

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2015 (Japanese accounting standards)

July 29, 2014

Corporate Name : H2O Retailing Corporation
 Securities Code : 8242 (First Section of the Tokyo Stock Exchange)
 URL : <http://www.h2o-retailing.co.jp/>
 Representative : Atsushi Suzuki, President and Representative Director
 Contact : Tadatsugu Mori, Director and Managing Executive Officer
 TEL : +81-6-6365-8120
 Scheduled date of filing of the quarterly financial report : August 13, 2014
 Scheduled date of dividend payment : —
 Preparation of supplementary materials : Yes
 Briefing session on quarterly financial results : No

(Figures are rounded down to the nearest million yen.)

1. Consolidated Business Results for the First Quarter of the Fiscal Year ending March 31, 2015 (From April 1, 2014 to June 30, 2014)

(1) Consolidated operating results (Cumulative total) (Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Recurring Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2015	127,996	(1.4)	2,887	7.2	3,392	2.2	11,944	537.8
1Q of FY2014	129,829	12.4	2,693	58.3	3,319	38.6	1,872	190.3

Note : Comprehensive income(loss) 1Q of FY2015 15,646 million yen (275.2%) , 1Q of FY2014 4,170 million yen (—%)

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
1Q of FY2015	57.55	57.27
1Q of FY2014	9.65	9.60

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2015	587,878	240,029	40.5
FY2014	377,716	182,277	47.8

Reference : Owner's equity 1Q of FY2015 238,214 million yen , FY2014 180,406 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	—	6.25	—	6.25	12.50
FY2015	—	—	—	—	—
FY2015(Forecast)	—	12.50	—	12.50	25.00

Note : Revision to recently disclosed dividend forecast : No

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Recurring Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	342,000	29.1	4,400	1.2	4,600	(5.1)	2,000	(24.6)	8.07
Full Year	810,000	40.4	20,000	15.5	20,100	10.7	10,000	—	40.35

Note : Revision to recently disclosed consolidated business results forecast : No

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation) : Yes

Number of subsidiaries newly consolidated 2

Name of subsidiaries newly consolidated Izumiya Co., Ltd. Suzhou Izumiya Co., Ltd.

Name of subsidiaries excluded from consolidation -

On June 1, 2014, the Company acquired Izumiya Co., Ltd. and its subsidiaries by stock-for-stock exchange.

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates or restatements

(a) Changes in accounting policies due to changes in consolidated accounting standards : Yes

(b) Changes other than (a) : No

(c) Changes in accounting estimates : No

(d) Restatements due to correction : No

The Company adopted the "Accounting standard for Retirement Benefits" and the "Guidance on Accounting standard for Retirement Benefits" effective 1st April 2014.

(4) Number of shares issued and outstanding (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

1Q of FY2015 250,402,793 shares

FY2014 206,740,777 shares

(b) Number of shares of treasury stock at the end of the period

1Q of FY2015 2,615,131 shares

FY2014 12,584,542 shares

(c) Average number of shares during the period

1Q of FY2015 207,563,871 shares

1Q of FY2014 194,157,376 shares

Note : Disclosure of progress of quarterly review procedures

At the time of disclosure of this quarterly financial statements, review procedures for quarterly financial reports based on the Financial Instruments and Exchange Act had not been completed.

Note : Explanation regarding appropriate use of forecast

The above-mentioned forecast is based on the information available to the company at present, and including a potential risk and uncertainty. Actual achievements may differ from these forecasts due to many factors.

Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2014 (as of March 31, 2014)	1Q of FY2015 (as of June 30, 2014)
Assets		
Current Assets		
Cash on hand and in banks	35,402	47,166
Notes and accounts receivable - trade	30,987	41,650
Merchandise goods and finished goods	15,270	37,699
Work in progress	177	149
Raw materials and supplies	1,060	1,013
Deferred tax assets	3,936	4,546
Notes and accounts receivable - others	2,746	4,980
Other	2,529	7,683
Allowance for doubtful receivables	(82)	(446)
Total current assets	92,027	144,442
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures, net	74,296	113,539
Machinery and equipment, net	2,197	3,399
Land	37,460	110,828
Construction in progress	140	2,292
Others, net	6,389	10,199
Total property, plant and equipment	120,484	240,259
Intangible assets		
Goodwill	7,942	7,717
Other	7,154	13,562
Total intangible assets	15,097	21,279
Investments and other assets		
Investment securities	88,949	96,661
Long-term loans receivable	2,730	3,113
Long-term leasehold deposits	47,217	70,625
Long-term deferred tax assets	9,862	9,961
Other	1,612	2,057
Allowance for doubtful receivables	(265)	(522)
Total investments and other assets	150,107	181,896
Total noncurrent assets	285,689	443,436
Total Assets	377,716	587,878

