

# Summary of Financial Results for the Fiscal Year Ended August 31, 2022 [Japan GAAP] (Consolidated)

October 11, 2022

Company **Watts Co., Ltd.** Listed on the TSE  
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 Expected date of annual shareholders' meeting: November 25, 2022 Expected starting date of dividend payment: November 28, 2022  
 Expected date of filing of annual securities report: November 25, 2022  
 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 2022 (September 1, 2021 through August 31, 2022)

### (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. 2022	58,347	15.1	998	-40.2	1,148	-27.6	781	-19.1
Year ended Aug. 2021	50,702	-4.0	1,669	-5.6	1,586	-8.3	965	24.7

(Note) Comprehensive income:

Fiscal year ended August 2022: 866 million yen (-8.0%)

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

	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. 2022	57.83	-	6.7	4.9	1.7
Year ended Aug. 2021	72.09	-	8.9	7.4	3.3

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

Fiscal year ended August 2022: 7 million yen

Fiscal year ended August 2021: -88 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. 2022	25,600	11,931	46.6	878.58
As of Aug. 2021	21,340	11,222	52.6	837.60

(Reference) Shareholders' equity:

As of August 2022: 11,927 million yen

As of August 2021: 11,222 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. 2022	1,721	-975	-328	6,687
Year ended Aug. 2021	378	-778	-51	6,169

## 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. 2021	-	0.00	-	22.00	22.00	296	30.5	2.7
Year ended Aug. 2022	-	0.00	-	15.00	15.00	203	25.9	1.7
Year ending Aug. 2023 (forecast)	-	0.00	-	15.00	15.00		38.4	

### 3. Forecast of consolidated business results for the fiscal year ending August 2023

(September 1, 2022 through August 31, 2023) (% 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. 2023	29,630	3.9	380	-40.4	340	-49.9	220	-39.1	16.21
Year ending Aug. 2023	60,500	3.7	920	-7.9	850	-26.0	530	-32.2	39.04

#### \*Notes

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

Newly included: 1 (Ontsu F.RETAIL Co., Ltd.)

(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 2022 13,898,800 shares

As of August 2021 13,958,800 shares

② Treasury stock at the end of period:

As of August 2022 323,487 shares

As of August 2021 560,874 shares

③ Average number of stock during period

Fiscal year ended August 2022 13,508,204 shares

Fiscal year ended August 2021 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 (FY8/22: - shares, FY8/21: 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 (FY8/22: 27,945 shares, FY8/21: 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 fiscal year under review

In the fiscal year under review, the number of COVID-19 cases remained high due to the seventh wave of the infection. Meanwhile, the Japanese government took various measures, such as stimulating consumption with accumulated household savings and removing restrictions on activities during the holiday season, in order for people to return to normal life during the COVID-19 crisis. However, resource prices continued to soar due to the prolonged invasion of Ukraine by Russia with unclear prospects, and the rapid depreciation of the yen against the dollar due to the large divergence in monetary policy between Japan and the U.S. reached a level not seen in a quarter of a century. As a result, higher living-related costs, including energy prices, have led to decreased consumer confidence.

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 upgraded its online shop on September 1, 2021, and substantially increased the product lineups by approximately 10 times to more than 10,000 items. We also began handling Buona Vita and Tokino:ne products. In addition, we are introducing self-checkout POS registers to improve in-store productivity through more efficient purchase process. We are also working to introduce and renew handmade tools and materials sections to further develop existing shops.

As for new shop openings, the Company opened 193 shops to the full-year plan of 230 shops. Furthermore, on October 1, the Company acquired all shares of Otsu F·RETAIL Co., Ltd., which operates 145 100-Yen shops named “FLET’S” etc., (including 5 FC shops), making it a subsidiary. There were 61 shop closings (including 5 franchised shops), including certain unprofitable shops and unpredictable closing of shops where the Company’s shops were located in. As a result, the total number of 100-Yen shops at the end of the fiscal year under review was 1,641, which includes 1,618 directly managed shops (net increase of 277), and 23 franchised/other shops (unchanged). Of these, the number of “Watts” and “Watts with”, the Watts brand shops, increased to 1,029 (net increase of 204), accounting for about 60% of the total.

