



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

Nov. 2, 2023

Company name H2O RETAILING CORPORATION Listing Tokyo Stock Exchange
Securities code 8242 URL <https://www.h2o-retailing.co.jp/en>
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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 Financial Results (Apr. 1, 2023 to Sep. 30, 2023)

(1) Consolidated operating results (Cumulative) (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 FY2024	318,543	4.6	9,897	788.4	10,664	276.1	6,294	125.6
2Q of FY2023	304,425	28.4	1,114	-	2,835	-	2,790	△65.5

(NOTE) Comprehensive income 2Q of FY2024 12,809Millions of yen (△20.7%) FY2023 16,145Millions of yen (22.5%)

	Earnings Per share	Earnings Per share (Diluted)
	Yen	Yen
2Q of FY2024	54.47	54.02
2Q of FY2023	22.64	22.48

(2) Consolidated Financial Position

	Total assets	Net assets	Owner's Equity ratio
	Millions of yen	Millions of yen	%
2Q of FY2024	691,634	281,177	37.1
FY2023	686,423	272,814	36.2

(Reference) Shareholders' equity 2Q of FY2024 256,569Millions 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	-	12.50			
FY2024 (Forecast)			-	15.50	28.00

(Note 1) Revision to recently disclosed dividends forecast : Yes

(Note 2) Breakdown of dividends of FY2024: ¥12.50 Special Payments ¥3.00

(Note 3) Regarding dividends, please refer " Notice regarding difference between Forecast and results for the Second Quarter and Revision of Forecasts and Year-End Dividend Forecasts for the Fiscal Year Ending March 31, 2024."

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

(Percentages indicate year-on-year changes.)

	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
FY2024	680,000	8.3	22,000	93.2	22,500	73.0	13,000	△20.6	112.84

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

(Note 2) Regarding revision of the forecast, please refer to "Notice regarding difference between Forecast and results for the Second Quarter and Revision of Forecasts and Year-End Dividend Forecasts for the Fiscal Year Ending March 31, 2024".

(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 1,050,000 million yen (up 7.2% 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 of 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 ① : None

③ Changes in accounting estimates : None

④ Restatement of due to correction : None

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

① Number of shares outstanding at the end of the period (including treasury stock)	2Q of FY2024	125,201,396Shares	FY2023	125,201,396Shares
② Number of treasury stock at the end of the period	2Q FY2024	9,989,192Shares	FY 2023	8,813,548Shares
③ Average number of shares outstanding (quarterly consolidated cumulative period)	2Q of FY2024	115,549,145Shares	2Q of FY2023	123,218,745Shares

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

* 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.

○Accompanying Materials

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1. Status of financial results

▶ Sales

Consolidated net sales were ¥318,543 million, 104.6% 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 ¥505,189 million, 109.5% year on year. In Department Store Business, in addition to steady domestic sales, inbound sales increased significantly. In Supermarket Business, existing store sales increased year on year due to an increase in unit prices and a recovery in number of customers, resulting an increase in overall consolidated sales.

▶ Operating Profit and Ordinary Profit

Operating profit was ¥9,897 million, 888.4% year on year and ordinary profit was ¥10,664 million, 376.1% year on year), both record highs for the 2Q consolidated cumulative period, due to the improvement in profits accompanying the growth in sales in Department Store Business and the increase in profits in each segment.

(Department Store Business)

Domestic sales continued to make steady progress as the number of customers increased in line with the normalization of economic activities due to the recovery from the COVID-19 disaster. In addition, inbound sales, centered on high-end items, increased significantly, surpassing FY2019 results.

In 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 expenses were lower than planned due to efforts to control advertising and other costs, despite an increase in personnel expenses, utilities expenses, and expenses sales related expenses, such as card fees.

As a result of the above, gross sales were ¥259,140 million, 117.5% year on year and operating profit was ¥7,039 million, 432.9% year on year.

(Supermarket Business)

In Supermarket business, gross sales were ¥210,904 million, 102.5% year on year and operating profit was ¥4,123 million, 250.9% year on year.

