



Watts Co., Ltd.

(2735; Tokyo Stock Exchange First Section)

# **Operating Results for the Six Months of the Fiscal Year Ending August 2021 and Progress of the Full-Year Plan**

April 15, 2021 (Thursday)

Fumio Hiraoka, President and CEO

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# Consolidated Operating Results for the Six Months of the Fiscal Year Ending August 2021



(Millions of yen)

Financial highlights	FY8/20 2Q		FY8/21 2Q (Current period)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	25,982	—	<b>25,618</b>	—	98.6%	101.1%
Gross profit	9,900	38.1%	<b>9,881</b>	38.6%	99.8%	—
Selling, general and administrative expenses	9,114	35.1%	<b>8,796</b>	34.3%	96.5%	—
EBITDA	994	3.8%	<b>1,244</b>	4.9%	125.1%	—
Operating profit	786	3.0%	<b>1,085</b>	4.2%	138.0%	141.0%
Recurring profit	783	3.0%	<b>1,066</b>	4.2%	136.2%	142.3%
Net income attributable to owners of parent	420	1.6%	<b>800</b>	3.1%	190.2%	129.1%
Net income per share (Yen)	31.39		<b>59.72</b>		—	—

\*Comparison with the business forecasts for FY8/21 2Q announced on January 12, 2021 in "Notice Concerning Revision to Business Forecast"

- ✓ **Sales decreased by 1.4%** YoY mainly due to the impact of COVID-19 on overseas business. →P3
- ✓ **Gross profit** remained at the same level as the previous fiscal year, since gross margin improved by 0.5 percentage points, compensating for the sales decline. →P4
- ✓ **Operating profit** significantly increased at **138.0%** YoY, owing to progress in withdrawal from unprofitable businesses and reduction of expenses for new shop openings and renovations. →P5
- ✓ **Net income attributable to owners of parent** increased at **190.2%** YoY due to a gain on debt exemption of consolidated subsidiary Hilmer Japan Co., Ltd.

# Sales by Business Type



(Millions of yen)

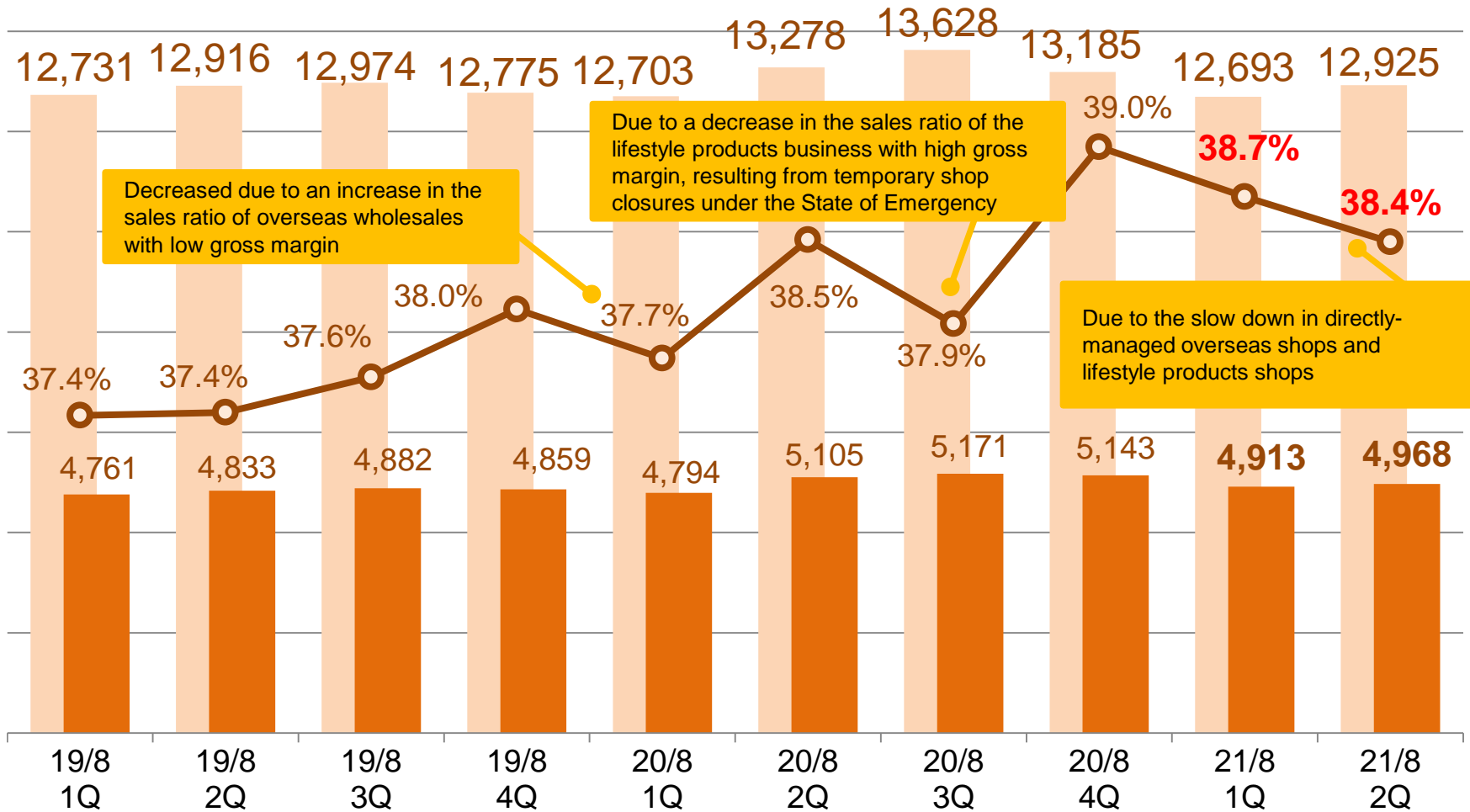
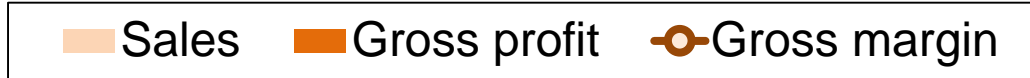
Sales by Business Type		FY8/20 2Q		FY8/21 2Q (Current period)		
			Ratio to sales		Ratio to sales	YoY
100-Yen shops	Directly managed	21,967	84.5%	<b>22,119</b>	86.3%	100.7%
	Wholesale, Other	1,056	4.1%	<b>883</b>	3.4%	83.6%
	Subtotal	23,024	88.6%	<b>23,003</b>	<b>89.8%</b>	<b>99.9%</b>
Overseas Business	Directly managed	329	1.3%	<b>145</b>	0.6%	44.0%
	Wholesale	828	3.2%	<b>712</b>	2.8%	86.0%
	Subtotal	1,158	4.5%	<b>857</b>	<b>3.3%</b>	<b>74.0%</b>
Lifestyle products business	Buona Vita	537	2.1%	<b>499</b>	<b>1.9%</b>	<b>92.9%</b>
	Søstrene Grene					
Real, etc.		1,262	4.9%	<b>1,258</b>	<b>4.9%</b>	<b>99.7%</b>
Total		25,982	100.0%	<b>25,618</b>	<b>100.0%</b>	<b>98.6%</b>

- ✓ Sales in the domestic 100-Yen shop business remained at the same level as the previous fiscal year. This is attributable to the fact that sales from directly-managed shops increased by 0.7% YoY, but wholesale and other sales decreased. On the other hand, due to the impact of the spread of COVID-19, sales especially in overseas business declined. As a result, the ratio of domestic 100-Yen shop business to the consolidated sales increased by 1.2 percentage points.

