



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

Operating Results for the Six Months of the Fiscal Year Ending August 31, 2014

April 2014

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President and CEO



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Highlights of the Six Months of the Fiscal Year Ending August 31, 2014



(Millions of yen)

	Six months ended February 28, 2013		Six months ended February 28, 2014(Current period)			
		Ratio to net sales		Ratio to net sales	YOY	Ratio to forecast
Net sales	20,500	—	21,545	—	105.1%	99.5%
Gross profit	7,910	38.6%	8,186	38.0%	103.5%	—
Selling, general and administrative expenses	6,695	32.7%	7,280	33.8%	108.7%	—
Operating Profit	1,215	5.9%	906	4.2%	74.5%	94.4%
Recurring Profit	1,215	5.9%	905	4.2%	74.5%	96.3%
Net income	724	3.5%	480	2.2%	66.4%	92.5%
Net income per share (Yen)	57.27		35.50		62.0%	86.6%

(Notes) 1. Forecast figures are from the forecasts for the fiscal year ending August 31, 2014 that were announced on October 11, 2013.

2. 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 5.1% YoY due mainly to speeding up of new shop openings and expansion of overseas operations
- ✓ Gross profit margin decreased 0.6 points due mainly to the weak yen, increase in wholesale ratio including overseas and acquisition of Daisen with relatively high food ratio
- ✓ SG&A to sales ratio decreased 1.1 points due mainly to mounting cost of opening shops. Slowdown in profit.



Topics for Operating Results for the Six Months of the Fiscal Year Ending August 31, 2014



Further expansion of domestic operations

- ✓ Opened 70 stores (closed 30 stores) of 100-Yen shops “meets.” and “silk” in Japan achieving a net increase of 40 shops in the 1st half (more than 11 shops compared with the plan)
- ✓ Opened the first shop in Yamanashi (Fujiyoshida-shi) covering all 47 prefectures (December 2013)
- ✓ Accelerated the pace of opening “BuonaVita” which handles natural lifestyle products and opened six shops increasing the total number to 23 shops (achieved the full-year plan in advance)
- ✓ Announced that Watts will merge with its wholly-owned subsidiary CMK Trading Co., Ltd. which procures products from China on May 1, 2014 to strengthen product development capabilities(January 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 its third shop in Shanghai (December 2013)
- ✓ Thailand : Opened four 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 12 (achieved the full-year plan in advance)
- ✓ Malaysia : Opened the first 5-Ringgit shop “Komonoya” near Kuala Lumpur (November 2013)
- ✓ 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)
- ✓ Launched wholesale for Myanmar and New Zealand (November 2013)



Topics (2) for Operating Results for the Six Months of the Fiscal Year Ending August 31, 2014



Efforts to increase corporate value and improve shareholder return

- ✓ Established a shareholder benefit system to offer a package of the company's private brand "WATTS SELECT" based on the number of shares held as of August 31, 2013 (delivered on December 2013)
- ✓ Received approval from Tokyo Stock Exchange, Inc. for listing on the first section of the Tokyo Stock Exchange as of March 7, 2014 (February 2014)

Event after the end of the second quarter

- ✓ Announced an organizational restructuring as of September 1, 2014 to integrate the operation of Daisen, a wholly-owned subsidiary of Watts acquired by the company last June, which manages 100-Yen shops in Chugoku and Shikoku districts and Watts Three Sales Co., Ltd. of the Chugoku and Shikoku area to further enhance integration effect (April 2014)
- ✓ Announced an establishment of a subsidiary in Republic of Peru (scheduled in coming August) as a sales base, for the purpose of the overseas business expansion in Latin American region as a new stage (April 2014)



Net Sales According to Business Type



(Millions of yen)

		Six months ended February 28, 2013		Six months ended February 28, 2014(Current period)		
			Ratio to net sales		Ratio to net sales	YOY
100-Yen shops	Directly managed	17,034	83.1%	18,227	84.6%	107.0%
	Wholesale	1,979	9.7%	2,026	9.4%	102.4%
Overseas Business	Directly managed	169	0.8%	38	0.2%	23.0%
	Wholesale	25	0.1%	187	0.9%	730.8%
New businesses	Buona Vita	1,291	6.3%	1,064	4.9%	82.4%
	Value 100					
	AMANO					
	Other					
Total		20,500	100.0%	21,545	100.0%	105.1%

- ☑ Directly managed 100-Yen shops remained primary source of Group net sales.
- ☑ As for the overseas operations, Thai Watts Co., Ltd. changed to wholesale from directly managed as it became a joint venture
(Reference) Thai Watts Co., Ltd.'s sales amounted to 225 million yen on retail basis showing steady growth
- ☑ In new businesses, BuonaVita showed growth but CMK Trading and Amano were sluggish

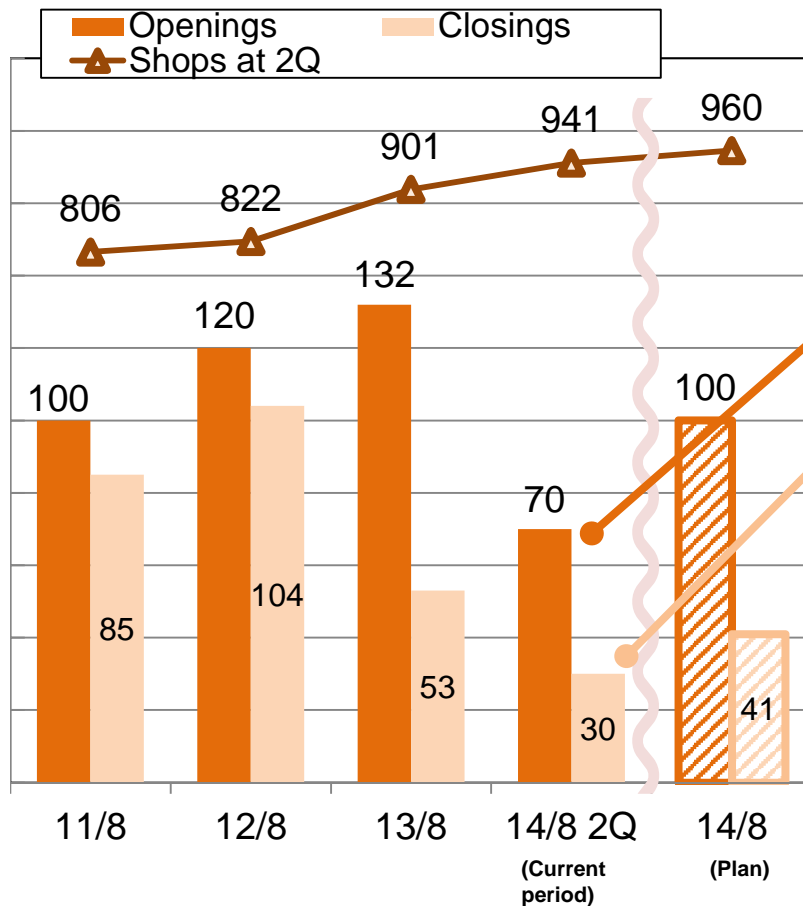


Opening/Closing Trend of 100-Yen Shops



Total number of 100-Yen shops was 941 as of Feb. 28, 2014
(Directly managed 889 FC52)

Change in the number of 100-Yen shops



Opening/closing plan vs. results

Opening plan 100shops → Increase of 70 shops

Closing plan 41shops → Decrease of 30 shops (of which 1 franchise shops)

- ✓ 1st half plan Shop opening → 55 shops, Closed → 26
- ✓ Big contribution to sales as a result of opening shops faster than originally planned but put pressure on profit due to increased costs

