



Watts Co., Ltd.

(2735; Tokyo Stock Exchange First Section)

# **Operating Results for the Six Months of the Fiscal Year Ending August 31, 2017 and Progress of the Full-Year Plan**

April 17, 2017 (Mon.)

Fumio Hiraoka, President and CEO

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## Financial Results

**Sales up 2.6% and operating income up 9.9%, ending the pattern of higher sales and lower profits continued until the previous fiscal year**



(Millions of Yen)

Financial highlights	FY08/16 2Q		FY08/17 2Q (Current period)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	22,895	—	<b>23,484</b>	—	102.6%	99.9%
Gross profit	8,579	37.5%	<b>8,868</b>	37.8%	103.4%	—
Selling, general and administrative expenses	7,993	34.9%	<b>8,224</b>	35.0%	102.9%	—
EBITDA	757	3.3%	<b>813</b>	3.5%	107.5%	—
Operating Profit	586	2.6%	<b>643</b>	2.7%	109.9%	106.4%
Recurring Profit	585	2.6%	<b>695</b>	3.0%	118.9%	117.9%
Net income attributable to owners of parent	347	1.5%	<b>489</b>	2.1%	141.0%	127.1%
Net income per share (Yen)	25.62		<b>36.13</b>		—	—

- ✓ Sales grew YoY thanks to steady 100-Yen shop same-store sales but missed the target only 0.1 percent.

**Sales by Business Type⇒P.5 YoY Changes in Same-store performance ⇒P.6 Opening/Closing ⇒P.7 Overseas Business ⇒P.10**

- ✓ Operating profit and recurring profit were above the plan thanks to a higher gross profit and progress in optimization of expenses for Watts brand shop openings and renovation. Net income attributable to owners of parent significantly increased mainly because of the effect of reorganization on income taxes-deferred.

**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



The number of Watts brand shops increased to **184** as of the end of February 2017 through new shop openings and renovation of existing shops. Received good responses from customers. To make further improvements.

⇒ Refer to P.8

#### Opening/closing



Opened **58 shops** (plan: 46 shops) and closed **37 shops** (plan: 39 shops), increasing by 21 shops. At the end of 2Q, the number of shops was **1,049**.

⇒ Refer to P.7

### Other Business

#### Buona Vita



Opened 4 shops and resulted in **25 shops**. While opening shops at a faster pace than planned, we also focused on development of existing shops such as improving product lineups.

⇒ Refer to P.9

#### Søstrene Grene



With the flagship shop in Omotesando as the core, plan to open a few more shops during the current fiscal year. Aiming to expand the business scale and make it profitable.



## Topics for Overseas Business

⇒ Refer to P.10

<p>Total</p> 	<p>Sales of overseas business grew by <b>12.1%</b> YoY, expanding its ratio to consolidated sales from 4.2% to <b>4.6%</b>, closing in upon the full-year plan of 4.7%. Mount an aggressive challenge while carefully measuring the risk in new markets. Total number of overseas shops was <b>66</b> at the end of 2Q.</p>
<p>Thailand</p> 	<p>Opened 5 shops and closed 1 shop, resulted in <b>33 shops</b>. Existing shops are recovering to favorable level. Continue to actively open shops while focusing on product enhancement.</p>
<p>Malaysia</p> 	<p>The number of shops remains unchanged at <b>6</b>. Obtained franchise license in FY8/16. Aiming for growth with a combination of directly-managed and franchised shops and wholesale sales.</p>
<p>China</p> 	<p>Opened 1 Chinese style franchised shop, and resulted in <b>10 shops</b> (including 3 Chinese style franchised shops) . Focus on opening Chinese style franchised shops and pop-up shops, not on directly managed shops.</p>
<p>Vietnam</p> 	<p>Only opened 1 shop and resulted in <b>11 shops</b> (all shops are franchised), although they expanded rapidly in 1H of FY8/16 as the large number of shops were opened at the term.</p>
<p>Peru</p> 	<p>Opened 1 shop and resulted in <b>6 shops</b>. Domestic directly-managed shops remains favorable. In September 2016, started wholesale to Mexico as the first step to enter neighboring countries.</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		FY08/16 2Q		FY08/17 2Q (Current period)		
			Ratio to sales		Ratio to sales	YoY
Domestic 100-Yen shops	Directly managed	19,073	83.3%	<b>19,670</b>	83.8%	103.1%
	Wholesale, Other	1,764	7.7%	<b>1,655</b>	7.0%	93.8%
	Subtotal	20,838	91.0%	<b>21,325</b>	90.8%	102.3%
Overseas Business	Directly managed	320	1.4%	<b>459</b>	2.0%	143.3%
	Wholesale	645	2.8%	<b>623</b>	2.7%	96.7%
	Subtotal	966	4.2%	<b>1,083</b>	4.6%	112.1%
Domestic other businesses	Buona Vita	1,090	4.8%	<b>1,076</b>	4.6%	98.7%
	AMANO					
	Other					
Total		22,895	100.0%	<b>23,484</b>	100.0%	102.6%

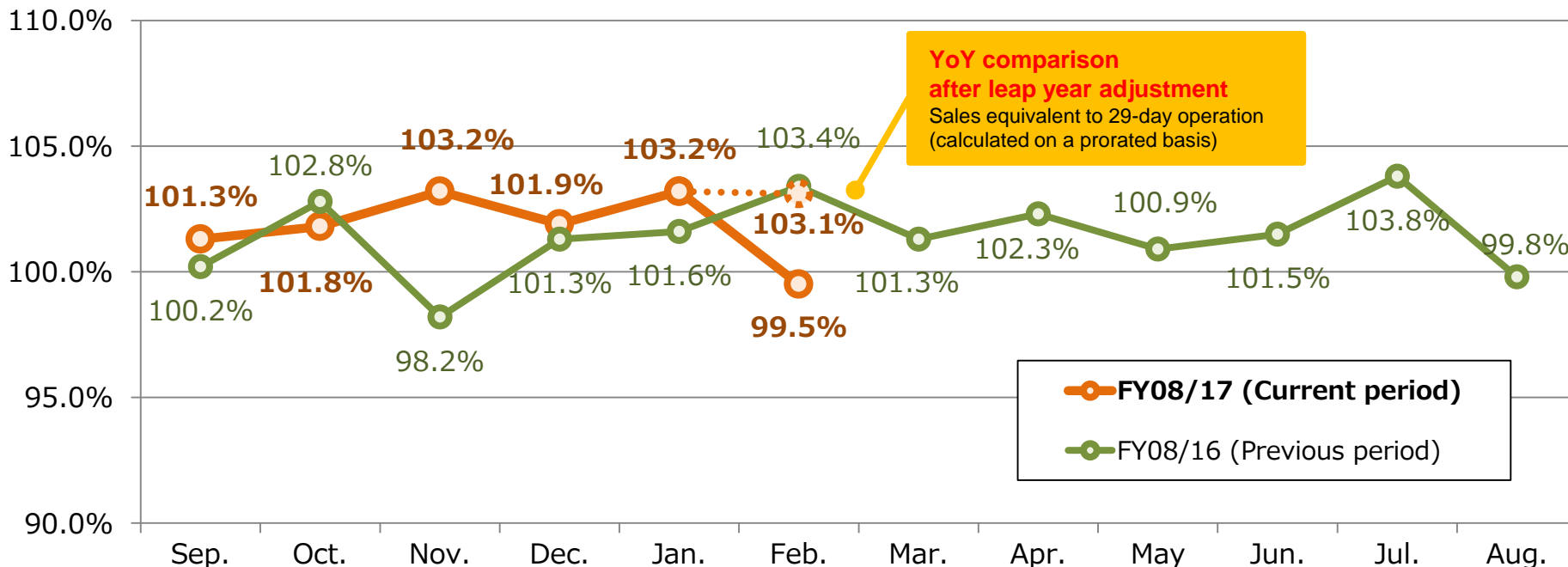
- ✓ Sales of domestic directly-managed 100-Yen shops increased by 2.3% YoY. However, its ratio to consolidated sales decreased by 0.2 points due mainly to the decrease in wholesale sales of franchised shops and growth in overseas sales.
- ✓ The ratio of overseas business to consolidated sales was 4.6%, closing in upon the full-year plan of 4.7%.