# Quarterly Changes in Gross Margin



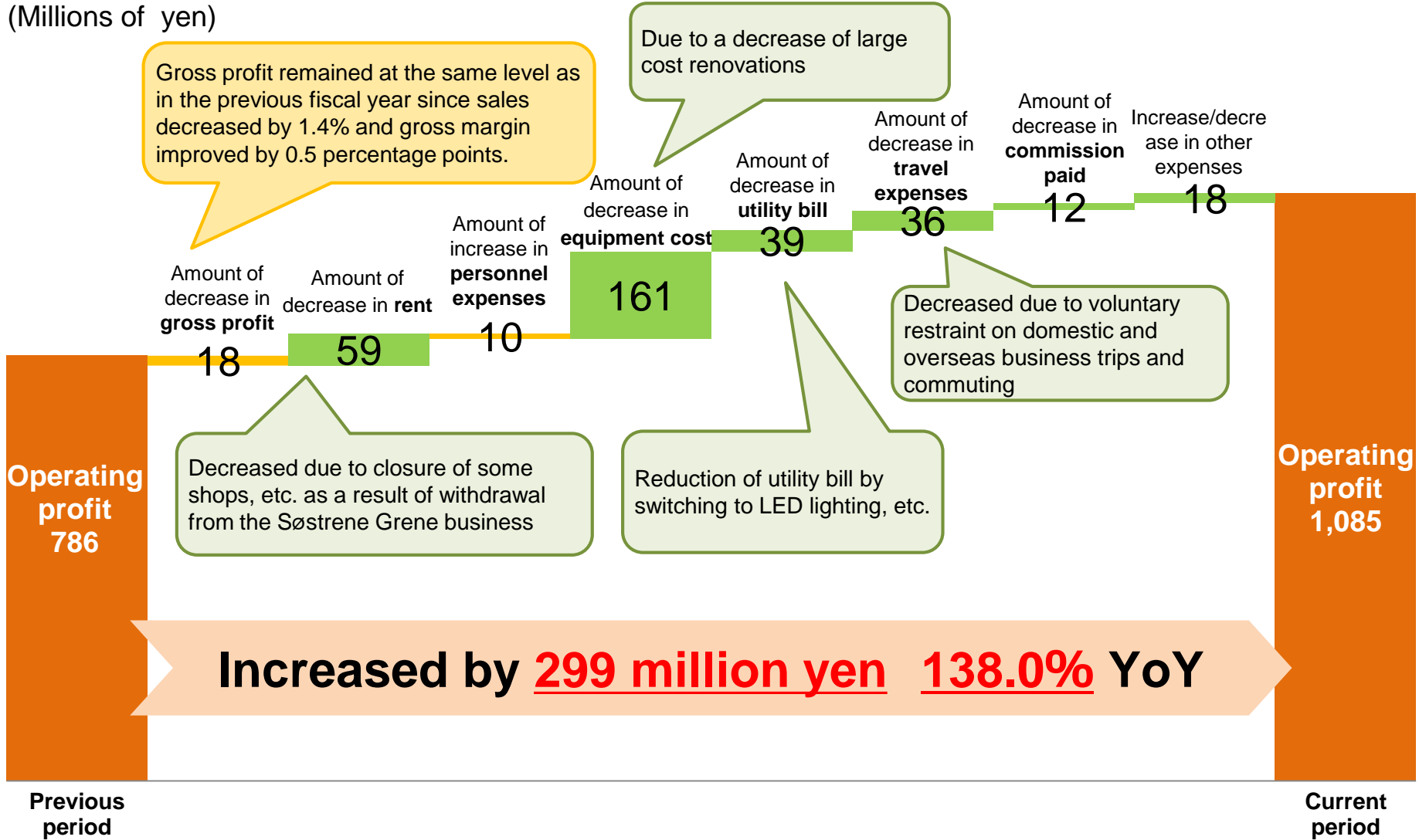
(Millions of yen)



# Factors for Changes in Operating Profit



(Millions of yen)



Previous period

Current period

# Consolidated Balance Sheet and Consolidated Cash Flows



(Millions of yen)

Consolidated balance sheet	FY8/20		FY8/21 (Current period)	
		Pct. change		Pct. change
Cash and deposits	6,591	Up 8.5%	7,586	Up 15.1%
Merchandise and finished goods	7,114	Up 0.5%	7,317	Up 2.9%
Other current assets	2,710	Down 7.9%	2,535	Down 6.4%
Tangible fixed assets	1,608	Down 9.7%	1,653	Up 2.8%
Other fixed assets	3,519	Down 4.3%	3,692	Up 4.9%
<b>Total assets</b>	<b>21,544</b>	<b>Down 0.1%</b>	<b>22,785</b>	<b>Up 5.8%</b>
<b>Liabilities</b>	<b>11,062</b>	<b>Down 5.4%</b>	<b>11,738</b>	<b>Up 6.1%</b>
<b>Net assets</b>	<b>10,481</b>	<b>Up 6.2%</b>	<b>11,046</b>	<b>Up 5.4%</b>

- ✓ Shareholders' equity ratio was 48.5%, down by 0.2 percentage points from the end of the previous period.
- ✓ In other current assets, notes and accounts receivable-trade decreased by 129 million yen.
- ✓ In liabilities, electronically recorded obligations increased by 577 million yen, and notes and accounts payable-trade increased by 467 million yen.

(Millions of yen)

Consolidated cash flows	FY8/20 2Q		FY8/21 2Q (Current period)	
		Change		Change
Net cash provided by (used in) operating activities	842	+465	1,802	+959
Net cash provided by (used in) investing activities	△317	+186	△409	△92
Net cash provided by (used in) financing activities	△36	+149	△392	△356
Effect of exchange rate change on cash and cash equivalents	15	+13	△4	△19
Cash and cash equivalents at end of period	6,578	+1,743	7,586	+1,007
<b>Free cash flows</b>	<b>524</b>	<b>+651</b>	<b>1,392</b>	<b>+867</b>

- ✓ In the cash flows from operating activities, notes and accounts payable-trade increased by 913 million yen, mainly due to the last day of the second quarter being a holiday.
- ✓ In the cash flows from financing activities, proceeds from long-term loans payable decreased by 400 million yen.

