



Watts Co., Ltd. (2735; Tokyo Stock Exchange Second Section)

# Operating Results for the Fiscal Year Ended August 31, 2013 and Earnings Forecasts for the Fiscal Year Ending August 31, 2014

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October 2013

**Fumio Hiraoka**  
President and CEO

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# Highlights of the Fiscal Year Ended August 31, 2013



(Millions of yen)

	Year ended 2012		Year ended 2013		
		Ratio to net sales		Ratio to net sales	YoY
Net sales	40,759	—	41,725	—	102.4%
Gross profit	15,591	38.3%	15,981	38.3%	102.5%
Selling, general and administrative expenses	13,535	33.2%	13,906	33.3%	102.7%
Operating Profit	2,056	5.0%	2,074	5.0%	100.9%
Recurring Profit	2,055	5.0%	2,075	5.0%	101.0%
Net income	1,177	2.9%	1,123	2.7%	95.4%
Net income per share (Yen)	93.31		88.63		95.0%
Annual dividend per share (Yen)	15		17 (Forecast)		—

Notes 1. Forecast figures are from the forecasts for the fiscal year ending August 31, 2013 that was announced on October 11, 2013.

2. On March 1, 2013, a 2-for-1 stock split was carried out. The net income per share and annual dividend per share have been retroactively modified to reflect this.

- Net sales were limited to a rise of 2.4% because of delays in new shop openings and because there were many relatively small shops.
- Gross profit remained flat and SG&A to sales ratio decreased by 0.12 points but operating profit rose 0.9% YoY.
- Net income decreased 4.6% YoY for posting an impairment loss of 61 million yen.
- Forecast of annual dividend per share for the fiscal year ended August 31, 2013 was 17 yen which includes a commemorative dividend of 2 yen to mark the alteration of listing market to TSE 2.



## Topics for the Fiscal Year Ended August 31, 2013



- ✓ Established a wholly owned locally incorporated Watts Harrisons Sdn., Bhd in Malaysia (October 2012)
- ✓ A 2-for-1 stock split was carried out to lower the amount per investment unit, improve liquidity and broaden investor base (March 2013)
- ✓ Announced the establishment of a wholly owned locally incorporated 上海望趣商貿有限公司 in China (April 2013. Accredited in September 2013)
- ✓ Announced the introduction of shareholder benefit system – Offered a package of the Company’s private brand “WATTS SELECT” based on the number of shares held as of August 31, 2013 (April 2013)
- ✓ Converted a locally incorporated company in Thailand into a joint venture – Prepared to accelerate its opening of shops following the investments in Thai Watts Co., Ltd. by Central Department Store Limited of the Central Group, the largest local comprehensive retail company (May 2013)
- ✓ Purchased a domestic 100-Yen shop – Acquired 100% shares of Daisen Co., Ltd. which manages 100-Yen shops in Chugoku and Shikoku districts, and converted it into a consolidated subsidiary (June 2013)
- ✓ TSE Second Section listing – Changed the Company’s listing market from TSE JASDAQ market to TSE Second Section (August 2013)
- ✓ Disposal of treasury stock – Carried out the disposal of 960 thousand shares of treasury stock to open new shops in Japan and obtain renovation costs of existing shops and funding for overseas operations (August 2013)



# Net Sales According to Business Type



(Millions of yen)

		Year ended 2012		Year ended 2013		
			Ratio to net sales		Ratio to net sales	YoY
100-Yen shops	Directly managed	33,446	82.1%	34,992	83.9%	104.6%
	Wholesale	4,663	11.4%	4,015	9.6%	86.1%
New businesses	Buona Vita	2,648	6.5%	2,717	6.5%	102.6%
	Value 100					
	Horoyoi-tou					
	KOMONOYA (Thailand)					
	AMANO					
	Other					
Total		40,759	100%	41,725	100%	102.4%

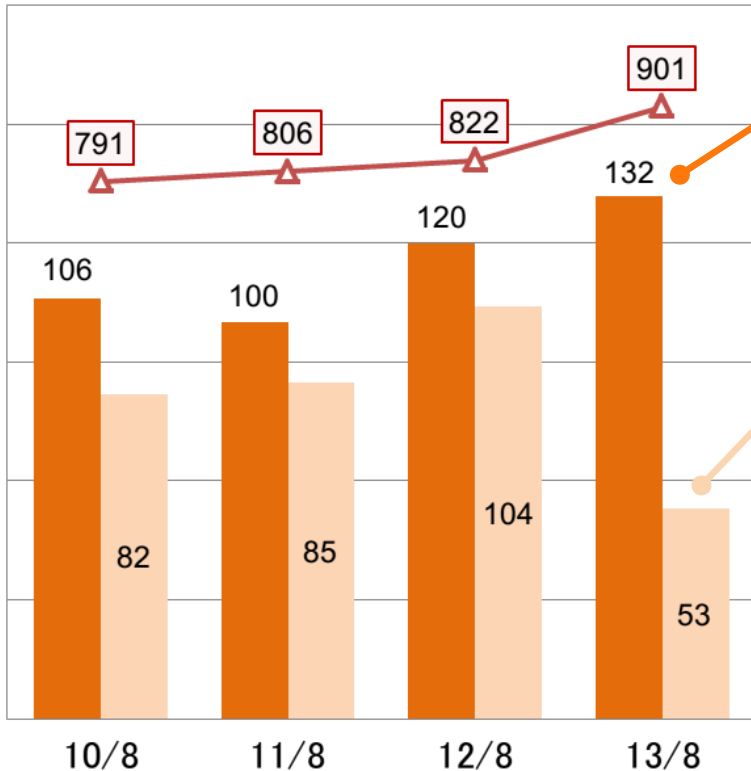
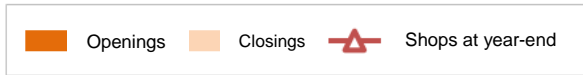
(Note) 100-Yen shops include Daisen Co., Ltd. which was acquired effective June 3, 2013.

- ✔ Directly managed 100-Yen shops remained primary source of Group net sales.
- ✔ Share of wholesale 100-Yen shops continued to fall due to fewer franchise shops, etc.
- ✔ In new businesses, Horoyoi-tou withdrew during the period but BuonaVita and Komonoya were strong.

# Opening/Closing Trend of 100-Yen Shops

Total number of 100-Yen shops was 901 as of August 31, 2013 (directly managed: 848; franchised: 53)

## Change in the number of 100-Yen shops



### Opening/closing plan vs. results

Opening plan 103 shops → Increase of 132 shops

Closing plan 37 shops → Decrease of 53 shops (of which 5 franchise shops)

- ✓ The number of shops opened for the fiscal year ended August 31, 2013 includes 23 directly managed shops of Daisen Co., Ltd. which was acquired effective June 3, 2013.
- ✓ The number of shops that are closed due to the flagship shop and tenant owners' requests is increasing.

\* Opened 20 shops and closed 7 shops in September 2013.



# Consolidated Operating Results for the Fiscal Year Ended August 31, 2013

## 100-Yen Shops – Net Sales Growth Ratio of Existing Directly Managed Shops



Net sales growth ratio of existing directly managed shops 99.5% ← (100.5% in the year-ago period)



	First half	Second half	Full year
Fiscal year ended August 31, 2012	102.7%	98.4%	100.5%
Fiscal Year Ended August 31, 2013	98.9%	100.0%	99.5%
(*After leap year adjustment)	99.5%	100.0%	99.8%

✓ For February, there was one less day compared with last year due to the leap year. \* After leap-year adjustment, February was 99.7%. Full year fell slightly below the previous period resulting in 99.8%.

\* September 2013 was 101.3%.



– 100-Yen Shops – Growth Ratio of Number of Customers at Existing Directly Managed Shops –

Growth ratio of number of customers at existing directly managed shops 100.2%  
 ← (101.4% in the year-ago period)



	First half	Second half	Full year
Fiscal year ended August 31, 2012	102.7%	100.2%	101.4%
Fiscal Year Ended August 31, 2013	100.1%	100.2%	100.2%
(*After leap year adjustment)	100.7%	100.2%	100.4%



For February, there was one less day compared with last year due to the leap year.

\* After leap-year adjustment, February was 100.8% and full year was 100.4%.



Customer enticement measures are ongoing.



— 100-Yen Shops – Growth Ratio of Number of Customers at Existing Directly Managed Shops —

Growth ratio of spending per customer at existing directly managed shops 99.5%  
← (99.3% in the year-ago period)



	First half		Second half		Full year	
	YoY	Spending per customer	YoY	Spending per customer	YoY	Spending per customer
Fiscal year ended August 31, 2012	99.9%	356yen	98.6%	353yen	99.3%	354yen
Fiscal Year Ended August 31, 2013	99.1%	353yen	99.8%	352yen	99.5%	353yen

✓ Spending per customer continues to show slight decrease.

As the customers have already been secured, the Company will make efforts to continue to attract them by developing bargain products.



