

For the Fiscal Year Ended August 31, 2010

Annual Select * 2010

Watts Co., Ltd.

5F, Sumitomo Seimei OBP Plaza Bldg.

4-70, Shiromi 1-chome, Chuo-ku, Osaka-shi, Osaka

(Security Code: 2735)

+81-6-4792-3280

Corporate Profile

The Watts Group (the Group) is comprised of the following: Watts Co., Ltd. (Watts), five sales companies (three consolidated subsidiaries and two equity-method affiliates) and one import/purchasing company (consolidated subsidiary). The Group's primary business is the sale of daily-use items through 100-Yen shops that are either directly managed or franchised. While the Group's main business operations in the "100-Yen-Shop Business Division," is the operation of a chain of "100-Yen shops"—mostly operating under the Group's own names of "meets." and "Silk"—that sell all retail items (mostly practical-use household items including stationary, kitchen items, and sanitary items) at a fixed price of 100 yen, it also sells wholesale to other companies that operate chains. The 100-Yen shops operated by the "100-Yen-Shop Business Division" consist of directly managed shops and franchise shops. The Group's 100-Yen shops as of August 31, 2010 stood at 791 shops. While some of the shops are stand-alone road-side shops, many are tenant shops in mass-retail facilities such as shopping centers, supermarkets, and department stores. The 100-Yen shop industry grew rapidly in the mid-nineties against a backdrop of a deflationary economy. However, the market has been in a state of saturation for the past several years. In this market, Watts currently ranks fourth after successfully conducting M&A to expand its scale of operations. While on one hand consumers are increasingly inclined towards lower-priced items, the cost competitiveness of 100-yen items has weakened in comparison to the past. In order to differentiate itself from other companies, Watts is therefore providing best value-for-money practical-use household items (provide products worth more than 100 yen, mostly kitchen, cleaning, sanitary and leisure items; Watts aims to develop 100 items in this category by the end of August 2011). By speedily opening and closing shops, Watts has maintained a strong profit-making position, and it has achieved a growth in operating income for five consecutive years. Watts is now strategically preparing for future growth by developing shop network overseas and forming collaboration with a food supermarket. In Bangkok, Thailand, the first shop was opened in June 2009 and four shops were operating as of the end of August 2010; and a distribution warehouse was established in February 2010 and the foundation is now laid for an expansive shop network. Shop networks are also being planned for other countries. Watts is collaborating with Daikokuten Bussan Company to operate a food supermarket 100-Yen shop: a discount food shop and 100-Yen shop collaboration. The aim is to develop this collaboration into an expansive shop network. Watts is in charge of daily-use variety items that are handled by 100-Yen shops and Daikokuten Bussan is in charge of food items with strong cost competitiveness obtained by using private-brand products.

* Annual Select is an English-language disclosure format developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material.
ZAIHON, INC.'s application for registration approval for the Annual Select trademark is being processed.

Reproduction or copying without prior permission is prohibited.

This Annual Select contains forward-looking statements regarding the future plans, strategies and performance of the Company. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on assumptions and beliefs derived from the information currently available to the Company. Accordingly, actual results may differ from those projected in this presentation.

While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate.

I. Summary of Selected Financial Data (Consolidated)

	12th term From September 1, 2005 to August 31, 2006	13th term From September 1, 2006 to August 31, 2007	14th term From September 1, 2007 to August 31, 2008	15th term From September 1, 2008 to August 31, 2009	16th term From September 1, 2009 to August 31, 2010
Net sales (Thousands of yen)	19,086,746	25,623,612	33,141,354	33,074,737	34,634,784
Ordinary income (Thousands of yen)	607,835	751,434	987,195	911,611	1,542,635
Net income (Thousands of yen)	307,817	326,408	412,030	564,870	726,873
Net assets (Thousands of yen)	1,953,327	2,762,397	2,735,659	3,251,263	3,916,924
Total assets (Thousands of yen)	5,997,191	11,203,368	11,243,726	11,284,218	11,962,809
Net assets per share (Yen)	127,393.69	76,155.76	88,255.62	104,679.31	629.43
Net income per share (Yen)	20,142.48	9,740.05	11,532.75	18,223.38	117.25
Diluted net income per share (Yen)	19,873.08	9,698.61	–	18,095.63	114.81
Equity ratio (%)	32.6	24.7	24.3	28.8	32.6
Return on equity (ROE) (%)	17.0	13.8	15.0	18.9	20.3
Price earnings ratio (PER) (Times)	10.3	8.1	6.1	4.6	4.3
Net cash provided by (used in) operating activities (Thousands of yen)	552,746	399,530	246,151	387,613	1,471,023
Net cash provided by (used in) investing activities (Thousands of yen)	(425,372)	853,665	(216,555)	(319,061)	(418,848)
Net cash provided by (used in) financing activities (Thousands of yen)	227,602	(1,164,631)	(226,765)	(256,663)	(348,380)
Cash and cash equivalents at end of period (Thousands of yen)	1,630,611	1,719,912	1,521,426	1,336,369	2,037,909
Number of employees [Separately, average number of temporary employees] (Persons)	134 [1,055]	218 [1,284]	213 [1,571]	230 [1,674]	254 [1,846]