(Millions of yen)

	FY2014 (as of March 31, 2014)	1Q of FY2015 (as of June 30, 2014)
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	44,213	60,958
Current portion of bonds	—	100
Short-term debt	5	3,700
Commercial papers	—	3,000
Current portion of long-term debt	35,483	45,777
Income taxes payable	5,064	525
Deferred tax liabilities	1	0
Gift certificates	18,909	20,502
Provision for bonuses to employees	5,250	3,291
Provision for bonuses to directors and corporate auditors	127	32
Provision for point card certificates	1,272	2,361
Asset retirement obligations	5	70
Other	31,268	45,483
Total current liabilities	141,603	185,805
Long-term Liabilities		
Bonds	—	8,800
Long-term debt	5,501	81,836
Deferred tax liabilities	18,339	20,800
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to directors and corporate auditors	176	170
Provision for redemption of gift certificates	2,082	2,145
Net defined benefit liability	18,221	26,252
Asset retirement obligations	406	2,214
Guarantee deposits	5,834	12,075
Long-term payable accrued	2,936	5,011
Other	26	2,427
Total long-term liabilities	53,835	162,043
Total Liabilities	195,439	347,849
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,273	91,566
Retained earnings	96,901	107,634
Treasury stock	(154)	(58)
Total shareholders' equity	162,817	216,939
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	21,636	25,212
Land revaluation, net of tax	81	81
Remeasurements of defined benefit plans	(4,128)	(4,018)
Total accumulated other comprehensive income	17,589	21,274
Subscription Rights to Shares	676	676
Minority Interests	1,194	1,138
Total Net Assets	182,277	240,029
Total Liabilities and Net Assets	377,716	587,878

(2) Consolidated Statements of Income (First Quarter)

(Millions of yen)

	1Q of FY2014 (From April 1, 2013 to June 30, 2013)	1Q of FY2015 (From April 1, 2014 to June 30, 2014)
Net sales	129,829	127,996
Cost of sales	94,302	92,331
Gross profit	35,526	35,665
Selling, general and administrative expenses	32,833	32,778
Operating income	2,693	2,887
Non-operating income		
Interest income	17	15
Dividends income	629	550
Gain on adjustment of accounts payable	370	347
Other	140	224
Total non-operating income	1,157	1,136
Non-operating expenses		
Interest expense	117	124
Loss on provision for redemption of gift certificates	297	284
Other	116	222
Total non-operating expenses	531	631
Recurring income	3,319	3,392
Extraordinary income		
Gain on bargain purchase	—	10,030
Gain on sales of shares of subsidiaries and associates	—	295
Gain on sales of property, plant and others	—	98
Total extraordinary income	—	10,424
Extraordinary loss		
Loss of store rebuilding	—	379
Impairment losses	—	63
Loss on disposal of property, plant and others	53	49
Total extraordinary loss	53	492
Income before income taxes	3,266	13,325
Income taxes - current	175	634
Income taxes - deferred	1,210	730
Total income taxes	1,386	1,364
Income before minority interests	1,879	11,960
Minority interests	6	15
Net income	1,872	11,944

Reference : Business Results of Hankyu Hanshin Department Stores, Inc.

First Quarter (From April 1, 2014 to June 30, 2014)

(1) Business Results

	millions of yen	year on year
Net sales	90,795	96.4%
Gross profit	22,733	96.5%
Other operating revenue	221	98.3%
Operating gross profit	22,955	96.5%
Selling, general and administrative expenses	20,359	95.2%
Operating income	2,596	108.3%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	40,121	97.5%
Senri Hankyu	3,685	92.7%
Sakai Kitahanada Hankyu	2,139	93.6%
Kawanishi Hankyu	3,761	94.5%
Takarazuka Hankyu (※2)	1,784	86.0%
Nishinomiya Hankyu	5,617	99.7%
Sanda Hankyu	283	96.6%
Hakata Hankyu	9,434	105.2%
HANKYU MEN'S TOKYO	2,844	104.7%
Oi Hankyu Food Hall	1,083	100.8%
Tsuzuki Hankyu	1,146	96.0%
Hanshin Umeda Main Store	16,936	89.7%
Amagasaki Hanshin	818	95.9%
Hanshin Nishinomiya	1,016	98.9%
Hanshin Mikage	122	96.7%
Total	90,795	96.4%

※1 including HANKYU MEN'S OSAKA

※2 closed the first floor on March 4, 2014

(3) Sales of each category

	millions of yen	year on year
Clothing	30,078	97.2%
Accessories, bags and others	16,926	97.0%
Household merchandise	3,153	92.1%
Foods	27,016	99.2%
Restaurants and cafés	2,530	84.6%
General merchandise	10,127	90.6%
Service	544	103.5%
Other	418	90.5%
Total	90,795	96.4%