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

May 14, 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
Contact : Tadatsugu Mori, Director and Managing Executive Officer
TEL : +81-6-6365-8120
Scheduled date of shareholders' meeting : June 20, 2019
Scheduled date of filing of the financial report : June 20, 2019
Scheduled date of dividend payment : May 30, 2019
Preparation of supplementary materials : Yes
Briefing session on quarterly 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, 2019 （From April 1, 2018 to March 31, 2019）

（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	%
FY2018	926,872	0.5	20,422	(10.3)	21,376	(11.9)	2,162	(85.2)
FY2017	921,871	2.3	22,765	1.0	24,272	11.7	14,636	2.4

Note : Comprehensive income FY2018 3,592 million yen, (83.2)% , FY2017 21,380 million yen, 32.0 %

	Net Income per Share	Net Income per Share(Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2018	17.50	17.39	0.8	3.2	2.2
FY2017	118.54	117.90	5.4	3.7	2.5

Reference : Share of profit(loss) of entities accounted for using equity method FY2018 (179) million yen , FY2017 195 million yen

（2）Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2018	663,335	279,603	42.0	2,252.28
FY2017	659,582	280,807	42.4	2,263.95

Reference : Owner's equity FY2018 278,364 million yen , FY2017 279,569 million yen

（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
FY2018	15,392	(36,682)	9,581	55,229
FY2017	32,739	(35,492)	(13,812)	67,150

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	%	%
FY2017	-	20.00	-	20.00	40.00	4,939	33.7	1.8
FY2018	-	20.00	-	20.00	40.00	4,943	228.5	1.8
FY2019(Forecast)	-	20.00	-	20.00	40.00		64.2	

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2020 （From April 1, 2019 to March 31, 2020）

（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	458,600	3.2	6,050	(0.8)	6,400	(0.8)	3,500	-	28.32
Full Year	947,300	2.2	18,400	(9.9)	18,500	(13.5)	7,700	256.1	62.30

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) 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

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares issued at the end of the period (including treasury stock)

FY2018	125,201,396 shares
FY2017	125,201,396 shares

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

FY2018	1,609,297 shares
FY2017	1,713,817 shares

(c) Average number of shares during the period

FY2018	123,538,732 shares
FY2017	123,473,119 shares

Note : These consolidated financial results are outside the scope of audit by certified public accountants or auditing firms
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)	FY2018 (as of March 31, 2019)
Assets		
Current assets		
Cash on hand and in banks	67,150	55,229
Notes and accounts receivable -trade	46,939	49,886
Merchandise goods and finished goods	32,798	31,600
Work in progress	322	329
Raw materials and supplies	2,175	1,990
Notes and accounts receivable -others	5,984	6,778
Other	5,210	4,643
Allowance for doubtful accounts	(413)	(454)
Total current assets	160,167	150,003
Non-current assets		
Property, plant and equipment		
Buildings and structures	317,072	319,564
Accumulated depreciation	(208,379)	(203,956)
Buildings and structures, net	108,692	115,608
Machinery, equipment and vehicles	8,103	8,221
Accumulated depreciation	(4,445)	(4,801)
Machinery, equipment and vehicles, net	3,657	3,420
Land	149,550	147,281
Construction in progress	8,839	7,666
Other	46,131	46,820
Accumulated depreciation	(36,210)	(35,937)
Other, net	9,921	10,882
Total property, plant and equipment	280,661	284,860
Intangible assets		
Goodwill	4,647	4,076
Other	13,223	14,685
Total intangible assets	17,870	18,762
Investments and other assets		
Investment securities	114,544	121,149
Long-term loans receivable	3,986	4,571
Guarantee deposits	70,079	72,290
Net defined benefit asset	240	-
Deferred tax assets	12,649	11,942
Other	2,306	2,683
Allowance for doubtful accounts	(2,922)	(2,928)
Total investments and other assets	200,884	209,709
Total non-current assets	499,415	513,331
Total Assets	659,582	663,335

(Millions of yen)

	FY2017 (as of March 31, 2018)	FY2018 (as of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,794	59,732
Short-term loans payable	-	8,000
Current portion of long-term loans payable	42,561	20,201
Accounts payable	19,162	19,655
Lease obligations	764	749
Income taxes payable	6,324	4,151
Gift certificates	33,881	29,676
Provision for bonuses	5,095	5,018
Provision for directors' bonuses	160	156
Provision for loss on store closing	116	967
Provision for point card certificates	1,959	1,823
Asset retirement obligations	600	68
Other	28,147	23,888
Total current liabilities	201,569	174,092
Non-current liabilities		
Bonds payable	10,000	20,000
Long-term loans payable	96,931	116,718
Deferred tax liabilities	24,733	26,152
Deferred tax liabilities related to land revaluation	266	266
Provision for directors' retirement benefits	228	221
Provision for redemption of gift certificates	3,727	4,020
Net defined benefit liability	14,923	16,827
Long-term accounts payable - other	720	621
Lease obligations	9,175	8,686
Long-term guarantee deposited	9,911	9,820
Asset retirement obligations	2,727	2,755
Other	3,861	3,548
Total non-current liabilities	177,205	209,639
Total Liabilities	378,774	383,731
Net Assets		
Shareholders' equity		
Capital stock	17,796	17,796
Capital surplus	92,726	92,675
Retained earnings	135,057	132,278
Treasury shares	(3,190)	(2,995)
Total shareholders' equity	242,390	239,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,662	42,864
Deferred gains or losses on hedges	59	-
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(8)	(788)
Remeasurements of defined benefit plans	(658)	(3,591)
Total accumulated other comprehensive income	37,178	38,608
Share acquisition rights	1,234	1,235
Non-controlling interests	3	4
Total net assets	280,807	279,603
Total Liabilities and Net Assets	659,582	663,335

