



Watts Co., Ltd.

(2735; Tokyo Stock Exchange First Section)

**Operating Results for the Fiscal Year
Ended August 2016 and
Business Forecasts for the Fiscal Year
Ending August 2017**

October 17, 2016 (Mon.)

Fumio Hiraoka, President and CEO

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Financial Results

Although sales surpassed the result in the previous fiscal year, profits did not reach the forecasts due to an increase in costs and SG&A



(Millions of Yen)

Financial highlights	FY8/15		FY8/16 (Current period)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	44,462	—	46,176	—	103.9%	100.2%
Gross profit	16,728	37.6%	17,331	37.5%	103.6%	—
Selling, general and administrative expenses	15,470	34.8%	16,126	34.9%	104.2%	—
EBITDA	1,538	3.5%	1,581	3.4%	102.8%	—
Operating Profit	1,257	2.8%	1,205	2.6%	95.8%	88.6%
Recurring Profit	1,263	2.8%	1,193	2.6%	94.4%	87.1%
Net income attributable to owners of parent	700	1.6%	718	1.6%	102.5%	82.6%
Net income per share (Yen)	51.73		53.04		—	—

- ✓ **Sales** increased by 3.9% YoY, surpassing its forecast by 0.2% mainly thanks to new shop openings of 100-Yen shops, renovation of existing shops and growth of overseas business and Buona Vita.
Sales According to Business Type⇒P.5 YoY Changes in Same-store performance ⇒P.6
Opening/Closing Trend ⇒P.7 Overseas Business ⇒P.10
- ✓ **Profits** were at the same level as in the previous fiscal year and did not reach the forecasts, due mainly to the delay in the improvement in gross profit and the increases in shop-opening costs and personnel expenses. EBITDA increased by 2.8% YoY.
Gross profit ⇒P.12 YoY Changes in Operating Profit⇒P.13

Domestic business: further enhance Watts brand recognition and aggressively develop other business including Buona Vita



Topics for Domestic Business

100-Yen Shop Business

Watts brand shops



As of the end of August 2016, the number of Watts brand shops increased to 115 through new shop openings and renovation of existing shops. Received good responses from customers. To make further improvements.

⇒ Refer to P.23

Opening/closing



102 shops were opened, surpassing the plan. But the net increase was limited to just 20 shops as a large number of shop closed more than expected due to its unprofitable operations and property owner's reasons.

⇒ Refer to P.7

Other Business

Buona Vita



Sales were 106.4% YoY with focusing on development of existing shops such as improving product lineups. The business was transferred to a subsidiary, and aims to be profitable by itself.

⇒ Refer to P.9

Søstrene Grene



Launching project of “Søstrene Grene” in Japanese market, a variety shop offering Scandinavian items from Denmark. On October 28, 2016, to open the first flagship shop in Asia in Omotesando.

⇒ Refer to P.29



Topics for Overseas Business

⇒ Refer to P.10

<p>Total</p>  	<p>Sales of overseas business were 177.7% YoY, expanding its ratio to consolidated sales from 2.4% to 4.1%. Mount an aggressive challenge while establishing a solid management infrastructure, recording steady growth in existing markets, and carefully measuring the risk in new markets.</p>
<p>Thailand</p> 	<p>Opened 7 shops and resulted in 29 shops in this fiscal year. Although there were some disturbance in the operation as a result of the acceleration in the shop opening pace, the Company have took measures including the product line-ups during the fiscal year.</p>
<p>Malaysia</p> 	<p>Opened 2 shops and resulted in 6 shops in this fiscal year. Aim for a full-fledged expansion by accomplishing the acquisition of franchise licenses.</p>
<p>China</p> 	<p>Opened 3 directly managed shops and 1 Chinese style franchised shop, and resulted in 9 shops (including 2 Chinese style franchised shops) in this fiscal year. Focus on opening Chinese style franchised shops, not on directly managed shops.</p>
<p>Vietnam</p> 	<p>Opened 7 shops and resulted in 10 franchised shops in this fiscal year. Aggressively open at new locations such as street-level shops.</p>
<p>Peru</p> 	<p>Opened 3 shops and resulted in 5 shops in this fiscal year. Domestic directly-managed shops remains favorable. Seek new business model through franchised operation and expansion to neighbor countries, etc.</p>

Domestic 100-Yen shop business remains the primary source of sales. However, its ratio to total declined due to the growth of the overseas business, etc.



(Millions of Yen)

Sales by Business Type		FY8/15		FY8/16 (Current period)		
			Ratio to sales		Ratio to sales	YoY
Domestic 100-Yen shops	Directly managed	37,450	84.2%	38,704	83.8%	103.3%
	Wholesale, Other	3,821	8.6%	3,512	7.6%	91.9%
	Subtotal	41,271	92.8%	42,216	91.4%	102.3%
Overseas Business	Directly managed	377	0.8%	707	1.5%	187.3%
	Wholesale	681	1.5%	1,174	2.5%	172.4%
	Subtotal	1,058	2.4%	1,881	4.1%	177.7%
Domestic other businesses	Buona Vita					
	AMANO	2,132	4.8%	2,077	4.5%	97.5%
	Other					
Total		44,462	100.0%	46,176	100.0%	103.9%

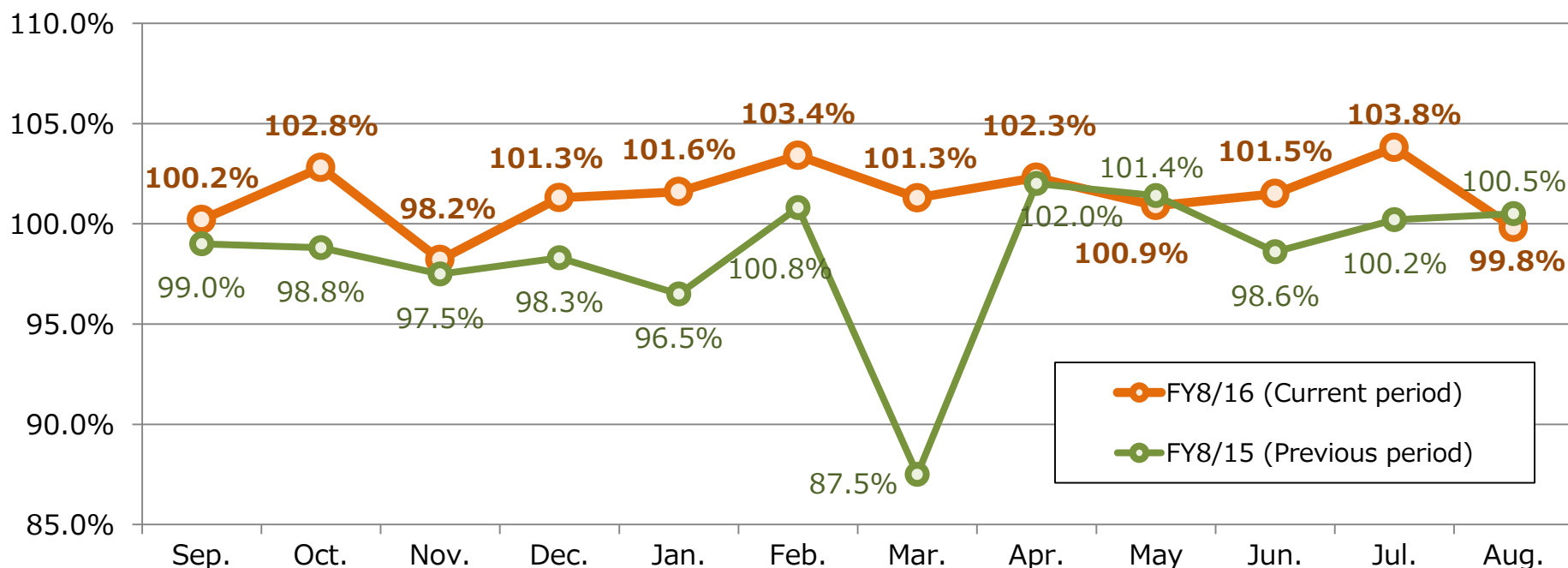
- ✓ Sales of domestic directly-managed 100-Yen shops increased by 3.3% YoY. However, its ratio to consolidated sales decreased by 1.4 points due mainly to the 8% decrease in wholesale sales and expansion of other business.
- ✓ Ratio of overseas sales to consolidated sales steadily increased: 1.1%→ 1.2%→ 2.4%→ 4.1%.

Financial Results

100-Yen shop same-store sales were 101.4% YoY. It showed a growth but did not reach the 102% target.