# Financial Results

## 100-Yen shop same-store sales were 101.8% YoY, performing at a level exceeding the full-year plan



Sales growth ratio of existing directly managed shops: **101.8%** (FY8/16 2Q:101.2%)



1H total	Sales	No. of customers	Spending per customer
YoY	101.2%	100.7%	100.4%
<b>Current period (leap year adjusted)</b>	<b>101.8% (102.4%)</b>	<b>100.7% (101.2%)</b>	<b>101.1% (101.1%)</b>

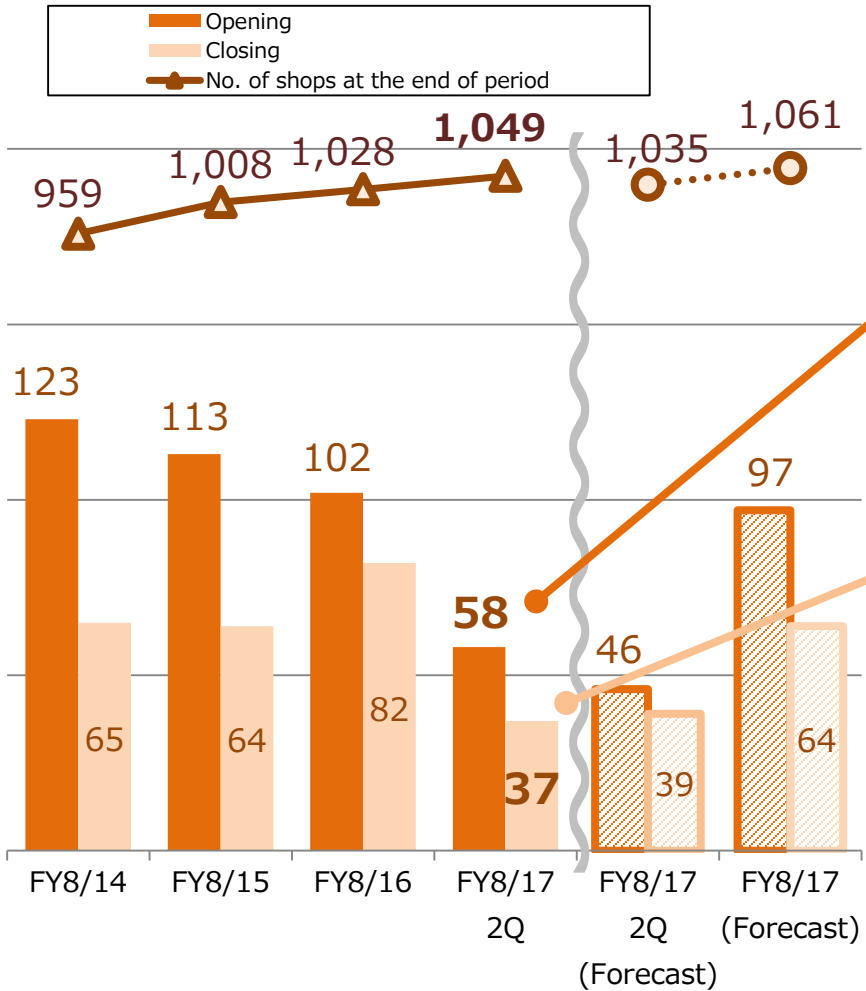
- ✓ The effects of renovation to the Watts brand, introduction of POS system, monthly sales promotion plan etc., are gradually yielding positive results.
- ✓ February 2016 had an extra business day due to the leap year
- ✓ March 2017: 101.5%

# Financial Results

The pace of new shop openings is faster than the plan, although many shops remain small-sized.



**Total number of 100-Yen shops at the end of 2Q: 1,049**  
 ( Directly managed:1,005 FC:44 )



## Opening/closing plan vs. results

2Q opening plan 46 shops → Opened **58 shops**

2Q closing plan 39 shops → Closed **37 shops**  
 (of which 3 franchised shops)

- ✓ The pace of new shop openings is faster than the initial plan, although the large number of new shops is consignment type with relatively small sales scale.
- ✓ The number of closing shops was below the plan.

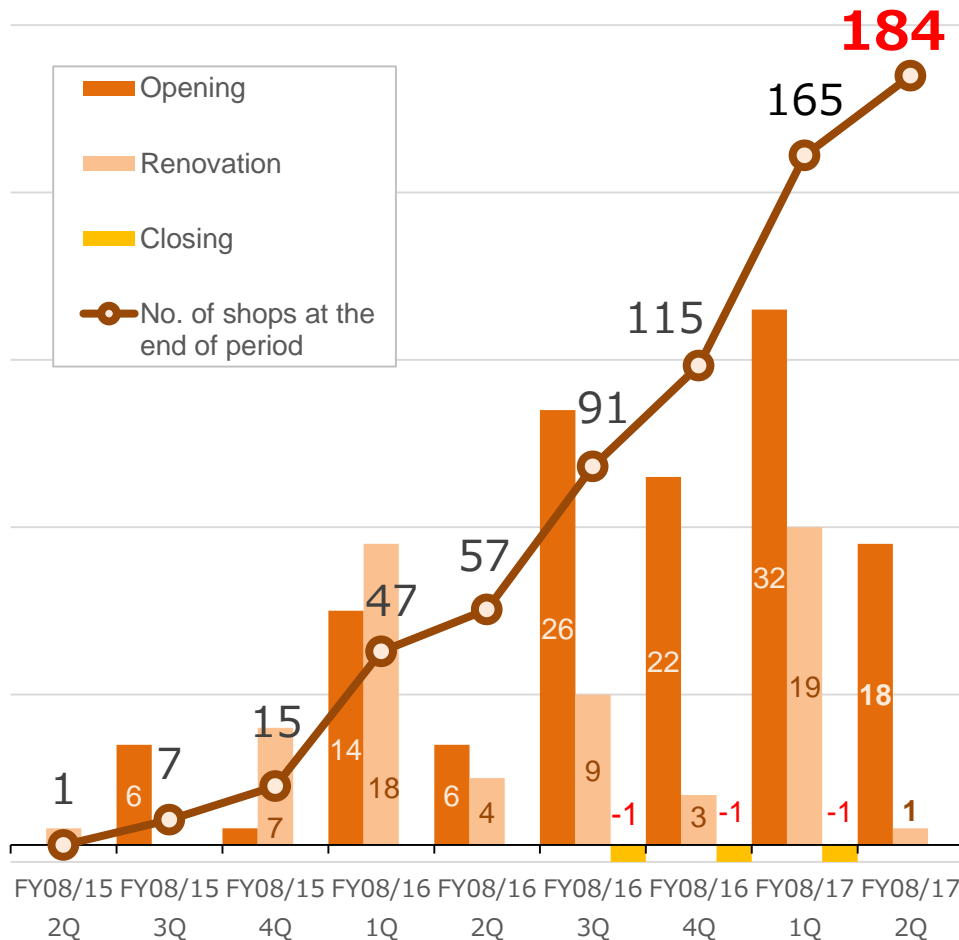


## Financial Results

Watts brand shops: the number of shops increased by about 70 to 184 through new shop openings and renovations of existing shops



Number of Watts brand shops: 184 (115 at the end of previous fiscal year)



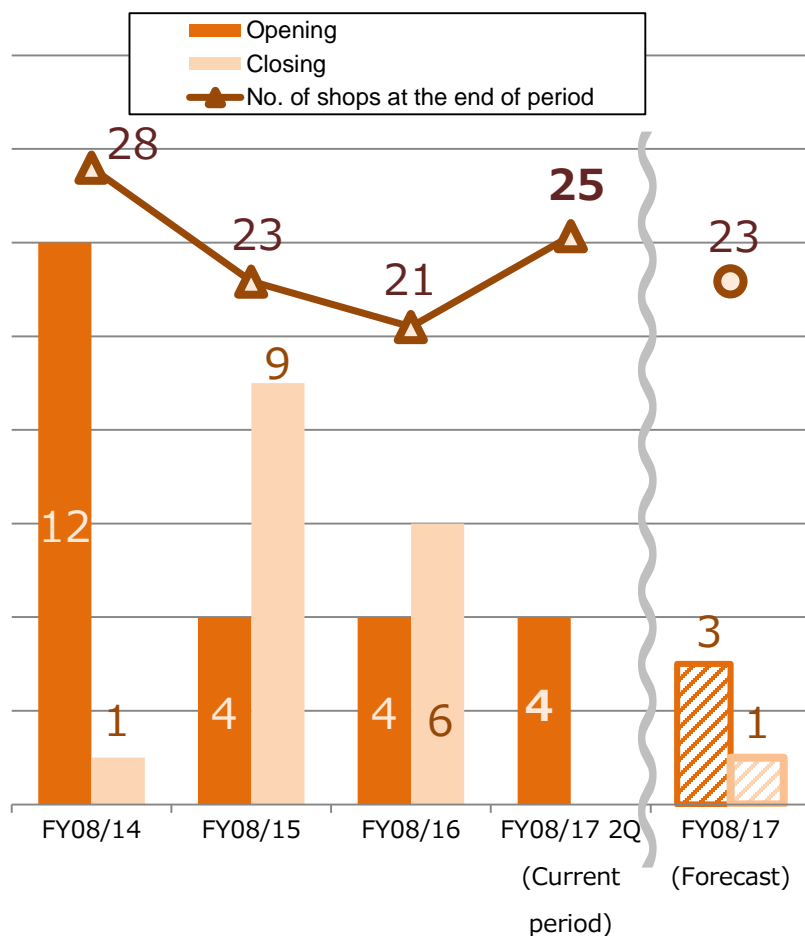
October 2016 "Watts with" KONOIKE AEON shop (Osaka)

