



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

Operating results for the fiscal year ended August 31, 2014  
and business forecast for the fiscal year ending August 31, 2015

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October 14, 2014 (Tuesday)

Fumio Hiraoka

President and CEO

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# Highlights of the Fiscal Year Ended August 31, 2014



(Millions of yen)

	Fiscal year ended August 31, 2013		Fiscal year ended August 31, 2014 (Current period)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	41,725	—	43,573	—	104.4%	99.0%
Gross profit	15,981	38.3%	16,584	38.1%	103.8%	—
Selling, general and administrative expenses	13,906	33.3%	14,799	34.0%	106.4%	—
Operating Profit	2,074	5.0%	1,784	4.1%	86.0%	83.4%
Recurring Profit	2,075	5.0%	1,799	4.1%	86.7%	85.7%
Net income	1,123	2.7%	948	2.2%	84.4%	80.3%
Net income per share (Yen)	88.63		69.97		78.9%	75.2%
Annual dividend payment per share (Yen)	17		17(forecast)		—	—

(Note) On March 1, 2013, a 2-for-1 stock split was carried out. Net income per share has been retroactively modified to reflect this.

- ✓ Net sales increased 4.4% YoY due mainly to new store openings of 100-Yen shops and Buona Vita and expansion of overseas.
- ✓ Cost was increased in consequence of weak yen and cost increase in the producing countries. There was a 0.2 point decline in gross margin ratio because adjustment including review of products and improvements to the sales structure could not be absorbed.
- ✓ The SG&A ratio deteriorated by 0.7 points YoY due to the impact of new store openings and the aggressive renovation to existing stores, and increases in costs including personnel and utilities expenses. Profit growth suffers.



## Topics for Operating Results for the Fiscal Year Ended August 31, 2014



### Further expansion of domestic operations

- ✓ Opened 123 stores (closed 65 stores) of 100-Yen shop in Japan. Net increasing of 58 shops
- ✓ Accelerated the pace of opening “Buona Vita” which handles natural taste lifestyle products and opened 12 shops (closed one shop) increasing the total number to 28 shops (achieved to exceed the plan by 5 shops)
- ✓ Watts merged with its wholly-owned subsidiary CMK Trading Co., Ltd. which procures products from China to strengthen product development capabilities(May 2014)

### Further progress in overseas expansion

- ✓ China: Established Watts' wholly-owned subsidiary “上海望趣商貿有限公司” in Shanghai (September 2013)  
Opened one store of 15-Yuan shop, “小物家园” and closed one. Totaled 2 shops.  
Watts will experimentally open the 15-Yuan shop in special space in Chengdu, Sichuan Province (scheduled on August ~ December, 2014)
- ✓ Thailand: Opened 7 stores of 60-Baht shop “Komonoya” which was converted into a joint venture by Watts and the largest local comprehensive retail company Central Group's subsidiary last year increasing the total number to 15 (achieved to exceed the plan by 3 shops)
- ✓ Malaysia: Opened the first 5-Ringgit shop “Komonoya” near Kuala Lumpur (November 2013)  
Opened 3 stores in the Fiscal year ended August 31, 2014.
- ✓ Vietnam: Opened the first 40 Thousand-Dong shop by providing Watts products and knowhow on shop design and displays, etc. in Ho Chi Minh (January 2014)
- ✓ Peru: Established “Watts Peru S.A.C” to develop fixed-price shops (August 2014)



## Topics(2) for Operating Results for the Fiscal Year Ended August 31, 2014



### Efforts to increase corporate value and improve shareholder return

- ✔ Designated for listing on the first section of the Tokyo Stock Exchange as of March 7, 2014 (Previously listed on the second section)
- ✔ To commemorate the TSE First Section designation of the company's shares, the Company announces an increase in the forecast fiscal year end dividend per share to 17 yen (Ordinary dividend: 15 yen, commemorative dividend: 2 yen)( July 2014)
- ✔ Watts announces that an assortment of private brand "Watts Select" products will be granted as a complimentary incentive gift to shareholders (July 2014)

### Event after the end of the fiscal year

- ✔ Implementation of an absorption-type company split whereby the Chugoku-Shikoku area business of the Watts-Ohtthree Co., Ltd is to be split off with the Daisen Co., Ltd., which was acquired in June 2013, continuing as the merging company. Then, Daisen Co., Ltd., merging company changed its corporate name to "Watts-Ohtthree Chu-Shikoku Co., Ltd."(September 2014)



## Sales According to Business Type



(Millions of yen)

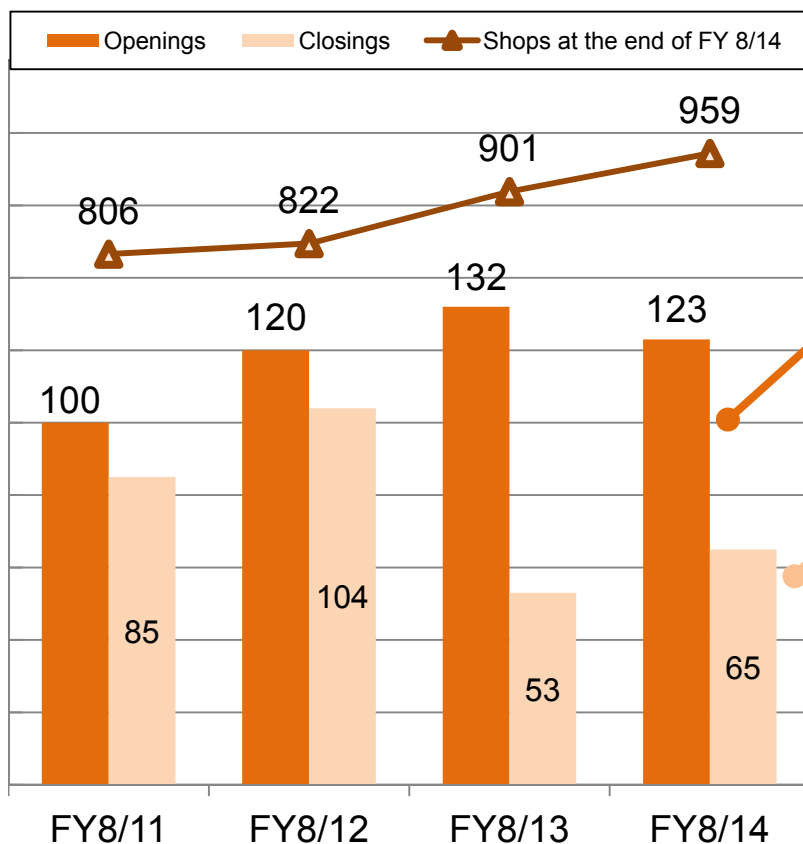
		Fiscal year ended August 31, 2013		Fiscal year ended August 31, 2014 (Current period)		
			Ratio to sales		Ratio to sales	YoY
Domestic 100-Yen shops	Directly managed	34,869	83.6%	37,018	85.0%	106.2%
	Wholesale	4,137	9.9%	4,040	9.3%	97.7%
	Total	39,007	93.5	41,059	94.2%	105.3%
Overseas business	Directly managed	418	1.0%	112	0.3%	27.0%
	Wholesale	25	0.1%	395	0.9%	1542.5%
	Total	444	1.1%	508	1.2%	114.5%
New businesses	Buona Vita	2,273	5.4%	2,005	4.6%	88.2%
	Value 100					
	AMANO					
	Other					
Total		41,725	100.0%	43,573	100.0%	104.4%

- ✓ Directly managed 100-Yen shops remained primary source of Group net sales
- ✓ As for the overseas operations, sales of Thai Watts Co., Ltd. reclassified to wholesale from directly managed as it became a minority joint venture  
(Reference) Thai Watts Co., Ltd.'s sales amounted to 534 million yen on retail basis showing steady growth
- ✓ In new businesses, Buona Vita showed big growth but Amano was sluggish

# Opening/Closing Trend of 100-Yen Shops

Total number of 100-Yen shops was 959 as of Aug 31, 2014  
( Directly managed 908 FC51)

Change in the number of 100 Yen-shops



## Opening/Closing plan vs. results

Opening plan 100 shops → Opened 123 shops

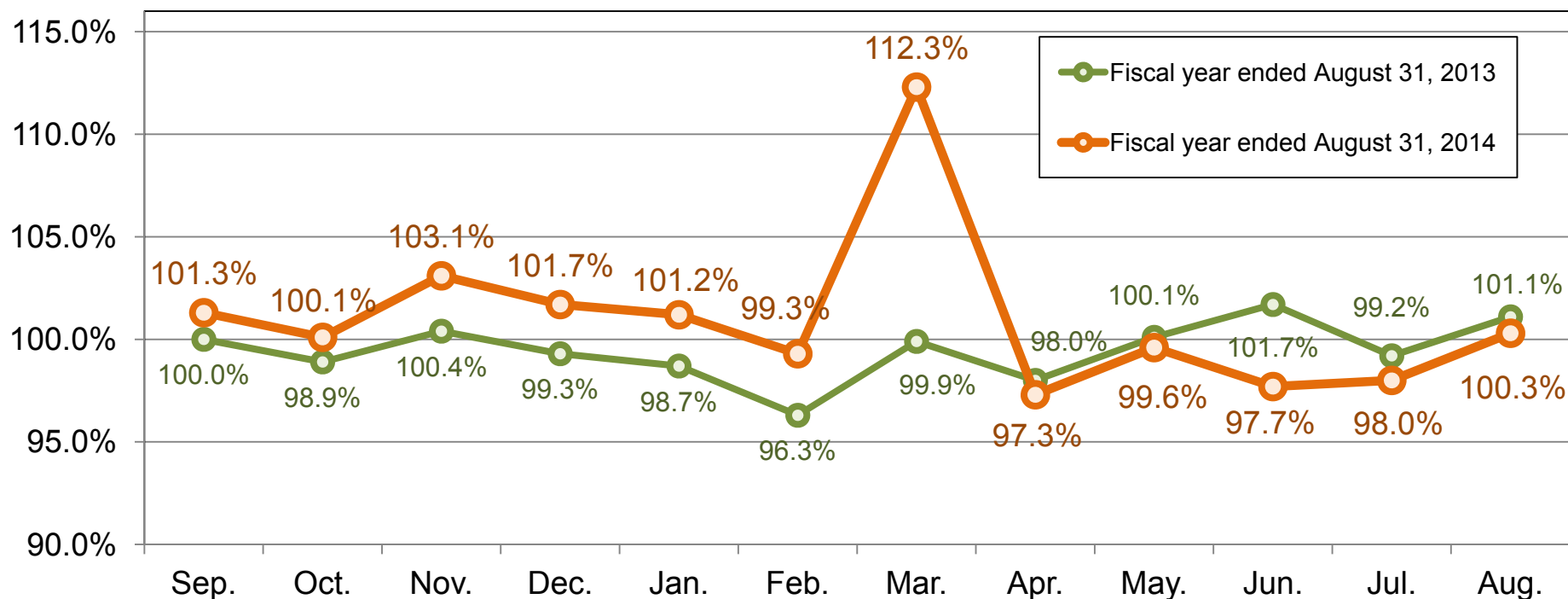
Closing plan 41shops → Closed 65 shops  
(of which 2 franchise shops)

