

3Q of FY2024 Presentation Materials

Feb. 2, 2024



H2O RETAILING CORPORATION

■ 3Q (Apr.-Dec.) Results

< Consolidated >

- Continued strong performance in Department Store Business led by record-high operating profit, ordinary profit and profit in cumulative 3Q.
- All segments increased profit as in 1H.

< By segment >

- Department Store Continued positive impact of the external environment, including depreciation of the yen and booming stock market

Clothing and cosmetics recovered as consumer consumption moved into full swing, and domestic sales remained strong.

Inbound sales at a record high pace

SG&A expenses restrained despite an increase in sales related expenses.
- Supermarket Although the increase in unit price slowed, spend per customer continued to exceed that of the previous year, and the number of customers also recovered. Existing store sales exceeded the previous year's level.

SG&A expenses were restrained compared to forecasts, mainly in personnel expenses.
- Shopping Center Hotels continue high occupancy rates, significant increase in profit.

■ FY2024 Forecast

- Department Store Business exceeded forecasts, and full-year forecasts have been revised upward.
- All levels of profit below operating profit are expected to be record highs.

I . 3Q Results of FY2024

II . Forecast of FY2024

- 1 . Consolidated Results
- 2 . Results by Segment
- 3 . Department Store Business
- 4 . Supermarket Business
- 5 . Shopping Center Business
- 6 . Extraordinary Income and Losses

I-1. Consolidated Results

- ▶ Significant increases in sales and profits driven by Department Store Business, and record highs in operating profit , ordinary profit and profit as of Cumulative 3Q
- ▶ All segments, steady progress against FY2024 forecast, with operating profit exceeding FY2024 forecast as of the 3Q cumulative period
- ▶ Gain on sale of a former logistics center of Department Store was recorded in 3Q period.

(Unit: 100 million yen)	1-3Q		3Q	
	Amount	YOY	Amount	YOY
Gross sales	8,016	109.1%	2,965	108.5%
Net sales	4,955	104.3%	1,769	103.8%
Operating profit	222	+127	123	+39
Ordinary profit	239	+123	133	+44
Extraordinary income	44		34	
Extraordinary losses	27		15	
Profit	178	+68	115	+33

I-2. Results by Segment

- ▶ All segments increased profits and exceeded FY2024 forecasts.

	Gross sales		Operating profit		
	Amount	YoY	Amount	YoY	
(Unit: 100 million yen)					
Department Store	4,247	116.3%	168	+89	
Supermarket	3,236	102.6%	72	+27	
Shopping Center	244	88.7%	29	+12	
Other	290	108.8%	14	+37	
Consolidation adjustment			▲ 61	▲ 38	
Total	8,016	109.1%	222	+127	

(Unit: 100 million yen)	
H2O non-consolidated	YoY
Operating profit	+31
Within the group dividend income	+28
(Elimination)	

I-3. Department Store Business-Performance Overview

- ▶ Urban stores with strong sales of high-end items and inbound sales were performed well. In particular, Hankyu Main Store and Hakata Hankyu exceeded the previous year results and forecast significantly.
- ▶ Despite an increase in sales related expenses, gross profit increased significantly due to an increase in sales.

Hankyu Hanshin Department Stores

(Unit: 100 million yen)	1-3Q		3Q	
	Amount	YoY	Amount	YoY
Gross sales	4,221	116.3%	1,646	114.4%
Gross profit	943	+125	369	+43
Gross profit/ Gross sales	22.34%	▲0.18pt	22.41%	▲0.24pt
Other operating revenue	30	+6	11	+1
SG&A	806	+41	283	+9
Operating profit	167	+89	97	+35

Cumulative 3Q sales by store	YoY
Urban stores	119%
Hankyu Main Store	118%
Hakata Hankyu	123%
Suburban stores	104%

(Unit: 100 million yen)

