

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

January 28, 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 filing of the quarterly financial report : February 12, 2016
 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 Third Quarter of the Fiscal Year ending March 31, 2016 (From April 1, 2015 to December 31, 2015)

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

	Net Sales		Operating Income		Recurring Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY2016	690,231	10.9	18,444	14.5	18,730	14.6	14,933	19.6
3Q of FY2015	622,432	47.9	16,106	45.0	16,339	36.0	12,485	81.6

Note : Comprehensive income 3Q of FY2016 12,404 million yen, (40.3)% 3Q of FY2015 20,766 million yen, 55.1%

	Net Income per Share		Net Income per Share (Diluted)	
	Yen		Yen	
3Q of FY2016	121.08		120.50	
3Q of FY2015	107.34		106.88	

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2016	636,165	259,829	40.7
FY2015	631,877	251,659	39.7

Reference : Owner's equity 3Q of FY2016 258,957 million yen FY2015 250,762 million yen

2. Dividends

	Annual Dividends					
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total	
	Yen		Yen		Yen	
FY2015	—	12.50	—	12.50	25.00	
FY2016	—	17.50	—			
FY2016(Forecast)				17.50	35.00	

Note : Revision to recently disclosed dividend forecast : No

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

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Recurring Income		Profit attributable to owners of parent		Net Income per Share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full Year	917,100	8.6	24,600	15.2	24,500	15.5	14,000	20.8	113.50	

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) : No
- (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
- (4) Number of shares issued and outstanding (common stock)
(a) Number of shares issued at the end of the period (including treasury stock)
3Q of FY2016 125,201,396 shares
FY2015 125,201,396 shares
(b) Number of shares of treasury stock at the end of the period
3Q of FY2016 1,851,590 shares
FY2015 1,870,521 shares
(c) Average number of shares during the period
3Q of FY2016 123,340,849 shares
3Q of FY2015 116,311,575 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)

	FY2015 (as of March 31, 2015)	3Q of FY2016 (as of December 31, 2015)
Assets		
Current assets		
Cash on hand and in banks	44,381	58,196
Notes and accounts receivable-trade	39,158	54,053
Merchandise goods and finished goods	35,623	37,550
Work in progress	139	232
Raw materials and supplies	1,263	1,082
Deferred tax assets	5,701	4,331
Notes and accounts receivable-others	7,247	5,094
Other	6,818	7,004
Allowance for doubtful receivables	(427)	(824)
Total current assets	<u>139,905</u>	<u>166,721</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	116,951	117,052
Machinery and equipment, net	3,392	3,752
Land	124,406	124,780
Construction in progress	503	697
Others, net	9,839	11,312
Total property, plant and equipment	<u>255,093</u>	<u>257,595</u>
Intangible assets		
Goodwill	7,127	6,150
Other	12,703	11,902
Total intangible assets	<u>19,830</u>	<u>18,052</u>
Investments and other assets		
Investment securities	127,086	107,811
Long-term loans receivable	3,268	3,370
Long-term leasehold deposits	74,486	71,366
Long-term deferred tax assets	10,184	9,516
Other	2,456	2,166
Allowance for doubtful receivables	(434)	(436)
Total investments and other assets	<u>217,047</u>	<u>193,795</u>
Total noncurrent assets	<u>491,971</u>	<u>469,443</u>
Total Assets	<u>631,877</u>	<u>636,165</u>

(Millions of yen)