- ✓ Plan Shop opening →100 shops, Closed →41
- ✓ The number of opening shops increased 23 shops from the plan, and closing shops increased 24 shops, the net increasing number of shops is 1 shop behind the plan and resulted in 58 shops.

\*Opened 16 shops and closed 2 shops in September 2014

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

Net sales growth ratio of existing directly managed shops 100.9% ← (99.5% % in the year-ago period)



	First half	Second half	Full year
Fiscal year ended August 31, 2013	98.9%	100.0%	99.5%
Fiscal year ended August 31, 2014	101.2%	100.7%	100.9%

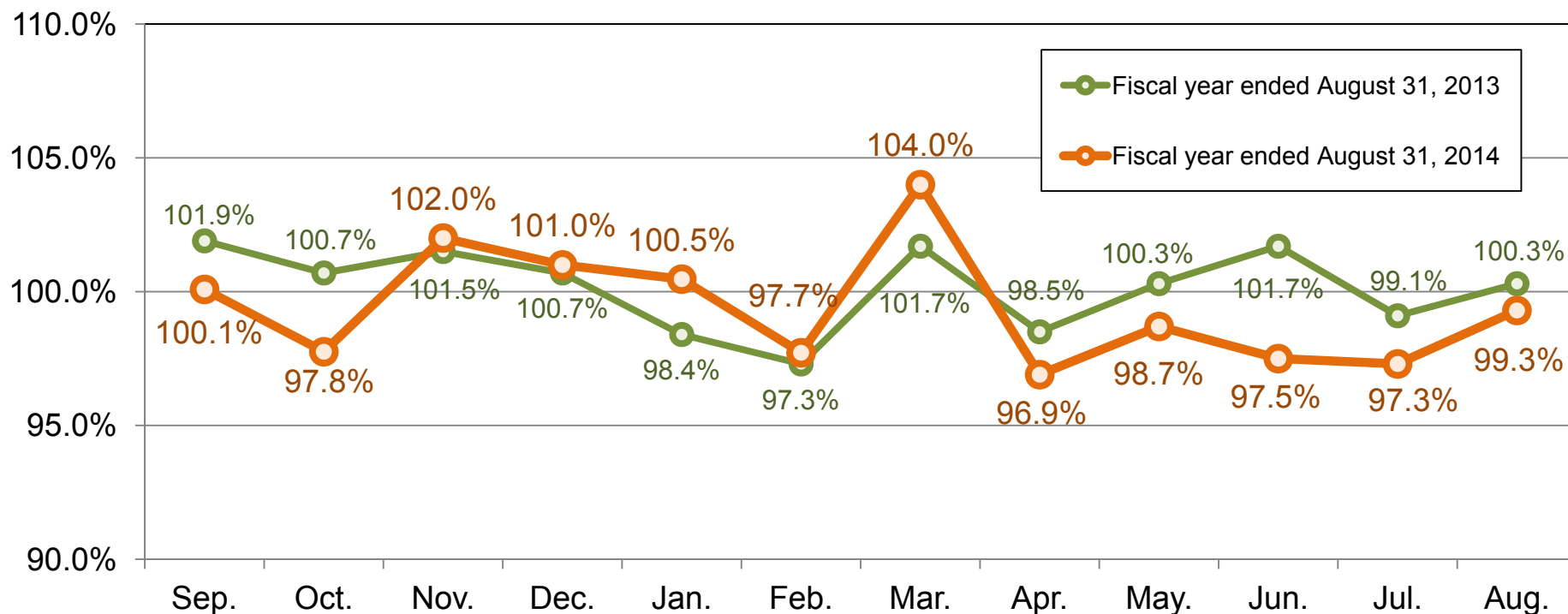
✔ For the second half of the year, 100.7% due to effect from the consumption tax increase since April and extremely abnormal weather in June and July, however there was a rush demand in March before consumption tax increase, resulted in 100.9% for the full year in conjunction with the healthy results for first half of the year.

※ 99.0% in September 2014 (Number of public holidays and weekends in 2014 was 1 day less comparing to 2013)



# 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 99.4%  
 ← (100.2% in the year-ago period )



	First half	Second half	Full year
Fiscal year ended August 31, 2013	100.1%	100.2%	100.2%
Fiscal year ended August 31, 2014	99.9%	98.9%	99.4%

✓ Regarding the number of customers at existing shops for the second half of the year, resulted in 98.9% due to effect from the consumption tax increase since April and extremely abnormal weather in June and July, however there was a rush demand in March before consumption tax increase. 99.4% for the full year.

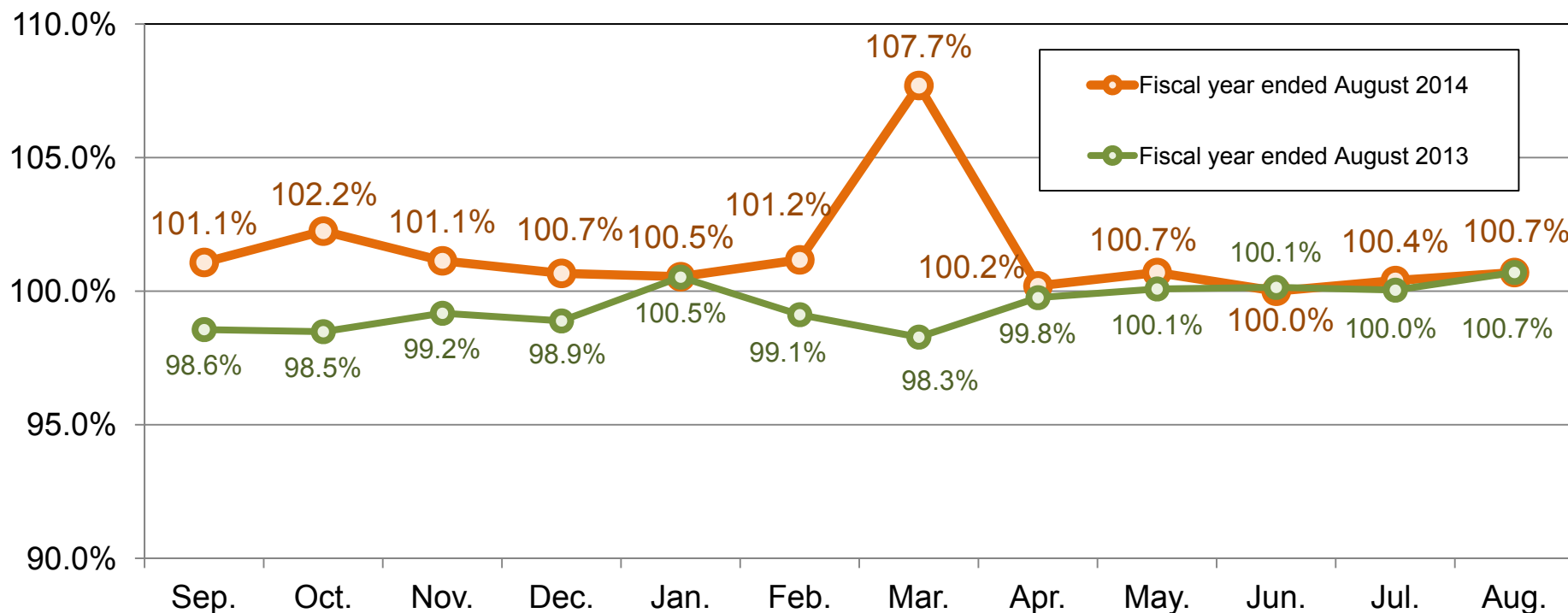
※ 100.4% in September 2014



## 100-Yen Shops – Growth ratio of spending per customer at existing directly managed shops



Growth ratio of spending per customer at existing directly managed shops 101.4%  
 ← (99.5% in the year-ago period)



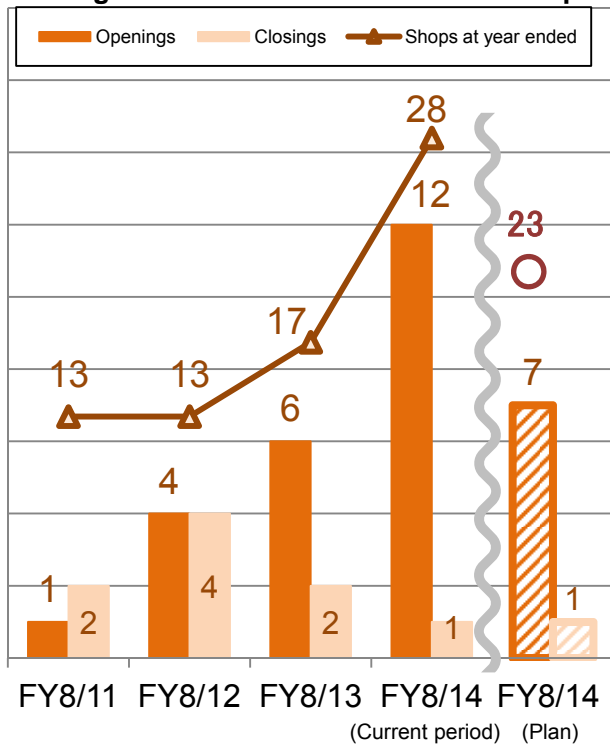
	First half		Second half		Full year	
	YoY	Spending per customer	YoY	Spending per customer	YoY	Spending per customer
Fiscal year ended August 31, 2013	99.1%	354yen	99.8%	354yen	99.5%	354yen
Fiscal year ended August 31, 2014	101.1%	358yen	101.6%	360yen	101.4%	359yen

✓ Showing steady growth of 101.1% for the first half of the year and 101.6% for the second half of the year.