- Notes:
1. Net sales do not include consumption taxes.
 2. A share split of 2-for-1 was conducted on September 1, 2006.
 3. Diluted net income per share for the 14th term is not presented because there were no potential shares.
 4. Treasury stock of 1,836 shares was retired on November 4, 2008.
 5. A share split of 200-for-1 was conducted on January 1, 2010.

II. Message From Management

With a Spirit of Appreciation

Fumio Hiraoka
President and CEO



Management Philosophy

It is thanks to everyone that we succeed in our work.

We place importance on the spirit of appreciation. Aiming to grow together with everyone, our mission is to contribute to society and help everyone who has helped us.

Aiming for Further Growth

Watts is ardently pursuing “the creation of a system to sell good products at cheaper price.” This system is being supported by the low-cost opening and closing of shops, low-cost operations and the standardization of our shop operations; the development of best value-for-money products; and the expansion of our scale of operations. Under this policy, Watts has already built a platform upon which 100-Yen shops and businesses can grow firmly and steadily in Japan.

Moreover, to provide the engine for further growth in the future, Watts is now developing shop networks overseas and collaborating with a food supermarket in Japan. By using the revenue obtained in Japan to reinvest in such businesses, Watts is implementing one measure after the other to raise the angle of the growth vector.

III. Operating Results

(1) Analysis of operating results

During the fiscal year under review, the Japanese economy showed a gradual recovery throughout the reporting period that was helped by exports to the emerging countries and the economic support measures by the government such as tax subsidies for eco-cars and the eco-points system. In such a climate, although the employment and personal income environment appears to be out of the worst period, frugality and low-price-seeking tendency remained deeply rooted in the consumer mindset. One of the factors behind this mindset is the strong uncertainty towards the future due to concerns that the waning effect of government economic support measures and the sharp curve of the appreciating yen will adversely impact the economy. In this difficult environment, Watts has been continuing to further increase its persistent efforts to provide best value-for-money products by low-cost operation and shop opening.

In the fiscal year under review, as a result of shop opening and closing based on Watts’ policy of placing importance on shop profitability, the directly managed 100-Yen shops opened 102 shops and closed 49 shops, with an end result of 627 shops, while the franchise/other 100-Yen shops opened four shops and closed 33 shops, with an end result of 164 shops. In the other shops category, Buona Vita, which sells nature-based comfortable goods, opened three shops, with an end result of 14 shops. Hanamatsuri, which sells live flowers, and Value 100, the fresh-foods supermarket collaboration, continues with nine shops and one shop, respectively. Komonoya, a fixed-price shop in Bangkok, Thailand, opened five shops and closed one shop due to refurbishment of the entire shopping mall, with an end result of four shops. The standing bar Horoyoi-tou, which was started as a venture into a new business format, opened four shops and closed one shop, with an end result of three shops. Shunsai-no-mori, which works in direct sales of local vegetables, closed its shop because profitability was not expected to improve.

Comparing results against the respective corresponding periods of the previous fiscal year, net sales from directly managed existing 100-Yen shops was 99.9% for the first half, which was very close to the target of 100.0%. However, the second half results fell to 98.5% because of a more difficult consumption environment,

resulting in 99.2% for the full year. As a result, net sales for the fiscal year under review was 34,634 million yen (up 4.7% year on year).

The gross profit to sales ratio was 37.3% (up 0.6% year on year). Factors contributing to this result were a decrease in purchasing costs and a rise in the directly managed shop component of sales.

The selling, general and administrative expenses to sales ratio was 33.5% (up 0.2% year on year) and the operating income to sales ratio was 3.8% (up 0.4% year on year).

Operating income was 1,325 million yen (up 18.7% year on year), ordinary income was 1,542 million yen (up 69.2% year on year) and net income was 726 million yen (up 28.7% year on year).

The comparatively high increase in ordinary income compared with the previous fiscal year is due to the inclusion of 236 million yen in gain on consumption taxes exemption in the non-operating income in the fiscal year under review as opposed to 179 million yen of consumption taxes unqualified for deduction in non-operating expenses in the previous fiscal year.

