



[Translation]

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

Feb. 2, 2024

Company name: H2O RETAILING CORPORATION Listing Tokyo Stock Exchange
 Securities code 8242 URL <https://www.h2o-retailing.co.jp/en>
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 Scheduled date of filing of the financial report Feb. 9, 2024 Scheduled date of dividend payment —
 Preparation of supplementary materials : Yes
 Briefing session on financial results : Yes (For institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results (From Apr. 1, 2023 to Dec. 31, 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	%
3Q of FY2024	495,464	4.3	22,184	134.0	23,919	105.4	17,772	62.2
3Q of FY2023	474,896	27.9	9,481	—	11,642	478.5	10,957	△15.3

(NOTE) Comprehensive income 3Q of FY2024 20,827Millions of yen (△1.2%) 3Q of FY2023 21,089Millions of yen (68.8%)

	Earnings Per share	Earnings Per share (Diluted)
	Yen	Yen
3Q of FY2024	153.94	152.64
3Q of FY2023	89.93	89.25

(2) Consolidated Financial Position

	Total assets	Net assets	Owner's equity ratio
	Millions of yen	Millions of yen	%
3Q of FY2024	719,149	287,555	36.5
FY2023	686,423	272,814	36.2

(Reference) Shareholders' equity 3Q of FY2024 262,687Millions 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 : None

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending Mar. 31, 2024 (From 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	683,000	8.7	24,500	115.1	26,000	99.9	18,000	9.9	156.22

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

(Note 2) Regarding revision of the forecast, please refer to " Notice regarding Revision to Earnings Forecasts for the Fiscal Year Ending Mar. 31, 2024" announced today (Feb. 2, 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 ¥1,060,000 million (up 8.2% year on year) for the full year.

*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 method 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 of due to correction : None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding at the end of the period (including treasury stock)	3Q of FY2024	125,201,396Shares	FY2023	125,201,396Shares
② Number of treasury stock at the end of the period	3Q of FY2024	9,979,890Shares	FY2023	8,813,548Shares
③ Average number of shares outstanding (quarterly consolidated cumulative period)	3Q of FY2024	115,448,924Shares	3Q of FY2023	121,851,187Shares

* 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. Attached Materials: Forecast of FY2024" for the assumptions on which the forecasts are based and notes on the use of the forecasts.

○ Attached Materials

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1. Status of financial results

▶ Sales

Consolidated net sales were ¥495,464 million, 104.3% 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 ¥801,639 million, 109.1% year on year. In Department Store Business, domestic consumption remained steady and inbound sales grew significantly, due in part to the continued positive impact of the external environment, including exchange rate and booming stock market. In Supermarket Business, existing store sales increased year on year due to increase in unit prices and recovery in number of customers, resulting an increase in overall consolidated sales.

▶ Operating profit and ordinary profit

Operating profit was ¥22,184 million, 234.0% year on year and ordinary profit was ¥23,919 million, 205.4% year on year, both record highs for the 3Q consolidated cumulative period, due to the improvement in profits accompanying the growth in sales in Department Store Business and increase in profits in each segment.

(Department Store Business)

Domestic sales remained strong due to strong high-end items sales and an increase in the number of customers as a result of the recovery from COVID-19. Inbound sales reached a record high, partly due to the impact of the depreciation of yen.

In Hankyu Main Store, sales in all categories increased from the previous year. Overall sales of fashion, including cosmetics, were strong, and sales of jewelry, watches, and luxury brand fashions continued to grow, partly due to a boost in inbound sales.

Selling, general and administrative (SG&A) expenses were restrained against expected despite increase in personnel expenses and sales related expenses, such as card fees.

As a result of the above, gross sales were ¥424,663 million, 116.3% year on year and operating profit was ¥16,755 million, 213.3% year on year.

(Supermarket Business)

In Supermarket business, gross sales were ¥323,633 million, 102.6% year on year and operating profit was ¥7,218 million, 158.5% year on year.

