

Summary of Financial Results for the Fiscal Year Ended August 31, 2013

[Japan GAAP] (Consolidated)

October 11, 2013

Company **Watts Co., Ltd.** Listed on the TSE
 Stock Code 2735 URL: <http://www.watts-jp.com/>
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 Board Member and General Manager of Administration Department
 Expected date of annual shareholders' meeting: November 26, 2013 Expected starting date of dividend payment: November 27, 2013
 Expected date of filing of annual securities report: November 26, 2013
 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 2013

(September 1, 2012 through August 31, 2013)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Aug. 2013	41,725	2.4	2,074	0.9	2,075	1.0	1,123	-4.6
Year ended Aug. 2012	40,759	6.7	2,056	13.1	2,055	3.5	1,177	15.6

(Note) Comprehensive income:

Fiscal year ended August 2013: 1,177 million yen (0.9%)

Fiscal year ended August 2012: 1,167 million yen (15.0%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended Aug. 2013	88.63	-	16.6	12.6	5.0
Year ended Aug. 2012	93.31	93.14	22.2	14.5	5.0

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

Fiscal year ended August 2013: 9 million yen

Fiscal year ended August 2012: 10 million yen

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the amounts provided in net income per share and diluted net income per share have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 2013	18,177	7,695	42.3	568.05
As of Aug. 2012	14,805	5,816	39.3	459.73

(Reference) Shareholders' equity:

As of August 2013: 7,695 million yen

As of August 2012: 5,816 million yen

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the amounts provided in net assets per share have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(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. 2013	2,769	-240	-367	6,280
Year ended Aug. 2012	1,927	-542	-335	4,086

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. 2012	—	0.00	—	30.00	30.00	189	16.1	3.6
Year ended Aug. 2013	—	0.00	—	17.00	17.00	230	19.2	3.4
Year ending Aug. 2014 (forecast)	—	0.00	—	15.00	15.00		16.1	

(Notes) 1. Breakdown of year-end dividend of 17.00 yen for the fiscal year ended August 2013

Ordinary dividend 15.00 yen Commemorative dividend 2.00 yen (to mark the alteration of listing market)

2. The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013 but the actual amount of dividend for the fiscal year ended August 31, 2013 before the stock split is provided.

3. Forecast of consolidated business results for the fiscal year ending August 2014

(September 1, 2013 through August 31, 2014)

(% change from the previous corresponding period)

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Feb. 2014	21,650	5.6	960	-21.0	940	-22.7	520	-28.2	41.01
Year ending Aug. 2014	44,000	5.5	2,140	3.1	2,100	1.2	1,180	5.0	93.07

※Notes

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

Excluded: 1 company (name) Thai Watts 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 : 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 2013 13,958,800 shares
As of August 2012 13,958,800 shares

② Treasury stock at the end of period:

As of August 2013 410,794 shares
As of August 2012 1,306,794 shares

③ Average number of stock during period

Fiscal year ended August 2013 12,678,833 shares
Fiscal year ended August 2012 12,616,260 shares

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013. Consequently, the numbers of shares provided have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

※Implementation status of auditing procedure

This financial summary is not subject to auditing procedure pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this report, the auditing procedures for financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

※ 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 “(1) Analysis of operating results” of “1. Results of operations” on page 4 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

1. Results of Operations

(1) Analysis of operating results

a. Operating results

In the current consolidated fiscal year, the Japanese economy entered the recovery phase after bottoming out in November 2012 and remained relatively strong as a result of rising stock prices due to a series of Abenomics stimulus measures and improvement in corporate sentiment due to the weak yen. Meanwhile, overseas economy is making a mild recovery in accordance with the postponement of reduction of quantitative monetary easing (QE3) in the United States, easing of political concerns in Europe and steady growth of the Chinese economy. However, the retail industry remained in unstable conditions primarily due to drop in consumer confidence indices which rose after a regime change for three consecutive months until August.