As for the domestic other business, “Buona Vita,” a life-style goods shop offering comfortable and joyful life, opened a consignment shop in our 100-Yen shop to supplement the “fashionable taste” to the 100-Yen shop and enhance synergy between businesses. At the end of the fiscal year under review, the number of Buona Vita shops was 23 (net increase of 2). “Tokino:ne”, a household items shop, opened the second shop at AEON mall in Chiba City, Chiba Prefecture in March; the number of shops was 2. “Value- 100,” the fresh-foods supermarket collaboration, continues with 1 shop (unchanged). “Real”, a discount shop, was 6 shops (unchanged).

Regarding the overseas operation, the Company operates “KOMONOYA”, a fixed-price shop mainly in Southeast Asia. At the end of the fiscal year under review, “KOMONOYA” operates 37 shops in Thailand (net decrease of 4), and 14 shops in Peru (net decrease of 5). The Company closed 2 shops in Malaysia and 3 shops in Vietnam. In China, there were 4 shops (unchanged) named “小物家园”(KOMONOKAEN), a fixed price shop. The total number of own-brand shops “KOMONOYA” and “小物家园”(KOMONOKAEN) was 55 (net decrease of 14).

Through the acquisition of 100-Yen shop operators Otsu F·Retail Co., Ltd. and Nippan Co., Ltd., sales increased to 58,347 million yen (up 15.1% YoY, 100.6% to the plan) for the fiscal year under review.

Due to the slow growth in the 100-Yen shop same-store sales at 97.9% YoY and amortization of goodwill from M&A, operating profit was 998 million yen (down 40.2% YoY, 90.8% to the plan) and recurring profit was 1,148 million yen (down 27.6% YoY, 99.9% to the plan).

On the other hand, net income attributable to owners of parent was 781 million yen (down 19.1% YoY, 94.1% to the plan). This was mainly due to a decrease in tax expenses resulting from the absorption-type merger of our consolidated subsidiaries, and the recording of deferred tax assets and income taxes-deferred (gains) resulting from the generation of tax loss carryforwards. (\*Year on year: comparison with the results for the previous fiscal year. Ratio to plan: ratio to the business forecasts for the fiscal year ended August 2022 which were announced in the “Notice Concerning Revision to Business Forecasts” dated July 11, 2022.)

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 fiscal year under review

### (Assets)

As of the end of the fiscal year under review, current assets stood at 18,561 million yen, an increase of 2,511 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,302 million yen for merchandise and finished goods, 536 million yen for accounts receivable-trade, and 518 million yen for cash and deposits.

Fixed assets stood at 7,039 million yen, increased by 1,747 million yen from the end of the previous fiscal year. This was mainly due to an increase of 526 million yen in goodwill associated with the acquisition of Ontsu F·Retail Co., Ltd. and Nippan Co., Ltd., as well as increases of 475 million yen in guarantee deposits, 314 million yen in buildings and structures, 275 million yen in tools, furniture and fixtures, and 130 million yen in deferred tax assets.

As a result, total assets stood at 25,600 million yen, increased by 4,259 million yen from the end of the previous fiscal year.

### (Liabilities)

As of the end of the fiscal year under review, current liabilities stood at 9,932 million yen, an increase of 1,312 million yen from the end of the previous fiscal year. This was mainly due to an increase of 825 million yen in notes and accounts payable-trade and 655 million yen in electronically recorded obligations, despite a decrease of 271 million yen in income taxes payable.

Fixed liabilities stood at 3,736 million yen, increased by 2,238 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,915 million yen in long-term loans payable and 222 million yen in asset retirement obligations.

As a result, total liabilities stood at 13,669 million yen, increased by 3,550 million yen from the end of the previous fiscal year.

### (Net assets)

As of the end of the fiscal year under review, total net assets stood at 11,931 million yen, an increase of 708 million yen from the end of the previous fiscal year. This was mainly due to an increase of 485 million yen in retained earnings and a decrease of 139 million yen in treasury stock resulting from the retirement of treasury stock and the disposal of treasury stock as restricted stock compensation.

As a result, shareholders' equity ratio stood at 46.6% (52.6% at the end of the previous fiscal year).

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

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review amounted to 6,687 million yen, an increase of 518 million yen from the end of the previous fiscal year.

