

H2O RETAILING CORPORATION

Financial Results

2nd Quarter of FY2018

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I . Consolidated

1. Overview of consolidated statements of income

(1) Operating results

(Millions of yen)

| | Amount | YoY | increase (decrease) | versus forecast | increase (decrease) |
|---|---------|--------|------------------------|--------------------|------------------------|
| Net sales | 432,000 | 99.6% | (1,538) | 100.5% | + 2,000 |
| Gross profit | 125,889 | 99.5% | (590) | / | / |
| Gross profit / Net sales | 29.14% | | (0.03Pt) | | |
| Selling, general and administrative expenses SG & A | 118,911 | 99.2% | (945) | / | / |
| / Net sales | 27.53% | | (0.12Pt) | | |
| Operating income | 6,978 | 105.4% | + 354 | 114.4% | + 878 |
| Operating income / Net sales | 1.62% | | +0.09Pt | | +0.20Pt |
| Recurring income | 8,393 | 163.9% | + 3,271 | 139.9% | + 2,393 |
| Recurring income / Net sales | 1.94% | | +0.76Pt | | +0.55Pt |
| Net income | 5,739 | 87.6% | (812) | 179.4% | + 2,539 |
| Net income / Net sales | 1.33% | | (0.18Pt) | | +0.58Pt |

Reference : Changes of operating results of 2nd Quarter

(Millions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---------|---------|---------|---------|---------|
| Net sales | 264,822 | 348,360 | 441,425 | 433,539 | 432,000 |
| YoY | 112.1% | 131.5% | 126.7% | 98.2% | 99.6% |
| Gross profit | 71,791 | 99,695 | 128,248 | 126,480 | 125,889 |
| YoY | 111.5% | 138.9% | 128.6% | 98.6% | 99.5% |
| Selling, general and administrative expenses | 67,443 | 93,843 | 120,693 | 119,856 | 118,911 |
| YoY | 108.4% | 139.1% | 128.6% | 99.3% | 99.2% |
| Operating income | 4,348 | 5,852 | 7,555 | 6,623 | 6,978 |
| YoY | 201.1% | 134.6% | 129.1% | 87.7% | 105.4% |
| Recurring income | 4,846 | 5,992 | 7,721 | 5,121 | 8,393 |
| YoY | 175.4% | 123.7% | 128.8% | 66.3% | 163.9% |
| Net income | 2,652 | 12,660 | 6,327 | 6,552 | 5,739 |
| YoY | 88.3% | 477.2% | 50.0% | 103.6% | 87.6% |

(2) Segment information

(Millions of yen)

| | | 1st Quarter | | 2nd Quarter | | Total | | |
|------------------------------|------------------|-------------|--------|-------------|--------|---------|--------|--------------------|
| | | Amount | YoY | Amount | YoY | Amount | YoY | versus forecast |
| Department Store Business | Net sales | 99,712 | 104.5% | 106,775 | 105.1% | 206,487 | 104.8% | 104.4% |
| | Operating income | 3,319 | 139.3% | 2,817 | 120.2% | 6,136 | 129.8% | 130.6% |
| Supermarket Business | Net sales | 96,478 | 93.4% | 97,329 | 95.1% | 193,807 | 94.3% | 96.8% |
| | Operating income | (703) | - | (373) | - | (1,077) | - | - |
| Shopping Center Business | Net sales | 3,301 | 144.5% | 2,377 | 97.2% | 5,678 | 120.0% | 102.1% |
| | Operating income | 1,552 | 256.4% | 1,237 | 83.9% | 2,790 | 134.1% | 111.3% |
| Sub Total | Net sales | 99,779 | 94.5% | 99,706 | 95.2% | 199,486 | 94.8% | 96.9% |
| | Operating income | 849 | 50.4% | 864 | 43.6% | 1,713 | 46.7% | 61.0% |
| Other Business | Net sales | 12,827 | 98.8% | 13,199 | 100.2% | 26,026 | 99.5% | 98.6% |
| | Operating income | 2,525 | 112.7% | 86 | - | 2,612 | 126.4% | 136.1% |
| Consolidation adjustment | Net sales | - | - | - | - | - | - | - |
| | Operating income | (3,091) | - | (391) | - | (3,483) | - | - |
| Total | Net sales | 212,319 | 99.2% | 219,681 | 100.0% | 432,000 | 99.6% | 100.5% |
| | Operating income | 3,601 | 119.8% | 3,376 | 93.3% | 6,978 | 105.4% | 114.4% |

