

# Consolidated Financial Statements of the Fiscal Year Ending March 31, 2012

## (Japanese accounting standards)

May 10, 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  
 Contact : Tadatsugu Mori, Director and Managing Executive Officer  
 TEL : +81-6-6365-8120  
 Scheduled date of shareholders' meeting : June 22, 2012  
 Scheduled date of dividend payment : June 1, 2012  
 Scheduled date of filing of the financial report : June 22, 2012  
 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, 2012 (From April 1, 2011 to March 31, 2012)

(1) 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	%
FY2012	505,588	8.7	9,957	(5.7)	10,309	(8.0)	1,057	(66.0)
FY2011	465,033	(1.1)	10,555	31.5	11,210	16.7	3,109	3.1

Note : Comprehensive income(loss) FY2012 7,269 million yen (—%) , FY2011 (5,632) 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	%	%	%
FY2012	5.74	5.51	0.7	3.0	2.0
FY2011	15.07	13.70	2.0	3.3	2.3

Reference : Equity in earnings(losses) of affiliates FY2012 (16) million yen , FY2011 (42) million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2012	335,230	168,854	49.9	861.78
FY2011	344,187	151,437	43.9	732.68

Reference : Shareholders' equity FY2012 167,330 million yen , FY2011 151,144 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
FY2012	16,176	(16,773)	(13,704)	17,770
FY2011	16,966	(17,235)	(2,818)	32,125

### 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	%	%
FY2011	—	6.25	—	6.25	12.50	2,578	82.9	1.7
FY2012	—	6.25	—	6.25	12.50	2,297	217.8	1.6
FY2013(Forecast)	—	6.25	—	6.25	12.50		44.9	

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, 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	230,000	(2.7)	400	(89.1)	900	(76.6)	2,400	-	12.36
Full Year	530,000	4.8	10,000	0.4	10,400	0.9	5,400	410.9	27.81

#### 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)

FY2012 206,740,777 shares

FY2011 206,740,777 shares

(b) Number of shares of treasury stock at the end of the period

FY2012 12,571,631 shares

FY2011 450,757 shares

(c) Average number of shares during the period

FY2012 184,142,336 shares

FY2011 206,304,999 shares

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

Non-Consolidated Business Results of the Fiscal Year ending March 31, 2012 (From April 1, 2011 to March 31, 2012)

(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	%
FY2012	8,065	(4.2)	1,828	(2.2)	2,038	5.5	356	(83.1)
FY2011	8,418	(11.9)	1,869	(55.2)	1,931	(58.1)	2,106	(63.1)

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
FY2012	1.93	1.86
FY2011	10.21	9.28

(2) Non-consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2012	233,616	157,843	67.4	811.16
FY2011	246,366	142,290	57.7	688.63

Reference : Shareholders' equity FY2012 157,502 million yen , FY2011 142,058 million yen

Note : Disclosure of progress of audit procedures

At the time of disclosure of this financial statements, audit 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)

	FY2011 (as of March 31, 2011)	FY2012 (as of March 31, 2012)
Assets		
Current assets		
Cash on hand and in banks	42,149	17,823
Notes and accounts receivable -trade	18,995	19,979
Securities	0	206
Merchandise goods and finished goods	14,829	14,369
Work in progress	80	122
Raw materials and supplies	687	967
Deferred tax assets	4,279	4,849
Notes and accounts receivable -others	2,702	2,545
Other	2,667	2,486
Allowance for doubtful receivables	(59)	(42)
Total current assets	86,332	63,307
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	140,769	141,696
Accumulated depreciation	(75,757)	(79,290)
Buildings and structures ,net	65,011	62,406
Machinery and equipment	2,778	4,206
Accumulated depreciation	(1,345)	(2,218)
Machinery and equipment, net	1,432	1,987
Land	33,948	35,324
Construction in progress	115	3,708
Others	18,251	19,519
Accumulated depreciation	(11,855)	(13,838)
Others, net	6,396	5,680
Total property, plant and equipment	106,904	109,106
Intangible assets		
Goodwill	16,037	17,107
Other	7,506	8,189
Total intangible assets	23,544	25,297
Investments and other assets		
Investment securities	55,173	64,300
Long-term loans receivable	2,569	2,607
Long-term leasehold deposits	56,248	57,372
Long-term deferred tax assets	10,624	9,575
Other	2,897	3,790
Allowance for doubtful receivables	(105)	(127)
Total investments and other assets	127,406	137,518
Total noncurrent assets	257,855	271,922
Total Assets	344,187	335,230

(Millions of yen)

