



Watts Co., Ltd.

(2735; Tokyo Stock Exchange Standard Market)

Operating Results for the First Half of the Fiscal Year Ending August 2025

Wednesday, April 16, 2025

Fumio Hiraoka, President, CEO and Executive Officer

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(Millions of yen)

Financial highlights	FY8/24 H1		FY8/25 H1		YoY	Vs. forecast
	Amount	Ratio to sales	Amount	Ratio to sales		
Sales	30,255	—	30,465	—	100.7%	99.9%
Gross profit	11,629	38.4%	11,796	38.7%	101.4%	—
Selling, general and administrative expenses	10,886	36.0%	10,975	36.0%	100.8%	—
EBITDA	1,096	3.6%	1,256	4.1%	114.6%	—
Operating profit	743	2.5%	820	2.7%	110.3%	109.4%
Recurring profit	749	2.5%	866	2.8%	115.6%	115.5%
Net income attributable to owners of parent	436	1.4%	536	1.8%	123.1%	119.3%
Net income per share (Yen)	32.90	—	40.75	—	123.9%	—

- ✓ **Sales increased by 0.7% YoY** mainly thanks to solid performance in the 100-Yen Shop business. →P3,9
- ✓ **Gross margin increased by 0.3 ppt.** due to reductions in the cost of miscellaneous goods purchased and the strong sales of products priced above 100 yen (non-100-yen items). →P4,5
- ✓ **Operating profit increased by 10.3% YoY** due to an improvement in gross profit and reductions in the store opening/closing costs, despite rising equipment cost and utility bill. →P5

Sales by Business Type

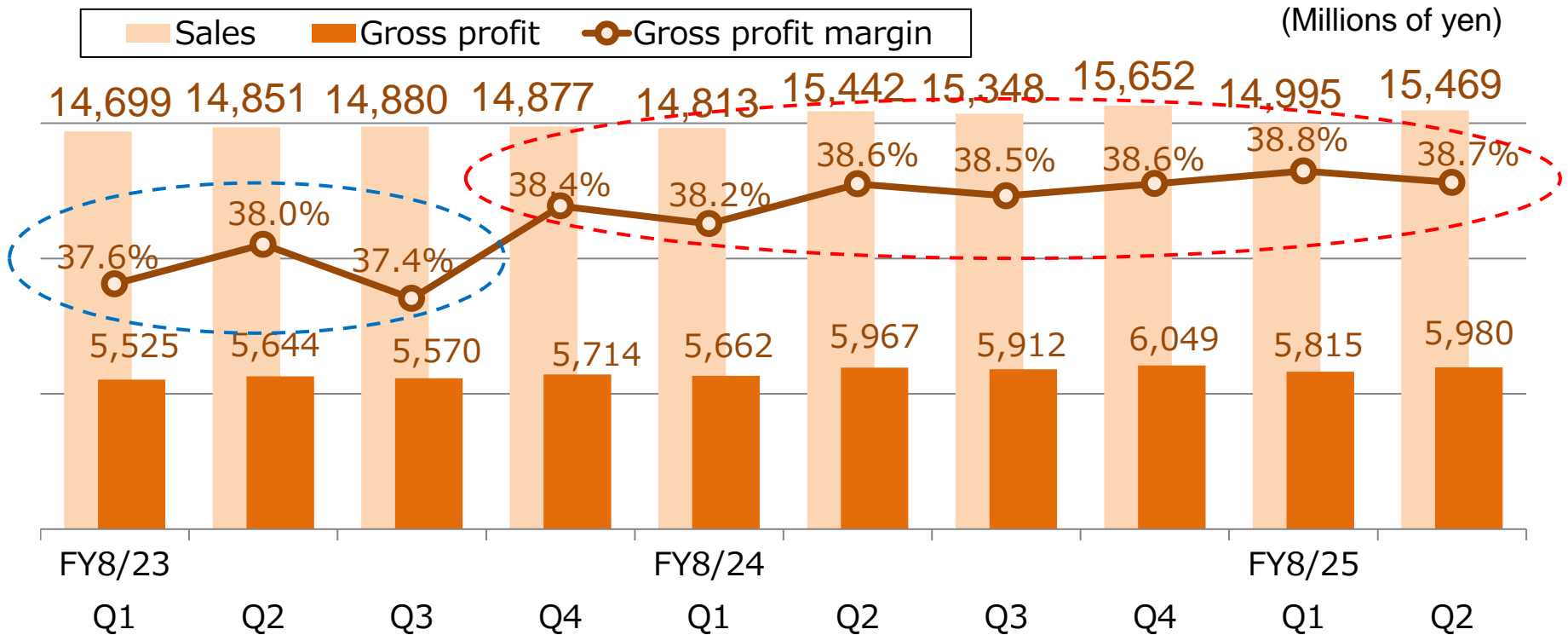


(Millions of yen)

Sales by Business Type		FY8/24 H1		FY8/25 H1		YoY
		Amount	Ratio to sales	Amount	Ratio to sales	
100-Yen Shop	Directly managed	27,254	90.1%	27,442	90.1%	100.7%
	Wholesale, Other	938	3.1%	942	3.1%	100.5%
	Subtotal	28,192	93.2%	28,385	93.2%	100.7%
Overseas Business	Directly managed	76	0.3%	47	0.2%	62.0%
	Wholesale, Other	395	1.3%	341	1.1%	86.4%
	Subtotal	471	1.6%	389	1.3%	82.5%
Other Domestic Businesses	Buona Vita/ Real/Tokino:ne, etc.	1,591	5.3%	1,691	5.5%	106.3%
Total		30,255	100.0%	30,465	100.0%	100.7%

- ✓ The proportion of sales from the 100-Yen Shop business in Japan increased by 192 million yen YoY, but its proportion to total consolidated sales remain unchanged at 93.2%.
- ✓ Overseas sales remain below pre-COVID levels, with their proportion to total sales declining by 0.3 ppt.

