

## Consolidated Financial Statements of the Fiscal Year Ending March 31, 2013 (Japanese accounting standards)

May 9, 2013

Corporate Name : H2O Retailing Corporation  
 Securities Code : 8242 (First Section of the Tokyo Stock Exchange and the Osaka 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 shareholders' meeting : June 21, 2013  
 Scheduled date of dividend payment : June 3, 2013  
 Scheduled date of filing of the financial report : June 21, 2013  
 Preparation of supplementary materials : Yes  
 Briefing session on 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, 2013 (From April 1, 2012 to March 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	%
FY2013	525,154	3.9	10,670	7.2	11,338	10.0	6,200	486.6
FY2012	505,588	8.7	9,957	(5.7)	10,309	(8.0)	1,057	(66.0)

Note : Comprehensive income FY2013 19,814 million yen (172.6%) , FY2012 7,269 million yen ( - %)

	Net Income per Share	Net Income per Share(Diluted)	Return on Equity	Ratio of Recurring Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2013	31.94	31.83	3.5	3.3	2.0
FY2012	5.74	5.51	0.7	3.0	2.0

Reference : Equity in earnings(losses) of affiliates FY2013 7 million yen , FY2012 (16) 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
FY2013	359,323	186,422	51.4	951.52
FY2012	335,230	168,854	49.9	861.78

Reference : Owner's equity FY2013 184,744 million yen , FY2012 167,330 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
FY2013	24,533	(23,925)	(3,422)	15,082
FY2012	16,176	(16,773)	(13,704)	17,770

### 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	%	%
FY2012	-	6.25	-	6.25	12.50	2,297	217.8	1.6
FY2013	-	6.25	-	6.25	12.50	2,427	39.1	1.4
FY2014(Forecast)	-	6.25	-	6.25	12.50		28.2	

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

### 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

#### 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)  
FY2013 206,740,777 shares  
FY2012 206,740,777 shares  
(b) Number of shares of treasury stock at the end of the period  
FY2013 12,583,415 shares  
FY2012 12,571,631 shares  
(c) Average number of shares during the period  
FY2013 194,164,220 shares  
FY2012 184,142,336 shares

#### Reference : Summary of Non-Consolidated Financial Statements

Non-Consolidated Business Results of the Fiscal Year ending March 31, 2013 (From April 1, 2012 to March 31, 2013)

(1) Non-consolidated operating results (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	%
FY2013	7,714	(4.4)	1,141	(37.6)	1,607	(21.1)	1,919	439.0
FY2012	8,065	(4.2)	1,828	(2.2)	2,038	5.5	356	(83.1)

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
FY2013	9.89	9.85
FY2012	1.93	1.86

(2) Non-consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2013	259,530	170,739	65.6	876.65
FY2012	233,616	157,843	67.4	811.16

Reference : Owner's equity FY2013 170,208 million yen , FY2012 157,502 million yen

Note : Disclosure of progress of review procedures

At the time of disclosure of this financial statements, review procedures for 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)

	FY2012 (as of March 31, 2012)	FY2013 (as of March 31, 2013)
Assets		
Current Assets		
Cash on hand and in banks	17,823	15,135
Notes and accounts receivable -trade	19,979	22,960
Securities	206	0
Merchandise goods and finished goods	14,369	14,863
Work in progress	122	270
Raw materials and supplies	967	945
Deferred tax assets	4,849	6,116
Notes and accounts receivable -others	2,545	2,935
Other	2,486	2,258
Allowance for doubtful receivables	(42)	(68)
Total current assets	63,307	65,418
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures	141,696	155,381
Accumulated depreciation	(79,290)	(79,081)
Buildings and structures ,net	62,406	76,299
Machinery and equipment	4,206	4,612
Accumulated depreciation	(2,218)	(2,485)
Machinery and equipment, net	1,987	2,126
Land	35,324	35,730
Construction in progress	3,708	1,355
Others	19,519	22,703
Accumulated depreciation	(13,838)	(14,904)
Others, net	5,680	7,799
Total property, plant and equipment	109,106	123,312
Intangible assets		
Goodwill	17,107	16,019
Other	8,189	8,739
Total intangible assets	25,297	24,759
Investments and other assets		
Investment securities	64,300	87,639
Long-term loans receivable	2,607	2,635
Long-term leasehold deposits	57,372	47,609
Long-term deferred tax assets	9,575	6,736
Other	3,790	1,368
Allowance for doubtful receivables	(127)	(154)
Total investments and other assets	137,518	145,833
Total noncurrent assets	271,922	293,905
Total Assets	335,230	359,323

(Millions of yen)