Existing store sales at Izumiya Hankyu Oasis Co., Ltd. were 104.0% year on year (number of customers: 101.0%, average spend per customer: 103.0%). Existing store sales at Kansai Super Market Ltd. were 104.6% year on year (number of customers: 100.0%, average spend per customer: 104.5%). Both companies recorded year on year increases in existing store sales due to an increase in average customer spend as a result of price hike and a recovery in number of customers.

To improve sales and margins, in addition to measures to attract customers, such as promoting regular sales promotions on weekdays, we strengthened initiatives for delicatessen items, private-brand products, and priority sales products.

Selling, general and administrative (SG&A) expenses were lower than the results for the previous fiscal year due to efforts to control expenses through the implementation of fixture and other improvements to increase productivity and the optimization of store staff organization.

Profits at food manufacturing subsidiaries increased as Hankyu Delica i Co., Ltd. and Hankyu Bakery Co., Ltd. increased their wholesale sales outside the Group and specialty store sales.

(Shopping Center Business)

Gross sales were ¥15,807 million, 90.3% year on year and operating profit was ¥1,792 million, 206.7% 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, we worked to strengthen profitability, optimize expenses, and strengthen collaboration with local communities. Although sales declined due to the reduction of direct operation area and the

closure of Izumiya Shopping Center stores, efforts to increase tenant sales and the installation of new event parcels were better than planned, and cost control also contributed to the increase in profit. 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 businesses)

Gross sales were ¥19,336 million, 109.0% year on year and operating profit was ¥1,318 million (operating loss of ¥1,563 million in the previous year). Due to the recovery of business environment from COVID-19, sales of specialty store subsidiary increased. The subsidiary in the other business, which excluded the holding company, recorded an increase of ¥321 million in operating profit.

▶ Profit attributable to owners of parent

Profit attributable to owners of parent was ¥6,294 million, 225.6% year on year due to an extraordinary income of ¥988 million including gain on sales of non-current assets by H2O Shopping Center Development Co., Ltd. and an extraordinary loss of ¥1,178 million including loss on retirement of non-current assets of ¥794 million associated with the renovation of Hankyu Main Store and the remodeling of Kobe Hankyu and Takatsuki Hankyu.

2. Forecast of FY2024

Consolidated forecast of FY2024 is as follows, based on the results of the first half of the current fiscal year and the current situation.

(Millions of yen)

	FY2024
Net sales	680,000
Operating profit	22,000
Ordinary profit	22,500
Profit attributable to owners of parent	13,000

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	2Q of FY2024 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	58,670	54,994
Notes and accounts receivable – trade	68,572	67,972
Merchandise and finished goods	19,800	20,019
Work in process	149	189
Raw materials and supplies	1,285	1,017
Accounts receivable – other	8,055	8,036
Other	5,306	5,600
Allowance for doubtful accounts	△430	△627
Total current assets	161,408	157,202
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	125,783	127,621
Machinery, equipment and vehicles, net	2,839	3,326
Land	162,665	161,117
Construction in progress	1,465	1,136
Other, net	10,498	10,464
Total Property, plant and equipment, net	303,253	303,666
Intangible assets		
Goodwill	1,690	1,436
Other	18,074	22,592
Total intangible assets	19,764	24,028
Investments and other assets		
Investment securities	101,249	107,604
Long-term loans receivable	11,454	10,391
Guarantee deposits	70,903	70,100
Retirement benefit asset	4,548	5,047
Deferred tax assets	14,901	14,643
Other	1,683	1,665
Allowance for doubtful accounts	△2,743	△2,716
Total investments and other assets	201,997	206,736
Total non-current assets	525,015	534,432
Total assets	686,423	691,634

