

Consolidated Financial Results for the Fiscal Year Ended August 31, 2012 <under Japanese GAAP>

Company name: **Watts Co., Ltd.**
 Listing: JASDAQ, Osaka Securities Exchange
 Securities code: 2735
 URL: <http://www.watts-jp.com/>
 Representative: Fumio Hiraoka, President and CEO
 Inquiries: Hiroshi Fukumitsu, Board member and General Manager of Administration Department
 TEL: +81-6-4792-3280 (from overseas)

Scheduled date of Ordinary General Meeting of Shareholders: November 27, 2012
 Scheduled date to commence dividend payments: November 28, 2012
 Scheduled date to submit Annual Securities Report: November 27, 2012
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended August 31, 2012 (from September 1, 2011 to August 31, 2012)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2012	40,759	6.7	2,056	13.1	2,055	3.5	1,177	15.6
August 31, 2011	38,188	10.3	1,817	37.1	1,985	28.7	1,018	40.1

(Note) Comprehensive income:

Fiscal year ended August 31, 2012: 1,167 million yen [15.0%]
 Fiscal year ended August 31, 2011: 1,015 million yen [41.2%]

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
August 31, 2012	186.62	186.27	22.2	14.5	5.0
August 31, 2011	163.68	161.65	23.4	15.6	4.8

(Reference) Equity in earnings (losses) of affiliates:

Fiscal year ended August 31, 2012: 10 million yen
 Fiscal year ended August 31, 2011: (10) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2012	14,805	5,816	39.3	919.47
August 31, 2011	13,476	4,791	35.5	762.77

(Reference) Equity:

As of August 31, 2012: 5,816 million yen
 As of August 31, 2011: 4,788 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
August 31, 2012	1,927	(542)	(335)	4,086
August 31, 2011	1,514	(560)	50	3,039

2. Cash dividends

	Annual dividends					Total amount of cash dividends (Total)	Payout ratio (Consolidated)	Ratio of cash dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended August 31, 2011	–	0.00	–	25.00	25.00	156	15.3	3.6
Fiscal year ended August 31, 2012	–	0.00	–	30.00	30.00	189	16.1	3.6
Fiscal year ending August 31, 2013 (Forecasts)	–	0.00	–	30.00	30.00		14.7	

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2013 (from September 1, 2012 to August 31, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2013	20,700	2.1	1,100	3.9	1,070	0.7	610	1.3	96.70
Fiscal year ending August 31, 2013	42,200	3.5	2,300	11.9	2,250	9.5	1,290	9.6	204.50

* Notes

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

Newly consolidated: 1 company (Name: Nigbo CMK Household Goods Co., Ltd.)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- Changes in accounting policies due to revisions to accounting standards and other regulations: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement of prior period financial statements after error corrections: None

(3) Number of shares issued (common stock)

- Total number of shares issued at the end of the period (including treasury stock)

As of August 31, 2012	6,979,400 shares
As of August 31, 2011	6,979,400 shares

- Number of treasury shares at the end of the period

As of August 31, 2012	653,397 shares
As of August 31, 2011	701,151 shares

- Average number of shares during the period

Fiscal year ended August 31, 2012	6,308,130 shares
Fiscal year ended August 31, 2011	6,222,109 shares

* Indication regarding execution of audit procedures

The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for consolidated financial statements are in progress.

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual business and other results may differ substantially due to various factors. Please refer to the section of “(1) Analysis of operating results” of “1. Results of Operations” on page 4 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

1. Results of Operations

(1) Analysis of operating results

a. Operating results

In the fiscal year under review, the Japanese economy showed signs of mild recovery following the difficult period after the Great East Japan Earthquake. Even so, the future outlook of the economy remained unclear, primarily due to economic unrest from the debt problem in Europe, the prolonged strength of the yen, and concerns about an increase in consumption tax. Since there were only slight improvements in circumstances for employment and income, the retail industry continued to face a deep-rooted reluctance to buy and a preference for lower priced items among consumers.

In this environment, Watts developed and sold best value-for-money products that are sold in larger quantities, mostly practical-use household items, under its private brand “WATTS SELECT,” and continued to carry out low-cost opening and closing of shops and low-cost shop operations. Through these activities, Watts continued its efforts to boost customer satisfaction while at the same time securing shop revenues.

