

H2O Retailing Corporation
Supplementary information
to Financial Results
for the Third Quarter of the Fiscal Year
Ending March 31, 2022

February 10, 2022

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and Kansai Super Market Ltd.

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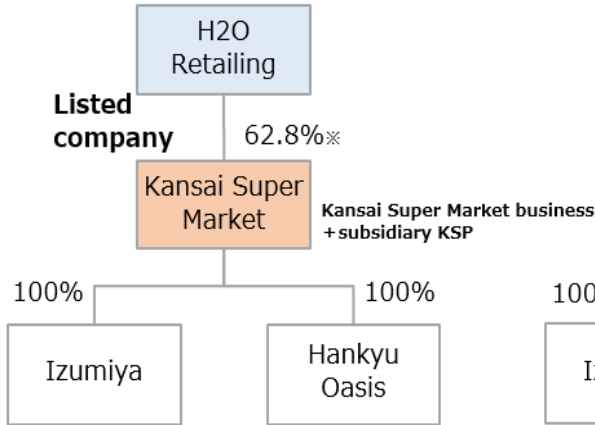
1. Hankyu Hanshin Department Stores, Inc.
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I. Scheme of business integration between H2O Retailing Corp. and Kansai Super Market Ltd.

Due to the share exchange on December 15, 2021, Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd. became wholly owned subsidiaries of Kansai Super Market Ltd. and the Company became the parent company of Kansai Super Market Ltd.. As of February 1, 2022, Kansai Super Market Ltd. changed its name to Kansai Food Market Ltd.. Kansai Food Market Ltd. is an intermediate holding company with Izumiya Co., Ltd, Hankyu Oasis Co., Ltd, and new Kansai Super Market Ltd. (including its subsidiary Kansai Super Premium Co., Ltd.), which operate Kansai Super Market business.

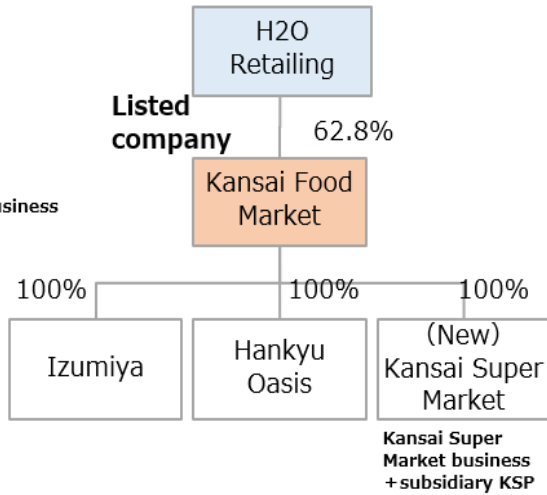
Dec.15,2021

Share exchange of Kansai Super Market with Izumiya and Hankyu Oasis



Feb.1,2022

Intermediate holding company with split New Kansai Super Market as a wholly owned subsidiary together with Izumiya and Hankyu Oasis.

