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April 10, 2025

Consolidated Financial Results for the Six Months Ended February 28, 2025 (Under Japanese GAAP)

Company name: Watts Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2735
 URL: <https://www.watts-jp.com>
 Representative: Fumio Hiraoka, President, CEO and Executive Officer
 Inquiries: Hidehito Mori,
 Director, Managing Executive Officer and Head of Corporate Planning Office
 Telephone: +81-6-4792-3280
 Scheduled date to file semi-annual securities report: April 10, 2025
 Scheduled date to commence dividend payments: May 15, 2025
 Preparation of supplementary material on financial results: Yes
 Holding of 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 28, 2025 (from September 1, 2024 to February 28, 2025)

(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 28, 2025	30,465	0.7	820	10.3	866	15.6	536	23.1
February 29, 2024	30,255	2.4	743	173.4	749	176.6	436	49.2

Note: Comprehensive income For the Six months ended February 28, 2025: ¥550 million [29.3%]
 For the Six months ended February 29, 2024: ¥426 million [53.6%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
February 28, 2025	40.75	-
February 29, 2024	32.90	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
February 28, 2025	26,584	12,829	48.2
August 31, 2024	30,280	12,517	41.3

Reference: Equity
 As of February 28, 2025: ¥12,812 million
 As of August 31, 2024: ¥12,500 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, 2024	-	0.00	-	20.00	20.00
Fiscal year ending August 31, 2025	-	10.50			
Fiscal year ending August 31, 2025 (Forecast)			-	7.50	18.00

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

Breakdown of year-end dividend for the fiscal year ended August 31, 2024

Ordinary dividend: 15.00 yen, Special dividend: 5.00 yen

Breakdown of second quarter-end dividend for the fiscal year ending August 31, 2025

Ordinary dividend: 7.50 yen, Commemorative dividend: 3.00 yen

3. Forecast of consolidated financial results for the year ending August 31, 2025 (from September 1, 2024 to August 31, 2025)

(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	62,000	1.2	1,350	8.3	1,300	5.8	950	5.1	72.18

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

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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 28, 2025	13,458,800 shares
As of August 31, 2024	13,458,800 shares

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

As of February 28, 2025	262,453 shares
As of August 31, 2024	297,853 shares

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

Six months ended February 28, 2025	13,176,427 shares
Six months ended February 29, 2024	13,255,791 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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) Overview of operating results for the semi-annual period under review

During the second quarter of the current fiscal year, Japanese economy saw positive GDP (October–December) growth for the third consecutive quarter. However, consumer sentiment remained subdued, mainly due to rising prices, particularly for food products. In addition, real wages showed no signs of sustained improvement. On the corporate front, heightened caution over a “Trump 2.0” administration persisted, and the overall outlook remained uncertain.

Given this environment, the Watts Group, which operates 100-yen shops under brands such as “Watts,” “Watts with,” “meets.,” and “silk,” has been working to diversify its revenue sources. In addition to its domestic 100-yen shop business, the Company is also engaged in other domestic operations such as lifestyle goods and discount store businesses, as well as in overseas business.

In the domestic 100-yen shop business, the Company implemented the following initiatives: introduction of collaborative products featuring celebrities and anime characters, launch of new items under “fasmy,” the Company’s original cosmetic brand, promotion of the in-store pickup service for the Watts Online Shop, expansion of the lineup of higher-priced items and replacement of products to better meet customer needs, and introduction of self-checkout registers to streamline payment operations.

Regarding the openings and closings of 100-yen shops, the Company opened 65 new stores, against its full-year target of 152. Meanwhile, 36 stores were closed, including 4 franchised stores, due to factors such as the elimination of unprofitable stores and the unpredictable closing of facilities where the Company’s stores were located in.

As a result, the total number of 100-yen shops at the end of the second quarter stood at 1,841, consisting of 1,831 directly managed stores (a net increase of 33) and 10 franchised/other stores (a net decrease of 4).

Of these, stores under the Watts brand—including “Watts” and “Watts with”—totaled 1,438 (a net increase of 55), accounting for 78.1% of all stores.

As for other domestic businesses, Buona Vita, a lifestyle goods store promoting comfortable living, operated 10 stores (a net decrease of 2). Tokino:ne, a household goods store themed around “time,” continued to operate 1 directly managed store (unchanged), with dedicated sections also set up within some of the Company’s 100-yen shops. Value 100, a collaborative store with a fresh food supermarket, operated 1 store (unchanged), while the discount store Real remained at 7 stores (unchanged).