	FY2012 (as of March 31, 2012)	FY2013 (as of March 31, 2013)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable - trade	32,444	35,960
Current portion of bonds	35	34
Short-term debt	40	5
Current portion of long-term debt	650	580
Accounts payable-other	8,114	7,285
Income taxes payable	1,068	3,092
Deferred tax liabilities	0	0
Gift certificates	19,716	19,275
Provision for bonuses to employees	4,299	3,661
Provision for bonuses to directors and corporate auditors	76	99
Asset retirement obligations	1,264	32
Other	21,180	20,672
<b>Total current liabilities</b>	<b>88,891</b>	<b>90,700</b>
<b>Long-term Liabilities</b>		
Bonds	34	—
Long-term debt	41,557	41,210
Deferred tax liabilities	10,546	17,537
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	15,456	12,561
Provision for retirement benefits to directors and corporate auditors	150	160
Provision for redemption of gift certificates	1,742	1,874
Long-term payable accrued	1,463	2,476
Guarantee deposits	5,870	5,671
Asset retirement obligations	224	280
Other	128	118
<b>Total long-term liabilities</b>	<b>77,484</b>	<b>82,201</b>
<b>Total Liabilities</b>	<b>166,375</b>	<b>172,901</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	17,796	17,796
Capital surplus	48,257	48,260
Retained earnings	95,258	99,032
Treasury stock	(118)	(132)
<b>Total shareholders' equity</b>	<b>161,194</b>	<b>164,957</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealised holding gains on securities	6,619	19,976
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(564)	(269)
<b>Total accumulated other comprehensive income</b>	<b>6,136</b>	<b>19,787</b>
Subscription Rights to Shares	341	531
Minority Interests	1,182	1,145
<b>Total Net Assets</b>	<b>168,854</b>	<b>186,422</b>
<b>Total Liabilities and Net Assets</b>	<b>335,230</b>	<b>359,323</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	FY2012 (From April 1, 2011 to March 31, 2012)	FY2013 (From April 1, 2012 to March 31, 2013)
Net sales	505,588	525,154
Cost of sales	366,121	382,624
Gross profit	139,466	142,529
Selling, general and administrative expenses		
Salaries	38,789	38,614
Rental expenses	23,192	23,556
Other	67,526	69,688
Total selling, general and administrative expenses	129,508	131,859
Operating income	9,957	10,670
Non-operating income		
Interest income	82	71
Dividends income	828	826
Gain on adjustment of accounts payable	1,323	1,394
Equity in earnings of affiliates	—	7
Other	656	681
Total non-operating income	2,891	2,981
Non-operating expenses		
Interest expense	415	439
Loss on provision for redemption of gift certificates	983	1,130
Equity in losses of affiliates	16	—
Other	1,122	742
Total non-operating expenses	2,538	2,312
Recurring income	10,309	11,338
Extraordinary income		
Compensation income	—	6,000
Gain on sales of investment securities	77	1,001
Gain on sales of property, plant and others	—	158
Past service liability redemption profit	682	—
Gain on step acquisitions	260	—
Total extraordinary income	1,020	7,159
Extraordinary loss		
Expenses for opening new stores	—	2,735
Loss on disposal of property, plant and others	662	1,647
Loss on closing of stores and others	1,766	1,642
Impairment losses	269	621
Loss on liquidation of subsidiaries and affiliates	—	524
Loss on sales of property, plant and equipment	—	34
Reorganisation expenses of personnel matters system	5,282	—
Loss of store rebuilding	292	—
Loss on valuation of investment securities	222	—
Total extraordinary loss	8,494	7,204
Income before income taxes	2,835	11,293
Income taxes - current	1,401	3,789
Income taxes - deferred	393	1,343
Total income taxes	1,795	5,133
Income before minority interests	1,040	6,160
Minority interests	(16)	(40)
Net income	1,057	6,200

## (3) Consolidated Cash Flow Statements

(Millions of yen)

