Financial Results
3rd Quarter of FY2018



H2O RETAILING CORPORATION

January 31,2019

I . Consolidated Financial Results

Overview

(millions of yen)

	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018		
	Amount	Amount	Amount	YoY	Inc./Dec.
Net Sales	680,598	689,206	700,406	1.6%	+ 11,199
Operating Profit	17,135	17,975	16,277	-9.4%	- 1,697
Ordinary Profit	16,634	19,645	16,989	-13.5%	- 2,655
Profiit	14,446	15,194	6,227	-59.0%	- 8,967

Segment information

(millions of yen)

	Net Sales		Operating Profit		
	Amount	YoY	Amount	YoY	Inc./Dec.
Department Store	338,114	1.8%	13,247	- 4.5%	- 618
Kobe/Takatsuki	32,324	154.9%	238	- 53.2%	- 270
Supermarket	282,304	- 4.8%	461	- 43.3%	- 352
Shopping Center	6,663	- 16.6%	3,346	- 13.9%	- 540
Other	40,998	2.4%	4,628	34.6%	+ 1,189
consolidation adjustment	-	-	- 5,644	-	- 1,104
Total	700,406	1.6%	16,277	- 9.4%	- 1,697

▶ Dpt : increase in sales of Hankyu Main Store, decrease in profit because of reconstruction of Hanshin Umeda Main Store
▶ Kobe/Takatsuki: no record of the first half of previous year (acquired business on October, 2017)
▶ SM : decrease in profit because of reconstruction of GMS stores and struggling sales in non-food categories of existing stores in Izumiya

Ⅱ. Selling, general and administrative expenses

(millions of yen)

	Amount	YoY	Inc./Dec.
Personnel expenses	71,430	-0.3%	- 232
Rent expenses	29,627	5.1%	+ 1,431
Advertising and decoration expenses	11,108	3.1%	+ 332
Depreciation and amortisation	12,109	7.4%	+ 832
Business consignment expenses	14,498	2.3%	+ 320
Sales commission	9,477	0.7%	+ 63
Transportation costs	12,183	8.0%	+ 907
Others	25,050	1.3%	+ 326
Total	185,486	2.2%	+ 3,981

▶ Increase by 5.7 billion yen at Kobe/Takatsuki business

Ⅲ. Non-operating Income and Expenses

(millions of yen)

	Amount	YoY	Inc./Dec.
Non-operating income	3,172	-18.4%	- 713
Interest income	60	-63.7%	- 106
Dividend income	1,311	7.6%	+ 93
Gain on adjustment of accounts payable	1,147	13.1%	+ 132
Foreign exchange gains	-	-	- 508
Other	653	-33.2%	- 324
Non-operating expenses	2,461	11.0%	+ 244
Interest expenses	654	-16.3%	- 127
Loss on provision for redemption of gift certificates	887	19.2%	+ 143
Other	918	33.1%	+ 228

Ⅳ. Extraordinary Income and Losses

(millions of yen)

	Amount	Main contents
Extraordinary income	577	(previous 3Q : 5,151)
Insurance income	577	Insurance for loss on disaster
Extraordinary losses	6,070	(previous 3Q : 2,277)
Loss on closing of stores and others	1,962	Izumiya, Hankyu Oasis
Loss on disaster	1,350	earthquake, typhoon
Loss on retirement of non-current assets	736	Hankyu Hanshin Department Stores, Izumiya
Outplacement expenses	672	Hankyu Hanshin Department Stores
Loss on transfer of business	546	Apparel and sports business of Be-U
Expenses for opening new stores	495	Hanshin Umeda Main Store
Impairment losses	305	Izumiya

V. Consolidated Balance Sheet

(millions of yen)

	Dec. 31, 2017	Mar. 31, 2018	Dec. 31, 2018
Cash and deposits	58,153	67,150	49,272
Accounts receivable-trade	62,705	46,939	63,645
Inventory	39,459	35,295	37,048
Total current assets	170,823	160,167	163,586
Total non-current assets	512,805	499,415	505,823
Total assets	683,629	659,582	669,409
Accounts payable-trade	80,140	62,794	80,038
Interest-bearing debt	143,676	149,493	156,984
Total liabilities	394,702	378,774	389,292
Shareholders' equity	242,923	242,390	243,786
Total net assets	288,927	280,807	280,117
Total liabilities and net assets	683,629	659,582	669,409

Ⅵ. Department store business

Hankyu Hanshin Department Stores, Inc.

(millions of yen)

	Amount	YoY	Inc./Dec.
Net Sales	338,000	1.8%	+ 6,079
Gross Profit	82,461	1.1%	+ 900
Gross profit / Net Sales	24.40%	-	-0.18pt
Other operating revenue	428	- 17.3%	- 89
SG & A	69,615	2.1%	+ 1,421
SG & A/ Net Sales	20.60%	-	+0.05pt
Operating profit	13,275	- 4.4%	- 611
Operating profit / Net Sales	3.93%	-	-0.26pt

Inc./Dec. of major stores

Hankyu Main Store	+8,901
Hakata Hankyu	+4,044
Hanshin Umeda Main Store	-2,735
Sakai Kita-Hanada Hankyu ※closed on July 31,2017	-3,809

▶ Hankyu Main Store : Inbound sales were up about 17%. Sales composition ratio reached 12%.
▶ Hanshin Umeda Main Store: Reconstructed wing I opened on July 1, 2018. Sales area decreased temporarily by approximately 20%.

