

Integrated Report 2022





Integrated Report 2022 Editorial Policy

Objective	The purpose of the Integrated Report 2022 is to provide all stakeholders, including customers and shareholders, with an opportunity to learn more about the H2O Retailing Group's business and sustainability initiatives.
Target organizations	The entire H2O Retailing Group
Reporting year	FY2022 (unless otherwise specified)
Guidelines used as reference	GRI Standards

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A graphic for the Integrated Report 2022, featuring a light blue cloud-like shape with a dark blue shadow and a pattern of white diagonal lines.

Integrated Report 2022

Basic Philosophy

To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents.

Group Vision

To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences.

Our Conduct

H2O Retailing Group Code of Conduct

We endeavor to act in the best interest of our customers and live up to their trusts and expectations.

- ① We will always accurately assess the needs of our customers and provide better products and services.
- ② We will always keep our promises to our customers and respond to their requests promptly and in good faith.
- ③ We will place the highest priority on safety and security for all our products, services, and sales floor environments.
- ④ We will correctly display and appropriately explain our products and services
- ⑤ We will manage and utilize customers' personal information appropriately.

We will conduct our business with sincerity and a challenging spirit.

- ① We will be sensitive to the changes of the times, always be positive, think and act independently, and produce results.
- ② We will correctly understand and comply with social norms, laws, regulations, work regulations, and other company rules.
- ③ We will properly manage and operate the company's assets such as products, finances, goods, and important information, and will not miss-use them.

We will all participate to maintain a work environment in which we can always perform at our best.

- ① We will strive to create an open and cheerful workplace with rich communication.
- ② We will value the individuality of each person and be concerned about human rights and privacy.
- ③ We will not engage in sexual harassment, abuse of authority, or other acts that lead to harassment or discrimination.

We will observe the rules of fair trade and build good partnerships with our business partners.

- ① We will not abuse our superior position and will not make unreasonable demands to our business partners. We will not engage in unfair transactions, such as cartels or bid rigging.
- ② We will be polite and moderate in our dealings with suppliers and will not accept gifts or entertainment that is out of line with social norms.
- ③ We will not violate the intellectual property rights of others, including copyrights and trademarks.

We will act proactively to contribute to society.

- ① We will not hide information, but present it correctly and in a timely manner, and build good relationships with internal and external stakeholders.
- ② We will act proactively to protect the environment and contribute to society to realize a sustainable society.
- ③ We will not respond to any unreasonable demands from antisocial organizations, groups, or individuals.

Company Profile

Company name	H2O RETAILING CORPORATION
Head Office Address	8-7, Kakuda-cho, Kita-ku, Osaka City
Date of establishment	March 7, 1947 October 1, 2007, Trade name change
Capital stock	17,796 million yen
Number of employees (consolidated)	9,856
URL	https://www.h2o-retailing.co.jp

Main group companies

Hankyu Hanshin Department Store Inc.	Operation of department stores
KANSAI FOOD MARKET LTD.	Business planning and management of supermarket companies
KANSAI SUPER MARKET LTD.	Supermarkets
Izumiyama Izumiyama Co., Ltd.	Supermarkets
Hankyu Oasis Co., Ltd.	Supermarkets
H2O Shopping Center Development Co., Ltd.	Operation of commercial facilities, clothing/fashion, and housing-related products

※For other group companies, please refer to the website.

Outline of Shares

Major Shareholders (as of March 31, 2022)	Number of shares held (thousand shares)	Investment ratio (%)
Hanshin Electric Railway Co.,Ltd.	14,749	11.97
The Master Trust Bank of Japan, Ltd. (Trust account)	13,185	10.70
Hankyu Hanshin Holdings, Inc.	10,336	8.39
Takashimaya Co.,Ltd.	6,259	5.08
Custody Bank of Japan, Ltd. (Trust account)	5,188	4.21
Izumiyama Kyowakai Assn.	3,033	2.46
H2O Retailing Group Employees' Shareholding Association	1,881	1.53
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE : UCITS CLIENTS15.315 PCT NON TREATY ACCOUNT(Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	1,819	1.48
DFA INTL SMALL CAP VALUE PORTFOLIO	1,711	1.39
BNYMSANV AS AGENT/ CLIENTS LUX UCITS NON-TREATY 1	1,385	1.12

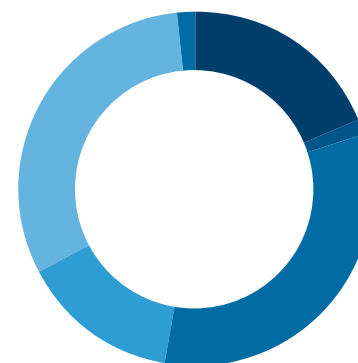
※The investment ratio is calculated based on the total number of shares issued excluding treasury stock (1,989,253 shares).

List of Directors and Executive Officers

President and Representative Director	Naoya Araki
Representative Director and Senior Vice President	Katsuhiro Hayashi
Representative Director	Toshihiko Yamaguchi
Director	Kazuo Sumi
Director Standing Audit and Supervisory Committee Member	Toshimitsu Konishi
Director and Audit and Supervisory Committee Member(※)	Naoshi Ban
Director and Audit and Supervisory Committee Member (※)	Kenjiro Nakano
Director and Audit and Supervisory Committee Member (※)	Mayumi Ishihara
Director and Audit and Supervisory Committee Member (※)	Nobuko Sekiguchi
Managing Executive Officer	Gaku Watanabe
Managing Executive Officer	Masaru Ikejima
Executive Officer	Kenji Uno
Executive Officer	Yasuhiro Imai
Executive Officer	Hideki Kashihara
Executive Officer	Toru Koyama

※ The Company has designated an independent director as stipulated by the Tokyo Stock Exchange.

Distribution of Shares by Holder

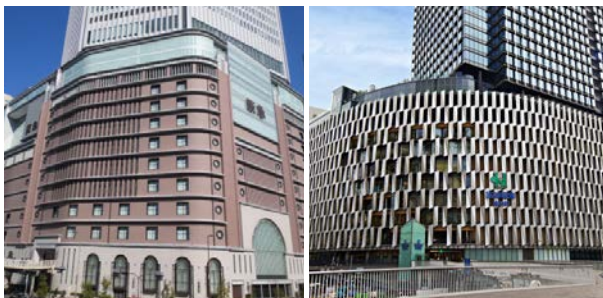


Financial institutions	18.8%
Financial Instruments Dealers	1.3%
Other corporations	32.9%
Foreign corporations, etc.	14.4%
Individuals and others	31.0%
Treasury stock	1.6%

Total number of shares authorized to be issued 150,000,000 shares
 Total number of shares issued 125,201,396 shares
 Stock exchange listing: Tokyo Stock Exchange Prime Market
 Stock code: 8242

Business summary

Department Store Business



Hankyu Hanshin Department Stores, Inc. operates a total of 15 department stores, including Hankyu Department Stores and Hanshin Department Stores. We strive to become the No.1 fun department store to make our customers lives also fun and enriched by energizing their future.

The Hankyu Umeda Main Store is the number one store in the region, boasting the largest sales in western Japan, and conveys the brand image of our group as a "theater-type department store" that proposes not only goods but also the cultural value behind them. We boast the largest sales in western Japan. The Hanshin Umeda Main Store "the department store that makes you happy every day" had it's grand opening in April 2022. Navigators, who convey the store's appeal, connect with customers through both real and digital means to establish a fan community.

Activities such as remodeling the Kobe Hankyu and Takatsuki Hankyu stores, we are building our own unique on & offline (OMO) style that connects a wide range of customers in both real and digital worlds.

(※) OMO : Online Merges with Offline

Initiatives that take the customer as the subject matter. All experiences related to purchases (awareness, purchase and repeat purchases) must be available to be experienced in both online (digital) and offline (real stores).

Hankyu Department Store	11 stores
Hanshin Department Store	4 stores

※Number of stores: As of October 31, 2022

Supermarket Business



From manufacturing and processing to sales in food supermarkets, we are developing businesses related to "food". Izumiya Co., Ltd. operates food supermarkets in the Kansai area. We pursue "ee-mon-yasui" (good products affordably) through the provision of safe and reliable products and services. Hankyu Oasis Co., Ltd. operates food supermarkets with the keywords of "specialty," "liveliness" and "information dissemination" . We are working to improve profitability through integrated management of both companies. KANSAI SUPER MARKET LTD., which joined our group in December 2021, continues to offer products at affordable prices with a focus on freshness and quality.

Izumiya ※Including stores of Qanat Co., Ltd. and H2O Shopping Center Development Co., Ltd.	101 stores
Hankyu Oasis	77 stores
Kansai Supermarket	64 stores
Manufacturing and Food Delivery Company	6 company

Shopping Center Business



We are developing businesses related to the development, operation, and management of commercial facilities, such as the operation of shopping centers (SC) and the provision of building maintenance services. Hankyu Shopping Center Development Co., Ltd. develops and operates shopping centers such as "Rakuhoku Hankyu Square". H2O Shopping Center Development Co., Ltd. is promoting the conversion of Izumiya's general merchandise stores to shopping centers, increasing profitability and promoting activities to deepen "bonds with the community." Oi Development Co., Ltd. also operates the "OURS INN HANKYU" hotel in Tokyo.

Other Businesses

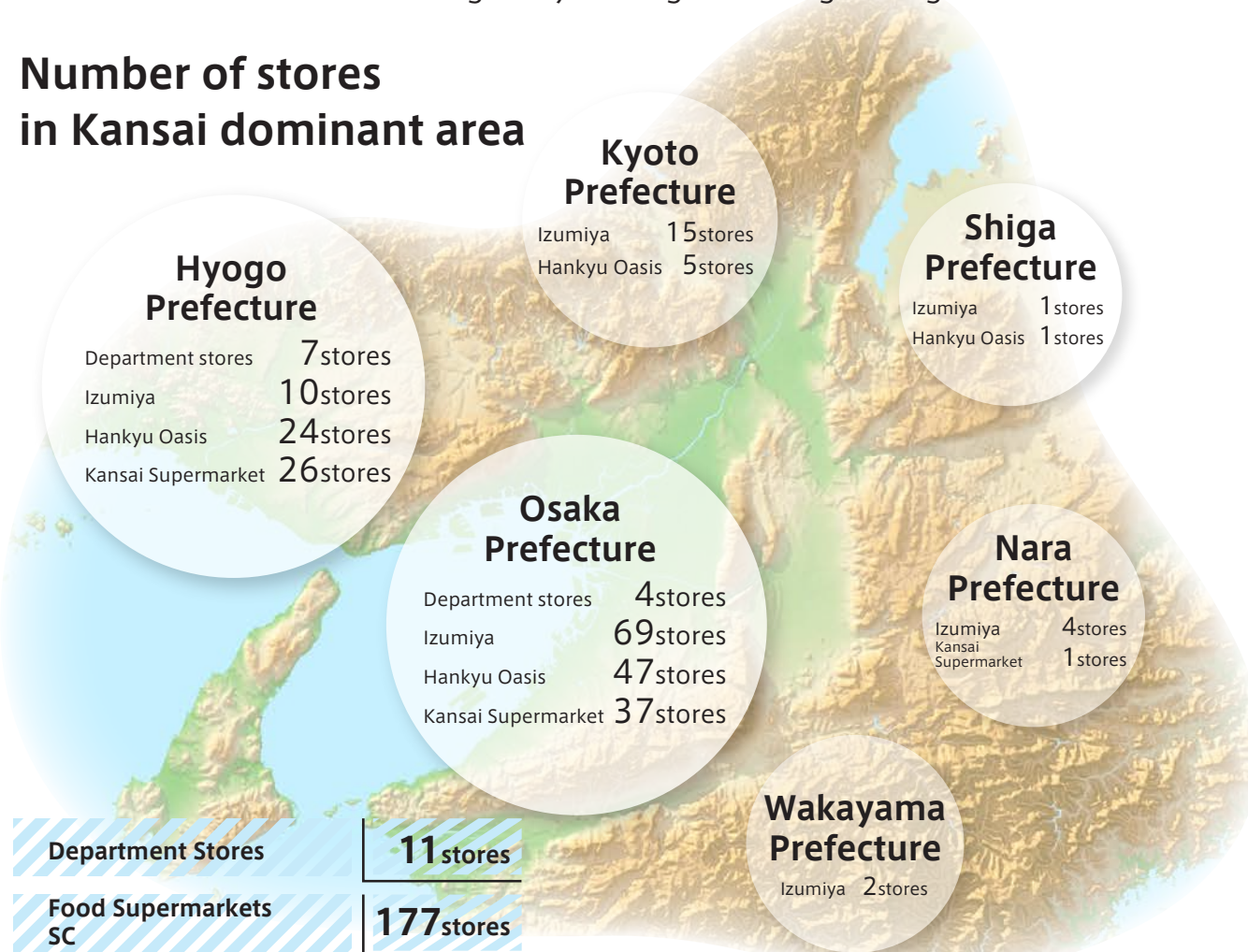
We are working to develop a variety of retail formats, including convenience stores, cosmetics, furniture, pet goods, etc. We are also working to expand our specialty store business, which allows us to open stores in commercial facilities outside the group, such as F.G.J Co.,Ltd. which operates the cosmetics and sundry goods specialty store Fruits Gathering. We are also working to expand the specialty store business to include stores in commercial facilities outside the group.



Business Domain

The Kansai business area is a metropolitan area with a population of approximately 20 million where the group is pursuing its "dominant strategy". We operate a total of about 250 stores, including department stores in our core urban large-scale commercial business, food supermarkets in our supermarket business, and shopping centers (SCs) in our shopping center business in Umeda, which is one of the most fiercely competitive commercial districts in Japan, which is undergoing redevelopment itself. We are working to expand our market share in the Kansai region by refining and strengthening these businesses.

Number of stores in Kansai dominant area



Ningbo Hankyu, China

After seven years of preparation, the Ningbo Hankyu opened in Zhejiang Province, China, in April 2021. The first "experience-oriented department mall" in China that combines the strengths of a department store with those of a shopping center has four main pillars: "high-end niche fashion", "exciting and high-quality foods", "experiences and entertainment" and "Japanese contents". Through product and content collaboration, customer collaboration, and cross-border e-commerce initiatives with the Hankyu Umeda Main Store, we are developing business aimed at the wealthy and upper class of Ningbo and Zhejiang provinces, who have high economic and purchasing power.

Our group is a member of the Hankyu Hanshin Toho Group, which creates lifestyle culture.

Hankyu Hanshin Toho Group

- Number of group companies
195 companies and 5 organizations
- Net sales
1.493 trillion yen
- Number of employees
35,964

※As of March 31, 2022

※For details, please visit our website

※The number of Izumiya stores includes Qanat Co., Ltd. Kanato and H2O Shopping Center Development Co., Ltd.

※Number of stores: as of October 31, 2022.



Top Message

**To deliver
'fun', 'happy' and 'tasty'
experiences to our customers.**

**Naoya Araki,
President and Representative Director,
H2O RETAILING CORPORATION**

The group operates more than 500 physical shops in the Kansai region, including department stores' operations, food businesses such as supermarkets, home delivery and manufacturing, commercial facility operations such as shopping centers and hotels, and specialty shops.

In the Kansai dominant strategy currently being promoted, the existing trading stores with its three cores will be refined and re-enforced, and efforts will be made to strengthen the ability to provide value to customers by integrating offline and online operations in line with the changing times. We will also take on the challenge of developing new products and

business models that utilise our customer base and network in Kansai.

At the same time, we will promote our unique sustainability management, which deepens relationships with stakeholders (such as local communities and residents, employees, business partners, government agencies and shareholders), and aim to realise our group vision and achieve business growth by simultaneously achieving No.1 customer mindshare and market share.

With the full opening in April 2022 of the Hanshin Department Store Umeda Main Store, which has been undergoing rebuilding for about seven and a half years, major shop

investment will come to an end after the renovation of the Kobe Hankyu and Takatsuki Hankyu. From now on, we aim to become a "communication retailer" that provides personalized products and services by deepening ongoing communication with customers through physical stores and online, and we will strengthen our investments in areas such as IT, digital and service development. The Covid-19 pandemic has accelerated changes in lifestyles and ways of working that were originally intended to evolve gradually. The shift in the way customers consume both in real life and online has taken hold and are here to stay.

To further increase market share, the group, which has a concentration of shops in the Kansai area, aims to centralise not only product information on the sales floor, but also customer data managed by each business unit and utilise it effectively across the group, as well as we develop and provide new services and products that match customer needs through the use of digital technology. We intend to pursue conglomerate advantages as a group with various retail formats to become a "communication retailer."

Full-fledged promotion of 'sustainability management'

Established in 2021, the Sustainability Management Promotion Committee, which I chair, was set up to start 'sustainability management' in earnest.

The committee decides on a monthly theme and discusses specific targets and how to incorporate them into our business activities. The key themes of 'deepening local community bonds', 'nurturing local children' and 'protecting and passing on the richness of local nature' have been addressed by each company in the past, but we will continue to deepen our activities to achieve the No. 1 mindshare in the Kansai region by connecting our dotted initiatives with the will and continuity of the group. We will also develop these themes into all-encompassing activities that do not stop at

mere themes but bring the group together. As a medium-term approach to environmental issues, we are also promoting environmental management to reduce our environmental impact (greenhouse gases, food waste, plastics, etc.). In addition, as a response to climate change, we have endorsed the 2022 TCFD and are studying climate change risks and opportunities for our company and its impact on our business, which we have now disclosed for the first time.

For diversity initiatives, the group will work towards improving the work life balance and opportunities for women, seniors, employment of people with disabilities and work on LGBT initiatives.

We particularly consider the success of women, who make up a large proportion of the group's workforce, to be of particular importance in creating new value and generating innovation, and we have launched various projects to create a group-wide system to achieve this.

In addition, human rights policies and CSR procurement policies have been formulated to engage with the recent and future human rights challenges, for which a due diligence response will be developed in stages.