Quarterly Changes in Gross Margin

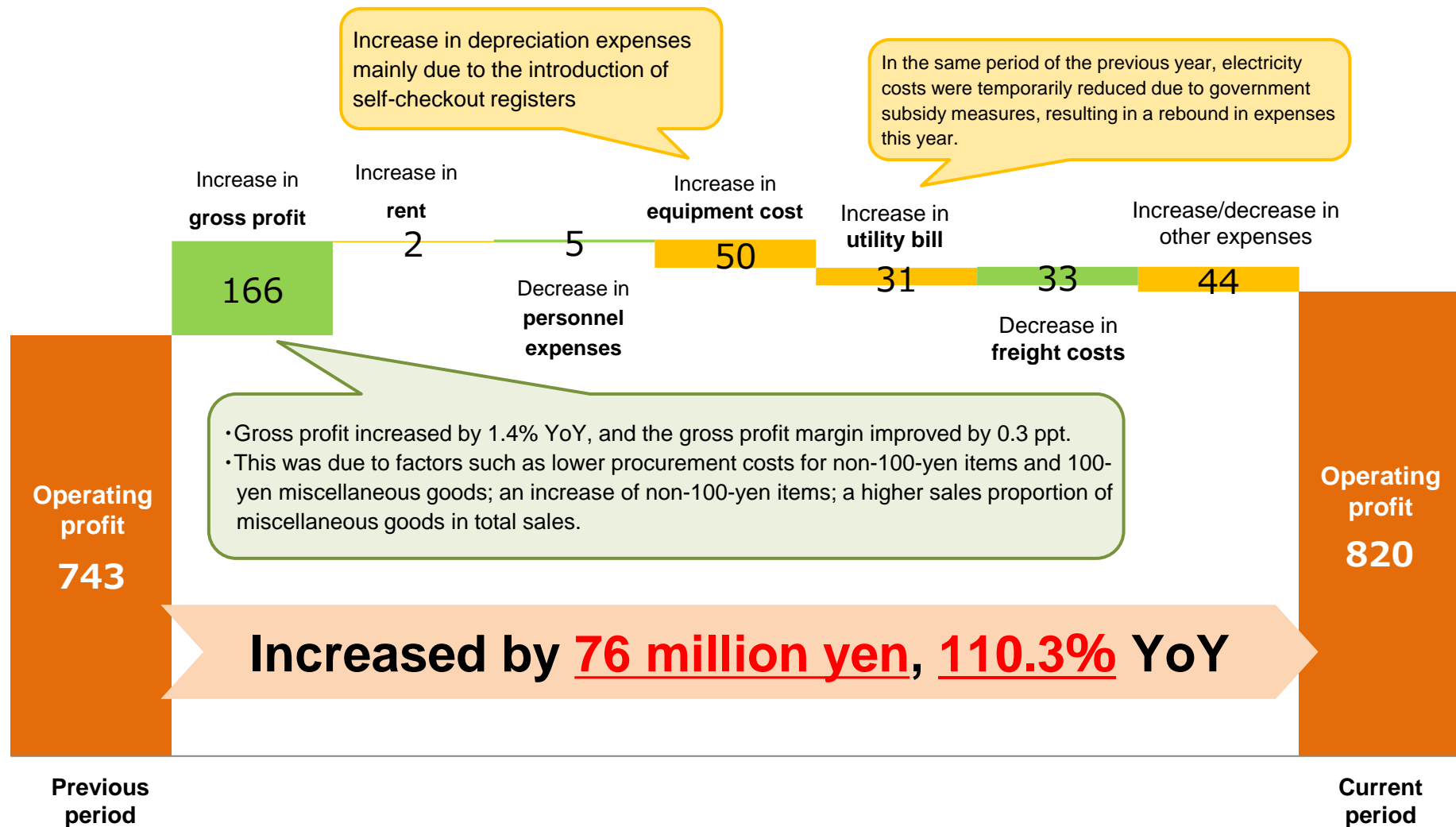


- ✓ Until Q3 of FY8/23, the gross profit margin declined due to factors such as rising procurement costs caused by a deteriorating external environment and an increased proportion of wholesale sales. However, from Q4 of FY8/23 onward, the gross profit margin has improved, driven by increased sales proportion of miscellaneous goods and non-100-yen items.
- ✓ Although procurement costs for non-100-yen items have been consistently reduced over the years, procurement costs for 100-yen miscellaneous goods also began improving from FY8/24.

Factors for Changes in Operating Profit



(Millions of yen)



Increase in depreciation expenses mainly due to the introduction of self-checkout registers

In the same period of the previous year, electricity costs were temporarily reduced due to government subsidy measures, resulting in a rebound in expenses this year.

- Gross profit increased by 1.4% YoY, and the gross profit margin improved by 0.3 ppt.
- This was due to factors such as lower procurement costs for non-100-yen items and 100-yen miscellaneous goods; an increase of non-100-yen items; a higher sales proportion of miscellaneous goods in total sales.

Consolidated Balance Sheet and Consolidated Cash Flows



Consolidated balance sheet	(Millions of yen)			
	FY8/24		FY8/25 H1	
	Amount	Pct. Change	Amount	Pct. Change
Cash and deposits	9,380	Up 66.1%	6,359	Down 32.2%
Merchandise and finished goods	10,816	Up 11.3%	10,991	Up 1.6%
Other current assets	3,853	Up 8.4%	2,879	Down 25.3%
Property, plant and equipment	2,072	Up 3%	2,290	Up 10.6%
Other non-current assets	4,158	Down 8.8%	4,063	Down 2.3%
Total assets	30,280	Up 18.8%	26,584	Down 12.2%
Liabilities	17,762	Up 31.3%	13,754	Down 22.6%
Net assets	12,517	Up 4.6%	12,829	Up 2.5%

As the final day of the previous fiscal year 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

- ✓ Cash and deposits decreased by 3,021 million yen
- ✓ Liabilities decreased by 4,008 million yen
- ✓ Equity ratio rose to 48.2%, a 6.9 ppt. increase from the end of the previous fiscal year
- ✓ Cash flows from operating activities: Increase of 3,173 million yen due to a decrease in accounts payable; increase of 171 million yen in income before income taxes
- ✓ Cash flows from investing activities: 305 million yen spent on the acquisition of property, plant and equipment
- ✓ Cash flows from financing activities: 127 million yen used for repayment of long-term borrowings

Consolidated cash flows	(Millions of yen)			
	FY8/24 H1		FY8/25 H1	
	Amount	Pct. Change	Amount	Pct. Change
Cash flows from operating activities	630	33	-2,131	-2,762
Cash flows from investing activities	-254	171	-636	-382
Cash flows from financing activities	-40	180	-269	-229
Effect of exchange rate change on cash and cash equivalents	14	18	17	2
Cash and cash equivalents at end of period	5,996	-637	6,359	362
Free cash flows	375	205	-2,768	-3,144

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Domestic 100-Yen Shop business

 	Opening/closing	<p>Number of stores: 1,841 (as of February 28, 2025) <u>65 openings and 36 closings (net increase of 29)</u> against full-year forecasts of opening 152 and closing 89</p> <p style="text-align: right;">➔P10</p>
	Watts brand stores	<p>Increased by <u>55 stores</u> to 1,438 stores, <u>accounting for 78.1% of the total number of our 100-yen shops</u></p>

