

**Consolidated Financial Statements for the First Quarter
of the Fiscal Year Ending March 31, 2022**
(Japanese accounting standards)

July 28, 2021

Corporate Name : H2O Retailing Corporation
Securities Code : 8242 (First Section of the Tokyo Stock Exchange)
URL : <http://www.h2o-retailing.co.jp/>
Representative : Naoya Araki, President and Representative Director
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Scheduled date of filing of the financial report : August 12, 2021
Scheduled date of dividend payment : —
Preparation of supplementary materials : Yes
Briefing session on quarterly financial results : Yes

(Figures are rounded down to the nearest million yen.)

1. Consolidated Business Results of the Fiscal Year ending March 31, 2022
(From April 1, 2021 to June 30, 2021)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2022	114,285	-	(2,044)	-	(949)	-	6,277	-
1Q of FY2021	145,904	(32.8)	(3,293)	-	(2,996)	-	(6,111)	-

Note : Comprehensive income 1Q of FY2022 2,414 million yen, -% , 1Q of FY2021 (1,162) million yen, -%

Note : The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. The percentage change from the same period of the previous fiscal year in net sales is not shown due to the significant impact on net sales.

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
1Q of FY2022	50.73	50.41
1Q of FY2021	(49.42)	-

Reference : Net income per share-fully diluted for 1Q of FY2021 is not shown in the above table, because net income per share was negative although there are residual shares.

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2022	608,150	230,741	37.8
FY2021	625,945	229,277	36.4

Reference : Owner's equity 1Q of FY2022 229,602 million yen , 1Q of FY2021 228,134 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	12.50	-	12.50	25.00
FY2022	-	-	-	-	-
FY2022(Forecast)	-	12.5	-	12.5	25.00

Revision to recently disclosed dividends forecast : Yes

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2022
(From April 1, 2021 to March 31, 2022)

	Net Sales		Operating Income		Ordinary Profit		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	240,000	-	(5,200)	-	(5,250)	-	3,050	-	24.65
Full Year	500,000	-	(1,000)	-	(2,000)	-	5,000	-	40.41

Note : Revision to recently disclosed consolidated business results forecast : Yes

Note : The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. The percentage change from the same period of the previous fiscal year in net sales is not shown due to the significant impact on net sales.

Consolidated gross sales, which is equivalent to net sales up to the previous fiscal year excluding the effects of changes in accounting policies, amounted to 345,000 million yen (up 2.8% year on year) for the first half and 765,000 million yen (up 3.5% year on year) for the full year.

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) : Yes
Exclusion : H2O Asset Management Co., Ltd.
- (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 : Yes
(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 FY2022 | 125,201,396 shares |
| FY2021 | 125,201,396 shares |
- (b) Number of shares of treasury stock at the end of the period
- | | |
|--------------|------------------|
| 1Q of FY2022 | 1,470,368 shares |
| FY2021 | 1,469,808 shares |
- (c) Average number of shares during the period
- | | |
|--------------|--------------------|
| 1Q of FY2022 | 123,731,303 shares |
| 1Q of FY2021 | 123,654,862 shares |

Note : These consolidated financial results are outside the scope of audit by certified public accountants or auditing firms

Note : Explanation regarding the appropriate use of forecast

The Company had not yet determined the forecast of consolidated financial results and dividends for FY2022 due to the difficulty in reasonably calculating the impact of the re-expansion of COVID-19.

Considering the current situation and others, The Company announced forecasts of consolidated financial results and dividends of FY2022.

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.

1. Consolidated Financial Results

Hankyu Kitchen Yell Kansai, Inc., EveryD.com, Inc. and Hankyu Sennan Green Farm, which were previously included in the Other Business segment, were transferred to the Supermarket Business segment, and Oi Development Co., Ltd, which was also included in Other business segment, was transferred to the Shopping Center Business segment. YoY comparisons are shown based on the results for the previous year, which have been reclassified into the new reporting segments.

▶ Sales

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Consolidated net sales of 1Q of FY2022 was ¥114,285 million.

Consolidated gross sales, which is equivalent to net sales up to the previous fiscal year excluding the effects of changes in accounting policies, amounted to ¥161,179 million yen.