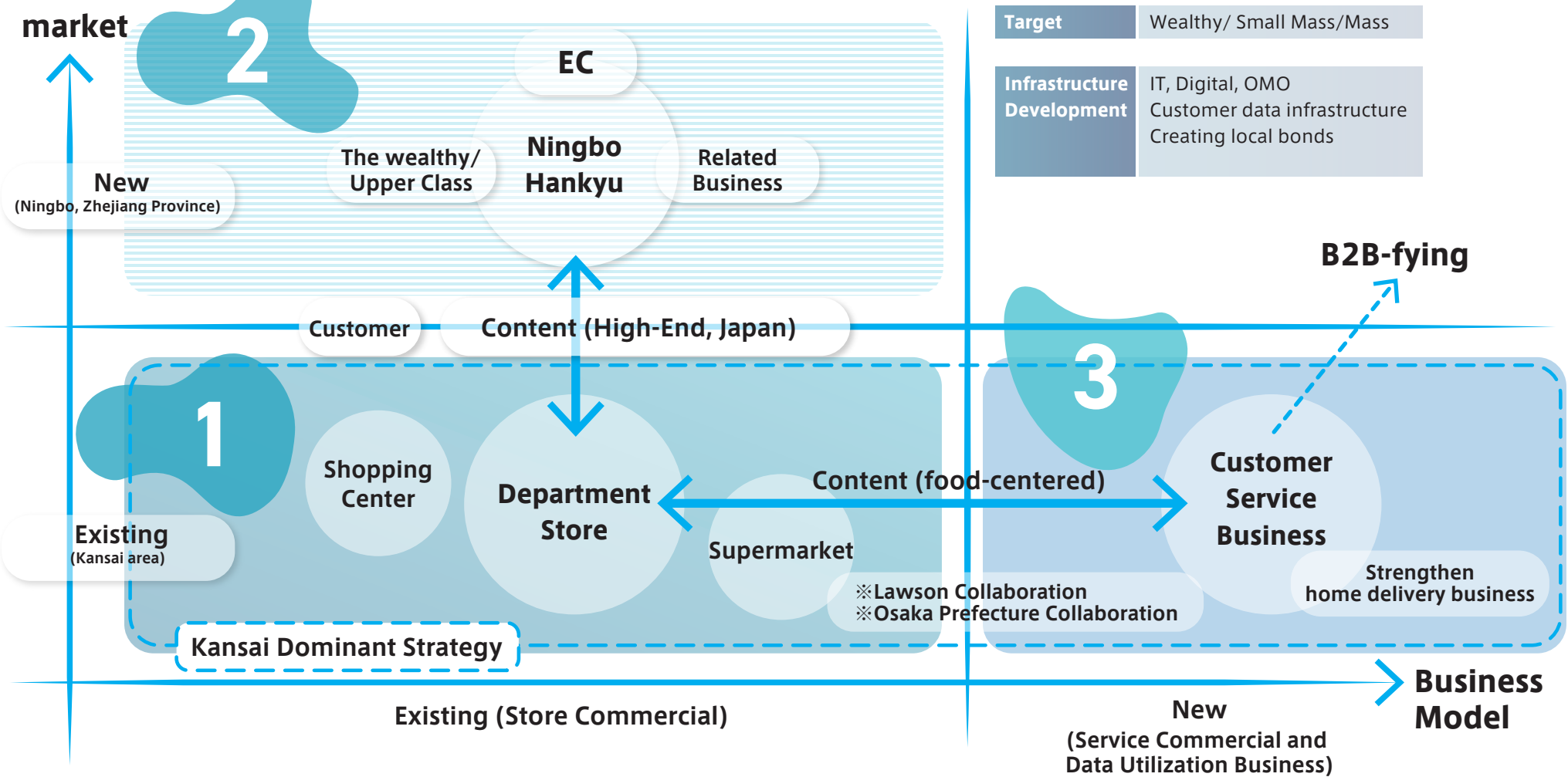
Under the vision of becoming "an energetic customer's lifestyle partner to enrich their hearts through offering 'fun', 'happy' and 'tasty' values", all group employees will work together to overcome these times of great change.

We will further refine our 'existing businesses' and pursue 'new business models' and engage in management and day-to-day activities aimed at the sustainable development of the group's businesses and its various stakeholders.

Long-Term Business Concept 2030

Communication Retailer, the business model the H2O Retailing Group is aiming for

We have formulated a long-term business concept that focuses on 2030, rebuilding and refining existing businesses, expanding into new markets, and taking on the challenge of new business models. As a "Communication Retailer" that provides a variety of products and services based on strong and deep ongoing relationships with customers through direct communication, we will continue to grow with the community by delivering "fun," "happy," and "tasty" lifestyles to our customers.



1

Restructuring of Department Store Business

We will aim to become the "No. 1 fun" department store by reforming the cost structure and at the same time promoting OMO using digital technology and putting the rebuilding of the Hanshin Umeda main store and the remodeling of the Kobe Hankyu and Takatsuki Hankyu on track.

Turning the Supermarket business into a second pillar of the business

We will establish the supermarket business as the second pillar of the department store business by thoroughly reviewing operations, working to improve productivity, and by reducing operating costs and our purchase prices following the integration of Izumiya and Hankyu Oasis operations.

Steady operation of Shopping Center Business

We will improve profitability by responding to the market and improving management efficiency, mainly in shopping centers and business hotels.

2

Expansion into new markets

We will establish the Ningbo Hankyu business, which opened in April 2021, and work with the Hankyu Umeda Main store to provide high-end and Japan content to the affluent and upper class of Ningbo and Zhejiang, whilst also developing e-commerce and related businesses.

Numerical Targets (2030)	Number of Group active customers	10 million people
	Operating profit	30 to 35 billion yen
	Department Store Business	15 billion yen or more
	Supermarket Business	10 billion yen or more
	Shopping Center Business	3 billion yen
	Ningbo / Zhejiang	3 billion yen
	Customer service	3 billion yen
	ROE	6 to 7%

3

Challenge to a new business model

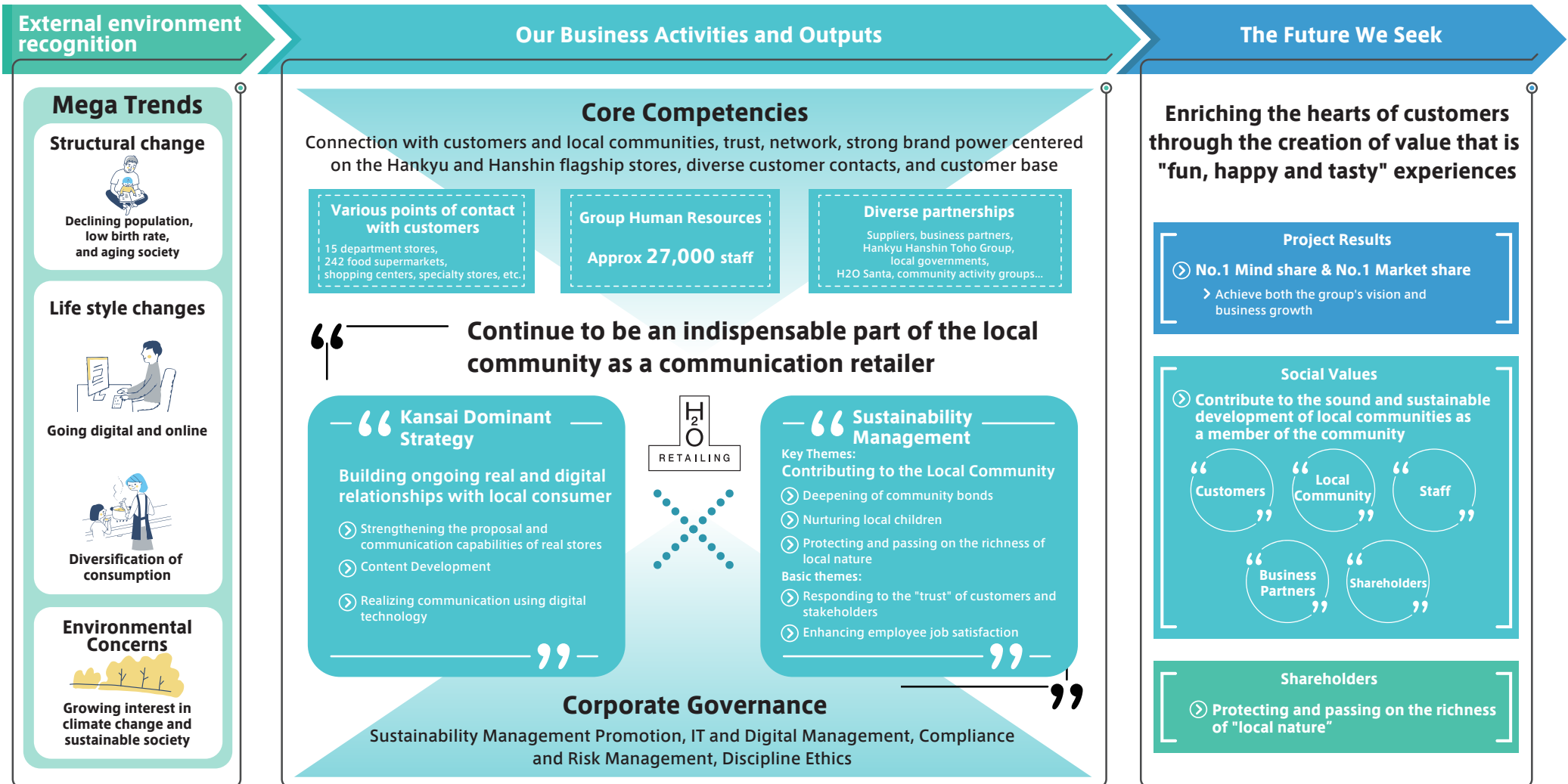
We will aim to commercialize new services in the Kansai area by combining the Kansai market and customer base we have cultivated to date with the development of online axis service content centered on food, strengthening the home delivery business, collaborating with real stores, and creating a network through alliances such as Lawson, Inc., and Osaka Prefecture.

Infrastructure development

We will prepare for the development of a new business style by improving our IT infrastructure, establishing OMO style utilising digital technology, and building a group customer data base. In addition, we aim to become an indispensable presence to the local community by promoting initiatives to deepen bonds with society and residents.

Value Creation Process

We aim to continue to be an indispensable presence in the local community by leveraging the H2O Retailing group's strengths. These include our connections with customers and the local community, trust, network of strong brand power centered on the Hankyu and Hanshin flagship stores, as well as our diverse customer contacts and our customer base.



Representative tripartite discussion

The three representative directors talked about the specific image of "communication retailer" and "relationship with the community," which are the keywords for promoting H2O Retailing's business.



Left: Toshihiko Yamaguchi
(Representative Director of H2O Retailing Corporation, in charge of department store business)

Middle: Naoya Araki
(President and Representative Director of H2O Retailing Corporation)

Right: Katsuhiro Hayashi
(Representative Director and Senior Vice President of H2O Retailing Corporation, in charge of food business)

» The "Communication Retailer" H2O Retailing aims to be.

Shifting the style of retail and commerce from store and product-based to "customer-oriented" (Araki)

Our business, whether a department store or a supermarket, is business that originated from stores. We are a company with very strong stores, products, and the power to promote and propose new and attractive lifestyles and products. Looking at the retail industry, we recognise that the power of our stores, products, and promotions were the driving force behind our competitiveness.

The Covid-19 pandemic was a major event. Of course, the world is becoming increasingly digitalised through the development of e-commerce and the growth of Amazon, ZOZO, and Rakuten, as well as social

networking sites where customers can obtain information and communicate with other consumers by forming communities. In 2018 (pre Covid-19), we started to study this trend internally, to steer the company toward this major trend.

This was the timing during which, with the Covid-19 pandemic, the style of consumers and society changed significantly. As we ourselves have realised, physical face-to-face consumption behaviour as well as consumption behaviour using digital technology has expanded. Furthermore, the use of digital technology has spread sharply to information gathering, entertainment and communication between people, and altered not only the styles of consumption and life of people but also their working style significantly. For some time, I felt that the retail industry, which has been based on its store or product as its strength, should

gradually change in anticipation of the near future, but I believe that the Covid-19 pandemic has rapidly brought forward this need at once, perhaps with a time compression of about five years. Taking this opportunity, we have decided to shift our retail and commercial style from a store-based approach to a customer-oriented approach.

A style that connects individuals digitally whilst leveraging the appeal of real stores, which is one of our core strengths.

We have more than 500 physical stores, in which over the years we have cultivated a long history of providing products, entertainment, emotional experiences, and hospitality to our customers.

Over the past year, we have felt a sense of urgency from

Representative tripartite discussion

learning the importance of connecting with customers whilst utilising the advantages and attractiveness of physical stores and simultaneously making full use of digital technologies in response to major changes in consumer and lifestyle as the pandemic has subsided somewhat.

In July 2021, one year after the Covid-19 pandemic, we announced our long-term business concept for 2030 in conjunction with our medium-term management plan, which called for a customer-oriented business model that integrates physical and digital stores, based on our vision for the future of commerce and retailing.

Until now, with only physical stores, customers would visit to shop once every few months or once a week even if they came often, so once they purchased a product on the spot, the opportunity for communication ended there.

By making good use of digital technology, we can increase the frequency of customer interactions to learn their interests and concerns to solve their problems, resulting in customers preferring us more to connect with.

The retail industry is also creating an environment for continuous communication, which we believe is the basis for digital transformation in our industry.

Through these efforts, we aim to meet the personal needs of each individual customer and provide personalised support to help them become the person they want to be...

We believe that this is the form that we as a business community should aim for in the future.

We named this "Communication Retailer" style as the vision of the group for the next decade and have summarised the 10-year business formation to realise this vision in the form of a long-term business concept.

OMO in the department store business is to create empathy with customers in the real world, whilst also supporting their self-realisation in the digital world. (Yamaguchi)

From the perspective of the department store business, life has become less uniform, and we now live in an age of diverse individuals.

In other words, the image of whom/what people aspire

to become has evolved to be more diverse and complex than in the past.

In addition, with the advent of the Covid-19 pandemic, we have entered an era of "altruistic self-realisation," in which one's own self-realisation is achieved by supporting the self-realisation of others, whereas this has previously been limited to self-realisation of one's own desire to be this way.

We aim to help our customers achieve self-realisation by building a relationship with them, learning their thoughts, connecting with them through empathy, gaining their trust, and then supporting them.

I personally read "communication retailer" as a department store that is a "self-realisation support partner and support business". That is what we are aiming for.

We will continue to market and propose products, sales areas, events, and other content to customers based on their ideas of "who they want to be" and "how they want to live their lives". However, we believe that it is necessary to support the customer's self-realisation, which begins with this process, all the way to the goal from beginning to end.

Our physical stores help generate strong empathy with customers.

Our great strength is that we have places where we can create actual empathy as it is difficult to create that empathy digitally.

Our relationship with the customer continues beyond the sale of a product. We use digital/online and in

person communications to communicate with the customer, gain empathy and trust, and support their self-realisation their way. This is the essence of an OMO department store.

An important indicator is so-called lifetime value. Our customers with whom we have long term connections with end up becoming our fans, resulting in an increase in purchases.

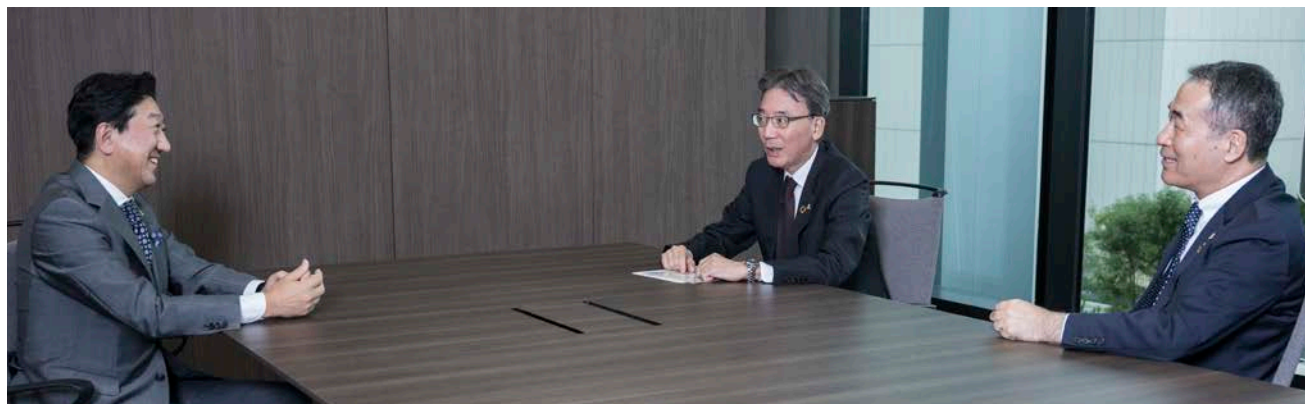
Creating products and shelf space allocations from the customer's point of view is to interact with the customers in the supermarket business. (Hayashi)

We are a company and a group that advocates being an indispensable part of the local community.

We have retail formats ranging from department stores to supermarkets and convenience stores, but I think that supermarkets are positioned within these formats as the ones with the most points of actual and frequent contact with customers through 'food'.

In addition, supermarkets have the role of creating 'food' that changes steadily depending on lifestyle and life stage. As a retailer, our role is to manage the supply chain from upstream to downstream and move things whilst remaining in close contact with customers in the region.

Even if we do not reach each customer individually, we view our customers as a cluster (group) and allocate



Representative tripartite discussion

shelves according to their preferences, create products as a group company with food-production subsidiaries and discuss product supply with our suppliers. ID-POS enables us to understand the best-selling products in each cluster and conduct effective forecasting.

Supermarkets do not spend much time in contact with customers, but this does not mean that we do not communicate with them, as the business type of supermarkets is built on a user-in (customer-in, consumer-in) concept.

It is clear that we live in an era in which people would not otherwise choose us.

We supermarkets are involved in food, as are the food departments of department stores, and we believe that it is important to solve customers' problems through familiar ingredients and dishes, and to create what comes next while providing products that suit customers' tastes.

Developing infrastructure for customer information as a holding company (Araki)

I mentioned the customer-oriented perspective earlier, but I think that department stores will lead the way in terms of the speed of transformation, while supermarkets will change over time.

In contrast to department stores, physical supermarkets are located close to their customers and have high frequency of customers' visit. This will gradually shift from store and product focus to customers' benefit perspective focus with a digital axis.

In a customer-oriented context, customer data is extremely important. As a holding company, we are required to function across the group's operating companies to transform them into communication retailers.

To achieve this, it is important to firstly develop the customer information infrastructure, secondly to develop digital human resources and thirdly to collaborate with external parties in a cross-group manner.

In 2021, IT digital development and investment plan has been reformulated and implementation has begun of

the development of the customer information and other infrastructure which requires time, funding, and human resources.

Within this context, each operating company, such as department stores and supermarkets, home delivery businesses and shopping centers, will create a system within the group that centrally recognises customer information and communicates with each customer.