Overseas Business

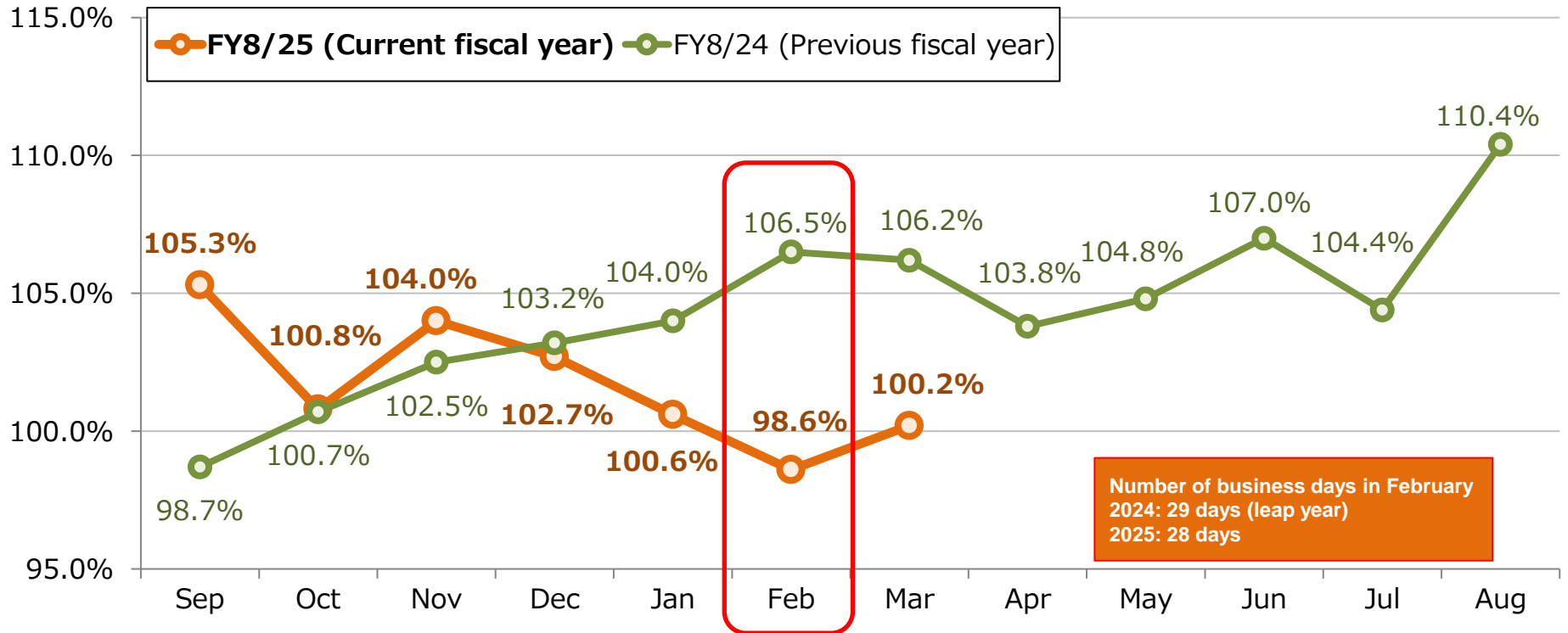
	Overseas stores	<p><u>18</u> stores sell our product in our group, down 5 from the previous period.</p> <p style="text-align: right;">➔P12</p>
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Domestic Other Business

	Buona Vita	<p>A lifestyle goods store brand promoting a comfortable and joyful living. We operate <u>10 stores</u>.</p> <p style="text-align: right;">➔P13</p>
	Real	<p>A community-based discount store brand. We operate <u>7 stores</u>, among which 3 are collaboration stores with our 100-Yen Shop business.</p> <p style="text-align: right;">➔P14</p>

100-Yen Shop Business (1)

- Changes in Same-store sales YoY



Number of business days in February
 2024: 29 days (leap year)
 2025: 28 days

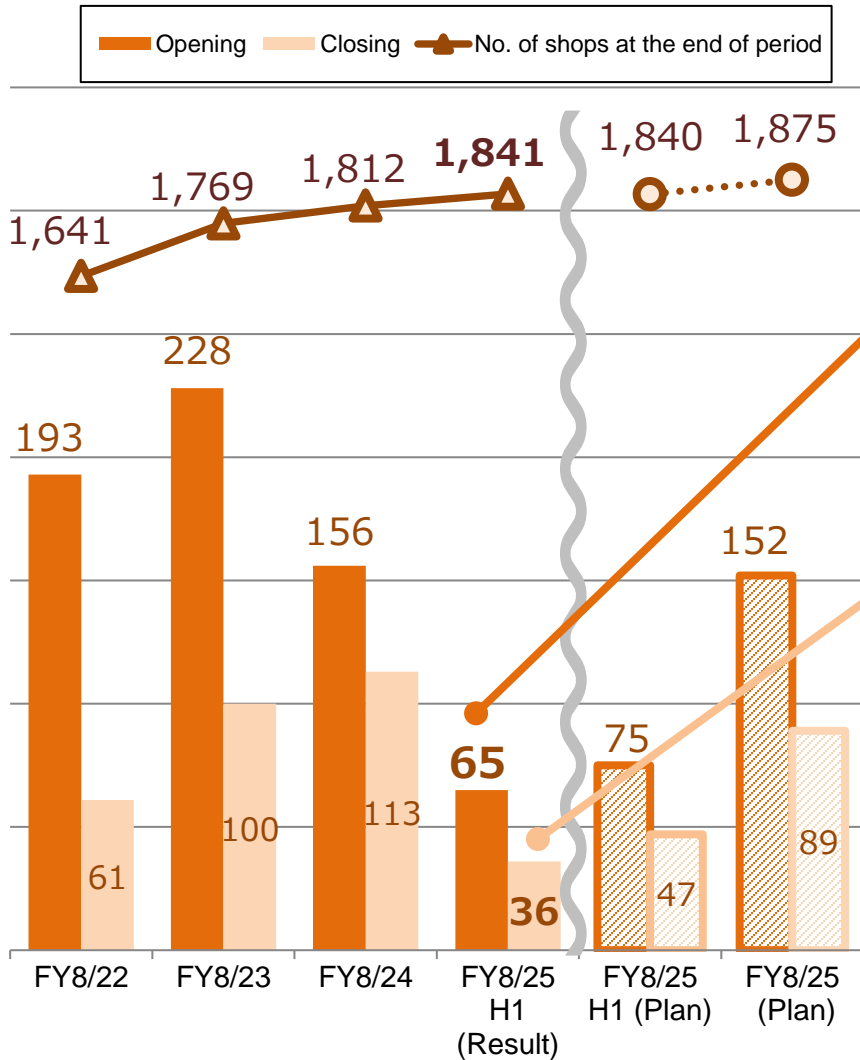
H1	Sales	Number of customers*	Spending per customer*
Current FY	102.0%	99.8%	102.1%
YoY	102.6%	100.3%	102.8%

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

✓ Since consumers have become more cost-conscious due to inflation, our value-for-money products continued to perform well, with same-store sales for H1 reaching 102.0% YoY, in line with the full-year forecasts.

