



Watts Co., Ltd.

(2735; Tokyo Stock Exchange First Section)

Operating Results for the Fiscal Year Ended
August 2015 and
Business Forecasts for the Fiscal Year
Ending August 2016

October 13, 2015 (Tue.)

Fumio Hiraoka, President and CEO

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for the Fiscal Year Ended August 31, 2015

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Highlights of the Fiscal Year Ended August 31, 2015



(Millions of Yen)

	Fiscal year ended August 31, 2014		Fiscal year ended August 31, 2015 (Current period)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	43,573	—	44,462	—	102.0%	98.2%
Gross profit	16,584	38.1%	16,728	37.6%	100.9%	—
Selling, general and administrative expenses	14,799	34.0%	15,470	34.8%	104.5%	—
Operating Profit	1,784	4.1%	1,257	2.8%	70.5%	70.3%
Recurring Profit	1,799	4.1%	1,263	2.8%	70.2%	70.2%
Net income	948	2.2%	700	1.6%	73.9%	67.4%
Net income per share (Yen)	69.97		51.73		—	—

- ✔ Sales increased by 2.0% YoY due mainly to new shop openings of 100-Yen shops and renovation of existing shops. Sales of overseas business and Buona Vita also contributed to sales growth, but resulted in 98.2% to the forecast.
- ✔ In the 100-Yen shop business, the sales of existing shops decreased by 1.7% and the sales of total shops increased slightly by 0.5% YoY, due to effect by the slow pace of the recovery of consumer spending in Japan.
- ✔ There was a big drop in profit YoY due mainly to the weaker yen and the increases in shop-opening cost. Profit was 70% of the forecast. Watts will work to catch back up by rebranding its 100-Yen shops and through overseas and other businesses.



Topics for Domestic Business for the Fiscal Year Ended August 31, 2015



Further expansion of domestic operations

- ✔ “Watts” shops : 100-Yen shop “meets” Harborland shop in Kobe was renovated and reopened as the first 100-Yen shop on the “Watts” brand, and is performing well in its both sales and profits. The Watts brand is used for new certain large shops. Moreover, existing shops will be rebranded as they are remodeled. The number of Watts branded shops as of August 2015 was 15.

- ✔ Opening and closing of 100-Yen shops : The number of opening shops increased favorably. Watts opened 113 shops and closed 64 shops, net increase of 49 shops to the plan of opening 90 shops and closing 55 shops, net increase of 35 shops. However, the trend toward smaller stores continued. To enhance performance, the company is opening “Watts” shops.

- ✔ Buona Vita : Sales increased by 31.1% YoY. Watts opened 4 shops and closed 9 shops (1 franchise shop included), including shops opened during the previous fiscal year in locations on a trial basis. Focused on the improvement of the existing stores. Watts plans to open more shops mainly at station buildings with big volume commuters. Watts will focus to develop its original products to strengthen its products lineup.

- ✔ threege : Opened the first ‘threege’ shop in Narimasu, Itabashi-ku, Tokyo on November 28, 2014. However, Watts abandoned the operation plan because results fell short of initial targets. The shop was closed at the end of August 2015.

Initiatives for increasing corporate value

- ✔ Selection as a loan trading issue : On June 8, 2015, Watts share was selected as a loan trading issue. This selection is expected to boost liquidity and enhance the supply-demand relationship, invigorate trading and contribute to fair price formation.



Topics for Overseas Business for the Fiscal Year Ended August 31, 2015



Further progress in overseas expansion

- ✓ Total : Sales almost doubled YoY, and increased its share in the consolidated sales from 1.2% to 2.4%
- ✓ Thailand : Sales grew due to the full contributions from new shops. Control of Thailand operations was switched to joint venture partner Central Group in April 2015 to accelerate the pace of new store openings. At the end of August 2015, the number of shops was 22 as opened 9 and closed 2.
- ✓ Malaysia : Opened 1 directly managed shop, raising the number of shops to 4 as of August 2015. Watts is on the way to establishment of business model by acquiring franchise license etc.
- ✓ China : Opened 2 directly managed shops and 1 shop operated through an agent contract (Chinese style franchise), while closing 1 unprofitable shop, and resulted in 4 shops. Furthermore, pop-up shops based in newly-opened directly managed shops are significantly performing well. Watts expects that the business will make contribution to the Group's profit.
- ✓ Vietnam : First shop near Ho Chi Minh City is performing well. Plan to start opening franchise shops operated by the local subsidiary of the Central Group of Thailand. Opened 2 shops, and resulted in 3 shops in FY8/15.
- ✓ Peru : Opened second directly managed "KOMONOYA". Performing well currently.



Sales According to Business Type



(Millions of Yen)

		Fiscal year ended August 31, 2014		Fiscal year ended August 31, 2015 (Current period)		
			Ratio to sales		Ratio to sales	YoY
Domestic 100-Yen shops	Directly managed	37,018	85.0%	37,450	84.2%	101.2%
	Wholesale, Other	4,041	9.3%	3,821	8.6%	94.6%
	Subtotal	41,059	94.2%	41,271	92.8%	100.5%
Overseas Business	Directly managed	112	0.3%	377	0.8%	334.2%
	Wholesale	395	0.9%	681	1.5%	172.2%
	Subtotal	508	1.2%	1,058	2.4%	208.2%
New businesses	Buona Vita	2,005	4.6%	2,132	4.8%	106.3%
	Value-100					
	AMANO					
	Other					
Total		43,573	100.0%	44,462	100.0%	102.0%

- ✓ Directly managed domestic 100-Yen shops remained primary source of Group sales.
- ✓ Ratio to sales of domestic 100-Yen shops decreased by 1.4% because sales of existing shops fell below the previous year and sales of overseas business and Buona Vita increased.

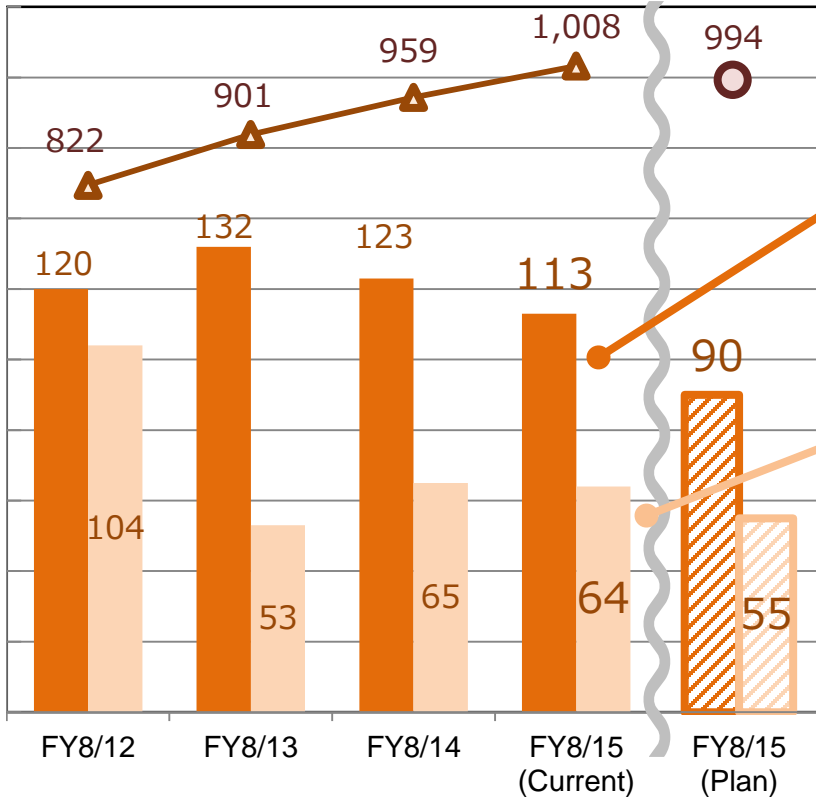
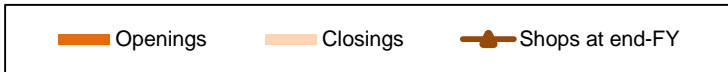


Opening/Closing Trend of 100-Yen Shops



Total number of 100-Yen shops was 1,008 as of the end of the fiscal year
(Directly managed 958 / FC50)

Change in the number of 100-Yen shops



Opening/closing plan vs. results

Annual Opening plan 90 shops → Opened 113 shops

Annual Closing plan 55 shops → Closed 64 shops (of which 1 franchise shop)