» H2O Retailing's Goal of "Community Involvement"

What the Kansai dominant strategy aims to achieve

1. 'No. 1 market share' in the business
2. 'No. 1 mind share', which is born out of empathy with local communities by promoting sustainability management (Araki)

As we are a Kansai-based entity, with more than 80% of our business in the Kansai region, the 'Kansai Dominant Strategy' is a major pillar of the group's overall business strategy. As part of our management philosophy, we aim to be an indispensable presence for the region and its residents.

We believe that the Kansai Dominant Strategy in our business and sustainability management that cares for the local community goes hand in hand, and that we are a corporate entity with a large overlap between our business and sustainability management.

We recognise the sustainability management of our group as realising 'No.1 market share' in retail business, while at the same time realising 'No.1 mind share' in empathy with our customers by promoting sustainability initiatives toward local community.

There are many issues that need to be addressed in order to promote sustainability management, including global environmental issues, diversity issues and safety and security issues, but as a group, our top priority is to become a company that is loved by the local community and local residents, which we consider to be a pillar of



sustainability management.

Our key sustainability policy, which was discussed and decided by the Sustainability Management Promotion Committee, is based on 'the local community', which I believe is a key feature of our company.

The three pillars of our key themes, the basic stance and desire of our sustainability management are; building bonds with the local community, the healthy upbringing of local children and protecting the rich natural environment of the region.

We have made "nurturing local children" one of our keywords, which is one of the most important themes for the group. (Hayashi)

As a department store, a culture endorsing business, we have long been thinking about how to nurture a rich future for children. Starting with emotional education, I believe that we have been able to provide values in a variety of aspects.

Although the Covid-19 pandemic has placed certain restrictions on movement, we need to think again about how we can connect children and society, and how children will build their future for when things return to normal.

In this context, for example, I believe that the "HANKYU

Representative tripartite discussion



Children's College" held by Hankyu Hanshin Department Stores, Inc. is providing a very good experience opportunity. When we held this event in the past, we prepared options of about 200 work experience activities, with pastry chefs being very popular at that time.

From the perspective of being a social presence and an essential part of the community, we have also been working for some time to make people aware of the shop's ecological efforts in food supermarkets. We have had tours for primary school children, experience-type visits for junior high school students, and some were to give a look at what goes on in the back dock. We hope that through our various points of contact, people can get a sense of 'retailing' and its relationship with the environment.

'H2O Santa' creates a culture of charity in the community

The Hankyu Umeda Main Store was rebuilt and reopened in 2012, providing a stronger information dissemination capability than ever before. We have simultaneously launched the group's social organisation 'H2O Santa' . Some of our customers are interested in contributing to

society, however feel that they 'lack the information and opportunities to take action.....'. On the other hand, many NPOs and other organisations that seek to solve social issues suffer from a chronic lack of funds and human resources.

Therefore, we investigated if we could play a role in 'connecting' their thoughts and needs by utilising the 'urban media function' of the shop. While shopping or dining, customers can learn about the activities of organisations in need, and if they feel empathy, they can make a donation..... The aim is to create a culture of charity in the local community by creating a social contribution environment that is familiar to customers and employees. It began its activities under the slogan 'Everyone can be someone's Santa' and became a general foundation in 2015.

For example, one of H2O Santa's supporting organisations is Pool Volunteers, a certified non-profit organisation. This organisation provides one-to-one swimming instruction to people with disabilities. Exercise in the water has a beneficial effect on both body and mind, and through their activities they aim to create a society where everyone can enjoy and safely become familiar with the water.

At first, our main form of support was fundraising and informing in-store customers about the activities, but now group employees also actively volunteer.

We hear that both users and employees have an enjoyable and meaningful time, and we feel that the charity culture within the group is expanding.

Supporting the 'promotion of forest ecology circulation' in local communities. (Yamaguchi)

In response to one of the themes of the Sustainability Management Policy, which is to protect and pass on the richness of local nature, the group is oriented towards three initiatives: implementing environmental conservation activities in cooperation with local communities, promoting natural environment conservation activities such as the protection of forests and water resources, and proposing environmentally friendly products and lifestyles.



Some concrete suggestions were made during this process, and we started activities to "work on the promotion of forest ecology circulation" in our hometowns of Osaka and Kobe. Forests have always been an important partner for humans. We nurture forests, use trees as forest resources, plant new trees after the ones we have used, and nurture the forests again.

There is always some thinned wood that is produced when a forest is being nurtured, but there is also wood that is left in the forest after it has been thinned. When we investigated how we could help promote forest recycling, one of the ways was to support the use of this thinned wood.

We created fixtures and objects using thinned wood from the Rokko Mountains in Kobe during the rebuilding of the Kobe Hankyu. At first, we thought that overseas luxury brands with a global presence, which place great importance on concepts, would not accept local thinned wood from Kobe.

But our desire to contribute to our hometown of Kobe and to use this thinned wood in a sustainable spirit was conveyed to brands, and various brands agreed to so. We believe that one of our roles is to expand the circle of people who want to be a part of the forest ecological cycle in this way, and to become a media outlet for this purpose.

Medium-Term Management Plan

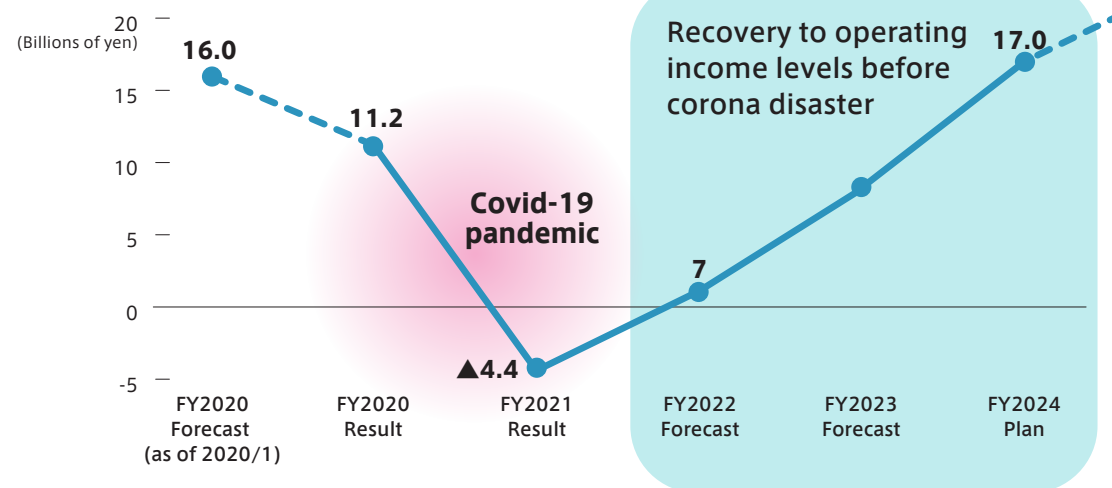
Long-term business plan 2030

In the medium-term management plan for the period from FY2022 to FY2024, with the goal of recovering to pre-Covid-19 pandemic levels of operating profit, we will promote initiatives to realize 'Long-term business plan 2030' by setting the following items as priority items.

Changes in key indicators

(Unit: Billions of yen)	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Result	FY2024 Plan
Operating profit	204	112	▲44	7	170
Ordinary profit	214	118	▲29	23	140
ROE	0.8%	▲5.0%	▲10.5%	4.2%	2.6%
ROIC	3.6%	2.0%	▲0.8%	0.1%	3.0%

Illustration of Changes in Operating Income



Restructuring of Department Store Business

- Establish OMO style
- Priority investment in Hanshin Umeda Main Store, Kobe Hankyu and Takatsuki Hankyu
- Cost structure reform

Turning the Supermarket business into a second pillar of the business

- Standardization of SM business and restructuring of management capabilities
- Integrated operation with manufacturing business
- Strengthen business capabilities through alliances

Start business development for future growth

- Establishment of Ningbo Hankyu Business and related business development
- Launch and expansion of customer service business

Promoting IT·Digitalization

- Building an IT infrastructure for DX
- Accelerate business reforms
- Responding to system risks and issues

In the next three years (FY2025 to FY2027), we aim to exceed the level of operating profit before the Covid-19 pandemic and achieve diversification of our revenue sources.

Medium-Term Management Plan: Related Topics

Topic 1 Kobe Hankyu · Takatsuki Hankyu Remodeling

To become a department store loved more by local customers.
First large-scale renovation in almost 20 years.



In line with the medium-term management plan (FY2022-2024) announced in July 2021, a total of approximately JPY 10 billion will be invested in the remodeling of the Kobe Hankyu and Takatsuki Hankyu.

When the shop changed its name from Sogo Kobe and Seibu Takatsuki respectively in October 2019, the basement floor food sales area and other areas were renovated, but this is the first time the entire building has been remodeled. This is also the first large-scale remodeling in about 20 years for both Kobe Hankyu (including the Sogo Kobe shop era) and Takatsuki Hankyu (including the Seibu Takatsuki shop era).

Kobe Hankyu will be transformed into a department store that co-creates wonderful lifestyles with local customers under the store concept of "With KOBE Department Store that loves and is loved by Kobe" with the message "We are not Kobe Hankyu, we will be the Hankyu of Kobe". In the Sannomiya district, Kobe City's redevelopment project will start in fiscal 2022, and we will proceed with the renovation in line with this movement. In autumn 2023, Takatsuki Hankyu will be reborn as "Takatsuki Hankyu Square", a

department mall proposing the store concept "stylish, 'fun' and 'convenient' Takatsuki lifestyle".

We aim to become the No. 1 store in customer support, by blending into the lives of customers local to Takatsuki, which is located relatively close to Osaka and Kyoto. This is a place where rich nature and convenience coexist whilst being accommodating to all generations. In addition, we aim to establish a stable revenue base through efficient shop operations based on a mix of business categories as well as combining the product range of department stores and specialty shops by utilising the strengths of each shop model. By transforming department stores and specialty shops into a new suburban department stores' model with the best mix of each, we aim to become a department store that is loved by local customers.

"Rerere" The web magazine from "Hankyu of Kobe" for people who love Kobe.

<https://kobe-renewal.hankyu-dept.co.jp/>

Topic 2 Alliance

Following Osaka Prefecture, an agreement was signed with Takarazuka City (Hyogo Prefecture). Working with the city government to develop local communities in areas ranging from decarbonisation to disaster and crime prevention.

Signing the 'comprehensive cooperation agreement' with Takarazuka City.

On 26th of July 2022, the group concluded a comprehensive cooperation agreement with Takarazuka City, Hyogo Prefecture, on cooperation and collaboration in six areas: regional revitalisation, environment, children and education, health and welfare, employment promotion and disaster and crime prevention. With the signing of this agreement, the group will further deepen its initiatives aimed at realising the development of the local community together with Takarazuka City (Hyogo Prefecture). This is the second time the group has signed a comprehensive cooperation agreement with an administration, following its partnership with Osaka Prefecture in July 2021.



Participation in Osaka Prefecture's "Platform for the Promotion of the Decarbonisation Points System" and cooperation project to verify the effectiveness of awarding points.

As part of the initiatives of the Comprehensive Cooperation Agreement with the Osaka Prefectural Government, the group will participate in the Promotion of the Carbon Credit System platform,

which was set up in May 2022 with the aim of raising awareness and changing the behavior of Osaka residents towards decarbonization. We applied for and were selected as an operator to award decarbonisation points as well as cooperate in the verification of the effectiveness of the system.

The 'Platform for the Promotion of the Carbon Credit System' is a system that aims to raise awareness and change the behavior of residents towards decarbonisation, with the aim of realising net zero CO₂ emissions in the prefecture by 2050. This platform will examine the establishment of a system to grant decarbonisation points to consumers who purchase products (including services) with low CO₂ emissions in the production and distribution process, using the point system currently operated by retailers and others. The group will not only participate in this platform but will also work to spread and expand this pioneering initiative through cooperation in effectiveness verification. We will work with the Osaka Prefectural Government and participating businesses to build a sustainable and effective system.

Participation in the Osaka Prefecture 'Food Loss Reduction Network Roundtable'

Based on the Osaka Prefecture Food Loss Reduction Promotion Plan formulated by the prefectural government in March 2021, businesses, consumers, and the government have joined together under the slogan 'Mottainai-yan!(What a shame to waste this!) Let's eat well in Osaka, the capital of food'. We are participating in initiatives to reduce food loss at every stage of food production, distribution and sales in cooperation.

Medium-Term Management Plan: Related Topics

Topic 3

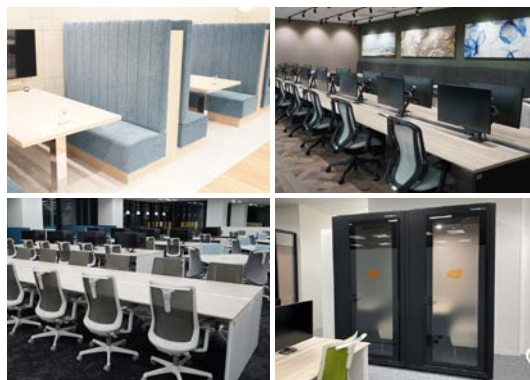
Head Office Relocation

The office environment is designed for autonomous and flexible work. As well as reducing our impact on the environment.

The company and its core company, Hankyu Hanshin Department Store, Inc. relocated their head office in September 2022. The aim is to create value by discovering new ways to work, improve efficiency and reduce costs by reforming conventional work styles whilst reducing our environmental impact.

The relocated new office aims to allow people to work autonomously, flexibly, freely, and remotely. The collaboration spaces and meeting spots add value such as additional functionality and mechanisms that encourage cooperation across departments, groups, and companies. The healthy and sustainable facilities and environments such as the web conference booths and solo workspaces support diverse working styles. In line with this, environmental impact was reduced by reviewing working methods, reducing energy consumption by reducing office space by 40%, going paperless and changing the drinks served to visitors from plastic bottles to aluminum canned drinks. Simultaneously, this relocation will be an opportunity to promote companywide BPR and business consolidation, drastically reduce operations and communication costs by equipping employees with IT, such as smartphones, PCs, and groupware, as well as increase efficiency by optimising routine tasks.

With communication as the starting point, the main concept of the office remains a completely open hot desk system, aiming for



(Photo : From Top Left)

Seating for group meetings

Seats for focusing/office work where telephone calls and conversations are prohibited

Seats in the office and large screen monitor seats

Web Conference Box

an autonomous and flexible working style. Seats with large monitors, areas for group work and meetings, a concentrated solo workspace, web conferencing boxes and various other facilities have been arranged to support staffs' work style. Additionally, a collaboration space with a café counter and a library was created to generate new value, and a wide range of cross-departmental and cross-company events will be organised to create a space where people can gather and encourage co-operation. By planning the office without designated desks, we can also review how we work and how to better incorporate remote work. We also reduced the office space by 30% by consolidating facilities and equipment, resulting in a reduction of operating and energy costs.



We will foster a culture of 'co-creation' in this office.
(H2O Retailing Kajiyama)

The Corporate Planning Office championed this office relocation project, as the main theme was 'changing the way we work'. What we had in mind was 'co-creation'.



Large windows spread across the walls. Working and experiencing time through the changing sunlight is also conducive to autonomy.

For example, the hot desk system also plays a role as a mechanism for co-creation. When you actually work in the new office, you can go from your locker to the seat where you will work that day, to the multifunction printer if you need to print out a document, to someone's seat if you need to talk to them... things that used to be completed within a few meters now requires more travel and effort. On the way to somewhere "further over there", you encounter more new faces. Not only do people greet each other, but also natural communication occurs throughout, such as conversations that start with "Oh, by the way", which transcends sectional barriers. I feel that being able to see the work of other departments gives us new insights, and the interaction helps to foster a sense of unity.

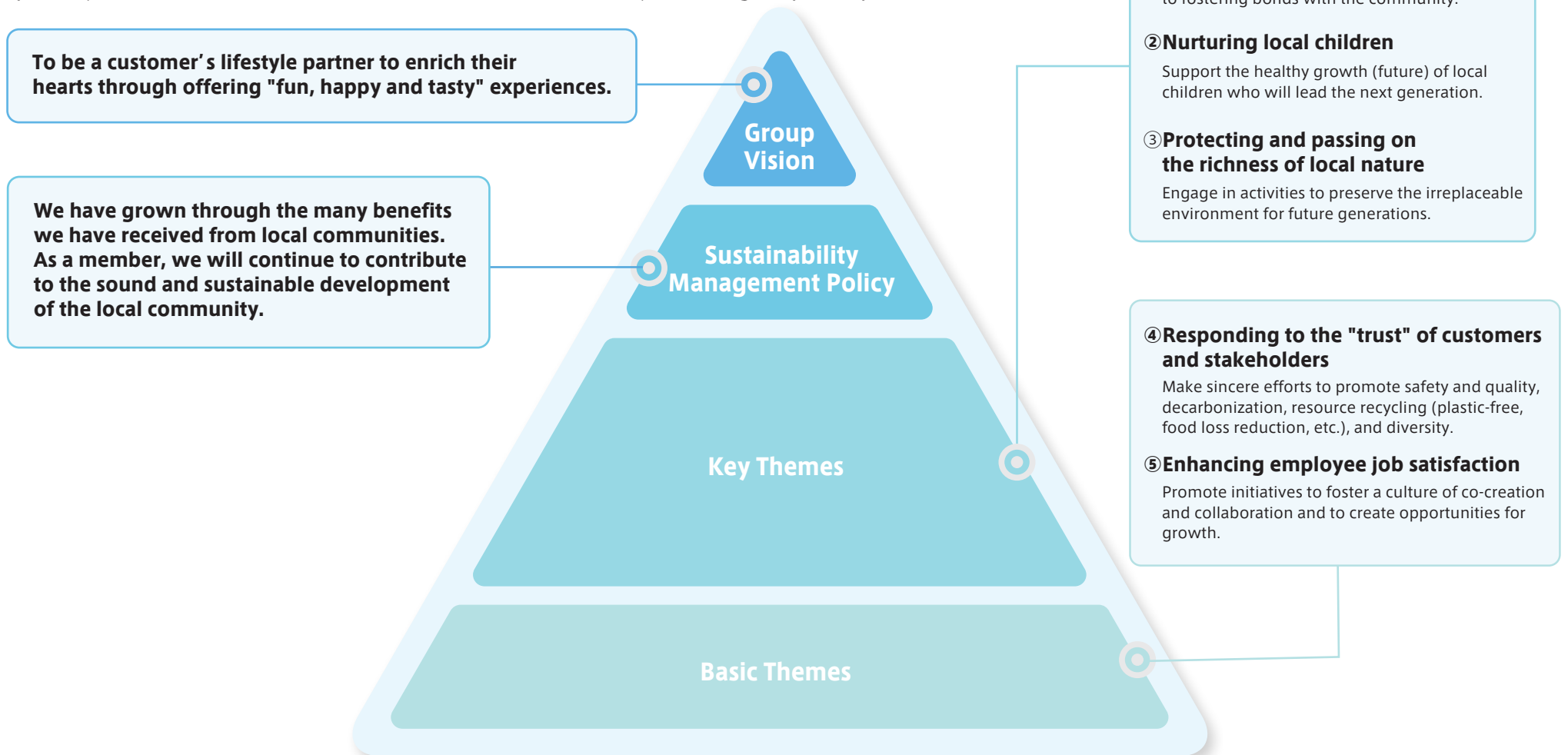
Sustainability Management Initiatives

We strongly value our relationships with residents, by adhering to our guiding philosophy "continuing to be an indispensable presence in the local community by providing a lifestyle model for local residents".

