

# Summary of Financial Results for the Fiscal Year Ended August 31, 2017

## [Japan GAAP] (Consolidated)

October 12, 2017

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 Expected date of annual shareholders' meeting: November 28, 2017 Expected starting date of dividend payment: November 29, 2017  
 Expected date of filing of annual securities report: November 28, 2017  
 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 2017

(September 1, 2016 through August 31, 2017)

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

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Aug. 2017	47,494	2.9	1,209	0.3	1,272	6.6	839	16.8
Year ended Aug. 2016	46,176	3.9	1,205	-4.2	1,193	-5.6	718	2.5

(Note) Comprehensive income:

Fiscal year ended August 2017: 811 million yen (56.0%)

Fiscal year ended August 2016: 520 million yen (-33.1%)

	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. 2017	61.96	-	8.7	6.6	2.5
Year ended Aug. 2016	53.04	-	7.9	6.6	2.6

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

Fiscal year ended August 2017: 31 million yen

Fiscal year ended August 2016: -1 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. 2017	20,084	9,873	49.7	728.79
As of Aug. 2016	18,485	9,265	50.1	683.92

(Reference) Shareholders' equity:

As of August 2017: 9,974 million yen

As of August 2016: 9,265 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. 2017	1,157	-525	55	5,727
Year ended Aug. 2016	728	-702	-93	5,030

## 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. 2016	—	0.00	—	15.00	15.00	203	28.3	2.2
Year ended Aug. 2017	—	0.00	—	15.00	15.00	204	24.2	2.1
Year ending Aug. 2018 (forecast)	—	0.00	—	15.00	15.00		22.0	

## 3. Forecast of consolidated business results for the fiscal year ending August 2018

(September 1, 2017 through August 31, 2018)

(% 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. 2018	24,500	4.3	720	11.8	750	7.8	460	-6.0	33.95
Year ending Aug. 2018	49,600	4.4	1,450	19.9	1,520	19.5	925	10.2	68.28

### ※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 2017	13,958,800 shares
As of August 2016	13,958,800 shares

② Treasury stock at the end of period:

As of August 2017	410,874 shares
As of August 2016	410,874 shares

③ Average number of stock during period

Fiscal year ended August 2017	13,547,926 shares
Fiscal year ended August 2016	13,547,964 shares

(Note) The number of treasury stock at the end of period includes the Company's shares held by the share issuance trust for directors (FY8/17: 60,000 shares). In addition, the Company's shares owned by the share issuance trust for directors are included in treasury stock deducted for calculation of the average number of shares during period (FY8/17: 34,849 shares).

\* Financial summary is not subject to auditing procedures.

\* 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 “(4) future outlook” of “1. Results of operations” on page 2 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.

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## 1. Results of Operations

### (1) Overview of operating results for the current fiscal year

During the current fiscal year, the dollar/yen exchange rate started with yen appreciation to a rate of 101 yen in response to factors such as the negative interest rate policy in Japan and the United Kingdom's decision to withdraw from the EU in June 2016. However, the victory of Mr. Donald Trump in the US presidential election in November 2016 and the ensuing policy expectations resulted in the yen depreciating to the 118 yen level by the end of the year. Thereafter, the rate moved within a relatively narrow range around the 110 yen level. Meanwhile, crude oil prices also remained stable at low levels and, as a result, performances in corporate sector showed considerable recovery mainly in manufacturing industry. On the other hand, as for the household finances, although the number of people employed has continued to increase as the economy recovers, and consumer sentiment has been showing a mildly positive trend, the rate of growth in wages remains low, and so a full-scale recovery has not been achieved.

Given this environment, the Company, which operates the "Watts", "meets.", "silk" and other 100-Yen shops, has been working on restructuring its business model and making further improvements since the fiscal year ended August 2015. The Company has achieved 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 shop packages, operations and other things with use of the fostered know-how, for creating new brand value to meet diversifying customer needs.

One of the concrete measures that the Company is currently undertaking is to try to revitalize its sales floors. For example, the Company is implementing initiatives such as sales promotional campaign that each store displays and features specific items along with a theme for each month and engaging in the development of "WATT'S new" sales proposal corners that make it easy for customers to imagine and visualize realistic lifestyle scenes. Regarding the operation, the Company is also proceeding with the optimization of product lineups on the basis of sales data acquired by POS systems. The Company has also introduced a reordering support system, for the purpose of preventing the unnecessary opportunity losses in sales caused by stock out, to improve the accuracy of its targeting in this regard. As for the Watts brand shop that the Company started development in February 2015, the Company has established multiple shop models according to its sales scale. This initiative has made it possible to undertake active new shop openings and renovations, and the total number of "Watts" and "Watts with" 100-Yen shop increased by 142 to 257 shops at the end of the current fiscal year.

