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April 10, 2024

Consolidated Financial Results for the Six Months Ended February 29, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2735
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 Scheduled date to file quarterly securities report: April 10, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended February 29, 2024 (from September 1, 2023 to February 29, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended February 29, 2024	30,255	2.4	743	173.4	749	176.6	436	49.2
February 28, 2023	29,550	3.7	271	-57.3	270	-60.1	292	-19.1

Note: Comprehensive income For the six months ended February 29, 2024: ¥426 million [53.6%]
 For the six months ended February 28, 2023: ¥277 million [-23.2%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
February 29, 2024	32.90	-
February 28, 2023	21.53	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
February 29, 2024	25,715	12,014	46.7
August 31, 2023	25,489	11,964	46.9

Reference: Equity
 As of February 29, 2024: ¥11,998 million
 As of August 31, 2023: ¥11,952 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2023	-	0.00	-	15.00	15.00
Fiscal year ending August 31, 2024	-	0.00			
Fiscal year ending August 31, 2024 (Forecast)			-	15.00	15.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	60,200	1.5	1,050	68.9	1,000	54.2	620	147.4	46.77

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2024	13,458,800 shares
As of August 31, 2023	13,898,800 shares

- (ii) Number of treasury shares at the end of the period

As of February 29, 2024	296,452 shares
As of August 31, 2023	431,092 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended February 29, 2024	13,255,791 shares
Six months ended February 28, 2023	13,578,154 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*** Proper use of earnings forecasts, and other special matters**

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.

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1. Results of Operations

(1) Analysis of operating results

During the six months ended February 29, 2024, the Japanese economy experienced a gradual stabilization in inflation as import prices settled compared to a certain period. However, despite expectations for higher wages, continuously negative real wages were not reversed, and personal consumption showed no signs of a strong trend. With the timing of the U.S. interest rate cut being pushed back, the market anticipated a delay in closing the gap between U.S. and Japanese interest rates, and the dollar-yen exchange rate trended around 150 yen per dollar. The "cheap Japan" was highlighted once again. While some companies announced solid performance in the corporate sector, mainly in the export industry, severe conditions persisted in industries where labor shortages were becoming increasingly tight.

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 life-style goods and discount goods as well as overseas business.

In the domestic 100-Yen Shop business, the Company is proceeding with store renovations as planned to increase the product lineup of household items, mainly in roadside large-scale shops with a wide range of food products. In addition, the Company is steadily introducing full-function self-checkout registers to streamline the purchasing process. At the same time, to further improve customer convenience, it is expanding the Watts Online Shop's in-store pickup service, which has been available only in limited regions, to all areas of Japan.

As for new shop openings, the Company opened 87 shops to the full-year plan of 160 shops. There were 53 shop closings (including 3 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 second quarter was 1,803, which includes 1,787 directly managed shops (net increase of 37), and 16 franchised/other shops (net decrease of 3).

Of these, the number of the Watts brand shops "Watts" and "Watts with" was 1,335 (net increase of 88), accounting for more than 74.0% of the total.

As for the number of the domestic other shops at the end of the second quarter, "Buona Vita," a life-style goods shop offering comfortable life, was 13 shops (net decrease of 2). "Tokino:ne", a household items shop under the theme of "time", operates 2 directly-managed shops (unchanged). In addition, "Tokino:ne" sells its products in the Company's 100-Yen shops. "Value- 100," the fresh-foods supermarket collaboration, continues with 1 shop (unchanged). "Real", a discount shop, was 6 shops (net increase of 1).

Regarding the overseas operation, the Company operates "KOMONOYA", a fixed-price shop mainly in Southeast Asia. "KOMONOYA" operates 20 shops in Thailand (net decrease of 5), and 7 shops in Peru (net decrease of 3). In China, there were 4 shops (unchanged) named "小物家园"(KOMONOKAEN), a fixed price shop. The total number of own-brand shops "KOMONOYA" and "小物家园"(KOMONOKAEN) was 31 (net decrease of 8).

