

Summary of Financial Results for the Fiscal Year Ended August 31, 2019 [Japan GAAP] (Consolidated)

October 10, 2019

Listed on the TSE

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

T E L: +81-6-4792-3280

Expected date of annual shareholders' meeting: November 26, 2019 Expected starting date of dividend payment: November 27, 2019

Expected date of filing of annual securities report: November 26, 2019

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 2019 (September 1, 2018 through August 31, 2019)

(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. 2019	51,399	3.9	716	-28.4	656	-36.8	70	-88.9
Year ended Aug. 2018	49,480	4.2	1,000	-17.2	1,037	-18.5	633	-24.5

(Note) Comprehensive income:

Fiscal year ended August 2019: -28 million yen (-%)

Fiscal year ended August 2018: 564 million yen (-30.4%)

	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. 2019	5.26	-	0.7	3.2	1.4
Year ended Aug. 2018	46.79	-	6.2	5.2	2.0

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

Fiscal year ended August 2019: 1 million yen

Fiscal year ended August 2018: 24 million yen

(Note) The Company has changed its reporting method from the current fiscal year, and the figures for the fiscal year ended August 2018 reflect this change. For more details, please refer to the term of “*Notes (5) Notes to consolidated financial statements (Changes in reporting method)” of 3. Consolidated Financial Statements on page 12.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 2019	21,557	9,867	47.1	757.62
As of Aug. 2018	19,945	10,234	52.2	769.05

(Reference) Shareholders' equity:

As of August 2019: 10,150 million yen

As of August 2018: 10,418 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. 2019	2,279	-832	-510	6,075
Year ended Aug. 2018	687	-615	-658	5,147

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. 2018	—	0.00	—	15.00	15.00	204	32.1	2.0
Year ended Aug. 2019	—	0.00	—	10.00	10.00	134	190.1	1.3
Year ending Aug. 2020 (forecast)	—	0.00	—	10.00	10.00		38.3	

3. Forecast of consolidated business results for the fiscal year ending August 2020

(September 1, 2019 through August 31, 2020) (% 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. 2020	25,500	-0.6	300	-18.2	310	-8.0	120	16.0	8.96
Year ending Aug. 2020	51,860	0.9	770	7.4	790	20.4	350	395.9	26.12

※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 2019 13,958,800 shares

As of August 2018 13,958,800 shares

② Treasury stock at the end of period:

As of August 2019 560,874 shares

As of August 2018 410,874 shares

③ Average number of stock during period

Fiscal year ended August 2019 13,419,246 shares

Fiscal year ended August 2018 13,547,926 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 (FY8/19: 60,000 shares, FY8/18: 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 (FY8/19: 60,000 shares, FY8/18: 60,000 shares).

* **Financial summary is not subject to the auditing procedures by certified public accountants or auditing firms**

* **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 4 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.

1. Results of Operations	• • • •	2
(1) Overview of operating results for the current fiscal year	• • • •	2
(2) Overview of financial position for the current fiscal year	• • • •	3
(3) Overview of cash flows for the current fiscal year	• • • •	3
(4) Future outlook	• • • •	4
2. Basic policy regarding selection of accounting standards	• • • •	4
3. Consolidated Financial Statements	• • • •	5
(1) Consolidated Balance Sheets	• • • •	5
(2) Consolidated Statements of Income and Statements of Comprehensive Income	• • • •	7
(Consolidated Statements of Income)	• • • •	7
(Consolidated Statements of Comprehensive Income)	• • • •	8
(3) Consolidated Statements of Changes in Net Assets	• • • •	9
(4) Consolidated Statements of Cash Flows	• • • •	11
(5) Notes to consolidated financial statements	• • • •	12
(Notes on going concern assumption)	• • • •	12
(Notes if there is a significant change in the amount of shareholders' equity)	• • • •	12
(Changes in reporting method)	• • • •	12
(Segment information)	• • • •	12
(Per share information)	• • • •	13
(Important subsequent events)	• • • •	13
4. Other	• • • •	14
Sales	• • • •	14

1 Results of Operations

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

During the current fiscal year, Japan's economy remained strong as consumer sentiment remained favorable due to the rise in wages reflecting the tight employment situation. But the corporate sector remains under pressure as overseas demand is weak and domestic demand is clouding because there seems to be no end to the U. S. – China trade friction, uncertainties about BREXIT and the appearance of new sources of conflicts in Hongkong and South Korea. As a result, corporate performances remain uncertain.

