Consolidated Financial Statements of the Fiscal Year Ending March 31, 2021

(Japanese accounting standards)

May 11, 2021

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 shareholders' meeting : June 22, 2021
Scheduled date of filing of the financial report : June 22, 2021
Scheduled date of dividend payment : June 1, 2021
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.)

1. Consolidated Business Results of the Fiscal Year ending March 31, 2021 (From April 1, 2020 to March 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	%
FY2021	739,198	(17.6)	(4,438)	—	(2,907)	—	(24,791)	—
FY2020	897,289	(3.2)	11,171	(45.3)	11,831	(44.7)	(13,150)	—

Note : Comprehensive income FY2021 (11,005) million yen, - % , FY2020 (30,174) million yen, - %

	Net Income per Share	Net Income per Share(Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2021	(200.45)	—	(10.5)	(0.5)	(0.6)
FY2020	(106.38)	—	(5.0)	1.9	1.2

Reference : Share of profit(loss) of entities accounted for using equity method FY2021 (561) million yen , FY2020 (226) million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2021	625,945	229,277	36.4	1,843.78
FY2020	586,904	244,634	41.5	1,967.90

Reference : Owner's equity FY2021 228,134 million yen , FY2020 243,317 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2021	12,755	(20,761)	31,859	49,991
FY2020	9,871	(22,451)	(16,440)	25,958

2. Dividends

	Annual Dividends					Total Dividends Payment (Annual)	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2020	—	20.00	—	20.00	40.00	4,944	—	1.9
FY2021	—	12.50	—	12.50	25.00	4,018	—	1.3
FY2022(Forecast)	—	—	—	—	—		—	

Note : The forecast of dividends for the fiscal year ending March 31, 2022 yet to be determined

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

The forecast of consolidated business results for the fiscal year ending March 31, 2022 yet to be determined because it is difficult to forecast reasonably the magnitude and duration of the impact of re-expansion of COVID-19 pandemic. The company will disclose them as soon as it becomes possible to reasonably forecast.

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) : No

(2) Changes in accounting policies, changes in accounting estimates or restatements
(a) Changes in accounting policies due to changes in consolidated accounting standards : No
(b) Changes other than (a) : Yes
(c) Changes in accounting estimates : No
(d) Restatements due to correction : No

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares issued at the end of the period (including treasury stock)

FY2021	125,201,396 shares
FY2020	125,201,396 shares

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

FY2021	1,469,808 shares
FY2020	1,558,219 shares

(c) Average number of shares during the period

FY2021	123,680,359 shares
FY2020	123,615,772 shares

Note : These consolidated financial results are outside the scope of audit by certified public accountants or auditing firms
Note : Explanation regarding the appropriate use of forecast

The forecast of consolidated business results for the fiscal year ending March 31, 2022 yet to be determined because it is difficult to forecast reasonably the magnitude and duration of the impact of re-expansion of COVID-19 pandemic. Please refer to the attachment document "5. Forecast of FY2022" for more detail.

1. Consolidated Financial Results

(millions of yen)

	Mar. 31, 2019 Amount	Mar. 31, 2020 Amount	Mar. 31, 2021 Amount	YoY	Inc./Dec.	versus forecast	Inc./Dec.
Department Store	494,608	473,225	347,768	(26.5)%	(125,457)	3.8%	12,768
Supermarket	367,580	354,115	281,116	(20.6)%	(72,999)	0.4%	1,116
Shopping Center	8,736	8,725	63,262	625.1%	54,537	0.4%	262
Other	55,948	61,222	47,051	(23.1)%	(14,171)	(9.5)%	(4,948)
Net Sales	926,872	897,289	739,198	(17.6)%	(158,090)	1.3%	9,198
Department Store	17,883	11,486	(1,903)	-	(13,390)	-	4,096
Supermarket	(438)	(2,503)	4,170	-	6,674	4.3%	170
Shopping Center	4,281	4,141	(113)	-	(4,254)	-	886
Other	5,030	2,903	(2,690)	-	(5,594)	-	1,309
consolidation adjustment	(6,335)	(4,856)	(3,901)	-	955	-	(901)
Operating Profit	20,422	11,171	(4,438)	-	(15,610)	-	5,561
Ordinary Profit	21,376	11,831	(2,907)	-	(14,738)	-	7,092
Extraordinary income	895	1,707	3,049	78.6%	1,342		
Extraordinary losses	14,221	22,875	24,172	5.7%	1,296		
Profit	2,162	(13,150)	(24,791)	-	(11,640)	-	(2,791)

※Net sales refer to sales to external customers

▸Sales

Consolidated sales decreased by 17.6% to ¥739,198 million. Due to COVID-19, declaration of state of emergency (April,2020 and January,2021) and voluntary restraint of going out caused sluggish sales of department stores.

▸Operating Profit and Ordinary profit

The company generated a consolidated operating loss of ¥4,438 million (Operating profit of ¥11,171 million in the previous year) and a consolidated ordinary loss of ¥2,907 million (Ordinary profit of ¥11,831 million in the previous year) on account of a decrease in gross profit led by sales decrease.

(Department store Business)

Cumulative sales were ¥347,768 million, decreased by 26.5% YOY.