※1 Net sales refer to sales to external customers.

※2 On 1st July 2016, Izumiya Co., Ltd. was reorganized and divided into a retail business (Izumiya Co., Ltd.)

(3) Selling, general and administrative expenses (Millions of yen)

| | Amount | YoY | increase (decrease) |
|-------------------------------------|---------|--------|------------------------|
| Personnel expenses | 47,536 | 100.1% | + 29 |
| Rent expenses | 18,310 | 98.7% | (233) |
| Advertising and decoration expenses | 6,675 | 86.0% | (1,084) |
| Depreciation | 7,354 | 97.8% | (165) |
| Business consignment expenses | 9,256 | 94.6% | (527) |
| Sales commission | 6,138 | 144.6% | + 1,893 |
| Transportation costs | 7,080 | 100.3% | + 21 |
| Others | 16,559 | 95.0% | (878) |
| Total | 118,911 | 99.2% | (945) |

(4) Non-operating income and expenses (Millions of yen)

| | Amount | YoY | increase (decrease) |
|---|--------|--------|------------------------|
| Non-operating income | 2,780 | 180.7% | + 1,241 |
| Interest income | 86 | 203.2% | + 44 |
| Dividends income | 762 | 145.3% | + 237 |
| Gain on adjustment of accounts payable | 619 | 105.9% | + 34 |
| Gain on valuation of forward exchange contracts | 346 | — | + 346 |
| Others | 964 | 249.8% | + 578 |
| Non-operating expenses | 1,365 | 44.9% | (1,675) |
| Interest expense | 499 | 92.3% | (41) |
| Loss on provision for redemption of gift certificates | 460 | 97.3% | (12) |
| Loss on valuation of forward exchange contracts | — | — | (1,135) |
| Others | 405 | 45.5% | (485) |

(5) Extraordinary income and losses (Millions of yen)

| | Amount | main contents |
|--|--------|---|
| Extraordinary income | 3,128 | |
| Gain on sales of property, plant and others | 1,683 | Izumiya Kemigawahama, Izumiya Suminodo |
| Gain on revision of retirement benefit plan | 1,445 | Izumiya |
| Extraordinary losses | 1,547 | |
| Loss on closing of stores and others | 873 | Izumiya Saikudani |
| Loss on disposal of property, plant, equipment and intangibles | 566 | Some Izumiya stores |
| Impairment losses | 108 | Hankyu OASIS Shirakawadori |

(6) Income taxes (Millions of yen)

| | Amount | 2nd Quarter of FY2017 | increase (decrease) |
|---|--------|--------------------------|------------------------|
| Income before income taxes | 9,974 | 5,987 | + 3,986 |
| Income taxes – current | 2,774 | 1,917 | + 856 |
| Income taxes – deferred | 1,460 | △ 2,482 | + 3,942 |
| Profit attributable to owners of parent | 5,739 | 6,552 | (812) |