100-Yen Shop Business (2)

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



Opening/closing plan and results

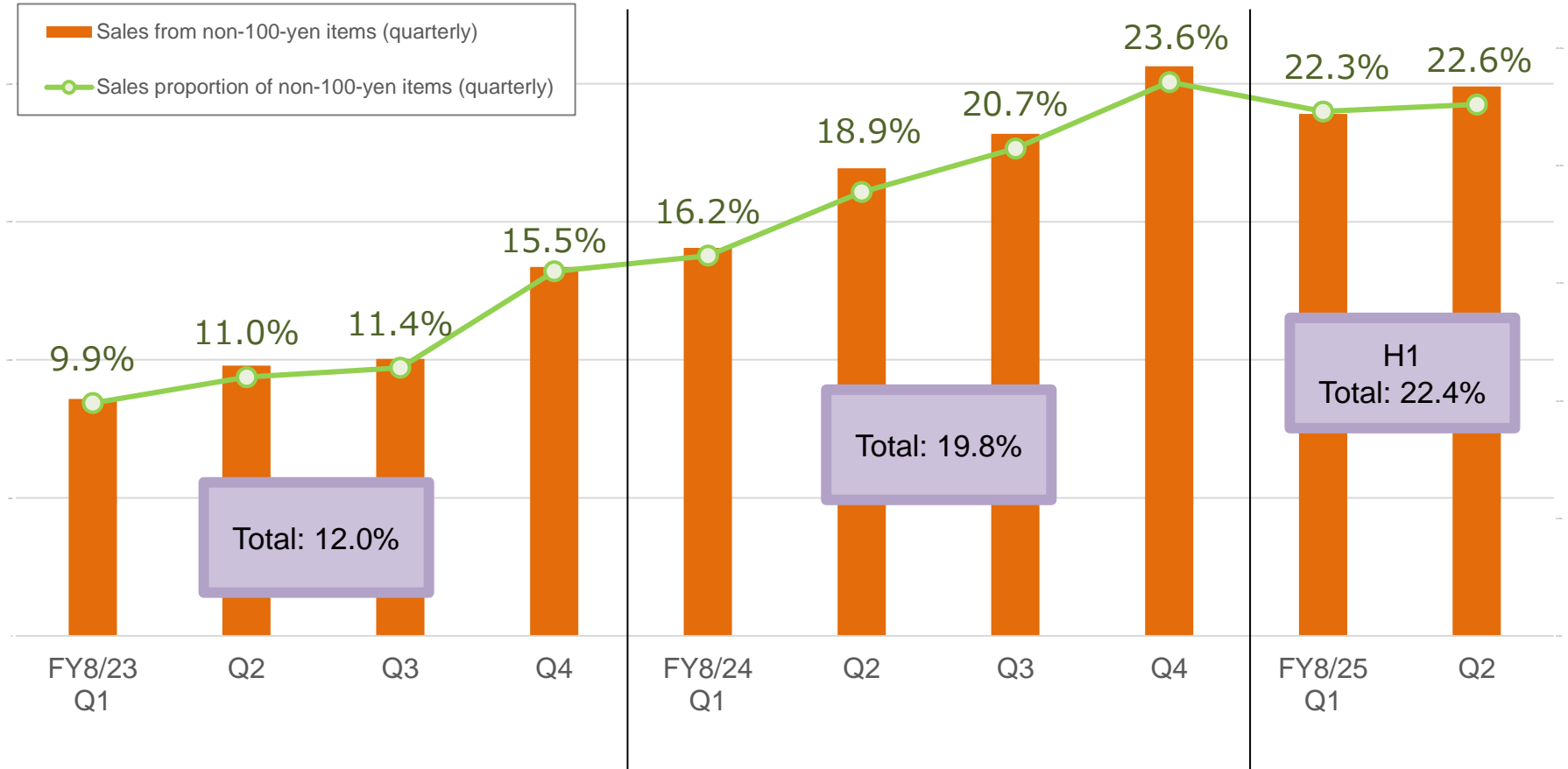
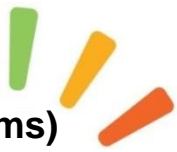
Opening plan H1
75 stores → Opened **65 stores**
(Progress rate against full-year plan: 42.8%)

Closing plan H1
47 stores → Closed **36 stores**
(Progress rate against full-year plan: 40.4%)

- ✓ Net increase of 29 stores against the plan of 28.
- ✓ Opened 10 tenant-type stores and 55 consignment-type stores. The majority of new stores were consignment-type.
- ✓ Out of the total 1,841 stores, we have 1,438 WATTS brand stores (net increase of 55).

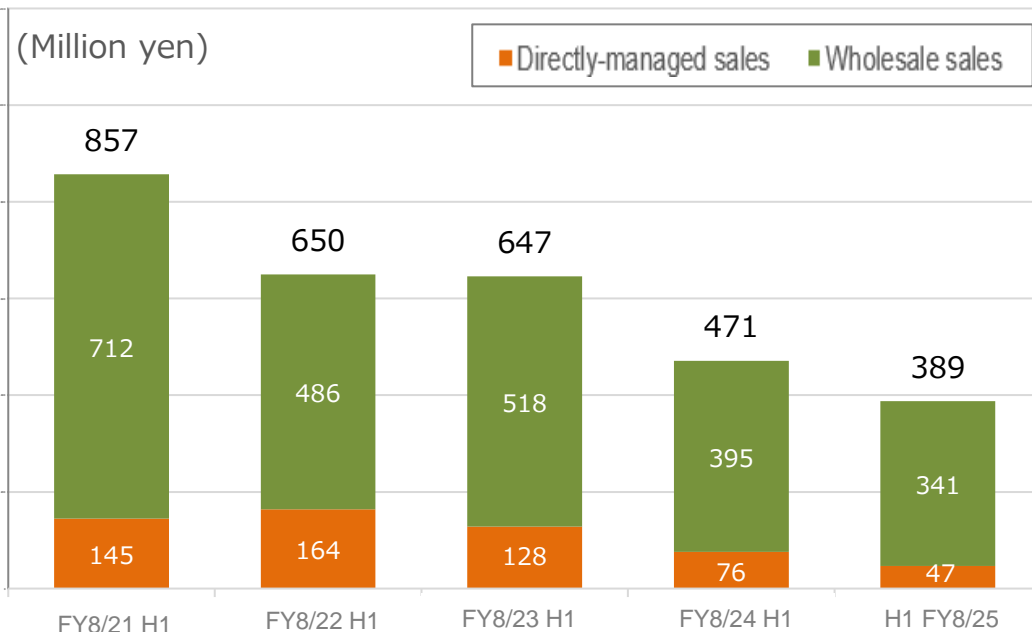
100-Yen Shop Business (3)