Due to COVID-19 expansion, a state of emergency was declared in April,2020. Following the declaration, the company decided that some stores would be fully closed temporarily and close temporarily except food halls for other stores. The company re-opened all stores from the end of May with placing the highest priority on the health and safety of our customers and all employees.

The company made its operating hours back to normal and re-started to hold events and sales promotions gradually from 2Q. There were signs of a recovery in the trend at a time when the number of newly infected people was on a downward trend. Due to the re-expansion of the “second wave” of infections in July,2020 and the re-declaration of state of emergency in January,2021 following the "third wave“, the number of customers of commuters to offices, seniors and families decreased. As a result, the number of customers has remained at a low level in the metropolitan area. On the other hand, stores in suburban areas were comparatively strong since those stores place in neighborhoods of residential area and have a high component ratio of food floors.

The company made efforts to reduce costs such as advertising and decoration expenses and business consignment expenses, resulting in a cumulative operating loss of ¥1,903 million (operating profit of ¥11,486 million in the previous year).

（Supermarket Business）

Food manufacturing companies decreased in sales and operating profit in line with the demand decrease of a ready-to-eat meal and the closure of wholesale merchants. On the other hand, operating profit in three companies operating supermarket stores increased by ¥7,932 million. Existing store sales of Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd. were good because of the high demand for eating at home associated with the COVID-19 outbreak. Also, Izumiya restructuring had the effect of increasing operating profit.

*Izumiya Co., Ltd. was divided into three companies on April 1, 2020. The former Izumiya Co., Ltd., which had operated general merchandise stores selling apparel and home products in addition to groceries, was included in the supermarket business segment in the previous fiscal year. The results of the new Izumiya Co., Ltd., which operates only supermarkets, is included in this segment in the current fiscal year.

（Shopping Center Business）

Cumulative sales increased and profit decreased because H2O Shopping Center Development Co., Ltd., which operates management of tenants and sales of apparel and home products at Izumiya stores, is included in this segment in the current fiscal year due to the above mentioned Izumiya Co., Ltd separation.

At Hankyu shopping center Development Co., Ltd, operating profit fell due to the closure or shortened opening hours of shopping centers and reduction of rent fees from tenants.

（Other Business）

Sales and operating profit in Other Business decreased compared with those of the previous year.
At Hankyu Kitchen Yell Kansai, Inc., the grocery home delivery service company, sales rose by 39.6% YOY led by a growth of members and operating rates due to COVID-19 spread. However, Oi Development Co., Ltd. which operates the business hotel “ours inn Hankyu” decreased operating profit due to a decrease of tourists and business trip use. Also H2O retailing Corporation fell in operating profit since dividends from its subsidiary decreased

▸Profit(loss) attributable to owners of parent

While the company recorded extraordinary profit of ¥2,683 million as subsidies for employment adjustment regarding personnel expenses during closing stores, the company recorded extraordinary losses of ¥24,172 million including impairment losses of ¥14,771 million and loss related to COVID-19 of ¥5,353 million, resulted in losses attributable to owners of parent of ¥24,791 million.

(millions of yen)

	Amount	Main contents
Extraordinary income	3,049	(previous 4Q : 1,707)
Subsidy income	2,683	Employment adjustment subsidies
Penalty income	366	Termination fees from tenants who leave the space in the middle of the lease term
Extraordinary losses	24,172	(previous 4Q : 22,875)
Impairment losses	14,771	Kobe Hankyu, Takatsuki Hankyu, Izumiya
Loss related to COVID-19	5,353	Hankyu Hanshin Department stores
Loss on store closings and others	2,103	Izumiya
Loss on retirement of non-current assets	1,944	

2. Consolidated Balance Sheet

(millions of yen)

	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Cash and deposits	55,229	25,958	49,991
Notes and accounts receivable-trade	49,886	44,445	54,385
Inventory	33,920	29,688	23,339
Total current assets	150,003	112,116	139,291
Total non-current assets	513,331	474,788	486,653
Total assets	663,335	586,904	625,945
Notes and accounts payable-trade	59,732	43,917	48,996
Loans payable and bonds	164,920	151,713	188,547
Total liabilities	383,731	342,270	396,667
Shareholders' equity	239,755	221,732	192,763
Total net assets	279,603	244,634	229,277
Total liabilities and net assets	663,335	586,904	625,945

Total assets of FY2021 increased by ¥39,040 million to ¥625,945 million compared with the end of the last fiscal year. This was primarily attributable to an increase in cash and deposits of ¥24,033 million due to an increase in loans payable and an increase in investment securities of ¥18,907 million due to an increase of unrealized gain.

Total liabilities amounted to ¥396,667 million, which rose by ¥54,397 million compared with the end of the last fiscal year. This was mainly attributable to an increase in loans payable and bonds of ¥36,834 million, and an increase in notes and accounts payable-trade of ¥5,078 million.

Total net assets stood at ¥229,277 million, a decline of ¥ 15,356 million. Although valuation difference on available-for-sale securities increased by ¥13,233 million, retained earnings decreased by ¥24,791 million due to loss attributed to owners of parent.

