



Watts Co., Ltd.

(2735; Tokyo Stock Exchange Standard Market)

Operating Results for the Fiscal Year Ended August 2024 and Business Forecasts for the Fiscal Year Ending August 2025

Thursday, October 17, 2024

Fumio Hiraoka, President, CEO and Executive Officer

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Consolidated Operating Results for Q4 FY8/24



(Millions of yen)

Financial highlights	FY8/23		FY8/24 (Period under review)			
		Ratio to sales		Ratio to sales	YoY	Ratio to forecast
Sales	59,309	–	61,257	–	103.3%	101.8%
Gross profit	22,454	37.9%	23,590	38.5%	105.1%	–
Selling, general and administrative expenses	21,832	36.8%	22,344	36.5%	102.3%	–
EBITDA	1,369	2.3%	1,986	3.2%	145.1%	–
Operating profit	621	1.0%	1,246	2.0%	200.5%	118.7%
Recurring profit	648	1.1%	1,228	2.0%	189.4%	122.8%
Net income attributable to owners of parent	250	0.4%	904	1.5%	360.8%	145.8%
Net income per share (Yen)	18.46		68.45		370.8%	–

- ✓ **Sales increased by 3.3% YoY**, reaching 101.8% of the plan, mainly due to solid performance in the 100-Yen Shop business. ➡P3,9
- ✓ **Gross margin rose by 0.7 ppt.** due to an improvement in the cost of miscellaneous goods purchased and a reduction in the cost-of-sales ratio driven by the increased sales proportion of miscellaneous goods and products priced above 100 yen (non-100-yen items). **Operating profit was 200.5% YoY** due to cost reductions through the closure of unprofitable stores. ➡P4,5
- ✓ **Net income attributable to owners of parent** was 360.8% YoY, driven by a reduction in impairment losses recorded as a result of improved store profitability, and the previous fiscal year's recording of closing costs for large-scale unprofitable stores.

Sales by Business Type

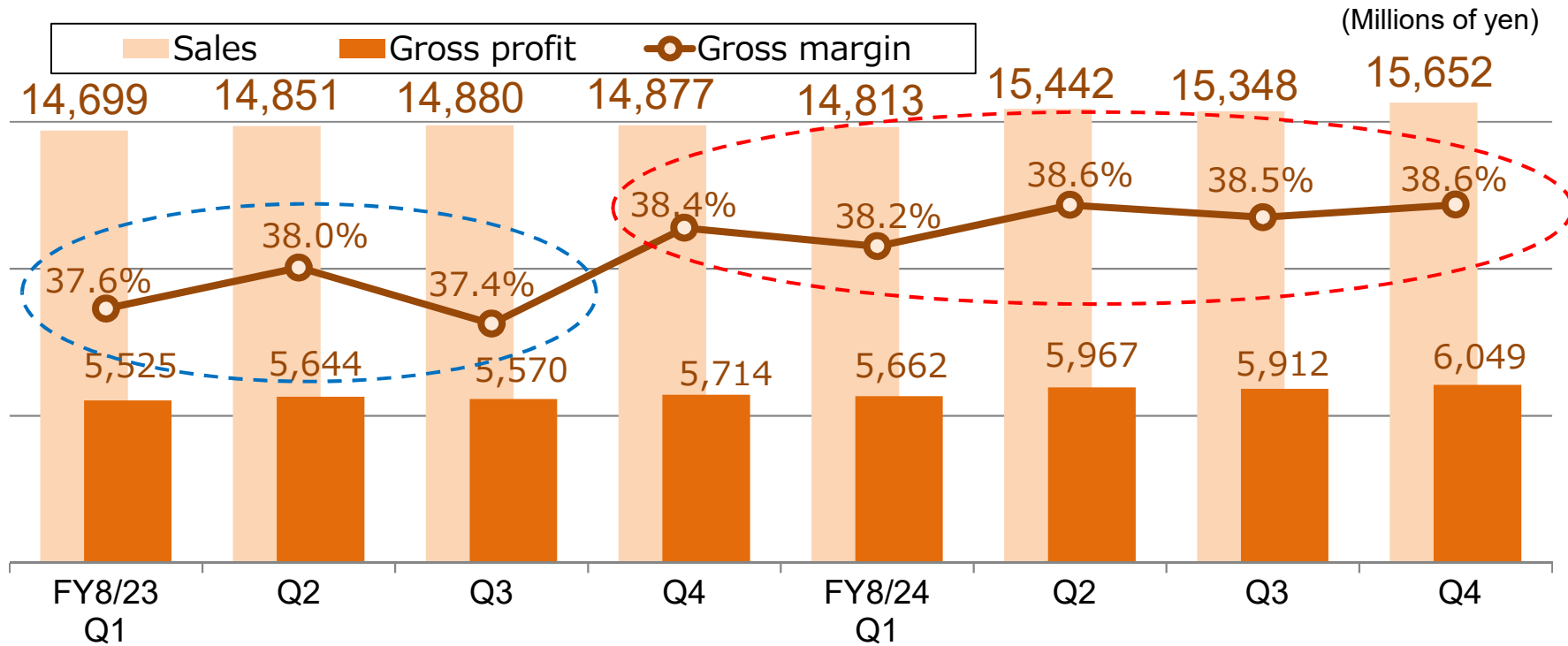


(Millions of yen)

Sales by Business Type		FY8/23		FY8/24 (Period under review)		
			Ratio to sales		Ratio to sales	YoY
100-Yen Shop	Directly managed	52,996	89.4%	55,208	90.1%	104.2%
	Wholesale, Other	2,013	3.4%	1,891	3.1%	93.9%
	Subtotal	55,010	92.8%	57,099	93.2%	103.8%
Overseas Business	Directly managed	226	0.4%	116	0.2%	51.2%
	Wholesale	987	1.7%	827	1.4%	83.8%
	Subtotal	1,214	2.0%	943	1.5%	77.7%
Domestic Other Businesses	Buona Vita					
	Real	3,084	5.2%	3,214	5.3%	104.2%
	Tokino:ne ,etc.					
Total		59,309	100.0%	61,257	100.0%	103.3%

- ✓ The proportion of sales from the domestic 100-Yen Shop business grew by 0.4 ppt. (up 0.7 ppt. for directly-managed stores and down 0.3 ppt. for wholesale and other businesses)
- ✓ Overseas sales remain below pre-COVID levels, with their proportion of sales declining 0.5 ppt.