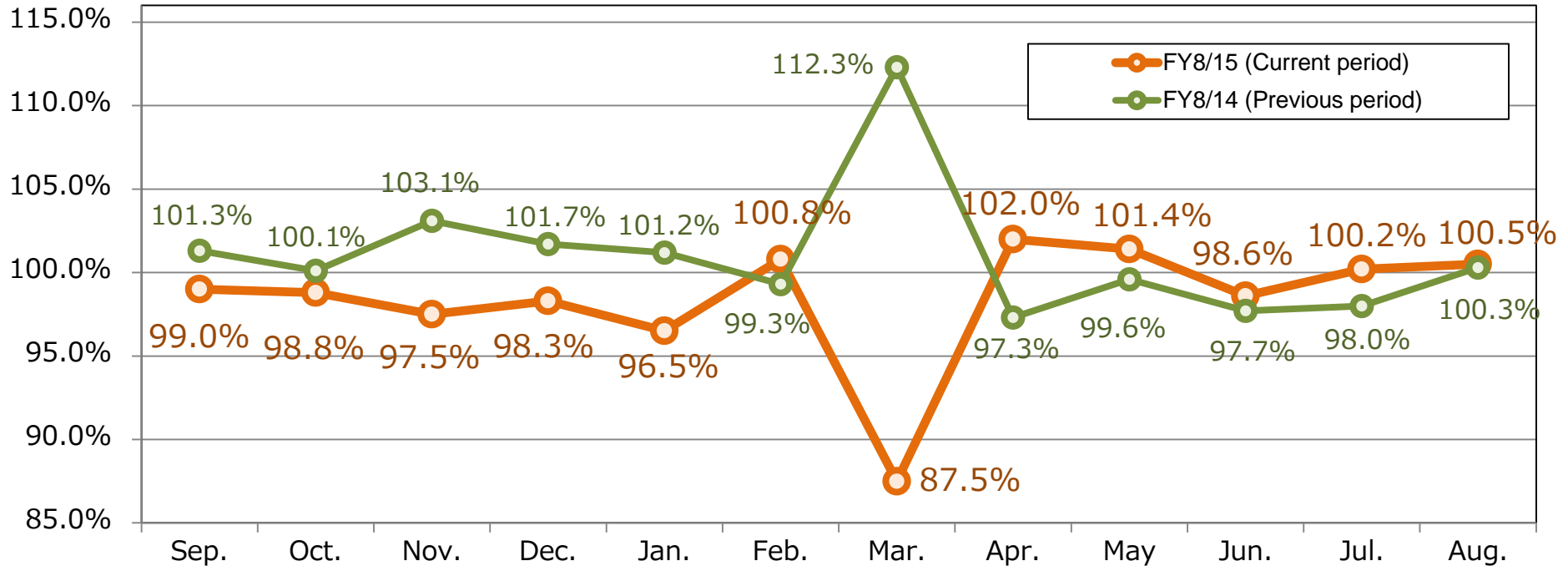
The number of opening shops and closing shops exceeded from the plan by 23 shops and 9 shops, respectively. The net increasing number of shops exceeded by 14 shops from the plan and resulted in 49 shops.



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



Sales growth ratio of existing directly managed shops 98.3% ← (100.9% in FY8/14)



	First half	Second half	Full year
FY8/14(Previous period)	101.2%	100.7%	100.9%
FY8/15(Current period)	98.4%	98.2%	98.3%



Rush demand in March of the previous fiscal year ahead of the consumption tax increase substantially affected performance. Although Watts worked to catch up in the second half, performance failed to recover to forecast levels due to abnormal weather, including heavy rains and typhoons during the summer time.

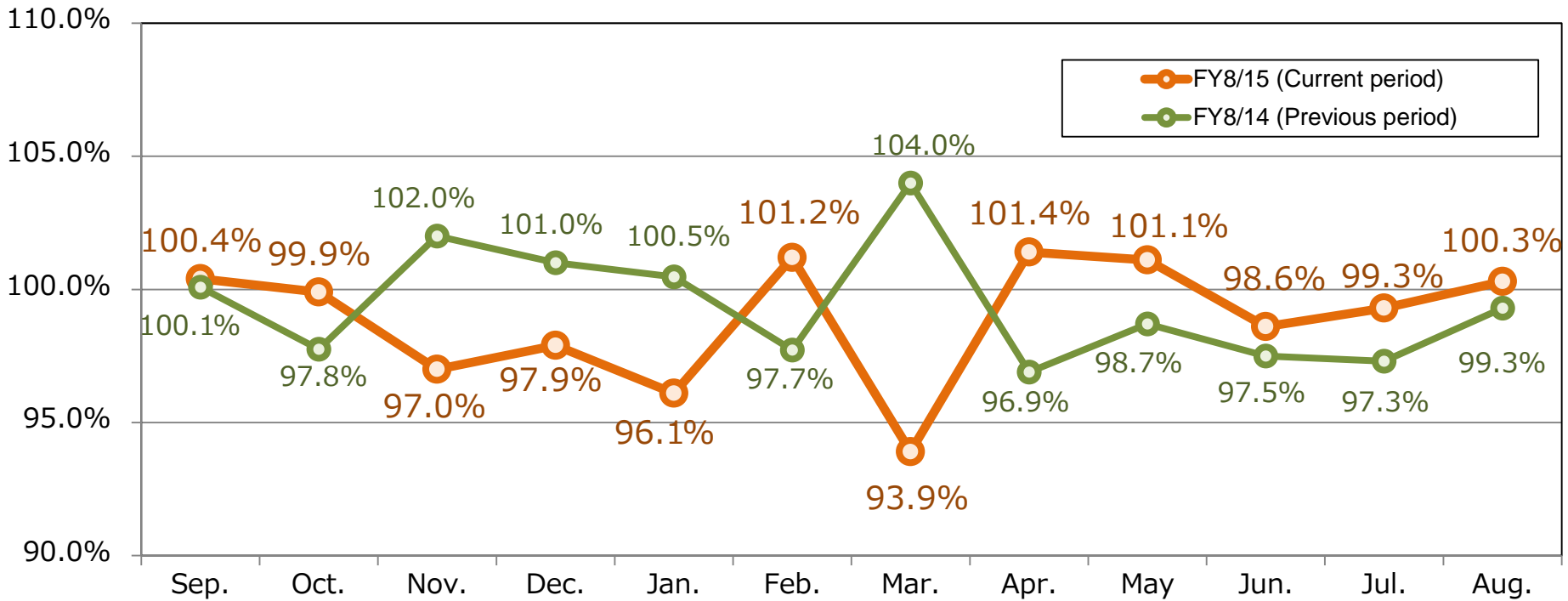
(Reference) 98.8% in March compared to two years earlier.
100.2% in September 2015.



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 98.9% ← (99.4% in FY8/14)



	First half	Second half	Full year
FY8/14(Previous period)	99.9%	98.9%	99.4%
FY8/15(Current period)	98.7%	99.0%	98.9%

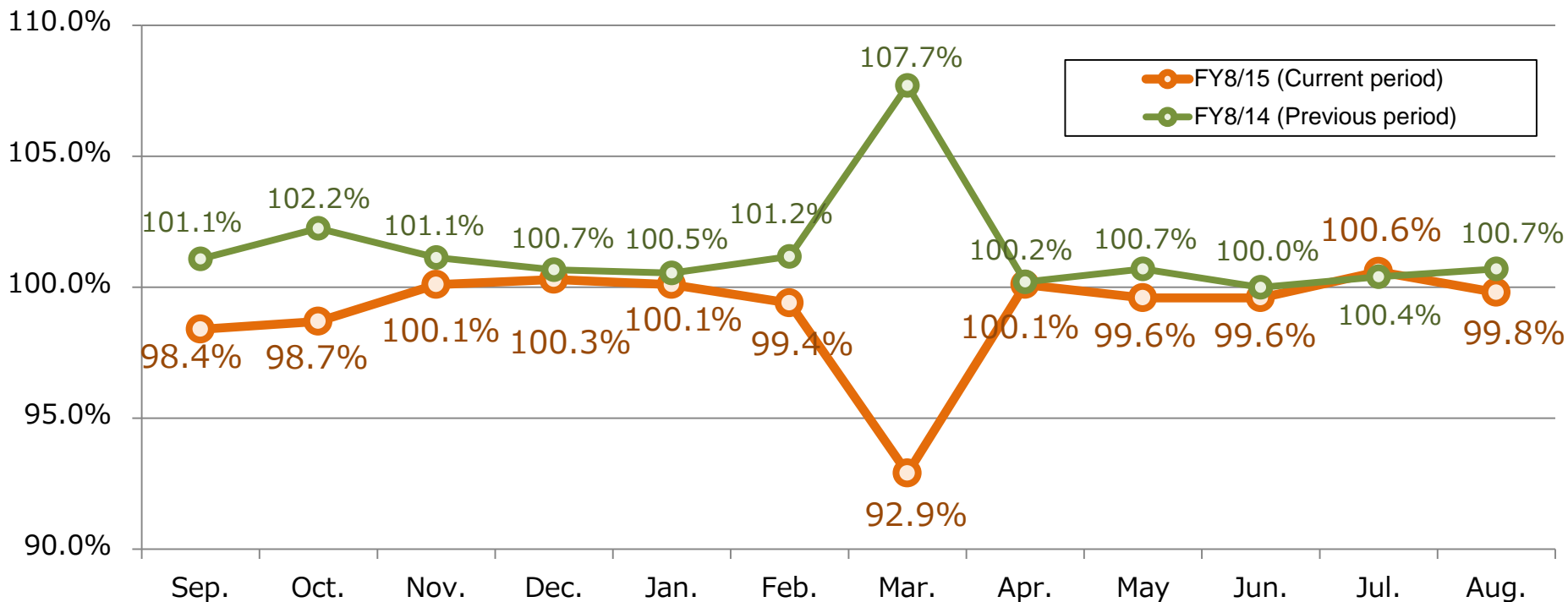
✓ (Reference) 98.3% in March compared to two years earlier.
99.1% in September 2015.