We have grown thanks to the many benefits we have received from our local communities.

As a member of the local community, we would like to continue to contribute to the sound and sustainable development of the local community.

Starting in April 2021, centered on "contribution to local communities", we will position three priority themes and two basic themes, as the "materiality" of the group and promote initiatives.



Tackling the sustainability of local communities from the perspectives of children and the environment

Deep bonds with residents are an important asset for the Group. We aim to be the No. 1 company in each of our businesses in terms of market share and mindshare. We aim to be a partner that is always enriching and close to residents. To achieve this goal, we have set the following 3 key themes as the pillars of our efforts to contribute to the sound and sustainable development of local communities:

- deepening the bonds of the community
- nurturing local children
- protecting and passing on the richness of local nature

» Deepening the bonds of the community

Whilst “deepening local community bonds” signifies to us the bonds between residents and the group, we also believe that it is important for residents to deepen their bonds with each other and enhance their sense of unity. A community is made up of each one of its residents. We believe that if each one of us co-exist, works together and forms bonds that transcend age, it will become a rich and comfortable place to live. Our group will continue to help with this through our business activities.

» Nurturing local children

The presence of healthy children energizes the future of the community. Our group would like to create opportunities for children to grow and learn and provide them with new encounters and discoveries. The expression “nurture the children of the community” also expresses our hope that we will not only nurture the children themselves, but also those families around them.

» Protecting and passing on the richness of local nature

Environmental issues are increasing day by day. In addition to preserving the global environment from the perspective of climate change and resource recycling, the group hopes to create better communities with the help of its residents, being particularly committed to protecting the rich natural environment of the region and passing it onto the next generation and beyond.

Through discussions at the “Sustainability Management Promotion Committee” and communication at employee briefings, we have established three priority themes and two basic themes as the Group’s “Materiality” issues.

Regarding the priority themes, we are once again grateful for the many benefits from the local community that have allowed us to grow over the nearly a century of the group’s history.

As a member of the community, we will continue to implement initiatives that resonate with local residents and contribute to the healthy and sustainable development of the community.

We also believe that the promotion of these efforts will lead to the achievement of the SDGs goals set for 2030.

Medium-Term Targets



Priority Theme (Contribution to Local Communities)

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets Each operating company Entire Group	
<p>① Deepening the bonds of the community Stay close to the community and contribute to fostering ties with the community.</p> <p>② Nurturing local children Support the healthy growth (future) of local children who will lead the next generation.</p> <p>③ Protecting and passing on the richness of local nature Engage in activities to preserve the irreplaceable environment for future generations</p>	<ul style="list-style-type: none"> ●As a hub for daily life, we support the development of local communities through coexistence and collaboration. ●Helping to promote social and community interaction and deepen bonds across generations ●Propose ways to brighten people's lives by promoting traditional culture, art, and the unique charms of the region. ●Focusing on lifestyle and health care aspects allows us to support the health of the community. ●Create opportunities for children to meet people who will lead them to their dreams. ●Create opportunities for learning through exciting experiences and open the windows to the future for children. ●Participate in local child raising and support family-oriented lifestyles. ●Conduct environmental conservation activities in cooperation with local communities. ●Promote nature conservation activities, including the protection of forests and water resources. ●Propose environmentally friendly products and lifestyles. 	<p>◆Establishing priority stores and promoting regional initiatives Each group company will work with residents and local governments to implement initiatives that are close to the local community's heart and lead to the discovery of local attractions.</p> <p>◆Promote child-based initiatives by setting up priority stores At each of the Group's companies, we will create initiatives that children will want to participate in and places where they can feel at home.</p> <p>◆H2O Retailing and other companies work together to promote nature-based initiatives H2O Retailing and its group companies will work together to implement initiatives that will help residents become interested in and familiar with their local natural environment.</p>	<p>◆Set up model regions (※) to promote cross-group and cross-thematic initiatives We will establish role-model regions that symbolize the group's initiatives and promote sustainable and comprehensive initiatives for all priority themes. (※)Kawachinagano area, Senri area, Kawanishi, Inagawa, Nose, Toyono area</p>

Medium-Term Targets



Basic Theme

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets	KPI
<p>④ Responding to the trust of customers and stakeholders</p> <p>Make sincere efforts to promote safety and quality, decarbonization, resource recycling (plastic-free, food loss reduction, etc.), and diversity.</p>	<p>(Improving quality control for safety and security)</p> <ul style="list-style-type: none"> ● Work to establish a system for thorough quality control of products so that customers can shop with peace of mind. <p>(Improve safety and security in the event of a disaster)</p> <ul style="list-style-type: none"> ● Work to establish and disseminate a BCP to ensure the safety and security of our customers and employees in the event of a disaster. <hr/> <p>(Environmental Initiatives)</p> <ul style="list-style-type: none"> ● Promote environmental management to reduce our environmental impact (CO₂ emissions, food loss, plastic emissions, etc.) generated by our business activities. 	<p>Maintain and improve food safety under the promotion of the Group Food Hygiene and Quality Control Promotion Committee, and upgrade quality control in product procurement.</p> <p>For priority stores, we will conclude disaster prevention agreements with local government bodies in the areas where we open stores to provide supplies and shelter in the event of a disaster.</p> <hr/> <p>Greenhouse Gas (GHG) Emission Reduction</p> <p>In addition to promoting energy-saving measures such as the introduction of LED lighting (which has been promoted to date), we will gradually switch to renewable energy sources for power consumption at our major stores.</p> <hr/> <p>Food waste reduction</p> <p>In addition to curbing the generation of food waste from stores, we will promote efforts to recycle waste into fuel and feed.</p> <hr/> <p>Reduction of plastic wast</p> <p>We will work to reduce the amount of plastic provided and discharged as well as recycling plastics in accordance with a law that went into effect in April 2022 concerning "The Plastic Resource Circulation Act".</p> <hr/> <p>Promotion of environmental management</p> <p>Hankyu Hanshin Department Stores, Inc., and H2O Foods Group Co., Ltd. have established the "Environmental Measures Promotion Project".</p>	<p>Holding of the Group Food Hygiene Quality Control Promotion Committee.</p> <p>Conduct disaster prevention and crime prevention drills at priority stores. ※Working with other companies</p> <hr/> <p>GHG emission reduction rate</p> <p>2030: 30% reduction (compared to 2019) 48% reduction equivalent (compared to 2013) Net Zero by 2050</p> <hr/> <p>Food Recycling Rate</p> <p>2030: 70% (2023: 60%) ※ For the 3 main companies (Hankyu Hanshin Department Stores, Inc., Izumiya Co., Ltd., Hankyu Oasis Co., Ltd.)</p> <hr/> <p>Amount of products using specified plastics provided</p> <p>2030: 60% reduction in basic unit (compared to FY2022) ※ Hankyu Hanshin Department Stores, Inc., Supermarkets and Hotels</p>

Medium-Term Targets



Basic Theme

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets	KPI
<p>④ Responding to the trust of customers and stakeholders</p> <p>Make sincere efforts to promote safety and quality, decarbonization, resource recycling (plastic-free, food loss reduction, etc.), and diversity.</p>	<p>(Promotion of human rights initiatives)</p> <ul style="list-style-type: none"> ● We will establish a human rights due diligence (DD) promotion system based on the H2O Retailing Group Human Rights Policy. We will also promote CSR procurement. <hr/> <p>(Promoting diversity)</p> <ul style="list-style-type: none"> ● Promote work-life balance, the advancement of women and seniors, employment of people with disabilities, and support the LGBTQ community. 	<p>Development of human rights DD promotion system</p> <p>The Compliance and Risk Management Committee will review and develop a specific promotion system.</p> <p>Promoting CSR Procurement</p> <p>We will explain the H2O Retailing Group CSR Procurement Policy to our suppliers after ensuring that the policy is well understood within the company.</p> <hr/> <p>Promotion of opportunities for women</p> <p>Actively promote individuals based on their career orientation and aptitude.</p> <p>Employment of people with disabilities</p> <p>Comply with the legal employment rate and create an environment in which diverse human resources can work comfortably.</p> <p>Promoting universal design</p> <p>Promote universal design in stores and sales areas to create facilities that are easy for everyone to use.</p>	<p>Ratio of Female Managers</p> <p>Hankyu Hanshin Department Stores, Inc. 2030: 35%</p> <p>H2O Foods Group Co.,Ltd. and three supermarket companies (※) 2030: 20%</p> <p>H2O Shopping Center Development Co., Ltd. 2030: 35%</p> <p>※Izumiya Co., Ltd., Hankyu Oasis Co., Ltd., Qanat Co., Ltd.</p>

Medium-Term Targets



Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets	KPI
<p>Basic Theme</p> <p>⑤ Enhancing employee job satisfaction Promote initiatives to foster a culture of co-creation and collaboration and to create opportunities for growth.</p>	<p>(Promoting a visionary, co-creative work style)</p> <ul style="list-style-type: none"> ● Promote initiatives to disseminate the group vision and foster a culture of co-creation and collaboration. <p>(Participation in community contribution activities)</p> <ul style="list-style-type: none"> ● Creating opportunities to participate in activities that contribute to the development of local communities beyond the boundaries of the group companies. <p>(Provide growth opportunities)</p> <ul style="list-style-type: none"> ● Proactively create opportunities to participate in group and cross-functional projects. 	<p>Create opportunities for dialogue among employees in department stores and supermarket business groups to promote understanding and penetration of the vision as well as to foster a culture of co-creation and collaboration.</p> <p>Creating future opportunities for employees to participate in community contribution activities beyond the boundaries of the group companies, and each employee will contribute to deepening bonds with local communities and residents in various ways.</p> <p>Proactively create opportunities to participate in initiatives that transcend groups and divisions, such as office relocation projects and projects to promote environmental measures.</p>	

Key Theme ①

Deepening the bonds of the community

Work closely with the community to contribute to foster bonds.

Direction of efforts

- ▶ **As the hub for daily life, we support the development of local communities through coexistence and cooperation.**
- ▶ **Helping to promote social and community interaction and deepen bonds across generations.**
- ▶ **Propose ways to add color to people's lives by promoting traditional culture, art, and the unique charms of the region.**
- ▶ **Focusing on lifestyle and health care aspects allows us to support the health of the community.**



Senri Central Park revitalisation project

Senri Central Park Partners, represented by our company, has been selected as a candidate for the "Revitalisation Project for the Redevelopment of Senri Central Park" in Toyonaka City, Osaka Prefecture. This is the first time we have been involved in a park revitalisation project.



Daily Qanat Izumiya Tamatsukuri store

Together with volunteers, we created a flower bed to give back to the community and to commemorate IZUMIYA's 100th anniversary in 2021.



Kansai Supermarket "Tokushimaru"

The mobile supermarket "Tokushimaru" delivers products to the elderly and disabled who struggle with daily shopping. In addition to assisting with shopping within the areas visited, we help to create a community where people can live in peace by watching over others such as the elderly and contributing to overall crime prevention.



Hankyu Department Store Instrument Orchestra

The Hankyu Department Store Instrument Orchestra is a brass band that has been in existence for over 60 years and consists of approximately 50 members, including employees of Hankyu Department Store and other group companies. They have resumed activities that had been suspended due to the Covid-19 pandemic and have expanded their activities to include performances in the community.

Key Theme②

Nurturing local children

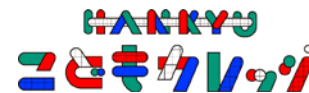
Support the healthy growth (future) of local children who will lead the next generation.

Direction of efforts

- ▶ We will create a place where children can meet people who will lead them to their dreams.
- ▶ Creating opportunities for learning through exciting experiences and opening the window of opportunities for children.
- ▶ Participating in local parenting and supporting family-oriented living.

HANKYU Kodomo (children's) College (Hankyu Umeda Main Store)

We provide opportunities for children to experience a variety of occupations and professional skills that will enable them to make new discoveries and broaden their interests. The goal is to create a generation of children who will one day want to recreate the same experience for their children. When they become adults, they will say, "I had a fun experience at Hankyu!" or "I want to tell my children about it!"



Kodomo (Children's) Smiling Project

This is a project to deliver "food" and related "experiences" necessary for the mental and physical growth of many children, through the provision of the "Work Experience-Type Nutrition Education Program". In September 2022, Hankyu Sennan Green Farm, which supports this initiative, held a "rice harvesting experience" in which participants learned how rice is grown and harvested. 17 children tried harvesting rice for the first time. (Project Executive Committee: Sustainable Food Chain Association (SFA), OZMA Inc., NPO Deep People, Funded by: The Nippon Foundation)



<https://www.k-smile-ring.jp/>

Eco-Study Group (Izumiya)

This program is designed to show children the store's eco-friendly efforts via a tour of the store and its back dock and to get them thinking about environmental issues. After the eco-learning session, participating children sometimes comment to the store manager, "I became a fan of yours because you explained things in a fun way."



Wagamama (in their own way) SDGs

Wagamama SDGs is an SDGs demonstration project in which high school students work together to "prototype" solutions to social issues that they have discovered as their own. We want to participate as a partner to work together to support high school students' "unique and typical desire in their own way" to change their future for the better through problem-solving. Sponsor : Liberta School General Incorporated Association

<https://wagamamas.jp/>

Hankyu Hanshin Yume-Machi (dream-town) Challenge Team

This is a hands-on learning program for elementary school students held by the Hankyu Hanshin Holdings Group during summer vacation as a social contribution activity. Our Group endorses this initiative and has been participating since 2018. In FY2023, Hankyu Hanshin Department Stores, Inc., Izumiya Co., Ltd., and H2O Shopping Center Development Co., Ltd. offered 6 programs unique to the retail industry, including work experience in stores to provide children with a variety of fun experiences.



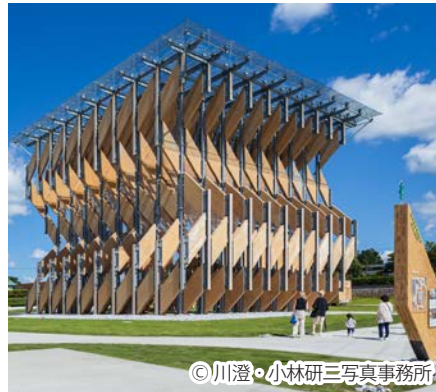
Key Theme ③

Protecting and passing on the richness of local nature

Engage in activities to preserve the irreplaceable environment for future generations.

Direction of efforts

- ▶ Engage in environmental conservation activities in cooperation with local communities.
- ▶ Promote nature conservation activities, including the protection of forests and water resources.
- ▶ Propose environmentally friendly products and lifestyles.



GREENable (Hankyu Hanshin Department Stores, Inc.)

In cooperation with Maniwa City in Okayama Prefecture, we are promoting "GREENable," an activity to expand sustainable lifestyles through products, services, and experiences in the Hiruzen Plateau, located in Daisen-Oki National Park. In recognition of these activities, at the end of March 2022, we became the first department store company in the industry to be certified as an "Official Partner of National Parks of Japan" by the Ministry of Environment.

<https://greenable-hiruzen.co.jp/>

"Aiming to create sustainable activities together whilst having fun"



Searching for living creatures while cleaning the river with local children. They had fun and enjoyed the experience of learning about nature.



Trail running events that have been held in the region have been upgraded to "events that balance use and conservation" where everyone involved in the event, including runners and sponsors can participate in environmental conservation activities.

It all started when Maeda visited the Hiruzen Plateau. He felt that by starting a lifestyle in which people enjoy environmental conservation activities as if they were enjoying weekend leisure activities, which he had encountered in England and by establishing it in this area surrounded by rich nature, it would be possible to expand "a lifestyle where people and nature coexist in harmony," which enriches society and the economy while respecting the natural environment.

Around the same time, Maniwa City in Okayama Prefecture was considering the "homecoming" of a building (made of Maniwa cypress) that had completed its role in the Tokyo Olympics. Taking advantage of the coincidental timing, a project was launched in cooperation with Maniwa City in 2020 to revitalise the

local community and preserve the environment while making use of the relocated buildings. Today, in addition to offering programs to experience and enjoy nature, we are expanding the scope of our activities by working with local businesses to develop products that create recycling of by-products from food processing and other processes.

Nature will be devastated if people do not interact with it, and it will be devastated if people place too much burden on it via excessive interaction. We are working to maintain an appropriate sense of distance by allowing people to "enjoy nature," which will in turn protect the natural environment and create a virtuous cycle for local communities.

Hankyu Hanshin Department Stores, Inc. Maeda



Key Theme ④

Improving quality control for safety and security

We will work to establish a system for thorough quality control of products so that customers can shop with peace of mind.

High-level quality control system

The Food Hygiene and Quality Control Promotion Subcommittee has been established to prevent food accidents by developing a quality control system for the entire group and studying ways to respond to legal revisions.

⑤ Hankyu Hanshin Department Store

For in-store products, we regularly conduct spot checks for bacteria, while third-party inspections by an external organization are conducted once a year at suppliers' factories and twice a year at in-store kitchens. If the results are not satisfactory, we request the submission of an improvement report to ensure thorough quality control.

⑤ Izumiya Co., Ltd., Hankyu Oasis Co., Ltd., Qanat Co., Ltd.

The Quality Control Department, which collectively manages the quality of products handled by the three supermarkets, checks (from development to sales) the quality of private brand (PB) products and products processed at each store. The Quality Control Department also conducts monthly hygiene inspections of store kitchens, checks food labels and expiration dates, and conducts bacterial inspections of sampled products in stores to improve the quality control level.

⑤ KANSAI SUPERMARKET LTD.