Regarding the overseas business, the Company operates KOMONOYA, a fixed-price store brand mainly in Southeast Asia. KOMONOYA had 13 stores in Thailand (a net decrease of 1) and 5 stores in Peru (unchanged). In China, all 4 stores of KOMONOKAEN (小物家园), another fixed-price store brand, were closed. As a result, the total number of stores under the Company’s own KOMONOYA brand stood at 18 (a net decrease of 5).

As a result of the above, for the second quarter of the current fiscal year, sales totaled 30,465 million yen (up 0.7% YoY, 99.9% of the plan), operating profit was 820 million yen (up 10.3% YoY, 109.4% of the plan), recurring profit was 866 million yen (up 15.6% YoY, 115.5% of the plan), and net income attributable to owners of parent was 536 million yen (up 23.1% YoY, 119.3% of the plan).

Sales increased mainly due to solid performance at existing 100-yen shops and were generally in line with the plan. On the profit side, the gross profit margin improved, primarily due to a decline in procurement costs for miscellaneous goods and strong sales of higher-priced items. Although facility-related expenses and utility costs increased, the number of store openings and closures was lower than planned, resulting in reduced store opening and closing costs. As a result, operating profit, recurring profit, and net income attributable to owners of parent all increased.

(Year-on-year figures are compared with the results for the same period of the previous fiscal year. Ratios to plan are compared with the forecast for the semi-annual period for the fiscal year ending August 2025, as announced in the Summary of Financial Results dated October 10, 2024.)

Since the Group operates a single business segment consisting of the operation of 100-yen shops and related activities, segment information is not presented.

(2) Overview of financial position for the semi-annual period under review

I. Assets, liabilities and net assets

(Assets)

As of the end of the second quarter of the current fiscal year, current assets totaled 20,229 million yen, a decrease of 3,820 million yen from the end of the previous fiscal year.

The main reason for the decrease was that the final day of the previous fiscal year was a bank holiday, resulting in a decrease of 3,020 million yen in cash and deposits, including unsettled balances, and a decrease of 938 million yen in notes and accounts receivable–trade. Meanwhile, merchandise and finished goods increased by 174 million yen.

Noncurrent assets stood at 6,354 million yen, an increase of 124 million yen from the end of the previous fiscal year. This was mainly due to an increase of 243 million yen in tools, furniture and fixtures, while there were decreases of 65 million yen in goodwill, 29 million yen in software included in other intangible assets and 28 million yen in deferred tax assets.

As a result, total assets amounted to 26,584 million yen, down 3,695 million yen from the end of the previous fiscal year.

(Liabilities)

As of the end of the second quarter of the current fiscal year, current liabilities totaled 10,243 million yen, a decrease of 3,872 million yen from the end of the previous fiscal year.

The main reason for this decrease was that the final day of the previous fiscal year was a bank holiday, which resulted in a decrease of 2,031 million yen in notes and accounts payable – trade, including unsettled balances, 1,093 million yen in electronically recorded obligations – operating, and 738 million yen in accounts payable included under other current liabilities.

Noncurrent liabilities totaled 3,510 million yen, a decrease of 135 million yen from the end of the previous fiscal year. This was primarily due to a 133 million yen decrease in long-term borrowings.

As a result, total liabilities amounted to 13,754 million yen, down 4,007 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 totaled 12,829 million yen, an increase of 311 million yen from the end of the previous fiscal year. This was due to an increase of 273 million yen in retained earnings and a decrease of 18 million yen in treasury stock.

As a result, shareholders' equity ratio stood at 48.2% (41.3% at the end of the previous fiscal year).

II. Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the second quarter of the current fiscal year amounted to 6,359 million yen, a decrease of 3,020 million yen from the end of the previous fiscal year. This decrease was primarily due to a decrease in trade payables and trade receivables, as the final day of the previous fiscal year was a bank holiday, resulting in unsettled balances being included at that time.

The status and main factors of cash flows for the period are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 2,131 million yen (630 million yen was provided in the previous fiscal year). The main use of cash was a 3,125 million yen decrease in trade payables, while the main source of cash was a 939 million yen decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was 636 million yen (254 million yen was used in the previous fiscal year). The main uses of cash were payments of 562 million yen for the purchase of property, plant and equipment, 52 million yen for the purchase of intangible assets, and 34 million yen for leasehold and guarantee deposits.

(Cash flows from financing activities)

Net cash used for financing activities was 269 million yen (40 million yen was used in the previous fiscal year). The main uses of cash were repayments of long-term borrowings totaling 604 million yen and dividend payments of 263 million yen, while the main source of cash was proceeds of 600 million yen from long-term borrowings.

(3) Future forecast information including business forecasts

The Company made no change to the full-year business forecasts announced in the Summary of Financial Results dated October 10, 2024.

