

Summary of Financial Results for the Fiscal Year Ended August 31, 2018

[Japan GAAP] (Consolidated)

October 11, 2018

Company **Watts Co., Ltd.** Listed on the TSE
 Stock Code 2735 URL: <https://www.watts-jp.com/>
 Representative Fumio Hiraoka, President and CEO
 Contact Hidehito Mori, Executive Managing Director, Head of Corporate Planning Office TEL: +81-6-4792-3280
 Expected date of annual shareholders' meeting: November 27, 2018 Expected starting date of dividend payment: November 28, 2018
 Expected date of filing of annual securities report: November 27, 2018
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors)

(Rounded down to million yen.)

1. Consolidated business results for the fiscal year ended August 2018

(September 1, 2017 through August 31, 2018)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Aug. 2018	49,444	4.1	975	-19.3	1,037	-18.5	633	-24.5
Year ended Aug. 2017	47,494	2.9	1,209	0.3	1,272	6.6	839	16.8

(Note) Comprehensive income:

Fiscal year ended August 2018: 564 million yen (-30.4%)

Fiscal year ended August 2017: 811 million yen (56.0%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
Year ended Aug. 2018	46.79	-	6.2	5.2	2.0
Year ended Aug. 2017	61.96	-	8.7	6.6	2.5

(Reference) Investment earnings/loss on equity-method:

Fiscal year ended August 2018: 24 million yen

Fiscal year ended August 2017: 31 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 2018	19,945	10,234	52.2	769.05
As of Aug. 2017	20,084	9,873	49.7	736.23

(Reference) Shareholders' equity:

As of August 2018: 10,418 million yen

As of August 2017: 9,974 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Aug. 2018	687	-615	-658	5,147
Year ended Aug. 2017	1,157	-525	55	5,727

2. Dividends

	Annual dividend					Total dividends (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Aug. 2017	—	0.00	—	15.00	15.00	204	24.2	2.1
Year ended Aug. 2018	—	0.00	—	15.00	15.00	204	32.1	2.0
Year ending Aug. 2019 (forecast)	—	0.00	—	15.00	15.00		31.3	

3. Forecast of consolidated business results for the fiscal year ending August 2019

(September 1, 2018 through August 31, 2019)

(% change from the previous corresponding period)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Feb. 2019	25,400	6.3	430	-27.5	430	-28.6	255	-32.8	18.82
Year ending Aug. 2019	52,000	5.2	1,080	10.7	1,110	7.0	650	2.5	47.98

※Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes

Newly included: 1 (Real Co., Ltd.)

Excluded: 2 (Ningbo Ximeike Household Products Co., Ltd., Watts Harrisons Sdn. Bhd.)

(2) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies associated with revision of accounting standards: : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of August 2018 13,958,800 shares

As of August 2017 13,958,800 shares

② Treasury stock at the end of period:

As of August 2018 410,874 shares

As of August 2017 410,874 shares

③ Average number of stock during period

Fiscal year ended August 2018 13,547,926 shares

Fiscal year ended August 2017 13,547,926 shares

(Note) The number of treasury stock at the end of period includes the Company's shares held by the share issuance trust for directors (FY8/18: 60,000 shares, FY8/17: 60,000 shares). In addition, the Company's shares owned by the share issuance trust for directors are included in treasury stock deducted for calculation of the average number of shares during period (FY8/18: 60,000 shares, FY8/17: 34,849 shares).

*** Financial summary is not subject to the auditing procedures by certified public accountants or auditing firms**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution concerning forward-looking statements)

The forward-looking statements regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Therefore, the Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

Please refer to "(4) future outlook" of "1. Results of operations" on page 4 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.