In the 100-Yen shop business in Japan, the Company opened 130 shops, exceeding the full-year plan of 97 shops, although there were many relatively small size shops. There were 71 shop closings (including 5 franchised shop), including certain unprofitable shops and unpredictable closing of shops where the Company's shops were located in. As a result, the total number of 100-Yen shops at the end of the current fiscal year was 1,087, which includes 1,045 directly managed shops (net increase of 64), and 42 franchised/other shops (net decrease of 5).

As for the number of the other shops at the end of the fiscal year ended August 2017, "Buona Vita," a life-style goods shop offering comfortable life, opened 5 directly-managed shops and closed 1 shop, and resulted in 25 shops (including 1 franchised shop). 'Value-100,' the fresh-foods supermarket collaboration, continues with 1 shop. In addition, "Søstrene Grene", a Denmark's life-style variety shop, opened Omotesando shop, DiverCity Tokyo Plaza shop and Marui Kichijoji shop, totaling 3 shops. The Company will make efforts to raise its brand recognition by dispatching products and shop

information using SNS and increasing media exposure.

Regarding the overseas operation, the Company operates “KOMONOYA”, a fixed-price shop mainly in Southeast Asia. At the end of the current fiscal year, “KOMONOYA” operates 31 shops in Thailand (net increase of 2), 5 shops in Malaysia (net decrease of 1), 14 shops in Vietnam (net increase of 4), and 7 shops in Peru (net increase of 2), and the total number of overseas shops was 57 (net increase of 7). In China, a fixed price shop “小物家园” (KOMONOKAEN) operates 9 shops (2 shops were opened through an agent contract). On the other hand, the Company is also steadily expanding wholesale sales to local retailers. The numbers of local shops with sales floors consisting of the Company’s products are increasing particularly in Myanmar, which has 18 shops, and Mongolia, which has 10 shops, with the result that the total number of shops, in addition to our group shops, exceeds 100 shops. The Company is also adding new products supply locations such as Mexico as a first step which has begun shipping from Peru, and Canada which has been able to forge relationships with leading local companies as a partner, and the Company will continue its efforts to further expand similar sales channels in this way.

As a result, for the end of the fiscal year ended August 2017, sales were 47,494 million yen (up 2.9% year on year, 98.9% to the plan), operating profit was 1,209 million yen (up 0.3% year on year, 88.3% to the plan), recurring profit was 1,272 million yen (up 6.6% year on year, 94.3% to the plan), and net income attributable to owners of parent was 839 million yen (up 16.8% year on year, 92.2% to the plan). (\*Year on year: comparison with the results for the previous fiscal year. Ratio to plan: ratio to the business forecasts for the fiscal year ended August 2017 which were announced in the Summary of Financial Results on October 12, 2016.)

100-Yen shop same-store sales have been steady compared with the previous fiscal year and the gross margin has improved. However, sales at the “Søstre Grene” which the Company started opening this fiscal year did not reach the planned target level, partly due to the fact that SG&A expenses were higher than expected, although the consolidated performance exceeded the previous year's results.

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

## (2) Overview of financial position for the current fiscal year

### (Assets)

As of the end of the current fiscal year ended August 2017, current assets stood at 15,276 million yen, an increase of 1,368 million yen compared with the end of the previous fiscal year. This is mainly because cash and deposits increased by 696 million yen, and merchandise and finished goods increased by 396 million yen.

Fixed assets stood at 4,807 million yen, an increase of 229 million yen compared with the end of the previous fiscal year. This is mainly because buildings and structures increased by 164 million yen and investment securities increased by 138 million yen. While guarantee deposits decreased by 51 million yen.

As a result, total assets stood at 20,084 million yen, an increase of 1,598 million yen compared with the end of the previous fiscal year.

### (Liabilities)

As of the end of the current fiscal year ended August 2017, current liabilities stood at 8,824 million yen, an increase of 682 million yen compared with the end of the previous fiscal year. This is mainly because notes and accounts payable-trade increased by 196 million yen, and accrued consumption taxes increased by 175 million yen, and income taxes payable increased by 163 million yen.

