

## Consolidated Financial Statements of the Fiscal Year Ending March 31, 2016 (Japanese accounting standards)

May 12, 2016

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 shareholders' meeting : June 22, 2016  
 Scheduled date of dividend payment : June 1, 2016  
 Scheduled date of filing of the financial report : June 22, 2016  
 Preparation of supplementary materials : Yes  
 Briefing session on financial results : Yes (for institutional investors and analysts)

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

### 1. Consolidated Business Results of the Fiscal Year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(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	%
FY2016	915,690	8.4	23,825	11.5	23,060	8.7	14,053	21.3
FY2015	844,819	46.5	21,358	23.4	21,219	16.8	11,586	-

Note : Comprehensive income FY2016 4,966 million yen, ( $\Delta$ 84.3%), FY2015 31,600 million yen, (—%)

	Net Income per Share	Net Income per Share(Diluted)	Return on Equity	Ratio of Recurring Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2016	113.93	113.39	5.6	3.8	2.6
FY2015	98.06	97.64	5.4	4.2	2.5

Reference : Equity in earnings of affiliates FY2016 68 million yen , FY2015 54 million yen

Note : Net income per share is calculated assuming one for two share consolidation of common stock effective September 1, 2014 at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2016	597,041	252,587	42.1	2,038.83
FY2015	631,877	251,659	39.7	2,033.25

Reference : Owner's equity FY2016 251,554 million yen , FY2015 250,762 million yen

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2016	25,242	5,149	(26,207)	48,492
FY2015	25,468	(49,162)	24,161	44,334

## 2. Dividends

	Annual Dividends					Total Dividends Payment (Annual)	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2015	-	12.50	-	12.50	25.00	3,101	25.5	1.3
FY2016	-	17.50	-	17.50	35.00	4,317	30.7	1.7
FY2017(Forecast)	-	17.50	-	17.50	35.00		-	

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

## 3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(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	447,000	1.3	7,600	0.6	7,800	1.0	8,000	26.4	64.84
Full Year	930,000	1.6	25,000	4.9	24,900	8.0	14,100	0.3	114.28

### Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation) : No

(2) 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

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

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

FY2016 125,201,396 shares

FY2015 125,201,396 shares

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

FY2016 1,819,577 shares

FY2015 1,870,521 shares

(c) Average number of shares during the period

FY2016 123,347,854 shares

FY2015 118,161,147 shares

**Reference : Summary of Non-Consolidated Financial Statements**

Non-Consolidated Business Results of the Fiscal Year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

## (1) Non-consolidated operating results

(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	%
FY2016	9,869	12.4	3,272	39.6	3,894	36.3	6,053	-
FY2015	8,776	(20.4)	2,344	(47.4)	2,857	(43.3)	106	(96.7)

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
FY2016	49.07	48.84
FY2015	0.90	0.90

## (2) Non-consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2016	362,945	223,913	61.4	1,806.46
FY2015	369,311	230,446	62.2	1,861.28

Reference : Owner's equity FY2016 222,884 million yen , FY2015 229,553 million yen

Note : Disclosure of progress of review procedures

At the time of disclosure of this financial statements, review procedures for 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)

	FY2015 (as of March 31, 2015)	FY2016 (as of March 31, 2016)
Assets		
Current Assets		
Cash on hand and in banks	44,381	48,521
Notes and accounts receivable -trade	39,158	46,785
Merchandise goods and finished goods	35,623	33,959
Work in progress	139	186
Raw materials and supplies	1,263	1,361
Deferred tax assets	5,701	4,910
Notes and accounts receivable -others	7,247	4,710
Other	6,818	5,949
Allowance for doubtful receivables	(427)	(814)
Total current assets	139,905	145,570
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures	325,844	323,276
Accumulated depreciation	(208,892)	(209,521)
Buildings and structures ,net	116,951	113,755
Machinery and equipment	8,494	8,967
Accumulated depreciation	(5,101)	(5,342)
Machinery and equipment, net	3,392	3,625
Land	124,406	124,341
Construction in progress	503	834
Others	45,362	46,831
Accumulated depreciation	(35,523)	(35,927)
Others, net	9,839	10,904
Total property, plant and equipment	255,093	253,461
Intangible assets		
Goodwill	7,127	5,997
Other	12,703	11,733
Total intangible assets	19,830	17,730
Investments and other assets		
Investment securities	127,086	97,513
Long-term loans receivable	3,268	3,993
Long-term leasehold deposits	74,486	71,191
Long-term deferred tax assets	10,184	8,945
Other	2,456	1,868
Allowance for doubtful receivables	(434)	(3,232)
Total investments and other assets	217,047	180,279
Total noncurrent assets	491,971	451,471
Total Assets	631,877	597,041

