

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended August 31, 2018 (Based on Japanese GAAP)

October 12, 2018

Company name: SHIMACHU CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8184 URL <http://www.shimachu.co.jp/>
 Representative: President and Representative Director Takaaki Okano
 Director, General Manager of Corporate Planning Kazuya Orimoto TEL 048(623)7711
 Scheduled date of ordinary general meeting of shareholders: November 29, 2018
 Scheduled date to file Securities Report: November 30, 2018
 Scheduled date to commence dividend payments: November 30, 2018
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended August 31, 2018 (from September 1, 2017 to August 31, 2018)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2018	146,272	(0.4)	9,888	0.3	10,541	(2.1)	4,301	(31.5)
Year ended August 31, 2017	146,858	(5.8)	9,855	(21.3)	10,766	(15.3)	6,277	(29.7)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/Operating revenue
	Yen	Yen	%	%	%
Year ended August 31, 2018	94.11	—	2.2	4.3	6.8
Year ended August 31, 2017	132.49	—	3.1	4.4	6.7

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2018	241,650	194,288	80.4	4,297.60
As of August 31, 2017	243,353	199,860	82.1	4,247.57

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2018	15,433	(6,845)	(9,713)	24,160
Year ended August 31, 2017	9,864	(612)	(8,061)	25,281

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2017	—	40.00	—	40.00	80.00	3,764	60.4	1.9
Year ended August 31, 2018	—	40.00	—	40.00	80.00	3,616	85.0	1.8
Year ending August 31, 2019 (Forecast)	—	40.00	—	40.00	80.00		57.3	

3. Forecast of non-consolidated financial results for the year ending August 31, 2019 (from September 1, 2018 to August 31, 2019)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2019	72,265	1.1	4,129	(15.5)	4,222	(18.1)	2,871	(17.9)	63.50
Full year	148,389	1.4	9,014	(8.8)	9,279	(12.0)	6,310	46.7	139.57

4. Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(2) Number of issued shares (common shares)

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

As of August 31, 2018	47,889,104 shares	As of August 31, 2017	51,389,104 shares
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Number of treasury shares at the end of the period

As of August 31, 2018	2,680,550 shares	As of August 31, 2017	4,336,257 shares
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Average number of shares during the period

Year ended August 31, 2018	45,703,121 shares	Year ended August 31, 2017	47,380,184 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of August 31, 2017	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	18,781	22,057
Accounts receivable - trade	5,517	5,474
Securities	12,226	7,567
Merchandise and finished goods	20,671	18,042
Prepaid expenses	783	767
Deferred tax assets	735	1,008
Other	3,248	3,170
Allowance for doubtful accounts	(1)	(1)
Total current assets	61,961	58,086
Non-current assets		
Property, plant and equipment		
Buildings	117,820	116,475
Accumulated depreciation	(48,272)	(52,053)
Buildings, net	69,547	64,421
Structures	5,930	5,798
Accumulated depreciation	(4,323)	(4,564)
Structures, net	1,607	1,234
Vehicles	9	9
Accumulated depreciation	(9)	(9)
Vehicles, net	0	0
Tools, furniture and fixtures	4,512	4,392
Accumulated depreciation	(3,906)	(3,927)
Tools, furniture and fixtures, net	605	464
Land	95,793	95,742
Leased assets	–	242
Accumulated depreciation	–	(26)
Leased assets, net	–	216
Construction in progress	1,286	3,998
Total property, plant and equipment	168,840	166,078
Intangible assets		
Software	205	344
Other	80	75
Total intangible assets	285	420

(Millions of yen)

	As of August 31, 2017	As of August 31, 2018
Investments and other assets		
Investment securities	533	547
Investments in capital	0	0
Long-term prepaid expenses	1,346	1,156
Prepaid pension cost	357	425
Deferred tax assets	2,494	2,945
Other	7,739	12,194
Allowance for doubtful accounts	(206)	(203)
Total investments and other assets	12,265	17,065
Total non-current assets	181,391	183,564
Total assets	243,353	241,650
Liabilities		
Current liabilities		
Notes payable - trade	312	271
Accounts payable - trade	21,500	21,415
Lease obligations	—	53
Accounts payable - other	1,652	2,487
Accrued expenses	1,298	1,346
Income taxes payable	1,443	1,686
Advances received	2,145	2,203
Deposits received	400	328
Provision for bonuses	634	877
Business restructuring reserves	—	641
Other	6	1,366
Total current liabilities	29,394	32,677
Non-current liabilities		
Lease obligations	—	189
Provision for retirement benefits	3,932	4,214
Asset retirement obligations	7,023	7,007
Other	3,141	3,273
Total non-current liabilities	14,098	14,685
Total liabilities	43,492	47,362

	(Millions of yen)	
	As of August 31, 2017	As of August 31, 2018
Net assets		
Shareholders' equity		
Capital stock	16,533	16,533
Capital surplus		
Legal capital surplus	19,344	19,344
Total capital surpluses	19,344	19,344
Retained earnings		
Legal retained earnings	1,295	1,295
Other retained earnings		
Reserve for advanced depreciation of non-current assets	145	140
General reserve	164,400	164,400
Retained earnings brought forward	11,643	1,713
Total retained earnings	177,484	167,549
Treasury shares	(13,046)	(8,505)
Total shareholders' equity	200,315	194,922
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(454)	(633)
Total valuation and translation adjustments	(454)	(633)
Total net assets	199,860	194,288
Total liabilities and net assets	243,353	241,650