2. Overview of consolidated Balance Sheet

(Millions of yen)

| main subjects | 2nd Quarter of FY2018 | FY2017 | increase (decrease) |
|-------------------------------------|--------------------------|---------|------------------------|
| Cash and deposits | 78,282 | 83,481 | (5,198) |
| Notes and accounts receivable-trade | 41,218 | 43,588 | (2,370) |
| Total current assets | 168,964 | 178,318 | (9,353) |
| Buildings and structures, net | 108,382 | 108,262 | + 119 |
| Land | 133,962 | 134,591 | (629) |
| Investment securities | 122,981 | 103,031 | + 19,950 |
| Guarantee deposits | 68,297 | 69,060 | (763) |
| Deferred tax assets | 8,622 | 9,960 | (1,337) |
| Total non-current assets | 485,147 | 462,225 | + 22,922 |
| Total assets | 654,112 | 640,543 | + 13,568 |

(Millions of yen)

| main subjects | 2nd Quarter of FY2018 | FY2017 | increase (decrease) |
|--|--------------------------|---------|------------------------|
| Notes and accounts payable-trade | 54,873 | 59,394 | (4,521) |
| Commercial papers | - | 2,000 | (2,000) |
| Current portion of bonds | 6,550 | 6,600 | (50) |
| Current portion of long-term debt | 32,161 | 29,585 | + 2,575 |
| Income taxes payable | 3,099 | 4,744 | (1,645) |
| Accounts payable-other | 16,991 | 14,329 | + 2,661 |
| Gift certificates | 24,452 | 23,846 | + 605 |
| Total current liabilities | 186,400 | 189,202 | (2,801) |
| Bonds | 10,000 | 10,000 | - |
| Long-term debt | 101,292 | 108,593 | (7,301) |
| Deferred tax liabilities | 29,111 | 21,521 | + 7,590 |
| Total long-term liabilities | 186,823 | 187,017 | (194) |
| Total liabilities | 373,223 | 376,219 | (2,996) |
| Retained earnings | 128,630 | 125,490 | + 3,139 |
| Net unrealised holding gains on securities | 45,235 | 31,227 | + 14,008 |
| Total net assets | 280,888 | 264,323 | + 16,565 |
| Total liabilities and net assets | 654,112 | 640,543 | + 13,568 |

3. Overview of consolidated Cash Flow statements

(Millions of yen)

| main subjects | Amount | 2nd Quarter of FY2017 | increase (decrease) |
|--|---------|-----------------------|---------------------|
| Cash flows from operating activities | 12,060 | 8,543 | + 3,517 |
| Income before income taxes | 9,974 | 5,987 | + 3,986 |
| Depreciation and amortisation | 7,827 | 7,951 | (124) |
| Decrease(increase) in notes and accounts receivable | 2,369 | 5,233 | (2,864) |
| Increase (decrease) in notes and accounts payable | (3,686) | (6,665) | + 2,978 |
| Cash flows from investing activities | (7,813) | (13,953) | + 6,139 |
| Purchases of property, plant and equipment | (9,483) | (18,993) | + 9,509 |
| Proceeds from sales of property, plant and equipment | 2,677 | 5,699 | (3,021) |
| Purchase of intangible assets | (2,456) | (1,787) | (668) |
| Cash flows from financing activities | (9,675) | 24,893 | (34,568) |
| Proceeds from long-term loans payable | 150 | 26,500 | (26,349) |
| Repayments of long-term loans payable | (4,876) | (2,991) | (1,885) |
| Cash and cash equivalents | 78,263 | 67,783 | + 10,480 |

Reference : Changes of Cash Flows

(Millions of yen)

| | FY2014 | FY2015 | FY2016 | FY2017 | 2nd Quarter of FY2018 |
|--------------------------------------|---------|----------|----------|----------|-----------------------|
| Cash flows from operating activities | 33,415 | 25,468 | 24,539 | 38,742 | 12,060 |
| Cash flows from investing activities | (9,628) | (49,162) | 5,852 | (25,325) | (7,813) |
| Cash flows from financing activities | (3,557) | 24,161 | (26,207) | 21,703 | (9,675) |
| Cash and cash equivalents | 35,383 | 44,334 | 48,492 | 83,462 | 78,263 |

※ The results from FY2014 to FY2017 are of full-year in the past fiscal year.