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 99.1% ← (101.4% in FY8/14)



	First half	Second half	Full year
	YoY	YoY	YoY
FY8/14(Previous period)	101.1%	101.6%	101.4%
FY8/15(Current period)	99.5%	98.7%	99.1%

- ✓ Spending per customer is 357.8yen
- ✓ Rush demand in March of the previous fiscal year ahead of the consumption tax increase substantially affected performance.

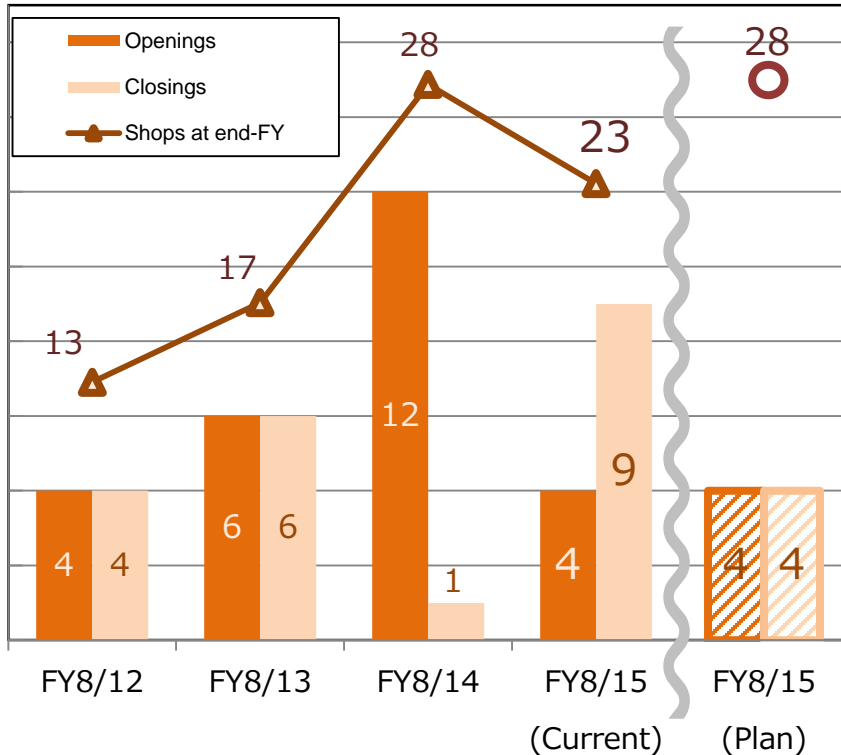
(Reference) 100.5% in March compared to two years earlier.
100.9% in September 2015.



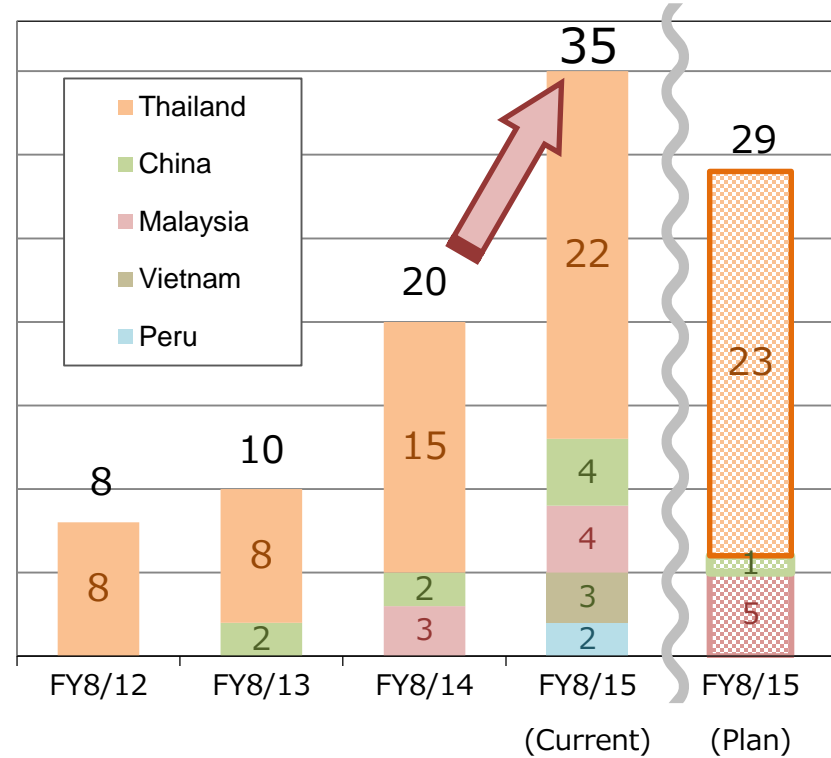
Number of Shops Trend of Other Shops



Change in the number of Buona Vita shops



Change in the number of overseas shops



- ✓ In addition to the above, operates 1 “Value -100” shop
- ✓ Opened the first “threege” shop in November, but Watts abandoned the operation plan because results fell short of initial targets. The shop was closed at the end of August 2015.

	Opening	Closing	Shops at end of FY 8/15
Thailand	9	2	22
China	3	1	4
Malaysia	1	–	4
Vietnam	3	–	3
Peru	2	–	2

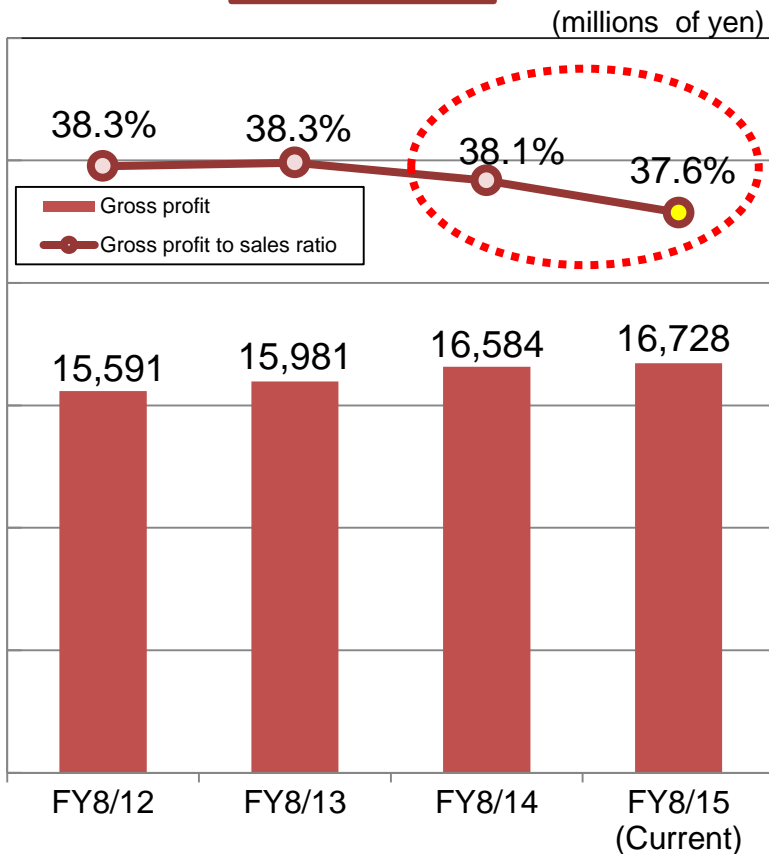


Gross Profit



Gross profit to sales ratio is facing a tough situation

Gross Profit



Gross profit to sales ratio decreased by 0.5 points YoY because cost rate increased due to further depreciation of yen and effect of cost increase in overseas