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



- ✓ We currently sell 4,147 non-100-yen items.
- ✓ Aim to sell more non-100-yen items through product replacement, targeting 25.0% of sales proportion.

Overseas Business



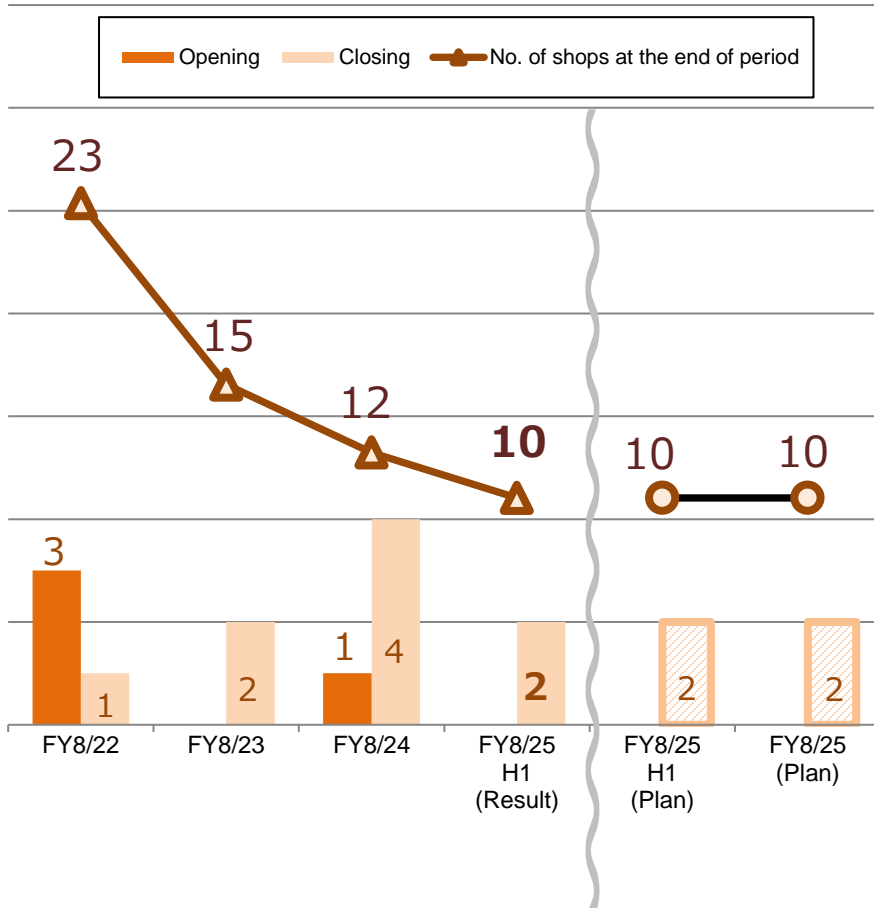
Number of Our Group's Overseas Stores

Country	Format	Opening/Closing		No. of stores (Feb. 28, 2025)
		Opening	Closing	
Thailand	FC	—	1	13
Peru	Directly-managed	—	—	5
Total		—	1	18



"Watts.up+" brand, which focuses on higher-priced products, is being rolled out as a dedicated corner within stores in Thailand.

- ✓ 13 stores in Thailand (down by 1)
- ✓ 5 stores in Peru (unchanged)
- ✓ While overseas wholesale sales continue to decline, efforts are underway to develop new customers.



- ✓ **10 stores** as February 28, 2025.
- ✓ The same-store sales reached 105.6% of the previous fiscal year result, driven by robust sales of apparel, bags, and other items.

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

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



Buona Vita AEON Shin-Urayasu (Chiba)



- ✓ 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 February 28, 2025.



- ✓ The store layout is divided into zones for morning, noon, evening, and night. 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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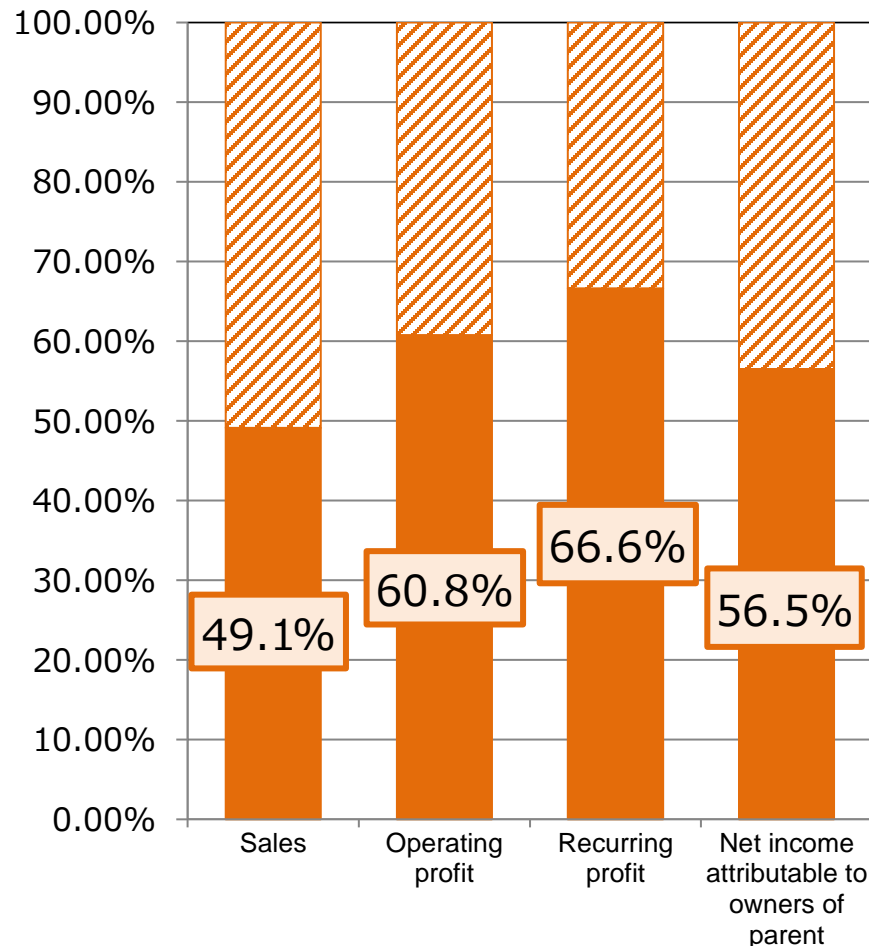
(Millions of yen)