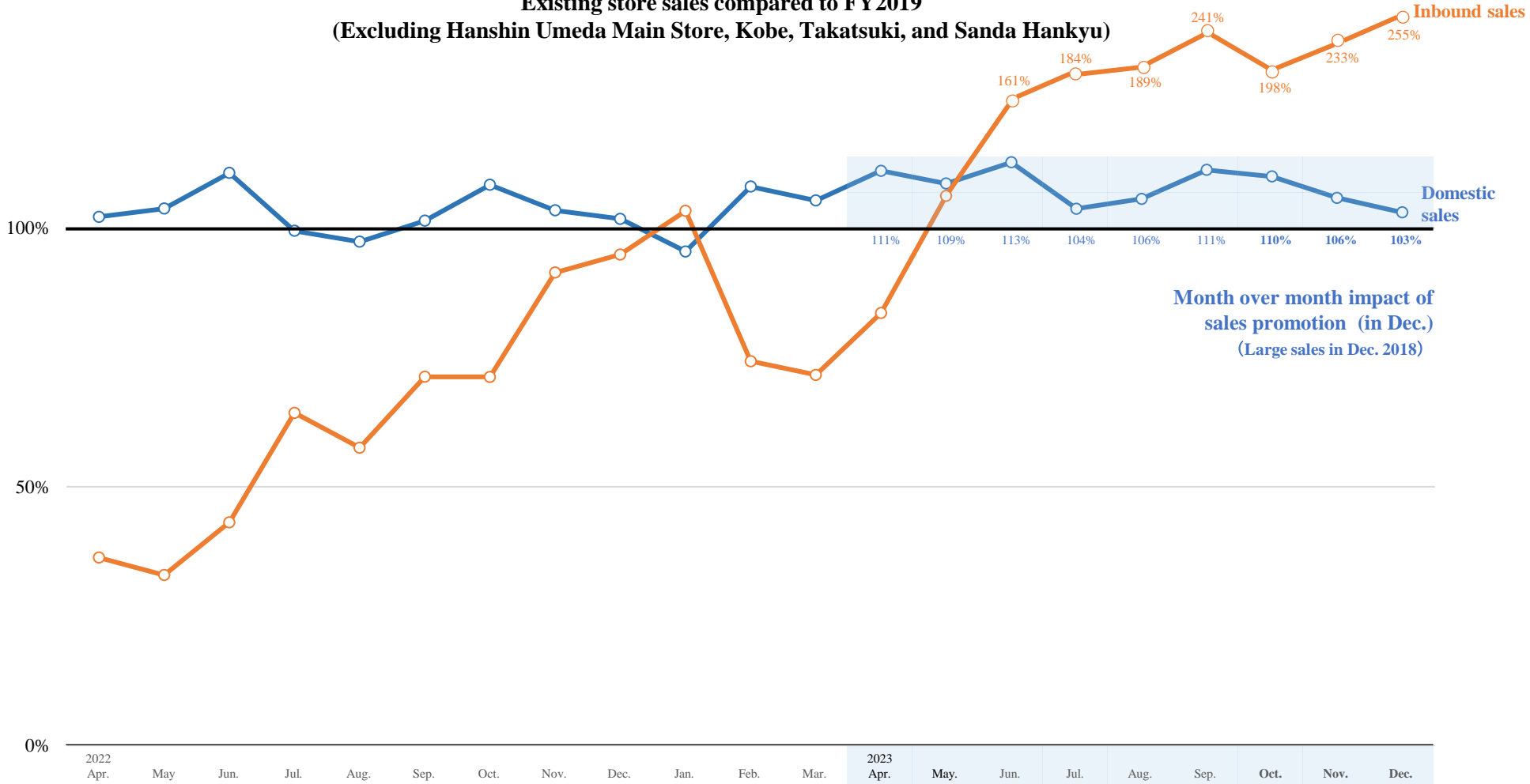
Cumulative 3Q breakdown of changes in SG&A expenses	YoY
Increase in sales related expenses	+16
Increase in rent and depreciation (ex. Hanshin Umeda main store)	+15
Increase in personnel expenses	+11

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition"

I-3. Department Store Business-Existing Store Sales (Vs. FY2019)