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

### (Cash flows from operating activities)

Net cash provided by operating activities was 1,721 million yen (378 million yen was provided in the previous fiscal year). This was mainly due to income before income taxes and minority interests of 975 million yen, an increase in notes and accounts payable-trade of 657 million yen, and depreciation and amortization of 571 million yen. Cash was used mainly for income taxes paid of 674 million yen.

### (Cash flows from investing activities)

Net cash used in investing activities was 975 million yen (778 million yen was used in the previous fiscal year). This was mainly due to payments for lease and guarantee deposits of 567 million yen and payments for purchase of property, plant and equipment of 542 million yen.

### (Cash flows from financing activities)

Net cash used for financing activities was 328 million yen (51 million yen was used in the previous fiscal year). This was mainly due to long-term loans payable of 3,000 million yen, repayments of long-term loans payable of 2,813 million yen, cash dividends paid of 296 million yen, and a net decrease in short-term loans payable of 200 million yen.

#### (4) Future outlook

As for the COVID-19 situation, Japan is likely to move from the pre-COVID to the post-COVID era, aided by the progress of vaccination against the Omicron strain, the lifting of the restriction on the entry of foreign tourists, and a decrease in the demand-supply gap. However, depending on the existence of effective government-led fiscal policies and current trends in the depreciation of the yen and resource prices, as well as the emergence of new variant of the virus, corporate activities and consumer spending may stall.

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 yen.

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”, “Tokino:ne” and “Real”, to provide the new driving force for further growth in the future.

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

Based on the above, the Company expects the following performance for the next fiscal year: sales of 60,500 million yen (up 3.7% year on year), operating profit of 920 million yen (down 7.9% year on year), recurring profit of 850 million yen (down 26.0% year on year) and net income attributable to owners of parent of 530 million yen (down 32.2% year on year).

#### (Reference) Cash flow indicators

	FY8/18	FY8/19	FY8/20	FY8/21	FY8/22
Equity ratio (%)	52.2	47.1	48.7	52.6	46.6
Market value equity ratio (%)	64.5	38.3	58.5	55.7	38.0
Interest-bearing debt to cash flows ratio (years)	1.7	0.4	1.4	3.0	1.7
Interest coverage ratio (times)	157.9	522.6	197.5	30.8	157.1

(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, 2021)	Fiscal year under review (August 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	6,169,208	6,687,848
Notes and accounts receivable-trade	2,150,910	2,687,168
Merchandise and finished goods	7,431,457	8,734,082
Raw materials and supplies	12,123	25,847
Consumption taxes receivable	75,956	22,876
Other	232,481	431,169
Allowance for doubtful accounts	-22,483	-27,599
Total current assets	16,049,656	18,561,392
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,055,446	4,008,560
Accumulated depreciation and impairment loss	-1,313,149	-2,951,551
Buildings and structures, net	742,297	1,057,009
Vehicles	26,266	32,337
Accumulated depreciation and impairment loss	-20,833	-26,989
Vehicles, net	5,432	5,348
Tools, furniture and fixtures	3,729,454	4,882,184
Accumulated depreciation and impairment loss	-3,184,361	-4,061,385
Tools, furniture and fixtures, net	545,092	820,798
Land	257,800	257,800
Leased assets	27,623	111,042
Accumulated depreciation and impairment loss	-26,034	-101,363
Leased assets, net	1,589	9,678
Construction in progress	-	5,000
Total property, plant and equipment	1,552,212	2,155,635
Intangible assets		
Amortization of goodwill	12,395	538,691
Other	599,833	567,785
Total intangible assets	612,229	1,106,477
Investments and other assets		
Investment securities	327,430	350,185
Deferred tax assets	393,390	523,698
Guarantee deposits	2,289,987	2,765,694
Other	123,665	144,709
Allowance for doubtful accounts	-7,574	-7,238
Total investments and other assets	3,126,899	3,777,048
Total noncurrent assets	5,291,340	7,039,161
Total assets	21,340,997	25,600,554

(Thousands of yen)

