

1Q of FY2023 Presentation Materials



H2O RETAILING CORPORATION

I . Consolidated Financial Results

II . Forecast of FY2023

III . Initiatives to Achieve Long-term business plan for 2030

- 1 . Consolidated Financial Results
- 2 . Results by segment
- 3 . Department store business
- 4 . Supermarket business

I – 1 . Consolidated Financial Results

- ▶ Sales increased significantly as the impact of COVID-19 expansion eased
- ▶ Operating profit returned to the black due to sales recovery
- ▶ Profit decreased due to the absence of extraordinary income recorded in the previous fiscal year, such as gains on sales of non-current assets.

(billions of yen)	1 Q	
	Amount	YoY
Gross Sales	227.9	41.4% 66.7
Net Sales	149.4	35.1
Operating profit	0.7	2.7
Ordinary profit	1.9	2.8
Extraordinary income	0.0	
Extraordinary loss	0.7	
Profit	0.7	(5.6)

I – 2 . Results by segment

- ▶ Department store business returned to the black due to significant sales recovery
- ▶ Supermarket business : Sales increased from newly consolidated Kansai Supermarket.
Profit decreased due as a downturn after last year's increase in demand for eating at home.
- ▶ Shopping center business : Profit increased due to cost reduction in H2OSC Development and improved occupancy rate in hotel (Oi Development)

(billions of yen)	Gross Sales			Operating Profit	
	Amount	YoY	Inc./Dec.	Amount	Inc./Dec.
Department store	108.7	62.9%	42.0	1.2	3.1
Supermarket	101.3	38.1%	28.0	0.4	(0.9)
Shopping Center	9.1	(30.0)%	(3.9)	0.6	(0.6)
Other	8.8	8.7%	0.7	(0.8)	0.3
Consolidation adjustment				(0.8)	(0.3)
Consolidated	227.9	41.4%	66.7	0.7	2.7

I – 3 . Department store business

- ▶ Sales increased significantly due to the easing of the impact of COVID-19 infection and increased opportunities to go out without major restrictions on activities (store operations were restricted for about one and a half months in the previous year).
- ▶ Increase in SG&A expenses due to decrease in amount transferred to extraordinary loss compared with the previous fiscal year (3.4 billion yen) and opening of Hanshin Umeda Main Store
- ▶ Operating profit returned to the black as the increase in gross profit due to higher sales exceeded the increase in SG&A expenses

Hankyu Hanshin Department stores

(billions of yen)	1 Q	
	Amount	YoY
Gross Sales	108.0	63.3% 41.9
Gross profit	24.4	9.5
Gross profit / Gross Sales	22.60%	(0.01)%
Other operating revenue	0.8	0.1
SG & A	24.0	6.5
Operating profit	1.2	3.0



Domestic sales versus FY2019

Total of existing store sales	5%
Hankyu main store	13%



decrease in amount transferred to extraordinary loss	3.4
Increase in rent and utility cost (ex. Hanshin Umeda main store)	1.2
Increase in sales-linked expenses	1.2

I – 4 . Supermarket business

- ▶ Supermarket : Sales increased and profit decreased
 - Sales increased from newly consolidated Kansai Supermarket.
 - Existing store sales decreased due to a significant downturn after the increase in demand for eating at home during the previous year.
 - SG&A expenses were under control due to efforts to improve efficiency through integrated operations despite factors increasing costs such as utility costs hike.
- ▶ Food manufacturing (Hankyu Delica i, etc.): Profit increased due to recovery in wholesale sales to food supermarkets and specialty store sales

(billions of yen)	Gross sales		OP	
		YoY		YoY
SM	98.2	39.2%	0.5	(0.8)
Izumiya, Hankyu Oasis, Qanat	66.9	(5.1)%	0.1	(1.2)
Kansai Super Market	31.3	—	0.4	—
Food Manufacturing	8.2	0.2%	(0.1)	0.1

	Existing stores sales	Number of customers	Average amount of customer spend
Izumiya	(5.6)%	(4.2)%	(1.5)%
Hankyu Oasis	(10.0)%	(6.4)%	(3.8)%
Kansai Super Market	(3.7)%	(2.8)%	(1.0)%

II . Forecast of FY2023

- ▶ Forecast of FY2023 unchanged due to high uncertainty although results of 1Q slightly exceeded forecast.
- Re-expansion of COVID-19
- Increase in purchase prices due to yen depreciation and raw material price hikes
- Increased costs for utilities, transportation, etc.

