

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

May 14, 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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 TEL : +81-6-6365-8120
 Scheduled date of shareholders' meeting : June 24, 2015
 Scheduled date of dividend payment : June 3, 2015
 Scheduled date of filing of the financial report : June 24, 2015
 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, 2015 (From April 1, 2014 to March 31, 2015)

(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	%
FY2015	844,819	46.5	21,358	23.4	21,219	16.8	11,586	-
FY2014	576,852	9.8	17,313	62.3	18,160	60.2	295	(95.2)

Note : Comprehensive income FY2015 31,600 million yen, -% , FY2014 2,251 million yen, (88.6) %

	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	%	%	%
FY2015	98.06	97.64	5.4	4.2	2.5
FY2014	3.05	30.3	0.2	4.9	3.0

Reference : Equity in earnings of affiliates FY2015 54 million yen , FY2014 104 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
FY2015	631,877	251,659	39.7	2,033.25
FY2014	377,716	182,277	47.8	1,858.37

Reference : Owner's equity FY2015 250,762 million yen , FY2014 180,406 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.

(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
FY2015	24,957	(48,650)	24,161	44,334
FY2014	33,415	(9,628)	(3,557)	35,383

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	%	%
FY2014	-	6.25	-	6.25	12.50	2,426	821.0	1.3
FY2015(Forecast)	-	12.50	-	12.50	25.00	3,101	25.5	1.3
FY2016(Forecast)	-	17.50	-	17.50	35.00		-	

Note : 1.Dividend per share in FY2015(Forecast) and FY2016(Forecast) is calculated assuming one for two share consolidation of common stock effective September 1, 2014.

2.Dividend per share in FY2014 is the actual dividend amount before one for two share consolidation effective September 1, 2014 is not decided.

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, 2016

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

(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	425,000	22.0	5,600	(4.3)	5,400	(9.9)	6,700	(47.1)	54.33	
Full Year	900,000	6.5	23,000	7.7	22,600	6.5	13,000	12.2	105.41	

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)

FY2015	125,201,396 shares
FY2014	103,370,388 shares
 - (b) Number of shares of treasury stock at the end of the period

FY2015	1,870,521 shares
FY2014	6,292,271 shares
 - (c) Average number of shares during the period

FY2015	118,161,147 shares
FY2014	97,075,959 shares

Reference : Summary of Non-Consolidated Financial Statements

Non-Consolidated Business Results of the Fiscal Year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(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	%
FY2015	8,776	(20.4)	2,344	(47.4)	2,857	(43.3)	106	(96.7)
FY2014	11,026	42.9	4,454	290.3	5,036	213.3	3,237	68.7

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
FY2015	0.90	0.90
FY2014	33.35	33.21

(2) Non-consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2015	369,311	230,446	62.2	1,861.28
FY2014	279,117	173,355	61.9	1,778.77

Reference : Owner's equity FY2012 229,553 million yen , FY2014 172,679 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)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Assets		
Current Assets		
Cash on hand and in banks	35,402	44,381
Notes and accounts receivable -trade	30,987	39,158
Merchandise goods and finished goods	15,270	35,623
Work in progress	177	139
Raw materials and supplies	1,060	1,263
Deferred tax assets	3,936	5,701
Notes and accounts receivable -others	2,746	7,247
Other	2,529	6,818
Allowance for doubtful receivables	(82)	(427)
Total current assets	92,027	139,905
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures	160,063	325,844
Accumulated depreciation	(85,766)	(208,892)
Buildings and structures ,net	74,296	116,951
Machinery and equipment	4,785	8,494
Accumulated depreciation	(2,588)	(5,101)
Machinery and equipment, net	2,197	3,392
Land	37,460	124,406
Construction in progress	140	503
Others	22,928	45,362
Accumulated depreciation	(16,538)	(35,523)
Others, net	6,389	9,839
Total property, plant and equipment	120,484	255,093
Intangible assets		
Goodwill	7,942	7,127
Other	7,154	12,703
Total intangible assets	15,097	19,830
Investments and other assets		
Investment securities	88,949	127,086
Long-term loans receivable	2,730	3,268
Long-term leasehold deposits	47,217	74,486
Long-term deferred tax assets	9,862	10,184
Other	1,612	2,456
Allowance for doubtful receivables	(265)	(434)
Total investments and other assets	150,107	217,407
Total noncurrent assets	285,689	491,971
Total Assets	377,716	631,877