	Previous fiscal year (August 31, 2021)	Fiscal year under review (August 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,118,081	3,943,822
Electronically recorded obligations	3,145,453	3,801,090
Short-term loans payable	200,000	-
Current portion of long-term loans payable	528,247	694,163
Income taxes payable	396,644	124,876
Accrued consumption taxes	129,894	170,774
Provision for bonuses	186,679	126,657
Other	915,676	1,071,372
Total current liabilities	8,620,678	9,932,757
Noncurrent liabilities		
Long-term loans payable	396,084	2,311,910
Retirement benefit liability	324,078	412,913
Provision for directors' retirement benefits	30,223	34,295
Provision for directors' stock-based benefits	93,938	-
Asset retirement obligations	424,171	646,815
Other	229,683	330,844
Total noncurrent liabilities	1,498,180	3,736,777
Total liabilities	10,118,858	13,669,535
<b>Net assets</b>		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,354,136	1,348,550
Retained earnings	9,729,641	10,214,752
Treasury stock	-273,120	-133,386
Total shareholders' equity	11,250,955	11,870,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,615	4,962
Foreign currency translation adjustment	-38,432	51,854
Total accumulated other comprehensive income	-28,817	56,816
Stock acquisition right	-	3,989
Total net assets	11,222,138	11,931,019
Total liabilities and net assets	21,340,997	25,600,554

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

(Thousands of yen)

	Previous fiscal year (from September 1, 2020 to August 31, 2021)	Fiscal year under review (from September 1, 2021 to August 31, 2022)
Sales	50,702,569	58,347,501
Cost of sales	31,076,847	36,066,010
Gross profit	19,625,721	22,281,490
Selling, general and administrative expenses	17,956,171	21,282,978
Operating profit	1,669,549	998,512
Non-operating revenues		
Interest income	1,602	2,220
Dividends income	998	1,009
Equity in earnings of affiliates	-	7,952
Foreign exchange gains	14,907	119,255
Royalty income	3,741	3,226
Compensation income	5,239	17,535
Subsidy income	2,465	15,490
Other	9,405	14,638
Total non-operating income	38,360	181,329
Non-operating expenses		
Interest expenses	4,926	10,696
Early-withdrawal penalty	1,320	4,860
Share of loss of entities accounted for using equity method	88,514	-
Compensation expenses	20,040	8,874
Other	6,454	7,075
Total non-operating expenses	121,256	31,505
Recurring profit	1,586,653	1,148,335
Extraordinary income		
Surrender value of insurance	5,821	6,252
Gain on sale of investment securities	6,866	945
Gain on sales of noncurrent assets	231	-
Insurance claim income	8,532	-
Gain on debt exemption	291,302	-
Provision for directors' stock-based benefits	-	29,777
Total extraordinary income	312,755	36,975
Extraordinary loss		
Loss on retirement of noncurrent assets	7,131	32,616
Impairment loss	305,506	176,170
Loss on disaster	-	1,248
Total extraordinary losses	312,638	210,035
Income before income taxes and minority interests	1,586,770	975,275
Income taxes-current	608,760	324,854
Income taxes-deferred	12,179	-130,764
Total income taxes	620,940	194,090
Net income	965,830	781,185
Net income attributable to owners of parent	965,830	781,185

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2020 to August 31, 2021)	Fiscal year under review (from September 1, 2021 to August 31, 2022)
Net income	965,830	781,185
Other comprehensive income		
Valuation difference on available-for-sale securities	-6,242	-4,652
Foreign currency translation adjustment	-13,803	61,276
Share of other comprehensive income of associates accounted for using equity method	-3,469	29,009
Total other comprehensive income	-23,515	85,633
Comprehensive income	942,314	866,818
(Breakdown)		
Comprehensive income attributable to owners of parent	942,314	866,818

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

Previous 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 period under review	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 period under review	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 period under review	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 period under review	9,615	-38,432	-28,817	11,222,138

Fiscal year under review (from September 1, 2021 to August 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period under review	440,297	1,354,136	9,729,641	-273,120	11,250,955
Changes of items during the period					
Dividends from surplus			-296,074		-296,074
Net income attributable to owners of parent			781,185		781,185
Disposal of treasury shares		60,473		73,673	134,147
Cancellation of treasury shares		-66,060		66,060	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-5,586	485,111	139,733	619,258
Balance at the end of period under review	440,297	1,348,550	10,214,752	-133,386	11,870,213