	FY2011 (as of March 31, 2011)	FY2012 (as of March 31, 2012)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable - trade	32,516	32,444
Current portion of bonds	20,000	35
Short-term debt	—	40
Current portion of long-term debt	166	650
Accounts payable-other	18,933	8,114
Income taxes payable	1,692	1,068
Deferred tax liabilities	3	0
Gift certificates	20,444	19,716
Provision for bonuses to employees	3,733	4,299
Provision for bonuses to directors and corporate auditors	89	76
Provision for loss of store rebuilding	1,564	—
Provision for loss on store closing	689	—
Asset retirement obligations	123	1,264
Other	18,434	21,180
<b>Total current liabilities</b>	<b>118,390</b>	<b>88,891</b>
<b>Long-term Liabilities</b>		
Bonds	—	34
Long-term debt	40,589	41,557
Deferred tax liabilities	7,495	10,546
Deferred tax liabilities related to land revaluation	348	310
Provision for retirement benefits to employees	15,806	15,456
Provision for retirement benefits to directors and corporate auditors	107	150
Provision for redemption of gift certificates	1,770	1,742
Long-term payable accrued	1,804	1,463
Guarantee deposits	6,268	5,870
Asset retirement obligations	147	224
Other	20	128
<b>Total long-term liabilities</b>	<b>74,359</b>	<b>77,484</b>
<b>Total Liabilities</b>	<b>192,750</b>	<b>166,375</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Common stock	17,796	17,796
Capital surplus	37,172	48,257
Retained earnings	96,574	95,258
Treasury stock	(307)	(118)
<b>Total shareholders' equity</b>	<b>151,236</b>	<b>161,194</b>
<b>Accumulated other comprehensive income</b>		
Net unrealised holding gains on securities	379	6,619
Land revaluation, net of tax	42	81
Foreign currency translation adjustments	(514)	(564)
<b>Total accumulated other comprehensive income</b>	<b>(91)</b>	<b>6,136</b>
Subscription rights to shares	232	341
Minority Interests	60	1,182
<b>Total Net Assets</b>	<b>151,437</b>	<b>168,854</b>
<b>Total Liabilities and Net Assets</b>	<b>344,187</b>	<b>335,230</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	FY2011 (From April 1, 2010 to March 31, 2011)	FY2012 (From April 1, 2011 to March 31, 2012)
Net sales	465,033	505,588
Cost of sales	335,875	366,121
Gross profit	129,157	139,466
Selling, general and administrative expenses		
Salaries	37,659	38,789
Rental expenses	21,142	23,192
Other	59,800	67,526
Total selling, general and administrative expenses	118,602	129,508
Operating income	10,555	9,957
Non-operating income		
Interest income	89	82
Dividends income	831	828
Gain on adjustment of accounts payable	1,327	1,323
Other	815	656
Total non-operating income	3,064	2,891
Non-operating expenses		
Interest expense	392	415
Loss on provision for redemption of gift certificates	936	983
Equity in losses of affiliated companies	42	16
Other	1,036	1,122
Total non-operating expenses	2,409	2,538
Recurring income	11,210	10,309
Extraordinary income		
Past service liability redemption profit	—	682
Gain on step acquisitions	—	260
Gain on sales of investment securities	136	77
Gain on reversal of asset retirement obligations	402	—
Compensation for transfer	240	—
Total extraordinary income	779	1,020
Extraordinary loss		
Reorganisation expenses of personnel matters system	—	5,282
Loss on store closing	2,085	1,766
Loss on disposal of property, plant and others	466	662
Loss of store rebuilding	376	292
Impairment losses	226	269
Loss on valuation of investment securities	147	222
Expenses for opening new stores	1,684	—
Environmental expenses	304	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	174	—
Other	678	—
Total extraordinary loss	6,143	8,494
Income before income taxes	5,846	2,835
Income taxes - current	1,884	1,401
Income taxes - deferred	892	393
Total income taxes	2,777	1,795
Income before minority interests	3,069	1,040
Minority interests	(40)	(16)
Net income	3,109	1,057

## (3) Consolidated Cash Flow Statements

(Millions of yen)

	FY2011 (From April 1, 2010 to March 31, 2011)	FY2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Income before income taxes	5,846	2,835
Depreciation and amortisation	9,821	12,637
Impairment losses	226	269
Loss on store closing	—	1,287
Increase in asset retirement obligations	174	—
Amortisation of goodwill	966	1,070
Increase(decrease) in allowance for doubtful receivables	(15)	(23)
Increase(decrease) in provision for bonuses to employees	(999)	391
Increase(decrease) in provision for bonuses to directors and corporate auditors	30	(13)
Increase(decrease) in provision for retirement benefits to employees	229	(547)
Increase(decrease) in provision for retirement benefits to directors and corporate auditors	3	(51)
Increase(decrease) in provision for loss of store rebuilding	376	(375)
Increase(decrease) in provision for loss on store closing	667	(707)
Increase(decrease) in provision for redemption of gift certificates	(33)	(28)
Interest and dividend income	(921)	(910)
Interest expense	392	415
Equity in losses(earnings) of affiliates	42	16
Loss on disposal of property, plant, equipment and intangibles	466	662
Gain on reversal of asset retirement obligations	(402)	—
Loss(gain) on sales of investment securities	(136)	(77)
Loss(gain) on valuation of investment securities	147	222
Loss(gain) on step acquisitions	—	(260)
Decrease(increase) in notes and accounts receivable	(1,399)	450
Decrease(increase) in inventories	(278)	475
Increase(decrease) in notes and accounts payable	3,545	(1,417)
Increase(decrease) in consumption tax payable	(117)	1,242
Other	(1,038)	19
Sub total	17,594	17,583
Interest and dividends received	915	860
Interest expense paid	(424)	(361)
Income taxes paid	(1,119)	(1,906)
Net cash provided by operating activities	16,966	16,176