KSP Inc. Kobe Akamatsudai Center "Kobe Central Kitchen" produces cooked rice and rice products. "Kobe Process Center" produces processed vegetable products. The introduction of state-of-the-art equipment has improved productivity and contributed to a significant reduction in work hours at the stores. In December 2020, the company received JmHACCP (HACCP) accreditation from the Japan Sozai Association in recognition of its thorough hygiene management.



Food Safety Net "QUALITA"

Information on ingredients, production areas, allergens (*), additives, shelf life, storage methods, and nutritional information are all listed for products in the mid-year and year-end gift catalogues of Hankyu Hanshin and Hankyu Department Stores, as well as Hankyu Oasis' private-brand products "Hankyu no Aji" and other products. You can easily access this information from your computer or smartphone and enjoy our products with peace of mind.

※Information on allergies is provided for the seven mandatory items as well as the 21 recommended items.

<https://www.qualita-net.jp/hankyu/>



Quality control in a food manufacturing plant

HANKYU BAKERY Co., LTD Takatsuki Factory, which manufactures bread, has acquired FSSC22000 certification, an international standard for food safety management systems issued by a Dutch safety certification organisation. HANKYU delica i, Inc. Ikeda Plant and Nanko Plant, which manufacture prepared foods and boxed lunches, have acquired "Osaka Prefecture Food Safety and Security Certification" through thorough quality control based on HACCP, and provide safe and secure products.



Organic Vegetable Production "Hankyu Sennan Green Farm"

In 2003, we established Hankyu Sennan Green Farm in Sennan City, Osaka Prefecture, with the aim of providing safe and secure salad vegetables that allow customers to experience the true taste of the ingredients, and we have been growing organic vegetables in (Osaka Pref.) Sennan City, Tajiri Town, and (Wakayama Pref.) Wakayama City. Currently, we are engaged in organic cultivation and cultivation using less than 50% of conventional pesticides, mainly for salad vegetables such as lettuce, potherb mustard and salad kale, which are shipped not only to the group's department stores and food supermarkets, but also to companies outside the group.

Key Theme ④

Improving safety and security in the event of a disaster

We will work to establish and disseminate a BCP to ensure the safety and security of our customers and employees in the event of a disaster.

As the Group operates many commercial facilities, including department stores, food supermarkets, shopping centers, and other facilities that are visited by an unspecified number of customers, we place a high priority on measures against natural disasters, including earthquakes. Reflecting on our response to the many natural disasters that have occurred in recent years, such as the 2018 Northern Osaka Earthquake, we have begun reviewing our initial response manual in the event of a disaster and are working to build a system that will enable us to continue and restore our operations quickly.

Disaster Preparedness Plan

Hankyu Hanshin Department Store

Disaster Prevention Practice

To ensure that everyone can be a commander and play a role for others, disaster drills are held every week at both the Hankyu and Hanshin main stores, which are particularly frequented by customers, with themes (earthquake early warning drills, fire evacuation guidance drills, etc.). Since 2016, we have also incorporated tsunami evacuation drills based on the assumption of a Nankai Trough earthquake and have formulated the



Nankai Trough Earthquake Response Action Manual to prepare for such an event. In addition, we have distributed a portable "Disaster Response Pocket Manual" to all employees to raise their awareness of disaster prevention. In addition, we hold seminars for training ordinary life savers and first aid, and more than 1,500 staff members have participated in these seminars.

Responding to a diverse range of customers and employees

At stores in the city center, where there are many foreign tourists, we have implemented multilingual emergency earthquake alerts and evacuation guidance. In addition, all stores have expanded their stockpiles to aid those whose journey home has been made more difficult and are strengthening their countermeasures in the event of a disaster.

Izumiya Co., Ltd. · Hankyu Oasis Co., Ltd., · KANSAI SUPER MARKET LTD.

In addition to formulating an earthquake countermeasure manual, each store regularly conducts fire drills and disaster drills for earthquakes. We have also concluded disaster relief agreements with local governments in the areas where we have stores to provide supplies and evacuation sites in the event of a disaster.

Izumiya Co., Ltd. 9 Municipalities

Osaka Prefecture, Kyoto Prefecture, Nara Prefecture, Kobe City (Hyogo Prefecture), Yao City, Matsubara City (Osaka Prefecture), Nagaokakyo City (Kyoto Prefecture), Wakayama City (Wakayama Prefecture), Koryo Town, Kitakasegi-gun, (Nara Prefecture)

Hankyu Oasis Co., Ltd., 7 Municipalities

Osaka City, Toyonaka City, Minoh City, Toyono-cho, Toyono-gun (Osaka Prefecture), Nishinomiya City, Kawanishi City (Hyogo Prefecture)

KANSAI SUPER MARKET LTD. 11 Municipalities

Osaka Prefecture, Kawachinagano City, Yao City, Toyonaka City, Minoh City, Takaishi City, Tondabayashi City, Osaka City Suminoe Ward (Osaka Prefecture), Kobe City, Nishinomiya City, Itami City (Hyogo Prefecture)



In addition, the Company and its major subsidiaries have introduced a system for confirming the safety of employees, as well as IP wireless phones, Google Chat, and web bulletin boards for communication among our headquarters, to enable prompt safety confirmation and information communication in the event of a disaster.

Key Theme ④

Promotion of environmental measures

We will promote environmental management to reduce environmental impact (CO₂ emissions, food loss, plastic emissions, etc.) generated by our business activities.

Addressing climate change is an urgent issue that our generation must tackle to pass on a beautiful global environment to future generations. In addition, natural disasters, which are expected to increase and become more severe due to climate change, will have a significant impact on the business activities of the group. Based on this recognition, we believe that contributing to the realisation of a decarbonised society is our responsibility, and last year we set medium to long-term targets for GHG reduction. Specific measures in addition to current measures such as the promotion of energy conservation through the switch to LED lighting and the introduction of frozen reach-in showcases and energy-saving control equipment, the use of renewable energy will be expanded sequentially. Additionally, we have begun demonstration tests of an air conditioning system using the latest AI technology at the Hankyu Umeda main store in collaboration with Kobe University, and we plan to continue promoting a variety of initiatives in the future. We will continue to address climate change issues in a multifaceted manner, considering social conditions and trends in technological innovation.

Certified rank "B" in CDP

We responded to CDP 2021 (Climate Change) as part of our climate change-related disclosure. We received a "B" rating for our disclosure of the group's awareness of climate-related issues, organisational structure, climate-related opportunities and risks, greenhouse gas emissions, and efforts to reduce emissions.



Additionally, this year, we have endorsed the TCFD (Task Force on Climate-related Financial Disclosure) and will promote disclosure in line with its recommendations. →See p. 31.



Mid to long term target

To achieve a decarbonised society, we have set medium to long-term GHG emission reduction targets and are implementing initiatives to reduce carbon.



(compared to FY2020)
※Equivalent to 48% reduction compared to FY2014

Efforts to reduce CO₂ emissions

Hankyu Hanshin Department Store is actively promoting the use of LED lighting, whilst the Hanshin Umeda Main Store, which had its grand opening in April 2022, now exclusively uses LED lighting in all areas, including in the noncustomer facing areas.



※as of March 2022

In addition to the use of LED lighting, supermarkets are taking energy-saving measures such as the introduction of frozen reach-in showcases (showcases with glass doors) and the installation of nighttime curtains on refrigerated open cases. IZUMIYA is working to reduce CO₂ emissions by purchasing emission credits through customer-participation prize campaigns and sales of PB products with emission credits. In FY2022, we purchased a total of 2,407 tons of credits from Miyagi and Iwate prefectures, among others, and provided them to the Japanese government free of charge.

Switching to Renewable Energy

In October 2022, the Hankyu Umeda Main Store, the group's flagship store, switched part of its electricity consumption to renewable energy sources to achieve its emission reduction target. In addition, 100% of the electricity used at the Hankyu

Oasis Suita SST store, which opened in April 2022, is renewable energy, and a portion of the electricity used at the Hakata Hankyu store has also been switched to renewable energy.



Scope 3 GHG emissions calculation and third-party assurance obtained

In addition to Scope 1 and 2, the group calculates Scope 3 GHG emissions. To improve the reliability of the data, we have obtained third-party assurance from Deloitte Tohmatsu Sustainability K.K. for energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1) in FY2022.

- Scope 1: Greenhouse gas directly emitted by the business itself (fuel combustion, industrial processes)
- Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
- Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions of other companies related to the business's activities)

※Source: Ministry of the Environment

Key Theme ④

Promotion of environmental measures

We will promote environmental management to reduce environmental impact (CO₂ emissions, food loss, plastic emissions, etc.) generated by our business activities.

Plastic Reduction Initiatives

The group is striving to reduce single use plastics, particularly in the food and department store businesses. Taking the opportunity of the mandatory reduction of products using specified plastics under The Plastic Resource Circulation Act, which came into effect in April 2022, Kansai Supermarket has changed all plastic cutlery provided to customers at its stores to wooden or paper cutlery materials. In addition, "Ours Inn Hankyu," a business hotel operated by Oi Development Co., Ltd, uses environmentally friendly toothbrushes made from rice husks and recycled plastics.

Status of Provision of Products Using Specific Plastics under The Plastic Resource Circulation Act and KPIs

Of the single use plastic products given to customers, we will strive to reduce the amount of specified plastic-using products (cutlery, hangers, clothing covers, and toiletries) provided and implement initiatives to reduce the amount of plastics used, including alternative materials.

	FY2022 annual supply (t)	2030 KPI (FY2022YoY)
Hankyu Hanshin Department Stores (Including our business partners)	18.1	25% reduction in basic unit
Four supermarket companies (Izumiya, Hankyu Oasis, Kansai Supermarket, and Qanat)	14.4	100% reduction in basic unit
Oi Development Co., Ltd	2.7	45% reduction in basic unit

※Basic unit = Annual quantity provided (tons) / Net sales (millions of yen)

Food Waste Recycling

Hankyu Hanshin Department Stores, Izumiya, Hankyu Oasis, and Kansai Super Market are striving to reduce food waste generated by their stores and are promoting efforts to recycle it as carbonised fuel and animal feed. Most of the waste oil and fish waste generated during in-store cooking is recycled.

Promoting environmental management through "Eco Action 21"

Kansai Super Market has certified and registered all its stores under "Eco Action 21", an environmental management system from the Ministry of the Environment. We are actively working to reduce waste, conserve energy and resources, and create environmentally friendly stores.

食品リサイクル優良事業者



エコアクション21
認証登録番号1784

Effective use of resources through container collection



Food trays, milk cartons, PET bottles, aluminum cans, etc. are collected in stores at Izumiya, Hankyu Oasis, Kansai Super Market, and some Hankyu Hanshin Department Stores. In FY2022, approximately 750t of trays and 1,100t of plastic bottles were collected by three supermarkets. The collected trays and PET bottles are recycled into trays and PET bottles again by recycling companies. We are also working to "reduce tray usage" by selling products in bags instead of using trays.

Two Department Stores Receive Eco Mark Certification



Hankyu Men's Tokyo (December 2021) and Kawanishi Hankyu (March 2022) were certified as Eco Mark "Retail Store Version 2.1". Following Hankyu Men's Osaka in March 2021, a total of three Hankyu Hanshin Department Stores have been certified as Eco Stores. All three stores are striving to become environmentally friendly stores by actively promoting related activities in which customers and employees can work together on.



Hankyu Men's Tokyo



Kawanishi Hankyu

Recycling business aiming to support recycling-oriented society

The group is engaged in the recycling business in partnership with Kanso Co.,Ltd. to build a recycling-oriented society. At Kan-so's Tsumori Eco Center (Nishinari-ku, Osaka City), styrofoam delivered by group companies and other companies is crushed, melted, and turned into plate blocks, and aluminum cans and milk cartons collected from customers at stores are recycled as resources. We also recycle paper such as expired important ledgers. The Tsumori Eco Center has also obtained ISO 14001 certification and is promoting initiatives for a recycling-oriented society.



ISO14001 カンソー本社・津守エコセンター認証取得

Key Theme ④

Climate change initiatives

Disclosure in line with TCFD recommendations

We will enhance our disclosure of information on climate-related issues in line with the four disclosure items recommended by the TCFD: governance, risk management, strategy, and indicators and targets.

Governance

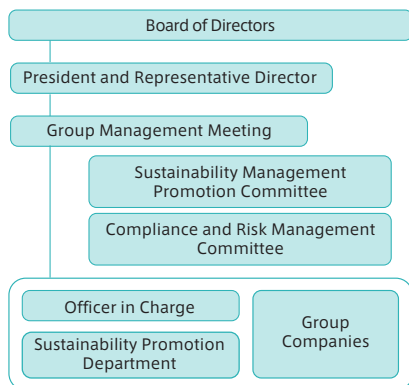
Climate-related issue management structure and roles

The Group's Sustainability Management Promotion Committee is responsible for group-wide management of climate-related issues. The Committee is established directly under the Board of Directors (the highest decision-making body of the group) and in addition to being chaired by the President and CEO, its members include the heads of each business segment, including two other representative directors, and the director responsible for sustainability. Discussions at the committee are deliberated by the Group Management Meeting and reported to the Board of Directors.

Role of Management

The President chairs the Group Management Committee and the Sustainability Management Promotion Committee and is ultimately responsible for environmental matters. Discussions held by the Sustainability Management Promotion Committee are deliberated by the Group Management Meeting and reported to the Board of Directors.

< Management system for climate-related issues >



System	Role
Board of Directors	Oversees the promotion of initiatives related to sustainability issues, including climate-related issues. Meets monthly
Group Management Meeting	Deliberates on discussions held by the Sustainability Management Promotion Committee and reports to the Board of Directors. Meets monthly
Sustainability Management Promotion Committee	Discusses matters related to strategies for climate-related risks and opportunities. The Sustainability Promotion Department serves as the secretariat and collects, compiles, and provides climate-related information. Meets monthly
Compliance and Risk Management Committee	Share discussions at the Sustainability Management Promotion Committee and discuss BCP plans for the continuation of business operations in the event of natural disasters, etc. Held as needed

Risk Management

Processes for identification, assessment and management of climate-related risks, and integration into enterprise-wide risk management

The Sustainability Management Promotion Committee identifies climate-related risks, comprehensively examines the characteristics of the Group's business, the perceptions of others in the industry, advice from external experts, and identifies risks that are closely related to the group, taking into consideration the frequency and likelihood of risk occurrence and the size of the impact when risks occur. Through the committee members, the risks are incorporated into the initiatives of each operating company and progress is managed through regular committee discussions and collaboration between the company and the persons responsible for sustainability promotion in each company. Discussions held by the Sustainability Management Promotion Committee are shared with the Compliance and Risk Management Committee, deliberated by the Group Management Meeting, and integrated into the company-wide risk management process through a reporting process to the Board of Directors.

Indicators and Targets

Indicators used in managing climate-related risks and opportunities

We use Scope 1, 2, 3 greenhouse gas emissions as indicators for managing climate-related risks and opportunities.

GHG emissions, targets, and actuals for Scopes 1, 2, 3

In addition to starting to calculate Scope 1, 2, and 3 GHG emissions in FY2021 we have set mid- and long-term targets for GHG reduction. Long-term, we aim to achieve virtually zero GHG emissions in 2050. To achieve this goal, we have set a mid-term target for 2030 (30% reduction from FY2020 levels) and are promoting specific initiatives. Scope 1 and 2 (market basis) results for FY2022 were down 10% from FY2020. This anomaly was due to the impact of store closures and other factors associated with the spread of the Covid-19 pandemic and scope 1 and 2 (market basis) results are expected to increase in the short term. We will work to steadily reduce electricity usage and gradually switch to renewable energy sources at the Hankyu Umeda Main Store beginning in FY2023.

< GHG Emissions Targets and Results >

Applies to:	Scope	FY2020 GHG emissions (thousand tons-CO ₂ e/year)	FY2022 GHG emissions (thousand tons-CO ₂ e/year)	2030 GHG emissions target
14 Major Companies	Scope 1	49	40	Scope 1&2 ▲30%. (Compared to FY2020)
	Scope 2 (Location Based)	240	214	
	Scope 2 (Market Based)	190	175	
4 Major Companies	Scope 3	2,441	2,246	-

In June 2022, the group endorsed the Task Force on Climate-related Financial Disclosures (TCFD).



※ Task Force established in 2015 by the Financial Stability Board (FSB) for global economic stability to understand and disclose the financial implications of the risks and opportunities posed by climate change.

Key Theme ④

Climate change initiatives

Strategy

Short/Medium/Long-term climate-related risks and opportunities

Business environment in 2030 under two scenarios: below 2°C and 4°C

Scenario analysis was conducted to understand the risks, opportunities, and impact of climate change on our group, and to examine the resilience of our strategies and measures. With reference to the business environment surrounding the group in 2030, we have assumed two scenarios based on several existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). The "the < 2°C scenario" is a world in which climate change measures are advanced and the global average temperature increase since before the Industrial Revolution is kept to < 2°C. The "4°C scenario" is a world in which no new policies and systems are introduced and the current situation continues.

※Referenced Scenarios

The < 2°C Scenario Sustainable Development Scenarios (SDS) by IEA, future policy goals of various ministries, RCP2.6 by IPCC
 The 4°C Scenario Scenarios based on published policies by IEA (STEPS), RCP8.5 by IPCC

Risks and opportunities with significant impact on our group

Based on assumed scenarios, we identified risks and opportunities that could have a significant impact on our group. There are seven items of risk, with transition risk in the below 2°C scenario and physical risk in the 4°C scenario, which is expected to have a greater impact on business and finances. There are seven items regarding opportunities, and we recognise that there are many opportunities, especially with the < 2°C scenario.

Measures to address risks/opportunities

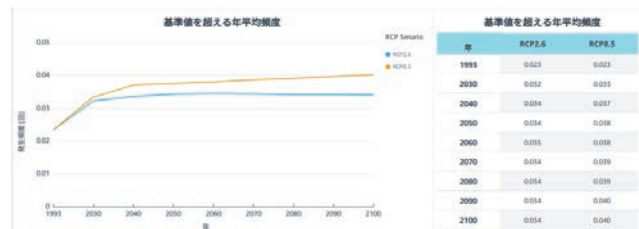
Among the transition risks, regarding the increased costs associated with energy consumption, we will promote both energy conservation and the introduction of renewable energy sources to control the increase in expenditures. In addition, we will continue to respond to changing customer needs by expanding procurement of sustainable products. Of the physical risks, decrease in sales and increase in recovery costs due to disasters is expected to have a

great impact and particularly high probability. Therefore, a financial risk analysis and climate pattern analysis by Weathernews Inc. were conducted for the location where the flagship Hankyu Main Store is located.

