

3Q of FY2022 Presentation Materials



H2O RETAILING CORPORATION

I . Consolidated Financial Results

II . Forecast of FY2022

- 1 . Consolidated Financial Results
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- 3 . Department store business
- 4 . Supermarket business
- 5 . Extraordinary income and losses

I – 1 . Consolidated Financial Results

▶ Total sales increased due to sales growth in the department store business in the 3Q, when the number of infected people of COVID-19 was at a low level.

Return to profitability in operating profit in 3Q total for the first time since FY2020

▶ Significant growth in profit due to gains on sales of non-current assets and investment securities

(billions of yen)	Amount	Amount			YoY
		1 Q	2 Q	3 Q	
Gross sales	567.1	161.2	182.9	223.1	2.8% +15.6
Net Sales	371.3	114.3	122.7	134.3	–
Operating profit	0.7	(2.0) <small>Incl. loss related to Covid-19 (5.8)</small>	(3.1)	5.9	+1.7
Ordinary Profit	2.0	(0.9)	(3.2)	6.2	+2.1
Extraordinary income	22.6	15.5	4.3	2.7	
Extraordinary losses	8.8	4.2	0.6	4.0	
Profit	12.9	6.3	1.8	4.9	+21.0

I – 2 . Results by segment

- ▶ Dpt. : Returned to the black due to a recovery in sales in 3Q
- ▶ SM : Profit level higher than before COVID-19 due to continued demand for eating at home
- ▶ SC : Profit increased due to H2O SC Development and Oi Development
[improved operation ratio and cost reduction]

(billions of yen)	Gross Sales		OP	
	Amount	YoY	Amount	YoY
Department store	282.5	11.8%	1.1	+2.0
Supermarket	225.9	1.1%	3.9	(0.5)
Shopping center	34.7	(32.4%)	0.4	+0.5
Other	24.1	(0.1%)	(2.6)	(2.0)
Consolidation adjustment			(2.0)	+1.8
Consolidated	567.1	2.8%	(0.7)	+1.7

* Segmentation has been changed [results for the previous year have been reclassified]

I – 3 . Department store business

- ▶ Returned to black due to sales recovery in 3Q
 - ▶ Store closures and operational restrictions due to expansion of COVID-19 in 1Q and 2Q
Business was generally normal in 3Q, when the number of infected people decreased.
Performance recovery due to rising fashion demand and gift needs
 - ▶ Increased in SG&A due to reduction in rent exemption and increase in advertising and sales commissions associated with reopening of business
- * Amount reclassified to extraordinary loss : ¥3.7bn. [YoY ¥(0.6)bn.]

Hankyu Hanshin Department Stores, Inc.

(billions of yen)	Amount	Amount			Incl./ Decl.	YoY
		1 Q	2 Q	3Q		
Gross Sales	280.6	66.2	87.0	127.4	+29.7	11.8%
Gross Profit	63.9	15.0	19.6	29.3	+6.2	10.8%
Gross profit / Gross Sales	22.76%	22.61%	22.52%	23.00%	(0.22)%	–
Other operating revenue	2.3	0.7	0.8	0.9	+0.2	8.9%
SG & A	65.2	17.5	22.7	25.1	+4.5	7.5%
Operating profit	1.0	(1.8)	(2.3)	5.1	+1.9	–

Incl. loss related to Covid-19 (5.3)