# Consolidated Operating Results for the Fiscal Year Ended August 31, 2013

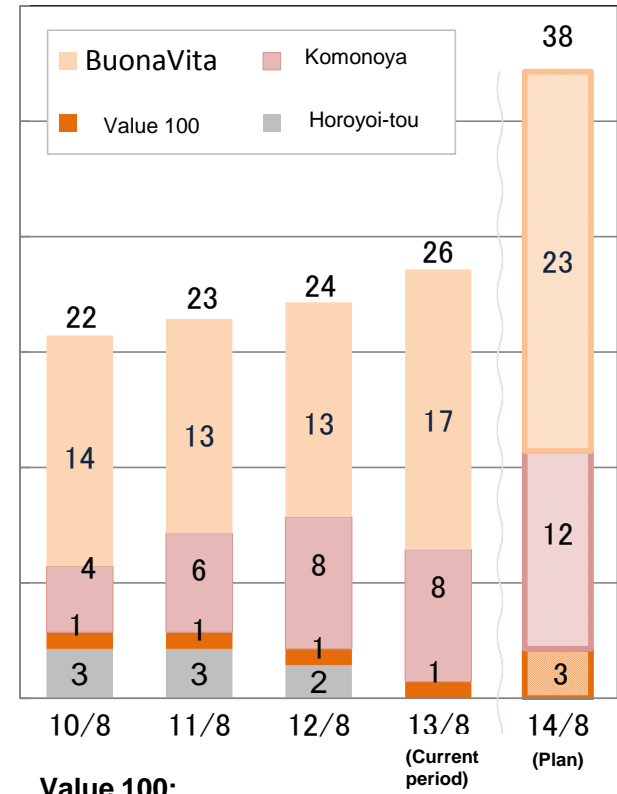
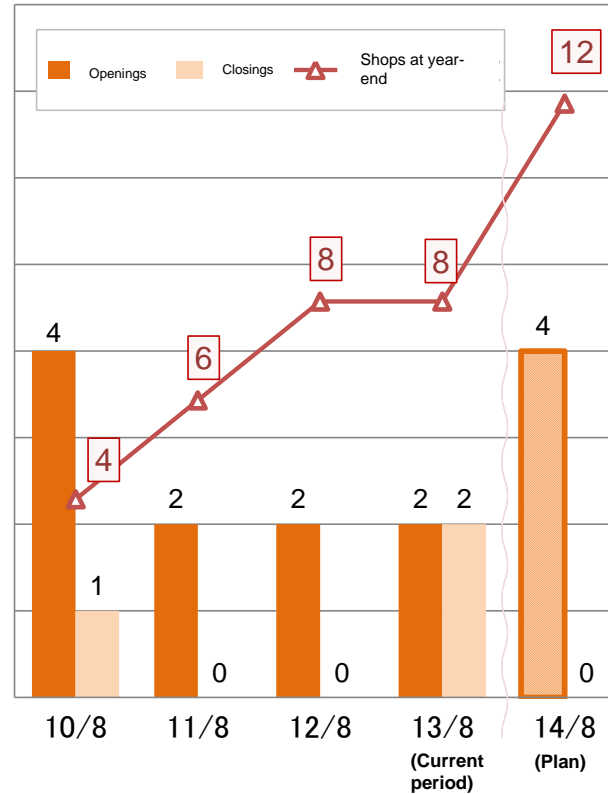
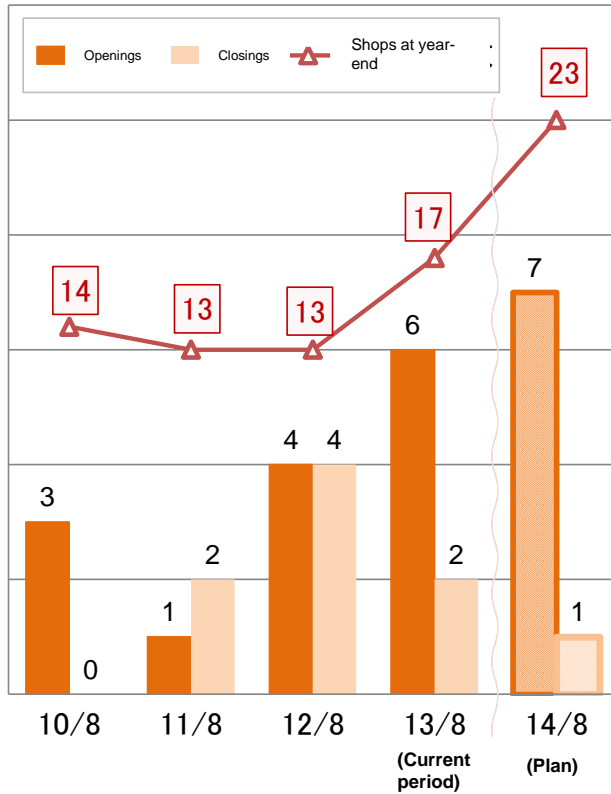
## Change in the Number of Shops of New Businesses



### Change in the number of BuonaVita shops

### Change in the number of Komonoya shops

### Change in the number of shops of new businesses



#### BuonaVita:

Existing-shop sales growth rate 107.6%

Big improvement in the existing-shop sales YoY. Recovered from the slump following the earthquake and accelerated the opening of shops.

#### Komonoya:

Existing-shop sales growth rate 112.9%

Converted into a joint venture following the investments made by the Central Group, the Thailand's largest comprehensive retailer in May 2013, and will accelerate the opening of shops.

#### Value 100:

Existing-shop sales growth rate 99.0%

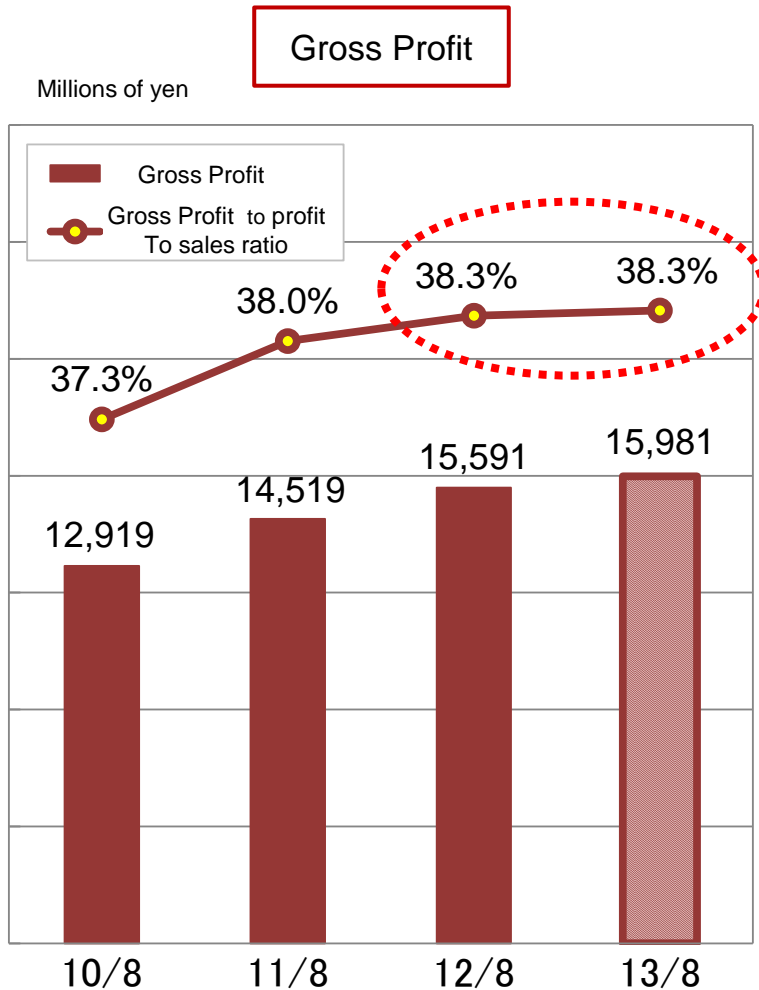
Profit continues favorably. Ongoing shop openings are planned and the Company will continue working with partners.

#### Horoyoi-tou:

Unable to foresee future viability as a business and therefore, withdrew from the business. The impact on operating results will be minimal.

# — Gross Profit —

Gross profit to sales ratio was on a par with the previous period



Although the effects of the weak yen have started to set in, the ratio of directly managed shops and ratio of general merchandise to sales improved and gross profit to sales ratio was on a par with the previous period by working on purchasing.

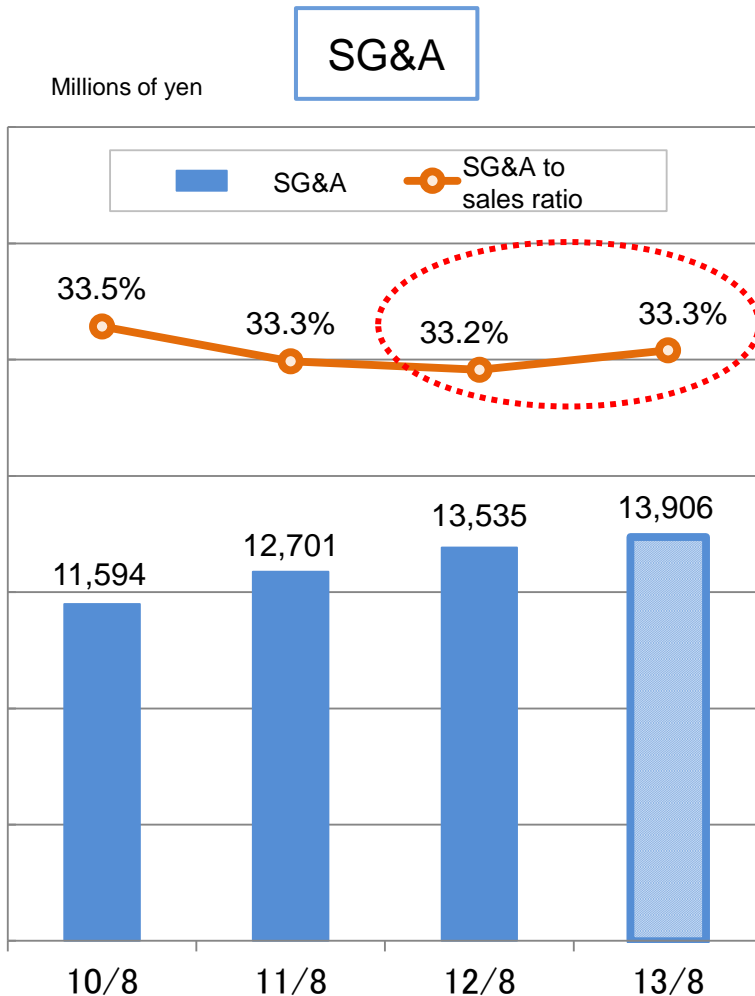
Currency exchange will have no direct impact on the Company's purchase due to yen-denominated transactions.