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	2Q of FY2024 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,674	70,422
Current portion of long-term loans borrowings	15,350	5,350
Accounts payable - other	27,877	29,832
Lease obligations	839	760
Income taxes payable	5,395	2,812
Gift certificates	8,908	8,809
Advances received	32,820	34,412
Provision for bonuses	4,740	5,793
Provision for directors' bonuses	109	94
Provision for loss on store closings and others	1,947	695
Provision for temporary expenses associated with reforms of human resource	682	-
Asset retirement obligations	570	172
Other	13,139	12,892
Total current liabilities	176,055	172,047
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	143,917	143,706
Long-term accounts payable - other	325	192
Lease obligations	10,280	9,917
Deferred tax liabilities	31,735	33,709
Deferred tax liabilities for land revaluation	266	266
Provision for directors' retirement benefits	207	181
Provision for redemption of gift certificates	3,247	3,321
Long-term guarantee deposits	10,572	10,416
Net defined benefit liability	13,028	12,841
Asset retirement obligations	3,444	3,401
Other	526	455
Total non-current liabilities	237,553	238,409
Total liabilities	413,608	410,457
Net assets		
Shareholders' equity		
Capital shares	17,796	17,796
Capital surplus	94,882	94,695
Retained earnings	105,473	110,312
Treasury shares	△11,938	△13,800
Total shareholders' equity	206,213	209,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,925	46,996
Revaluation reserve for land	303	303
Foreign currency translation adjustment	1,188	1,943
Remeasurements of defined benefit plans	△1,808	△1,676
Total accumulated other comprehensive income	42,608	47,565
Share acquisition rights	1,200	1,248
Non-controlling interests	22,792	23,358
Total net assets	272,814	281,177
Total liabilities and net assets	686,423	691,634

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Consolidated income statement for the quarter
2Q consolidated cumulative accounting period

(Millions of yen)

	2Q of FY2023 (From Apr. 1, 2022 To Sep. 30, 2022)	2Q of FY2024 (From Apr. 1, 2023 To Sep. 30, 2023)
Net sales	304,425	318,543
Cost of sales	177,891	181,496
Gross profit	126,533	137,047
Selling, general and administrative expenses	125,419	127,150
Operating profit	1,114	9,897
Non-operating income		
Interest income	277	155
Dividend income	629	668
Share of profit of entities accounted for using equity method	-	61
Gain on debt settlement	421	346
Foreign exchange gains	1,357	164
Other	401	516
Total non-operating income	3,088	1,912
Non-operating expenses		
Interest expenses	492	446
Provision for redemption of gift certificates	339	273
Share of loss of entities accounted for using equity method	225	-
Other	310	424
Total non-operating expenses	1,367	1,145
Ordinary profit	2,835	10,664
Extraordinary income		
Gain on sale of non-current assets	4,973	988
Subsidy income	55	-
Total extraordinary income	5,029	988
Extraordinary losses		
Loss on retirement of non-current assets	707	794
Office relocation expenses	273	282
Loss on store closings	1,400	101
Loss related to COVID-19	380	-
Loss on withdrawal of system development	279	-
Expenses for store openings	102	-
Total extraordinary losses	3,144	1,178
Profit before income taxes	4,719	10,473
Income taxes - current	1,659	2,350
Income taxes - deferred	△113	329
Total income taxes	1,546	2,680
Profit	3,173	7,793
Profit attributable to non-controlling interests	383	1,498
Profit attributable to owners of parent	2,790	6,294

Quarterly Consolidated Statements of Comprehensive Income
2Q consolidated cumulative accounting period

(Millions of yen)

	2Q of FY2023 (From Apr. 1, 2022 To Sep. 30, 2022)	2Q of FY2024 (From Apr. 1, 2023 To Sep. 30, 2023)
Profit	3,173	7,793
Other comprehensive income		
Valuation difference on available-for-sale securities	11,055	4,131
Foreign currency translation adjustment	574	288
Remeasurements of defined benefit plans	166	130
Share of other comprehensive income of entities accounted for using equity method	1,176	466
Total other comprehensive income	12,972	5,016
Quarterly comprehensive income	16,145	12,809
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	15,792	11,251
Comprehensive income attributable to non-controlling interests	352	1,557