I – 3 . Department store business

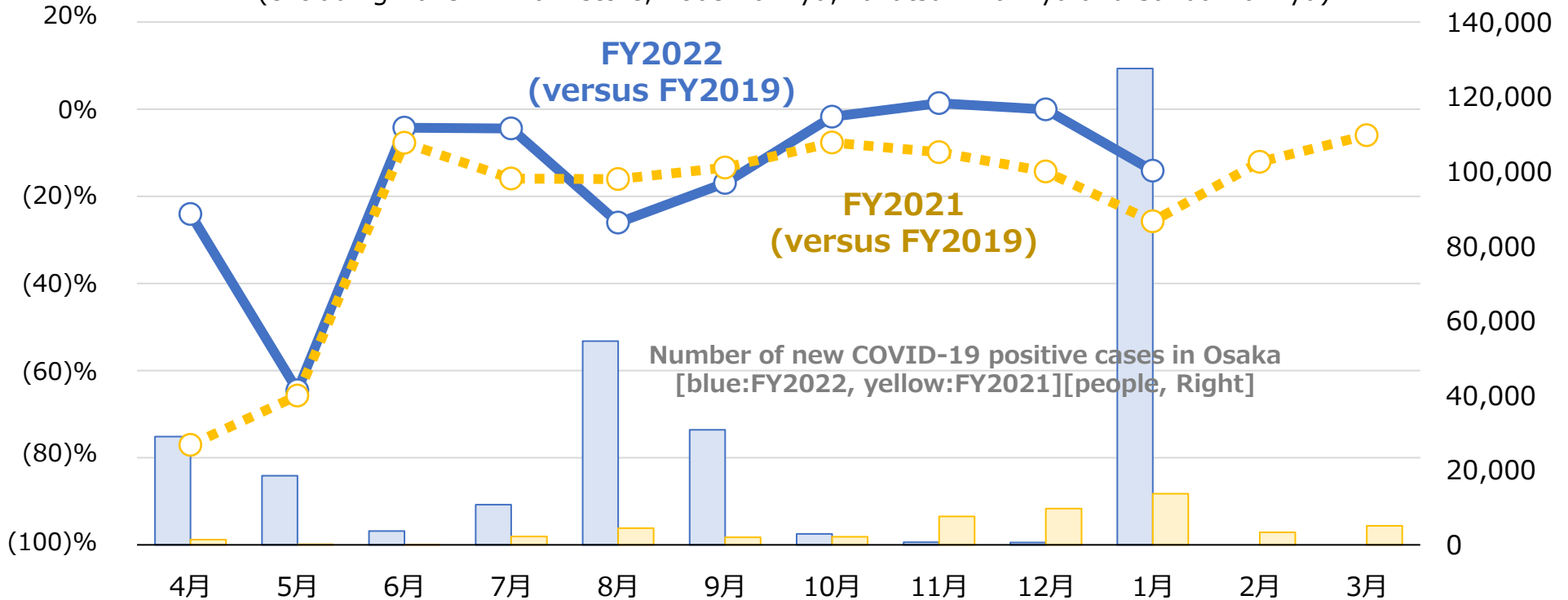
▶ Store closures and operational restrictions due to the 4th wave of COVID-19 outbreak(Apr.-May.) and the 5th wave(Jul.-Sep.)

Infections have decreased since October, and domestic sales have remained at the same level as FY2019, before COVID-19 and tax increase.

▶ Sales weakened in January, 2022 on the back of rapid expansion of COVID-19

Existing store domestic sales versus FY2019

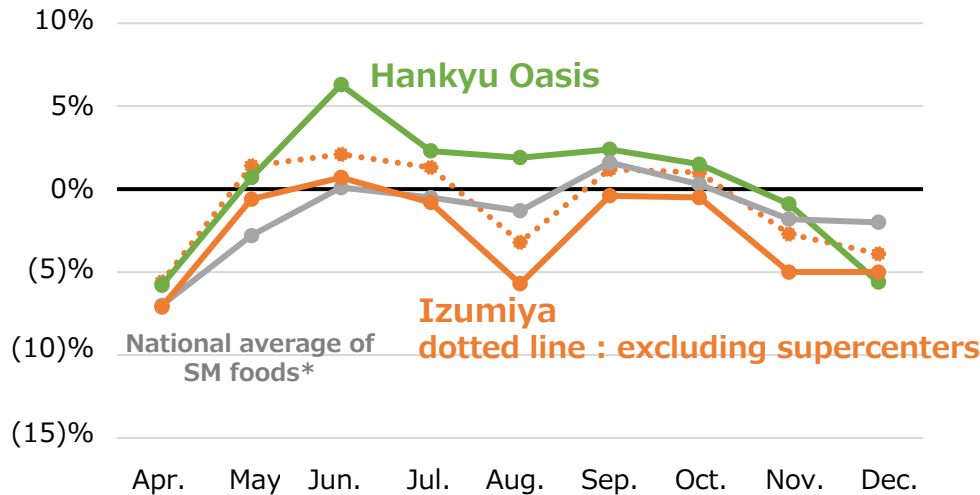
(excluding Hanshin main store, Kobe Hankyu, Takatsuki Hankyu and Sanda Hankyu)