Given this environment, in addition to the 100-Yen shop business in Japan, the Company, which operates the “Watts”, “Watts with”, “meets.”, “silk”, etc., has been working on diversifying its revenue sources by undertaking other domestic businesses, centering on the sale of life-style goods and discount goods as well as overseas business.

As for the domestic 100-Yen shop business, the Company has been working to assign dedicated staffs to each type of shop, introduce products with prices higher than 100 yen (from 200 yen to 1,000 yen), make reordering based on POS data, and introduce cashless payment system. In addition, the Company is working to create synergies among Group businesses, including the development of the “Watts Kadoma Minami Shop”, which combines 100-Yen shops and the discount shop “Real”, and the “Watts Kagoshima Chuo Ekimae Aeon Shop”, which offers a product section of the Northern European life-style goods shop Søstre Grene.

As for the new shop openings, the Company opened 111 shops (including 1 franchised shop) against the full-year plan of 115 shops, although there were many relatively small sized shops.

There were 80 shop closings (including 5 franchised shops), 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 1,192, which includes 1,164 directly managed shops (net increase of 35), and 28 franchised/other shops (net decrease of 4).

Of these, the number of “Watts” and “Watts with”, the Watts brand shops, increased to 520 (net increase of 101), accounting for about 40% of the total.

As for the number of the domestic other shops at the end of the fiscal year, “Buona Vita,” a life-style goods shop offering comfortable life, was 20 shops (net decrease of 1).

Buona Vita has been working to develop the existing shops, such as introducing new gift items. “Søstre Grene”, a Denmark's life-style variety shop, was 5 shops (increased by 1). Its same-store sales have not yet reach the target, the Company will continue to strengthen promotions using SNS and product lineups to create repeat customers. “Value-100,” the fresh-foods supermarket collaboration, continues with 1 shop (unchanged). “Real”, a discount shop, was 6 shops (increased by 2).

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 49 shops in Thailand (net increase of 12), 8 shops in Malaysia (net decrease of 1), 9 shops in Vietnam (net decrease of 2), and 20 shops in Peru (net increase of 7). In China, a fixed price shop “小物家园”(KOMONOKAEN) was 2 shops (unchanged). The total number of own-brand shops “KOMONOYA” and “小物家园”(KOMONOKAEN) was 88 (increased by 16).

The numbers of local shops with sales floors consisting of the Company's products are gradually increasing and expanding particularly in Mexico and Brazil. The total number of shops, in addition to our group shops, exceeds 130 shops. In the previous fiscal year, the local Malaysian subsidiary was spun off, thus transforming it from a directly managed to a franchise. This resulted in a decline in overseas sales. But product supply is increasing steadily, and the Company is also accelerating initiatives to expand sales channels.

As a result, for the fiscal year ended August 2019, sales were 51,399 million yen (up 3.9% YoY, 98.8% to the plan). Operating profit was 716 million yen (down 28.4% YoY, 77.9% to the plan) and recurring profit was 656 million yen (down 36.8% YoY, 74.6% to the plan), due to lower same-store sales in the 100-Yen shop business (99.7% to the previous year result), as well as higher labor costs reflecting higher minimum wages and increase in rent-to-sales ratio due to intensified competition in shop openings. Net income attributable to owners of parent was 70 million yen (down 88.9% YoY, 26.1% to the plan) mainly due to the recording of impairment losses on “Søstre Grene” store facilities in the second quarter. (*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 2019)

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 2019, net assets stood at 16,099 million yen, an increase of 1,494 million yen compared with the end of the previous fiscal year. This was mainly due to increases of 928 million yen in cash and deposits, 272 million yen in notes and accounts receivable, 269 million yen in merchandise and finished goods.

Fixed assets stood at 5,458 million yen, an increase of 117 million yen compared with the end of the previous fiscal year. This was mainly due to increases of 55 million yen in software in progress included in "Other" item in intangible assets and 50 million yen in long-term loans receivable included in "Other" item in investments and other assets.

