

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended August 31, 2019 (Based on Japanese GAAP)

October 11, 2019

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(851)7711
 Scheduled date of ordinary general meeting of shareholders: November 28, 2019
 Scheduled date to file Securities Report: November 29, 2019
 Scheduled date to commence dividend payments: November 29, 2019
 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, 2019 (from September 1, 2018 to August 31, 2019)

(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, 2019	146,387	0.1	8,994	(9.0)	9,143	(13.3)	6,049	40.6
Year ended August 31, 2018	146,272	(0.4)	9,888	0.3	10,541	(2.1)	4,301	(31.5)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/Operating revenue
	Yen	Yen	%	%	%
Year ended August 31, 2019	139.61	—	3.2	3.8	6.1
Year ended August 31, 2018	94.11	—	2.2	4.3	6.8

(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, 2019	237,305	188,698	79.5	4,439.18
As of August 31, 2018	241,650	194,288	80.4	4,297.60

(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, 2019	9,227	(6,721)	(11,719)	14,947
Year ended August 31, 2018	15,433	(6,845)	(9,713)	24,160

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, 2018	—	40.00	—	40.00	80.00	3,616	85.0	1.8
Year ended August 31, 2019	—	40.00	—	40.00	80.00	3,400	57.3	1.8
Year ending August 31, 2020 (Forecast)	—	50.00	—	50.00	100.00		56.7	

3. Forecast of non-consolidated financial results for the year ending August 31, 2020 (from September 1, 2019 to August 31, 2020)

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 29, 2020	73,931	3.0	4,548	7.6	4,764	11.9	3,239	10.4	76.19
Full year	150,771	3.0	10,577	17.6	11,018	20.5	7,492	23.9	176.25

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, 2019	47,889,104 shares	As of August 31, 2018	47,889,104 shares
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Number of treasury shares at the end of the period

As of August 31, 2019	5,381,588 shares	As of August 31, 2018	2,680,550 shares
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Average number of shares during the period

Year ended August 31, 2019	43,328,318 shares	Year ended August 31, 2018	45,703,121 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of August 31, 2018	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	22,057	12,509
Accounts receivable - trade	5,474	6,346
Securities	7,567	7,539
Merchandise and finished goods	18,042	18,909
Prepaid expenses	767	780
Other	3,170	3,952
Allowance for doubtful accounts	(1)	(3)
Total current assets	57,078	50,034
Non-current assets		
Property, plant and equipment		
Buildings	116,475	121,587
Accumulated depreciation	(52,053)	(55,242)
Buildings, net	64,421	66,344
Structures	5,798	6,018
Accumulated depreciation	(4,564)	(4,706)
Structures, net	1,234	1,312
Vehicles	9	9
Accumulated depreciation	(9)	(9)
Vehicles, net	0	0
Tools, furniture and fixtures	4,392	5,124
Accumulated depreciation	(3,927)	(3,699)
Tools, furniture and fixtures, net	464	1,424
Land	95,742	95,483
Leased assets	242	445
Accumulated depreciation	(26)	(100)
Leased assets, net	216	344
Construction in progress	3,998	4,445
Total property, plant and equipment	166,078	169,355
Intangible assets		
Software	344	403
Other	75	60
Total intangible assets	420	464

(Millions of yen)

	As of August 31, 2018	As of August 31, 2019
Investments and other assets		
Investment securities	547	572
Investments in capital	0	0
Long-term prepaid expenses	1,156	1,088
Prepaid pension cost	425	469
Deferred tax assets	3,953	3,883
Other	12,194	11,533
Allowance for doubtful accounts	(203)	(96)
Total investments and other assets	18,073	17,451
Total non-current assets	184,572	187,271
Total assets	241,650	237,305
Liabilities		
Current liabilities		
Notes payable - trade	271	286
Accounts payable - trade	21,415	21,401
Lease obligations	53	96
Accounts payable - other	2,487	2,688
Accrued expenses	1,346	1,400
Income taxes payable	1,686	1,461
Advances received	2,203	2,577
Deposits received	328	387
Provision for bonuses	877	800
Business restructuring reserves	641	382
Other	1,366	2,247
Total current liabilities	32,677	33,729
Non-current liabilities		
Lease obligations	189	288
Provision for retirement benefits	4,214	3,415
Asset retirement obligations	7,007	7,277
Other	3,273	3,897
Total non-current liabilities	14,685	14,877
Total liabilities	47,362	48,607

	(Millions of yen)	
	As of August 31, 2018	As of August 31, 2019
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	140	135
General reserve	164,400	144,400
Retained earnings brought forward	1,713	24,259
Total retained earnings	167,549	170,089
Treasury shares	(8,505)	(16,643)
Total shareholders' equity	194,922	189,324
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(633)	(625)
Total valuation and translation adjustments	(633)	(625)
Total net assets	194,288	188,698
Total liabilities and net assets	241,650	237,305