In the fiscal year under review, as a result of shop opening and closing based on Watts’ policy of placing importance on shop profitability, 120 directly managed 100-Yen shops were opened and 39 shops were closed, with an end result of 765 shops, while the franchise/other 100-Yen shops had no shop openings and 65 shops were closed, with an end result of 57 shops.

In the other shops category, Buona Vita, which sells nature-based lifestyle goods, opened four shops and closed four shops, with an end result of 13 shops. Value 100, the fresh-foods supermarket collaboration, continues with one shop. Komonoya, a fixed-price shop in Bangkok, Thailand, opened two shops, with an end result of eight shops. The standing bar Horoyoi-tou closed one shop with an end result of two shops.

Comparing results against the previous fiscal year, net sales from existing directly managed 100-Yen shops rose 2.7% for the first half and decreased 1.6% for the second half, resulting in a rise of 0.5% for the full year. As a result, net sales for the fiscal year under review was 40,759 million yen (up 6.7% year on year).

The gross profit to sales ratio was 38.3% (up 0.3% year on year). Factors contributing to this result were rises in the ratios of net sales from directly managed shops and non-food general item sales. The selling, general and administrative expenses to sales ratio was 33.2% (down 0.1% year on year) and the operating income to sales ratio was 5.0% (up 0.2% year on year). Operating income was 2,056 million yen (up 13.1% year on year), ordinary income was 2,055 million yen (up 3.5% year on year) and net income was 1,177 million yen (up 15.6% year on year).

b. Forecast for the next fiscal year

In the next fiscal year, the Japanese economy is not expected to make any significant improvement and the frugal mindset that consumers currently hold towards spending is unlikely to change. Under these circumstances, the Group will use profit accumulated by low-cost opening and closing of shops and low-cost shop operations to invest in the development of better value-for-money products and fulfill Watts’ mission of providing products worth more than their 100-yen price tag. In the next fiscal year and beyond, Watts will make full-scale business expansion efforts in overseas markets that are expected to grow significantly.

Based on the above, Watts expects the following consolidated operating results in the next fiscal year: net sales of 42,200 million yen (up 3.5% year on year), operating income of 2,300 million yen (up 11.9% year on year), ordinary income of 2,250 million yen (up 9.5% year on year) and net income of 1,290 million yen (up 9.6% year on year).

(2) Analysis of financial position**a. Assets, liabilities and net assets**

As of the end of the fiscal year under review, total assets stood at 14,805 million yen, an increase of 1,329 million yen compared with the end of the previous fiscal year. This is mainly due to increases of 1,047 million yen in cash and deposits and 269 million yen in inventories.

Total liabilities stood at 8,988 million yen, an increase of 304 million yen compared with the end of the previous fiscal year. This is mainly due to increases of 208 million yen in notes and accounts payable-trade, 163 million yen in accrued consumption taxes and 125 million yen in income taxes payable, which offset a decrease of 141 million yen in long-term loans payable. Interest-bearing debt decreased 192 million yen to 2,509 million yen.

Net assets stood at 5,816 million yen, an increase of 1,024 million yen compared with the end of the previous fiscal year. This is mainly due to an increase of 1,017 million yen in retained earnings.

b. Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review amounted to 4,086 million yen, an increase of 1,047 million yen compared with the end of the previous fiscal year. This was due to an increase in cash flows from operating activities offsetting decreases in cash flows from investing activities and financing activities.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,927 million yen (1,514 million yen was provided in the previous fiscal year). Cash was provided mainly by income before income taxes and minority interests of 2,059 million yen and depreciation and amortization of 278 million yen, while cash was used mainly for income taxes paid of 833 million yen and an increase in inventories of 207 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 542 million yen (560 million yen was used in the previous fiscal year). The main factors for this were purchase of property, plant and equipment of 256 million yen for opening new shops, payments for transfer of business of 193 million yen, payments for lease and guarantee deposits of 191 million yen, and proceeds from collection of lease and guarantee deposits of 109 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 335 million yen (50 million yen was provided in the previous fiscal year). The main factors for this were repayment of long-term loans payable of 1,592 million yen and proceeds from long-term loans payable of 1,400 million yen.

Cash flow indicators of the Group are as follows.

	Fiscal year ended August 31, 2008	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Equity ratio (%)	24.3	28.8	32.6	35.5	39.3
Market value equity ratio (%)	19.3	22.8	26.2	37.7	42.8
Interest-bearing debt to cash flows ratio (years)	11.5	6.8	1.6	1.8	1.3
Interest coverage ratio (times)	6.0	9.0	41.1	53.9	101.5

(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 sheets.