	FY2012 (From April 1, 2011 to March 31, 2012)	FY2013 (From April 1, 2012 to March 31, 2013)
Cash flows from operating activities		
Income before income taxes	2,835	11,293
Depreciation and amortisation	12,637	13,511
Impairment losses	269	621
Loss on store closing and others	1,287	1,462
Loss on liquidation of subsidiaries and affiliates	—	524
Amortisation of goodwill	1,070	1,221
Increase(decrease) in allowance for doubtful receivables	(23)	54
Increase(decrease) in provision for bonuses to employees	391	(639)
Increase(decrease) in provision for bonuses to directors and corporate auditors	(13)	23
Increase(decrease) in provision for retirement benefits to employees	(547)	(2,900)
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	(51)	10
Increase(decrease) in provision for loss of store rebuilding	(375)	—
Increase(decrease) in provision for loss on store closing	(707)	—
Increase(decrease) in provision for redemption of gift certificates	(28)	131
Interest and dividend income	(910)	(898)
Interest expense	415	439
Equity in losses(earnings) of affiliates	16	(7)
Loss(gain) on sales of property, plant, equipment and intangibles	—	(124)
Loss on disposal of property, plant, equipment and intangibles	662	1,647
Loss(gain) on sales of investment securities	(77)	(1,001)
Loss(gain) on valuation of investment securities	222	—
Loss(gain) on step acquisitions	(260)	—
Decrease(increase) in notes and accounts receivable	450	(2,809)
Decrease(increase) in inventories	475	(562)
Increase(decrease) in notes and accounts payable	(1,417)	3,393
Increase(decrease) in consumption tax payable	1,242	(1,368)
Other	19	1,798
Sub total	17,583	25,823
Interest and dividends received	860	871
Interest expense paid	(361)	(439)
Income taxes paid	(1,906)	(1,722)
Net cash provided by operating activities	16,176	24,533

(Millions of yen)

	FY2012 (From April 1, 2011 to March 31, 2012)	FY2013 (From April 1, 2012 to March 31, 2013)
Cash flows from investing activities		
Net decrease(increase) in time deposits	10,186	(0)
Purchases of property, plant and equipment	(21,374)	(29,865)
Proceeds from sales of property, plant and equipment	19	1,106
Purchases of intangibles	(1,981)	(1,924)
Payment for exercise of asset retirement obligations	(120)	(1,797)
Purchases of investment securities	(37)	(3,438)
Proceeds from sales of investment securities	88	1,978
Payments for sales of investments in subsidiary resulting in change in scope of consolidation	(32)	—
Payment for the purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	(4,638)	(39)
Payment for the purchase of stock of subsidiaries	(20)	—
Payments of long-term loans receivable	(10)	(16)
Proceeds from collection of long-term loans receivable	116	133
Payments for guarantee deposits	(389)	(844)
Proceeds from collection of guarantee deposits	1,419	10,637
Other	—	144
Net cash provided by (used in) investing activities	(16,773)	(23,925)
Cash flows from financing activities		
Increase(decrease) in short-term debt	(232)	(40)
Proceeds from long-term debt	600	—
Repayments of long-term debt	(2,798)	(651)
Payments for redemption of bonds	(20,017)	(35)
Proceeds from sale of treasury stock	11,279	2
Additions to treasury stock	(6)	(13)
Dividends paid	(2,373)	(2,427)
Dividends paid to minority shareholders	(48)	(9)
Other	(107)	(247)
Net cash provided by (used in) financing activities	(13,704)	(3,422)
Foreign exchange differences of cash and cash equivalents	(53)	127
Net increase(decrease) in cash and cash equivalents	(14,355)	(2,687)
Cash and cash equivalents at beginning of year	32,125	17,770
Cash and cash equivalents at end of year	17,770	15,082

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

(From April 1, 2012 to March 31, 2013)

### (1) Business Results

	millions of yen	year on year
Net sales	381,925	102.1%
Gross profit	94,154	102.5%
Other operating revenue	1,747	108.6%
Operating gross profit	95,901	102.6%
Selling, general and administrative expenses	87,379	100.3%
Operating income	8,522	134.9%

### (2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	144,698	116.1%
Senri Hankyu	17,186	99.5%
Sakai Kitahanada Hankyu	10,286	100.3%
Kawanishi Hankyu	17,711	97.8%
Takarazuka Hankyu	8,885	99.8%
Nishinomiya Hankyu	24,180	104.2%
Sanda Hankyu	1,394	98.9%
Hakata Hankyu	37,462	100.5%
HANKYU MEN'S TOKYO (※2)	11,468	126.2%
Oi Hankyu Food Hall	4,557	96.0%
Tsuzuki Hankyu (※3)	5,987	76.5%
Hanshin Umeda Main Store	89,239	96.6%
Amagasaki Hanshin	3,786	101.6%
Hanshin Nishinomiya	4,506	98.4%
Hanshin Mikage (※4)	573	65.0%
<b>Total</b>	<b>381,925</b>	<b>102.1%</b>

※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 re-opened on October 15, 2011 as HANKYU MEN'S TOKYO (temporarily closed from July 19, 2011 to October 14, 2011)

※3 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.

※4 closed the second floor on July 24, 2011

### (3) Sales of each category

	millions of yen	year on year
Clothing	125,996	99.5%
Accessories, bags and others	63,214	110.2%
Household merchandise	12,670	95.0%
Foods	125,369	100.4%
Restaurant and café	10,126	128.2%
General merchandise	40,693	102.7%
Service	2,265	91.3%
Other	1,587	95.3%
<b>Total</b>	<b>381,925</b>	<b>102.1%</b>