(billions of yen)	1-2Q		3-4Q		FY2023	
	Forecast	YoY	Forecast	YoY	Forecast	YoY
Gross sales	474.0	37.8% 129.9	526.0	18.5% 81.9	1,000.0	26.9% 211.9
Net sales	320.0	35.0%	340.0	20.8%	660.0	27.3%
Operating Profit	(1.0)	4.1	9.0	3.1	8.0	7.2
Ordinary Profit	(1.5)	2.7	8.5	1.9	7.0	4.6
Profit	0.0	(8.1)	8.0	6.2	8.0	(1.9)

Ⅲ. Initiatives to achieve long-term business plan for 2030

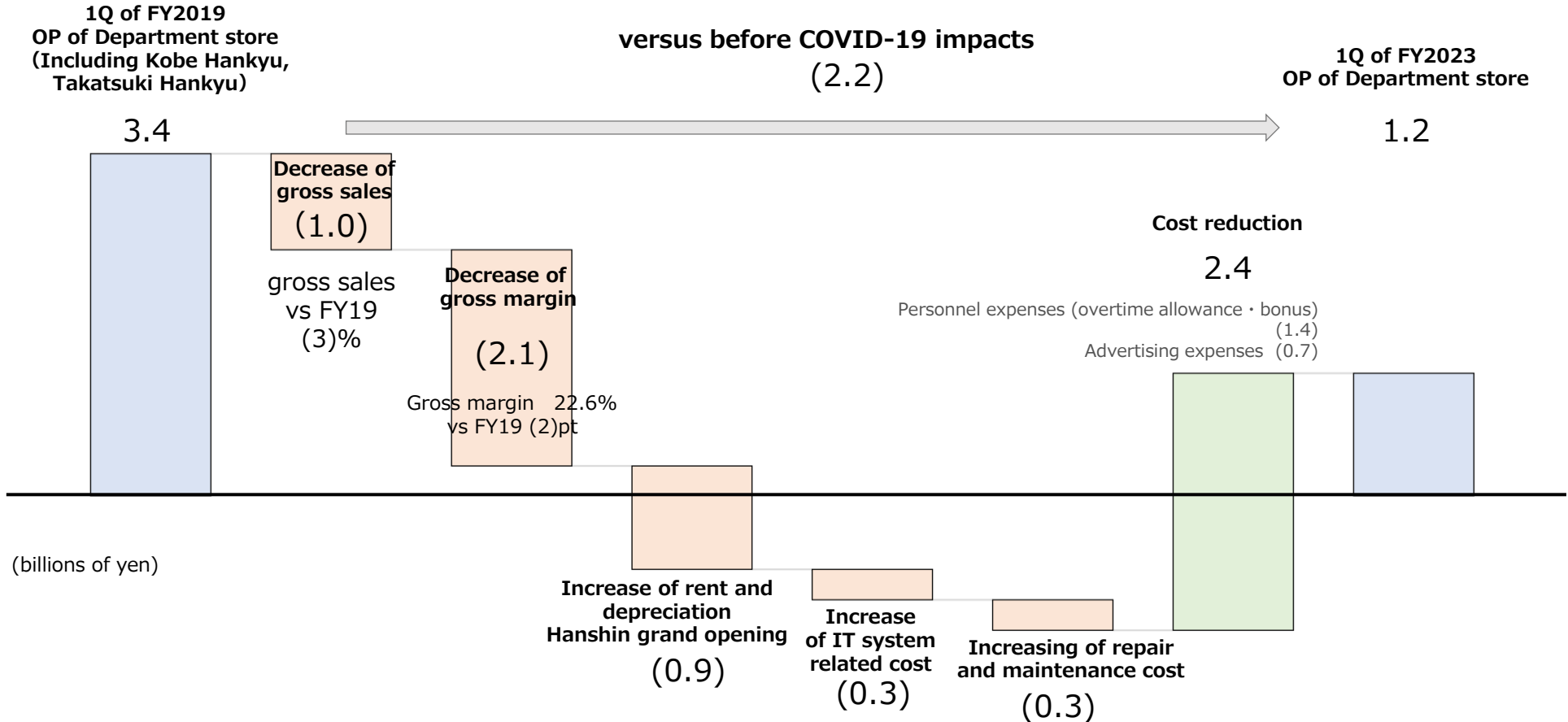


- 1 . Changes of profit structure in department store business
- 2 . Supermarket business as a second core
- 3 . Realizing Long-term business plan
 - Existing business
 - Data utilization business

III – 1 . Changes of profit structure in department store

- ▶ Sales level got close to that of before COVID-19 whereas decrease in gross margin due to change in profit structure pushed down operating profit.
 - Decreasing share of fashion and cosmetic items with relatively high profit margin. (Struggling of mid-class fashion, trend of business casual and lose of inbound customer demands.)
 - Increasing share of food and luxury brand items with relatively low profit margin (Advantage in real stores.)
- ▶ Operating profit keeps the black by decreasing personnel expenses and advertising expenses, in spite of cost increase due to grand opening of Hanshin Umeda main store, etc.