Business Forecasts	FY8/25 (Forecast)		
	Amount	Ratio to sales	YoY
Sales	62,000	–	101.2%
Operating profit	1,350	2.2%	108.3%
Recurring profit	1,300	2.1%	105.8%
Net income attributable to owners of parent	950	1.5%	105.1%
Net income per share (Yen)	72.18	–	–

The full-year business forecasts remain unchanged from the figures announced in the financial results summary on October 10, 2024.

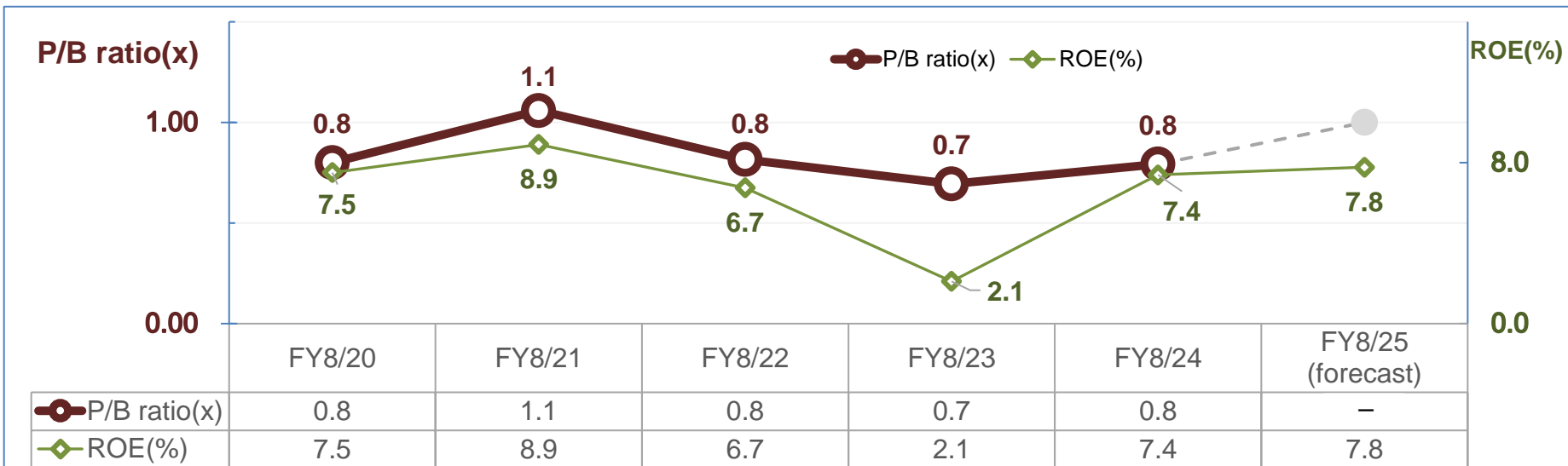
- ✓ For H1, sales were 99.9% of the plan, generally in line with expectations. While the 100-Yen Shop business performed steadily, overseas wholesale sales fell short of the plan.
- ✓ On the profit side, the gross profit margin exceeded the plan, and SG&A expenses stayed within the planned range, resulting in operating profit in H1 reaching 109.4% of the plan.
- ✓ For the full year, current trends from H1 are expected to continue.

Progress Rate to Full-year Forecasts



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** =

 - Archive 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



Status quo analysis/Issues

[ROE]
5-year average: 6.5%

Above the cost of equity
7.4% in FY8/24
Aiming for a stable 10.0% level

WACC: 2-4%
Cost of equity: 3.1-4.3%

[P/E ratio]
5-year average: 17.1x

11.0x in FY8/24

Response/Measures

➤ **Maintain and improve ROE above the cost of equity**

● **Implementation of financial measures**

● **Optimization of shareholders' equity**

➤ **Improve P/E ratio while maintaining current ROE level**

● **Reduction of cost of equity**

● **Improvement in growth expectations**

◆ **Improving gross margin**

- Increase the sales proportion of higher-priced (non-100-yen) items.

◆ **Improving operating profit margin**

- Close unprofitable stores
- Open stores mainly consignment-type
- Reduce personnel cost through self-checkout register and automated ordering systems

◆ **Balancing shareholder returns and business investment**

- Continue to pay stable dividends, purchase and retire treasury stock
- Make appropriate investments in personnel and business growth

◆ **Strengthening IR/SR**

- Promote communication with shareholders and share the information with the Board of Directors
- Hold various briefings
- Maintain and improve the Pages per Visit of our company's IR website

◆ **Strengthening PR activities**

- Provide more information through Watts Online Shop and Watts official apps, etc.



Continue to pursue structure to sell better products at lower prices

- ✓ Low-cost opening and closing of stores
- ✓ Low-cost operation
- ✓ Best value-for-money daily-use household items
- ✓ Utilize POS system and promote the introduction of automated ordering system

100-Yen Shop business

Develop stores collaborated with other business formats

- ✓ Further improvement of the "Watts" and "Watts with" store opening model
- ✓ Create group synergies by leveraging other business formats
- ✓ Consider M&A for further growth

Establish business model for each country

- ✓ Further growth of existing businesses
- ✓ Start joint businesses with overseas partners
- ✓ Collaboration with other industries utilizing existing management resources

Overseas business



Other businesses

Expand business and enlarge source of earnings

- ✓ Fundamentally strengthen the Group's e-commerce channels
- ✓ Capture new opportunities including M&A



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 February 28, 2025, we currently have 4,147 non-100-yen items. We intend 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



- ✓ Operate some collaboration stores with Real, a discount store; Buona Vita, a lifestyle goods store; and Tokino:ne, a household goods store.
- ✓ Rolling out a dedicated Tokino:ne section within our 100-yen shops, working to generate synergies across group brands.