Quarterly Changes in Gross Margin



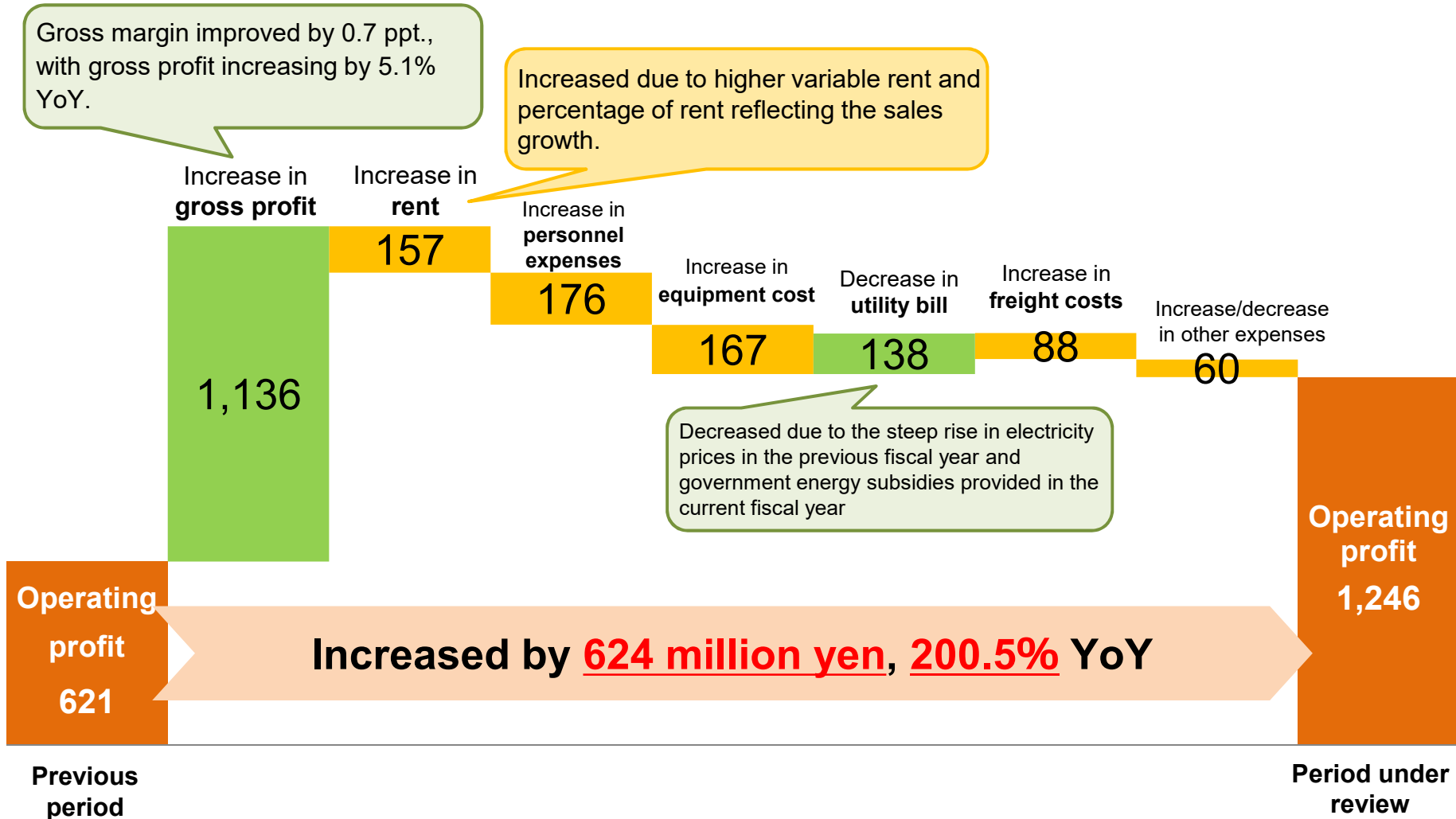
- ✓ Prior to Q3 of the previous fiscal year, the gross margin declined amid a deteriorating external environment and an increase in the proportion of wholesale sales, including overseas markets.
- ✓ From Q4 of the previous fiscal year, the gross margin improved due to the increased sales proportion of household items and non-100-yen items.

* In addition to continuous reductions in purchase costs for non-100-yen items, there was an improvement in the purchase costs of 100-yen household items during the current period.

Factors for Changes in Operating Profit



(Millions of yen)



Consolidated Balance Sheet and Consolidated Cash Flows



(Millions of yen)

Consolidated balance sheet	FY8/23		FY8/24 (Period under review)	
		Pct. change		Pct. change
Cash and deposits	5,646	Up 8.4%	9,380	Up 66.1%
Merchandise and finished goods	9,719	Up 17.5%	10,816	Up 11.3%
Other current assets	3,553	Up 28.2%	3,853	Up 8.4%
Property, plant and equipment	2,011	Up 38.9%	2,072	Up 3%
Other non-current assets	4,557	Up 30.6%	4,158	Down 8.8%
Total assets	25,489	Up 20.0%	30,280	Up 18.8%
Liabilities	13,524	Up 35.1%	17,762	Up 31.3%
Net assets	11,964	Up 6.3%	12,517	Up 4.6%

As the last day of the fiscal year under review was a bank holiday, the year-end balance includes unsettled balances related to settlements.

- Cash and deposits increased by 3,733 million yen
- Liabilities increased by 4,238 million yen

- ✓ Merchandise and finished goods increased by 1,096 million yen.
- ✓ Shareholders' equity ratio was 41.3%, down by 5.6 ppt. from the end of the previous period.

(Millions of yen)

Consolidated cash flows	FY8/23		FY8/24 (Period under review)	
		Pct. change		Pct. change
Cash flows from operating activities	221	△1,500	4,043	3,822
Cash flows from investing activities	△667	307	△ 538	129
Cash flows from financing activities	△633	△304	233	866
Effect of exchange rate change on cash and cash equivalents	38	△62	△ 5	△ 43
Cash and cash equivalents at end of period	5,646	△1,041	9,380	3,733
Free cash flows	△446	△1,193	3,505	3,952

- ✓ Cash flows from operating activities: Increase in trade payables of 2,735 million yen and profit before income taxes of 873 million yen.
- ✓ Cash flows from financing activities: Proceeds from long-term borrowings increased by 700 million yen.
- ✓ Free cash flows increased by 3,952 million yen.

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By Business

Topics by Business

Domestic 100-Yen Shop business

	<p>Opening/closing</p>	<p>Number of stores: 1,812 (as of August 31, 2024) <u>156 openings and 113 closings (net increase of 43)</u> vs. full-year forecasts (160 openings and 120 closings) ➡P10</p>
	<p>Watts brand stores</p>	<p>Increased by <u>136 stores</u> to 1,383 stores, accounting for 76.3% of the total number of our 100-yen shops</p>