4. Others

(1) Capital investment

(Millions of yen)

| | Amount | main subjects |
|---------------------------|--------|---|
| Department Store Business | 5,342 | Renovation of Hankyu Main store and Hakata Hankyu, Rebuilding of Hanshin Umeda Main store |
| Supermarket Business | 6,087 | New stores of Hankyu Oasis ,Renovation of Izumiya stores |
| Shopping Center Business | 940 | Rebuilding of Izumiya stores |
| Other Business | 2,615 | Software development |
| Consolidation adjustment | (45) | |
| Total | 14,940 | |

(2) Number of employees

| | 2nd Quarter of FY 2018 | | FY 2017 | |
|---------------------------|------------------------|----------|---------|----------|
| Department Store Business | 2,950 | (1,857) | 2,942 | (1,853) |
| Supermarket Business | 3,634 | (12,210) | 3,593 | (12,566) |
| Shopping Center Business | 358 | (1,161) | 352 | (1,200) |
| Other Business | 1,784 | (2,736) | 1,641 | (2,989) |
| Total | 8,726 | (17,964) | 8,528 | (18,608) |

※1 The number of employees is on the operation staff basis. (excluding employees seconded to other company, and including employees seconded from other company and operating officers)

※2 () means the number of temporary employees. (the average of the fiscal period)

5. Forecast of FY2018

(1) Consolidated

(Millions of yen)

| | 1st•2nd Quarter | | 3rd•4th Quarter | | FY2018 | |
|------------------------------|-----------------|--------|-----------------|--------|----------|--------|
| | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Net sales | 432,000 | 99.6% | 482,999 | 103.3% | 915,000 | 101.5% |
| Operating income | 6,978 | 105.4% | 15,721 | 98.8% | 22,700 | 100.7% |
| Operating income / Net sales | 1.62% | | 3.26% | | 2.48% | |
| Recurring income | 8,393 | 163.9% | 14,706 | 88.6% | 23,100 | 106.3% |
| Recurring income / Net sales | 1.94% | | 3.04% | | 2.52% | |
| Net income | 5,739 | 87.6% | 8,760 | 113.1% | 14,500 | 101.4% |
| Net income / Net sales | 1.33% | | 1.81% | | 1.58% | |

(2) Segment information

(Millions of yen)

| | | 1st•2nd Quarter | | 3rd•4th Quarter | | FY2018 | |
|---------------------------|------------------|-----------------|--------|-----------------|--------|----------|--------|
| | | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Department Store Business | Net sales | 206,487 | 104.8% | 234,245 | 101.6% | 440,733 | 103.1% |
| | Operating income | 6,136 | 129.8% | 10,863 | 96.4% | 17,000 | 106.3% |
| Kobe•Takatsuki Business | Net sales | – | – | 20,000 | – | 20,000 | – |
| | Operating income | – | – | 0 | – | 0 | – |
| Supermarket Business | Net sales | 193,807 | 94.3% | 196,621 | 96.5% | 390,428 | 95.4% |
| | Operating income | △ 1,077 | – | 2,077 | 86.9% | 1,000 | 25.1% |
| Shopping Center Business | Net sales | 5,678 | 120.0% | 5,338 | 101.9% | 11,016 | 110.5% |
| | Operating income | 2,790 | 134.1% | 2,509 | 84.8% | 5,300 | 105.2% |
| Sub Total | Net sales | 199,486 | 94.8% | 201,959 | 96.6% | 401,445 | 95.7% |
| | Operating income | 1,713 | 46.7% | 4,586 | 85.8% | 6,300 | 69.9% |
| Other Business | Net sales | 26,026 | 99.5% | 26,794 | 95.7% | 52,820 | 97.5% |
| | Operating income | 2,612 | 126.4% | 1,533 | 192.6% | 4,145 | 144.8% |
| Consolidation adjustment | Net sales | – | – | – | – | – | – |
| | Operating income | (3,483) | – | (1,261) | – | (4,745) | – |
| Total | Net sales | 432,000 | 99.6% | 482,999 | 103.3% | 915,000 | 101.5% |
| | Operating income | 6,978 | 105.4% | 15,721 | 98.8% | 22,700 | 100.7% |