To improve sales and margins, in addition to measures to attract customers, such as promoting regular sales promotions on weekdays, we strengthened initiatives for prepared foods, private-brand products, and priority sales products. Existing store sales at Izumiya Hankyu Oasis Co., Ltd. were 104.0% year-on-year (number of customers: 101.9%, average spend per customer: 102.0%), and Kansai Super Market Ltd. were 104.4% (number of customers: 100.4%, average spend per customer: 104.0%). Both companies recorded year-on-year increases in existing store sales due to an increase in average customer spend and a recovery in number of customers as a result of price hiking.

SG&A expenses were restrained against expected due to efforts to control expenses through the implementation of fixture and other improvements to increase productivity and the optimization of store staff organization.

Profit of food manufacturing subsidiaries increased at Hankyu Delica i Co., Ltd. and Hankyu Bakery Co., Ltd. due to growth in wholesale sales outside the Group and sales at specialty stores. In home delivery subsidiaries, sales and profits declined due to operations of new center and the changes of the membership system in Hankyu Kitchen Yale Kansai Inc.

(Shopping Center Business)

Gross sales were ¥24,384 million, 88.7% year on year and operating profit was ¥2,928 million, 174.2% year on year.

At Oi Development Co., Ltd., which operates business hotel, both business and tourist demand for accommodations recovered, and room occupancy rates remained above 90% due to agile pricing policies and efficient operations.

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 to differentiate from other commercial facilities. 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.

(Other Businesses)

Gross sales were ¥28,958 million, 108.8% year on year and operating profit was ¥1,419 million (operating loss of ¥2,318 million in the previous year). The specialty store subsidiaries increased in sales due to the recovery from COVID-19, and the subsidiaries in Other Business, excluding the holding company, recorded an increase of ¥354 million.

▶ Profit attributable to owners of parent

The company recorded extraordinary income of ¥4,421 million including gain on sales of noncurrent assets of former logistic center of Department Store and extraordinary losses of ¥2,718 million including loss on retirement of noncurrent assets of ¥2,095 million associated with the renovation of Hankyu Main Store and the remodeling of Kobe Hankyu and Takatsuki Hankyu. As a result, profit attributable to owners of parent was ¥17,772 million, 162.2% year on year.

2. Earnings Forecast of FY2024

Consolidated forecast of FY2024 is as follows, based on the results of the 3Q of the current fiscal year and the current situation.

(Millions of yen)

	FY2024
Net sales	683,000
Operating profit	24,500
Ordinary profit	26,000
Profit attributable to owners of parent	18,000

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	3Q of FY2024 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	58,670	62,953
Notes and accounts receivable - trade	68,572	89,472
Merchandise and finished goods	19,800	21,773
Work in process	149	104
Raw materials and supplies	1,285	919
Accounts receivable - other	8,055	11,228
Other	5,306	5,618
Allowance for doubtful accounts	△430	△699
Total current assets	161,408	191,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	125,783	127,261
Machinery, equipment and vehicles, net	2,839	3,352
Land	162,665	159,578
Construction in progress	1,465	715
Other, net	10,498	10,427
Total Property, plant and equipment, net	303,253	301,335
Intangible assets		
Goodwill	1,690	1,310
Other	18,074	24,378
Total intangible assets	19,764	25,688
Investments and other assets		
Investment securities	101,249	101,970
Long-term loans receivable	11,454	10,490
Guarantee deposits	70,903	70,053
Retirement benefit asset	4,548	5,316
Deferred tax assets	14,901	13,985
Other	1,683	1,639
Allowance for doubtful accounts	△2,743	△2,701
Total investments and other assets	201,997	200,754
Total non-current assets	525,015	527,777
Total assets	686,423	719,149

(Millions of yen)