	Accumulated other comprehensive income			Stock acquisition right	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period under review	9,615	-38,432	-28,817	-	11,222,138
Changes of items during the period					
Dividends from surplus					-296,074
Net income attributable to owners of parent					781,185
Disposal of treasury shares					134,147
Cancellation of treasury shares					-
Net changes of items other than shareholders' equity	-4,652	90,286	85,633	3,989	89,622
Total changes of items during the period	-4,652	90,286	85,633	3,989	708,880
Balance at the end of period under review	4,962	51,854	56,816	3,989	11,931,019

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (from September 1, 2020 to August 31, 2021)	Fiscal year under review (from September 1, 2021 to August 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,586,770	975,275
Depreciation and amortization	375,722	571,326
Impairment loss	305,506	176,170
Amortization of goodwill	5,721	120,930
Increase (decrease) in allowance for doubtful accounts	-3,958	2,670
Increase (decrease) in provision for bonuses	-17,007	-60,022
Increase (decrease) in provision for directors' bonuses	-17,900	-
Increase (decrease) in liabilities relating to retirement benefits	26,149	88,834
Increase (decrease) in provision for directors' retirement benefits	2,451	4,071
Increase (decrease) in provision for directors' stock-based benefits	28,693	-93,938
Increase (decrease) in provision for loss on business liquidation	-75,596	-
Interest and dividends income	-2,600	-3,230
Interest expenses	4,926	10,696
Loss (gain) on sale of investment securities	-6,866	-945
Loss on retirement of noncurrent assets	7,131	32,616
Gain on debt exemption	-291,302	-
Decrease (increase) in accounts receivable-trade	188,585	-168,989
Decrease (increase) in inventories	-327,397	-65,044
Increase (decrease) in notes and accounts payable-trade	-902,068	657,740
Increase (decrease) in accrued consumption taxes	-290,251	70,228
Other	172,169	86,049
Subtotal	768,877	2,404,439
Interest and dividends income received	3,567	3,213
Interest expenses paid	-12,298	-10,957
Income taxes paid	-381,885	-674,774
Net cash provided by (used in) operating activities	378,261	1,721,920
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-319,611	-542,040
Proceeds from sales of property, plant and equipment	1,660	-
Purchase of intangible assets	-442,354	-107,936
Payments for retirement of property, plant and equipment	-	-14,520
Payments for asset retirement obligations	-68,332	-8,898
Payments for lease and guarantee deposits	-81,771	-567,262
Proceeds from collection of lease and guarantee deposits	67,209	66,367
Proceeds from sale of investment securities	16,183	6,026
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	191,877
Other	48,043	600
Net cash provided by (used in) investing activities	-778,973	-975,787
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	200,000	-200,000
Proceeds from long-term loans payable	400,000	3,000,000
Repayment of long-term loans payable	-511,510	-2,813,810
Repayment of lease obligations	-6,286	-18,758
Cash dividends paid	-201,671	-296,038
Other	67,500	-
Net cash provided by (used in) financing activities	-51,968	-328,607
Effect of exchange rate change on cash and cash equivalents	30,540	101,113
Net increase (decrease) in cash and cash equivalents	-422,139	518,639
Cash and cash equivalents at beginning of period	6,591,348	6,169,208
Cash and cash equivalents at end of period	6,169,208	6,687,848

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Based on a resolution of the Board of Directors meeting held on October 12, 2021, the Company disposed of 178,387 shares of treasury stock as restricted stock compensation. In addition, the Company cancelled 60,000 shares of its treasury stock pursuant to the resolution of the Board of Directors meeting on February 21, 2022. As a result, capital surplus and treasury stock decreased by 5,586 thousand yen and 139,733 thousand yen, respectively.

As a result, at the end of the fiscal year under review, capital surplus was 1,348,550 thousand yen, and treasury stock was 133,386 thousand yen.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition") and other standards from the beginning of the fiscal year under review.

The Company follows the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition. The adoption of the Accounting Standard for Revenue Recognition did not have a material impact on the consolidated financial statements or retained earnings at the beginning of the fiscal year.

(Application of accounting standard for calculation of fair value)

The Company has applied the Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards from the beginning of the fiscal year under review. The Company has decided to apply the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value, etc. in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Market Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements.

(Changes in reporting method)

Consolidated Balance Sheets

Goodwill, which was included in "Other" under "Intangible assets" in the previous fiscal year, is separately stated from the fiscal year under review because it exceeded 1/100 of the total amount of assets.