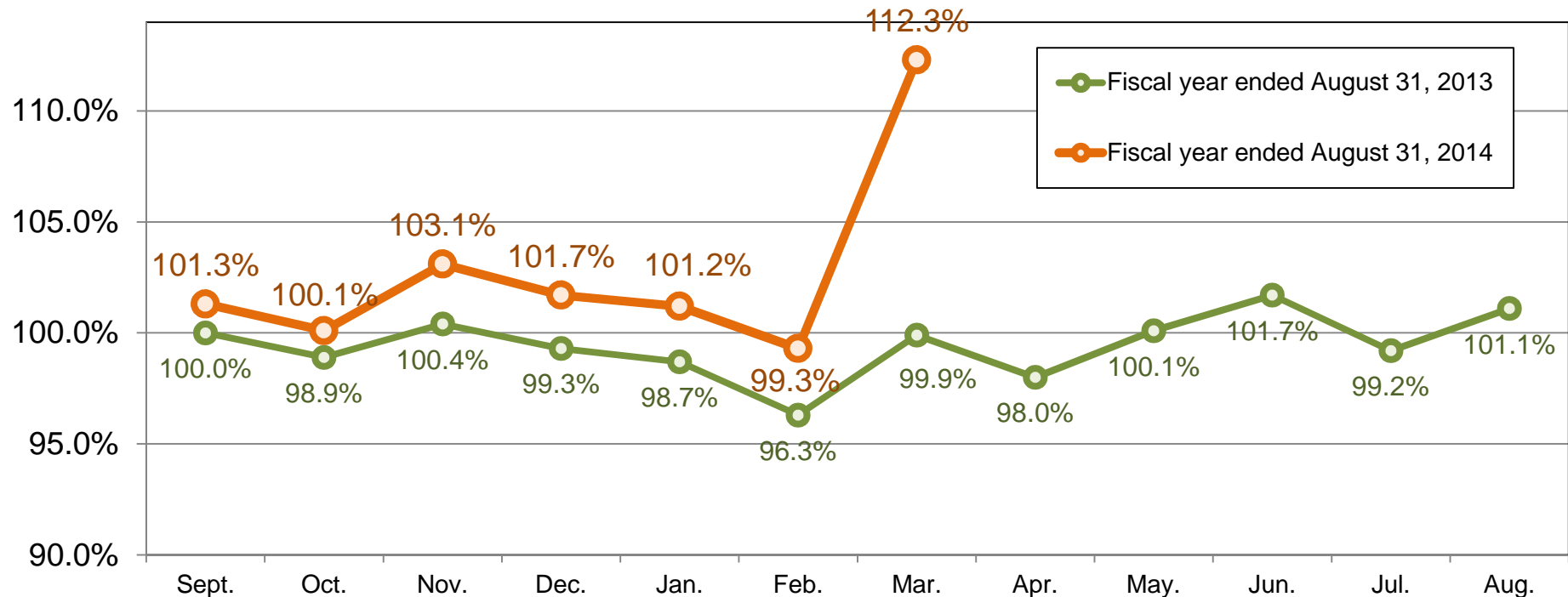
*Opened 12 shops and closed 7 shops in March 2014



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



Net sales growth ratio of existing directly managed shops 101.2% ← (98.9% % 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%	—	101.2%

✓ Fell below 100% due to the effect of record-breaking heavy snow in February but showed strong performance resulting in 101.2% in the 1st half

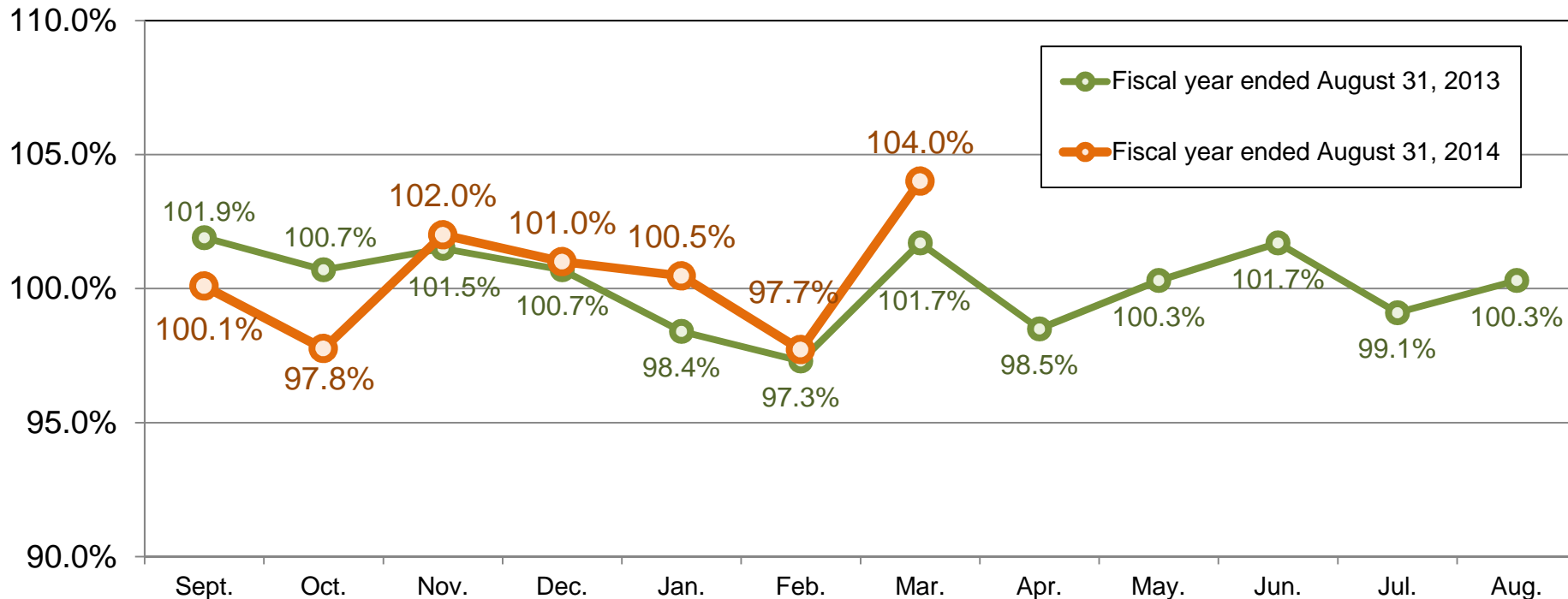
*112.3% in March 2014 due to rush demand before consumption tax increase



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 99.9%
 ← (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%	—	99.9%

☑ Slightly below the plan of 100% resulting in 99.9%

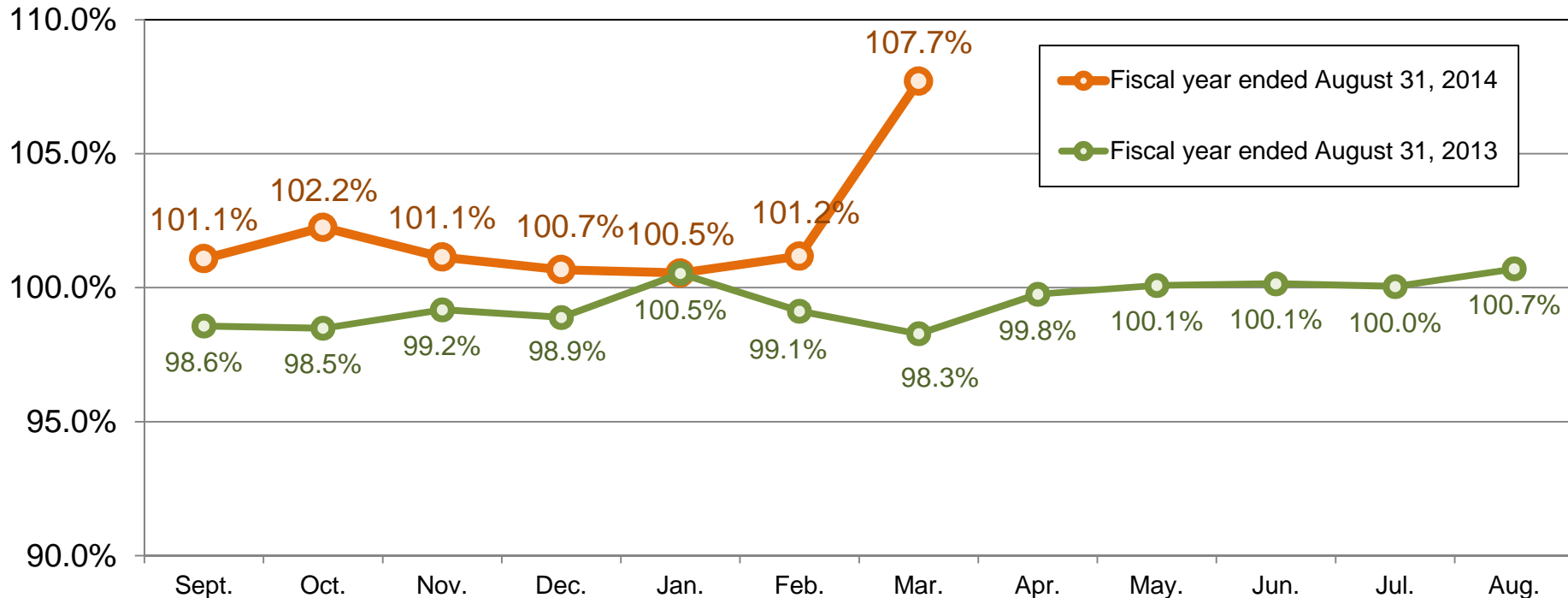
*104.0% in March 2014 due to rush demand before consumption tax increase



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 101.1%
 ← (99.1% in the year-ago period)



	First half	Second half	Full year	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%	353yen	99.8%	352yen	99.5%	353yen
Fiscal year ended August 31, 2014	101.1%	358yen	—	—	101.1%	358yen