Renovation of FLET'S brand stores into WATTS



- ✓ Through revising store layouts to enhance the selection of miscellaneous goods without reducing food offerings, we aim to improve the shopping experience and sense of enjoyment.
- ✓ By renovating stores, we have not only increased overall sales but also raised the sales composition ratio of miscellaneous goods. These successful initiatives are being rolled out across other locations to help improve the profitability of large-format roadside stores.





Introduction of self-checkout register



- ✓ As of February 28, 2025, self-checkout registers that support both cash and cashless payments were in operation at 211 stores. (Including cashless-only machines, self-checkout was available at a total of 230 stores.)

We are continuing to expand the installation of self-checkout registers.

- ✓ 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.

POS data analysis



- ✓ Based on sales analysis using POS data, we tailor product layouts and assortments to suit each store's location and customer base.

- ✓ Reduce stagnant inventory by replacing it with popular and new items to enhance product freshness and maintain appropriate inventory levels.
- ✓ Introduce automated ordering system to reduce the burden of order placement, thereby promoting more efficient use of human resources.
- ✓ Working to further improve the system to raise the automated ordering rate.



Collaborative products with celebrity



- ✓ Rolling out the 5th collaboration series with Japanese celebrity Miki Fujimoto, featuring a collection of “Bento (lunchbox)” items.
- ✓ This follows the previous themed series: 1st “Preschool & School Enrollment,” 2nd “Picnic,” 3rd “Matching Outfits,” and 4th “Refrigerator Organization.”

The new lineup is now available at stores nationwide (excluding some locations) and on the Watts Online Shop, and these items have been well received.

COLLABORATION
第5弾

お弁当を持って出かけよう!

01

大人ランチシリーズ

オフィス、行楽など色々なシーンで使える持ちやすい落ち着いたカラー

02

お子様ランチシリーズ

くまさんと車をモチーフにしたかわいらしいパステルカラー

Original cosmetics brand "fasmy"



ふんわりマット カスタムアイシャドウ check



塗るだけ簡単 マスカラ/自眉ティント check

- ✓ Original cosmetic brand “fasmy” is now launching its second collection, themed around “customizable cosmetics just for me.”
- ✓ The brand ambassador is HANAUTA, a singer and streamer.

Vol.2

私だけの、カスタムコスメ

あなたの個性を反映した、まさに「わたしだけのカスタムパレット」

アイシャドウ、チーク、ハイライトなど、いろんなアイテムを一つのパレットにまとめられるので、自分だけの組み合わせが作れちゃう

必要なアイテムだけをコンパクトにまとめられるので、バッグの中でかさばらないのもうれしいポイント

オーダーメイド感覚のコスメを気軽に楽しめるから、コスメ好きにはたまらないアイテム

コスメにこだわりたいけど、お財布も大事にしたい

そんなあなたにおすすめのアイテムです



Watts Online Shop



- ✓ In addition to our 100-yen shop items, we also offer products from other Watts Group brands and exclusive items available only through our online store.

Social Media



- Watts official YouTube channel



- ✓ Increase our brand awareness through these media



[Overseas Business]

- Restructure the business in Thailand and work to achieve profitability in Peru, through 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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Watts Group Brands



Domestic 100-Yen Shop business



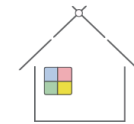
FLET'S
100 YEN SHOP



Overseas business



Other domestic business



Tokino:ne



Overview of Other Businesses



Buona Vita
ブォーナ・ビータ

10 stores as of February 28, 2025

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




Tokino:ne

Tokino:ne, a household goods store themed around “time”, had 1 store. With dedicated sections also set up within some of the Company’s consignment-type 100-yen shops