Sales, Number of customers

(millions of yen, thousands of people)

	Sales	YoY	Number of customers	YoY
Hankyu Main Store ※1	187,157	5.0%	37,460	0.3%
Hanshin Umeda Main Store	38,780	-6.6%	25,108	19.1%
Senri Hankyu	12,144	-1.6%	3,670	-1.7%
Kawanishi Hankyu	11,886	-2.0%	4,520	-3.5%
Takarazuka Hankyu	5,705	-1.2%	※2 -	-
Nishinomiya Hankyu	19,057	-0.6%	9,933	1.1%
Sanda Hankyu	1,049	-2.3%	※2 -	-
Hakata Hankyu	38,283	11.8%	20,750	1.3%
Hankyu Men's Tokyo	10,952	4.1%	1,897	-2.2%
Oi Hankyu Food Hall	3,426	-1.4%	4,112	-2.7%
Tsuzuki Hankyu	3,527	-2.3%	2,796	-1.4%
Amagasaki Hanshin	2,222	1.4%	※2 -	-
Hanshin Nishinomiya	3,401	0.4%	3,246	8.3%
Hanshin Mikage	404	-0.9%	3,702	-1.3%
Total of branch stores	112,061	-0.1%	54,631	-3.3%
Total stores	338,000	1.8%	117,200	2.0%
Exsiting stores ※3	338,000	3.0%	117,200	3.8%

Monthly sales

	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Hankyu Main Store ※1	10.8%	7.8%	4.5%	0.0%	8.7%	0.6%	6.8%	0.0%	7.2%
Hanshin Umeda Main Store	6.8%	-16.6%	15.1%	-12.4%	-3.9%	-16.0%	-6.8%	-11.2%	-8.3%
Total of branch stores	-1.5%	-6.7%	-1.7%	-10.5%	7.0%	5.7%	6.6%	1.5%	2.7%
Total	6.0%	-0.5%	3.6%	-5.2%	6.6%	-0.2%	5.0%	-0.8%	3.9%
Existing stores	8.0%	2.3%	6.4%	-2.0%	-	-	-	-	-
Total (not including Hanshin Umeda Main Store)	-	-	-	-	8.0%	2.4%	6.7%	0.6%	5.5%

※1. including Hankyu Men's Osaka
※2. not counting the number of customers
※3. not including Sakai Kitahanada Hankyu(closed on July 31, 2017)

Sales of each category (millions of yen)

	Sales	YoY	Share
Men's clothing	30,886	4.2%	9.1%
Women's clothing	47,240	-2.9%	14.0%
Children's clothing	7,364	-4.3%	2.2%
Other clothing	8,594	-7.8%	2.5%
Clothing	94,086	-1.3%	27.8%
Accessories, bags and others	63,662	5.1%	18.8%
Household merchandise	10,155	-2.8%	3.0%
Foods	96,706	-2.0%	28.6%
Restaurants & cafes	7,390	5.5%	2.2%
General merchandise	63,278	10.5%	18.7%
Service	1,638	13.2%	0.5%
Other	1,080	-6.6%	0.3%
Total	338,000	1.8%	100.0%

Ⅶ. Supermarket business

Izumiya Co., Ltd.

(millions of yen)

	Amount	YoY	Inc./Dec.
Net Sales	167,724	-6.5%	- 11,727
Gross Profit	44,551	-6.2%	- 2,941
Gross profit/ Net Sales	26.56%	-	+0.10pt
Other operating revenue	11,170	2.4%	+ 261
SG & A	56,019	-3.3%	- 1,928
SG & A/ Net Sales	33.40%	-	+1.11pt
Operating profit	- 296	-	- 751
Operating profit / Net Sales	-	-	-

Store sales (YoY)

	Existing stores
Foods	-3.2%
Clothing	-7.2%
Household goods	-11.4%
Total	-5.1%

Numbers of stores

	Number of stores
Total	85
YoY difference	+ 4

▶ opened 4 stores, 2 GMS stores are under reconstruction
▶ Decrease in sales of household goods : switch sales area from direct operation to tenant

Opening and closing stores

Opening	Kishinosato (Osaka), Suminodo(Osaka), Shonai(Osaka), Fushimi(Kyoto)
Closing	Daitoh (Osaka), Shonai(Osaka)

Monthly sales

	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Total	-11.2%	-11.2%	-6.6%	-6.1%	-7.2%	-4.2%	-5.9%	-5.7%	-4.6%
Existing stores	-7.0%	-8.4%	-3.7%	-3.5%	-4.9%	-1.2%	-5.4%	-6.1%	-6.1%

Hankyu Oasis Co., Ltd.

(millions of yen)

	Amount	YoY	Inc./Dec.
Net Sales	86,507	-3.3%	- 2,924
Gross Profit	21,957	-3.6%	- 813
Gross profit / Net Sales	25.38%	-	-0.08pt
Other operating revenue	5,093	-0.8%	- 39
SG & A	26,716	-3.6%	- 992
SG & A/ Net Sales	30.88%	-	-0.10pt
Operating profit	334	71.6%	+ 139
Operating profit / Net Sales	0.39%	-	+0.17pt

Store sales (YoY)

	Existing stores
Total	-1.2%

Number of stores

	Number of stores
Total	75
YoY difference	- 7

(excluding Ibaraki Higashi Nara which is temporarily closed)

▶ Decrease in sales : number of stores decreased by 7

Opening and closing stores

Opening	Kitchen & Market Lucua Osaka (Osaka), Nakanoshima (Osaka)
Closing	Fushimi (Kyoto) ※Qanat Co., Ltd. acquired business Shinpoin(Osaka), Minami-Ibaraki(Osaka), Imazato(Osaka)

Monthly sales

	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Total	-2.6%	-3.6%	-2.4%	-3.8%	-3.2%	-3.0%	-2.2%	-4.0%	-4.4%
Existing stores	-4.5%	-3.3%	-0.6%	0.3%	1.0%	1.2%	0.2%	-2.2%	-2.5%