However, as the suppliers import many products from China and other countries, currency exchange will have an indirect impact.

The Company will make efforts to reduce the impact as much as possible in cooperation with suppliers and will also continue to increase the above ratio of directly managed shops and ratio of general merchandise to sales.

## SG&A to sales ratio dropped 0.1 point



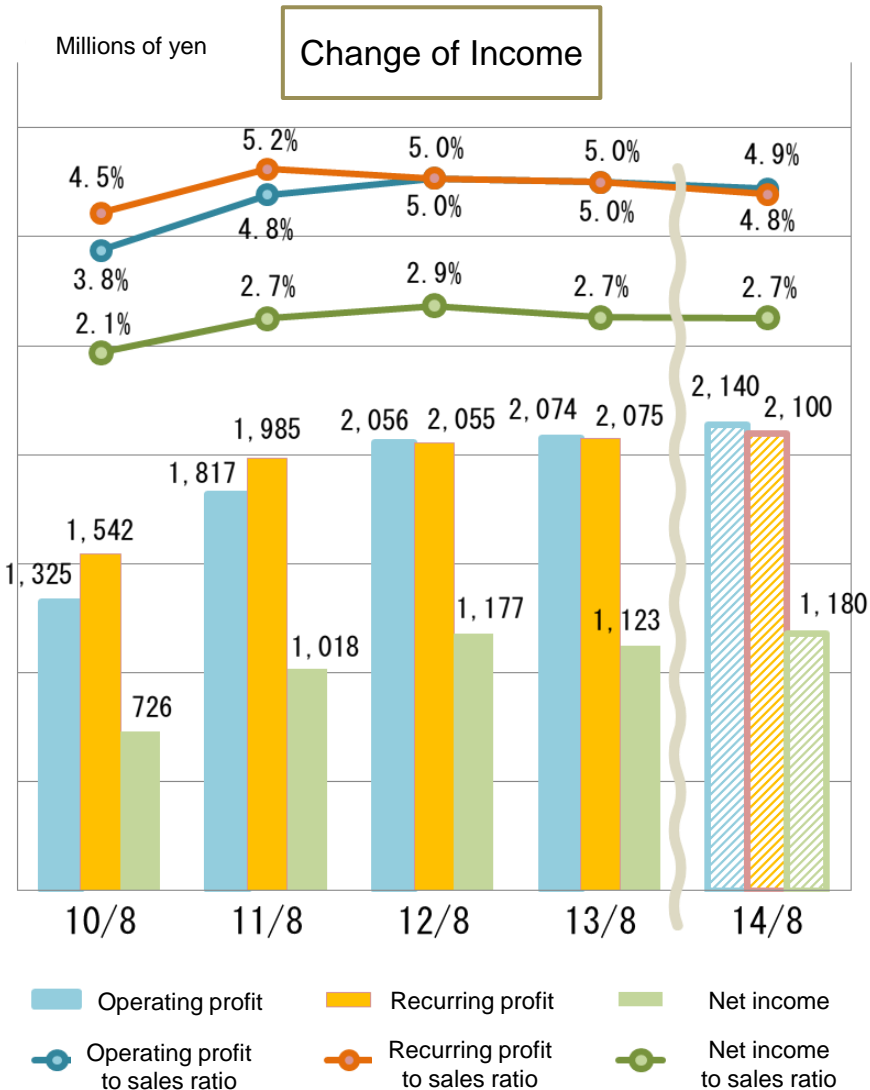
(Millions of yen)

[Breakdown]	12/8	13/8	YoY	Rate of YoY
Net sales	40,759	41,725	966	2.4%
Selling, general and administrative expenses	13,535	13,906	371	2.7%
Salaries(New Open)	4,604	4,766	162	3.5%
Rents(New Open)	4,518	4,676	158	3.5%
Utilities	757	816	59	7.8%
Directly managed 100-Yen shops	765	848	83	11.1%

✓ First half (September 2012-February 2013) was 32.7% but the second half (March 2013- August 2013) was 34.0% resulting in 0.12 point decrease YoY.



Increases in new shops and renovation costs and implementation of a one-time amortization of goodwill of Daisen Co., Ltd. are the main reasons.



(Millions of yen)

	12/8	13/8 (Period under review)	YoY
Operating profit	2,056	2,074	0.9%
Operating profit to sales ratio	5.0%	5.0%	No Change
Recurring Profit	2,055	2,075	1.0%
Recurring profit to sales ratio	5.0%	5.0%	No Change
Net income	1,177	1,123	△4.6%
Net income to sales ratio	2.9%	2.7%	Up 0.2points

As a result, operating profit and recurring profit increased slightly YoY and net income was down 4.6%.



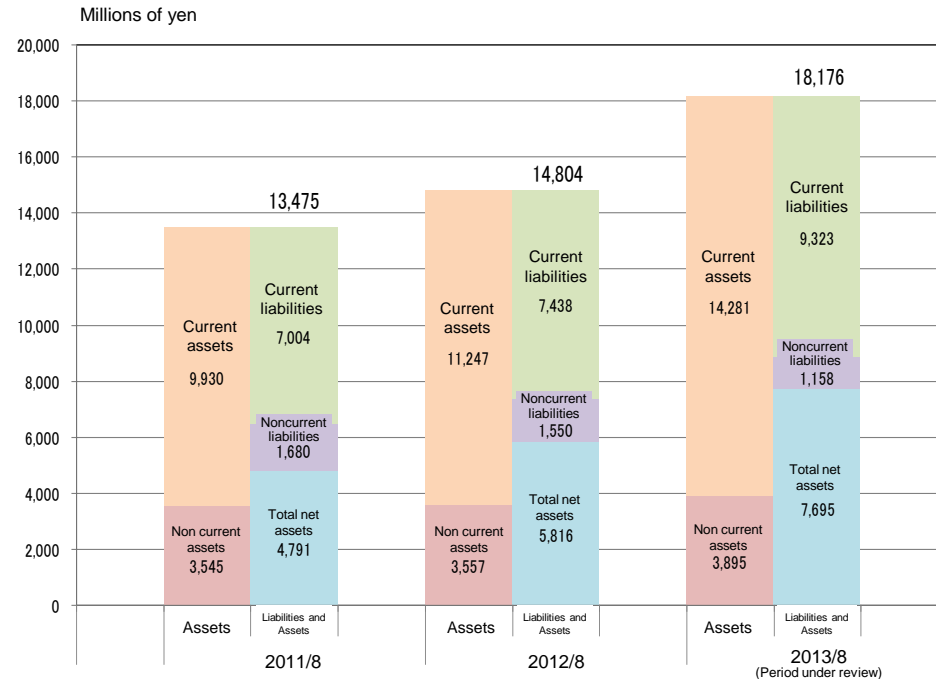
# — Balance Sheet —

(Millions of yen)

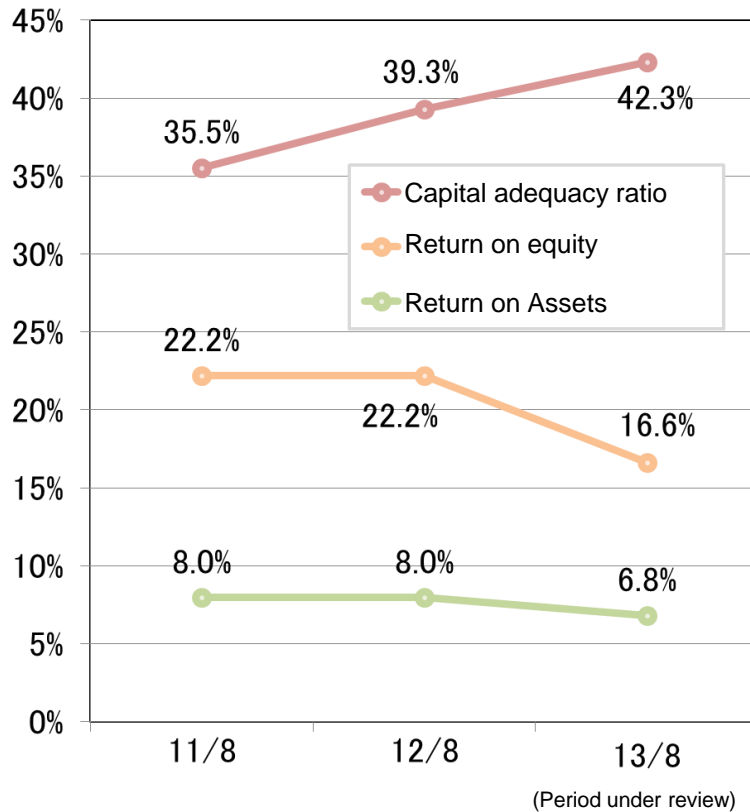
	11/8	12/8	13/8	Change	YoY
Total assets	13,476	14,805	18,177	3,372	Up22.8%
Current assets	9,930	11,247	14,281	3,034	Up27.0%
Cash and deposits	3,039	4,086	6,280	2,193	Up53.7%
Notes and accounts receivable-trade	1,951	1,812	2,320	508	Up28.1%
Merchandise and finished goods	4,363	4,633	4,961	328	Up7.1%
Other current assets	576	715	719	3	Up0.5%
Noncurrent assets	3,545	3,557	3,895	338	Up9.5%
Land and buildings	323	325	551	226	Up69.4%
Facilities	470	451	449	△1	Down0.4%
Goodwill	78	44	0	△44	Down100.0%
Guarantee deposits	2,441	2,450	2,474	23	Up1.0%
Other noncurrent assets	232	285	419	134	Up47.2%
Total liabilities	8,684	8,988	10,481	1,492	Up16.6%
Current liabilities	7,004	7,438	9,323	1,885	Up25.3%
Notes and accounts payable-trade	4,225	4,433	6,578	2,145	Up48.4%
Short-term loans payable	140	140	140	0	Up0.0%
Current portion of long-term loans payable	1,318	1,267	957	△309	Down24.5%
Income taxes payable	402	528	285	△242	Down45.9%
Accrued consumption taxes	91	254	61	△192	Down75.8%
Other current liabilities	826	813	1,299	485	Down59.7%
Noncurrent liabilities	1,680	1,550	1,158	△392	Down25.3%
Long-term loans payable	1,243	1,102	644	△457	Down41.5%
Asset retirement obligations	79	76	74	△1	Down2.5%
Other noncurrent liabilities	436	371	439	67	Up18.1%
Net assets	4,791	5,816	7,695	1,879	Up32.3%
Shareholders' equity	4,794	5,831	7,656	1,825	Up31.3%
Equity	440	440	440	0	Up0.0%
Retained equity	876	876	1,583	707	Up80.8%
Retained earnings	3,765	4,783	5,716	933	Up19.5%
Treasury stock	△287	△267	△84	183	Down68.6%
Accumulated other comprehensive income	△6	△15	38	54	Up353.5%
Share warrants	2	—	—	—	—

☑ Net assets increased by 3,372 million yen.

