

# Summary of Financial Results for the Fiscal Year Ended August 31, 2021 [Japan GAAP] (Consolidated)

October 12, 2021

Company **Watts Co., Ltd.** Listed on the TSE  
 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 25, 2021 Expected starting date of dividend payment: November 26, 2021  
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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 2021 (September 1, 2020 through August 31, 2021)

(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. 2021	50,702	-4.0	1,669	-5.6	1,586	-8.3	965	24.7
Year ended Aug. 2020	52,795	2.7	1,768	146.7	1,731	163.9	774	997.3

(Note) Comprehensive income:

Fiscal year ended August 2021: 942 million yen (25.8%)

Fiscal year ended August 2020: 749 million yen (-%)

	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. 2021	72.09	-	8.9	7.4	3.3
Year ended Aug. 2020	57.80	-	7.5	8.0	3.4

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

Fiscal year ended August 2021: -88 million yen

Fiscal year ended August 2020: -47 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. 2021	21,340	11,222	52.6	837.60
As of Aug. 2020	21,544	10,481	48.7	782.34

(Reference) Shareholders' equity:

As of August 2021: 11,222 million yen

As of August 2020: 10,481 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. 2021	378	-778	-51	6,169
Year ended Aug. 2020	922	-526	106	6,591

## 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. 2020	-	0.00	-	15.00	15.00	201	26.0	1.9
Year ended Aug. 2021	-	0.00	-	22.00	22.00	296	30.5	2.7
Year ending Aug. 2022 (forecast)	-	0.00	-	15.00	15.00		39.4	

### 3. Forecast of consolidated business results for the fiscal year ending August 2022

(September 1, 2021 through August 31, 2022)

(% 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. 2022	29,350	14.6	470	-56.7	420	-60.6	215	-73.1	16.05
Year ending Aug. 2022	60,200	18.7	1,035	-38.0	955	-39.8	510	-47.2	38.07

#### \*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 : Yes
- ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of August 2021 13,958,800 shares

As of August 2020 13,958,800 shares

② Treasury stock at the end of period:

As of August 2021 560,874 shares

As of August 2020 560,874 shares

③ Average number of stock during period

Fiscal year ended August 2021 13,397,926 shares

Fiscal year ended August 2020 13,397,926 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 (FY8/21: 60,000 shares, FY8/20: 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 (FY8/21: 60,000 shares, FY8/20: 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.

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## 1. Results of Operations

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

During the fiscal year ended August 2021, the impact of the outbreak of COVID-19 was evident in all aspects of daily life. Although COVID-19 had been expanding in the wake of the fifth wave and the new variants, the Tokyo Olympic and Paralympic Games 2020 ended without major incident. Still, the State of Emergency or Stricter COVID-19 Measures declared in 27 prefectures from April onward were extended several times, and the timing of the containment of COVID-19 remained unpredictable. On the other hand, Japan's COVID-19 vaccination rate is steadily increasing; now over 50% of the total population in Japan has fully vaccinated. Meanwhile, although the real GDP growth rate for the April-June 2021 period was revised upward, the domestic economy was not strong enough to cover the decline in the preceding period.

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.

In the domestic 100-Yen shop business, the Company has been continuing to promote the introduction of products with prices higher than 100 yen (from 200 yen to 1,000 yen) and has aggressively introduced them to consignment shops. In addition, to supplement the "fashionable taste" to the 100-Yen shop and enhance synergy between businesses, the Company opened 4 100-Yen shops which include "Buona Vita" sections.

As for the new shop openings, the Company opened 165 shops, exceeding the full-year plan of 144 shops. There were 41 shop closings (including 2 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 1,364, which includes 1,341 directly managed shops (net increase of 126), and 23 franchised/other shops (net decrease of 2). Of these, the number of "Watts" and "Watts with", the Watts brand shops, increased to 825 (net increase of 186), accounting for about 60% of the total.

