

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

October 29, 2013

Corporate Name : H2O Retailing Corporation  
 Securities Code : 8242 (First Section of the Tokyo Stock Exchange)  
 URL : <http://www.h2o-retailing.co.jp/>  
 Representative : Jun Wakabayashi, 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 : November 13, 2013  
 Scheduled date of dividend payment : November 29, 2013  
 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 for the Second Quarter of the Fiscal Year ending March 31, 2014 (From April 1, 2013 to September 30, 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	%
2Q of FY2014	264,822	12.1	4,348	101.1	4,846	75.4	2,652	(11.7)
2Q of FY2013	236,185	(0.1)	2,162	(40.9)	2,762	(28.1)	3,004	-

Note : Comprehensive income(loss) 2Q of FY2014 3,253 million yen (—%) , 2Q of FY2013 (418) million yen (—%)

	Net Income per Share		Net Income per Share(Diluted)	
	Yen	Yen	Yen	Yen
2Q of FY2014	13.66		13.61	
2Q of FY2013	15.47		15.42	

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY2014	355,657	188,429	52.5
FY2013	359,323	186,422	51.4

Reference : Owner's equity 2Q of FY2014 186,741 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 : Yes

*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)

2Q of FY2014	206,740,777 shares
FY2013	206,740,777 shares
  - (b) Number of shares of treasury stock at the end of the period

2Q of FY2014	12,590,306 shares
FY2013	12,583,415 shares
  - (c) Average number of shares during the period

2Q of FY2014	194,154,995 shares
2Q of FY2013	194,167,119 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)	2Q of FY2014 (as of September 30, 2013)
Assets		
Current assets		
Cash on hand and in banks	15,135	19,413
Notes and accounts receivable -trade	22,960	20,650
Securities	0	0
Merchandise goods and finished goods	14,863	15,652
Work in progress	270	813
Raw materials and supplies	945	742
Deferred tax assets	6,116	5,202
Notes and accounts receivable -others	2,935	2,376
Other	2,258	2,676
Allowance for doubtful receivables	(68)	(76)
Total current assets	65,418	67,450
Noncurrent assets		
Property, plant and equipment		
Buildings and structures ,net	76,299	73,249
Machinery and equipment, net	2,126	2,181
Land	35,730	35,730
Construction in progress	1,355	2,681
Others, net	7,799	7,023
Total property, plant and equipment	123,312	120,866
Intangible assets		
Goodwill	16,019	15,415
Other	8,739	7,946
Total intangible assets	24,759	23,362
Investments and other assets		
Investment securities	87,639	86,288
Long-term loans receivable	2,635	2,671
Long-term leasehold deposits	47,609	47,414
Long-term deferred tax assets	6,736	6,481
Other	1,368	1,278
Allowance for doubtful receivables	(154)	(158)
Total investments and other assets	145,833	143,977
Total noncurrent assets	293,905	288,206
Total Assets	359,323	355,657

(Millions of yen)

	FY2013 (as of March 31, 2013)	2Q of FY2014 (as of September, 30, 2013)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable - trade	35,960	32,315
Current portion of bonds	34	17
Short-term debt	5	5
Current portion of long-term debt	580	20,529
Income taxes payable	3,092	1,109
Deferred tax liabilities	0	0
Gift certificates	19,275	18,567
Provision for bonuses to employees	3,661	3,379
Asset retirement obligations	32	136
Other	28,056	29,677
<b>Total current liabilities</b>	<b>90,700</b>	<b>105,740</b>
<b>Long-term Liabilities</b>		
Long-term debt	41,210	20,961
Deferred tax liabilities	17,537	17,686
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	12,561	12,141
Provision for retirement benefits to directors and corporate auditors	160	160
Provision for redemption of gift certificates	1,874	1,891
Long-term payable accrued	2,476	2,356
Guarantee deposits	5,671	5,614
Asset retirement obligations	280	277
Other	118	88
<b>Total long-term liabilities</b>	<b>82,201</b>	<b>61,487</b>
<b>Total Liabilities</b>	<b>172,901</b>	<b>167,227</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	17,796	17,796
Capital surplus	48,260	48,262
Retained earnings	99,032	100,471
Treasury stock	(132)	(142)
<b>Total shareholders' equity</b>	<b>164,957</b>	<b>166,388</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealised holding gains on securities	19,976	20,271
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(269)	—
<b>Total accumulated other comprehensive income</b>	<b>19,787</b>	<b>20,352</b>
Subscription Rights to Shares	531	529
Minority Interests	1,145	1,159
<b>Total Net Assets</b>	<b>186,422</b>	<b>188,429</b>
<b>Total Liabilities and Net Assets</b>	<b>359,323</b>	<b>355,657</b>

## (2) Consolidated Statements of Income (Second Quarter)

(Millions of yen)

	2Q of FY2013 (From April 1, 2012 to September 30, 2012)	2Q of FY2014 (From April 1, 2013 to September 30, 2013)
Net sales	236,185	264,822
Cost of sales	171,792	193,422
Gross profit	64,392	71,399
Selling, general and administrative expenses	62,229	67,051
Operating income	2,162	4,348
Non-operating income		
Interest income	36	33
Dividends income	547	634
Gain on adjustment of accounts payable	673	638
Other	411	300
Total non-operating income	1,670	1,608
Non-operating expenses		
Interest expense	201	228
Loss on provision for redemption of gift certificates	523	522
Other	345	358
Total non-operating expenses	1,070	1,110
Recurring income	2,762	4,846
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, equipment and intangibles	761	154
Impairment losses	—	129
Loss on closing of stores and others	1,440	—
Expenses for opening new stores	936	—
Total extraordinary loss	3,138	283
Income before income taxes	5,766	4,688
Income taxes - current	2,320	994
Income taxes - deferred	409	1,004
Total income taxes	2,729	1,999
Income before minority interests	3,036	2,689
Minority interests	32	36
Net income	3,004	2,652