- ✓ The share to total number of shops (1,049 shops) is 17.5%.
- ✓ To open shops mainly Watts brand; renovations will be made 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: opened mainly in front of the large station. focusing on development of existing shops.**

**Buona Vita**  
フオーナ・ビータ



February 2017 Sannomiya OPA2 shop

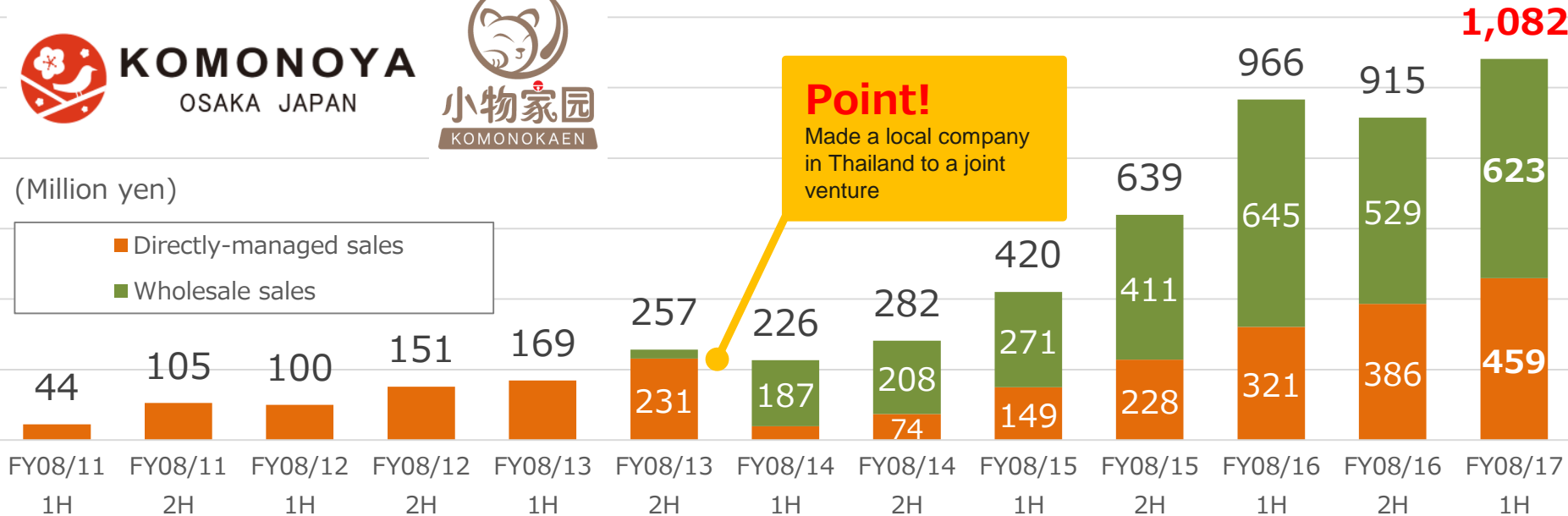
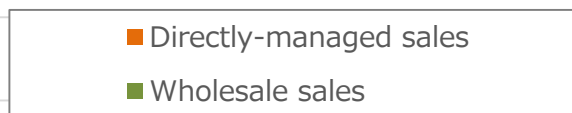
- ✓ Total: **25 shops**
- Opened 4 shops, exceeded the full-year plan.
- ✓ Same-store sales remained at **96.2%** due in part to the somewhat weak sales of apparel products.

# Financial Results

Despite the slower pace of shop openings in Thailand in 2H of FY8/16, Peru and other new growth drivers emerged



(Million yen)



KOMONOYA shop in Peru

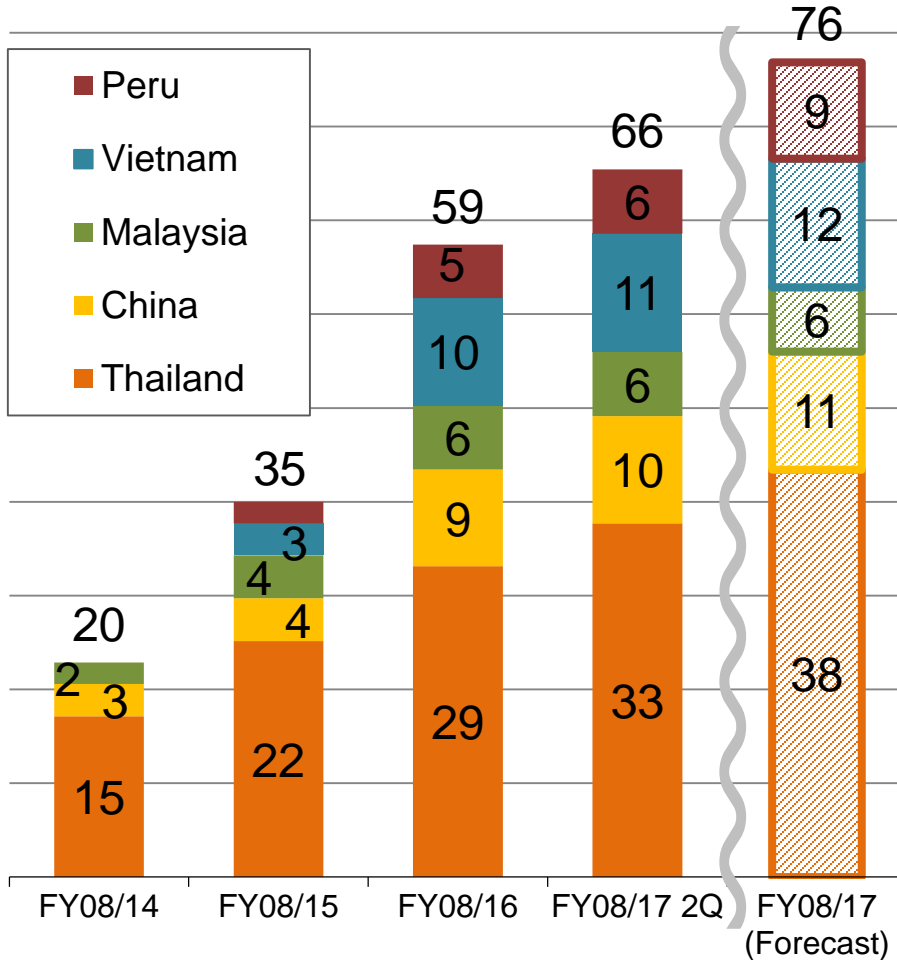
- ✓ Thailand: sales of existing shops recovered and the number of shops increased by 4. A framework for renewed growth is in place.
- ✓ Vietnam: expanded rapidly in the previous fiscal year, but opened only one shop. Seeking new store opening location such as roadside shop.
- ✓ Peru: directly-managed shops remained strong. Started development neighboring countries, with starting wholesale sales to Mexico from this fiscal year.
- ✓ Actively developing other exclusive sellers.



The number of overseas shops were 66, increasing by 7. Including wholesalers, overseas retailers dealing our shop items are about 100 shops.