3. Capital Investment

(millions of yen)

	Amount	Major contents
Department Store	10,305	Rebuilding of Hanshin Umeda main store
Supermarket	3,690	Renovation of Izumiya stores, New stores opening of Hankyu Oasis
Shopping Center	2,728	Renovation of Izumiya stores, Renovation of store of Hankyu Shopping Center Development Co., Ltd.
Other	6,053	Software development
consolidation adjustment	△ 78	
Total	22,699	

4. Consolidated Cash Flow Statements

(millions of yen)

	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Cash flows from operating activities	15,392	9,871	12,755
Income before income taxes	8,050	(9,337)	(24,030)
Depreciation	17,399	18,519	18,141
Impairment losses	2,592	14,196	14,771
Decrease (increase) in trade receivables	(3,017)	4,857	(10,365)
Decrease (increase) in inventories	968	3,783	6,248
Increase (decrease) in trade payables	(2,249)	(14,955)	5,326
Income taxes paid	(7,304)	(5,525)	(1,858)
Cash flows from investing activities	(36,682)	(22,451)	(20,761)
Purchase of property, plant and equipment	(30,289)	(26,675)	(13,952)
Purchase of intangible assets	(3,713)	(6,938)	(4,087)
Long-term loan advances	(696)	(2,685)	(4,402)
Proceeds from sales of property, plant and equipment	1,412	9,138	1,429
Cash flows from financing activities	9,581	(16,440)	31,859
Net increase (decrease) in short-term borrowings	8,000	7,000	(15,000)
Repayments of long-term borrowings	(22,624)	(20,375)	(18,175)
Proceeds from long-term borrowings	20,040	98	70,000
Dividends paid	(4,941)	(4,944)	(4,018)
Total	(11,707)	(29,020)	23,853
Cash and cash equivalents	55,229	25,958	49,991

Indicators related to cash flows

	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Equity ratio	41.2%	42.4%	42.0%	41.5%	36.4%
Equity ratio based on market price	34.6%	36.4%	28.7%	16.7%	18.1%
Interest-bearing debt to cash flow ratio	4.3	4.9	11.3	16.9	15.9
Interest coverage ratio	36.1x	32.5x	21.1x	12.9x	16.6x

Equity ratio: Equity / Total Assets
Equity ratio based on market price：Market Capitalization / Total Assets
Interest-bearing debt to cash flow ratio： Interest-bearing debt / Operating Cash flows
Interest coverage ratio：Operating Cash flows / Interest payment

※1 These indicators are calculated based on figures from our consolidated financial statement.
※2 Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
※3 Operating cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Further, regarding interest payments, the amount of interest expenses paid in consolidated statements of cash flows is used.
※4 “Partial Amendments to the Accounting Standard for Tax Effect Accounting” (ASBJ No.28; February 16, 2018), etc. have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2019, and results for previous terms are those after retrospective application.

5. Forecast of FY2022

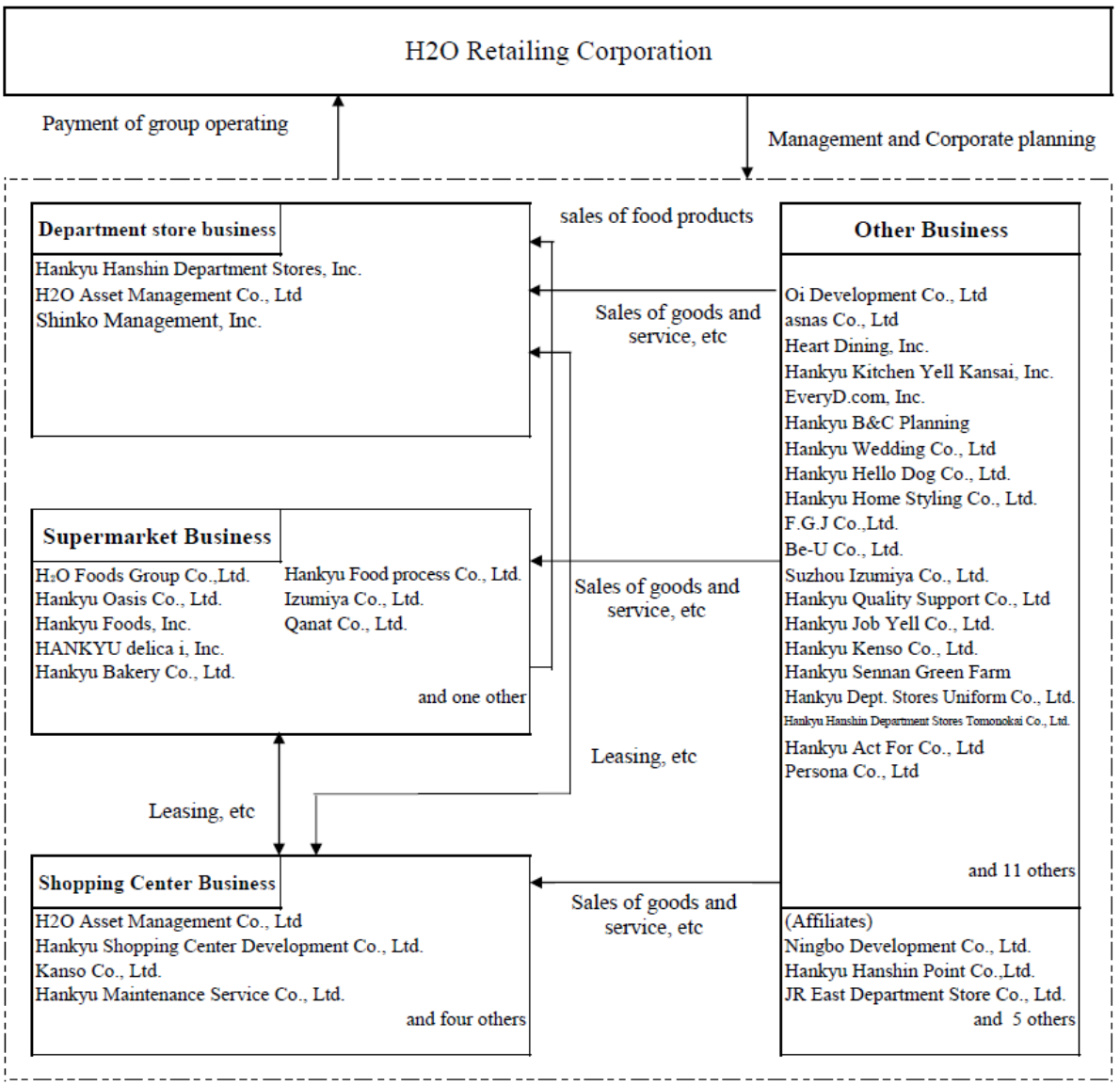
The Company has continued to refrain from business operations with the exception of food and other daily necessities, in response to the declaration of the state of emergency on April 25, 2021 and the requests from Osaka, Hyogo, Kyoto and Tokyo prefectures to refrain from business operations.