Cash and deposits increased substantially because of the disposal of treasury stock which was implemented near the end of the period and because the date of payment was extended to the following month as the end of the fiscal year was a holiday for financial institutions.



— Balance Sheet Indices —



- Equity ratio rose 3.0 points YoY as a result of a substantial increase in net assets due to the disposal of treasury stock which was implemented near the end of the period.
- ROE dropped 5.6 points YoY for the same reason as above.
- ROA dropped 1.2 points YoY. This is because in addition to the above reason, cash and deposits and accounts receivable increased significantly as the end of the fiscal year was a holiday for banks.

	11/8	12/8	13/8 (Period under review)	YoY
Capital Adequacy Ratio	35.5%	39.3%	42.3%	Up 3.0P
ROE (Return on Equity)	23.4%	22.2%	16.6%	Down 5.6P
ROA (Return on Assets)	7.6%	8.0%	6.8%	Down 1.2P



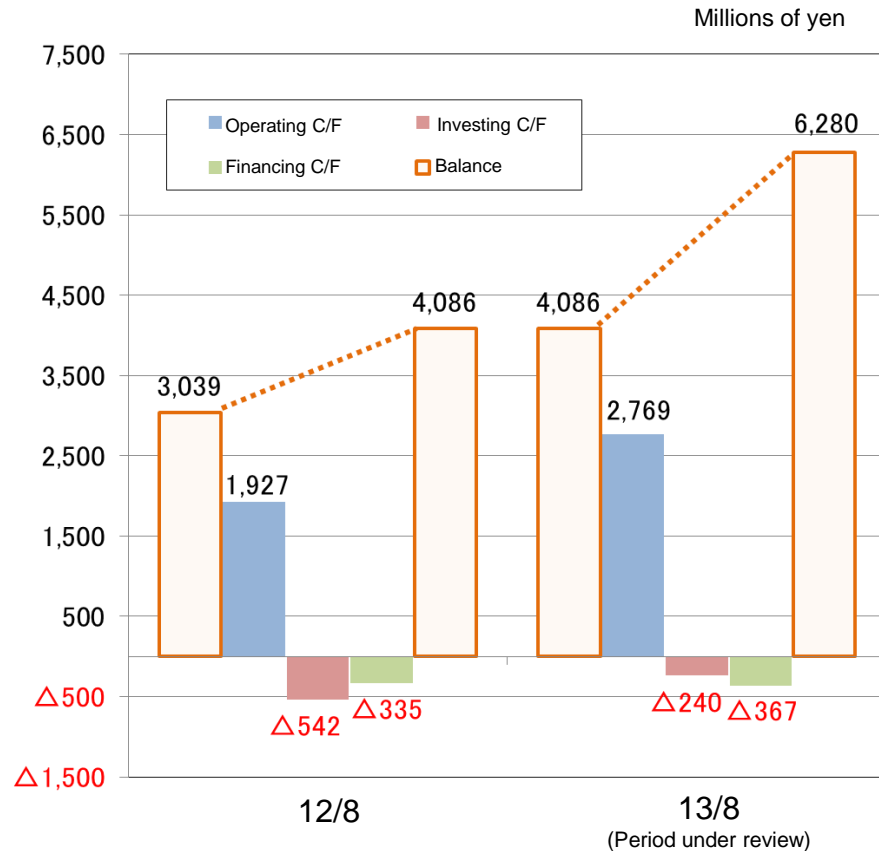
# Consolidated Operating Results for the Fiscal Year Ended August 31, 2013



## — Cash Flows —

(Millions of yen)

	12/8	13/8 (Period under review)	Change	YoY
Cash and cash equivalents at beginning of period	3,039	4,086	1,047	34.5%Up
Net cash provided by (used in) operating activities	1,927	2,769	842	43.7%Up
Income before income taxes and minority interests	2,059	2,055	△4	0.2%Down
Decrease (increase) in inventories	278	237	△41	14.7%Down
Decrease (increase) in inventories	△207	△246	△39	18.8%Up
Increase (decrease) in notes and accounts payable-trade	161	2,100	1,939	1204.3%Up
Increase (decrease) in accrued consumption taxes	155	△190	△345	222.6%Down
Income taxes paid	△833	△1,238	△405	48.6%Up
Other cash flows from operating activities	313	289	△24	7.7%Down
Net cash provided by (used in) investing activities	△542	△240	302	55.7%Down
Net cash provided by (used in) financing activities	△335	△367	△32	9.6%Up
Proceeds from long-term loans payable	1,400	600	△800	57.1%Down
Repayment of long-term loans payable	△1,592	△1,669	△77	4.8%Up
Proceeds from sales of treasury stock	13	891	878	6753.8%Up
Other cash flows from financing activities	△156	△189	△33	21.2%Up
Effect of exchange rate change on cash and cash equivalents	△2	32	34	1700.0%Down
Cash and cash equivalents at end of period	4,086	6,280	2,194	53.7%Up



- ✔ Increase in operating cash flow is mainly due to an increase of 2,100 million yen in notes and accounts payable-trade and income before income taxes and minority interests of 2,055 million yen because the date of payment was extended to the following month as the end of the fiscal year (August 31) was a holiday for financial institutions.
- ✔ Increase in financing cash flow is due to proceeds from sales of treasury stock of 891 million yen and decrease is due to repayment of long-term loans payable of 1,669 million yen.





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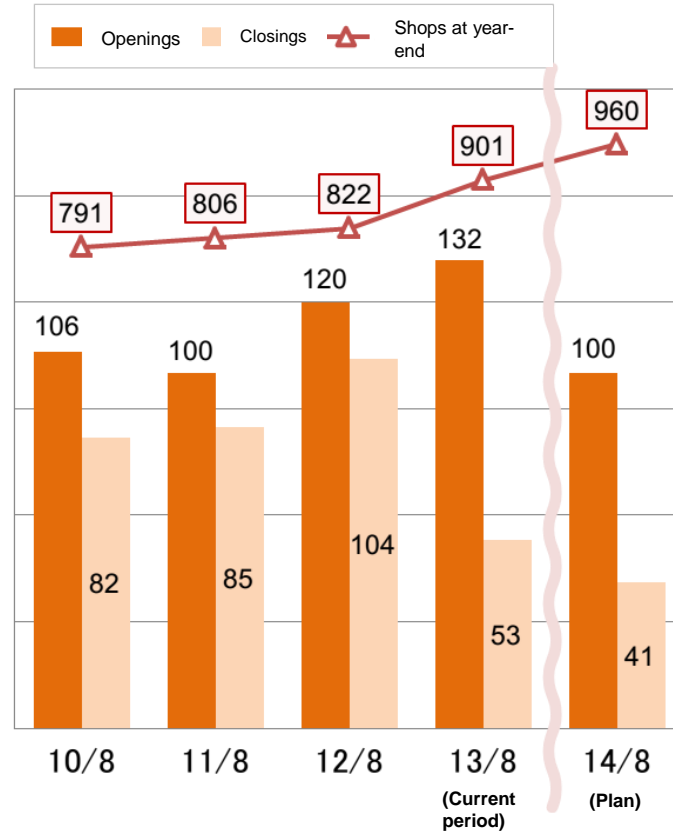
# Consolidated Earnings Forecasts for the Fiscal Year Ending August 31, 2014



(Millions of yen)

	Year ended 2013			Year ended 2014(Forecast)	
		Ratio to net sales	YoY		YoY
Net sales	41,725	—	102.4%	44,000	105.5%
Gross profit	15,981	38.3%	102.5%	—	—
SG&A	13,906	33.3%	102.7%	—	—
Operating profit	2,074	5.0%	100.9%	2,140	103.1%
Recurring profit	2,075	5.0%	101.0%	2,100	101.2%
Net income	1,123	2.7%	95.4%	1,180	105.0%
Net income per share (Yen)	88.63		95.0%	93.07	105.0%
Annual dividend per share (Yen)	17		—	15	—