Overseas Business

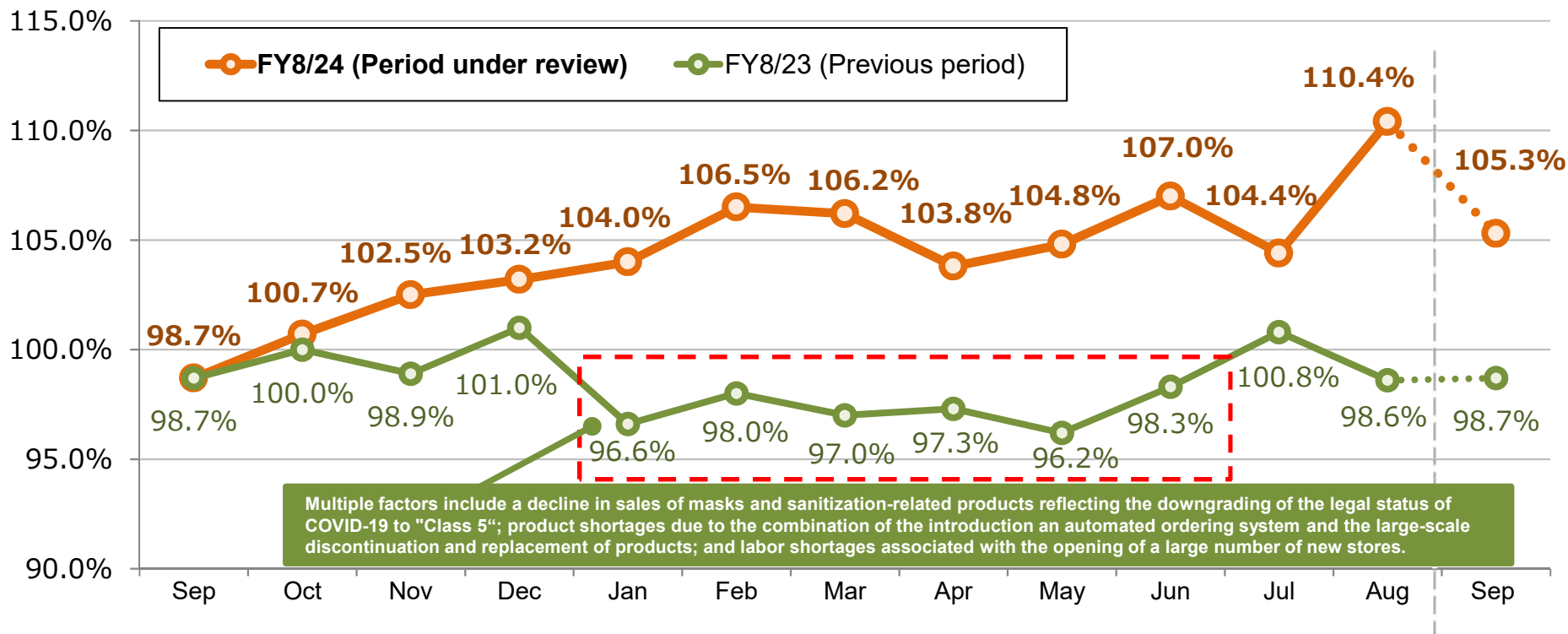
	<p>Overseas stores</p>	<p><u>23</u> stores sell our product in our group, down 16 from the previous period. ➡P12</p>
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Domestic Other Business

	<p>Buona Vita</p>	<p>A lifestyle goods store offering a comfortable and joyful life. Operate 12 stores, and the same-store sales performed well at 103.7% YoY. ➡P13</p>
	<p>Real</p>	<p>Community-based discount store. Operate 7 stores. Aim to create synergies with the 100-Yen Shop business. ➡P14</p>

100-Yen Shop Business (1)

- Changes in Same-store sales YoY



Full-year	Sales	Number of customers*	Spending per customer*
Period under review	104.4%	100.8%	103.9%
YoY	98.5%	97.6%	101.4%

* The number of customers and the spending per customer are calculated only for tenant-type stores

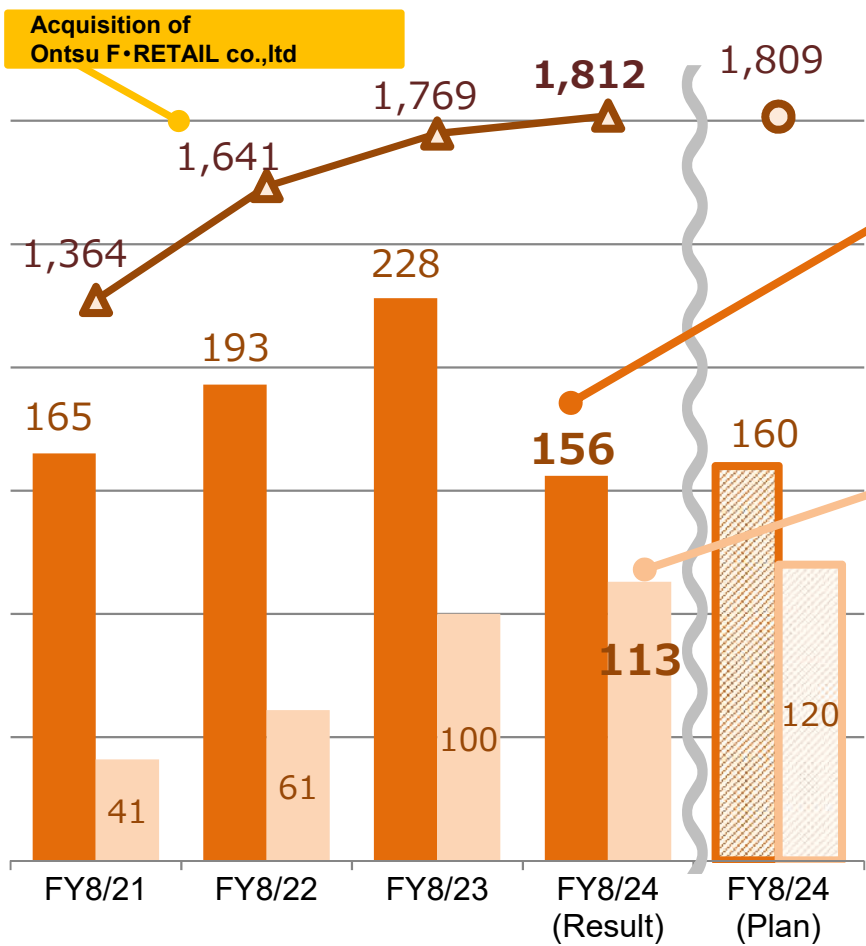
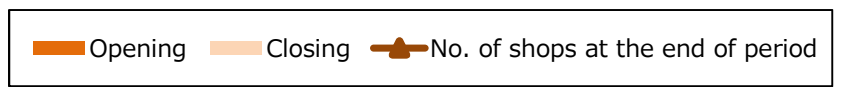
- ✓ As people become more focused on saving money due to rising prices, sales of value-for-money products have increased, and same-store sales for the full year have recovered to 104.4% YoY.
- ✓ Sales of the Watts brand stores were 105.3% YoY.