Sales for the six months of the current fiscal year increased to 30,255 million yen (up 2.4% YoY and 101.8% to the plan), mainly thanks to strong sales in the 100-Yen Shop business, while the Company has been closing unprofitable shops.

Operating profit was 743 million yen (up 173.4% YoY, 309.8% to the plan), recurring profit was 749 million yen (up 176.6% YoY, 394.3% to the plan), and net income attributable to owners of parent was 436 million yen (up 49.2% YoY, 363.5% to the plan). This was mainly because the gross profit margin exceeded the plan due to measures to increase the sales proportion of household items and products priced higher than 100 yen, despite the continuing high cost of procurement reflecting the external environment. In the six months of the previous fiscal year, the Company recorded income taxes-deferred (gains) due to the reorganization among its consolidated subsidiaries. As a result, the rate of increase in net income attributable to owners of parent was lower than other profit items. (Ratio to plan: ratio to the business forecasts for the six months ended February 2024 which were announced in the Summary of Financial Results on October 10, 2023.)

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

(2) Analysis of financial position

Assets, liabilities and net assets

(Assets)

As of the end of the second quarter of the current fiscal year, current assets stood at 19,412 million yen, increased by 492 million yen from the end of the previous fiscal year. This was mainly due to increases of 696 million yen for merchandise and finished goods and 350 million yen for cash and deposits, while decreases of 233 million yen for deposits paid to other in current assets and 168 million yen for notes and accounts receivable-trade.

Noncurrent assets stood at 6,302 million yen, decreased by 266 million yen from the end of the previous fiscal year. This was mainly due to decreases of 72 million yen in deferred tax assets, 67 million yen in software included in other intangible assets, 65 million yen in goodwill, and 58 million yen in guarantee deposits.

As a result, total assets stood at 25,715 million yen, increased by 225 million yen from the end of the previous fiscal year.

(Liabilities)

As of the end of the current second quarter of the fiscal year, current liabilities stood at 10,149 million yen, increased by 183 million yen from the end of the previous fiscal year. This was mainly due to decreases of 203 million yen in notes and accounts payable - trade, despite increases of 251 million yen in electronically recorded obligations and 111 million yen in current portion of long-term loans payable.

Noncurrent liabilities stood at 3,550 million yen, a decrease of 7 million yen compared with the end of the previous fiscal year. This was mainly due to an increase of 11 million yen in long-term loans payable, while there were decreases of 13 million yen in guarantee deposits received and 7 million yen in asset retirement obligations included in other long-term liabilities.

As a result, total liabilities stood at 13,700 million yen, increased by 176 million yen from the end of the previous fiscal year.

(Net assets)

As of the end of the second quarter of the current fiscal year, net assets stood at 12,014 million yen, increased by 49 million yen compared with the end of the previous fiscal year. This was mainly due to an increase of 234 million yen in retained earnings and a decrease of 48 million yen in treasury stock, offset by a decrease of 226 million yen in capital surplus.

As a result, shareholders' equity ratio stood at 46.7% (46.9% at the end of the previous fiscal year).

② Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current second quarter of the fiscal year amounted to 5,996 million yen, increased by 350 million yen from the previous fiscal year.

Details and breakdown of each cash flow in the second quarter are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 630 million yen (596 million yen was provided in the same period of the previous fiscal year). Cash was provided mainly by income before income taxes of 666 million yen, depreciation of 286 million yen, decrease in trade receivables of 167 million yen, income taxes refund of 141 million yen, and increase in accrued consumption taxes of 89 million yen. Cash was used mainly for an increase of 761 million yen in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was 254 million yen (425 million yen was used in the same period of the previous fiscal year). This was mainly due to purchase of property, plant, and equipment of 257 million yen, and payments for asset retirement obligations of 41 million yen. Cash was provided mainly by proceeds from refund of leasehold and guarantee deposits of 76 million yen.

(Cash flows from financing activities)

Net cash used for financing activities was 40 million yen (220 million yen was used in the same quarter of the previous year). Cash was used mainly for long-term loans payable of 477 million yen and cash dividends paid of 202 million yen. Cash was provided mainly by proceeds from long-term loans payable of 600 million yen.

