

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

October 31, 2012

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 : November 13, 2012  
 Scheduled date of dividend payment : November 30, 2012  
 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, 2013 (From April 1, 2012 to September 30, 2012)

(1) Consolidated operating results (Cumulative total) (Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Recurring Income		Net Income(Loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY2013	236,185	(0.1)	2,162	(40.9)	2,762	(28.1)	3,004	—
2Q of FY2012	236,382	6.7	3,660	(23.1)	3,840	(27.6)	(1,237)	—

Note : Comprehensive income(loss) 2Q of FY2013 (418) million yen (—%) , 2Q of FY2012 88 million yen (—%)

	Net Income(Loss) per Share		Net Income(Loss) per Share(Diluted)	
	Yen	Yen	Yen	Yen
2Q of FY2013	15.47	—	15.42	—
2Q of FY2012	(6.60)	—	—	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY2013	327,340	167,219	50.6
FY2012	335,230	168,854	49.9

Reference : Shareholders' equity 2Q of FY2013 165,662 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 : 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) : 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)  
2Q of FY2013 206,740,777 shares  
FY2012 206,740,777 shares  
(b) Number of shares of treasury stock at the end of the period  
2Q of FY2013 12,576,888 shares  
FY2012 12,571,631 shares  
(c) Average number of shares during the period  
2Q of FY2013 194,167,119 shares  
2Q of FY2012 187,509,999 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)	2Q of FY2013 (as of September 30, 2012)
Assets		
Current Assets		
Cash on hand and in banks	17,823	17,809
Notes and accounts receivable -trade	19,979	18,353
Securities	206	106
Merchandise goods and finished goods	14,369	14,109
Work in progress	122	224
Raw materials and supplies	967	712
Deferred tax assets	4,849	3,694
Notes and accounts receivable -others	2,545	2,220
Other	2,486	2,662
Allowance for doubtful receivables	(42)	(57)
Total current assets	63,307	59,834
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures ,net	62,406	59,469
Machinery and equipment, net	1,987	1,979
Land	35,324	35,319
Construction in progress	3,708	9,244
Others, net	5,680	5,199
Total property, plant and equipment	109,106	111,212
Intangible assets		
Goodwill	17,107	16,623
Other	8,189	7,540
Total intangible assets	25,297	24,164
Investments and other assets		
Investment securities	64,300	59,461
Long-term loans receivable	2,607	2,551
Long-term leasehold deposits	57,372	56,150
Long-term deferred tax assets	9,575	10,071
Other	3,790	4,038
Allowance for doubtful receivables	(127)	(143)
Total investments and other assets	137,518	132,129
Total noncurrent assets	271,922	267,506
Total Assets	335,230	327,340

(Millions of yen)

	FY2012 (as of March 31, 2012)	2Q of FY2013 (as of September 30, 2012)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable - trade	32,444	28,754
Current portion of bonds	35	35
Short-term debt	40	5
Current portion of long-term debt	650	617
Income taxes payable	1,068	2,241
Deferred tax liabilities	0	0
Gift certificates	19,716	19,218
Provision for bonuses to employees	4,299	3,242
Asset retirement obligations	1,264	1,478
Other	29,370	28,709
<b>Total current liabilities</b>	<b>88,891</b>	<b>84,304</b>
<b>Long-term Liabilities</b>		
Bonds	34	17
Long-term debt	41,557	41,493
Deferred tax liabilities	10,546	8,456
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	15,456	15,540
Provision for retirement benefits to directors and corporate auditors	150	161
Provision for redemption of gift certificates	1,742	1,769
Long-term payable accrued	1,463	1,850
Guarantee deposits	5,870	5,781
Asset retirement obligations	224	235
Other	128	202
<b>Total long-term liabilities</b>	<b>77,484</b>	<b>75,817</b>
<b>Total Liabilities</b>	<b>166,375</b>	<b>160,121</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	17,796	17,796
Capital surplus	48,257	48,258
Retained earnings	95,258	97,049
Treasury stock	(118)	(123)
<b>Total shareholders' equity</b>	<b>161,194</b>	<b>162,980</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealised holding gains on securities	6,619	3,163
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(564)	(563)
<b>Total accumulated other comprehensive income</b>	<b>6,136</b>	<b>2,681</b>
Subscription Rights to Shares	341	341
Minority Interests	1,182	1,214
<b>Total Net Assets</b>	<b>168,854</b>	<b>167,219</b>
<b>Total Liabilities and Net Assets</b>	<b>335,230</b>	<b>327,340</b>

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

(Millions of yen)

	2Q of FY2012 (From April 1, 2011 to September 30, 2011)	2Q of FY2013 (From April 1, 2012 to September 30, 2012)
Net sales	236,382	236,185
Cost of sales	170,868	171,792
Gross profit	65,513	64,392
Selling, general and administrative expenses	61,853	62,229
Operating income	3,660	2,162
Non-operating income		
Interest income	41	36
Dividends income	549	547
Gain on adjustment of accounts payable	650	673
Other	422	411
Total non-operating income	1,664	1,670
Non-operating expenses		
Interest expense	187	201
Loss on provision for redemption of gift certificates	488	523
Other	809	345
Total non-operating expenses	1,484	1,070
Recurring income	3,840	2,762
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		
Loss on store closing	—	1,440
Expenses for opening new stores	—	936
Loss on disposal of property, plant and others	100	761
Reorganisation expenses of personnel matters system	5,282	—
Loss of store rebuilding	280	—
Loss on valuation of investment securities	271	—
Total extraordinary loss	5,933	3,138
Income(Loss) before income taxes	(1,832)	5,766
Income taxes - current	547	2,320
Income taxes - deferred	(1,141)	409
Total income taxes	(594)	2,729
Income(Loss) before minority interests	(1,237)	3,036
Minority interests	0	32
Net income(loss)	(1,237)	3,004