Under these circumstances, the Company has not yet determined the consolidated earnings and dividend forecasts for the fiscal year ending March 31, 2022, as it is difficult and premature to reasonably predict future business performance and that it may cause confusion among shareholders and investors.

For the time being, in each business, the Company will develop our business on the requests from the government and local governments, and will prioritize the safety and health of our customers and employees. In addition, as an emergency response to the significant decrease in sales due to the self-restraint in business, we will further reduce expenses, especially sales promotion expenses.

6. Subsidiaries

The major subsidiaries of the Company as of March 31, 2021 are shown as follows:



※ H2O Retailing Corporation, Hankyu Hanshin Department stores and etc. lease real estate from Hankyu Corporation and others which are the subsidiaries of Hankyu Hanshin holdings.

7. Management Policy

Basic management policy

The company's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents." Guided by this philosophy, the company established a vision; "To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences, contributing to the future of the local community, children and our planet." The company strives to enhance competitiveness and promotes each business, following the vision. Furthermore, the Company will promote management for sustainability of the Company and society through building strong ties with local community aiming for No.1 in local customer's mind share and strengthen efforts for socially important issues, such as "decarbonization", "elimination of plastic", "elimination of food loss" and "diversity & inclusion".

Mid- to long-term business plan and Challenges to be Addressed

In department store business, we aim for the most enjoyable department store by realizing joyful and affluent lifestyle for customer and empowering their future. In order to realize this vision, we are promoting value creation and OMO(Online Merges with Offline) business model. Centering on Hankyu Umeda main store which is flagship store of our group and Hanshin Umeda main store which is going to be grand open in fall, 2021 after rebuilding, we promote providing brand new shopping experience and developing new business model, through creating value on real stores continuously and strengthen online communication with customers. Furthermore, we try to lead Ningbo Hankyu, which opened in April,2021 in China, success through strengthening sales activities to the wealthy and upper class by leveraging our ability in Hankyu Umeda main store in merchandising, customer services and information on customers and market. In addition, we promote grand open of Hanshin Umeda main store in fall, 2021 and renovation of Kobe Hankyu and Takatsuki Hankyu after 2022. We will also continue to implement cost structure reforms in order to lower our break-even point.

In supermarket business, aiming to increase operating profit, we will work to further strengthen the competitiveness and improve the profitability of our mainstay food supermarkets. We will further promote the integration of the supermarket management functions of Izumiya and Hankyu Oasis. We will also accelerate the development of a business model with enhanced market responsiveness, rebuild our chain operation management capabilities, and strengthen our sales capabilities through integrated manufacturing and sales operations. Furthermore, we will promote initiatives for smart shopping and operational efficiency through the use of digital technology, including the full-scale start of in-store demonstration tests of a next-generation "image recognition AI shopping cart" equipped with cutting-edge technology.

In H2O Shopping Center Development which was divided from Izumiya in April, 2020, we will increase profitability by downsizing our direct operations and promoting the shift to shopping center from general merchandise store, and at the same time, we will improve our customer mind share by promoting activities to build strong ties with the community.

In Oi Development which operates a business hotel, we will strive to improve profitability with an eye on the after-corona business through low-cost operations using IT and strengthening corporate sales.

Furthermore, we try to develop new customer service business through digital technologies by leveraging our uniqueness point which has variety touch points with customers in Kansai region. In other words, we challenge new business area as a group for finding synergy with real stores.

