

**Consolidated Financial Statements for the Second Quarter
of the Fiscal Year Ending March 31, 2021**
(Japanese accounting standards)

October 30, 2020

Corporate Name : H2O Retailing Corporation
 Securities Code : 8242 (First Section of the Tokyo Stock Exchange)
 URL : <http://www.h2o-retailing.co.jp/>
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 Scheduled date of filing of the quarterly financial report : November 12, 2020
 Scheduled date of dividend payment : November 30, 2020
 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, 2021
(From April 1, 2020 to September 30, 2020)

(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	%
2Q of FY2021	335,614	(25.5)	(4,405)	—	(4,400)	—	(10,102)	—
2Q of FY2020	450,710	1.4	6,320	3.6	6,574	1.9	1,463	950.0

Note : Comprehensive income 2Q of FY2021 (1,538) million yen, —%, 2Q of FY2020 2,696 million yen, —%

	Net Income per Share	Net Income per Share(Diluted)
	Yen	Yen
2Q of FY2021	(81.69)	—
2Q of FY2020	11.84	11.76

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY2021	595,909	240,311	40.1
FY2020	586,904	244,634	41.5

Reference : Owner's equity 2Q of FY2021 239,051 million yen , FY2020 243,317 million yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	20.00	—	20.00	40.00
FY2021	—	12.50	—	—	—
FY2021(Forecast)	—	—	—	12.5	25.00

Note : Revision to recently disclosed dividend forecast : Yes

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2021
(From April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	730,000	(18.6)	(10,000)	—	(10,000)	—	(22,000)	—	(177.90)

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) : Yes
 - (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 FY2021	125,201,396 shares
FY2020	125,201,396 shares
 - (b) Number of shares of treasury stock at the end of the period

2Q of FY2021	1,523,520 shares
FY2020	1,558,219 shares
 - (c) Average number of shares during the period

2Q of FY2021	123,664,803 shares
2Q of FY2020	123,609,468 shares

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

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.

1. Consolidated Financial Results

(millions of yen)

	Sep. 30, 2018 Amount	Sep. 30, 2019 Amount	Amount	Sep. 30, 2020 YoY	Inc./Dec.
Department Store	228,990	239,670	138,187	(42.3)%	(101,483)
Supermarket	183,911	178,035	141,806	(20.3)%	(36,229)
Shopping Center	4,569	4,152	33,267	701.1%	29,114
Other	26,937	28,851	22,354	(22.5)%	(6,497)
Net Sales	444,408	450,710	335,614	(25.5)%	(115,095)
Department Store	5,619	6,356	(3,456)	-	(9,813)
Supermarket	(1,008)	(1,701)	2,902	-	4,604
Shopping Center	2,299	2,176	(318)	-	(2,495)
Other	3,773	3,264	(1,428)	-	(4,693)
consolidation adjustment	(4,583)	(3,776)	(2,103)	-	1,672
Operating Profit	6,100	6,320	(4,405)	-	(10,725)
Ordinary Profit	6,449	6,574	(4,400)	-	(10,974)
Extraordinary income	267	857	2,394	179.4%	1,537
Extraordinary losses	4,317	2,630	11,468	336.0%	8,838
Profit	139	1,463	(10,102)	-	(11,565)

※Net sales refer to sales to external customers

▶Sales

Consolidated sales of 2Q of FY2021 decreased by 25.5% to ¥335,614 million. Declaration of state of emergency and voluntary restraint of going out due to COVID-19 expansion caused sluggish sales of department stores.

▶Operating Profit and Ordinary profit

The company generated a consolidated operating loss of ¥4,405 million (Operating profit of ¥6,320 million in the previous year) and a consolidated ordinary loss of ¥4,400 million (Ordinary profit of ¥6,574 million in the previous year) on account of a decrease in gross profit led by sales decrease.

(Department store Business)

Cumulative sales of 2Q were ¥138,187 million, decreased by 42.3% YOY.

Due to COVID-19 expansion, a state of emergency was declared in April. Following the declaration, the company decided that some stores would be fully closed temporarily. For other stores, in response to an administrative request, the company decided to close temporarily except food halls. The company re-opened all stores from the end of May with placing the highest priority on the health and safety of our customers and all employees. As a result, sales of department store business decreased by 57.4% YOY in 1Q.

