

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

February 10, 2022

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  
 Contact : Gaku Watanabe, Executive Officer  
 TEL : +81-6-6365-8120  
 Scheduled date of filing of the quarterly financial report : February 10, 2022  
 Scheduled date of dividend payment : -  
 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 Third Quarter of the Fiscal Year ending March 31, 2022**  
(From April 1, 2021 to December 31, 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	%
3Q of FY2022	371,303	—	720	—	2,012	—	12,937	—
3Q of FY2021	551,568	(20.5)	(1,008)	—	(101)	—	(8,109)	—

Note : Comprehensive income 3Q of FY2022 12,490 million yen, 949.3% , 3Q of FY2021 1,190 million yen, (62.2)%  
 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
3Q of FY2022	104.56	103.84
3Q of FY2021	(65.57)	—

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2022	695,212	262,865	34.6
FY2021	625,945	229,277	36.4

Reference : Owner's equity 3Q of FY2022 240,722 million yen , 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	—	12.50	—	—	—
FY2022(Forecast)	—	—	—	12.50	25.00

Note : Revision to recently disclosed dividend forecast : No

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

(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	515,000	-	(1,000)	-	500	-	11,000	-	88.90

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 785,000 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

(changes in specified subsidiaries resulting in the change in scope of consolidation) : Yes

Inclusion : Kansai Food Market Ltd.

Exclusion : H2O Asset Management Co., Ltd.

Note : Kansai Super Market Ltd. changed company name to Kansai Food Market Ltd. on February 1, 2022.

(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)

3Q of FY2022 125,201,396 shares

FY2021 125,201,396 shares

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

3Q of FY2022 1,471,401 shares

FY2021 1,469,808 shares

(c) Average number of shares during the period

3Q of FY2022 123,730,782 shares

3Q of FY2021 123,668,633 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

From the beginning of the first quarter of the current fiscal year, 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.

Following the business integration through a share exchange with Kansai Super Market Ltd. , Kansai Super Market Ltd., Kansai Super Premium Co., Ltd. and KS Company Split Preparation Co.,Ltd. were included in the Supermarket Business segment.

Kansai Super Market Ltd. and Kansai Super Premium Co., Ltd. were consolidated in only the balance sheets for the third quarter of the current fiscal year.

### ▶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 3Q of FY2022 was ¥371,303 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 ¥567,149 million yen.

Sales on a real basis increased by 2.8% from the previous fiscal year, despite the closure of stores due to the declaration of the state of emergency and restrict of operations continued from the previous fiscal year.

### ▶Operating Profit and Ordinary Profit

As in the previous fiscal year, COVID-19 affected sales and gross profit, operating profit for the third quarter (October to December) was 5,869 million yen (increased by 72.8% YOY ), and operating profit for the cumulative third quarter (April to December) was 720 million yen (compared to an operating loss of 1,008 million yen in the previous fiscal year).

Ordinary profit for the cumulative third quarter (April to December) was 2,012 million yen (ordinary loss of 101 million yen in the previous fiscal year) , as operating income became profitable.

(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 (43 days at 4 stores in Osaka Prefecture, including both Hankyu and Hanshin main stores and 29 days at 6 stores in Hyogo Prefecture).

From August 2, a state of emergency declared again as the infection had spread. Some stores were refrained from holding events and restricted entry to the food hall, and both Hankyu and Hanshin main stores temporarily closed part of them due to outbreak of COVID-19 cluster.

After a state of emergency lifted, demand for fashion and gift items became active as opportunities to go out and to meet people increased. As a result, sales of all stores increased by 11.0 % YOY in the third quarter (October to December).

Hanshin Umeda Main Store, which had been constructed, pre-opened on October 8, 2021 and full-opened from the first floor to the ninth floor on December 8. New Hanshin Umeda Main Store has strengthened its proposals for all scenes of eating and food floor expanded from three to four floors. Customer response to the new value of the experience was high, resulting in a wide range of customers visiting the store.

As results of above, gross sales was ¥282,457 million, increased by 11.8% YOY and operating profit was ¥1,060 million yen (operating loss of ¥963 million in the previous year).

Gross sales for the third quarter (October to December) was 128,150 million yen , increased by 11.9% YOY, and operating profit was 5,135 million yen , increased by 106.0% YOY.

Hankyu Hanshin Department Store recorded an extraordinary loss of ¥3,652 million, including personnel expenses, rent and depreciation expenses during the period of closure.

(Supermarket business)

Gross sales was ¥225,860 million, increased by 1.1% YOY and operating profit was ¥3,926 million, decreased by 12.1% YOY.

