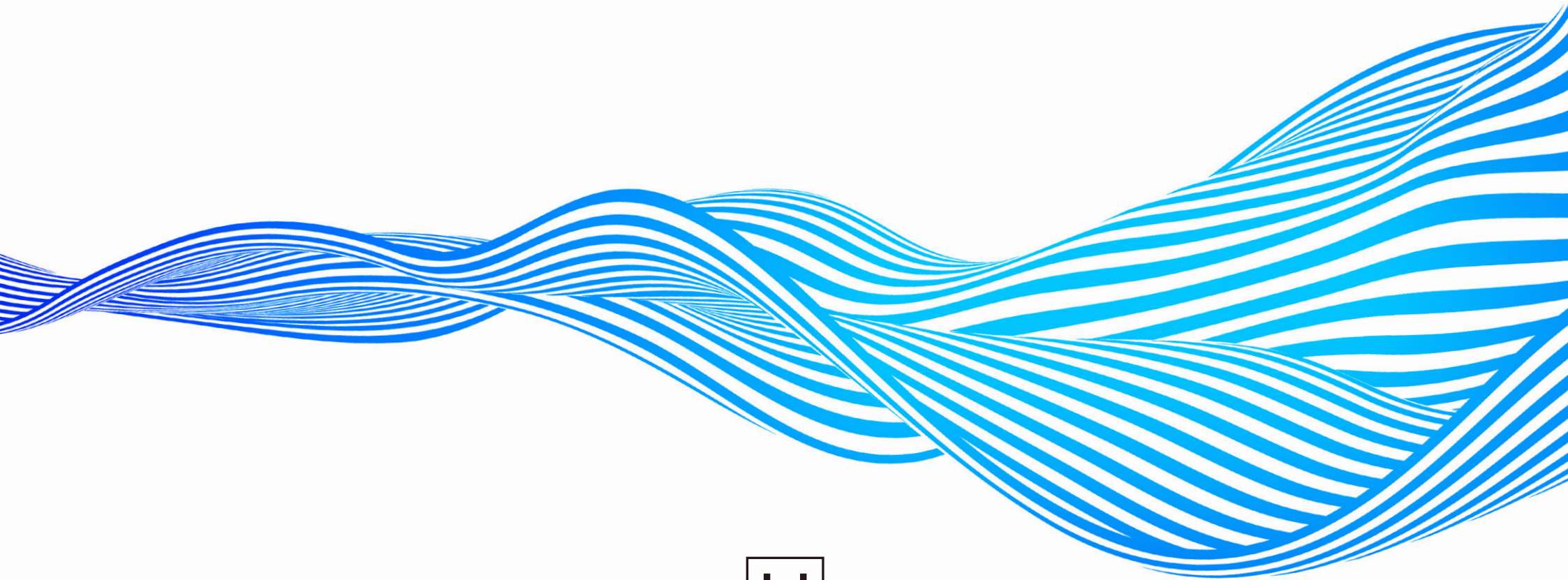


H2O RETAILING

# INTEGRATED REPORT 2024



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## Scope of Report

### Applicable Period

FY2024 (April 1, 2023–March 31, 2024)  
Note: Some activities are included that took place before or after the applicable period.

### Target Organizations

H2O RETAILING CORPORATION and its group companies. A note is provided where the scope is specified.

## Reference Guidelines

GRI Standards

### Disclaimer Regarding Forward-looking Statements

The forward-looking statements, including plans, strategies, and forecasts regarding business results contained in this report, are based on information available at the time of publication, and actual results may differ from these statements due to various factors.

## H2O RETAILING Website

You can also find a variety of information on our website.

Investor Relations Information	<a href="https://www.h2o-retailing.co.jp/en/ir.html">https://www.h2o-retailing.co.jp/en/ir.html</a>
Sustainability Information	<a href="https://www.h2o-retailing.co.jp/en/sustainability.html">https://www.h2o-retailing.co.jp/en/sustainability.html</a>
Corporate Governance Information	<a href="https://www.h2o-retailing.co.jp/ja/company/governance.html">https://www.h2o-retailing.co.jp/ja/company/governance.html</a> (Japanese only)
Integrated Report Back Issues	<a href="https://www.h2o-retailing.co.jp/en/ir/library/report.html">https://www.h2o-retailing.co.jp/en/ir/library/report.html</a>

## Editorial Policy

We have prepared the H2O RETAILING INTEGRATED REPORT 2024 with the aim of clearly communicating how we are creating sustainable corporate value based on the H2O RETAILING Group's Long-term Business Plan 2030 Ver. 2 and Medium-Term Management Plan FY2025–2027. In FY2025, our focus was on communicating in an easy-to-understand way our unique business model rooted in the Kansai region of Japan and its social impact to all stakeholders, including shareholders and investors, with a particular emphasis on our "Communication Retailer" concept, which underpins our evolution and growth. In particular, we are making efforts to deepen people's understanding of our company by using charts as a visual expression of our overall strategy to show the relationship between management strategies and sustainability management policy, as well as financial and non-financial information. We will continue to disclose information in an appropriate manner and work towards creating opportunities for dialogue with our stakeholders.

## About the Cover Page

The cover page uses the image of ripples spreading out from the surface of water and the swell of the water current gradually becoming larger to express our company's growth. As the ripples spread out, the color changes, symbolizing our progress toward a bright future.

## Basic Philosophy

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

As a company, we believe that our raison d'être is to meet the expectations of our stakeholders, everyone from customers and shareholders to business partners and employees, while also contributing to society as a whole.

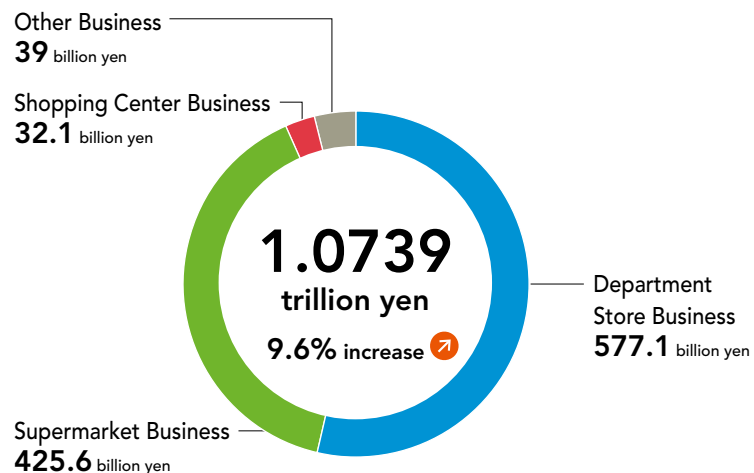
## Group Vision

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

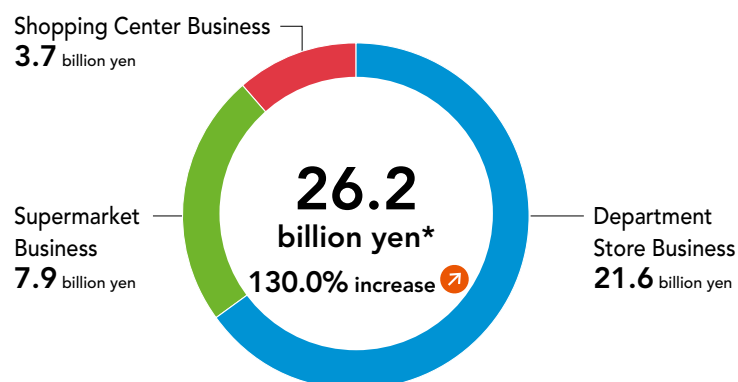
# H2O RETAILING at a Glance

\*For the items for which periods are not stated, figures are as of the end of FY2024

## Gross sales



## Operating profit



\* Figures exclude internal transactions between segments.

## Group employees

**25,321**

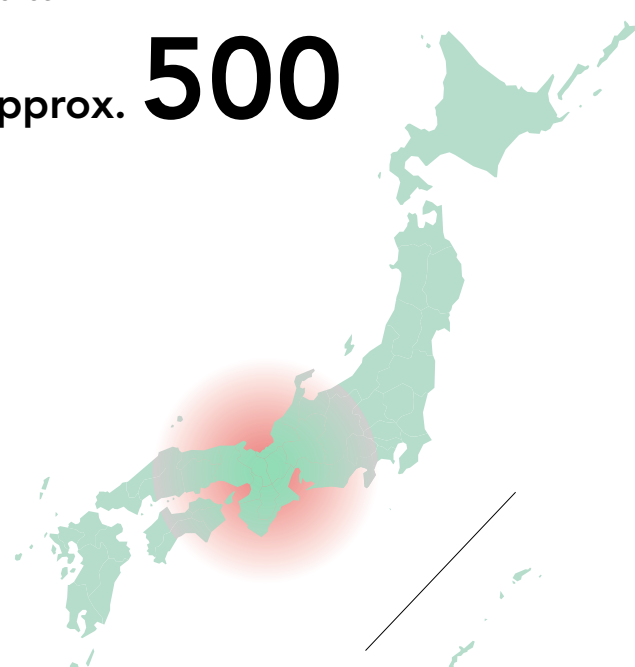
## Group companies

**56**

(47 subsidiaries, 9 equity method affiliates)

## Stores

Approx. **500**



## Hankyu Department Store Customer satisfaction index

Ranked **1st** for  
**8 consecutive years**

(Source: 2024 JCSI Survey,  
Japan Productivity Center)

## Hankyu Main Store

Sales to overseas tourists (by store)

Ranked **1st** in the industry/  
approx. **49.5** billion yen

(cumulative total from January to  
December 2023)

## Amount of investment in IT/digital transformation

**24.3** billion yen

(for the three-year period  
from FY2022 to FY2024)



Based on the basic philosophy of “To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents,” the group is developing a variety of businesses centered on the Department Store Business and Supermarket Business, concentrated in the Kansai area.

## Department Store Business

Hankyu Hanshin Department Stores operate a total of 15 department stores, including Hankyu Department Store and Hanshin Department Store. We strive to become the No.1 fun department store to make our customers lives also fun and enriched by energizing their future. In addition to the flagship Hankyu Umeda Main Store, we have a wide variety of stores, including the Hanshin Umeda Main Store, Kobe Hankyu, and Hakata Hankyu stores in the city center, as well as suburban stores that are close to the lives of the community.



## Shopping Center Business

We are engaged in businesses related to the development, operation, and management of commercial facilities such as shopping centers, including Izumiya SC and Rakuohoku HANKYU SQUARE, and the Ours Inn Hankyu business hotel.



## Supermarket Business

From manufacturing and processing to sales and home delivery in food supermarkets, we are developing businesses related to “food.” As infrastructure indispensable to the community, we operate around 230 food supermarkets in various locations in the Keihanshin area (Kyoto, Osaka and Kobe area) such as residential areas, station fronts, and roadside areas.



## Other Business

We operate a variety of businesses, including cosmetics stores, Fruit GATHERING, Hankyu Hello Dog, which sells pet supplies, convenience stores, furniture and other retail sectors, and related services.



Some of the brands in the H2O RETAILING Group



# Group's Process of Evolution

## The H2O RETAILING Group will continue to evolve with the times as a group of companies rooted in the Kansai region for 100 years

Ever since our founding, rather than just selling products, our group companies have continued to evolve with the times by adding value to products in step with the times.

