allowance for doubtful accounts	-29,497	-30,298
<b>Total investments and other assets</b>	<b>2,961,634</b>	<b>3,129,504</b>
<b>Total noncurrent assets</b>	<b>4,115,075</b>	<b>4,409,945</b>
<b>Total assets</b>	<b>18,977,838</b>	<b>17,877,107</b>

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2014)	Current consolidated fiscal year (August 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	7,170,185	5,842,811
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	679,491	565,620
Income taxes payable	294,209	137,910
Accrued consumption taxes	154,680	148,465
Provision for bonuses	139,659	139,148
Other	1,106,975	991,260
<b>Total current liabilities</b>	<b>9,645,201</b>	<b>7,925,215</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	403,783	468,441
Liabilities relating to retirement benefits	140,719	156,184
Provision for directors' retirement benefits	102,751	106,193
Asset retirement obligations	75,691	62,442
Other	189,445	191,656
<b>Total noncurrent liabilities</b>	<b>912,391</b>	<b>984,918</b>
<b>Total liabilities</b>	<b>10,557,592</b>	<b>8,910,133</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	6,434,626	6,905,180
Treasury stock	-84,123	-84,123
<b>Total shareholders' equity</b>	<b>8,374,618</b>	<b>8,845,171</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,196	10,735
Foreign currency translation adjustment	33,430	111,066
<b>Total accumulated other comprehensive income</b>	<b>45,627</b>	<b>121,802</b>
<b>Total net assets</b>	<b>8,420,245</b>	<b>8,966,973</b>
<b>Total liabilities and net assets</b>	<b>18,977,838</b>	<b>17,877,107</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, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Sales	43,573,725	44,462,927
Cost of sales	26,989,280	27,734,609
Gross profit	16,584,445	16,728,318
Selling, general and administrative expenses	14,799,595	15,470,322
Operating profit	1,784,849	1,257,995
Non-operating revenues		
Interest income	2,786	2,454
Dividends income	958	655
Rent income	24,471	23,424
Equity in earnings of affiliates	30,110	33,917
Reversal of allowance for doubtful accounts	2,521	3,806
Other	9,785	14,802
Total non-operating income	70,634	79,061
Non-operating expenses		
Interest expenses	7,493	5,754
Early-withdrawal penalty	21,884	36,753
Exchange loss	5,346	2,285
Cost of lease revenue	10,861	10,789
Other	10,027	17,860
Total non-operating expenses	55,614	73,443
Recurring profit	1,799,869	1,263,613
Extraordinary income		
Surrender value of insurance	7,204	229
Gain on sales of investment securities	-	3,225
Compensation income	1,874	2,394
Gain on sales of noncurrent assets	2,102	1,082
Total extraordinary income	11,182	6,931
Extraordinary loss		
Loss on retirement of noncurrent assets	4,112	23,754
Loss on sales of noncurrent assets	-	3,037
Impairment loss	61,713	69,310
Total extraordinary losses	65,825	96,102
Income before income taxes and minority interests	1,745,225	1,174,442
Income taxes-current	792,072	502,098
Income taxes-deferred	5,150	-28,524
Total income taxes	797,222	473,573
Income before minority interests	948,003	700,868
Net income	948,003	700,868

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Income before minority interests	948,003	700,868
Other comprehensive income		
Valuation difference on available-for-sale securities	8,681	-1,461
Foreign currency translation adjustment	7,248	53,465
Share of other comprehensive income of associates accounted for using equity method	-9,240	24,170
Total other comprehensive income	6,689	76,175
Comprehensive income	954,693	777,044
(Breakdown)		
Comprehensive income attributable to parent company shareholders	954,693	777,044
Comprehensive income attributable to minority shareholders	-	-

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

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
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	1,583,816	1,583,816
Balance at the end of current period	1,583,816	1,583,816
Retained earnings		
Balance at the beginning of current period	5,716,939	6,434,626
Changes of items during the period		
Dividends from surplus	-230,316	-230,315
Net income	948,003	700,868
Total changes of items during the period	717,687	470,553
Balance at the end of current period	6,434,626	6,905,180
Treasury stock		
Balance at the beginning of current period	-84,093	-84,123
Changes of items during the period		
Purchase of treasury stock	-29	-
Total changes of items during the period	-29	-
Balance at the end of current period	-84,123	-84,123
Total shareholders' equity		
Balance at the beginning of current period	7,656,960	8,374,618
Changes of items during the period		
Dividends from surplus	-230,316	-230,315
Net income	948,003	700,868
Purchase of treasury stock	-29	-
Total changes of items during the period	717,657	470,553
Balance at the end of current period	8,374,618	8,845,171