\*98.4% in September 2014

# Opening/Closing Trend of other shops

Change in the number of Buona Vita shops



**Buona Vita:**

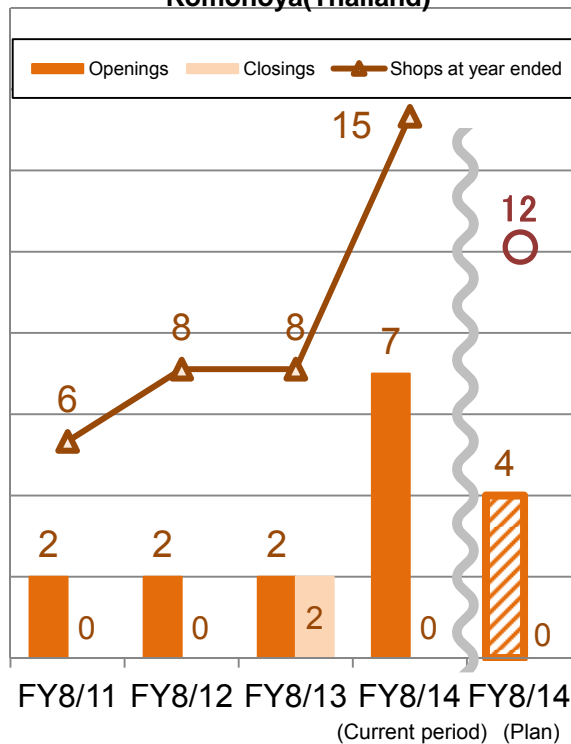
Net increase of 11 shops for the Fiscal year ended August 31, 2014 (exceed the plan by 4 shops)

The group aims to review its existing store base, whilst continuing with its new store program into the future.

Fiscal year ended August 31, 2013 Sales: ¥416m

Fiscal year ended August 31, 2014 Sales: ¥629m

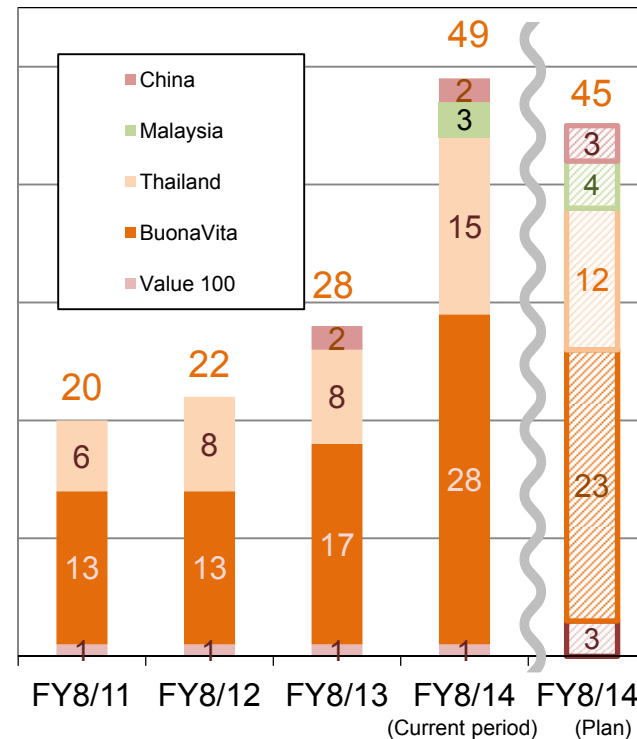
Change in the number of Komonoya(Thailand)



**Komonoya (Thailand):**

Achieving a stable return to profitability. Accelerating the pace of new store openings following the joint venture with the Central Group, and taking the number of stores to 15 with the opening of 7 new shops.

Change in the number of shops of other shops



**Malaysia:** Opened the first shop near Kuala Lumpur in November 2013. Opened 3 shops for the full year.

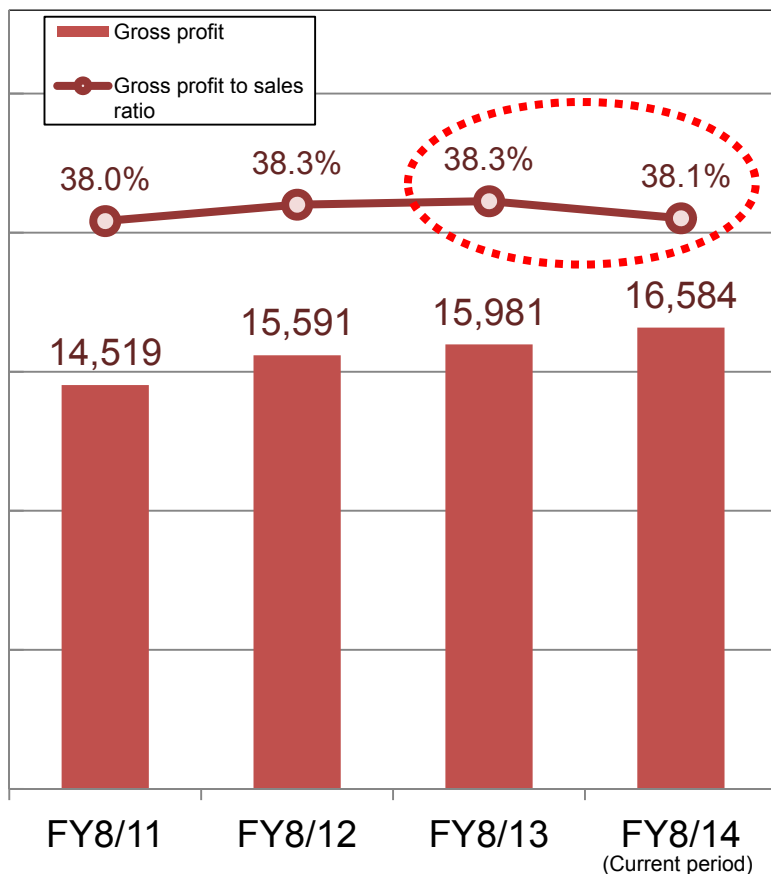
**China :** Opened one shop and closed one shop in Shanghai. Opening limited-time shop in China except for Shanghai.

**Value 100:** Continuing to engage in a process of adjustment with its joint-venture partners, whilst continuing to aim at a sustained program of new store openings.

# Gross Profit

Gross profit to sales ratio was dropped 0.2 point

## Gross Profit



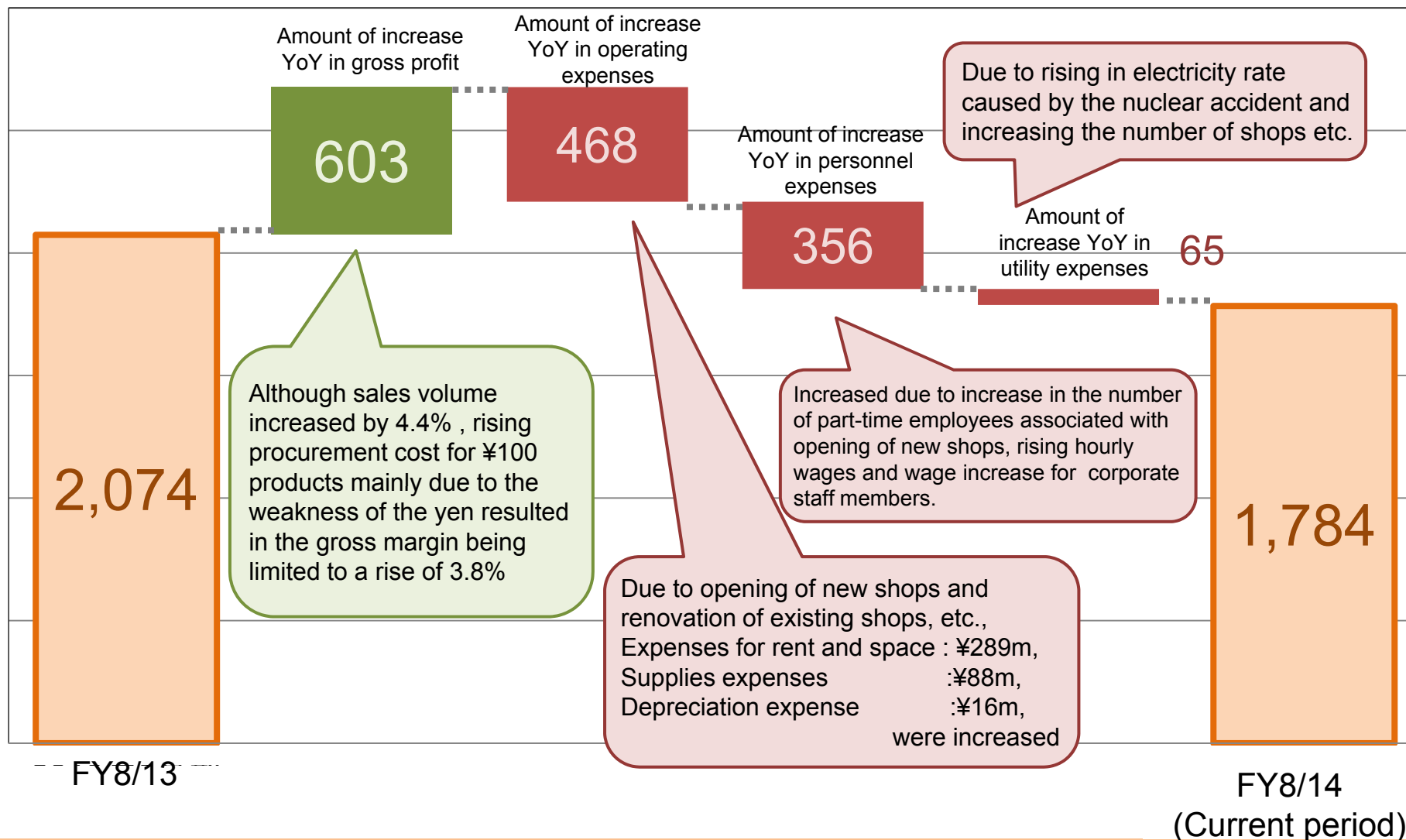
Cost rate is increasing due to the short-term and rapid depreciation of yen and effect of cost increasing in overseas, although gross profit to sales ratio remained only 0.2 points of dropping YoY.



