

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

July 26, 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 : August 13, 2012
 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, 2013 (From April 1, 2012 to June 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	%
1Q of FY2013	115,524	(0.6)	1,701	9.0	2,396	10.5	645	—
1Q of FY2012	116,273	9.4	1,561	0.9	2,167	6.6	(1,930)	—

Note : Comprehensive income(loss) 1Q of FY2013 (1,964) million yen (—%), 1Q of FY2012 (1,213) million yen (—)

	Net Income(Loss) per Share		Net Income(Loss) per Share(Diluted)	
	Yen	Yen	Yen	Yen
1Q of FY2013	3.32		3.31	
1Q of FY2012	(9.75)		(8.82)	

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2013	333,989	165,676	49.1
FY2012	335,230	168,854	49.9

Reference : Shareholders' equity 1Q of FY2013 164,140 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	—				
FY2013(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, 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
Half Year	233,000	(1.4)	1,400	(61.8)	2,000	(47.9)	3,200	—	16.48
Full Year	533,000	5.4	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)
1Q of FY2013 206,740,777 shares
FY2012 206,740,777 shares
(b) Number of shares of treasury stock at the end of the period
1Q of FY2013 12,572,616 shares
FY2012 12,571,631 shares
(c) Average number of shares during the period
1Q of FY2013 194,168,655 shares
1Q of FY2012 198,073,530 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)	1Q of FY2013 (as of June 30, 2012)
Assets		
Current assets		
Cash on hand and in banks	17,823	15,079
Notes and accounts receivable -trade	19,979	23,662
Securities	206	106
Merchandise goods and finished goods	14,369	16,147
Work in progress	122	124
Raw materials and supplies	967	892
Deferred tax assets	4,849	2,978
Notes and accounts receivable -others	2,545	2,725
Other	2,486	2,812
Allowance for doubtful receivables	(42)	(58)
Total current assets	63,307	64,470
Noncurrent assets		
Property, plant and equipment		
Buildings and structures ,net	62,406	60,251
Machinery and equipment, net	1,987	1,930
Land	35,324	35,250
Construction in progress	3,708	7,452
Others, net	5,680	5,373
Total property, plant and equipment	109,106	110,257
Intangible assets		
Goodwill	17,107	16,811
Other	8,189	7,761
Total intangible assets	25,297	24,572
Investments and other assets		
Investment securities	64,300	60,133
Long-term loans receivable	2,607	2,609
Long-term leasehold deposits	57,372	57,332
Long-term deferred tax assets	9,575	10,898
Other	3,790	3,848
Allowance for doubtful receivables	(127)	(135)
Total investments and other assets	137,518	134,688
Total noncurrent assets	271,922	269,518
Total Assets	335,230	333,989

(Millions of yen)

	FY2012 (as of March 31, 2012)	1Q of FY2013 (as of June 30, 2012)
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	32,444	28,401
Current portion of bonds	35	35
Short-term debt	40	10,000
Current portion of long-term debt	650	629
Income taxes payable	1,068	367
Deferred tax liabilities	0	0
Gift certificates	19,716	20,227
Provision for bonuses to employees	4,299	1,334
Asset retirement obligations	1,264	953
Other	29,370	30,787
Total current liabilities	88,891	92,738
Long-term Liabilities		
Bonds	34	34
Long-term debt	41,557	41,449
Deferred tax liabilities	10,546	8,852
Deferred tax liabilities related to land revaluation	310	310
Provision for retirement benefits to employees	15,456	15,489
Provision for retirement benefits to directors and corporate auditors	150	152
Provision for redemption of gift certificates	1,742	1,753
Long-term payable accrued	1,463	1,376
Guarantee deposits	5,870	5,750
Asset retirement obligations	224	232
Other	128	174
Total long-term liabilities	77,484	75,575
Total Liabilities	166,375	168,313
Net Assets		
Shareholders' Equity		
Common stock	17,796	17,796
Capital surplus	48,257	48,258
Retained earnings	95,258	94,690
Treasury stock	(118)	(120)
Total shareholders' equity	161,194	160,625
Accumulated other comprehensive income		
Net unrealised holding gains on securities	6,619	3,942
Land revaluation, net of tax	81	81
Foreign currency translation adjustments	(564)	(507)
Total accumulated other comprehensive income	6,136	3,515
Subscription rights to shares	341	341
Minority Interests	1,182	1,193
Total Net Assets	168,854	165,676
Total Liabilities and Net Assets	335,230	333,989

(2) Consolidated Statements of Income (First Quarter)

(Millions of yen)

	1Q of FY2012 (From April 1, 2011 to June 30, 2011)	1Q of FY2013 (From April 1, 2012 to June 30, 2012)
Net Sales	116,273	115,524
Cost of sales	83,781	83,687
Gross profit	32,491	31,836
Selling, general and administrative expenses	30,930	30,135
Operating Income	1,561	1,701
Non-operating income		
Interest income	20	18
Dividends income	546	541
Gain on adjustment of accounts payable	360	356
Other	273	329
Total non-operating income	1,201	1,245
Non-operating expenses		
Interest expense	88	99
Loss on provision for redemption of gift certificates	269	270
Other	236	180
Total non-operating expenses	594	550
Recurring income	2,167	2,396
Extraordinary income		
Gain on sales of property, plant and others	—	142
Gain on step acquisitions	260	—
Total extraordinary income	260	142
Extraordinary loss		
Loss on disposal of property, plant and others	39	646
Expenses for opening new stores	—	518
Reorganisation expenses of personnel matters system	5,282	—
Loss of store rebuilding	280	—
Total extraordinary loss	5,601	1,164
Income(Loss) before income taxes	(3,172)	1,374
Income taxes - current	149	407
Income taxes - deferred	(1,387)	310
Total income taxes	(1,238)	717
Income(Loss) before minority interests	(1,933)	656
Minority Interests	(3)	11
Net Income(loss)	(1,930)	645

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

First Quarter(From April 1, 2012 to June 30,2012)

(1) Business Results

	millions of yen	year on year
Net sales	80,728	93.9%
Gross profit	19,997	93.6%
Other operating revenue	377	100.4%
Operating gross profit	20,374	93.7%
Selling, general and administrative expenses	19,209	93.1%
Operating income	1,165	105.7%

(2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Flagship Store (※1)	24,847	88.6%
Senri Hankyu	3,952	100.5%
Sakai Kitahanada Hankyu	2,309	101.1%
Kawanishi Hankyu	4,082	99.5%
Takarazuka Hankyu	2,056	99.4%
Nishinomiya Hankyu	5,538	105.1%
Sanda Hankyu	293	98.6%
Hakata Hankyu	8,418	90.5%
HANKYU MEN'S TOKYO (※2)	2,586	126.0%
Oi Hankyu Food Hall	1,062	84.6%
Tsuzuki Hankyu	1,706	95.6%
Hanshin Umeda Flagship Store	21,829	102.0%
Amagasaki Hanshin	868	104.4%
Hanshin Nishinomiya	1,050	97.9%
Hanshin Mikage (※3)	125	39.2%
Total	80,728	93.9%

※1 including Hankyu Men's Store and Hankyu Ings

※2 re-opened on October 15, 2011 as HANKYU MEN'S TOKYO

※3 closed the second floor on July 24, 2011

(3) Sales of each category

	millions of yen	year on year
Clothing	27,744	94.0%
Accessories, bags and others	13,351	98.5%
Household merchandise	2,901	87.6%
Foods	24,812	93.2%
Restaurant and café	1,765	88.8%
General merchandise	9,201	92.9%
Service	537	86.7%
Other	414	95.8%
Total	80,728	93.9%