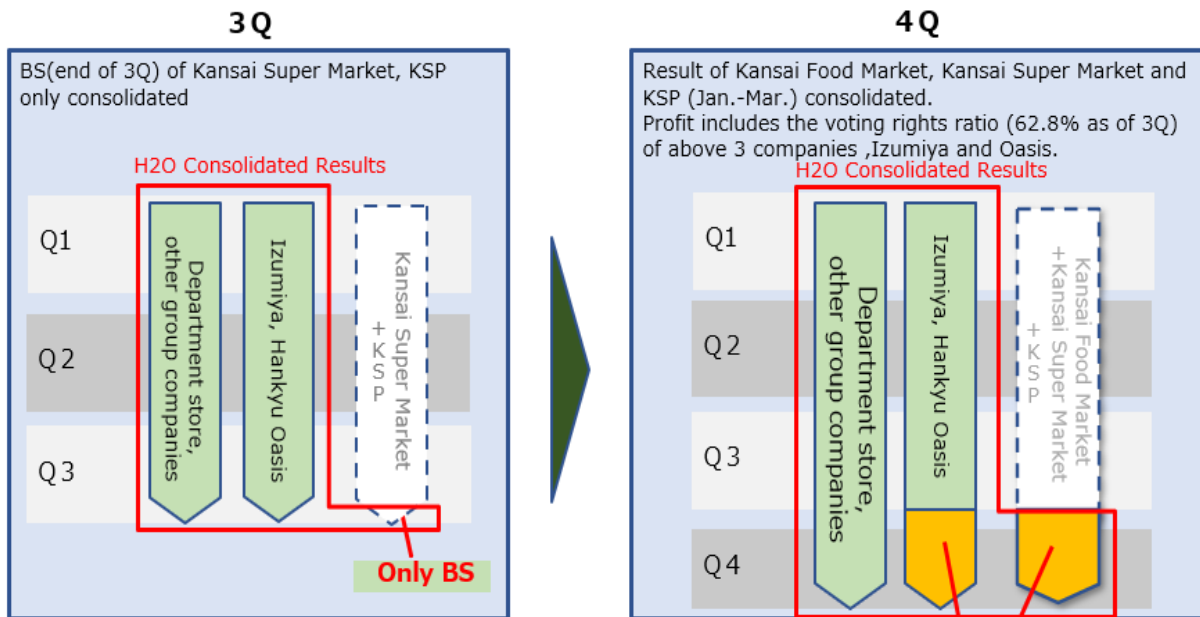


※As of 3Q,voting rights ratio of H2O is 62.8%. Treasury stock of Kansai Food Market increased due to purchase requested from dissenting shareholders in connection with the share exchange.

II. Reflection to Consolidated Financial results

Consolidated result of 3Q don't include result of Kansai Super Market and KSP, only includes BS (end of 3Q) of Kansai Super Market and KSP .

Consolidated result of 4Q includes the results (Jan.-Mar.) of Kansai Food Market, Kansai Super Market, and KSP. Profit reflected the share of voting rights (62.8% as of 3Q) in Kansai Food Market and its subsidiaries (Jan. -Mar.). (Company name described as of the end of 3Q)



※ Company name as of the end of 3Q

Profit includes the voting rights ratio (62.8% at the end of 3Q) of above 3 companies, Izumiya and Hankyu Oasis.

III. Consolidated Financial Results

I. Consolidated statements of income

< Overview of financial results >

	December. 31, 2019 Amount	December. 31, 2020 Amount	December. 31, 2021 (millions of yen)		
			Amount	YoY	Inc./Dec.
Department Store	370,615	252,727	282,457	11.8%	29,729
Supermarket	270,628	223,367	225,860	1.1%	2,493
Shopping Center	6,169	51,366	34,748	(32.4)%	(16,617)
Other	46,563	24,108	24,083	(0.1)%	(24)
Gross Sales	693,976	551,568	567,149	2.8%	15,581
Net Sales	693,976	551,568	371,303	-	-
Department Store	10,696	(963)	1,060	-	2,023
Supermarket	(1,100)	4,466	3,926	(12.1)%	(540)
Shopping Center	3,162	(102)	380	-	483
Other	3,628	(571)	(2,618)	-	(2,046)
consolidation adjustment	(4,495)	(3,837)	(2,029)	-	1,808
Operating Profit	11,891	(1,008)	720	-	1,729
Ordinary Profit	12,300	(101)	2,012	-	2,113
Extraordinary income	857	3,010	22,578	650.1%	19,567
Extraordinary losses	7,399	12,797	8,791	(31.3)%	(4,006)
Profit	2,533	(8,109)	12,937	-	21,046

* The Company has applied "Accounting Standard for Revenue Recognition" from the beginning of 1Q, FY2022.

YoY comparison 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 FY2021, are shown above.

* Hankyu Kitchen Yell Kansai, Inc., EveryD.com, Inc. and Hankyu Sennan Green Farm, which were previously included in Other Business segment, were transferred to Supermarket Business segment, and Oi Development Co., Ltd., which was also included in Other business segment, was transferred to Shopping Center Business segment. Business results of FY2021 are reclassified into the new reporting segments.

Business results of FY2020 are not reclassified into the new reporting segments.