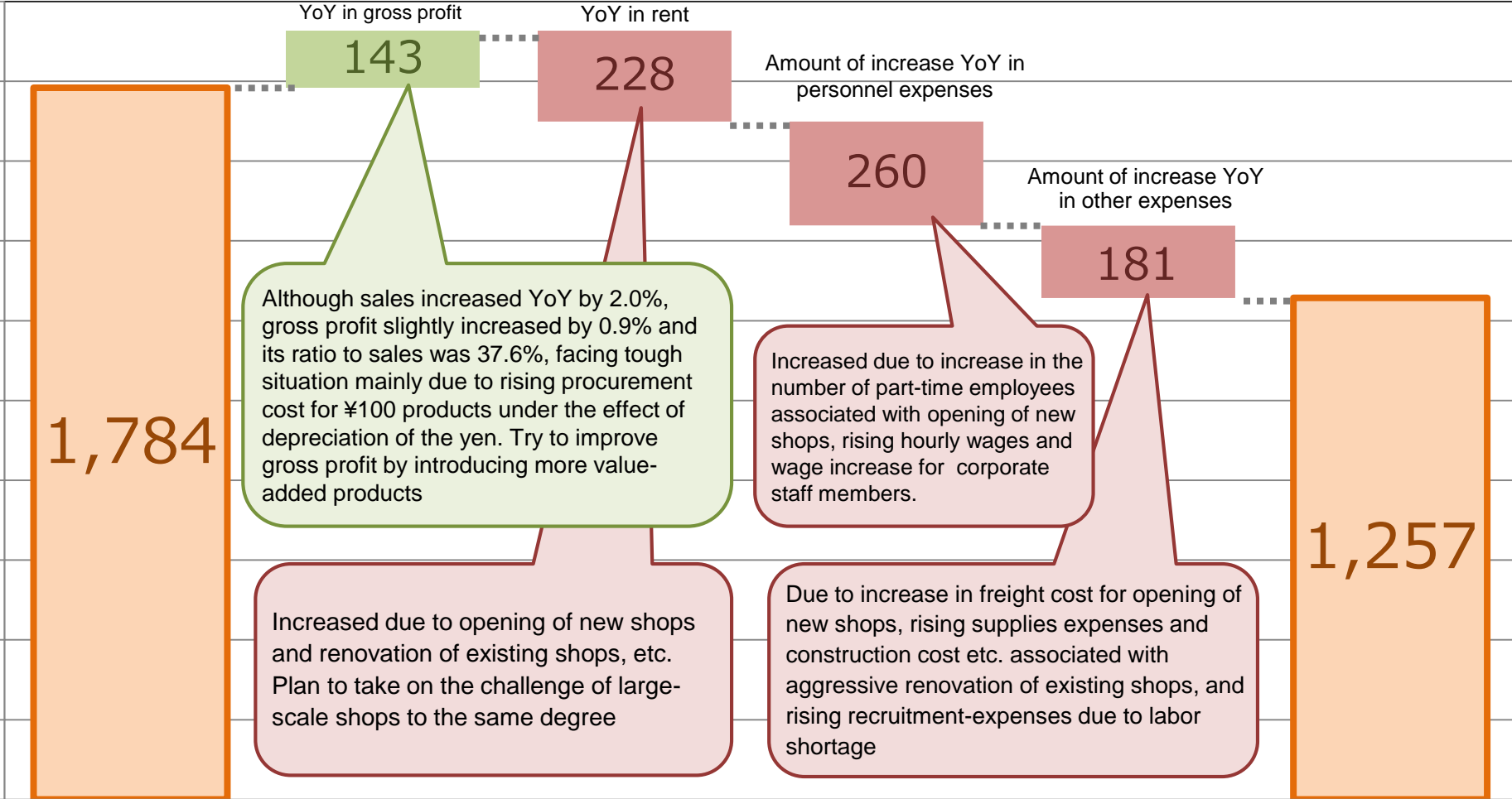
- ✓ Currency exchange will have no direct impact on the Company's procurement due to domestic yen-denominated transactions. However, procurement cost is increasing as currency exchange has an indirect impact. Nevertheless, the ratio of lifestyle products as a percentage of total sales improved. This factor, ongoing efforts to increase the percentage of directly managed shops, relatively profitable Buona Vita operations and a rising share of sales from overseas business held the decline in the gross profit margin for the Group to 0.5 percentage point, at 37.6%.





Operating Profit

(Millions of yen)



Although sales increased YoY by 2.0%, gross profit slightly increased by 0.9% and its ratio to sales was 37.6%, facing tough situation mainly due to rising procurement cost for ¥100 products under the effect of depreciation of the yen. Try to improve gross profit by introducing more value-added products

Increased due to opening of new shops and renovation of existing shops, etc. Plan to take on the challenge of large-scale shops to the same degree

Increased due to increase in the number of part-time employees associated with opening of new shops, rising hourly wages and wage increase for corporate staff members.

Due to increase in freight cost for opening of new shops, rising supplies expenses and construction cost etc. associated with aggressive renovation of existing shops, and rising recruitment-expenses due to labor shortage

FY8/14

FY8/15 (Current)



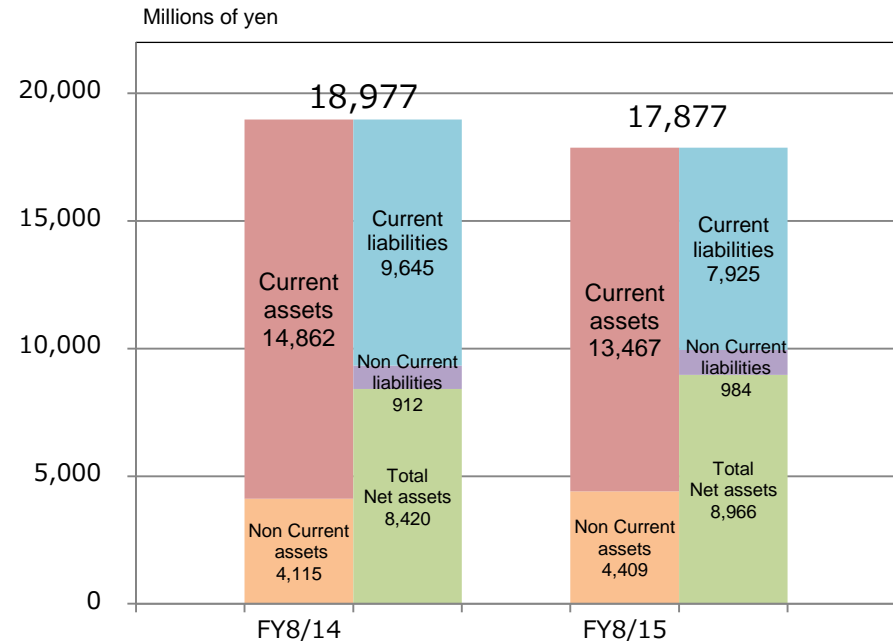
Balance Sheet



(Millions of yen)

	FY8/14	FY8/15 (Current)	Change	Pct. change
Total assets	18,977	17,877	△1,100	Down5.8%
Current assets	14,862	13,467	△1,395	Down9.4%
Cash and deposits	6,714	5,149	△1,564	Down23.3%
Notes and accounts receivable-trade	2,318	2,052	△266	Down11.5%
Merchandise and finished goods	5,225	5,634	408	Up7.8%
Other current assets	603	631	27	Up4.5%
Noncurrent assets	4,115	4,409	294	Up7.2%
Land	257	257	-	-
Buildings and structures	347	417	69	Up20.0%
Tools, furniture and fixtures	513	547	34	Up6.7%
Guarantee deposits	2,536	2,532	△3	Down0.2%
Other noncurrent assets	459	654	194	Up42.4%
Total liabilities	10,557	8,910	△1,647	Down15.6%
Current liabilities	9,645	7,925	△1,719	Down17.8%
Notes and accounts payable-trade	7,170	5,842	△1,327	Down18.5%
Short-term loans payable	779	665	△113	Down14.6%
Other current liabilities	1,695	1,416	△278	Down16.4%
Noncurrent liabilities	912	984	72	Up7.9%
Long-term loans payable	403	468	64	Up16.0%
Other noncurrent liabilities	508	516	7	Up1.5%
Net assets	8,420	8,966	546	Up6.5%
Shareholders' equity	8,374	8,845	470	Up5.6%
Equity	440	440	-	-
Retained equity	1,583	1,583	-	-
Retained earnings	6,434	6,905	470	Up7.3%
Treasury stock	△84	△84	0	-
Accumulated other comprehensive income	45	121	76	-

- ✓ Cash and cash deposits, accounts receivable and accounts payable substantially decreased YoY. This is mainly because the final day of the previous fiscal year (Aug. 31) was a banking holiday, whereas the final day of this fiscal year was a business day.
- ✓ The ¥294 million increase in current liabilities was mainly due to the following factors: a ¥69 million increase in buildings and structures, and ¥34 million increase in tools, furniture and fixtures for new shop openings and renovation of existing shops, etc.
- ✓ Retained earnings is increasing steadily and shareholders' equity ratio resulted in 50.2%