(Millions of yen)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	44,213	61,921
Current portion of bonds	—	100
Short-term debt	5	—
Commercial paper	—	6,500
Current portion of long-term debt	35,483	14,773
Accounts payable-other	8,357	18,068
Income taxes payable	5,064	5,126
Deferred tax liabilities	1	0
Gift certificates	18,909	20,361
Provision for bonuses to employees	5,250	5,465
Provision for bonuses to directors and corporate auditors	127	147
Provision for loss on store closing	—	5,208
Provision for point card certificates	1,272	2,276
Asset retirement obligations	5	512
Other	22,910	33,363
Total current liabilities	141,603	173,826
Long-term Liabilities		
Bonds	—	18,700
Long-term debt	5,501	110,996
Deferred tax liabilities	18,339	26,676
Deferred tax liabilities related to land revaluation	310	281
Net defined benefit liability	18,221	22,984
Provision for retirement benefits to directors and corporate auditors	176	176
Provision for redemption of gift certificates	2,082	2,675
Long-term payable accrued	2,936	6,306
Guarantee deposits	5,834	12,900
Asset retirement obligations	406	2,424
Other	26	2,269
Total long-term liabilities	53,835	206,391
Total Liabilities	195,439	380,218
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,273	93,100
Retained earnings	96,901	105,715
Treasury stock	(154)	(3,478)
Total shareholders' equity	162,817	213,134
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	21,636	39,783
Deferred gains or losses on hedges	—	649
Land revaluation, net of tax	81	109
Foreign currency translation adjustments	—	0
Remeasurements of defined benefit plans	(4,128)	(2,914)
Total accumulated other comprehensive income	17,589	37,627
Subscription Rights to Shares	676	892
Minority Interests	1,194	3
Total Net Assets	182,277	251,659
Total Liabilities and Net Assets	377,716	631,877

(2) Consolidated Statements of Income

(Millions of yen)

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Net sales	576,852	844,819
Cost of sales	419,902	603,401
Gross profit	156,949	241,417
Selling, general and administrative expenses		
Salaries	41,202	72,520
Rental expenses	25,173	36,152
Other	73,260	111,387
Total selling, general and administrative expenses	139,635	220,059
Operating income	17,313	21,358
Non-operating income		
Interest income	64	86
Dividends income	982	960
Gain on adjustment of accounts payable	1,255	1,240
Equity in earnings of affiliates	104	54
Other	774	1,378
Total non-operating income	3,181	3,720
Non-operating expenses		
Interest expense	452	1,201
Loss on provision for redemption of gift certificates	1,036	1,377
Other	844	1,280
Total non-operating expenses	2,334	3,859
Recurring income	18,160	21,219
Extraordinary income		
Gain on bargain purchase	—	10,030
Gain on sales of investment securities	—	409
Gain on sales of shares of subsidiaries and associates	—	295
Gain on sales of property, plant and others	—	110
Gain on liquidation of subsidiaries and affiliates	126	—
Total extraordinary income	126	10,846
Extraordinary loss		
Loss on closing of stores and others	152	7,872
Loss of store rebuilding	9,411	3,204
Impairment losses	1,295	2,333
Outplacement expenses	—	616
Loss on disposal of property, plant and others	432	456
Expenses for opening new stores	171	—
Total extraordinary loss	11,462	14,483
Income before income taxes	6,824	17,582
Income taxes - current	5,433	6,801
Income taxes - deferred	1,068	(780)
Total income taxes	6,502	6,021
Income before minority interests	322	11,561
Minority interests	26	(25)
Net income	295	11,586

(3) Consolidated Cash Flow Statements

(Millions of yen)