< Selling, general and administrative expenses >

	December. 31, 2019 Amount	December. 31, 2020 Amount	December. 31, 2021 (millions of yen)		
			Amount	YoY	Inc./Dec.
Personnel expenses	71,565	60,813	60,963	0.2%	150
Rent expenses	30,468	26,617	28,804	8.2%	2,187
Advertising expenses	8,473	3,798	4,892	28.8%	1,094
Depreciation	12,800	12,393	11,790	(4.9)%	(602)
Business consignment expenses	15,022	13,096	14,099	7.7%	1,002
Sales commission	10,997	9,103	4,065	(55.3)%	(5,038)
Transportation costs	11,849	11,336	11,159	(1.6)%	(177)
Others	25,338	22,632	22,227	(1.8)%	(405)
Total	186,515	159,791	158,003	(1.1)%	(1,788)

* The Company has applied "Accounting Standard for Revenue Recognition" from the beginning of 1Q, FY2022.

< Non-operating Income and Expenses >

(millions of yen)

	December. 31,	December. 31,	December. 31,		
	2019	2020	2021	YoY	Inc./Dec.
	Amount	Amount	Amount		
Non-operating income	3,280	3,984	3,823	(4.0)%	(161)
Interest income	122	262	387	47.7%	125
Dividend income	1,302	1,405	1,061	(24.5)%	(343)
Gain on adjustment of accounts payable	1,185	1,440	740	(48.6)%	(700)
Foreign exchange gains	-	173	997	473.5%	823
Other	669	701	635	(9.4)%	(65)
Non-operating expenses	2,871	3,077	2,531	(17.7)%	(545)
Interest expenses	577	616	708	15.0%	92
Loss on provision for redemption of gift certificates	942	1,182	594	(49.7)%	(588)
Share of loss of entities accounted for using equity method	236	496	648	30.7%	152
Other	1,115	782	579	(25.9)%	(202)

* The Company has applied "Accounting Standard for Revenue Recognition" from the beginning of 1Q, FY2022.

< Extraordinary Income and Losses >

(millions of yen)

	December. 31,	December. 31,	December. 31,	Main contents
	2019	2020	2021	
	Amount	Amount	Amount	
Extraordinary income	857	3,010	22,578	
Gain on sale of non-current assets			13,123	Selling real estate holdings
Gain on sale of investment securities			6,485	Selling policy-holding stocks
Subsidy income			2,823	Subsidies for employment adjustment
Gain on bargain purchase			145	Share exchange of Kansai Super Market
Extraordinary losses	7,399	12,797	8,791	
Loss related to COVID-19			4,040	Hankyu Hanshin Department stores
Loss on step acquisitions			1,753	Share exchange of Kansai Super Market
Loss on retirement of noncurrent assets			1,288	Hankyu Hanshin Department Stores H2O Shopping Center Development
Expenses for opening new stores			636	Hanshin Umeda Main Store
Loss on closing of stores and others			593	asnas, Hankyu Hanshin Department stores
Loss on sale of shares of subsidiaries			400	Be-u
Impairment losses			80	

2. Consolidated Balance Sheet

(millions of yen)

	December. 31, 2020 Amount	Mar. 31, 2021 Amount	December. 31, 2021 Amount
Cash and deposits	58,181	49,991	59,484
Notes and accounts receivable-trade	66,096	54,385	76,658
Inventory	27,275	23,339	25,337
Total current assets	162,200	139,291	173,508
Property, plant and equipment	264,635	261,386	294,711
Intangible assets	18,278	16,729	16,536
Investments and other assets	199,872	208,538	210,455
Total non-current assets	482,785	486,653	521,704
Total assets	644,986	625,945	695,212

(millions of yen)

	December. 31, 2020 Amount	Mar. 31, 2021 Amount	December. 31, 2021 Amount
Notes and accounts payable-trade	63,258	48,996	80,010
Loans payable and bonds	190,314	188,547	184,250
Total liabilities	403,504	396,667	432,347
Shareholders' equity	209,350	192,763	205,657
Total net assets	241,482	229,277	262,865
Total liabilities and net assets	644,986	625,945	695,212

3. Capital Investment

(millions of yen)

	December. 31, 2021 Amount	Main contents
Department Store	13,279	Rebuilding of Hanshin Umeda Main Store
Supermarket	2,279	New stores opening of Hankyu Oasis Renovation of Izumiya stores
Shopping Center	1,498	H2O Shopping Center Development
Other	2,539	IT investment
consolidation adjustment	(313)	
Total	19,283	