### The pursuit of "affordable valuables"



Since its founding, Izumiya has continued to provide safe and secure products and services by pursuing a business path of "affordable valuables" so that local customers can lead healthy, enjoyable, and fulfilling lives.

### The world's first terminal department store



Hankyu Department Store was born as the world's first department store directly connected to a railway station with the new idea of "inviting people from along the railway." We advertised in the newspaper that "we want to sell the best products at a lower price than anywhere else." In those days, the most popular dish in the large cafeteria on the top floor was "Rice Curry." It has become a signature menu that is cheaper than anywhere else.

### A series of attractive sales areas centered on "food"



The opening of the National Famous Confectionery Town and Hanshin Sweet and Spicy Town at Hanshin Department Store, which brought together specialty products and famous stores with individuality and tradition from all over Japan, was a groundbreaking experiment at the time that gained popularity.

### One of the first to launch an online supermarket

In today's world, food delivery services have become commonplace. Hankyu Kitchen Yell started offering a similar service back in 2002. The convenience of having fresh ingredients and gourmet food from the basement floor of a department store delivered to your home is a service that only our group can offer.



### Expertise, liveliness, and information dissemination

Since 2008, Hankyu Oasis has worked on the development of a new store based on the concepts of expertise, liveliness, and information dissemination.



### Creating "New Experience Value"

At the Hanshin Umeda Main Store, which was rebuilt and had a grand opening in 2022, "navigators" who deliver ideas and tips to enrich daily lives take on the challenge of two-way communication with customers through social media and events. We are creating a fan community that transcends the boundaries of customers, salespeople, and producers.



### Building a supermarket model in pursuit of freshness

To provide better products to customers who value freshness, Kansai Super Market has undertaken several industry-leading initiatives, such as developing its own processing system for fresh foods and being one of the first to introduce refrigerated cases for vegetables.



### Immersive excitement at a "Theater-like department store"

As an "information retailer" the Hankyu Umeda Main Store, which was rebuilt and opened in 2012, erected a four-story atrium SHUKUSAI Plaza (that provides new lifestyle information, learning, and experiences), facilities for disseminating information on lifestyle and culture, as well as a theater-like store environment to take you away from everyday life.



### Creating customer contact points that are not limited to stores

We are pursuing sales styles that meet the needs of the times. For example, in 2020, the year the COVID-19 pandemic broke out, we launched Remo Order, a unique online service that lets customers purchase products from Hankyu and Hanshin department stores without having to visit the stores in person. In 2023, we introduced the Mobile Sweets Truck, which allows customers who are unable to visit stores owing to time or distance restraints to enjoy shopping.







## Aiming to Create “Fun, Happy and Tasty” Experiences That Enrich the Lives and Hearts of Our Customers

Naoya Araki, President and Representative Director

## Message from the President

In 2020, the year I became president, we announced our group vision: To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences.

Since our group was formed in 2007, our basic philosophy has been "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents." Nearly two decades on, our business has expanded and we have grown into a group with a diverse range of industries and business types. As our group has evolved, we have felt the need to establish a *raison d'être* that is easier to understand and more accessible to our stakeholders.

For us, the most satisfying moments are when customers say they had fun shopping experience, that they were pleased with the value for money and convenience, that the prepared foods were delicious, or just say thank you. This is what gives us the greatest joy in our work, a value that we share throughout the entire group, and the *raison d'être* of the H2O Retailing Group. As our vision, we have expressed our commitment to continuing to create "fun, happy and tasty" experiences that will make our customers happy.

### A customer-oriented "Communication Retailer" that utilizes frequent and diverse points of contact to create value and deepen relationships

To help us achieve our vision, we came up with a business model called "Communication Retailer." By fusing digital technology with physical stores as a means of strengthening our ability to communicate directly with customers, we aim to build strong, deep, and lasting relationships with our customers, and to continue providing value to them over the long term. Based on such relationships, we will provide a diverse range of products and services, and will work to create economic and social value as our business grows.

One of the reasons why we decided on this approach is because the COVID-19 pandemic caused a major change in the way retail stores operate. At the time, it was no longer business as usual at our stores, and it became clear that our community-rooted network of stores alone would not be enough for us to maintain sufficient contact with our customers. Therefore, we decided to leverage IT and digital technology to deepen our relationships with customers through both our physical stores and online. I describe this approach as "stores in the right hand, IT and digital technology in the left hand. Connecting with customers with both hands." Through this approach, we sought to break away from traditional "store-based retailing" and make the transition to "customer-based retailing."

Over the long term, Japan's retail industry will feel the effects of the country's declining population. For this reason, we need to look ahead 10 or 20 years, focusing not on the number of customers or sales for a single month, but on the lifetime purchase amount per customer, and then to maximize that amount. In other words, we need to maximize **Life Time Value (LTV)**. For this, in addition to providing services at physical stores, it is important to develop forms of communication and business that make use of online services by accumulating and making full use of customer data obtained at stores.

For us, this represents a major shift in our values. Having grown up over the years as a store-based retailer, by nature we have always attached great importance to the number of customers visiting our stores, and have always taken great pleasure in seeing our stores bustling with customers. Even now, a part of me still feels happiest when I'm standing there watching over the long lines of customers waiting to get into the sales floor or an event. Changing this way of thinking will take time. Even so, we will work steadily to make this transition, putting ourselves in the customer's shoes and asking ourselves what really makes for a comfortable and satisfying shopping experience, and whether it is really worth it to wait in line for an hour at a busy store.

In addition, our group consists of businesses with diverse user demographics and different characteristics, including department stores, food supermarkets, commercial facilities, and specialty stores. It is not enough for us to simply implement strategies for





our department stores that focus on our high-end customers. With this in mind, we will continue to promote customer-oriented initiatives aimed at maximizing LTV in each of our businesses.

Going forward, we will continue to solidify our existing domestic businesses, while also cultivating new markets and businesses. For example, we will strengthen our operations at Ningbo Hankyu in China, and build relationships with customers visiting from overseas. The Kansai region, where we are based, has a lot to offer to foreign tourists visiting Japan. With events such as Expo 2025 Osaka, Kansai, Japan and the opening of integrated resort (IR) facilities in 2030, there will be many more occasions for overseas customers to visit Osaka and enjoy sightseeing and shopping. Capitalizing on these opportunities, we will strive to build lasting relationships with overseas customers, just as we do with domestic customers. We will strategically focus on overseas customers as a key area for medium- to long-term growth, working with the perception that they constitute a new market.

Another area of growth we have identified is the launch of new online daily life services for customers and businesses that draw on our group's wealth of customer data.



For example, we are currently engaged in test marketing to better understand our customers' food needs, as well as the commercialization of online daily life services that support local communities while allowing people to enjoy food.

Our aim is to establish a new business portfolio for the future and grow as a "Communication Retailer." To this end, we have mapped out a process for creating value that will enable us to achieve our group vision by 2030, which includes the acquisition of 10 million **Group active customers** and maximizing LTV.

### Group strengths that support our "Communication Retailer" business model

Our "Communication Retailer" business model can demonstrate its full potential thanks to the unique strengths of our group. We have a network of around 500 stores of varying sizes, including department stores and food supermarkets, 90% of which are concentrated in the Kansai region. Our strength lies in the fact that we have been loved and supported by millions of customers for around 100 years.

We are also consistently focusing our efforts on BtoC retailing. As a sector, retailing entails high costs in terms of human resources and store space, and there is a constant drive to improve operational efficiency. By contrast, in terms of our business portfolio, our two mainstays of department stores and food supermarkets work to complement each other in the face of external factors, providing us with stable foundations. For example, a weaker yen may increase procurement and sales prices, which is disadvantageous to food supermarkets, while an increase in demand from inbound tourism may have a positive effect on department stores. This complementarity between our businesses can be said to be one of our strengths.

However, I believe that our greatest strength comes from the wealth of contact points and depth of relationships we have forged with our customers through our dedication to retail. Our focus on the Kansai region and our commitment to retail have gifted us with our greatest assets, namely the deep affection and support we have received from our customers, as well as the firm customer base underlying these.

One of our other strengths is our customer-oriented human resources, who support our customer base. For it is they who feel a genuine joy when they hear words of thanks from customers, and who constantly seek ways to make customers even happier. For instance, on occasions when I, as president, am talking with an employee about the situation on the sales floor, and a customer approaches that employee, the employee invariably puts their conversation with me on hold and prioritizes dealing with the customer.

## Message from the President

While this may seem a given, this attitude and ethos are common to all of our businesses, and I believe it is an important asset for our group. These strengths are what fuel our aspirations to be a “Communication Retailer.”

### Co-creation and resonance between corporate and individual growth

Our human resources strategy is extremely important for honing and maintaining our strength, which is customer-oriented human resources.

In 2024, we made a clear declaration that the relationship between our companies and individuals is one of “co-creation partners who work together to enhance value and grow.” In other words, our human resources strategy is based on the idea of emphasizing the reciprocal relationship between the growth of companies and the growth of individuals. In this sense, the growth of companies provides individuals with more opportunities to grow, and the growth of individuals is directly linked to the growth of companies.

Moving forward, while customer-oriented human resources will remain the foundation of our strategy, IT- and digital-savvy human resources will be the key. This is because without IT literacy, the concept of combining physical stores with IT and digital technology will come to fruition. From analyzing customer data to using technology, including things like AI, we need people who can wield these things to their full potential. We can of course outsource program development, but our aim is to increase the number of people in our organization who can develop tools and systems using IT and digital technology, and who can also put them to use them in their own businesses.

Another thing we want to emphasize is the concept of “value-creating frontier personnel” who go beyond the current scope of our business and take on the challenge of creating new markets and business models “out there in the wider world” and “into the future.” We want to foster human resources capable of sensing new eras and markets, who can think and act in ways that transcend conventional fields and methods, and to foster a corporate culture that encourages future-oriented initiatives. In 2024, we launched the H2O Future Exploration School, an open recruitment training program for young people aimed at fostering frontier human resources. We received over 100 applications for the 40 places available, an encouraging sign of the high level of motivation among our employees. It is this motivation among our employees that will lead the growth of our group in the future.

### Contributing to the sustainable development of the region = the core of our sustainability activities

As I just mentioned, we are a community-rooted retail group that operates mainly in the Kansai region, and our stakeholders—customers, shareholders, employees, and local communities—are closely connected. With many of our shareholders located in the Kansai area, we are naturally and deeply connected with our stakeholders. For example, customers who shop at our food supermarkets might be shareholders, or they might have family members who work in our department stores.

It is precisely because of these strong ties that our commitment to contributing to the sustainable development and prosperity of local communities and residents lies at the heart of our most important sustainability activities.

Our activities, which are based in the Kansai region, simply would not be possible without coexistence with the local community. Just as the growth of our companies and the growth of individuals are intertwined, the development of the local community is directly linked to our own development. Our hope is to grow together with local residents





and employees through activities that we create together. Community co-creation activities in the Senri Chuo area, which we have been involved in since 2023 as part of the Senri Chuo Park Renovation and Revitalization Project, are a prime example of this.