	Fiscal year ended August 31, 2009		Fiscal year ended August 31, 2010		Year-on-year change	Forecast	Change from forecast
		Ratio to net sales		Ratio to net sales			
Net sales	33,074	100.0%	34,634	100.0%	4.7%	34,800	-165
Gross profit	12,137	36.7%	12,919	37.3%	6.4%	—	—
Selling, general and administrative expenses	11,020	33.3%	11,594	33.5%	5.2%	—	—
Operating income	1,116	3.4%	1,325	3.8%	18.7%	1,400	-74
Ordinary income	911	2.8%	1,542	4.5%	69.2%	1,570	-27
Net income	564	1.7%	726	2.1%	28.7%	780	-53
Annual dividend per share (Yen)	2,000		20		—	13	—

Notes: 1. A share split of 200-for-1 was conducted on January 1, 2010.

2. Forecast figures are from the forecasts for the fiscal year ended August 31, 2010 that was announced on April 12, 2010.

(2) Forecasts for the Next Fiscal Year

The difficult environment surrounding the retail industry is expected to continue on through the next fiscal year. Operating under such circumstances, the Group shall more thoroughly pursue its ongoing management policy of building a system to realize a favorable cycle for selling better and better quality products with a fixed low price tag. The driving force for this shall be achieved by linking the strengthening of the profit-making position through low-cost operation with the expansion of the Group's scale and the strengthening of our power to create new products. It is Watts' mission to provide our customers with best value-for-money products worth more than 100 yen. For businesses other than the 100-Yen shop business also, the Group shall continue to challengingly take on new business activities that can contribute to expanding the future business operation.




Based on the above, Watts expects the following consolidated operating results in the next fiscal year: net sales of 36,100 million yen (up 4.2% year on year), operating income of 1,450 million yen (up 9.4% year on year), ordinary income of 1,600 million yen (up 3.7% year on year) and net income of 740 million yen (up 1.8% year on year).

	Fiscal year ended August 31, 2010		Fiscal year ending August 31, 2011 (Forecast)		Year-on-year change
		Ratio to net sales		Ratio to net sales	
Net sales	34,634	100.0%	36,100	100.0%	4.2%
Directly managed	27,267	78.8%	29,430	81.5%	7.9%
Wholesale	6,144	17.7%	5,290	14.7%	-13.9%
New business	1,223	3.5%	1,380	3.8%	12.8%
Gross profit	12,919	37.3%	13,537	37.5%	4.8%
Selling, general and administrative expenses	11,594	33.5%	12,087	33.5%	4.3%
Operating income	1,325	3.8%	1,450	4.0%	9.4%
Ordinary income	1,542	4.5%	1,600	4.4%	3.7%
(Ordinary income excluding special factors)	1,306	3.8%	1,398	4.0%	7.0%
Net income	726	2.1%	740	2.0%	1.8%
Net income per share (Yen)	117.25		119.37		—
Annual dividend per share (Yen)	20.00		20.00		—

(Source: Consolidated Financial Results / Operating Results for Fiscal Year Ended August 31, 2010 and Forecasts for Fiscal Year Ending August 31, 2011)

IV. Medium-Term Management Plan

Basic Strategy

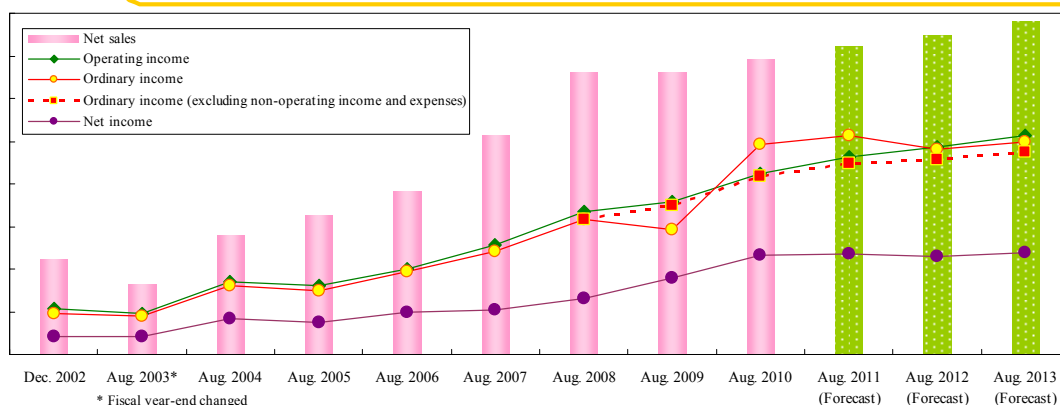
 Product strategy	Product line-up centering on best value-for-money practical-use household items
 Shop-opening strategy	Low-cost opening (closing) of shops
 Operational strategy	Low-cost operation

Growth Strategy

- **Ongoing shop opening of existing-format shops**
→ Existing shop growth is currently about 3%.
- **Development of private-brand products that differentiate us from competitors**
→ Increase private-brand product items (mostly kitchen, cleaning and leisure items).
- **Establish overseas shop operations**
→ Complete business format in Bangkok, Thailand.
- **Development of new business**
→ Venture into new business formats (retail shops (4 formats), restaurants).