Change in the number of 100-Yen shops

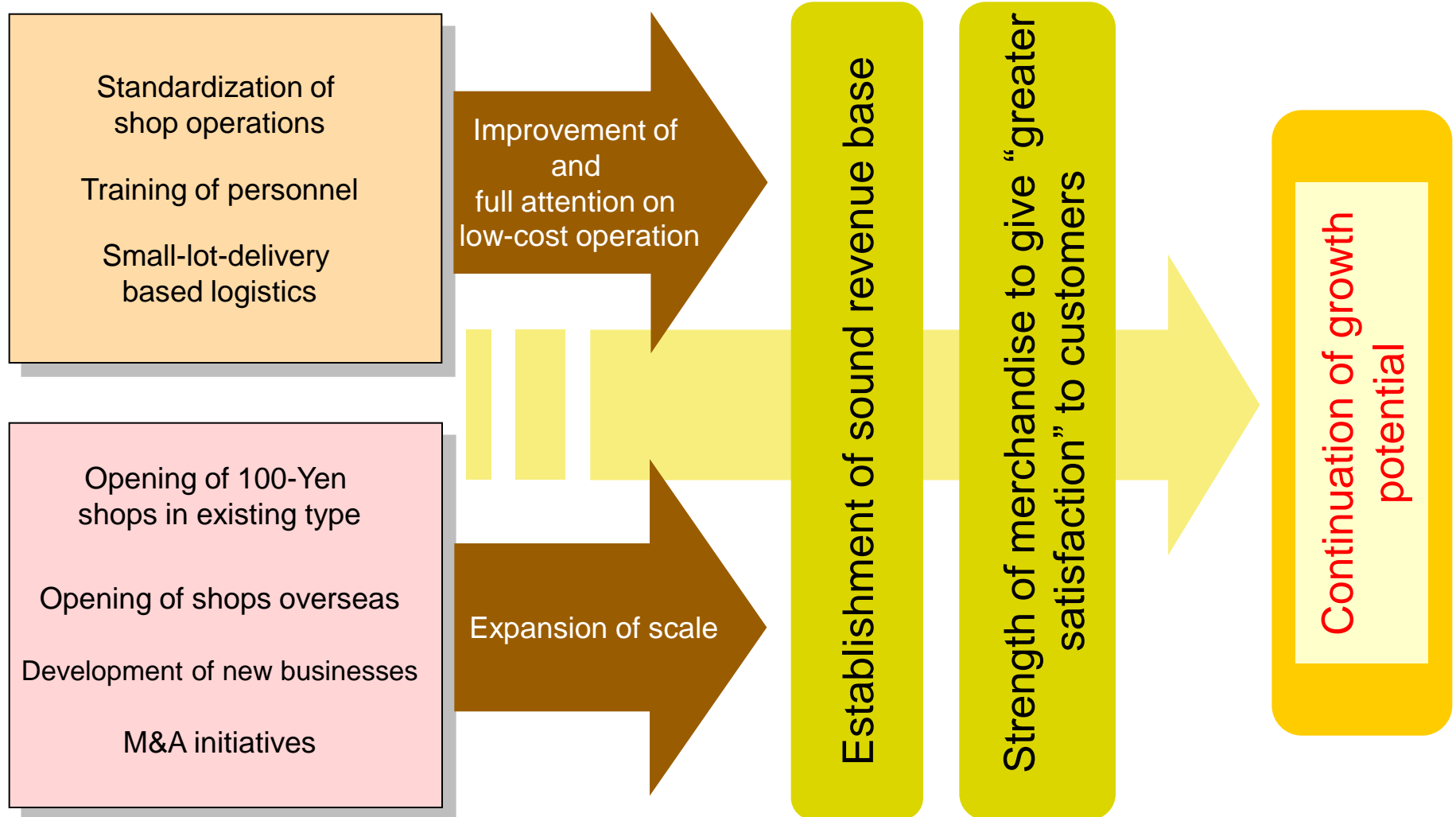


- ✓ 100-Yen shops – net increase of 59 shops
- ✓ Aggressive renovations of existing shops
- ✓ Expansion of new businesses including overseas business



The Company will aim for a 5% growth in both net sales and net income margin.

# Basic Policy - (1) Continuation of Growth Potential -





## Basic Policy - (2) Declaration -

In the area of practical-use household items, the Company shall become the “**No.1 Company for Practical-use Household Items,**” offering a group of products that have by far the best value-for-money in terms of volume and quality.

The Company aspires to be a retail company that earns the appraisal from customers that:

“**meets. and Silk are best to buy practical-use household items!**”



Earn **No.1 satisfaction rating for practical-use household items** in the 100-yen fixed price range!

Continue to provide “**products worth more than 100 yen**” for 100 yen!

# Medium-Term Management Plan

## – Management Environmental Recognition –

### Japan

- Economy entered the recovery phase after bottoming out in November 2012
- Relatively strong as a result of rising stock prices due to a series of Amenomics stimulus measures and improvement in corporate sentiment due to the weak yen.
- The recovery trend in the economy is expected to continue because demand for the Great East Japan Earthquake reconstruction is likely to continue and because a hefty supplementary budget is expected to be incorporated.
- 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.

It will take a while to improve the employment situation and household income

Growing needs for 100-Yen shops

### Overseas

- Overseas economy is making a mild recovery.
- Asian economy is expected to maintain relatively strong growth even the growth rate in China goes down. However, in ASEAN countries, it is likely to show difference by country due to a slowdown in growth, accelerating inflation and currency depreciation but consumer base with purchasing power definitely exist.

Overseas market development and expansion are necessary for further growth

## Basic strategy



- |                       |   |
|-----------------------|---|
| Shop-opening strategy | Low-cost opening and closing of shops according to area characteristic          |
| Operational strategy  | Low-cost operation by maintaining the quality of customer service               |
| Product strategy      | Product line-up centering on best value-for-money practical-use household items |

### Growth strategy for Japan

- Continuation of opening of many “In-Shop” style small shops
- Pursuit of shop proper stock
- Review of location of shops to suit the shop opening environment and expansion of shop opening areas
- Further enhancement of the competitiveness of PB products “WATTS SELECT”
- Development of new businesses to supplement the 100-Yen shop business and pursuit of profitability – opportunities for M&As included

### Growth strategy for overseas

- Acceleration of the pace of opening Thai Watts
- Expansion of many shops in Malaysia
- Establishment of business model and expansion of many shops in China
- Reduction of sourcing cost by using a warehouse in China
- Selection of new locations based on a thorough market research



# Basic Strategy



## – Strong Points of The Company’s 100-Yen Shops –

1

### Low-cost opening and closing of shops

- Small investment in opening new shops
- Small loss in closing shops makes quick closing possible

2

### Low-cost operation

- Low operation costs keep the break-even point low to make profit even with low net sales

3

### Best value-for-money practical-use household items

- Invest profit obtained from low-cost operation in product development

### ○ Development of many medium and small shops

- ✓ Development of shops with average size of 230m<sup>2</sup> (average size of other companies: 330 to 1,000m<sup>2</sup>).
- ✓ For properties which have less competition with other companies, the Company can open shops with favorable conditions.
- ✓ About 100 shops are opened every year.

### ○ Aggressive closing of unprofitable shops

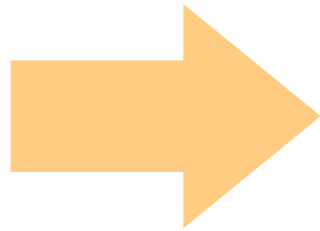
- ✓ Holding minimum assets in shops and having conditions conducive to closing shops in leasing contracts enable quick shop closing.
- ✓ About 40 shops are closed every year.

While maintaining sales growth at 100% over the previous year, sales volume of new shops are added on every year.



○ Eliminate unreasonable, useless and irregular matters

○ Simplify and standardize ⇒ Put in manual



- ✓ Part-time worker runs daily operation
- ✓ Supervisor manages multiple shops
- ✓ Shop operations focus on good customer service rather than manual duties

Strengthening the Company's structure to produce profit even with small shops, get operational capability that can handle chain of many shops.



Profit obtained from low-cost opening and closing of shops and low-cost operation is invested into the development of best value-for-money products.



# Product Strategy



– Best Value-for-Money Practical-Use Household Items

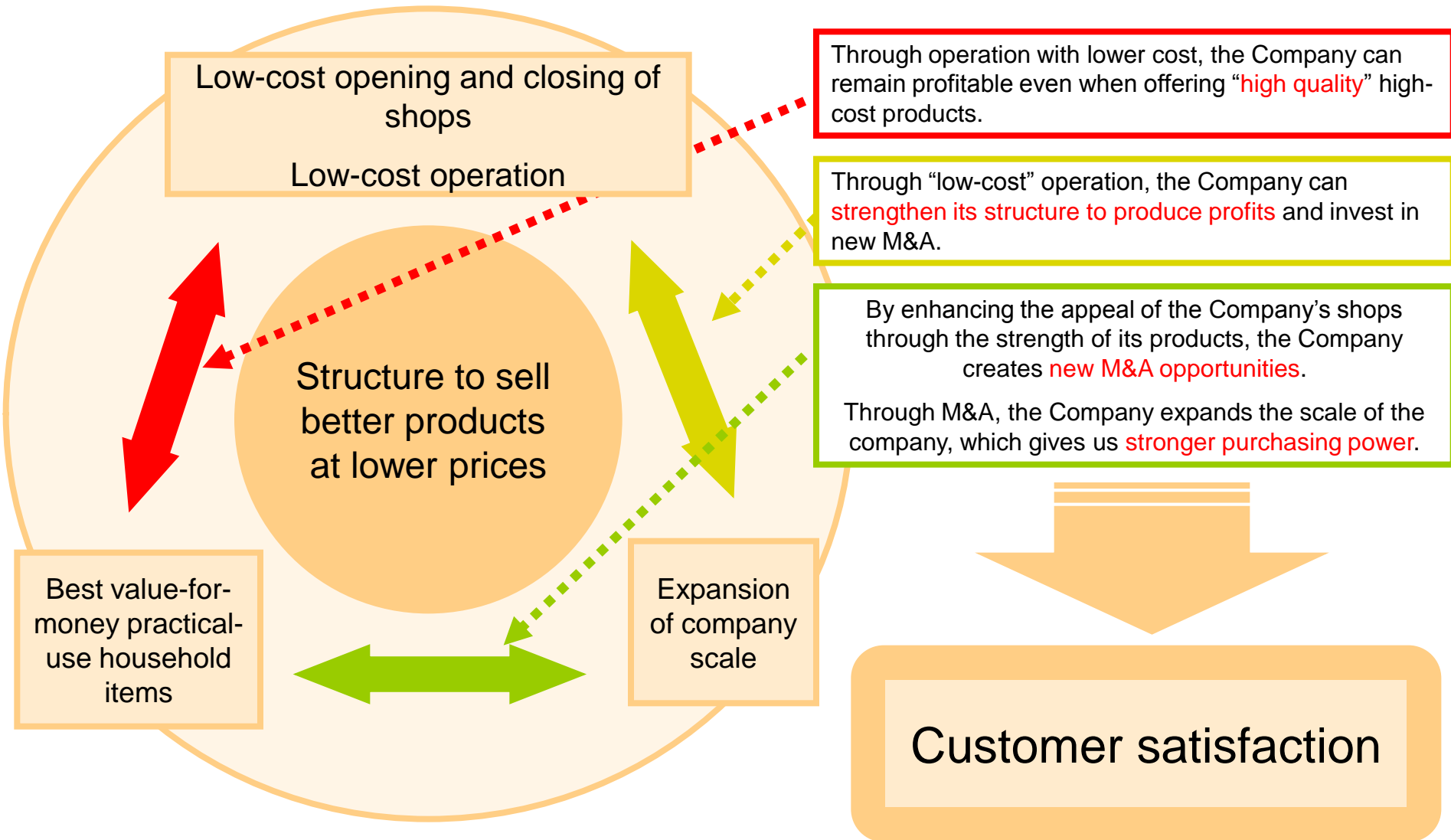


The Company’s “WATTS SELECT” products are a merchandise line-up that lives up to our high standards of quality (products that are safe and trusted).