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## Domestic 100-Yen Shop Business

 	Opening/closing	<p><b>Opened 74 shops</b> against the full-year plan of 144 shops and <b>closed 21 shops</b> against 89 shops. The number of shops at the end of the period was <b>1,293</b> (net increase of 53 shops) <span style="float: right;">→P10</span></p>
 	Watts brand shops	<p>Increased by 76 shops to <b>715 shops</b> due to openings and renovations. The share to total number of 100-Yen shops increased to 55.3%</p>

## Overseas Business

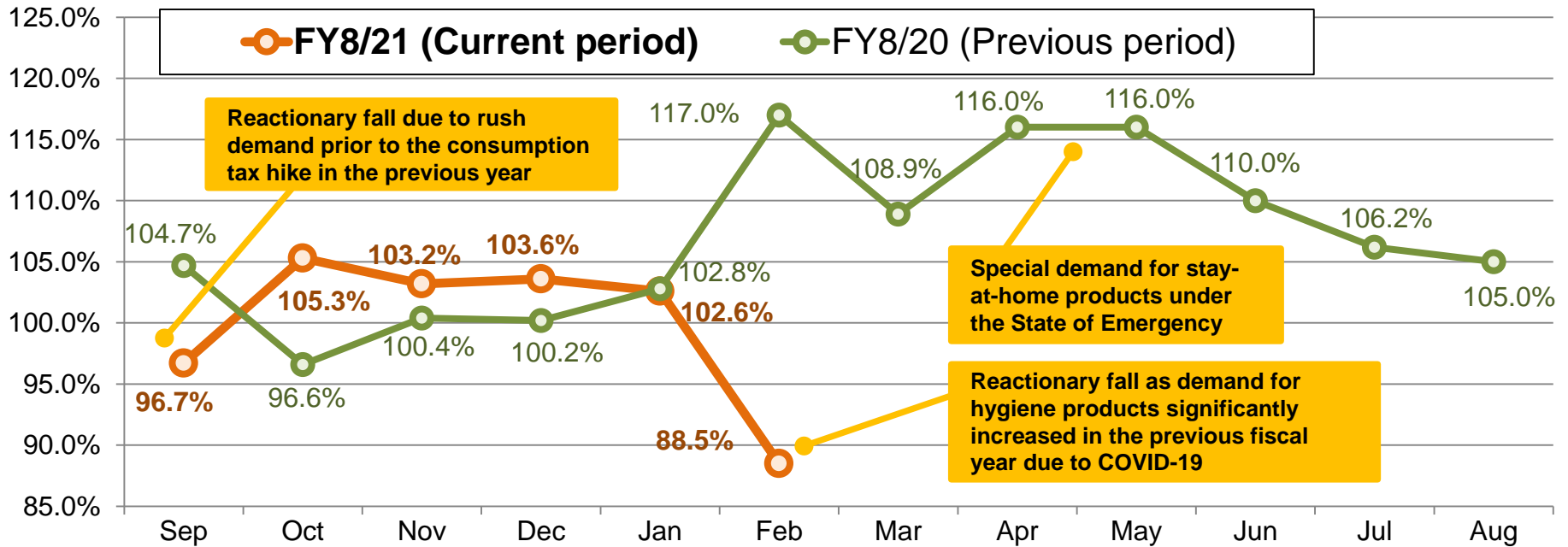
 	Overseas shops	<p>The number of shops that are selling WATTS products was <b>80</b> (down 3 from the end of the previous fiscal year), and more than 120 shops including local partners' shops. <span style="float: right;">→P13</span></p>
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## Domestic Other Business

	Buona Vita	<p>A life-style goods shop offering comfortable life. The number of shops at the end of period was <b>19</b> (down 2 from the end of the previous fiscal year). Launched a sales promotion using LINE official accounts. <span style="float: right;">→P14</span></p>
	Søstrene Grene	<p>Denmark's life-style goods shop. Decided to withdraw from this business after determining that it would be difficult to early achieve profitability on a business basis. <u>All shops were closed</u> at the end of March 2021.</p>
	AMANO	<p>Community-based discount shop. Operates <b>6 shops</b> at the end of February 2021. Aim to create synergies with 100-Yen shop business. <span style="float: right;">→P15</span></p>

# Situation of 100-Yen Shop Business①

## — Changes in Same-store sales YoY —



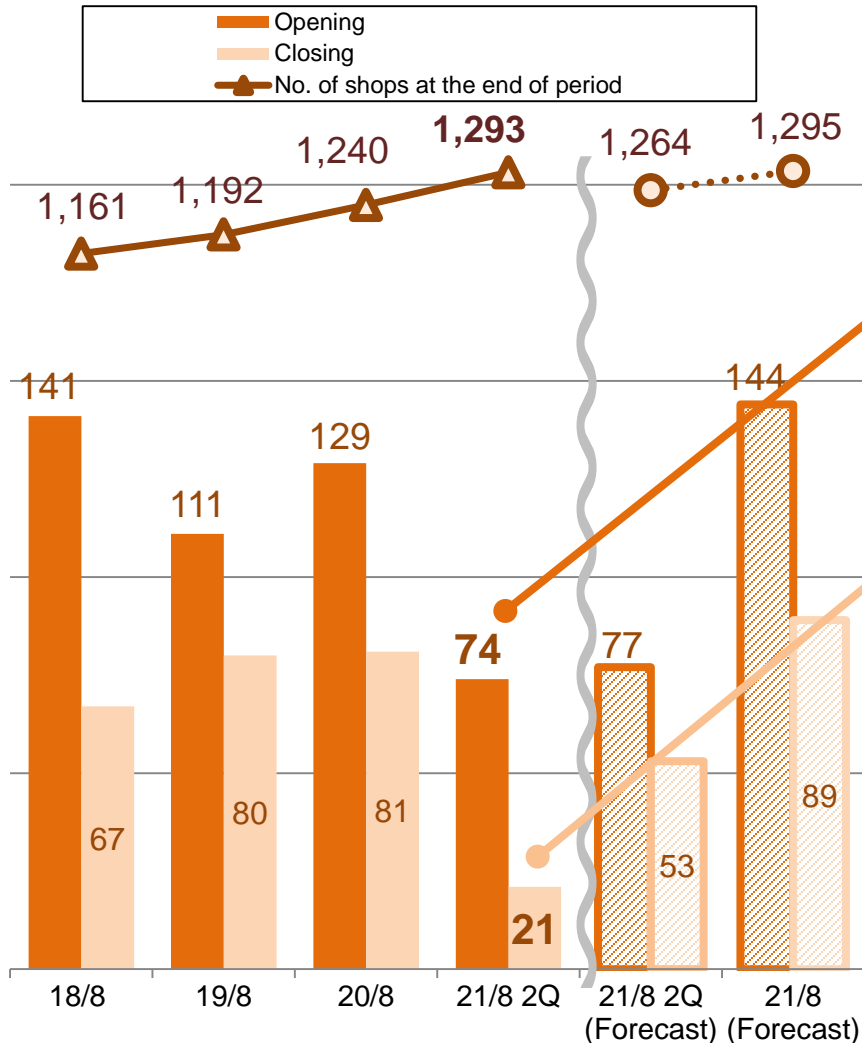
※ [YoY changes in 1H figures] Sales: 99.8%, Number of customers: 95.3%, Spending per customer: 103.0%

Pct. change of Same-store	Sep	Oct	Nov	Dec	Jan	Feb
Previous period (A)	+4.7%	-3.4%	+0.4%	+0.2%	+2.8%	+17.0%
Current period (B)	-3.3%	+5.3%	+3.2%	+3.6%	+2.6%	-11.5%
<b>A+B</b>	<b>+1.4%</b>	<b>+1.9%</b>	<b>+3.6%</b>	<b>+3.8%</b>	<b>+5.4%</b>	<b>+5.5%</b>

- ✓ If we assume that “YoY change in previous fiscal year + YoY change in current fiscal year = the rate of growth excluding the effect of the reactionary change from the previous fiscal year,” it can be said that the same-store sales have been continuing to grow.
- ✓ Sales of Watts brand shops were 101.9% YoY.