4. For interest payment, interest expenses paid in the consolidated statements of cash flows are used.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2011	As of August 31, 2012
Assets		
Current assets		
Cash and deposits	3,039,110	4,086,621
Notes and accounts receivable-trade	1,951,689	1,812,109
Merchandise and finished goods	4,363,406	4,633,002
Raw materials and supplies	10,228	9,491
Deferred tax assets	254,866	272,905
Consumption taxes receivable	3,284	10,963
Other	331,020	443,799
Allowance for doubtful accounts	(23,002)	(21,189)
Total current assets	9,930,604	11,247,704
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	714,632	773,811
Accumulated depreciation and impairment loss	(472,159)	(528,668)
Buildings and structures, net	242,472	245,142
Vehicles	13,134	8,963
Accumulated depreciation and impairment loss	(11,260)	(6,623)
Vehicles, net	1,873	2,339
Tools, furniture and fixtures	2,043,168	2,200,752
Accumulated depreciation and impairment loss	(1,574,431)	(1,751,493)
Tools, furniture and fixtures, net	468,737	449,258
Land	80,600	80,600
Total property, plant and equipment	793,683	777,341
Intangible assets		
Goodwill	78,052	44,366
Other	33,818	28,115
Total intangible assets	111,871	72,481
Investments and other assets		
Investment securities	76,130	84,892
Deferred tax assets	44,768	93,032
Guarantee deposits	2,441,741	2,450,896
Other	110,203	109,720
Allowance for doubtful accounts	(32,659)	(30,565)
Total investments and other assets	2,640,185	2,707,976
Total noncurrent assets	3,545,740	3,557,799
Total assets	13,476,344	14,805,503

	(Thousands of yen)	
	As of August 31, 2011	As of August 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,225,060	4,433,866
Short-term loans payable	140,000	140,000
Current portion of long-term loans payable	1,318,901	1,267,834
Income taxes payable	402,741	528,284
Accrued consumption taxes	91,260	254,451
Provision for bonuses	129,516	136,852
Provision for directors' bonuses	11,800	9,700
Other	684,932	667,349
Total current liabilities	<u>7,004,213</u>	<u>7,438,338</u>
Noncurrent liabilities		
Long-term loans payable	1,243,454	1,102,087
Provision for retirement benefits	89,852	104,218
Provision for directors' retirement benefits	89,294	97,902
Asset retirement obligations	79,305	76,683
Other	178,391	169,717
Total noncurrent liabilities	<u>1,680,297</u>	<u>1,550,608</u>
Total liabilities	<u>8,684,510</u>	<u>8,988,947</u>
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	876,066	876,066
Retained earnings	3,765,581	4,783,057
Treasury stock	(287,026)	(267,504)
Total shareholders' equity	<u>4,794,918</u>	<u>5,831,917</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(796)	(2,189)
Foreign currency translation adjustment	(5,234)	(13,171)
Total accumulated other comprehensive income	<u>(6,030)</u>	<u>(15,361)</u>
Subscription rights to shares	2,945	-
Total net assets	<u>4,791,833</u>	<u>5,816,555</u>
Total liabilities and net assets	<u>13,476,344</u>	<u>14,805,503</u>

(2) Consolidated statements of income and consolidated statements of comprehensive income**Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Net sales	38,188,015	40,759,175
Cost of sales	23,668,540	25,167,597
Gross profit	14,519,474	15,591,578
Selling, general and administrative expenses	12,701,970	13,535,550
Operating income	1,817,504	2,056,027
Non-operating income		
Interest income	2,664	1,783
Dividends income	1,347	1,314
Rent income	20,484	19,316
Equity in earnings of affiliates	–	10,778
Refunded consumption taxes	201,013	–
Reversal of allowance for doubtful accounts	–	5,376
Other	4,183	4,987
Total non-operating income	229,692	43,558
Non-operating expenses		
Interest expenses	28,122	19,758
Early-withdrawal penalty	7,125	7,946
Cost of lease revenue	11,108	9,924
Equity in losses of affiliates	10,223	–
Other	4,817	6,872
Total non-operating expenses	61,397	44,500
Ordinary income	1,985,799	2,055,085
Extraordinary income		
Surrender value of insurance	841	970
Gain on sales of investment securities	8,243	–
Compensation income	4,192	43,733
Reversal of allowance for doubtful accounts	5,046	–
Gain on sales of noncurrent assets	571	1,756
Other	4,743	1,078
Total extraordinary income	23,638	47,538
Extraordinary loss		
Loss on retirement of noncurrent assets	3,271	6,170
Impairment loss	9,778	36,467
Loss on adjustment for changes of accounting standard for asset retirement obligations	46,994	–
Loss on disaster	11,013	–
Other	1,938	–
Total extraordinary losses	72,994	42,638
Income before income taxes and minority interests	1,936,443	2,059,985
Income taxes-current	850,566	949,572
Income taxes-deferred	67,463	(66,828)
Total income taxes	918,029	882,744
Income before minority interests	1,018,413	1,177,241
Net income	1,018,413	1,177,241

