Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2019

(Japanese accounting standards)

January 31, 2019

Corporate Name : H2O Retailing Corporation
Securities Code : 8242 (First Section of the Tokyo Stock Excange)
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 : February 12, 2019
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, 2019 (From April 1, 2018 to December 31, 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	%
3Q of FY2018	700,406	1.6	16,277	(9.4)	16,989	(13.5)	6,227	(59.0)
3Q of FY2017	689,206	1.3	17,975	4.9	19,645	18.1	15,194	5.2

Note : Comprehensive income 3Q of FY2018 4,141 million yen, (86.0)% , 3Q of FY2017 29,678 million yen, 68.5 %

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
3Q of FY2018	50.41	50.10
3Q of FY2017	123.06	122.39

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2018	669,409	280,117	41.7
FY2017	659,582	280,807	42.4

Reference : Owner's equity 3Q of FY2018 278,879 million yen , FY2017 279,569 million 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, 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
Full Year	937,000	1.6	20,800	(8.6)	21,500	(11.4)	10,000	(31.7)	80.93

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)

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	1,635,745 shares
FY2017	1,713,817 shares

(c) Average number of shares during the period

3Q of FY2018	123,523,477 shares
3Q of FY2017	123,469,038 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 approriate 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, 2018)	3Q of FY2018 (as of December 31, 2018)
Assets		
Current assets		
Cash on hand and in banks	67,150	49,272
Notes and accounts receivable -trade	46,939	63,645
Merchandise goods and finished goods	32,798	35,035
Work in progress	322	159
Raw materials and supplies	2,175	1,853
Notes and accounts receivable -others	5,984	8,161
Other	5,210	6,024
Allowance for doubtful accounts	(413)	(566)
Total current assets	160,167	163,586
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	108,692	120,404
Machinery, equipment and vehicles, net	3,657	3,616
Land	149,550	148,353
Construction in progress	8,839	5,630
Other, net	9,921	11,258
Total property, plant and equipment	280,661	289,263
Intangible assets		
Goodwill	4,647	4,219
Other	13,223	14,310
Total intangible assets	17,870	18,530
Investments and other assets		
Investment securities	114,544	111,317
Long-term loans receivable	3,986	4,277
Guarantee deposits	70,079	72,603
Net defined benefit asset	240	459
Deferred tax assets	12,649	10,373
Other	2,306	1,929
Allowance for doubtful accounts	(2,922)	(2,931)
Total investments and other assets	200,884	198,029
Total non-current assets	499,415	505,823
Total Assets	659,582	669,409

(Millions of yen)

	FY2017 (as of March 31, 2018)	3Q of FY2018 (as of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,794	80,038
Short-term loans payable	-	10,000
Current portion of long-term loans payable	42,561	30,243
Accounts payable	19,162	18,707
Lease obligations	764	779
Income taxes payable	6,324	2,198
Gift certificates	33,881	30,512
Provision for bonuses	5,095	2,623
Provision for directors' bonuses	160	107
Provision for loss on store closing	116	75
Provision for point card certificates	1,959	2,524
Asset retirement obligations	600	264
Other	28,147	26,499
Total current liabilities	201,569	204,574
Non-current liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	96,931	96,741
Deferred tax liabilities	24,733	24,335
Deferred tax liabilities related to land revaluation	266	266
Provision for directors' retirement benefits	228	219
Provision for redemption of gift certificates	3,727	4,025
Net defined benefit liability	14,923	13,319
Long-term accounts payable - other	720	670
Lease obligations	9,175	8,864
Long-term guarantee deposited	9,911	9,760
Asset retirement obligations	2,727	2,734
Other	3,861	3,780
Total non-current liabilities	177,205	184,717
Total Liabilities	378,774	389,292
Net Assets		
Shareholders' equity		
Capital stock	17,796	17,796
Capital surplus	92,726	92,691
Retained earnings	135,057	136,343
Treasury shares	(3,190)	(3,045)
Total shareholders' equity	242,390	243,786
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,662	35,900
Deferred gains or losses on hedges	59	75
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(8)	(536)
Remeasurements of defined benefit plans	(658)	(471)
Total accumulated other comprehensive income	37,178	35,093
Share acquisition rights	1,234	1,233
Non-controlling interests	3	4
Total net assets	280,807	280,117
Total Liabilities and Net Assets	659,582	669,409

(2) Consolidated Statements of Income (Third Quarter) (Millions of yen)

	3Q of FY2017 (From April 1, 2017 to December 31, 2017)	3Q of FY2018 (From April 1, 2018 to December 31, 2018)
Net sales	689,206	700,406
Cost of sales	489,726	498,642
Gross profit	199,480	201,763
Selling, general and administrative expenses	181,504	185,486
Operating profit	17,975	16,277
Non-operating income		
Interest income	166	60
Dividend income	1,218	1,311
Gain on adjustment of accounts payable	1,014	1,147
Foreign exchange gains	508	-
Other	977	653
Total non-operating income	3,886	3,172
Non-operating expenses		
Interest expenses	781	654
Loss on provision for redemption of gift certificates	744	887
Other	690	918
Total non-operating expenses	2,216	2,461
Ordinary profit	19,645	16,989
Extraordinary income		
Insurance income	-	577
Gain on bargain purchase	2,010	-
Gain on sales of non-current assets	1,695	-
Gain on revision of retirement benefit plan	1,445	-
Total extraordinary income	5,151	577
Extraordinary losses		
Loss on closing of stores and others	939	1,962
Loss on disaster	-	1,350
Loss on retirement of non-current assets	917	736
Outplacement expenses	-	672
Loss on transfer of business	-	546
Expenses for opening new stores	-	495
Impairment losses	420	305
Total extraordinary losses	2,277	6,070
Profit before income taxes	22,519	11,496
Income taxes - current	5,281	2,698
Income taxes - deferred	2,043	2,571
Total income taxes	7,325	5,269
Profit	15,194	6,227
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	15,194	6,227