(3) Future forecast information including business forecasts

There are no changes to the full-year business forecasts announced in the "Notice Concerning Revision to Business Forecasts for the First Half and the Full-Year" on March 28, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of
yen)

	Previous fiscal year (August 31, 2023)	Current second quarter (February 29, 2024)
Assets		
Current assets		
Cash and deposits	5,646,608	5,996,693
Notes and accounts receivable-trade	2,797,383	2,628,651
Merchandise and finished goods	9,719,862	10,416,606
Raw materials and supplies	16,785	71,438
Consumption taxes receivable	47,393	14,593
Other	721,037	311,184
Allowance for doubtful accounts	-29,071	-27,024
Total current assets	18,919,998	19,412,141
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	4,074,010	3,850,388
Accumulated depreciation and impairment loss	-3,167,522	-2,942,016
Buildings and structures, net	906,488	908,372
Vehicles	33,390	32,952
Accumulated depreciation and impairment loss	-29,153	-29,554
Vehicles, net	4,236	3,397
Tools, furniture and fixtures	5,049,332	5,124,164
Accumulated depreciation and impairment loss	-4,228,762	-4,283,238
Tools, furniture and fixtures, net	820,569	840,926
Land	257,800	257,800
Leased assets	109,161	107,536
Accumulated depreciation and impairment loss	-103,187	-102,725
Leased assets, net	5,973	4,811
Construction in progress	16,139	-
Total property, plant and equipment	2,011,208	2,015,306
Intangible assets		
Goodwill	406,767	340,805
Other	442,753	375,020
Total intangible assets	849,521	715,825
Investments and other assets		
Investment securities	345,682	341,847
Deferred tax assets	545,983	473,690
Guarantee deposits	2,690,009	2,631,887
Other	134,581	132,077
Allowance for doubtful accounts	-7,801	-7,706
Total investments and other assets	3,708,455	3,571,796
Total noncurrent assets	6,569,184	6,302,929
Total assets	25,489,183	25,715,071

(Thousands of yen)

	Previous fiscal year (August 31, 2023)	Current second quarter (February 29, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,974,812	3,771,490
Electronically recorded obligations	3,886,711	4,138,073
Current portion of long-term loans payable	779,496	890,712
Income taxes payable	117,202	166,663
Accrued consumption taxes	102,700	160,435
Provision for bonuses	142,008	148,876
Other	963,362	873,453
Total current liabilities	9,966,293	10,149,706
Noncurrent liabilities		
Long-term loans payable	2,104,658	2,116,432
Retirement benefit liability	456,153	467,755
Provision for directors' retirement benefits	31,673	33,817
Asset retirement obligations	681,263	673,494
Other	284,156	259,029
Total noncurrent liabilities	3,557,905	3,550,529
Total liabilities	13,524,198	13,700,235
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,350,605	1,124,379
Retained earnings	10,261,701	10,495,838
Treasury stock	-200,885	-152,849
Total shareholders' equity	11,851,719	11,907,665
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,553	3,157
Foreign currency translation adjustment	96,073	87,457
Total accumulated other comprehensive income	100,627	90,614
Stock acquisition right	12,639	16,555
Total net assets	11,964,985	12,014,835
Total liabilities and net assets	25,489,183	25,715,071

(2) Consolidated Statements of Income and Statements of Comprehensive Income
(Quarterly consolidated statements of income)
(Second quarter)

(Thousands of yen)