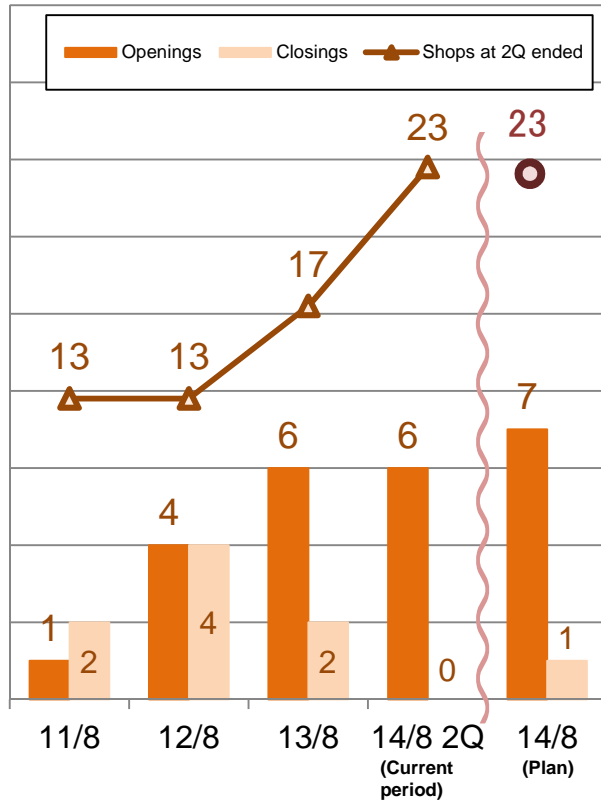
✓ Aggressive renovation contributed to steady growth resulting in 101.1% in the 1st half
 * 107.7% in March 2014 due to rush demand before consumption tax increase



Opening/Closing Trend of other shops



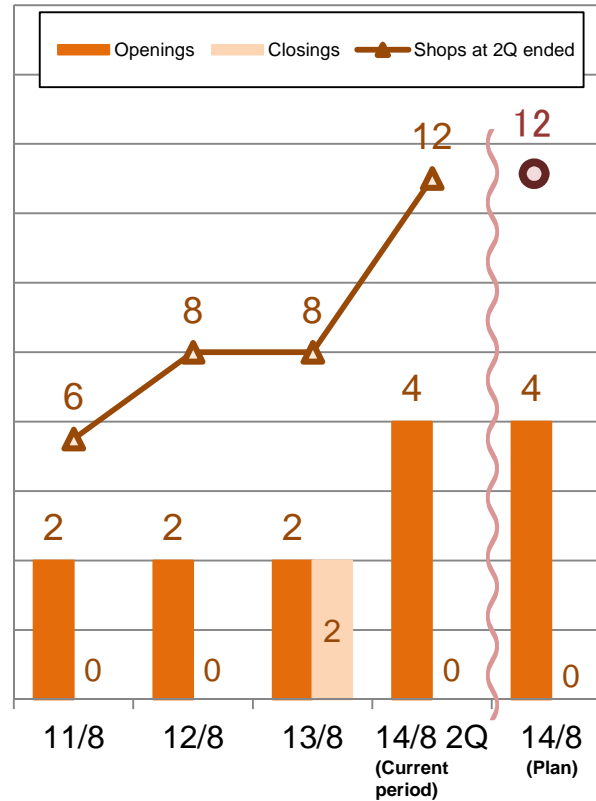
Change in the number of BuonaVita shops



BuonaVita :

Already achieved the plan of opening 6 shops in full-year; aim for further expansion of shops.

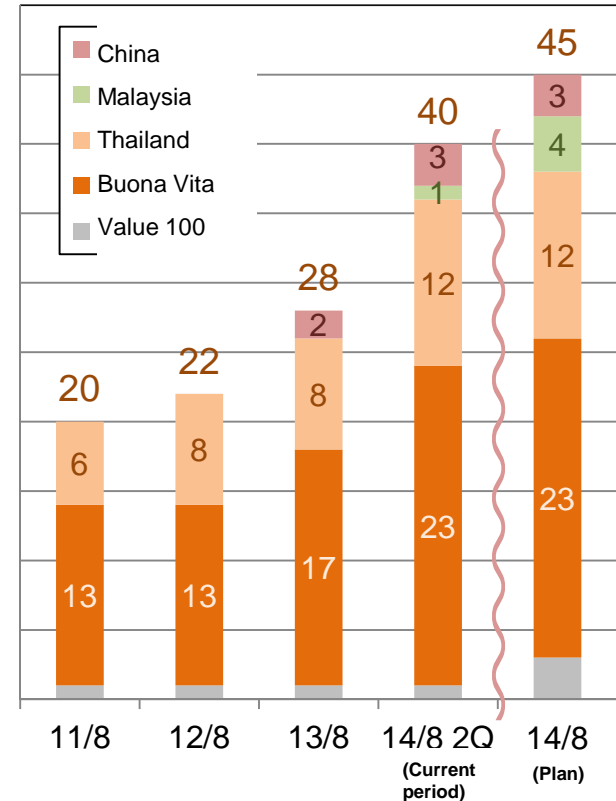
Change in the number of Komonoya shops



Komonoya (Thailand) :

After converting it into a joint venture, the pace of opening shops accelerated; turned a consistent profit on division basis.

Change in the number of shops of other shops



Malaysia: Opened the first shop near Kuala Lumpur in November 2013. Profitable on shop basis

China: Opened the third shop in December 2013

Value 100: Opening of the second shop is in sight.

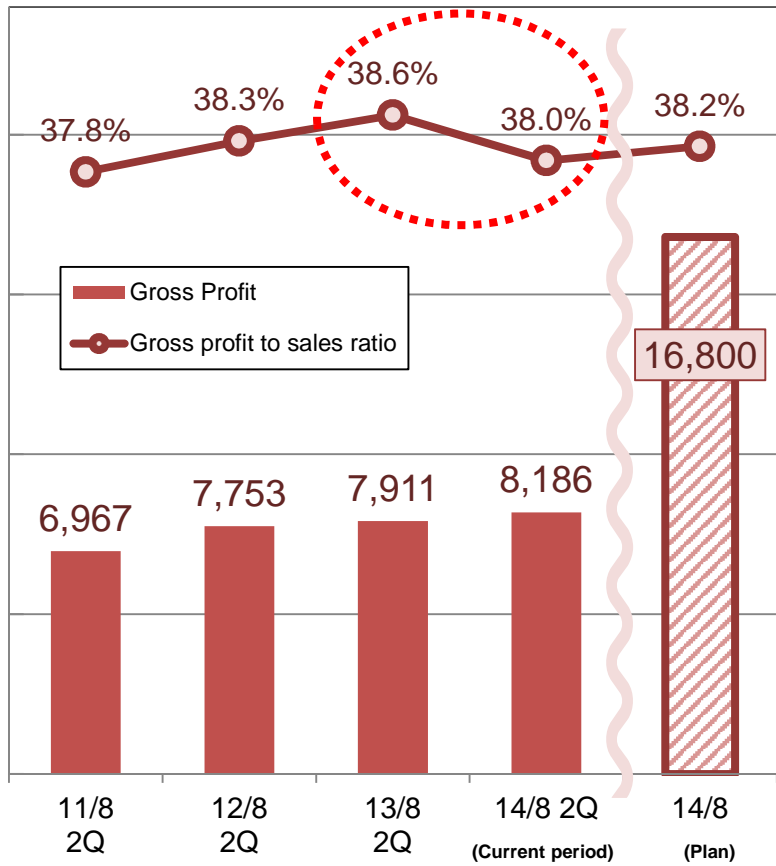


Gross Profit



Gross profit to sales ratio was ratio dropped 0.6 point

Gross Profit



Could not absorb the impact of the weak yen and gross profit dropped 0.6 points YoY due to increase in cost rate.

Currency exchange will have no direct impact on the Company's purchase 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 will 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.



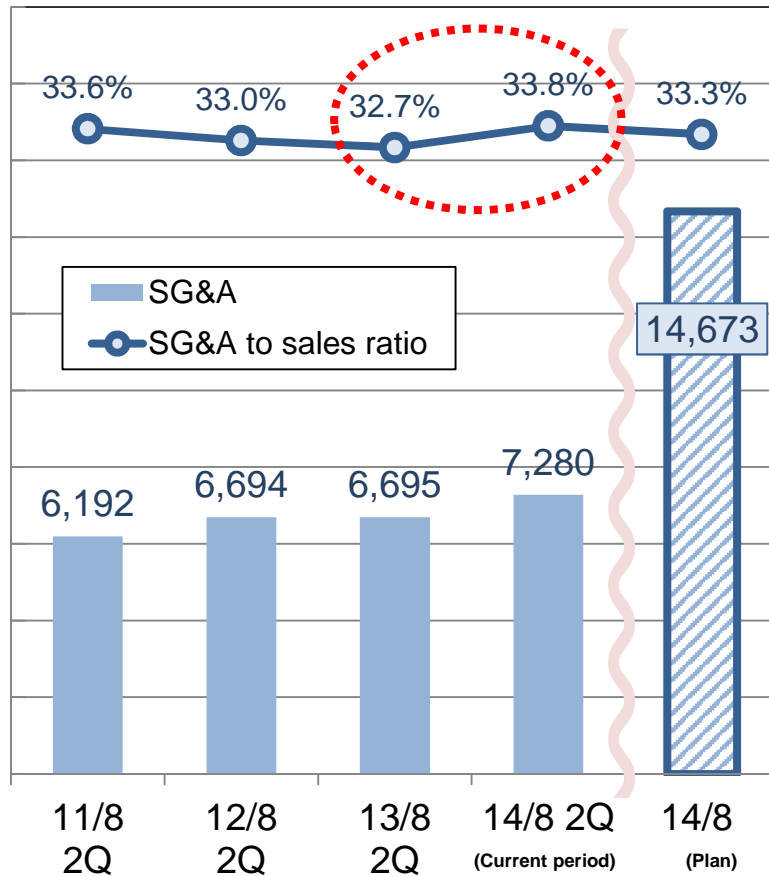
Selling, General and Administrative Expenses (SG&A)



SG&A to sales ratio dropped 1.1 point

SG&A

(Millions of yen)



[Breakdown]	13/8 2Q	14/8 2Q	YoY	Rate of YoY
Net sales	20,500	21,545	1,044	5.1%
Selling, general and administrative expenses	6,695	7,280	585	8.7%
Salaries	2,302	2,480	177	7.7%
Rents	2,287	2,439	152	6.7%
Utilities	402	432	29	7.4%
Directly managed 100-Yen shops	794	889	95	12.0%

- ✓ SG&A to sales ratio dropped 1.1 points YoY mainly as a result of opening shops faster than originally planned and aggressively undergoing renovations of existing shops.

