

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

January 30, 2015

Corporate Name : H2O Retailing Corporation
 Securities Code : 8242 (First Section of the Tokyo Stock Exchange)
 URL : <http://www.h2o-retailing.co.jp/>
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 Scheduled date of filing of the quarterly financial report : February 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 Third Quarter of the Fiscal Year ending March 31, 2015 (From April 1, 2014 to December 31, 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	%
3Q of FY2015	622,432	47.9	16,106	45.0	16,339	36.0	12,485	81.6
3Q of FY2014	420,762	9.1	11,107	44.2	12,013	39.8	6,874	44.8

Note : Comprehensive income 3Q of FY2015 20,766 million yen (55.1%) , 3Q of FY2014 13,391 million yen (161.1%)

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
3Q of FY2015	107.34	106.88
3Q of FY2014	70.81	70.51

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2015	618,412	244,052	39.4
FY2014	377,716	182,277	47.8

Reference : Owner's equity 3Q of FY2015 243,363 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	—	12.50	—		
FY2015(Forecast)				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
Full Year	840,000	45.6	21,000	21.3	21,000	15.6	11,000	—	88.13

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) : 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)

3Q of FY2015 125,201,396 shares

FY2014 103,370,388 shares

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

3Q of FY2015 379,829 shares

FY2014 6,292,271 shares

(c) Average number of shares during the period

3Q of FY2015 116,311,575 shares

3Q of FY2014 97,076,321 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)	3Q of FY2015 (as of December 31, 2014)
Assets		
Current assets		
Cash on hand and in banks	35,402	47,756
Notes and accounts receivable -trade	30,987	51,996
Merchandise goods and finished goods	15,270	39,145
Work in progress	177	149
Raw materials and supplies	1,060	1,062
Deferred tax assets	3,936	4,471
Notes and accounts receivable -others	2,746	5,406
Other	2,529	7,588
Allowance for doubtful receivables	(82)	(429)
Total current assets	92,027	157,146
Noncurrent assets		
Property, plant and equipment		
Buildings and structures ,net	74,296	110,823
Machinery and equipment, net	2,197	3,519
Land	37,460	110,418
Construction in progress	140	2,185
Others, net	6,389	9,785
Total property, plant and equipment	120,484	236,732
Intangible assets		
Goodwill	7,942	7,861
Other	7,154	13,074
Total intangible assets	15,097	20,936
Investments and other assets		
Investment securities	88,949	114,009
Long-term loans receivable	2,730	3,189
Long-term leasehold deposits	47,217	74,670
Long-term deferred tax assets	9,862	10,270
Other	1,612	1,978
Allowance for doubtful receivables	(265)	(521)
Total investments and other assets	150,107	203,596
Total noncurrent assets	285,689	461,265
Total Assets	377,716	618,412

(Millions of yen)

	FY2014 (as of March 31, 2014)	3Q of FY2015 (as of December 31, 2014)
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	44,213	82,699
Current portion of bonds	—	100
Short-term debt	5	—
Commercial papers	—	5,000
Current portion of long-term debt	35,483	11,608
Income taxes payable	5,064	3,162
Deferred tax liabilities	1	0
Gift certificates	18,909	21,479
Provision for bonuses to employees	5,250	2,450
Provision for bonuses to directors and corporate auditors	127	99
Provision for loss on store closing	—	5,319
Provision for point card certificates	1,272	2,925
Asset retirement obligations	5	446
Other	31,268	45,911
Total current liabilities	141,603	181,203
Long-term Liabilities		
Bonds	—	18,700
Long-term debt	5,501	100,010
Deferred tax liabilities	18,339	24,373
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to directors and corporate auditors	176	184
Provision for redemption of gift certificates	2,082	2,283
Net defined benefit liability	18,221	25,287
Asset retirement obligations	406	2,410
Guarantee deposits	5,834	11,849
Long-term payable accrued	2,936	5,344
Other	26	2,402
Total long-term liabilities	53,835	193,156
Total Liabilities	195,439	374,359
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,273	93,103
Retained earnings	96,901	106,614
Treasury stock	(154)	(33)
Total shareholders' equity	162,817	217,481
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	21,636	29,617
Deferred gains or losses on hedges	—	(21)
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	—	3
Remeasurements of defined benefit plans	(4,128)	(3,798)
Total accumulated other comprehensive income	17,589	25,881
Subscription Rights to Shares	676	671
Minority Interests	1,194	17
Total Net Assets	182,277	244,052
Total Liabilities and Net Assets	377,716	618,412