Long-Term Growth Strategy

- **Differentiate, and strengthen customer attraction through private-brand products**
→ Demonstrate brand power with line-up of private-brand products.
- **Expand areas of overseas shop-opening and increase number of overseas shops**
→ Expand to the second country, then the third...
- **Conduct M&A**
→ Actively consider M&A candidates that will expand business operation and strengthen the revenue platform.



	Fiscal year ended August 31, 2010			Fiscal year ending August 31, 2011 (Forecast)			Fiscal year ending August 31, 2012 (Forecast)			Fiscal year ending August 31, 2013 (Forecast)		
	Ratio to net sales	Year-on-year change		Ratio to net sales	Year-on-year change		Ratio to net sales	Year-on-year change		Ratio to net sales	Year-on-year change	
Net sales	100.0%	4.7%	34,634	100.0%	4.2%	36,100	100.0%	3.9%	37,500	100.0%	4.3%	39,100
Operating income	3.8%	18.7%	1,325	4.0%	9.4%	1,450	4.1%	4.8%	1,520	4.1%	5.3%	1,600
Ordinary income	4.5%	69.2%	1,542	4.4%	3.7%	1,600	4.0%	-6.3%	1,500	4.0%	4.0%	1,560
(Ordinary income excluding special factors)	3.8%	19.8%	1,306	3.7%	7.0%	1,398	3.8%	1.9%	1,425	3.8%	3.9%	1,480
Net income	2.1%	28.7%	726	2.0%	1.8%	740	1.9%	-2.7%	720	1.9%	4.2%	750
Plan assumptions												
100-Yen shop total at year-end (shops)		24	791		53	844		50	894		50	944
100-Yen shop existing-shop growth rate		0.5%	99.2%		0.8%	100.0%		-1.0%	99.0%		1.0%	100.0%
New business total at year-end (shops)		10	31		0	31		4	35		4	39
New business sales share		0.6%	3.5%		0.3%	3.8%		0.1%	3.9%		0.2%	4.1%

Note: Plan assumptions do not consider a dramatic increase in the number of overseas shops, an expansion of overseas shop-opening areas, or the occurrence of any M&A events. If any of these circumstances arise, they would cause upward revision to the above plan targets.

(Source: Operating Results for Fiscal Year Ended August 31, 2010 and Forecasts for Fiscal Year Ending August 31, 2011)

V. Examples of Products

value that satisfies you

WATTS
SELECT



Plastic wrap

22cm×60m, 30cm×60m

Increased length by 40m (normally 30m at competing 100-Yen shops)



Aluminum foil

25cm×20m

Increased length by 4m (normally 18m at competing 100-Yen shops). The foil cutter is made from paper, so the package can be directly recycled without separating the cutter.



Side-dish cups (three types)

The cups are microwave oven friendly. Now with about 50% extra volume for extra bargain. New design for greater enjoyment when making lunch boxes.



Food packs (L, M, S, SS)

Made exclusively in Japan. Packs come in four sizes to suit various different uses.



Wet tissues

(pack of 120) (refill pack of 160)

The wet-tissue's material has reduced lint and it is a non-alcohol, kinder-on-the-skin type. The refill pack contains 160 sheets for extra bargain.



Flushable pocket tissues

(pack of 16)

Made from recycled milk cartons, these tissues are a flushable, environmentally friendly product.



Kitchen cleaner sheets for oily grime (pack of 45)

Increased alcohol content by 3%, boosting anti-bacterial action. Now better bargain with three extra sheets.

Flushable toilet cleaner sheets (pack of 45)

Increased alcohol content by 3%, boosting anti-bacterial action. The sheet's size (16cm x 25cm) means one sheet can be used to clean around toilet.

Multi-purpose cleaner sheets (pack of 12)

Just one thick-and-large sheet (20cm x 30cm) can be used to wipe furniture to floors. Now better bargain with two extra sheets.