Change in No. of overseas shops



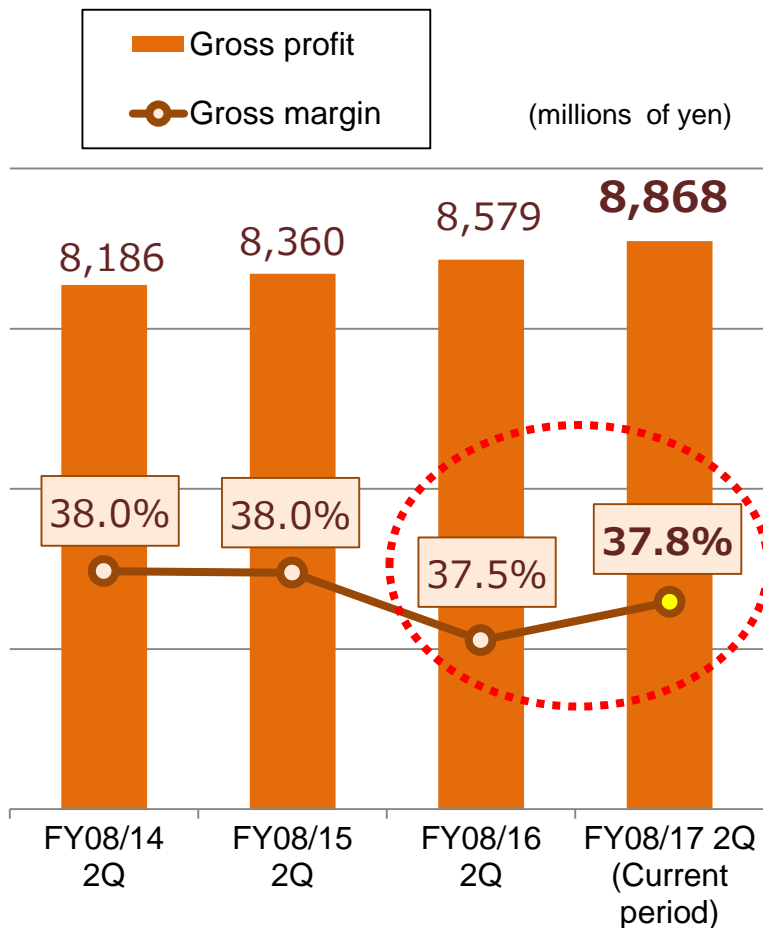
KOMONOYA shop in Thailand

- ✓ China, Malaysia and Peru: operated by the Company through its 100% owned subsidiaries. Thailand: operated by joint venture company. Vietnam: franchised operation by joint venture in Thailand.
- ✓ The number of shops other than franchised shops (not KOMONOYA and 小物家园 "KOMONOKAEN") that are selling only WATTS products is more than 30 in other countries.

Measures to reduce procurement costs began to bear fruit; gross margin has been finally improving



Gross margin: improved by **0.3 points**



The gross margin of the 100-Yen shop business generally bottomed out in the previous fiscal year; gross margin improved by 0.3 points due to the effect of foreign exchange fluctuation and initiatives such as improving product line-ups



The Company is striving to continue to promote improvement in the daily-use product sales ratio of its 100-Yen shops and the replacement of stock towards higher value-added products. In addition, the Company will also expand the sales share of Buona Vita and Søstrene Grene (which is capable of earning a relatively higher gross profit).

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.

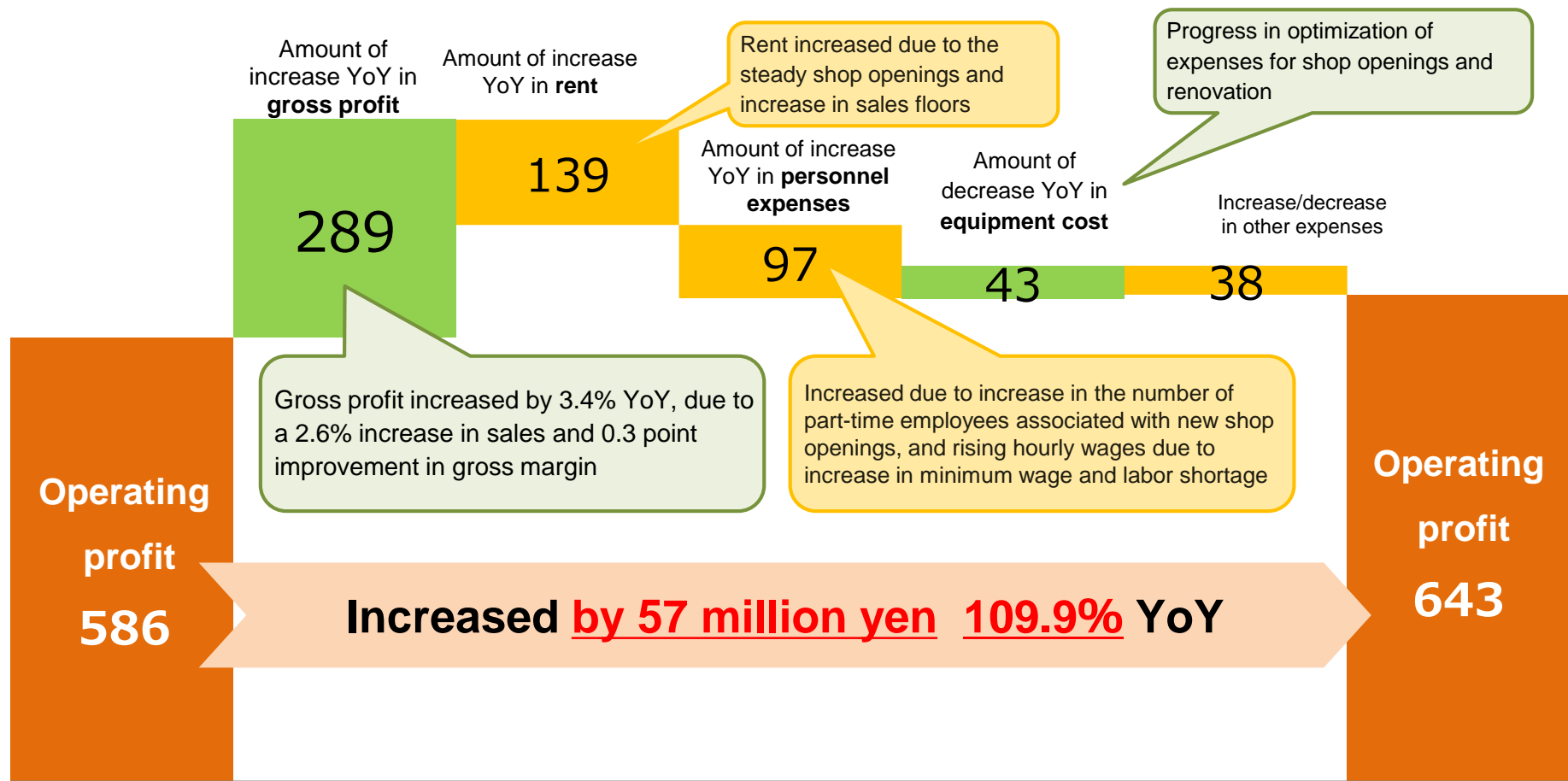
# Financial Results

Operating profit was 109.9%YoY, as achieving the optimal levels of Watts shop openings and renovations reduced equipment expenses



(Millions of yen)

## YoY Change factors for operating profit



Previous term

Current term

# Financial Results

**Fixed assets gradually increased as a result of new shop openings and renovation of existing shops**  
**Shareholders' equity ratio slightly increased from the previous fiscal year to 50.5%**

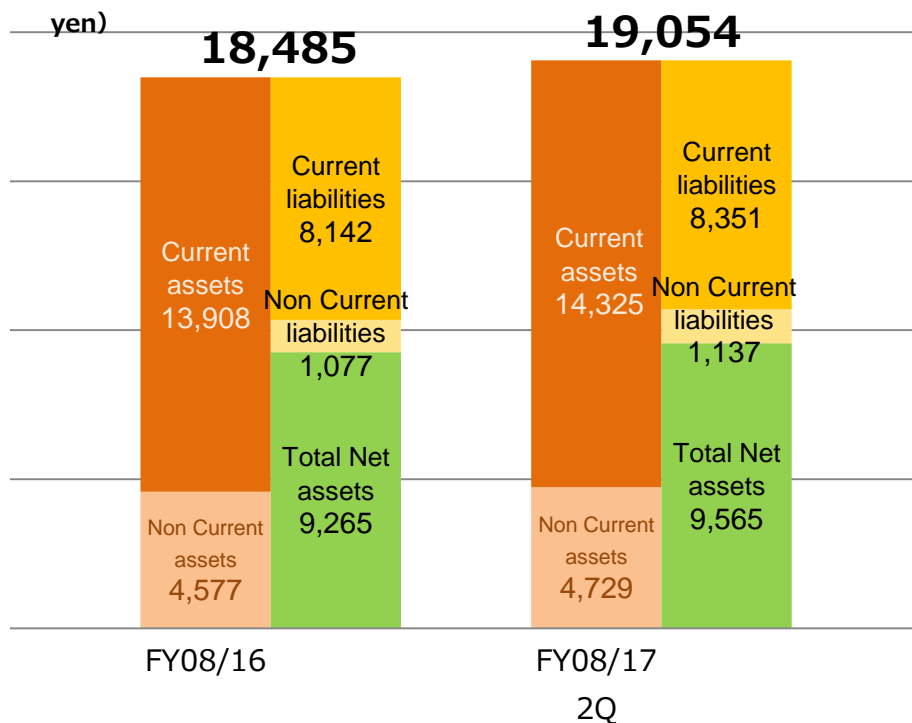


(Millions of yen)