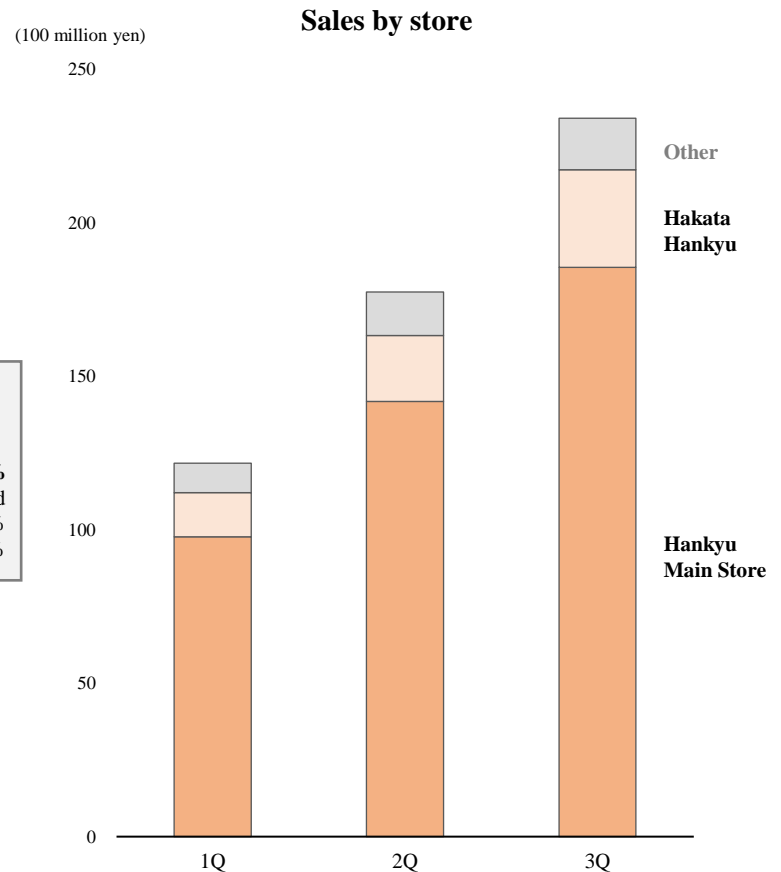
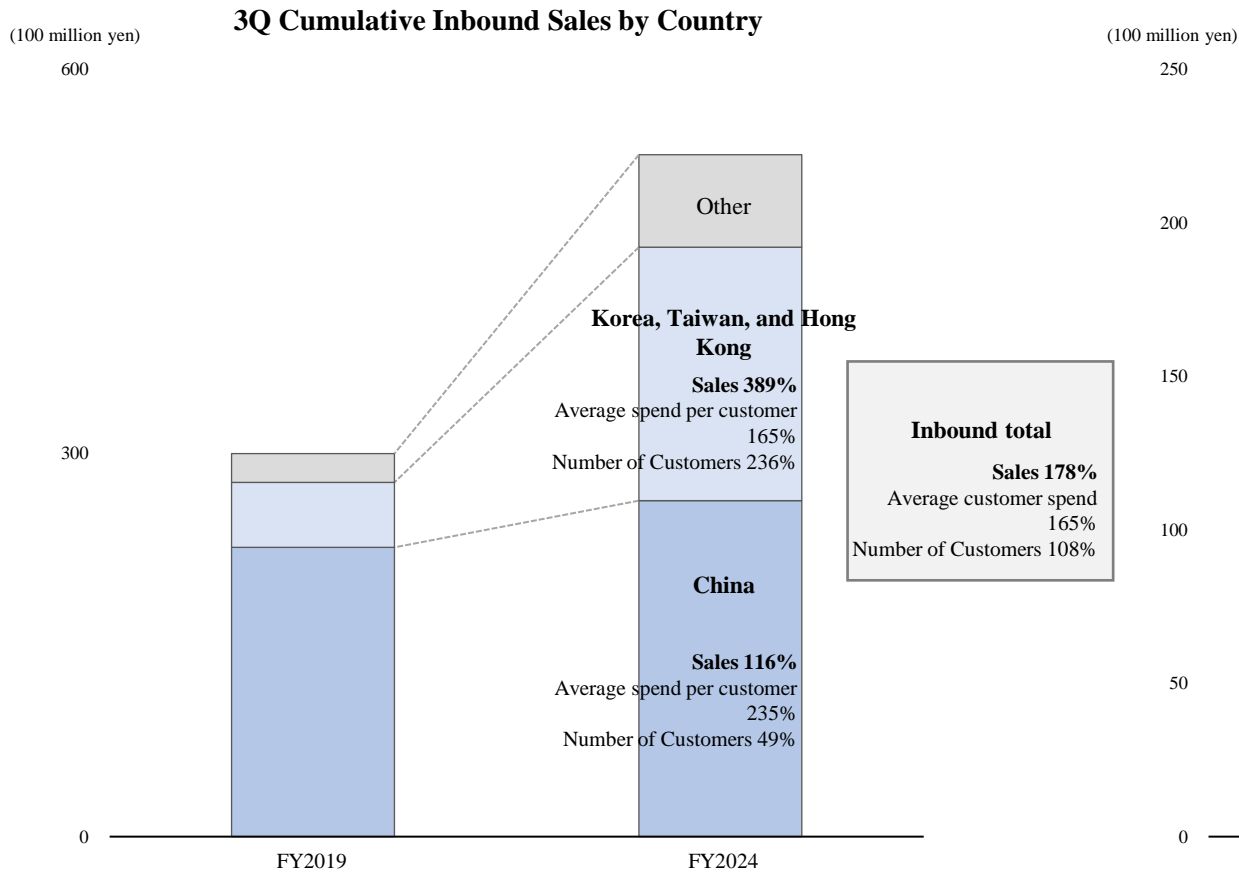
- ▶ Domestic sales) Strong sales at urban stores and steady sales at suburban stores. All categories exceeded the previous year's level, although there was some variation. In addition to high-end items that have continued to strong sales, clothing and cosmetics recovered.
- ▶ Inbound sales) Depreciation of the yen and needs for high-end items continued to grow. From Jun. onward, the highest single month sales continued to be recorded.