Sales of 2Q decreased by 28.8% YOY.(metropolitan existing stores: -32.4% YOY, Suburban existing stores: -14.1% YoY)

Although the company made its operating hours back to normal and re-started to hold events and sales promotions gradually from 2Q, the number of customers in metropolitan stores remained at a low level due to a decrease in commuters and the continuous trend that elderly people and families refrain from going out on weekends.

On the other hand, stores in suburban areas were comparatively strong since those stores place in neighborhoods and have a high component ratio of food floors.

The company made efforts to reduce costs such as advertising and decoration expenses and business consignment expenses, resulting in a cumulative operating loss of ¥3,456 million (operating profit of ¥6,356 million in the previous year). Hankyu Hanshin department stores, Inc. recorded extraordinary losses of ¥4,243 million, including personnel expenses, rent expenses and depreciation, during the store closure.

(Supermarket Business)

Food manufacturing companies decreased in sales and operating profit in line with the demand decrease of a ready-to-eat meal and the closure of wholesale merchants. On the other hand, operating profit in three companies operating supermarket stores increased by ¥5.2 billion. Existing store sales of Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd. were strong because of the high demand for eating at home associated with the COVID-19 outbreak. Also, Izumiya restructuring affected to increase operating profit.

*Izumiya Co., Ltd. has been divided into three companies on April 1, 2020. The former Izumiya Co., Ltd., which had operated general merchandise stores selling apparel and home products in addition to groceries, was included in the supermarket business segment in the previous fiscal year. The results of the new Izumiya Co., Ltd., which operates only supermarkets, is included in this segment in the current fiscal year.

(Shopping Center Business)

At Hankyu shopping center Development Co., Ltd, sales and operating profit fell due to the closure or shortened opening hours of shopping centers and reduction of rent fees from tenants.

*due to the above mentioned Izumiya Co., Ltd. separation, results of H2O Shopping Center Development Co., Ltd., which operates management of tenants and sales of apparel and home products at Izumiya stores, is included in Shopping center Business segment in the current fiscal year. This is one of the reasons for operating profit decline in this segment.

(Other Business)

Sales and operating profit in Other Business decreased compared with those of the previous year.

At Hankyu Kitchen Yell Kansai, Inc., the grocery home delivery service company, Sales rose by 52.5% YOY led by a growth of members and operating rates due to COVID-19 spread. However, Oi Development Co., Ltd. which operates the business hotel “ours inn Hankyu” decreased operating profit due to a decrease of tourists and business trip use. Also H2O retailing Corporation fell in sales and operating profit since dividends from its subsidiary decreased.

▶ Profit(loss) attributable to owners of parent

While the company recorded extraordinary profit of ¥2,394 million as subsidies for employment adjustment regarding personnel expenses during closing stores, the company recorded extraordinary losses of ¥11,468 million including impairment losses of ¥5,810 million, loss related to COVID-19 of ¥5,022 million, resulted in losses attributable to owners of parent of ¥10,102 million.

(millions of yen)

	Amount	Main contents
Extraordinary income	2,394	(previous 2Q : 857)
Subsidy income	2,394	
Extraordinary losses	11,468	(previous 2Q : 2,630)
Impairment losses	5,810	Kobe Hankyu, Takatsuki Hankyu
Loss related to COVID-19	5,022	Hankyu Hanshin Department stores
Loss on retirement of non-current assets	565	
Loss on store closings and others	69	SELCY rebuilding

2. Consolidated Balance Sheet

	(millions of yen)		
	Sep. 30, 2019	Mar. 31, 2020	Sep. 30, 2020
Cash and deposits	34,291	25,958	27,410
Notes and accounts receivable-trade	52,816	44,445	46,162
Inventory	32,836	29,688	25,891
Total current assets	132,596	112,116	110,830
Total non-current assets	522,684	474,788	485,079
Total assets	655,281	586,904	595,909
Notes and accounts payable-trade	58,165	43,917	41,551
Loans payable and bonds	155,946	151,713	169,980
Total liabilities	375,403	342,270	355,598
Shareholders' equity	238,777	221,732	208,903
Total net assets	279,877	244,634	240,311
Total liabilities and net assets	655,281	586,904	595,909

Total assets of 2Q of FY2021 increased by ¥9,004 million to ¥595,909 million compared with the end of the last fiscal year. This was primarily attributable to an increase in investment securities of ¥12,628 million due to an increase of unrealized gain.