1. Results of Operations	• • • •	2
(1) Overview of operating results for the current fiscal year	• • • •	2
(2) Overview of financial position for the current fiscal year	• • • •	3
(3) Overview of cash flows for the current fiscal year	• • • •	4
(4) Future outlook	• • • •	4
2. Basic policy regarding selection of accounting standards	• • • •	5
3. Consolidated Financial Statements	• • • •	6
(1) Consolidated Balance Sheets	• • • •	6
(2) Consolidated Statements of Income and Statements of Comprehensive Income	• • • •	8
(Consolidated Statements of Income)	• • • •	8
(Consolidated Statements of Comprehensive Income)	• • • •	9
(3) Consolidated Statements of Changes in Net Assets	• • • •	10
(4) Consolidated Statements of Cash Flows	• • • •	12
(5) Notes to consolidated financial statements	• • • •	14
(Notes on going concern assumption)	• • • •	14
(Segment information)	• • • •	14
(Per share information)	• • • •	14
(Important subsequent events)	• • • •	14
4. Other	• • • •	15
Sales	• • • •	15

1. Results of Operations

(1) Overview of operating results for the current fiscal year

During the current fiscal year, the Japanese economy continued to enjoy strong corporate earnings particularly among large corporations, supported by relatively firm domestic demand. As the labor shortage remains serious, demand for labor-saving investment was robust, and capital investment remained firm. Nevertheless, a wait-and-see mood for the U.S.-China trade war has been enhanced. On the other hand, as for the household finances, although nominal income increased, the situation continued to be hard to reach the increase in real income, partly due to the rise in energy prices. In this fiscal year, the retail industry was significantly affected by abnormal weather conditions, such as large-scale typhoons in last autumn, cold waves and heavy snowfalls after the beginning of the year, and heavy rains in summer, etc.

Given this environment, in addition to the 100-Yen shop business in Japan, the Company, which operates the “Watts”, “Watts with”, “meets.”, “silk”, etc., has been working on diversifying its revenue sources by undertaking other domestic businesses, centering on the sale of interior goods and life-style goods, as well as overseas business.

As for the domestic 100-Yen shop business, the Company has been striving to achieve both greater customer satisfaction and higher earnings at shop by developing and selling ranges of private brand items under the “WATTS SELECT” brand consisting of reasonably priced, best value-for-money products, mostly daily-use household items, and carrying out low-cost opening and closing of shops and low-cost shop operations. At the same time, in order to create new brand value to meet diversifying customer needs, the Company is making further improvements based on the “business model restructuring”.

As specific measures, the Company is currently undertaking sales promotional campaign that each store displays and features specific items along with a theme for each month to revitalize its sales floors. During the current fiscal year, the Company promoted some promotional concepts such as "Warmth of Woods", which focuses on dishes made from popular Acacia wood, and "Total Coordinate for New Life," which promotes lavatory-related and kitchen-related products in trendy black-and-white taste to meet the new life needs. The Company will strive to further strengthen its sales promotion led by the headquarters. In addition, the Company is also proceeding with the optimization of product lineups on the basis of sales data acquired by POS systems. The Company has also introduced a reordering support system, for the purpose of preventing the unnecessary opportunity losses in sales caused by stock out, to improve the accuracy of its targeting in this regard.

As for the new shop openings, the Company opened 141 shops, far exceeding the full-year plan of 108 shops, although there were many relatively small sized shops. There were 67 shop closings (including 10 franchised shops), including certain unprofitable shops and unpredictable closing of shops where the Company's shops were located in. As a result, the total number of 100-Yen shops at the end of the current fiscal year was 1,161, which includes 1,129 directly managed shops (net increase of 84), and 32 franchised/other shops (net decrease of 10). Of these, the number of "Watts" and "Watts with", the Watts brand shops, increased by 162 to 419, accounting for more than 30% of the total.

As for the number of the domestic other shops at the end of the fiscal year, “Buona Vita,” a life-style goods shop offering comfortable life, was 21 shops (net decrease of 4). Buona Vita did not open any new shops during the current fiscal year, but the Company will focus on improving the profitability of existing shops. ‘Value-100,’ the fresh-foods supermarket collaboration, continues with 1 shop. In addition, “Søstrene Grene”, a Denmark’s life-style variety shop, opened “PRIME TREE AKAIKE” shop as the first opening in Tokai region, totaling 4 shops. The Company continued to strive to raise its brand recognition by actively posting shop information via SNS. Through these efforts, the followers on Instagram and Facebook each exceeded 23,000, although the number of shops is still small. In addition, as of April 2, 2018, the

Company made "Real Co., Ltd.", which operates 4 discount shops named "Real", into a subsidiary. To improve the product line-ups, the Company will utilize its strength in procurement capability cultivated with the 100-Yen shop business.