In the domestic other businesses, the number of shops was 21 (unchanged), as "Buona Vita," a life-style goods shop offering comfortable life, opened 5 shops, mainly consignment shops in its 100-Yen shops, while closing 5 unprofitable shops. Buona Vita has focused on sales promotion through LINE official accounts and proposing stay-at-home products. "Value- 100," the fresh-foods supermarket collaboration, continues with 1 shop (unchanged). "Real", a discount shop, was 6 shops (unchanged). In addition, as a new business format, the Company opened the first shop of "Tokino:ne", a household items shop under the theme of "time", in Kobe City.

Moreover, the Company withdrew from the "Søstrene Grene" business, a Denmark's life-style variety shop, closing all the shops in March.

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 41 shops in Thailand (net decrease of 9), 2 shops in Malaysia (unchanged), 3 shops in Vietnam (net decrease of 2), and 19 shops in Peru (net decrease of 1). In China, a fixed price shop "小物家园"(KOMONOKAEN) was 4 shops (net decrease of 2). The total number of own-brand shops "KOMONOYA" and "小物家园"(KOMONOKAEN) was 69 (net decrease of 14).

Due to the transfer of the Chinese subsidiary in the previous fiscal year and the impact of the spread of COVID-19, sales in the overseas business and Buona Vita declined. As well as the domestic 100-Yen shop business, sales declined largely, as its same-store sales were 95.2% year-on-year due to a reaction to the increase in demand for hygiene products and household consumption-related products in the previous fiscal year. As a result, for the current fiscal year, sales were 50,702 million yen (down 4.0% YoY, 99.5% to the plan), operating profit was 1,669 million yen (down 5.6% YoY, 90.2% to the plan), recurring profit was 1,586 million yen (down 8.3% YoY, 89.1% to the plan).

Net income attributable to owners of parent was 965 million yen (up 24.7% YoY, 84.0% to the plan) due to recording of gains on debt exemption from the withdrawal of a consolidated subsidiary Hilmer Japan Co., Ltd. (\*Year on year: comparison with the results for the previous fiscal year. Ratio to plan: comparison with the business forecasts for the fiscal year ended August 2021 which were announced in the "Notice Concerning Revision to Business Forecasts" dated April 5, 2021.)

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 2021, current assets stood at 16,049 million yen, a decrease of 366 million yen from the end of the previous fiscal year. This was mainly due to decreases of 422 million yen in cash and deposits and 189 million yen in notes and accounts receivable-trade, and an increase of 316 million yen in merchandise and finished goods despite.

Fixed assets stood at 5,291 million yen, an increase of 162 million yen from the end of the previous fiscal year. This was mainly due to an increase of 384 million yen in other intangible fixed assets, due mainly to an increase in software expenses associated with the upgrade of core systems, and a decrease of 109 million yen in investment securities and 42 million yen in tools, furniture and fixtures.

As a result, total assets stood at 21,340 million yen, a decrease of 203 million yen from the end of the previous fiscal year.

(Liabilities)

As of the end of the current fiscal year, current liabilities stood at 8,620 million yen, a decrease of 1,040 million yen from the end of the previous fiscal year. This was mainly due to decreases of 540 million yen in electronically recorded obligations, 361 million yen in notes and accounts payable-trade, and 270 million yen in accrued consumption taxes.

Noncurrent liabilities stood at 1,498 million yen, an increase of 96 million yen from the end of the previous fiscal year. This was mainly due to increases of 231 million yen in asset retirement obligations and 28 million yen in provision for directors' stock-based benefits, and a decrease of 173 million yen in long-term loans payable.

As a result, total liabilities stood at 10,118 million yen, a decrease of 944 million yen from the end of the previous fiscal year.

(Net assets)

As of the end of the current fiscal year, total net assets stood at 11,222 million yen, an increase of 740 million yen from the end of the previous fiscal year. This was mainly because retained earnings increased by 763 million yen. As a result, shareholders' equity ratio stood at 52.6% (48.7% 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 amounted to 6,169 million yen, a decrease of 422 million yen from the end of 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 378 million yen (922 million yen was provided in the previous fiscal year). Cash was provided mainly by income before income taxes of 1,586 million yen. Cash was used mainly for decrease in trade payables of 902 million yen and income taxes paid of 381 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 778 million yen (526 million yen was used in the previous fiscal year). This was mainly due to purchase of intangible assets of 442 million yen associated with core system renovation and purchase of property, plant and equipment of 319 million yen for new shop openings.