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Net sales	141,167	140,199
Cost of sales		
Beginning goods	20,884	20,671
Cost of purchased goods	94,367	92,455
Total	115,251	113,126
Transfer to other account	148	1,108
Ending goods	20,671	18,042
Total cost of sales	94,431	93,975
Gross profit	46,735	46,224
Operating revenue		
Rent income of real estate	5,690	6,072
Gross operating profit	52,426	52,297
Selling, general and administrative expenses	42,571	42,408
Operating profit	9,855	9,888
Non-operating income		
Interest income	5	3
Interest on securities	44	96
Dividend income	14	15
Gain on sales of securities	–	61
Foreign exchange gains	286	5
Commission fee	227	359
Vending machine commission	145	143
Miscellaneous income	310	177
Total non-operating income	1,034	861
Non-operating expenses		
Rental payments	15	144
Miscellaneous loss	107	64
Total non-operating expenses	123	208
Ordinary profit	10,766	10,541
Extraordinary income		
Gain on sales of non-current assets	168	–
Gain on reversal of asset retirement obligations	94	5
Total extraordinary income	262	5
Extraordinary losses		
Loss on disposal of non-current assets	10	30
Impairment loss	1,658	2,018
Business structural reform-related expenses	–	1,606
Other	81	5
Total extraordinary losses	1,750	3,660
Profit before income taxes	9,278	6,886
Income taxes - current	3,465	3,207
Income taxes - deferred	(465)	(622)
Total income taxes	3,000	2,585
Profit	6,277	4,301

Non-consolidated statements of changes in equity

Fiscal year ended August 31, 2017

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	16,533	19,344	19,344	1,295	149	164,400	9,423	175,268
Changes of items during period								
Dividends of surplus							(4,062)	(4,062)
Profit							6,277	6,277
Reversal of reserve for advanced depreciation of non-current assets					(4)		4	—
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	(4)	—	2,220	2,215
Balance at end of current period	16,533	19,344	19,344	1,295	145	164,400	11,643	177,484

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(9,042)	202,104	(873)	(873)	201,231
Changes of items during period					
Dividends of surplus		(4,062)			(4,062)
Profit		6,277			6,277
Reversal of reserve for advanced depreciation of non-current assets		—			—
Purchase of treasury shares	(4,004)	(4,004)			(4,004)
Net changes of items other than shareholders' equity			418	418	418
Total changes of items during period	(4,004)	(1,788)	418	418	(1,370)
Balance at end of current period	(13,046)	200,315	(454)	(454)	199,860

Fiscal year ended August 31, 2018

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	16,533	19,344	19,344	1,295	145	164,400	11,643	177,484
Changes of items during period								
Dividends of surplus							(3,690)	(3,690)
Profit							4,301	4,301
Reversal of reserve for advanced depreciation of non-current assets					(4)		4	—
Purchase of treasury shares								
Retirement of treasury shares							(10,545)	(10,545)
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	(4)	—	(9,930)	(9,934)
Balance at end of current period	16,533	19,344	19,344	1,295	140	164,400	1,713	167,549

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(13,046)	200,315	(454)	(454)	199,860
Changes of items during period					
Dividends of surplus		(3,690)			(3,690)
Profit		4,301			4,301
Reversal of reserve for advanced depreciation of non-current assets		—			—
Purchase of treasury shares	(6,004)	(6,004)			(6,004)
Retirement of treasury shares	10,545	—			—
Net changes of items other than shareholders' equity			(178)	(178)	(178)
Total changes of items during period	4,541	(5,393)	(178)	(178)	(5,572)
Balance at end of current period	(8,505)	194,922	(633)	(633)	194,288

Non-consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	9,278	6,886
Depreciation	4,660	4,494
Impairment loss	1,658	2,018
Increase (decrease) in allowance for doubtful accounts	(0)	(2)
Increase (decrease) in provision for retirement benefits	631	281
Interest and dividend income	(63)	(115)
Foreign exchange losses (gains)	(286)	(5)
Loss (gain) on sales of non-current assets	(168)	—
Loss (gain) on disposal of non-current assets	10	30
Changes in the amount of business structure improvement allowance (decrease)	—	641
Gain on reversal of asset retirement obligations	(94)	(5)
Decrease (increase) in notes and accounts receivable - trade	(100)	43
Decrease (increase) in inventories	213	2,628
Increase (decrease) in notes and accounts payable - trade	(440)	(124)
Increase (decrease) in advances received	(79)	30
Increase (decrease) in accounts payable - other	(1,202)	731
Other, net	15	652
Subtotal	14,030	18,184
Interest and dividend income received	63	115
Income taxes paid	(4,229)	(2,865)
Net cash provided by (used in) operating activities	9,864	15,433
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,925)	(1,984)
Proceeds from sales of property, plant and equipment	1,940	28
Purchase of intangible assets	(71)	(221)
Proceeds from sales of investment securities	406	—
Payments into time deposits	—	(4,500)
Payments for guarantee deposits	(288)	(301)
Proceeds from collection of guarantee deposits	295	123
Other, net	29	10
Net cash provided by (used in) investing activities	(612)	(6,845)
Cash flows from financing activities		
Purchase of treasury shares	(4,004)	(6,004)
Cash dividends paid	(4,057)	(3,686)
Other, net	—	(22)
Net cash provided by (used in) financing activities	(8,061)	(9,713)
Effect of exchange rate change on cash and cash equivalents	286	5
Net increase (decrease) in cash and cash equivalents	1,478	(1,120)
Cash and cash equivalents at beginning of period	23,802	25,281
Cash and cash equivalents at end of period	25,281	24,160