By Business

100-Yen Shop Business (2)

- Number of Stores (Opening/Closing Plan and Results)



Opening/closing plan and results

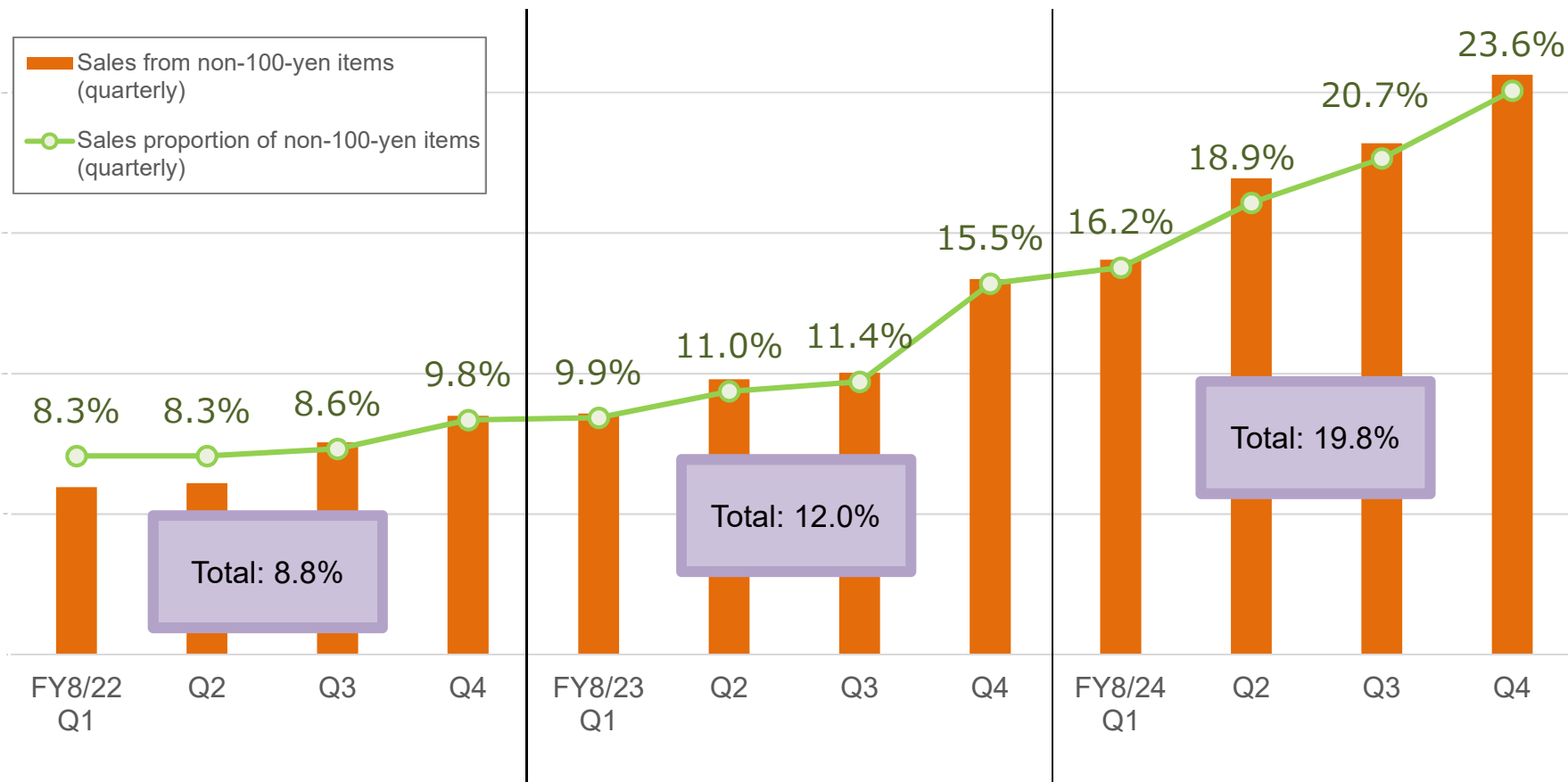
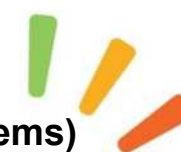
Opening plan 160 stores → Opened **156 stores**

Closing plan 120 stores → Closed **113 stores**

- ✓ Net increase of 43 stores vs. the planned 40 stores.
- ✓ Opened 14 tenant-type stores and 142 consignment-type stores. The majority of new stores were consignment-type.
- ✓ Out of the total 1,812 stores, we have 1,383 WATTS brand stores (net increase of 136).

100-Yen Shop Business (3)

- Number of tenant-type stores selling higher-priced products (non-100-yen items) and its sales share

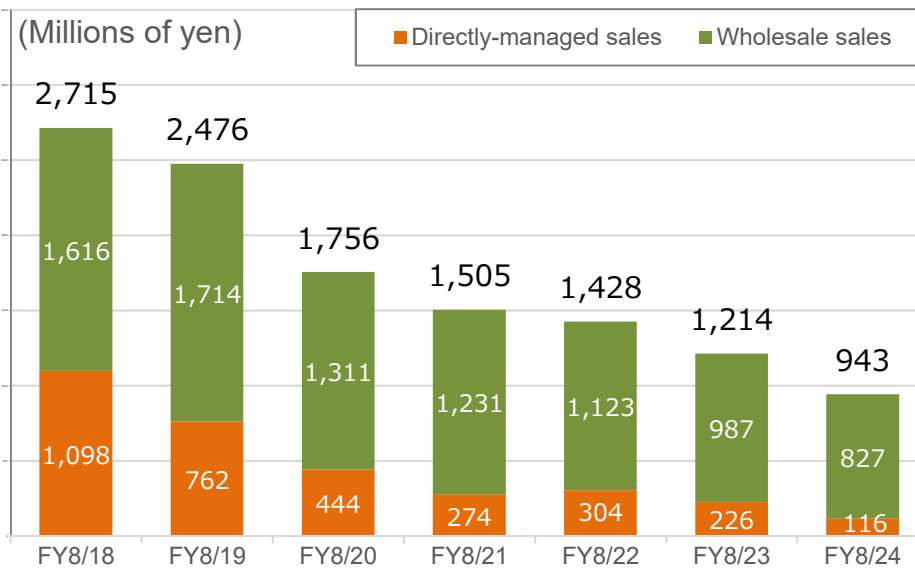


- ✓ We currently sell 4,491 non-100-yen items.
- ✓ Aim to sell more non-100-yen items through product replacement, targeting 20.0% of sales proportion.