As a result, total assets stood at 21,557 million yen, an increase of 1,612 million yen compared with the end of the previous fiscal year.

(Liabilities)

As of the end of the current fiscal year ended August 2019, current liabilities stood at 10,375 million yen, an increase of 1,960 million yen compared with the end of the previous fiscal year. This was mainly due to increases of 1,044 million yen in electronically recorded obligations, 699 million yen in notes and accounts payable-trade, and 115 million yen in income taxes payable.

Fixed liabilities stood at 1,315 million yen, increased by 19 million yen. This was mainly due to an increase of 40 million yen in long-term loans payable, and a decrease of 14 million yen in provision for directors' retirement benefits.

As a result, total liabilities stood at 11,690 million yen, increased by 1,979 million yen from the end of the previous fiscal year.

(Net assets)

As of the end of the current fiscal year ended August 2019, net assets stood at 9,867 million yen, a decrease of 367 million yen compared with the end of the previous fiscal year. This was due to a decrease of 133 million yen in retained earnings, and purchase of treasury stock of 135 million yen. As a result, shareholders' equity ratio stood at 47.1% (52.2% 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 2019 amounted to 6,075 million yen, an increase of 928 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 2,279 million yen (687 million yen was provided in the previous fiscal year). Cash was provided mainly by an increase in trade payables of 1,779 million yen due to the fact that the last day of the current fiscal year was a holiday of financial institutions, depreciation and amortization of 437 million yen, income before income taxes of 378 million yen, and impairment loss of 197 million yen. Cash was used mainly for increase in accounts receivable-trade of 281 million yen and income taxes paid of 273 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 832 million yen (615 million yen was used in the previous fiscal year). As for the breakdown, there were payments for property, plant and equipment of 561 million yen for opening of new shops, payments for lease and guarantee deposits of 220 million yen, etc.

(Cash flows from financing activities)

Net cash used for financing activities was 510 million yen (658 million yen was used in the previous fiscal year). As for the breakdown, there was repayment of long-term loans payable of 664 million yen.

(4) Future outlook

While consumer sentiment is likely to suffer a temporary slowdown due the consumption tax hike in October, upcoming Tokyo Olympic Games related demand is expected to grow. On the other hand, corporate profits are likely to be influenced by uncertainties in Japan and overseas. Affected by these factors, the GDP is likely to advance steadily amid repeated up and downs.

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”, “Søstrene Grene”, and “Real” 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 51,860 million yen (up 0.9% year on year), operating profit of 770 million yen (up 7.4% year on year), recurring profit of 790 million yen (up 20.4% year on year) and net income attributable to owners of parent of 350 million yen (up 395.9% year on year).

(Reference) Cash flow indicators

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Equity ratio (%)	50.2	50.1	49.7	52.2	47.1
Market value equity ratio (%)	74.3	70.3	88.0	64.5	38.3
Interest-bearing debt to cash flows ratio (years)	—	1.7	1.3	1.7	0.4
Interest coverage ratio (times)	—	148.8	284.3	157.9	522.6

(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, 2018)	Current fiscal year (August 31, 2019)
Assets		
Current assets		
Cash and deposits	5,147,120	6,075,315
Notes and accounts receivable-trade	2,262,537	2,535,234
Merchandise and finished goods	6,811,518	7,081,181
Raw materials and supplies	8,087	7,571
Consumption taxes receivable	42,588	98,166
Other	374,125	359,194
Allowance for doubtful accounts	-40,991	-57,258
Total current assets	14,604,987	16,099,405
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,658,569	1,846,084
Accumulated depreciation and impairment loss	-887,262	-1,066,489
Buildings and structures, net	771,306	779,594
Vehicles	18,856	23,480
Accumulated depreciation and impairment loss	-12,969	-15,053
Vehicles, net	5,886	8,427
Tools, furniture and fixtures	3,369,569	3,566,030
Accumulated depreciation and impairment loss	-2,665,399	-2,873,042
Tools, furniture and fixtures, net	704,169	692,988
Land	257,800	257,800
Leased assets	27,623	27,623
Accumulated depreciation and impairment loss	-7,432	-14,058
Leased assets, net	20,191	13,564
Construction in progress	-	28,319
Total property, plant and equipment	1,759,354	1,780,694
Intangible assets		
Other	69,547	147,681
Total intangible assets	69,547	147,681
Investments and other assets		
Investment securities	472,690	462,938
Deferred tax assets	420,341	373,215
Guarantee deposits	2,481,628	2,498,717
Other	140,832	202,091
Allowance for doubtful accounts	-3,827	-6,946
Total investments and other assets	3,511,665	3,530,016
Total noncurrent assets	5,340,566	5,458,392
Total assets	19,945,554	21,557,797