In this environment, the Group operating 100-Yen shops “meets.” and “Silk” developed and sold best value-for-money products lines, mostly practical-use household items under its private brand “WATTS SELECT,” and continued to carry out low-cost opening and closing of shops and low-cost shop operations. Through these activities, Watts continued its efforts to boost customer satisfaction while at the same time securing shop revenues.

In the current consolidated fiscal year, the number of 100-Yen shops opened included 108 directly managed shops and one franchised/other shops, while the number of 100-Yen shops closed included 48 directly managed shops and five franchised/other shops. In addition, Daisen Co., Ltd. became a consolidated subsidiary on June 3, 2013 resulting in an increase of 23 directly managed shops. As a result, the total number of 100-Yen shops as of the end of the current consolidated fiscal year was 901, which includes 848 directly managed shops and 53 franchised/other shops.

As for the number of the other shops as of the end of the current consolidated fiscal year, “Buona Vita,” which sells nature-based lifestyle goods, opened six shops and closed two shops, with an end result of 17 shops. “Value-100,” the fresh-foods supermarket collaboration, continues with one shop. The standing bar “Horoyoi-tou” closed two shops because of being unable to foresee future viability as a business.

Regarding the overseas operations, Watts transferred a portion of Thai Watts Co., Ltd. shares to a major local retail company Central Department Store Limited to establish a joint venture and the Company is ready to accelerate its opening of shops in Thailand. “Komonoya,” a fixed-price shop in Bangkok opened two shops and closed two shops, with an end result of eight shops. Also, “Komonoya,” a fixed-price shop opened two shops in Shanghai.

As a result, net sales for the current consolidated fiscal year were 41,725 million yen (up 2.4% year on year), operating profit was 2,074 million yen (up 0.9% year on year), recurring profit was 2,075 million yen (up 1.0% year on year) and net income was 1,123 million yen (down 4.6% year on year).

Since the Group operates under a single segment consisting of the operation of 100-Yen shops associated business, segment information is omitted.

b. Forecast for the next fiscal year

The recovery trend in the economy is expected to continue primarily because demand for the Great East Japan Earthquake reconstruction is likely to continue and because a hefty supplementary budget will be incorporated. In addition, while rush demand is anticipated just before the consumption tax hike which will be implemented in April 2014, decrease in demand following the implementation is expected but the impact is

considered to be limited.

Under these circumstances, the Group will use profit accumulated by low-cost opening and closing of shops and low-cost shop operations to invest in the development of better value-for-money products and fulfill Watts' mission of providing products worth more than their 100-yen price tag.

In the next fiscal year and beyond, Watts will begin full-scale investments in the overseas operations that are expected to grow significantly to further increase the percentage of sales within the Group and obtain profits.

Based on the above, Watts expects the following consolidated operating results in the next fiscal year: net sales of 44,000 million yen (up 5.5% year on year), operating profit of 2,140 million yen (up 3.1% year on year), recurring profit of 2,100 million yen (up 1.2% year on year) and net income of 1,180 million yen (up 5.0% year on year).

(2) Analysis of financial position

a. Assets, liabilities and net assets

As of the end of the current consolidated fiscal year, total assets stood at 18,177 million yen, an increase of 3,372 million yen compared with the end of the previous consolidated fiscal year. This is mainly because cash and deposits increased 2,193 million yen primarily because the date of payment was extended to the following month as the end of the current consolidated fiscal year was a holiday for financial institutions, and notes and accounts receivable-trade increased 508 million yen and merchandise and finished goods increased 328 million yen.

Total liabilities stood at 10,481 million yen, an increase of 1,492 million yen compared with the end of the previous consolidated fiscal year. This is mainly because notes and accounts payable-trade increased 2,145 million yen for the same reason as the aforementioned increase in cash and deposits while long-term loans payable decreased 457 million yen, current portion of long-term loans payable decreased 309 million yen, income taxes payable decreased 242 million yen and accrued consumption taxes decreased 192 million yen. Interest-bearing debt decreased 767 million yen to 1,742 million yen.