Dry sheets for floor cleaning (pack of 40)

Wax sheets for floor cleaning (pack of 12)

Wet sheets for floor cleaning (pack of 30)

Contain Ag (silver ions). Effective wiping function due to large, mesh-type sheet (20cm x 30cm). The wet and wax sheets contain Ag (silver ions), which have an anti-bacterial anti-microbial effect. The dry sheets contain an absorptive agent making them effective for collecting dust off floors. Now better bargain with two extra sheets.

VI. Overview of Shops

A wide variety of new businesses managed by Watts



Both shops have an extensive product line-up for every-day living convenience. We aim for “at-home” community-based atmosphere akin to traditional shopping arcades.



~ Simple Life with Natural Flowers ~
A comfortable flower shop with warmth and kindness providing flowers perfectly suited to individual needs.



Buona Vita is Italian for “good life.” The shop provides a product line-up with the theme “healing space” for spending a comfortable time.



A food discounter/100-yen shop collaboration. The small-scale (about 825m²) supermarkets sell competitively priced food at variable prices and practical-use household items at a fixed 100-yen price.



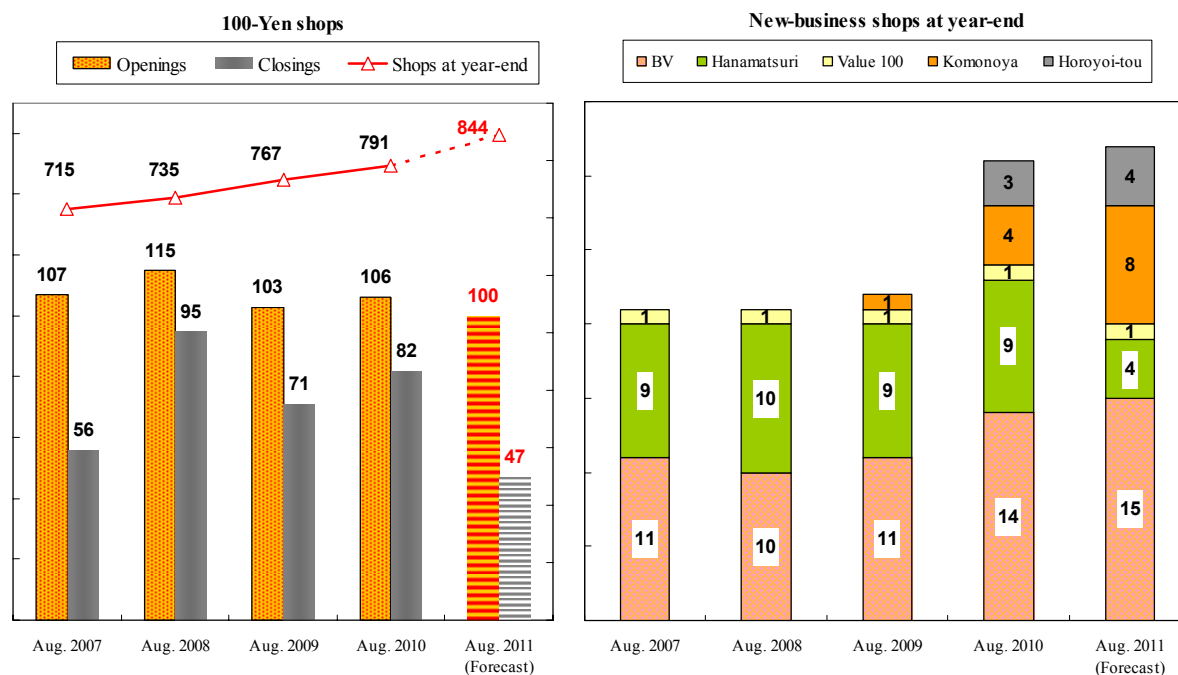
The bar, opened under the concept “a standing bar for drinkers, by drinkers, for drinking,” has easy-on-your-wallet low prices, friendly service and lively atmosphere.