(Millions of yen)

	FY2015 (as of March 31, 2015)	FY2016 (as of March 31, 2016)
<b>Liabilities</b>		
Current Liabilities		
Notes and accounts payable - trade	61,921	62,235
Current portion of bonds	100	2,100
Commercial paper	6,500	—
Current portion of long-term debt	14,773	10,077
Accounts payable-other	18,068	14,634
Income taxes payable	5,126	5,807
Deferred tax liabilities	0	0
Gift certificates	20,361	21,785
Provision for bonuses to employees	5,465	5,048
Provision for bonuses to directors and corporate auditors	147	148
Provision for loss on store closing	5,208	295
Provision for point card certificates	2,276	2,097
Asset retirement obligations	512	383
Other	33,363	32,610
Total current liabilities	173,826	157,225
Long-term Liabilities		
Bonds	18,700	16,600
Long-term debt	110,996	100,879
Deferred tax liabilities	26,676	20,622
Deferred tax liabilities related to land revaluation	281	265
Provision for retirement benefits to directors and corporate auditors	176	205
Provision for redemption of gift certificates	2,675	3,183
Net defined benefit liability	22,984	20,463
Long-term payable accrued	6,306	7,803
Guarantee deposits	12,900	12,103
Asset retirement obligations	2,424	2,576
Other	2,269	2,524
Total long-term liabilities	206,391	187,228
Total Liabilities	380,218	344,454
<b>Net Assets</b>		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	93,100	92,783
Retained earnings	105,715	115,820
Treasury stock	(3,478)	(3,387)
Total shareholders' equity	213,134	223,013
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	39,783	30,333
Deferred gains or losses on hedges	649	185
Land revaluation, net of tax	109	125
Foreign currency translation adjustments	0	182
Remeasurements of defined benefit plans	(2,914)	(2,285)
Total accumulated other comprehensive income	37,627	28,541
Subscription Rights to Shares	892	1,028
Minority Interests	3	3
Total Net Assets	251,659	252,587
Total Liabilities and Net Assets	631,877	597,041

## (2) Consolidated Statements of Income

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Net sales	844,819	915,690
Cost of sales	603,401	649,326
Gross profit	241,417	266,363
Selling, general and administrative expenses		
Salaries	72,520	79,002
Rental expenses	36,152	37,660
Other	111,387	125,875
Total selling, general and administrative expenses	220,059	242,538
Operating income	21,358	23,825
Non-operating income		
Interest income	86	102
Dividends income	960	1,177
Gain on adjustment of accounts payable	1,240	792
Equity in earnings of affiliates	54	68
Other	1,378	1,028
Total non-operating income	3,720	3,169
Non-operating expenses		
Interest expense	1,201	1,244
Loss on provision for redemption of gift certificates	1,377	1,136
Other	1,280	1,552
Total non-operating expenses	3,859	3,933
Recurring income	21,219	23,060
Extraordinary income		
Gain on sales of investment securities	409	8,508
Reversal of provision for loss on store closing	—	629
Gain on sales of property, plant and others	110	113
Gain on bargain purchase	10,030	—
Gain on sales of shares of subsidiaries and associates	295	—
Total extraordinary income	10,846	9,251
Extraordinary loss		
Impairment losses	2,333	3,836
Loss on closing of stores and others	7,872	2,855
Loss on disposal of property, plant and others	456	1,153
Outplacement expenses	616	92
Loss of store rebuilding	3,204	—
Total extraordinary loss	14,483	7,937
Income before income taxes	17,582	24,374
Income taxes - current	6,801	9,140
Income taxes - deferred	(780)	1,180
Total income taxes	6,021	10,321
Income before minority interests	11,561	14,053
Minority interests	(25)	0
Net income	11,586	14,053