(Thousands of yen)

	Previous fiscal year (August 31, 2018)	Current fiscal year (August 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,997,054	4,696,346
Electronically recorded obligations	2,544,768	3,589,730
Short-term loans payable	100,000	-
Current portion of long-term loans payable	539,349	434,366
Income taxes payable	129,943	245,379
Accrued consumption taxes	66,137	110,152
Provision for loss on business liquidation	-	32,163
Provision for bonuses	177,783	187,223
Other	860,065	1,080,003
Total current liabilities	8,415,102	10,375,364
Noncurrent liabilities		
Long-term loans payable	532,182	572,851
Liabilities relating to retirement benefits	264,848	276,781
Provision for directors' retirement benefits	38,785	24,735
Provision for directors' stock-based benefits	24,464	32,721
Asset retirement obligations	134,835	152,399
Other	300,888	255,893
Total noncurrent liabilities	1,296,004	1,315,382
Total liabilities	9,711,107	11,690,746
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,637,636	1,637,636
Retained earnings	8,459,425	8,325,881
Treasury stock	-137,991	-273,120
Total shareholders' equity	10,399,368	10,130,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,482	5,411
Foreign currency translation adjustment	-883	14,443
Total accumulated other comprehensive income	19,598	19,855
Non-controlling interests	-184,519	-283,500
Total net assets	10,234,447	9,867,050
Total liabilities and net assets	19,945,554	21,557,797

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

(Thousands of yen)

	Previous fiscal year (from September 1, 2017 to August 31, 2018)	Current fiscal year (from September 1, 2018 to August 31, 2019)
Sales	49,480,679	51,399,073
Cost of sales	30,676,333	32,061,822
Gross profit	18,804,346	19,337,251
Selling, general and administrative expenses	17,803,441	18,620,307
Operating profit	1,000,904	716,943
Non-operating revenues		
Interest income	4,101	10,021
Dividends income	863	996
Equity in earnings of affiliates	24,908	1,760
Foreign exchange gains	16,243	-
Royalty income	6,002	5,392
Compensation income	5,125	7,308
Other	21,914	6,796
Total non-operating income	79,158	32,275
Non-operating expenses		
Interest expenses	6,367	6,415
Early-withdrawal penalty	26,040	49,277
Exchange loss	-	34,949
Other	10,383	2,527
Total non-operating expenses	42,791	93,169
Recurring profit	1,037,272	656,050
Extraordinary income		
Gain on sales of noncurrent assets	1,053	-
Gain on liquidation of subsidiaries	15,623	-
Total extraordinary income	16,676	-
Extraordinary loss		
Loss on retirement of noncurrent assets	7,558	20,678
Impairment loss	73,536	197,643
Loss on sales of shares of subsidiaries	52,610	-
Loss on liquidation of business	-	59,368
Total extraordinary losses	133,706	277,690
Income before income taxes and minority interests	920,242	378,359
Income taxes-current	358,655	386,050
Income taxes-deferred	11,371	20,715
Total income taxes	370,027	406,765
Net income (loss)	550,215	-28,405
Net income (loss) attributable to non-controlling interests	-83,743	-98,980
Net income attributable to owners of parent	633,958	70,574

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2017 to August 31, 2018)	Current fiscal year (from September 1, 2018 to August 31, 2019)
Net income (loss)	550,215	-28,405
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,794	-15,070
Foreign currency translation adjustment	17,851	-3,048
Share of other comprehensive income of associates accounted for using equity method	2,641	18,375
Total other comprehensive income	14,698	256
Comprehensive income	564,914	-28,149
(Breakdown)		
Comprehensive income attributable to owners of parent	648,657	70,830
Comprehensive income attributable to non-controlling interests	-83,743	-98,980