Total liabilities amounted to ¥355,598 million, which rose by ¥13,327 million compared with the end of the last fiscal year. This was mainly attributable to an increase in short-term borrowings of ¥18,500 million, and a decrease in accounts payable of ¥3,941 million and notes and accounts payable of ¥2,365 million.

Total net assets stood at ¥240,311 million, a decline of ¥4,322 million. Although valuation difference on available-for-sale securities increased by ¥9,095 million, and retained earnings decreased by ¥12,883 million due to loss attributed to owners of parent of ¥10,102 million and the payment of dividends of ¥2,472 million and others.

The equity ratio was 40.1%.

3. Capital Investment

	(millions of yen)	
	Amount	Major contents
Department Store	2,326	Rebuilding of Hanshin Umeda Main Store
Supermarket	1,193	Renovation of Izumiya stores, New stores opening of Hankyu Oasis
Shopping Center	1,074	Renovation of Izumiya stores, Renovation of store of Hankyu Shopping Center Development Co., Ltd.
Other	3,788	Software development
consolidation adjustment	(34)	
Total	8,347	

4. Consolidated Cash Flow Statements

	(millions of yen)		
	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2020
Cash flows from operating activities	(1,075)	5,978	(2,796)
Profit before income taxes	2,399	4,801	(13,474)
Depreciation	8,384	8,700	8,695
Impairment loss	305	11	5,810
Decrease (increase) in trade receivables	3,341	(3,064)	(2,148)
Decrease (increase) in inventories	929	1,401	3,689
Increase (decrease) in trade payables	(6,140)	(1,272)	(2,099)
Income taxes paid	(6,115)	(3,374)	(1,157)
Cash flows from investing activities	(25,544)	(17,453)	(10,936)
Purchase of property, plant and equipment	(20,594)	(14,522)	(7,140)
Purchase of intangible assets	(2,100)	(3,808)	(2,282)
Long-term loan advances	(145)	(1,622)	(1,376)
Proceeds from sales of property, plant and equipment	1,060	3,538	77
Cash flows from financing activities	(9,639)	(9,244)	15,325
Net increase (decrease) in short-term borrowings	-	11,000	18,500
Repayments of long-term borrowings	(6,749)	(20,137)	(237)
Proceeds from long-term borrowings	-	98	-
Dividends paid	(2,469)	(2,471)	(2,472)
Total	(36,259)	(20,720)	1,592
Cash and cash equivalents	30,821	34,291	27,410

5. Forecast of FY2021

Consolidated

(millions of yen)

	1Q/2Q		3Q/4Q		FY2021	
	Amount	YOY	Forecast	YOY	Forecast	YOY
Department Store	138,187	(42.3)%	196,812	(15.7)%	335,000	(29.2)%
Supermarket	141,806	(20.3)%	138,193	(21.5)%	280,000	(20.9)%
Shopping Center	33,267	701.1%	29,732	550.2%	63,000	622.0%
Other	22,354	(22.5)%	29,645	(8.4)%	52,000	(15.1)%
Net Sales	335,614	(25.5)%	394,385	(11.7)%	730,000	(18.6)%
Department Store	(3,456)	-	(2,543)	-	(6,000)	-
Supermarket	2,902	-	1,097	-	4,000	-
Shopping Center	(318)	-	(681)	-	(1,000)	-
Other	(1,428)	-	(2,571)	-	(4,000)	-
consolidation adjustment	(2,103)	-	(896)	-	(3,000)	-
Operating Profit	(4,405)	-	(5,594)	-	(10,000)	-
Ordinary Profit	(4,400)	-	(5,599)	-	(10,000)	-
Profit	(10,102)	-	(11,897)	-	(22,000)	-

※Net sales refer to sales to external customers

The company anticipates a decrease in both sales and profit since it will be continuously affected by COVID-19 after 3Q.

Department store business: The company will not see a recovery of sales and anticipate domestic sales will stay at the July-September level, and almost 0 for the inbound sales. As a result, the company sees a decrease in sales and profit.

Supermarket business: Since demand for eating-at-home will remain strong, the company sees the same level of sales in existing stores. The company expects a growth in profit due to the effect of Izumiya restructuring.

Shopping center business: anticipates a decline in profit since it includes the result of H2O shopping center development Co., Ltd. associated with Izumiya restructuring.

Also, the company will strive to promote further business reconstruction and preparation for the new business structure that reflects the post-COVID-19 era, considering the challenging market environment.

