

Translation

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**Summary of Non-Consolidated Financial Results
for the Year Ended August 31, 2016
(Based on Japanese GAAP)**

October 7, 2016

Company name: SHIMACHU CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8184 URL <http://www.shimachu.co.jp/>
 Representative: President and Representative Director Shigeo Yamashita
 Executive Officer, General Manager of
 Inquiries: Accounting Department Kazuya Orimoto TEL 048(623)7711
 Scheduled date of ordinary general meeting of shareholders: November 29, 2016
 Scheduled date to file Securities Report: November 30, 2016
 Scheduled date to commence dividend payments: November 30, 2016
 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, 2016 (from September 1, 2015 to August 31, 2016)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2016	149,987	(3.2)	10,254	7.0	12,718	(5.7)	8,926	(14.5)
Year ended August 31, 2015	154,979	(6.8)	9,581	(24.8)	13,488	(14.1)	10,440	11.2

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended August 31, 2016	184.23	–	4.5	5.2	6.8
Year ended August 31, 2015	214.14	–	5.3	5.5	6.2

(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, 2016	242,854	201,231	82.9	4,153.61
As of August 31, 2015	243,978	197,756	81.1	4,081.77

(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, 2016	11,986	(4,721)	(3,633)	23,802
Year ended August 31, 2015	9,014	(7,991)	(6,195)	20,876

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, 2015	–	30.00	–	40.00	70.00	3,391	32.7	1.8
Year ended August 31, 2016	–	35.00	–	45.00	80.00	3,875	43.4	1.9
Year ending August 31, 2017 (Forecast)	–	40.00	–	40.00	80.00		38.7	

3. Forecast of non-consolidated financial results for the year ending August 31, 2017 (from September 1, 2016 to August 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2017	76,671	1.9	5,583	16.1	6,943	13.6	4,721	14.5	97.44
Full year	153,333	2.2	11,981	16.8	14,721	15.7	10,010	12.1	206.61

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: Yes

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, 2016	51,389,104 shares	As of August 31, 2015	51,389,104 shares
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Number of treasury shares at the end of the period

As of August 31, 2016	2,941,841 shares	As of August 31, 2015	2,940,392 shares
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Average number of shares during the period

Year ended August 31, 2016	48,447,895 shares	Year ended August 31, 2015	48,751,131 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of August 31, 2015	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	13,859	17,667
Notes receivable - trade	1	–
Accounts receivable - trade	5,833	5,416
Securities	12,987	11,435
Merchandise and finished goods	21,723	20,884
Prepaid expenses	788	760
Deferred tax assets	779	1,154
Other	3,333	4,112
Allowance for doubtful accounts	(2)	(2)
Total current assets	59,304	61,428
Non-current assets		
Property, plant and equipment		
Buildings	105,527	107,066
Accumulated depreciation	(38,757)	(42,610)
Buildings, net	66,769	64,456
Structures	5,286	5,515
Accumulated depreciation	(3,513)	(3,781)
Structures, net	1,773	1,733
Vehicles	10	11
Accumulated depreciation	(10)	(10)
Vehicles, net	0	0
Tools, furniture and fixtures	4,216	4,336
Accumulated depreciation	(3,252)	(3,599)
Tools, furniture and fixtures, net	963	736
Land	90,205	92,098
Construction in progress	1,772	2,835
Total property, plant and equipment	161,485	161,861
Intangible assets		
Software	296	250
Other	72	74
Total intangible assets	368	324

(Millions of yen)

	As of August 31, 2015	As of August 31, 2016
Investments and other assets		
Investment securities	3,553	462
Investments in capital	0	0
Long-term prepaid expenses	655	536
Prepaid pension cost	399	447
Deferred tax assets	1,396	1,793
Other	17,021	16,206
Allowance for doubtful accounts	(206)	(206)
Total investments and other assets	22,819	19,239
Total non-current assets	184,673	181,425
Total assets	243,978	242,854
Liabilities		
Current liabilities		
Notes payable - trade	858	1,170
Accounts payable - trade	23,636	21,892
Accounts payable - other	4,745	2,807
Accrued expenses	1,258	1,286
Income taxes payable	3,162	2,065
Advances received	2,580	2,240
Deposits received	429	610
Provision for bonuses	473	642
Other	0	1
Total current liabilities	37,144	32,717
Non-current liabilities		
Provision for retirement benefits	2,880	3,301
Provision for loss on dissolution of the employees' pension fund	495	–
Asset retirement obligations	2,132	2,410
Other	3,568	3,194
Total non-current liabilities	9,076	8,906
Total liabilities	46,221	41,623

(Millions of yen)

	As of August 31, 2015	As of August 31, 2016
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	154	149
General reserve	157,900	164,400
Retained earnings brought forward	10,626	9,423
Total retained earnings	169,976	175,268
Treasury shares	(9,039)	(9,042)
Total shareholders' equity	196,815	202,104
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	941	(873)
Total valuation and translation adjustments	941	(873)
Total net assets	197,756	201,231
Total liabilities and net assets	243,978	242,854