Sales growth ratio of existing directly managed shops: 101.4% (98.3% in FY8/15)



	1H	2H	Full-year
Sales	101.2%	101.6%	101.4%
No. of customers	100.7%	100.5%	100.6%
Spending per customer	100.4%	101.4%	100.9%

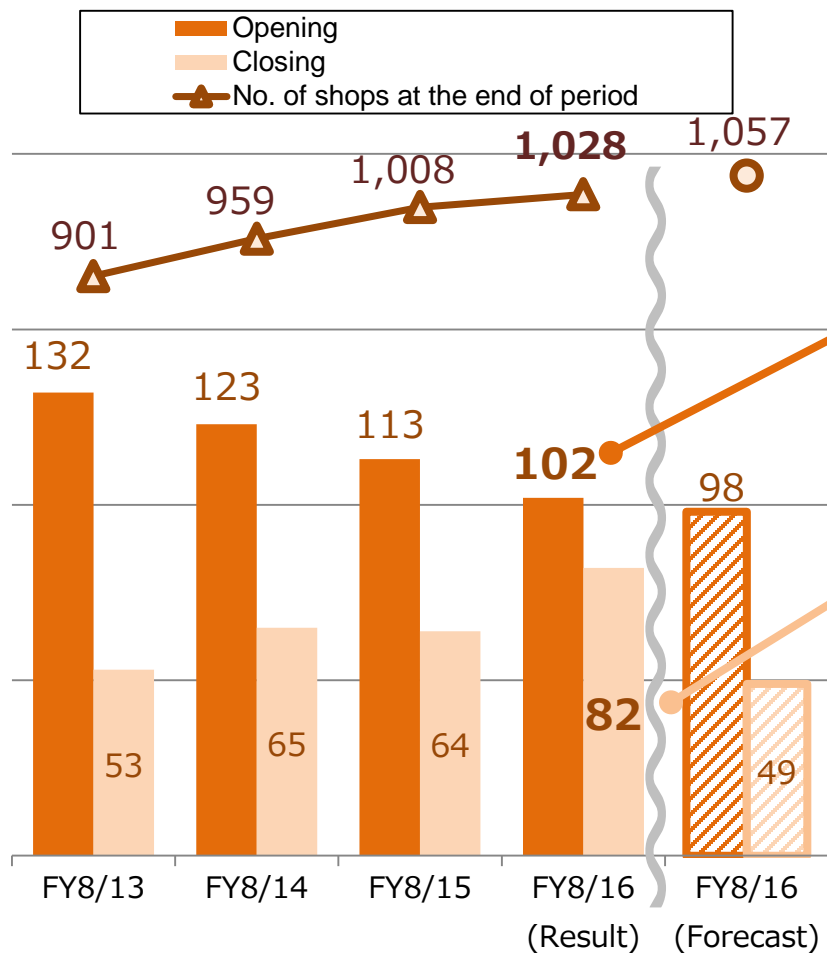
- ✓ Both the number of customers and the spending per customer surpassed its results in the previous fiscal year
- ✓ There was an extra business day in February 2016 due to leap year.
- ✓ The reason why sales growth ratio dropped steeply in March of the previous fiscal year is that the rate in the second preceding year was as high as 112.3%, due to the rush demand before the consumption tax rate hike.

Financial Results

The pace of 100-Yen shop openings remains strong but the net increase was limited to just 20 shops as a large number of shop closed for property owner's reasons



Total number of 100-Yen shops at the end of the period: **1,028**
(Directly managed:981 FC:47)



Opening/closing plan vs. results

Annual opening plan → Opened **102 shops**
98 shops

Annual closing plan → Closed **82 shops**
49 shops (of which 3 franchised shops)

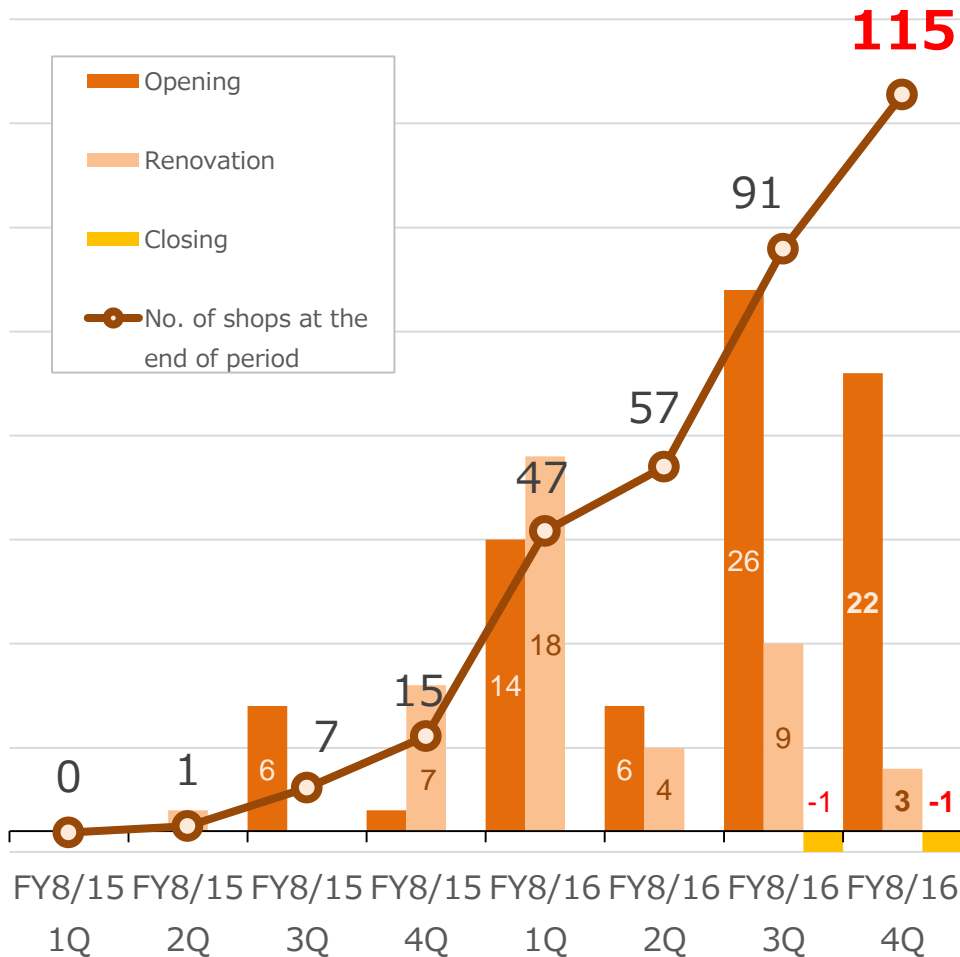
- ✓ The number of shops opened and closed surpassed its plan by 4 and 33, respectively.
- ✓ The number of shops at the end of the period fell short of the plan and remained to be 1,028, increasing by 20.

Financial Results

Watts brand shops: the number of shops steadily increased to 115 due to new shop openings and renovations of existing shops



Number of Watts brand shops: **115** (15 at the end of previous fiscal year)



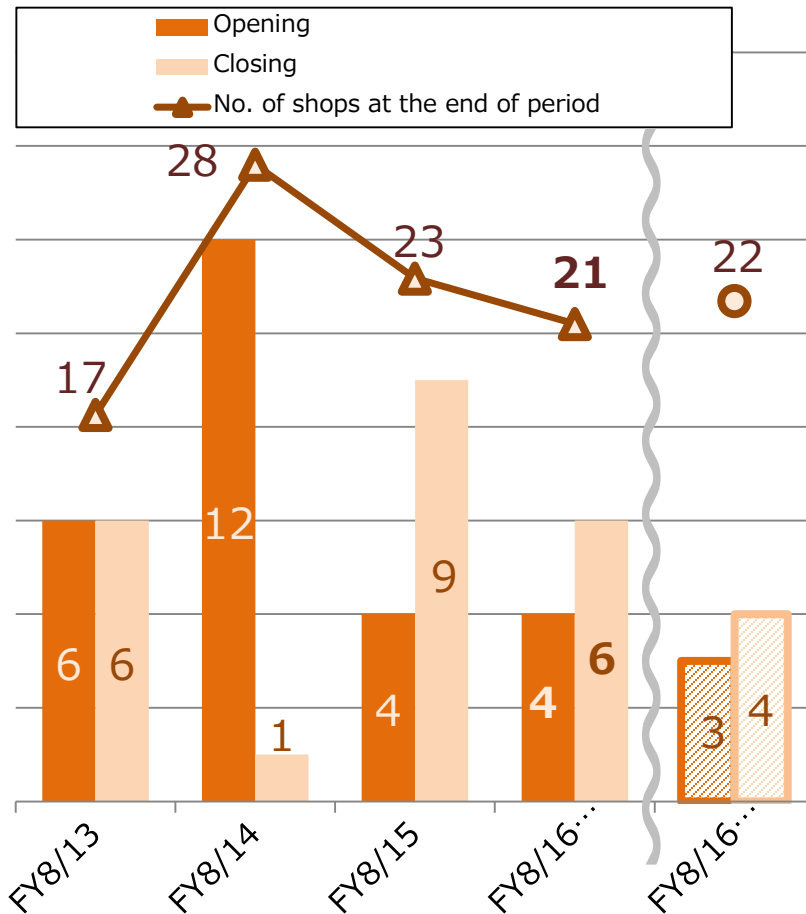
- ✓ The share to total number of shops (1,028 shops) is 11.2%. Continue to renovate existing shops with reviewing the possibility of recovering its investment.
- ✓ The number of shops represents the total number of "Watts" and "Watts with".