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Net sales	140,199	139,980
Cost of sales		
Beginning goods	20,671	18,042
Cost of purchased goods	92,455	93,886
Total	113,126	111,929
Transfer to other account	1,108	170
Ending goods	18,042	18,909
Total cost of sales	93,975	92,849
Gross profit	46,224	47,130
Operating revenue		
Rent income of real estate	6,072	6,407
Gross operating profit	52,297	53,538
Selling, general and administrative expenses	42,408	44,543
Operating profit	9,888	8,994
Non-operating income		
Interest income	3	15
Interest on securities	96	8
Dividend income	15	16
Gain on sales of securities	61	—
Foreign exchange gains	5	—
Commission income	359	148
Vending machine commission	143	154
Gain on sales of goods	62	60
Miscellaneous income	114	116
Total non-operating income	861	520
Non-operating expenses		
Rental payments	144	240
Miscellaneous loss	64	131
Total non-operating expenses	208	371
Ordinary profit	10,541	9,143
Extraordinary income		
Gain on sales of non-current assets	—	60
Gain on revision of retirement benefit plan	—	24
Gain on reversal of asset retirement obligations	5	—
Other	—	1
Total extraordinary income	5	85
Extraordinary losses		
Loss on disposal of non-current assets	30	48
Impairment loss	2,018	91
Loss on valuation of investment securities	—	159
Business structural reform-related expenses	1,606	—
Other	5	—
Total extraordinary losses	3,660	299
Profit before income taxes	6,886	8,929
Income taxes - current	3,207	2,826
Income taxes - deferred	(622)	53
Total income taxes	2,585	2,880
Profit	4,301	6,049

Non-consolidated statements of changes in equity

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)
Reversal of general reserve								
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	—			—
Reversal of general reserve					
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

Fiscal year ended August 31, 2019

(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	140	164,400	1,713	167,549
Changes of items during period								
Dividends of surplus							(3,508)	(3,508)
Profit							6,049	6,049
Reversal of reserve for advanced depreciation of non-current assets					(4)		4	—
Purchase of treasury shares								
Retirement of treasury shares								
Reversal of general reserve						(20,000)	20,000	—
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	(4)	(20,000)	22,545	2,540
Balance at end of current period	16,533	19,344	19,344	1,295	135	144,400	24,259	170,089

	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	(8,505)	194,922	(633)	(633)	194,288
Changes of items during period					
Dividends of surplus		(3,508)			(3,508)
Profit		6,049			6,049
Reversal of reserve for advanced depreciation of non-current assets		—			—
Purchase of treasury shares	(8,138)	(8,138)			(8,138)
Retirement of treasury shares					—
Reversal of general reserve					—
Net changes of items other than shareholders' equity			8	8	8
Total changes of items during period	(8,138)	(5,597)	8	8	(5,589)
Balance at end of current period	(16,643)	189,324	(625)	(625)	188,698

Non-consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Cash flows from operating activities		
Profit before income taxes	6,886	8,929
Depreciation	4,494	4,424
Impairment loss	2,018	91
Increase (decrease) in allowance for doubtful accounts	(2)	2
Increase (decrease) in provision for retirement benefits	281	(799)
Interest and dividend income	(115)	(40)
Foreign exchange losses (gains)	(5)	—
Loss (gain) on sales of non-current assets	—	(60)
Loss (gain) on disposal of non-current assets	30	48
Changes in the amount of business structure improvement allowance (decrease)	641	(258)
Gain on reversal of asset retirement obligations	(5)	—
Decrease (increase) in notes and accounts receivable - trade	43	(872)
Decrease (increase) in inventories	2,628	(867)
Increase (decrease) in notes and accounts payable - trade	(124)	0
Increase (decrease) in advances received	30	347
Increase (decrease) in accounts payable - other	731	36
Other, net	652	1,255
Subtotal	18,184	12,238
Interest and dividend income received	115	40
Income taxes paid	(2,865)	(3,050)
Net cash provided by (used in) operating activities	15,433	9,227
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,984)	(6,516)
Proceeds from sales of property, plant and equipment	28	244
Purchase of intangible assets	(221)	(190)
Purchase of investment securities	—	(200)
Payments into time deposits	(4,500)	—
Proceeds from withdrawal of time deposits	—	1,500
Payments for guarantee deposits	(301)	(1,624)
Proceeds from collection of guarantee deposits	123	0
Other, net	10	65
Net cash provided by (used in) investing activities	(6,845)	(6,721)
Cash flows from financing activities		
Purchase of treasury shares	(6,004)	(8,138)
Cash dividends paid	(3,686)	(3,505)
Other, net	(22)	(75)
Net cash provided by (used in) financing activities	(9,713)	(11,719)
Effect of exchange rate change on cash and cash equivalents	5	—
Net increase (decrease) in cash and cash equivalents	(1,120)	(9,212)
Cash and cash equivalents at beginning of period	25,281	24,160
Cash and cash equivalents at end of period	24,160	14,947