(2) Consolidated Statements of Income (Third Quarter)

(Millions of yen)

	3Q of FY2014 (From April 1, 2013 to December 31, 2013)	3Q of FY2015 (From April 1, 2014 to December 31, 2014)
Net sales	420,762	622,432
Cost of sales	306,429	445,078
Gross profit	114,333	177,353
Selling, general and administrative expenses	103,225	161,246
Operating income	11,107	16,106
Non-operating income		
Interest income	47	59
Dividends income	976	951
Gain on adjustment of accounts payable	1,041	1,017
Other	623	701
Total non-operating income	2,688	2,730
Non-operating expenses		
Interest expense	341	877
Loss on provision for redemption of gift certificates	859	814
Other	582	805
Total non-operating expenses	1,782	2,496
Recurring income	12,013	16,339
Extraordinary income		
Gain on bargain purchase	—	10,030
Gain on sales of shares of subsidiaries and associates	—	295
Gain on sales of investment securities	—	188
Gain on sales of property, plant and others	—	105
Gain on liquidation of subsidiaries and affiliates	126	—
Total extraordinary income	126	10,620
Extraordinary loss		
Loss on closing of stores and others	—	7,703
Loss of store rebuilding	—	527
Loss on disposal of property, plant, equipment and intangibles	189	255
Impairment losses	132	60
Total extraordinary loss	321	8,546
Income before income taxes	11,818	18,413
Income taxes - current	1,909	4,525
Income taxes - deferred	3,003	1,414
Total income taxes	4,913	5,939
Income before minority interests	6,905	12,474
Minority interests	31	(11)
Net income	6,874	12,485

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

Third Quarter (From April 1, 2014 to December 31, 2014)

(1) Business Results

	millions of yen	year on year
Net sales	311,474	100.4%
Gross profit	77,458	100.4%
Other operating revenue	654	95.8%
Operating gross profit	78,113	100.4%
Selling, general and administrative expenses	66,108	96.7%
Operating income	12,004	126.7%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	144,528	104.5%
Senri Hankyu	12,507	95.9%
Sakai Kitahanada Hankyu	6,933	93.4%
Kawanishi Hankyu	12,651	96.5%
Takarazuka Hankyu(※2)	5,946	89.1%
Nishinomiya Hankyu	18,309	100.3%
Sanda Hankyu	1,043	101.5%
Hakata Hankyu	30,810	106.5%
HANKYU MEN'S TOKYO	9,834	108.1%
Oi Hankyu Food Hall	3,550	100.9%
Tsuzuki Hankyu	3,763	97.9%
Hanshin Umeda Main Store(※3)	55,042	91.1%
Amagasaki Hanshin	2,757	97.1%
Hanshin Nishinomiya	3,386	100.4%
Hanshin Mikage	409	95.7%
Total	311,474	100.4%

※1 including HANKYU MEN'S OSAKA

※2 closed the first floor on March 4, 2014

※3 The sales area has decreased since April 1, 2014 due to rebuilding preparatory work.

(3) Sales of each category

	millions of yen	year on year
Clothing	98,294	101.0%
Accessories, bags and others	56,834	103.1%
Household merchandise	10,204	95.3%
Foods	99,753	99.9%
Restaurants and cafés	8,008	87.6%
General merchandise	35,401	100.5%
Service	1,799	104.6%
Other	1,176	94.0%
Total	311,474	100.4%