## A retail group with the hope to continue taking on challenges fueled by a desire for growth while improving capital efficiency

Our group's shareholder structure has changed due to the expansion of the new Nippon Individual Savings Account (NISA) scheme and other factors. As of the end of March 2024, the ratio of individual shareholders had increased to over 26%. We aim to achieve a return on equity (ROE) of 8% as a target financial indicator, while being conscious of the cost of capital. In terms of our business strategy, in order to support our ROE, we aim to increase our operating profit to between 35 and 40 billion yen by 2030. In addition, as part of our financial strategy, we will seek to strike a balance between appropriate control of equity and shareholder returns. By enhancing capital efficiency through our value creation process and pursuing business development that resonates with our customers, we aim to achieve a stable price book-value ratio (PBR) of more than 1x.

A look at our balance sheet and financial indicators shows that our recovery from the COVID-19 pandemic is proceeding at a faster pace than expected, particularly in our existing domestic customer and store businesses, such as department stores and food supermarkets. What is more, we have received greater support from overseas customers than we had anticipated, which has helped to boost our earnings. However, while we are still only halfway to achieving our goal of becoming a "Communication Retailer" as set out in the Long-term Business Plan for 2030, this also means that we still have plenty of room for further growth.

I believe that by steadily developing our overseas customer business, which we are positioning as a new market, along with our customer service business and customer data utilization business, both of which are new business models that are currently in the research and testing stages, we will be one step closer to becoming a "Communication Retailer."

We aim to build a business portfolio that is in tune with the times through proactive investment, fueled by a strong desire for growth together with ongoing efforts to further refine our existing businesses. Our challenge continues.

## Important Keywords for Realizing Our Group Vision

### 1. Communication Retailer

This is our original business model that supports the evolution and growth of the H2O Retailing Group. Under this model, we aim to build strong, deep, and lasting relationships with our customers by strengthening our direct communication capabilities that fuse digital technology with our physical stores, thereby maximizing the LTV we provide to our customers over the course of their lifetimes.

### 2. Life Time Value (LTV)

This concept refers to the total revenue that a single customer brings to a company over the course of their lifetime. However, at the H2O Retailing Group, we think of it as "the total value provided to customers over the course of their lifetime." We aim to build close, long-term relationships with our customers by offering products and services that are closely aligned with their lifestyles and circumstances through multiple businesses in our group, including department stores and food supermarkets that are firmly rooted in the Kansai region, thereby maximizing the value we provide.

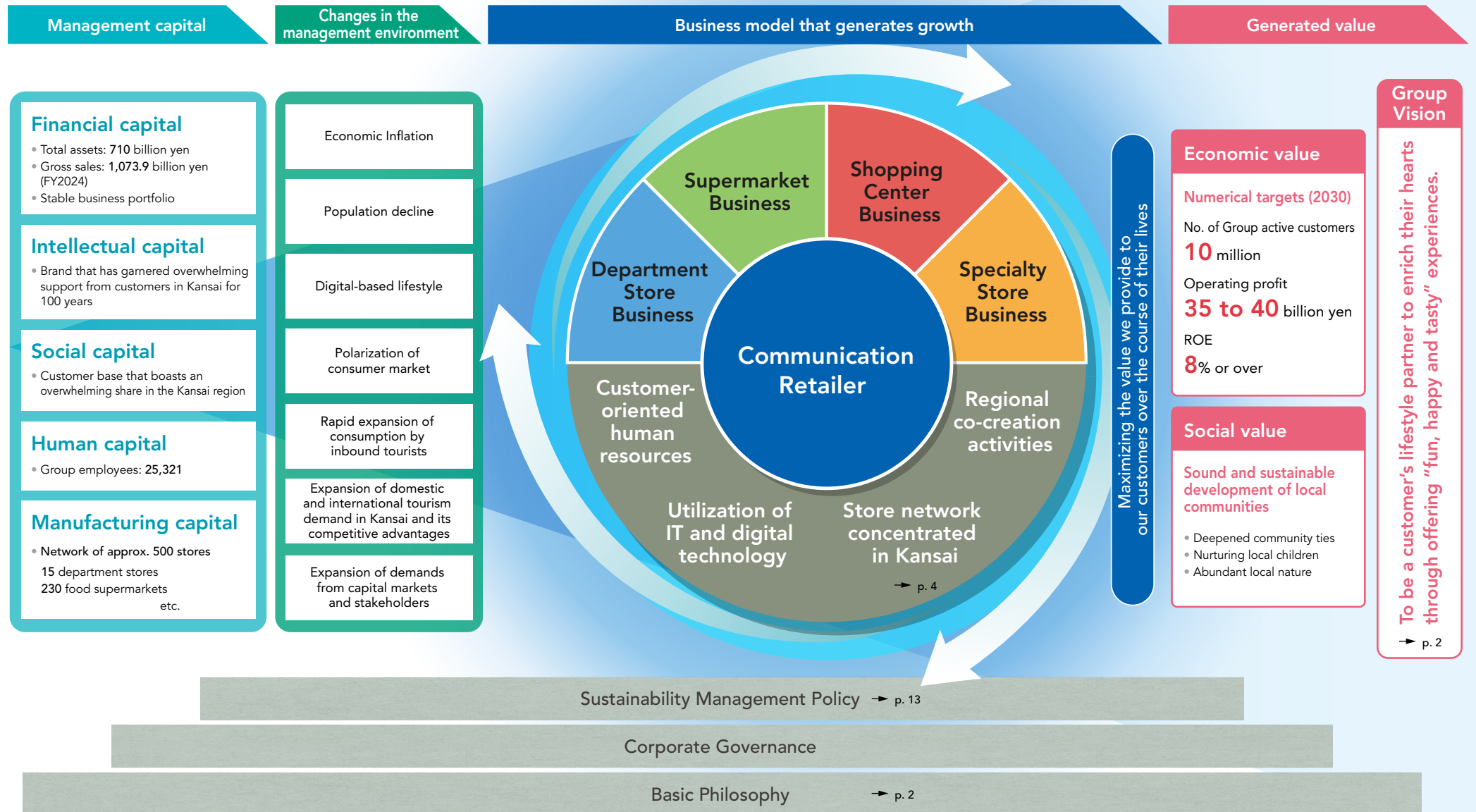
### 3. Group active customers

This refers to customers who make continuous use of the multiple businesses and brands operated by the H2O Retailing Group. As a group, we communicate with those customers in a variety of ways, maintaining an active relationship with them. Furthermore, by having customers use the H2O ID issued by the group, we can identify each customer individually, and deepen our understanding of them through the analysis of various data, including information on their usage of services provided by each business.

We aim to maximize LTV by utilizing H2O ID, apps, and other tools to deepen our understanding of them by providing each Group active customer with the optimal products and services.

# Value Creation Process

## H2O RETAILING's Value Creation Process





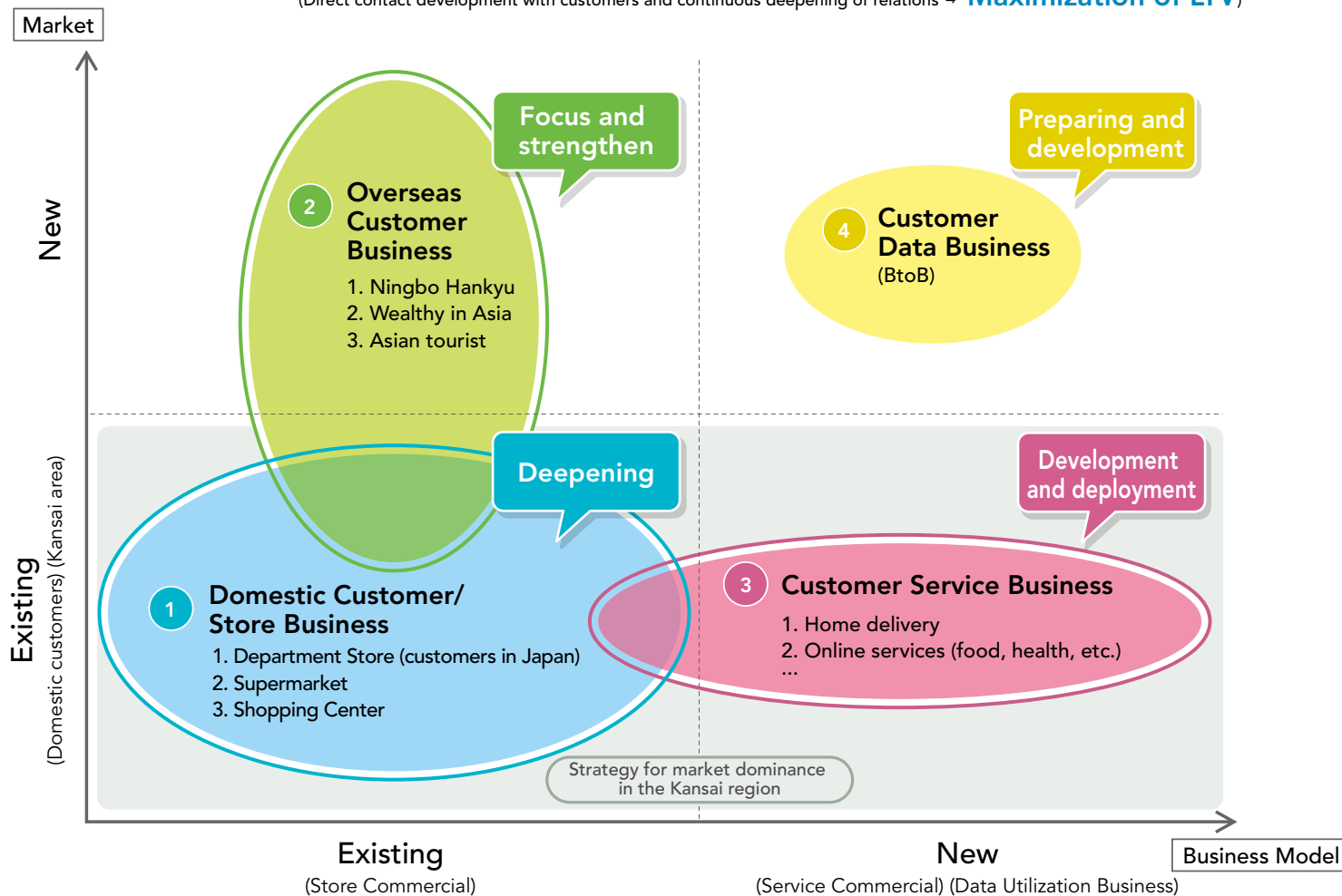
# Long-term Business Plan 2030 Ver.2

Taking into account the results of the Medium-Term Management Plan FY2022-2024 and changes in the business environment, we will restructure our growth strategy as the Long-term Business Plan 2030 Ver. 2.