The Company has been developing the “WATTS SELECT” product range since FY 2010, focusing on such practical-use household items as kitchenware, cleaning and sanitary goods, and leisure goods. The Company’s objective was to develop **211** items in our range by the end of FY 2013.

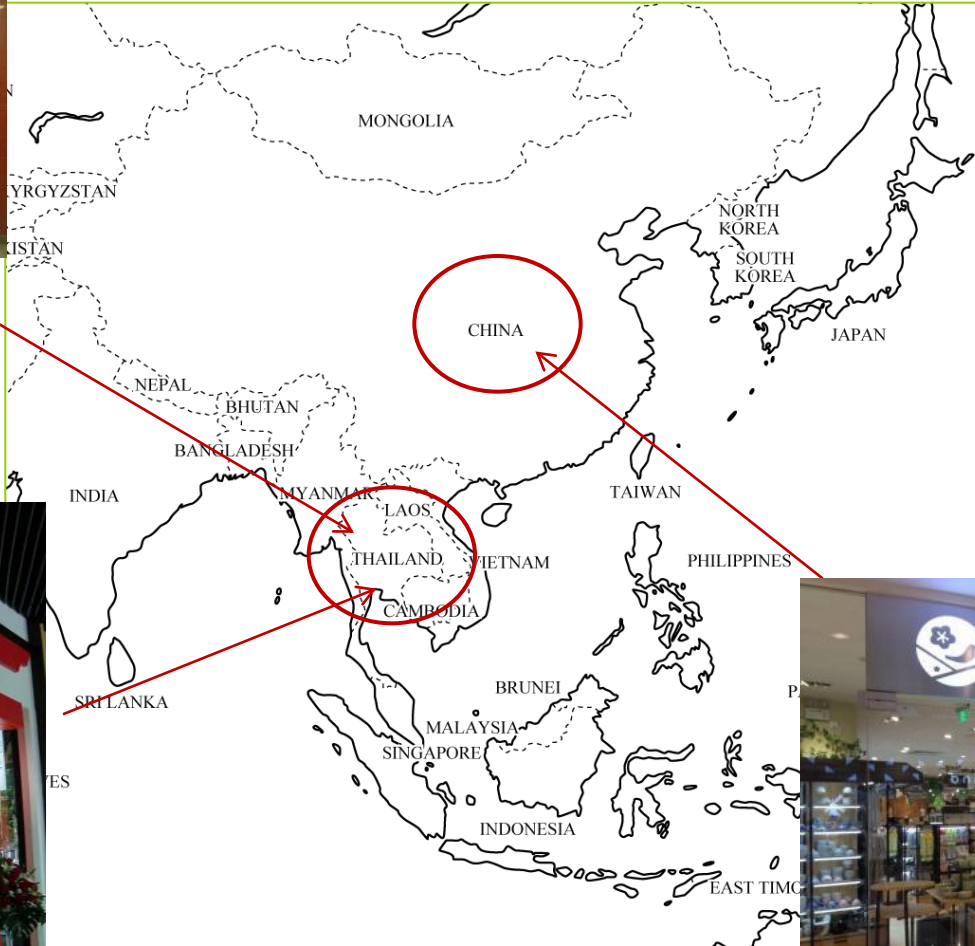
The Company will continue development and offer more of best value-for-money products.

# - Structure to Sell Better Products at Lower Prices -





# Overseas Strategy

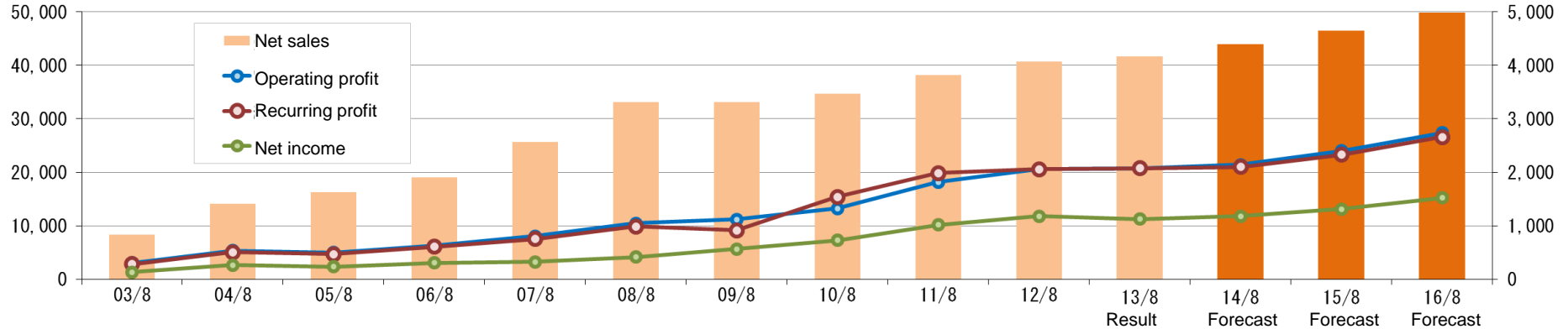


# Medium-Term Management Plan — Three Year Forecasts —

Net sales(Millions of yen)

## Change of Net Sales and Income

Income(Millions of yen)



(Millions of yen)

	FY 12/8 (Result)			FY 13/8 (Result)			FY 14/8 (Forecast)			FY 15/8 (Forecast)			FY 16/8 (Forecast)		
		Ratio to net sales	YoY		Ratio to net sales	YoY		Ratio to net sales	YoY		Ratio to net sales	YoY		Ratio to net sales	YoY
Net sales	40,759	—	106.7%	41,725	—	102.4%	44,000	—	105.5%	46,470	—	105.6%	49,870	—	107.3%
Gross profit	15,591	38.3%	107.4%	15,981	38.3%	102.5%	16,800	38.2%	105.1%	17,890	38.5%	106.5%	19,310	38.7%	107.9%
Operating profit	2,056	5.0%	113.1%	2,074	5.0%	100.9%	2,140	4.9%	103.1%	2,400	5.2%	112.1%	2,740	5.5%	114.2%
Recurring profit	2,055	5.0%	103.5%	2,075	5.0%	101.0%	2,100	4.8%	101.2%	2,330	5.0%	111.0%	2,660	5.3%	114.2%
Net income	1,177	2.9%	115.6%	1,123	2.7%	95.4%	1,180	2.7%	105.0%	1,310	2.8%	111.0%	1,520	3.0%	116.0%
ROE	22.2%		—	16.6%		△ 5.6P	14.4%		△ 2.2P	14.2%		△ 0.2P	14.5%		0.3P
Plan assumptions															
100-Yen shop total at year-end (Shops)	822	—	—	901	79	—	960	59	—	1,019	59	—	1,078	59	—
100-Yen shop existing-shop growth rate	100.5%	—	—	99.5%	△ 1.0P	—	100.0%	0.5P	—	100.0%	0.0P	—	100.0%	0.0P	—
New business total at year-end (Shops)	24	—	—	28	4	—	46	18	—	70	24	—	98	28	—
New business sales share	6.5%	—	—	6.5%	0.0P	—	6.6%	0.1P	—	8.3%	1.7P	—	11.8%	3.5P	—
Of which overseas business total at year-end (Shops)	8	—	—	10	2	—	20	10	—	36	16	—	56	20	—
Overseas business sales share	0.6%	—	—	0.9%	0.3P	—	1.4%	0.5P	—	2.9%	1.5P	—	4.4%	1.5P	—



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## (Reference)

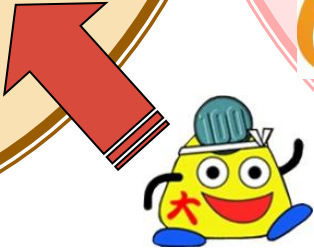
1. Watts Brand
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# 1. Watts Brand



100-Yen shop business



New businesses



\*In June 2013, "Daisen Co., Ltd." became a wholly owned subsidiary through share purchase.