# Situation of 100-Yen Shop Business②

—Number of Shops (Opening/Closing Plan and Results)—



## Opening/closing plan and results

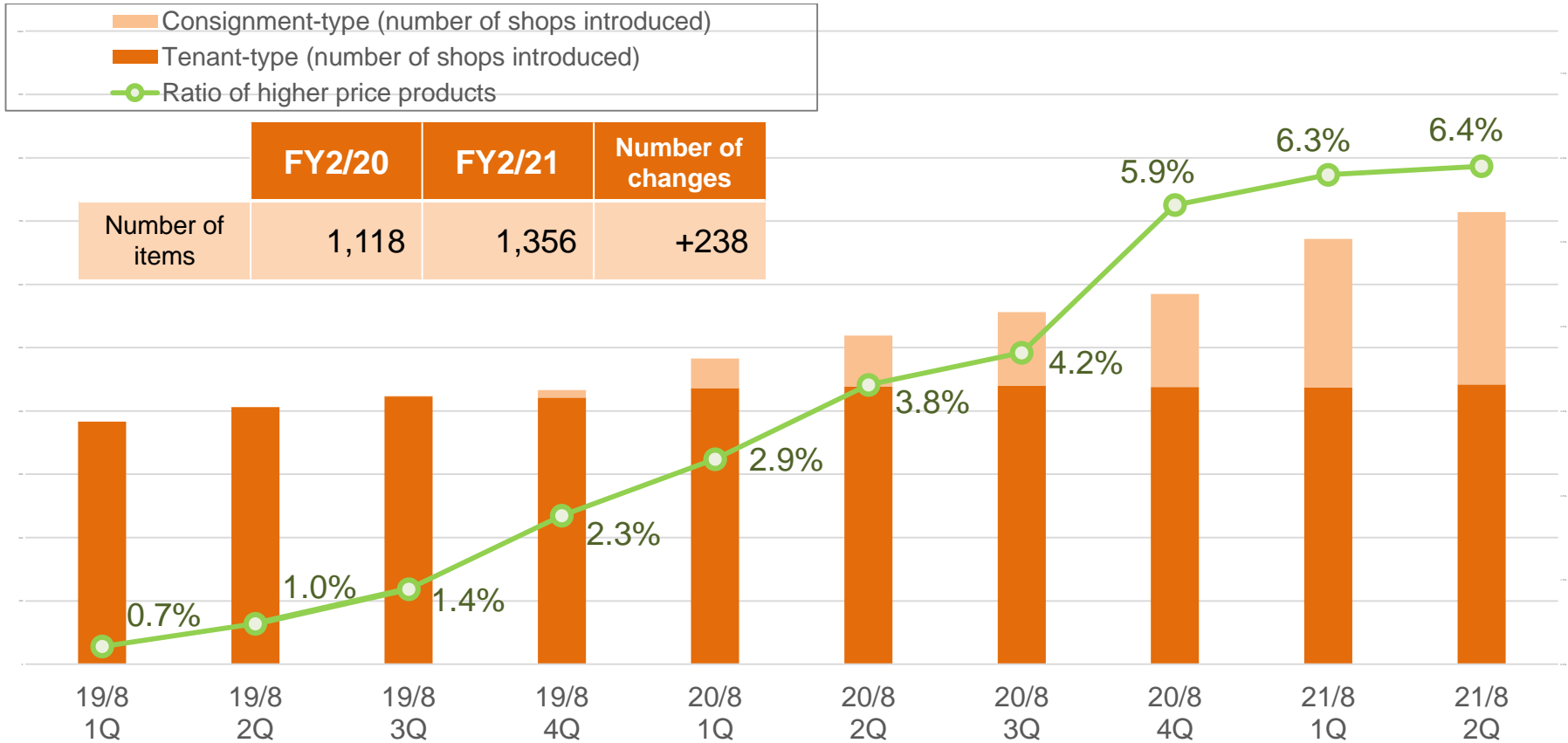
Opening plan of 2Q → Opened **74 shops**  
 (Full-year progress rate: 51.4%)  
 77 shops

Closing plan of 2Q → Closed **21 shops**  
 (Full-year progress rate: 23.6%)  
 53 shops

- ✓ Since supermarkets and malls, etc. where our shops are located performed well, the number of unpredictable closing of tenant-type shops was less than usual. **Net increase of 53 shops** against the plan of 24 shops.
- ✓ Of the total 1,293 shops, 715 are Watts brand shops (net increase of 76 shops).

# Situation of 100-Yen Shop Business③

- Changes in the number of shops introducing higher price products and its sales share -



- ✓ The introduction of higher price products to the tenant-type shops has been roughly completed, and we will continue to introduce to the consignment type shops.
- ✓ Sales of high price products increased by about 2 times YoY.

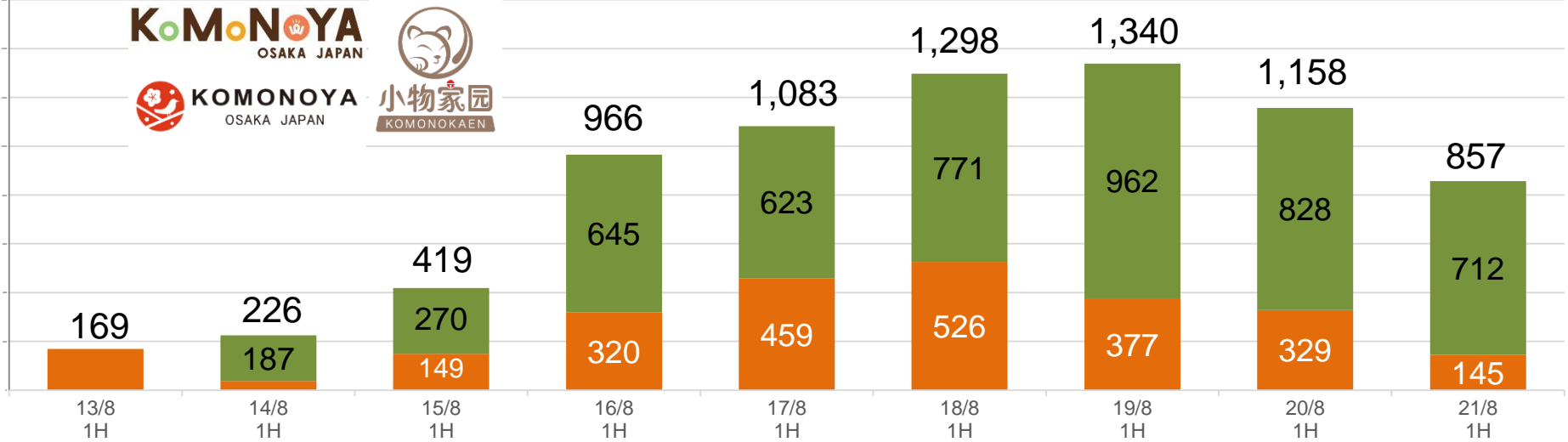
# Situation of Overseas Business①

## —Changes in Sales (Directly-managed and Wholesale)—



(Millions of yen)