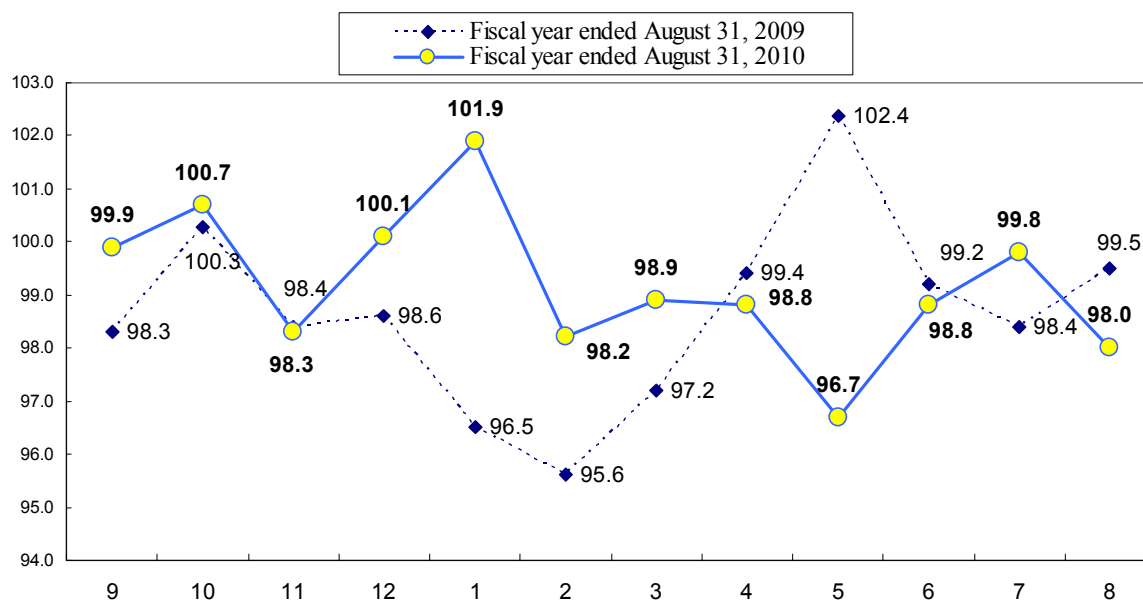
Aiming to “offer fun lifestyles with comfortable-to-use quality Japanese items to people in Asian countries,” the shop’s line-up are entirely items produced by Japanese, mostly with a Japanese flavor.



VII. Trend of Shop Numbers



VIII. Year-on-Year Trend of Net Sales of Existing Stores



	First half	Second half	Full year
Fiscal year ended August 31, 2008	98.6%	98.8%	98.7%
Fiscal year ended August 31, 2009	98.0%	99.4%	98.7%
Fiscal year ended August 31, 2010	99.9%	98.5%	99.2%

(Source: Operating Results for Fiscal Year Ended August 31, 2010 and Forecasts for Fiscal Year Ending August 31, 2011)

IX. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2009	As of August 31, 2010
Assets		
Current assets		
Cash and deposits	1,336,369	2,037,909
Notes and accounts receivable-trade	985,587	869,912
Sales money on deposit	764,532	824,231
Merchandise and finished goods	3,579,958	4,032,362
Raw materials and supplies	5,391	9,222
Deferred tax assets	193,786	347,539
Consumption taxes receivable	331,099	8,254
Income taxes receivable	194,015	—
Other	277,391	322,612
Allowance for doubtful accounts	(25,674)	(25,094)
Total current assets	7,642,459	8,426,950
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	719,652	682,676
Accumulated depreciation and impairment loss	(456,590)	(478,417)
Buildings and structures, net	263,061	204,258
Vehicles	7,079	6,427
Accumulated depreciation and impairment loss	(5,515)	(3,812)
Vehicles, net	1,563	2,615
Tools, furniture and fixtures	1,673,568	1,865,610
Accumulated depreciation and impairment loss	(1,251,112)	(1,408,557)
Tools, furniture and fixtures, net	422,455	457,052
Land	136,845	80,600
Total property, plant and equipment	823,926	744,527
Intangible assets		
Goodwill	390,262	234,157
Other	33,374	29,033
Total intangible assets	423,636	263,190
Investments and other assets		
Investment securities	66,105	65,128
Deferred tax assets	18,584	22,047
Guarantee deposits	2,237,004	2,366,007
Other	110,309	104,809
Allowance for doubtful accounts	(37,807)	(29,851)
Total investments and other assets	2,394,195	2,528,141
Total noncurrent assets	3,641,758	3,535,859
Total assets	11,284,218	11,962,809

(Source: Consolidated Financial Results)

(Thousands of yen)

	As of August 31, 2009	As of August 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,705,868	3,870,641
Short-term loans payable	140,000	140,000
Current portion of bonds	80,000	180,000
Current portion of long-term loans payable	1,042,986	1,160,189
Income taxes payable	281,594	759,187
Accrued consumption taxes	398,899	25,834
Provision for bonuses	111,237	108,950
Other	561,253	581,686
Total current liabilities	6,321,839	6,826,489
Noncurrent liabilities		
Bonds payable	180,000	–
Long-term loans payable	1,197,274	873,739
Provision for retirement benefits	50,303	74,546
Provision for directors' retirement benefits	59,417	68,553
Negative goodwill	6,043	–
Other	218,076	202,556
Total noncurrent liabilities	1,711,114	1,219,394
Total liabilities	8,032,954	8,045,884
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	876,066	876,066
Retained earnings	2,215,116	2,879,995
Treasury stock	(291,319)	(291,374)
Total shareholders' equity	3,240,160	3,904,985
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,360	(4,907)
Foreign currency translation adjustment	3,223	1,932
Total valuation and translation adjustments	4,583	(2,975)
Subscription rights to shares	6,519	14,914
Total net assets	3,251,263	3,916,924
Total liabilities and net assets	11,284,218	11,962,809