Consolidated Balance Sheet	FY08/16	FY08/17 2Q (Current)	Change	Pct. change
Total assets	18,485	19,054	568	Up3.1%
Current assets	13,908	14,325	417	Up3.0%
Cash and deposits	5,030	5,375	344	Up6.8%
Notes and accounts receivable-trade	2,163	1,936	-226	Down10.5%
Merchandise and finished goods	6,110	6,360	250	Up4.1%
Other current assets	604	653	49	Up8.2%
Fixed assets	4,577	4,729	151	Up3.3%
Land	257	257	-	-
Buildings and structures	519	560	41	Up8.0%
Tools, furniture and fixtures	641	619	-22	Down3.5%
Investment securities	314	413	98	Up31.2%
Guarantee deposits	2,539	2,520	-18	Down0.7%
Other fixed assets	305	357	52	Up17.2%
Total liabilities	9,220	9,488	268	Up2.9%
Current liabilities	8,142	8,351	209	Up2.6%
Notes and accounts payable-trade	6,129	6,096	-32	Down0.5%
Current portion of long-term loans payable	626	804	178	Up28.4%
Other current liabilities	1,387	1,450	63	Up4.6%
Fixed liabilities	1,077	1,137	59	Up5.5%
Long-term loans payable	534	559	24	Up4.7%
Other fixed liabilities	542	577	34	Up6.4%
Net assets	9,265	9,565	299	Up3.2%
Shareholders' equity	9,333	9,619	286	Up3.1%
Equity	440	440	-	-
Retained equity	1,583	1,637	53	Up3.4%
Retained earnings	7,393	7,679	286	Up3.9%
Treasury stock	-84	-137	-53	-
Accumulated other comprehensive income	-67	-5	61	-
Non-controlling interests	-	-47	-47	-

- ✓ Merchandise and finished goods increased by 250 million yen, Buildings and structures increased by 41 million yen.
- ✓ Loss of non-controlling interests of 47 million yen was recorded due to the establishment of a joint venture in the previous fiscal year.
- ✓ Shareholders' equity ratio was 50.5%

(Millions of yen)



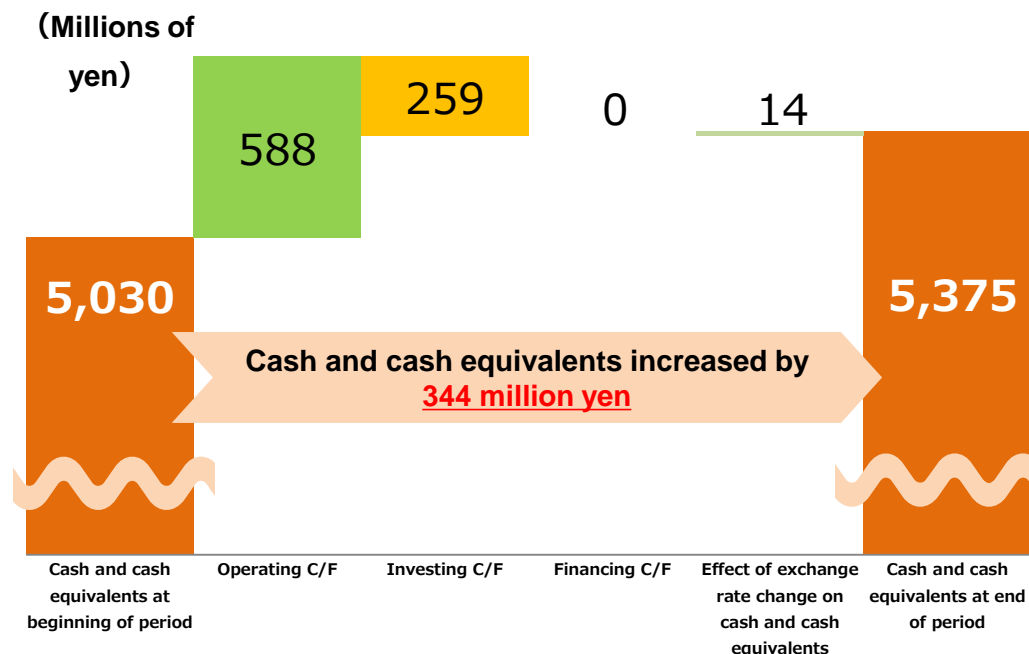
# Financial Results

## Free cash flows increased by 511 million yen due to increase in operating C/F and decrease in investing C/F



(Millions of yen)

Consolidated Cash Flows	FY08/16 2Q	FY08/17 2Q (Current)	Change
Net cash provided by (used in) operating activities	182	588	405
Income before income taxes and minority interests	554	649	95
Depreciation and amortization	171	170	-1
Decrease (increase) in accounts receivable- trade	161	233	71
Decrease (increase) in inventories	-379	-230	149
Increase (decrease) in accounts payable-trade	101	-14	-116
Income taxes paid	-118	-177	-59
Other cash flows from operating activities	-308	-43	265
Net cash provided by (used in) investing activities	-365	-259	106
Acquisition of tangible fixed assets	-411	-181	230
Payments for lease and guarantee deposits	-123	-63	60
Proceeds from collection of lease and guarantee deposits	144	61	-82
Purchase of investment securities	—	-48	-48
Other cash flows from investing activities	25	-27	-53
Net cash provided by (used in) financing activities	-198	0	199
Proceeds from long-term loans payable	400	599	199
Repayment of long-term loans payable	-369	-396	-27
Cash dividends paid	-229	-202	27
Effect of exchange rate change on cash and cash equivalents	-29	14	44
Changes during period	-381	329	710
* Free cash flows	-182	328	511



- ✓ Due to shop openings and renovation, inventory assets increased by 230 million yen. 181 million yen was used for acquisition of tangible fixed assets, 63 million yen was used for lease and guarantee deposits.
- ✓ Operating C/F covered shop openings, renovations and other activities, resulting in free cash flows of 328 million yen
- ✓ 48 million of purchase for investment securities is for increasing the equity of overseas affiliated companies