Currency exchange will have no direct impact on the Company's procurement due to domestic yen-denominated transactions. However, as the suppliers import many products from China and other countries, currency exchange has an indirect impact. The company has been striving to review its products and make efforts to reduce the impact as much as possible in cooperation with suppliers and will also continue to increase the ratio of general merchandise to sales to recovering of gross profit to sales ratio. (Because the cost of general merchandise is lower than food, the company will increase the ratio of general merchandise sales to improve the overall profit margin)

# Operating Profit

(Millions of yen)

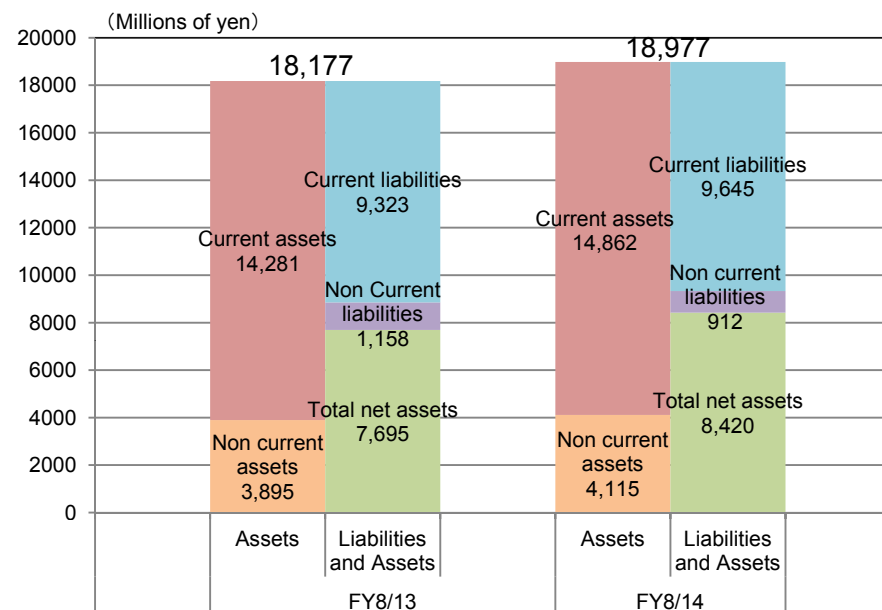


# Balance Sheet

(Millions of yen)

	FY8/13	FY8/14 (Current period)	YoY	
			Amount	%
Total assets	18,177	18,977	800	Up4.4%
Current assets	14,281	14,862	580	Up4.1%
Cash and deposits	6,280	6,714	434	Up6.9%
Notes and accounts receivable-trade	2,320	2,318	△ 1	Down0.1%
Merchandise and finished goods	4,961	5,225	264	Up5.3%
Other current assets	719	603	△ 116	Down16.1%
Noncurrent assets	3,895	4,115	219	Up5.6%
Land and buildings	551	605	53	Up9.3%
Facilities	449	514	66	Up14.8%
Guarantee deposits	2,474	2,536	62	Up2.5%
Other noncurrent assets	419	459	37	Up8.9%
Total liabilities	10,481	10,557	75	Up0.7%
Current liabilities	9,323	9,645	321	Up3.5%
Notes and accounts payable-trade	6,578	7,170	591	Up9.0%
Short-term loans payable	140	100	△ 40	Down28.6%
Current portion of long-term loans payable	957	679	△ 278	Down29.1%
Income taxes payable	285	294	8	Up3.0%
Accrued consumption taxes	61	154	93	Up150.8%
Other current liabilities	1,299	1,246	△ 53	Down4.1%
Noncurrent liabilities	1,158	912	△ 251	Down21.2%
Long-term loans payable	644	403	△ 240	Down37.3%
Other noncurrent liabilities	439	432	△ 6	Down1.4%
Net assets	7,695	8,420	724	Up9.4%
Shareholders' equity	7,656	8,374	717	Up9.4%
Equity	440	440	—	—
Retained equity	1,583	1,583	—	—
Retained earnings	5,716	6,434	717	Up12.6%
Treasury stock	-84	-84	0	—
Accumulated other comprehensive income	38	45	6	Down17.2%

- ✓ The ¥219 million increase in fixed assets was mainly due to factors relating to new store openings and to the renovation of existing stores etc., including increase of ¥53 million in buildings and structures , ¥66 million in furniture , fittings, and equipment, and ¥62 million in rental deposit guarantees
- ✓ The factors for a ¥75 million yen increase in liabilities were a ¥240 million decrease in long-term loans payable and a ¥278 million decrease in current portion of long-term loans payable, while there was a ¥591 million increase in notes and accounts payable-trade, etc.
- ✓ Retained earnings is increasing steadily and shareholders' equity ratio resulted in 44.4% as repayment of loans progressed
- ✓ The final day for the current and previous consolidated fiscal year(August 31) was a holiday for financial institutions that most of the payments were extended to the first bank business day of the following month and this was the main reason for the cash and deposits, notes and accounts receivable, and notes and accounts payable accounting items being larger than usual.



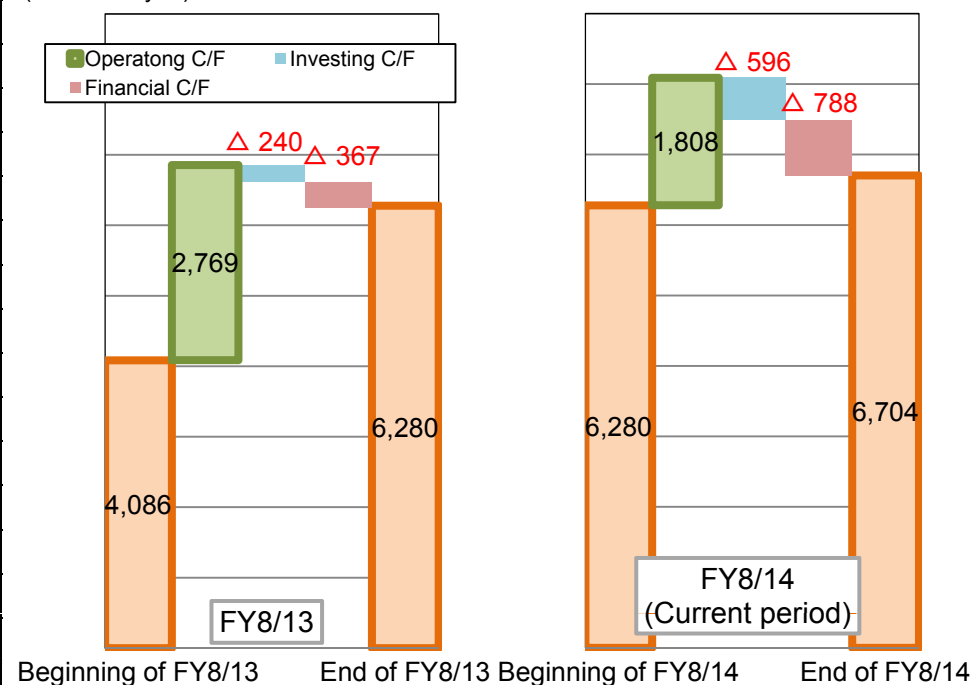
# Cash Flows

(Millions of yen)

	FY8/13	FY8/14 (Current period)	YoY	
			Amount	%
Cash and cash equivalents at beginning of period	4,086	6,280	2,193	Up53.7%
Net cash provided by (used in) operating activities	2,769	1,808	△ 961	Down34.7%
Income before income taxes and minority interests	2,055	1,745	△ 310	Down15.1%
Depreciation and amortization	237	255	17	Up7.6%
Decrease (increase) in accounts receivable- trade	△470	1	472	Up100.2%
Decrease (increase) in inventories	△246	△258	△11	Up4.9%
Increase (decrease) in accounts payable-trade	2,100	636	△ 1,463	Down69.7%
Income taxes paid	△1,238	△783	454	Down36.8%
Other cash flows from operating activities	331	212	△ 119	Down36.4%
Net cash provided by (used in) investing activities	△240	△596	△ 356	Up148.0%
Purchase of property, plant and equipment	△256	△393	△ 137	Up53.4%
Payments for rental and guarantee deposits	△209	△226	△17	Up8.1%
Proceeds from collection of rental and guarantee deposits	165	90	△ 75	Down45.3%
Other cash flows from investing activities	60	△67	△ 127	—
Net cash provided by (used in) financing activities	△367	△788	△ 421	Up114.3%
Net increase(decrease) of short-term loans	—	△40	△ 40	—
Proceeds from long-term loans payable	600	500	△ 100	Down16.7%
Repayment of long-term loans payable	△1,669	△1,018	651	Down39.0%
Cash dividends paid	△189	△229	△40	Up21.2%
Proceeds from sales of treasury stock	891	—	△ 891	—
Proceeds from acquisition of treasury stock	—	0	0	—
Effect of exchange rate change on cash and cash equivalents	32	10	△21	Down66.7%
Cash and cash equivalents at end of period	6,280	6,714	434	Up6.9%