The Group's Target Business Model → To become a "Communication Retailer"

Restructure Growth-Strategy → Customers are the company's most important asset; restructuring the business from the customer's point of view

(Direct contact development with customers and continuous deepening of relations ⇒ Maximization of LTV)



## Numerical Targets (FY2031)

Number of Group active customers

**10** million people

Operating profit

¥**35 to 40** billion (after eliminations)

- ① Domestic Customers/Store Business ¥**25** billion
- ② Overseas Customer Business ¥**20** billion
- ③ Customer Service Business } ¥**3** billion
- ④ Customer Data Business }

ROEs

**8**% over

## Corporate Infrastructure Development

- Business use of IT and digital infrastructure
- Customer data collection and utilization
- Human resource strategies for synergizing corporate and employee growth

# Sustainability Management Policy and Targets

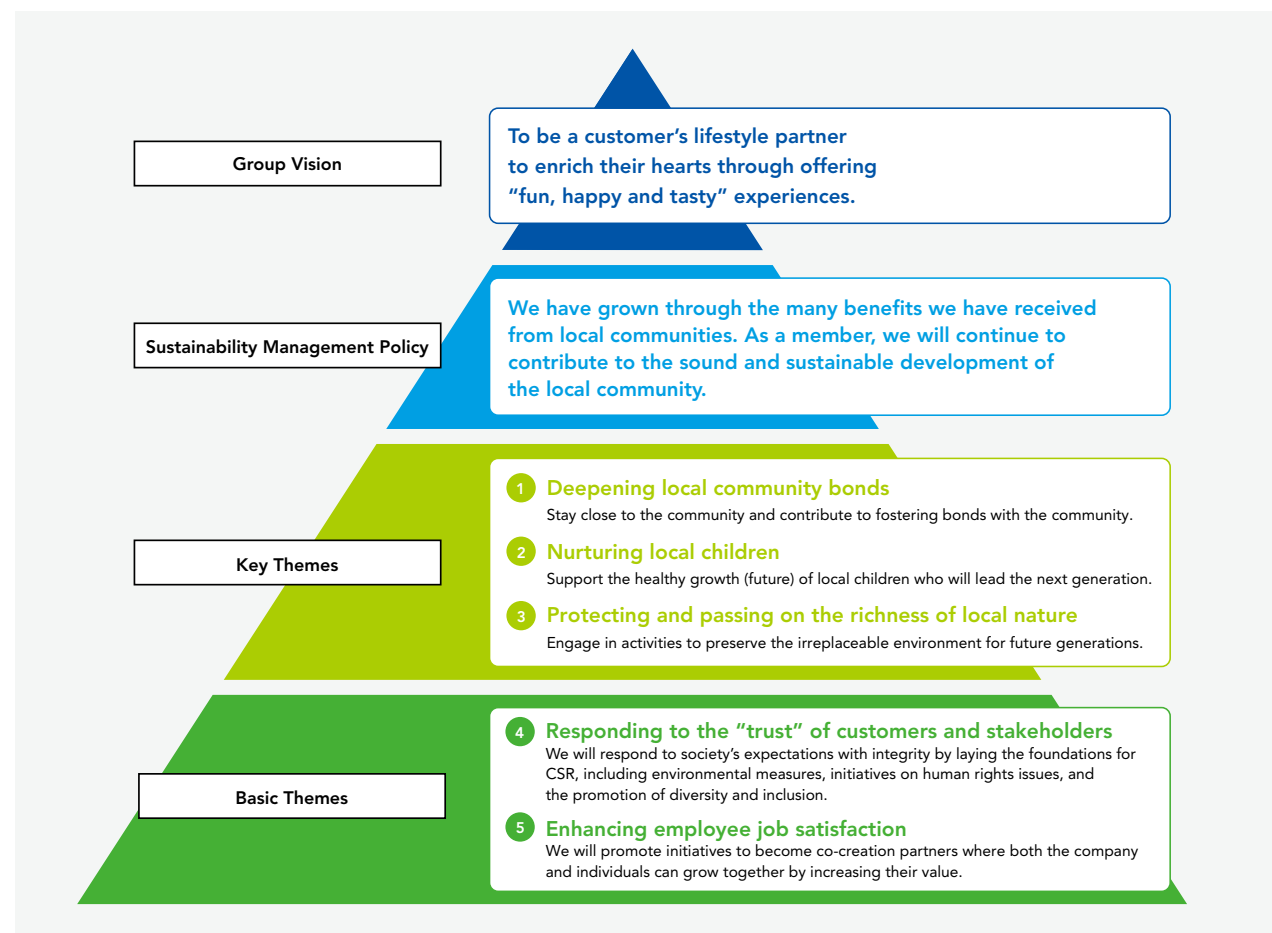
## Sustainability Management Policy

Our group's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents."

We have grown thanks to the many benefits we have received from our local communities. On top of this, we have become a familiar presence to many people, who affectionately refer to our department stores and supermarkets as "Hankyu-san," "Hanshin-san," and "Izumiya-san."

In order to repay the support we have received over the years and to meet the expectations of our customers, we are committed to being a good corporate citizen and contributing to the sound and sustainable development of the local community.

Since April 2021, we have been promoting sustainability initiatives by positioning three key themes and two basic themes centered on "contributing to local communities" as the group's materiality.



## Process for Identifying Materiality

### Evaluation of business activities

In April 2020, we established a dedicated sustainability promotion department within the group, and formulated a management policy and materiality.

We began by evaluating the impact of our business activities on stakeholders in terms of the three aspects of "economy," "society," and "environment," using the GRI Standards and other criteria as a reference. We set "local communities," "customers," and "employees" as our main stakeholders.

### Identifying materiality and setting five themes

Next, we identified the expectations and concerns of our main stakeholders based on interviews and exchanges of opinions with the relevant departments and personnel, as well as discussions at management level. We identified five materiality in reference to the results of external ESG evaluations and other sources. In particular, we set three key themes that contribute to local "bonds," "children," and "nature," taking into account the feelings of local communities, which are important to each group company. We also set basic themes that emphasize "trust" from customers and stakeholders and "job satisfaction" for employees as the foundation of our business activities.

### Re-examination of materiality

Since April 2021, we have been holding regular meetings of the Sustainability Management Promotion Committee with external experts. At each meeting, we share information on initiatives we have taken in relation to materiality, and regularly review our efforts.



## Materiality and targets/KPIs

Theme and commitment	Specific directions of initiatives		Medium-term targets and KPIs
<b>Key Theme</b> <b>① Deepening local community bonds</b> Stay close to the community and contribute to fostering bonds with the community.	<ul style="list-style-type: none"> <li>Support the creation of hubs for daily life through co-creation and collaboration.</li> <li>Help to promote interaction between different generations in the local community.</li> <li>Propose ways to brighten people's lives by promoting the unique charms of the region, such as traditional culture and art.</li> <li>Support the health of the community in terms of lifestyle and healthcare.</li> </ul>		<ul style="list-style-type: none"> <li>Promote regional cross-group and cross-thematic co-creation activities in model regions and municipalities with which we have concluded comprehensive partnership agreements.</li> </ul>
<b>Key Theme</b> <b>② Nurturing local children</b> Support the healthy growth (future) of local children who will lead the next generation.	<ul style="list-style-type: none"> <li>Create opportunities for children to meet people, which will lead them to their dreams.</li> <li>Create opportunities for learning through exciting experiences and open the windows to the future for children.</li> <li>Participate in local child-raising and support family-oriented lifestyles.</li> </ul>		<b>Model regions</b> Osaka Prefecture: Kawachinagano area, Senri area, Ikeda area Hyogo and Osaka prefectures: Kawanishi, Inagawa, Toyono area  <b>Municipalities with which we have concluded comprehensive partnership agreements</b> Osaka Prefecture Kobe City, Takarazuka City, Kawanishi City (Hyogo Prefecture)
<b>Key Theme</b> <b>③ Protecting and passing on the richness of local nature</b> Engage in activities to preserve the irreplaceable environment for future generations.	<ul style="list-style-type: none"> <li>Conduct environmental conservation activities in cooperation with local communities.</li> <li>Promote nature conservation activities, including forests, water resources, and other natural assets.</li> <li>Propose environmentally friendly products, services and lifestyles.</li> </ul>		
<b>Basic Theme</b> <b>④ Responding to the "trust" of customers and stakeholders</b> We will respond to society's expectations with integrity by laying the foundations for CSR, including environmental measures, initiatives on human rights issues, and the promotion of diversity and inclusion.	<b>Promotion of environmental measures</b> <ul style="list-style-type: none"> <li>Promote environmental management to mitigate the environmental impact of our business activities.</li> </ul>	Greenhouse gas (GHG) emission reduction Scope 1 and 2	<b>GHG emission reduction rate</b> FY2027: 20% reduction (compared to FY2020) FY2031: 30% reduction (compared to FY2020) * 48% reduction equivalent (compared to FY2014) FY2051: Net zero
		Food waste reduction	<b>Food recycling rate</b> * Department stores and supermarkets only FY2027: 60% FY2031: 70%
		Plastic waste reduction	<b>Amount of products using specified plastics provided</b> * For department stores, food supermarkets, and hotel FY2031: 60% reduction in basic unit (compared to FY2022)
		Promotion of environmental management	<ul style="list-style-type: none"> <li>Promote initiatives by establishing theme-based working teams in the Department Store Business and Supermarket Business each year</li> </ul>

## Materiality and targets/KPIs

Theme and commitment	Specific directions of initiatives	Medium-term targets and KPIs							
<div>Basic Theme</div> <p>④ Responding to the “trust” of customers and stakeholders</p> <p>We will respond to society’s expectations with integrity by laying the foundations for CSR, including environmental measures, initiatives on human rights issues, and the promotion of diversity and inclusion.</p>	<p>Promoting human rights initiatives</p> <ul style="list-style-type: none"><li>Establish a human rights due diligence (DD) promotion system based on the H2O RETAILING Group Human Rights Policy, and promote CSR procurement.</li></ul>	<p>(FY2025–2027)</p> <ul style="list-style-type: none"><li>Establish a system for implementing and promoting human rights DD within the group.</li><li>Identify human rights risks in the supply chain and engage in dialogue with business partners.</li></ul>							
	<p>Promoting diversity and inclusion</p> <ul style="list-style-type: none"><li>Meet the expectations of all customers and local communities by creating an environment that respects the individuality of each and every employee, irrespective of differences in age, sex, sexual orientation, gender identity, race, religion, disability, or working status, and makes the most of our diverse strengths.</li></ul>	Promotion of opportunities for women	<p>Ratio of female managers (FY2031)</p> <table><tr><td>Hankyu Hanshin Department Stores .....</td><td>35%</td></tr><tr><td>H2O Foods Group .....</td><td>20%</td></tr><tr><td>H2O Shopping Center Development .....</td><td>35%</td></tr></table>	Hankyu Hanshin Department Stores .....	35%	H2O Foods Group .....	20%	H2O Shopping Center Development .....	35%
		Hankyu Hanshin Department Stores .....	35%						
		H2O Foods Group .....	20%						
	H2O Shopping Center Development .....	35%							
	Employment of people with disabilities	Maintain a level of employment of people with disabilities that exceeds the statutory employment rate.							
Support for LGBTQ+ people	<p>(FY2025–2027)</p> <ul style="list-style-type: none"><li>Implement employee training, develop regulations, etc.</li><li>Prepare manual for dealing with customers.</li></ul>								
<p>Promoting health management</p> <ul style="list-style-type: none"><li>Establish a system to support the mental and physical health of each employee, irrespective of their employment status.</li></ul>	<p>(FY2025–2027)</p> <p>Build a promotion system that provides comprehensive health and mental support within the group.</p>								
<p>Improving quality control for safety and peace of mind</p> <ul style="list-style-type: none"><li>Practice strict quality control of our products so that our customers can shop with peace of mind.</li></ul>	<p>Hold regular meetings of the Group Food Hygiene Quality Control Promotion Subcommittee.</p>								
<p>Improving safety and peace of mind in times of disaster</p> <ul style="list-style-type: none"><li>Work to build and disseminate a business continuity plan (BCP) with the aim of ensuring the safety and peace of mind of customers and employees in the event of a disaster.</li></ul>	<ul style="list-style-type: none"><li>Promote the conclusion of disaster preparedness agreements with municipalities.</li><li>Conduct disaster preparedness drills in collaboration with municipalities and other companies.</li></ul>								
<div>Basic Theme</div> <p>⑤ Enhancing employee job satisfaction</p> <p>We will promote initiatives to become co-creation partners where both the company and individuals can grow together by increasing their value.</p>	<p>Promoting a visionary, co-creative work style</p> <ul style="list-style-type: none"><li>Promote initiatives aimed at disseminating the group vision and fostering a culture of co-creation and collaboration.</li></ul> <p>Participating in community contribution activities</p> <ul style="list-style-type: none"><li>Create opportunities for people from all backgrounds within the group to participate in activities that contribute to the development of local communities.</li></ul> <p>Providing growth opportunities</p> <ul style="list-style-type: none"><li>Support autonomous career development across the entire group by expanding opportunities for employees to choose their own duties, such through open recruitment for new posts and projects, and self-reporting.</li></ul>	<p>Consider KPIs in conjunction with measures to stimulate employee engagement.</p>							