I – 4 . Supermarket business

- ▶ Supermarket : Sales increased and profit decreased
 - Demand for eating at home settled down in 3Q when the number of infected people decreased.
 - Hankyu Oasis : profit increased due to steady sales at existing stores and improved profit margins
 - Izumiya : profit decreased due to struggles at Supercenters undergoing SC conversion and increased advertising expenses associated with resumption of flyers while steady sales at SM and improved profit margins
- ▶ Food manufacturing : Profits recovered on the back of demand for prepared meal at SM

Existing store sales



	Sales		OP	
	(billions of yen)	YoY		YoY
SM	216.5	0.7%	3.9	(0.9)
Food Manufacturing	26.0	(1.7)%	(0.2)	+0.4

* National Supermarket Association of Japan, food, existing stores

I – 5 . Extraordinary income and losses

▶ Progressing on sales of non-current assets and investment securities as an initiative to improve asset efficiency in the mid-term management plan

▶ Loss related to COVID-19 of ¥4.0bn., including rent and personnel expenses during the store closure period

Subsidy income of ¥2.8bn., including employment adjustment subsidies and cooperative payments for store closure

▶ Gain on bargain purchase of ¥0.1bn. (tentative at 3Q) and Loss on valuation of shares acquired in prior years of ¥1.8bn. in relation to the business integration with Kansai Super Market

		Amount	Main contents
Extraordinary income	Gain on sales of non-current assets	¥13.1bn.	Nakatsu, Osaka ¥4.7bn. Oyodo, Osaka ¥3.9bn.
	Gain on sales of investment securities	¥6.5bn.	Policy holding shares
	Subsidy income	¥2.8bn. [YoY (0.2)]	Employment adjustment subsidies ¥1.6bn. Cooperative payments for store closure ¥1.2bn.
	Gain on bargain purchase	¥0.1bn.	Business integration with Kansai Super Market
Extraordinary losses	Loss related to COVID-19	¥4.0bn. [YoY (1.1)]	Hankyu Hanshin Dept. ¥3.7bn.
	Loss on step acquisitions	¥1.8bn.	shares of Kansai Super Market acquired in prior years

II . Forecast of FY2022

- ▶ Sales increased due to business integration with Kansai Super Market
- ▶ Expectation of OP is at the same level as the initial forecast due to the severe sales forecast for existing businesses due to the rapid re-expansion of COVID-19 from Jan. 2022
- ▶ Net income revised upward due to negative goodwill (expected to be finalized negative goodwill) associated with business integration with Kansai Super Market, and increase in tax effect amount posted due to recovery in department store profits

(billions of yen)	Amount	Amount		YoY	Versus initial forecast
		1 ~ 3 Q	4 Q		
Gross Sales	785.0	567.1	217.9	6.2% +45.8	2.6% +20.0
Net Sales	515.0	371.3	143.7	-	3.0% +15.0
Operating profit	(1.0)	0.7	(1.7)	+3.4	±0.0
Ordinary profit	0.5	2.0	(1.5)	+3.4	+2.5
Net profit	11.0	12.9	(1.9)	+35.8	+6.0

II . Forecast of FY2022

- ▶ Dept. : Return to black for full year despite uncertainty over the COVID-19 expansion
Forecast assumptions: Domestic sales at existing stores have been over 90% of FY2019 levels since February
- ▶ SM : Kansai Super Market* was newly consolidated from 4Q.

* Kansai Food Market, Kansai Super Market and KSP

(billions of yen)	Gross sales		OP	
	Amount	YoY	Amount	YoY
Department store	384.0	10.4%	0.2	+2.1
Supermarket	325.2	11.1%	5.0	+0.9
	Kansai Supermarket +31.3		Kansai Supermarket +1.0	
Shopping center	43.5	(33.1)%	0.0	+0.8
Other	32.3	(4.0)%	(3.6)	(2.1)
Consolidation adjustment			(2.6)	+1.7
Consolidated	785.0	6.2%	(1.0)	+3.4

* Segmentation has been changed [results for the previous year have been reclassified]