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income before income taxes	6,824	17,582
Depreciation and amortisation	13,598	15,149
Impairment losses	1,295	2,333
Loss of store rebuilding	9,328	2,458
Loss on store closing and others	151	2,116
Loss (gain) on liquidation of subsidiaries and affiliates	(126)	—
Amortisation of goodwill	1,246	686
Gain on bargain purchase	—	(10,030)
Increase(decrease) in allowance for doubtful receivables	123	(114)
Increase(decrease) in provision for bonuses to employees	1,589	(1,483)
Increase(decrease) in provision for bonuses to directors and corporate auditors	28	19
Increase(decrease) in provision for retirement benefits to employees	(12,562)	—
Increase(decrease) in net defined benefit liability	11,810	(1,619)
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	16	2
Increase(decrease) in provision for redemption of gift certificates	208	592
Increase(decrease) in provision for loss on store closing	—	5,168
Increase(decrease) in provision for point card certificates	105	28
Interest and dividend income	(1,046)	(1,046)
Interest expense	452	1,201
Equity in losses(earnings) of affiliates	(104)	(54)
Gain on sales of shares of subsidiaries and associates	—	(295)
Loss(gain) on sales of property, plant, equipment and intangibles	—	(110)
Loss on disposal of property, plant, equipment and intangibles	432	456
Loss(gain) on sales of investment securities	—	(409)
Decrease(increase) in notes and accounts receivable	(8,043)	3,586
Decrease(increase) in inventories	(428)	(125)
Increase(decrease) in notes and accounts payable	8,250	(9,115)
Increase(decrease) in consumption tax payable	2,058	888
Other	1,631	4,164
Sub total	36,839	32,029
Interest and dividends received	1,016	979
Interest expense paid	(498)	(1,264)
Income taxes paid	(3,941)	(6,787)
Net cash provided by operating activities	33,415	24,957

(Millions of yen)

	FY2014 (From April 1, 2013 to March 31, 2014)	FY2015 (From April 1, 2014 to March 31, 2015)
Cash flows from investing activities		
Net decrease(increase) in time deposits	34	1
Purchases of property, plant and equipment	(9,891)	(32,931)
Proceeds from sales of property, plant and equipment	102	229
Purchases of intangibles	(1,511)	(2,517)
Proceeds from sales of intangibles	—	21
Payment for exercise of asset retirement obligations	(78)	(57)
Purchases of investment securities	(510)	(10,708)
Proceeds from sales of investment securities	1,819	987
Payments of long-term loans receivable	(215)	(379)
Proceeds from collection of long-term loans receivable	143	170
Payments for guarantee deposits	(445)	(5,908)
Proceeds from collection of guarantee deposits	867	2,243
Payment for the purchase of stock of subsidiaries	(51)	(3)
Payment for the purchase of stock of subsidiaries	—	215
Other	109	(13)
Net cash provided by (used in) investing activities	(9,628)	(48,650)
Cash flows from financing activities		
Increase(decrease) in short-term debt	—	84
Proceeds from long-term debt	—	71,550
Repayments of long-term debt	(812)	(49,927)
Proceeds from issuance of bonds	—	9,938
Payments for redemption of bonds	(34)	(100)
Proceeds from share issuance to minority shareholders	53	—
Proceeds from sale of treasury stock	0	23
Additions to treasury stock	(22)	(3,509)
Dividends paid	(2,426)	(2,773)
Dividends paid to minority shareholders	(18)	(9)
Other	(297)	(1,115)
Net cash provided by (used in) financing activities	(3,557)	24,161
Foreign exchange differences of cash and cash equivalents	66	101
Net increase(decrease) in cash and cash equivalents	20,295	569
Cash and cash equivalents at beginning of year	15,082	35,383
Increase in cash and cash equivalents resulting from merger of subsidiaries and unconsolidated subsidiaries	4	—
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	35,383	44,334

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

(From April 1, 2014 to March 31, 2015)

(1) Business Results

	millions of yen	year on year
Net sales	420,612	98.5%
Gross profit	104,149	98.7%
Other operating revenue	858	96.0%
Operating gross profit	105,008	98.7%
Selling, general and administrative expenses	89,081	96.5%
Operating income	15,926	113.2%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	197,839	102.9%
Senri Hankyu	16,550	95.2%
Sakai Kitahanada Hankyu	9,350	92.4%
Kawanishi Hankyu	16,758	95.5%
Takarazuka Hankyu(※2)	7,856	90.4%
Nishinomiya Hankyu	24,841	98.9%
Sanda Hankyu	1,392	100.0%
Hakata Hankyu	42,293	104.5%
HANKYU MEN'S TOKYO	13,588	107.5%
Oi Hankyu Food Hall	4,690	100.2%
Tsuzuki Hankyu	5,091	97.3%
Hanshin Umeda Main Store	71,590	86.9%
Amagasaki Hanshin	3,687	96.6%
Hanshin Nishinomiya	4,535	99.9%
Hanshin Mikage	544	96.6%
Total	420,612	98.5%

※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	134,720	99.3%
Accessories, bags and others	77,845	99.7%
Household merchandise	13,456	92.0%
Foods	131,351	99.4%
Restaurant and café	10,453	86.6%
General merchandise	48,969	97.3%
Service	2,286	99.8%
Other	1,528	87.5%
Total	420,612	98.5%