Fixed liabilities stood at 1,386 million yen, an increase of 308 million yen compared with the end of the previous fiscal year. This is mainly because long-term loans payable increased by 236 million yen.

As a result, total liabilities stood at 10,210 million yen, an increase of 990 million yen compared with the end of the previous fiscal year.

### (Net assets)

As of the end of the current fiscal year ended August 2017, net assets stood at 9,873 million yen, an increase of 607 million yen compared with the end of the previous fiscal year. This is mainly because retained earnings increased by 636 million yen. However, along with an increase in the total liabilities, shareholders' equity ratio slightly decreased at 49.7% (50.1% at the end of the previous fiscal year).

## (3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year ended August 2017 amounted to 5,727 million yen, an increase of 696 million yen compared with the previous fiscal year.

Details and breakdown of each cash flow in the current fiscal year are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities was 1,157 million yen (728 million yen was provided in the previous fiscal year). Cash was provided mainly by income before income taxes of 1,217 million yen, depreciation and amortization of 358 million yen, and increase in notes and accounts payable-trade of 191 million yen. Cash was used mainly for income taxes paid of 462 million yen and increase in inventory assets of 392 million yen.

### (Cash flows from investing activities)

Net cash used in investing activities was 525 million yen (702 million yen was used in the previous fiscal year). As for the breakdown, cash was used mainly for property, plant and equipment of 430 million yen for opening of new shops, payments for lease and guarantee deposits of 134 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 55 million yen (93 million yen was used in the previous fiscal year). As for the breakdown, there were proceeds from long-term loans payable of 1,071 million yen, repayment of long-term loans payable of 812 million yen, and dividend paid of 202 million yen.

(4) Future outlook

Despite the uncertainty caused by increased geopolitical risks in East Asia and other regions, further positive growth in GDP is still anticipated, and a recovery in the domestic economic environment led by internal demand factors including capital investment and personal consumption demand is expected.

Given this situation, the Group continues to make every effort to offer value-for-money products by investing accumulated earnings in product development, through low-cost opening and closing of shops and low-cost shop operations. Furthermore, to meet the diversified consumer needs, the Group will continue to aim for being the 100-Yen shop where customers can find a value of more than ¥100.

Furthermore, with the aim of building a new revenue source to complement the 100-Yen shop business, the Group is actively working on developing lines like “Buona Vita” and “Søstrene Grene”, to provide the new driving force for further growth in the future.

As for the overseas business that is expected to grow greatly in the future, the Company will strive to expand existing business and develop new markets, in order to further expand the sales share within the Group and to earn profits.

Based on the above, the Company expects the following consolidated operating results in the next fiscal year: sales of 49,600 million yen (up 4.4% year on year), operating profit of 1,450 million yen (up 19.9% year on year), recurring profit of 1,520 million yen (up 19.5% year on year) and net income attributable to owners of parent of 925 million yen (up 10.2% year on year).

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Equity ratio (%)	42.3	44.4	50.2	50.1	49.7
Market value equity ratio (%)	66.5	68.0	74.3	70.3	88.0
Interest-bearing debt to cash flows ratio (years)	0.6	0.7	-	1.7	1.3
Interest coverage ratio (times)	224.3	246.2	-	148.8	284.3

(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. Basic policy regarding selection of accounting standards

In order to secure comparability with domestic peer companies, the Company applies Japanese accounting standards.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (August 31, 2016)	Current fiscal year (August 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	5,030,891	5,727,607
Notes and accounts receivable-trade	2,163,014	2,201,021
Merchandise and finished goods	6,110,086	6,506,142
Raw materials and supplies	16,051	28,606
Deferred tax assets	233,518	303,936
Consumption taxes receivable	59,654	127,273
Other	315,747	404,956
Allowance for doubtful accounts	-20,761	-22,621
Total current assets	13,908,203	15,276,922
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,208,130	1,454,655
Accumulated depreciation and impairment loss	-689,032	-771,545
Buildings and structures, net	519,098	683,109
Vehicles	6,367	11,236
Accumulated depreciation and impairment loss	-3,261	-4,250
Vehicles, net	3,105	6,985
Tools, furniture and fixtures	2,969,309	3,087,382
Accumulated depreciation and impairment loss	-2,327,769	-2,496,759
Tools, furniture and fixtures, net	641,539	590,623
Land	257,800	257,800
Total property, plant and equipment	1,421,544	1,538,518
Intangible assets		
Other	61,785	78,543
Total intangible assets	61,785	78,543
Investments and other assets		
Investment securities	314,993	453,085
Deferred tax assets	122,882	119,561
Guarantee deposits	2,539,244	2,488,108
Other	120,999	131,260
Allowance for doubtful accounts	-3,662	-1,488
Total investments and other assets	3,094,458	3,190,527
Total noncurrent assets	4,577,788	4,807,588
Total assets	18,485,991	20,084,510