For the above reasons, the company anticipates a decrease in sales, operating profit, ordinary profit and profit attributable to owners of parent for FY2021.

Capital Investment

(millions of yen)

	1Q/2Q	3Q/4Q	FY2021	Contents
	Amount	Forecast	Forecast	
Department Store	2,326	5,582	7,908	Rebuilding of Hanshin Umeda Main Store
Supermarket	1,193	2,494	3,687	Renovation of Izumiya stores, New stores opening of Hankyu Oasis
Shopping Center	1,074	1,359	2,433	Renovation of Izumiya stores, Renovation of store of Hankyu Shopping Center Development
Other	3,788	2,216	6,005	Software development
consolidation adjustment	(34)	-	(34)	
Total	8,347	11,652	20,000	

Hankyu Hanshin Department stores, Inc.

(millions of yen)

	1Q/2Q		3Q/4Q		FY2021	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Net Sales	137,063	(37.2)%	195,106	(15.9)%	332,170	(26.3)%
Operating Profit	(3,377)	-	(2,602)	-	(5,980)	-

Gross sales by stores

(millions of yen)

	1Q/2Q		3Q/4Q		FY2021	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Hankyu Main Store ※1	68,050	(45.3)%	100,531	(14.1)%	168,581	(30.1)%
Hanshin Umeda Main Store	11,310	(52.5)%	17,253	(23.5)%	28,563	(38.4)%
Senri Hankyu	5,487	(26.3)%	7,269	(6.4)%	12,757	(16.1)%
Takatsuki Hankyu ※2	7,963	-	9,079	(11.2)%	17,043	66.7%
Kawanishi Hankyu	5,360	(26.6)%	6,876	(8.2)%	12,236	(17.3)%
Takarazuka Hankyu	3,016	(16.7)%	3,421	(8.7)%	6,438	(12.6)%
Nishinomiya Hankyu	8,631	(30.0)%	12,245	(3.2)%	20,877	(16.4)%
Sanda Hankyu	408	(36.6)%	688	(4.5)%	1,096	(19.6)%
Kobe Hankyu ※2	11,379	-	14,998	(20.5)%	26,377	39.8%
Hakata Hankyu	12,324	(50.0)%	18,575	(24.3)%	30,899	(37.2)%
Hankyu Men's Tokyo	3,226	(47.8)%	5,799	(13.5)%	9,025	(30.0)%
Oi Hankyu Food Hall	2,179	1.7%	2,088	(12.9)%	4,267	(6.0)%
Tsuzuki Hankyu ※3	1,364	(36.5)%	1,404	(41.7)%	2,769	(39.3)%
Amagasaki Hanshin	1,292	(7.4)%	1,307	(14.4)%	2,600	(11.0)%
Hanshin Nishinomiya	1,900	(11.2)%	2,016	(13.9)%	3,917	(12.6)%
Hanshin Mikage	209	(16.3)%	202	(26.0)%	412	(21.4)%
Total of branch stores	64,745	(7.9)%	85,973	(15.4)%	150,719	(12.3)%
Total stores	144,105	(34.0)%	203,758	(15.5)%	347,864	(24.3)%
Existing Stores ※4	124,762	(42.9)%	179,680	(15.3)%	304,443	(29.3)%

※1. including Hankyu Men's Osaka

※2. Operating from October 5, 2019. Total of sales including sales in department stores and tenants (¥15,693 million)

※3. terminated operations of the first floor on January 19, 2020

※4. excluding Kobe Hankyu and Takatsuki Hankyu

Izumiya Co., Ltd.

(millions of yen)

	1Q/2Q		3Q/4Q		Total	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Net Sales	67,016	(37.3)%	65,533	(37.0)%	132,549	(37.2)%
Operating Profit	1,993	-	700	-	2,693	-

Hankyu Oasis Co., Ltd.