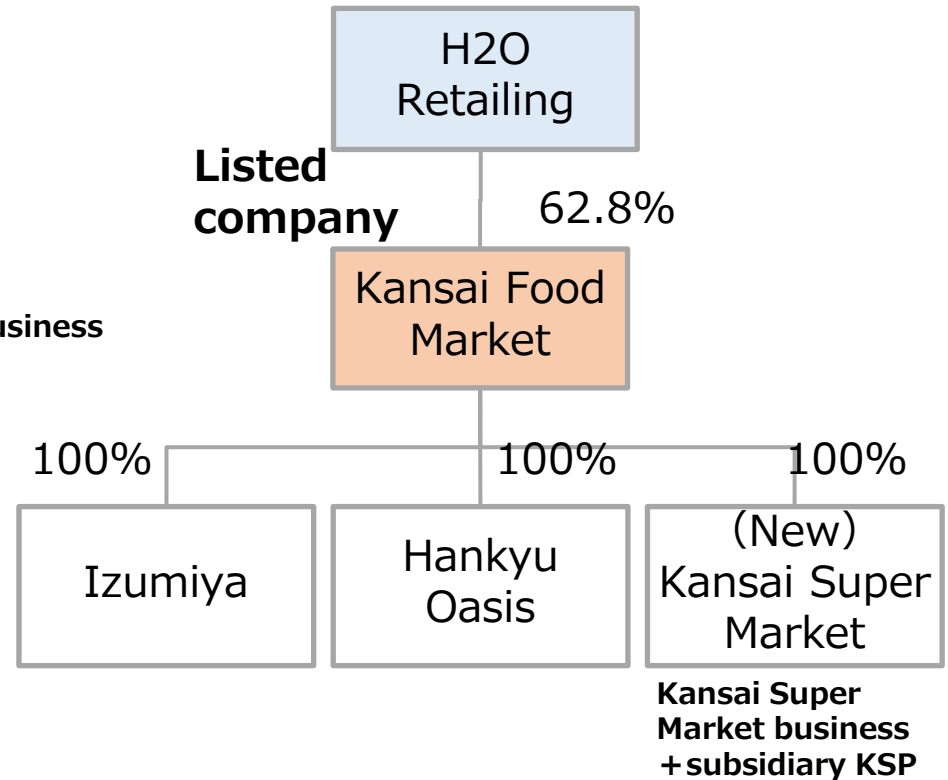
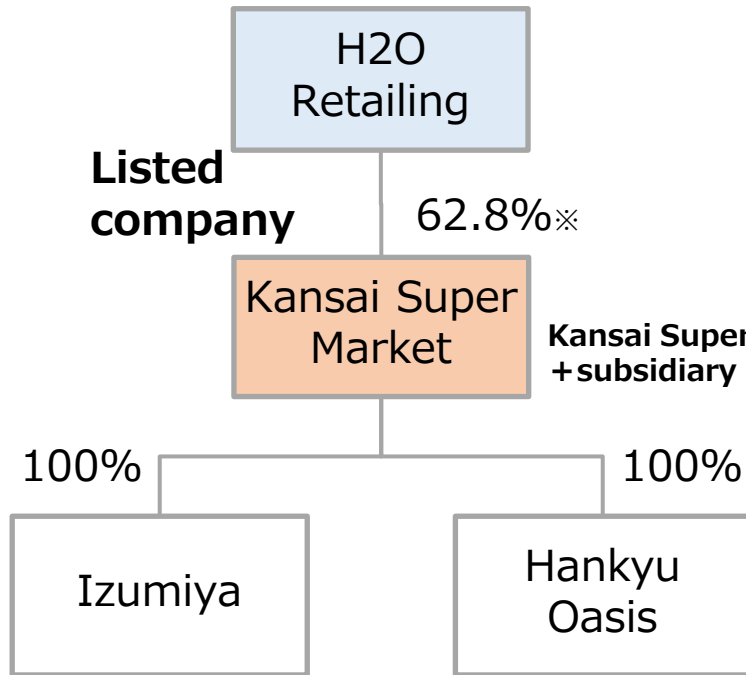
(Ref.) Management Integration with Kansai Super Market

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.