By Business

Overseas Business

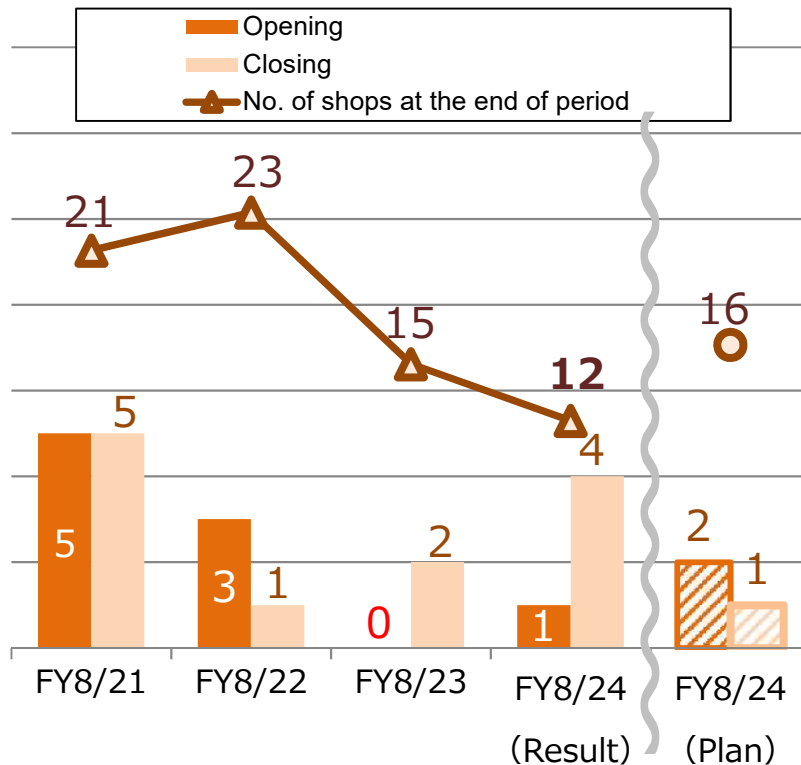


Country	Format	Open	Close	No. of stores (Aug. 31, 2024)
Thailand	FC	—	11	14
China	FC	—	—	4
Peru	Directly-managed	—	5	5
Total		—	16	23



"Watts.up+", which focuses on non-100-yen items, has a dedicated section in stores in Thailand.

- ✓ 14 stores in Thailand, decreased by 11 stores YoY.
- 5 stores in Peru, decreased by 5 stores YoY.
- ✓ Total overseas sales decreased since international shipment volumes have not yet fully recovered to pre-COVID levels.



As of September 1, 2022, Watts Connection, the operator of Buona Vita, was merged into Watts East Japan Sales.

* The number of Buona Vita stores excludes 6 consignment-type stores located in our 100-yen shops.



Buona Vita AEON Shin-Urayasu (Chiba)

- ✓ **12 stores** as August 31, 2024.
- ✓ The same-store sales reached 103.7% of the previous fiscal year result, driven by robust sales of apparel, bags, and other items reflecting increased demand for outings.



By Business

Real and Tokino:ne



- ✓ Offer a wide range of value-for-money products, leveraging our robust procurement capabilities.
- ✓ We also run 3 collaborative stores with our 100-yen shops, generating synergistic effects.
- ✓ Operate **7 stores** as of August 31, 2024.



- ✓ The store 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 their shopping experience while envisioning their daily routines.



- ✓ These products are offered in our 100-Yen shops, generating synergistic effects.

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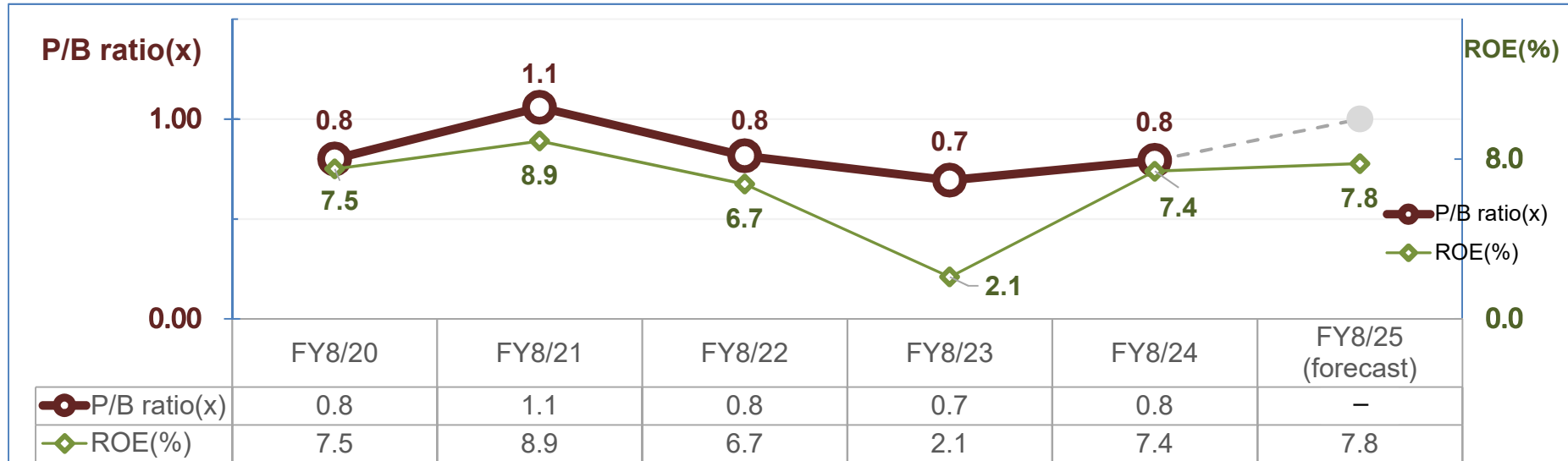
(Millions of yen)

Business forecasts	FY8/23			FY8/24			FY8/25 (Forecast)		
		Ratio to sales	YoY		Ratio to sales	YoY		Ratio to sales	YoY
Sales	59,309	–	101.6%	61,257	–	103.3%	62,000	–	101.2%
Gross profit	22,454	37.9%	100.8%	23,590	38.5%	105.1%	–	–	–
Selling, general and administrative expenses	21,832	36.8%	102.6%	22,344	36.5%	102.3%	–	–	–
Operating profit	621	1.0%	62.3%	1,246	2.0%	200.5%	1,350	2.2%	108.3%
Recurring profit	648	1.1%	56.5%	1,228	2.0%	189.4%	1,300	2.1%	105.8%
Net income attributable to owners of parent	250	0.4%	32.1%	904	1.5%	360.8%	950	1.5%	105.1%
Net income per share (Yen)	18.46	–	–	68.45	–	–	72.18	–	–
ROE	2.10%	–	–	7.40%	–	–	7.77%	–	–

- ✓ Planned opening/closing of 100-yen shops
[Openings] 152 stores
[Closings] 89 stores
Planned net increase: 63 stores
- ✓ Same-store sales at 100-yen shops are expected to be **102.0% YoY** for the full year.
- ✓ Sales are expected to increase as sales in the 100-Yen Shop business remain stable.
- ✓ Operating profit, recurring profit, and net income attributable to owners of parent are expected to increase, since we will continue our efforts to increase the sales proportion of miscellaneous goods and non-100-yen items.