(3) Consolidated Cash Flow Statements

(Millions of yen)

	2Q of FY2012 (From April 1, 2011 to September 30, 2011)	2Q of FY2013 (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes	(1,832)	5,766
Depreciation and amortisation	5,953	5,618
Loss on store closing	—	1,197
Loss of store rebuilding	280	—
Amortisation of goodwill	537	617
Increase(decrease) in allowance for doubtful receivables	(17)	31
Increase(decrease) in provision for bonuses to employees	(1,479)	(1,058)
Increase(decrease) in provision for retirement benefits to employees	306	78
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	8	10
Increase(decrease) in provision for redemption of gift certificates	(81)	27
Increase(decrease) in provision for reorganisation expenses of personnel matters system	5,181	—
Increase(decrease) in provision for loss on store closing	(349)	—
Interest and dividend income	(591)	(584)
Interest expense	187	201
Equity in losses(earnings) of affiliates	91	44
Loss(gain) on sales of property, plant, equipment and intangibles	—	(142)
Loss on disposal of property, plant, equipment and intangibles	100	761
Loss(gain) on valuation of investment securities	271	—
Loss(gain) on step acquisitions	(260)	—
Decrease(increase) in notes and accounts receivable	2,255	1,797
Decrease(increase) in inventories	237	471
Increase(decrease) in notes and accounts payable	(4,472)	(3,811)
Increase(decrease) in consumption tax payable	542	(942)
Other	364	(99)
Sub total	7,232	9,986
Interest and dividends received	335	559
Interest expense paid	(187)	(201)
Income taxes paid	(1,388)	(1,070)
Net cash provided by operating activities	5,992	9,274

(Millions of yen)

	FY2012 (From April 1, 2011 to September 30, 2011)	FY2013 (From April 1, 2012 to September 30, 2012)
Cash flows from investing activities		
Net decrease(increase) in time deposits	10,034	(0)
Purchases of property, plant and equipment	(14,788)	(8,331)
Proceeds from sales of property, plant and equipment	—	914
Purchases of intangibles	(1,204)	(828)
Payment for exercise of asset retirement obligations	(117)	(314)
Purchases of investment securities	(4)	(506)
Proceeds from sales of investment securities	2	140
Payments of long-term loans receivable	—	(2)
Proceeds from collection of long-term loans receivable	81	86
Payments for guarantee deposits	(31)	(178)
Proceeds from collection of guarantee deposits	593	1,401
Payment for the purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	(4,503)	(39)
Other	(1)	144
Net cash provided by (used in) investing activities	(9,940)	(7,514)
Cash flows from financing activities		
Increase(decrease) in short-term debt	7,842	(40)
Repayments of long-term debt	(249)	(331)
Payments for redemption of bonds	(20,000)	(17)
Proceeds from sale of treasury stock	—	0
Additions to treasury stock	(2)	(4)
Dividends paid	(1,289)	(1,213)
Dividends paid to minority shareholders	—	(9)
Other	(30)	(156)
Net cash provided by (used in) financing activities	(13,729)	(1,772)
Foreign exchange differences of cash and cash equivalents	46	(0)
Net increase(decrease) in cash and cash equivalents	(17,631)	(13)
Cash and cash equivalents at beginning of year	32,125	17,770
Cash and cash equivalents at end of year	14,494	17,756

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

Second Quarter(From April 1, 2012 to September 30, 2012)

(1) Business Results

	millions of yen	year on year
Net sales	165,934	94.6%
Gross profit	40,614	94.5%
Other operating revenue	710	101.1%
Operating gross profit	41,325	94.6%
Selling, general and administrative expenses	40,295	97.2%
Operating income	1,030	46.2%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Flagship Store (※1)	51,185	87.6%
Senri Hankyu	8,185	99.8%
Sakai Kitahanada Hankyu	4,811	100.2%
Kawanishi Hankyu	8,517	98.5%
Takarazuka Hankyu	4,304	99.6%
Nishinomiya Hankyu	11,500	105.3%
Sanda Hankyu	647	97.8%
Hakata Hankyu	17,280	95.7%
HANKYU MEN'S TOKYO (※2)	5,075	177.5%
Oi Hankyu Food Hall	2,157	91.2%
Tsuzuki Hankyu	3,348	90.1%
Hanshin Umeda Flagship Store	44,699	101.7%
Amagasaki Hanshin	1,804	104.1%
Hanshin Nishinomiya	2,145	97.5%
Hanshin Mikage (※3)	269	46.7%
<b>Total</b>	<b>165,934</b>	<b>94.6%</b>

※1 including Hankyu Ings and HANKYU MEN'S OSAKA

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

※3 closed the second floor on July 24, 2011

(3) Sales of each category

	millions of yen	year on year
Clothing	54,036	93.4%
Accessories, bags and others	27,142	100.5%
Household merchandise	5,690	88.2%
Foods	55,284	94.2%
Restaurant and café	3,624	89.5%
General merchandise	18,217	94.1%
Service	1,174	92.2%
Other	763	92.8%
<b>Total</b>	<b>165,934</b>	<b>94.6%</b>