II. Non-consolidated

1. Hankyu Hanshin Department Stores, Inc.

(1) Operating results

(Millions of yen)

| | Aomout | YoY | increase (decrease) | versus forecast | increase (decrease) |
|---|---------|--------|------------------------|--------------------|------------------------|
| Net sales | 206,397 | 104.8% | + 9,414 | 104.6% | + 8,987 |
| Gross profit | 50,416 | 104.1% | + 1,993 | / | / |
| Gross profit / Net sales | 24.43% | | (0.16Pt) | | |
| Other operating revenue | 347 | 105.3% | + 17 | | |
| Selling, general and administrative expenses | 44,587 | 101.2% | + 531 | / | / |
| SG & A / Net sales | 21.57% | | (0.76Pt) | | |
| Operating income | 6,176 | 131.5% | + 1,479 | 131.4% | + 1,476 |
| Operating income / Net sales | 2.99% | | +0.61Pt | | +0.61Pt |

① Sales, Number of customers and Sales area

(Millions of yen)

| | Sales | YoY | Number of customers (thousand) | YoY | Sales area |
|------------------------------|---------|--------|--------------------------------------|--------|-----------------------|
| Hankyu Main Store (※1) | 108,982 | 109.0% | 24,423 | 102.9% | 97,540m ² |
| Hanshin Umeda Main Store | 26,242 | 99.3% | 13,918 | 98.8% | 33,429m ² |
| Senri Hankyu | 7,674 | 98.4% | 2,432 | 99.3% | 13,902m ² |
| Sakai Kitahanada Hankyu (※2) | 3,809 | 98.8% | 1,987 | 72.6% | - |
| Kawanishi Hankyu | 7,588 | 98.5% | 3,080 | 99.8% | 15,528m ² |
| Takarazuka Hankyu | 3,671 | 97.5% | ※3 - | - | 6,148m ² |
| Nishinomiya Hankyu | 12,080 | 102.4% | 6,471 | 102.2% | 25,099m ² |
| Sanda Hankyu | 656 | 97.5% | ※3 - | - | 2,143m ² |
| Hakata Hankyu | 21,143 | 103.0% | 13,475 | 97.3% | 41,835m ² |
| HANKYU MEN'S TOKYO | 6,317 | 101.2% | 1,253 | 101.2% | 11,445m ² |
| Oi Hankyu Food Hall | 2,168 | 98.4% | 2,755 | 98.6% | 2,042m ² |
| Tsuzuki Hankyu | 2,306 | 99.7% | 1,891 | 102.8% | 6,736m ² |
| Amagasaki Hanshin | 1,370 | 105.5% | ※3 - | - | 2,855m ² |
| Hanshin Nishinomiya | 2,127 | 100.9% | 1,984 | 99.9% | 4,998m ² |
| Hanshin Mikage | 254 | 96.6% | 2,512 | 97.9% | 804m ² |
| Total of branch stores | 71,171 | 100.9% | 37,845 | 97.3% | 133,534m ² |
| Total stores | 206,397 | 104.8% | 76,187 | 99.3% | 264,502m ² |
| Existing stores (※4) | 202,587 | 104.9% | 74,200 | 100.3% | / |