- ✓ Breakdown of investment C/F: Purchase of tangible fixed assets for new store openings were ¥393m, payments for rental and guarantee deposits were ¥226m.
- ✓ The final day for the current and previous consolidated fiscal year(August 31) was a holiday for financial institutions that most of the payments were extended to the first bank business day of the following month and this was the main reason for the accounts receivable-trade and accounts payable-trade of operating C/F being larger than usual.
- ✓ Breakdown of financing C/F: Repayment of long-term loan payable were ¥1,018m, cash dividend paid were ¥229m

(Millions of yen)





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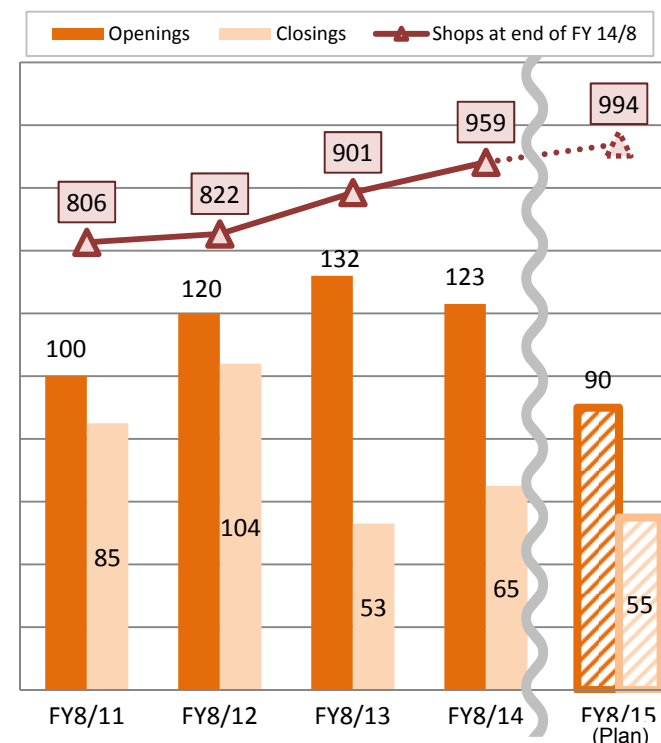


# Consolidated business forecast for the fiscal year ending August 31, 2015

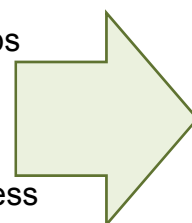
(Millions of yen)

	Fiscal year ended August 31, 2014			Fiscal year ending August 31, 2015(Forecast)	
		Ratio to sales	YoY		YoY
Sales	43,573	—	104.4%	45,300	104.0%
Gross profit	16,584	38.1%	103.8%	—	—
SG & A	14,799	34.0%	106.4%	—	—
Operating profit	1,784	4.1%	86.0%	1,790	100.3%
Recurring profit	1,799	4.1%	86.7%	1,800	100.0%
Net income	948	2.2%	84.4%	1,040	109.7%
Net income per share (yen)	69.97		79.0%	76.76	
Annual dividend payment per share (yen)	17(forecast)		—	15(forecast)	

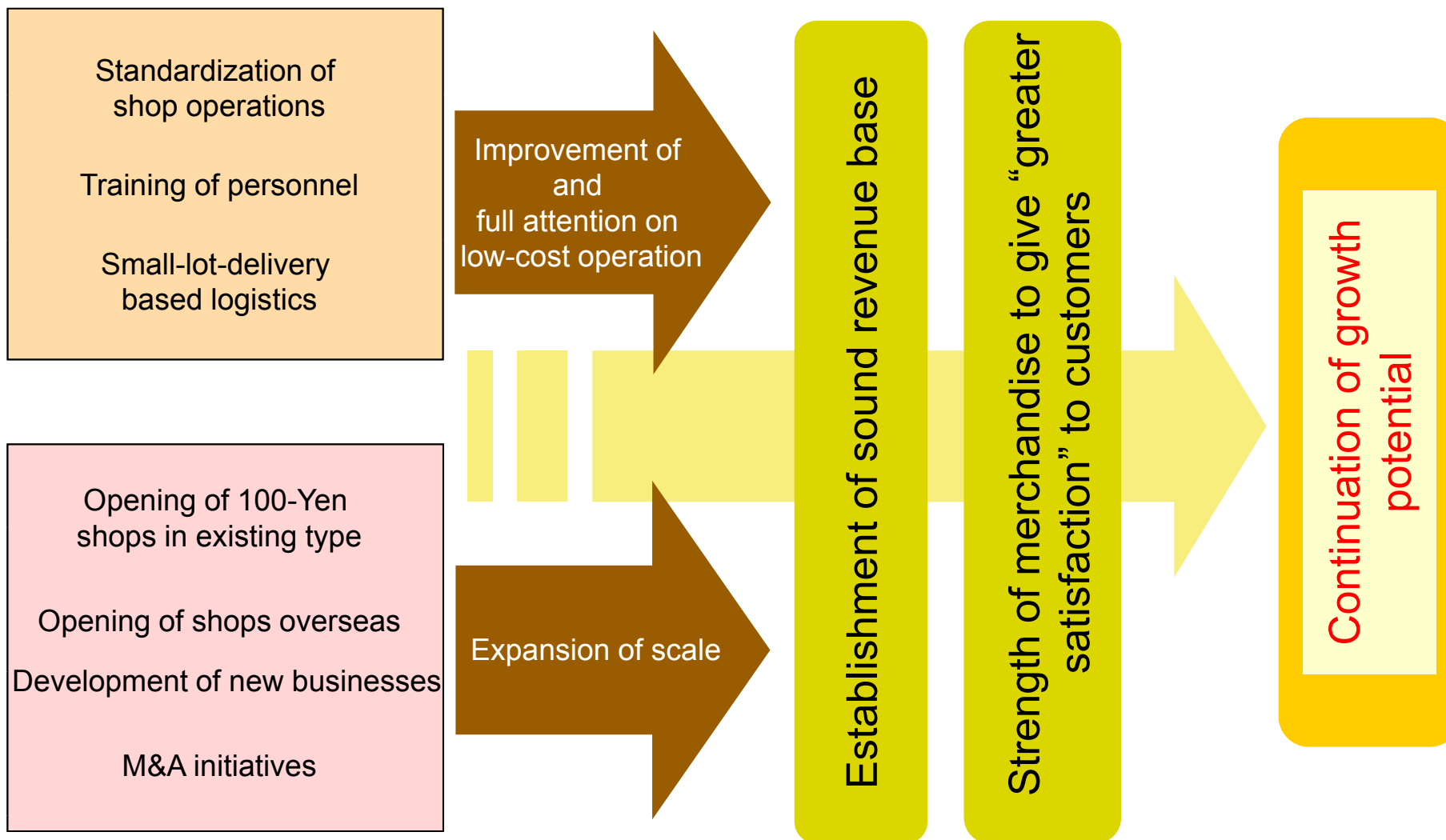
Change in the number of 100-Yen shops



- ✓ Net increase in the number of 100-Yen shops: 35 shops
- ✓ Aggressive renovation of existing shops
- ✓ Expand the new businesses including overseas business



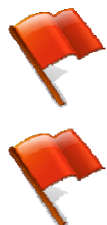
Watts will open newly  
better-sales and better-margin shops  
by carefully selecting more than ever



In the area of daily-use household items, the Company shall become the **“No.1 Company for Daily-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 daily-use household items!”**



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

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

### Japan

- Economy entered the recovery phase after bottoming out in November 2012. Especially, the situation of demand and supply for employment was remarkably improved.
- Import cost is expected to remain at a high level due to expectation of continuing yen depreciation.
- However, there was a rush demand before consumption tax increase in April, 2014, due to negative drop since April and effect from abnormal weather in summer, situation in recent consumption remains unstable.
- Although there has been some positive contribution from rising incomes as a result of wage increases, this has been limited in extent by comparison to the rate of increase in consumer prices.
- If the consumption tax is increased again in October 2015, further correction phase will be expected.
- On the other hand, the supportive effect on the economy is expected because demand for the Great East Japan Earthquake reconstruction is likely to continue, hefty supplementary budget is expected to be incorporated and additional economic measure will be implemented in next year.

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.
- However, there is a concerns that geopolitical risks have been revealed in Former Eastern Europe, Middle East and Asia.