(Millions of yen)

	FY2011 (From April 1, 2010 to March 31, 2011)	FY2012 (From April 1, 2011 to March 31, 2012)
Cash flows from investing activities		
Net decrease(increase) in time deposits	500	10,186
Purchases of property, plant and equipment	(13,316)	(21,374)
Proceeds from sales of property, plant and equipment	5	19
Purchases of intangibles	(1,953)	(1,981)
Payment for exercise of asset retirement obligations	(525)	(120)
Purchases of investment securities	(113)	(37)
Proceeds from sales of investment securities	1,639	88
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)
Payment for the purchase of stock of subsidiaries	—	(20)
Payments of long-term loans receivable	(1,460)	(10)
Proceeds from collection of long-term loans receivable	401	116
Payments for guarantee deposits	(4,258)	(389)
Proceeds from collection of guarantee deposits	1,846	1,419
Net cash provided by (used in) investing activities	(17,235)	(16,773)
Cash flows from financing activities		
Increase(decrease) in short-term debt	—	(232)
Proceeds from long-term debt	20,000	600
Repayments of long-term debt	(20,166)	(2,798)
Proceeds from issuance of stock to minority shareholders	4	—
Payments for redemption of bonds	—	(20,017)
Proceeds from sale of treasury stock	0	11,279
Additions to treasury stock	(17)	(6)
Dividends paid	(2,578)	(2,373)
Dividends paid to minority shareholders	—	(48)
Other	(61)	(107)
Net cash provided by (used in) financing activities	(2,818)	(13,704)
Foreign exchange differences of cash and cash equivalents	(151)	(53)
Net increase(decrease) in cash and cash equivalents	(3,239)	(14,355)
Cash and cash equivalents at beginning of year	35,365	32,125
Cash and cash equivalents at end of year	32,125	17,770

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

(From April 1, 2011 to March 31,2012)

### (1) Business Results

	millions of yen	year on year
Net sales	373,903	107.1%
Gross profit	91,817	105.6%
Other operating revenue	1,608	101.1%
Operating gross profit	93,426	105.6%
Selling, general and administrative expenses	87,107	109.2%
Operating income	6,319	72.4%

### (2) Sales of each store

	millions of yen	year on year
Hankyu Umeda Flagship Store (※1)	124,458	94.9%
Senri Hankyu	17,265	99.7%
Sakai Kitahanada Hankyu	10,260	100.9%
Kawanishi Hankyu	18,105	98.1%
Takarazuka Hankyu	8,906	97.2%
Nishinomiya Hankyu	23,197	106.6%
Kobe Hankyu (※2)	9,705	106.1%
Sanda Hankyu	1,410	98.1%
Hakata Hankyu (※3)	37,259	868.6%
HANKYU MEN'S TOKYO (Yurakucho Hankyu) (※4)	9,087	107.4%
Oi Hankyu Food Hall (※5)	4,745	1228.7%
Tsuzuki Hankyu	7,827	97.9%
Hanshin Umeda Flagship Store	92,350	96.2%
Amagasaki Hanshin	3,727	102.6%
Hanshin Nishinomiya	4,579	98.3%
Hanshin Mikage (※6)	882	65.2%
Store business total	373,769	107.5%
Corporate sales division	134	10.2%
Total	373,903	107.1%

※1 including Hankyu Men's Store and Hankyu Ings

※2 closed on March 11, 2012

※3 opened on March 3, 2011

※4 closed from July 19 to October 14, 2011 for remodeling and re-opened on October 15, 2011 as HANKYU MEN'S TOKYO

※5 opened on March 16, 2011

※6 closed the second floor on July 24, 2011

### (3) Sales of each category

	millions of yen	year on year
Clothing	126,647	105.2%
Accessories, bags and others	57,342	115.4%
Household merchandise	13,340	102.4%
Foods	124,917	109.5%
Restaurant and café	7,895	98.7%
General merchandise	39,612	100.5%
Service	2,481	89.3%
Other	1,666	104.5%
Total	373,903	107.1%