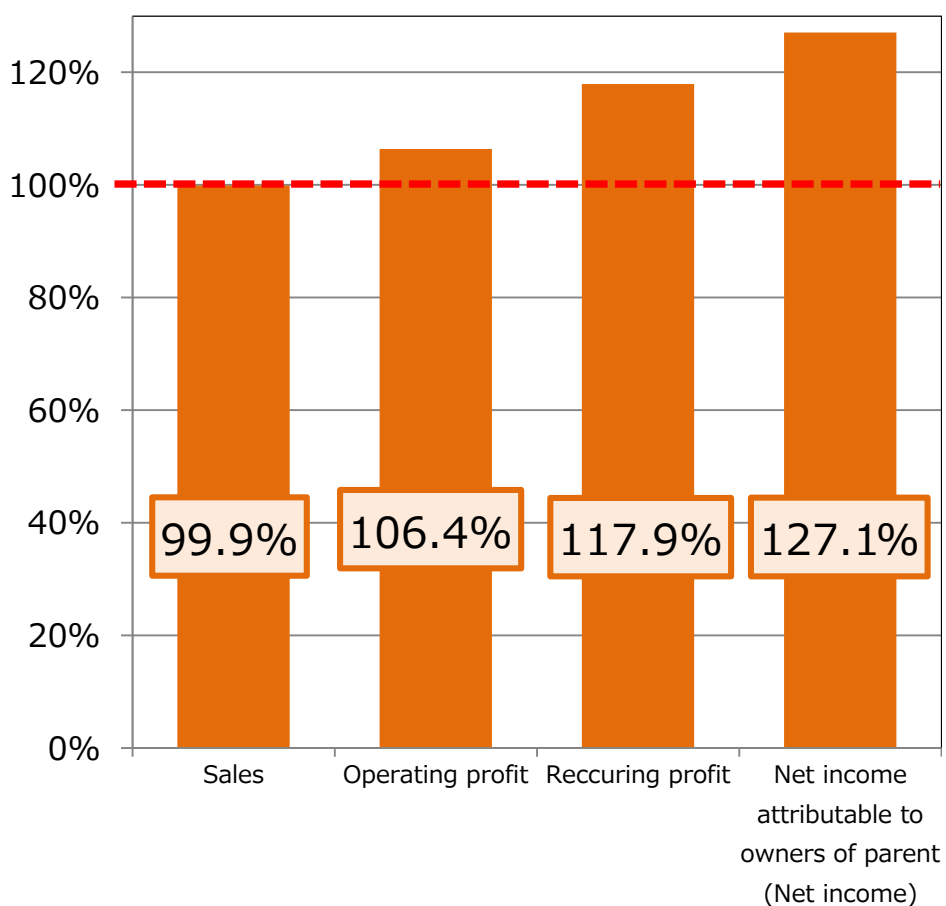


## Financial Results

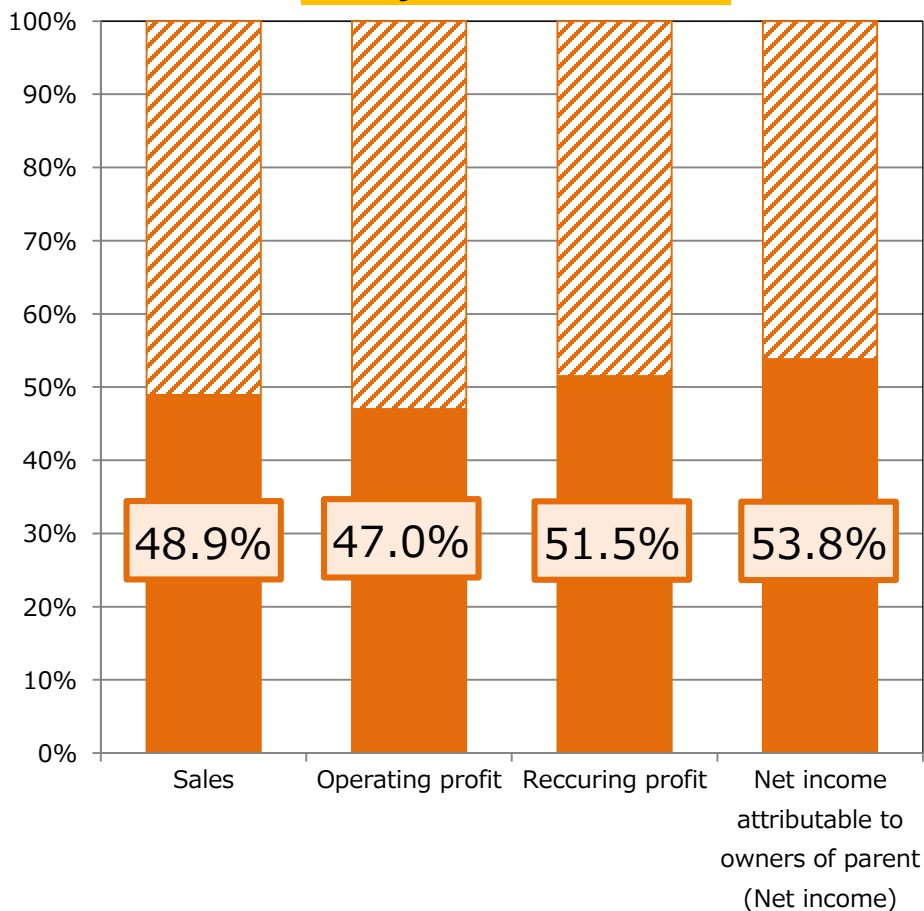
Sales were almost on line with the 1H plan and profits were higher than planned; aiming to achieve the full-year plan



### Ratio to 2Q forecasts



### Progress rate to full-year forecasts



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



**\* Information as of the time the medium-term management plan was formulated**

## 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 productsFor 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