※1 including HANKYU MEN'S OSAKA

※2 closed on July 31,2017

※3 not counting the number of customers

※4 not including Sakai Kitahanada Hankyu

② Monthly Sales

| | April | May | June | July | August | September | 1st•2nd Quarter |
|----------------------------|--------|--------|--------|--------|--------|-----------|-----------------|
| Hankyu Main Store ※1 | 105.4% | 108.4% | 108.3% | 108.0% | 110.0% | 114.4% | 109.0% |
| Hanshin Umeda Main Store | 96.5% | 101.6% | 96.2% | 95.7% | 99.8% | 106.1% | 99.3% |
| Senri Hankyu | 99.3% | 99.2% | 98.4% | 98.1% | 97.8% | 97.9% | 98.4% |
| Sakai Kitahanada Hankyu ※2 | 98.1% | 148.2% | 140.7% | 176.6% | - | - | 98.8% |
| Kawanishi Hankyu | 99.2% | 98.9% | 98.3% | 96.5% | 100.0% | 98.8% | 98.5% |
| Takarazuka Hankyu | 98.5% | 98.5% | 98.7% | 95.4% | 98.0% | 96.4% | 97.5% |
| Nishinomiya Hankyu | 102.4% | 103.9% | 102.7% | 100.2% | 101.9% | 104.4% | 102.4% |
| Sanda Hankyu | 99.2% | 96.9% | 94.2% | 96.9% | 98.0% | 100.9% | 97.5% |
| Hakata Hankyu | 105.2% | 101.4% | 105.5% | 100.2% | 101.6% | 105.0% | 103.0% |
| HANKYU MEN'S TOKYO | 99.5% | 92.4% | 100.7% | 101.4% | 105.4% | 110.0% | 101.2% |
| Oi Hankyu Food Hall | 98.1% | 98.5% | 98.0% | 98.5% | 97.5% | 99.9% | 98.4% |
| Tsuzuki Hankyu | 100.9% | 102.2% | 104.0% | 99.5% | 96.3% | 94.6% | 99.7% |
| Amagasaki Hanshin | 107.5% | 105.2% | 103.5% | 104.3% | 105.7% | 106.9% | 105.5% |
| Hanshin Nishinomiya | 101.3% | 100.1% | 100.9% | 99.5% | 101.1% | 102.9% | 100.9% |
| Hanshin Mikage | 89.3% | 96.2% | 97.8% | 97.1% | 101.1% | 97.3% | 96.6% |
| Total of branch stores | 101.6% | 102.8% | 104.0% | 103.4% | 94.9% | 97.3% | 100.9% |
| Total stores | 102.9% | 105.4% | 105.1% | 104.7% | 103.1% | 107.4% | 104.8% |
| Existing stores ※3 | - | - | - | - | 105.4% | 109.4% | 104.9% |

※1 including HANKYU MEN'S OSAKA

※2 closed on July 31,2017

※3 not including Sakai Kitahanada Hankyu

③ Sales of each category

(Millions of yen)

| | Amount | YoY | increase (decrease) | Share |
|------------------------------|---------|--------|------------------------|--------|
| Men's clothing | 17,164 | 106.1% | + 991 | 8.3% |
| Women's clothing | 30,460 | 99.6% | (120) | 14.8% |
| Children's clothing | 4,980 | 103.9% | + 185 | 2.4% |
| Other clothing | 6,051 | 101.3% | + 77 | 2.9% |
| Clothing | 58,656 | 102.0% | + 1,132 | 28.4% |
| Accessories, bags and others | 38,766 | 106.5% | + 2,374 | 18.8% |
| Household merchandise | 6,830 | 107.3% | + 462 | 3.3% |
| Foods | 60,242 | 100.6% | + 353 | 29.2% |
| Restaurants & cafés | 4,689 | 102.0% | + 89 | 2.3% |
| General merchandise | 35,492 | 116.1% | + 4,927 | 17.2% |
| Service | 957 | 107.8% | + 69 | 0.5% |
| Other | 761 | 100.7% | + 5 | 0.4% |
| Total | 206,397 | 104.8% | + 9,414 | 100.0% |