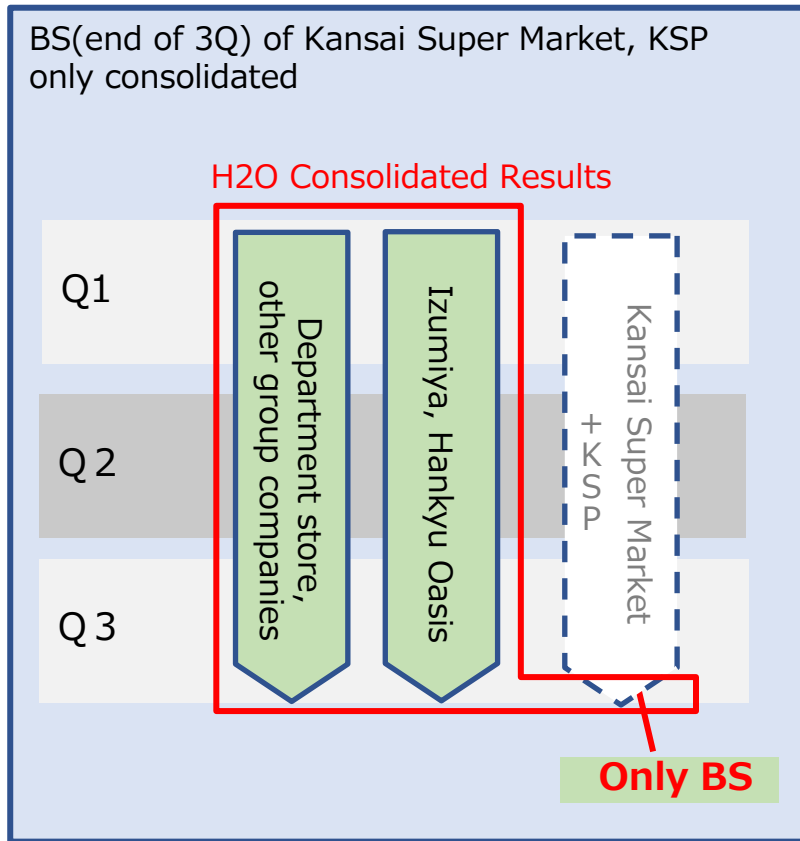


※As of 3Q, voting rights ratio of H2O is 62.8%. Treasury stock of Kansai Food Market increased due to purchase requested from dissenting shareholders in connection with the share exchange.

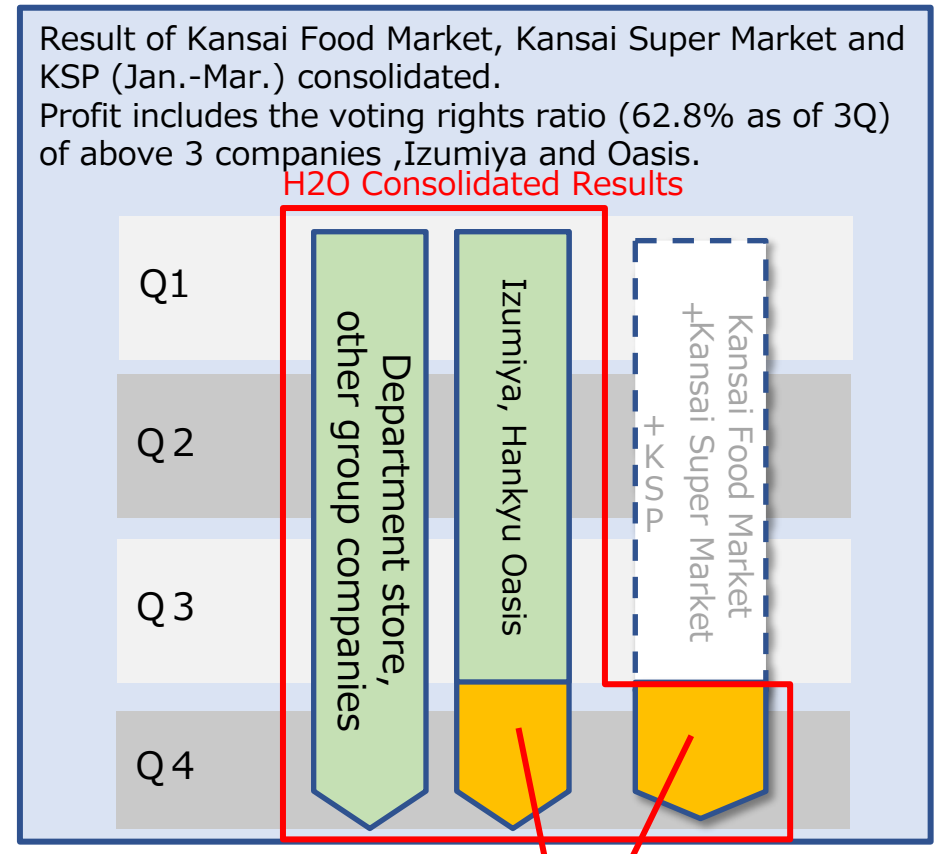
(Ref.) Scope of H2O Retailing's consolidated results