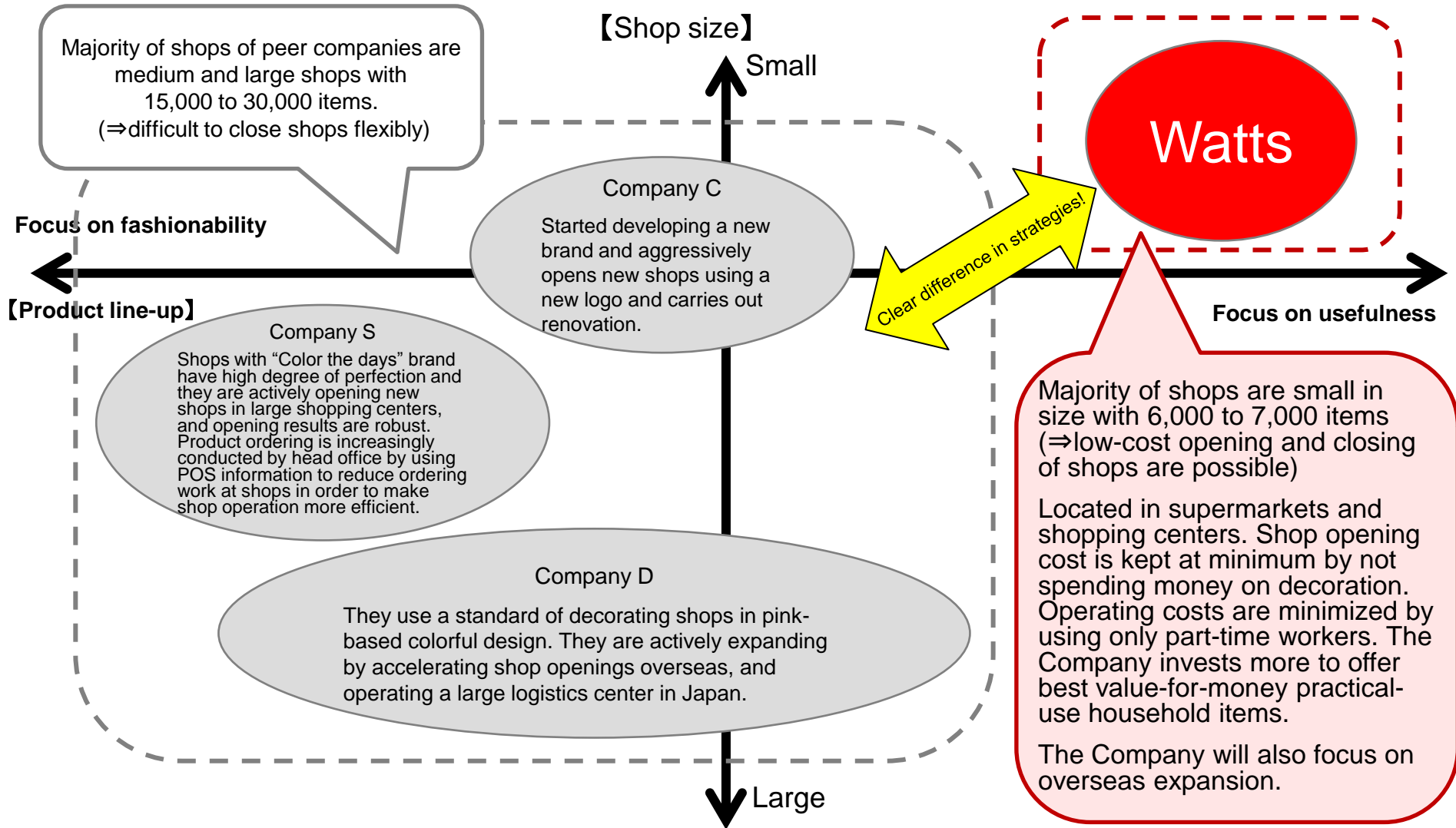


## 2. Corporate Profile

Date of establishment	February 22, 1995 (Fiscal 2013 is our 19th business term)
Meaning of name	Derived from “ <i>Wa! tto ikou</i> ” (Japanese catch cry to “go forth energetically”)
Market listing	Tokyo Stock Exchange Second Section (Securities code: 2735)
Capital stock	440.29 million yen (as of February 28, 2013)
Head office	5F, Sumitomo OBP Plaza Building, 4-70, Shiromi 1-chome, Chuo-ku, Osaka-shi, Osaka Prefecture
Main business	Wholesale and retail of daily-used and household items (Mainly operation of 100-Yen shops “meets.” and “Silk”)
Number of employees (Consolidated)	2,501 employees (as of August 31, 2013) *Part-time workers included
Number of shops (Consolidated)	929 shops (as of August 31, 2013) *New businesses included

# 3. Position in the Industry

## - Cross-Company Comparison -

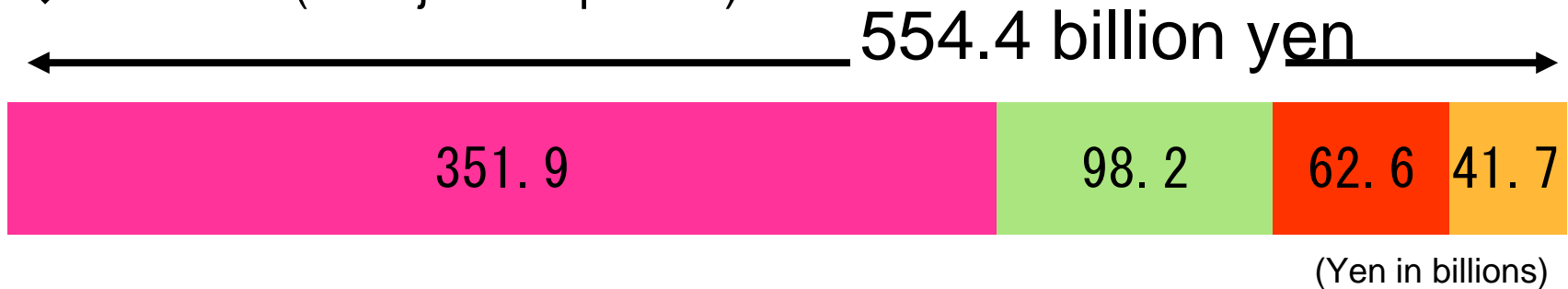


\*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



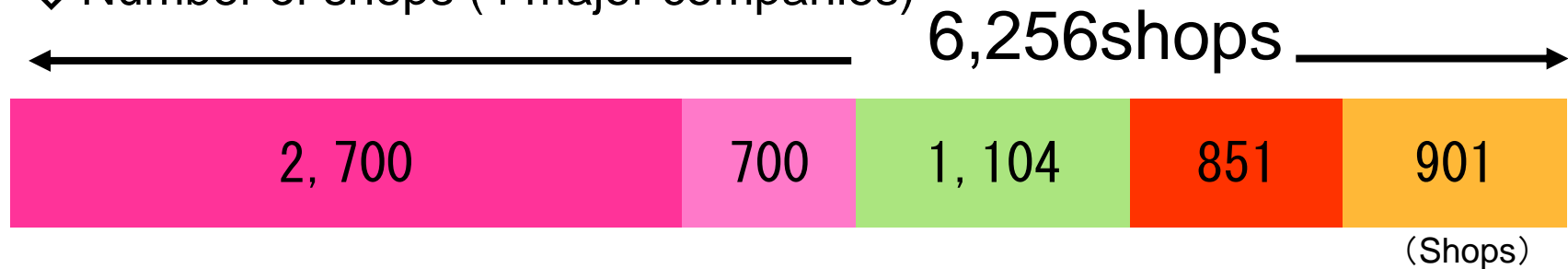
## 4. Industry Trend - Market Size -

◇ Net sales (4 major companies)



■ Company D ■ Company S ■ Company C ■ Watts

◇ Number of shops (4 major companies)



■ Company D ■ Company D (Overseas) ■ Company S ■ Company C ■ Watts

\*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



## 5. Industry Trend - Comparison of Indices -

	Watts	Company C	Company S
<b>Stock price (Oct. 9 closing)</b>	958 yen	1,650 yen	3,270 yen
<b>Market cap (as of Oct. 9)</b>	13.3 billion yen	27.6 billion yen	123.9 billion yen
<b>Operating margin</b>	5.0%	3.5%	8.5%
<b>ROE</b>	16.6%	9.5%	24.8%
<b>PER</b>	10.3 times	25.5 times	24.1 times
<b>Dividend yield</b>	1.77%	0.91%	0.46%

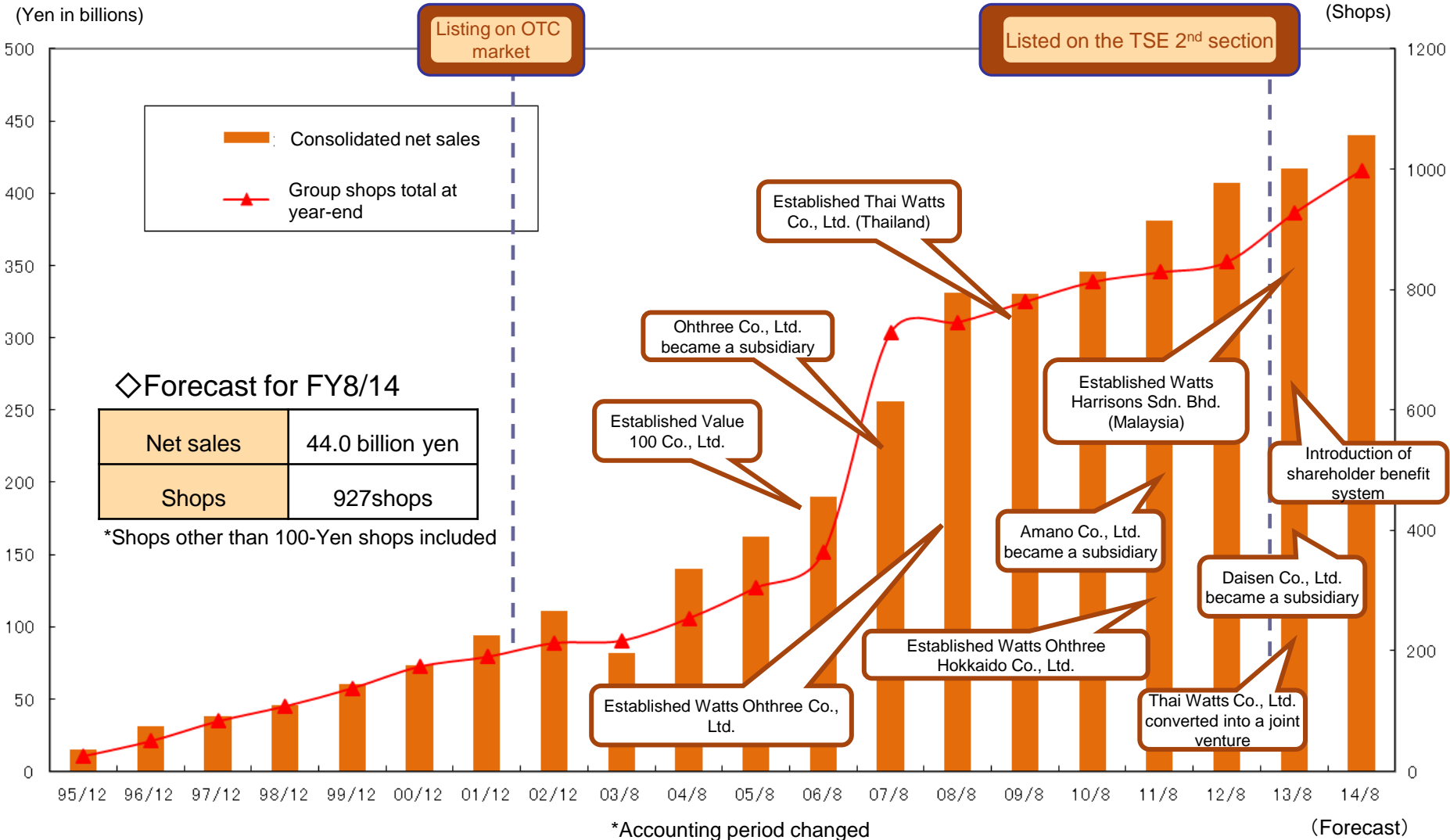
\*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