The results show that heavy rainfalls of a magnitude that forced shops to close in the past are expected to occur 1.4 times more frequently in the future under the 4°C scenario, while typhoons and other strong winds are expected to decrease in frequency but increase in magnitude per occurrence. Simultaneously, the simulation results indicated that heavy rainfall and strong winds did not directly pose the risk of increased flooding at present, while the 4°C scenario simulation does suggest the possibility of flooding.

This has been shared with the Sustainability Management Promotion Committee and the Risk Management Department of Hankyu Hanshin Department Stores, and we recognise the need for further consideration.

Regarding opportunities, although we have identified the financial impact that can be ascertained at this time, we will aim to maximise the impact by further promoting each of the initiatives based on the groups' vision and Sustainability Management Policy.



※Climate pattern analysis on the frequency of heavy rainfall

- ※1, 3 Calculated based on WEO2021 SDS scenario carbon price of 100USD/tCO₂ (converted to JP¥145/ US\$1) and our Group Scope1,2
- ※2 Calculated based on our electricity consumption forecast and non-fossil certificate price (assumed to be JP¥4/kWh)
- ※4 Calculated based on the Consumer Affairs Agency's Survey Report on Consumer Awareness of Ethical Consumption, etc.
- ※5 Calculated based on the "Sixth Basic Energy Plan" of the Agency for Natural Resources and Energy, etc.
- ※6 Calculated based on our forecast of actual sales growth rate, etc.

Classification	Specific Details	Business and Financial Impact		Countermeasure		
		The < 2°C scenario	The 4°C scenario			
Risk	Policy and Law	Increase in expenditures due to carbon tax payments (2.4 billion yen*1 under the < 2°C scenario)	Major	—	·Increased LED conversion rate in department stores ·Installation of renewable energy in Hankyu Main Store and other major stores	
		Increase in commodity procurement and disposal costs	Major	—	·Expand procurement of sustainable products ·Strengthen sales for local production for local consumption	
	Transition Risk	Technology	Increase in investment in energy conservation and GHG emission reduction facilities	Major	Minor	·Develop a plan for updating facilities in conjunction with store remodeling
		Market	Decrease in sales due to products and services that do not meet the needs	Major	Major	·Expand procurement of sustainable products ·Understanding needs through expansion of customer data business
	Physical Risk	Acute	Decreased sales and increased restoration costs due to a disaster	Minor	Major	·Formulation of manuals for natural disasters ·Conducting evacuation drills ·Disaster relief agreements with local governments
			Chronic	Increase in procurement costs due to unstable procurement, decrease in sales (agricultural products and seafood, soaring prices of livestock products)	Minor	Major
Opportunity	Energy Source	Reduction of carbon tax payment costs by switching to renewable energy (300 million JPY*3 under the < 2°C scenario)	Major	Minor	·Installation of renewable energy in Hankyu Main Store and other major stores	
	Products & Services	Increase in sales of environmentally friendly products and services (600 million JPY*4 under the < 2°C scenario)	Major	Minor	·Sustainable sales floor development, event implementation, and product procurement ·Promotion of local production for local consumption (PLATFARM, Ohisan Market, San-San Market)	
		Increase in sales of products and services related to the circular economy.	Major	Minor	·Osaka Forest Circulation ·Kawanishi area food recycling loop construction	
	Market	Increase customer attraction by expanding electric vehicle charging facilities (600 million JPY*5 under the < 2°C scenario)	Major	Minor	·Installation of EV charging facilities at Izumiya shopping centers and large food supermarkets	
		Creation of a market as a local sustainability communication center	Major	Minor	·Yui Terrace Kawachinagano ·Senri Central Park (see p. 24) ·GREENable (Hiruzen) (see p. 26)	
		Creating markets to help customers decarbonise their lifestyles	Major	Minor	·Data utilisation in the customer service business	
	Resilience	Increase profit from providing non-storefront purchasing means (400 million JPY*6 in both under 2°C and 4°C scenarios)	Major	Major	·EC and Remo Order (remote order) sales expansion	

Key Theme ④

Promoting human rights

Respect for basic human rights

We believe that one of our core missions is to contribute to the creation of a better social environment by maintaining fair relationships with our many stakeholders, including customers, shareholders, business partners, employees, and residents, to realize our basic group philosophy:

"To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents" .

We have formulated the "H2O Retailing Group Human Rights Policy" based on an understanding of the corporate responsibility to respect human rights as stated in the United Nations Guiding Principles on Business and Human Rights. The basic human rights policy shared by the Group is to respect the dignity and basic human rights of all people and not to discriminate in any way based on race, nationality, ethnicity, gender, sexual orientation, gender identity, disability, age, creed, or social status.

Based on these basic policies, we will make group-wide efforts to ensure that each employee can conduct business activities with respect for the dignity and basic human rights of various stakeholders.



※Please see [our website](#) for the full version of our human rights policy.(Japanese Only)

Key Theme ④

Promoting human rights

Employee

Harassment Response

As a mechanism for receiving information from whistleblowing employees (including staff of business partners), the H2O Retailing Group Compliance Hotline contact points have been set up at the company and an outside law firm, as well as at core company Hankyu Hanshin Department Stores, Inc. and supermarkets, and at some group companies.

In addition, the company regularly reports to the Representative Director and Standing Audit and Supervisory Committee Member on the status of reports made through the Compliance Hotline, taking steps to protect the privacy of informants.

Physical & mental health

In addition to annual medical checkups, we are also strengthening our mental health checks. Stress check surveys are conducted even at offices with less than 50 employees (at which we are not legally required to conduct stress check surveys). At some group companies, the H2O Retailing Group Mutual Aid Association takes the initiative in conducting mental health questionnaires once every two years to prevent and detect mental health problems.

In addition, we have a system in place that allows employees to consult with an industrial counselor or an occupational health physician for diagnosis when they have concerns about their mental or physical health.

Dialogue between the company and its employees

The H2O Retailing Group has labor unions in all major operating companies, and labor and management engage in active discussions on such issues as working conditions, the working environment for employees, and

ensuring that work rules are thoroughly understood. In addition, at Hankyu Hanshin Department Store, the labor union conducts an employee satisfaction survey of its members. The company conducts awareness surveys among managers and shares the results with them, using them to improve the workplace and consider measures to create a more comfortable workplace.

OHS initiatives

We conduct an annual "emotional wellbeing survey" so that we can monitor the status of employees. In addition, Occupational Health and Safety Committee meetings are held at each workplace unit to create a comfortable workplace so that employees can work whilst maintaining health and safety.

Customers

Universal Support

Hankyu Hanshin Department Stores, Inc. has been providing training and supporting qualification acquisition since 2018.

In addition, video training is provided for all employees so that each employee can acquire a standard mindset and knowledge, and we also use morning meetings and other occasions in stores to ensure that employees understand and permeate the training.

Personal Data Protection

To ensure the data of our customers and all others involved with our group, each company in our group complies with internal regulations, related laws, and guidelines, etc., in the handling of, management and uses such personal information, and strives to protect the privacy of our customers.

Business Partners

CSR Procurement Policy

To realize the group's basic philosophy "to remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents" the group has established the H2O Retailing Group CSR Procurement Policy as its policy for human rights, work environment, and global environment initiatives, in addition to basic procurement-related matters such as supplying safe and secure products and complying with laws and regulations in order

to provide valuable products that customers demand.

Based on this, we will build great partnerships based on mutual trust with our suppliers and promote CSR initiatives in the supply chains related to our business by ensuring that our suppliers and the supply chains can be involved in understanding our CSR Procurement Policy.

※Please see [our website](#) for the full text of the Group CSR Procurement Policy. (Japanese Only)

Developing Human Rights Due Diligence Promotion System

Based on the H2O Retailing Group Human Rights Policy, a human rights due diligence (DD) promotion system will be established. As a medium-term initiative, the work environment and human rights subcommittee of the Compliance and Risk Management Committee will review and promote this system.

Key Theme ④

Promoting diversity

Group Human Resources Development Policy

At the H2O Retailing Group, we believe that demonstrating individual capabilities for self-fulfillment through work is the driving force for creating new value and responding to change and leads to increased corporate value.

For this reason, we promote human resource development by providing human resource development programs and various types of support to help each employee think about and realize his or her own career plan.

Promotion system

The Group HR office was newly established in January 2021 at the holding company H2O Retailing. The promotion of autonomous careers for employees of each group company, reskilling (retraining) to meet future needs and devising digital education, were launched as one of the projects of the Group HR office and are being promoted by each group company.

A culture that celebrates hard workers

The Hankyu Hanshin Department Store has a system in place to reward "hard-working" salespeople and staff for their efforts to improve sales, service, and operations. Each quarter, we commend individuals and sales units that have achieved outstanding results, and the rewards committee decides who will receive special commendations from among them. Food supermarkets Izumiya, Hankyu Oasis and Qanat have launched a joint sales promotion campaign with the aim of utilising the Group's economies of scale and increasing staff motivation. Shops from both Izumiya and Hankyu Oasis that achieve certain targets as well as stand out for their sales floor development efforts are awarded excellent store awards.

Direction of promotion

The core company of the H2O Retailing Group: Hankyu Hanshin Department Store, has established the Hankyu Hanshin College, which offers a variety of skill development programs to help employees continue to learn with a sense of autonomy and career awareness as they aim to improve themselves. In addition to conventional programs, the college offers a variety of programs, including business skills such as leadership and coaching, and career support training for different age groups, to promote a culture of continuous learning. In the direction of human resource development, we plan to further brush up the Hankyu Hanshin College and promote initiatives in which employees of all group companies can participate. KANSAI SUPER MARKET LTD. strives to improve knowledge and work efficiency from multiple perspectives through various educational programs, such as agricultural experience and central market training, and utilises these programs for growth.



(From top left) Maishima School training facility; Hankyu Hanshin Department Store new employee training at Maishima School; Izumiya Training Centre; Hankyu Oasis cashier training.

A well-equipped training centers

We have a training facility (Maishima School) that can be used by group companies. The Maishima School has large classrooms that can be used flexibly according to the content of the training, as well as accommodations, and can accommodate up to 130 people at a time. The dedicated facilities not only enable highly intensive training, but also provide an opportunity for participants to deepen communication with each other. Training centers have also been established at Izumiya and Hankyu Oasis, where participants can learn practical skills, such as display techniques and cash register operations, in addition to processing techniques for agriculture, livestock, fisheries and delicatessen products.

Key Theme ④

Promoting diversity

The entire group is committed to the advancement of women

The group, whose main business is retailing, believes that as customer needs and lifestyles diversify, it is essential to create unprecedented new added value through customer-driven co-creation and collaboration, incorporating various perspectives to realise its vision.

To this end, we will further promote diversity initiatives in the future to ensure our diverse workforce including people of all genders, sexual orientation, age groups, race, abilities, and handicaps can realise their full potential.

Among other things, priority was first given to the advancement of women, who account for more than half of the workforce, so a target was set for the proportion of women in management positions by 2030.

In addition, the Sustainability Management Promotion Committee has held several discussions on the group's unique female successes, (not limited to managerial positions) and has been considering specific measures to achieve this.

We will continue to be proactive, by for example establishing projects in each of our operating companies, so that each individual can maximise their strengths and expand their field of activity.

Ratio of female managers KPI (2030)

	2021	2030
Hankyu Hanshin Department Store	17%	35%
H2O Food Group and Three supermarket companies(※)	5%	20%
H2O Shopping Center Development Co., Ltd.	9%	35%

(※) Izumiya, Hankyu Oasis and Qanat

What women's success means to the group.

- ▶ Women's perspectives influence business policy making
- ▶ Each and every one of us working confidently and to the best of our ability

Women's perspectives influence business policy making

Initiatives to achieve this

- ▶ Increase decision-making opportunities
 - ▶ Create a mechanism to absorb women's opinions and ideas in product and service development, shop facility renewal and increase participation opportunities
- ▶ Increase female leaders
 - ▶ Increase the number of managers and the population for them
 - ▶ Create role models

Each and every one of us working confidently and to the best of our ability

Initiatives to achieve this

- ▶ Continued career continuity and freedom of choice regardless of life events
 - ▶ Establishment of flexible working systems
- ▶ Companywide update in culture and raising awareness
 - ▶ Creating a flat and mutually accepting culture
 - ▶ Eliminating the unconscious bias
 - ▶ Raising awareness amongst women themselves
 - ▶ Recognise their own potential and make utilise their abilities

Promotion System

The Hankyu Hanshin Department Store established the Diversity Promotion Project in June 2022. We conduct 'Career Vision Cafe' sessions to raise current issues from various perspectives and discuss measures to be taken to achieve our ideal image.



In 2022, the H2O Foods Group has also set up a Women's Advancement Project and is working to reform its culture by reviewing its values on working styles and creating systems that make it easier to work. Progress is shared at the Sustainability Management Promotion Committee on the progress of each company's initiatives and specific action plans to achieve KPIs to help accelerate its efforts as a group.

Key Theme ④

Promoting diversity

A workplace environment that is for everyone

(Aiming to create an environment where everyone can work comfortably)

We will Promote work-life balance, the advancement of women and seniors, employment of people with disabilities, and support the LGBTQ community.

Work-friendly environment

In order to create a comfortable working environment for employees at various life stages, such as childbirth, child rearing and nursing care, Hankyu Hanshin Department Stores and other group companies have established various systems, such as leave systems and short-time working systems that exceed legal requirements, spouse parenting leave and telework.

On-site childcare facilities (H2O Childcare)

Currently, we are operating these in the following: "Daily Qanat Izumiya Abiko", "Qanat Mall Izumifuchu", and "Oasis Town KISELA KAWANISHI". We have a nursery that flexibly accepts children in accordance with the diverse working styles of store employees, and many of them use this facility. In addition to employees of our group companies, tenants, and business partners, the center is also available for use by residents, and we are working to make further contributions to balancing work and family life.



The three H2O childcare centres, all with a capacity of 19 children, provide care for various children aged from 6 months to 2 years.

Promotion of employment of people with disabilities

H2O Smile Co., Ltd. was established in 2016 as a special subsidiary for the purpose of calculating the employment rate of people with disabilities. Currently, 28 employees are engaged in clerical work and light work at group companies, and the employment rate of people with disabilities through the entire special grouping of the company is 2.38% (as of June 30, 2022).

Promotion of senior citizens' activities

The Group provides all those who wish to be reemployed on a temporary basis after retirement an opportunity to do so, so they can make further use of their many years of experience, skills, and abilities, thereby creating an environment where highly motivated and capable people can continue to play an active role.

Key Theme⑤

Enhancing employee job satisfaction

Promote initiatives to foster a culture of co-creation and collaboration and to create opportunities for growth.

Direction of initiatives

- ▶ Promote initiatives to instill the Group vision and foster a culture of co-creation and collaboration (promoting a visionary and co-creative work style).
- ▶ Create opportunities to participate in activities that contribute to the development of local communities, beyond the boundaries of the group companies. (Participation in community contribution activities)
- ▶ Proactively create opportunities to participate in group and cross-divisional projects. (Provision of growth opportunities)

Ban on side jobs lifted

In April 2020, Hankyu Hanshin Department Store introduced a system of side jobs. There are three main objectives in lifting the ban on side jobs.

- ① Make use of your interests and special skills in an environment different from the company you belong to.
- ② To encourage employees to achieve self-fulfillment by demonstrating competence and at the same time broadening their networks and horizons.
- ③ It will lead to the creation of new value for the operations of the core business of the company, the Hankyu Hanshin Department Store.

Around 50 people currently have side jobs, making use of their own strengths and qualifications.

In my second job, I use my qualifications to provide support to businesses. The network I have gained from my side business has had a positive effect on my day job. (Hankyu Hanshin Department Store, Nomura)



Advice given to business owners.

Volunteer leave

Hankyu Hanshin Department Store established a new volunteer leave system in April 2022. This activity embodies the corporate vision, employees are allowed to participate in volunteer activities which in turn promotes understanding and awareness of social contribution. Activities must be aimed at contributing to others and society based on voluntary intentions in Japan as a way of developing human resources with diverse values (nature and environmental protection, disaster recovery support, social and regional contribution activities).

Vision Project

In 2021, 4,000 people participated in the 'Company Vision Cafe' held at the Hankyu Hanshin Department Store, each gaining their own insights. In 2022, an 'Organisational Vision Cafe' will be held. This is an opportunity for all staff from any department to discuss ideas about their department's vision. The aim is to deepen the understanding of everyone's vision through the process of sharing goals together and thinking together about the points that are important to them.



Sustainability Promotion System and Management

Sustainability Management Promotion Committee

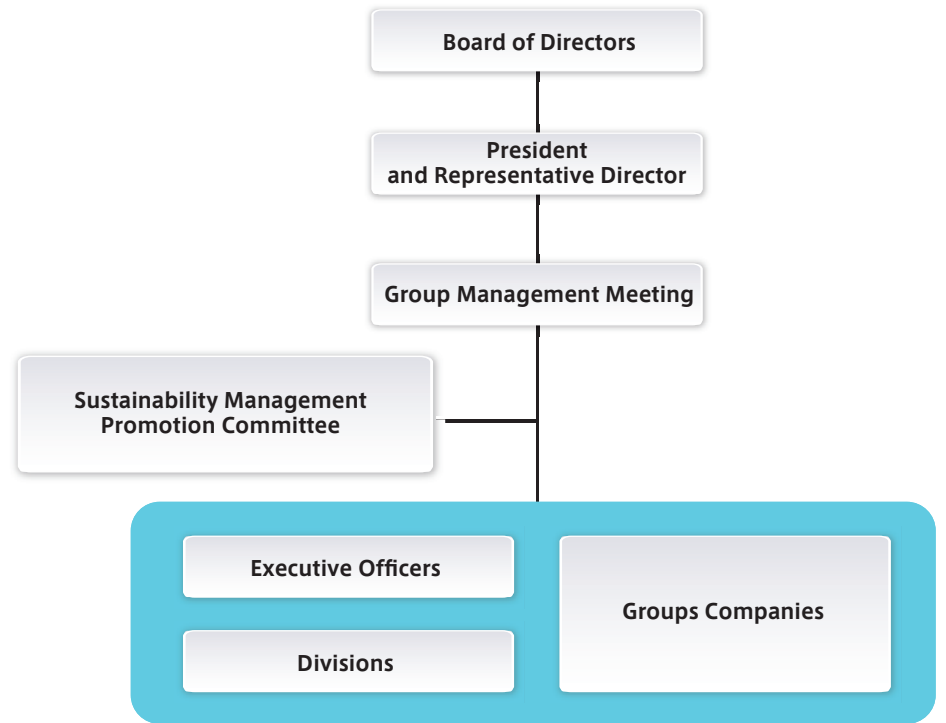
The Sustainability Management Promotion Committee has been established to promote sustainability management across the entire group, chaired by the President and CEO, with the participation of top management from each business as members. The committee also includes two external experts (Specially Appointed Professor, Department of Social System Design, Eikei University of Hiroshima: Masanobu Ishikawa and Associate Professor, Graduate School of Sustainable System Sciences Division of Sustainable System Sciences, Osaka Metropolitan University : Tomoyo Chiba) and meets regularly on a monthly basis. The contents of the discussions are deliberated by the Group Management Meeting, an advisory body to the president and reported to the board of directors. The main activities of the committee have been to

formulate sustainability management policies and identify materiality, but in the future, the committee will formulate implementation plans for priority and basic themes for each group company and across the group and monitor progress. In April 2021, H2O Retailing established the Sustainability Promotion Department as a dedicated department to promote sustainability management more fully. In addition to serving as the secretariat for the Sustainability Management Promotion Committee, the department is working to ensure that the policy is understood and disseminated throughout the group and to coordinate information.