(Thousands of yen)

	Previous fiscal year (August 31, 2016)	Current fiscal year (August 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,129,109	6,325,286
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	626,351	648,434
Income taxes payable	185,424	349,322
Accrued consumption taxes	76,330	252,300
Provision for bonuses	158,113	168,421
Provision for directors' bonuses	—	11,475
Other	867,350	969,451
<b>Total current liabilities</b>	<b>8,142,679</b>	<b>8,824,690</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	534,903	771,503
Liabilities relating to retirement benefits	169,913	187,594
Provision for directors' retirement benefits	91,498	12,405
Provision for directors' stock-based benefits	—	16,206
Asset retirement obligations	83,800	114,621
Other	197,468	283,836
<b>Total noncurrent liabilities</b>	<b>1,077,583</b>	<b>1,386,168</b>
<b>Total liabilities</b>	<b>9,220,263</b>	<b>10,210,858</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	440,297	440,297
Capital surplus	1,583,816	1,637,636
Retained earnings	7,393,399	8,029,585
Treasury stock	-84,171	-137,991
<b>Total shareholders' equity</b>	<b>9,333,342</b>	<b>9,969,528</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,592	26,277
Foreign currency translation adjustment	-73,205	-21,377
<b>Total accumulated other comprehensive income</b>	<b>-67,613</b>	<b>4,900</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>-100,776</b>
<b>Total net assets</b>	<b>9,265,728</b>	<b>9,873,652</b>
<b>Total liabilities and net assets</b>	<b>18,485,991</b>	<b>20,084,510</b>

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

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Sales	46,176,057	47,494,208
Cost of sales	28,844,336	29,499,431
Gross profit	17,331,720	17,994,777
Selling, general and administrative expenses	16,126,194	16,785,430
Operating profit	1,205,526	1,209,346
Non-operating revenues		
Interest income	2,217	2,247
Dividends income	698	698
Rent income	22,084	21,915
Equity in earnings of affiliates	—	31,408
Foreign exchange gains	—	17,555
Reversal of allowance for doubtful accounts	23,876	—
Other	10,119	16,979
Total non-operating income	58,996	90,804
Non-operating expenses		
Interest expenses	4,966	5,537
Early-withdrawal penalty	11,726	9,126
Exchange loss	37,597	—
Cost of lease revenue	10,648	10,860
Equity in losses of affiliates	1,121	—
Other	5,306	2,130
Total non-operating expenses	71,365	27,655
Recurring profit	1,193,157	1,272,495
Extraordinary income		
Surrender value of insurance	—	27,514
Compensation income	50,461	—
Gain on sales of noncurrent assets	734	—
Total extraordinary income	51,195	27,514
Extraordinary loss		
Loss on retirement of noncurrent assets	10,076	9,952
Loss on sales of noncurrent assets	—	87
Impairment loss	73,156	68,785
Loss on liquidation of business	—	3,742
Total extraordinary losses	83,232	82,569
Income before income taxes and minority interests	1,161,120	1,217,441
Income taxes-current	441,583	549,020
Income taxes-deferred	10,001	-70,207
Total income taxes	451,585	478,812
Net income	709,535	738,628
Net loss attributable to non-controlling interests	-9,000	-100,776
Net income attributable to owners of parent	718,535	839,405

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Net income	709,535	738,628
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,143	20,685
Foreign currency translation adjustment	-130,141	22,950
Share of other comprehensive income of associates accounted for using equity method	-54,131	28,878
Total other comprehensive income	-189,416	72,514
Comprehensive income	520,118	811,142
(Breakdown)		
Comprehensive income attributable to owners of parent	529,118	911,919
Comprehensive income attributable to non-controlling interests	-9,000	-100,776