Directly-managed sales Wholesale sales



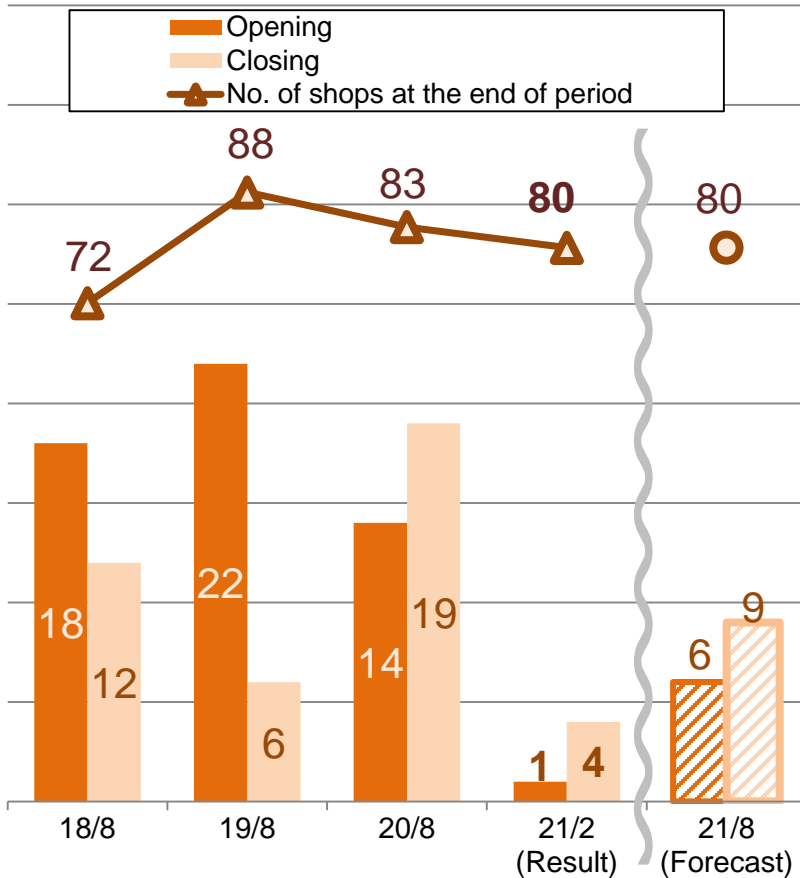
December 2020 San Felipe Shop (Peru)

- ✓ Directly-managed shops gain foothold while focusing on wholesale sales to neighbor countries (collaboration with local partners).
- ✓ Currently in the black despite a decrease in sales due to COVID-19.

Overseas business	FY8/20 1H	FY8/21 1H	YoY
Sales	1,158 million yen	857 million yen	74.0%

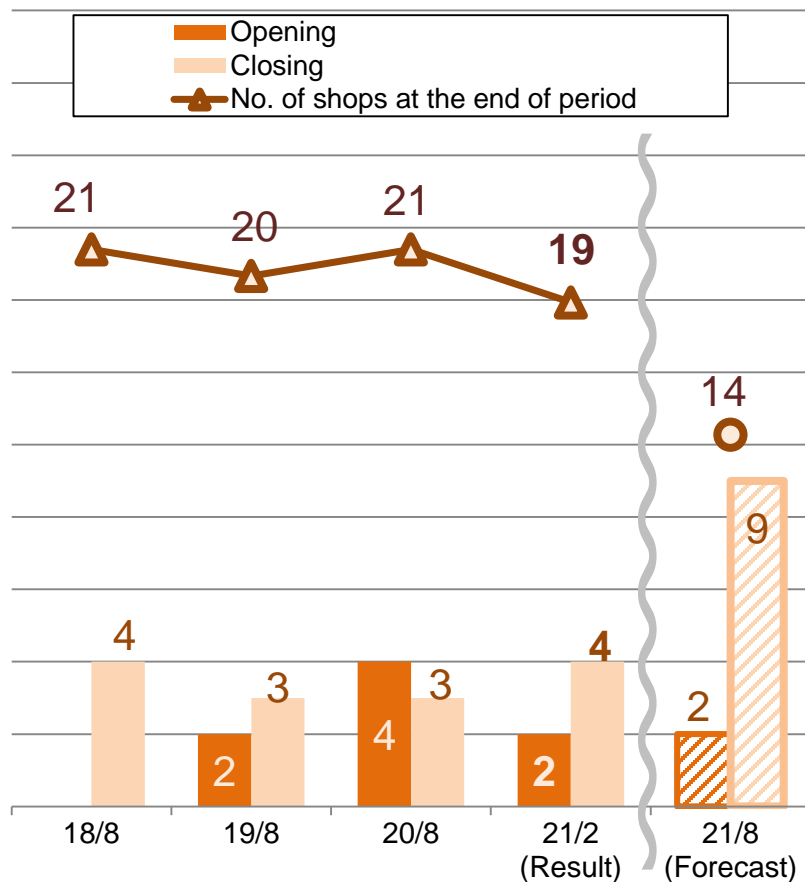
# Situation of Overseas Business②

— Number of Shops (Opening/Closing Plan and Results) —



Country	Format	Opening	Closing	No. of shops (21/2)
Thailand	FC	—	2	48
China	FC	—	—	6
Malaysia	FC	—	—	2
Vietnam	FC	—	1	4
Peru	Directly-managed	1	1	20
<b>Total</b>		<b>1</b>	<b>4</b>	<b>80</b>

- ✓ In Thailand, there are 48 shops (down 2 from the end of the previous fiscal year). 12 "Watts" brand shops opened through new openings and renovations.
- ✓ Sales subsidiary in China was sold to Chinese company in April 2020. Aiming to expand business through distributors and wholesalers.
- ✓ There are about 40 fixed-price shops with sales floors consisting of the Company's products which include 18 shops in Myanmar, 6 shops in Mongolia and other countries.