Organisation building in each group company

To promote initiatives at group companies, dedicated departments for sustainability promotion have been set up within the three group companies, ①H2O Foods Group Co., Ltd., which oversees food supermarkets Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd., ②the Hankyu Hanshin Department Stores, Inc. and ③H2O Shopping Center Development Co., Ltd. In addition, Hankyu Hanshin Department Stores established a monthly Sustainability Committee in April 2022 to share company policies and the status of initiatives at each shop and discuss the direction of future initiatives. The H2O Food Group also plans to establish a Sustainability Management Promotion Committee during FY2023 to address issues unique to the food business.



Medium-Term Initiative Target Summary

Comments from the expert



Masanobu Ishikawa

Graduated from the Department of Chemical Engineering, Faculty Department of Engineering, the University of Tokyo. After working as an associate professor at the Department of Food Engineering, Tokyo University of Marine Science and Technology, he has overseen environmental economics at the Graduate School of Economics, Kobe University since 2003. Professor Emeritus, Kobe University. Currently, Specially Appointed Professor, Department of Social System Design, Eikei University of Hiroshima



The integrated report of H2O Retailing Corporation discloses more information and has more content compared to 2021.

Regarding climate change issues, Scope 1, 2 and 3 emissions have been disclosed, and for Scope 1 and 2, a 30% reduction target by 2030 compared to 2019 has been disclosed and certified as B-rank in the CDP. In addition, the targets set for a 70% food recycling rate (2030) and a 60% reduction in the amount of plastic provided (2030) are expected to lead to steady progress.

It is also commendable that the promotion of human rights initiatives is listed on a new page. While human rights initiatives are a matter of course, it is essential that they are clearly stated and clarified when considering the governance of a large organisation. The success of women gains a lot of focus in the effort to promote diversity. Diversity has various themes, and instead of treating them comprehensively, focusing first on "women's active participation" is a reasonable approach because our ratio of female employees is high compared to other industries.

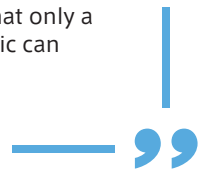
The target ratio of female managers has also been set at double the current level for department stores and triple the current level for food supermarkets by 2030. It can be expected that clearly stated targets will motivate female employees.

H2O Retailing Corporation has stated that its long-term business concept is to become a 'communication retailer', and an initiative in the Kawanishi area of Hyogo Prefecture (which was adopted as a model project for creating a food waste-free area by the

Ministry of the Environment this year), may provide a clue to how it communicates with its customers. In this project, H2O Retailing Group shops are the focal point, working with local activists, residents, government authorities and NPOs to reduce food waste generated in the area.

The aim of the project is to reduce food waste to zero during the project period at the shops, for local residents to reduce food loss and food waste at home through activities at the shops, and for this to transcend the local community and expand and network to other areas. By positioning the shop as a communication center for the community, the project aims to create a place for diverse communication, not only between sellers and buyers, but also between employees, performers, children and the elderly. The idea is to create social value through face-to-face interaction, sharing of experiences, etc., where participants, including shop employees and residents, can gain awareness and grow. It is hoped that this initiative will also generate business value.

Finally, it should also be noted that the company has positioned the improvement of employee job satisfaction as an issue for sustainability initiatives. The sum of such enthusiasm is indispensable for achieving these goals, as every employee understands the sustainability management policy and issues to be addressed and acted on. This is a strength that only a retailer with actual interaction with the public can achieve.



Corporate Governance

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", and it operates with the vision of expanding its market share in the Kansai region by diversifying its retail business to become the dominant area and, to achieve this, practicing compliance management, including adherence to social norms, and constantly innovating its management to respond quickly to changes in the competitive environment.

Based on this philosophy and vision, the company is committed to continuously improving its corporate governance to meet the expectations of its various stakeholders, to make prompt, efficient and decisive decisions, with an emphasis on compliance, and to increase its corporate value over the medium and long term.

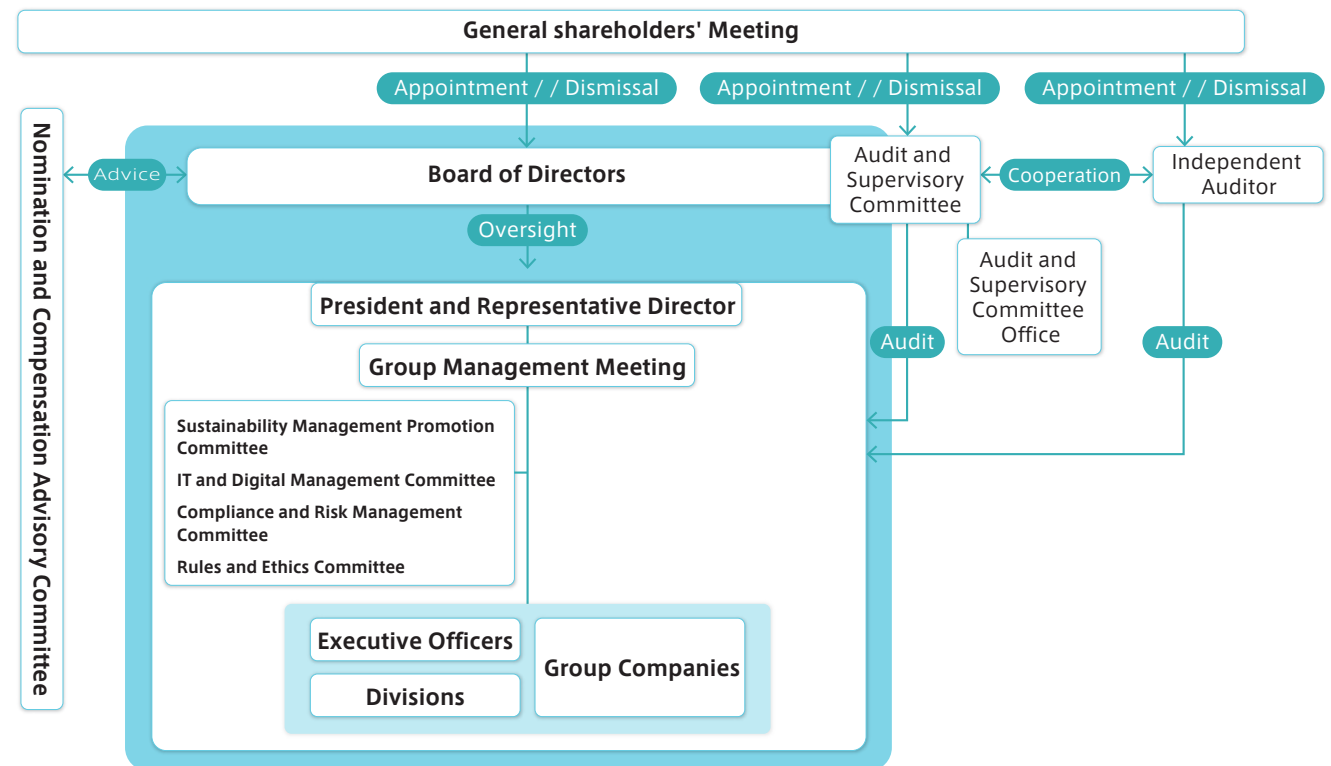
Basic Principles of Corporate Governance

- Respect the rights of shareholders and ensure equality
- Consider the interests of stakeholders, including shareholders, and take action with them as appropriate
- Disclose corporate information appropriately and ensure transparency
- Strengthen the supervisory function of business execution by the board of directors, including the establishment of a system to obtain the appropriate involvement of independent outside directors
- Engage in constructive dialogue with shareholders who have investment policies that contribute to medium- to long-term corporate value enhancement

※Please see our website for the full text of the basic principles. (Japanese Only)

Corporate Governance System

The company has adopted an 'Audit and Supervisory Committee' as its organisational design, aiming to enhance corporate value by improving the group's overall management planning, control, and supervision functions as a holding company, as well as establishing a governance system to promote the legal, proper, speedy, and efficient business of the group companies.



Corporate Governance

Board of Directors

The board of directors of the company consists of 9 directors (including 5 directors who are audit and supervisory committee), of which 4 are outside directors (4 directors who are audit and supervisory committee), and the ratio of outside directors is more than one-third. All the outside directors have been registered with the Tokyo Stock Exchange as Independent Officers.

Based on the analysis and evaluation of the effectiveness of the Board of Directors, (which is also carried out on a regular basis), we are continuously working to improve the effectiveness of the Board of Directors by providing prior explanations to outside directors, enhancing the materials for proposals on the agenda, and reviewing the criteria for proposals based on the perspective of risk.

In addition, the Group Management Meeting, which consists of representative directors, standing directors and others, has been established as an organization for efficient management decision-making of the company and its group companies, and deliberates and approves important matters such as management plans, business policies, and investments of the company and its group companies, including matters to be discussed at meetings of the board of directors.

Additionally, the company and its group companies have introduced an executive officer system to clarify the responsibility for business execution and have adopted a system in which the directors and the board of directors of each company manage and supervise the business execution of the executive officers.

Audit and Supervisory Committee

The Audit and Supervisory Committee of the company consists of 5 directors who are Audit and Supervisory Committee members. In addition to attending meetings of the board of directors, the group management meetings and other important meetings, the Audit and Supervisory Committee members monitor and verify the execution of duties by the directors by confirming the contents of these meetings, while fulfilling their supervisory function as to whether the principles of management judgment are being observed as the most important issue.

In addition, the Standing Audit and Supervisory Committee Member inspects approval documents on important matters and minutes of important meetings, and regularly hear from

the company's internal control departments (Finance Office, General Affairs Office, IT and Digital Promotion Office, etc.) on the status of business execution, while the Standing Audit and Supervisory Committee Member meets with the accounting auditor (KPMG AZSA LLC appointed) once a month and the Audit and Supervisory Committee in principle four times a year to ensure close cooperation and to improve the effectiveness of the audit.

Analysis and evaluation of the effectiveness of the board of directors

The company regularly analyses and evaluates the effectiveness of its Board of Directors, and conducted a questionnaire for all directors in March 2022, and interviews with representative and outside directors in April 2022 regarding the composition, operation, agenda and systems supporting the Board of Directors.

After analysing and evaluating the results and opinions of the questionnaire, the Board of Directors assessed that the effectiveness of the Board of Directors was ensured in 2021, as deliberations at the Board of Directors meetings were further stimulated by such factors as the implementation of free discussions between representative and outside directors (four times a year) and the establishment of several separate discussion forums for particularly important issues.

While the enrichment of materials and revitalization of deliberations have progressed in this way, it was confirmed that it will be necessary to continue to examine and improve the content of explanatory materials, the timing and method of their provision, appropriate methods of progress and operation, and the way discussions on medium and long-term plans are conducted, in order to further improve the quality of deliberations and realize more effective board management in the future. Hence, efforts to improve the effectiveness of the board meetings will continue.

- Diversity of Directors
- Skills Matrix
- Reasons for Appointment of Outside Directors and Status of Attendance
- Criteria for Independence of Outside Directors

※Please see [our website](#) for the full text for the above items.(Japanese Only)

Outside Directors' Comments



Nobuko Sekiguchi - Outside Director

After working as a management consultant, she joined CAPCOM Co., Ltd. in 2005, becoming an executive officer of the company in 2011 and a Managing executive officer in 2016. She has served in several roles, including Head of Corporate Planning and Manager of the Human Resources Division, and has been a member of the company's Board of Directors (Audit and Supervisory Committee Member) since June 2020.



Our Governance Initiatives

This is my third year in office, and I feel that the composition of our Board of Directors is well balanced and diverse in terms of knowledge and experience, making it very easy for me to have a say in both the Board and Audit and Supervisory Committee meetings. Last year there were major capital transaction, but in addition to the audit discussions during the pre-meeting Audit and Supervisory Committee meetings, both the board and Audit and Supervisory Committee spent a considerable amount of time exchanging views and understanding the content of the board proposals. I myself also participate as an observer in the IT and Digital Management Committee, which was set up last year, and have made various comments from the perspective of monitoring important decision-making. By drawing on my previous experience I hope to contribute to ensuring that the digital strategy in the department store and supermarket business leads to increased corporate value.

Becoming 'indispensable' to the local community

With factors such as the Covid-19 pandemic and digital transformation, our the mid-term management plan indicates that the business environment is changing dramatically. The H2O Retailing Group, with a history of nearly a century, is determined to remain an 'indispensable presence' as a leading retail group in the Kansai region for the next century too. It is necessary to respond to changes in the environment by utilizing the strengths of the Hankyu Hanshin brand, which has been handed down from generation to generation. With the effects of the Covid-19 pandemic still not fully resolved, it is important to address immediate issues, such as continuing to operate stores in a way that ensures the safety and security of customers and employees, spending more time on how to be an 'indispensable and sustainable company', and on medium and long-term strategies with an eye on the future.



Corporate Governance

Officer's Remuneration

The Company's remuneration for directors and executive officers is based on the concept of remuneration for directors and executive officers as stipulated in the Basic Principles of Corporate Governance. Based on the following basic policy, the remuneration system for directors and executive officers consists of monthly basic salary, an annual bonus reflecting the business results for a single fiscal year, stock remuneration-type stock options with conditions of continuous service ("Continuous Service SOs"), and stock remuneration-type stock options with conditions linked to business performance ("Performance SOs").

Policy

- To contribute to sustainable growth and medium to long-term enhancement of the corporate value of our group.
- To motivate directors and executive officers who execute business operations to achieve the goals of the mid-term business plan.
- To secure human resources suitable for achieving the group's mission and realizing sustainable growth.
- It should be something that shares awareness with shareholders and raises awareness of the importance of shareholders.

The composition of remuneration for executive directors and executive officers is as follows: basic salary, which is fixed remuneration, accounts for approximately 50%, and annual bonuses and share-based remuneration, which are linked to performance and share price, accounts for approximately 50% of total remuneration.

With regard to the remuneration of directors, the board of directors shall determine the details of the proposals to be submitted to the General Meeting of Shareholders and the amount of remuneration, etc. for each individual director after review by the Nominating and Remuneration Advisory Committee. For each individual director member of the audit and supervisory committee, remuneration shall be determined through consultation with the directors' members of the Audit and Supervisory Committee.

Summary of Compensation

Stock	Performance SOs	The number of stock acquisition rights that can be exercised is fixed in the range of 0% to 100% according to the degree of achievement of indices determined in advance by the board of directors of the company. Stock acquisition rights that can be exercised after the loss of any position as a director or other officer of the company or its subsidiaries are granted annually according to the position.
	Continuous Service SOs	Stock acquisition rights that can be exercised after the loss of any position as a director or other officer of the company or its subsidiaries are granted annually in accordance with the position.
Cash	Annual Bonus	Remuneration based on consolidated business results for a fiscal year is determined based on the remuneration table according to the stage of consolidated operating income and in accordance with the role and evaluation.
	Basic Salary	Remuneration commensurate with job responsibilities and position, revised every April.

Applicable to

		Executive Directors and Executive Officers	Non-Executive Director
Stock	Performance SOs	○	—
	Continuous Service SOs	○	○
Cash	Annual Bonus	○	—
	Basic Salary	○	○

Nominating and Remuneration Advisory Committee

To ensure fairness and transparency in determining the nomination and remuneration of directors, the company has established the Nominating and Remuneration Advisory Committee, which consists of several independent outside directors and the President, as a voluntary advisory committee. The Committee examines and recommends to the board of directors the appointment and dismissal of directors, nomination of candidates, policies regarding remuneration, etc. for directors, and the details of remuneration, etc. The Committee also oversees the succession planning through its opinions and recommendations, thereby ensuring objectivity.

Committee Members

committee chairman	Naoshi Ban (Director, Audit & Supervisory Board Member: Independent Outside)
committee chairman	Kenjiro Nakano (Director, Audit & Supervisory Board Member: Independent Outside)
committee chairman	Naoya Araki (President and Representative Director)

- Dialogue with Shareholders
- Policy on Ownership of Policy-Shared Shares and Exercise of Voting Rights

※Please see [our website](#) for the full text of the above items.(Japanese Only)

Compliance and Risk Management

The group believes in the importance of realizing its growth strategy, establish and properly operate an internal control system proportionate to the nature and scale of its business.

The group reviews its internal control system as appropriate, and even group companies that are not required by the Companies Act to adopt resolutions, formulate and adopt basic policies on internal control develop systems to prevent and reduce risks.

System for risk management and compliance promotion

We have established the Risk Management Regulations, which outline preventive measures against the occurrence of, reporting, principles for dealing with, and implementation of countermeasures of risk. The H2O Retailing Group Code of Conduct sets forth the basic stance of the group's officers and employees regarding the promotion of compliance and ensures that they act in accordance with the group's basic policies, ethics, laws and regulations, and rules, and the Group Compliance Regulations and for promoting compliance. And while a risk management system is in place to prevent risks from occurring, minimize losses when they do occur and promote the establishment and maintenance of a compliance system, we reviewed our group-wide risk management system in FY2021 to respond flexibly to environmental changes, such as the recent increase in natural disasters, outbreaks of pandemics including the Covid-19 pandemic, revisions of labor-related laws and regulations, and changes in work styles.