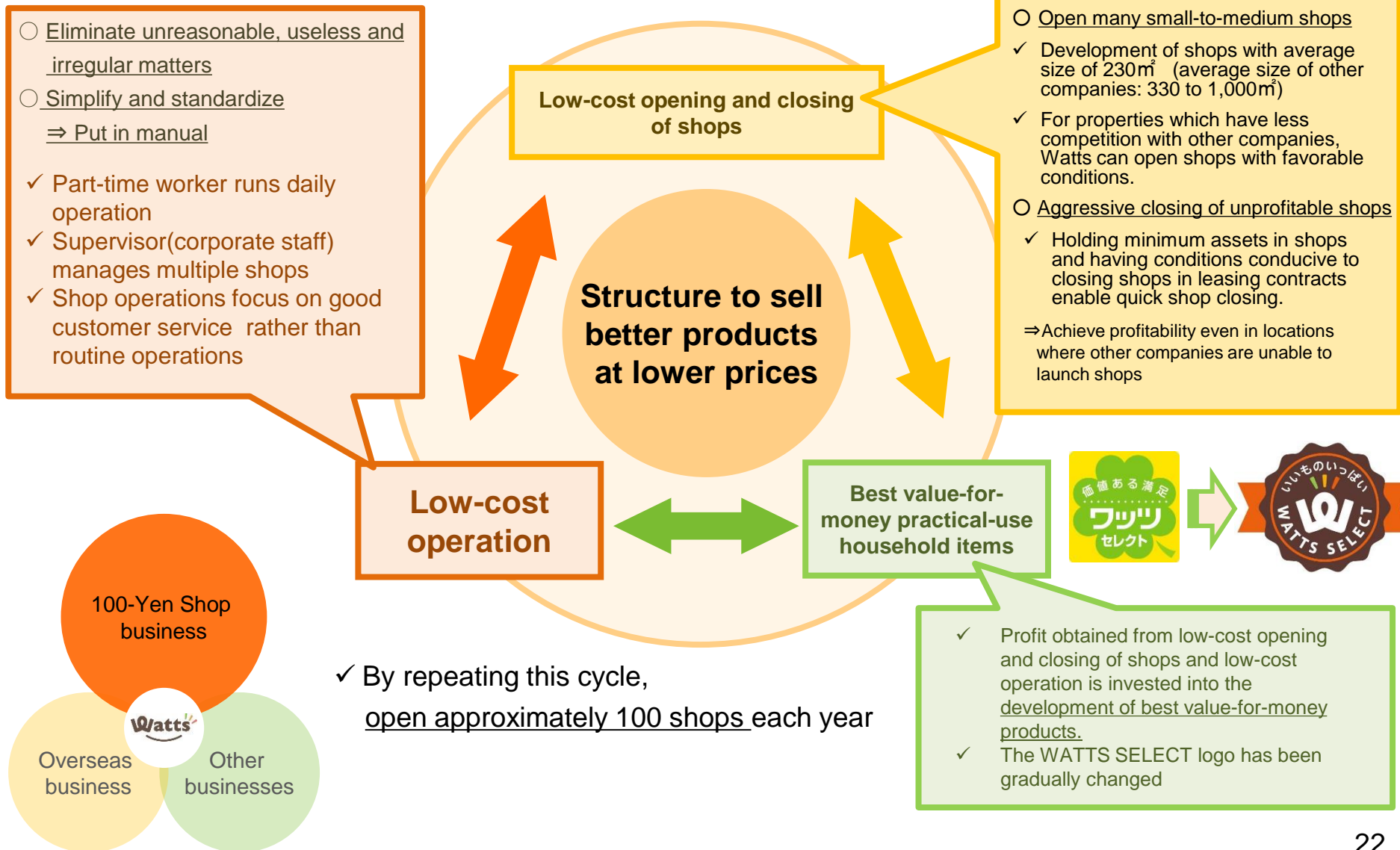
**Watts**

## Other businesses

## Expand business and Enlarge source of earnings

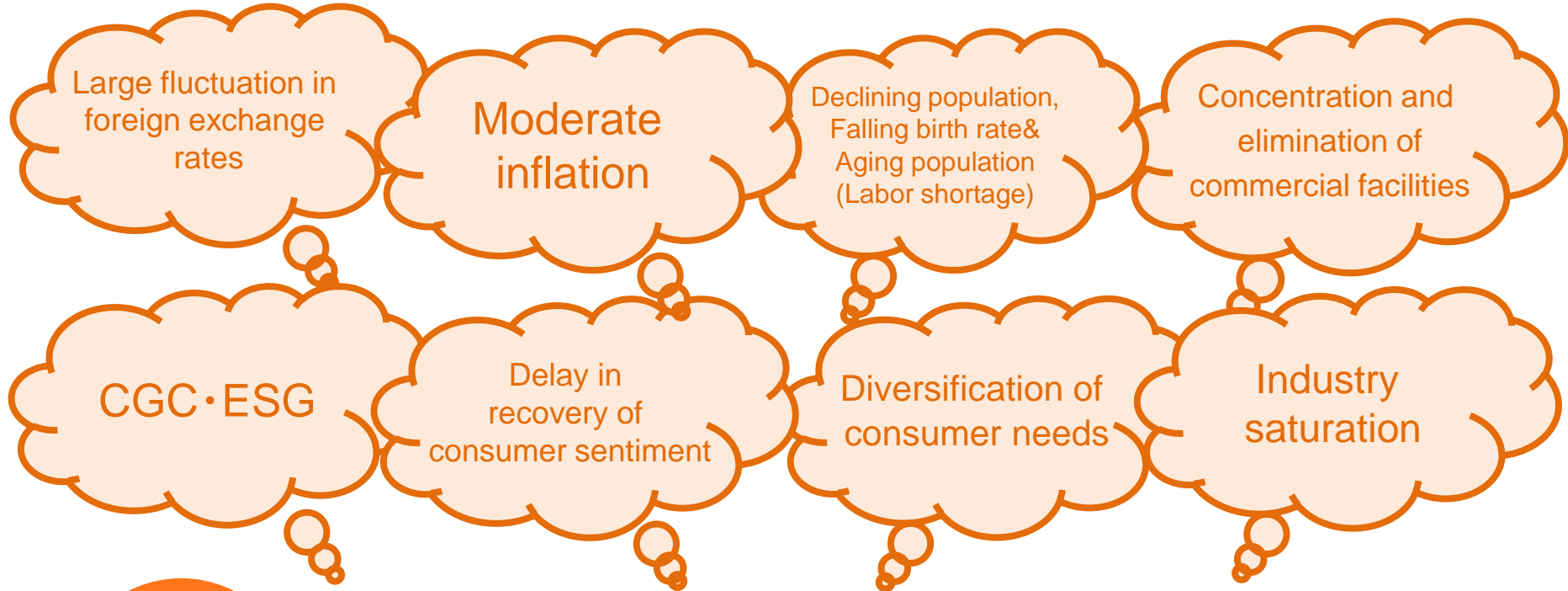
- ✓ Grow existing business and secure profitability
- ✓ Capture new opportunities including M&A

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

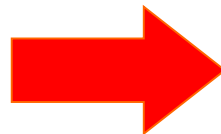


# Diversifying needs of 100-Yen shops

## 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 FY8/15



# 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



100-Yen Shop business

Overseas business

Other businesses





# 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.
- ✓ Implement creative ideas at shops that reflect their respective locations, customer segments and other characteristics

- 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



**Buona Vita**  
フォーナ・ビータ

- ✓ Lifestyle products shop proposing Buona Vita (comfortable life). Operates 25 shops as of February 2017
- ✓ Shown on the left is Vina Front Ebina shop opened in October 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://sostrenegrene.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.
- ✓ Opened the first flagship shop in Asia in Omotesando on October 28, 2016
- ✓ Plan to open few more shops.

100-Yen Shop  
business

Overseas  
business

Other  
businesses

Watts



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



✓ KOMONOYA



✓ 小物家园“KOMONOKAEN”



✓ Wholesale supply of products

Developing aggressively.

Currently, wholesale operations were in the following countries: China, South Korea, Taiwan, Myanmar, Singapore, Mongolia, New Zealand, and Australia, etc. Aiming to expand sales channels with using directly-managed shop in Peru as the foothold.

For more growth in Central-South America, started shipping merchandise to Mexico in September 2016

100-Yen Shop  
business

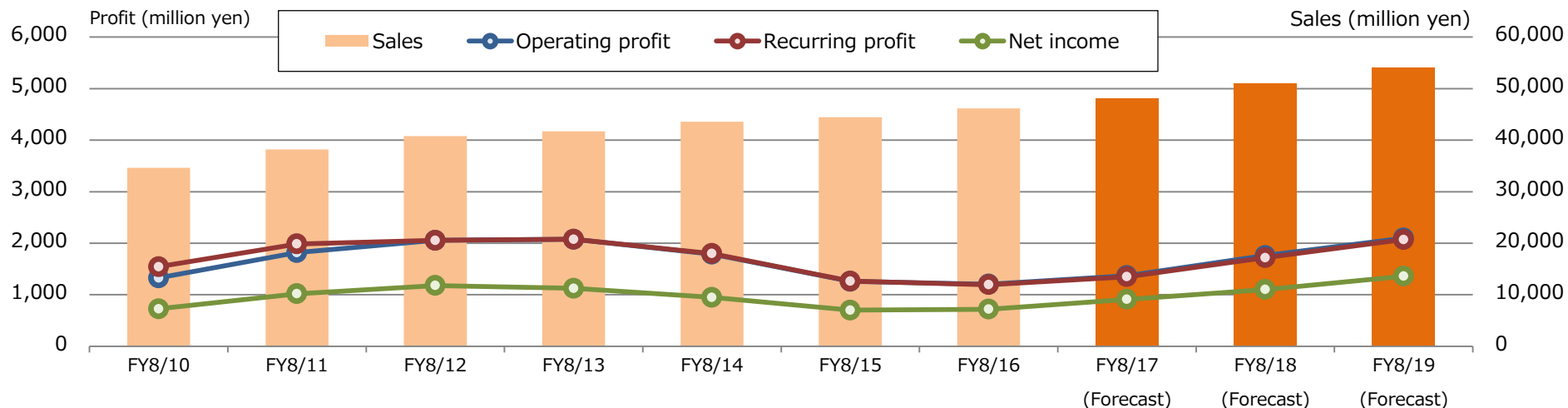
Overseas  
business

Other  
businesses

Watts

## 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%	113.2%	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%	126.7%	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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# Brands of Watts Group

