

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2014 (Japanese accounting standards)

January 31, 2014

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, 2014
 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, 2014 (From April 1, 2013 to December 31, 2013)

(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 FY2014	420,762	9.1	11,107	44.2	12,013	39.8	6,874	44.8
3Q of FY2013	385,704	2.2	7,704	(8.0)	8,590	(3.6)	4,747	202.8

Note : Comprehensive income(loss) 3Q of FY2014 13,391 million yen (161.1%) , 3Q of FY2013 5,128 million yen (9

	Net Income per Share		Net Income per Share(Diluted)	
	Yen	Yen	Yen	Yen
3Q of FY2014	35.41		35.25	
3Q of FY2013	24.45		24.37	

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2014	385,642	197,337	50.7
FY2013	359,323	186,422	51.4

Reference : Owner's equity 3Q of FY2014 195,663 million yen , FY2013 184,744 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	6.25	—	6.25	12.50
FY2014	—	6.25	—		
FY2014(Forecast)				6.25	12.50

Note : Revision to recently disclosed dividend forecast : No

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(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	570,000	8.5	17,200	61.2	17,900	57.9	9,300	50.0	47.90

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) : Yes
 - (c) Changes in accounting estimates : Yes
 - (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 FY2014	206,740,777 shares
FY2013	206,740,777 shares
 - (b) Number of shares of treasury stock at the end of the period

3Q of FY2014	12,598,856 shares
FY2013	12,583,415 shares
 - (c) Average number of shares during the period

3Q of FY2014	194,152,642 shares
3Q of FY2013	194,165,604 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)

	FY2013 (as of March 31, 2013)	3Q of FY2014 (as of December 31, 2013)
Assets		
Current assets		
Cash on hand and in banks	15,135	26,632
Notes and accounts receivable -trade	22,960	34,092
Securities	0	—
Merchandise goods and finished goods	14,863	18,168
Work in progress	270	828
Raw materials and supplies	945	901
Deferred tax assets	6,116	3,183
Notes and accounts receivable -others	2,935	2,698
Other	2,258	2,786
Allowance for doubtful receivables	(68)	(83)
Total current assets	65,418	89,209
Noncurrent assets		
Property, plant and equipment		
Buildings and structures ,net	76,299	72,701
Machinery and equipment, net	2,126	2,271
Land	35,730	35,730
Construction in progress	1,355	2,771
Others, net	7,799	6,659
Total property, plant and equipment	123,312	120,135
Intangible assets		
Goodwill	16,019	15,113
Other	8,739	7,619
Total intangible assets	24,759	22,733
Investments and other assets		
Investment securities	87,639	95,988
Long-term loans receivable	2,635	2,673
Long-term leasehold deposits	47,609	47,394
Long-term deferred tax assets	6,736	6,487
Other	1,368	1,248
Allowance for doubtful receivables	(154)	(227)
Total investments and other assets	145,833	153,564
Total noncurrent assets	293,905	296,432
Total Assets	359,323	385,642

(Millions of yen)

	FY2013 (as of March 31, 2013)	3Q of FY2014 (as of December 31, 2013)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	35,960	47,960
Current portion of bonds	34	17
Short-term debt	5	5
Current portion of long-term debt	580	35,506
Income taxes payable	3,092	1,499
Deferred tax liabilities	0	0
Gift certificates	19,275	20,387
Provision for bonuses to employees	3,661	2,306
Asset retirement obligations	32	44
Other	28,056	30,582
Total current liabilities	90,700	138,310
Long-term Liabilities		
Long-term debt	41,210	5,656
Deferred tax liabilities	17,537	20,939
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	12,561	11,870
Provision for retirement benefits to directors and corporate auditors	160	169
Provision for redemption of gift certificates	1,874	1,978
Long-term payable accrued	2,476	3,095
Guarantee deposits	5,671	5,615
Asset retirement obligations	280	252
Other	118	106
Total long-term liabilities	82,201	49,994
Total Liabilities	172,901	188,304
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,260	48,263
Retained earnings	99,032	103,479
Treasury stock	(132)	(150)
Total shareholders' equity	164,957	169,389
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	19,976	26,192
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(269)	—
Total accumulated other comprehensive income	19,787	26,274
Subscription Rights to Shares	531	529
Minority Interests	1,145	1,145
Total Net Assets	186,422	197,337
Total Liabilities and Net Assets	359,323	385,642

(2) Consolidated Statements of Income (Third Quarter)

(Millions of yen)

	3Q of FY2013 (From April 1, 2012 to December 31, 2012)	3Q of FY2014 (From April 1, 2013 to December 31, 2013)
Net sales	385,704	420,762
Cost of sales	280,646	307,034
Gross profit	105,057	113,728
Selling, general and administrative expenses	97,352	102,620
Operating income	7,704	11,107
Non-operating income		
Interest income	52	47
Dividends income	823	976
Gain on adjustment of accounts payable	1,164	1,041
Other	553	623
Total non-operating income	2,593	2,688
Non-operating expenses		
Interest expense	299	341
Loss on provision for redemption of gift certificates	937	859
Other	470	582
Total non-operating expenses	1,707	1,782
Recurring income	8,590	12,013
Extraordinary income		
Gain on liquidation of subsidiaries and affiliates	—	126
Compensation income	6,000	—
Gain on sales of property, plant and others	142	—
Total extraordinary income	6,142	126
Extraordinary loss		
Loss on disposal of property, plant and others	1,497	189
Impairment losses	28	132
Expenses for opening new stores	2,684	—
Loss on closing of stores and others	1,505	—
Total extraordinary loss	5,715	321
Income before income taxes	9,017	11,818
Income taxes - current	3,049	1,909
Income taxes - deferred	1,192	3,003
Total income taxes	4,242	4,913
Income before minority interests	4,775	6,905
Minority interests	28	31
Net income	4,747	6,874

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

Third Quarter (From April 1, 2013 to December 31,2013)

(1) Business Results

	millions of yen	year on year
Net sales	310,342	111.7%
Gross profit	77,144	112.3%
Other operating revenue	682	63.8%
Operating gross profit	77,827	111.6%
Selling, general and administrative expenses	68,349	106.7%
Operating income	9,477	166.5%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	138,343	139.1%
Senri Hankyu	13,041	99.8%
Sakai Kitahanada Hankyu	7,424	97.9%
Kawanishi Hankyu	13,113	97.3%
Takarazuka Hankyu	6,673	99.1%
Nishinomiya Hankyu	18,253	101.6%
Sanda Hankyu	1,027	98.3%
Hakata Hankyu	28,927	106.3%
HANKYU MEN'S TOKYO	9,093	108.6%
Oi Hankyu Food Hall	3,517	102.2%
Tsuzuki Hankyu (※2)	3,842	81.9%
Hanshin Umeda Main Store	60,442	88.6%
Amagasaki Hanshin	2,840	99.9%
Hanshin Nishinomiya	3,372	99.9%
Hanshin Mikage	427	99.1%
Total	310,342	111.7%

※1 including HANKYU MEN'S OSAKA

※2 Second, third and fourth floor of Tsuzuki Hankyu was remodelled into the shopping center on October 3, 2012.

After the remodelling, the revenue is posted in Hankyu Shopping Center Development Co.,Ltd.

(3) Sales of each category

	millions of yen	year on year
Clothing	97,352	107.8%
Accessories, bags and others	55,132	123.1%
Household merchandise	10,712	115.6%
Foods	99,819	106.0%
Restaurants and cafés	9,143	133.0%
General merchandise	35,209	119.2%
Service	1,720	98.3%
Other	1,251	104.7%
Total	310,342	111.7%