

# Financial Results 3rd Quarter of FY2019



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
Profit	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
<b>Total</b>	<b>185,486</b>	<b>2.2%</b>	<b>+ 3,981</b>

► 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)				Inc./Dec. of major stores		
	Amount	YoY	Inc./Dec.			
Net Sales	338,000	1.8%	+ 6,079	}	Hankyu Main Store	+8,901
Gross Profit	82,461	1.1%	+ 900		Hakata Hankyu	+4,044
Gross profit / Net Sales	24.40%	-	-0.18pt		Hanshin Umeda Main Store	-2,735
Other operating revenue	428	- 17.3%	- 89		Sakai Kita-Hanada Hankyu	-3,809
SG & A	69,615	2.1%	+ 1,421		※closed on July 31,2017	
SG & A/ Net Sales	20.60%	-	+0.05pt			
Operating profit	13,275	- 4.4%	- 611			
Operating profit / Net Sales	3.93%	-	-0.26pt			

- ▶ 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 Shinpojin(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%