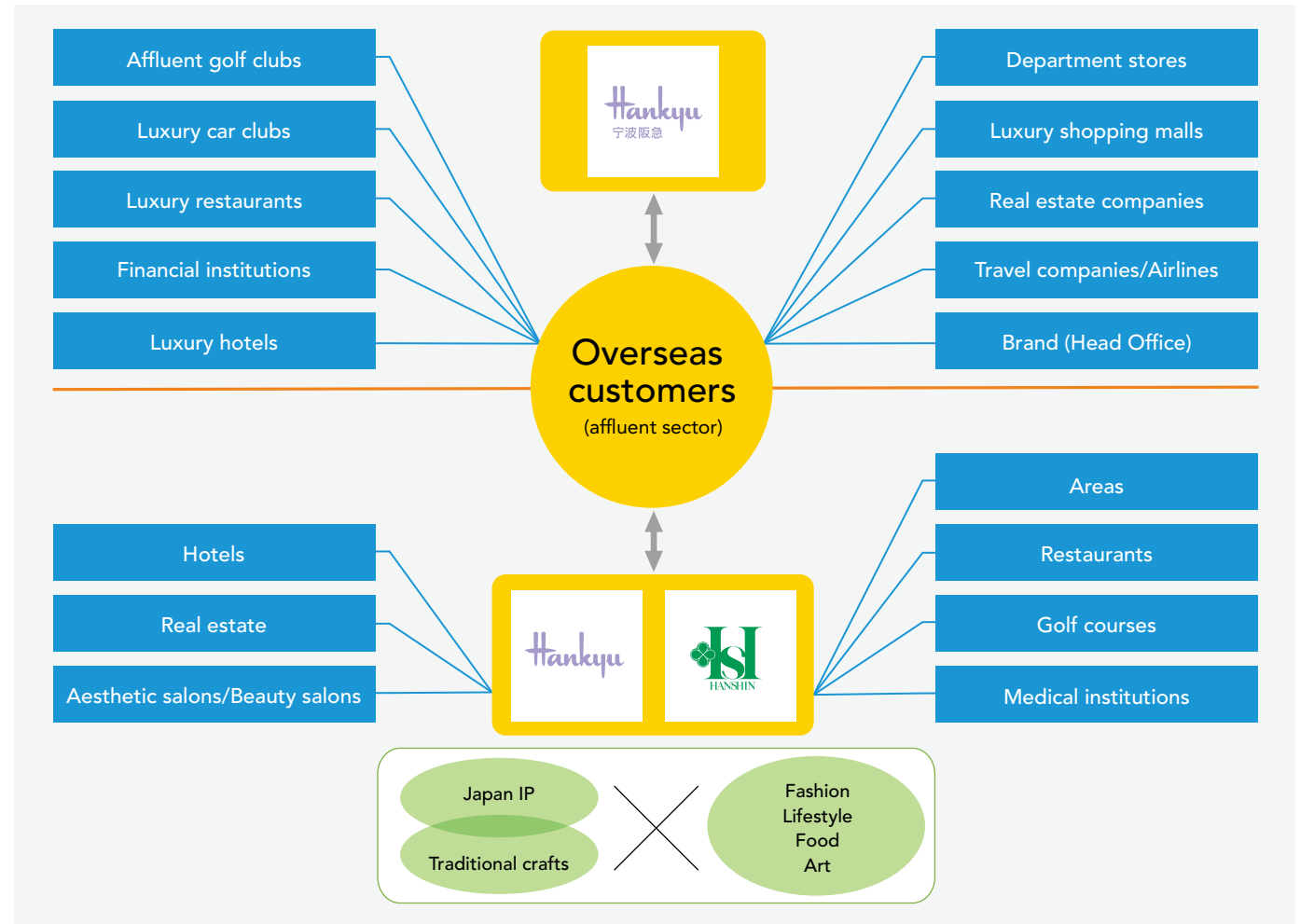
# Key Initiatives

## Focus and Strengthen Overseas Customer Business with High Growth Potential

As a new market that is set to expand in the future, we will focus on our overseas customer business, centering on Ningbo Hankyu and wealthy Asian tourists visiting Japan.

With a particular focus on affluent tourists visiting Japan from overseas, we will take steps to bolster our systems and human resources and strengthen our network with the aim of launching a full-scale effort to set in motion a cycle of customer development, personal communication, and content development. In the Department Store Business, we aim to triple net sales to affluent tourists visiting Japan from overseas to 50 billion yen (17 billion yen in FY2024), and increase net sales to general overseas tourists by 50% to 92 billion yen (63 billion yen in FY2024) in FY2027.

\*All listed amounts are gross sales.





## Focus and Strengthen Overseas Customer Business with High Growth Potential—Ningbo Hankyu

### Status of Ningbo Hankyu

Ningbo Hankyu (Zhejiang Province) opened in April 2021 and got off to a much stronger start than expected. At the moment, it is on track to cement its position as the top store in the Ningbo area. The luxury brands section on the first floor is doing so well that it accounts for 70% of the total sales share of the entire store, with the cosmetics, food, restaurants and café sections also performing well. With the Chinese economy experiencing a downturn from the second half of 2023, consumption is currently showing signs of stagnation. However, by making Ningbo Hankyu, which has high potential, into a subsidiary, we will step up our efforts to establish it as the number one store in the region with the aim of stimulating future growth.



### Making Ningbo Hankyu a Subsidiary

Ningbo Hankyu became our consolidated subsidiary in July 2024 through the acquisition of additional shares of Ningbo Development Co., Ltd. from Cool Japan Fund Inc. The goodwill related to the acquisition and the current consumption situation will have a negative impact for the time being, but we can expect to see positive effects on our consolidated financial results from FY2028 onward.

In conjunction with the completion of an adjacent large-scale facility in 2026, we will remodel Ningbo Hankyu in an effort to better cater to the needs of affluent customers. For example, we will expand the range of luxury brands, jewelry, and fashion, upgrade restaurants, and set up a VIP lounge, with the aim of establishing Ningbo Hankyu as the number one store in the area. We are planning to invest a total of 430 million yuan in the period from FY2025 to 2027.

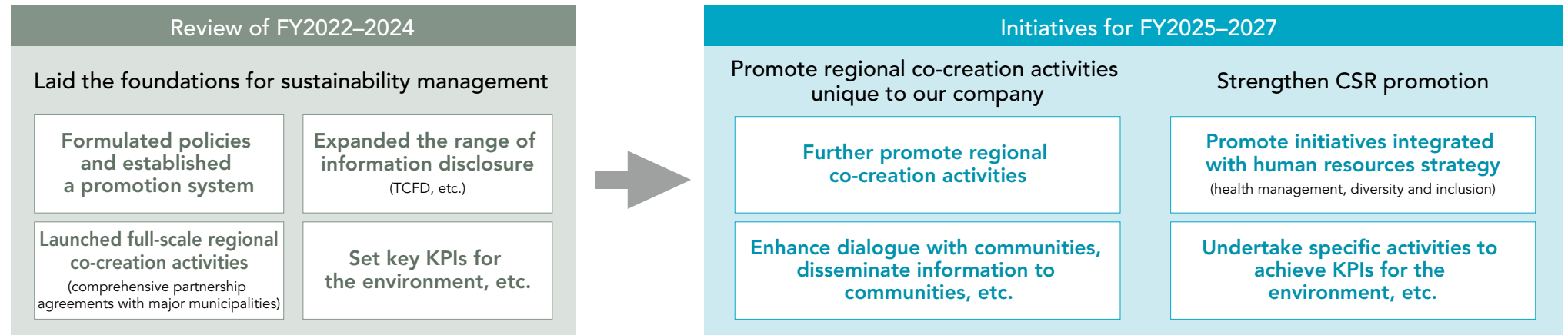
### Future Development in China

We believe that, in addition to providing customers in China with a full lineup of Japanese products and services and showcasing the allure of Japanese content, there is also a growing expectation among upper classes in China in terms of the brand value of the Hankyu Main Store, which is well known in Zhejiang Province. Also, while the world's wealthy population is on the rise, the growth of the wealthy population in China in particular is remarkable. As such, we believe there is still room for growth in the future. Given these circumstances, we will explore business development that matches the brand content of department stores and the needs of affluent and loyal customers at Ningbo Hankyu.

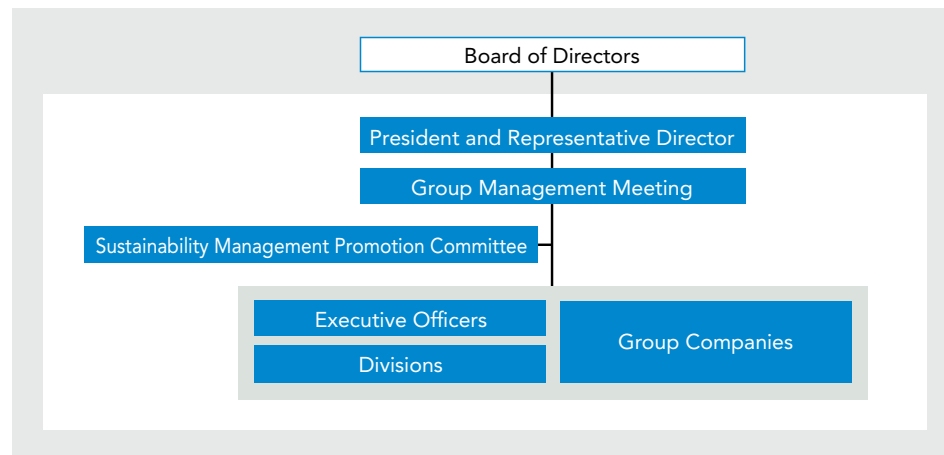
# Sustainability Strategy (FY2025–2027)

## Our Sustainability Management

Working together with local communities, we are committed to solving local issues by promoting activities that are visible, within reach, and realistic. We respond to the needs of society in ways that are characteristic of our company and with sincerity, thereby earning the trust of our stakeholders. Moreover, we work to enhance the sense of belonging and job satisfaction of our group employees so as to build a solid business foundation.