Overseas market development and expansion are  
necessary for further growth

# Medium-Term Management Plan Management Strategy

## 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 daily-use household items |

### Growth strategy for Japan

- Continuation of opening of many “In-Shop” style small shops
- Restructuring of the Watts brand ~ revision for both the facilities and operations
- Review of location of shops to suit the store openings environment and expansion of store openings 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 of shops in Thailand, Vietnam and Malaysia
- Restructuring of the business model in China
- Developing the market in South and Central America originating from Peru
- 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

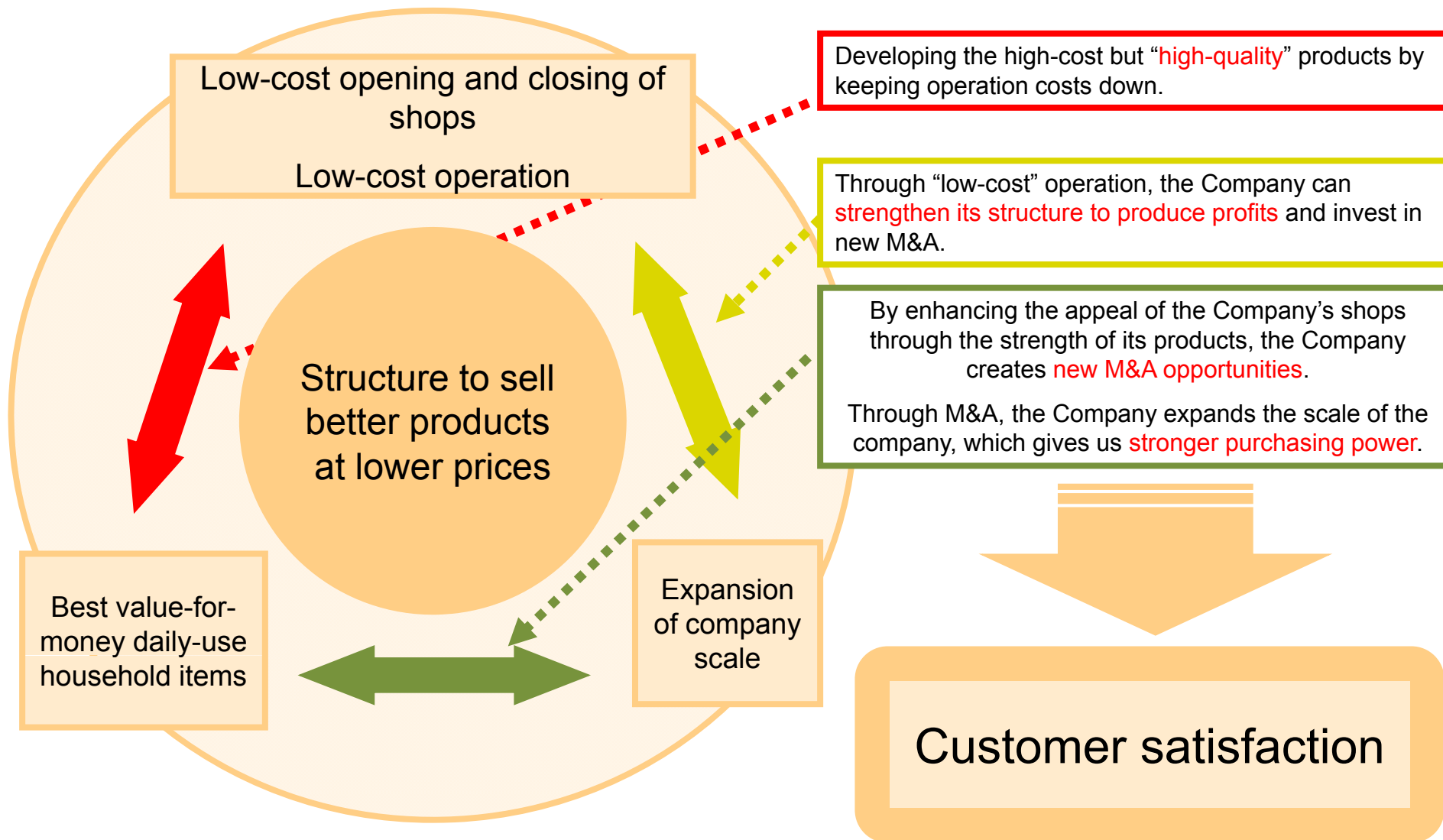
- Low operation costs keep the break-even point low to make profit even with low net sales

3

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

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

# Structure to Sell Better Products at Lower Prices



## Shop-Opening Strategy Low-Cost Opening and Closing of Shops

### ○ 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.

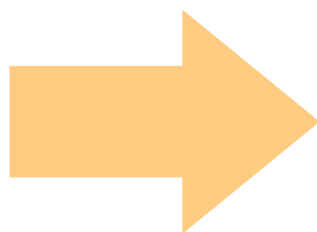
### ○ Aggressive closing of unprofitable shops

- ✓ Holding minimum assets in shops and having conditions conducive to  
closing shops in leasing contracts enable quick shop closing.

While maintaining sales growth of the existing shops 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(corporate staff) manages multiple shops
- ✓ Shop operations focus on good customer service rather than 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 Daily-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 focusing on such daily-use household items as kitchenware, cleaning and sanitary goods, and leisure goods and there are 196 items in our range as of August 2014. The Company will not only increase the number of new items, but also plan a revision of existing items.

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

## Thailand

## China



15 shops as of August 2014  
 (JV business with local partners)



2 shops as of August 2014

## Vietnam

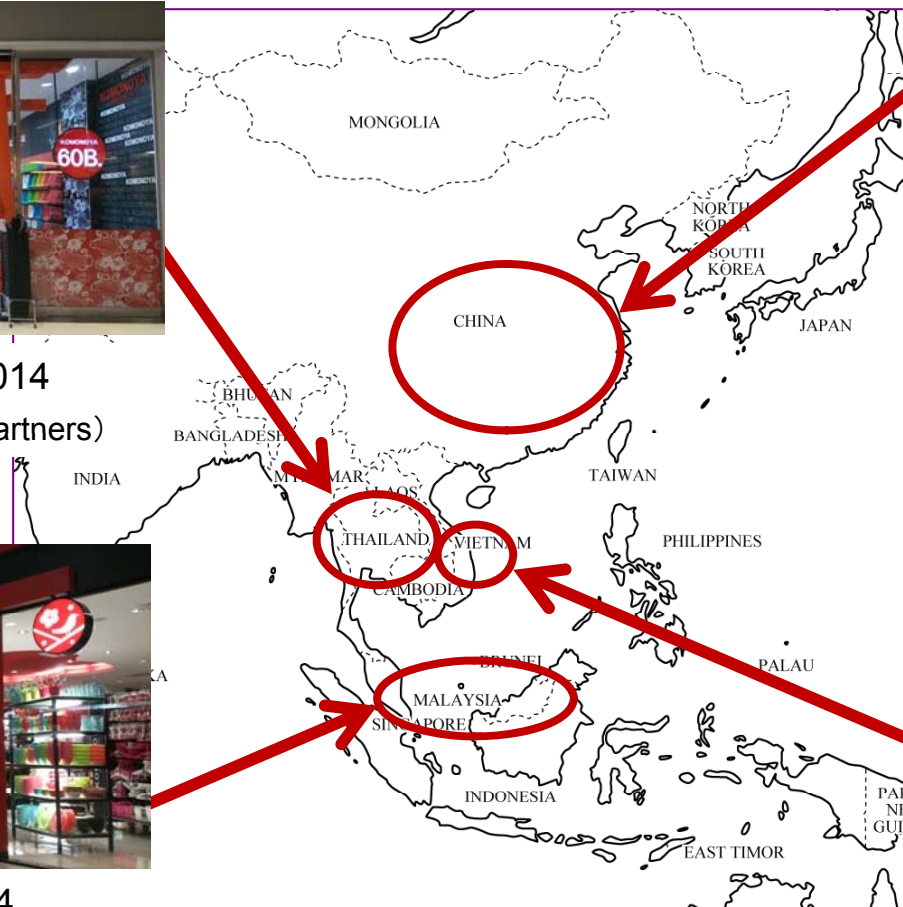
## Malaysia



3 shops as of August 2014



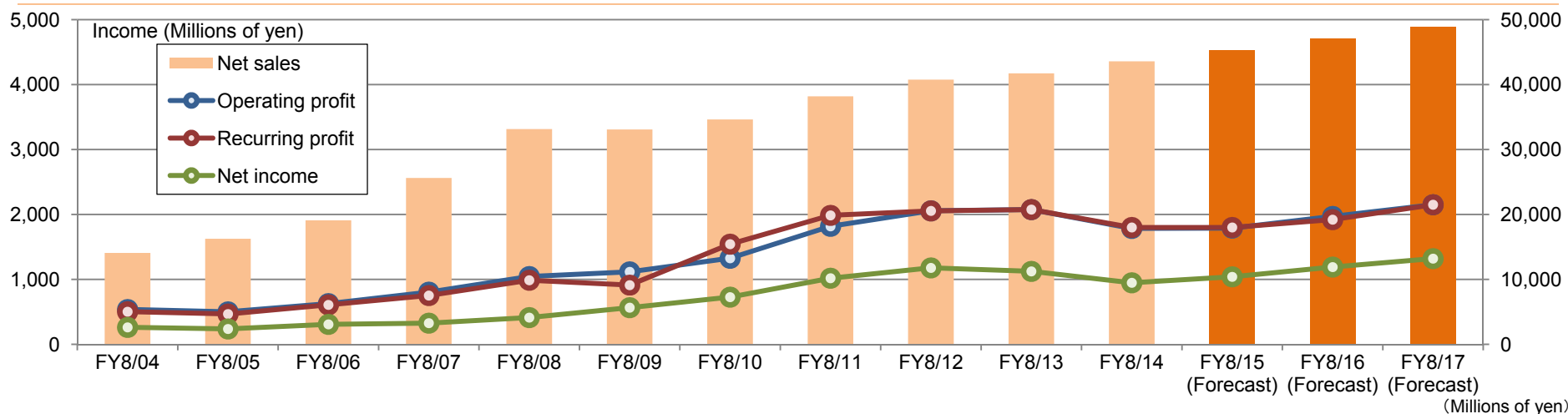
1 shop as of August 2014  
 (Cooperation with a local company)



To expand the business in South and Central America, Watts established Watts Peru S.A.C. in August 2014



