

Summary of Financial Results for the Fiscal Year Ended August 31, 2016

[Japan GAAP] (Consolidated)

October 12, 2016

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Preparation of supplementary financial document: Yes

Results briefing: Yes (for institutional investors)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended August 2016

(September 1, 2015 through August 31, 2016)

(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. 2016	46,176	3.9	1,205	-4.2	1,193	-5.6	718	2.5
Year ended Aug. 2015	44,462	2.0	1,257	-29.5	1,263	-29.8	700	-26.1

(Note) Comprehensive income:

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

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

	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. 2016	53.04	-	7.9	6.6	2.6
Year ended Aug. 2015	51.73	-	8.1	6.9	2.8

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

Fiscal year ended August 2016: -1 million yen

Fiscal year ended August 2015: 33 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. 2016	18,485	9,265	50.1	683.92
As of Aug. 2015	17,877	8,966	50.2	661.87

(Reference) Shareholders' equity:

As of August 2016: 9,265 million yen

As of August 2015: 8,966 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. 2016	728	-702	-93	5,030
Year ended Aug. 2015	-621	-687	-279	5,149

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. 2015	—	0.00	—	17.00	17.00	230	32.9	2.6
Year ended Aug. 2016	—	0.00	—	15.00	15.00	203	28.3	2.2
Year ending Aug. 2017 (forecast)	—	0.00	—	15.00	15.00		22.3	

(Notes) Breakdown of ¥17.00 of year-end dividend for FY8/15

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

3. Forecast of consolidated business results for the fiscal year ending August 2017

(September 1, 2016 through August 31, 2017)

(% 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. 2017	23,500	2.6	605	3.2	590	0.8	385	10.9	28.42
Year ending Aug. 2017	48,000	4.0	1,370	13.6	1,350	13.2	910	26.7	67.17

※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: : Yes
- 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 2016 13,958,800 shares

As of August 2015 13,958,800 shares

② Treasury stock at the end of period:

As of August 2016 410,874 shares

As of August 2015 410,825 shares

③ Average number of stock during period

Fiscal year ended August 2016 13,547,964 shares

Fiscal year ended August 2015 13,547,975 shares

※Implementation status of auditing procedure

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

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

(Caution concerning forward-looking statements)

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

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

1. Results of Operations	. . . .	2
(1) Analysis of operating results	. . . .	2
(2) Analysis of financial position	. . . .	4
2. Management policy	. . . .	5
(1) Basic policy for the management of the company	. . . .	5
(2) Specifically targeted management benchmarks	. . . .	5
(3) Medium to long-term management strategy	. . . .	6
(4) Issues that the company must deal with	. . . .	6
3. Basic policy regarding selection of accounting standards	. . . .	7
4. Consolidated Financial Statements	. . . .	8
(1) Consolidated Balance Sheets	. . . .	8
(2) Consolidated Statements of Income and Statements of Comprehensive Income	. . . .	10
(Consolidated Statements of Income)	. . . .	10
(Consolidated Statements of Comprehensive Income)	. . . .	11
(3) Consolidated Statements of Changes in Net Assets	. . . .	12
(4) Consolidated Statements of Cash Flows	. . . .	14
(5) Notes to consolidated financial statements	. . . .	15
(Notes on going concern assumption)	. . . .	15
(Segment information)	. . . .	15
(Per share information)	. . . .	15
(Important subsequent events)	. . . .	15
5. Other	. . . .	16
(1) Changes in Directors and Auditors	. . . .	16
(2) Sales	. . . .	16

1. Results of Operations

(1) Analysis of operating results

a. Operating results

In the current consolidated fiscal year, expectations for a recovery in Japan's economy were greatly enhanced by: the start of the 'New Three Arrows' second stage of Abenomics that was announced in September last year; the agreement in principle of the TPP in December; the weak yen trend in the foreign exchange market; the low price fixing for oil prices; and various other positive factors. However, with strong domestic resistance to the ratification of the TPP being expected in both the United States and in Japan, the Bank of Japan's implementation of a negative interest rate policy (for the first time ever in Japan) in January was the trigger for the exchange rate to swing from a weak yen level of over 120 yen to the US dollar in the direction of a much stronger yen. Thereafter, the uncertainty caused by the June decision of the United Kingdom to withdraw from the EU resulted in the US dollar exchange rate remaining at around 100 yen. In addition, although the stock market rallied to the point that the Nikkei Average temporarily rose above the 20,000-yen mark at the end of the year, it was gradually declined, and the index remained locked in a tight trading range around the 16,500 yen mark towards the end of the fiscal year. Furthermore, although real GDP has recorded positive growth in two consecutive quarters since January this year, this has been accompanied by the downturn in corporate profits due to the strength of the yen, despite the announcement of a postponement of the consumption tax hike in June, there is still no sign of a strong recovery in private consumption to be seen as yet.