The company has been facing a never experienced situation with a drastic change in the social and economic environment by COVID-19 outbreak since 2020. For a while, the company will operate businesses as appropriate following the requests from the government, with prioritizing customers' and employees' safety and health. Besides, the company will strive to enhance management efficiency through revision of capital investment and reducing costs such as promotion cost, activity expenses, and fixed costs.

Basic policy concerning profit distribution

The company's basic policy is to implement stable profit distribution with considering cash flow which necessary for establishing an appropriate financial base for mid-, long-term, and investment for growth, based on the performance of each fiscal year. The company will implement an appropriate profit distribution under the consideration of an overall mid-, long-term plan, of Profit attributable to owners of parent, consolidated net assets, and consolidated cash flow

8. Basic policy concerning the accounting standard

The company adopts Japanese accounting standards as the accounting standard.

9. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2020 (as of March 31, 2020)	FY2021 (as of March 31, 2021)
Assets		
Current assets		
Cash and deposits	25,958	49,991
Notes and accounts receivable -trade	44,445	54,385
Merchandise and finished goods	27,732	21,546
Work in progress	348	118
Raw materials and supplies	1,607	1,673
Accounts receivable - other	7,618	7,025
Other	4,740	4,811
Allowance for doubtful accounts	(335)	(261)
Total current assets	112,116	139,291
Non-current assets		
Property, plant and equipment		
Buildings and structures	308,287	297,009
Accumulated depreciation	(190,311)	(195,136)
Buildings and structures, net	117,976	101,873
Machinery, equipment and vehicles	7,956	7,726
Accumulated depreciation	(4,992)	(5,186)
Machinery, equipment and vehicles, net	2,964	2,539
Land	139,351	139,126
Construction in progress	1,248	8,684
Other	47,145	42,867
Accumulated depreciation	(35,520)	(33,706)
Other, net	11,624	9,161
Total property, plant and equipment	273,165	261,386
Intangible assets		
Goodwill	3,305	2,704
Other	15,862	14,024
Total intangible assets	19,168	16,729
Investments and other assets		
Investment securities	95,841	114,748
Long-term loans receivable	7,026	11,253
Guarantee deposits	70,425	70,029
Retirement benefit asset	60	1,898
Deferred tax assets	10,008	11,453
Other	2,020	2,000
Allowance for doubtful accounts	(2,927)	(2,845)
Total investments and other assets	182,454	208,538
Total non-current assets	474,788	486,653
Total Assets	586,904	625,945

(Millions of yen)

	FY2020 (as of March 31, 2020)	FY2021 (as of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	43,917	48,996
Short-term borrowings	15,000	-
Current portion of long-term borrowings	18,100	46,414
Accounts payable - other	21,976	26,890
Lease obligations	910	910
Income taxes payable	2,267	1,678
Gift certificates	27,872	28,077
Provision for bonuses	3,953	3,284
Provision for bonuses for directors (and other officers)	90	23
Provision for loss on store closing	78	348
Provision for point card certificates	1,951	1,854
Asset retirement obligations	90	940
Other	21,930	25,113
Total current liabilities	158,139	184,531
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	98,613	122,133
Deferred tax liabilities	17,108	23,805
Deferred tax liabilities for land revaluation	266	266
Provision for retirement benefits for directors (and other officers)	164	172
Provision for redemption of gift certificates	4,233	4,635
Retirement benefit liability	13,993	12,839
Long-term accounts payable - other	287	158
Lease obligations	13,806	12,883
Long-term guarantee deposits	9,632	9,530
Asset retirement obligations	3,165	3,193
Other	2,858	2,517
Total non-current liabilities	184,131	212,136
Total Liabilities	342,270	396,667
Net Assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	92,650	92,633
Retained earnings	114,184	85,065
Treasury shares	(2,899)	(2,732)
Total shareholders' equity	221,732	192,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,435	38,668
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(1,128)	(960)
Remeasurements of defined benefit plans	(2,846)	(2,462)
Total accumulated other comprehensive income	21,584	35,370
Share acquisition rights	1,312	1,138
Non-controlling interests	4	4
Total net assets	244,634	229,277
Total Liabilities and Net Assets	586,904	625,945

(2) Consolidated Statements of Income

(Millions of yen)

	FY2020 (From April 1, 2019 to March 31, 2020)	FY2021 (From April 1, 2020 to March 31, 2021)
Net sales	897,289	739,198
Cost of sales	641,253	527,294
Gross profit	256,035	211,903
Selling, general and administrative expenses		
Salaries and allowances	75,738	65,032
Rent expenses	40,286	36,365
Other	128,838	114,943
Total selling, general and administrative expenses	244,863	216,342
Operating profit	11,171	(4,438)
Non-operating income		
Interest income	169	371
Dividend income	1,314	1,418
Gain on adjustment of accounts payable	1,487	1,862
Other	884	1,410
Total non-operating income	3,855	5,062
Non-operating expenses		
Interest expenses	772	848
Loss on provision for redemption of gift certificates	1,058	1,068
Share of loss of entities accounted for using equity method	226	561
Other	1,138	1,052
Total non-operating expenses	3,196	3,530
Ordinary profit	11,831	(2,907)
Extraordinary income		
Subsidy income	-	2,683
Penalty income	-	366
Gain on sales of non-current assets	997	-
Gain on sales of investment securities	693	-
Gain on bargain purchase	17	-
Total extraordinary income	1,707	3,049
Extraordinary losses		
Impairment losses	14,196	14,771
Loss related to COVID-19	-	5,353
Loss on store closings and others	747	2,103
Loss on retirement of non-current assets	1,848	1,944
Business restructuring expenses	3,854	-
Loss on sales of non-current assets	930	-
Loss on liquidation of business	821	-
Loss on share exchanges	477	-
Total extraordinary losses	22,875	24,172
Profit (loss) before income taxes	(9,337)	(24,030)
Income taxes - current	3,550	1,467
Income taxes - deferred	262	(706)
Total income taxes	3,813	761
Profit (loss)	(13,150)	(24,791)
Profit attributable to non-controlling interests	0	0
Profit (loss) attributable to owners of parent	(13,150)	(24,791)