(2) Forecast of FY2018

(Millions of yen)

| | 1st・2nd Quarter | | 3rd・4th Quarter | | Total | |
|--------------------------------|-----------------|--------|-----------------|--------|----------|--------|
| | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Hankyu Main Store ※1 | 108,982 | 109.0% | 128,053 | 106.2% | 237,036 | 107.5% |
| Hanshin Umeda Main Store | 26,242 | 99.3% | 28,217 | 96.0% | 54,460 | 97.5% |
| Senri Hankyu | 7,674 | 98.4% | 8,556 | 99.4% | 16,231 | 99.0% |
| Sakai Kitahanada Hankyu ※2 | 3,809 | 98.8% | - | - | 3,809 | 47.0% |
| Kawanishi Hankyu | 7,588 | 98.5% | 8,380 | 97.6% | 15,969 | 98.0% |
| Takarazuka Hankyu | 3,671 | 97.5% | 3,887 | 97.9% | 7,559 | 97.7% |
| Nishinomiya Hankyu | 12,080 | 102.4% | 13,757 | 102.0% | 25,838 | 102.2% |
| Sanda Hankyu | 656 | 97.5% | 721 | 96.4% | 1,378 | 96.9% |
| Hakata Hankyu | 21,143 | 103.0% | 25,318 | 105.9% | 46,461 | 104.5% |
| HANKYU MEN'S TOKYO | 6,317 | 101.2% | 7,818 | 100.4% | 14,135 | 100.8% |
| Oi Hankyu Food Hall | 2,168 | 98.4% | 2,420 | 98.7% | 4,589 | 98.6% |
| Tsuzuki Hankyu | 2,306 | 99.7% | 2,642 | 98.2% | 4,949 | 98.9% |
| Amagasaki Hanshin | 1,370 | 105.5% | 1,501 | 101.3% | 2,871 | 103.2% |
| Hanshin Nishinomiya | 2,127 | 100.9% | 2,365 | 100.0% | 4,492 | 100.4% |
| Hanshin Mikage | 254 | 96.6% | 280 | 96.1% | 535 | 96.3% |
| Total of branch stores | 71,171 | 100.9% | 77,651 | 96.3% | 148,823 | 98.4% |
| Net sales | 206,397 | 104.8% | 233,922 | 101.5% | 440,320 | 103.0% |
| Net sales(exisiting stores) ※3 | 202,587 | 104.9% | 233,922 | 103.4% | 436,510 | 104.1% |
| Operating income | 6,176 | 131.5% | 10,823 | 95.1% | 17,000 | 105.8% |

※1 including HANKYU MEN'S OSAKA

※2 Closed on July 31,2017

※3 not including Sakai Kitahanada Hankyu

2. Izumiya Co., Ltd.

(1) Operating results

(Millions of yen)

| | Amount | YoY | increase (decrease) | versus forecast | increase (decrease) |
|---|---------|-------|------------------------|--------------------|------------------------|
| Net sales | 116,995 | 89.8% | (13,252) | 97.7% | (2,706) |
| Gross profit | 30,806 | 92.6% | (2,459) | / | / |
| Gross profit / Net sales | 26.33% | | +0.79Pt | | |
| Other operating revenue | 7,171 | 89.6% | (829) | | |
| Selling, general and administrative expenses SG & A | 38,816 | 94.6% | (2,229) | - | - |
| / Net sales | 33.18% | | +1.66Pt | | |
| Operating income | (837) | - | (1,059) | | (348) |
| Operating income / Net sales | - | | - | | - |

Reference : H2O Asset Management Co., Ltd.

| | Amount | YoY | increase (decrease) | versus forecast | increase (decrease) |
|------------------|--------|--------|------------------------|--------------------|------------------------|
| Net sales | 4,713 | 195.4% | + 2,301 | 100.8% | + 39 |
| Operating income | 1,979 | 196.6% | + 972 | 104.4% | + 83 |