Sales on a real basis increased by 10.5% from the previous fiscal year, despite the closure of stores due to the declaration of the state of emergency and restrict of operations.

▶ Operating Profit and Ordinary Profit

As in the previous fiscal year, COVID-19 affected sales and gross profit, operating loss was ¥2,044 million yen (operating loss of ¥3,293 million in the previous fiscal year), and ordinary loss was ¥949 million (ordinary loss of ¥2,996 million in the previous fiscal year).

(Department store business)

In late April 2021, a state of emergency was declared. Some stores were completely closed, and stores including both Hankyu and Hanshin main stores shifted to operating only in the daily necessities section.

From June 1, both main stores resumed full operation on weekdays, and from late June, when the emergency declaration was lifted, they resumed full operation including weekends.

Due to the impact of store closures, reduced operations, and voluntary restraint, gross sales were ¥66,697 million, increased by 37.8% YOY and operating loss was ¥1,846 million yen (operating loss of ¥2,945 million in the previous year).

Hankyu Hanshin Department Store recorded an extraordinary loss of ¥3,501 million, including personnel expenses, rent and amortization expenses during the period of closure.

(Supermarket business)

Gross sales was ¥73,346 million, increased by 0.3% YOY and operating profit was ¥1,335 million, decreased by 9.9% YOY.

With the declaration of a state of emergency, demand for in-home meals increased, especially in suburban stores. Gross sales of the three food supermarkets subsidiaries increased due to an increase in the number of customers. However, operating profit decreased due to an increase in SG&A expenses as a reaction to the drastic cutbacks in sales activities in the previous year.

Sales and profits of manufacturing subsidiaries increased due to higher demand for delicatessen and bakery products at food supermarkets.

(Shopping Center business)

Gross sales was ¥13,025 million, decreased by 23.7% YOY and operating profit was ¥23 million (operating loss of ¥107 million in the previous year).

In H2O Shopping Center Development Co., Ltd., which operates management of tenants and sales of apparel and home products at Izumiya stores, gross sales decreased due to closure of direct operation area and operating profit increased because of cost reduction.

In Hankyu Shopping Center Development Co., Ltd., sales and profits increased due to the effect of the renovation of Mosaic Mall Kohoku and other factors, despite the closure of commercial facilities and reduction of business hours due to the declaration of a state of emergency.

(Other business)

Gross sales was ¥8,110 million, increased by 11.5% YOY and operating loss was ¥1,090 million (operating profit of ¥526 million in the previous year).

Sales increased at a specialty retail store subsidiary, mainly due to a reduction in the number and duration of closed stores from the previous year. Operating profit decreased at the Company, the holding company, mainly due to a decrease in dividends received from subsidiaries.

▶ Profit attributable to owners of parent

The company recorded extraordinary profit of ¥15,541 million including gain on sales of non-current assets of ¥8,881 million and gain on sales of investment securities of ¥6,485 million, and extraordinary losses of ¥4,218 million including loss related to COVID-19 of ¥3,753 million. As a result, profit attributable to owners of parent was ¥6,277 million (loss of ¥6,111 million in the previous year).

2. Forecast of FY2022

Forecast of FY2022 is disclosed to Supplementary information to Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022. Forecast of FY2022 is based on following assumption.

- not assuming temporary store closure although the re-expansion of COVID-19 and re-declaration of the state of emergency.
- assuming domestic sales recover from November, 2021
- assuming inbound sales don't recover in FY2022

