

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

July 30, 2015

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  
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 Scheduled date of filing of the quarterly financial report : August 13, 2015  
 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, 2016 (From April 1, 2015 to June 30, 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	%
1Q of FY2016	215,279	68.2	3,189	10.5	3,434	1.2	6,025	(49.6)
1Q of FY2015	127,996	(1.4)	2,887	7.2	3,392	2.2	11,944	537.8

Note : Comprehensive income 1Q of FY2016 1,512 million yen, (90.3)%, 1Q of FY2015 15,646 million yen, 275.2%

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
1Q of FY2016	48.85	48.62
1Q of FY2015	115.09	114.53

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2016	611,518	251,108	40.9
FY2015	631,877	251,659	39.7

Reference : Owner's equity 1Q of FY2016 250,217 million yen, FY2015 250,762 million yen

### 2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	12.50	—	12.50	25.00
FY2016	—	—	—	—	—
FY2016(Forecast)	—	17.50	—	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	Yen
Half Year	427,400	22.7	6,000	2.5	5,800	(3.2)	7,000	(44.7)	56.76	
Full Year	900,000	6.5	23,000	7.7	22,600	6.5	13,000	12.2	105.41	

Note : Revision to recently disclosed consolidated business results forecast : Yes

*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)  
1Q of FY2016 125,201,396 shares  
FY2015 125,201,396 shares  
(b) Number of shares of treasury stock at the end of the period  
1Q of FY2016 1,866,534 shares  
FY2015 1,870,521 shares  
(c) Average number of shares during the period  
1Q of FY2016 123,331,502 shares  
1Q of FY2015 103,781,935 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)	1Q of FY2016 (as of June 30, 2015)
Assets		
Current Assets		
Cash on hand and in banks	44,381	40,289
Notes and accounts receivable - trade	39,158	42,826
Merchandise goods and finished goods	35,623	37,036
Work in progress	139	170
Raw materials and supplies	1,263	1,159
Deferred tax assets	5,701	5,058
Notes and accounts receivable - others	7,247	5,442
Other	6,818	7,742
Allowance for doubtful receivables	(427)	(399)
Total current assets	139,905	139,326
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures, net	116,951	116,624
Machinery and equipment, net	3,392	3,532
Land	124,406	125,108
Construction in progress	503	1,193
Others, net	9,839	9,856
Total property, plant and equipment	255,093	256,314
Intangible assets		
Goodwill	7,127	6,456
Other	12,703	12,582
Total intangible assets	19,830	19,038
Investments and other assets		
Investment securities	127,086	109,399
Long-term loans receivable	3,268	3,477
Long-term leasehold deposits	74,486	72,391
Long-term deferred tax assets	10,184	10,026
Other	2,456	1,974
Allowance for doubtful receivables	(434)	(431)
Total investments and other assets	217,047	196,837
Total noncurrent assets	491,971	472,191
Total Assets	631,877	611,518

(Millions of yen)