Regarding the overseas operation, the Company operates "KOMONOYA", a fixed-price shop mainly in Southeast Asia. At the end of the current fiscal year, "KOMONOYA" operates 37 shops in Thailand (net increase of 6), 9 shops in Malaysia (net increase of 4), 11 shops in Vietnam (net decrease of 3), and 13 shops in Peru (net increase of 6). In China, a fixed price shop "小物家园" (KOMONOKAEN) closed 7 shops (2 Chinese style franchised shops) and resulted in 2 shops. The total number of own-brand shops "KOMONOYA" and "小物家园" (KOMONOKAEN) was 72 (net increase of 6). The numbers of local shops with sales floors consisting of the Company's products are gradually increasing and expanding particularly in Myanmar, Mongolia, and Mexico. The total number of shops, in addition to our group shops, exceeds 110 shops. The Company added new product supply locations such as the Philippines and Singapore, which are expected to achieve medium-to-long-term economic growth, the share of overseas sales in consolidated sales increased by 0.7 percentage points YoY to 5.5%.

As a result, for the fiscal year ended August 2018, sales were 49,444 million yen (up 4.1% YoY, 99.7% to the plan).

Regarding the profit, as the same-store sales were weak affected by the abnormal weather, the Company was unable to cover the increase in SG&A expenses following the increase in the number of shops. Therefore, operating profit was 975 million yen (down 19.3% YoY, 67.3% to the plan), and recurring profit was 1,037 million yen (down 18.5% YoY, 68.2% to the plan). Net income attributable to owners of parent was 633 million yen (down 24.5% YoY, 68.5% to the plan).

(*Year on year: comparison with the results for the previous fiscal year. Ratio to plan: ratio to the business forecasts for the fiscal year ended August 2018 which were announced in the Summary of Financial Results on October 12, 2017.)

Since the Group operates under a single segment consisting of the operation of 100-Yen shops associated business, segment information is omitted.

(2) Overview of financial position for the current fiscal year

(Assets)

As of the end of the current fiscal year ended August 2018, current assets stood at 14,873 million yen, a decrease of 403 million yen compared with the end of the previous fiscal year. This is mainly because cash and deposits decreased by 580 million yen, and consumption taxes receivable decreased by 84 million yen. While merchandise and finished goods increased by 305 million yen.

Fixed assets stood at 5,072 million yen, an increase of 264 million yen compared with the end of the previous fiscal year. This is mainly because tools, furniture and fixtures increased by 113 million yen, buildings and structures increased by 88 million yen, and deferred tax assets increased by 32 million yen.

As a result, total assets stood at 19,945 million yen, a decrease of 138 million yen compared with the end of the previous fiscal year.

(Liabilities)

As of the end of the current fiscal year ended August 2018, current liabilities stood at 8,415 million yen, a decrease of 409 million yen compared with the end of the previous fiscal year. This is mainly because income taxes payable decreased by 219 million yen, accrued consumption taxes decreased by 186 million yen. As a result of the introduction of electronic bill transactions, electronically recorded obligations increased by 2,544 million yen while notes and accounts payable-trade

decreased by 2,328 million yen.

Fixed liabilities stood at 1,296 million yen, a decrease of 90 million yen compared with the end of the previous fiscal year. As a result, total liabilities stood at 9,711 million yen, a decrease of 499 million yen compared with the end of the previous fiscal year.

(Net assets)

As of the end of the current fiscal year ended August 2018, net assets stood at 10,234 million yen, an increase of 360 million yen compared with the end of the previous fiscal year. This is mainly because retained earnings increased by 429 million yen. As a result, shareholders' equity ratio stood at 52.2% (49.7% at the end of the previous fiscal year).

(3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year ended August 2018 amounted to 5,147 million yen, a decrease of 580 million yen compared with the previous fiscal year.