Financial Results

Buona Vita: focused on raising the quality of its existing shop base. The business was transferred to a subsidiary, and aims to be profitable by itself.



Buona Vita
フオーナ・ビータ



- ✓ Buona Vita business was transferred to Watts Connection, a 100% owned sales subsidiary. Watts Connection aims to be profitable by itself, by actualizing swift decision-making and making business administration more transparent.
- ✓ The number of shops at the end of the period declined by 2 due to closure of unprofitable shops and shops closed due to the property owner's reasons.
- ✓ Same-store sales were **105.0%** YoY, due to efforts for raising the quality of its existing shop base by improving product line-up etc.

Financial Results

Overseas business sales achieved a YoY growth rate of about 1.8 times and is steadily preparing the ground for further expansion

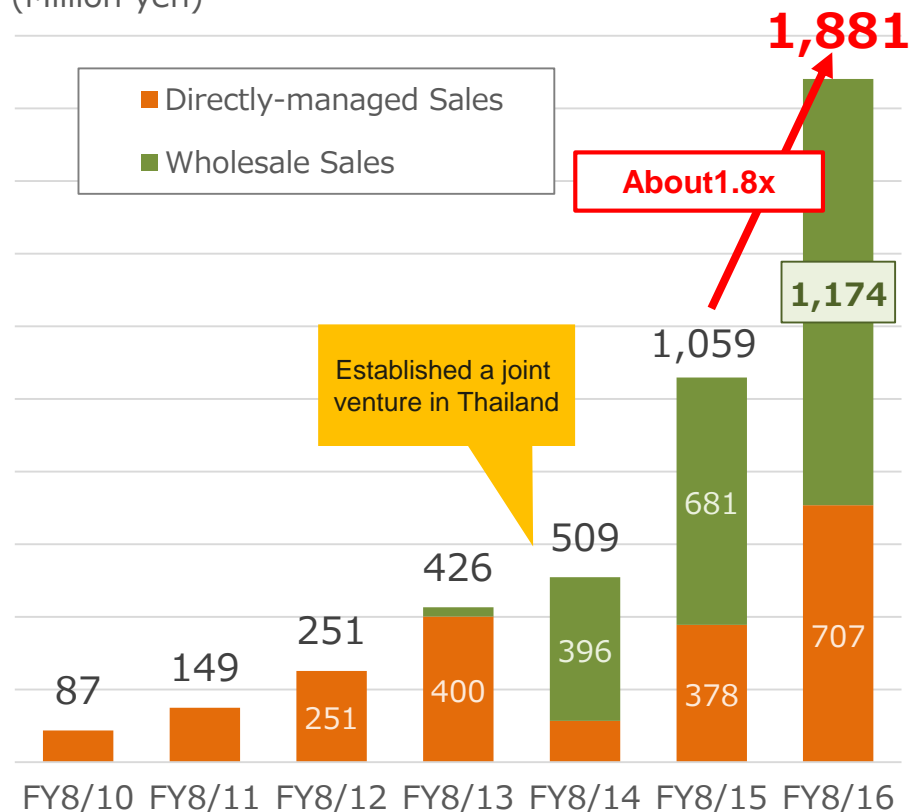


KOMONOYA
OSAKA JAPAN



小物家园
KOMONOKAEN

(Million yen)



KOMONOYA shop in Peru

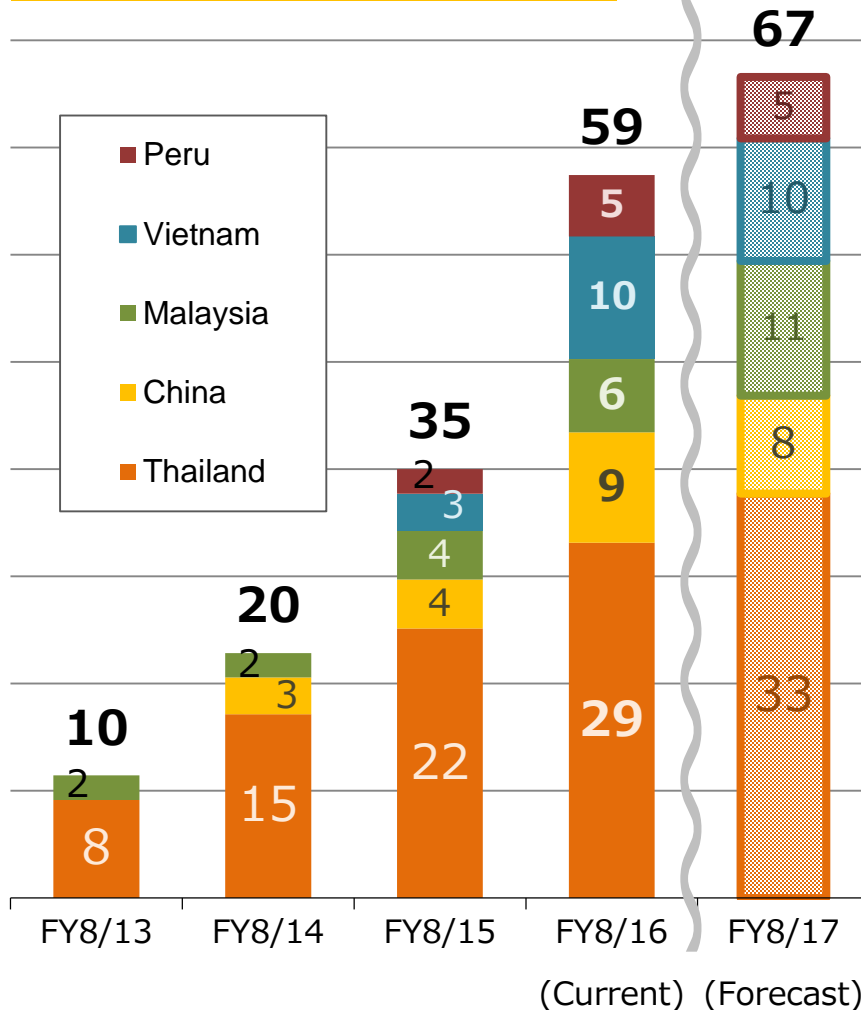
- ✓ As for Thailand, the Company established a joint venture with a subsidiary company of the Central Group, which is a leading retailer in Thailand, in August 2014. Since then, the Company has specialized in wholesale there.
- ✓ Directly managed operation: China, Malaysia, Peru
- ✓ Wholesale operation: Thailand (JV), Vietnam (franchised), Myanmar, Mongolia, Australia, New Zealand, etc.

Financial Results

The number of overseas shops were 59, increasing by 24 YoY, although it fell short of the target.



