

**Consolidated Financial Statements for the First Quarter
of the Fiscal Year Ending March 31, 2019**
(Japanese accounting standards)

July 31, 2018

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 : August 10, 2018
 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, 2019
(From April 1, 2018 to June 30, 2018)**

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2019	219,282	3.3	3,360	(6.7)	3,855	(17.0)	276	(93.1)
1Q of FY2018	212,319	(0.8)	3,601	19.8	4,644	120.1	4,027	29.8

Note : Comprehensive income 1Q of FY2019 2,548 million yen, (76.3)% , 1Q of FY2018 10,765 million yen, - %

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
1Q of FY2019	2.24	2.22
1Q of FY2018	32.62	32.45

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2019	651,808	280,902	42.9
FY2018	659,582	280,807	42.4

Reference : Owner's equity 1Q of FY2019 279,659 million yen , FY2018 279,569 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	20.00	-	20.00	40.00
FY2019	-				
FY2019(Forecast)		20.00	-	20.00	40.00

Note : Revision to recently disclosed dividend forecast : No

**3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2019
(From April 1, 2018 to March 31, 2019)**

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	451,800	4.6	4,700	(32.6)	5,400	(35.7)	1,600	(72.1)	12.96
Full Year	945,500	2.6	18,400	(19.2)	19,200	(20.9)	10,400	(28.9)	84.22

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 : No
 - (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 FY2019	125,201,396 shares
FY2018	125,201,396 shares
 - (b) Number of shares of treasury stock at the end of the period

1Q of FY2019	1,702,994 shares
FY2018	1,713,817 shares
 - (c) Average number of shares during the period

1Q of FY2019	123,493,761 shares
1Q of FY2018	123,466,496 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)

	FY2018 (as of March 31, 2018)	1Q of FY2019 (as of June 30, 2018)
Assets		
Current assets		
Cash on hand and in banks	67,150	42,569
Notes and accounts receivable -trade	46,939	50,759
Merchandise goods and finished goods	32,798	33,642
Work in progress	322	184
Raw materials and supplies	2,175	2,113
Notes and accounts receivable -others	5,984	6,092
Other	5,210	5,981
Allowance for doubtful accounts	(413)	(436)
Total current assets	160,167	140,905
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	108,692	120,551
Machinery, equipment and vehicles, net	3,657	3,726
Land	149,550	149,221
Construction in progress	8,839	666
Others, net	9,921	11,116
Total property, plant and equipment	280,661	285,282
Intangible assets		
Goodwill	4,647	4,504
Other	13,223	13,912
Total intangible assets	17,870	18,417
Investments and other assets		
Investment securities	114,544	117,689
Long-term loans receivable	3,986	4,118
Guarantee deposits	70,079	73,825
Net defined benefit asset	240	201
Deferred tax assets	12,649	11,898
Other	2,306	2,400
Allowance for doubtful accounts	(2,922)	(2,930)
Total investments and other assets	200,884	207,203
Total non-current assets	499,415	510,903
Total Assets	659,582	651,808

(Millions of yen)

	FY2018 (as of March 31, 2018)	1Q of FY2019 (as of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,794	57,023
Current portion of long-term loans payable	42,561	42,487
Accounts payable-other	19,162	21,064
Lease obligations	764	810
Income taxes payable	6,324	659
Gift certificates	33,881	32,654
Provision for bonuses	5,095	3,918
Provision for directors' bonuses	160	52
Provision for loss on store closing	116	106
Provision for point card certificates	1,959	2,183
Asset retirement obligations	600	532
Other	28,147	31,480
Total current liabilities	201,569	192,974
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	96,931	96,866
Deferred tax liabilities	24,733	26,051
Deferred tax liabilities related to land revaluation	266	266
Provision for directors' retirement benefits	228	199
Provision for redemption of gift certificates	3,727	3,848
Net defined benefit liability	14,923	14,432
Long-term accounts payable - other	720	671
Lease obligations	9,175	9,206
Long-term guarantee deposited	9,911	9,814
Asset retirement obligations	2,727	2,732
Other	3,861	3,841
Total non-current liabilities	177,205	177,932
Total Liabilities	378,774	370,906
Net Assets		
Shareholders' equity		
Capital stock	17,796	17,796
Capital surplus	92,726	92,717
Retained earnings	135,057	132,864
Treasury shares	(3,190)	(3,170)
Total shareholders' equity	242,390	240,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,662	40,131
Deferred gains or losses on hedges	59	58
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(8)	(266)
Remeasurements of defined benefit plans	(658)	(596)
Total accumulated other comprehensive income	37,178	39,451
Share acquisition rights	1,234	1,238
Non-controlling interests	3	3
Total net assets	280,807	280,902
Total Liabilities and Net Assets	659,582	651,808

(2) Consolidated Statements of Income (First Quarter)

(Millions of yen)

	1Q of FY2018 (From April 1, 2017 to June 30, 2017)	1Q of FY2019 (From April 1, 2018 to June 30, 2018)
Net sales	212,319	219,282
Cost of sales	149,980	155,478
Gross profit	62,338	63,804
Selling, general and administrative expenses	58,736	60,444
Operating profit	3,601	3,360
Non-operating income		
Interest income	43	19
Dividend income	755	770
Gain on adjustment of accounts payable	350	409
Gain on valuation of forward exchange contracts	130	-
Other	489	273
Total non-operating income	1,770	1,473
Non-operating expenses		
Interest expenses	252	228
Loss on provision for redemption of gift certificates	260	326
Other	214	422
Total non-operating expenses	727	978
Ordinary profit	4,644	3,855
Extraordinary income		
Gain on revision of retirement benefit plan	1,445	-
Gain on sales of non-current assets	1,073	-
Total extraordinary income	2,518	-
Extraordinary losses		
Outplacement expenses	-	674
Expenses for opening new stores	-	476
Loss on retirement of non-current assets	279	330
Impairment losses	79	294
Loss on closing of stores and others	427	281
Loss on disaster	-	106
Total extraordinary losses	786	2,163
Profit before income taxes	6,376	1,691
Income taxes - current	909	458
Income taxes - deferred	1,439	956
Total income taxes	2,348	1,415
Profit	4,027	276
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	4,027	276