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

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
<b>Capital surplus</b>		
Balance at the beginning of current period	1,583,816	1,583,816
Sales of treasury stock		53,820
Total changes of items during the period		53,820
Balance at the end of current period	1,583,816	1,637,636
<b>Retained earnings</b>		
Balance at the beginning of current period	6,905,180	7,393,399
Changes of items during the period		
Dividends from surplus	-230,315	-203,218
Net income attributable to owners of parent	718,535	839,405
Total changes of items during the period	488,219	636,186
Balance at the end of current period	7,393,399	8,029,585
<b>Treasury stock</b>		
Balance at the beginning of current period	-84,123	-84,171
Changes of items during the period		
Purchase of treasury stock	-48	
Sales of treasury stock		12,240
Purchase of treasury stock by directors' stock-based benefits		-66,060
Total changes of items during the period	-48	-53,820
Balance at the end of current period	-84,171	-137,991
<b>Total shareholders' equity</b>		
Balance at the beginning of current period	8,845,171	9,333,342
Changes of items during the period		
Dividends from surplus	-230,315	-203,218
Net income attributable to owners of parent	718,535	839,405
Purchase of treasury stock	-48	
Sales of treasury stock		66,060
Purchase of treasury stock by directors' stock-based benefits		-66,060
Total changes of items during the period	488,170	636,186
Balance at the end of current period	9,333,342	9,969,528

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	10,735	5,592
Changes of items during the period		
Net changes of items other than shareholders' equity	-5,143	20,685
Total changes of items during the period	-5,143	20,685
Balance at the end of current period	5,592	26,277
Foreign currency translation adjustment		
Balance at the beginning of current period	111,066	-73,205
Changes of items during the period		
Net changes of items other than shareholders' equity	-184,272	51,828
Total changes of items during the period	-184,272	51,828
Balance at the end of current period	-73,205	-21,377
Total accumulated other comprehensive income total		
Balance at the beginning of current period	121,802	-67,613
Changes of items during the period		
Net changes of items other than shareholders' equity	-189,416	72,514
Total changes of items during the period	-189,416	72,514
Balance at the end of current period	-67,613	4,900
Total Non-controlling equity		
Net changes of items other than shareholders' equity		-100,776
Total changes of items during the period		-100,776
Balance at the end of current period		-100,776
Total net assets		
Balance at the beginning of current period	8,966,973	9,265,728
Changes of items during the period		
Dividends from surplus	-230,315	-203,218
Net income attributable to owners of parent	718,535	839,405
Purchase of treasury stock	-48	
Sales of treasury stock		66,060
Purchase of treasury stock by directors' stock-based benefits		-66,060
Net changes of items other than shareholders' equity	-189,416	-28,262
Total changes of items during the period	298,754	607,923
Balance at the end of current period	9,265,728	9,873,652

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,161,120	1,217,441
Depreciation and amortization	376,560	358,135
Impairment loss	73,156	68,785
Increase (decrease) in allowance for doubtful accounts	-28,027	-314
Increase (decrease) in provision for bonuses	18,964	10,308
Increase (decrease) in provision for directors' bonuses	—	11,475
Increase (decrease) in liabilities relating to retirement benefits	13,728	17,681
Increase (decrease) in provision for directors' retirement benefits	-14,694	-79,093
Increase (decrease) in provision for directors' stock-based benefits	—	16,206
Interest and dividends income	-2,915	-2,945
Interest expenses	4,966	5,537
Loss on retirement of noncurrent assets	10,076	9,952
Decrease (increase) in accounts receivable-trade	-127,563	-32,187
Decrease (increase) in inventories	-532,654	-392,789
Increase (decrease) in notes and accounts payable-trade	300,891	191,619
Increase (decrease) in accrued consumption taxes	-111,474	111,924
Other	-12,708	109,611
Subtotal	1,129,426	1,621,350
Interest and dividends income received	2,897	2,965
Interest expenses paid	-4,897	-4,070
Income taxes paid	-398,875	-462,812
Net cash provided by (used in) operating activities	728,550	1,157,431
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-672,974	-430,677
Proceeds from sales of property, plant and equipment	5,691	1,839
Payments for asset retirement obligations	-2,166	-4,415
Payments for lease and guarantee deposits	-268,111	-134,087
Proceeds from collection of lease and guarantee deposits	224,227	129,565
Purchase of investment securities	—	-48,745
Other	10,497	-39,426
Net cash provided by (used in) investing activities	-702,836	-525,947
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	845,000	1,071,000
Repayment of long-term loans payable	-717,807	-812,317
Proceeds from share issuance to non-controlling shareholders	9,000	—
Purchase of treasury stock	-48	—
Cash dividends paid	-229,853	-202,860
Net cash provided by (used in) investing activities	-93,708	55,822
Effect of exchange rate change on cash and cash equivalents	-50,936	9,408
Net increase (decrease) in cash and cash equivalents	-118,931	696,716
Cash and cash equivalents at beginning of period	5,149,822	5,030,891
Cash and cash equivalents at end of period	5,030,891	5,727,607