## Sustainability management promotion system



We established the Sustainability Management Promotion Committee to ensure that the entire group works together to carry out sustainable management in an effective manner. Chaired by the President and Representative Director, the committee members include top management from each business, and meets regularly to discuss issues with two external experts.

Its main activities include formulating policies for addressing materiality, sharing information on initiatives, and monitoring progress. The resolutions passed are reported to the Board of Directors following deliberation by the Group Management Meeting.

The Sustainability Promotion Department serves as the secretariat for the committee. It is also responsible for promoting initiatives across the entire group, and for sharing information and coordinating among group companies.

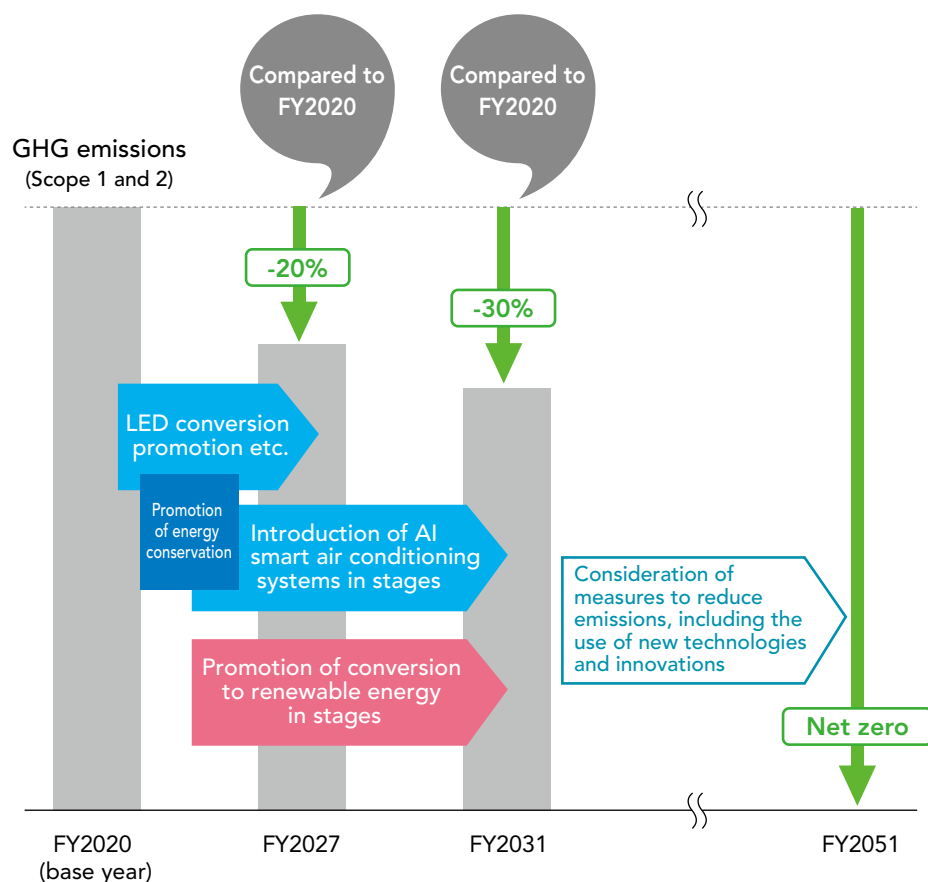
Our core companies have established departments dedicated to promoting sustainability. Starting in FY2025, we will promote full-scale initiatives in areas such as human rights due diligence, diversity and inclusion, and health management, integrating them with our human resources strategy.

## Promotion of Environmental Measures

We recognize that the issues of greenhouse gases (GHG), food loss, and plastics have particular importance in the business activities of our group. As such, we are working to achieve the targets we have set in relation to these issues. The Sustainability Management Promotion Committee measures the effectiveness of its activities and reviews them with the assistance of outside experts. It then actively discloses information to enhance initiatives.

## Climate Change Initiatives (reducing GHG emissions)

### Roadmap for reducing GHG emissions



### Initiatives to reduce GHG emissions

Policy	We are taking steps to reduce our GHG emissions through a range of thorough energy-saving measures, including the introduction of high-efficiency equipment such as LED lighting and the use of AI smart air conditioning. At the same time, we are pushing ahead with the switch to renewable energy for the electricity used at our main stores and facilities.
KPI	Target for FY2027: 20% reduction (compared to FY2020) Target for FY2031: 30% reduction (compared to FY2020) Equivalent to a 48% reduction compared to FY2014 Target for FY2051: Net zero
Disclosure of information	Implementation of Scope 3 calculations Acquisition of third-party assurance for Scope 1 and 2, and Scope 3 Category 1 Certified rank "B" in CDP Since FY2023, support for the Task Force on Climate-related Financial Disclosures (TCFD) and disclosure of information in line with recommendations

### Promotion of GHG emissions management

In FY2025, we began using a cloud-based management system to monitor GHG emissions in a more timely manner. We are using this system to efficiently promote GHG emissions management of the entire group and each company during the fiscal year. In addition, we report on the status of GHG emissions reductions to the Sustainability Management Promotion Committee every six months, and if necessary, we review measures to reduce emissions, such as energy conservation and plans for switching to renewable energy.



Climate Change Initiatives (reducing GHG emissions)

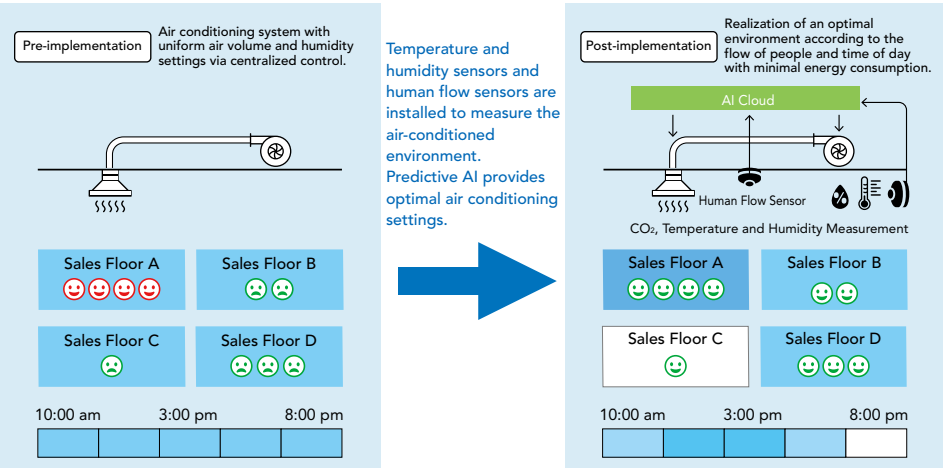
LED conversion promotion etc.

Hankyu Hanshin Department Stores Inc. is actively promoting the use of LED lighting. In FY2024, the Hanshin Umeda Main Store switched to using 100% LED lighting in all areas, including in the noncustomer facing areas.

We are also systematically converting to LED lighting in our Supermarket Business and Shopping Center Business. In addition to the use of LED lighting, food 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.

Full-scale implementation of AI smart air conditioning system

In FY2023 (in collaboration with Kobe University), we conducted a demonstration experiment using an air conditioning system with the latest AI technology at the Hankyu Umeda Main Store to reduce electricity usage. Energy consumption on the demonstration day was reduced by about 50% compared to normal conditions. In response to these findings, we established a joint venture in April 2023 called H2O KU Carbon Neutral Design Co., Ltd. with KOBE UNIVERSITY CAPITAL (an investment business under the umbrella of Kobe University) to commercialize the AI smart air conditioning system and reduce energy consumption by improving the operation of the existing air conditioning system. Following its introduction at the Hankyu Umeda Main Store in October 2023, the AI smart air conditioning system reduced air conditioning energy consumption by approximately 25% in the second half of FY2024. We will continue to introduce the system to other stores in the future.



Promoting conversion to renewable energy in stages

Renewable energy provides 100% of the electricity used at the Hankyu Oasis Suita SST store, which opened in April 2022. In addition, since April 2024, 100% of the electricity used at Hankyu Umeda Main Store, our group’s flagship store, Nishinomiya Hankyu, and Izumiya SC Nishinomiya Gardens has been renewable energy. Hakata Hankyu has also partially switched to renewable energy.

Renewable energy conversion plans for each business

In the Department Store Business, following on from the Hankyu Umeda Main Store and Nishinomiya Hankyu, which have already introduced renewable energy, we will promote the conversion to renewable energy in stages, starting with large stores such as the Hanshin Umeda Main Store.

In the same way, we will also be working to switch to renewable energy in the Supermarket Business and Shopping Center Business, focusing on stores and hotels that use a lot of electricity.

Main plan for three years \*As of July 2024

Department Store Business	Major stores FY2025: Hankyu Umeda Main Store, Nishinomiya Hankyu (100% renewable energy) FY2026: Hanshin Umeda Main Store
Supermarket Business	Nanko Distribution Center, manufacturing plants, and food supermarkets FY2025: Nanko Distribution Center FY2026-2027: Ikeda Plant, 20 food supermarkets
Shopping Center Business	Izumiya Shopping Center and hotels FY2025-2027: Izumiya Shopping Center (4 stores) FY2027: Ours Inn Hankyu

## Climate Change Initiatives

### Disclosure in line with TCFD recommendations



### Governance

The Sustainability Management Promotion Committee oversees the management of climate-related issues across the entire group. The committee is chaired by the President and Representative Director, who has ultimate responsibility regarding environmental issues.

### Risk management

The Sustainability Management Promotion Committee identifies climate-related risks, comprehensively examines such things as the characteristics of the business, and takes advice from external experts. Having identified risks that are closely related to the group, the risks are incorporated into the initiatives of each operating company and the persons responsible for sustainability promotion in each company work together to manage progress. The content of discussions held by the Sustainability Management Promotion Committee are shared with the Compliance and Risk Management Committee. Furthermore, the matters resolved are integrated into the company-wide risk management process following deliberations by the Group Management Meetings through a reporting process to the Board of Directors.

### Indicators and targets

We use Scope 1, 2, and 3 greenhouse gas (GHG) emissions figures as indicators to manage climate-related risks and opportunities. To improve the reliability of the data, we have obtained third-party assurance for energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1) in FY2024.

Long-term target	Net-zero GHG emissions in FY2051
Medium-term target	30% reduction compared to FY2020 by FY2031

### Strategy

We conducted scenario analysis to identify the risks and opportunities that climate change poses to our group along with the impacts of these risks and opportunities, as well as to consider the resilience of our strategies and measures. We assumed two scenarios: the <2°C scenario, in which the rise in the average global temperature from pre-industrial levels is kept below 2°C until 2030, and the 4°C scenario, which is based on the assumption that no new policies or systems will be introduced and that the world will continue on its current path. We then used the results to identify risks and opportunities that would have a significant impact on our group.