Net assets stood at 7,695 million yen, an increase of 1,879 million yen. This is mainly because retained earnings increased 933 million yen and capital surplus increased 707 million yen.

b. Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current consolidated fiscal year amounted to 6,280 million yen, an increase of 2,193 million yen compared with the previous consolidated fiscal year. This is mainly due to an increase in cash flows from operating activities and decreases in cash flows from investing activities and financing activities.

Details and main reasons for increases and decreases of each cash flow in the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,769 million yen (1,927 million yen was provided in the previous fiscal year). Cash was provided mainly by notes and accounts payable-trade of 2,100 million yen and income before income taxes and minority interests of 2,055 million yen primarily because the date of payment was extended to the following month as the end of the current consolidated fiscal year was a holiday for financial institutions, while cash was used mainly for income taxes paid of 1,238 million yen and notes and accounts receivable-trade of 470 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 240 million yen (542 million yen was used in the previous fiscal year). Cash was used mainly for payments for purchase of property, plant and equipment of 256 million yen for opening new shops, payments for lease and guarantee deposits of 209 million yen and proceeds from collection of lease and guarantee deposits of 165 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 367 million yen (335 million yen was used in the previous fiscal year). Cash was used mainly for repayment of long-term loans payable of 1,669 million yen, proceeds from sales of treasury stock of 891 million yen and proceeds from long-term loans payable of 600 million yen.

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013
Equity ratio (%)	28.8	32.6	35.5	39.3	42.3
Market value equity ratio (%)	22.8	26.2	37.7	42.8	66.5
Interest-bearing debt to cash flows ratio (years)	6.8	1.6	1.8	1.3	0.6
Interest coverage ratio (times)	9.0	41.1	53.9	101.5	224.3

(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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (August 31, 2012)	Current consolidated fiscal year (August 31, 2013)
Assets		
Current assets		
Cash and deposits	4,086,621	6,280,114
Notes and accounts receivable-trade	1,812,109	2,320,628
Merchandise and finished goods	4,633,002	4,961,451
Raw materials and supplies	9,491	14,514
Deferred tax assets	272,905	261,722
Consumption taxes receivable	10,963	9,745
Other	443,799	457,977
Allowance for doubtful accounts	-21,189	-24,245
Total current assets	11,247,704	14,281,909
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	773,811	879,330
Accumulated depreciation and impairment loss	-528,668	-585,220
Buildings and structures, net	245,142	294,110
Vehicles	8,963	27,460
Accumulated depreciation and impairment loss	-6,623	-25,144
Vehicles, net	2,339	2,315
Tools, furniture and fixtures	2,200,752	2,339,954
Accumulated depreciation and impairment loss	-1,751,493	-1,892,543
Tools, furniture and fixtures, net	449,258	447,411
Land	80,600	257,800
Total property, plant and equipment	777,341	1,001,637
Intangible assets		
Goodwill	44,366	-
Other	28,115	28,109
Total intangible assets	72,481	28,109
Investments and other assets		
Investment securities	84,892	216,527
Deferred tax assets	93,032	88,224
Guarantee deposits	2,450,896	2,474,314
Other	109,720	114,777
Allowance for doubtful accounts	-30,565	-27,778
Total investments and other assets	2,707,976	2,866,066
Total noncurrent assets	3,557,799	3,895,813
Total assets	14,805,503	18,177,723

(Thousands of yen)