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

The Group 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 both its hardware side through development of shop packages and merchandise and the introduction of POS systems and order management system, and of its software side, which covers shop management and operations and employee training etc, for creating new brand value to meet diversifying customer needs with use of the fostered know-how.

As result of this initiative, the new 100-yen shops 'Watts' and 'Watts with' is steadily increasing thanks to a combination of renovations for existing shops and new store openings, with the total number of shops at the end of the current consolidated fiscal year was 115. Sales have been favorable, but the Group shall still continue with its sustained efforts to enhance the attractiveness of its shops and products, while controlling both the efficiency and the cost of operations.

In the core 100-yen shop business in Japan, Watts opened 102 shops with the full-year plan of opening 98 shops although there were many relatively small size shops. There were 82 shop closings (including 3 franchised shop), including certain unprofitable shops and unpredictable closing of stores where the company's shops were located in. As a result, the total number of 100-yen shops at the end of the current fiscal year was 1,028, which includes 981 directly managed shops (net increase of 23), and 47 franchised/other shops (net decrease of 3).

As for the number of the other shops as of the end of the fiscal year ended August 2016, 'Buona Vita,' which sells natural taste lifestyle goods, focused on closing unprofitable shops and improving its product line-ups. As a result, although same-store sales were favorable, reported 105.0% to the result in the previous fiscal year, the total number of 'Buona Vita' shops decreased to 21 (including 1 franchised shops), with opening 4 directly managed shops and closing 6 shops.

'Value-100,' the fresh-foods supermarket collaboration, continues with 1 shop.

In addition, the Group has established a joint-venture for introducing 'Søstrene Grene', life-style variety shop in the

Japanese market. Although the shop has not yet been opened in the current fiscal year, the Group plans to open the first shop in Shibuya-ku, Tokyo as a flagship shop, on October 28, 2016.

Regarding the Group's overseas operation, Watts operates 'KOMONOYA', a fixed-price shop mainly in Southeast Asia. At the end of the current fiscal year ended August 2016, 'KOMONOYA' opened 9 shops and closed 2 shops in Thailand (Total number of shops: 29) opened 3 shops and closed 1 shop in Malaysia (6), opened 7 shops in Vietnam (10), and opened 3 shops in Peru (5). In China, a fixed price shop '小物家园' opened 5 directly managed shops and 1 Chinese style franchised shop (opened through an agent contract) and closed 1 directly managed shop. there are 9 '小物家园' shops, including 2 Chinese style franchised shops. Furthermore, performance of pop-up shops at local Japanese department stores remained favorable.

As a result, sales for the end of the fiscal year ended August 2016 were increased to 46,176 million yen (up 3.9% year on year). However, operating profit was 1,205 million yen (down 4.2% year on year), recurring profit was 1,193 million yen (down 5.6% year on year) and net income attributable to owners of parent was 718 million yen (up 2.5% year on year). Profits were at the same level as in the previous fiscal year and did not reach the targets. This is because SG&A increased more than expected as the Group aggressively opened and renovated to 'Watts' shops which relatively large sales are expected, labor costs soared, and there were prior investments on 'Sostrene Grene' projects.

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

b. Forecast for the next fiscal year

It is likely that the environment in the retail industry will remain challenging as there are the trends of firm establishment of weak yen, delay in the recovery of the consumer sentiment, and tightness of demand-supply balance of employment situation.

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

Furthermore, 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' which sells natural taste lifestyle goods and 'Sostrene Grene' which sells Scandinavian items, to provide the new driving force for further growth in the future.

Based on the above, Watts expects the following consolidated operating results in the next fiscal year: sales of 48,000 million yen (up 4.0% year on year), operating profit of 1,370 million yen (up 13.6% year on year), recurring profit of 1,350 million yen (up 13.2% year on year) and net income attributable to owners of parent of 910 million yen (up 26.7% year on year).