(millions of yen)

	1Q/2Q		3Q/4Q		Total	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Net Sales	55,949	3.7%	55,000	(0.8)%	110,949	1.4%
Operating Profit	1,139	-	136	(44.7)%	1,276	-

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2020 (as of March 31, 2020)	2Q of FY2021 (as of September 30, 2020)
Assets		
Current assets		
Cash and deposits	25,958	27,410
Notes and accounts receivable -trade	44,445	46,162
Merchandise and finished goods	27,732	24,352
Work in process	348	141
Raw materials and supplies	1,607	1,398
Accounts receivable - other	7,618	6,599
Other	4,740	5,054
Allowance for doubtful accounts	(335)	(287)
Total current assets	112,116	110,830
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	117,976	110,993
Machinery, equipment and vehicles, net	2,964	2,890
Land	139,351	139,152
Construction in progress	1,248	3,404
Other, net	11,624	10,117
Total property, plant and equipment	273,165	266,557
Intangible assets		
Goodwill	3,305	3,032
Other	15,862	15,785
Total intangible assets	19,168	18,818
Investments and other assets		
Investment securities	95,841	108,469
Long-term loans receivable	7,026	8,255
Guarantee deposits	70,425	70,361
Retirement benefit asset	60	338
Deferred tax assets	10,008	13,440
Other	2,020	1,725
Allowance for doubtful accounts	(2,927)	(2,887)
Total investments and other assets	182,454	199,703
Total non-current assets	474,788	485,079
Total Assets	586,904	595,909

	(Millions of yen)	
	FY2020 (as of March 31, 2020)	2Q of FY2021 (as of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	43,917	41,551
Short-term borrowings	15,000	33,500
Current portion of long-term borrowings	18,100	18,000
Accounts payable - other	21,976	18,034
Lease obligations	910	905
Income taxes payable	2,267	1,265
Gift certificates	27,872	27,903
Provision for bonuses	3,953	3,164
Provision for bonuses for directors (and other officers)	90	58
Provision for loss on store closings and others	78	66
Provision for point card certificates	1,951	2,227
Asset retirement obligations	90	116
Other	21,930	23,077
Total current liabilities	158,139	169,873
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	98,613	98,480
Deferred tax liabilities	17,108	20,204
Deferred tax liabilities related to land revaluation	266	266
Provision for retirement benefits for directors (and other officers)	164	172
Provision for redemption of gift certificates	4,233	4,670
Retirement benefit liability	13,993	13,064
Long-term accounts payable - other	287	148
Lease obligations	13,806	13,354
Long-term guarantee deposited	9,632	9,431
Asset retirement obligations	3,165	3,188
Other	2,858	2,744
Total non-current liabilities	184,131	185,725
Total Liabilities	342,270	355,598
Net Assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	92,650	92,639
Retained earnings	114,184	101,300
Treasury shares	(2,899)	(2,833)
Total shareholders' equity	221,732	208,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,435	34,530
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(1,128)	(1,432)
Remeasurements of defined benefit plans	(2,846)	(3,074)
Total accumulated other comprehensive income	21,584	30,148
Share acquisition rights	1,312	1,255
Non-controlling interests	4	4
Total net assets	244,634	240,311
Total Liabilities and Net Assets	586,904	595,909

(2) Consolidated Statements of Income (Second Quarter)

(Millions of yen)

	2Q of FY2020 (From April 1, 2019 to September 30, 2019)	2Q of FY2021 (From April 1, 2020 to September 30, 2020)
Net sales	450,710	335,614
Cost of sales	321,706	237,911
Gross profit	129,004	97,702
Selling, general and administrative expenses	122,683	102,108
Operating profit (loss)	6,320	(4,405)
Non-operating income		
Interest income	78	147
Dividend income	735	864
Gain on adjustment of accounts payable	737	886
Other	531	376
Total non-operating income	2,083	2,274
Non-operating expenses		
Interest expenses	381	392
Loss on provision for redemption of gift certificates	581	733
Share of loss of entities accounted for using equity method	134	492
Other	732	651
Total non-operating expenses	1,829	2,269
Ordinary profit (loss)	6,574	(4,400)
Extraordinary income		
Subsidy income	-	2,394
Gain on sales of non-current assets	840	-
Gain on bargain purchase	17	-
Total extraordinary income	857	2,394
Extraordinary losses		
Impairment losses	11	5,810
Loss related to COVID-19	-	5,022
Loss on retirement of non-current assets	622	565
Loss on store closings and others	367	69
Loss on sales of non-current assets	863	-
Loss on liquidation of business	764	-
Total extraordinary losses	2,630	11,468
Profit (loss) before income taxes	4,801	(13,474)
Income taxes - current	2,192	845
Income taxes - deferred	1,145	(4,217)
Total income taxes	3,337	(3,371)
Profit (loss)	1,463	(10,102)
Profit (loss) attributable to non-controlling interests	0	0
Profit (loss) attributable to owners of parent	1,463	(10,102)