	Previous consolidated fiscal year (August 31, 2012)	Current consolidated fiscal year (August 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,433,866	6,578,900
Short-term loans payable	140,000	140,000
Current portion of long-term loans payable	1,267,834	957,844
Income taxes payable	528,284	285,577
Accrued consumption taxes	254,451	61,667
Provision for bonuses	136,852	140,390
Provision for directors' bonuses	9,700	-
Other	667,349	1,159,302
Total current liabilities	7,438,338	9,323,682
Noncurrent liabilities		
Long-term loans payable	1,102,087	644,375
Provision for retirement benefits	104,218	127,309
Provision for directors' retirement benefits	97,902	121,492
Asset retirement obligations	76,683	74,762
Other	169,717	190,203
Total noncurrent liabilities	1,550,608	1,158,142
Total liabilities	8,988,947	10,481,825
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	876,066	1,583,816
Retained earnings	4,783,057	5,716,939
Treasury stock	-267,504	-84,093
Total shareholders' equity	5,831,917	7,656,960
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-2,189	3,515
Foreign currency translation adjustment	-13,171	35,421
Total accumulated other comprehensive income	-15,361	38,937
Subscription rights to shares	-	-
Total net assets	5,816,555	7,695,898
Total liabilities and net assets	14,805,503	18,177,723

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

	(Thousands of yen)	
	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Net sales	40,759,175	41,725,291
Cost of sales	25,167,597	25,743,954
Gross profit	15,591,578	15,981,337
Selling, general and administrative expenses	13,535,550	13,906,341
Operating profit	2,056,027	2,074,995
Non-operating revenues		
Interest income	1,783	1,679
Dividends income	1,314	1,141
Rent income	19,316	21,136
Equity in earnings of affiliates	10,778	9,549
Reversal of allowance for doubtful accounts	5,376	9,078
Other	4,987	12,346
Total non-operating income	43,558	54,931
Non-operating expenses		
Interest expenses	19,758	13,235
Early-withdrawal penalty	7,946	15,422
Exchange loss	3,928	10,646
Cost of lease revenue	9,924	9,924
Other	2,944	5,126
Total non-operating expenses	44,500	54,355
Recurring profit	2,055,085	2,075,571
Extraordinary income		
Surrender value of insurance	970	-
Gain on sales of investment securities	-	730
Compensation income	43,733	23,198
Gain on sales of noncurrent assets	1,756	789
Gain on sales of subsidiaries' stocks	-	25,128
Other	1,078	-
Total extraordinary income	47,538	49,846
Extraordinary loss		
Loss on retirement of noncurrent assets	6,170	8,189
Impairment loss	36,467	61,761
Total extraordinary losses	42,638	69,951
Income before income taxes and minority interests	2,059,985	2,055,466
Income taxes-current	949,572	914,076
Income taxes-deferred	-66,828	17,729
Total income taxes	882,744	931,805
Income before minority interests	1,177,241	1,123,661
Net income	1,177,241	1,123,661

(Consolidated Statements of Comprehensive Income)

	(Thousands of yen)	
	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Income before minority interests	1,177,241	1,123,661
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,393	5,705
Foreign currency translation adjustment	-7,937	24,885
Share of other comprehensive income of associates accounted for using equity method	-	23,708
Total other comprehensive income	-9,331	54,299
Comprehensive income	1,167,910	1,177,960
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,167,910	1,177,960
Comprehensive income attributable to minority shareholders	-	-

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the beginning of current period	876,066	876,066
Changes of items during the period		
Disposal of treasury stock	-2,808	707,750
Transfer of loss on disposal of treasury stock	2,808	-
Total changes of items during the period	-	707,750
Balance at the end of current period	876,066	1,583,816
Retained earnings		
Balance at the beginning of current period	3,765,581	4,783,057
Changes of items during the period		
Dividends from surplus	-156,956	-189,780
Transfer of loss on disposal of treasury stock	-2,808	-
Net income	1,177,241	1,123,661
Total changes of items during the period	1,017,476	933,881
Balance at the end of current period	4,783,057	5,716,939
Treasury stock		
Balance at the beginning of current period	-287,026	-267,504
Changes of items during the period		
Purchase of treasury stock	-45	-
Disposal of treasury stock	19,567	183,411
Total changes of items during the period	19,522	183,411
Balance at the end of current period	-267,504	-84,093
Total shareholders' equity		
Balance at the beginning of current period	4,794,918	5,831,917
Changes of items during the period		
Dividends from surplus	-156,956	-189,780
Net income	1,177,241	1,123,661
Purchase of treasury stock	-45	-
Disposal of treasury stock	16,759	891,161
Total changes of items during the period	1,036,998	1,825,043
Balance at the end of current period	5,831,917	7,656,960

