

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

July 26, 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
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 Scheduled date of filing of the quarterly financial report : August 13, 2013
 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 First Quarter of the Fiscal Year ending March 31, 2014 (From April 1, 2013 to June 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	%
1Q of FY2014	129,829	12.4	2,693	58.3	3,319	38.6	1,872	190.3
1Q of FY2013	115,524	(0.6)	1,701	9.0	2,396	10.5	645	—

Note : Comprehensive income(loss) 1Q of FY2014 4,170 million yen (—%) , 1Q of FY2013 (1,964) million yen (—%)

	Net Income per Share		Net Income per Share(Diluted)	
	Yen		Yen	
1Q of FY2014	9.65		9.60	
1Q of FY2013	3.32		3.31	

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2014	365,307	189,323	51.4
FY2013	359,323	186,422	51.4

Reference : Owner's equity 1Q of FY2014 187,693 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	—				
FY2014(Forecast)		6.25	—	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
Half Year	268,000	13.5	3,900	80.3	4,100	48.4	2,600	(13.5)	13.39
Full Year	570,000	8.5	15,000	40.6	15,200	34.1	8,600	38.7	44.29

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)
1Q of FY2014 206,740,777 shares
FY2013 206,740,777 shares
(b) Number of shares of treasury stock at the end of the period
1Q of FY2014 12,584,372 shares
FY2013 12,583,415 shares
(c) Average number of shares during the period
1Q of FY2014 194,157,376 shares
1Q of FY2013 194,168,655 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)	1Q of FY2014 (as of June 30, 2013)
Assets		
Current assets		
Cash on hand and in banks	15,135	12,842
Notes and accounts receivable -trade	22,960	27,991
Securities	0	0
Merchandise goods and finished goods	14,863	16,737
Work in progress	270	575
Raw materials and supplies	945	867
Deferred tax assets	6,116	4,887
Notes and accounts receivable -others	2,935	2,559
Other	2,258	2,805
Allowance for doubtful receivables	(68)	(74)
Total current assets	65,418	69,192
Noncurrent assets		
Property, plant and equipment		
Buildings and structures ,net	76,299	74,733
Machinery and equipment, net	2,126	2,184
Land	35,730	35,730
Construction in progress	1,355	2,681
Others, net	7,799	7,407
Total property, plant and equipment	123,312	122,736
Intangible assets		
Goodwill	16,019	15,717
Other	8,739	8,344
Total intangible assets	24,759	24,062
Investments and other assets		
Investment securities	87,639	91,112
Long-term loans receivable	2,635	2,637
Long-term leasehold deposits	47,609	47,690
Long-term deferred tax assets	6,736	6,732
Other	1,368	1,295
Allowance for doubtful receivables	(154)	(153)
Total investments and other assets	145,833	149,314
Total noncurrent assets	293,905	296,114
Total Assets	359,323	365,307

(Millions of yen)

	FY2013 (as of March 31, 2013)	1Q of FY2014 (as of June 30, 2013)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	35,960	33,134
Current portion of bonds	34	34
Short-term debt	5	7,005
Current portion of long-term debt	580	555
Income taxes payable	3,092	260
Deferred tax liabilities	0	0
Gift certificates	19,275	19,668
Provision for bonuses to employees	3,661	1,418
Asset retirement obligations	32	19
Other	28,056	30,775
Total current liabilities	90,700	92,873
Long-term Liabilities		
Long-term debt	41,210	41,125
Deferred tax liabilities	17,537	18,711
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	12,561	12,438
Provision for retirement benefits to directors and corporate auditors	160	157
Provision for redemption of gift certificates	1,874	1,901
Long-term payable accrued	2,476	2,449
Guarantee deposits	5,671	5,663
Asset retirement obligations	280	278
Other	118	74
Total long-term liabilities	82,201	83,110
Total Liabilities	172,901	175,983
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,260	48,262
Retained earnings	99,032	99,691
Treasury stock	(132)	(137)
Total shareholders' equity	164,957	165,613
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	19,976	22,165
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(269)	(166)
Total accumulated other comprehensive income	19,787	22,079
Subscription Rights to Shares	531	529
Minority Interests	1,145	1,100
Total Net Assets	186,422	189,323
Total Liabilities and Net Assets	359,323	365,307

(2) Consolidated Statements of Income (First Quarter)

(Millions of yen)

	1Q of FY2013 (From April 1, 2012 to June 30, 2012)	1Q of FY2014 (From April 1, 2013 to June 30, 2013)
Net sales	115,524	129,829
Cost of sales	83,687	94,497
Gross profit	31,836	35,331
Selling, general and administrative expenses	30,135	32,638
Operating income	1,701	2,693
Non-operating income		
Interest income	18	17
Dividends income	541	629
Gain on adjustment of accounts payable	356	370
Other	329	140
Total non-operating income	1,245	1,157
Non-operating expenses		
Interest expense	99	117
Loss on provision for redemption of gift certificates	270	297
Other	180	116
Total non-operating expenses	550	531
Recurring income	2,396	3,319
Extraordinary income		
Gain on sales of property, plant and others	142	—
Total extraordinary income	142	—
Extraordinary loss		
Loss on disposal of property, plant and others	646	53
Expenses for opening new stores	518	—
Total extraordinary loss	1,164	53
Income before income taxes	1,374	3,266
Income taxes - current	407	175
Income taxes - deferred	310	1,210
Total income taxes	717	1,386
Income before minority interests	656	1,879
Minority interests	11	6
Net income	645	1,872

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

First Quarter (From April 1, 2013 to June 30,2013)

(1) Business Results

	millions of yen	year on year
Net sales	94,226	116.7%
Gross profit	23,552	117.8%
Other operating revenue	225	59.8%
Operating gross profit	23,778	116.7%
Selling, general and administrative expenses	21,381	111.3%
Operating income	2,397	205.7%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	41,136	165.6%
Senri Hankyu	3,974	100.6%
Sakai Kitahanada Hankyu	2,284	98.9%
Kawanishi Hankyu	3,981	97.5%
Takarazuka Hankyu	2,074	100.9%
Nishinomiya Hankyu	5,635	101.8%
Sanda Hankyu	292	99.7%
Hakata Hankyu	8,971	106.6%
HANKYU MEN'S TOKYO	2,716	105.0%
Oi Hankyu Food Hall	1,075	101.3%
Tsuzuki Hankyu (※2)	1,194	70.0%
Hanshin Umeda Main Store	18,880	86.5%
Amagasaki Hanshin	853	98.3%
Hanshin Nishinomiya	1,027	97.8%
Hanshin Mikage	126	100.9%
Total	94,226	116.7%

※1 including HANKYU MEN'S OSAKA and Hankyu Ings

(Hankyu Ings was closed on November 18, 2012, because of the relocation to Hankyu Umeda Main Store.)

※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	30,957	111.6%
Accessories, bags and others	17,449	130.7%
Household merchandise	3,422	117.9%
Foods	27,240	109.8%
Restaurants and cafés	2,991	169.4%
General merchandise	11,177	121.5%
Service	525	97.9%
Other	462	111.6%
Total	94,226	116.7%