As of end of 3Q, only BS of Kansai Super Market and KSP is included in consolidated results. For 4Q, consolidated results include the results (Jan.-Mar.) of Kansai Food Market, Kansai Super Market, and KSP. Profit reflecting the share of voting rights (62.8% as of 3Q) in Kansai Food Market and its subsidiaries (Jan.-Mar.).

3Q



4Q



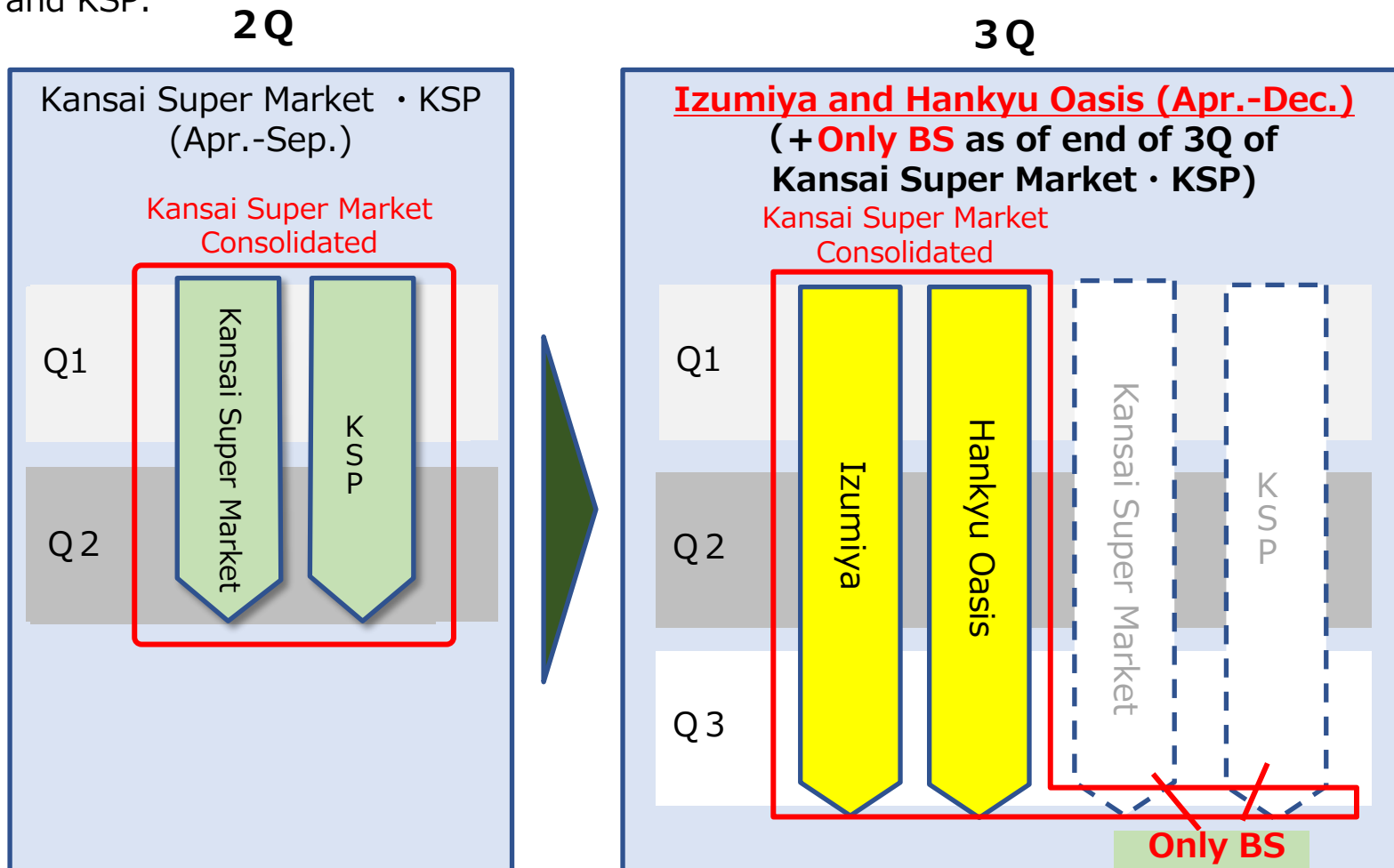
Profit includes the voting rights ratio (62.8% at the end of 3Q) of above 3 companies, Izumiya and Hankyu Oasis.