(2) Analysis of financial position

a. Assets, liabilities and net assets

As of the end of the current consolidated fiscal year, total assets increased by 608 million yen compared with the end of the previous consolidated fiscal year to 18,485 million yen. Current assets increased by 441 million yen to 13,908 million yen. This is mainly because merchandise and finished goods increased by 475 million yen and notes and accounts receivable-trade increased by 110 million yen. While cash and deposits decreased by 118 million yen. Fixed assets increased by 167 million yen to 4,577 million yen. This is mainly because buildings and structures increased by 101 million yen, tools, furniture and fixtures increased by 93 million yen due to new store openings and renovations for existing shops.

Total liabilities increased by 310 million yen compared with the end of the previous consolidated fiscal year to 9,220 million yen. Current liabilities increased by 217 million yen to 8,142 million yen, and fixed assets increased by 92 million yen to 1,077 million yen. In addition, interest-bearing debt increased by 127 million yen to 1,261 million yen. Net assets increased by 298 million yen to 9,265 million yen. Retained earnings increased by 488 million yen.

b. Cash flows

Cash and cash equivalents (hereinafter referred to as 'cash') at the end of the current consolidated fiscal year amounted to 5,030 million yen, a decrease of 118 million yen compared with the previous consolidated fiscal year. Details and main reasons for increases and decreases of each cash flow in the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 728 million yen (621 million yen was used in the previous fiscal year). Cash was provided mainly by income before income taxes of 1,161 million yen, depreciation and amortization of 376 million yen and increase in notes and accounts payable-trade of 300 million yen. Cash was used mainly for increase in inventory assets of 532 million yen, income taxes paid of 398 million yen and increase in accounts receivable-trade of 127 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 702 million yen (687 million yen was used in the previous fiscal year). Cash was used mainly for property, plant and equipment of 672 million yen for opening of new shops, payments for lease and guarantee deposits of 268 million yen. Cash was provided mainly by collection of lease and guarantee deposits of 224 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 93 million yen (279 million yen was used in the previous fiscal year). Cash was used mainly for repayment of long-term loans payable of 717 million yen and dividend paid of 229 million yen. Cash was provided mainly by long-term loans payable of 845 million yen.

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Equity ratio (%)	39.3	42.3	44.4	50.2	50.1
Market value equity ratio (%)	42.8	66.5	68.0	74.3	70.3
Interest-bearing debt to cash flows ratio (years)	1.3	0.6	0.7	-	1.7
Interest coverage ratio (times)	101.5	224.3	246.2	-	148.8

(Notes) Equity ratio: Equity/Total assets

Market value equity ratio: Total market capitalization/Total assets

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

Interest coverage ratio: Operating cash flow/Interest payment

1. Total market capitalization is calculated by multiplying closing stock price at the end of the period by the total number of shares issued at the end of the period (excluding treasury stock).
2. Net cash provided by operating activities in the consolidated statements of cash flows is used as 'Operating cash flow.'
3. Interest-bearing debt includes all debt on which interest is paid reported on the consolidated balance sheet.
4. For interest payment, interest expenses paid in the consolidated statements of cash flows are used.
5. 'Interest coverage ratio' and 'Interest-bearing debt to cash flows ratio' for the fiscal year ended August 2015 are not presented, since the cash flows from operating activities were negative.

2. Management policy

(1) Basic policy for the management of the company

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

(2) Specifically targeted management benchmarks

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

The recent trend in the Group's recurring profit margin has been as follows: 4.1% in the consolidated fiscal year ended August 2014, 2.8% in the consolidated fiscal year ended August 2015, and 2.6% in the consolidated fiscal year ended August 2016. The recent trend in the Group's ROE has been as follows: 11.8% in the consolidated fiscal year ended August 2014, 8.1% in the consolidated fiscal year ended August 2015, and 7.9% in the consolidated fiscal year ended August 2016. The Group's ROE has been marking out a declining trend because of factors including an increase in shareholders' equity worth (increase in denominator) as a result of the disposal of treasury shares in the consolidated fiscal year ended August 2013 and the current decrease in profits (decrease in numerator), but the Group aims to enhance its capital efficiency by restructuring the business model for its domestic operation in Japan, and by engaging in positive investments in its overseas operations.