Initiatives for Sustainable Value Enhancement

- Changes in P/B Ratio/ROE



Status quo analysis

[P/B ratio]

5-year average: 0.8x

Below 1x for 3 consecutive years

[ROE]

5-year average: 6.5%

Above the cost of equity

Response

Improve P/B ratio

- Achieve sustainable corporate value enhancement



Improve ROE

- Maintain and improve ROE above the cost of equity

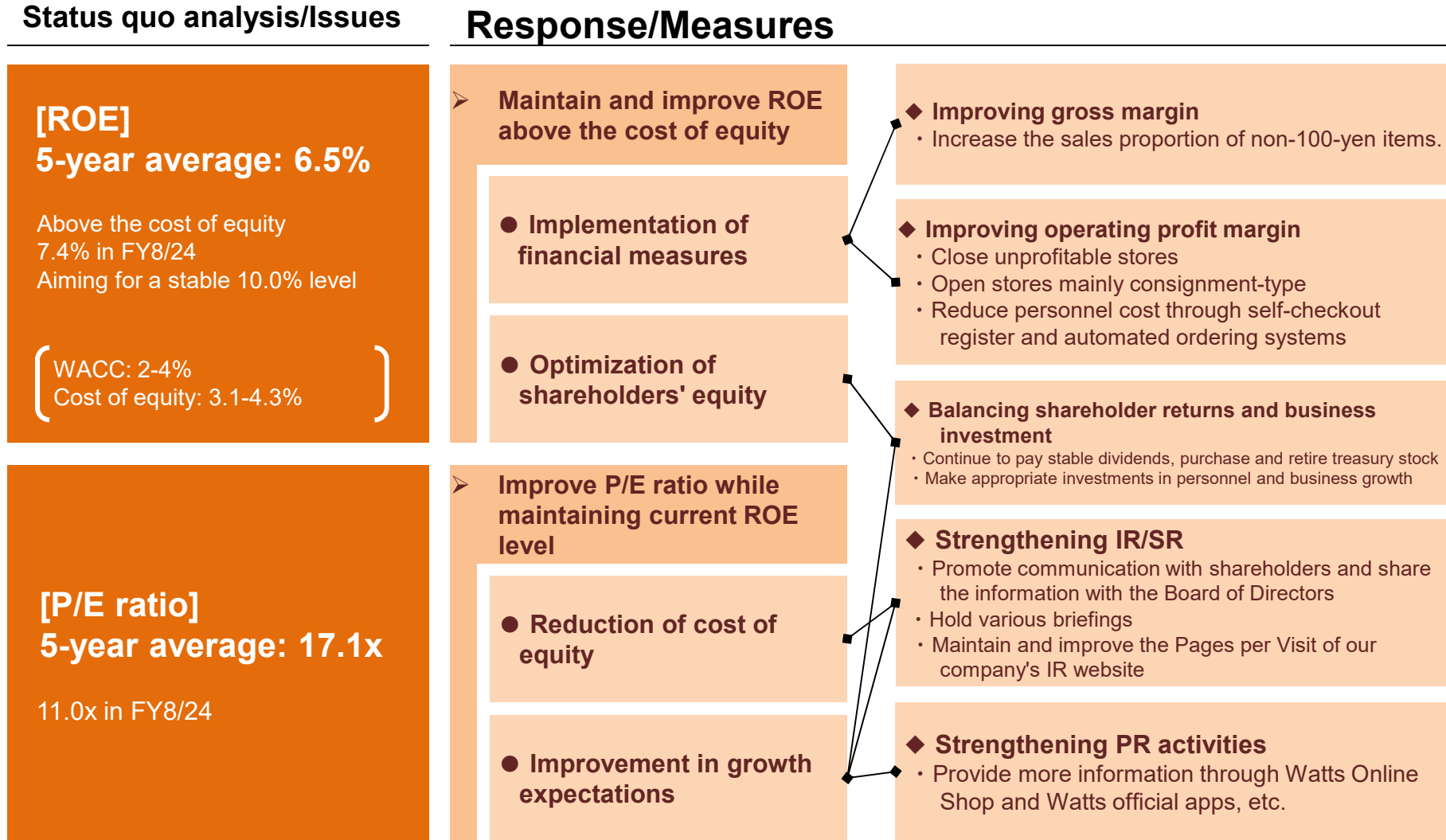


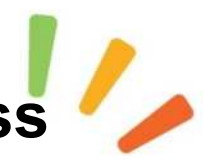
Increase P/E ratio

- Improve P/E ratio while maintaining ROE

Initiatives for Sustainable Value Enhancement

- Measures to improve ROE/P/E ratio







Offer non-100-yen items



- ✓ Increase the number of non-100-yen items (price ranges above 100 yen) to expand the product range and keep the sales floor attractive.
- ✓ Actively introduce these items to consignment-type stores, leading to an improvement in gross margin for the entire group.
- ✓ As of August 31, 2024, we currently have 4,491 non-100-yen items. We aim to expand our selection to 5,000 items, which will account for 25% of total sales, by replacing them with more value-added products.

Intra-group collaboration

- ✓ Collaboration with lifestyle goods brand Buona Vita and a household items brand Tokino:ne to generate synergies within the group.



**Renovation of FLET'S brand stores into WATTS**

- ✓ Change floor layouts and increase the number of miscellaneous goods
- ✓ The renovations led to significant growth in overall sales in some stores, along with an increase in the proportion of miscellaneous goods sales.
- ✓ Apply the successful cases for more stores to improve profitability for large-scale roadside stores





Introduction of self-checkout register



- ✓ We have full-function self-checkout registers accepting both cash and cashless payments at 112 stores as of August 31, 2024. (including cashless-only machines, self-checkout is available at 148 stores). Continue to introduce more full-function machines.
- ✓ These machines are designed to enhance in-store productivity by streamlining the purchasing process and reducing labor requirements; use spare resources to improve customer satisfaction.
- ✓ Reduce waiting time to minimize peak-time queue (Reduce opportunity losses).

POS data analysis



- ✓ To enhance the freshness of our sales floor products, we are actively reducing slow-moving items and replacing them with popular and new products.
- ✓ Utilize POS data for sales analysis, creating store models that align with the specific location and customer demographics.
- ✓ Automatic ordering systems are introduced to nearly all tenant-type stores; currently, 75% of all stores place orders automatically. Further introductions are underway to enhance efficiency.



Collaborative products with celebrity



- ✓ Launched collaborative products with a renowned Japanese celebrity Miki Fujimoto at tenant-type stores
- ✓ Following the first collaboration theme of "school preparation" and second "picnic," the third "matching outfits" is being rolled out

Watts+
FUJIMOTO
MIKI



現在3児の母で
タレントとして活躍する
「ミキティ」こと藤本美貴さんと
コラボレーションした
アイテム第三弾が登場。

COLLABORATION
CONCEPT

"ワントーンで彩る
シンプルライフ"

大人の女性でも持ちやすい
商品ラインナップを展開。



コラボレーションロゴ入りの
商品タグが目印

Original cosmetics brand "fasmy"



fasmy
ファスミー
fast face first my

CONCEPT

気楽に選べる、自分だけのコスメ




塗るだけ簡単 マスカラ/自眉ティント check



びたっと密着 艶ラメアイシャドウ check

- ✓ We have launched the "fasmy" series of petit-price cosmetics, with singer/streamer HANAUTA as its brand ambassador.