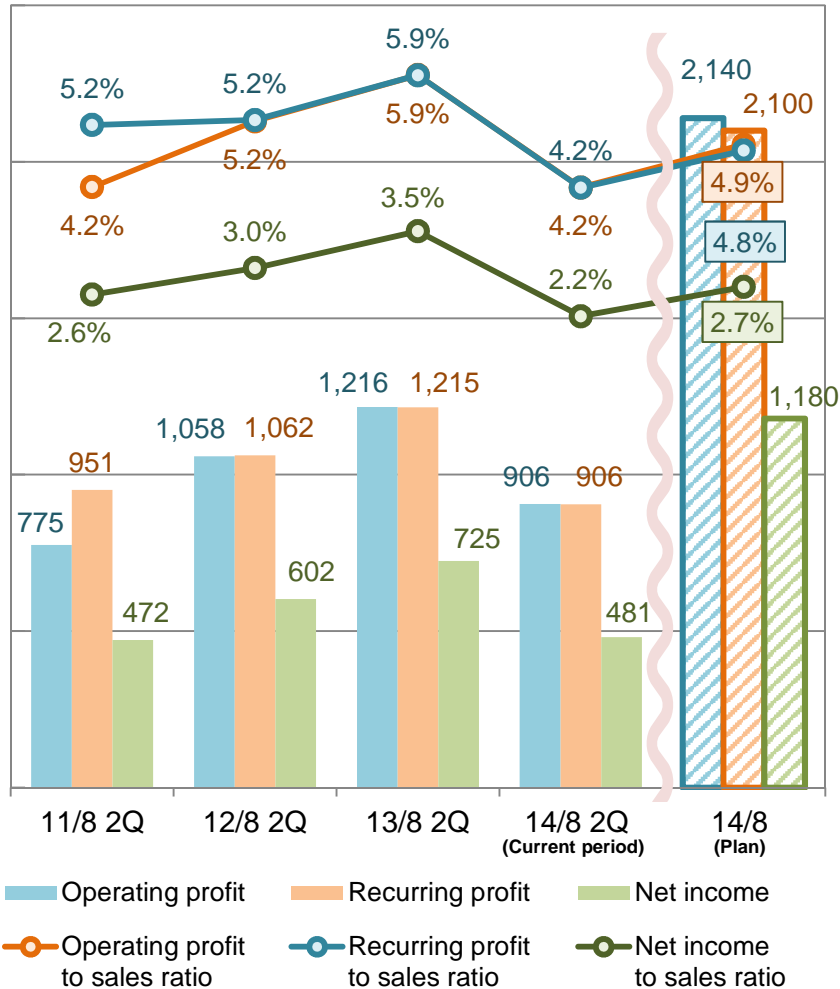


Income



Change of Income

(Millions of yen)



	13/8 2Q	14/8 2Q (Current period)	YoY
Operating profit	1,215	906	△25.5%
Operating profit to sales ratio	5.9%	4.2%	△1.7points
Recurring Profit	1,215	905	△25.5%
Recurring profit to sales ratio	5.9%	4.2%	△1.7points
Net income	724	480	△33.6%
Net income to sales ratio	3.5%	2.2%	△1.3points

✔ Profits drastically worsened compared with those which were higher than expected in the same period a year earlier due to reduced costs because opening of shops did not work out as intended in the 1st half.



Balance Sheet



(Millions of yen)

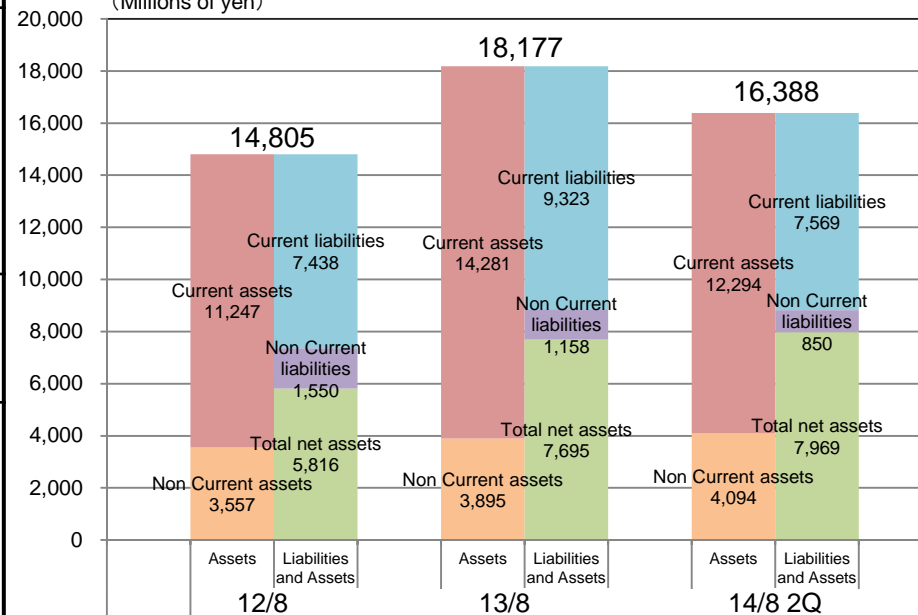
	12/8	13/8	14/8 2Q (Current period)	Change	YOY
Total assets	14,805	18,177	16,388	△ 1,788	Down9.8%
Current assets	11,247	14,281	12,294	△ 1,987	Down13.9%
Cash and deposits	4,086	6,280	4,657	△ 1,622	Down25.8%
Notes and accounts receivable-trade	1,812	2,320	1,825	△ 494	Down21.3%
Merchandise and finished goods	4,633	4,961	5,224	263	Up5.3%
Other current assets	715	719	585	△ 133	Down18.6%
Noncurrent assets	3,557	3,895	4,094	198	Up5.1%
Land and buildings	325	551	599	47	Up8.6%
Facilities	451	449	514	64	Up14.3%
Goodwill	44	0	0	—	—
Guarantee deposits	2,450	2,474	2,527	52	Up2.1%
Other noncurrent assets	285	419	454	34	Up8.2%
Total liabilities	8,988	10,481	8,419	△ 2,062	Down19.7%
Current liabilities	7,438	9,323	7,569	△ 1,754	Down18.8%
Notes and accounts payable-trade	4,433	6,578	5,407	△ 1,171	Down17.8%
Short-term loans payable	140	140	100	△ 40	Down28.6%
Current portion of long-term loans payable	1,267	957	738	△ 219	Down22.9%
Income taxes payable	528	285	454	168	Up59.0%
Accrued consumption taxes	254	61	53	△ 8	Down13.0%
Other current liabilities	813	1,299	815	△ 483	Down37.2%
Noncurrent liabilities	1,550	1,158	850	△ 307	Down26.6%
Long-term loans payable	1,102	644	318	△ 326	Down50.6%
Asset retirement obligations	76	74	76	1	Up2.3%
Other noncurrent liabilities	371	439	455	16	Up3.8%
Net assets	5,816	7,695	7,969	273	Up3.6%
Shareholders' equity	5,831	7,656	7,907	250	Up3.3%
Equity	440	440	440	—	—
Retained equity	876	1,583	1,583	—	—
Retained earnings	4,783	5,716	5,967	250	Up4.4%
Treasury stock	△ 267	-84	-84	—	—
Accumulated other comprehensive income	△ 15	77	123	45	Up58.5%

✓ Total assets decreased 1,788 million yen

Cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, etc., which increased mainly because the end of the previous consolidated fiscal year (August 31) was a holiday for financial institutions and many of the payments were extended to the following month returned to the ordinary level as six months ended February 28, 2014 was a weekday.