(Source: Consolidated Financial Results)

(2) Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010
Net sales	33,074,737	34,634,784
Cost of sales	20,937,426	21,715,050
Gross profit	12,137,310	12,919,733
Selling, general and administrative expenses	11,020,743	11,594,198
Operating income	1,116,567	1,325,535
Non-operating income		
Interest income	5,803	4,612
Dividends income	1,880	1,214
Rent income	27,206	25,001
Amortization of negative goodwill	6,043	6,043
Equity in earnings of affiliates	–	5,202
Gain on consumption taxes exemption	–	236,122
Other	7,961	21,574
Total non-operating income	48,894	299,770
Non-operating expenses		
Interest expenses	42,243	35,255
Early-withdrawal penalty	13,864	29,994
Cost of lease revenue	9,600	13,403
Equity in losses of affiliates	1,280	–
Amount of a tax consumption without the payment duty	179,587	–
Other	7,273	4,016
Total non-operating expenses	253,850	82,670
Ordinary income	911,611	1,542,635
Extraordinary income		
Surrender value of insurance	1,119	273
Gain on sales of investment securities	3,174	–
Compensation income	2,264	3,000
Reversal of allowance for doubtful accounts	89,324	4,185
Gain on sales of noncurrent assets	510	474
Total extraordinary income	96,393	7,933
Extraordinary loss		
Loss on retirement of noncurrent assets	1,640	3,925
Loss on sales of investment securities	3,686	–
Loss on sales of noncurrent assets	68	3,541
Impairment loss	53,859	54,606
Loss on insurance cancellation	587	–
Total extraordinary losses	59,841	62,072
Income before income taxes and minority interests	948,163	1,488,496
Income taxes-current	318,772	914,550
Income taxes-deferred	64,520	(152,927)
Total income taxes	383,293	761,623
Net income	564,870	726,873

(Source: Consolidated Financial Results)

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	440,297	440,297
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the end of previous period	876,066	876,066
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	876,066	876,066
Retained earnings		
Balance at the end of previous period	1,849,384	2,215,116
Changes of items during the period		
Dividends from surplus	(61,994)	(61,994)
Retirement of treasury stock	(137,144)	–
Net income	564,870	726,873
Total changes of items during the period	365,731	664,879
Balance at the end of current period	2,215,116	2,879,995
Treasury stock		
Balance at the end of previous period	(428,464)	(291,319)
Changes of items during the period		
Purchase of treasury stock	–	(54)
Retirement of treasury stock	137,144	–
Total changes of items during the period	137,144	(54)
Balance at the end of current period	(291,319)	(291,374)
Total shareholders' equity		
Balance at the end of previous period	2,737,284	3,240,160
Changes of items during the period		
Dividends from surplus	(61,994)	(61,994)
Net income	564,870	726,873
Purchase of treasury stock	–	(54)
Total changes of items during the period	502,876	664,824
Balance at the end of current period	3,240,160	3,904,985

(Source: Consolidated Financial Results)

(Thousands of yen)

	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(1,625)	1,360
Changes of items during the period		
Net changes of items other than shareholders' equity	2,985	(6,268)
Total changes of items during the period	2,985	(6,268)
Balance at the end of current period	1,360	(4,907)
Foreign currency translation adjustment		
Balance at the end of previous period	–	3,223
Changes of items during the period		
Net changes of items other than shareholders' equity	3,223	(1,290)
Total changes of items during the period	3,223	(1,290)
Balance at the end of current period	3,223	1,932
Total valuation and translation adjustments		
Balance at the end of previous period	(1,625)	4,583
Changes of items during the period		
Net changes of items other than shareholders' equity	6,209	(7,558)
Total changes of items during the period	6,209	(7,558)
Balance at the end of current period	4,583	(2,975)
Subscription rights to shares		
Balance at the end of previous period	–	6,519
Changes of items during the period		
Net changes of items other than shareholders' equity	6,519	8,395
Total changes of items during the period	6,519	8,395
Balance at the end of current period	6,519	14,914
Total net assets		
Balance at the end of previous period	2,735,659	3,251,263
Changes of items during the period		
Dividends from surplus	(61,994)	(61,994)
Net income	564,870	726,873
Purchase of treasury stock	–	(54)
Net changes of items other than shareholders' equity	12,728	836
Total changes of items during the period	515,604	665,661
Balance at the end of current period	3,251,263	3,916,924