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Net sales	154,979	149,987
Cost of sales		
Beginning goods	21,523	21,723
Cost of purchased goods	104,628	99,597
Total	126,152	121,321
Transfer to other account	140	152
Ending goods	21,723	20,884
Total cost of sales	104,287	100,284
Gross profit	50,692	49,703
Selling, general and administrative expenses	41,111	39,449
Operating income	9,581	10,254
Non-operating income		
Interest income	12	8
Interest on securities	347	154
Dividend income	83	58
Foreign exchange gains	679	–
Rent income	5,009	4,992
Commission fee	252	238
Miscellaneous income	576	603
Total non-operating income	6,961	6,055
Non-operating expenses		
Interest expenses	0	–
Foreign exchange losses	–	705
Rent expenses	2,923	2,756
Miscellaneous loss	129	129
Total non-operating expenses	3,053	3,590
Ordinary income	13,488	12,718
Extraordinary income		
Gain on sales of non-current assets	320	19
Gain on sales of investment securities	3,386	746
Reversal of Reserve for loss on dissolution of employees' pension fund	–	173
Other	33	–
Total extraordinary income	3,739	938
Extraordinary losses		
Loss on disposal of non-current assets	14	19
Impairment loss	252	42
Other	0	–
Total extraordinary losses	267	62
Profit before income taxes	16,960	13,594
Income taxes - current	6,128	4,614
Income taxes - deferred	392	54
Total income taxes	6,520	4,668
Profit	10,440	8,926

Non-consolidated statements of changes in equity

Fiscal year ended August 31, 2015

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other 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	159	151,900	9,517	162,871
Cumulative effects of changes in accounting policies							(148)	(148)
Restated balance	16,533	19,344	19,344	1,295	159	151,900	9,369	162,723
Changes of items during period								
Dividends of surplus							(3,187)	(3,187)
Profit							10,440	10,440
Reversal of reserve for advanced depreciation of non-current assets					(4)		4	–
Provision of general reserve						6,000	(6,000)	–
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(4)	6,000	1,257	7,252
Balance at end of current period	16,533	19,344	19,344	1,295	154	157,900	10,626	169,976

	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	(6,029)	192,720	1,393	1,393	194,114
Cumulative effects of changes in accounting policies		(148)			(148)
Restated balance	(6,029)	(192,572)	1,393	1,393	193,966
Changes of items during period					
Dividends of surplus		(3,187)			(3,187)
Profit		10,440			10,440
Reversal of reserve for advanced depreciation of non-current assets		-			-
Provision of general reserve		-			-
Purchase of treasury shares	(3,009)	(3,009)			(3,009)
Net changes of items other than shareholders' equity			(452)	(452)	(452)
Total changes of items during period	(3,009)	4,243	(452)	(452)	3,790
Balance at end of current period	(9,039)	196,815	941	941	197,756

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other 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	154	157,900	10,626	169,976
Cumulative effects of changes in accounting policies								–
Restated balance	16,533	19,344	19,344	1,295	154	157,900	10,626	169,976
Changes of items during period								
Dividends of surplus							(3,633)	(3,633)
Profit							8,926	8,926
Reversal of reserve for advanced depreciation of non-current assets					(4)		4	–
Provision of general reserve						6,500	(6,500)	–
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(4)	6,500	(1,202)	5,292
Balance at end of current period	16,533	19,344	19,344	1,295	149	164,400	9,423	175,268

	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	(9,039)	196,815	941	941	197,756
Cumulative effects of changes in accounting policies		–			–
Restated balance	(9,039)	196,815	941	941	197,756
Changes of items during period					
Dividends of surplus		(3,633)			(3,633)
Profit		8,926			8,926
Reversal of reserve for advanced depreciation of non-current assets		–			–
Provision of general reserve		–			–
Purchase of treasury shares	(3)	(3)			(3)
Net changes of items other than shareholders' equity			(1,814)	(1,814)	(1,814)
Total changes of items during period	(3)	5,288	(1,814)	(1,814)	3,474
Balance at end of current period	(9,042)	202,104	(873)	(873)	201,231

Non-consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Cash flows from operating activities		
Profit before income taxes	16,960	13,594
Depreciation	5,050	4,934
Impairment loss	252	42
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for retirement benefits	554	421
Interest and dividend income	(443)	(221)
Foreign exchange losses (gains)	(679)	705
Loss (gain) on sales of non-current assets	(320)	(19)
Loss (gain) on sales of investment securities	(3,386)	(746)
Loss (gain) on disposal of non-current assets	14	19
Increase decrease in provision of reserve for loss on dissolution of employees pension fund	–	(495)
Interest expenses	0	–
Decrease (increase) in notes and accounts receivable - trade	421	417
Decrease (increase) in inventories	(199)	839
Increase (decrease) in notes and accounts payable - trade	(3,933)	(1,754)
Increase (decrease) in advances received	(130)	(334)
Other, net	1,014	159
Subtotal	15,174	17,561
Interest and dividend income received	443	221
Interest expenses paid	(0)	–
Income taxes paid	(6,602)	(5,796)
Net cash provided by (used in) operating activities	9,014	11,986
Cash flows from investing activities		
Proceeds from sales of investment securities	3,831	1,653
Purchase of property, plant and equipment	(12,530)	(6,767)
Proceeds from sales of property, plant and equipment	827	667
Purchase of intangible assets	(85)	(75)
Payments for guarantee deposits	(140)	(448)
Proceeds from collection of guarantee deposits	272	335
Other, net	(166)	(87)
Net cash provided by (used in) investing activities	(7,991)	(4,721)
Cash flows from financing activities		
Purchase of treasury shares	(3,009)	(3)
Cash dividends paid	(3,186)	(3,629)
Net cash provided by (used in) financing activities	(6,195)	(3,633)
Effect of exchange rate change on cash and cash equivalents	679	(705)
Net increase (decrease) in cash and cash equivalents	(4,492)	2,926
Cash and cash equivalents at beginning of period	25,369	20,876
Cash and cash equivalents at end of period	20,876	23,802