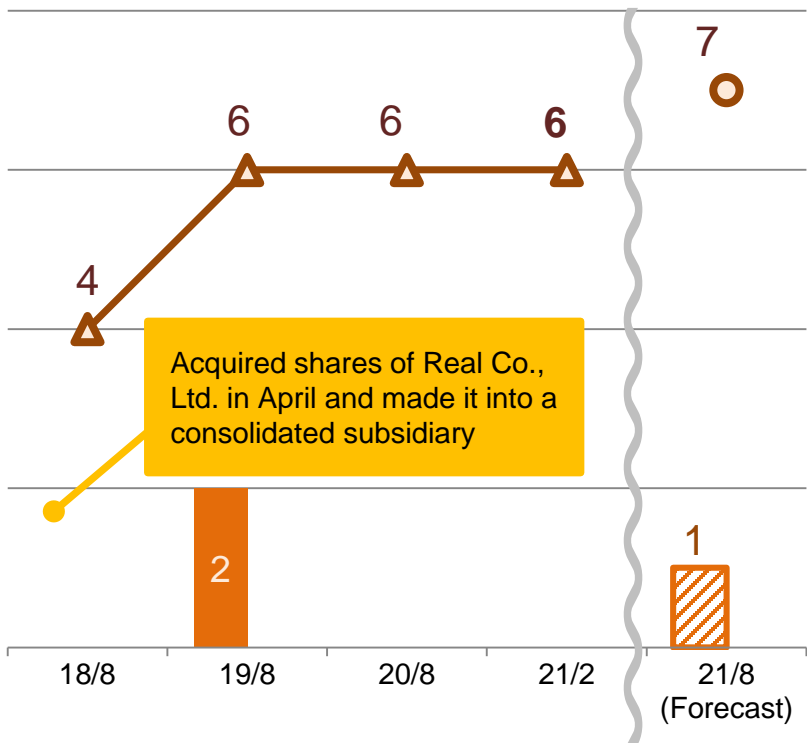
September 2020 Buona Vita Grand Emio Tokorozawa (Saitama)

- ✓ Operate **19 shops** as of the end of February 2021
- ✓ Same-store sales remained sluggish at 81.0% YoY due to the impact of COVID-19, despite a review of the product mix for each store characteristic and the special discount services for LINE (the most popular messaging app. in Japan) friends, along with events at shops are located in.

# By Business Situation of "Real"



■ Opening  
■ Closing  
▲ No. of shops at the end of period



- ✓ Offer a wide range of value-for-money products with utilizing their strength in procurement capability.
- ✓ Trial opening of collaborative shops with the Company's 100-Yen shops to create synergies with 100-Yen shop business.
- ✓ Operate **6 shops** at the end of February 2021 (5 tenant shops and 1 consignment shop).



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(Millions of yen)

Business forecasts	FY8/20 (Result)		FY8/21 (Previous forecasts)	
		Ratio to sales		Ratio to sales
Sales	52,795	—	50,960	—
Operating profit	1,768	3.4%	1,090	2.1%
Recurring profit	1,731	3.3%	1,040	2.0%
Net income attributable to owners of parent	774	1.5%	740	1.5%
Net income per share (yen)	57.80		55.23	



FY8/21 (Revised forecasts)			
	Ratio to sales	Increase / decrease	Pct. change
50,960	—	—	—
1,850	3.6%	760	69.7%
1,780	3.5%	740	71.2%
1,150	2.3%	410	55.4%
85.83			—

### 100-Yen shop business

- ✓ Same-store sales are trending above expectations, and the number of closing of shops is significantly below the plan. However, full-year sales are expected to be in line with the plan as the number of opening of tenant-type shops is expected to fall short of the plan. Profits are expected to exceed the initial plan since SG&A expenses have been significantly below expectations.

### Overseas business

- ✓ Sales were above expectations in 1Q, but its pace of recovery has slowed since 2Q. As such, full-year sales are expected to be in line with the plan.

### Lifestyle products business

- ✓ Søstrene Grene, which is in the process of withdrawing from the business, is expected to incur minimal additional cost for 2H. On the other hand, sales of Buona Vita have fallen short of the plan, and the Company has revised its full-year forecasts downward.



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

Brush up of **Watts brand**

- ✓ Shops and product lineups that add more style to one's life
- ✓ Establish shop opening model of "Watts" and "Watts with"
- ✓ Utilize POS system and improve reordering support system

**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



Other  
businesses

**Expand business and  
Enlarge source of  
earnings**

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



### Offer higher price products



- ✓ Increase the number of higher price products (¥200 to ¥1,000) to enhance the product lineups and revitalize sales floors.
- ✓ Actively introduce to consignment-type shops, leading to an improvement in gross margin for the entire group
- ✓ 1,356 items as of the end of February. Aiming for the introduction of 2,000 items as of the end of August 2021.

### Intra-group collaboration

- ✓ Trial collaboration with discount shops "Real" and lifestyle products businesses to create synergies among Group businesses (Photograph: Watts Kadoma Minami Shop with a product section of Real)



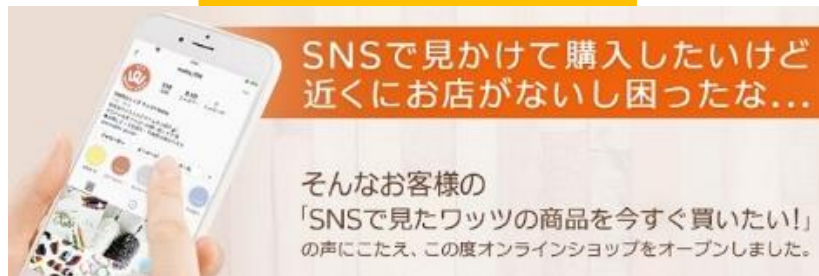
### Full use of POS data



- ✓ Reduce slow moving products and replace them with popular and new products to increase the freshness of products of sales floors
- ✓ Introduce ordering support system to avoid losing sales opportunities due to stock-out
- ✓ Create sales floors that match seasonal and regional characteristics by sharing accumulated POS data with all shops, not only at each shop.
- ✓ Trial management of single items is conducted from the 2H in some areas for inventory optimization and ordering support.



## E-commerce site



## RANKING

<p>1</p> <p>27063【再販・人気】携帯できる洗濯おけ ¥110</p>	<p>2</p> <p>【人気】ゼブラサラサ ジェルボールペン0.5 5色 ¥110</p>	<p>3</p> <p>327296【SNS話題・再販】★UV-LEDネイルライト (税込330円) ¥330</p>	<p>4</p> <p>【再販・話題】すべり止めハンガー・グレー3種 (ノーマル・シングル・スラックス) ¥110</p>	<p>5</p> <p>330799【再販・人気】量めるふきん 漂白おけ ¥110</p>
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- ✓ Mainly offer SNS-listed products and Watts Select brand products, Number of handled items are approximately 1,000.
- ✓ Average spending per customer approximately 4 times that of physical shops.
- ✓ Some products may not be much sold in the physical shops but are hot sellers at the online store, which helps to appeal products to customers.

## Owned media

## コラム一覧

旅行・出張にも使える! ワッツで 買える持ち運びもできる折りたた 毎日の洗濯や洋服を収納するときのハン

つるだけでウエストダウン?子 育てママ必見のダイエットグッズ 外出自業の影響で、コロナ太りをしてしま った方は多いのではないのでしょうか?

売り切れ必須! 可愛すぎる“木製 木製おもまごセットやさい”ver.! おままごセットやさい! [...]

- ✓ Launched our own website to communicate with customers
- ✓ Post about 20 articles per month
- ✓ Send out product and shop information
- ✓ By linking to other SNS, we can expect to spread our information to more customers.