	FY2015 (as of March 31, 2015)	3Q of FY2016 (as of December 31, 2015)
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	61,921	81,853
Current portion of bonds	100	100
Commercial papers	6,500	—
Current portion of long-term debt	14,773	10,185
Accounts payable-other	17,139	11,864
Lease obligations	929	999
Income taxes payable	5,126	3,641
Deferred tax liabilities	0	0
Gift certificates	20,361	22,326
Provision for bonuses to employees	5,465	2,696
Provision for bonuses to directors and corporate auditors	147	101
Provision for loss on store closing	5,208	3,275
Provision for point card certificates	2,276	2,649
Asset retirement obligations	512	427
Other	33,363	33,465
Total current liabilities	173,826	173,587
Long-term Liabilities		
Bonds	18,700	18,600
Long-term debt	110,996	107,779
Deferred tax liabilities	26,676	25,927
Deferred tax liabilities related to land revaluation	281	281
Provision for retirement benefits to directors and corporate auditors	176	196
Provision for redemption of gift certificates	2,675	3,274
Net defined benefit liability	22,984	21,516
Long-term payable accrued	336	321
Lease obligations	5,970	7,726
Guarantee deposits	12,900	12,213
Asset retirement obligations	2,424	2,566
Other	2,269	2,346
Total long-term liabilities	206,391	202,748
Total Liabilities	380,218	376,335
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	93,100	92,807
Retained earnings	105,715	116,701
Treasury stock	(3,478)	(3,446)
Total shareholders' equity	213,134	223,858
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	39,783	36,949
Deferred gains or losses on hedges	649	343
Land revaluation, net of tax	109	109
Foreign currency translation adjustments	0	306
Remeasurements of defined benefit plans	(2,914)	(2,610)
Total accumulated other comprehensive income	37,627	35,098
Subscription Rights to Shares	892	867
Non-controlling interests	3	3
Total Net Assets	251,659	259,829
Total Liabilities and Net Assets	631,877	636,165

(2) Consolidated Statements of Income (Third Quarter)

(Millions of yen)

	3Q of FY2015 (From April 1, 2014 to December 31, 2014)	3Q of FY2016 (From April 1, 2015 to December 31, 2015)
Net sales	622,432	690,231
Cost of sales	445,078	489,148
Gross profit	177,353	201,082
Selling, general and administrative expenses	161,246	182,637
Operating income	16,106	18,444
Non-operating income		
Interest income	59	69
Dividends income	951	1,116
Gain on adjustment of accounts payable	1,017	1,032
Other	701	965
Total non-operating income	2,730	3,183
Non-operating expenses		
Interest expense	877	938
Loss on provision for redemption of gift certificates	814	919
Other	805	1,039
Total non-operating expenses	2,496	2,897
Recurring income	16,339	18,730
Extraordinary income		
Gain on sales of investment securities	188	8,496
Reversal of provision for loss on store closing	—	464
Gain on bargain purchase	10,030	—
Gain on sales of shares of subsidiaries and associates	295	—
Gain on sales of property, plant and others	105	—
Total extraordinary income	10,620	8,961
Extraordinary loss		
Impairment losses	60	1,667
Loss on closing of stores and others	7,703	1,142
Loss on disposal of property, plant, equipment and intangibles	255	416
Outplacement expenses	—	92
Loss of store rebuilding	527	—
Total extraordinary loss	8,546	3,319
Income before income taxes	18,413	24,373
Income taxes - current	4,525	6,981
Income taxes - deferred	1,414	2,458
Total income taxes	5,939	9,439
Income before minority interests	12,474	14,933
Minority interests	(11)	0
Net income	12,485	14,933

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

Third Quarter (From April 1, 2015 to December 31, 2015)

(1) Business Results

	millions of yen	year on year
Net sales	322,268	103.5%
Gross profit	79,843	103.1%
Other operating revenue	631	96.5%
Operating gross profit	80,474	103.0%
Selling, general and administrative expenses	68,026	102.9%
Operating income	12,448	103.7%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	163,594	113.2%
Senri Hankyu	12,728	101.8%
Sakai Kitahanada Hankyu	6,540	94.3%
Kawanishi Hankyu	12,627	99.8%
Takarazuka Hankyu	5,933	99.8%
Nishinomiya Hankyu	18,671	102.0%
Sanda Hankyu	1,060	101.7%
Hakata Hankyu	32,189	104.5%
HANKYU MEN'S TOKYO	10,750	109.3%
Oi Hankyu Food Hall	3,568	100.5%
Tsuzuki Hankyu	3,719	98.8%
Hanshin Umeda Main Store (※2)	44,257	80.4%
Amagasaki Hanshin	2,806	101.8%
Hanshin Nishinomiya	3,401	100.4%
Hanshin Mikage	418	102.1%
Total	322,268	103.5%

※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	97,701	99.4%
Accessories, bags and others	58,353	102.7%
Household merchandise	9,869	96.7%
Foods	99,095	99.3%
Restaurants and cafés	7,025	87.7%
General merchandise	47,630	134.5%
Service	1,445	80.3%
Other	1,148	97.6%
Total	322,268	103.5%