(3) Medium to long-term management strategy

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

This basic strategy is reflected in the Group's policy of conducting sales of reasonably priced, best value-for-money products, mostly daily use household items, in a low-cost operation (operating strategy) by opening and operating medium to small format stores at low cost (store opening strategy). The Group's low-cost store opening strategy calls for 'not having assets whenever possible', 'reducing store opening costs to the absolute minimum', and 'making the withdrawal conditions from store leasing contracts as light as possible' – all in the interests of minimising losses incurred from store closures.

Low-cost operation calls for simplifying and streamlining the operation of the Group's shops, having them run by part-timers and temporary employees as the standard model, and enhancing the efficacy of the leadership provided by the Group's employees. Moreover, we shall strive to invest the earnings captured in the development of reasonably priced, best value-for-money products, mostly in our 'WATTS SELECT' private brand. By means of this virtuous circle, and by strengthening our earnings base, we shall fulfil our Group's mission of providing 'goods with a value of more than ¥100 to our customers'. Furthermore, the Group aims at restructuring its business model and has been carrying out a complete revision since the current fiscal year, of both its hardware side through the introduction of POS systems and is the construction of new store packages and the development of new products that should create new brand value, and of its software side, which covers store management and operations and employee training etc. These efforts have gradually started to achieve positive effects.

Moreover, we are developing growth strategies for both the domestic Japanese operation and for our overseas operations so as to realise future growth for the Group. The growth strategy for the domestic Japanese operation calls for the securing of profitability for new business formats and an increase in the share within the Group. For the overseas business operations the Group aims to expand the scale and maximise the profitability of the Thai Watts Co., Ltd. through the joint venture, establish a store opening and store operating model in China, expand its network of stores by developing new location of stores in Vietnam, expand its business for both franchise and directly-managed stores in Malaysia, expand its directly-managed store in Peru, and also to accelerate the pace of its store openings and of its wholesale sales in other new countries. Moreover, we are achieving the construction of a logistics functionality in China as a structure to realise these aims. Furthermore, we aim to expand the scale of the operation to the point where it can become the driver for the Group's future growth.

(4) Issues that the company must deal with

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

'The building of a new business model'

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

‘The reinforcement of our earnings strength’

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

‘Confirming the profitability of other domestic businesses’

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

‘Expanding the Group's overseas operations’

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

‘Training the next generation of human resources’

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

3. Basic policy regarding selection of accounting standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2015)	Current consolidated fiscal year (August 31, 2016)
Assets		
Current assets		
Cash and deposits	5,149,822	5,030,891
Notes and accounts receivable-trade	2,052,047	2,163,014
Merchandise and finished goods	5,634,254	6,110,086
Raw materials and supplies	8,970	16,051
Deferred tax assets	237,046	233,518
Consumption taxes receivable	23,567	59,654
Other	383,606	315,747
Allowance for doubtful accounts	-22,151	-20,761
Total current assets	13,467,162	13,908,203
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,092,539	1,208,130
Accumulated depreciation and impairment loss	-675,268	-689,032
Buildings and structures, net	417,270	519,098
Vehicles	5,120	6,367
Accumulated depreciation and impairment loss	-2,585	-3,261
Vehicles, net	2,535	3,105
Tools, furniture and fixtures	2,756,720	2,969,309
Accumulated depreciation and impairment loss	-2,208,831	-2,327,769
Tools, furniture and fixtures, net	547,889	641,539
Land	257,800	257,800
Total property, plant and equipment	1,225,495	1,421,544
Intangible assets		
Other	54,945	61,785
Total intangible assets	54,945	61,785
Investments and other assets		
Investment securities	384,556	314,993
Deferred tax assets	124,803	122,882
Guarantee deposits	2,532,536	2,539,244
Other	117,907	120,999
Allowance for doubtful accounts	-30,298	-3,662
Total investments and other assets	3,129,504	3,094,458
Total noncurrent assets	4,409,945	4,577,788
Total assets	17,877,107	18,485,991