**KoMoNoYA**  
OSAKA JAPAN



#### 【Overseas Business】

- Plan to open 6 new shops, mainly in Thailand
- Focus on support for Thailand, Peru, Vietnam, the Philippines, and Myanmar as important markets
- Implementation of strategic renewal
- Replacement of products based on POS data
- Build an overseas supply chain in timely manner
- Develop products exclusively for overseas markets. Strengthen Japanese-made products and higher price products

*Buona Vita*  
フオーナ・ビータ

#### 【Buona Vita】

- Plan to open 5 new shops (tenant-type: 1, collaboration with our 100-Yen shop: 4) and aggressively close unprofitable shops.
- Implementation of effective sales promotion activities using LINE official accounts
- Proposal of stay-at-home products suited to the New Normal lifestyles with prevention of COVID-19

スーパーディスカウント

リアル

#### 【Real】

- Plan to open 1 new shop
- Increase profitability by improving gross margin and reducing expenses
- Establish a structure that creates operation synergies with 100-Yen shops



- ✓ Household items shop “Tokino:ne”. The concept is “Create a pleasant me-time”.
- ✓ Opened the first shop in Kobe City, Hyogo Prefecture, on March 26, 2021.
- ✓ Offer products that help you enjoy your day from morning till night: waking up in the morning, getting ready to go, going to work or shopping, coming home, having dinner, taking a bath, and going to bed.
- ✓ The layout is divided into zones for morning, noon, evening, and night. It offers a collection of products necessary for each time zone, allowing customers to enjoy shopping while imagining their own routines.

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# Brands of Watts Group



## Domestic 100-Yen shop business



## Overseas business

**KoMoNoYA**  
OSAKA JAPAN



**KOMONOYA**  
OSAKA JAPAN



小物家园  
KOMONOKAEN

## Other domestic business

*Buona Vita*  
ブォーナ・ビータ



Tokino:ne





**Buona Vita**  
フオーナ・ビータ

“Buona Vita,” a variety store which proposes a comfortable life. Operates 19 shops as of the end of February 2021. The photo is Shin-Koshigaya Varie Shop which opened in February 2020



  
Tokino:ne

Tokino:ne, a household items shop under the theme of “time”, opened its first shop in March 2021



Collaboration shop between 100-Yen shop and grocery



Community-based small discount shop. Operates 6 shops as of the end of February 2021.



# twitter

[https://twitter.com/watts\\_100/](https://twitter.com/watts_100/)



- Watts official twitter  
Providing photos of recommended products and announcements of monthly sales promotion.  
Retweeting blogs and articles containing 100-Yen shop information.

- ✓ The number of Instagram followers has exceeded 130,000
- ✓ Opened [Watts official YouTube channel](#) on February 22, 2021

# Instagram

[https://www.instagram.com/watts\\_100/](https://www.instagram.com/watts_100/)



- Watts official Instagram  
Like twitter, we will deliver the recommended products of our 100-Yen Shops. Providing attractive information to get more followers



友だちだからお得な情報届けます。

**LINE@**  
**友だち募集中。**

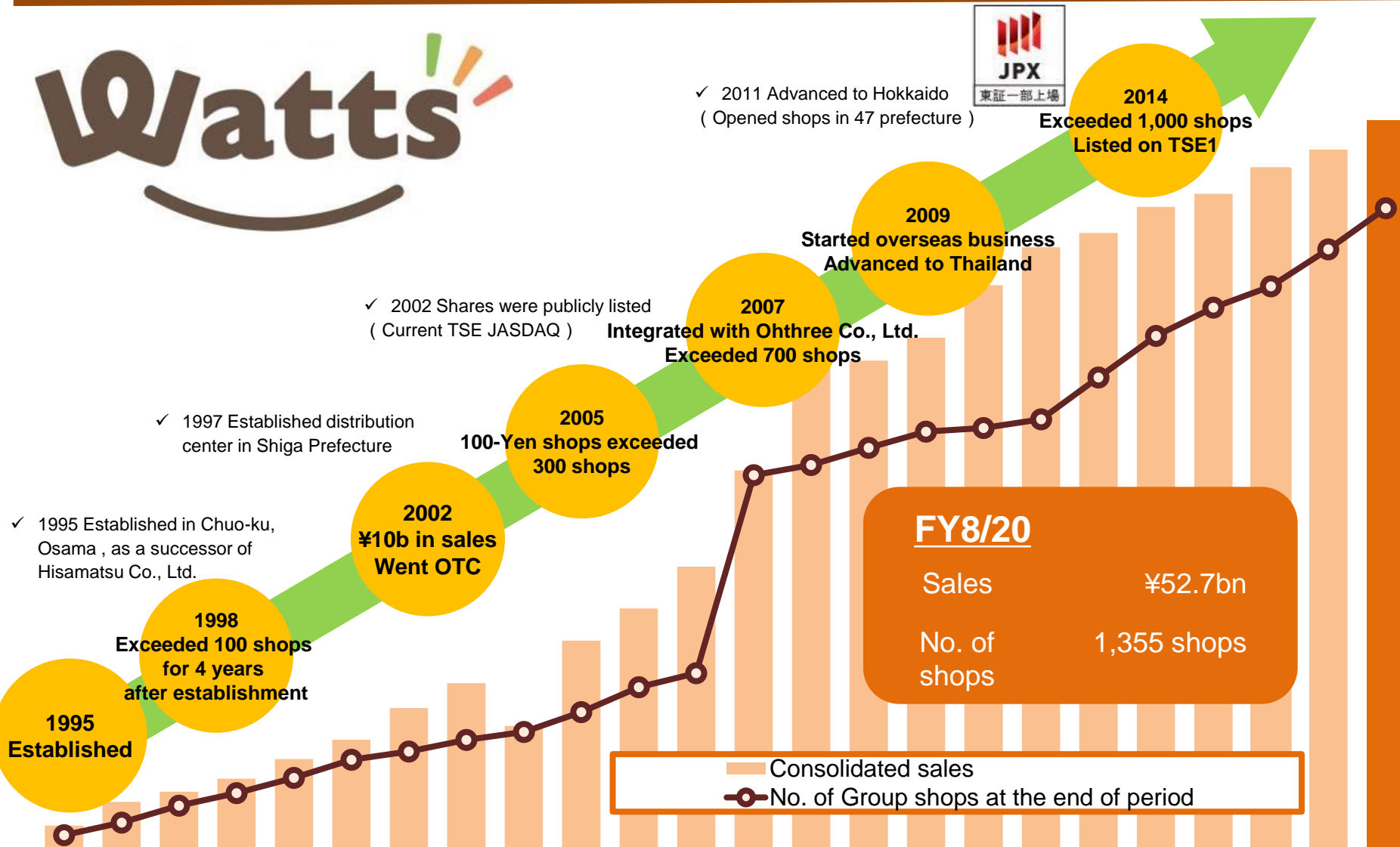
LINE@ is also available at several shops, which users can get information when you become friend.