Cash Flows

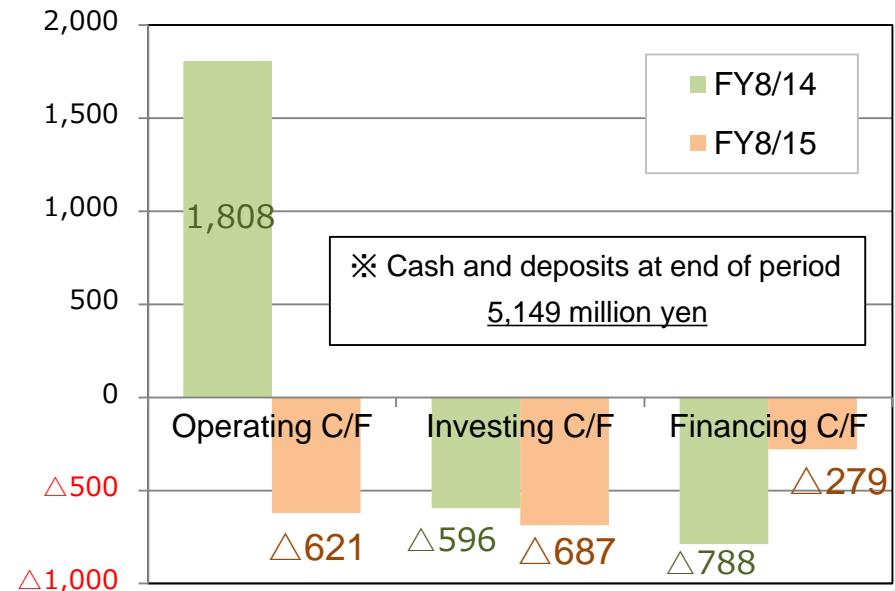


(Millions of yen)

	FY8/14	FY8/15 (Current)	Change	Pct. change
Cash and cash equivalents at beginning of period	6,280	6,714	434	Up6.9%
Net cash provided by (used in) operating activities	1,808	△621	△2,429	—
Income before income taxes and minority interests	1,745	1,174	△570	Down32.7%
Depreciation and amortization	255	281	25	Up10.0%
Decrease (increase) in accounts receivable- trade	1	270	268	—
Decrease (increase) in inventories	△258	△394	△135	—
Increase (decrease) in accounts payable-trade	636	△1,335	△1,972	—
Income taxes paid	△783	△658	125	—
Other cash flows from operating activities	212	41	△169	Down80.5%
Net cash provided by (used in) investing activities	△596	△687	△91	—
Purchase of property, plant and equipment	△393	△507	△114	—
Payments for lease and guarantee deposits	△226	△180	46	—
Proceeds from collection of lease and guarantee deposits	90	115	24	Up27.5%
Other cash flows from investing activities	△67	△115	△48	—
Net cash provided by (used in) financing activities	△788	△279	509	—
Net increase(decrease) of short-term loans	500	800	300	Up60.0%
Repayment of long-term loans payable	△1,018	△849	169	—
Cash dividends paid	△229	△229	0	—
Other financing activities	△40	—	△40	—
Effect of exchange rate change on cash and cash equivalents	10	23	13	Up121.6%
Cash and cash equivalents at end of period	6,714	5,149	△1,564	Down23.3%

- ✔ Because the final day of the previous fiscal year was a banking holiday, cash and cash equivalents, accounts receivable- trade and accounts payable-trade were largely increased, whereas the final day of the current fiscal year was a business day. Therefore, cash flows from operating activities were apparently negative because receipt and payment were conducted as usual.
- ✔ Breakdown of investment C/F: Purchase of tangible fixed assets for new store openings were ¥507 million, payments for rental and guarantee deposits were ¥180 million.

(Millions of yen)



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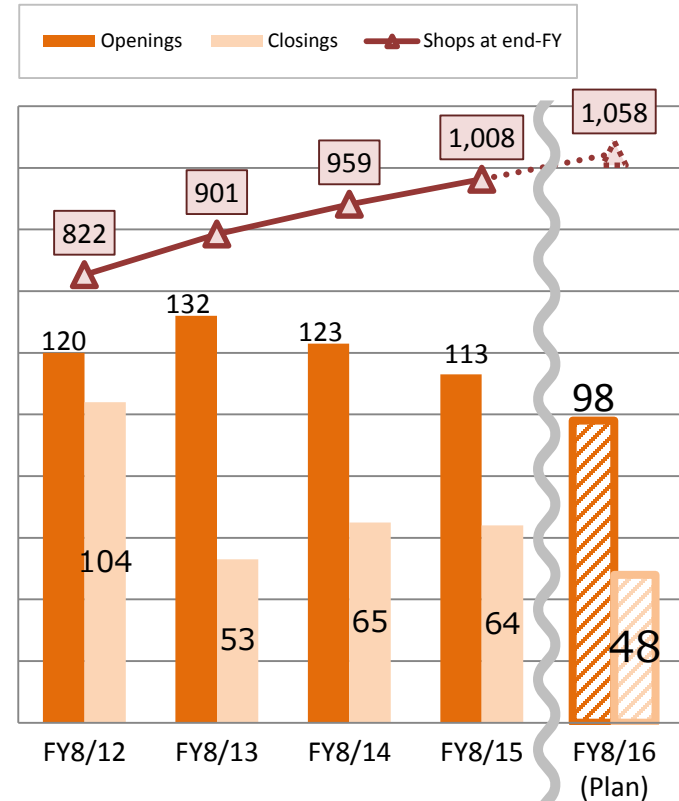
Consolidated Business Forecasts for the Fiscal Year Ending August 31, 2015



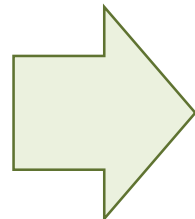
(Million yen)

	FY8/15			FY8/16(E)	
		Compositi on ratio	YoY		YoY
Sales	44,462	—	102.0%	46,100	103.7%
Gross profit	16,728	37.6%	100.9%	—	—
Selling, general and administrative expenses	15,470	34.8%	104.5%	—	—
Operating Profit	1,257	2.8%	70.5%	1,360	108.1%
Recurring Profit	1,263	2.8%	70.2%	1,370	108.4%
Net income	700	1.6%	73.9%	870	124.1%
Net income per share (Yen)	51.73			64.22	
Dividend per share (Yen)	17		—	15 (E)	

Changes in the number of 100-Yen shops



- ✓ Net increase in the number of 100-Yen shops: 50 shops
- ✓ Aggressive renovation of existing shops
- ✓ Expand the new businesses including overseas business and other businesses



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

Medium-Term Management Plan

Management Environmental Recognition



Japan

- So-called “Abenomics” growth strategies are bringing the economy out of its deflationary spiral. The improvement in the employment supply/demand situation is particularly noteworthy.
- Crude oil prices are expected to remain low and stable for the foreseeable future, driving down costs on plastic items, in particular. However, due to the mismatch in timing between the beginning of a rise in U.S. interest rates and a domestic exit strategy, exchange rates are likely to be characterized by further yen depreciation, causing the cost of imports to remain high.
- 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 April 2017, rush demand and reactionary fall will be expected before and after the consumption tax increase



It will take a while for full-scale economic recovery
Needs for 100-Yen shops is growing despite greater diversification

Overseas

- US economy is expected to continue its recovery tone
- European economy is expected to stagnate for a while.
- In Asian economies, negative factors include a slower rate of growth materializing in the Chinese economy, which is expected to have a ripple effect on other emerging economies. Nevertheless, a consumer base with purchasing power definitely exists.
- However, there is concern that geopolitical risks have been revealed in Former Eastern Europe, Middle East and Asia.



Overseas market is important, while the size of the domestic market is unlikely to grow significantly




Medium-Term Management Plan


Management Strategy (1)




Growth strategy

 100-Yen shop business strategy

Recover profitability by promoting business models of both type of tenancy and consignment

 Overseas business strategy

Formulate and deploy country-specific business models to quickly achieve a 10% share of sales

 Other businesses strategy

Cultivate businesses that complement the domestic 100-Yen shop business, including by tapping into M&A needs

Growth strategy for domestic 100-Yen shop business

- Tenant shops strategy
 - Rebranding of Watts by revising both facilities and operations
 - For facilities :
 - Renovate existing shops to “Watts” branded shops
 - Introduce POS system to utilize it for merchandising
 - Review product lineup to offer up-to-date products
 - For operations :
 - Renovate shop operations to create invigorated atmosphere
 - Review employee training in pursuit of higher levels of customer satisfaction
- Consignment shop strategy
 - Review shop packages to achieve better value for money and replacements with attractive merchandise
- Further strengthen competitiveness of private brand products including “WATTS SELECT”

Medium-Term Management Plan Management Strategy (2)



Growth strategy

Growth strategy for overseas business

- Thailand: Accelerate the pace of opening of shops by joint venture company with Central Group
- Vietnam: Open franchise shops by tie-up with Central Group as with in Thailand
- Malaysia: Open directly managed shops and franchise shops by tie-up with Harrisons Group
- China : Focus on conducting pop-up shops and opening shops operated through an agent contract, not on directly managed shops
- Peru: Open directly managed shops and franchise shops, and also develop markets in other Latin America countries
- Reduce procurement cost by using distribution system in China
- Select new target areas based on the thorough market research

Growth strategy for other businesses

- Buona Vita
Aggressively open shops, principally targeting large-scale shopping malls, large station buildings and fashion-focused buildings in front of train stations. In addition, increase handling of private brand products and create more profitable businesses.
- Continue to pursue M&A projects that are likely to generate synergies with the core 100-Yen shop business.