Department store business: OP, 1 Q of FY 2023 vs 2019 (before COVID-19 impacts)



III – 2. Supermarket business as a second core

- ▶ Promoting reform of general merchandise stores after business integration with Izumiya. Separating profitable food category business and unprofitable non-food category. Non-food category business turned to the black.

FY2015~ Reducing operation cost, closing of underperforming store, rebuilding of dilapidated store.

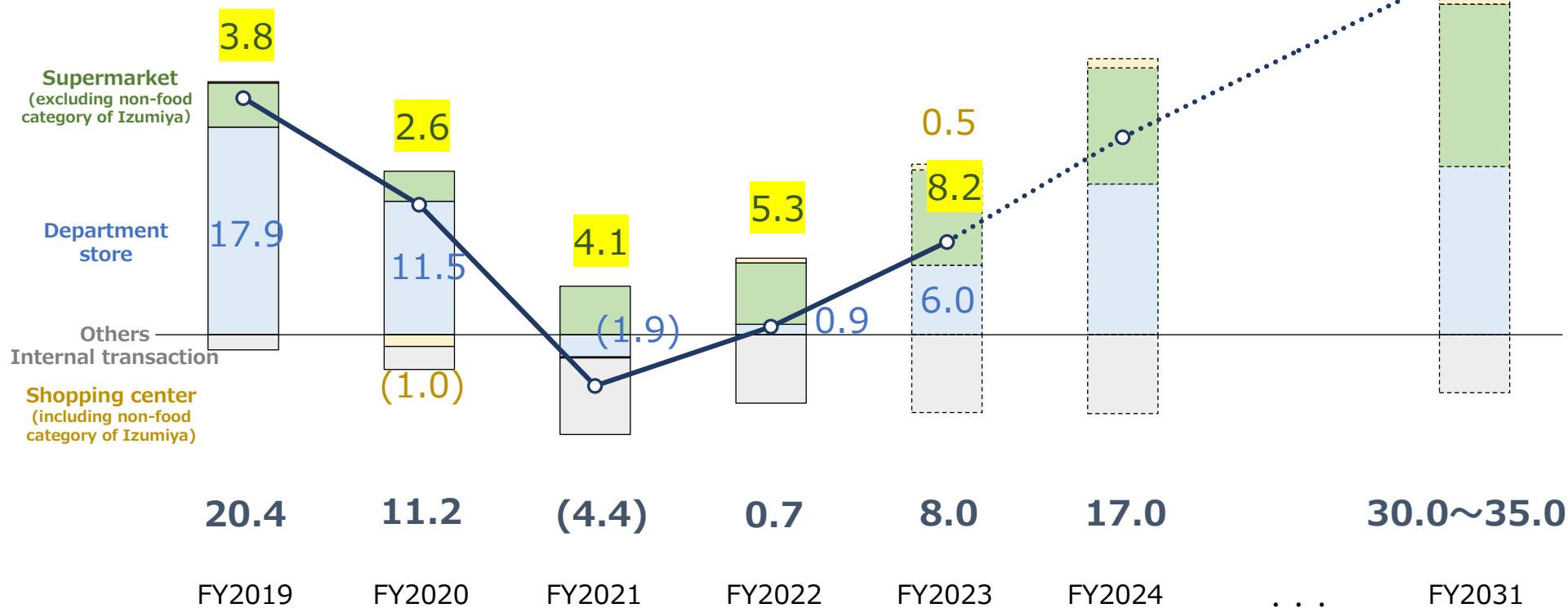
FY2018~ Restructuring(Separating AM and PM business), reconsideration of store, product and staffing.

FY2021~ Remodeling general merchandise store to shopping center. (H2O SC development, which operates non-food category and SC property management, turned to the black)

- ▶ Supermarket underpin the company-wide results during COVID-19 impact. Generate profit levels comparable to the department store business in FY 2023.

Transition of OP by segments (billion of yen)

Customer service
Ningbo Hankyu



▶ Department store

- To be the “No. 1 department store for fun, enriching customers’ lives” favored by all generations rather than targeting specific customers.
 - ⇒ Hankyu Main store as our flagship store, Grand opening of Hanshin Main store, Remodeling of Kobe Hankyu and Takatsuki Hankyu
 - Our own OMO (online merges with offline) model with various customer touchpoints not only online but at real stores by brushing up real store
- Coping with changes of profit structure
 - ⇒ Transforming operation model and cost structure based on characteristic of each store considering the trends of declining gross margin.