\*LINE is the most popular messaging app. in Japan

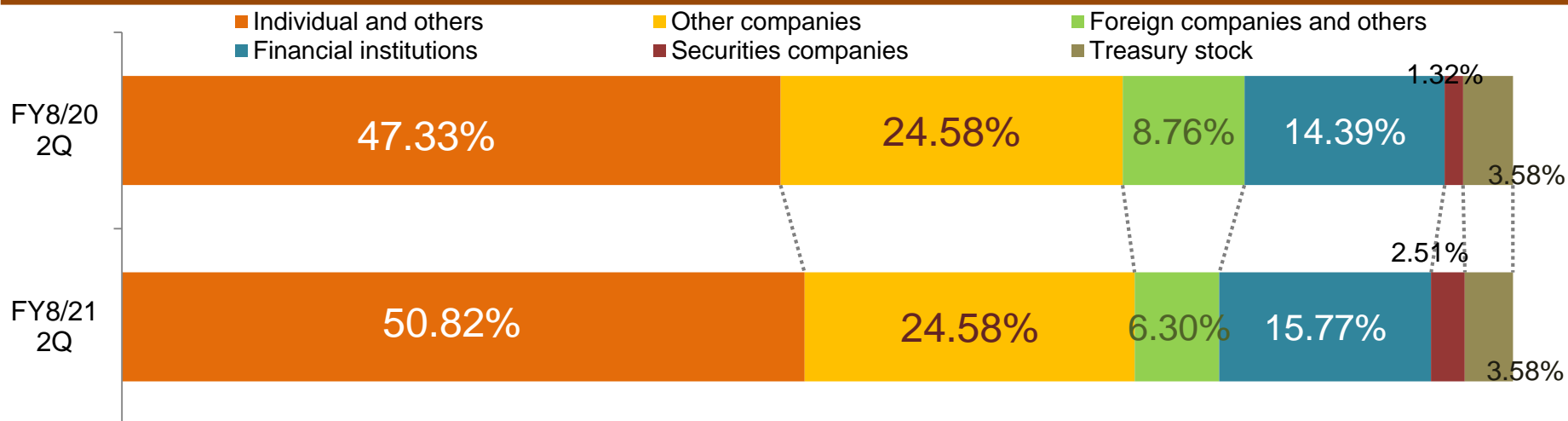


Establishment	February 22, 1995 (Currently the <b>27<sup>th</sup> business term</b> )
Meaning of the Company's name	<b>Derived from “Wa! tto ikou” (Japanese catch cry to “go forth energetically”)</b>
Market listing	Tokyo Stock Exchange First Section (Securities code: <b>2735</b> )
Capital stock	440 million yen (as of February 28, 2021)
Head office	5F, Sumitomo OBP Plaza Building, 4-70, Shiromi 1-chome, Chuo-ku, Osaka-shi, <b>Osaka Prefecture</b>
Main business	Wholesale and retail of daily-use and household items (Mainly <b>operation of 100-Yen shops</b> )
Number of employees	3,133 employees (as of February 28, 2021) *Part-time workers included
Number of shops	1,401 shops (as of February 28, 2021) *Other shops included

# Corporate History



# Shareholder Composition



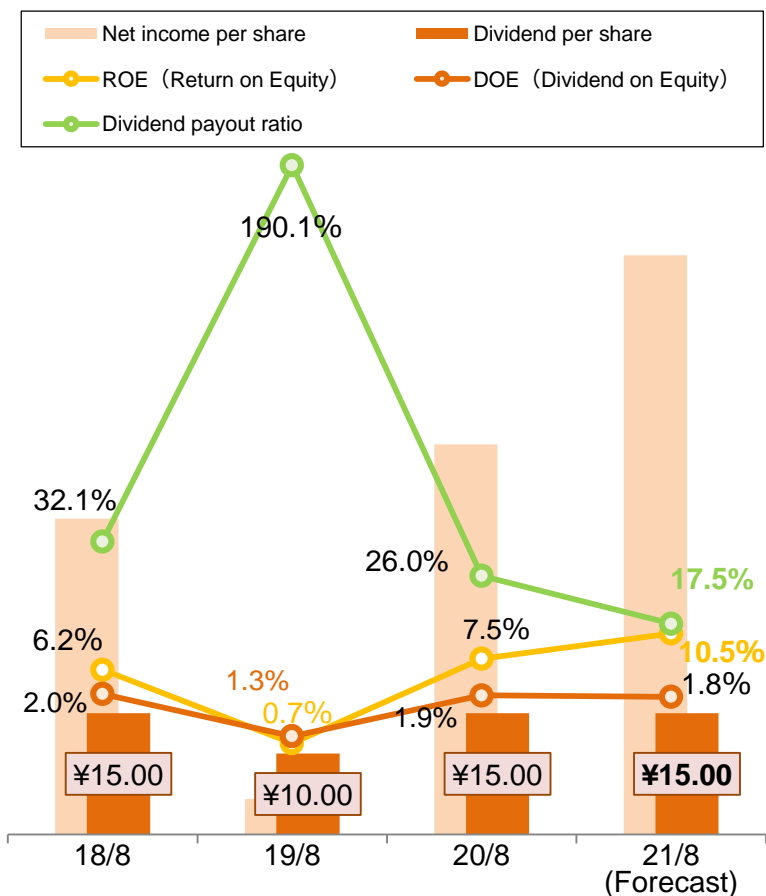
	FY8/19 2Q	FY8/20 2Q	FY8/21 2Q	YoY
Total number of shares issued	13,958,800 shares	13,958,800 shares	13,958,800 shares	—
Number of shareholders	11,666	16,029	17,710	+1,681
Ownership ratio				
Individuals and others	42.42%	47.33%	50.82%	+3.49P
Other domestic companies	24.55%	24.58%	24.58%	—
Foreign companies and others	15.97%	8.76%	6.30%	△2.46P
Financial institutions	12.58%	14.39%	15.77%	+1.38P
Securities companies	0.86%	1.32%	2.51%	+1.19P
Treasury stock	3.58%	3.58%	3.58%	—

- ✓ Number of shareholders increased by 1,681 YoY.
- ✓ Ownership ratio of individual shareholders increased by 3.49 percentage points YoY.

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



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



	FY8/18	FY8/19	FY8/20	FY8/21 (Forecast)
Net income per share (Yen)	46.79	5.26	57.80	<b>85.83</b>
Dividend per share (Yen)	15.00	10.00	15.00	<b>15.00</b>
Dividend payout ratio	32.1%	190.1%	26.0%	<b>17.5%</b>
Dividend yield	1.6%	1.6%	1.6%	<b>1.8%</b>
ROE (Return on Equity)	6.2%	0.7%	7.5%	<b>10.5%</b>
DOE (Dividend on Equity)	2.0%	1.3%	1.9%	<b>1.8%</b>

\*Dividend payout ratio for each fiscal year is calculated based on the stock price of accounting date.  
(Payout ratio for FY8/21 is calculated based on the stock price as of February 26.)



Number of shares held and holding period	Outline of benefits according to holding periods	
	Less than 3 years	3 years or more
100 to 999 shares	Assorted products worth about 1,000 yen (A)	Assorted products worth about 2,000 yen (B)
1,000 shares or more	Assorted products worth about 2,000 yen (B)	



※All images are for illustrative purposes only.

✓ We will plan more attractive benefits with reflecting your opinions and suggestions





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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