Izumiya Co., Ltd. increased in sales and decreased in profit. Izumiya celebrated its 100th anniversary by selling commemorative products and holding events in collaboration with the local community on the terms of "thankfulness" and "relationship". Existing stores sales decreased by 2.8% YOY (number of customers decreased by 0.4% and average spend per customer decreased by 2.5% YOY). Due to the impact of re-emergence of COVID-19 infection, stores in wide commercial areas struggled, on the other hand, stores in small commercial areas were strong. Super center stores, including Yao and Yawata stores, were renovated during this fiscal year. Selling, general and administrative expenses increased in advertising expenses resuming flyer.

Hankyu Oasis Co., Ltd. decreased in sales and increased operating profit. Due to improvement in gross profit margin, gross profit exceeded increase of selling, general and administrative expenses.

Hankyu Oasis Co., Ltd. worked to strengthen its ability to respond to the market with a basic policy of transforming itself into a highly profitable company. As a result, existing stores sales increased by 0.1% YOY (number of customers increased by 1.0% and average spend per customer decreased by 0.9% YOY). Although stores in urban areas struggled during a state of emergency, existing stores sales increased from the previous year because stores in suburban residential areas were strong.

Sannomiya store newly opened and 4 stores were renovated to change the MD to meet the changing in commercial areas and to improve the customer flow line. Selling, general and administrative expenses, although overhead and other costs were reduced, increased from the previous year similar to Izumiya due to the increase of advertising expenses related to the restrained sales promotion expenses in the previous year.

Sales of manufacturing subsidiaries increased profit due to higher demand for delicatessen and bakery products at food supermarkets as wholesale customers.

(Shopping Center business)

Gross sales was ¥34,748 million, decreased by 32.4% YOY and operating loss was ¥380 million (operating loss of ¥102 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 significantly due to closure of direct operation area and operating profit increased because of cost reduction and conversion to tenant business.

Oi Development Co., Ltd. which operates the business hotel, increased in income and profit due to improvement of operating ratio and reduce cost compared to the previous year.

(Other business)

Gross sales was ¥24,083 million, decreased by 0.1% YOY and operating loss was ¥2,618 million (operating loss of ¥571 million in the previous year).

Operating profits of other business subsidiaries, excluding the Company as the holding company, increased by 1,165 million from the previous year, because 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 income of ¥22,578 million including gain on sales of non-current assets of ¥13,123 million, gain on sales of investment securities of ¥6,485, and gain on bargain purchase of ¥145 million as extraordinary income following the business integration with Kansai Super Market Ltd., extraordinary losses of ¥8,791 million including loss related to COVID-19 of ¥4,040 million.

As a result, profit attributable to owners of parent was ¥12,937 million (loss of ¥8,109 million in the previous year).

Note : Kansai Super Market Ltd. changed its name to Kansai Food Market Ltd. and KS Company Split Preparation Co., Ltd. to Kansai Super Market Ltd. on 1 February, 2022.

2. Forecast of FY2022

The full-year forecast has been changed from the forecast announced on July 28, 2021.

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

-not assuming temporary store closure.

-assuming domestic sales has continued to be affected by the rapid spread of the COVID-19 infection since mid-January and this trend will continue into February beyond.

-assuming inbound sales don't recover significantly in FY2022.

-The company recorded gain on bargain purchase as extraordinary profit following the business integration with Kansai Super Market Ltd.. The amount recorded is based on the provisional accounting method. Hereafter, accounting procedures are carried out in accordance with the Accounting Standard for Business Combinations, etc., in consultation with audit firms, and the amount of negative goodwill is expected to change. If necessary, negative goodwill forecast will be revised and announced.

Note : Kansai Super Market Ltd. changed its name to Kansai Food Market Ltd. on 1 February, 2022.

### 3.Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2021 (as of March 31, 2021)	3Q of FY2022 (as of December 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	49,991	59,484
Notes and accounts receivable -trade	54,385	76,658
Merchandise and finished goods	21,546	23,445
Work in process	118	301
Raw materials and supplies	1,673	1,590
Accounts receivable - other	7,025	6,068
Other	4,811	6,439
Allowance for doubtful accounts	(261)	(479)
<b>Total current assets</b>	<b>139,291</b>	<b>173,508</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	101,873	121,531
Machinery, equipment and vehicles, net	2,539	3,298
Land	139,126	155,886
Construction in progress	8,684	2,102
Other, net	9,161	11,892
<b>Total property, plant and equipment</b>	<b>261,386</b>	<b>294,711</b>
<b>Intangible assets</b>		
Goodwill	2,704	2,324
Other	14,024	14,212
<b>Total intangible assets</b>	<b>16,729</b>	<b>16,536</b>
<b>Investments and other assets</b>		
Investment securities	114,748	105,653
Long-term loans receivable	11,253	15,074
Guarantee deposits	70,029	73,741
Retirement benefit asset	1,898	3,719
Deferred tax assets	11,453	13,111
Other	2,000	1,970
Allowance for doubtful accounts	(2,845)	(2,814)
<b>Total investments and other assets</b>	<b>208,538</b>	<b>210,455</b>
<b>Total non-current assets</b>	<b>486,653</b>	<b>521,704</b>
<b>Total Assets</b>	<b>625,945</b>	<b>695,212</b>