(3) Consolidated Statements of Cash Flows (Millions of yen)

	FY2020 (From April 1, 2019 to March 31, 2020)	FY2021 (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(9,337)	(24,030)
Depreciation	18,519	18,141
Impairment losses	14,196	14,771
Loss on store closings and others	170	1,603
Amortisation of goodwill	581	546
Increase (decrease) in allowance for doubtful accounts	(103)	(156)
Increase (decrease) in provision for bonuses	(1,001)	(630)
Increase (decrease) in provision for bonuses for directors (and other officers)	(66)	(66)
Increase (decrease) in retirement benefit liability	(2,626)	(766)
Increase (decrease) in remeasurements of defined benefit plans	744	384
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(7)	16
Increase(decrease) in provision for redemption of gift certificates	213	401
Increase(decrease) in provision for loss on store closings and others	(889)	269
Increase(decrease) in provision for point card certificates	129	(97)
Interest and dividend income	(1,483)	(1,789)
Interest expense	772	848
Subsidy income	-	(2,683)
Penalty income	-	(366)
Loss related to COVID-19	-	4,865
Insurance claim income	(69)	-
Loss on disaster	2	-
Share of loss (profit) of entities accounted for using equity method	226	561
Loss (gain) on sales of investment securities	(692)	(0)
Loss (gain) on sales of non-current assets	(66)	(56)
Loss on retirement of non-current assets	773	1,114
Business restructuring expenses	3,854	-
Loss on liquidation of business	375	-
Loss (gain) on share exchanges	461	-
Decrease (increase) in trade receivables	4,857	(10,365)
Decrease (increase) in inventories	3,783	6,248
Increase (decrease) in trade payables	(14,955)	5,326
Increase (decrease) in accrued consumption taxes	566	2,714
Increase (decrease) in gift certificates	(1,799)	201
Increase (decrease) in advances received	69	(847)
Other, net	(2,411)	2,663
Sub total	14,785	18,820
Interest and dividend income received	1,368	1,640
Interest paid	(766)	(769)
Income taxes paid	(5,525)	(1,858)
Proceeds from subsidy income	-	2,683
Proceeds from penalty income	-	366
Payments associated with loss releted to COVID-19	-	(4,848)
Payments associated with extra payments for early retirements	-	(3,279)
Proceeds from insurance income	69	-
Payments associated with disaster loss	(60)	-
Net cash provided by (used in) operating activities	9,871	12,755

(Millions of yen)

	FY2020 (From April 1, 2019 to March 31, 2020)	FY2021 (From April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,675)	(13,952)
Proceeds from sales of property, plant and equipment	9,138	1,429
Purchase of intangible assets	(6,938)	(4,087)
Proceeds from sales of intangible assets	0	-
Payments for asset retirement obligations	(205)	(158)
Purchases of investment securities	(1,288)	(219)
Proceeds from sales and redemption of short-term and long-term investment securities	3,699	-
Payments for sale of businesses	-	(150)
Payments for acquisition of businesses	(648)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(23)	(47)
Long-term loan advances	(2,685)	(4,402)
Collection of long-term loans receivable	2,554	449
Payments of guarantee deposits	(962)	(317)
Proceeds from refund of guarantee deposits	1,549	695
Other	35	-
Net cash provided by (used in) investing activities	(22,451)	(20,761)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,000	(15,000)
Proceeds from long-term borrowings	98	70,000
Repayments of long-term borrowings	(20,375)	(18,175)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(2)	(1)
Dividends paid	(4,944)	(4,018)
Repayments of lease obligations	(959)	(943)
Proceeds from sale and leaseback transactions	2,742	-
Net cash provided by (used in) financing activities	(16,440)	31,859
Effect of exchange rate change on cash and cash equivalents	(119)	179
Net increase (decrease) in cash and cash equivalents	(29,139)	24,033
Cash and cash equivalents at beginning of year	55,229	25,958
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(130)	-
Cash and cash equivalents	25,958	49,991

10. Supplementary Information

Consolidated

Selling, general and administrative expenses

(millions of yen)

科目	Amount	YoY	Inc./Dec.
Personnel expenses	81,634	(13.1)%	(12,339)
Rent expenses	36,365	(9.7)%	(3,920)
Advertising and decoration expenses	5,810	(46.4)%	(5,023)
Depreciation and amortisation	16,959	(3.7)%	(658)
Business consignment expenses	18,036	(9.6)%	(1,916)
Sales commission	11,403	(19.3)%	(2,720)
Transportation costs	14,405	(3.8)%	(563)
Others	31,726	(4.2)%	(1,379)
Total	216,342	(11.6)%	(28,521)