① Sales of each category

(Millions of yen)

| | Amount | YoY | increase (decrease) |
|-----------------|---------|-------|------------------------|
| Foods | 76,475 | 90.5% | (8,017) |
| Clothing | 14,558 | 88.4% | (1,913) |
| Household goods | 19,216 | 88.3% | (2,554) |
| Total | 110,250 | 89.8% | (12,485) |

② Monthly Sales

| | April | May | June | July | August | September | 1st·2nd Quarter |
|-----------------|-------|-------|-------|-------|--------|-----------|-----------------|
| Total stores | 91.5% | 87.6% | 87.5% | 87.9% | 91.7% | 92.4% | 89.7% |
| Existing stores | 98.2% | 94.6% | 95.2% | 95.0% | 98.4% | 98.3% | 96.4% |

③ Number of stores

| 31st March, 2017 | Opening | Closing 2 stores | 30th September, 2017 |
|------------------|---------|---|----------------------|
| 86 stores | - | Kemigawahama (Chiba) Saikudani (Osaka) | 84 stores |

(2) Forecast for FY2018

(Millions of yen)

| | 1st·2nd Quarter (※) | | 3rd·4th Quarter | | Total | |
|------------------|---------------------|-------|-----------------|-------|----------|-------|
| | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Net sales | 116,995 | 89.8% | 116,990 | 91.7% | 233,986 | 90.8% |
| Operating income | (837) | - | 725 | 56.1% | (112) | - |

※ separating asset management business company (H2O Asset Management Co., Ltd.) on 1st July, 2016

Reference : H2O Asset Management Co., Ltd.

(Millions of yen)

| | 1st·2nd Quarter | | 3rd·4th Quarter | | Total | |
|------------------|-----------------|--------|-----------------|-------|----------|--------|
| | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Net sales | 4,713 | 195.4% | 4,448 | 92.4% | 9,161 | 126.8% |
| Operating income | 1,979 | 196.6% | 1,745 | 85.7% | 3,724 | 122.4% |

3. Hankyu Oasis Co., Ltd.

(1) Operating results

(Millions of yen)

| | Amount | YoY | increase (decrease) | versus forecast | increase (decrease) |
|--|------------------|--------|------------------------|--------------------|------------------------|
| Net sales | 58,816 | 103.4% | + 1,943 | 97.2% | (1,690) |
| Gross profit | 14,925 | 101.4% | + 201 | / | / |
| Gross profit / Net sales | 25.38% | | (0.51Pt) | | |
| Other operating revenue | 3,379 | 109.4% | + 289 | | |
| Selling, general and administrative expenses SG & A / Net sales | 18,448 31.37% | 107.7% | + 1,323 +1.26Pt | | |
| Operating income | (143) | - | (832) | - | (646) |
| Operating income / Net sales | - | | - | | - |

① Monthly Sales

| | April | May | June | July | August | September | 1st•2nd Quarter |
|-----------------|--------|--------|--------|--------|--------|-----------|-----------------|
| Total stores | 104.6% | 103.9% | 101.3% | 102.7% | 103.7% | 104.3% | 103.4% |
| Existing stores | 101.4% | 99.2% | 98.6% | 98.1% | 98.6% | 99.2% | 99.3% |

② Number of stores

| 31st March, 2017 | Opening 3 stores | Closing 2 store | 30th September, 2017 |
|------------------|---|---|----------------------|
| 83 stores | Himejima (Osaka) Itami Koyahigasi (Hyoho) Itami Konoike (Hyogo) | Sumiyoshi (Osaka) Miyakojima (Osaka) | 84 stores |

(2) Forecast for FY2018

(Millions of yen)

| | 1st•2nd Quarter | | 3rd•4th Quarter | | Total | |
|------------------|-----------------|--------|-----------------|--------|----------|--------|
| | Amount | YoY | Forecast | YoY | Forecast | YoY |
| Net sales | 58,816 | 103.4% | 59,191 | 102.1% | 118,008 | 102.7% |
| Operating income | (143) | - | 734 | 102.6% | 590 | 42.0% |