Basic Policy



Continue to pursue **Structure to Sell Better Products at Lower Prices**

- ✓ Low-cost opening and closing of shops
- ✓ Low-cost operation
- ✓ Best value-for-money daily-use household items

100-Yen Shop business

Initiatives for **Rebranding project of Watts**

- ✓ 100YEN SHOP Watts
- ✓ Shops and product lineups that add more style to one's life
- ✓ Introduce POS system
- ✓ Improve customer service

Establish business model for each country

- ✓ Expand directly managed shops by fully owned local subsidiaries
- ✓ Establish joint venture company with local partners
- ✓ Develop new shops by franchisee system

Overseas business

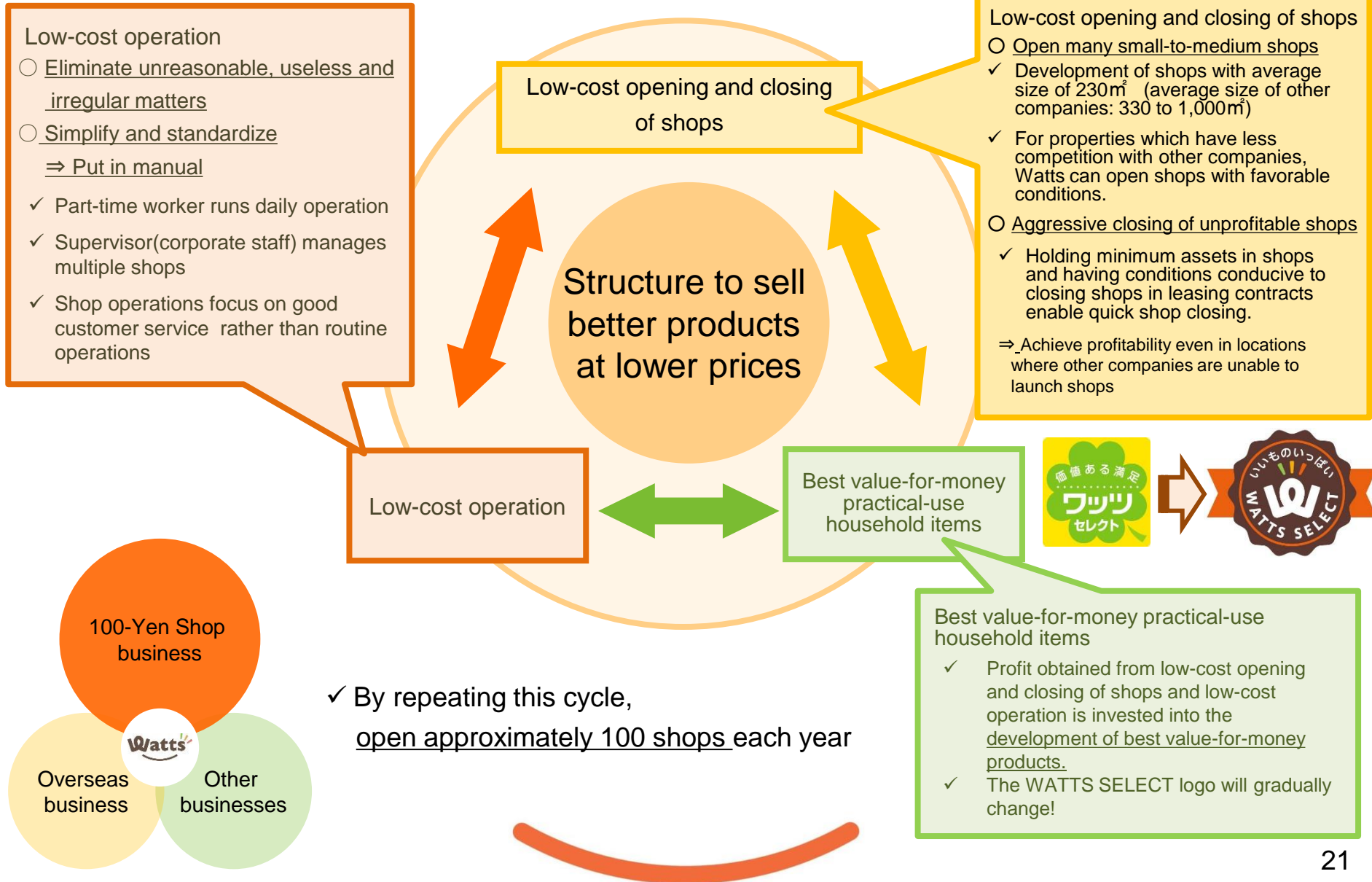
Watts

Other businesses

Expand business and Enlarge source of earnings

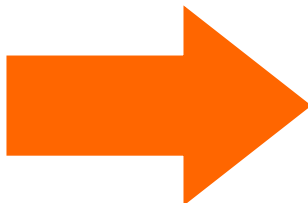
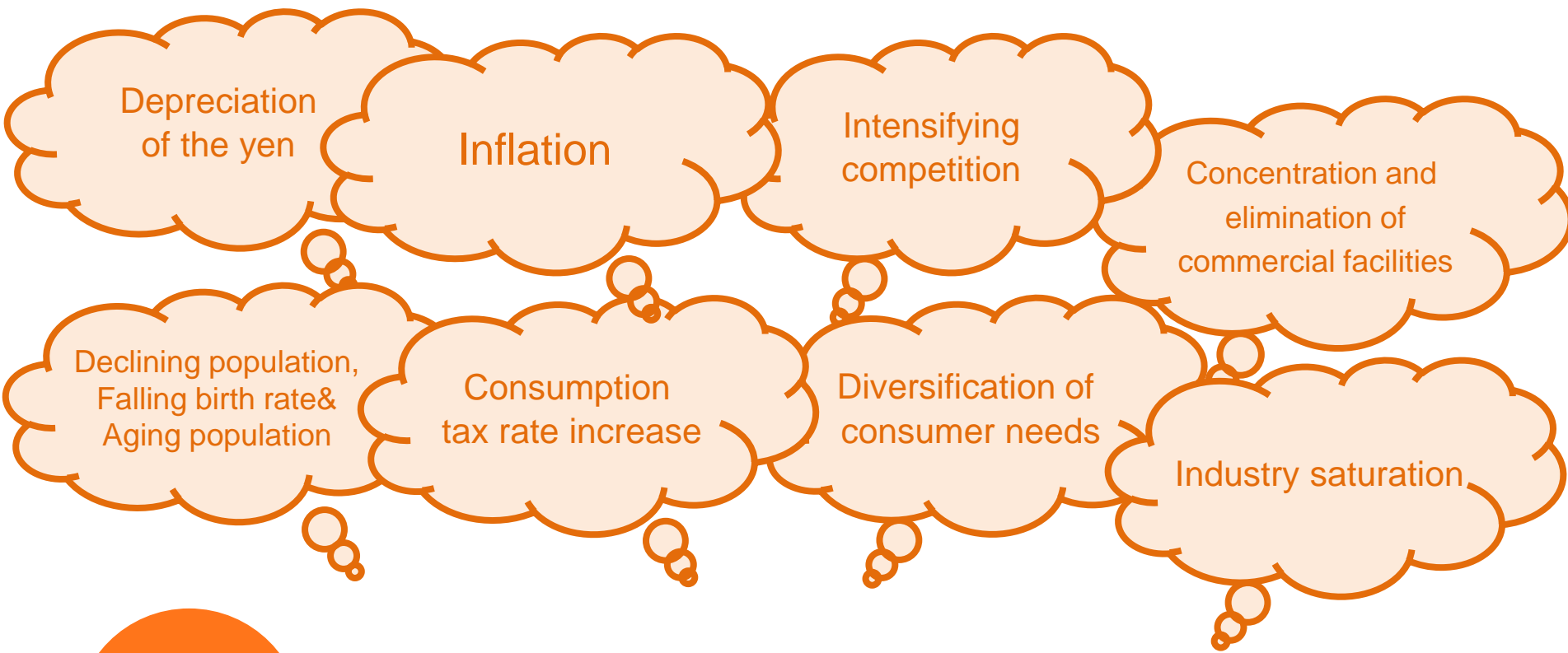
- ✓ Grow existing business and secure profitability
- ✓ Capture new opportunities including M&A

Structure to Sell Better Products at Lower Prices



Problem Awareness

- Change in management environment -



Need to restructure its business model which enables to create a new added-value



Brand Concept of Watts



A 100-Yen shop,
“Always be there”

【WITH TOWN】

Watts will create community-based shops closely linked to their locations which customers can visit casually. We want to grow by even more closely reflecting the characteristics that define each region.

【WITH LIFE】

Watts will raise the quality of customers' daily life by reflecting more closely differences and changes in life styles, to accurately target customers' daily activities and seasonal changes in their needs.

【WITH YOU】

Watts will aim to be favored by customers with a broad spectrum of interests and preferences. We are dedicated to being a source of even greater satisfaction and happiness for every customer.