* As of the end of the third quarter consolidated accounting period, the Company newly included three companies in consolidation, Kansai Super Market Ltd., Kansai Super Premium Co., Ltd. and KS Company Split Preparation Co., Ltd. (Kansai Super Market Ltd. changed its name to Kansai Food Market Ltd. and KS Company Split Preparation Co., Ltd. to Kansai Super Market Ltd.). Above all, the Company recorded 9,739 million yen for buildings and structures, 252 million yen for machinery, equipment and vehicles, 21,074 million yen for land, 2,526 million yen for other. As the allocation of acquisition costs has not yet been completed, the recorded amount is a provisional estimate.

IV. Forecast of FY2022

1. Forecast of consolidated financial results

(millions of yen)

	1-3Q		4Q		FY2022	
	Amount	YOY	Forecast	YOY	Forecast	YOY
Department Store	282,457	11.8%	101,542	6.8%	384,000	10.4%
Supermarket	225,860	1.1%	99,339	43.2%	325,200	11.1%
Shopping Center	34,748	(32.4)%	8,751	(35.9)%	43,500	(33.1)%
Other	24,083	(0.1)%	8,216	(13.9)%	32,300	(4.0)%
Gross Sales	567,149	2.8%	217,850	16.1%	785,000	6.2%
Net Sales	371,303	-	143,697	-	515,000	-
Department Store	1,060	-	(860)	-	200	-
Supermarket	3,926	(12.1)%	1,073	-	5,000	22.3%
Shopping Center	380	-	(380)	-	0	-
Other	(2,618)	-	(981)	-	(3,600)	-
consolidation adjustment	(2,029)	-	(570)	-	(2,600)	-
Operating Profit	720	-	(1,720)	-	(1,000)	-
Ordinary Profit	2,012	-	(1,513)	-	500	-
Profit	12,937	-	(1,938)	-	11,000	-

* The Company has applied "Accounting Standard for Revenue Recognition" from the beginning of 1Q, FY2022.

YoY comparison 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 FY2021, are shown above.

* Hankyu Kitchen Yell Kansai, Inc., EveryD.com, Inc. and Hankyu Sennan Green Farm, which were previously included in Other Business segment, were transferred to Supermarket Business segment, and Oi Development Co., Ltd., which was also included in Other business segment, was transferred to Shopping Center Business segment. Business results of FY2021 are reclassified into the new reporting segments.

* Supermarket business includes Kansai Food Market, Kansai Super Markets, and KSP in consolidation from January to March in fourth quarter of the fiscal year. Profit attributable to owners of parent includes the voting rights ratio (62.8% at the end of 3Q) of profit attributable to owners of parent of Kansai Food Market and its subsidiaries for the period from January to March.

V. Non-consolidated results

1. Hankyu Hanshin Department Stores, Inc.

< Overview of financial results >

	(millions of yen)			(millions of yen)		
	Amount	YoY	Inc./Dec.	Amount (3Q)	YoY	Inc./Dec.
Gross Sales	280,578	11.8%	29,693	127,417	11.9%	13,595
Gross Profit	63,855	10.8%	6,199	29,309	11.0%	2,901
Gross profit/ Gross Sales	22.76%	-	(0.22)pt	23.00%	-	(0.20)pt
Other operating revenue	2,341	8.9%	191	867	5.9%	48
SG & A	65,230	7.5%	4,530	25,098	1.4%	354
SG & A/ Net Sales	23.25%	-	(0.95)pt	19.70%	-	(2.04)pt
Operating profit	966	-	1,860	5,079	104.5%	2,595
Operating profit/ Gross Sales	0.34%	-	-	3.99%	-	1.80pt