H2O Retailing Corporation(8242)  
Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022

	(Millions of yen)	
	FY2021	3Q of FY2022
	(as of March 31, 2021)	(as of December 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	48,996	80,010
Current portion of long-term borrowings	46,414	37,882
Accounts payable - other	26,890	33,421
Lease obligations	910	1,296
Income taxes payable	1,678	2,392
Gift certificates	28,077	9,836
Advances received	8,611	33,251
Provision for bonuses	3,284	2,497
Provision for bonuses for directors (and other officers)	23	70
Provision for loss on store closings	348	142
Provision for point card certificates	1,854	-
Asset retirement obligations	940	889
Other	16,502	14,262
<b>Total current liabilities</b>	<b>184,531</b>	<b>215,952</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	20,000
Long-term borrowings	122,133	126,368
Deferred tax liabilities	23,805	24,403
Deferred tax liabilities related to land revaluation	266	266
Provision for retirement benefits for directors (and other officers)	172	189
Provision for redemption of gift certificates	4,635	3,066
Retirement benefit liability	12,839	13,406
Long-term accounts payable - other	158	325
Lease obligations	12,883	12,550
Long-term guarantee deposited	9,530	10,566
Asset retirement obligations	3,193	3,639
Other	2,517	1,612
<b>Total non-current liabilities</b>	<b>212,136</b>	<b>216,394</b>
<b>Total Liabilities</b>	<b>396,667</b>	<b>432,347</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Share capital	17,796	17,796
Capital surplus	92,633	95,082
Retained earnings	85,065	95,511
Treasury shares	(2,732)	(2,733)
<b>Total shareholders' equity</b>	<b>192,763</b>	<b>205,657</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	38,668	36,944
Revaluation reserve for land	124	303
Foreign currency translation adjustments	(960)	34
Remeasurements of defined benefit plans	(2,462)	(2,217)
<b>Total accumulated other comprehensive income</b>	<b>35,370</b>	<b>35,065</b>
Share acquisition rights	1,138	1,197
Non-controlling interests	4	20,945
<b>Total net assets</b>	<b>229,277</b>	<b>262,865</b>
<b>Total Liabilities and Net Assets</b>	<b>625,945</b>	<b>695,212</b>

(2) Consolidated Statements of Income (Third quarter)	(Millions of yen)	
	3Q of FY2021 (From April 1, 2020 to December 31, 2020)	3Q of FY2022 (From April 1, 2021 to December 31, 2021)
Net sales	551,568	371,303
Cost of sales	392,785	212,580
Gross profit	158,782	158,723
Selling, general and administrative expenses	159,791	158,003
Operating profit (loss)	(1,008)	720
Non-operating income		
Interest income	262	387
Dividend income	1,405	1,061
Gain on adjustment of accounts payable	1,440	740
Foreign exchange gains	173	997
Other	701	635
Total non-operating income	3,984	3,823
Non-operating expenses		
Interest expenses	616	708
Loss on provision for redemption of gift certificates	1,182	594
Share of loss of entities accounted for using equity method	496	648
Other	782	579
Total non-operating expenses	3,077	2,531
Ordinary profit (loss)	(101)	2,012
Extraordinary income		
Gain on sales of non-current assets	-	13,123
Gain on sales of investment securities	-	6,485
Subsidy income	2,644	2,823
Gain on bargain purchase	-	145
Penalty income	365	-
Total extraordinary income	3,010	22,578
Extraordinary losses		
Loss related to COVID-19	5,124	4,040
Loss on step acquisitions	-	1,753
Loss on retirement of noncurrent assets	1,232	1,288
Expenses for opening new stores	-	636
Loss on closing of stores and others	185	593
Loss on sale of shares of subsidiaries	-	400
Impairment losses	5,810	80
Loss on valuation of investment securities	444	-
Total extraordinary losses	12,797	8,791
Profit (loss) before income taxes	(9,888)	15,799
Income taxes - current	1,164	3,169
Income taxes - deferred	(2,943)	(307)
Total income taxes	(1,779)	2,861
Profit (loss)	(8,109)	12,937
Profit (loss) attributable to non-controlling interests	0	-
Profit (loss) attributable to owners of parent	(8,109)	12,937