Change in No. of overseas shops



KOMONOYA shop in Thailand

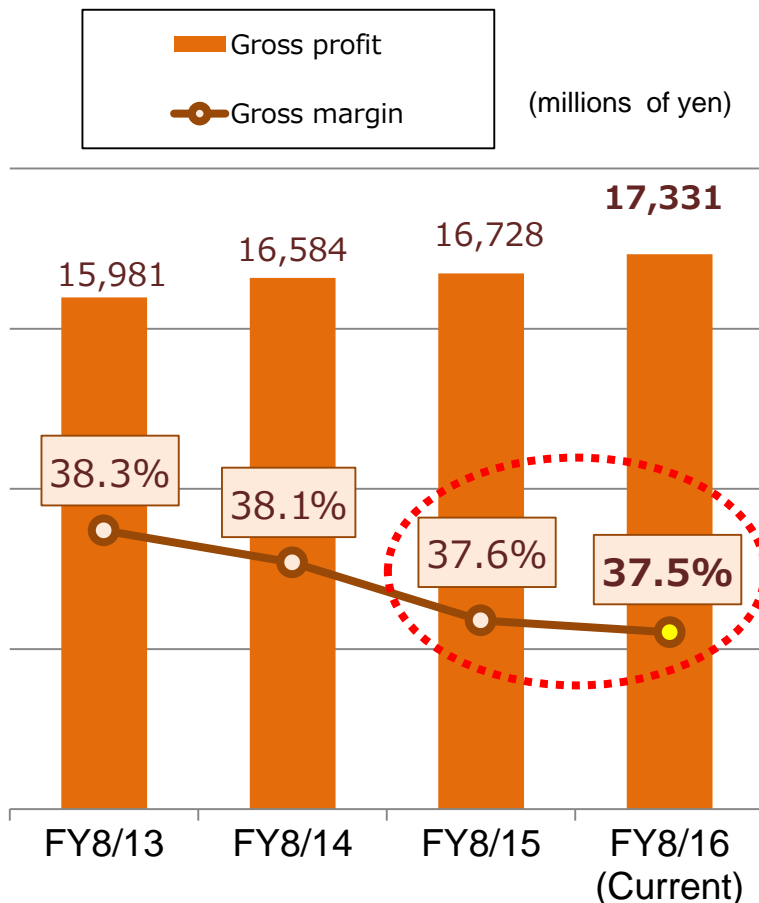
- ✓ China, Malaysia and Peru: operated by independent local companies. Thailand: operated by joint venture company. Vietnam: franchised operation by joint venture in Thailand.
- ✓ Continue to seek optimal business models tailored to each of the countries

Financial Results

There has been some visible improvement in inventory purchase prices. However, there has also been an expansion of overseas wholesaling which resulted in a slight deterioration in the consolidated gross margin



Gross margin: at the same level as in the previous fiscal year



The gross margin of the 100-Yen shop business has largely bottomed out as a result of factors including the correction to the weak yen environment from the effects of initiatives such as improving product line-up, etc. That said however, the company-wide gross margin was only down 0.1 points despite the fact that overseas wholesaling expanded more than expected.



The Company is striving to continue to promote the process of the replacement of stock towards higher value-added products with the aim of achieving improvement in both the daily-use product sales ratio and the ratio of directly-managed shops of its 100-Yen shops. In addition, the sales share of Buona Vita (which is capable of earning a relatively higher gross profit) continues to expand.

The Company continues to carefully monitor the level of gross margin across the entire group however, as ratio of the overseas wholesaling operation in the group's total business is expected to continue to steadily expand.

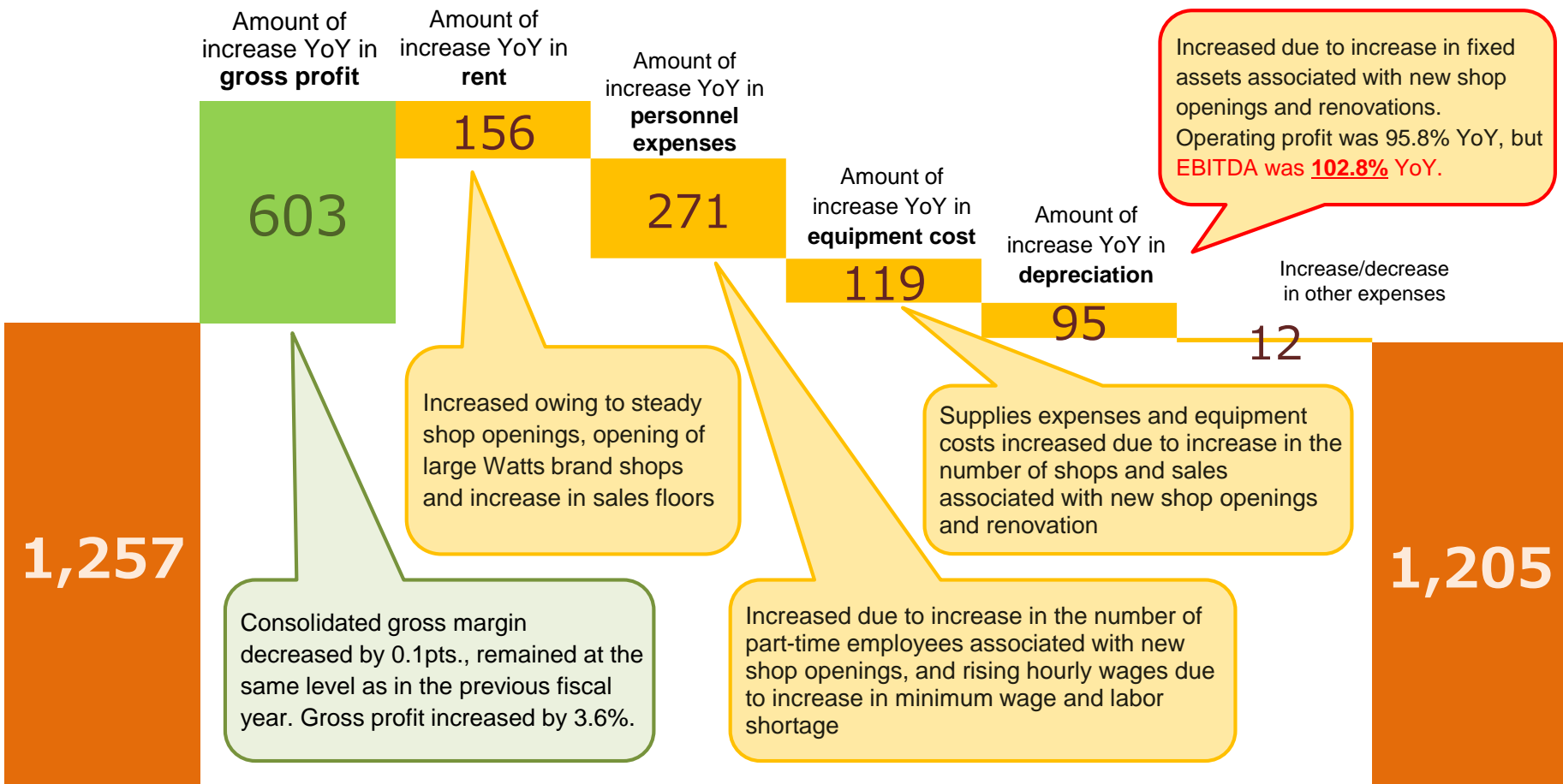
Financial Results

Operating income was at the same level as in the previous fiscal year despite pressure on the gross profit margin and an increase in SG&A



(Millions of yen)

YoY Change factors for operating profit



Previous fiscal year

Current fiscal year

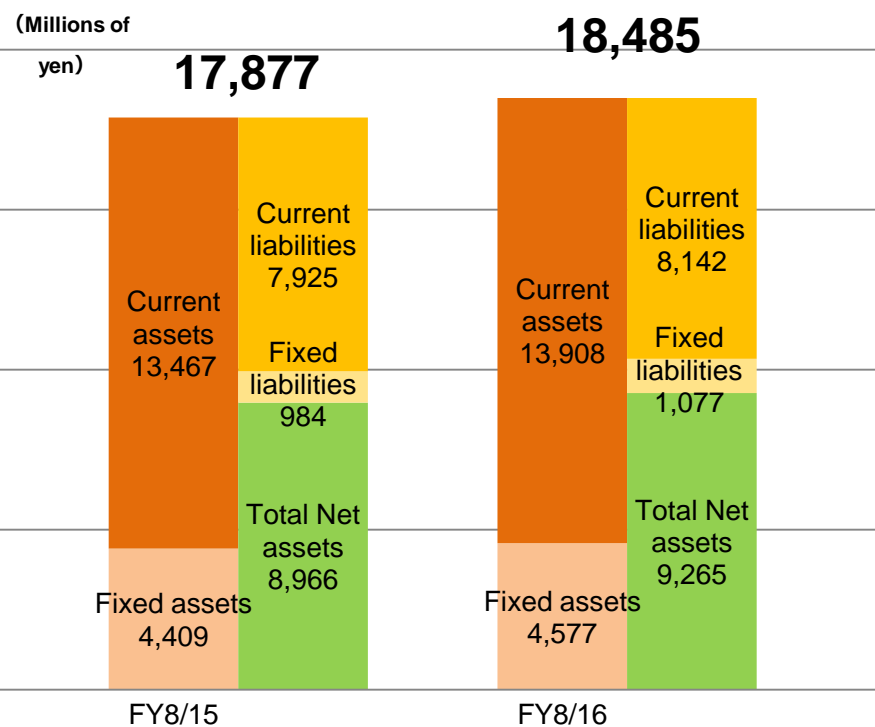
Financial Results

Fixed assets gradually increased as a result of new shop openings and renovation of existing shops
Shareholders' equity ratio remains at a similar level from the previous fiscal year at 50.1%

(Millions of yen)