※ Company name as of the end of 3Q

(Ref.) Scope of Kansai Food Market's consolidated results

Until 2Q, consolidated results including Kansai Super Market and KSP.

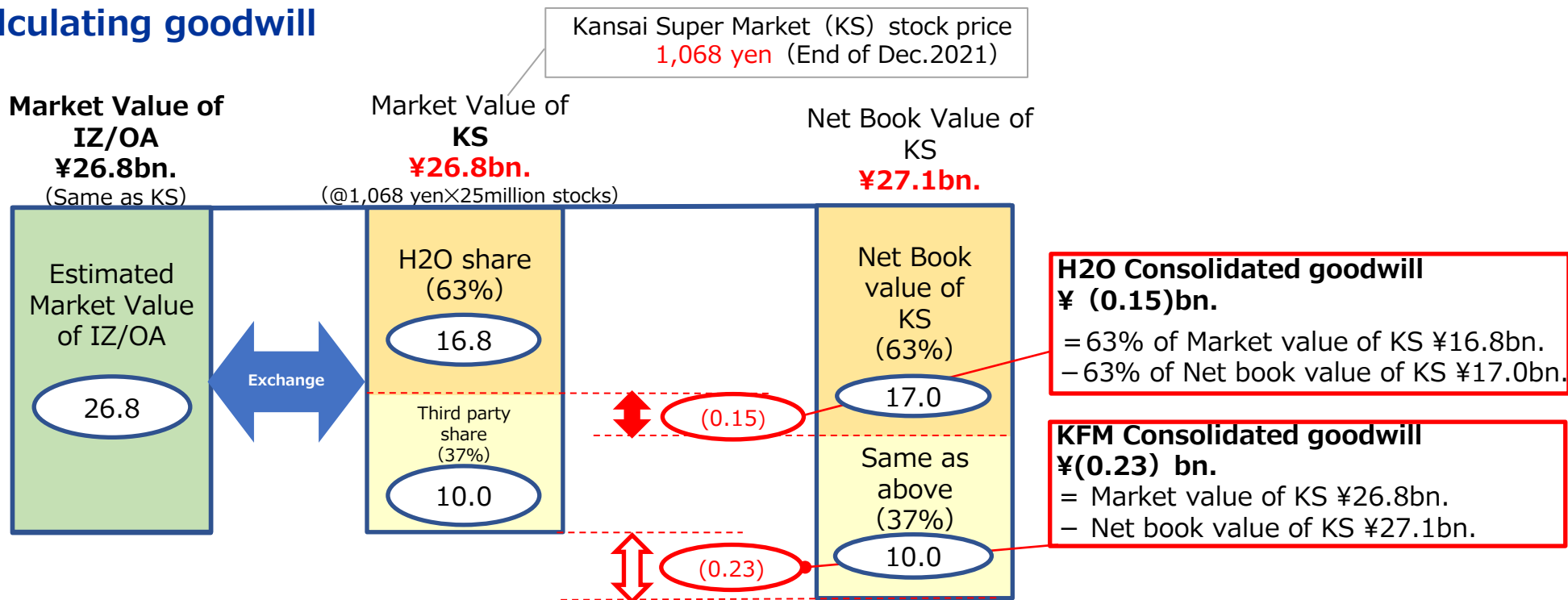
For 3Q, consolidated results including Izumiya and Hankyu Oasis (Apr.-Dec.) due to reverse acquisition occurred by share exchange. Only BS included in consolidated results as of end of 3Q of Kansai Super Market and KSP.