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual consolidated balance sheets

(Thousands of yen)

	Previous fiscal year (August 31, 2024)	Current second quarter (February 28, 2025)
Assets		
Current assets		
Cash and deposits	9,380,370	6,359,528
Notes and accounts receivable-trade	3,530,170	2,591,461
Merchandise and finished goods	10,816,387	10,991,126
Raw materials and supplies	19,206	12,820
Consumption taxes receivable	20,631	15,805
Other	319,837	285,689
Allowance for doubtful accounts	-36,467	-26,726
Total current assets	24,050,136	20,229,705
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,774,322	3,788,879
Accumulated depreciation and impairment loss	-2,874,645	-2,911,588
Buildings and structures, net	899,677	877,291
Vehicles	27,992	27,733
Accumulated depreciation and impairment loss	-20,985	-21,920
Vehicles, net	7,007	5,812
Tools, furniture and fixtures	5,215,171	5,608,866
Accumulated depreciation and impairment loss	-4,310,840	-4,461,285
Tools, furniture and fixtures, net	904,330	1,147,581
Land	257,800	257,800
Leased assets	101,017	101,017
Accumulated depreciation and impairment loss	-97,801	-98,723
Leased assets, net	3,215	2,293
Total property, plant and equipment	2,072,031	2,290,778
Intangible assets		
Goodwill	274,842	208,880
Other	343,937	314,570
Total intangible assets	618,780	523,451
Investments and other assets		
Investment securities	350,264	367,850
Deferred tax assets	591,167	562,169
Guarantee deposits	2,467,565	2,479,965
Other	137,836	137,902
Allowance for doubtful accounts	-7,609	-7,560
Total investments and other assets	3,539,224	3,540,326
Total noncurrent assets	6,230,036	6,354,556
Total assets	30,280,173	26,584,262

(Thousands of yen)

	Previous fiscal year (August 31, 2024)	Current second quarter (February 28, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,612,554	3,580,583
Electronically recorded obligations	5,100,681	4,007,325
Current portion of long-term loans payable	1,074,807	1,203,693
Income taxes payable	310,882	279,125
Accrued consumption taxes	223,287	190,056
Provision for bonuses	158,384	153,754
Other	1,635,707	829,363
Total current liabilities	14,116,305	10,243,901
Noncurrent liabilities		
Long-term loans payable	2,207,659	2,073,861
Retirement benefit liability	513,631	525,933
Provision for directors' retirement benefits	35,546	37,515
Asset retirement obligations	639,867	648,417
Other	249,711	225,195
Total noncurrent liabilities	3,646,415	3,510,922
Total liabilities	17,762,720	13,754,823
Net assets		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,124,379	1,130,181
Retained earnings	10,963,834	11,237,585
Treasury stock	-152,850	-134,388
Total shareholders' equity	12,375,661	12,673,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	150	73
Foreign currency translation adjustment	124,433	138,480
Total accumulated other comprehensive income	124,583	138,554
Stock acquisition right	17,208	17,208
Total net assets	12,517,453	12,829,438
Total liabilities and net assets	30,280,173	26,584,262

(2) Semi-annual consolidated statements of income and semi-annual statements of comprehensive income
(Semi-annual consolidated statements of income)

(Thousands of yen)

	Previous second quarter (from September 1, 2023 to February 29, 2024)	Current second quarter (from September 1, 2024 to February 28, 2025)
Sales	30,255,932	30,465,450
Cost of sales	18,626,288	18,669,436
Gross profit	11,629,643	11,796,014
Selling, general and administrative expenses	10,886,112	10,975,781
Operating profit	743,531	820,232
Non-operating revenues		
Interest income	3,339	5,499
Foreign exchange gains	15,066	19,805
Royalty income	1,888	1,374
Compensation income	13,038	6,525
Subsidy income	930	-
Other	10,812	23,846
Total non-operating income	45,075	57,051
Non-operating expenses		
Interest expenses	4,580	8,031
Early-withdrawal penalty	23,139	-
Share of loss of entities accounted for using equity method	6,742	2,941
Other	4,974	172
Total non-operating expenses	39,435	11,146
Recurring profit	749,171	866,137
Extraordinary income		
Gain on sale of investment securities	2,001	-
Gain on sales of noncurrent assets	-	254
Total extraordinary income	2,001	254
Extraordinary loss		
Loss on retirement of noncurrent assets	14,114	4,739
Impairment loss	70,943	24,084
Total extraordinary losses	85,058	28,824
Income before income taxes and minority interests	666,114	837,568
Income taxes-current	157,548	271,663
Income taxes-deferred	72,413	28,934
Total income taxes	229,962	300,598
Net income	436,152	536,969
Net income attributable to owners of parent	436,152	536,969