Retained earnings is increasing steadily and shareholders' equity ratio rose to 48.6% as repayment of loans progressed

(Millions of yen)





Cash Flows

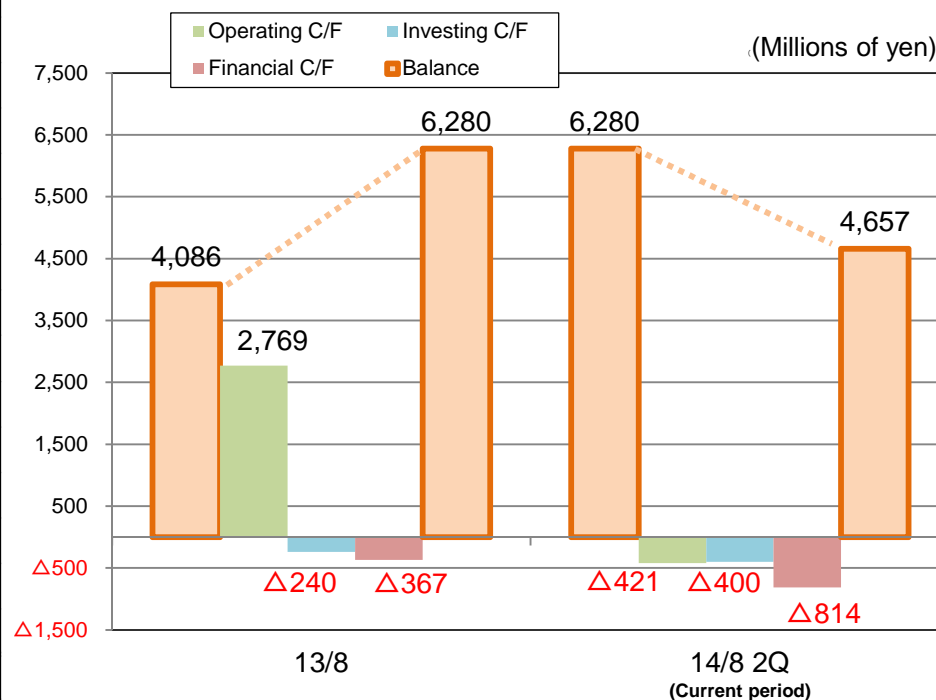


(Millions of yen)

	13/8	14/8 2Q (Current period)	Change	YoY
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	△421	△ 3,190	Down115.2%
Income before income taxes and minority interests	2,055	902	△ 1,153	Down56.1%
Decrease (increase) in inventories	237	115	△ 122	Down51.5%
Decrease (increase) in inventories	△470	495	966	Down205.1%
Increase (decrease) in notes and accounts payable-trade	△246	△253	△ 7	Up2.9%
Increase (decrease) in accrued consumption taxes	2,100	△1,109	△ 3,210	Down152.8%
Income taxes paid	△1,238	△178	1,060	Down85.6%
Other cash flows from operating activities	331	△392	△ 724	Down218.3%
Net cash provided by (used in) investing activities	△240	△400	△ 159	Up66.4%
Purchase of property, plant and equipment	△256	△275	△ 18	Up7.4%
Payments for lease and guarantee deposits	△209	△119	90	Down43.2%
Proceeds from collection of lease and guarantee deposits	165	51	△ 114	Down68.9%
Other cash flows from investing activities	60	△57	△ 117	Down195.3%
Net cash provided by (used in) financing activities	△367	△814	△ 446	Up121.4%
Net decrease of short-term loans	0	△40	△ 40	-
Proceeds from long-term loans payable	600	0	△ 600	Down100.0%
Repayment of long-term loans payable	△1,669	△545	1,124	Down67.3%
Cash dividends paid	△189	△229	△ 39	Up21.1%
Proceeds from sales of treasury stock	891	0	△ 891	Down100.0%
Effect of exchange rate change on cash and cash equivalents	32	13	△ 18	Down57.2%
Cash and cash equivalents at end of period	6,280	4,657	△ 1,622	Down25.8%

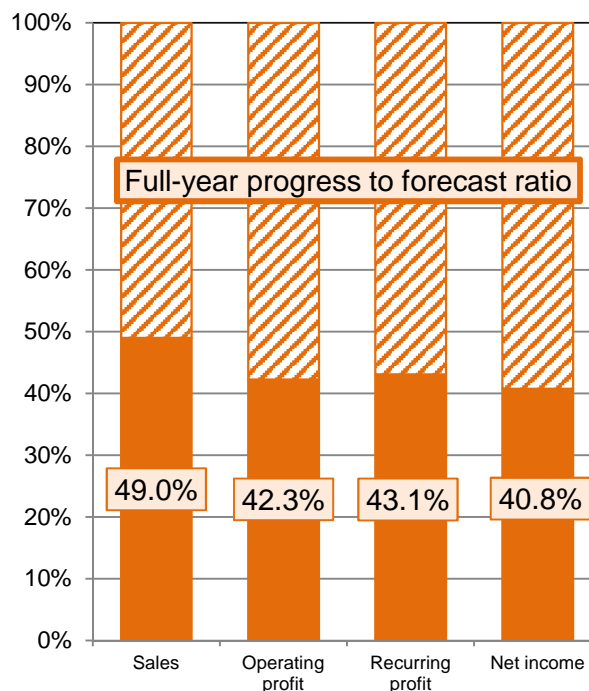
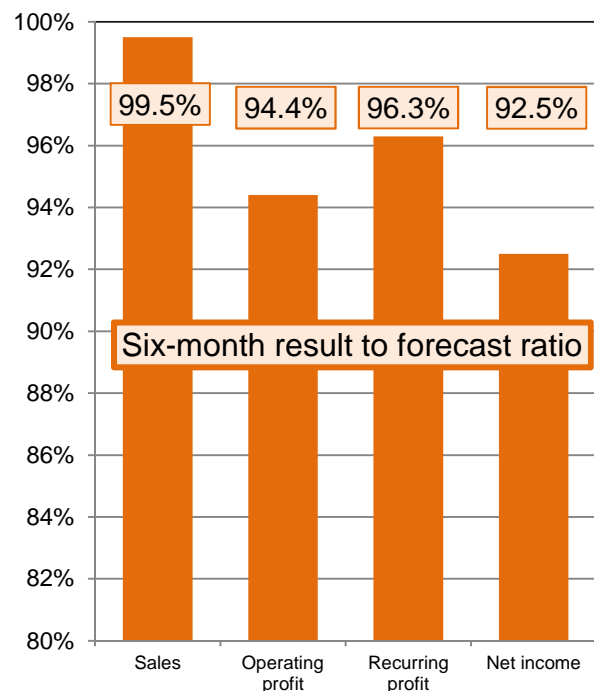
✓ Cash and cash equivalents decreased 1,622 million yen

The end of the previous consolidated fiscal year (August 31) was a holiday for financial institutions and many of the payments were extended to the following month. Because six months ended February 28, 2014 was a weekday, trade receivables and trade payables decreased significantly and the company had negative operating cash flow on the outside.





Percentages of Full-Year Forecasts Achieved as of the Six Months Ended February 28, 2014



✓ Each item fell slightly below the plan.

No change in the full-year plan thinking that each item can be achieved as a result of

- reducing costs for opening shops faster than originally planned in the 1st half
- contribution of shops opened to sales and profits
- securing gross profit due to product mix, etc.

(Millions of yen)

	Sales	Operating profit	Recurring Profit	Net income
Result for the six months ended February 28, 2014	21,545	906	905	480
Forecast for the six months ended February 28, 2014	21,650	960	940	520
Forecast for the fiscal year ending August 31, 2014	44,000	2,140	2,100	1,180
Six-month result to forecast ratio	99.5%	94.4%	96.3%	92.5%
Full-year progress to forecast ratio	49.0%	42.3%	43.1%	40.8%