## Domestic 100-Yen shop business



## Overseas business



## Other domestic business

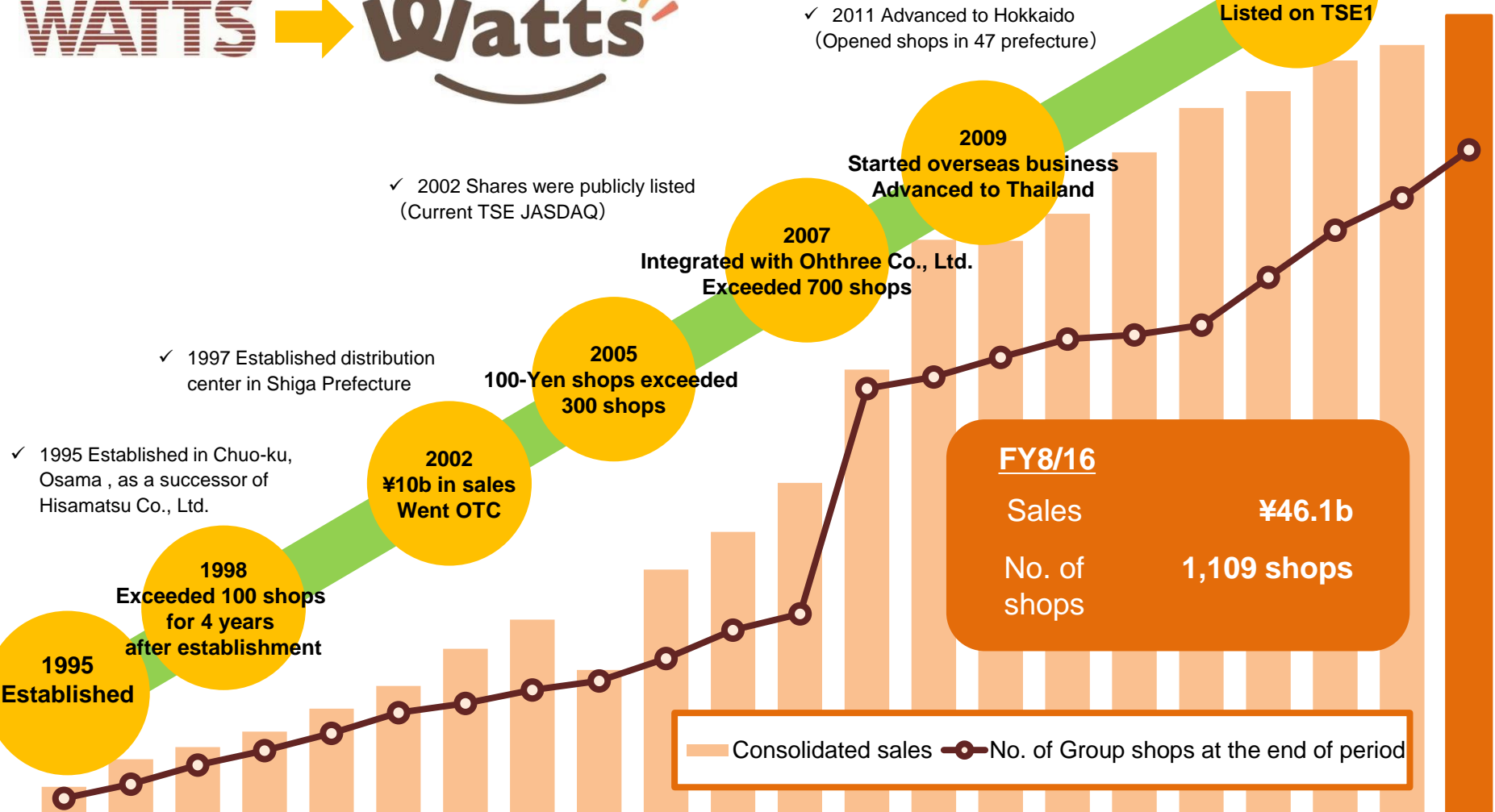




Establishment	February 22, 1995 (Currently the 23 <sup>rd</sup> business term)
Meaning of the Company's name	Derived from "Wa! tto ikou" (Japanese catch cry to "go forth energetically")
Market listing	Tokyo Stock Exchange First Section (Securities code: 2735)
Capital stock	440.29 million yen (as of February 28, 2017)
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	2,953 employees (as of February 28, 2017) *Part-time workers included
Number of shops	1,142 shops (as of February 28, 2017) *Other shops included

# Corporate History

Changed its corporate logo in 2015!



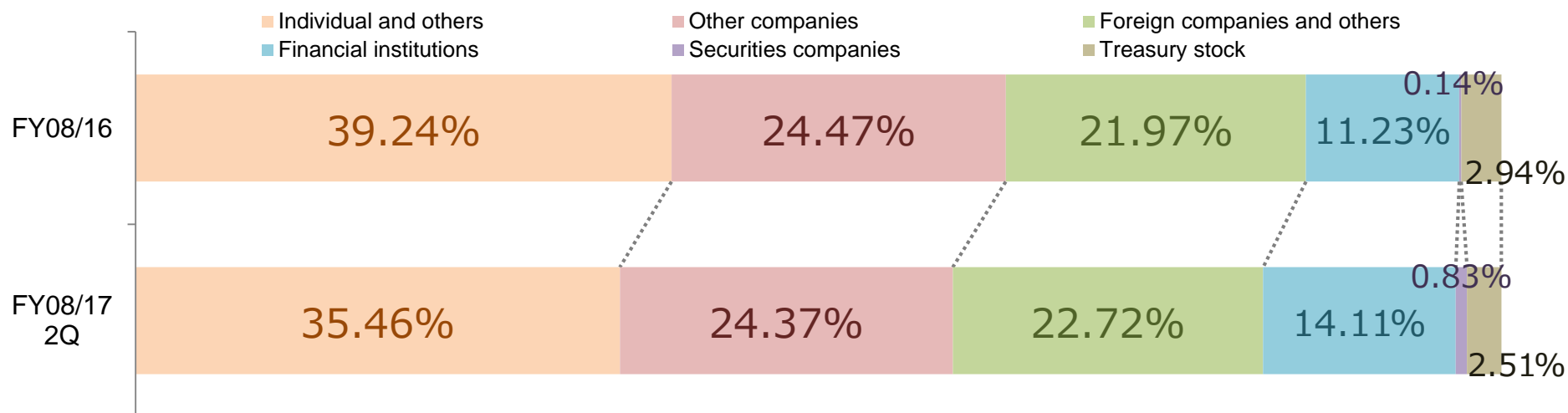
**FY8/16**

Sales **¥46.1b**

No. of shops **1,109 shops**

— Consolidated sales —●— No. of Group shops at the end of period

# Shareholder Composition



	FY08/16 2Q	FY08/16	FY08/17 2Q	YoY
Total number of shares issued	13,958,800 shares	13,958,800 shares	13,958,800 shares	—
Number of shareholders	5,335	8,143	5,060	-3,083
<b>Ownership ratio</b>				
Individuals and others	37.59%	39.24%	35.46%	-3.78P
Other domestic companies	24.47%	24.47%	24.37%	-1.0P
Foreign companies and others	21.82%	21.97%	22.72%	+0.75P
Financial institutions	12.57%	11.23%	14.11%	+2.88P
Securities companies	0.58%	0.14%	0.83%	+0.69P
Treasury stock	2.94%	2.94%	2.51%	-0.43P

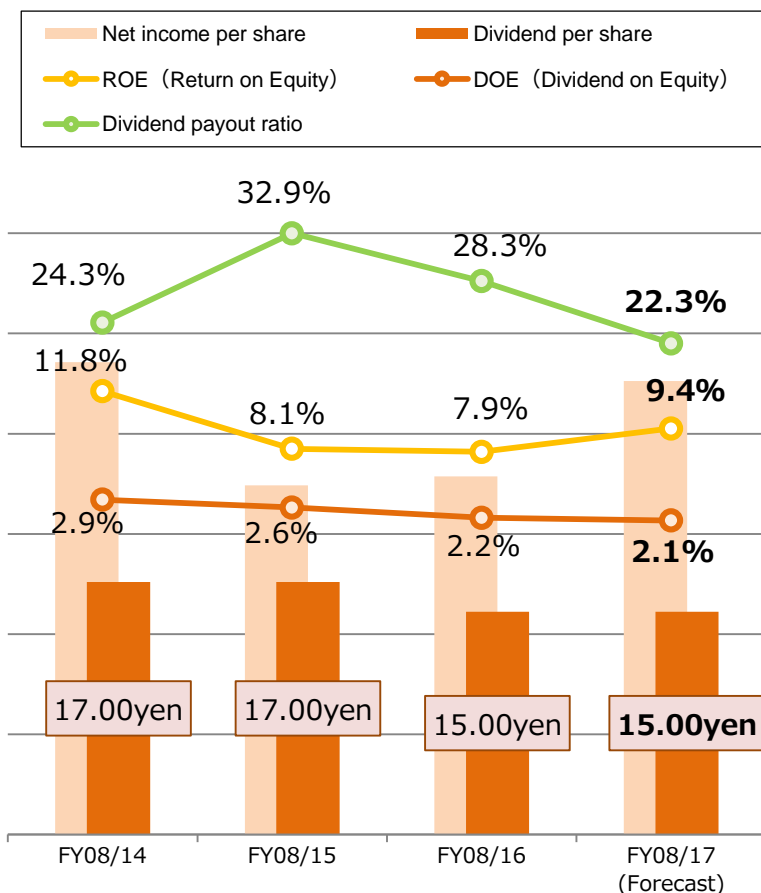
- ✓ Shareholder benefit program is conducted at the end of the fiscal year; the number of shareholders tends to decrease at 2Q.
- ✓ Transfer of shares to the trust for performance-linked stock compensation reduced the treasury stock.

(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.



	FY08/14	FY08/15	FY08/16	FY08/17 (Forecast)
Net income per share (Yen)	69.97	51.73	53.04	<b>67.17</b>
Dividend per share (Yen)	17.00	17.00	15.00	<b>15.00</b>
Dividend payout ratio	24.3%	32.9%	28.3%	<b>22.3%</b>
Dividend yield	1.8%	1.7%	1.6%	<b>1.2%</b>
ROE (Return on Equity)	11.8%	8.1%	7.9%	<b>9.4%</b>
DOE (Dividend on Equity)	2.9%	2.6%	2.2%	<b>2.1%</b>

\*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 ending August 2017 is calculated based on the stock price as of February 28, 2017





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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