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	3,515	12,196
Changes of items during the period		
Net changes of items other than shareholders' equity	8,681	-1,461
Total changes of items during the period	8,681	-1,461
Balance at the end of current period	12,196	10,735
Foreign currency translation adjustment		
Balance at the beginning of current period	35,421	33,430
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,991	77,636
Total changes of items during the period	-1,991	77,636
Balance at the end of current period	33,430	111,066
Total accumulated other comprehensive income total		
Balance at the beginning of current period	38,937	45,627
Changes of items during the period		
Net changes of items other than shareholders' equity	6,689	76,175
Total changes of items during the period	6,689	76,175
Balance at the end of current period	45,627	121,802
Total net assets		
Balance at the beginning of current period	7,695,898	8,420,245
Changes of items during the period		
Dividends from surplus	-230,316	-230,315
Net income	948,003	700,868
Purchase of treasury stock	-29	-
Net changes of items other than shareholders' equity	6,689	76,175
Total changes of items during the period	724,347	546,728
Balance at the end of current period	8,420,245	8,966,973



## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,745,225	1,174,442
Depreciation and amortization	255,675	281,150
Impairment loss	61,713	69,310
Increase (decrease) in allowance for doubtful accounts	2,160	-1,732
Increase (decrease) in provision for bonuses	-731	-510
Increase (decrease) in provision for retirement benefits	-127,309	-
Increase (decrease) in liabilities relating to retirement benefits	140,719	15,464
Increase (decrease) in provision for directors' retirement benefits	-18,740	3,441
Interest and dividends income	-3,744	-3,110
Interest expenses	7,493	5,754
Loss (gain) on sales of investment securities	-	-3,225
Loss on retirement of noncurrent assets	4,112	23,754
Decrease (increase) in accounts receivable-trade	1,554	270,102
Decrease (increase) in inventories	-258,385	-394,041
Increase (decrease) in notes and accounts payable-trade	636,995	-1,335,885
Increase (decrease) in accrued consumption taxes	95,934	-22,396
Other	-36,800	-43,085
Subtotal	2,505,873	39,432
Interest and dividends income received	3,661	3,109
Interest expenses paid	-7,345	-5,641
Income taxes paid	-783,315	-658,208
Income taxes refunded	89,800	-
Net cash provided by (used in) operating activities	1,808,674	-621,307
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-393,562	-507,583
Proceeds from sales of property, plant and equipment	3,039	10,440
Payments for asset retirement obligations	-1,188	-11,631
Payments for lease and guarantee deposits	-226,900	-180,181
Proceeds from collection of lease and guarantee deposits	90,571	115,458
Payments for sales of investment securities	-	-89,670
Proceeds from sales of investment securities	-	8,175
Other	-68,872	-32,927
Net cash provided by (used in) investing activities	-596,912	-687,918
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	-40,000	-
Proceeds from long-term loans payable	500,000	800,000
Repayment of long-term loans payable	-1,018,945	-849,213
Payments from purchase of treasury stock	-29	-
Cash dividends paid	-229,420	-229,899
Net cash provided by (used in) investing activities	-788,395	-279,112
Effect of exchange rate change on cash and cash equivalents	10,785	23,895
Net increase (decrease) in cash and cash equivalents	434,151	-1,564,443
Cash and cash equivalents at beginning of period	6,280,114	6,714,266
Cash and cash equivalents at end of period	6,714,266	5,149,822

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(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, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Net assets per share	621.51 yen	661.87 yen
Net income per share	69.97 yen	51.73 yen

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

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

	Previous consolidated fiscal year (from September 1, 2013 to August 31, 2014)	Current consolidated fiscal year (from September 1, 2014 to August 31, 2015)
Net income per share		
Net income	948,003	700,868
Amount that does not belong to common shareholders	-	-
Net income attributable to common stock	948,003	700,868
Average number of shares during the period	13,547,995	13,547,975

(Important subsequent events)

No items to report

5. Other

(1) Changes in Directors and Auditors

a. Change in Representative Director

No items to report

b. Changes in other Directors and Auditors

There is no information required to be disclosed, and it will be disclosed when they are determined.

(2) Sales

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	1,337,631	113.2	51	11	5
Tohoku area	1,227,543	101.7	44	6	-
Kanto area	11,806,050	100.6	251	34	14
Chubu area	5,763,443	99.7	152	17	10
Kinki area	9,171,932	101.7	191	12	17
Chugoku/Shikoku area	4,327,712	97.4	144	17	12
Kyushu area	3,815,779	104.3	125	16	5
100-Yen shop business Directly managed	37,450,093	101.2	958	113	63
100-Yen shop business Wholesale	7,012,834	107.0	109	23	15
100-Yen shop business Total	44,462,927	102.0	1,067	136	78