Consolidated Balance Sheet	FY8/15	FY8/16 (Current)	Change	Pct. change
Total assets	17,877	18,485	608	Up3.4%
Current assets	13,467	13,908	441	Up3.3%
Cash and deposits	5,149	5,030	-118	Down2.3%
Notes and accounts receivable-trade	2,052	2,163	110	Up5.4%
Merchandise and finished goods	5,634	6,110	475	Up8.4%
Other current assets	631	604	-26	Down4.3%
Fixed assets	4,409	4,577	167	Up3.8%
Land	257	257	—	—
Buildings and structures	417	519	101	Up24.4%
Tools, furniture and fixtures	547	641	93	Up17.1%
Guarantee deposits	2,532	2,539	6	Up0.3%
Other fixed assets	654	620	-34	Down5.2%
Total liabilities	8,910	9,220	310	Up3.5%
Current liabilities	7,925	8,142	217	Up2.7%
Notes and accounts payable-trade	5,842	6,129	286	Up4.9%
Short-term loans payable	665	726	60	Up9.1%
Other current liabilities	1,416	1,287	-129	Down9.1%
Fixed liabilities	984	1,077	92	Up9.4%
Long-term loans payable	468	534	66	Up14.2%
Other fixed liabilities	516	542	26	Up5.1%
Net assets	8,966	9,265	298	Up3.3%
Shareholders' equity	8,845	9,333	488	Up5.5%
Equity	440	440	—	—
Retained equity	1,583	1,583	—	—
Retained earnings	6,905	7,393	488	Up7.1%
Treasury stock	-84	-84	—	Up0.1%
Accumulated other comprehensive income	121	-67	-189	Down155.5%

- ✓ Merchandise and finished goods increased by 475 million yen, Buildings and structures increased by 101 million yen, and Tools, furniture and fixtures increased by 93 million yen, due to the new shop openings and renovations.
- ✓ Shareholders' equity ratio was 50.1%



Financial Results

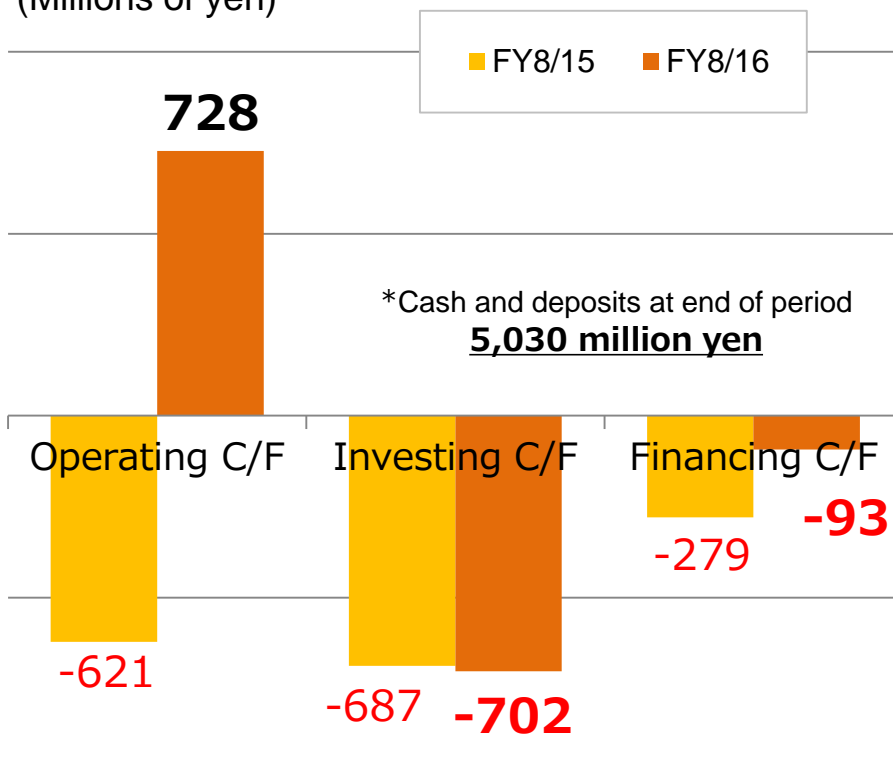
Cash balances were lower than in the previous fiscal year due to a growth in the scale of investment in shop openings and renovations costs such as inventory and fixed assets



(Millions of yen)

Consolidated Cash Flows	FY8/15	FY8/16 (Current)	Change	Pct. change
Cash and cash equivalents at beginning of period	6,714	5,149	-1,564	Down23.3%
Net cash provided by (used in) operating activities	-621	728	1,349	—
Income before income taxes and minority interests	1,174	1,161	-13	Down1.1%
Depreciation and amortization	281	376	95	Up33.9%
Decrease (increase) in accounts receivable- trade	270	-127	-397	—
Decrease (increase) in inventories	-394	-532	-138	—
Increase (decrease) in accounts payable-trade	-1,335	300	1,636	—
Income taxes paid	-658	-398	259	—
Other cash flows from operating activities	41	-50	-92	—
Net cash provided by (used in) investing activities	-687	-702	-14	—
Acquisition of tangible fixed assets	-507	-672	-165	—
Payments for lease and guarantee deposits	-180	-268	-87	—
Proceeds from collection of lease and guarantee deposits	115	224	108	Up94.2%
Other cash flows from investing activities	-126	8	134	—
Net cash provided by (used in) financing activities	-279	-93	185	—
Net increase(decrease) of short-term loans	800	845	45	Up5.6%
Repayment of long-term loans payable	-849	-717	131	—
Cash dividends paid	-229	-229	—	—
Other financing activities	—	8	8	—
Effect of exchange rate change on cash and cash equivalents	23	-50	-74	—
Cash and cash equivalents at end of period	5,149	5,030	-118	Down2.3%

(Millions of yen)



- ✓ The reason why operating cash flows for FY8/15 were negative is that the payment will be deferred to the next fiscal year as the final day of FY8/14 was the banking holiday.

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Forecasts Mid-term Plan

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Reference

About Watts Group

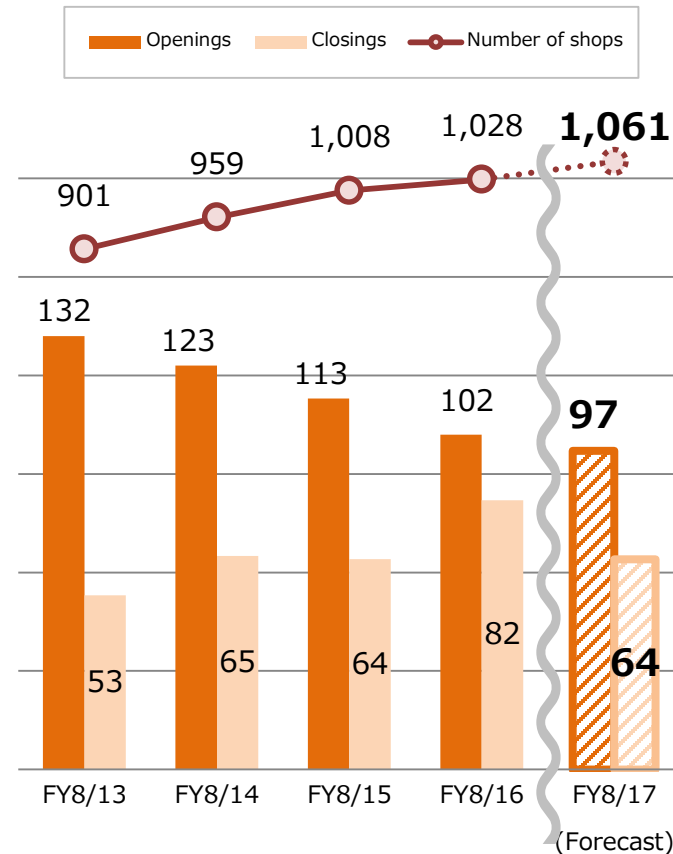
P33 – P38

Establish the foundations for a business model enable us to achieve medium-to-long-term growth, although the expected growth rate is limited



(Millions of yen)

Business Forecast	FY8/16			FY8/17 (Forecast)	
		Ratio to sales	YoY		YoY
Sales	46,176	–	103.9%	48,000	104.0%
Gross profit	17,331	37.5%	103.6%	–	–
SG&A	16,126	34.9%	104.2%	–	–
Operating Profit	1,205	2.6%	95.8%	1,370	113.6%
Recurring Profit	1,193	2.6%	94.4%	1,350	113.1%
Net income attributable to owners of parent	718	1.6%	102.5%	910	126.6%
Net income per share (Yen)	53.04		–	67.17	–



- ✓ Net increase in the number of 100-Yen shops: 33 shops
- ✓ Aggressive renovation of existing shops
- ✓ Expand the overseas business and other business



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

Customer needs for 100-Yen shops continue to diversify and remain firm while overseas market will become even more important



Japan

- The implementation of the 'New Three Arrows' of the second phase of the so-called Abenomics is still not foreseeable as yet.
- The employment demand and supply situation remains tight, with an especially pronounced labor shortage in urban areas.
- In addition to the price of crude oil being expected to remain both low and stable for the time being, the foreign exchange market looks less likely to swing towards the direction of a large depreciation in the yen just at present either.
- Inflation is likely to remain limited too, despite an anticipated increase in wage income due to hourly wage hikes.
- There is still no clear sign of consumers abandoning their current deflationary mindset as yet.
- Toward the Tokyo Olympics in 2020, infrastructure-related investment is likely to become much more lively.