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2021	1Q of FY2022
	(as of March 31, 2021)	(as of June 30, 2021)
Assets		
Current assets		
Cash and deposits	49,991	47,418
Notes and accounts receivable -trade	54,385	50,408
Merchandise and finished goods	21,546	22,498
Work in process	118	98
Raw materials and supplies	1,673	1,595
Accounts receivable - other	7,025	5,001
Other	4,811	6,086
Allowance for doubtful accounts	(261)	(320)
Total current assets	139,291	132,786
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	101,873	100,141
Machinery, equipment and vehicles, net	2,539	2,551
Land	139,126	137,625
Construction in progress	8,684	8,657
Other, net	9,161	9,013
Total property, plant and equipment	261,386	257,989
Intangible assets		
Goodwill	2,704	2,578
Other	14,024	13,592
Total intangible assets	16,729	16,170
Investments and other assets		
Investment securities	114,748	105,540
Long-term loans receivable	11,253	13,509
Guarantee deposits	70,029	70,186
Retirement benefit asset	1,898	2,256
Deferred tax assets	11,453	10,537
Other	2,000	1,999
Allowance for doubtful accounts	(2,845)	(2,827)
Total investments and other assets	208,538	201,203
Total non-current assets	486,653	475,363
Total Assets	625,945	608,150

H2O Retailing Corporation(8242)

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2022

	(Millions of yen)	
	FY2021	1Q of FY2022
	(as of March 31, 2021)	(as of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,996	42,700
Current portion of long-term borrowings	46,414	46,314
Accounts payable - other	26,890	16,781
Lease obligations	910	918
Income taxes payable	1,678	1,527
Gift certificates	28,077	8,661
Advances received	8,611	37,275
Provision for bonuses	3,284	2,792
Provision for bonuses for directors (and other officers)	23	32
Provision for loss on store closings and others	348	348
Provision for point card certificates	1,854	-
Asset retirement obligations	940	1,061
Other	16,502	10,876
Total current liabilities	184,531	169,291
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	122,133	122,009
Deferred tax liabilities	23,805	23,747
Deferred tax liabilities related to land revaluation	266	266
Provision for retirement benefits for directors (and other officers)	172	171
Provision for redemption of gift certificates	4,635	2,904
Retirement benefit liability	12,839	12,618
Long-term accounts payable - other	158	320
Lease obligations	12,883	12,652
Long-term guarantee deposited	9,530	9,491
Asset retirement obligations	3,193	3,208
Other	2,517	723
Total non-current liabilities	212,136	208,116
Total Liabilities	396,667	377,408
Net Assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	92,633	92,633
Retained earnings	85,065	90,397
Treasury shares	(2,732)	(2,732)
Total shareholders' equity	192,763	198,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,668	34,040
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(960)	(283)
Remeasurements of defined benefit plans	(2,462)	(2,374)
Total accumulated other comprehensive income	35,370	31,507
Share acquisition rights	1,138	1,138
Non-controlling interests	4	-
Total net assets	229,277	230,741
Total Liabilities and Net Assets	625,945	608,150

H2O Retailing Corporation(8242)

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2022

(2) Consolidated Statements of Income	(Millions of yen)	
	1Q of FY2021 (From April 1, 2020 to June 30, 2020)	1Q of FY2022 (From April 1, 2021 to June 30, 2021)
Net sales	145,904	114,285
Cost of sales	102,177	67,884
Gross profit	43,726	46,400
Selling, general and administrative expenses	47,020	48,445
Operating profit (loss)	(3,293)	(2,044)
Non-operating income		
Interest income	89	118
Foreign exchange gains	-	679
Dividend income	852	593
Gain on adjustment of accounts payable	516	261
Other	170	174
Total non-operating income	1,629	1,827
Non-operating expenses		
Interest expenses	195	236
Loss on provision for redemption of gift certificates	433	210
Share of loss of entities accounted for using equity method	363	156
Other	340	129
Total non-operating expenses	1,332	733
Ordinary profit (loss)	(2,996)	949
Extraordinary income		
Gain on sales of non-current assets	-	8,881
Gain on sales of investment securities	-	6,485
Subsidy income	-	174
Total extraordinary income	-	15,541
Extraordinary losses		
Loss related to COVID-19	4,869	3,753
Loss on store closings and others	50	270
Loss on retirement of non-current assets	325	194
Total extraordinary losses	5,246	4,218
Profit (loss) before income taxes	(8,243)	10,373
Income taxes - current	404	1,894
Income taxes - deferred	(2,536)	2,201
Total income taxes	(2,131)	4,096
Profit (loss)	(6,111)	6,277
Profit (loss) attributable to non-controlling interests	0	-
Profit (loss) attributable to owners of parent	(6,111)	6,277