# Medium-Term Management Plan Three Year Forecasts



	FY8/13 (Result)			FY8/14 (Result)			FY8/15 (Forecast)			FY8/16 (Forecast)			FY8/17 (Forecast)		
		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY
Sales	41,725	—	102.4%	43,573	—	104.4%	45,300	—	104.0%	47,100	—	104.0%	48,920	—	103.9%
Operating profit	2,074	5.0%	100.9%	1,784	4.1%	86.0%	1,790	4.0%	100.3%	1,970	4.2%	110.2%	2,150	4.4%	109.6%
Recurring profit	2,075	5.0%	101.0%	1,799	4.1%	86.7%	1,800	4.0%	100.1%	1,920	4.1%	107.1%	2,120	4.3%	110.5%
Net income	1,123	2.7%	95.4%	948	2.2%	84.4%	1,040	2.3%	109.7%	1,190	2.5%	114.7%	1,320	2.7%	111.5%
ROE	16.6%		Δ 5.6P	11.8%		Δ 4.8P	11.8%		0.0P	12.4%		0.6P	12.6%		0.2P
Plan assumptions															
100-Yen shop total at year-end (Shops)	901	79	959	58	994	35	1,029	35	1,064	35					
Other shops total at year-end (Shops)	28	4	49	21	63	14	93	30	121	28					
Other shops sales share	6.5%	0.0P	5.8%	Δ0.7P	8.6%	2.8P	10.0%	1.4P	11.2%	1.2P					
Of which overseas business total at year-end (Shops)	10	2	21	11	33	12	60	27	85	25					
Overseas business sales share	0.9%	0.3P	1.2%	0.3P	2.2%	1.0P	3.7%	1.5P	4.7%	1.0P					



# Contents



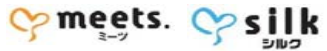
Consolidated Operating Results for the Fiscal Year Ended August 31, 2014	P 2 – P 14
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## (Reference)



- Watts Brand
- Corporate Profile
- Industry Trend Position in the Industry
- Industry Trend Market Size
- The Company's Progress
- Others Overview
- WATTS SELECT Top 3 Hot-Selling Products
- Shareholder Composition
- Dividend Policy



# Watts Brand





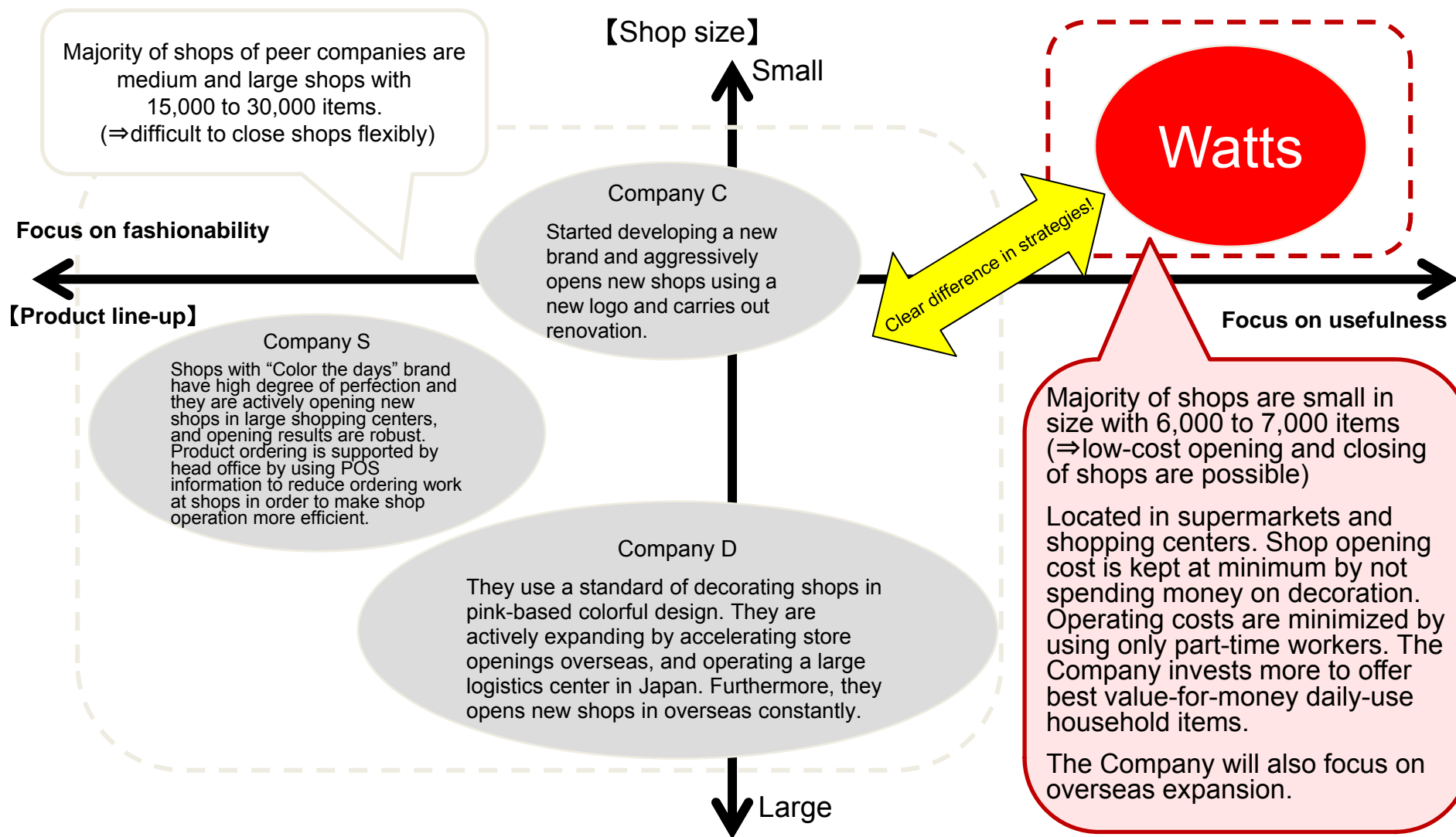
## Corporate Profile



Establishment	February 22, 1995 (Currently the 21 <sup>st</sup> business term)
Meaning of the Company's name	Derived from "Wa! tto Yarou" (Japanese catch cry to "go forth energetically")
Market listing	Tokyo Stock Exchange First Section (Securities code: 2735)
Capital stock	440.29 million yen (as of August 31, 2014)
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-use and household items (Mainly operation of 100-Yen shops "meets." and "silk")
Number of employees (consolidated)	2,763 employees (as of August 31, 2014) *Part-time workers included
Number of shops (Consolidated)	1,009 shops (as of August 31, 2014) *Other shops included



# Position in the Industry Cross-Company Comparison



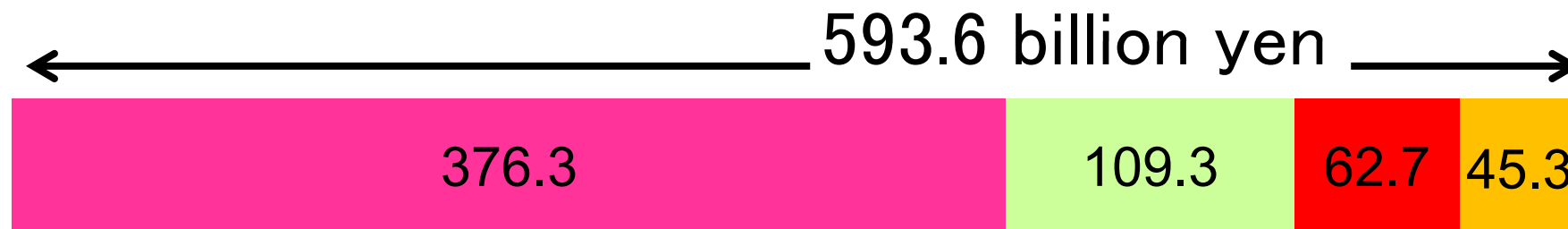
\*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



## Industry Trend - Market Size -

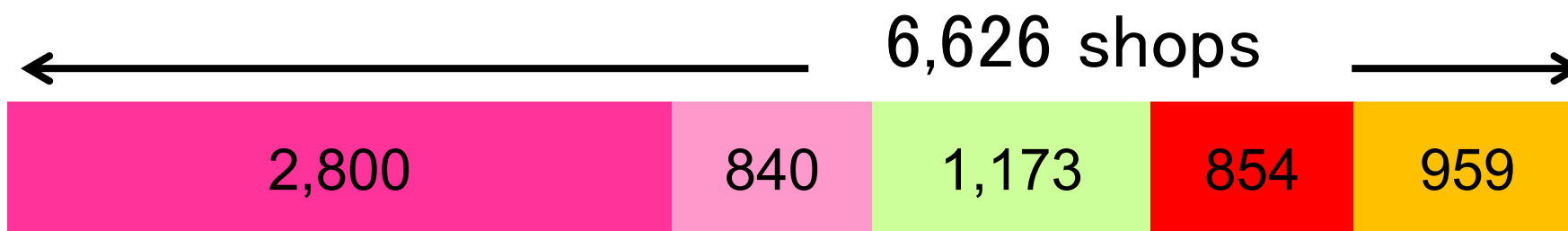


◇ Net sales (4 major companies)



■ Company D    ■ Company S    ■ Company C    ■ Watts

◇ Number of shops (4 major companies)