Consolidated Statements of Changes in Net Assets

Previous fiscal year (from September 1, 2017 to August 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	440,297	1,637,636	8,029,585	-137,991	9,969,528
Changes of items during the period					
Dividends from surplus			-204,118		-204,118
Net income attributable to owners of parent			633,958		633,958
Net change in items other than shareholders' equity					
Total changes of items during the period	-	-	429,839	-	429,839
Balance at the end of current period	440,297	1,637,636	8,459,425	-137,991	10,399,368

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	26,277	-21,377	4,900	-100,776	9,873,652
Changes of items during the period					
Dividends from surplus					-204,118
Net income attributable to owners of parent					633,958
Net change in items other than shareholders' equity	-5,794	20,493	14,698	-83,743	-69,044
Total changes of items during the period	-5,794	20,493	14,698	-83,743	360,795
Balance at the end of current period	20,482	-883	19,598	-184,519	10,234,447

Current fiscal year (from September 1, 2018 to August 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	440,297	1,637,636	8,459,425	-137,991	10,399,368
Changes of items during the period					
Dividends from surplus			-204,118		-204,118
Net income attributable to owners of parent			70,574		70,574
Acquisition of treasury stock				-135,128	-135,128
Net change in items other than shareholders' equity					
Total changes of items during the period	-	-	-133,544	-135,128	-268,673
Balance at the end of current period	440,297	1,637,636	8,325,881	-273,120	10,130,694

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	20,482	-883	19,598	-184,519	10,234,447
Changes of items during the period					
Dividends from surplus					-204,118
Net income attributable to owners of parent					70,574
Acquisition of treasury stock					-135,128
Net change in items other than shareholders' equity	-15,070	15,327	256	-98,980	-98,723
Total changes of items during the period	-15,070	15,327	256	-98,980	-367,396
Balance at the end of current period	5,411	14,443	19,855	-283,500	9,867,050

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (from September 1, 2017 to August 31, 2018)	Current fiscal year (from September 1, 2018 to August 31, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	920,242	378,359
Depreciation and amortization	383,729	437,019
Impairment loss	73,536	197,643
Amortization of goodwill	3,946	4,767
Increase (decrease) in allowance for doubtful accounts	20,845	20,821
Increase (decrease) in provision for bonuses	4,082	9,439
Increase (decrease) in provision for directors' bonuses	-11,475	-
Increase (decrease) in liabilities relating to retirement benefits	21,664	11,932
Increase (decrease) in provision for directors' retirement benefits	2,700	-14,050
Increase (decrease) in provision for directors' stock-based benefits	8,257	8,257
Increase (decrease) in provision for loss on business liquidation	-	32,163
Interest and dividends income	-4,964	-11,017
Interest expenses	6,367	6,415
Loss on retirement of noncurrent assets	7,558	20,678
Loss (gain) on sales of shares of subsidiaries	52,610	-
Loss (gain) on liquidation of subsidiaries	-15,623	-
Decrease (increase) in accounts receivable-trade	-53,295	-281,144
Decrease (increase) in inventories	-57,732	-264,452
Increase (decrease) in notes and accounts payable-trade	71,395	1,779,582
Increase (decrease) in accrued consumption taxes	-110,735	-12,587
Other	-132,930	223,184
Subtotal	1,190,181	2,547,012
Interest and dividends income received	4,833	10,603
Interest expenses paid	-4,355	-4,363
Income taxes paid	-568,959	-273,256
Income taxes refund	65,913	-
Net cash provided by (used in) operating activities	687,612	2,279,996
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-657,068	-561,785
Proceeds from sales of property, plant and equipment	1,569	-
Purchase of intangible assets	-14,656	-76,887
Payments for asset retirement obligations	-2,055	-24,619
Payments for lease and guarantee deposits	-146,305	-220,245
Proceeds from collection of lease and guarantee deposits	117,117	115,929
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	143,623	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-27,640	-
Other	-29,750	-64,479
Net cash provided by (used in) investing activities	-615,164	-832,088
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-29,260	-100,000
Proceeds from long-term loans payable	400,000	600,000
Repayment of long-term loans payable	-822,046	-664,314
Repayment of lease obligations	-3,989	-7,274
Purchase of treasury shares	-	-135,128
Cash dividends paid	-203,505	-204,095
Net cash provided by (used in) financing activities	-658,800	-510,812
Effect of exchange rate change on cash and cash equivalents	5,866	-8,900
Net cash provided by (used in) investing activities	-580,486	928,194
Cash and cash equivalents at beginning of period	5,727,607	5,147,120
Cash and cash equivalents at end of period	5,147,120	6,075,315