“Watts” Branded Shops



- ✓ The first “Watts” branded 100-Yen shop “Watts Harborland shop” in Kobe city
- ✓ 15 shops at the end of August 2015. Newly opened and renovated 5 shops in September and 14 shops in October
- ✓ Shops and product lineups that add more style to one’s life
- ✓ Got favorable coverage in a lot of SNS





Restructuring of Operation

- ✓ Introduced POS system from February 2015

FY8/15	FY8/16
Introduced 223 devices in 112 shops	Plan to add 370 devices in 250 shops

- ✓ Accurately identify successful and unsuccessful items
- ✓ Reordering support system
- ✓ Eliminate sales opportunities
- ✓ Optimize product lineups according to location and scale of operations



Maximize sales and gross profit, and optimize shop inventories
Also, reduce burden imposed by reordering operations and use human resources effectively

Introduce
POS system

Strengthen
customer service

- ✓ Boost motivation of local staff by promoting new branded shops
- ✓ Reduce the burden imposed by reordering operations through the reordering support system, and focus human resources on customer service and creating vigorous atmosphere



Other Domestic Business



- While maintaining 100-Yen shops as a core business, proactively engage in a variety of businesses in an effort to expand operations and diversify sources of revenue



Buona Vita
 フォーナ・ビータ

- ✓ Natural taste lifestyle products shop proposing Buona Vita (comfortable life). Operates 23 shops as of August 2015
- ✓ Picture on the left is “Ikebukuro shop” opened in March 2015



Collaboration shop between Daikokuten Bussan Company and Watts consisting of 100-Yen shop and grocery



Import and wholesale of European taste lifestyle goods



Overseas Business Expansion

 KOMONOYA




Fixed-price shop in Southeast Asia and Peru

 小物家园 “KOMONOKAEN”



Fixed-price shop in China




 Wholesale supply of products

Developing aggressively.
As of August 2015, wholesale operations were in the following countries: China, South Korea, Taiwan, Mongolia, Myanmar, Australia, and New Zealand

Business Plan by Country

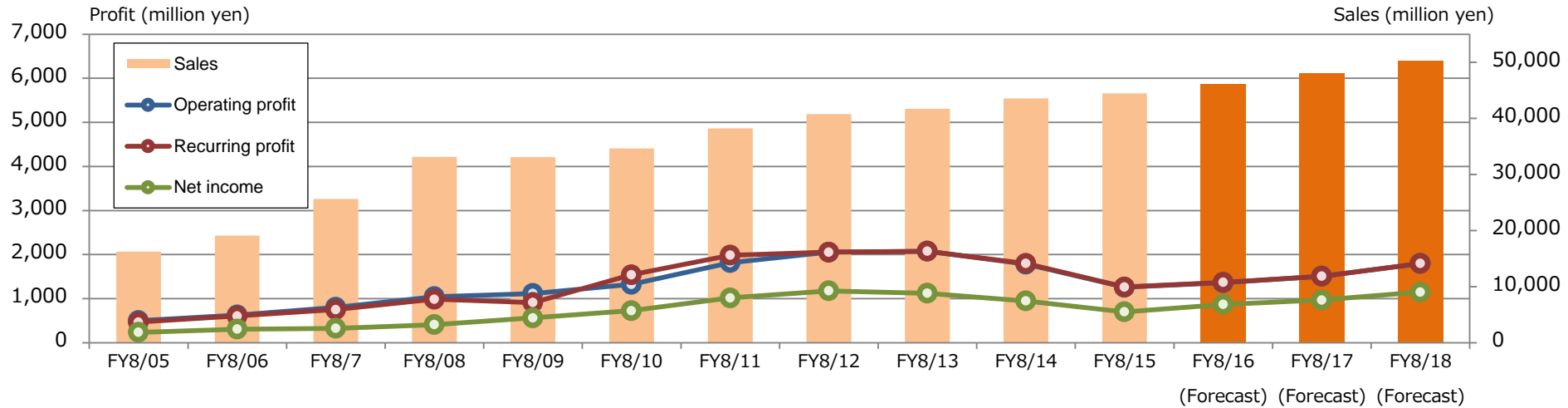


 Continue to seek opportunities to develop new countries by carefully and boldly



Medium-Term Management Plan

Three Year Forecasts



(Millions of Yen)

	FY 8/14 (Result)			FY 8/15 (Result)			FY 8/16 (Forecast)			FY 8/17 (Forecast)			FY 8/18 (Forecast)		
		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY
Sales	43,573	—	104.4%	44,462	—	102.0%	46,100	—	103.7%	48,000	—	104.1%	50,300	—	104.8%
Operating profit	1,784	4.1%	86.0%	1,257	2.8%	70.5%	1,360	3.0%	108.1%	1,510	3.1%	111.0%	1,800	3.6%	119.2%
Recurring profit	1,799	4.1%	86.7%	1,263	2.8%	70.2%	1,370	3.0%	108.4%	1,510	3.1%	110.2%	1,800	3.6%	119.2%
Net income	948	2.2%	84.4%	700	1.6%	73.9%	870	1.9%	124.1%	970	2.0%	111.5%	1,150	2.3%	118.6%
ROE	11.8% Δ 4.8P			8.1% Δ 3.7 P			9.4% 1.3P			9.7% 0.3P			10.6% 0.9P		
Plan assumptions															
100-Yen shop total at year-end (Shops)	959	58		1,008	49		1,058	50		1,108	50		1,158	50	
Other shops total at year-end (Shops)	49	21		59	10		90	31		114	24		152	38	
Other shops sales share	5.8%	Δ 0.7P		7.2%	1.4P		9.1%	1.9P		10.8%	1.7P		12.9%	2.2P	
Of which overseas business total at year-end (Shops)	21	11		35	14		67	32		91	24		126	35	
Overseas business sales share	1.2%	0.3P		2.4%	1.2P		4.0%	1.6P		5.6%	1.6P		7.4%	1.9P	