▶ Supermarket

- Create stable profit standard by taking advantage of top-drawer sales scale in Kansai region.
 - ⇒ Integrated management of Hankyu Oasis and Izumiya.
(Unifying of organization, operation and system in order to speeding up decision making and action)
 - ⇒ Realization synergy of business integration with Kansai Super Market.
(Starting with cooperation of procurement and promotion, reducing cost by unification)
 - ⇒ Optimization of 3 different supermarket models (Wide selection type supermarket which meets with the needs of customers by balance between added value, price and productivity)

▶ Shopping center

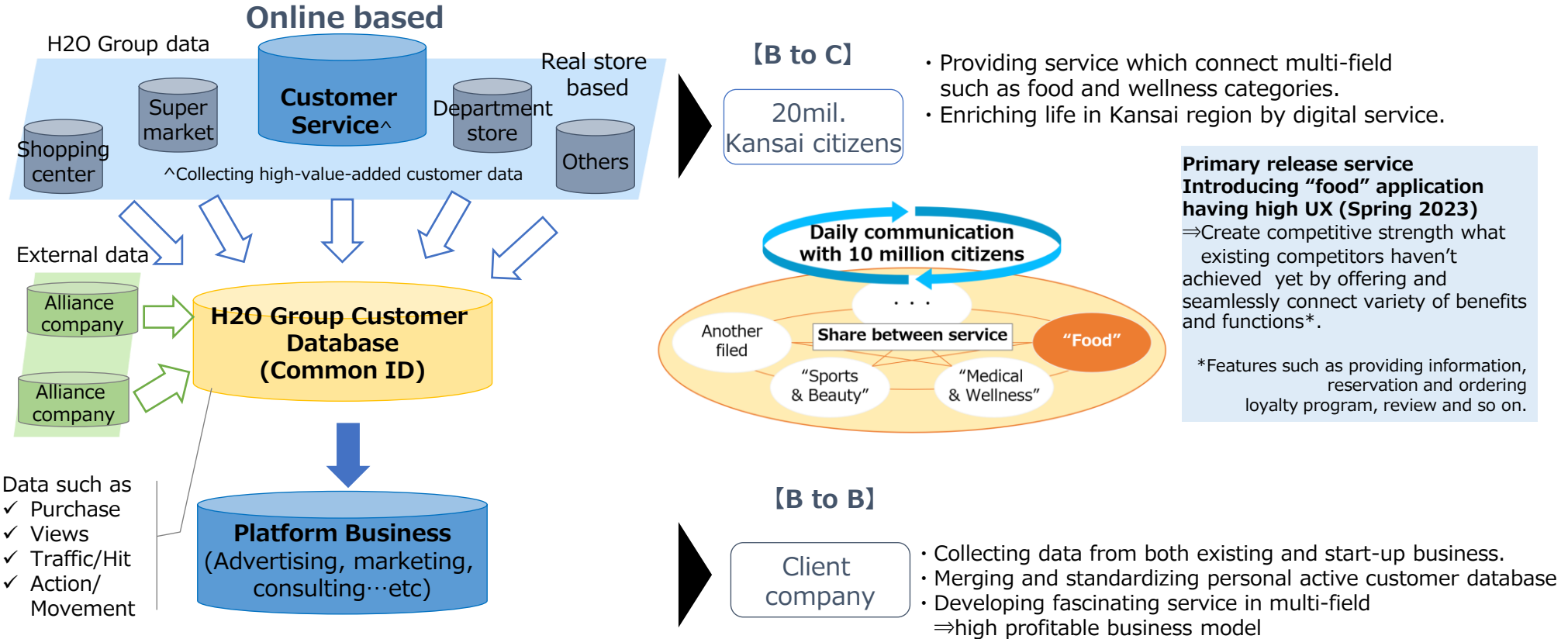
- Efficient utilization of present asset (new investment on a large scale: not planned)
 - ⇒ Efficient management of present shopping center and Hotel

▶ Others

- Focusing on business from the viewpoint of contribution to “Communication Retailer” and restraint of interest-bearing debt
 - ⇒ Cooperation with our core businesses and support for them. Financial business is not planned.

▶ Customer service and Platform business

- Monetizing platform business using database collected in customer service business.
⇒Aiming for total of 3 billion yen in OP in FY2031 by both customer service and platform businesses.



➔ **Combine the greatest conglomerate of retailer in Kansai region with online service cross the group to become "Communication Retailer" which have deepen relationship with customer continually.**
Cultivate "the Third way" different from path as strengthening SPA, real estate and financial businesses.



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