Watts Online Shop



- ✓ Launched in-store pickup service nationwide
- ✓ In addition to our 100-yen shop items, we also offer products from other Watts Group brands and limited edition items exclusive to our online store.

Social Media



Instagram



- Watts official YouTube channel



- ✓ Increase our brand awareness through these media



KOMONOYA
OSAKA JAPAN



KOMONOYA
OSAKA JAPAN



Buona Vita
フオーナ・ビータ



リアル



リアル+ Watts
100YEN SHOP



NIPPAN
ニッパ

[Overseas Business]

- Implement restructuring of operations in Thailand and measures to achieve profitability in Peru, including the closure of unprofitable stores and cost reduction initiatives.
- Expand our new overseas brand, “Watts.up+”. (at in-store dedicated sections)
- Explore new markets and revitalize existing markets.

[Buona Vita]

- Enhance the product sections within our 100-yen shops to increase their appeal to customers.
- Optimize store layouts using POS data analysis.

[Real]

- Reinforce stores switched from directly managed FLET'S stores
- Enhance collaboration with our 100-yen shops, aiming to improve the gross margin through optimization of sales balance between items from 100-yen shops and Real.

[Nippan]

- Ensure a consistent inventory supply for core products, especially for medical institutions, to prevent opportunity losses.

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Domestic 100-Yen Shop business



Overseas business



Other domestic business



Overview of Other Businesses



12 stores as of August 31, 2024

Buona Vita, a lifestyle goods brand promoting a comfortable life.



Tokino:ne, a household items brand under the theme of "time". Operate 1 store.
+Offer its items at our tenant-type 100-yen shops



Collaboration store between 100-yen shop and grocery store



Community-based small discount store

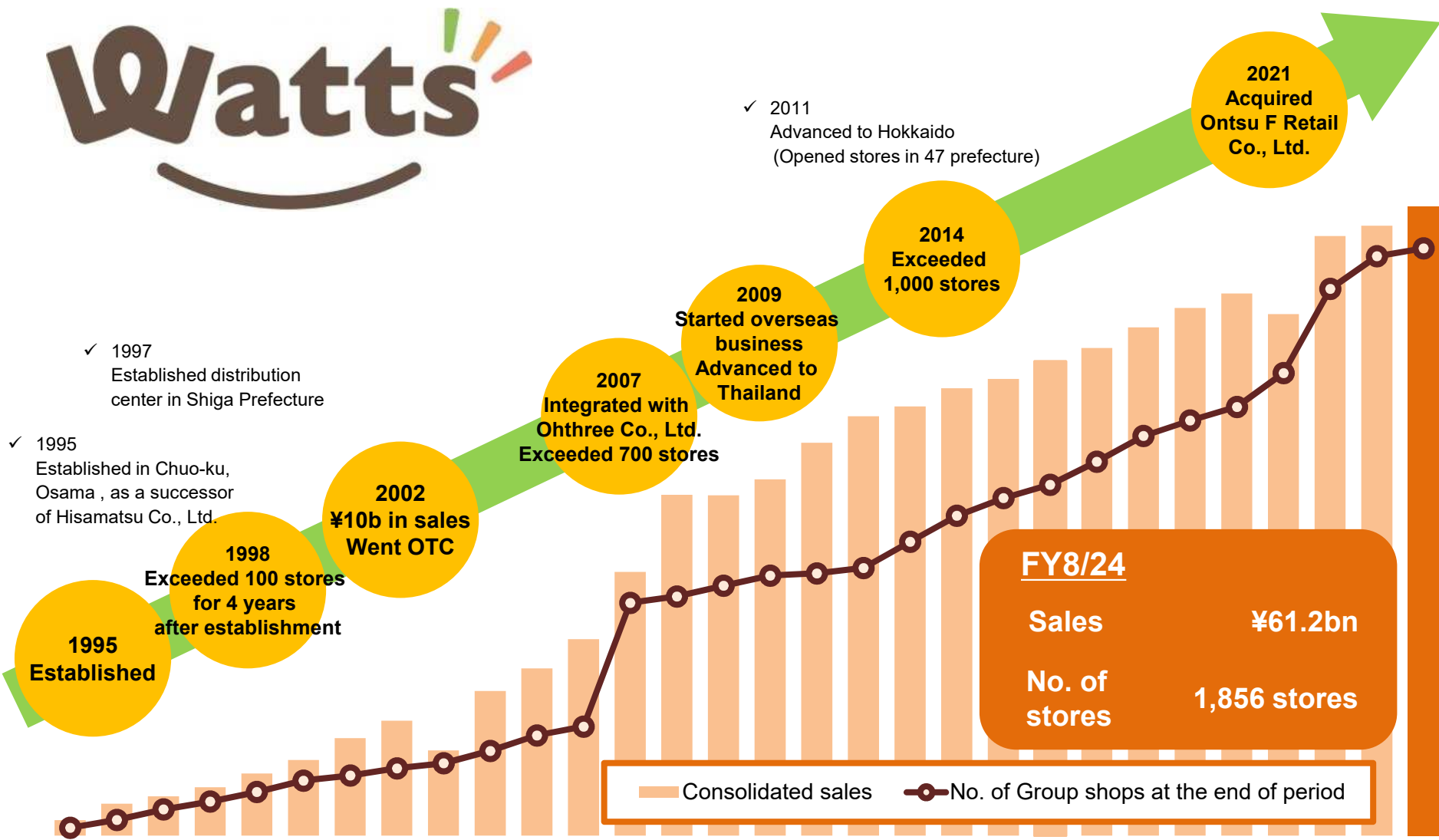


Operate 7 stores as of August 31, 2024, including 3 collaborative stores with our 100-yen shops





Establishment	February 22, 1995 (Currently the 30 th 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 Standard Market (Securities code: 2735)
Capital stock	440 million yen
Head office	5F, Sumitomo OBP Plaza Building, 4-70, Shiromi 1-chome, Chuo-ku, Osaka-shi, Osaka Prefecture
Main business	Wholesale and retail of daily-use and household items (Mainly operation of 100-yen shops)
Number of employees	3,339 employees (as of August 31, 2024) *Part-time workers included
Number of stores	1,856 stores (as of August 31, 2024) *Other stores included





Environmental Initiatives

- ✓ Develop sustainable products made from environmentally friendly recycled materials



Governance

- ✓ We aim for sustainable business growth by building a flexible and robust management foundation that can constantly adapt to changes in the business environment.