## (3) Consolidated Cash Flow Statements

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes	17,582	24,374
Depreciation and amortisation	15,149	16,230
Impairment losses	2,333	3,836
Loss of store rebuilding	2,458	—
Loss on store closing and others	2,116	1,926
Amortisation of goodwill	686	612
Gain on bargain purchase	(10,030)	—
Increase(decrease) in allowance for doubtful receivables	(114)	3,185
Increase(decrease) in provision for bonuses to employees	(1,483)	(406)
Increase(decrease) in provision for bonuses to directors and corporate auditors	19	1
Increase(decrease) in net defined benefit liability	(1,619)	(2,059)
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	2	28
Increase(decrease) in provision for redemption of gift certificates	592	508
Increase(decrease) in provision for loss on store closing	5,168	(3,685)
Increase(decrease) in provision for point card certificates	28	(177)
Interest and dividend income	(1,046)	(1,280)
Interest expense	1,201	1,244
Equity in losses(earnings) of affiliates	(54)	(68)
Gain on sales of shares of subsidiaries and associates	(295)	—
Loss(gain) on sales of property, plant, equipment and intangibles	(110)	(113)
Loss on disposal of property, plant, equipment and intangibles	456	1,001
Loss(gain) on sales of investment securities	(409)	(8,508)
Decrease(increase) in notes and accounts receivable	3,586	(7,763)
Decrease(increase) in inventories	(125)	(528)
Increase(decrease) in notes and accounts payable	(9,115)	853
Increase(decrease) in consumption tax payable	888	(1,832)
Other	4,676	6,343
Sub total	32,541	33,722
Interest and dividends received	979	1,214
Interest expense paid	(1,264)	(1,239)
Income taxes paid	(6,787)	(8,455)
Net cash provided by operating activities	25,468	25,242

(Millions of yen)

	FY2015 (From April 1, 2014 to March 31, 2015)	FY2016 (From April 1, 2015 to March 31, 2016)
Cash flows from investing activities		
Net decrease(increase) in time deposits	1	1
Purchases of property, plant and equipment	(32,931)	(18,731)
Proceeds from sales of property, plant and equipment	229	569
Purchases of intangibles	(2,517)	(2,249)
Proceeds from sales of intangibles	21	1
Payment for exercise of asset retirement obligations	(57)	(536)
Purchases of investment securities	(10,708)	(1,013)
Proceeds from sales of investment securities	475	24,373
Proceeds from collection of short-term loans receivable	—	917
Payments of long-term loans receivable	(379)	(917)
Proceeds from collection of long-term loans receivable	170	257
Payments for guarantee deposits	(5,908)	(864)
Proceeds from collection of guarantee deposits	2,243	3,045
Payment for the purchase of stock of subsidiaries	(3)	—
Payment for the purchase of stock of subsidiaries	215	279
Other	(13)	—
Net cash provided by (used in) investing activities	(49,162)	5,149
Cash flows from financing activities		
Increase(decrease) in short-term debt	84	(6,500)
Proceeds from long-term debt	71,550	2,750
Repayments of long-term debt	(49,927)	(17,563)
Proceeds from issuance of bonds	9,938	—
Payments for redemption of bonds	(100)	(100)
Proceeds from sale of treasury stock	23	0
Additions to treasury stock	(3,509)	(13)
Dividends paid	(2,773)	(3,700)
Dividends paid to minority shareholders	(9)	—
Other	(1,115)	(1,077)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(4)
Net cash provided by (used in) financing activities	24,161	(26,207)
Foreign exchange differences of cash and cash equivalents	101	(26)
Net increase(decrease) in cash and cash equivalents	569	4,157
Cash and cash equivalents at beginning of year	35,383	44,334
Increase of cash and cash equivalents due to share exchange	8,374	—
Increase in cash and cash equivalents from newly consolidated subsidiary	8	—
Cash and cash equivalents at end of year	44,334	48,492



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

(From April 1, 2015 to March 31, 2016)

## (1) Business Results

	millions of yen	year on year
Net sales	430,731	102.4%
Gross profit	106,014	101.8%
Other operating revenue	910	106.0%
Operating gross profit	106,925	101.8%
Selling, general and administrative expenses	90,103	101.1%
Operating income	16,822	105.6%

## (2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	218,358	110.4%
Senri Hankyu	16,744	101.2%
Sakai Kitahanada Hankyu	8,856	94.7%
Kawanishi Hankyu	16,633	99.3%
Takarazuka Hankyu	7,840	99.8%
Nishinomiya Hankyu	25,178	101.4%
Sanda Hankyu	1,410	101.3%
Hakata Hankyu	43,850	103.7%
HANKYU MEN'S TOKYO	14,520	106.9%
Oi Hankyu Food Hall	4,723	100.7%
Tsuzuki Hankyu	5,021	98.6%
Hanshin Umeda Main Store(※2)	58,919	82.3%
Amagasaki Hanshin	3,578	97.0%
Hanshin Nishinomiya	4,535	100.0%
Hanshin Mikage	559	102.7%
Total	430,731	102.4%

※1 including HANKYU MEN'S OSAKA

※2 Sales area of Hanshin Umeda Main Store was reduced to around 60% of former levels due to rebuilding.

## (3) Sales of each category

	millions of yen	year on year
Clothing	131,862	97.9%
Accessories, bags and others	78,412	100.7%
Household merchandise	13,139	97.6%
Foods	130,868	99.6%
Restaurant and café	9,279	88.8%
General merchandise	63,813	130.3%
Service	1,852	81.1%
Other	1,501	98.2%
Total	430,731	102.4%