Non-operating Income and Expenses

(millions of yen)

	Amount	YoY	Inc./Dec.
Non-operating income	5,062	31.3%	1,206
Interest income	371	119.2%	201
Dividend income	1,418	7.9%	104
Gain on adjustment of accounts payable	1,862	25.2%	374
Other	1,410	59.4%	525
Non-operating expenses	3,530	10.5%	334
Interest expenses	848	9.9%	76
Loss on provision for redemption of gift certificates	1,068	0.9%	10
Share of loss of entities accounted for using equity method	561	147.5%	334
Other	1,052	(7.6)%	(86)

Extraordinary Income and Losses

(millions of yen)

	Amount	Main contents
Extraordinary income	3,049	(previous 4Q : 1,707)
Subsidy income	2,683	Employment adjustment subsidies
Penalty income	366	Termination fees from tenants who leave the space in the middle of the lease term
Extraordinary losses	24,172	(previous 4Q : 22,875)
Impairment losses	14,771	Kobe Hankyu, Takatsuki Hankyu, Izumiya
Loss related to COVID-19	5,353	Hankyu Hanshin Department stores
Loss on store closings and others	2,103	Izumiya
Loss on retirement of non-current assets	1,944	

Number of employees

	As of March, 2020		As of March, 2021	
Department store	4,195	(949)	4,185	(907)
Supermarket	3,399	(10,560)	2,621	(10,136)
Shopping Center	348	(909)	695	(1,497)
Other	1,628	(2,873)	1,482	(2,421)
Total	9,570	(15,291)	8,983	(14,961)

※1. The number of employees is the operational staff basis (excluding employees seconded to other company, and including employees seconded from other company and executive officers).
※2. ( ) shows the average number of temporary employees.

Hankyu Hanshin Department Stores, Inc.

Overview

(millions of yen)

	Amount	YoY	Inc./Dec.	versus forecast	Inc./Dec.
Net Sales	345,249	(23.4)%	(105,208)	3.9%	13,079
Gross Profit	78,399	(26.5)%	(28,271)		
Gross profit/ Net Sales	22.71%	-	(0.97)pt		
Other operating revenue	2,924	50.0%	974		
SG & A	83,189	(14.2)%	(13,752)		
SG & A/ Net Sales	24.10%	-	2.57pt		
Operating profit	(1,866)	-	(13,545)	(68.8)%	4,113
Operating profit/ Net Sales	-	-	-	-	-

※ Kobe/Takatsuki business segment has been integrated into Hankyu Hanshin Department stores, Inc. from H2O Asset Management Co., Ltd. on October 1, 2019

- ▸ store closure, shortened opening hours and self-restraint of events and sales promotions, due to COVID-19 outbreak.
- ▸ In Hankyu Main store, inbound sales decreased by 88%, and the sales composition ratio reached 2%
- ▸ extraordinary losses amounted to ¥4,339 million including personnel expenses, rent expenses, depreciation and others as loss related to COVID-19

Gross sales by stores, Number of customers, Sales area

(millions of yen, thousands of people, square meters)

	Sales	YoY	Number of customers	YoY	Sales area
Hankyu Main Store ※1	175,103	(27.4)%	24,531	(46.4)%	98,761
Hanshin Umeda Main Store	27,805	(40.0)%	14,510	(50.2)%	27,811
Senri Hankyu	12,851	(15.5)%	3,855	(15.9)%	13,902
Takatsuki Hankyu ※2	18,418	80.1%	7,500	68.8%	38,638
Kawanishi Hankyu	12,250	(17.2)%	4,508	(20.5)%	15,528
Takarazuka Hankyu	6,734	(8.6)%	※5 -	-	6,148
Nishinomiya Hankyu	20,974	(16.0)%	10,248	(20.2)%	25,099
Sanda Hankyu	1,061	(22.2)%	※5 -	-	2,100
Kobe Hankyu ※2	28,467	50.9%	11,697	30.5%	42,361
Hakata Hankyu	33,989	(30.9)%	15,509	(41.2)%	41,835
Hankyu Men's Tokyo	8,692	(32.5)%	970	(60.8)%	11,378
Oi Hankyu Food Hall	4,589	1.1%	4,563	(15.5)%	2,042
Tsuzuki Hankyu ※3	3,069	(32.7)%	2,107	(38.7)%	1,917
Amagasaki Hanshin	2,844	(2.7)%	※5 -	-	2,855
Hanshin Nishinomiya	4,143	(7.5)%	3,790	(13.9)%	4,998
Hanshin Mikage	477	(8.8)%	4,257	(11.4)%	804
Total of branch stores	158,566	(7.8)%	69,009	(17.3)%	209,605
Total stores	361,475	(21.3)%	108,051	(31.8)%	336,177
Existing stores ※4	314,589	(26.9)%	88,854	(38.7)%	255,178

※1. including Hankyu Men's Osaka
※2. Operating from October 5, 2019. Total of sales including sales in department stores and tenants (¥16,225 million)
※3. terminated operations of the first floor on January 19, 2020
※4. excluding Kobe Hankyu and Takatsuki Hankyu
※5. not counting the number of customers