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(Additional information)

(Abolition of retirement benefit program for directors)

At the annual shareholders' meeting held on November 25, 2016, a resolution was approved to make final payments associated with the abolition of the retirement benefit program for directors. Due to the abolition of this program, the entire "provision for directors' retirement benefits" was reversed and the amount payable of 86,401 thousand yen for the final benefit payments are included as "long-term accounts payable" in "other" in noncurrent liabilities.

Some consolidated subsidiaries will continue to pay retirement benefits to directors. The amount that must be paid in accordance with internal rules, will be shown on the balance sheet as a "provision for directors' retirement benefits."

(Performance-linked stock compensation program)

The Company has established a performance-linked stock compensation program beginning with the second quarter of the fiscal year ended August 2017. This compensation program more clearly links the compensation of directors (excluding directors who are Audit and Supervisory Committee members and non-executive directors) with results of operations and the stock price. The aim is to enable eligible directors to benefit from an increase in the stock price as well as be exposed to the risk of a decline in the stock price. As a result, these directors will have the same potential benefits and risks involving stock price fluctuation as all the Company's shareholders. The objective is to increase the motivation of these directors to make a contribution to the medium to long-term growth in performance as well as in corporate value.

(1) Summary of the compensation program

The compensation program uses a trust to which the Company has made a monetary payment for the purchase of its stock. Eligible directors receive points based on standards determined by the stock distribution rules in accordance with the ability to reach certain financial indicators or other performance indicators. The trust will then distribute stock to these directors based on the number of points they have received so that stock compensation is linked to the Company's results of operations. As a rule, eligible directors will receive this stock compensation at the end of their terms as directors.

(2) Stock remaining in the trust

At the end of the fiscal year ended August 2017, the compensation trust held 60,000 shares of the Company's stock. The book value (excluding associated expenses) of this stock is 66,060 thousand yen and is included in "treasury stock" in net assets.

(3) Provision for directors' stock-based benefits

Provision for directors' stock-based benefits is recognized based on the estimated stock distribution liabilities as of the end of the fiscal year ended August 2017, in order to prepare for the distribution of the Company's stock to directors as stipulated in the stock distribution rules.

(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 fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Net assets per share	683.92 yen	728.79 yen
Net income per share	53.04 yen	61.96 yen

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

2. The Company's shares owned by the share issuance trust for directors are included in the treasury stock deducted in the calculation of the total number of shares outstanding at the end of period, which is the basis for calculating net assets per share. (FY8/16: 0, FY8/17: 60,000 shares).

3. The Company's shares owned by the share issuance trust for directors are included in the treasury stock deducted in the calculation of the average number of shares during period, which is the basis for calculating net income per share. (FY8/16: 0, FY8/17: 34,849 shares).

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

(Thousands of yen)

	Previous fiscal year (from September 1, 2015 to August 31, 2016)	Current fiscal year (from September 1, 2016 to August 31, 2017)
Net income attributable to owners of parent	718,535	839,405
Amount that does not belong to common shareholders	-	-
Net income attributable to owners of parent available to common shareholders	718,535	839,405
Average number of shares during the period	13,547,964 shares	13,547,926 shares

(Important subsequent events)

No items to report

#### 4. Other

##### 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, 2017	Newly opened	Closed
Hokkaido area	1,609,926	107.4	63	9	2
Tohoku area	1,475,521	104.9	52	5	3
Kanto area	12,471,840	103.4	269	33	18
Chubu area	6,243,914	103.3	162	16	13
Kinki area	9,564,177	102.7	211	26	11
Chugoku/Shikoku area	4,398,900	99.3	158	23	6
Kyushu area	4,060,245	102.8	130	18	13
100-Yen shop business Directly managed	39,824,526	102.9	1,045	130	66
Wholesale	7,669,681	102.7	137	20	11
Total	47,494,208	102.9	1,182	150	77