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

Overseas

- The United States economy is expected to continue to in its trend towards recovery, but how the results of the presidential election pan out could prove to be a major destabilizing factor for the global economy.
- The European economy is expected to encounter difficulties in response to the negotiations over the withdrawal of the United Kingdom from the European Union, and mark out a development drifting towards uncertainty as a result.
- In Asian economies, negative factors include a slower rate of growth materializing in the Chinese economy due to the delay in recovery of global 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

The growth strategy for the domestic 100-Yen shop is to brush it up by restructuring the Watts brand



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 shop package and expand “Watts” and “Watts with” 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 products

Overseas business: adopt a steady and stable stance towards each of the countries

Domestic and other businesses: being careful and bold



Growth strategy for overseas business

- Thailand: Accelerate the pace of opening of shops by restructuring its shop operation
- Vietnam: Develop new locations of shops and franchised shops
- Malaysia: Advance to island areas and peninsula areas by using franchise license
- 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 business

- **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.
- **Søstrene Grene**
With using SNS and Weekly Merchandising, establish brand strength and open more shops in Japan
- Continue to pursue M&A projects that are likely to generate synergies with the core 100-Yen shop business.

The trinity of 100 yen shops, overseas business, and other domestic business to drive the growth of the group



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

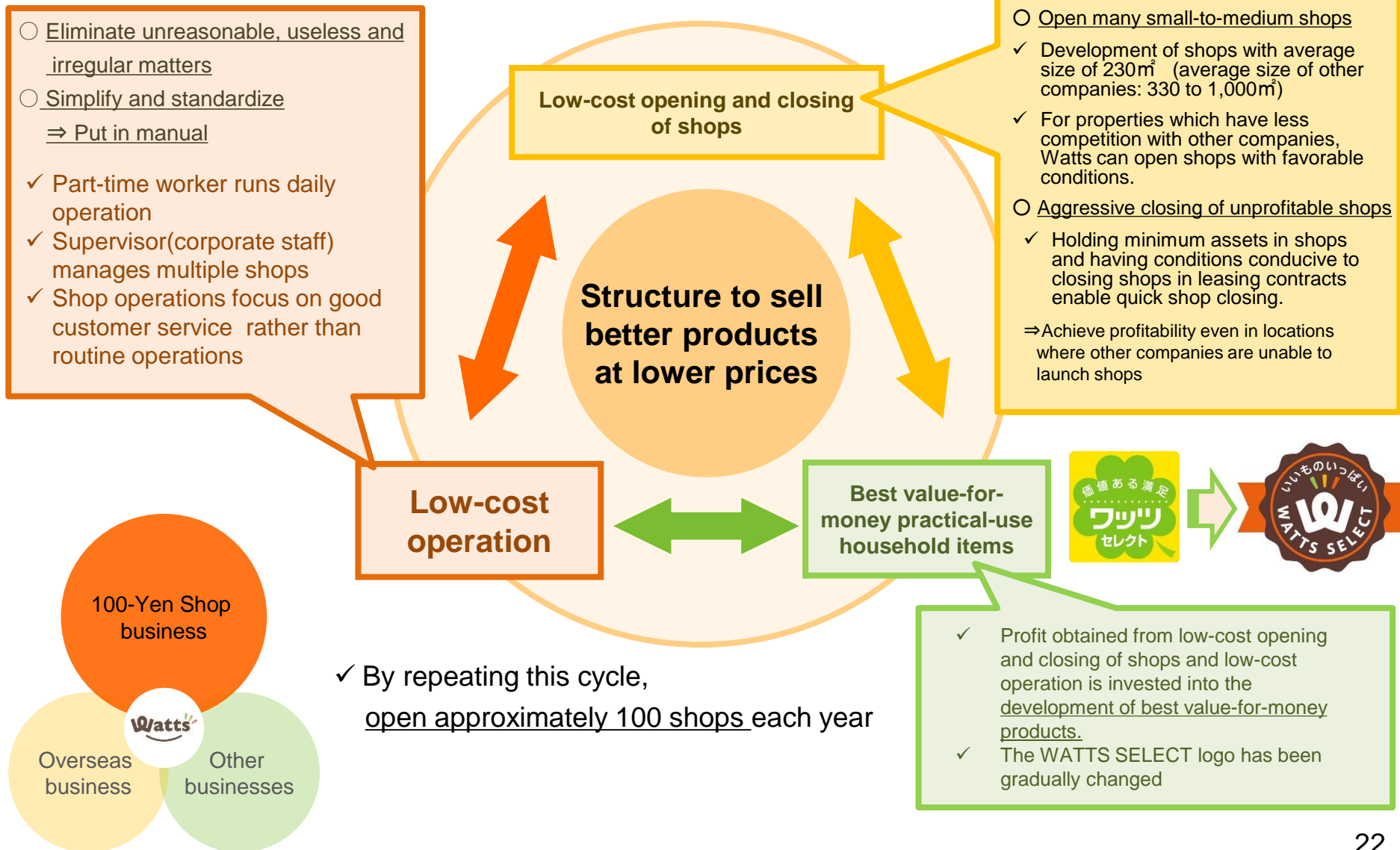
Watts

Other businesses

Expand business and Enlarge source of earnings

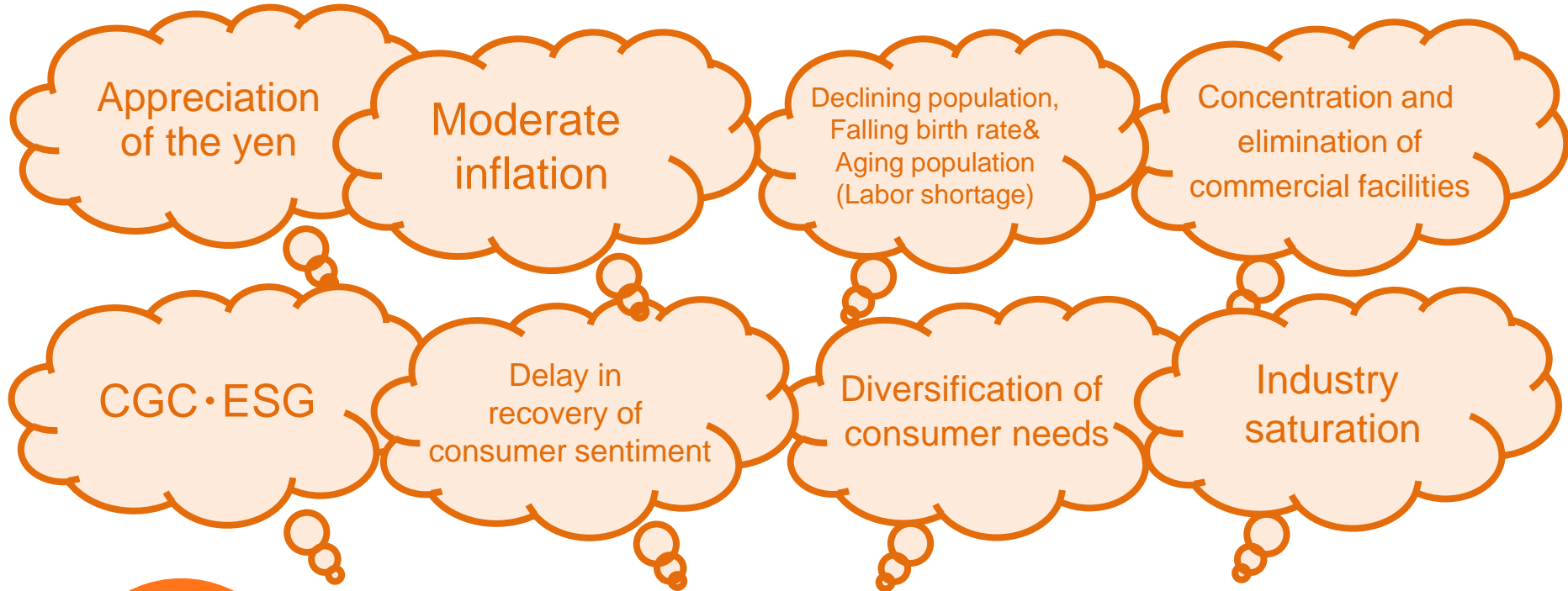
- ✓ Grow existing business and secure profitability
- ✓ Capture new opportunities including M&A

The basis of the 100-Yen shop does not change: polishing up a “Structure to sell better products at lower prices”

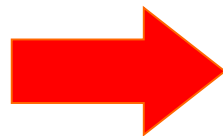


Diversifying needs of 100-Yen shops

Rising level of demand from both customers and developers



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



Implement restructure of its business model since the previous fiscal year

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.