(Source: Consolidated Financial Results)

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended August 31, 2009	Fiscal year ended August 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	948,163	1,488,496
Depreciation and amortization	206,810	215,920
Impairment loss	53,859	54,606
Amortization of negative goodwill	(6,043)	(6,043)
Amortization of goodwill	156,105	156,105
Increase (decrease) in allowance for doubtful accounts	(89,324)	(8,536)
Increase (decrease) in provision for bonuses	36,252	(2,287)
Increase (decrease) in provision for retirement benefits	9,014	24,243
Increase (decrease) in provision for directors' retirement benefits	6,136	9,136
Interest and dividends income	(7,683)	(5,826)
Interest expenses	42,243	35,255
Loss (gain) on sales of investment securities	512	–
Loss on retirement of noncurrent assets	1,640	3,925
Decrease (increase) in notes and accounts receivable-trade	315,725	55,976
Decrease (increase) in inventories	(392,303)	(455,750)
Increase (decrease) in notes and accounts payable-trade	(455,147)	143,301
Increase (decrease) in accrued consumption taxes	(10,898)	(50,178)
Other, net	47,096	88,489
Subtotal	862,158	1,746,833
Interest and dividends income received	7,734	5,907
Interest expenses paid	(42,909)	(35,800)
Income taxes paid	(439,370)	(245,917)
Net cash provided by (used in) operating activities	387,613	1,471,023
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(166,442)	(317,335)
Proceeds from sales of property, plant and equipment	2,120	112,238
Payments for lease and guarantee deposits	(269,957)	(289,410)
Proceeds from collection of lease and guarantee deposits	96,992	98,445
Purchase of investment securities	–	(4,500)
Proceeds from sales of investment securities	25,645	–
Other, net	(7,419)	(18,285)
Net cash provided by (used in) investing activities	(319,061)	(418,848)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(470,000)	–
Proceeds from long-term loans payable	1,400,000	1,050,000
Repayment of long-term loans payable	(944,669)	(1,256,332)
Redemption of bonds	(180,000)	(80,000)
Purchase of treasury stock	–	(54)
Cash dividends paid	(61,994)	(61,994)
Net cash provided by (used in) financing activities	(256,663)	(348,380)
Effect of exchange rate change on cash and cash equivalents	3,053	(2,253)
Net increase (decrease) in cash and cash equivalents	(185,056)	701,540
Cash and cash equivalents at beginning of period	1,521,426	1,336,369
Cash and cash equivalents at end of period	1,336,369	2,037,909

(Source: Consolidated Financial Results)

X. Company Information / Stock Information (as of August 31, 2010)

Company Information

Trade name:	Watts Co., Ltd.
Date of establishment:	February 22, 1995
Listing date:	May 24, 2002
Business year:	From September 1 to August 31 of the following year
Record date:	
Ordinary General Meeting of Shareholders:	November of each year
Year-end dividend:	August 31
Interim dividend:	End of February
Paid-in capital:	440 million yen
Number of employees:	2,100 (including part-time workers) (Consolidated)
Head office:	5F, Sumitomo Seimei OBP Plaza Bldg. 4-70, Shiromi 1-chome, Chuo-ku, Osaka-shi, Osaka
Telephone:	+81-6-4792-3280
Group companies:	Watts Ohthree Co., Ltd. CMK Trading Co., Ltd. Thai Watts Co., Ltd. Watts Planning Co., Ltd.

Directors and Auditors

President and CEO	Fumio Hiraoka
Vice-president	Masanao Ochi
Vice-president	Atsuo Kinugasa
Board member	Hiroshi Fukumitsu
Board member	Haruo Kobayashi
Board member	Kiichiro Yamamoto
Auditor	Kazuto Kikunaga
Auditor	Yoshihiro Sawamura

Stock Status

Total number of authorized shares:	18,000,000 shares
Total number of shares issued:	6,979,400 shares
Number of shareholders:	1,122 persons
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands of shares)	Share-holding ratio (%)
Watts Co., Ltd.	780	11.18
Torio Inc.	627	9.00
Fumio Hiraoka	435	6.23
Mitsuko Hiraoka	376	5.40
Atsuo Kinugasa	357	5.12
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	324	4.64
Akari Inc.	281	4.03
ONTSU Co., Ltd.	275	3.95
Japan Trustee Services Bank, Ltd. (Trust Account)	227	3.26
Watts Employees Stocks Ownership Plan	208	2.99