Details and breakdown of each cash flow in the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 687 million yen (1,157 million yen was provided in the previous fiscal year). Cash was provided mainly by income before income taxes of 920 million yen, depreciation and amortization of 383 million yen, impairment loss of 73 million yen. Cash was used mainly for income taxes paid of 568 million yen and a decrease in accrued consumption taxes of 110 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 615 million yen (525 million yen was used in the previous fiscal year). As for the breakdown, there were payments for property, plant and equipment of 657 million yen for opening of new shops, payments for lease and guarantee deposits of 146 million yen, and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 143 million yen.

(Cash flows from financing activities)

Net cash used for financing activities was 658 million yen (55 million yen was provided in the previous fiscal year). As for the breakdown, there was repayment of long-term loans payable of 822 million yen.

(4) Future outlook

Despite concerns over the spread of protectionist policies triggered by the United States, GDP is expected to continue to show positive growth with a gradual pace, and a moderate recovery in the domestic economy is expected, led by capital investment and personal consumption demand.

Given this situation, the Group continues to make every effort to offer value-for-money products by investing accumulated earnings in product development, through low-cost opening and closing of shops and low-cost shop operations. Furthermore, to meet the diversified consumer needs, the Group will continue to aim for being the 100-Yen shop where customers can find a value of more than ¥100.

Furthermore, with the aim of building a new revenue source to complement the 100-Yen shop business, the Group is actively working on developing lines like "Buona Vita" and "Søstrene Grene", to provide the new driving force for further growth in the future.

As for the overseas business that is expected to grow greatly in the future, the Company will strive to expand existing business

and develop new markets, in order to further expand the sales share within the Group and to earn profits.

Based on the above, the Company expects the following consolidated operating results in the next fiscal year: sales of 52,000 million yen (up 5.2% year on year), operating profit of 1,080 million yen (up 10.7% year on year), recurring profit of 1,110 million yen (up 7.0% year on year) and net income attributable to owners of parent of 650 million yen (up 2.5% year on year).

(Reference) Cash flow indicators

	Fiscal year ended August 31, 2014	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Equity ratio (%)	44.4	50.2	50.1	49.7	52.2
Market value equity ratio (%)	68.0	74.3	70.3	88.0	64.5
Interest-bearing debt to cash flows ratio (years)	0.7	-	1.7	1.3	1.7
Interest coverage ratio (times)	246.2	-	148.8	284.3	157.87

(Notes) Equity ratio: Equity/Total assets

Market value equity ratio: Total market capitalization/Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

1. Total market capitalization is calculated by multiplying closing stock price at the end of the period by the total number of shares issued at the end of the period (excluding treasury stock).
2. Net cash provided by operating activities in the consolidated statements of cash flows is used as 'Operating cash flow.'
3. Interest-bearing debt includes all debt on which interest is paid reported on the consolidated balance sheet.
4. For interest payment, interest expenses paid in the consolidated statements of cash flows are used.
5. 'Interest coverage ratio' and 'Interest-bearing debt to cash flows ratio' for the fiscal year ended August 2015 are not presented, since the cash flows from operating activities were negative.

2. Basic policy regarding selection of accounting standards

In order to secure comparability with domestic peer companies, the Company applies Japanese accounting standards.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (August 31, 2017)	Current fiscal year (August 31, 2018)
Assets		
Current assets		
Cash and deposits	5,727,607	5,147,120
Notes and accounts receivable-trade	2,201,021	2,262,537
Merchandise and finished goods	6,506,142	6,811,518
Raw materials and supplies	28,606	8,087
Deferred tax assets	303,936	268,537
Consumption taxes receivable	127,273	42,588
Other	404,956	374,125
Allowance for doubtful accounts	-22,621	-40,991
Total current assets	15,276,922	14,873,524
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,454,655	1,658,569
Accumulated depreciation and impairment loss	-771,545	-887,262
Buildings and structures, net	683,109	771,306
Vehicles	11,236	18,856
Accumulated depreciation and impairment loss	-4,250	-12,969
Vehicles, net	6,985	5,886
Tools, furniture and fixtures	3,087,382	3,369,569
Accumulated depreciation and impairment loss	-2,496,759	-2,665,399
Tools, furniture and fixtures, net	590,623	704,169
Land	257,800	257,800
Leased assets	—	27,623
Accumulated depreciation and impairment loss	—	-7,432
Leased assets, net	—	20,191
Total property, plant and equipment	1,538,518	1,759,354
Intangible assets		
Other	78,543	69,547
Total intangible assets	78,543	69,547
Investments and other assets		
Investment securities	453,085	472,690
Deferred tax assets	119,561	151,804
Guarantee deposits	2,488,108	2,481,628
Other	131,260	140,832
Allowance for doubtful accounts	-1,488	-3,827
Total investments and other assets	3,190,527	3,243,128
Total noncurrent assets	4,807,588	5,072,029
Total assets	20,084,510	19,945,554