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	-796	-2,189
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,393	5,705
Total changes of items during the period	-1,393	5,705
Balance at the end of current period	-2,189	3,515
Foreign currency translation adjustment		
Balance at the beginning of current period	-5,234	-13,171
Changes of items during the period		
Net changes of items other than shareholders' equity	-7,937	48,593
Total changes of items during the period	-7,937	48,593
Balance at the end of current period	-13,171	35,421
Total accumulated other comprehensive income total		
Balance at the beginning of current period	-6,030	-15,361
Changes of items during the period		
Net changes of items other than shareholders' equity	-9,331	54,299
Total changes of items during the period	-9,331	54,299
Balance at the end of current period	-15,361	38,937
Subscription rights to shares		
Balance at the beginning of current period	2,945	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-2,945	-
Total changes of items during the period	-2,945	-
Balance at the end of current period	-	-
Total net assets		
Balance at the beginning of current period	4,791,833	5,816,555
Changes of items during the period		
Dividends from surplus	-156,956	-189,780
Net income	1,177,241	1,123,661
Purchase of treasury stock	-45	-
Disposal of treasury stock	16,759	891,161
Net changes of items other than shareholders' equity	-12,276	54,299
Total changes of items during the period	1,024,721	1,879,342
Balance at the end of current period	5,816,555	7,695,898

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,059,985	2,055,466
Depreciation and amortization	278,737	237,777
Impairment loss	36,467	61,761
Amortization of goodwill	89,144	37,622
Increase (decrease) in allowance for doubtful accounts	-3,906	-8,214
Increase (decrease) in provision for bonuses	7,335	2,943
Increase (decrease) in provision for directors' bonuses	-2,100	-9,700
Increase (decrease) in provision for retirement benefits	14,366	15,262
Increase (decrease) in provision for directors' retirement benefits	8,608	3,389
Interest and dividends income	-3,098	-2,820
Interest expenses	19,758	13,235
Loss (gain) on sales of investment securities	-	-730
Loss on retirement of noncurrent assets	6,170	8,189
Loss (gain) on sales of subsidiaries' shares	-	-25,128
Decrease (increase) in accounts receivable-trade	139,580	-470,999
Decrease (increase) in inventories	-207,215	-246,449
Increase (decrease) in notes and accounts payable-trade	161,094	2,100,401
Increase (decrease) in accrued consumption taxes	155,399	-190,813
Other	17,387	436,297
Subtotal	2,777,715	4,017,491
Interest and dividends income received	3,122	2,887
Interest expenses paid	-18,988	-12,349
Income taxes paid	-833,962	-1,238,313
Net cash provided by (used in) operating activities	1,927,886	2,769,716
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-256,592	-256,562
Proceeds from sales of property, plant and equipment	2,024	1,665
Payments for asset retirement obligations	-12,729	-6,319
Payments for lease and guarantee deposits	-191,130	-209,921
Proceeds from collection of lease and guarantee deposits	109,777	165,642
Proceeds from sales of investment securities	-	13,097
Sales of investments in subsidiaries resulting in changes in scope of consolidation	-	15,390
Purchase of investments in subsidiaries resulting in changes in scope of consolidation	-	42,301
Payments for transfer of business	-193,195	-
Other	-954	-5,996
Net cash provided by (used in) investing activities	-542,800	-240,702

(Thousands of yen)