Please check our website for details.
<https://ir.watts-jp.com/sustainability/esg/governance/>

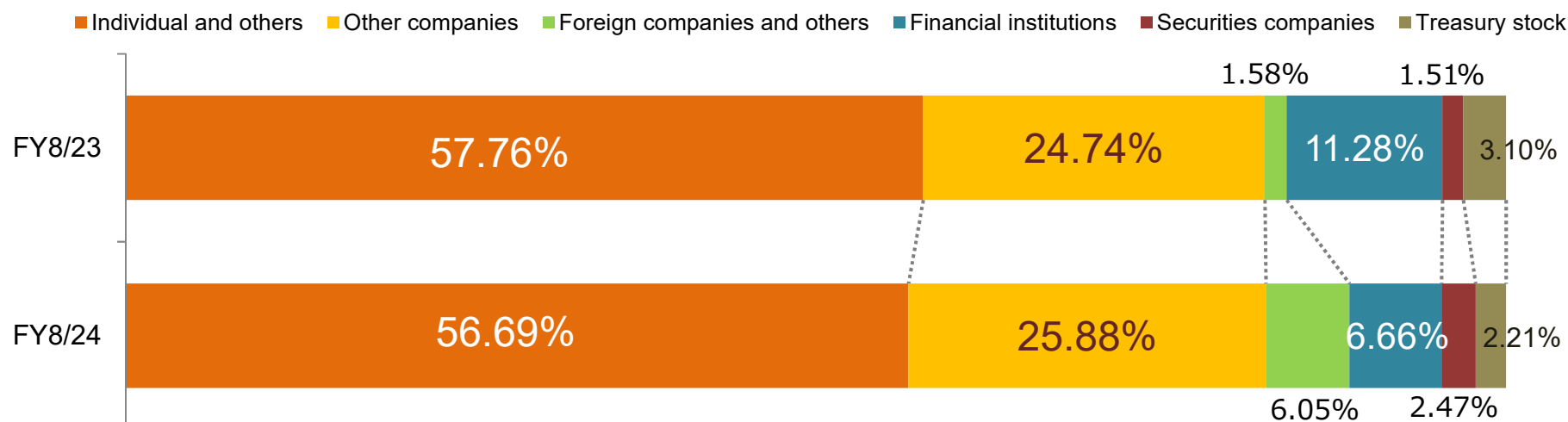
Human Resources Initiatives

- ✓ [Diversity]
Promote diversity by appointing personnel based on their abilities and aptitudes, regardless of gender, nationality, etc. Female managers accounted for 8.9% (FY8/24).
- ✓ [Work-Life Balance]
Encourage employees to take paid holidays and male childcare leave to create a comfortable work environment.
- ✓ Investment in social bonds issued by the Japan Student Services Organization (72nd JASSO Bond)

What is Social Bond?

Bonds issued to finance projects that contribute to solving social issues

Shareholder Composition



	FY8/22	FY8/23	FY8/24	YoY
Total number of shares issued	13,898,800 shares	13,898,800 shares	13,458,800 shares	△440,000 shares
Number of shareholders	23,704	18,504	13,916	△4,588
Individuals and others	62.43%	57.76%	56.69%	△1.07 ppt.
Other domestic companies	24.71%	24.74%	25.88%	+1.14 ppt.
Foreign companies and others	0.83%	1.58%	6.05%	+4.47 ppt.
Financial institutions	9.47%	11.28%	6.66%	△4.62 ppt.
Securities companies	0.21%	1.51%	2.47%	+0.96 ppt.
Treasury stock	2.32%	3.10%	2.21%	△0.89 ppt.

✓ Total number of shares issued decreased by 440,000 shares due to the cancellation of treasury stock.

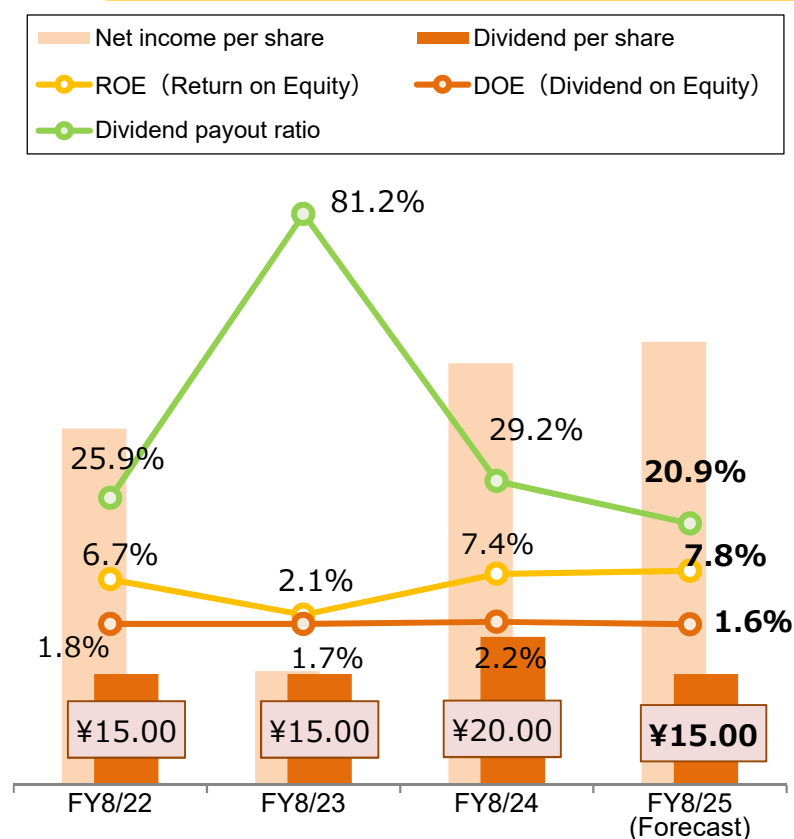
✓ The number of shareholders decreased by 4,588 from the end of the same period of the previous fiscal year (the ratio of foreign companies ownership increased by 4.47 ppt.).

(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 without reduction,”** considering the return of profits to shareholders.

* We will additionally pay an interim dividend starting from FY8/25.



	FY8/22	FY8/23	FY8/24	FY8/25 (Forecast)
Net income per share	¥57.83	¥18.46	¥68.45	¥72.18
Dividend per share (annual)	¥15.00	¥15.00	¥20.00	¥15.00
Interim dividend				¥7.50
Ordinary dividend	—	—	—	—
Special dividend	—	—	—	—
Year-end dividend				¥7.50
Ordinary dividend	¥15.00	¥15.00	¥15.00	—
Special dividend	—	—	¥5.00	—
Dividend payout ratio	25.9%	81.2%	29.2%	20.8%
Dividend yield	2.1%	2.4%	2.7%	1.9%
ROE (Return on Equity)	6.7%	2.1%	7.4%	7.8%
DOE (Dividend on Equity Ratio)	1.8%	1.7%	2.2%	1.6%

* The dividend payout ratio for each fiscal year is calculated based on the stock price of the accounting date.

(The payout ratio for FY8/24 is calculated based on the stock price on August 31, 2024.)

- ✓ For FY8/24, the total dividend was 20.00 yen, with an ordinary dividend of 15.00 yen and an additional special dividend of 5.00 yen.



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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Inquiries:

Hidehito Mori

(Director, Managing Executive Officer and Head of Corporate Planning Office), Watts Co., Ltd.

e-mail : ir@watts-jp.com

TEL : 06-4792-3280