(Cash flows from financing activities)

Net cash used for financing activities was 51 million yen (106 million yen was provided in the previous fiscal year). This was mainly due to repayments of long-term loans payable of 511 million yen and proceeds from long-term loans payable of 400 million yen.

#### (4) Future outlook

Consumer spending is expected to recover steadily as the vaccination for all applicants is expected to be completed by the end of this year, and the accompanying measures to stimulate demand are expected to take effect. However, the situation is still difficult to predict, since it is affected by the status of new variants of COVID-19 and persistence of antibody after vaccination.

Corporate activities are also expected to recover by capturing the recovery in domestic and external demand and the increase in demand for DX and green investment. On the other hand, there are negative factors such as the prolonged shortage of semiconductors and the persistently high resource prices, and a full-fledged recovery in corporate activities is still expected to take time.

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

Furthermore, with the aim of building a new revenue source to complement the 100-Yen shop business, the Group is actively working on developing lines like “Buona Vita” and “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.

Since the Company acquired Ontsu F·RETAIL Co., Ltd. and NIPPAN Co., Ltd., which operate a 100-Yen shop business, as subsidiaries on October 1, 2021, it expects a substantial increase in sales for the next fiscal year.

Based on the above, the Company expects the following performance for the next fiscal year: sales of 60,200 million yen (up 18.7% year on year), operating profit of 1,035 million yen (down 38.0% year on year), recurring profit of 955 million yen (down 39.8% year on year) and net income attributable to owners of parent of 510 million yen (down 47.2% year on year).

#### (Reference) Cash flow indicators

	FY8/17	FY8/18	FY8/19	FY8/19	FY8/21
Equity ratio (%)	49.7	52.2	47.1	48.7	52.6
Market value equity ratio (%)	88.0	64.5	38.3	58.5	55.7
Interest-bearing debt to cash flows ratio (years)	1.3	1.7	0.4	1.4	3.0
Interest coverage ratio (times)	284.3	157.9	522.6	197.5	30.8

(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.

## 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, 2020)	Current fiscal year (August 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,591,348	6,169,208
Notes and accounts receivable-trade	2,340,081	2,150,910
Merchandise and finished goods	7,114,726	7,431,457
Raw materials and supplies	15,339	12,123
Consumption taxes receivable	57,652	75,956
Other	320,877	232,481
Allowance for doubtful accounts	-23,849	-22,483
<b>Total current assets</b>	<b>16,416,177</b>	<b>16,049,656</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	2,021,501	2,055,446
Accumulated depreciation and impairment loss	-1,290,640	-1,313,149
Buildings and structures, net	730,860	742,297
Vehicles	19,860	26,266
Accumulated depreciation and impairment loss	-14,252	-20,833
Vehicles, net	5,607	5,432
Tools, furniture and fixtures	3,637,146	3,729,454
Accumulated depreciation and impairment loss	-3,049,711	-3,184,361
Tools, furniture and fixtures, net	587,435	545,092
Land	257,800	257,800
Leased assets	27,623	27,623
Accumulated depreciation and impairment loss	-19,879	-26,034
Leased assets, net	7,744	1,589
Construction in progress	19,162	-
<b>Total property, plant and equipment</b>	<b>1,608,611</b>	<b>1,552,212</b>
<b>Intangible assets</b>		
Other	227,932	612,229
<b>Total intangible assets</b>	<b>227,932</b>	<b>612,229</b>
<b>Investments and other assets</b>		
Investment securities	436,438	327,430
Deferred tax assets	406,098	393,390
Guarantee deposits	2,316,365	2,289,987
Other	143,227	123,665
Allowance for doubtful accounts	-10,166	-7,574
<b>Total investments and other assets</b>	<b>3,291,964</b>	<b>3,126,899</b>
<b>Total noncurrent assets</b>	<b>5,128,507</b>	<b>5,291,340</b>
<b>Total assets</b>	<b>21,544,684</b>	<b>21,340,997</b>

