

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

January 31, 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
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 Scheduled date of filing of the quarterly financial report : February 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 Third Quarter of the Fiscal Year ending March 31, 2013 (From April 1, 2012 to December 31, 2012)

(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 FY2013	385,704	2.2	7,704	(8.0)	8,590	(3.6)	4,747	202.8
3Q of FY2012	377,242	8.4	8,376	(7.7)	8,913	(9.9)	1,567	(65.0)

Note : Comprehensive income 3Q of FY2013 5,128 million yen (97.7%) , 3Q of FY2012 2,594 million yen (—%)

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
3Q of FY2013	24.45	24.37
3Q of FY2012	8.55	8.10

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2013	363,717	171,550	46.7
FY2012	335,230	168,854	49.9

Reference : Shareholders' equity 3Q of FY2013 169,996 million yen , FY2012 167,330 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2012	—	6.25	—	6.25	12.50
FY2013	—	6.25	—		
FY2013 (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, 2013 (From April 1, 2012 to March 31, 2013)

(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	535,000	5.8	11,000	10.5	11,500	11.5	6,200	486.5	31.93

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) : No
 - (c) Changes in accounting estimates : No
 - (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 FY2013	206,740,777 shares
FY2012	206,740,777 shares
 - (b) Number of shares of treasury stock at the end of the period

3Q of FY2013	12,579,443 shares
FY2012	12,571,631 shares
 - (c) Average number of shares during the period

3Q of FY2013	194,165,604 shares
3Q of FY2012	183,283,960 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)

	FY2012 (as of March 31, 2012)	3Q of FY2013 (as of December 31, 2012)
Assets		
Current Assets		
Cash on hand and in banks	17,823	17,604
Notes and accounts receivable -trade	19,979	32,871
Securities	206	106
Merchandise goods and finished goods	14,369	17,351
Work in progress	122	309
Raw materials and supplies	967	826
Deferred tax assets	4,849	2,537
Notes and accounts receivable -others	2,545	3,639
Other	2,486	2,640
Allowance for doubtful receivables	(42)	(74)
Total current assets	63,307	77,812
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures ,net	62,406	78,484
Machinery and equipment, net	1,987	2,113
Land	35,324	35,871
Construction in progress	3,708	1,330
Others, net	5,680	8,211
Total property, plant and equipment	109,106	126,011
Intangible assets		
Goodwill	17,107	16,321
Other	8,189	8,586
Total intangible assets	25,297	24,908
Investments and other assets		
Investment securities	64,300	68,188
Long-term loans receivable	2,607	2,647
Long-term leasehold deposits	57,372	49,664
Long-term deferred tax assets	9,575	10,405
Other	3,790	4,217
Allowance for doubtful receivables	(127)	(138)
Total investments and other assets	137,518	134,984
Total noncurrent assets	271,922	285,904
Total Assets	335,230	363,717

(Millions of yen)

	FY2012 (as of March 31, 2012)	3Q of FY2013 (as of December 31, 2012)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	32,444	46,723
Current portion of bonds	35	35
Short-term debt	40	12,005
Current portion of long-term debt	650	602
Income taxes payable	1,068	2,422
Deferred tax liabilities	0	0
Gift certificates	19,716	20,989
Provision for bonuses to employees	4,299	1,573
Asset retirement obligations	1,264	293
Other	29,370	29,089
Total current liabilities	88,891	113,736
Long-term Liabilities		
Bonds	34	17
Long-term debt	41,557	41,388
Deferred tax liabilities	10,546	10,394
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	15,456	15,658
Provision for retirement benefits to directors and corporate auditors	150	170
Provision for redemption of gift certificates	1,742	1,927
Long-term payable accrued	1,463	2,362
Guarantee deposits	5,870	5,728
Asset retirement obligations	224	256
Other	128	216
Total long-term liabilities	77,484	78,429
Total Liabilities	166,375	192,166
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,257	48,258
Retained earnings	95,258	97,578
Treasury stock	(118)	(125)
Total shareholders' equity	161,194	163,507
Accumulated Other Comprehensive Income		
Net unrealised holding gains on securities	6,619	6,955
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(564)	(547)
Total accumulated other comprehensive income	6,136	6,488
Subscription Rights to Shares	341	341
Minority Interests	1,182	1,212
Total Net Assets	168,854	171,550
Total Liabilities and Net Assets	335,230	363,717

(2) Consolidated Statements of Income (Third Quarter)

(Millions of yen)

	3Q of FY2012 (From April 1, 2011 to December 31, 2011)	3Q of FY2013 (From April 1, 2012 to December 31, 2012)
Net sales	377,242	385,704
Cost of sales	272,611	280,646
Gross profit	104,630	105,057
Selling, general and administrative expenses	96,253	97,352
Operating income	8,376	7,704
Non-operating income		
Interest income	61	52
Dividends income	824	823
Gain on adjustment of accounts payable	1,084	1,164
Other	557	553
Total non-operating income	2,527	2,593
Non-operating expenses		
Interest expense	305	299
Loss on provision for redemption of gift certificates	811	937
Other	873	470
Total non-operating expenses	1,990	1,707
Recurring income	8,913	8,590
Extraordinary income		
Compensation income	—	6,000
Gain on sales of property, plant and others	—	142
Gain on step acquisitions	260	—
Total extraordinary income	260	6,142
Extraordinary loss		
Expenses for opening new stores	—	2,684
Loss on closing of stores and others	—	1,505
Loss on disposal of property, plant and others	151	1,497
Impairment losses	—	28
Reorganisation expenses of personnel matters system	5,282	—
Loss of store rebuilding	280	—
Loss on valuation of investment securities	277	—
Total extraordinary loss	5,991	5,715
Income before income taxes	3,182	9,017
Income taxes - current	927	3,049
Income taxes - deferred	683	1,192
Total income taxes	1,611	4,242
Income before minority interests	1,571	4,775
Minority interests	3	28
Net income	1,567	4,747

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

Third Quarter(From April 1, 2012 to December 31, 2012)

(1) Business Results

	millions of yen	year on year
Net sales	277,881	99.1%
Gross profit	68,696	99.2%
Other operating revenue	1,070	105.4%
Operating gross profit	69,766	99.3%
Selling, general and administrative expenses	64,072	98.4%
Operating income	5,693	110.1%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Main Store (※1)	99,424	104.5%
Senri Hankyu	13,068	99.5%
Sakai Kitahanada Hankyu	7,582	99.8%
Kawanishi Hankyu	13,473	97.8%
Takarazuka Hankyu	6,737	99.8%
Nishinomiya Hankyu	17,958	104.6%
Sanda Hankyu	1,045	98.8%
Hakata Hankyu	27,220	99.1%
HANKYU MEN'S TOKYO (※2)	8,375	133.6%
Oi Hankyu Food Hall	3,443	94.4%
Tsuzuki Hankyu (※3)	4,691	81.1%
Hanshin Umeda Main Store	68,209	98.6%
Amagasaki Hanshin	2,843	102.4%
Hanshin Nishinomiya	3,374	98.4%
Hanshin Mikage (※4)	431	58.2%
Total	277,881	99.1%

※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 property management business.

※4 closed the second floor on July 24, 2011

(3) Sales of each category

	millions of yen	year on year
Clothing	90,284	97.1%
Accessories, bags and others	44,800	105.8%
Household merchandise	9,263	91.6%
Foods	94,180	98.4%
Restaurant and café	6,877	114.5%
General merchandise	29,530	98.4%
Service	1,749	92.0%
Other	1,196	95.9%
Total	277,881	99.1%