(3) Consolidated Cash Flow Statements

(Millions of yen)

	2Q of FY2020 (From April 1, 2019 to September 30, 2019)	2Q of FY2021 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	4,801	(13,474)
Depreciation	8,700	8,695
Impairment loss	11	5,810
Loss on store closings and others	40	14
Amortisation of goodwill	294	273
Increase (decrease) in allowance for doubtful accounts	(5)	(87)
Increase (decrease) in provision for bonuses	(299)	(749)
Increase (decrease) in provision for bonuses for directors (and other officers)	(57)	(31)
Increase (decrease) in retirement benefit liability	(1,134)	(541)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(19)	16
Increase(decrease) in provision for redemption of gift certificates	127	436
Increase(decrease) in provision for loss on store closings and others	(503)	(12)
Increase(decrease) in provision for point card certificates	405	276
Interest and dividend income	(814)	(1,011)
Interest expenses	381	392
Share of loss (profit) of entities accounted for using equity method	134	492
Loss on retirement of non-current assets	267	190
Loss on liquidation of business	740	-
Decrease (increase) in trade receivables	(3,064)	(2,148)
Decrease (increase) in inventories	1,401	3,689
Increase (decrease) in trade payables	(1,272)	(2,099)
Increase (decrease) in accrued consumption taxes	154	430
Increase (decrease) in gift certificates	(2,248)	37
Increase (decrease) in advances received	2,559	899
Subsidy income	-	(2,394)
Loss related to COVID-19	-	4,535
Other, net	(1,616)	(488)
Sub total	<u>8,983</u>	<u>3,149</u>
Interest and dividend income received	772	995
Interest paid	(373)	(389)
Income taxes paid	(3,374)	(1,157)
Proceeds from subsidy income	-	2,394
Payments associated with loss related to COVID-19	-	(4,510)
Payments associated with extra payments for early retirements	-	(3,279)
Proceeds from insurance income	19	-
Payments associated with disaster loss	(49)	-
Net cash provided by (used in) operating activities	<u>5,978</u>	<u>(2,796)</u>

	(Millions of yen)	
	2Q of FY2020 (From April 1, 2019 to September 30, 2019)	2Q of FY2021 (From April 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,522)	(7,140)
Proceeds from sales of property, plant and equipment	3,538	77
Purchase of intangible assets	(3,808)	(2,282)
Proceeds from sales of intangible assets	0	-
Payments for asset retirement obligations	(80)	(20)
Purchases of investment securities	(1,166)	(129)
Long-term loan advances	(1,622)	(1,376)
Collection of long-term loans receivable	95	94
Payments for guarantee deposits	(458)	(179)
Proceeds from refund of guarantee deposits	1,242	220
Payments from sale of businesses	-	(150)
Payments for acquisition of businesses	(648)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(23)	(47)
Other, net	1	-
Net cash provided by (used in) investing activities	<u>(17,453)</u>	<u>(10,936)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,000	18,500
Proceeds from long-term borrowings	98	-
Repayments of long-term borrowings	(20,137)	(237)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(1)	(0)
Dividends paid	(2,471)	(2,472)
Repayments of lease obligations	(475)	(463)
Proceeds from sale and leaseback transactions	2,742	-
Net cash provided by (used in) financing activities	<u>(9,244)</u>	<u>15,325</u>
Effect of exchange rate change on cash and cash equivalents	<u>(217)</u>	<u>(140)</u>
Net increase(decrease) in cash and cash equivalents	<u>(20,938)</u>	<u>1,452</u>
Cash and cash equivalents at beginning of year	<u>55,229</u>	<u>25,958</u>
Cash and cash equivalents	<u>34,291</u>	<u>27,410</u>

7. Supplementary Information

Consolidated

Selling, general and administrative expenses

(millions of yen)			
	Amount	YoY	Inc./Dec.
Personnel expenses	39,490	(16.5)%	(7,811)
Rent expenses	16,578	(17.0)%	(3,386)
Advertising and decoration expenses	2,007	(67.8)%	(4,232)
Depreciation and amortisation	7,875	(4.4)%	(362)
Business consignment expenses	8,570	(13.9)%	(1,385)
Sales commission	5,378	(15.3)%	(972)
Transportation costs	7,343	(4.3)%	(328)
Others	14,863	(12.4)%	(2,095)
Total	102,108	(16.8)%	(20,575)