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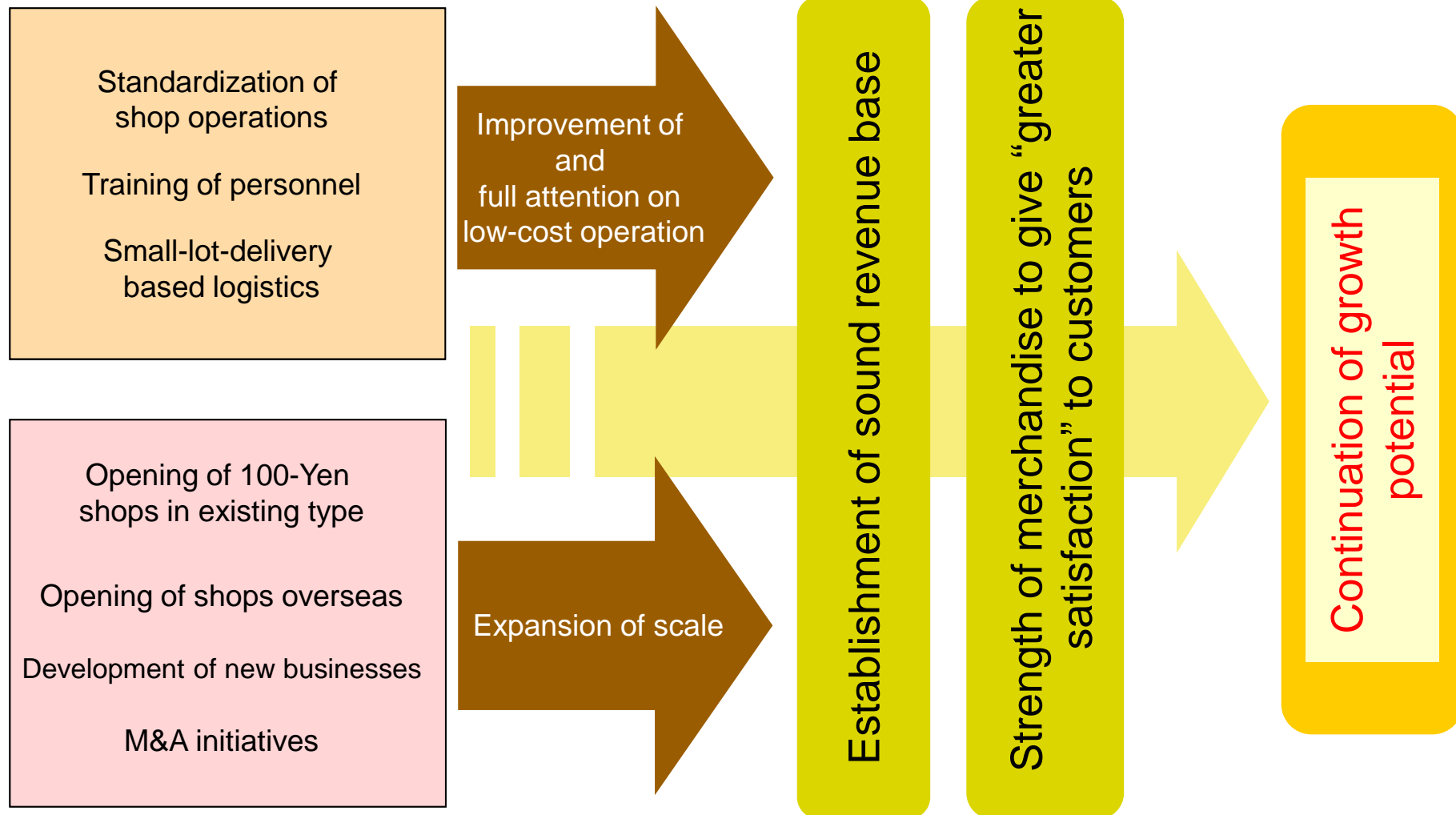
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Basic Policy (1) Continuation of Growth Potential





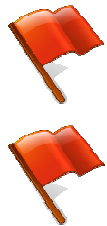
Basic Policy - (2) Declaration -



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



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 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



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



- Development of many medium and small shops
 - ✓ Development of shops with average size of 230m² (average size of other companies: 330 to 1,000m²).
 - ✓ 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.

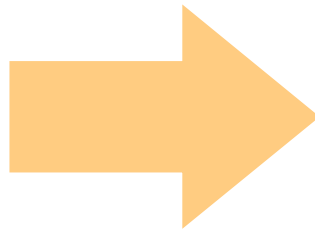
While maintaining sales growth at 100% over the previous year, sales volume of new shops are added on every year.



Operational Strategy Low-Cost Operation



- 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



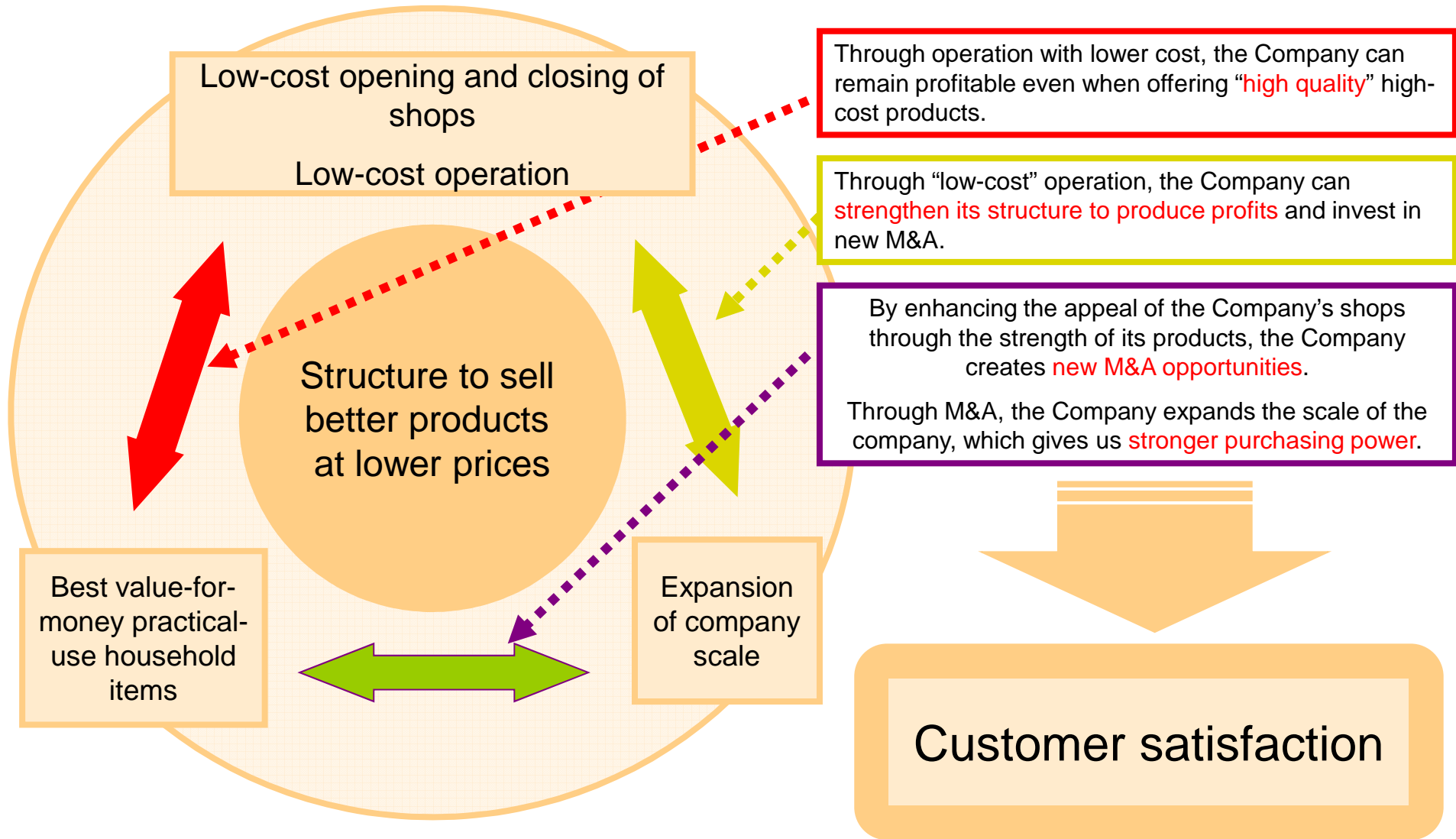
The Company's "WATTS SELECT" products are a merchandise line-up that lives up to our high standards of quality (products that are safe and trusted).

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 and there are 195 items in our range as of February 2014.

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



Structure to Sell Better Products at Lower Prices





Overseas Strategy



Thailand

China



12 shops as of February 2014

3 shops as of February 2014

Malaysia

Vietnam



1 shop as of February 2014

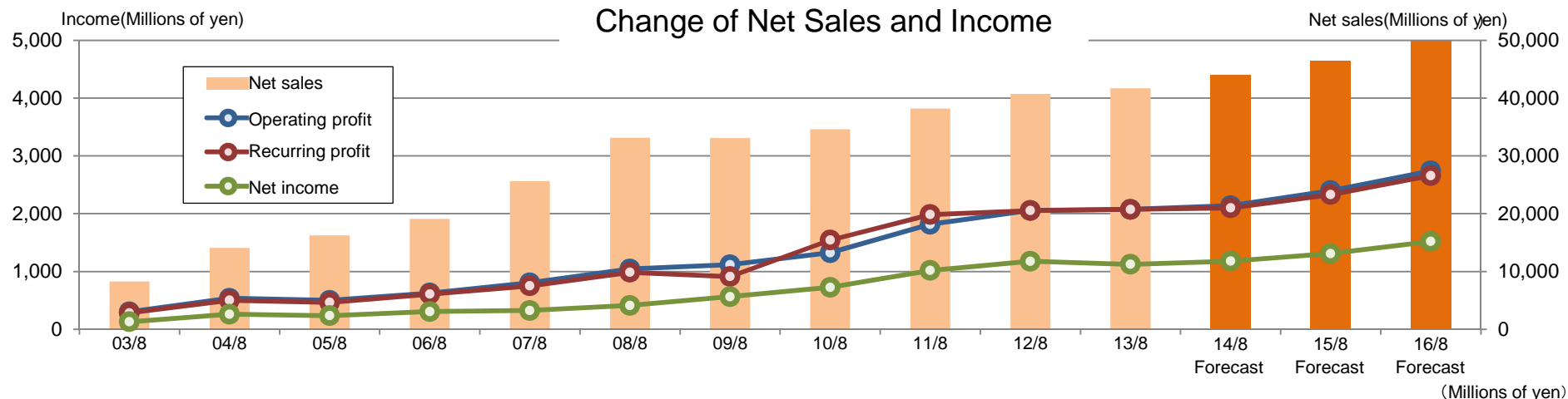
1 shop as of February 2014

(Cooperation with a local company)