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

<Business results by stores>

	(millions of yen, thousands of people)			
	Sales	YoY	Number of customers	YoY
Hankyu Main Store *1	146,169	15.7%	18,487	5.6%
Hanshin Umeda Main Store *2	19,628	(4.9)%	10,094	(5.7)%
Senri Hankyu	9,899	3.7%	2,908	3.3%
Takatsuki Hankyu *3	13,838	1.0%	5,507	(0.5)%
Kawanishi Hankyu	9,247	1.0%	3,366	3.2%
Takarazuka Hankyu *5	5,314	6.2%	-	-
Nishinomiya Hankyu	16,323	7.3%	7,706	4.6%
Sanda Hankyu *4*5	433	(43.9)%	-	-
Kobe Hankyu *3	21,781	4.8%	8,773	2.4%
Hakata Hankyu	30,633	26.7%	13,924	26.0%
Hankyu Men's Tokyo	7,108	11.4%	947	32.9%
Oi Hankyu Food Hall	3,448	(1.2)%	-	-
Tsuzuki Hankyu	2,455	8.5%	1,670	9.6%
Amagasaki Hanshin *5	2,239	5.3%	-	-
Hanshin Nishinomiya	3,190	3.8%	2,782	0.8%
Hanshin Mikage	383	8.4%	3,385	7.7%
Total of branch stores	126,297	8.8%	54,030	7.8%
Total stores	292,095	11.1%	82,612	5.4%

*1 including Hankyu Men's Osaka

*2 Hanshin Umeda Main Store: Rebuilt and reopened on October 8.

*3 Total of sales including sales in department stores and tenants (11,517 millions of yen).

*4 Sanda Hankyu: Closed on August 1, 2021

*5 not counting the number of customers

< Gross Sales of each category >

(millions of yen)

	Sales	YoY	Share
Men's clothing	21,542	6.6%	7.4%
Women's clothing	33,057	12.2%	11.3%
Children's clothing	5,442	5.8%	1.9%
Other clothing	5,663	4.4%	1.9%
Clothing	65,706	9.1%	22.5%
Accessories, bags and others	54,196	19.5%	18.6%
Household merchandise	7,751	14.3%	2.7%
Foods	92,775	6.0%	31.8%
Restaurants & cafes	4,319	27.7%	1.5%
General merchandise	53,886	17.7%	18.4%
Service	1,032	10.4%	0.4%
Other *	12,427	(4.2)%	4.3%
Total	292,095	11.1%	100.0%

* Total of sales including sales in department stores and tenants (11,517 millions of yen).

< Monthly Sales >

	April	May	June	July	August	September
Hankyu Main Store *	322.9%	(34.3)%	8.6%	18.8%	(13.7)%	(3.2)%
Hanshin Umeda Main Store	151.9%	(21.1)%	(17.6)%	(14.3)%	(68.2)%	(42.2)%
Branch Stores	158.6%	32.3%	(0.9)%	6.8%	(8.6)%	(5.1)%
Total stores	213.6%	1.3%	2.5%	11.0%	(15.6)%	(6.9)%

	October	November	December
Hankyu Main Store *	7.8%	19.3%	23.5%
Hanshin Umeda Main Store	(9.5)%	14.6%	35.3%
Branch Stores	1.9%	2.2%	3.9%
Total stores	3.7%	11.5%	15.8%

* including Hankyu Men's Osaka

< Forecast of FY2022 >

(millions of yen)

	1-3Q		4Q		FY2022	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Gross Sales	280,578	11.8%	103,421	9.6%	384,000	11.2%
Operating profit	966	-	△ 766	-	200	-

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

2. Izumiya Co., Ltd.

< Overview of financial results >

(millions of yen)			
	Amount	YoY	Inc./Dec.
Gross Sales	105,548	4.1%	4,120
Gross Profit	27,660	4.2%	1,108
Gross profit/ Gross Sales	26.21%	-	0.03pt
Other operating revenue	7,862	(11.6)%	(1,027)
SG & A	33,226	2.4%	782
SG & A/ Net Sales	31.48%	-	(0.51)pt
Operating profit	2,296	(23.4)%	(701)
Operating profit/ Gross Sales	2.18%	-	(0.78)pt

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

< Numbers of stores >

Total	76
YoY difference	2

< Opening and closing stores >

Opening	-
Closing	Kamishinjo (Osaka), Mozu (Osaka)

< Monthly Sales >

	April	May	June	July	August	September
Existing stores	(7.1)%	(0.6)%	0.7%	(0.8)%	(5.7)%	(0.4)%
	October	November	December	1-3Q		
Existing stores	(0.5)%	(5.0)%	(5.0)%	(2.8)%		