	FY2023 (As of Mar. 31, 2023)	3Q of FY2024 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,674	93,064
Current portion of long-term loans borrowings	15,350	5,350
Current portion of bonds payable	—	10,000
Accounts payable - other	27,877	28,994
Lease obligations	839	736
Income taxes payable	5,395	3,667
Gift certificates	8,908	9,239
Advances received	32,820	33,932
Provision for bonuses	4,740	3,055
Provision for directors' bonuses	109	105
Provision for loss on store closings	1,947	756
Provision for temporary expenses associated with reforms of human resource	682	—
Asset retirement obligations	570	143
Other	13,139	16,283
Total current liabilities	176,055	205,330
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term loans borrowings	143,917	143,580
Long-term accounts payable - other	325	187
Lease obligations	10,280	9,740
Deferred tax liabilities	31,735	31,874
Deferred tax liabilities for land revaluation	266	266
Provision for directors' retirement benefits	207	189
Provision for redemption of gift certificates	3,247	3,436
Long-term guarantee deposits	10,572	10,378
Net defined benefit liability	13,028	12,781
Asset retirement obligations	3,444	3,411
Other	526	417
Total non-current liabilities	237,553	226,262
Total liabilities	413,608	431,593
Net assets		
Shareholders' equity		
Capital shares	17,796	17,796
Capital surplus	94,882	94,685
Retained earnings	105,473	120,350
Treasury shares	△11,938	△13,787
Total shareholders' equity	206,213	219,044
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,925	42,648
Revaluation reserve for land	303	303
Foreign currency translation adjustment	1,188	2,301
Remeasurements of defined benefit plans	△1,808	△1,610
Total accumulated other comprehensive income	42,608	43,642
Share acquisition rights	1,200	1,305
Non-controlling interests	22,792	23,562
Total net assets	272,814	287,555
Total liabilities and net assets	686,423	719,149

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

Quarterly consolidated statement of income

3Q consolidated cumulative accounting period

(Millions of yen)

	3Q of FY2023 (From Apr. 1, 2022 to Dec. 31, 2022)	3Q of FY2024 (From Apr. 1, 2023 to Dec. 31, 2023)
Net sales	474,896	495,464
Cost of sales	274,704	279,627
Gross profit	200,191	215,837
Selling, general and administrative expenses	190,710	193,652
Operating profit	9,481	22,184
Non-operating income		
Interest income	414	234
Dividend income	1,114	1,049
Gain on debt settlement	715	680
Foreign exchange gains	1,342	266
Share of profit of entities accounted for using equity method	—	469
Other	629	862
Total non-operating income	4,217	3,562
Non-operating expenses		
Interest expenses	734	666
Provision for redemption of gift certificates	576	549
Share of loss of entities accounted for using equity method	300	—
Other	444	612
Total non-operating expenses	2,055	1,828
Ordinary profit	11,642	23,919
Extraordinary income		
Gain on sale of non-current assets	4,974	4,421
Gain on sale of investment securities	3,819	—
Subsidy income	63	—
Total extraordinary income	8,857	4,421
Extraordinary losses		
Loss on retirement of non-current assets	1,085	2,095
Office relocation expenses	323	295
Impairment losses	—	166
Loss on store closings	1,405	161
Loss related to COVID-19	405	—
Loss on valuation of investment securities	303	—
Loss on withdrawal of system development	279	—
Expenses for store openings	102	—
Total extraordinary losses	3,906	2,718
Profit before income taxes	16,594	25,621
Income taxes - current	3,332	4,833
Income taxes - deferred	1,137	1,039
Total income taxes	4,469	5,872
Profit	12,124	19,749
Profit attributable to non-controlling interests	1,167	1,976
Profit attributable to owners of parent	10,957	17,772

Quarter Consolidated Statements of Comprehensive Income

3Q consolidated cumulative accounting period

(Millions of yen)

	3Q of FY2023 (From Apr. 1, 2022 to Dec. 31, 2022)	3Q of FY2024 (From Apr. 1, 2023 to Dec. 31, 2023)
Profit	12,124	19,749
Other comprehensive income		
Valuation difference on available-for-sale securities	6,971	△230
Foreign currency translation adjustment	576	401
Remeasurements of defined benefit plans	249	195
Share of other comprehensive income of entities accounted for using equity method	1,166	712
Total other comprehensive income	8,964	1,078
Quarterly comprehensive income	21,089	20,827
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	19,926	18,807
Comprehensive income attributable to non-controlling interests	1,163	2,020