Medium-Term Management Plan Three Year Forecasts



	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)



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- Corporate Profile
- Industry Trend Position in the Industry
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- WATTS SELECT Highly Recommended Products
- Shareholder Composition
- Dividend Policy
- Introduction of Shareholder Benefit System



Watts Brand



100-Yen shop business



Others





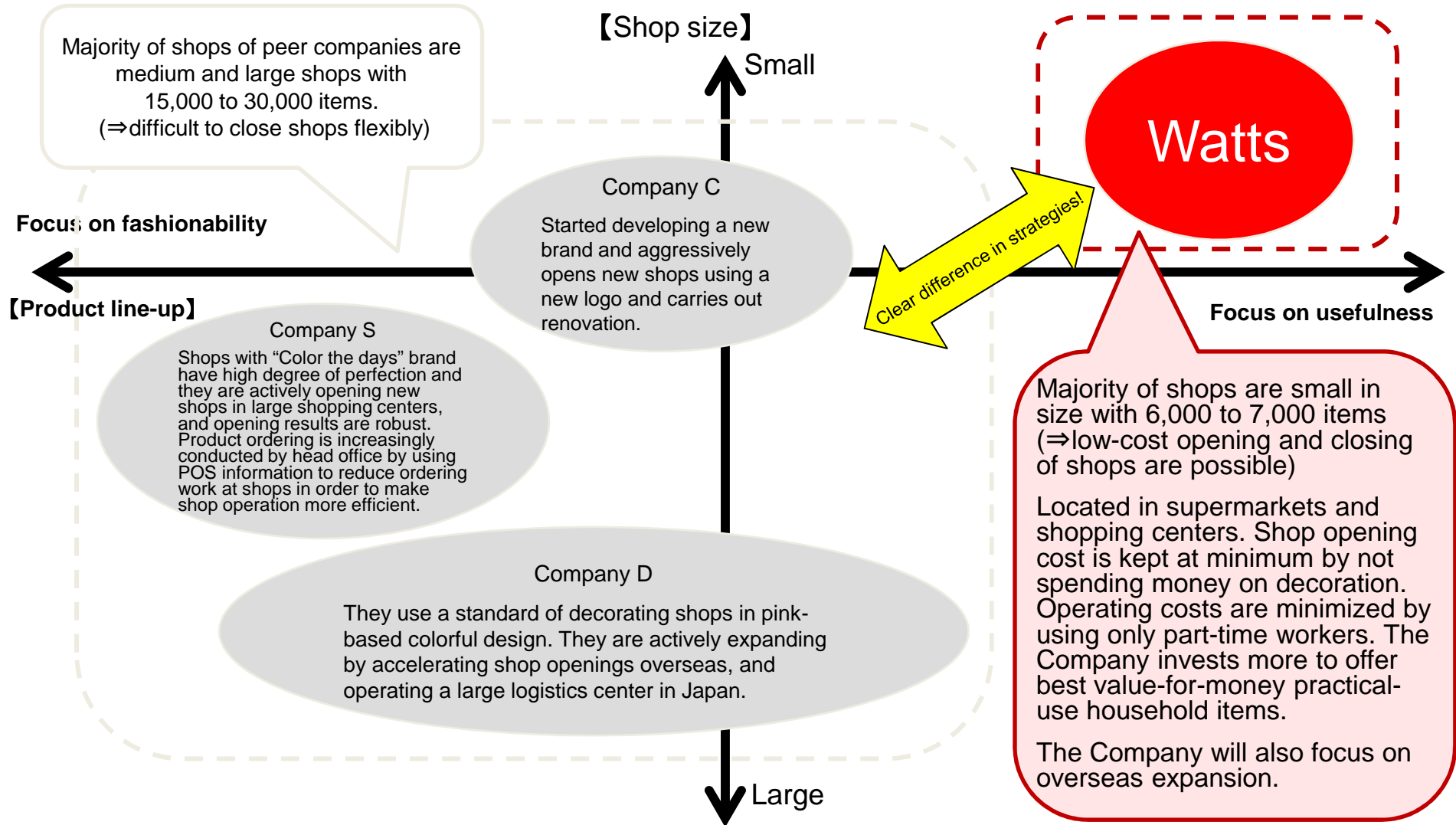
Corporate Profile



Establishment	February 22, 1995 (*Fiscal 2014 is the Company's 20 th business term)
Meaning of the Company's name	Derived from "Wa! tto ikou" (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 February 28, 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-used and household items (Mainly operation of 100-Yen shops "meets." and "silk")
Number of employees (consolidated)	2,764 employees (as of February 28, 2014) *Part-time workers included
Number of shops (Consolidated)	983 shops (as of February 28, 2014) *Other shops included



Position in the Industry Cross-Company Comparison



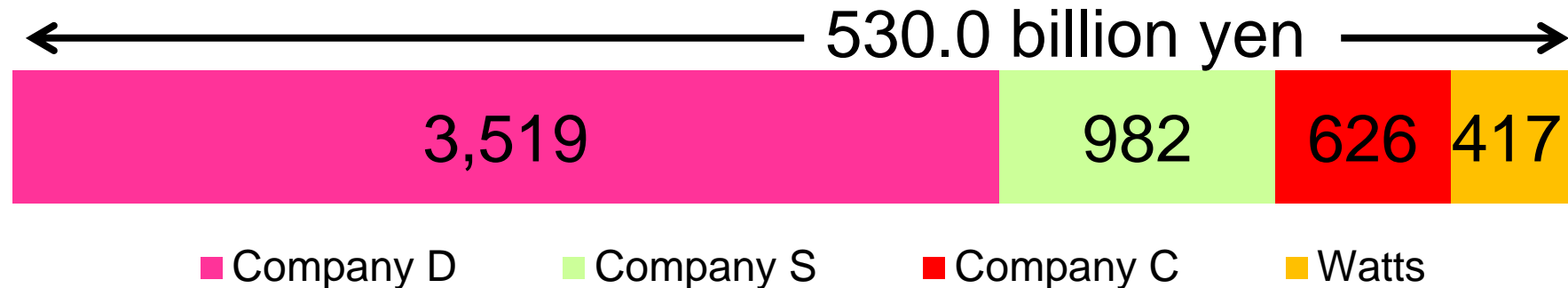
*Reference materials: Prepared by the Company using the websites of each company, newspapers, financial statement, etc.



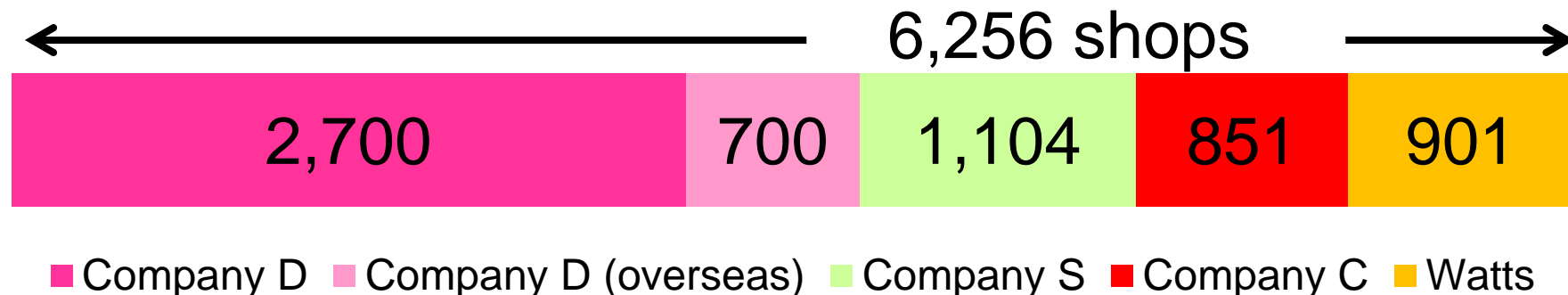
Industry Trend - Market Size -



◇ Net sales (4 major companies)