(Thousands of yen)

	Previous fiscal year (August 31, 2017)	Current fiscal year (August 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,325,286	3,997,054
Electronically recorded obligations	—	2,544,768
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	648,434	539,349
Income taxes payable	349,322	129,943
Accrued consumption taxes	252,300	66,137
Provision for bonuses	168,421	177,783
Provision for directors' bonuses	11,475	—
Other	969,451	860,065
Total current liabilities	8,824,690	8,415,102
Noncurrent liabilities		
Long-term loans payable	771,503	532,182
Liabilities relating to retirement benefits	187,594	264,848
Provision for directors' retirement benefits	12,405	38,785
Provision for directors' stock-based benefits	16,206	24,464
Asset retirement obligations	114,621	134,835
Other	283,836	300,888
Total noncurrent liabilities	1,386,168	1,296,004
Total liabilities	10,210,858	9,711,107
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,637,636	1,637,636
Retained earnings	8,029,585	8,459,425
Treasury stock	-137,991	-137,991
Total shareholders' equity	9,969,528	10,399,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,277	20,482
Foreign currency translation adjustment	-21,377	-883
Total accumulated other comprehensive income	4,900	19,598
Non-controlling interests	-100,776	-184,519
Total net assets	9,873,652	10,234,447
Total liabilities and net assets	20,084,510	19,945,554

(2) Consolidated Statements of Income and Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Sales	47,494,208	49,444,899
Cost of sales	29,499,431	30,665,533
Gross profit	17,994,777	18,779,366
Selling, general and administrative expenses	16,785,430	17,803,441
Operating profit	1,209,346	975,924
Non-operating revenues		
Interest income	2,247	4,101
Dividends income	698	863
Rent income	21,915	35,780
Equity in earnings of affiliates	31,408	24,908
Foreign exchange gains	17,555	16,243
Other	16,979	33,042
Total non-operating income	90,804	114,939
Non-operating expenses		
Interest expenses	5,537	6,367
Early-withdrawal penalty	9,126	26,040
Cost of lease revenue	10,860	10,800
Other	2,130	10,383
Total non-operating expenses	27,655	53,591
Recurring profit	1,272,495	1,037,272
Extraordinary income		
Surrender value of insurance	27,514	—
Gain on sales of noncurrent assets	—	1,053
Gain on liquidation of subsidiaries	—	15,623
Total extraordinary income	27,514	16,676
Extraordinary loss		
Loss on retirement of noncurrent assets	9,952	7,558
Loss on sales of noncurrent assets	87	—
Impairment loss	68,785	73,536
Loss on sales of shares of subsidiaries	—	52,610
Loss on liquidation of business	3,742	—
Total extraordinary losses	82,569	133,706
Income before income taxes and minority interests	1,217,441	920,242
Income taxes-current	549,020	358,655
Income taxes-deferred	-70,207	11,371
Total income taxes	478,812	370,027
Net income	738,628	550,215
Net loss attributable to non-controlling interests	-100,776	-83,743
Net income attributable to owners of parent	839,405	633,958

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Net income	738,628	550,215
Other comprehensive income		
Valuation difference on available-for-sale securities	20,685	-5,794
Foreign currency translation adjustment	22,950	17,851
Share of other comprehensive income of associates accounted for using equity method	28,878	2,641
Total other comprehensive income	72,514	14,698
Comprehensive income	811,142	564,914
(Breakdown)		
Comprehensive income attributable to owners of parent	911,919	648,657
Comprehensive income attributable to non-controlling interests	-100,776	-83,743