(Semi-annual consolidated statements of comprehensive income)

(Thousands of yen)

	Previous second quarter (from September 1, 2023 to February 29, 2024)	Current second quarter (from September 1, 2024 to February 28, 2025)
Net income	436,152	536,969
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,396	-76
Foreign currency translation adjustment	-12,713	-1,526
Share of other comprehensive income of associates accounted for using equity method	4,097	15,574
Total other comprehensive income	-10,012	13,970
Comprehensive income	426,139	550,940
(Breakdown)		
Comprehensive income attributable to owners of parent	426,139	550,940

(3) Semi-annual consolidated statements of cash flows

(Thousands of yen)

	Previous second quarter (from September 1, 2023 to February 29, 2024)	Current second quarter (from September 1, 2024 to February 28, 2025)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	666,114	837,568
Depreciation and amortization	286,706	369,817
Impairment loss	70,943	24,084
Amortization of goodwill	65,962	65,962
Increase (decrease) in allowance for doubtful accounts	-2,142	-9,790
Increase (decrease) in provision for bonuses	6,868	-4,630
Increase (decrease) in liabilities relating to retirement benefits	11,602	12,302
Increase (decrease) in provision for directors' retirement benefits	2,143	1,969
Interest and dividends income	-3,432	-5,507
Interest expenses	4,580	8,031
Loss (gain) on sale of investment securities	-2,001	-
Loss on retirement of noncurrent assets	14,114	4,739
Decrease (increase) in accounts receivable-trade	167,585	939,221
Decrease (increase) in inventories	-761,477	-170,625
Increase (decrease) in notes and accounts payable-trade	48,430	-3,125,164
Increase (decrease) in accrued consumption taxes	89,884	-28,439
Other	-72,476	-746,469
Subtotal	593,407	-1,826,929
Interest and dividends income received	3,460	5,507
Interest expenses paid	-4,675	-8,199
Income taxes paid	-103,477	-302,228
Income taxes refund	141,906	-
Net cash provided by (used in) operating activities	630,621	-2,131,849
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-257,076	-562,179
Proceeds from sales of property, plant and equipment	-	364
Purchase of intangible assets	-7,615	-52,699
Payments for lease and guarantee deposits	-32,147	-34,364
Proceeds from collection of lease and guarantee deposits	76,902	17,262
Payments for asset retirement obligations	-41,235	-5,392
Proceeds from sale of investment securities	6,235	-
Other	300	200
Net cash provided by (used in) investing activities	-254,637	-636,807
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	600,000	600,000
Repayment of long-term loans payable	-477,010	-604,912
Repayment of lease obligations	-1,364	-1,529
Decrease (increase) in deposits paid for acquisition of treasury stock	40,171	-
Cash dividends paid	-202,357	-263,246
Net cash provided by (used in) financing activities	-40,560	-269,688
Effect of exchange rate change on cash and cash equivalents	14,662	17,503
Net increase (decrease) in cash and cash equivalents	350,084	-3,020,841
Cash and cash equivalents at beginning of period	5,646,608	9,380,370
Cash and cash equivalents at end of period	5,996,693	6,359,528

(4) Notes to semi-annual consolidated financial statements

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

No items to report

(Notes on going concern assumption)

No items to report

(Other matters)

Sales by area and business type are as follows.

Business Divisions	Area	Amount (thousand yen)	Year-on-year change (%)	Proportion (%)	Number of stores at the end of period
	Hokkaido area	1,231,725	101.8	4.5	99
	Tohoku area	1,219,174	105.1	4.4	110
	Kanto area	7,298,963	99.7	26.6	387
	Chubu area	4,189,132	102.8	15.3	313
	Kinki area	7,414,303	97.1	27.0	352
	Chugoku/Shikoku area	3,454,293	105.5	12.6	375
	Kyushu area	2,634,738	102.3	9.6	205
100-yen shop business		27,442,332	100.7	100.0	1,841
Wholesale		2,976,702	100.8		
Revenue from contracts with customers		30,419,034	100.7		
Other revenue		46,415	97.7		
Sales to outside customers		30,465,450	100.7		

(NOTE) The breakdown by region is as follows:

Hokkaido area	Hokkaido
Tohoku area	Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
Kanto area	Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa
Chubu area	Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Gifu, Shizuoka, Aichi, Mie
Kinki area	Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama
Chugoku/Shikoku area	Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Tokushima, Kagawa, Ehime, Kochi
Kyushu area	Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa