



Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2024
(Japanese accounting standards)

Aug. 2, 2023

Corporate name: H2O Retailing Corporation Listing Tokyo Stock Exchange
 Securities code 8242 URL <https://www.h2o-retailing.co.jp/en>
 Representative Title: President and Representative Director (Name) ARAKI Naoya
 Inquiries Title: Executive Officers (Name) YOSHIMATSU Hiroyuki (TEL) +81-6-6365-8120
 Scheduled date of filing of the financial report Aug. 10, 2023
 Scheduled date of dividend payment —
 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.)

Consolidated Business Results of the Fiscal Year Ending Mar. 31, 2024 (Apr. 1, 2023 to Jun. 30, 2023)

(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 FY2024	154,813	3.7	4,758	616.4	5,192	178.0	3,371	417.6
1Q of FY2023	149,352	30.7	664	—	1,867	—	651	△89.6

(NOTE) Comprehensive income 1Q of FY2024 10,413Millions of yen (85.0%) 1Q of FY2023 5,627Millions of yen (133.1%)

	Earnings Per share	Earnings Per share (Diluted)
	Yen	Yen
1Q of FY2024	29.11	28.88
1Q of FY2023	5.29	5.25

(2) Consolidated financial Position

	Total assets	Net assets	Owner's Equity ratio
	Millions of yen	Millions of yen	%
1Q of FY2024	682,281	278,678	37.4
FY2023	686,423	272,814	36.2

(Reference) Owner's equity 1Q of FY2024 255,148Millions of yen FY2023 248,821Millions of yen

2. Dividends

	Annual Dividends				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	—	12.50	—	12.50	25.00
FY2024	—				
FY2024 (Forecast)		12.50	—	12.50	25.00

(NOTE) Revision to recently disclosed dividends forecast : None

3. Forecast of Consolidated Business Results for the Fiscal Year Ending Mar. 31, 2024 (Apr. 1, 2023 to Mar. 31, 2024)

(Percentages indicate year-on-year changes for the full fiscal year and year-on-year changes for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings Per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	322,000	5.8	7,000	528.3	6,700	136.3	2,000	△28.3	17.36
Full year	675,000	7.5	19,000	66.8	18,500	42.3	9,500	△42.0	82.46

(Note 1) Revision to recently disclosed consolidated business results forecast : Yes

(Note 2) For the revision of the forecast, please refer to "P.3 2. of Attached Materials: Forecast of FY2024".

(Note 3) 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 FY2022.

Consolidated gross sales, which is equivalent to net sales up to FY2021 excluding the effects of changes in accounting policies, amounted to 496,000 million yen (up 7.5% year on year) for the first half and 1,040,000 million yen (up 6.2% 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 : None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates or restatements

① Changes in accounting policies due to changes in consolidated accounting standards : None

② Changes in accounting policies other than (i) : None

③ Changes in accounting estimates : None

④ Restatement due to correction : None

(4) Number of share issued and outstanding (common shares)

① Number of shares outstanding at the end of the period
(including treasury share)

1Q of FY2024	125,201,396 Shares	FY2023	125,201,396 Shares
--------------	--------------------	--------	--------------------

② Number of treasury shares at the end of the period

1Q of FY2024	9,988,568 Shares	FY2023	8,813,548 Shares
--------------	------------------	--------	------------------

③ Average number of shares outstanding
(quarterly cumulative period)

1Q of FY2024	115,801,719 Shares	1Q of FY2023	123,215,448 Shares
--------------	--------------------	--------------	--------------------

(Note) Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

(Note) Explanations and other special notes concerning the appropriate use of business performance forecasts

• The forecasts of consolidated financial results in this document are based on information available as of the date this document is released. Actual business and other results may differ from the forecasts due to various factors. Please refer to the "P.3 2. of Attached Materials: Forecast of FY2024" for the assumptions upon which forecasts are based and the cautionary statements regarding the use of forecasts.

○Attached Material

1. Status of financial results.....	2
2. Forecast of FY2024.....	3
3. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	6

1. Status of financial results

▶ Sales

Consolidated net sales were ¥154,813 million, 103.7% year on year. Consolidated gross sales, which are equivalent to net sales up to the fiscal year before the application of Accounting Standard for Revenue Recognition, excluding the effects of changes in accounting policies, amounted to ¥244,693 million, 107.4% year on year. In Department Store business, in addition to steady domestic consumption, sales grew due to a recovery in inbound sales. In Supermarket business, sales increased year on year at existing stores due to a rise in unit prices, resulting an increase in overall consolidated sales.

▶ Operating Profit and Ordinary Profit

Operating profit increased significantly to ¥4,758 million, 716.4% year on year and ordinary profit to ¥5,192 million, 278.0% year on year as a result of improved profits in Department Store business due to sales growth and in each segment.

(Department Store business)

Domestic sales were favorable with the downgrading of the position of COVID-19 and society returning to pre-COVID-19 level. Inbound sales also recovered, mainly in high-end items, exceeding 1Q of FY2019 results.

At Hankyu Main Store, sales in all categories increased from the previous year due to further recovery of outgoing needs. Overall sales of fashion, including cosmetics, were strong, and sales of jewelry, watches, and luxury brand fashions continued to grow.

Selling, general and administrative (SG&A) expenses were lower than planned due to efforts to control costs, such as advertising expenses, despite increases in utility expenses and sales related expenses.

As results of the above, gross sales were ¥123,508 million, 113.6% year on year and operating profit was ¥3,296 million, 269.3% year on year.

(Supermarket business)

In Supermarket business, gross sales were ¥103,098 million, 101.8% year on year and operating profit was ¥1,842 million, 432.2% year on year.

At Izumiya · Hankyu Oasis Co., Ltd. and Kansai Super Market Ltd, which operate supermarkets, sales at existing stores increased from the previous year, partly due to the continued upward trend in average spend per customer caused by price hiking. And, in the previous year, sales struggled due to a decline in demand for eating at home as a result of a decrease in the number of people infected with COVID-19, and this year's sales were a reaction to that decline.

Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd. merged in Apr. 2023 to form Izumiya · Hankyu Oasis Co., Ltd. has promoting measures such as centralization of organization and human resources, streamlining of sales headquarters functions, and management of stores by area unit that cross over trade names.

Existing store sales were 103.5% year on year (99.8% for the number of customers, 103.7% for average spend per customer).

In Izumiya and Hankyu Oasis, which are undergoing restructuring, worked to improve productivity by thoroughly implementing chain operations, increase sales and improve gross profit margin by rebuilding merchandising in accordance with the characteristics of each market area, improve gross profit margin by further integrating purchases, and review expenses.

SG&A expenses were lower than both the previous year's result and forecast due to continued efforts to optimize store staff organization through chain operations, and reduced personnel costs more than planned.

Kansai Super Market Ltd. promotes measures based on three categories: health management (e.g. promotion of taking 7 continuous holidays, support for smoking cessation), productivity improvement (e.g. pilot test to expand the number of stores introducing electronic shelf tags), and education (e.g. training sessions for management executives, store managers and division manager to share information and unify their intentions).

Existing store sales were 103.7% year-on-year (99.0% for the number of customers, 104.7% for average spend per customer).

SG&A expenses were lower than the previous year's results and forecasts due to overall cost controls, while utility expenses increased.

Regarding stores remodeling in both companies, three stores were remodeled.

Profits at food manufacturing subsidiaries increased due to growth in specialty store sales at HANKYU delica i, Inc. and Hankyu Bakery Co., Ltd.

(Shopping Center business)

In Shopping Center business, gross sales were ¥8,087 million, 88.7% year on year and operating profit was ¥1,020 million, 171.2% year on year.

In H2O Shopping Center Development Co., Ltd., which operates management of Izumiya Shopping Center and sales of apparel and home products at Izumiya stores, worked to strengthen profitability, optimize expenses, and strengthen collaboration with local communities. Efforts to increase tenant sales and the installation of new event parcels were better than planned, but profits declined due to the reduction of direct operation area and the closure of Izumiya Shopping Center stores.

Oi Development Co., Ltd., which operates business hotels, posted increases in both sales and profits as occupancy rates exceeded 90%, reflecting the success of aggressive efforts to capture demand through flexible pricing measures under recovering both business and tourism demand.

(Other business)

In other business, gross sales were ¥9,998 million, 113.5% year on year and operating profit was ¥2,165 million (operating loss of ¥769 million in the previous year). The impact of COVID-19 eased, and sales of specialty store subsidiary increased. The subsidiary in the other business, which excludes the holding company, posted an increase of ¥177 million, resulting in an increase in profit in the other business.

▶ Profit attributable to owners of parent

Profit attributable to owners of parent was ¥3,371 million, 517.6% year on year due to an extraordinary income of ¥723 million including gain on sales of non-current assets by H2O Shopping Center Development Co., Ltd. and an extraordinary loss of ¥398 million including loss on retirement of non-current assets associated with the renovation of Hankyu Main Store and the remodeling of Kobe Hankyu and Takatsuki Hankyu.

2. Forecast of FY2024

During the first quarter of the consolidated fiscal year (April 1, 2023 to June 30, 2023), consolidated gross sales were generally in line with plans, while SG&A expenses were lower than planned as a result of cost reduction efforts, particularly in Department Store and Supermarket businesses.

As results of the above, consolidated results for the first quarter of the fiscal year exceeded the forecast significantly. Accordingly, we have revised our consolidated forecasts for the first half of the fiscal year and for the full fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	1Q of FY2024 As of Jun. 30, 2023
Assets		
Current assets		
Cash and deposits	58,670	44,740
Notes and accounts receivable - trade	68,572	69,216
Merchandise and finished goods	19,800	20,956
Work in process	149	166
Raw materials and supplies	1,285	1,160
Accounts receivable - other	8,055	8,396
Other	5,306	6,110
Allowance for doubtful accounts	△430	△537
Total current assets	161,408	150,209
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	125,783	126,772
Machinery, equipment and vehicles, net	2,839	2,849
Land	162,665	161,407
Construction in progress	1,465	1,093
Other, net	10,498	10,358
Total Property, plant and equipment, net	303,253	302,481
Intangible assets		
Goodwill	1,690	1,563
Other	18,074	19,739
Total intangible assets	19,764	21,302
Investments and other assets		
Investment securities	101,249	110,022
Long-term loans receivable	11,454	10,289
Guarantee deposits	70,903	70,151
Retirement benefit asset	4,548	4,797
Deferred tax assets	14,901	14,099
Other	1,683	1,656
Allowance for doubtful accounts	△2,743	△2,728
Total investments and other assets	201,997	208,288
Total non-current assets	525,015	532,072
Total assets	686,423	682,281

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	1Q of FY2024 As of Jun. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,674	58,208
Current portion of long-term loans borrowings	15,350	15,350
Accounts payable - other	27,877	23,347
Lease obligations	839	797
Income taxes payable	5,395	733
Gift certificates	8,908	8,924
Advances received	32,820	37,172
Provision for bonuses	4,740	3,596
Provision for directors' bonuses	109	46
Provision for loss on store closings and others	1,947	760
Provision for temporary expenses associated with reforms of human resource	682	142
Asset retirement obligations	570	483
Other	13,139	14,445
Total current liabilities	176,055	164,008
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	143,917	143,792
Long-term accounts payable - other	325	197
Lease obligations	10,280	10,099
Deferred tax liabilities	31,735	34,723
Deferred tax liabilities for land revaluation	266	266
Provision for directors' retirement benefits	207	186
Provision for redemption of gift certificates	3,247	3,287
Long-term guarantee deposited	10,572	10,244
Net defined benefit liability	13,028	12,927
Asset retirement obligations	3,444	3,390
Other	526	478
Total non-current liabilities	237,553	239,594
Total liabilities	413,608	403,602
Net assets		
Shareholders' equity		
Capital shares	17,796	17,796
Capital surplus	94,882	94,692
Retained earnings	105,473	107,389
Treasury shares	△11,938	△13,799
Total shareholders' equity	206,213	206,079
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,925	48,957
Revaluation reserve for land	303	303
Foreign currency translation adjustment	1,188	1,550
Remeasurements of defined benefit plans	△1,808	△1,742
Total accumulated other comprehensive income	42,608	49,068
Share acquisition rights	1,200	1,178
Non-controlling interests	22,792	22,352
Total net assets	272,814	278,678
Total liabilities and net assets	686,423	682,281

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Consolidated income statement for the quarter

1Q consolidated cumulative accounting period

(Millions of yen)

	1Q of FY2023 (Apr. 1, 2022 To Jun. 30, 2022)	1Q of FY2024 (Apr. 1, 2023 To Jun. 30, 2023)
Net sales	149,352	154,813
Cost of sales	87,808	88,054
Gross profit	61,544	66,759
Selling, general and administrative expenses	60,880	62,001
Operating profit	664	4,758
Non-operating income		
Interest income	140	77
Dividend income	627	661
Gain on debt settlement	206	125
Foreign exchange gains	739	71
Other	191	135
Total non-operating income	1,904	1,071
Non-operating expenses		
Interest expenses	245	223
Provision for redemption of gift certificates	162	88
Share of loss of entities accounted for using equity method	114	18
Other	178	307
Total non-operating expenses	701	638
Ordinary profit	1,867	5,192
Extraordinary income		
Gain on sales of non-current assets	-	723
Subsidy income	49	-
Total extraordinary income	49	723
Extraordinary losses		
Loss on retirement of non-current assets	482	398
Loss related to COVID-19	146	-
Expenses for store openings	107	-
Loss on store closings	4	-
Total extraordinary losses	740	398
Profit before income taxes	1,175	5,516
Income taxes - current	512	510
Income taxes-deferred	△85	1,078
Total income taxes	426	1,589
Profit	749	3,927
Profit attributable to non-controlling interests	98	555
Profit attributable to owners of parent	651	3,371

Quarterly Consolidated Statements of Comprehensive Income

1Q consolidated cumulative accounting period

(Millions of yen)

	1Q of FY2023 (Apr. 1, 2022 To Jun. 30, 2022)	1Q of FY2024 (Apr. 1, 2023 To Jun. 30, 2023)
Profit	749	3,927
Other comprehensive income		
Valuation difference on available-for-sale securities	3,910	6,058
Foreign currency translation adjustment	282	166
Remeasurements of defined benefit plans	84	65
Share of other comprehensive income of entities accounted for using equity method	600	195
Total other comprehensive income	4,878	6,486
Comprehensive income	5,627	10,413
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	5,548	9,831
Comprehensive income attributable to non-controlling interests	79	581