For more information about the risks and opportunities under each scenario, please visit our website. (Japanese only)

### Risks and opportunities with significant impact on our group based on the scenarios

Classification			Specific Details	Business and Financial Impact		Countermeasures
				<2°C Scenario	4°C Scenario	
Risk	Transition Risk	Policy and Law	Increased expenditures due to carbon tax payments (2.4 billion yen¹ under the <2°C scenario)	Major	—	<ul style="list-style-type: none"><li>Increased LED conversion rate for lighting in department stores</li><li>Installation of renewable energy in Hankyu Umeda Main Store and other major stores</li></ul>
			Increase in commodity procurement and disposal costs	Major	—	<ul style="list-style-type: none"><li>Expand procurement of sustainable products</li><li>Strengthen sales for local production for local consumption</li></ul>
		Technology	Increased investment in energy conservation and GHG emission reduction facilities (conversion to LED lighting, use of non-CFC refrigerant equipment)	Major	Minor	<ul style="list-style-type: none"><li>Develop a plan for updating facilities in conjunction with store remodeling</li></ul>
			Market	Decrease in sales due to products and services that do not meet the needs	Major	Minor
		Increase in renewable energy costs (200 million yen² in the <2°C scenario)		Major	Minor	<ul style="list-style-type: none"><li>Reduce energy consumption by installing energy-efficient equipment and LED lighting</li></ul>
	Physical Risk	Acute	Decreased sales and increased restoration costs due to a disaster (typhoons, torrential rain, and storm surges)	Minor	Major	<ul style="list-style-type: none"><li>Formulation of manuals for natural disasters</li><li>Conducting evacuation drills</li><li>Disaster relief agreements with local governments</li></ul>
		Chronic	Increase in procurement costs due to unstable procurement, decrease in sales (agricultural products and seafood, soaring prices of livestock products)	Minor	Major	<ul style="list-style-type: none"><li>Building a stable procurement network that leverages our scale</li></ul>
	Opportunity	Energy Source		Reduction of carbon tax payment costs by switching to renewable energy (300 million yen¹ under the <2°C scenario)	Major	Minor
Products & Services		Increase in sales of environmentally friendly products and services (600 million yen¹ under the <2°C scenario)		Major	Minor	<ul style="list-style-type: none"><li>Sustainable sales floor development, event implementation, and product procurement</li><li>Promotion of local production for local consumption (PLATFARM MARKET, Ohisan Market, San-San Market)</li></ul>
		Increase in sales of products and services related to the circular economy		Major	Minor	<ul style="list-style-type: none"><li>Implementation of the Osaka Forest Circulation Promotion Project</li><li>Kawanishi area food recycling loop construction</li></ul>
Market		Increase customer attraction by expanding electric vehicle charging facilities (600 million yen³ under the <2°C scenario)		Major	Minor	<ul style="list-style-type: none"><li>Installation of EV charging facilities at Izumiya SC and large food supermarkets</li></ul>
		Creation of a market as a local sustainability communication center		Major	Minor	<ul style="list-style-type: none"><li>Community development of Izumiya Yui Terrace Kawachinagano</li><li>Revitalization of Senri Central Park</li><li>GREENable initiatives (Hiruzen, Okayama)</li></ul>
		Creating markets to help customers decarbonize their lifestyles		Major	Minor	<ul style="list-style-type: none"><li>Data utilization in the customer service business</li></ul>
Resilience		Increase sales from providing non-storefront purchasing means (400 million yen⁴ in both under <2°C and 4°C scenarios)	Major	Major	<ul style="list-style-type: none"><li>EC and Remo Order (remote order) sales expansion</li></ul>	

1, 3 Calculated based on WEO2021 SDS scenario carbon price of 100 USD/tCO<sub>2</sub> (converted to JPY 145/USD) and our group Scope 1 & 2 emissions

2 Calculated based on our electricity consumption forecast and non-fossil certificate price (assumed to be JPY 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 Ministry of Economy, Trade and Industry, etc.

6 Calculated based on our forecast of actual sales growth rate, etc.

# Efforts to Reduce Food Loss

We are working to reduce food waste at Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, and Kansai Super Market by promoting the practice of placing orders for proper amounts of products in a timely manner and “Temae-dori.”\* In addition to encouraging the reuse of waste as fuel or animal feed, we recycle most of the waste oil and fish scraps that are generated in-store during food production.

\*This word refers to the purchasing behavior of actively choosing products that are close to their sell-by date, such as products at the front of the shelf, when eating them soon after purchase.

🔗 [Ministry of the Environment “Temae-dori” download page \(Japanese only\)](#)

## Recycling of food waste

### Department Store Business

In order to further encourage the recycling of food waste generated by stores, Hankyu Hanshin Department Stores is working with its business partners to increase the number of stores with a 100% food recycling rate.

FY2024 results	
Food recycling rate	83%
Stores with a food recycling rate of 100%	6 stores (out of 15)

### Supermarket Business

Kansai Super Market sold “food recycling loop rice” grown with the compost produced from food residues discharged from some stores in Kobe City.

HANKYUDELICA, INC.’s Takatsuki Factory, which produces bread, is actively working to convert food waste from the factory into methane and animal feed.

A project that we are pursuing in Kawanishi City, Hyogo Prefecture, through a partnership between industry, academia, and government has been selected by the Ministry of the Environment for its FY2024 Model Project for Promoting Creation of Zero Food Loss and Waste Areas. As part of this project, we have been working with Yanmar e-stir Co., Ltd. to test the introduction of a bio-composter at the Hankyu Oasis Kisela Kawanishi store. The bio-composter, which breaks down food waste using bacteria, has helped to significantly reduce the amount of vegetable waste generated by the store. What is left over after the waste has been broken down is also reused as compost, helping to create a cycle of resources.



# Efforts to Reduce Plastic Use

Our group is working to reduce the use of single-use plastics, including specified plastic-using products (cutlery, hangers, clothing covers, and toiletries). Kansai Super Market has changed all plastic cutlery provided to customers at its stores to wooden or paper materials. Izumiya-Hankyu Oasis will also be switching over to these materials in stages. Ours Inn Hankyu, a business hotel operated by Oi Development Co., Ltd., uses environmentally friendly toothbrushes made from recycled plastics, and has switched to a system where certain amenities are only provided to customers who request them.

## Compliance with the Plastic Resource Circulation Act

	FY2031 KPI (FY2022 YoY)
<b>Hankyu Hanshin Department Stores</b> (Including our business partners)	25% reduction in basic unit
<b>Food supermarkets</b> (Izumiya, Hankyu Oasis, Kansai Super Market, and Qanat)	100% reduction in basic unit
<b>Oi Development</b>	45% reduction in basic unit

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

## 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 FY2024, approximately 800 t of trays and 526 t 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 promote no-tray usage by selling mainly meat in bags.





## Promoting Human Rights

### Human rights policy

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 International Bill of Human Rights and related international human rights norms. The 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, social status, etc. Based on this policy, 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.

➤ [For more information about our human rights policy, please visit our website. \(Japanese only\)](#)

### H2O RETAILING Group Human Rights Policy



### Human rights due diligence (DD)

#### In-house initiatives

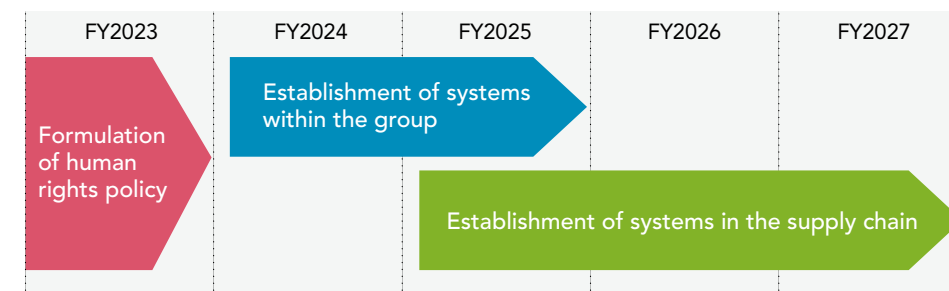
Since FY2024, the Work Environment and Human Rights Subcommittee of the Compliance and Risk Management Committee has been examining issues related to human rights due diligence. Taking into account the impact on each company and its employees, as well as other general conditions, it identified seven items, including measures to combat long working hours, occupational health and safety systems, and consideration for gender-related issues, and each company also prepared a human rights due diligence report in line with these findings. Through such initiatives, we are making recommendations in line with the direction of the entire group, and providing guidance on specific improvements.

We will continue our efforts to develop concrete measures for the entire group and create systems that will ensure that we can implement measures more efficiently.

#### Initiatives in the supply chain

Having taken steps to address human rights issues within the group, we also plan to implement human rights due diligence in our supply chain. In the future, we will seek to identify human rights issues and risks in our supply chain, and work with our business partners to correct any negative influences.

#### Stages



#### Building better relationships with stakeholders

We have set up whistleblowing hotlines for employees internally, external law firms, and at some group companies. We take steps to protect the privacy of informants, and regularly report to the Representative Director and standing members of the Audit and Supervisory Committee regarding the status of reports. In addition, we have set up labor unions at our main operating companies, and labor and management hold active discussions regarding working conditions and the work environment. We handle personal information in an appropriate and proper manner, in compliance with internal regulations, related laws and guidelines, etc.

# CSR Procurement Policy

We have established the H2O RETAILING Group CSR Procurement Policy as our policy for human rights, work environment, and global environment initiatives, in addition to supplying safe and secure products and complying with laws and regulations. Based on this, we will promote CSR initiatives throughout the entire supply chain related to our business.

➡ [For more information about our CSR Procurement Policy, please visit our website. \(Japanese only\)](#)

# Diversity and Inclusion

Our group believes that it is only by bringing together the collective strengths of employees with diverse backgrounds and perspectives that we can meet the expectations of all our customers. To this end, we aim to build an inclusive community that embraces diversity from three perspectives: employees, local communities and customers, and business partners. This, we hope, will in turn lead to the creation of new value.

## H2O Smile initiatives

In June 2016, the group established H2O Smile Co., Ltd. as a special subsidiary. It is working to expand the number of workplaces for people with disabilities and to maintain and expand their opportunities with the aim of creating a society where people with disabilities can work actively. At the time of its establishment, the main allocated tasks were to act as an agent for incidental workers on the sales floor of the Hankyu Umeda Main Store. However, tasks such as cleaning employee facilities and collecting and delivering internal mail were added to their duties.

We currently have 31 staff who are making the most of their individual abilities. We are actively promoting their recruitment at each group company, and are working to share H2O Smile's knowledge throughout the group, such as providing support for adapting to the workplace and training managers. Our employment rate of people with disabilities is 3.08% (as of June 2024) for the entire group company, well ahead of the government's mandatory employment rate of 2.7% for FY2027.

## Women's empowerment

We are working to clarify the direction we should take in promoting women's participation and advancement in the workplace and solve their challenges. For example, Hankyu Hanshin Department Stores organized issues that should be addressed based on the three axes of systems and mechanisms, women's own career development, and organizational culture and climate, and is working to review various systems to allow a review of diverse work styles that enable an ideal work-life balance in the workplace. We hold regular career cafés for women where participants can interact with role models in management positions and envision their own career development among themselves. In June 2023, we launched the Female Leader Development Program, targeting female employees who are candidates for future management positions and their superiors. Over the course of the program, which lasts about six months, participants cultivate a mindset that is suited to their own unique leadership style and improve their skills through cross-sectional work. H2O Shopping Center Development is also actively promoting women to the positions of shopping center manager and deputy manager.