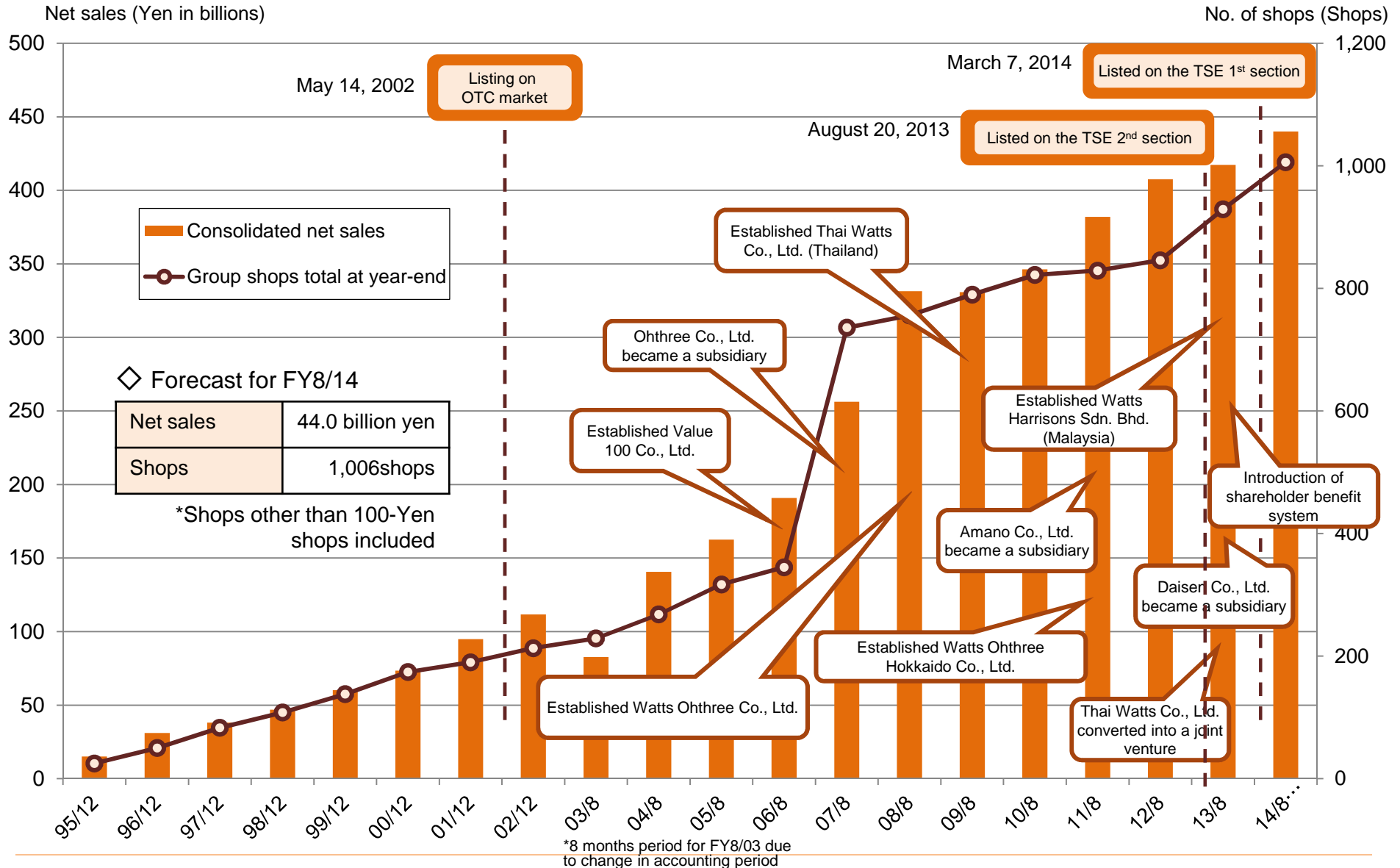
◇ Number of shops (4 major companies)



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



The Company's Progress





Others — Overview —



— Sale of household items in Bangkok —

Proposing **life with highly functional Japanese household items**
12 shops (2/14-end)

— Sale of nature-based lifestyle goods —
Proposing **Buona Vita=comfortable life**
23 shops *2 franchised shops included
(2/14-end)

Others



— Value 100 —

Offering **competitively priced foods and 100-yen household items by a small shop**
1 shop (2/14-end)



— Import and wholesale of elegant lifestyle goods —
3 shops (2/14-end)



WATTS SELECT — Top 3 Hot-Selling Products —



No.1 Wet wipes for wooden floor



30 wipes

No.2 Sanitizing wet wipes

No 3 Alkaline batteries (AA battery)



With
6 batteries



24 wipes



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

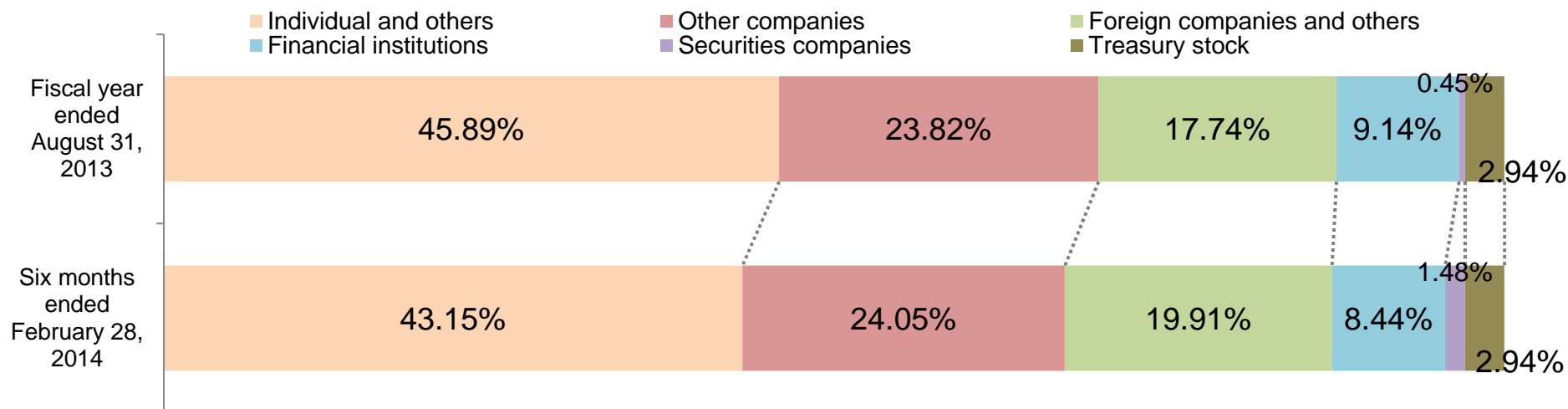
3

Paper cups





Shareholder Composition



	Fiscal year ended August 31, 2013	Six months ended February 28, 2014	Change
Total number of shares issued	13,958,800shares	13,958,800shares	—
Number of shareholders	3,759	3,763	4
Ownership ratio			
Individuals and others	45.89%	43.15%	△ 2.74p
Other domestic companies	23.82%	24.05%	0.23p
Foreign companies and others	17.74%	19.91%	2.17p
Financial institutions	9.14%	8.44%	△ 0.70p
Securities companies	0.45%	1.48%	1.03p
Treasury stock	2.94%	2.94%	—

✓ First section of the Tokyo Stock Exchange trading began on March 7, 2014.

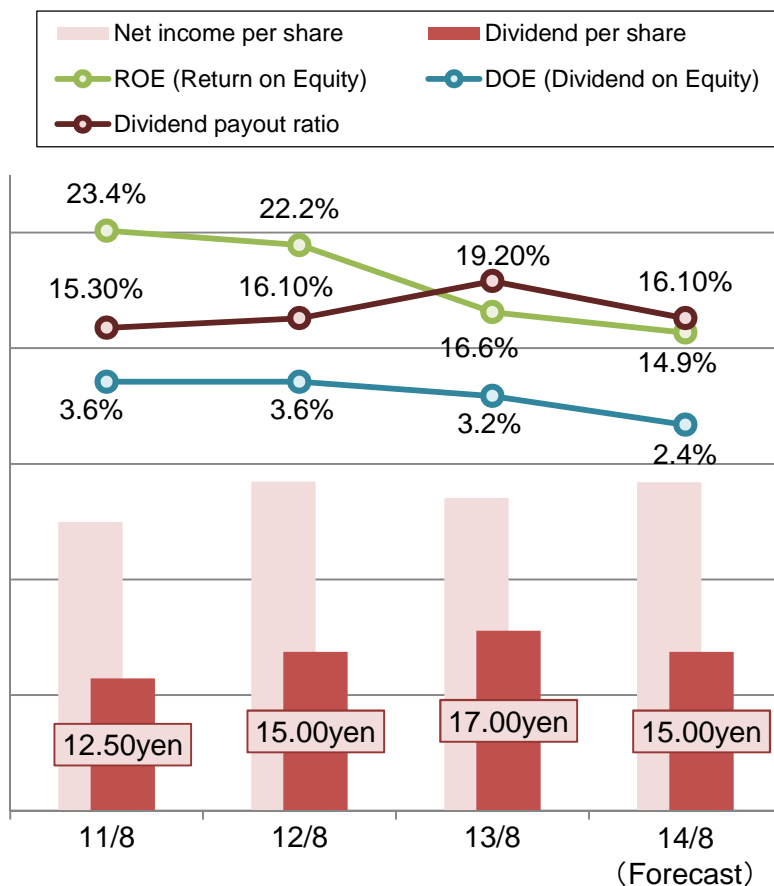
(Note) The figures are rounded to the third decimal place and may not add up to 100% when adding the ratios of each section.



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, 2011	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014 (Forecast)
Net income per share (Yen)	81.84yen	93.31yen	88.63yen	93.07yen
Dividend per share (Yen)	12.50yen	15.00yen	17.00yen	15.00yen
Dividend payout ratio	15.3%	16.1%	19.2%	16.1%
Dividend yield	3.1%	3.0%	1.9%	1.9%
ROE (Return on Equity)	23.4%	22.2%	16.6%	14.9%
DOE(Dividend on Equity)	3.6%	3.6%	3.2%	2.4%

*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.

*Forecast of FY8/14 dividend payout ratio is calculated based on the stock price on February 28, 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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