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

None

(Notes if there is a significant change in the amount of shareholders' equity)

The Company acquired 150,000 shares of its treasury stock pursuant to the resolution of the Board of Directors meeting on October 11, 2018. With this, treasury stock was increased by 135,128 thousand yen during the current fiscal year. As a result, treasury stock at the end of the current fiscal year was 273,120 thousand yen.

(Changes in reporting method)

(Application of "Partial Revision of Accounting Standard for Tax Effect Accounting")

From the beginning of the current fiscal year, the Company has applied the "Partial Revision of Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), and deferred tax assets are presented under "Investments and other assets."

As a result, 268,537 thousand yen of "Deferred tax assets" in "Current assets" was included in 420,341 thousand yen of "Deferred tax assets" in "Investments and other assets" in the consolidated balance sheets for the previous fiscal year.

(Consolidated Statements of Income)

1. Previously, real estate leasing transactions were recorded in "Rental income" and "Cost of rental income" under non-operating income and non-operating expenses. However, from the current fiscal year, "Rental income" is now presented as "Sales" and "Cost of rental income" is presented as "Cost of sales".

The Company regards leasing to tenants as one of its businesses, and recognizes that rental income is a stable source of revenue. Based on this recognition, the Company has changed its reporting method in order to more appropriately present the actual state of its business operations.

As a result, in the consolidated statements of income for the current fiscal year, the amount of 35,780 thousand yen, which was presented as "Rent Received" in non-operating income, was reclassified as "Sales", and the amount of 10,800 thousand yen, which was presented as "Cost of Rental Income" in non-operating expenses, was reclassified as "Cost of sales."

2. In the previous fiscal year, "Royalty income" and "Compensation income", which were included in "Other" under "Non-operating revenue," are restated as independent accounts as their total exceeded 10% of non-operating revenue.

As a result, 33,042 thousand yen presented in "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year has been reclassified as "Royalty income" of 6,002 thousand yen, "Compensation income" of 5,125 thousand yen, and "Other" of 21,914 thousand yen.

(Consolidated Statements of Cash Flows)

Payments for acquisition of intangible assets, which were included in "Other" in "Cash flows from investing activities" in the previous consolidated fiscal year, have become more important in terms of monetary value, and therefore, are restated as independent accounts from the current consolidated fiscal year. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "Other" under the "Cash flows from investing activities" of 44,406 thousand yen is restated as payment for the "Purchase of intangible assets" of 14,656 thousand yen and "Other" of 29,750 thousand yen.

(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, 2017 to August 31, 2018)	Current fiscal year (from September 1, 2018 to August 31, 2019)
Net assets per share	769.05 yen	757.62 yen
Net income per share	46.79 yen	5.26 yen

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

2. The number of treasury stock at the end of period includes the Company's shares held by the share issuance trust for directors (FY8/18: 60,000 shares, FY8/19: 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. (FY8/18: 60,000, FY8/19: 60,000 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, 2017 to August 31, 2018)	Current fiscal year (from September 1, 2018 to August 31, 2019)
Net income attributable to owners of parent	633,958	70,574
Amount that does not belong to common shareholders	—	—
Net income attributable to owners of parent available to common shareholders	633,958	70,574
Average number of shares during the period	13,547,926 shares	13,419,246 shares

(Important subsequent events)

None

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, 2019	Newly opened	Closed
Hokkaido area	1,979,879	109.5	73	4	4
Tohoku area	1,853,824	111.2	71	12	3
Kanto area	12,555,052	100.0	283	23	22
Chubu area	6,698,783	104.6	191	23	8
Kinki area	10,400,623	103.9	223	22	21
Chugoku/Shikoku area	4,598,629	99.5	173	12	12
Kyushu area	4,442,251	106.3	150	14	5
100-Yen shop business Directly managed	42,529,043	103.1	1,164	110	75
Wholesale	8,870,030	107.7	148	29	15
Total	51,399,073	103.9	1,312	139	90