## (3) Consolidated Cash Flow Statements

(Millions of yen)

	2Q of FY2013 (From April 1, 2012 to September 30, 2012)	2Q of FY2014 (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes	5,766	4,688
Depreciation and amortisation	5,618	6,732
Impairment losses	—	129
Loss on closing of stores and others	1,197	—
Amortisation of goodwill	617	642
Increase(decrease) in allowance for doubtful receivables	31	11
Increase(decrease) in provision for bonuses to employees	(1,058)	(281)
Increase(decrease) in provision for retirement benefits to employees	78	(421)
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	10	(0)
Increase(decrease) in provision for redemption of gift certificates	27	17
Interest and dividend income	(584)	(668)
Interest expense	201	228
Equity in losses(earnings) of affiliates	44	13
Loss(gain) on sales of property, plant, equipment and intangibles	(142)	—
Loss on disposal of property, plant, equipment and intangibles	761	154
Loss (gain) on liquidation of subsidiaries and affiliates	—	(126)
Decrease(increase) in notes and accounts receivable	1,797	2,293
Decrease(increase) in inventories	471	(1,128)
Increase(decrease) in notes and accounts payable	(3,811)	(3,647)
Increase(decrease) in consumption tax payable	(942)	904
Other	(99)	1,669
Sub total	9,986	11,209
Interest and dividends received	559	653
Interest expense paid	(201)	(282)
Income taxes paid	(1,070)	(3,340)
Net cash provided by operating activities	9,274	8,240

(Millions of yen)

	2Q of FY2013 (From April 1, 2012 to September 30, 2012)	2Q of FY2014 (From April 1, 2013 to September 30, 2013)
Cash flows from investing activities		
Net decrease(increase) in time deposits	(0)	5
Purchases of property, plant and equipment	(8,331)	(3,439)
Proceeds from sales of property, plant and equipment	914	2
Purchases of intangibles	(828)	(923)
Payment for exercise of asset retirement obligations	(314)	(15)
Purchases of investment securities	(506)	(6)
Proceeds from sales of investment securities	140	1,810
Payments of long-term loans receivable	(2)	(102)
Proceeds from collection of long-term loans receivable	86	92
Payments for guarantee deposits	(178)	(171)
Proceeds from collection of guarantee deposits	1,401	367
Payment for the purchase of stock of subsidiaries	—	(51)
Payment for the purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	(39)	—
Other	144	109
Net cash provided by (used in) investing activities	(7,514)	(2,323)
Cash flows from financing activities		
Increase(decrease) in short-term debt	(40)	—
Repayments of long-term debt	(331)	(306)
Payments for redemption of bonds	(17)	(17)
Proceeds from sale of treasury stock	0	—
Additions to treasury stock	(4)	(10)
Dividends paid	(1,213)	(1,213)
Dividends paid to minority shareholders	(9)	(9)
Other	(156)	(147)
Net cash provided by (used in) financing activities	(1,772)	(1,704)
Foreign exchange differences of cash and cash equivalents	(0)	66
Net increase(decrease) in cash and cash equivalents	(13)	4,277
Cash and cash equivalents at beginning of year	17,770	15,082
Increase in cash and cash equivalents resulting from merger of subsidiaries and unconsolidated subsidiaries	—	4
Cash and cash equivalents at end of year	17,756	19,365

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

Second Quarter (From April 1, 2013 to September 30,2013)

(1) Business Results

	millions of yen	year on year
Net sales	192,693	116.1%
Gross profit	47,584	117.2%
Other operating revenue	450	63.4%
Operating gross profit	48,035	116.2%
Selling, general and administrative expenses	44,466	110.4%
Operating income	3,569	346.3%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	84,265	164.6%
Senri Hankyu	8,134	99.4%
Sakai Kitahanada Hankyu	4,707	97.8%
Kawanishi Hankyu	8,209	96.4%
Takarazuka Hankyu	4,283	99.5%
Nishinomiya Hankyu	11,504	100.0%
Sanda Hankyu	643	99.4%
Hakata Hankyu	18,209	105.4%
HANKYU MEN'S TOKYO	5,478	107.9%
Oi Hankyu Food Hall	2,198	101.9%
Tsuzuki Hankyu (※2)	2,420	72.3%
Hanshin Umeda Main Store	38,474	86.1%
Amagasaki Hanshin	1,771	98.1%
Hanshin Nishinomiya	2,124	99.0%
Hanshin Mikage	268	99.6%
<b>Total</b>	<b>192,693</b>	<b>116.1%</b>

※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	59,822	110.7%
Accessories, bags and others	35,134	129.4%
Household merchandise	6,734	118.3%
Foods	60,548	109.5%
Restaurants and cafés	6,191	170.8%
General merchandise	22,309	122.5%
Service	1,142	97.3%
Other	809	106.0%
<b>Total</b>	<b>192,693</b>	<b>116.1%</b>