	(Thousands of yen)	
	Previous fiscal year (August 31, 2020)	Current fiscal year (August 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,479,165	3,118,081
Electronically recorded obligations	3,686,438	3,145,453
Short-term loans payable	-	200,000
Current portion of long-term loans payable	684,324	528,247
Income taxes payable	169,097	396,644
Accrued consumption taxes	399,903	129,894
Loss on liquidation of business	75,596	-
Provision for bonuses	203,687	186,679
Provision for directors' bonuses	17,900	-
Other	945,519	915,676
<b>Total current liabilities</b>	<b>9,661,633</b>	<b>8,620,678</b>
Noncurrent liabilities		
Long-term loans payable	569,688	396,084
Retirement benefit liability	297,928	324,078
Provision for directors' retirement benefits	27,772	30,223
Provision for directors' stock-based benefits	65,245	93,938
Asset retirement obligations	192,735	424,171
Other	247,987	229,683
<b>Total noncurrent liabilities</b>	<b>1,401,358</b>	<b>1,498,180</b>
<b>Total liabilities</b>	<b>11,062,992</b>	<b>10,118,858</b>
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,354,136	1,354,136
Retained earnings	8,965,680	9,729,641
Treasury stock	-273,120	-273,120
<b>Total shareholders' equity</b>	<b>10,486,994</b>	<b>11,250,955</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,857	9,615
Foreign currency translation adjustment	-21,158	-38,432
<b>Total accumulated other comprehensive income</b>	<b>-5,301</b>	<b>-28,817</b>
<b>Total net assets</b>	<b>10,481,692</b>	<b>11,222,138</b>
<b>Total liabilities and net assets</b>	<b>21,544,684</b>	<b>21,340,997</b>



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

(Thousands of yen)

	Previous fiscal year (from September 1, 2019 to August 31, 2020)	Current fiscal year (from September 1, 2020 to August 31, 2021)
Sales	52,795,694	50,702,569
Cost of sales	32,580,148	31,076,847
Gross profit	20,215,545	19,625,721
Selling, general and administrative expenses	18,446,842	17,956,171
Operating profit	1,768,703	1,669,549
Non-operating revenues		
Interest income	6,512	1,602
Dividends income	915	998
Foreign exchange gains	-	14,907
Royalty income	5,405	3,741
Compensation income	26,922	5,239
Subsidy income	35,542	2,465
Other	18,730	9,405
Total non-operating income	94,028	38,360
Non-operating expenses		
Interest expenses	6,723	4,926
Early-withdrawal penalty	52,371	1,320
Share of loss of entities accounted for using equity method	47,540	88,514
Exchange loss	17,485	-
Compensation expenses	-	20,040
Other	7,465	6,454
Total non-operating expenses	131,585	121,256
Recurring profit	1,731,147	1,586,653
Extraordinary income		
Surrender value of insurance	1,260	5,821
Gain on sale of investment securities	-	6,866
Gain on sales of noncurrent assets	362	231
Insurance claim income	25,138	8,532
Gain on debt exemption	-	291,302
Total extraordinary income	26,761	312,755
Extraordinary loss		
Loss on retirement of noncurrent assets	4,879	7,131
Impairment loss	205,031	305,506
Loss on liquidation of business	426,904	-
Loss on disaster	24,791	-
Total extraordinary losses	661,605	312,638
Income before income taxes and minority interests	1,096,302	1,586,770
Income taxes-current	361,974	608,760
Income taxes-deferred	-40,050	12,179
Total income taxes	321,924	620,940
Net income	774,378	965,830
Net income attributable to owners of parent	774,378	965,830

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2019 to August 31, 2020)	Current fiscal year (from September 1, 2020 to August 31, 2021)
Net income	774,378	965,830
Other comprehensive income		
Valuation difference on available-for-sale securities	10,445	-6,242
Foreign currency translation adjustment	-33,588	-13,803
Share of other comprehensive income of associates accounted for using equity method	-2,012	-3,469
Total other comprehensive income	-25,156	-23,515
Comprehensive income	749,221	942,314
(Breakdown)		
Comprehensive income attributable to owners of parent	749,221	942,314

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

Previous fiscal year (from September 1, 2019 to August 31, 2020)