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2015)	Current consolidated fiscal year (August 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,842,811	6,129,109
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	565,620	626,351
Income taxes payable	137,910	185,424
Accrued consumption taxes	148,465	76,330
Provision for bonuses	139,148	158,113
Other	991,260	867,350
Total current liabilities	7,925,215	8,142,679
Noncurrent liabilities		
Long-term loans payable	468,441	534,903
Liabilities relating to retirement benefits	156,184	169,913
Provision for directors' retirement benefits	106,193	91,498
Asset retirement obligations	62,442	83,800
Other	191,656	197,468
Total noncurrent liabilities	984,918	1,077,583
Total liabilities	8,910,133	9,220,263
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,583,816	1,583,816
Retained earnings	6,905,180	7,393,399
Treasury stock	-84,123	-84,171
Total shareholders' equity	8,845,171	9,333,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,735	5,592
Foreign currency translation adjustment	111,066	-73,205
Total accumulated other comprehensive income	121,802	-67,613
Total net assets	8,966,973	9,265,728
Total liabilities and net assets	17,877,107	18,485,991

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

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Sales	44,462,927	46,176,057
Cost of sales	27,734,609	28,844,336
Gross profit	16,728,318	17,331,720
Selling, general and administrative expenses	15,470,322	16,126,194
Operating profit	1,257,995	1,205,526
Non-operating revenues		
Interest income	2,454	2,217
Dividends income	655	698
Rent income	23,424	22,084
Equity in earnings of affiliates	33,917	-
Reversal of allowance for doubtful accounts	3,806	23,876
Other	14,802	10,119
Total non-operating income	79,061	58,996
Non-operating expenses		
Interest expenses	5,754	4,966
Early-withdrawal penalty	36,753	11,726
Exchange loss	2,285	37,597
Cost of lease revenue	10,789	10,648
Equity in losses of affiliates	-	1,121
Other	17,860	5,306
Total non-operating expenses	73,443	71,365
Recurring profit	1,263,613	1,193,157
Extraordinary income		
Surrender value of insurance	229	-
Gain on sales of investment securities	3,225	-
Compensation income	2,394	50,461
Gain on sales of noncurrent assets	1,082	734
Total extraordinary income	6,931	51,195
Extraordinary loss		
Loss on retirement of noncurrent assets	23,754	10,076
Loss on sales of noncurrent assets	3,037	-
Impairment loss	69,310	73,156
Total extraordinary losses	96,102	83,232
Income before income taxes and minority interests	1,174,442	1,161,120
Income taxes-current	502,098	441,583
Income taxes-deferred	-28,524	10,001
Total income taxes	473,573	451,585
Net income	700,868	709,535
Net loss attributable to non-controlling interests	-	-9,000
Net income attributable to owners of parent	700,868	718,535

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Net income	700,868	709,535
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,461	-5,143
Foreign currency translation adjustment	53,465	-130,141
Share of other comprehensive income of associates accounted for using equity method	24,170	-54,131
Total other comprehensive income	76,175	-189,416
Comprehensive income	777,044	520,118
(Breakdown)		
Comprehensive income attributable to owners of parent	777,044	529,118
Comprehensive income attributable to non-controlling interests	-	-9,000

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the beginning of current period	1,583,816	1,583,816
Balance at the end of current period	1,583,816	1,583,816
Retained earnings		
Balance at the beginning of current period	6,434,626	6,905,180
Changes of items during the period		
Dividends from surplus	-230,315	-230,315
Net income attributable to owners of parent	700,868	718,535
Total changes of items during the period	470,553	488,219
Balance at the end of current period	6,905,180	7,393,399
Treasury stock		
Balance at the beginning of current period	-84,123	-84,123
Changes of items during the period		
Purchase of treasury stock	-	-48
Total changes of items during the period	-	-48
Balance at the end of current period	-84,123	-84,171
Total shareholders' equity		
Balance at the beginning of current period	8,374,618	8,845,171
Changes of items during the period		
Dividends from surplus	-230,315	-230,315
Net income	700,868	718,535
Purchase of treasury stock	-	-48
Total changes of items during the period	470,553	488,170
Balance at the end of current period	8,845,171	9,333,342