## LGBTQ+ initiatives

To create an environment where anyone can work with peace of mind regardless of their sexual orientation, gender identity, or gender expression, in FY2026, we will implement educational training for all group employees with the aim of promoting understanding of LGBTQ+ persons. We also plan to gradually revise our employment regulations and internal rules to take into account LGBTQ+ issues, and to set up a consultation service. Other measures we are considering include revising our welfare system and improving facilities for employees.

Business Performance Summary (FY2014–2024)

(Unit: Million Yen)

Fiscal Year	Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Fiscal Year End	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024
Gross Sales*		576,852	844,819	915,690	901,221	921,871	926,872	897,289	739,198	788,108	979,723	1,073,866
Net Sales		576,852	844,819	915,690	901,221	921,871	926,872	897,289	739,198	518,447	628,089	657,400
Operating Profit		17,313	21,358	23,825	22,542	22,765	20,422	11,171	( 4,438)	740	11,388	26,188
Ordinary Profit		18,160	21,219	23,060	21,725	24,272	21,376	11,831	( 2,907)	2,346	13,004	27,875
Net Income Attributable to Shareholders of the Parent Company		295	11,586	14,053	14,298	14,636	2,162	(13,150)	(24,791)	9,872	16,382	21,905
Capital Investment		13,532	38,914	20,110	28,060	26,443	32,039	35,125	22,699	25,256	31,160	31,754
Depreciation Expenses		13,598	15,149	16,230	15,857	16,223	17,399	18,519	18,141	17,902	19,159	19,970
Cash Flow from Operating Activities		33,415	25,468	24,539	38,742	32,739	15,392	9,871	12,755	6,465	30,295	49,332
Cash Flow from Investment Activities		(9,628)	(49,162)	5,852	(25,325)	(35,492)	(36,682)	(22,451)	(20,761)	(5,203)	5,782	(17,752)
Cash Flow from Financial Activities		(3,557)	24,161	(26,207)	21,703	(13,812)	9,581	(16,440)	31,859	(28,578)	(12,549)	(22,531)
Fiscal Year End												
Net Assets		182,277	251,659	252,587	264,323	280,807	279,603	244,634	229,277	260,938	272,814	293,149
Owner's Equity		180,406	250,762	251,554	263,220	279,569	278,364	243,317	228,134	236,844	248,821	267,791
Total Assets		377,716	631,877	597,041	640,543	661,873	663,335	586,904	625,945	654,558	686,423	709,212
Per Share Information												
Book Value per Share (JPY)		1,858.37	2,033.25	2,038.83	2,131.97	2,263.95	2,252.28	1,967.90	1,843.78	1,922.25	2,137.87	2,323.87
Earnings per Share (JPY)		3.05	98.06	113.93	115.84	118.54	17.50	(106.38)	(200.45)	79.84	135.85	189.82
Dividend per Share (JPY)		12.5	25	35	40	40	40	40	25	25	25	28
Financial Indicators												
Operating Income Ratio (%)		3.0	2.5	2.6	2.5	2.5	2.2	1.2	(0.6)	0.1	1.8	4.0
Owner's Equity Ratio (%)		47.8	39.7	42.1	41.1	42.2	42.0	41.5	36.4	36.2	36.2	37.8
Return on Equity (%)		0.2	5.4	5.6	5.6	5.4	0.8	(5.0)	(10.5)	4.2	6.7	8.5
Ratio of Ordinary Profit to Total Assets (%)		4.9	4.2	3.8	3.5	3.7	3.2	1.9	(0.5)	0.4	1.9	4.0
Consolidated Dividend Payout Ratio (%)		821.0	25.5	30.7	34.5	33.7	228.5	—	—	31.3	18.4	14.8

\* The Accounting Standard for Revenue Recognition was applied from FY2022 (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.

## Environmental Data

Introduction	Company-wide Strategies	Business Strategies	Functional Strategy	Data	◀ 26 ▶
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Items	Range	Unit	FY2022	FY2023	FY2024
<b>Energy Usage</b>					
Electricity	Consolidated	1000 kWh	458,474	551,994	529,119
Gas	Consolidated	1000 m³	8,116	7,772	7,009
Water (hot/cold/steam)	Consolidated	1000 GJ	119	158	151
Petrol/Diesel	Consolidated	1000 GJ	8	9	9
Total	Consolidated	1000 GJ	5,094	6,082	5,041*
<b>GHG Emissions</b>					
Scope 1	Consolidated	1000-CO <sub>2</sub> e	40	52	54*
Scope 2	Consolidated	1000-CO <sub>2</sub> e	175	175	193*
Scope 3	4 main companies	1000-CO <sub>2</sub> e	2,246	2,940	3,114
Scope 3 Category 1 Purchased Products/Services	4 main companies	1000-CO <sub>2</sub> e	1,982	2,633	2,822*
<b>Water Usage</b>					
Water usage	4 main companies	1000 m³	1,925	2,653	3,004
<b>Containers and Packaging</b>					
Papers	4 main companies	t	741	1,131	1,251
Plastics	4 main companies	t	2,801	3,784	3,625
<b>Waste</b>					
Total Amount of Waste Generated	4 main companies	t	42,692	59,679	55,462
Recycling Rate	4 main companies	%	60.2	61.1	66.6
Amount of Food Waste Generated	3 main companies	t	9,415	11,800	11,286
Food Recycling Rate	3 main companies	%	50.3	56.1	48.8†
* Items covered by third-party assurance					
† Decreased as a result of the merger between Izumiya and Hankyu Oasis, which means that the amount of reduction in emissions is not calculated.					
<b>Range</b>					
Consolidated	14 major companies, including Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, Kansai Super Market, H2O Shopping Center Development, and others (In FY2022, Kansai Super Market is not included, and it was before the merger of Izumiya and Hankyu Oasis, so there are 14 major companies. In FY2023, it was before the merger of Izumiya and Hankyu Oasis, so there are 15 major companies.)				
4 Main Companies	Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, Kansai Super Market, and H2O Shopping Center Development (In FY2022, Kansai Super Market is not included, and it was before the merger of Izumiya and Hankyu Oasis, so there are 4 major companies. In FY2023, it was before the merger of Izumiya and Hankyu Oasis, so there are 5 major companies.)				
3 Main Companies	Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, and Kansai Super Market (In FY2022, Kansai Super Market is not included, and it was before the merger of Izumiya and Hankyu Oasis, so there are 3 major companies. In FY2023, it was before the merger of Izumiya and Hankyu Oasis, so there are 4 major companies.)				

## Calculation of Greenhouse Gas Emissions

Scope 1	Emissions = $\Sigma(\text{Fuel Usage} \times \text{CO}_2 \text{ Emission Factor}^1) + \Sigma(\text{GHG emissions other than CO}_2 \text{ from energy sources} \times \text{global warming potential}^1)$
Scope 2	Emissions = $\Sigma(\text{Purchase of electric power, etc. (Includes hot water, cold water, and steam)} \times \text{CO}_2 \text{ emission factor}^1)$
Scope 3 Category 1	Emissions = $\Sigma\{(\text{Amount of goods purchased by the company}) \times (\text{Emissions per unit of production})^2\}$

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 Ver. 3.4

### Third Party Assurance

Deloitte Tohmatsu Sustainability Co., Ltd. has provided a third-party guarantee for energy consumption and greenhouse gas emissions (Scope 1, Scope 2, Scope 3 Category 1) in FY2024.



デロイト トーマツ

## 独立した第三者保証報告書

2024年10月25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 **長谷 友春** 

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。)

(以下「報告書」という。)に記載されているものとされた 2023 年度の環境データ (以下「環境定量情報」という。)

### 会社の責任

当社は、会社が採用した算定及び報告の基準(環境定量情報に記載されている。)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統合するため必要な排出係数と数量データの決定に利用される科学的加減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マネジメント

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、国際会計士連理基審議会の「職業会計士の倫理規範」に定める独立性及びその他の要件を遵守した。当社は、「国際品質マネジメント基準第1号「財務諸表の監査」若しくはレビュー又はその他の保証若しくは関連サービス業務を行う事務所の品質マネジメント」に準拠して、監査業務、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、包括的な品質マネジメント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 番出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 監査効果ガスの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、文書のレビュー、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証拠との適合性の評価、及び以下を含んでいる。

- ・ データの信頼性。データ収集方法、原始データ及び現地に適用されるデータを評価するため、事業所の現地視察を実施した。
- ・ 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ると信じさせる事項については重要な点にはおいて認められなかった。

以上

Member of  
Deloitte Touche Tohmatsu Limited



# Corporate Data / Stock Information (As of March 31, 2024)

## Company Profile

Company Name	H2O RETAILING CORPORATION
Head Office Address	8-7, Kakuda-cho, Kita-ku, Osaka City
Establishment	March 7, 1947 October 1, 2007, Trade name change
Capital Stock	17,796 million yen
Number of Group Employees	25,321 (8,196 fulltime employees, 17,125 temporary employees*)
Website	<a href="https://www.h2o-retailing.co.jp/en/index.html">https://www.h2o-retailing.co.jp/en/index.html</a>

\*8-hour equivalent, average during the period

## Main Group Companies

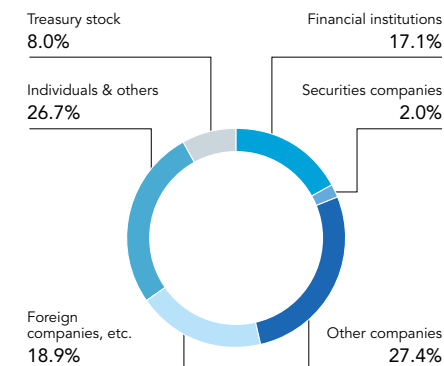
HANKYU HANSHIN DEPARTMENT STORES, INC.	Operation of department stores
IZUMIYA HANKYU OASIS, CO.,LTD.	Operation of food supermarkets
KANSAI SUPER MARKET LTD.	Operation of food supermarkets
KANSAI FOOD MARKET LTD.	Business planning and management of supermarket companies
H2O Shopping Center Development Co., Ltd.	Operation of commercial facilities, sales of apparel and home products

🔗 List of Group Companies  
<https://www.h2o-retailing.co.jp/en/company/group.html>

## Stock Information

Total number of shares authorized to be issued	150,000,000 shares
Total number of shares issued	125,201,396 shares
Listed securities trading	Tokyo Stock Exchange Prime Market
Stock code	8242
Number of shareholders	63,137

### Distribution of shares by shareholder



## Major Shareholders

Name of Shareholder	Number of Shares Held (thousand shares)	Investment Ratio (%)
Hanshin Electric Railway Co., Ltd.	14,749	12.80
The Master Trust Bank of Japan, Ltd. (Trust account)	12,514	10.86
Hankyu Hanshin Holdings, Inc.	10,336	8.97
Custody Bank of Japan, Ltd. (Trust account)	5,122	4.45
Izumiya Kyowakai Assn.	2,862	2.48
BNYM AS AGT/CLTS 10PERCENT	2,021	1.75
GOVERNMENT OF NORWAY	1,781	1.55
H2O Retailing Group Employees' Shareholding Association	1,634	1.42
STATE STREET BANK AND TRUST COMPANY 505223	1,473	1.28
STATE STREET BANK WEST CLIENT-TREATY 505234	1,283	1.11

Notes:

1. The Company holds treasury stock but excludes them from the above major shareholders.
2. The investment ratio is calculated based on the total number of shares issued excluding treasury stock.



**H2O RETAILING CORPORATION**

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

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