# 6. The Company's Progress

May 14, 2002

August 20, 2013



# 7. New Businesses - Overview -



— Sale of household items in Bangkok —  
Proposing **life with highly functional Japanese household items**  
8 shops (8/13-end)



— Sale of nature-based lifestyle goods —  
Proposing **Buona Vita=comfortable life**  
17 shops \*2 franchised shops included (8/13-end)

New businesses



— Value 100 —  
Offering **competitively priced foods and 100-yen household items by a small shop**  
1 shop (8/13-end)



— Import and wholesale of elegant lifestyle goods —  
3 shops (8/13-end)

# 8. WATTS SELECT - Top 3 Hot-Selling Products -

No.1 Wet wipes for wooden floor



30 wipes

No.2 Paper cups



50 cups

No. 3 Sanitizing wet wipes



24 wipes

# 9. WATTS SELECT

## - Highly Recommended Products -

1

60m polyethylene cling films



Best value-for-money products focused on quality (products that are safe and trusted) which the Company recommends with confidence.

2

Folding hangers with 24 pins purple-blue



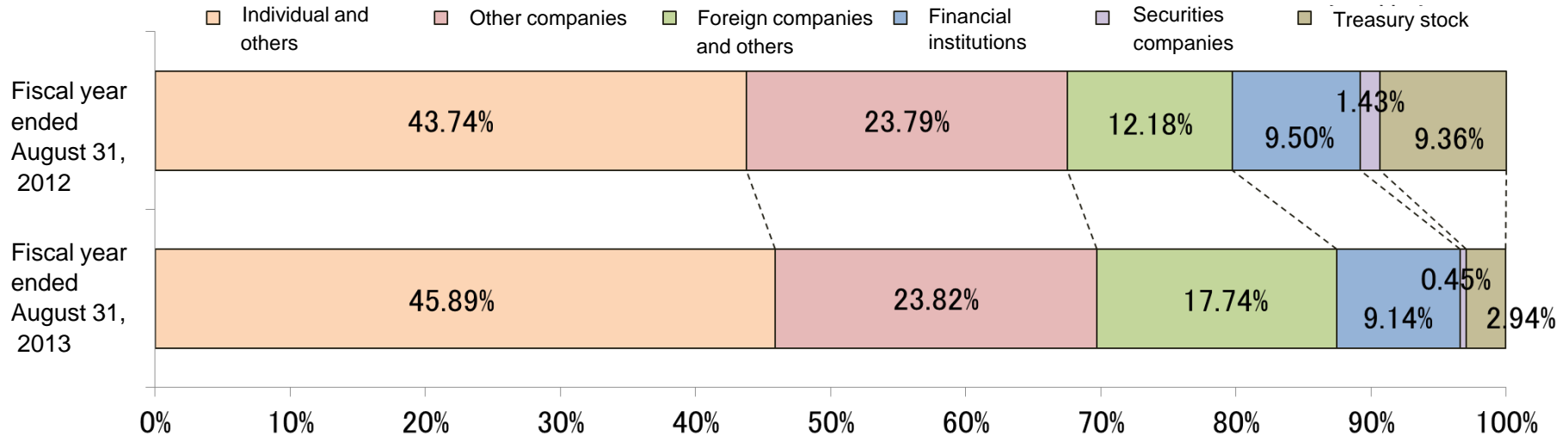
3

Alkaline batteries with 6 extra batteries (AA battery, AAA battery)





# 10. Shareholder Composition



	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Change
Total number of shares issued	6,979,400shares	13,958,800shares	6,979,400shares
Number of shareholders	1,772	3,759	1,987
<b>Ownership ratio</b>			
Individuals and others	43.74%	45.89%	2.15p
Other domestic companies	23.79%	23.82%	0.03p
Treasury stock	12.18%	17.74%	5.56p
Financial institutes	9.50%	9.14%	△ 0.36p
Foreign companies and others	1.43%	0.45%	△ 0.98p
Securities companies	9.36%	2.94%	△ 6.42p

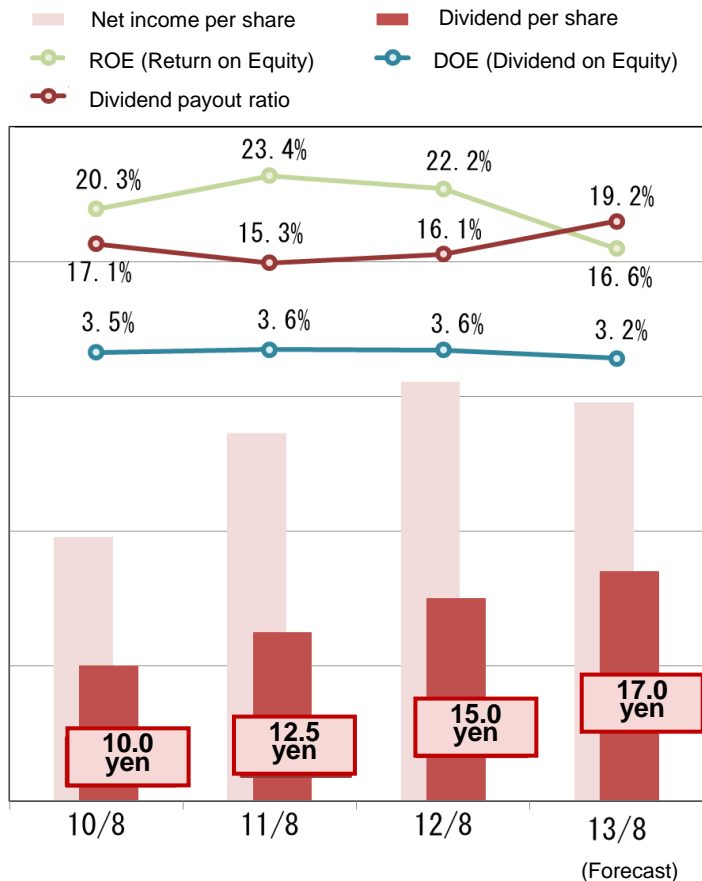
✓ As the Company carried out a 1:2 stock split on March 1, 2013, the number of shares increased.

✓ The number of shareholders increased significantly compared with the previous period. The possible reasons for this are the above stock split, introduction of shareholder benefit system and disposal of treasury stock which was implemented in August 2013.

(Note) The figures are rounded to the third decimal place and may not add up to 100% when adding the ratios of each section.

# 11. Dividend Policy

The Company's policy is **“to maintain a stable dividend payment,”** considering the return of profits to shareholders.



	Fiscal year ended August 31, 2010	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013 (Forecast)
Net income per share (Yen)	58.62	81.84	93.31	88.63
Dividend per share (Yen)	10.00	12.50	15.00	17.00
Dividend payout ratio	17.1%	15.3%	16.1%	19.2%
Dividend yield	4.0%	3.1%	3.0%	1.9%
ROE (Return on Equity)	20.3%	23.4%	22.2%	16.6%
DOE (Dividend on Equity)	3.5%	3.6%	3.6%	3.2%

\*As the Company carried out a 1:2 stock split on March 1, 2013, the net income per share and dividend per share shown above have been retroactively adjusted.

## 12. Introduction of Shareholder Benefit System

We will introduce a **shareholder benefit system** based on the shareholder register date of August 31, 2013



To show appreciation for the support we receive from our shareholders, to give shareholders a better idea of our products and to enhance the appeal of our shares and encourage an increase in our shareholder numbers, we will offer a shareholder benefit.



Description	Number of shares held	
	100 to 999 shares	1,000 shares or more
Package of our private brand "WATTS SELECT" merchandise	10 items	20 items



# Cautionary Note on the Use of this Material



The data and future forecasts presented in this material are based on information that was available at the time this material was released. Changes in circumstances can occur due to a range of factors and we give no guarantee regarding achievement of objectives and forecasts, or future operating results. Information contained herein may change without forewarning. When using this data and reference materials, please verify and confirm details against information that you have obtained by other methods and exercise your discretionary judgment. Watts Co., Ltd. will in no way be held liable for any loss resulting from the use of this material.

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