Establish a shop model to suit the location and customer base, plan both to improve customer satisfaction and to maximize sales and profit



Introduction of POS system will be completed in FY8/17

Refine the utilizing method for maximizing sales and profits



Introduced POS system from February 2015

FY8/16 Result	FY8/17 Plan
Introduced 552 devices in 342 shops	Planned total: 631 devices in 409 shops

Introduce POS system

- ✓ 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

100-Yen Shop
business

Overseas
business

Other
businesses



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

Intensify sales promotion led by the headquarter Revitalize sales floors with monthly product proposals



- To set a theme for each month, and distribute the list of products, a display example, etc. to shops.
- To design each selling space while considering regional characteristics, customer segments, etc. at shops, and take pictures of actual displays.

- ✓ To gather the information on displays in respective shops, accumulate know-how, and share good examples among shops.
- ✓ To collect qualitative feedback through questionnaires targeted at shop staff, etc.
- ✓ Analysis of POS data
- ✓ Markup rate control by the headquarters

【Example】



Proactively try out a variety of business to diversify our revenue sources and operations



- ✓ Natural taste lifestyle products shop proposing Buona Vita (comfortable life). Operates 21 shops as of August 2016



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



Import and wholesale of European taste lifestyle goods

Japan launching project for Denmark's "Søstrene Grene", a life-style variety shop offering Scandinavian items



<http://sostrengrene.com/>

- ✓ Established a joint venture company "Hilmer Japan Co., Ltd." in May 2016. The Company holds 55% shares and Søstrene Grene Holding ApS holds 40% shares.
- ✓ To open the first flagship shop in Asia in Omotesando on October 28, 2016
- ✓ Plan to open 4 shops by August 2017



Expand the overseas business boldly and carefully
by establishing optimal business models tailored to each
of the countries

 KOMONOYA



 小物家园 “KOMONOKAEN”



100-Yen Shop
business

Overseas
business

Other
businesses

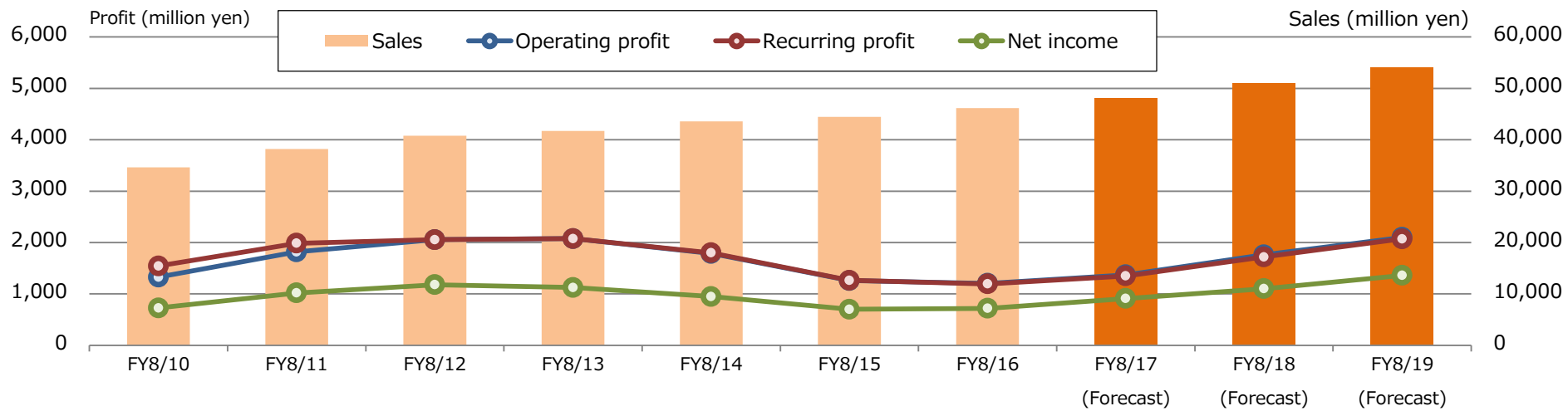


 Wholesale supply of products

Developing aggressively.
As of August 2016, wholesale operations were in the
following countries: China, South Korea, Taiwan,
Mongolia, Myanmar, Australia, and New Zealand

Forecasts Mid-term Plan

3-year target: sales of 54 billion yen, operating profit margin of 3.9%, and ROE of 12.0%



(Millions of Yen)

3-year Plan	FY 8/15 (Result)			FY 8/16 (Result)			FY 8/17 (Forecast)			FY 8/18 (Forecast)			FY 8/19 (Forecast)		
		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY
Sales	44,462	-	102.0%	46,176	-	103.9%	48,000	-	104.0%	51,000	-	106.3%	54,000	-	105.9%
Operating profit	1,257	2.8%	70.5%	1,205	2.6%	95.8%	1,370	2.9%	113.6%	1,760	3.5%	128.5%	2,100	3.9%	119.3%
Recurring profit	1,263	2.8%	70.2%	1,193	2.6%	94.4%	1,350	2.8%	113.1%	1,720	3.4%	127.4%	2,070	3.8%	120.3%
Net income attributable to owners of parent	700	1.6%	73.9%	718	1.6%	102.5%	910	1.9%	126.6%	1,100	2.2%	120.9%	1,360	2.5%	123.6%
ROE		8.1%	-3.7P		7.9%	-0.2P		9.4%	1.6P		10.6%	1.2P		12.0%	1.5P
Plan assumptions															
100-Yen shop total at year-end (Shops)	1,008		49	1,028		20	1,061		33	1,094		33	1,127		33
Other shops total at year-end (Shops)	59		10	81		22	105		24	126		21	150		24
Other shops sales share	7.2%		1.4P	8.6%		1.4P	10.8%		2.3P	13.3%		2.4P	15.4%		2.1P
Of which overseas business total at year-end (Shops)	35		14	59		24	76		17	87		11	102		15
Overseas business sales share	2.4%		1.2P	4.1%		1.7P	4.7%		0.6P	5.4%		0.8P	6.2%		0.7P

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Financial Results

Consolidated Operating Results
for the Fiscal Year Ended August 31, 2016

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Forecasts Mid-term Plan

Business Forecasts for the Fiscal Year
Ending August 31, 2017
and Medium-Term Management Plan