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Income before minority interests	1,018,413	1,177,241
Other comprehensive income		
Valuation difference on available-for-sale securities	4,111	(1,393)
Foreign currency translation adjustment	(7,167)	(7,937)
Total other comprehensive income	(3,055)	(9,331)
Comprehensive income	1,015,358	1,167,910
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,015,358	1,167,910
Comprehensive income attributable to minority interests	–	–

(3) Consolidated statements of changes in net assets

(Thousands of yen)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the beginning of current period	876,066	876,066
Changes of items during the period		
Disposal of treasury stock	(8,842)	(2,808)
Transfer of loss on disposal of treasury stock	8,842	2,808
Total changes of items during the period	—	—
Balance at the end of current period	876,066	876,066
Retained earnings		
Balance at the beginning of current period	2,879,995	3,765,581
Changes of items during the period		
Dividends from surplus	(123,986)	(156,956)
Transfer of loss on disposal of treasury stock	(8,842)	(2,808)
Net income	1,018,413	1,177,241
Total changes of items during the period	885,585	1,017,476
Balance at the end of current period	3,765,581	4,783,057
Treasury stock		
Balance at the beginning of current period	(291,374)	(287,026)
Changes of items during the period		
Purchase of treasury stock	(86,046)	(45)
Disposal of treasury stock	90,394	19,567
Total changes of items during the period	4,347	19,522
Balance at the end of current period	(287,026)	(267,504)
Total shareholders' equity		
Balance at the beginning of current period	3,904,985	4,794,918
Changes of items during the period		
Dividends from surplus	(123,986)	(156,956)
Net income	1,018,413	1,177,241
Purchase of treasury stock	(86,046)	(45)
Disposal of treasury stock	81,551	16,759
Transfer of loss on disposal of treasury stock	—	—
Total changes of items during the period	889,933	1,036,998
Balance at the end of current period	4,794,918	5,831,917

	(Thousands of yen)	
	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(4,907)	(796)
Changes of items during the period		
Net changes of items other than shareholders' equity	4,111	(1,393)
Total changes of items during the period	4,111	(1,393)
Balance at the end of current period	(796)	(2,189)
Foreign currency translation adjustment		
Balance at the beginning of current period	1,932	(5,234)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,167)	(7,937)
Total changes of items during the period	(7,167)	(7,937)
Balance at the end of current period	(5,234)	(13,171)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(2,975)	(6,030)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,055)	(9,331)
Total changes of items during the period	(3,055)	(9,331)
Balance at the end of current period	(6,030)	(15,361)
Subscription rights to shares		
Balance at the beginning of current period	14,914	2,945
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,968)	(2,945)
Total changes of items during the period	(11,968)	(2,945)
Balance at the end of current period	2,945	-
Total net assets		
Balance at the beginning of current period	3,916,924	4,791,833
Changes of items during the period		
Dividends from surplus	(123,986)	(156,956)
Net income	1,018,413	1,177,241
Purchase of treasury stock	(86,046)	(45)
Disposal of treasury stock	81,551	16,759
Transfer of loss on disposal of treasury stock	-	-
Net changes of items other than shareholders' equity	(15,024)	(12,276)
Total changes of items during the period	874,908	1,024,721
Balance at the end of current period	4,791,833	5,816,555

