

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2018 (Japanese accounting standards)

January 30, 2018

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, 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 Third Quarter of the Fiscal Year ending March 31, 2018 (From April 1, 2017 to December 31, 2017)

(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 FY2018	689,206	1.3	17,975	4.9	19,645	18.1	15,194	5.2
3Q of FY2017	680,598	(1.4)	17,135	(7.1)	16,634	(11.2)	14,446	(3.3)

Note : Comprehensive income(loss) 3Q of FY2018 29,678 million yen (68.5%), 3Q of FY2017 17,615 million yen (42.0%)

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
3Q of FY2018	123.06	122.39
3Q of FY2017	117.05	116.47

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2018	685,332	288,927	42.0
FY2017	640,543	264,323	41.1

Reference : Owner's equity 3Q of FY2018 287,841 million yen, FY2017 263,220million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	—	20.00	—	20.00	40.00
FY2018	—	20.00	—	—	—
FY2018(Forecast)	—	—	—	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, 2018 (From April 1, 2017 to March 31, 2018)

(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	915,000	1.5	22,700	0.7	23,100	6.3	14,500	1.4	117.44

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) : Yes
Number of subsidiaries newly consolidated 1
Name of subsidiaries newly consolidated H2O (China) Investment Co.,Ltd
Number of subsidiaries excluded from consolidation -
Name of subsidiaries excluded from consolidation -
- (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) : Yes
(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 FY2018 125,201,396 shares
FY2017 125,201,396 shares
(b) Number of shares of treasury stock at the end of the period
3Q of FY2018 1,727,673 shares
FY2017 1,737,627 shares
(c) Average number of shares during the period
3Q of FY2018 123,469,038 shares
3Q of FY2017 123,419,424 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)

	FY2017 (as of March 31, 2017)	3Q of FY2018 (as of December, 31, 2017)
Assets		
Current assets		
Cash on hand and in banks	83,481	58,153
Notes and accounts receivable-trade	43,588	62,705
Merchandise goods and finished goods	33,531	36,477
Work in progress	174	1,512
Raw materials and supplies	1,587	1,498
Deferred tax assets	4,146	4,809
Notes and accounts receivable -others	5,063	4,727
Other	7,172	6,199
Allowance for doubtful receivables	(428)	(422)
Total current assets	178,318	175,632
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	108,262	110,983
Machinery and equipment, net	3,745	3,874
Land	134,591	150,000
Construction in progress	2,012	6,323
Others, net	10,348	10,320
Total property, plant and equipment	258,961	281,501
Intangible assets		
Goodwill	5,217	4,789
Other	12,326	12,649
Total intangible assets	17,543	17,439
Investments and other assets		
Investment securities	103,031	126,087
Long-term loans receivable	3,868	4,180
Long-term leasehold deposits	69,060	70,522
Net defined benefit asset	683	2,393
Long-term deferred tax assets	9,960	8,426
Other	2,067	2,124
Allowance for doubtful receivables	(2,952)	(2,976)
Total investments and other assets	185,720	210,758
Total noncurrent assets	462,225	509,699
Total Assets	640,543	685,332

	(Millions of yen)	
	FY2017	3Q of FY2018
	(as of March 31, 2017)	(as of December, 31, 2017)
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	59,394	80,140
Current portion of bonds	6,600	2,000
Commercial papers	2,000	-
Current portion of long-term debt	29,585	34,569
Accounts payable-other	14,329	15,714
Lease obligations	675	768
Income taxes payable	4,744	3,576
Deferred tax liabilities	4	0
Gift certificates	23,846	27,909
Provision for bonuses to employees	4,885	2,496
Provision for bonuses to directors and corporate auditors	177	114
Provision for loss on store closing	441	89
Provision for point card certificates	1,750	2,336
Asset retirement obligations	1,089	375
Other	39,676	40,128
Total current liabilities	189,202	210,220
Long-term Liabilities		
Bonds	10,000	10,000
Long-term debt	108,593	97,107
Deferred tax liabilities	21,521	30,061
Deferred tax liabilities related to land revaluation	265	266
Provision for retirement benefits to directors and corporate auditors	245	217
Provision for redemption of gift certificates	3,558	3,687
Net defined benefit liability	18,209	17,732
Long-term payable accrued	526	751
Lease obligations	7,706	9,372
Guarantee deposits	11,494	10,283
Asset retirement obligations	2,567	2,709
Other	2,328	3,993
Total long-term liabilities	187,017	186,184
Total Liabilities	376,219	396,405
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	92,732	92,727
Retained earnings	125,490	135,615
Treasury stock	(3,234)	(3,216)
Total shareholders' equity	232,786	242,923
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	31,227	45,945
Deferred gains or losses on hedges	21	40
Land revaluation, net of tax	125	124
Foreign currency translation adjustments	(309)	(191)
Remeasurements of defined benefit plans	(629)	(999)
Total accumulated other comprehensive income	30,434	44,918
Subscription Rights to Shares	1,098	1,081
Non-controlling interests	3	3
Total Net Assets	264,323	288,927
Total Liabilities and Net Assets	640,543	685,332

(2) Consolidated Statements of Income (Third Quarter)

(Millions of yen)

	3Q of FY2017 (From April 1, 2016 to December 31, 2016)	3Q of FY2018 (From April 1, 2017 to December 31, 2017)
Net sales	680,598	689,206
Cost of sales	481,626	490,028
Gross profit	198,971	199,178
Selling, general and administrative expenses	181,836	181,202
Operating income	17,135	17,975
Non-operating income		
Interest income	62	166
Dividends income	943	1,218
Gain on adjustment of accounts payable	961	1,014
Foreign exchange gains	—	508
Other	541	977
Total non-operating income	2,508	3,886
Non-operating expenses		
Interest expenses	814	781
Loss on provision for redemption of gift certificates	766	744
Valuation loss on forward exchange contracts	256	—
Other	1,171	690
Total non-operating expenses	3,009	2,216
Recurring income	16,634	19,645
Extraordinary income		
Gain on bargain purchase	—	2,010
Gain on sales of property, plant and others	4,291	1,695
Gain on revision of retirement benefit plan	—	1,445
Reversal of provision for loss on store closing	252	—
Total extraordinary income	4,544	5,151
Extraordinary loss		
Loss on closing of stores and others	1,990	939
Loss on disposal of property, plant, equipment and intangibles	785	917
Impairment losses	1,186	420
Total extraordinary loss	3,962	2,277
Income before income taxes	17,215	22,519
Income taxes - current	4,176	5,281
Income taxes - deferred	(1,406)	2,043
Total income taxes	2,769	7,325
Income before minority interests	14,446	15,194
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	14,446	15,194