To reflect this change in reporting method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 612,229 thousand yen presented in "Other" under "Intangible assets" in the consolidated balance sheets for the previous fiscal year has been reclassified as 12,395 thousand yen for "Goodwill" and 599,833 thousand yen for "Other."

(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, 2020 to August 31, 2021)	Fiscal year under review (from September 1, 2021 to August 31, 2022)
Net assets per share	837.60 yen	878.58 yen
Net income per share	72.09 yen	57.83 yen

(Notes) 1. Diluted net income per share is not presented because there were no dilutive shares in the previous fiscal year, and therefore there were no dilutive shares in the fiscal year under review.

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, fiscal year under review: - 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, fiscal year under review: 27,945 shares).

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

	Previous fiscal year (from September 1, 2020 to August 31, 2021)	Fiscal year under review (from September 1, 2021 to August 31, 2022)
Net income attributable to owners of parent (thousand yen)	965,830	781,185
Amount that does not belong to common shareholders (thousand yen)	-	-
Net income attributable to owners of parent available to common shareholders (thousand yen)	965,830	781,185
Average number of common shares during the period (shares)	13,397,926	13,508,204
Outline of dilutive shares not included in the calculation of diluted net income per share due to the absence of dilutive effects.	-	Stock acquisition rights by resolution of the Board of Directors on March 22, 2022 (Number of stock acquisition rights issued: 1,246 Common shares: 124,600)

(Important subsequent events)

(Transactions under common control)

The Group's 100-Yen shop business is operated by its sales subsidiaries Watts East Japan Sales Co., Ltd. and Watts West Japan Sales Co., Ltd. On October 1, 2021, the Company acquired the shares of Otsu F Retail Co., Ltd., which operates a 100-Yen shop business, making it a subsidiary. The Company has now determined that the integration of their business with the Company's 100-Yen shop business has been almost completed, and reorganized the business to match the actual operation method.

1. Overview of absorption-type company split transactions between consolidated subsidiaries

(1) The name of the relevant business and the outline of the business

Names of the business: Businesses operated by Otsu F Retail Co., Ltd. in Eastern Japan (Northern Japan, Koshinetsu, Kanto, Tokai regions)

Outline of the business: Operation of 100-Yen shops, etc.

(2) Date of business combination

September 1, 2022

(3) Legal form of business combination

Absorption-type company split with Otsu F Retail Co., Ltd. as the splitting company and Watts East Japan Sales Co., Ltd. as the successor company.

2. Overview of absorption-type merger transactions between consolidated subsidiaries

(1) Name of the merged company and the outline of the business

① Merging company (surviving company)

Name of the company: Watts West Japan Sales Co., Ltd.

Outline of the business: Operation of 100-Yen shops, etc.

② Merged company (absorbed company)

Name of the company: Otsu F.RETAIL Co., Ltd.

Outline of the business: Operation of 100-Yen shops, etc.

(2) Date of business combination

September 1, 2022

(3) Legal form of business combination

Absorption-type merger with Otsu F Retail Co., Ltd. as the splitting company and Watts West Japan Sales Co., Ltd. as the successor company.

3. Summary of Accounting Procedures Implemented

Based on the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," these transactions are accounted for as transactions under common control.

#### 4. Other

##### (1) Changes in directors

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

No items to report

###### ② Changes in other directors

No items to report

##### (2) Sales information

Since the Group operates under a single segment, the figures are based on sales by region and business division.

Business Divisions	Area	Amount (thousand yen)
	Hokkaido area	2,207,154
	Tohoku area	2,173,962
	Kanto area	14,438,540
	Chubu area	7,559,167
	Kinki area	14,819,397
	Chugoku/Shikoku area	5,640,830
	Kyushu area	4,988,221
100-Yen shop business		51,827,275
Wholesale		6,400,696
Revenue from contracts with customers		58,227,971
Other revenue		119,529
Sales to outside customers		58,347,501

(Note) As described in "3. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Changes in accounting policies)," the Company has applied the revenue recognition accounting standards from the beginning of the fiscal year under review. As a result, the method of aggregating sales in the "Sales information" has been changed to conform to that method beginning in the fiscal year under review.

Comparative information with the previous fiscal year is omitted for the fiscal year under review.