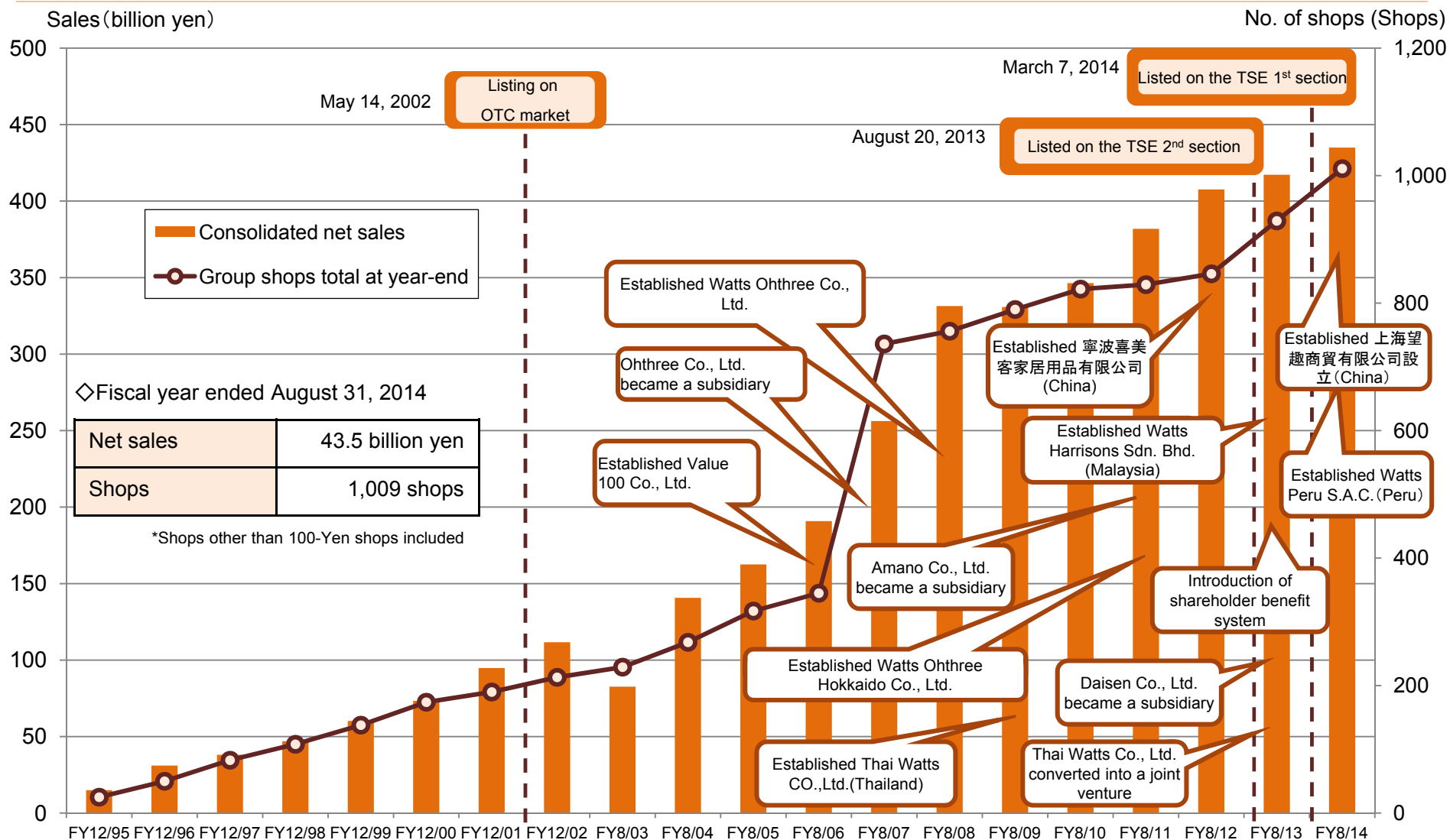


■ Company D    ■ Comopany D(overseas)    ■ Company S    ■ Company C    ■ Watts

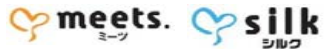
\*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



# The Company's Progress



\*8 months period for FY8/03 due to change in accounting period



# Others — Overview —



—Sale of household items in Bangkok—

Proposing **life with highly functional Japanese household items**

Thailand	15shops (FY8/14-end)
Malaysia	3shops (FY8/14-end)
China	2shops (FY8/14-end)



—Sale of natural taste lifestyle goods—

Proposing **Buona Vita=comfortable life**  
28 shops \*2 franchised shops included (FY8/14-end)

## Others



—Value 100—

Offering **competitively priced foods and 100-yen household items by a small shop**

1 shop (FY8/14-end)



—Import and wholesale of elegant lifestyle goods—  
3 shops (FY8/14-end)

# WATTS SELECT — Top 3 Hot-Selling Products —

No.1 Wet wipes for wooden floor



30 wipes

No.2 Sanitizing wet wipes

No.3 Paper cups

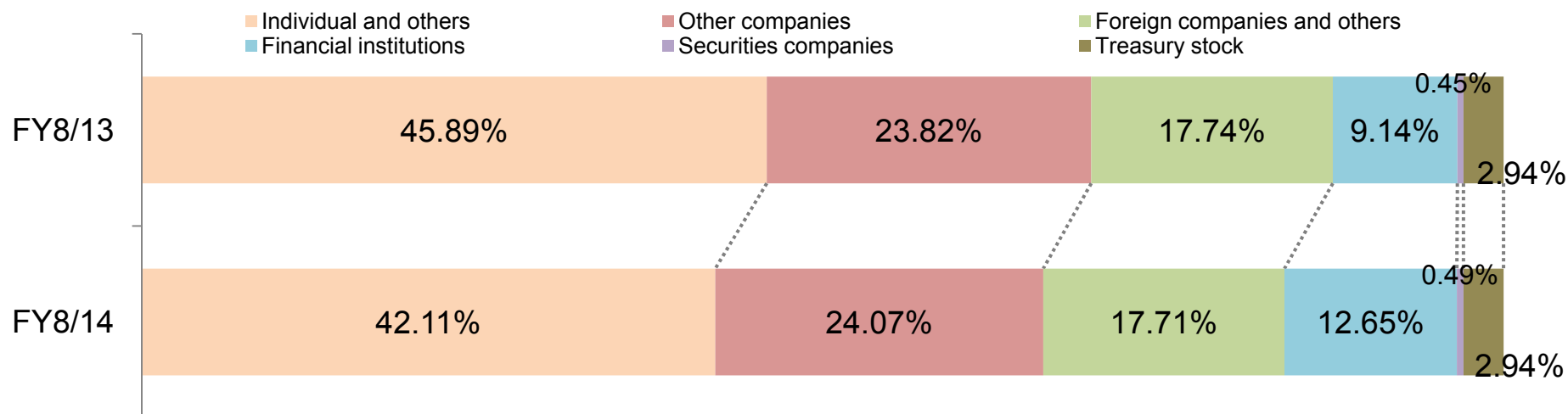


50 cups





24 wipes

# Shareholder Composition

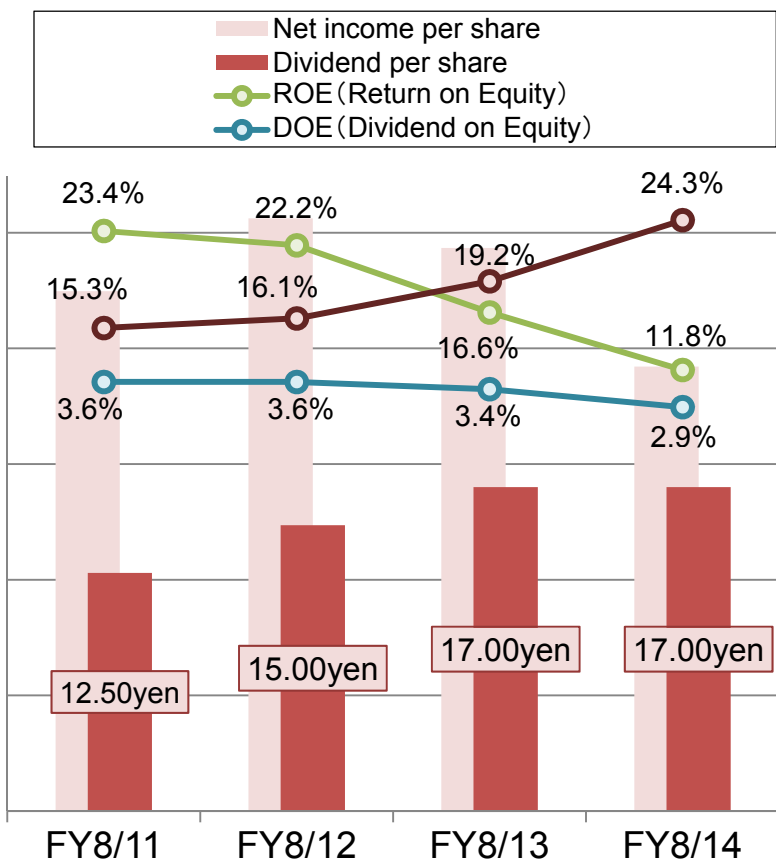


	FY8/13	FY8/14	YoY
Total number of shares issued	13,958,800 shares	13,958,800 shares	—
Number of shareholders	3,759	4,811	1,052
Ownership ratio			
Individuals and others	45.89%	42.11%	△ 3.78P
Other domestic companies	23.82%	24.07%	0.25P
Foreign companies and others	17.74%	17.71%	△0.03P
Financial institutions	9.14%	12.65%	3.51P
Securities companies	0.45%	0.49%	0.04P
Treasury stock	2.94%	2.94%	0.00P

-  Designated for listing on the first section of the Tokyo Stock Exchange as of March 7, 2014 (Previously listed on the second section)
-  Number of shareholders was increased 28% YoY due to introduction of NISA and increasing the number of TOPIX index funds relating to listing on the TSE 1. Especially, individual shareholder ratio was increased 0.5 points from end of the last fiscal year and resulted in 97.1%.

To increase the number of shareholders, Watts will secure return capital for shareholders by achieving great results.

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



	Fiscal year ended August 31, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014
Net income per share (Yen)	81.84yen	93.31yen	88.63yen	69.97yen
Dividend per share (Yen)	12.50yen	15.00yen	17.00yen	17.00yen
Dividend payout ratio	15.3%	16.1%	19.2%	24.3%
Dividend yield	3.1%	3.0%	1.9%	1.8%
ROE (Return on Equity)	23.4%	22.2%	16.6%	11.8%
DOE (Dividend on Equity)	3.6%	3.6%	3.4%	2.9%

\*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.

\* Dividend payout ratio for the fiscal year ended August 31, 2014 is calculated based on the stock price on August 31, 2014



## 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 the Company gives 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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