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	440,297	440,297
Balance at the end of current period	440,297	440,297
Capital surplus		
Balance at the beginning of current period	1,583,816	1,637,636
Sales of treasury stock	53,820	
Total changes of items during the period	53,820	
Balance at the end of current period	1,637,636	1,637,636
Retained earnings		
Balance at the beginning of current period	7,393,399	8,029,585
Changes of items during the period		
Dividends from surplus	-203,218	-204,118
Net income attributable to owners of parent	839,405	633,958
Total changes of items during the period	636,186	429,839
Balance at the end of current period	8,029,585	8,459,425
Treasury stock		
Balance at the beginning of current period	-84,171	-137,991
Changes of items during the period		
Sales of treasury stock	12,240	
Purchase of treasury stock by directors' stock-based benefits	-66,060	
Total changes of items during the period	-53,820	
Balance at the end of current period	-137,991	-137,991
Total shareholders' equity		
Balance at the beginning of current period	9,333,342	9,969,528
Changes of items during the period		
Dividends from surplus	-203,218	-204,118
Net income attributable to owners of parent	839,405	633,958
Sales of treasury stock	66,060	
Purchase of treasury stock by directors' stock-based benefits	-66,060	
Total changes of items during the period	636,186	429,839
Balance at the end of current period	9,969,528	10,399,368

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	5,592	26,277
Changes of items during the period		
Net changes of items other than shareholders' equity	20,685	-5,794
Total changes of items during the period	20,685	-5,794
Balance at the end of current period	26,277	20,482
Foreign currency translation adjustment		
Balance at the beginning of current period	-73,205	-21,377
Changes of items during the period		
Net changes of items other than shareholders' equity	51,828	20,493
Total changes of items during the period	51,828	20,493
Balance at the end of current period	-21,377	-883
Total accumulated other comprehensive income total		
Balance at the beginning of current period	-67,613	4,900
Changes of items during the period		
Net changes of items other than shareholders' equity	72,514	14,698
Total changes of items during the period	72,514	14,698
Balance at the end of current period	4,900	19,598
Total Non-controlling equity		
Balance at the beginning of current period	—	-100,776
Net changes of items other than shareholders' equity	-100,776	-83,743
Total changes of items during the period	-100,776	-83,743
Balance at the end of current period	-100,776	-184,519
Total net assets		
Balance at the beginning of current period	9,265,728	9,873,652
Changes of items during the period		
Dividends from surplus	-203,218	-204,118
Net income attributable to owners of parent	839,405	633,958
Sales of treasury stock	66,060	
Purchase of treasury stock by directors' stock-based benefits	-66,060	
Net changes of items other than shareholders' equity	-28,262	-69,044
Total changes of items during the period	607,923	360,795
Balance at the end of current period	9,873,652	10,234,447

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,217,441	920,242
Depreciation and amortization	358,135	383,729
Impairment loss	68,785	73,536
Amortization of goodwill	—	3,946
Increase (decrease) in allowance for doubtful accounts	-314	20,845
Increase (decrease) in provision for bonuses	10,308	4,082
Increase (decrease) in provision for directors' bonuses	11,475	-11,475
Increase (decrease) in liabilities relating to retirement benefits	17,681	21,664
Increase (decrease) in provision for directors' retirement benefits	-79,093	2,700
Increase (decrease) in provision for directors' stock-based benefits	16,206	8,257
Interest and dividends income	-2,945	-4,964
Interest expenses	5,537	6,367
Loss on retirement of noncurrent assets	9,952	7,558
Loss (gain) on sales of shares of subsidiaries	—	52,610
Loss (gain) on liquidation of subsidiaries	—	-15,623
Decrease (increase) in accounts receivable-trade	-32,187	-53,295
Decrease (increase) in inventories	-392,789	-57,732
Increase (decrease) in notes and accounts payable-trade	191,619	71,395
Increase (decrease) in accrued consumption taxes	111,924	-110,735
Other	109,611	-132,930
Subtotal	1,621,350	1,190,181
Interest and dividends income received	2,965	4,833
Interest expenses paid	-4,070	-4,355
Income taxes paid	-462,812	-568,959
Income taxes refund	—	65,913
Net cash provided by (used in) operating activities	1,157,431	687,612
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-430,677	-657,068
Proceeds from sales of property, plant and equipment	1,839	1,569
Payments for asset retirement obligations	-4,415	-2,055
Payments for lease and guarantee deposits	-134,087	-146,305
Proceeds from collection of lease and guarantee deposits	129,565	117,117
Purchase of investment securities	-48,745	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	143,623
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	-27,640
Other	-39,426	-44,406
Net cash provided by (used in) investing activities	-525,947	-615,164

Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	-29,260
Proceeds from long-term loans payable	1,071,000	400,000
Repayment of long-term loans payable	-812,317	-822,046
Repayments of lease obligations	—	-3,989
Cash dividends paid	-202,860	-203,505
Net cash provided by (used in) investing activities	55,822	-658,800
Effect of exchange rate change on cash and cash equivalents	9,408	5,866
Net increase (decrease) in cash and cash equivalents	696,716	-580,486
Cash and cash equivalents at beginning of period	5,030,891	5,727,607
Cash and cash equivalents at end of period	5,727,607	5,147,120

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(Segment information)

Since the Group has a single segment consisting of the operation of 100-Yen shops and associated business, this information is omitted.

(Per share information)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Net assets per share	736.23 yen	769.05 yen
Net income per share	61.96 yen	46.79 yen

(Notes) 1. No diluted net income per share is presented because dilutive shares do not exist.

2. The Company's shares owned by the share issuance trust for directors are included in the treasury stock deducted in the calculation of the total number of shares outstanding at the end of period, which is the basis for calculating net assets per share. (FY8/17: 60,000, FY8/18: 60,000 shares).

3. The Company's shares owned by the share issuance trust for directors are included in the treasury stock deducted in the calculation of the average number of shares during period, which is the basis for calculating net income per share. (FY8/17: 34,849, FY8/18: 60,000 shares).

4. The basis for calculating net income per share and diluted net income per share are as follows.

(Thousands of yen)

	Previous fiscal year (from September 1, 2016 to August 31, 2017)	Current fiscal year (from September 1, 2017 to August 31, 2018)
Net income attributable to owners of parent	839,405	633,958
Amount that does not belong to common shareholders	-	-
Net income attributable to owners of parent available to common shareholders	839,405	633,958
Average number of shares during the period	13,547,926 shares	13,547,926 shares

(Important subsequent events)

(Acquisition of Treasury Stock)

Watts Co., Ltd., at the Board of Directors meeting held on October 11, 2018, has resolved to acquire its treasury stock, in conformity with Article 459-1 of the Companies Act.

1. Reason for acquiring treasury stock

The Company will acquire its treasury stock to improve capital efficiency and to further enhance shareholder returns.

2. Details of acquisition of treasury stock

(1) Type of shares to be acquired	Common shares of Watts Co., Ltd.
(2) Total number of shares to be acquired	150,000 shares (maximum) (Ratio to the total number of shares issued (excluding treasury stock): 1.1%)
(3) Total amount of shares to be acquired	150,000,000 yen (maximum)
(4) Acquisition period	From October 12, 2018 to February 21, 2019
(5) Acquisition method	Market purchase through trust method

4. Other

Sales

Sales by area and business type are as follows

Area	Amount (Thousands of yen)	Year-on-year change (%)	Number of shops		
			As of August 31, 2018	Newly opened	Closed
Hokkaido area	1,808,172	112.3	73	12	2
Tohoku area	1,666,435	112.9	62	12	2
Kanto area	12,557,458	100.7	282	30	17
Chubu area	6,403,202	102.6	176	21	7
Kinki area	10,009,440	104.7	222	21	10
Chugoku/Shikoku area	4,619,775	105.0	173	25	10
Kyushu area	4,178,908	102.9	141	20	9
100-Yen shop business Directly managed	41,243,395	103.6	1,129	141	57
Wholesale	8,201,504	106.9	134	23	26
Total	49,444,899	104.1	1,263	164	83