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,936,443	2,059,985
Depreciation and amortization	233,112	278,737
Impairment loss	9,778	36,467
Amortization of goodwill	182,071	89,144
Increase (decrease) in allowance for doubtful accounts	(3,834)	(3,906)
Increase (decrease) in provision for bonuses	217	7,335
Increase (decrease) in provision for directors' bonuses	11,800	(2,100)
Increase (decrease) in provision for retirement benefits	15,305	14,366
Increase (decrease) in provision for directors' retirement benefits	6,241	8,608
Interest and dividends income	(4,011)	(3,098)
Interest expenses	28,122	19,758
Loss on adjustment for changes of accounting standard for asset retirement obligations	46,994	—
Loss (gain) on sales of investment securities	(8,243)	—
Loss on retirement of noncurrent assets	3,271	6,170
Decrease (increase) in notes and accounts receivable-trade	21,555	139,580
Decrease (increase) in inventories	(160,397)	(207,215)
Increase (decrease) in notes and accounts payable-trade	320,658	161,094
Increase (decrease) in accrued consumption taxes	61,566	155,399
Other, net	84,846	17,387
Subtotal	2,785,499	2,777,715
Interest and dividends income received	3,811	3,122
Interest expenses paid	(28,120)	(18,988)
Income taxes paid	(1,246,473)	(833,962)
Net cash provided by (used in) operating activities	1,514,716	1,927,886
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(234,299)	(256,592)
Proceeds from sales of property, plant and equipment	14,036	2,024
Payments for asset retirement obligations	—	(12,729)
Payments for lease and guarantee deposits	(237,634)	(191,130)
Proceeds from collection of lease and guarantee deposits	275,392	109,777
Proceeds from sales of investment securities	11,243	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(381,276)	—
Payments for transfer of business	—	(193,195)
Other, net	(7,664)	(954)
Net cash provided by (used in) investing activities	(560,203)	(542,800)

	(Thousands of yen)	
	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(150,000)	-
Proceeds from long-term loans payable	2,100,000	1,400,000
Repayment of long-term loans payable	(1,577,075)	(1,592,434)
Redemption of bonds	(180,000)	-
Proceeds from sales of treasury stock	67,454	13,862
Purchase of treasury stock	(86,046)	(45)
Cash dividends paid	(123,986)	(156,588)
Net cash provided by (used in) financing activities	50,346	(335,205)
Effect of exchange rate change on cash and cash equivalents	(3,659)	(2,368)
Net increase (decrease) in cash and cash equivalents	1,001,200	1,047,511
Cash and cash equivalents at beginning of period	2,037,909	3,039,110
Cash and cash equivalents at end of period	3,039,110	4,086,621

(5) Notes on going concern assumption

No items to report

(6) Additional information

(Application of accounting standard for accounting changes and error corrections, etc.)

The “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) are applied for accounting changes and corrections of prior period errors that were made on or after September 1, 2011.

(7) Notes to consolidated financial statements

(Segment information)

Fiscal years ended August 31, 2011 and 2012

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)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Net assets per share	762.77 yen	919.47 yen
Net income per share	163.68 yen	186.62 yen
Diluted net income per share	161.65 yen	186.27 yen

(Note) The basis for calculating net income per share and diluted net income per share are as follows.

(Thousands of yen)

	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012
Net income per share		
Net income	1,018,413	1,177,241
Amount that does not belong to common shareholders	—	—
Net income attributable to common stock	1,018,413	1,177,241
Average number of shares during the period	6,222,109 shares	6,308,130 shares
Diluted net income per share		
Net income adjustment	—	—
(of which interest expenses (net of applicable taxes))	—	—
(of which office work fee (net of applicable taxes))	—	—
Increase in number of common shares	78,072.10 shares	11,831.60 shares
(of which subscription rights to shares)	78,072.10 shares	11,831.60 shares
Outline of potential shares excluded from the calculation of diluted net income per share because they have no dilutive effects.	—	—

(Important subsequent events)

No items to report

3. Other

(1) Changes in Directors and Auditors

a. Change in Representative Director

No items to report

b. Changes in other Directors and Auditors

No items to report

(2) Sales

Net sales by area and business type are as follows.

Area	Amount (Thousands of yen)	Year-on-year change (%)	Number of shops		
			As of August 31, 2012	Newly opened	Closed
Hokkaido area	762,630	4,941.7	16	16	1
Tohoku area	993,410	122.8	32	6	1
Kanto area	11,107,860	102.9	199	18	12
Chubu area	5,105,354	116.3	130	27	6
Kinki area	8,390,583	108.3	174	17	7
Chugoku/Shikoku area	3,745,841	105.6	112	15	8
Kyushu area	3,340,945	106.2	102	21	4
100-Yen shop business Directly managed	33,446,626	109.8	765	120	39
100-Yen shop business Wholesale	7,312,548	94.5	81	6	70
100-Yen shop business Total	40,759,175	106.7	846	126	109