A collaboration store between a 100-yen shop and a supermarket



Community-based small discount store

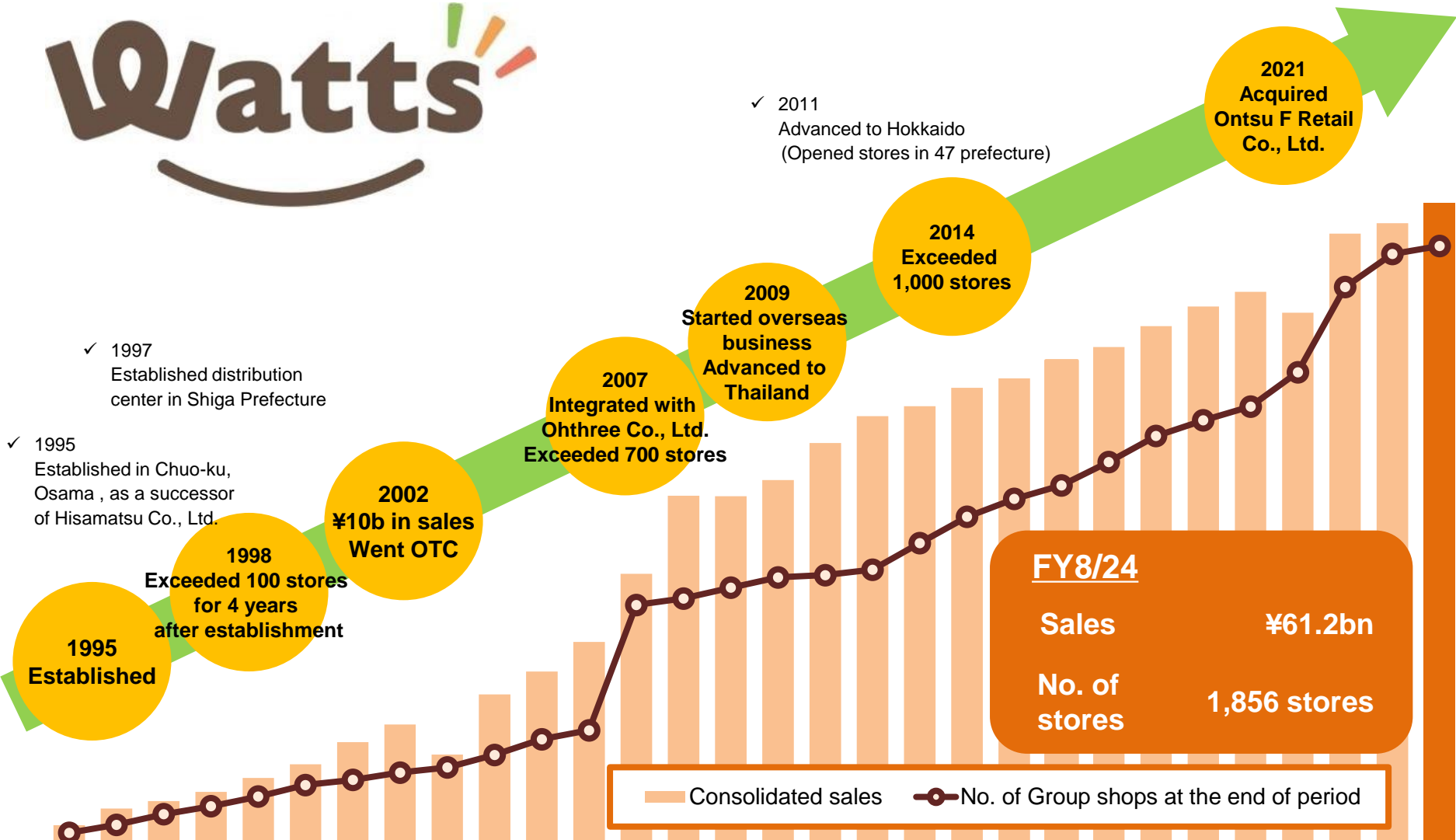


Operate 7 stores as of February 28, 2025, including 3 collaborative stores with our 100-yen shops



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	3,264 employees (as of February 28, 2025) *Part-time workers included
Number of stores	1,878 stores (as of February 28, 2025) *Other stores included

Corporate History





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



	FY8/23 H1	FY8/24 H1	FY8/25 H1	YoY
Total number of shares issued	13,898,800 shares	13,458,800 shares	13,458,800 shares	0 shares
Number of shareholders	18,897	15,604	13,245	-2,359
Individuals and others	55.09%	55.50%	55.21%	-0.29 ppt.
Other domestic companies	24.68%	26.45%	27.28%	+0.83 ppt.
Foreign companies and others	1.98%	4.11%	7.51%	+3.40 ppt.
Financial institutions	11.41%	9.29%	4.99%	-4.30 ppt.
Securities companies	4.53%	2.43%	3.03%	+0.60 ppt.
Treasury stock	2.28%	2.20%	1.95%	-0.25 ppt.

✓ The number of shareholders decreased by 2,359 from the end of the same period of the previous fiscal year. *The ownership ratio of financial institutions declined by 4.30 ppt., while that of foreign companies and others increased by 3.40 ppt.

Note: Figures are rounded down to the nearest second decimal place. As a result, the total of individual percentages may not add up to exactly 100%.

Dividend Policy



The Company's policy is **“to maintain a stable dividend payment without reduction in ordinary dividend,”** considering the return of profits to shareholders.

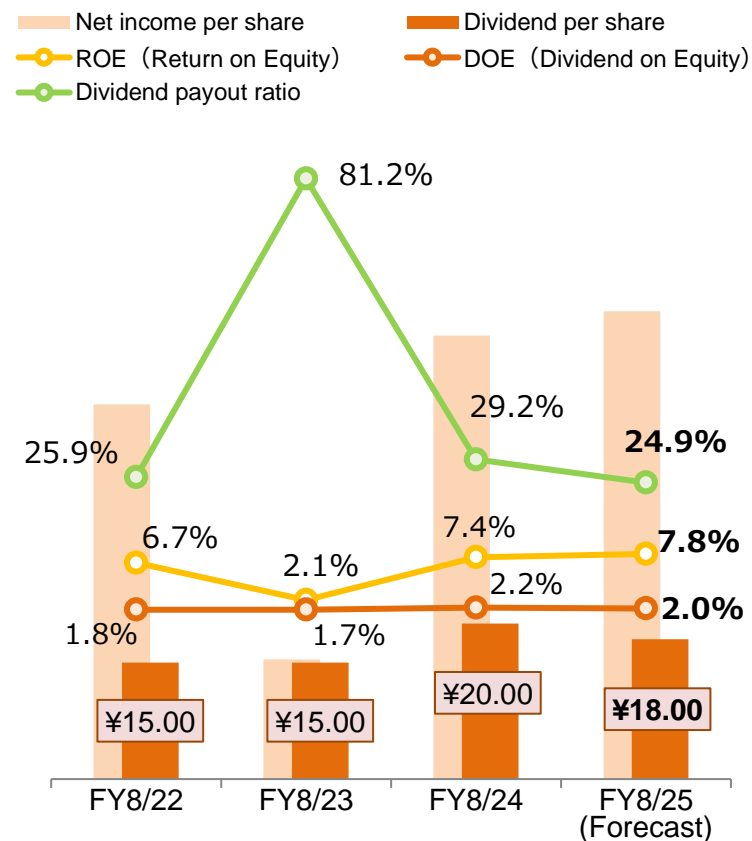
Note: Starting from FY8/25 dividends, we will newly introduce interim dividends.

	FY8/22	FY8/23	FY8/24	FY8/25 (Forecast)
Net income per share	57.83 yen	18.46 yen	68.45 yen	72.18 yen
ROE (Return on Equity)	6.7%	2.1%	7.4%	7.8%
DOE (Dividend on Equity Ratio)	1.8%	1.7%	2.2%	2.0%
Dividend payout ratio	25.9%	81.2%	29.2%	24.9%
Dividend yield	2.1%	2.4%	2.7%	2.3%
Dividend per share (annual)	15.00 yen	15.00 yen	20.00 yen	18.00 yen
Interim dividend	– yen	– yen	– yen	10.50 yen
Ordinary dividend	– yen	– yen	– yen	7.50 yen
Special dividend	– yen	– yen	– yen	3.00 yen
Year-end dividend	15.00 yen	15.00 yen	20.00 yen	7.50 yen
Ordinary dividend	15.00 yen	15.00 yen	15.00 yen	7.50 yen
Special dividend	0.00 yen	0.00 yen	5.00 yen	0.00 yen

* Dividend yields for each fiscal year are calculated based on the stock price as of the fiscal year-end (forecasts are based on the most recent fiscal year-end stock price).

For FY8/24, the annual dividend was 20.00 yen, which includes an ordinary dividend of 15.00 yen and a special dividend of 5.00 yen.

For FY8/25, the forecast annual dividend is 18.00 yen, which includes a 30th anniversary commemorative dividend of 3.00 yen as part of the interim dividend.





The data and future forecasts presented in this material are based on information that was available at the time this material was released. Changes in circumstances can occur due to a range of factors and the Company gives no guarantee regarding achievement of objectives and forecasts, or future operating results. Information contained herein may change without forewarning. When using this data and reference materials, please verify and confirm details against information that you have obtained by other methods and exercise your discretionary judgment. Watts Co., Ltd. will in no way be held liable for any loss resulting from the use of this material.

Please contact us if you have any inquiry regarding this material.

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