Additionally, clarifying who is responsible for compliance and risk management and revising the system to centralize risk information, the Compliance and Risk Management Committee will collect risk information and formulate countermeasures for the group. It also appointed a person in charge of each business of the company and the group to establish a system for each business to take risk countermeasures voluntarily and systematically according to the characteristics of the business. Additionally, we have established specialized subcommittees to address important issues such as the Covid-19 pandemic, earthquakes, and anti-harassment measures, and are working to further strengthen our system by selecting personnel that also incorporate elements of human resource development for compliance promotion and risk management.

Whistleblowing System and Anti-Harassment Measures

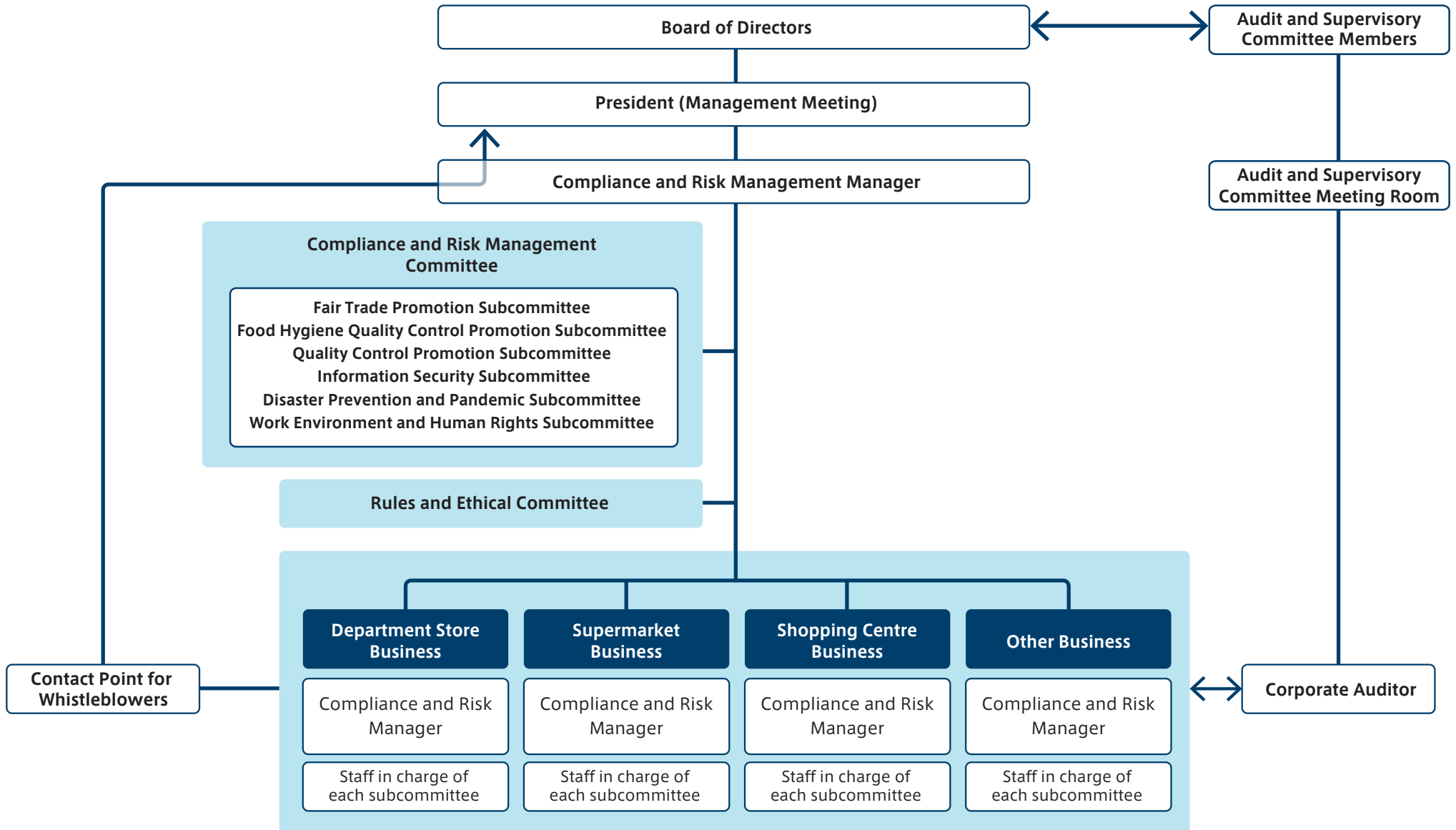
The H2O Retailing Group Compliance Hotline has been established at the company and an outside law firm as a mechanism for receiving internal reports from employees of the group (including staff of business partners). In addition to our core companies, Hankyu Hanshin Department Stores, and supermarkets, we have secured multiple reporting channels by establishing contact points for whistleblowers at some group companies. In addition, after taking steps to protect the privacy of informants, the company regularly reports to the Representative Director, Standing Audit and Supervisory Committee Member, and the Board of Directors regarding the status of reports made through the Compliance Hotline. In fiscal 2021, we will continue to strengthen measures to prevent harassment and share examples of and responses to moral and other forms of harassment that reflect the changing times, while Hankyu Hanshin Department Stores and other group companies are also implementing group-wide efforts to prevent harassment by holding multiple training sessions tailored to the situation and rank of each company.

Information Management

With particular regard to personal information, in accordance with the enforcement of the revised Act on the Protection of Personal Information in April 2022, we have once again established an overall policy and are taking actions such as reviewing rules and regulations and conducting employee training. In addition, to prevent risks associated with the recent increase in the transmission of information, we review the content of our social media policy and prepare information security guidelines and conduct other reviews as appropriate in response to changes in the surrounding environment.

-  Initiatives to ensure fair trade
 -  Efforts to eliminate antisocial forces
- ※For more information about the above items, please visit [our website](#). (Japanese Only)

Compliance and Risk Management



Performance Highlights

Key financial data

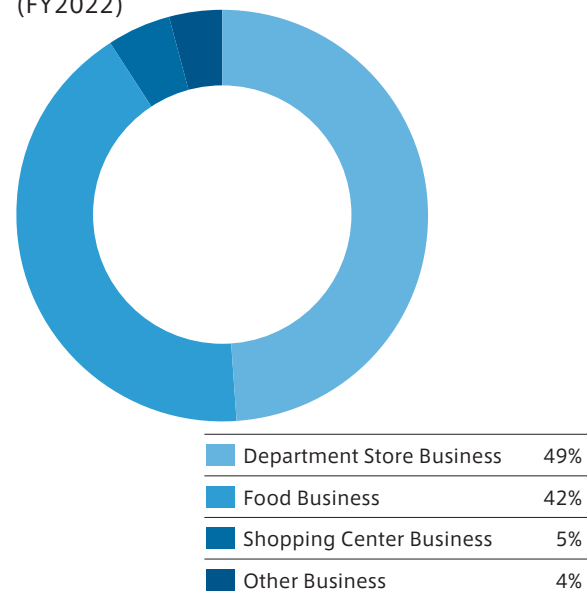
(Per Million Yen)

Year	2017	2018	2019	2020	2021
Fiscal Year End	FY 3.2018	FY 3.2019	FY 3.2020	FY 3.2021	FY 3.2022
Fiscal Year					
Gross Sales ^(※1)	921,871	926,872	897,289	739,198	788,108
Net Sales	921,871	926,872	897,289	739,198	518,447
Operating Profit	22,765	20,422	11,171	△4,438	741
Ordinary Profit	24,272	21,376	11,831	△2,907	2,346
Net Income Attributable to shareholders of the parent company	14,636	2,162	△13,150	△24,791	9,872
Capital Investment					
Capital Investment	26,443	32,039	35,125	22,699	25,256
Depreciation expenses	16,223	17,399	18,519	18,141	17,902
Cash flow					
Cash flow from operating activities	32,739	15,392	9,871	12,755	7,007
Cash flow from investment activities	△35,492	△36,682	△22,451	△20,761	△5,745
Cash flow from financial activities	△13,812	9,581	△16,440	31,859	△28,578
Fiscal Year End					
Net Assets	280,807	279,603	244,634	229,277	260,938
Owner's equity	279,569	278,364	243,317	228,134	236,844
Total Assets	659,582	663,335	586,904	625,945	654,558
Per Share Information					
Book value Per Share (JPY)	2263.95	2252.28	1967.90	1843.78	1922.25
Earnings Per Share (JPY)	118.54	17.50	△106.38	△200.45	79.84
Dividend per share (JPY)	40.00	40.00	40.00	25.00	25.00
Financial Indicators					
Operating Income Ratio (%)	2.5	2.2	1.2	△0.6	0.1
Owner's Equity Ratio (%)	42.4	42.0	41.5	36.4	36.2
Return on Equity (%)	5.4	0.8	△5.0	△10.5	4.2
Ratio of Ordinary Income to Total Assets (%)	3.7	3.2	1.9	△0.5	0.4
Consolidated Dividend Payout Ratio (%)	33.7	228.5	-	-	31.3

(※1) The "Accounting Standard for Revenue Recognition" was applied from the fiscal year ending March 31, 2022. Equivalent to net sales under the previous standard, which excludes the impact of the Accounting Standard for Revenue Recognition, etc.

Data by Segment

Composition ratio of net sales (consolidated) (FY2022)



FY2022 Net Sales and Operating Income

Department store operations	Net sales	3,851 billion yen	YoY	110.7%
	Operating income	9 billion yen	YoY	-
Food Business	Net sales	3,272 billion yen	YoY	111.8%
	Operating income	53 billion yen	YoY	130.3%
Commercial Facility Business	Net sales	429 billion yen	YoY	65.9%
	Operating income	4 million yen	YoY	-
Other Businesses	Net sales	329 billion yen	YoY	97.9%
	Operating income	-34 billion yen	YoY	-

(※) The segment classification for FY2022 has been changed from "Real Estate Business" to "Shopping Center Business." The YoY change for FY2022 is calculated based on the figures after reclassifying the previous year's results into the new reporting segment classification.

Data collection

Major Items	Minor Items	Range	Units	FY2020	FY2021	FY2022
Environment	Energy Usage					
	Electricity	Consolidated	1000kWh	506,825	457,480	458,474
	Gas	Consolidated	1000m ³	10,773	8,959	8,116
	Water (hot/cold/steam)	Consolidated	1000 GJ	110	91	119
	Petrol/Diesel	Consolidated	1000 GJ	11	7	8
	Total	Consolidated	1000 GJ	5,686	5,083	5,094*
	GHG Emissions					
	Scope 1	Consolidated	1000t-CO ₂ e	49	48	40*
	Scope2	Consolidated	1000t-CO ₂ e	190	165	175*
	Scope3	Consolidated	1000t-CO ₂ e	2,441	2,179	2,246
	"Category 1 Purchased product·service"	4 Main Companies	1000t-CO ₂ e	2,133	1,944	1,982*
	Water Usage					
	Water Usage	4 Main Companies	1000m ³	2,164	1,909	1,925
	Containers and packaging					
	Papers	4 Main Companies	t	1,025	735	741
	Plastics	4 Main Companies	t	3,975	3,416	2,801
	Waste					
	Total amount of waste generated	4 Main Companies	t	46,093	42,639	42,692
	Of which is recycled(rate)	4 Main Companies	t	27,904	25,413	25,684
Recycling rate	4 Main Companies	%	60.5	59.6	60.2	
Amount of food waste generated	3 Main Companies	t	10,935	9,876	9,415	
Food recycling rate	3 Main Companies	%	46.3	46.6	50.3	
Others						
Rate of people who bring their own shopping bag	Izumiya	%	60.8	85.1	84.4	
	Hankyu Oasis	%	65.0	80.3	82.3	

※Consolidated :Hankyu Hanshin Department Stores, Inc., Izumiya Co., Ltd, Hankyu Oasis Co., Ltd, H2O Shopping Center Development Co., Ltd. and 14 other major companies
 4 major companies:Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, H2O Shopping Center Development Co., Ltd.
 3 major companies:Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis
 (KANSAI SUPER MARKET LTD. are not included as they were integrated in December 2021.)
 *:Items covered by third-party warranty

Major Items	Minor Items	Range	Units	FY2020	FY2021	FY2022
Company	Staff					
	Staff Numbers	Consolidated	People	9,570	8,983	9,856
	Female staff ratio	Consolidated	%	55.0	57.2	53.9
	Female staff in management role ratio	Hankyu Hanshin Department Store	%	14.4	15.3	17.0
		H2O Foods Group and 4 supermarket companies	%	9.0 (Izumiya)	2.5 (Izumiya)	4.2
		H2O Shopping Center Development Co., Ltd.	%	8.3 (Hankyu Oasis)	9.6 (Hankyu Oasis)	9.0
	Employment rate of persons with disabilities	Consolidated	%	2.32	2.47	2.38
	Average tenure difference between men and women (Tenure for men - Tenure for women)	Hankyu Hanshin Department Store		2Y10M	2Y10M	2Y10M
		Izumiya		4Y5M	5Y10M	5Y0M
		Hankyu Oasis		7Y10M	7Y10M	7Y11M
		KANSAI SUPER MARKET LTD.		—	—	3Y1M
	H2O Shopping Center Development Co., Ltd.			—	—	5Y10M
	Number of childcare workers	5 Main Companies	People	144	142	127
	Number of nursing care leave	5 Main Companies	People	11	11	5
	Paid leave acquisition rate	Hankyu Hanshin Department Store	%	59.8	48.7	56.6
Izumiya		%	63.8	77.7	79.9	
Hankyu Oasis		%	72.8	65.1	65.8	
KANSAI SUPER MARKET LTD.		%	—	—	74.4	
H2O Shopping Center Development Co., Ltd.	%	—	82.5	77.4		

※Consolidated :All Group Companies
 ※5 Main Companies :Hankyu Hanshin Department Stores, Inc., Izumiya Co., Ltd, Hankyu Oasis Co., Ltd, KANSAI SUPER MARKET LTD., H2O Shopping Center Development Co., Ltd. (Consolidated data includes KANSAI SUPER MARKET LTD. from FY2022)
 ※4 supermarket companies: Izumiya Co., Ltd., Hankyu Oasis Co., Ltd., KANSAI SUPER MARKET LTD., and Qanat Co., Ltd.

Calculation of Greenhouse Gas Emissions
 Scope 1 Emissions= Σ (Fuel Usage×CO₂ Emission Factor ※1) + Σ (GHG emissions other than CO₂ from energy sources x global warming potential ※1)
 Scope 2 Emissions= Σ (Purchase of electric power, etc. (Includes hot water, cold water, and steam) ×CO₂ emission factor ※1)
 Scope 3 Category 1 Emissions= Σ {(Amount of goods purchased by the company) × (Emissions per unit of production ※2)}

※1 Coefficients based on the Law Concerning the Promotion of Measures to Cope with Global Warming. For electricity, emission factors by electric utility published by the Ministry of the Environment and Ministry of Economy, Trade and Industry are used.
 ※2 Emissions intensity database for calculating the greenhouse gas emissions of an organization through its supply chain. Refer to Ver3.2

Third Party Guarantee

Deloitte Tohmatsu Sustainability Co., Ltd. has provided a third-party guarantee for energy consumption and greenhouse gas emissions (Scope 1, 2, Scope 3 Category 1) in FY2022.


Deloitte.
デロイト トーマツ

独立した第三者保証報告書

2022年10月31日

エイチ・ツー・オー リテイリング株式会社
代表取締役社長 荒木 直也 殿

デロイト トーマツ サステナビリティ株式会社
東京都千代田区丸の内三丁目2番3号

代表取締役 杉山 雅彦 

デロイト トーマツ サステナビリティ株式会社 (以下「当社」という。) は、エイチ・ツー・オー リテイリング株式会社 (以下「会社」という。) が作成した「統合レポート 2022」(以下「報告書」という。) に記載されている * の付された 2021 年度の環境データ (以下「環境定量情報」という。) について、限定的保証業務を実施した。

会社の責任

会社は、会社が採用した算定及び報告の基準 (環境定量情報に注記されている。) に準拠して環境定量情報を作成する責任を負っている。また、温室効果ガスの算定は、様々なガスの排出量を結合するため必要な排出係数と数値データの決定に利用される科学的知識が不完全である等の理由により、固有の不確実性の影響下にある。

当社の独立性と品質管理

当社は、誠実性、客観性、職業的専門家としての能力と正当な注意、守秘義務、及び職業的専門家としての行動に関する基本原則に基づく、国際会計士倫理基準審議会の「職業会計士の倫理規程」が定める独立性及びその他の要件を遵守した。また、当社は、国際品質管理基準第 1 号「財務諸表の監査及びレビュー並びにその他の保証及び関連サービス業務を行う事務所の品質管理」に準拠して、倫理要件、職業的専門家としての基準及び適用される法令及び規則の要件の遵守に関する文書化した方針と手続を含む、包括的な品質管理システムを維持している。

当社の責任

当社の責任は、当社が実施した手続及び当社が入手した証拠に基づいて、環境定量情報に対する限定的保証の結論を表明することにある。当社は、「国際保証業務基準 3000 過去財務情報の監査又はレビュー以外の保証業務」(国際監査・保証基準審議会)、「国際保証業務基準 3410 温室効果ガス報告に対する保証業務」(国際監査・保証基準審議会) 及び「サステナビリティ情報審査実務指針」(サステナビリティ情報審査協会) に準拠して、限定的保証業務を実施した。

当社が実施した手続は、職業的専門家としての判断に基づいており、質問、プロセスの観察、文書の閲覧、分析的手続、算定方法と報告方針の適切性の検討、報告書の基礎となる記録との照合又は調整、及び以下を含んでいる。

- ・ 会社の見積り方法が、適切であり、一貫して適用されていたかどうかを評価した。ただし、手続には見積りの基礎となったデータのテスト又は見積りの再実施を含めていない。
- ・ データの網羅性、データ収集方法、原始データ及び現場に適用される仮定を評価するため、事業所の現地調査を実施した。

限定的保証業務で実施する手続は、合理的保証業務に対する手続と比べて、その種類と実施時期が異なり、その実施範囲は狭い。その結果、当社が実施した限定的保証業務で得た保証水準は、合理的保証業務を実施したとすれば得られたであろう保証水準ほどには高くない。

限定的保証の結論

当社が実施した手続及び入手した証拠に基づいて、環境定量情報が、会社が採用した算定及び報告の基準に準拠して作成されていないと信じさせる事項はすべての重要な点において認められなかった。

以 上

Member of
Deloitte Touche Tohmatsu Limited

H2O RETAILING CORPORATION

8-7, Kakuda-cho, Kita-ku, Osaka City 530-0017

<https://www.h2o-retailing.co.jp>