	Previous second quarter (from September 1, 2022 to February 28, 2023)	Current second quarter (from September 1, 2023 to February 29, 2024)
Sales	29,550,968	30,255,932
Cost of sales	18,381,185	18,626,288
Gross profit	11,169,783	11,629,643
Selling, general and administrative expenses	10,897,801	10,886,112
Operating profit	271,981	743,531
Non-operating revenues		
Interest income	2,065	3,339
Foreign exchange gains	-	15,066
Royalty income	2,660	1,888
Compensation income	26,944	13,038
Subsidy income	1,789	930
Other	6,415	10,812
Total non-operating income	39,875	45,075
Non-operating expenses		
Interest expenses	5,444	4,580
Early-withdrawal penalty	9,143	23,139
Share of loss of entities accounted for using equity method	13,048	6,742
Exchange loss	9,231	-
Other	4,110	4,974
Total non-operating expenses	40,978	39,435
Recurring profit	270,879	749,171
Extraordinary income		
Gain on sale of investment securities	1,810	2,001
Total extraordinary income	1,810	2,001
Extraordinary loss		
Loss on retirement of noncurrent assets	5,546	14,114
Impairment loss	84,198	70,943
Total extraordinary losses	89,744	85,058
Income before income taxes and minority interests	182,945	666,114
Income taxes-current	52,978	157,548
Income taxes-deferred	-162,337	72,413
Total income taxes	-109,359	229,962
Net income	292,304	436,152
Net income attributable to owners of parent	292,304	436,152

(Quarterly consolidated statements of income)
(Second quarter)

(Thousands of yen)

	Previous second quarter (from September 1, 2022 to February 28, 2023)	Current second quarter (from September 1, 2023 to February 29, 2024)
Net income	292,304	436,152
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,161	-1,396
Foreign currency translation adjustment	-9,369	-12,713
Share of other comprehensive income of associates accounted for using equity method	-3,365	4,097
Total other comprehensive income	-14,896	-10,012
Comprehensive income	277,407	426,139
(Breakdown)		
Comprehensive income attributable to owners of parent	277,407	426,139

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous second quarter (from September 1, 2022 to February 28, 2023)	Current second quarter (from September 1, 2023 to February 29, 2024)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	182,945	666,114
Depreciation and amortization	297,398	286,706
Impairment loss	84,198	70,943
Amortization of goodwill	65,962	65,962
Increase (decrease) in allowance for doubtful accounts	-3,329	-2,142
Increase (decrease) in provision for bonuses	24,276	6,868
Increase (decrease) in liabilities relating to retirement benefits	28,260	11,602
Increase (decrease) in provision for directors' retirement benefits	1,747	2,143
Interest and dividends income	-2,158	-3,432
Interest expenses	5,444	4,580
Loss (gain) on sale of investment securities	-1,810	-2,001
Loss on retirement of noncurrent assets	5,546	14,114
Decrease (increase) in accounts receivable-trade	455,204	167,585
Decrease (increase) in inventories	-309,879	-761,477
Increase (decrease) in notes and accounts payable-trade	39,766	48,430
Increase (decrease) in accrued consumption taxes	-52,495	89,884
Other	-177,317	-72,476
Subtotal	643,758	593,407
Interest and dividends income received	2,170	3,460
Interest expenses paid	-4,974	-4,675
Income taxes paid	-125,162	-103,477
Income taxes refund	80,860	141,906
Net cash provided by (used in) operating activities	596,651	630,621
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-347,742	-257,076
Purchase of intangible assets	-37,819	-7,615
Payments for lease and guarantee deposits	-75,794	-32,147
Proceeds from collection of lease and guarantee deposits	50,436	76,902
Payments for asset retirement obligations	-26,500	-41,235
Proceeds from sale of investment securities	11,125	6,235
Other	300	300
Net cash provided by (used in) investing activities	-425,995	-254,637
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	100,000	-
Proceeds from long-term loans payable	300,000	600,000
Repayment of long-term loans payable	-413,459	-477,010
Repayment of lease obligations	-3,675	-1,364
Decrease (increase) in deposits paid for acquisition of treasury stock	-	40,171
Cash dividends paid	-203,713	-202,357
Net cash provided by (used in) financing activities	-220,848	-40,560
Effect of exchange rate change on cash and cash equivalents	-3,795	14,662
Net increase (decrease) in cash and cash equivalents	-53,986	350,084
Cash and cash equivalents at beginning of period	6,687,848	5,646,608
Cash and cash equivalents at end of period	6,633,862	5,996,693

(4) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes if there is a significant change in the amount of shareholders' equity)

Not applicable.