(2) Consolidated Statements of Income

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net sales	921,871	926,872
Cost of sales	655,646	660,636
Gross profit	266,224	266,235
Selling, general and administrative expenses		
Salaries and allowances	78,039	77,059
Rent expenses	38,210	39,306
Other	127,209	129,448
Total selling, general and administrative expenses	243,459	245,813
Operating profit	22,765	20,422
Non-operating income		
Interest income	198	80
Dividend income	1,230	1,326
Gain on adjustment of accounts payable	1,256	1,429
Share of profit of entities accounted for using equity method	195	-
Foreign exchange gains	485	-
Other	1,141	1,051
Total non-operating income	4,508	3,887
Non-operating expenses		
Interest expenses	1,003	728
Loss on provision for redemption of gift certificates	913	1,066
Share of loss of entities accounted for using equity method	-	179
Other	1,082	958
Total non-operating expenses	3,000	2,932
Ordinary profit	24,272	21,376
Extraordinary income		
Insurance income	-	895
Gain on bargain purchase	2,010	-
Gain on sales of non-current assets	1,787	-
Gain on revision of retirement benefit plan	1,445	-
Total extraordinary income	5,243	895
Extraordinary losses		
Loss on closing of stores and others	1,639	7,228
Impairment losses	3,479	2,592
Loss on disaster	-	1,402
Loss on retirement of non-current assets	1,177	1,266
Outplacement expenses	-	672
Loss on transfer of business	-	546
Expenses for opening new stores	-	514
Total extraordinary losses	6,296	14,221
Profit before income taxes	23,219	8,050
Income taxes - current	7,780	4,696
Income taxes - deferred	803	1,192
Total income taxes	8,583	5,888
Profit	14,636	2,162
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	14,636	2,162

(3) Consolidated Cash Flow Statements (Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	23,219	8,050
Depreciation	16,223	17,399
Impairment losses	3,479	2,592
Loss on store closing and others	993	4,398
Amortisation of goodwill	570	570
Gain on bargain purchase	(2,010)	−
Gain on revision of retirement benefit plan	(1,445)	-
Loss (gain) on transfer of business	-	546
Increase (decrease) in allowance for doubtful accounts	(44)	46
Increase (decrease) in provision for bonuses	58	(74)
Increase (decrease) in provision for directors' bonuses	(17)	(3)
Increase (decrease) in net defined benefit liability	(1,840)	2,001
Increase (decrease) in provision for directors' retirement benefits	(17)	(6)
Increase(decrease) in provision for redemption of gift certificates	169	292
Increase(decrease) in provision for loss on store closing and others	(324)	851
Increase(decrease) in provision for point card certificates	208	(135)
Interest and dividend income	(1,428)	(1,406)
Interest expense	1,003	728
Share of loss (profit) of entities accounted for using equity method	(195)	179
Loss (gain) on sales of non-current assets	(1,787)	-
Loss on retirement of non-current assets	600	343
Decrease (increase) in notes and accounts receivable - trade	(2,248)	(3,017)
Decrease (increase) in inventories	1,796	968
Increase (decrease) in notes and accounts payable - trade	833	(2,249)
Increase (decrease) in accrued consumption taxes	(2,481)	(429)
Increase (decrease) in gift certificates	10,030	(4,193)
Increase (decrease) in advances received	(11,247)	(3,316)
Other, net	3,999	(2,111)
Sub total	38,098	22,025
Interest and dividend income received	1,369	1,401
Interest expenses paid	(1,006)	(730)
Income taxes paid	(5,721)	(7,304)
Net cash provided by (used in) operating activities	32,739	15,392

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Decrease (increase) in time deposits	19	-
Purchase of property, plant and equipment	(19,197)	(30,289)
Proceeds from sales of property, plant and equipment	3,259	1,412
Purchase of intangible assets	(4,009)	(3,713)
Proceeds from sales of intangible assets	1,501	-
Payments for asset retirement obligations	(973)	(374)
Purchases of investment securities	(53)	(37)
Proceeds from sales and redemption of short-term and long-term investment securities	1	0
Payments for transfer of business (export)	-	(45)
Payments for transfer of business (import)	(14,536)	-
Payments of long-term loans receivable	(435)	(696)
Collection of long-term loans receivable	190	147
Payments for guarantee deposits	(2,756)	(6,335)
Proceeds from collection of guarantee deposits	1,499	3,712
Other	-	(463)
Net cash provided by (used in) inveseting activities	(35,492)	(36,682)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,000)	8,000
Proceeds from long-term loans payable	30,150	20,040
Repayments of long-term loans payable	(29,578)	(22,624)
Proceeds from issuance of bonds	-	9,946
Redemption of bonds	(6,600)	-
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(6)	(3)
Cash dividends paid	(4,938)	(4,941)
Repayments of lease obligations	(839)	(836)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(0)
Net cash provided by (used in) financing activities	(13,812)	9,581
Effect of exchange rate change on cash and cash equivalents	253	(213)
Net increase(decrease) in cash and cash equivalents	(16,311)	(11,921)
Cash and cash equivalents at beginning of year	83,462	67,150
Cash and cash equivalents	67,150	55,229