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	12,196	10,735
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,461	-5,143
Total changes of items during the period	-1,461	-5,143
Balance at the end of current period	10,735	5,592
Foreign currency translation adjustment		
Balance at the beginning of current period	33,430	111,066
Changes of items during the period		
Net changes of items other than shareholders' equity	77,636	-184,272
Total changes of items during the period	77,636	-184,272
Balance at the end of current period	111,066	-73,205
Total accumulated other comprehensive income total		
Balance at the beginning of current period	45,627	121,802
Changes of items during the period		
Net changes of items other than shareholders' equity	76,175	-189,416
Total changes of items during the period	76,175	-189,416
Balance at the end of current period	121,802	-67,613
Total net assets		
Balance at the beginning of current period	8,420,245	8,966,973
Changes of items during the period		
Dividends from surplus	-230,315	-230,315
Net income attributable to owners of parent	700,868	718,535
Purchase of treasury stock	-	-48
Net changes of items other than shareholders' equity	76,175	-189,416
Total changes of items during the period	546,728	298,754
Balance at the end of current period	8,966,973	9,265,728

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,174,442	1,161,120
Depreciation and amortization	281,150	376,560
Impairment loss	69,310	73,156
Increase (decrease) in allowance for doubtful accounts	-1,732	-28,027
Increase (decrease) in provision for bonuses	-510	18,964
Increase (decrease) in liabilities relating to retirement benefits	15,464	13,728
Increase (decrease) in provision for directors' retirement benefits	3,441	-14,694
Interest and dividends income	-3,110	-2,915
Interest expenses	5,754	4,966
Loss (gain) on sales of investment securities	-3,225	-
Loss on retirement of noncurrent assets	23,754	10,076
Decrease (increase) in accounts receivable-trade	270,102	-127,563
Decrease (increase) in inventories	-394,041	-532,654
Increase (decrease) in notes and accounts payable-trade	-1,335,885	330,891
Increase (decrease) in accrued consumption taxes	-22,396	-111,474
Other	-43,085	-12,708
Subtotal	39,432	1,129,426
Interest and dividends income received	3,109	2,897
Interest expenses paid	-5,641	-4,897
Income taxes paid	-658,208	-398,875
Net cash provided by (used in) operating activities	-621,307	728,550
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-507,583	-672,974
Proceeds from sales of property, plant and equipment	10,440	5,691
Payments for asset retirement obligations	-11,631	-2,166
Payments for lease and guarantee deposits	-180,181	-268,111
Proceeds from collection of lease and guarantee deposits	115,458	224,227
Purchase of investment securities	-89,670	-
Proceeds from sales of investment securities	8,175	-
Other	-32,927	10,497
Net cash provided by (used in) investing activities	-687,918	-702,836
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	800,000	845,000
Repayment of long-term loans payable	-849,213	-717,807
Proceeds from share issuance to non-controlling shareholders	-	9,000
Purchase of treasury stock	-	-48
Cash dividends paid	-229,899	-229,853
Net cash provided by (used in) investing activities	-279,112	-93,708
Effect of exchange rate change on cash and cash equivalents	23,895	-50,936
Net increase (decrease) in cash and cash equivalents	-1,564,443	-118,931
Cash and cash equivalents at beginning of period	6,714,266	5,149,822
Cash and cash equivalents at end of period	5,149,822	5,030,891

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(Segment information)

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

(Per share information)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Net assets per share	661.87 yen	683.92 yen
Net income per share	51.73 yen	53.04 yen

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

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

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2014 to August 31, 2015)	Current consolidated fiscal year (from September 1, 2015 to August 31, 2016)
Net income attributable to owners of parent	700,868	718,535
Amount that does not belong to common shareholders	-	-
Net income attributable to owners of parent available to common shareholders	700,868	718,535
Average number of shares during the period	13,547,975 shares	13,547,964 shares

5. 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

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, 2016	Newly opened	Closed
Hokkaido area	1,499,144	112.1	56	10	5
Tohoku area	1,406,855	114.6	50	6	-
Kanto area	12,056,637	102.1	254	24	21
Chubu area	6,045,070	104.9	159	17	10
Kinki area	9,317,209	101.6	196	13	8
Chugoku/Shikoku area	4,430,548	102.4	141	16	19
Kyushu area	3,949,021	103.5	125	16	16
100-Yen shop business Directly managed	38,704,488	103.3	981	102	79
100-Yen shop business Wholesale	7,471,569	106.5	128	32	13
100-Yen shop business Total	46,176,057	103.9	1,109	134	92