(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	8,325,881	-273,120	10,130,694
Changes of items during the period					
Dividends from surplus			-134,579		-134,579
Net income attributable to owners of parent			774,378		774,378
Increase (decrease) in equity due to acquisition of consolidated subsidiaries		-283,500			-283,500
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-283,500	639,799	-	356,299
Balance at the end of current period	440,297	1,354,136	8,965,680	-273,120	10,486,994

	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	5,411	14,443	19,855	-283,500	9,867,050
Changes of items during the period					
Dividends from surplus					-134,579
Net income attributable to owners of parent					774,378
Increase (decrease) in equity due to acquisition of consolidated subsidiaries					-283,500
Net changes of items other than shareholders' equity	10,445	-35,601	-25,156	283,500	258,343
Total changes of items during the period	10,445	-35,601	-25,156	283,500	614,642
Balance at the end of current period	15,857	-21,158	-5,301	-	10,481,692

Current fiscal year (from September 1, 2020 to August 31, 2021)

(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	1,354,136	8,965,680	-273,120	10,486,994
Changes of items during the period					
Dividends from surplus			-201,868		-201,868
Net income attributable to owners of parent			965,830		965,830
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	763,961	-	763,961
Balance at the end of current period	440,297	1,354,136	9,729,641	-273,120	11,250,955

	Accumulated other comprehensive income			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	15,857	-21,158	-5,301	10,481,692
Changes of items during the period				
Dividends from surplus				-201,868
Net income attributable to owners of parent				965,830
Net changes of items other than shareholders' equity	-6,242	-17,273	-23,515	-23,515
Total changes of items during the period	-6,242	-17,273	-23,515	740,445
Balance at the end of current period	9,615	-38,432	-28,817	11,222,138

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (from September 1, 2019 to August 31, 2020)	Current fiscal year (from September 1, 2020 to August 31, 2021)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	1,096,302	1,586,770
Depreciation and amortization	413,311	375,722
Impairment loss	205,031	305,506
Amortization of goodwill	5,721	5,721
Increase (decrease) in allowance for doubtful accounts	-1,823	-3,958
Increase (decrease) in provision for bonuses	16,464	-17,007
Increase (decrease) in provision for directors' bonuses	17,900	-17,900
Increase (decrease) in liabilities relating to retirement benefits	21,147	26,149
Increase (decrease) in provision for directors' retirement benefits	3,037	2,451
Increase (decrease) in provision for directors' stock-based benefits	32,523	28,693
Increase (decrease) in provision for loss on business liquidation	43,433	-75,596
Interest and dividends income	-7,428	-2,600
Interest expenses	6,723	4,926
Loss (gain) on sale of investment securities	-	-6,866
Loss on retirement of noncurrent assets	4,879	7,131
Loss on liquidation of business	310,918	-
Gain on debt exemption	-	-291,302
Decrease (increase) in accounts receivable-trade	109,883	188,585
Decrease (increase) in inventories	-156,182	-327,397
Increase (decrease) in notes and accounts payable-trade	-1,112,894	-902,068
Increase (decrease) in accrued consumption taxes	325,759	-290,251
Other	19,388	172,169
Subtotal	1,354,095	768,877
Interest and dividends income received	6,999	3,567
Interest expenses paid	-4,669	-12,298
Income taxes paid	-434,325	-381,885
Net cash provided by (used in) operating activities	922,099	378,261
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	-431,272	-319,611
Proceeds from sales of property, plant and equipment	342	1,660
Purchase of intangible assets	-110,535	-442,354
Payments for asset retirement obligations	-59,605	-68,332
Payments for lease and guarantee deposits	-73,186	-81,771
Proceeds from collection of lease and guarantee deposits	157,373	67,209
Purchase of investment securities	-387	-
Proceeds from sale of investment securities	-	16,183
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-9,620	-
Other	600	48,043
Net cash provided by (used in) investing activities	-526,290	-778,973
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	-	200,000
Proceeds from long-term loans payable	838,342	400,000
Repayment of long-term loans payable	-591,547	-511,510
Repayment of lease obligations	-6,286	-6,286
Cash dividends paid	-134,413	-201,671
Other	-	67,500
Net cash provided by (used in) financing activities	106,094	-51,968
Effect of exchange rate change on cash and cash equivalents	14,129	30,540
Net increase (decrease) in cash and cash equivalents	516,032	-422,139
Cash and cash equivalents at beginning of period	6,075,315	6,591,348
Cash and cash equivalents at end of period	6,591,348	6,169,208

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

None

(Changes in accounting estimates)

Asset retirement obligations

In the second quarter of the fiscal year ended August 2021, the Company changed its estimate for asset retirement obligations that had been recorded as restoration obligations associated with real estate lease contracts, since it acquired new information such as the most recent actual restoration costs. An increase of 220,100 thousand yen due to this change has been added to the balance of asset retirement obligations before the change.