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Brands of Watts Group

Domestic 100-Yen shop business



Overseas business



Other domestic businesses



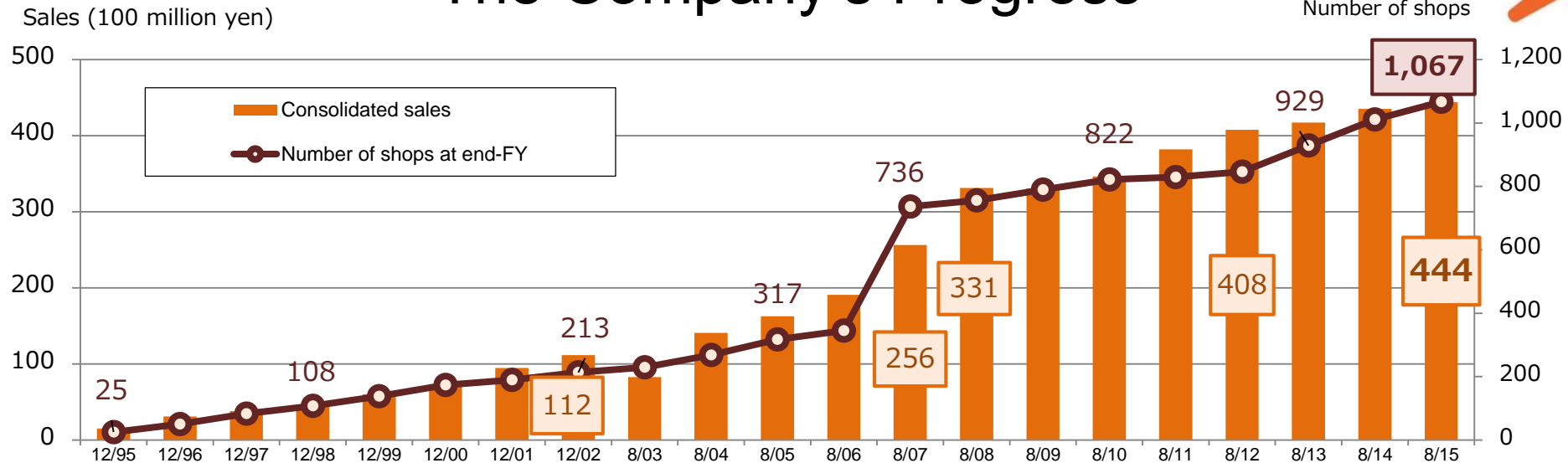
Corporate Profile



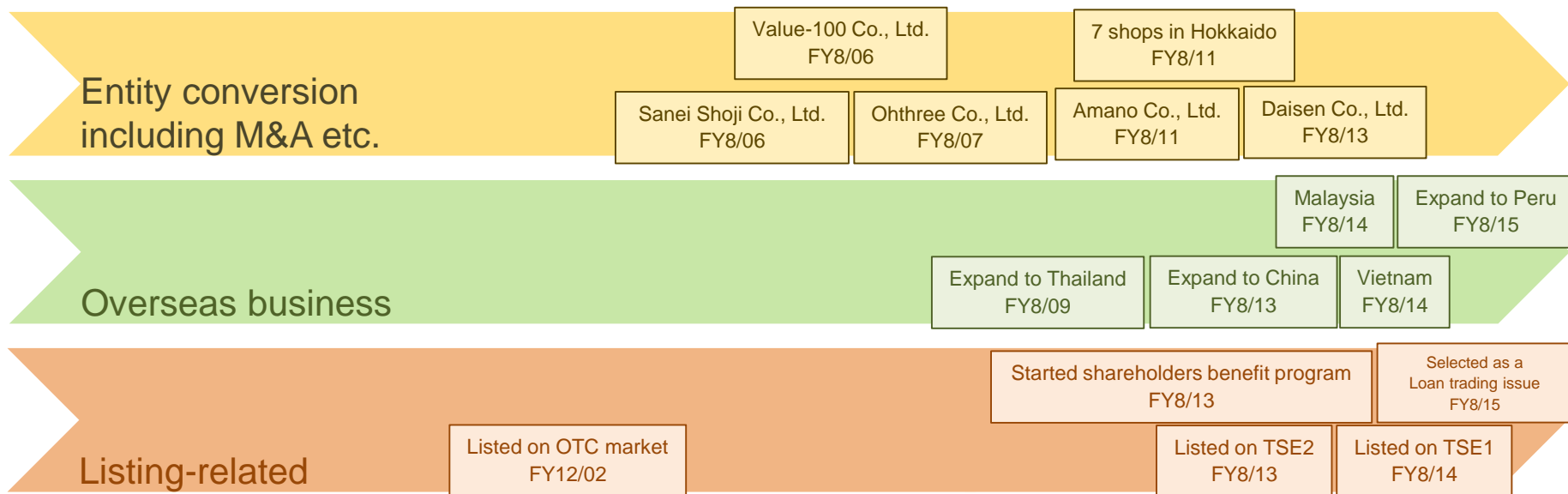
Establishment	February 22, 1995 (Currently the 22 nd business term)
Meaning of the Company's name	Derived from "Wa! tto ikou" (Japanese catch cry to "go forth energetically")
Market listing	Tokyo Stock Exchange First Section (Securities code: 2735)
Capital stock	440.29 million yen (as of August 31, 2015)
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)
Number of employees	2,932 employees (as of August 31, 2015) *Part-time workers included
Number of shops	1,067 shops (as of August 31, 2015) *Other shops included



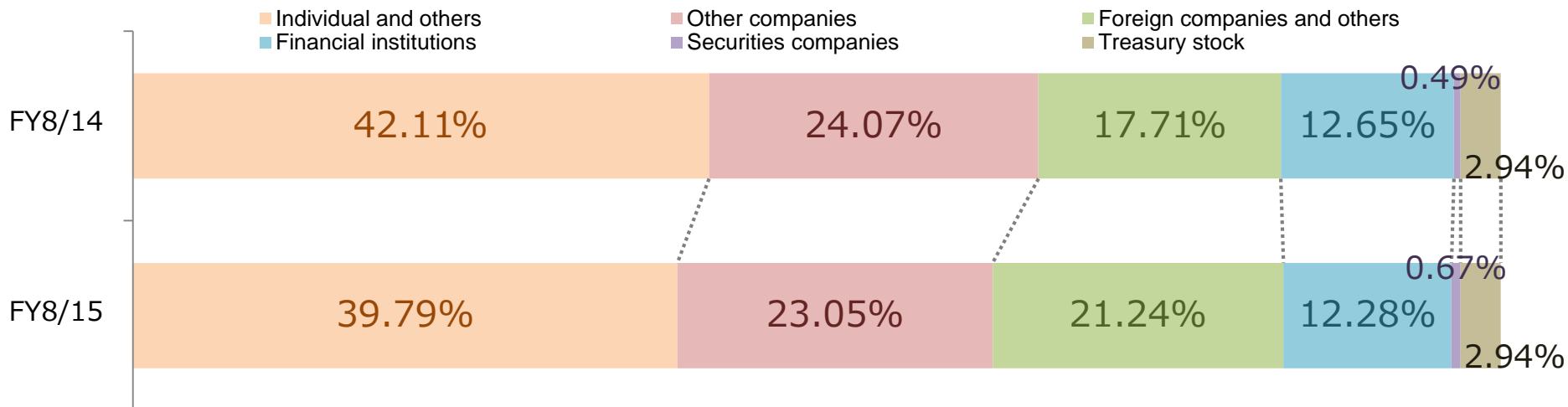
The Company's Progress



*Figures for 03/8 are 8 months results due to the change of financial period



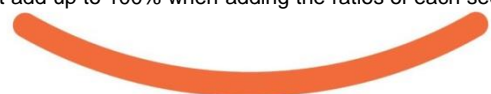
Shareholder Composition



	FY8/14	FY8/15	YoY
Total number of shares issued	13,958,800shares	13,958,800shares	—
Number of shareholders	4,811	6,283	1,472
Ownership ratio			
Individuals and others	42.11%	39.79%	△2.32P
Other domestic companies	24.07%	23.05%	△1.02P
Foreign companies and others	17.71%	21.24%	3.53P
Financial institutions	12.65%	12.28%	△0.37P
Securities companies	0.49%	0.67%	0.18P
Treasury stock	2.94%	2.94%	0.00P

- ✓ The number of shareholders increased by 30.6% from the previous year
- ✓ Composition ratio of individual shareholders decreased by 2.32% and of Foreign companies increased by 3.53%
- ✓ Watts will secure return capital for shareholders by achieving good results.

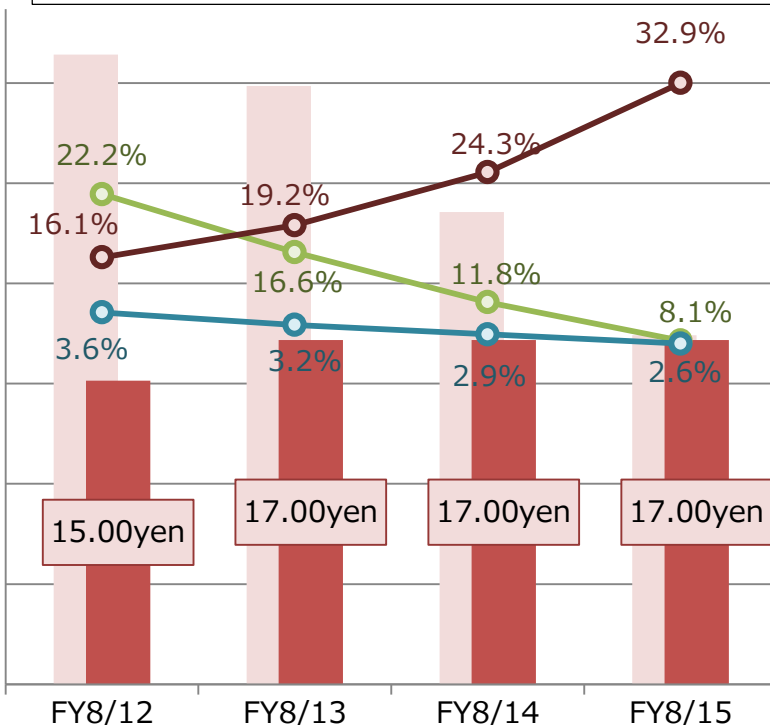
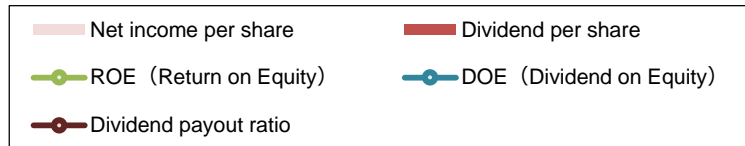
(Note) The figures are rounded to the third decimal place and may not add up to 100% when adding the ratios of each section.



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, 2012	Fiscal year ended August 31, 2013	Fiscal year ended August 31, 2014	Fiscal year ended August 31, 2015
Net income per share (Yen)	93.3yen	88.63yen	69.97yen	51.73yen
Dividend per share (Yen)	15.00yen	17.00yen	17.00yen	17.00yen
Dividend payout ratio	16.1%	19.2%	24.3%	32.9%
Dividend yield	3.0%	1.9%	1.8%	1.7%
ROE (Return on Equity)	22.2%	16.6%	11.8%	8.1%
DOE (Dividend on Equity)	3.6%	3.2%	2.9%	2.6%

* Dividend per share is including commemorative dividends below

FY8/13: Commemorative dividend ¥2.00 for the change in stock market listing to the TSE 2nd section

FY8/14: Commemorative dividend ¥2.00 for the change in stock market listing to the TSE 1st section

FY8/15: Commemorative dividend ¥2.00 for the company's 20th anniversary

* 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 ending August 31, 2015 is calculated based on the stock price on August 31, 2015



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.

Please contact us if you have any inquiry regarding this material.

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