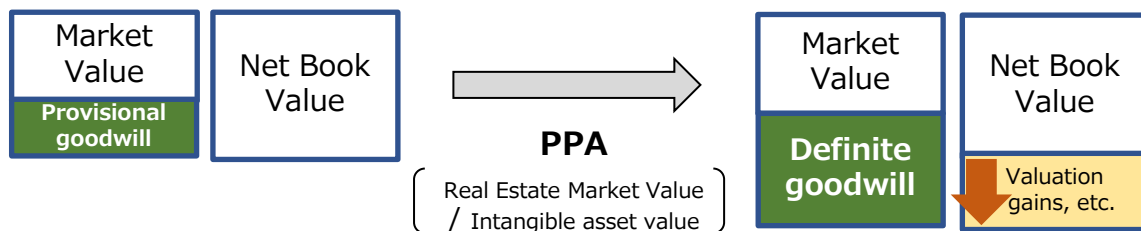
※ Company name as of the end of 3Q

(Ref.) Calculating goodwill for management integration

Calculating goodwill



Provisional and definite goodwill



- Due to PPA※, book value changed by valuation gains, amount of provisional goodwill will be revised.
- Revising provisional goodwill**
(within a year from management integration)
- ※Purchase Price Allocation

(Ref.) Consolidated Result and Forecast FY22 of KFM

- ▶ Consolidated result of Izumiya and Hankyu Oasis for 3Q (No relation to 3Q of FY2021)
- ▶ Kansai Super Market Business and KSP consolidated in only 4Q .

(billions of yen)		1 - 3 Q		Forecast of 4Q		Forecast of FY 2022 (KFM consolidated)		FY 2022 (Non-consolidated Total)	
		Amount	YoY	Amount	YoY	Amount	YoY	Amount	Announced on Oct. 15,2021
Izumiya	Gross Sales	105.5	4.1%	33.2	5.1%	138.8	4.3%	148.9 ^{※2}	150.5
	Operating profit	2.3	(0.7)	0.1	+0	2.4	(0.6)	2.4	2.8
Hankyu Oasis	Gross Sales	84.0	(0.6)%	25.8	(1.8)%	109.8	(0.9)%	109.8	110.8
	Operating profit	1.7	+0	0.2	+0.3	1.9	+0.4	1.9	1.7
Kansai Super Market Business※	Gross Sales	97.8	(0.0)%	31.3	0.4%	31.3	0.4%	129.1	129.2
	Operating profit	1.2	(1.4)	1.4	+1.4	1.4	+1.4	2.6	2.8
KFM (Feb.-Mar.)	Operating Profit	Not consolidated		(0.4)	-	Only 4Q		(0.4)	-
		Consolidated							
Total	Gross Sales	192.8 ^{※2}		96.3 ^{※2}		289.1 ^{※2}		387.8	390.5
	Operating Profit	4.0		1.3		5.3		6.5	7.3
	Ordinary Profit	3.4		1.0		4.4			
	Profit	2.9		4.9		7.8			

Gap in forecast of OP ¥(0.8)bn.
Integration related expense ¥(0.5)bn.
Increasing tax on SG&A ¥(0.1)bn.
Struggles at SuC Izumiya etc. ¥(0.2)bn.

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

※ 1. Kansai Super Market Business : former consolidation of Kansai Super Market (including KSP)

※ 2. Sales included other operating revenue

(Ref.) Result of Kansai Food Market subsidiaries(1-3Q)

Supermarket companies / 3Q cumulative total

(billions of yen)	Izumiya		Hankyu Oasis		Kansai Super Market Business		Kansai Food Market	Total
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	
Gross Sales	105,5	4.1%	84.0	(0.6)%	97.8	(0.0)%	–	287.4
Gross Profit	27.7	+1.1	23.2	+0.5	22.8	(1.1)	–	73.6
Gross profit / Gross Sales	26.21%	+0.03%	27.59%	+0.81%	23.30%	(1.08)%		25.62%
Other operating revenue	7.9	(1.0)	5.4	+0	1.5	+0	–	14.8
SG & A	33.2	+0.8	26.9	+0.5	23.1	+0.4	–	83.2
Operating profit	2.3	(0.7)	1.7	+0	1.2	(1.4)	–	5.3
Factors for profit increase/decrease	Struggles at SuC Increasing SG&A (Advertising expenses, Sales commission)		Improving in profit margin (price policy change, growth of high profitable side dish) Increasing SG&A		Decline in profit margin (review of accounting procedures ¥(0.38) bn.) →No impact on full year (lower than previous year, higher than 2 years ago)		Shifted to holding company on Feb. 1. No results in 3Q.	

Note. reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".



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