Some of the tangible fixed assets in connection with this change were recorded as impairment losses. As a result of this change in estimate, income before income taxes and minority interests for the current fiscal year decreased by 87,045 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, 2019 to August 31, 2020)	Current fiscal year (from September 1, 2020 to August 31, 2021)
Net assets per share	782.34 yen	837.60 yen
Net income per share	57.80 yen	72.09 yen

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

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

4. The basis for calculating net income per share is as follows.

	Previous fiscal year (from September 1, 2019 to August 31, 2020)	Current fiscal year (from September 1, 2020 to August 31, 2021)
Net income attributable to owners of parent (thousand yen)	774,378	965,830
Amount that does not belong to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent available to common shareholders (thousand yen)	774,378	965,830
Average number of common shares during the period (shares)	13,397,926	13,397,926

(Important subsequent events)

(Business combination through acquisition)

At a meeting of the Board of Directors held on August 27, 2021, the Company resolved to acquire all the shares of Ontsu F.RETAIL Co., Ltd. and NIPPAN Co., Ltd. to make them subsidiaries, and concluded its share transfer agreement. On October 1, 2021, the Company acquired all the shares of these companies.

(1) The outline of the business combination

① Name of the acquired company and the contents of its business

Name of the acquired company	Ontsu F.RETAIL Co., Ltd.	NIPPAN Co., Ltd.
Outline of business	Operation of 100-Yen shops, "FLET'S" and "Hyakuen Ryojikan", etc., as well as operation of franchised chain shops.	Planning, import, and sales of general merchandise products for 100-Yen shops

② Major reasons for the business combination

Ontsu F.RETAIL Co., Ltd. operates approximately 140 100-Yen shops under the brand names of "FLET'S" and "Hyakuen Ryojikan", mainly in the Kansai and Kanto regions. NIPPAN Co., Ltd. wholesales merchandise to 100-Yen shops. The Company has decided to acquire all shares of these companies and made them subsidiaries, as it believes that it will improve the corporate value by expanding the store network and business scale of the core 100-Yen shop business.

③ Date of business combination

October 1, 2021

④ Legal form of business combination

Acquisition of shares

⑤ Name of the company after the merger

No change

⑥ Percentage of voting rights acquired

100%

⑦ Grounds for determining the acquiring company

The Company's cash acquisition of shares

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	2 yen
Acquisition cost		2 yen

(3) Details and amount of major acquisition-related expenses

Due diligence expenses, etc.: 1,000 thousand yen

(4) Amount of goodwill incurred, reason for the goodwill, amortization method and period

Not determined at this time.

(5) Amount of assets received and liabilities assumed on the date of business combination and its major breakdown

Not determined at this time.

#### 4. Other

##### (1) Changes in directors

###### ① Change in the representative director

None

###### ② Changes in other directors

None

##### (2) Sales

Sales by area and business type are as follows.

Area	Amount (thousand yen)	Year-on-year change (%)	Number of shops		
			As of August 31, 2021	Newly opened	Closed
Hokkaido area	2,169,917	100.9	93	19	4
Tohoku area	2,146,117	101.9	81	8	3
Kanto area	12,534,899	93.8	306	31	8
Chubu area	7,206,732	98.6	219	19	5
Kinki area	10,459,255	96.3	244	29	10
Chugoku/Shikoku area	5,034,968	103.4	234	48	4
Kyushu area	4,736,435	98.5	164	11	5
100-Yen shop business	44,288,328	97.4	1,341	165	39
Wholesale	6,414,241	87.5	121	8	27
Total	50,702,569	96.0	1,462	173	66