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Reference

About Watts Group

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Brands of Watts Group



Domestic 100-Yen shop business



Overseas business



Other domestic business



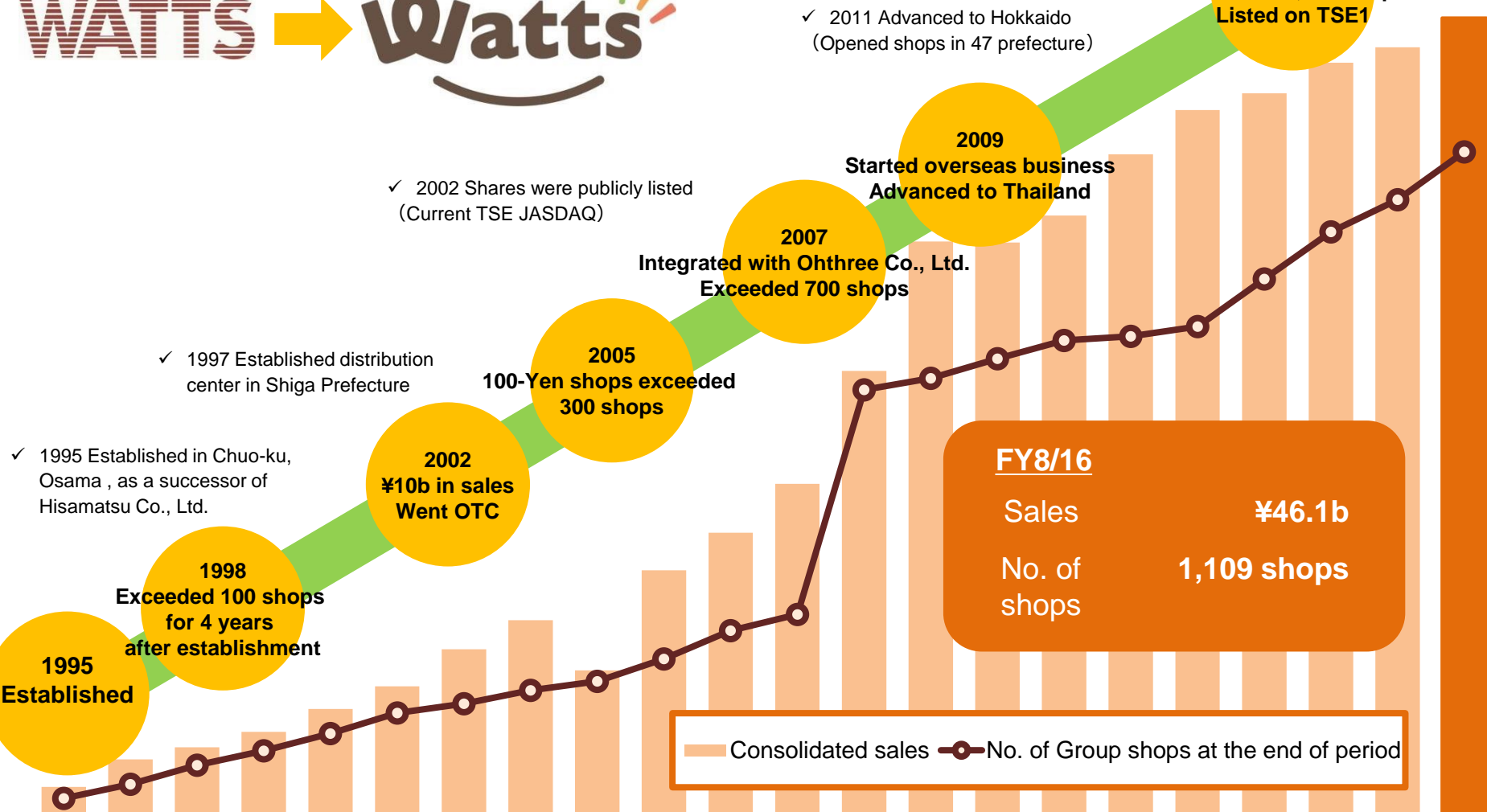
Corporate Profile



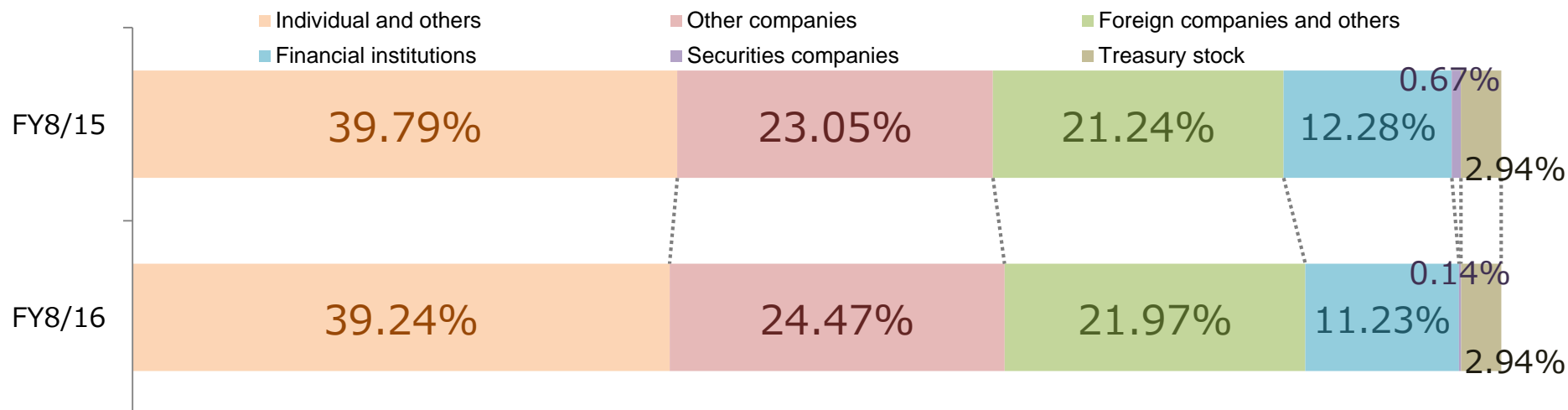
Establishment	February 22, 1995 (Currently the 23 rd business term)
Meaning of the Company's name	Derived from “Wa! tto ikou” (Japanese catch cry to “go forth energetically”)
Market listing	Tokyo Stock Exchange First Section (Securities code: 2735)
Capital stock	440.29 million yen (as of August 31, 2016)
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	3,117 employees (as of August 31, 2016) *Part-time workers included
Number of shops	1,109 shops (as of August 31, 2016) *Other shops included

Corporate History

Changed its corporate logo in 2015!



Shareholder Composition



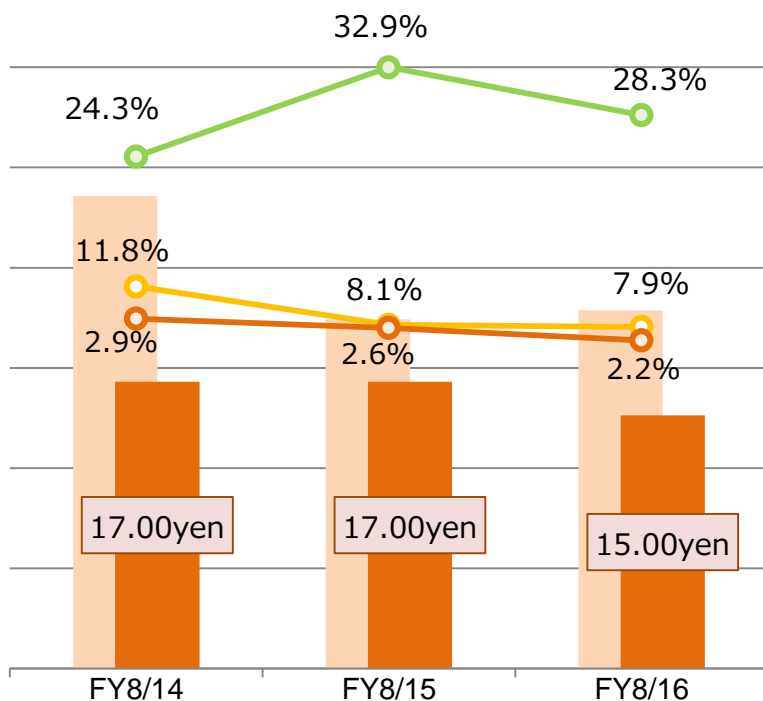
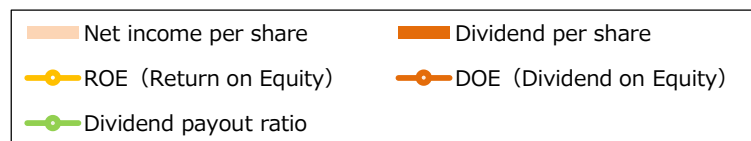
	FY8/15	FY8/16	YoY
Total number of shares issued	13,958,800 shares	13,958,800 shares	—
Number of shareholders	6,283	8,143	1,860
Ownership ratio			
Individuals and others	39.79%	39.24%	-0.55P
Other domestic companies	23.05%	24.47%	1.42P
Foreign companies and others	21.24%	21.97%	0.73P
Financial institutions	12.28%	11.23%	-1.05P
Securities companies	0.67%	0.14%	-0.53P
Treasury stock	2.94%	2.94%	0.00P

- ✓ The number of shareholders increased by 29.6% from the previous year
- ✓ Composition ratio of individual shareholders decreased by 0.55P and of Foreign companies increased by 0.73P
- ✓ Watts will secure return capital for shareholders by achieving good results.

Dividend Policy



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



	FY8/14	FY8/15	FY8/16
Net income per share (Yen)	69.97	51.73	53.04
Dividend per share (Yen)	17.00	17.00	15.00
Dividend payout ratio	24.3%	32.9%	28.3%
Dividend yield	1.8%	1.7%	1.6%
ROE (Return on Equity)	11.8%	8.1%	7.9%
DOE (Dividend on Equity)	2.9%	2.6%	2.2%

*Dividend per share is including commemorative dividends below
 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

*Dividend payout ratio for the fiscal year ended August 2016 is calculated based on the stock price as of August 31, 2016



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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