Non-operating Income and Expenses

(millions of yen)			
	Amount	YoY	Inc./Dec.
Non-operating income	2,274	9.2%	190
Interest income	147	88.1%	68
Dividend income	864	17.4%	128
Gain on adjustment of accounts payable	886	20.2%	149
Other	376	(29.2)%	(155)
Non-operating expenses	2,269	24.1%	440
Interest expenses	392	2.9%	11
Loss on provision for redemption of gift certificates	733	26.1%	151
Share of loss of entities accounted for using equity method	492	267.0%	357
Other	651	(11.0)%	(80)

Extraordinary Income and Losses

(millions of yen)		
	Amount	Main contents
Extraordinary income	2,394	(previous 2Q : 857)
Subsidy income	2,394	
Extraordinary losses	11,468	(previous 2Q : 2,630)
Impairment losses	5,810	Kobe Hankyu, Takatsuki Hankyu
Loss related to COVID-19	5,022	Hankyu Hanshin Department stores
Loss on retirement of non-current assets	565	
Loss on store closings and others	69	SELCY rebuilding

Hankyu Hanshin Department Stores, Inc.

Overview

(millions of yen)

	Amount	YoY	Inc./Dec.
Net Sales	137,063	(37.2)%	(81,280)
Gross Profit	31,247	(40.3)%	(21,067)
Gross profit/ Net Sales	22.80%	-	(1.16)pt
Other operating revenue	1,330	320.9%	1,014
SG & A	35,955	(21.8)%	(10,041)
SG & A/ Net Sales	26.23%	-	5.17pt
Operating profit	(3,377)	-	(10,012)
Operating profit/ Net Sales	-	-	-

※ Kobe/Takatsuki business segment has been integrated into Hankyu Hanshin Department stores, Inc. from H2O Asset Management Co., Ltd. on October 1, 2019

- ▶ store closure, shortened opening hours and self-restraint of events and sales promotions, due to COVID-19 outbreak.
- ▶ In Hankyu Main store, inbound sales decreased by 93%, and the sales composition ratio reached 2%
- ▶ extraordinary losses amounted to ¥4,243 million including personnel expenses, rent expenses, depreciation and others as loss related to COVID-19

Gross sales by stores, Number of customers, Sales area

(millions of yen, thousands of people, square meters)

	Sales	YoY	Number of customers	YoY	Sales area
Hankyu Main Store ※1	68,050	(45.3)%	9,937	(58.1)%	98,761
Hanshin Umeda Main Store	11,310	(52.5)%	6,285	(59.4)%	27,811
Senri Hankyu	5,487	(26.3)%	1,811	(24.4)%	13,902
Takatsuki Hankyu ※2	7,963	-	3,358	-	38,638
Kawanishi Hankyu	5,360	(26.6)%	2,039	(30.4)%	15,528
Takarazuka Hankyu	3,016	(16.7)%	※5 -	-	6,148
Nishinomiya Hankyu	8,631	(30.0)%	4,365	(33.9)%	25,099
Sanda Hankyu	408	(36.6)%	※5 -	-	2,100
Kobe Hankyu ※2	11,379	-	4,994	-	42,361
Hakata Hankyu	12,324	(50.0)%	5,786	(57.5)%	41,835
Hankyu Men's Tokyo	3,226	(47.8)%	380	(70.9)%	11,378
Oi Hankyu Food Hall	2,179	1.7%	2,171	(18.1)%	2,042
Tsuzuki Hankyu ※3	1,364	(36.5)%	966	(46.1)%	1,917
Amagasaki Hanshin	1,292	(7.4)%	※5 -	-	2,855
Hanshin Nishinomiya	1,900	(11.2)%	1,745	(19.1)%	4,998
Hanshin Mikage	209	(16.3)%	1,978	(18.8)%	804
Total of branch stores	64,745	(7.9)%	29,598	(17.6)%	209,605
Total stores	144,105	(34.0)%	45,821	(39.0)%	336,177
Existing stores ※4	124,762	(42.9)%	37,468	(50.1)%	255,178

※1. including Hankyu Men's Osaka

※2. Operating from October 5, 2019. Total of sales including sales in department stores and tenants (¥7,041 million)

※3. terminated operations of the first floor on January 19, 2020

※4. excluding Kobe Hankyu and Takatsuki Hankyu

※5. not counting the number of customers

Gross Sales of each category

(millions of yen)

	Sales	YoY	Share
Men's clothing	10,117	(45.1)%	7.0%
Women's clothing	15,593	(46.6)%	10.8%
Children's clothing	2,879	(39.2)%	2.0%
Other clothing	2,940	(45.0)%	2.0%
Clothing	31,530	(45.4)%	21.9%
Accessories, bags and others	24,753	(43.7)%	17.2%
Household merchandise	3,644	(45.8)%	2.5%
Foods	48,721	(16.9)%	33.8%
Restaurants & cafes	1,866	(62.5)%	1.3%
General merchandise	25,496	(43.4)%	17.7%
Service	553	(55.8)%	0.4%
Other ※	7,540	-	5.2%
Total	144,105	(34.0)%	100.0%

※ including sales in tenants of Kobe Hankyu and Takatsuki Hankyu (¥7,041 million)

Monthly Sales

	April	May	June	July	August	September
Hankyu Main Store ※1	(85.9)%	(74.4)%	(21.9)%	(24.6)%	(29.5)%	(38.2)%
Hanshin Umeda Main Store	(80.9)%	(72.7)%	(36.1)%	(31.9)%	(36.9)%	(55.8)%
Total of branch stores	(58.2)%	(43.9)%	15.4%	12.6%	16.7%	8.2%
Total	(76.4)%	(64.1)%	(10.9)%	(13.2)%	(15.0)%	(27.0)%
Existing stores ※2	(80.5)%	(69.5)%	(22.5)%	(23.9)%	(26.9)%	(36.3)%

※1. including Hankyu Men's Osaka

※2. excluding Kobe Hankyu and Takatsuki Hankyu

Izumiya Co., Ltd.

Overview

	Amount	YoY	Inc./Dec.	(millions of yen)	
				※YoY	※Inc./Dec.
Net Sales	67,016	(37.3)%	(39,908)	2.6%	1,685
Gross Profit	17,587	(36.4)%	(10,045)		
Gross profit/ Net Sales	26.24%	-	0.40pt		
Other operating revenue	5,904	(20.0)%	(1,473)		
SG & A	21,499	(41.3)%	(15,103)		
SG & A/ Net Sales	32.08%	-	(2.15)pt		
Operating profit	1,993	-	3,584	148.2%	1,190
Operating profit/ Net Sales	3.0%	-	-	-	1.74pt

※ YOY % and Inc./Dec. of Izumiya Co., Ltd stated here is a comparison of new Izumiya Co., Ltd which runs supermarket and the supermarket division of former Izumiya Co., Ltd. (for reference only)

Izumiya Co., Ltd has been divided into three companies on April 1st. New Izumiya Co., Ltd. operates supermarkets, H2O shopping Center Development Co., Ltd. operates management of tenants, sales of apparel and home products, and CFIZ Co., Ltd.(equity method affiliate) operates stores selling medical items, cosmetics and daily necessities.

Number of stores

Total	74
YoY difference	-

Opening and closing stores

Opening	—
Closing	Hamada-cho (Hyogo)

Monthly Sales

	April	May	June	July	August	September	2Q
Existing stores	6.8%	6.1%	(0.2)%	3.5%	5.2%	0.5%	3.6%

※ YOY % of Izumiya Co., Ltd stated here is a comparison of new Izumiya Co., Ltd which runs supermarket and the supermarket division of former Izumiya Co., Ltd. (for reference only)

Hankyu Oasis Co., Ltd.

Overview

(millions of yen)			
	Amount	YoY	Inc./Dec.
Net Sales	55,949	3.7%	1,991
Gross Profit	15,041	6.6%	937
Gross profit/ Net Sales	26.88%	-	0.75pt
Other operating revenue	3,584	4.7%	159
SG & A	17,487	(1.6)%	(279)
SG & A/ Net Sales	31.25%	-	(1.67)pt
Operating profit	1,139	-	1,376
Operating profit/ Net Sales	2.04%	-	-

Number of stores

Total	78
YoY difference	1

Opening and closing stores

Opening	Ibarakiekimae (Osaka)
Closing	Nigawa (Hyogo)

Monthly Sales

	April	May	June	July	August	September	2Q
Existing stores	6.0%	3.3%	(1.4)%	1.8%	4.9%	(1.5)%	2.2%