	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Net cash provided by (used in) investing activities		
Proceeds from long-term loans payable	1,400,000	600,000
Repayment of long-term loans payable	-1,592,434	-1,669,807
Proceeds from sales of treasury stock	13,862	891,161
Proceeds from purchase of treasury stock	-45	-
Cash dividends paid	-156,588	-189,227
Net cash provided by (used in) investing activities	-335,205	-367,872
Effect of exchange rate change on cash and cash equivalents	-2,368	32,352
Net increase (decrease) in cash and cash equivalents	1,047,511	2,193,493
Cash and cash equivalents at beginning of period	3,039,110	4,086,621
Cash and cash equivalents at end of period	4,086,621	6,280,114

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

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

Following the revision of the Corporation Tax Act, Watts and its domestic consolidated subsidiaries applied the depreciation method in compliance with the revised Corporation Tax Act to property, plant and equipment acquired on or after September 1, 2012, from the current consolidated fiscal year.

The impact of this change on operating profit, recurring profit and income before income taxes and minority interests for the current consolidated fiscal year was immaterial.

(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 consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Net assets per share	459.73 yen	568.5 yen
Net income per share	93.31 yen	88.63 yen
Diluted net income per share	93.14 yen	-

1. No diluted net income per share for the current consolidated fiscal year is presented because dilutive shares do not exist.

2. The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013.

Consequently, the amounts provided in net income per share and diluted net income per share have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

3. The basis for calculating net income per share and diluted net income per share are as follows.

	Previous consolidated fiscal year (from September 1, 2011 to August 31, 2012)	Current consolidated fiscal year (from September 1, 2012 to August 31, 2013)
Net income per share		
Net income	1,177,241	1,123,661
Amount that does not belong to common shareholders	-	-
Net income attributable to common stock	1,177,241	1,123,661
Average number of shares during the period	12,616,260	12,678,833
Diluted net income per share		
Net income adjustment	-	-
(of which interest expenses (net of applicable taxes))	-	-
(of which office work fee (net of applicable taxes))	-	-
Increase in number of common shares	23,663.21	-
(of which subscription rights to shares)	23,663.21	-
Outline of potential shares excluded from the calculation of diluted net income per share because they have no dilutive effects	-	-

(Note) The Company carried out a 2-for-1 stock split on common shares with the effective date of March 1, 2013.

Consequently, the average number of shares during the period and increase in number of common shares provided have been retrospectively adjusted by calculating them on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(Important subsequent events)

(Establishment of significant subsidiary)

The Company established a locally incorporated company in China (consolidated subsidiary) effective September 2, 2013.

For details, please refer to the news release titled “Notice Regarding Establishment of Locally Incorporated Company in China (Subsidiary)” announced on September 3, 2013.

4. Other

(1) Changes in Directors and Auditors

a. Change in Representative Director

No items to report

b. Changes in other Directors and Auditors

• Candidates for new Directors

Director Nobuhiro Katsuta (current Manager, Overseas Department)

Director Hideto Mori (current Deputy General Manager, Corporate Planning Office)

c. Scheduled date of assumption

November 26, 2013

(2) Sales

Net sales by area and business type are as follows

Area	Amount (Thousands of yen)	Year-on-year change (%)	Number of shops		
			As of August 31, 2013	Newly opened	Closed
Hokkaido area	1,022,913	134.1	33	17	0
Tohoku area	1,114,426	112.2	36	4	0
Kanto area	11,253,570	101.3	215	28	12
Chubu area	5,459,994	106.9	133	11	8
Kinki area	8,533,717	101.7	182	22	14
Chugoku/Shikoku area	4,028,766	107.6	140	33	5
Kyushu area	3,578,630	107.1	109	16	9
100-Yen shop business Directly managed	34,992,019	104.6	848	131	48
100-Yen shop business Wholesale	6,733,272	92.1	81	11	11
100-Yen shop business Total	41,725,291	102.4	929	142	59

(Note) The number of newly opened shops, number of shops as of August 31, 2013 and 100-Yen shop business directly managed include 23 shops managed by Daisen Co., Ltd. which became a consolidated subsidiary of Watts effective June 3, 2013.