October 5, 2018

Notice Concerning Revision to Business Forecasts and Difference between Non-consolidated Results for the Current Fiscal Year and for the Previous Fiscal Year

In view of recent trends in operating results, Watts Co., Ltd. revised its business forecasts for the fiscal year ended August 2018 (September 1, 2017 – August 31, 2018) announced on October 12, 2017, as follows. In addition, the Company announces its difference between non-consolidated business results for the current fiscal year and for the previous fiscal year.

1. Revision to consolidated business forecasts for the fiscal year ended August 2018 (September 1, 2017 – August 31, 2018)

	Sales	Operating profit	Recurring profit	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	Million yen 49,600	Million yen 1,450	Million yen 1,520	Million yen 925	Yen 68.28
Revised forecast (B)	49,444	975	1,037	633	46.79
Increase/ decrease (B-A)	-155	-474	-482	-291	
Percentage change %	-0.3	-32.7	-31.8	-31.5	
(Reference) Previous results (FY8/17)	47,494	1,209	1,272	839	61.96

2. Reason for revision

As for the consolidated business results for the current fiscal year, 100-Yen shop same-store sales were weak mainly due to a series of typhoons in last autumn and abnormal weather such as prolonged rainfalls. On the other hand, consolidated sales are expected to be roughly in line with the plan, as the number of new store opening of 100-Yen shop greatly exceeded the plan, and Real Co., Ltd., which operates discount shops, became a subsidiary in April.

However, operating profit and recurring profit are expected to fall short of the plan due to factors such as higher-than-expected rents and personnel expenses associated with the increase in the number of shops, as well as the active use of temporary staffing at the time of store preparation. In addition, net income attributable to owners of parent is also expected to differ from the initial forecast mainly due to impairment losses on shops and other assets based on our standards in the consolidated financial results for the fourth quarter of the current fiscal year.

3. Difference between non-consolidated full-year business results for the fiscal year ended August 2018 and for the previous fiscal year (September 1, 2017 – August 31, 2018)

	Sales	Operating profit	Recurring profit	Net income per share
Previous results (A) (FY8/17)	Million yen 30,627	Million yen 768	Million yen 1,480	Million yen 893
Current forecasts (B) (FY8/18)	31,509	734	994	704
Difference (B-A)	881	-34	-486	-188
Increase/decrease (%)	2.9	-4.5	-32.9	-21.1

4. Reason for differences

The differences were mainly due to a decrease in dividends received from wholly owned subsidiaries. This factor has no effect on the consolidated business results.

(Note) Above forecasts regarding future performance are based on information available at the time this report was prepared. Therefore, actual results may differ from the forecasts due to various factors.