	FY2015 (as of March 31, 2015)	1Q of FY2016 (as of June 30, 2015)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable-trade	61,921	57,704
Current portion of bonds	100	100
Commercial papers	6,500	2,500
Current portion of long-term debt	14,773	14,488
Accounts payable-other	17,139	10,730
Lease obligations	929	923
Income taxes payable	5,126	1,382
Deferred tax liabilities	0	0
Gift certificates	20,361	21,333
Provision for bonuses to employees	5,465	3,965
Provision for bonuses to directors and corporate auditors	147	33
Provision for loss on store closing	5,208	4,166
Provision for point card certificates	2,276	2,462
Asset retirement obligations	512	305
Other	33,363	36,270
<b>Total current liabilities</b>	<b>173,826</b>	<b>156,366</b>
<b>Long-term Liabilities</b>		
Bonds	18,700	18,650
Long-term debt	110,996	109,946
Deferred tax liabilities	26,676	25,724
Deferred tax liabilities related to land revaluation	281	281
Provision for retirement benefits to directors and corporate auditors	176	178
Provision for redemption of gift certificates	2,675	3,154
Net defined benefit liability	22,984	22,554
Long-term payable accrued	336	316
Lease obligations	5,970	5,628
Guarantee deposits	12,900	12,773
Asset retirement obligations	2,424	2,509
Other	2,269	2,324
<b>Total long-term liabilities</b>	<b>206,391</b>	<b>204,043</b>
<b>Total Liabilities</b>	<b>380,218</b>	<b>360,409</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	17,796	17,796
Capital surplus	93,100	92,826
Retained earnings	105,715	109,951
Treasury stock	(3,478)	(3,472)
<b>Total shareholders' equity</b>	<b>213,134</b>	<b>217,102</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealised holding gains on securities	39,783	35,153
Deferred gains or losses on hedges	649	650
Land revaluation, net of tax	109	109
Foreign currency translation adjustments	0	(0)
Remeasurements of defined benefit plans	(2,914)	(2,799)
<b>Total accumulated other comprehensive income</b>	<b>37,627</b>	<b>33,114</b>
Subscription Rights to Shares	892	886
Non-controlling interests	3	3
<b>Total Net Assets</b>	<b>251,659</b>	<b>251,108</b>
<b>Total Liabilities and Net Assets</b>	<b>631,877</b>	<b>611,518</b>

## (2) Consolidated Statements of Income (First Quarter)

(Millions of yen)

	1Q of FY2015 (From April 1, 2014 to June 30, 2014)	1Q of FY2016 (From April 1, 2015 to June 30, 2015)
Net sales	127,996	215,279
Cost of sales	92,331	152,670
Gross profit	35,665	62,608
Selling, general and administrative expenses	32,778	59,419
Operating income	2,887	3,189
Non-operating income		
Interest income	15	26
Dividends income	550	627
Gain on adjustment of accounts payable	347	350
Other	224	417
Total non-operating income	1,136	1,421
Non-operating expenses		
Interest expense	124	318
Loss on provision for redemption of gift certificates	284	414
Other	222	443
Total non-operating expenses	631	1,177
Recurring income	3,392	3,434
Extraordinary income		
Gain on sales of investment securities	—	7,361
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	7,361
Extraordinary loss		
Outplacement expenses	—	111
Loss on closing of stores and others	—	85
Impairment losses	63	85
Loss on disposal of property, plant and others	49	66
Loss of store rebuilding	379	—
Total extraordinary loss	492	349
Income before income taxes	13,325	10,445
Income taxes - current	634	2,401
Income taxes - deferred	730	2,018
Total income taxes	1,364	4,420
Income before minority interests	11,960	6,025
Profit attributable to non-controlling interests	15	0
Profit attributable to owners of parent	11,944	6,025

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

First Quarter (From April 1, 2015 to June 30, 2015)

### (1) Business Results

	millions of yen	year on year
Net sales	96,293	106.1%
Gross profit	24,138	106.2%
Other operating revenue	219	98.9%
Operating gross profit	24,357	106.1%
Selling, general and administrative expenses	21,181	104.0%
Operating income	3,176	122.4%

### (2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	48,132	120.0%
Senri Hankyu	3,850	104.5%
Sakai Kitahanada Hankyu	2,034	95.1%
Kawanishi Hankyu	3,790	100.8%
Takarazuka Hankyu	1,793	100.5%
Nishinomiya Hankyu	5,718	101.8%
Sanda Hankyu	290	102.5%
Hakata Hankyu	9,799	103.9%
HANKYU MEN'S TOKYO	3,219	113.2%
Oi Hankyu Food Hall	1,090	100.6%
Tsuzuki Hankyu	1,139	99.4%
Hanshin Umeda Main Store (※2)	13,452	79.4%
Amagasaki Hanshin	822	100.4%
Hanshin Nishinomiya	1,035	101.9%
Hanshin Mikage	122	100.7%
Total	96,293	106.1%

※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	30,421	101.1%
Accessories, bags and others	18,476	109.2%
Household merchandise	3,087	97.9%
Foods	26,859	99.4%
Restaurants and cafés	2,247	88.8%
General merchandise	14,327	141.5%
Service	479	88.1%
Other	393	94.1%
Total	96,293	106.1%