< Forecast of FY2022 >

(millions of yen)						
	1-3Q		4Q		FY2022	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Gross Sales	105,548	4.1%	33,203	5.1%	138,752	4.3%
Operating profit	2,296	(23.4)%	113	16.3%	2,410	(22.1)%

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

3. Hankyu Oasis Co., Ltd.

< Overview of financial results >

(millions of yen)			
	Amount	YoY	Inc./Dec.
Gross Sales	83,997	(0.6)%	(517)
Gross Profit	23,172	2.4%	543
Gross profit/ Gross Sales	27.59%	-	0.81pt
Other operating revenue	5,436	0.8%	43
SG & A	26,879	2.0%	539
SG & A/ Net Sales	32.00%	-	0.83pt
Operating profit	1,730	2.8%	47
Operating profit/ Gross Sales	2.06%	-	0.07pt

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

< Numbers of stores >

Total	76
YoY difference	(1)

< Opening and closing stores >

Opening	Kobe-Sannomiya (Hyogo)
Closing	Hirakata-Deguchi (Osaka), Abiko (Osaka)

< Monthly Sales >

	April	May	June	July	August	September
Existing stores	(5.8)%	0.7%	6.3%	2.3%	1.9%	2.4%

	October	November	December	1-3Q
Existing stores	1.5%	(0.9)%	(5.6)%	0.1%

< Forecast of FY2022 >

(millions of yen)						
	1-3Q		4Q		FY2022	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Gross Sales	83,997	(0.6)%	25,783	(1.8)%	109,781	(0.9)%
Operating profit	1,730	2.8%	162	-	1,892	24.9%

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

4. (References) Kansai Super Market Business

< Overview of financial results >

(millions of yen)			
	Amount	YoY	Inc./Dec.
Gross Sales	97,805	(0.0)%	(36)
Gross Profit	22,785	(4.5)%	(1,068)
Gross profit/ Gross Sales	23.30%	-	(1.08)pt
Other operating revenue	1,511	2.5%	36
SG & A	23,065	1.8%	413
SG & A/ Net Sales	23.58%	-	0.43pt
Operating profit	1,231	(54.0)%	(1,445)
Operating profit/ Gross Sales	1.26%	-	(1.48)pt

* Consolidated results of Kansai Super Market Ltd. which changed its name to Kansai Food Market Ltd. on February 1, 2022 and Kansai Super Premium Co., Ltd..

Result shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

* Gross profit was temporarily reduced by 378 million yen due to the review of accounting procedures based on estimates. No impact on full-year results.

< Numbers of stores >

Total	64
YoY difference	±0

< Opening and closing stores >

Opening	-
Closing	-

< Monthly Sales >

	April	May	June	July	August	September
Existing stores	(4.4)%	5.2%	5.9%	(0.9)%	0.0%	(0.2)%

	October	November	December	1-3Q
Existing stores	(0.8)%	(0.4)%	(3.2)%	0.0%

< Forecast of FY2022 >

(millions of yen)						
	1-3Q		4Q		FY2022	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Gross Sales	97,805	(0.0)%	31,253	0.4%	129,059	0.1%
Operating profit	1,231	(54.0)%	1,436	2560.9%	2,668	(2.3)%

*1 Kansai Super Market business for the full year was affected by a change in the company responsible for the supermarket business during the period.

Consolidated results of following three companies shown below are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition"

Kansai Super Market Ltd. (from 1 April, 2021 to 31 January, 2022) Note1

Kansai Super Market Ltd. (from 1 February, 2022 to 31 March, 2022) Note2

Kansai Super Premium Co., Ltd. (from 1 April, 2021 to 31 March, 2022)

Note1: Kansai Food Market Ltd. (the company name changed on 1 February, 2022)

Note2: changed its name of company from KS Company Split Preparation Co., Ltd.

*2 Sales and operating profit are 129,059 million yen and 2,231 million yen, including result of Kansai Food Market Ltd. (February-March 2022)

which is separated by the company split .

SG & A increased by about 600 million yen due to temporal expenses and an increase in Size-based Business Tax associated with the business integration.