Gross Sales of each category

(millions of yen)

	Sales	YoY	Share
Men's clothing	27,439	(31.0)%	7.6%
Women's clothing	41,169	(32.5)%	11.4%
Children's clothing	7,125	(26.4)%	2.0%
Other clothing	7,399	(28.7)%	2.0%
Clothing	83,134	(31.2)%	23.0%
Accessories, bags and others	63,962	(24.0)%	17.7%
Household merchandise	9,520	(25.3)%	2.6%
Foods	118,315	(12.5)%	32.7%
Restaurants & cafes	4,747	(48.9)%	1.3%
General merchandise	63,071	(25.3)%	17.4%
Service	1,292	(45.9)%	0.4%
Other	17,431	65.7%	4.8%
Total	361,475	(21.3)%	100.0%

※ including sales in tenants of Kobe Hankyu and Takatsuki Hankyu (¥16,225 million)

Monthly Sales

	April	May	June	July	August	September
Hankyu Main Store ※1	(85.9)%	(74.4)%	(21.9)%	(24.6)%	(29.5)%	(38.2)%
Hanshin Umeda Main Store	(80.9)%	(72.7)%	(36.1)%	(31.9)%	(36.9)%	(55.8)%
Total of branch stores	(58.2)%	(43.9)%	15.4%	12.6%	16.7%	8.2%
Total	(76.4)%	(64.1)%	(10.9)%	(13.2)%	(15.0)%	(27.0)%
Existing stores ※2	(80.5)%	(69.5)%	(22.5)%	(23.9)%	(26.9)%	(36.3)%

	October	November	December	January	February	March
Hankyu Main Store ※1	(1.3)%	(13.8)%	(17.9)%	(29.9)%	(7.2)%	44.8%
Hanshin Umeda Main Store	(10.7)%	(31.5)%	(33.7)%	(44.4)%	(33.2)%	9.5%
Total of branch stores	(3.0)%	(9.6)%	(10.8)%	(25.8)%	(11.2)%	24.5%
Total	(2.9)%	(13.7)%	(16.5)%	(29.4)%	(11.7)%	32.6%
Existing stores ※2	-	-	-	-	-	-

※1. including Hankyu Men's Osaka
※2. excluding Kobe Hankyu and Takatsuki Hankyu

Izumiya Co., Ltd.

Overview

(millions of yen)

	Amount	YoY	Inc./Dec.	versus forecast	Inc./Dec.
Net Sales	133,011	(36.9)%	(77,912)	0.3%	462
Gross Profit	35,114	(35.6)%	(19,380)		
Gross profit/ Net Sales	26.40%	-	0.56pt		
Other operating revenue	11,645	(19.9)%	(2,897)		
SG & A	43,665	(39.5)%	(28,519)		
SG & A/ Net Sales	32.83%	-	(1.39)pt		
Operating profit	3,095	-	6,240	14.9%	402
Operating profit/ Net Sales	2.3%	-	-	-	0.30pt

Izumiya Co., Ltd has been divided into three companies on April 1st, 2020. New Izumiya Co., Ltd. operates supermarkets, H2O shopping Center Development Co., Ltd. operates management of tenants, sales of apparel and home products, and CFIZ Co., Ltd.(equity method affiliate) operates stores selling medical items, cosmetics and daily necessities.

Number of stores	
Total	74

Opening and closing stores	
Opening	—
Closing	Hamada-cho (Hyogo), Nishi-Tanabe (Osaka)

Monthly Sales

	April	May	June	July	August	September
Existing stores	6.8%	6.1%	(0.2)%	3.5%	5.2%	0.5%

	October	November	December	January	February	March
Existing stores	2.0%	(0.4)%	1.6%	5.4%	(2.0)%	(7.7)%

※ YOY % of Izumiya Co., Ltd stated here is a comparison of new Izumiya Co., Ltd which runs supermarket and the supermarket division of former Izumiya Co., Ltd. (for reference only)

Hankyu Oasis Co., Ltd.

Overview

(millions of yen)

	Amount	YoY	Inc./Dec.	versus forecast	Inc./Dec.
Net Sales	110,762	1.2%	1,347	(0.2)%	(187)
Gross Profit	29,882	3.6%	1,043		
Gross profit/ Net Sales	26.98%	-	0.62pt		
Other operating revenue	7,095	0.8%	57		
SG & A	35,461	(1.1)%	(405)		
SG & A/ Net Sales	32.02%	-	(0.76)pt		
Operating profit	1,515	-	1,506	18.8%	239
Operating profit/ Net Sales	1.37%	-	1.36pt	-	0.22pt

Number of stores

Total	77
YoY difference	(1)

Opening and closing stores

Opening	Ibaraki-eki-mae (Osaka)
Closing	Nigawa (Hyogo), Suita-Honami(Osaka)

Monthly sales

	April	May	June	July	August	September
Existing stores	6.0%	3.3%	(1.4)%	1.8%	4.9%	(1.5)%

	October	November	December	January	February	March
Existing stores	(0.8)%	(3.8)%	2.9%	8.1%	(2.2)%	(8.6)%