Existing store sales compared to FY2019
 (Excluding Hanshin Umeda Main Store, Kobe, Takatsuki, and Sanda Hankyu)



I-3. Department Store Business-Inbound Sales

- ▶ Growth in South Korea, Taiwan, and Hong Kong and recovery in China led to an overall inbound growth of 1.8 times compared to FY2019. Both number of customers and average spend per customer exceeded FY2019 levels. Continued high level of average spend per customer due to ongoing depreciation of the yen.
- ▶ Inbound sales have reached a record high for a single month in a row since Jun, and average daily sales for 3Q period were 250 million yen, exceeding the forecast (130 million yen for 2H).



I-4. Supermarket Business

- ▶ Price hikes since Oct. 2022 have passed their peak, and although the increase in unit price has slowed down, average spend per customers continues to exceed the previous year's level. The number of customers was stable and exceeded the previous year's level, and existing store sales were above the previous year's level.
- ▶ Profit increased due to an increase in gross profit resulting from the increase in sales, as well as controlling SG&A expenses from expected.
- ▶ Food manufacturing: Strong sales of prepared foods and bakery
Home delivery: Decreased in sales and profit due to operation of new center and change of membership system of Hankyu Kitchen Yale Kansai.

	1-3Q				3Q				
	Gross sales		Operating profit		Gross sales		Operating profit		
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	
(Unit: 100 million yen)									
Izumiya · Hankyu Oasis	1,891	102.6% <small>Existing stores 104%</small>	49	+21	662	102.8% <small>Existing stores 104%</small>	21	+2	
Kansai Super Market	994	103.4% <small>Existing stores 104%</small>	32	+12	342	103.0% <small>Existing stores 104%</small>	12	+3	
Above 2 Supermarkets	2,885	102.9%	82	+33	1,004	102.9%	33	+5	
Food Manufacturing and home delivery	306	96.4%	▲3	▲3	110	99.4%	1	▲1	

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

I-5. Shopping Center Business

- ▶ Significant profit growth in cumulative 3Q due to growth in Oi Development
- ▶ Business hotels operated by Oi Development continued to maintain a high occupancy rate during 3Q period and are on pace for record profits.
- ▶ Sales declined at subsidiaries excluding Oi Development, partly due to the impact of store closures at H2O SC Development, but remained in line with expected.

	1-3Q				3Q			
	Gross sales		Operating profit		Gross sales		Operating profit	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY
(Unit: 100 million yen)								
Oi Development	47	159.5%	20	+13	17	141.1%	8	+4
Total of subsidiaries excluding Oi Development	213	81.4%	11	+0	74	80.1%	5	▲0

* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".

- ▶ Gain on sales of non-current assets (former logistic center of Department Store) recorded during 3Q period

(Unit: 100 million yen)	Major items	Amount	Major contents
Extraordinary income	Gain on sale of non-current assets	44	Sale of land (former logistic center of Department Store) Sale of land (Former Izumiya Okubo Store)
Extraordinary losses	Loss on retirement of non-current assets	21	Hankyu Hanshin Department Store (Hankyu Main Store, Kobe Hankyu, and Takatsuki Hankyu)
	Office relocation expenses	3	Consolidation of head office divisions (Supermarket Business)
	Impairment losses	2	
	Loss on store closings	2	

II. Forecast of FY2024

- ▶ Department Store Business is exceeding forecasts, and forecasts of FY2024 have been revised upward.
- ▶ Sales, operating profit, ordinary profit, and profit are expected to reach record highs, driven by Department Store Business, which continues to perform well.

	FY2024			1H		2H		
	Forecast	YoY	Vs. Mid-term Plan	Amount	YoY	Forecast	YoY	Vs. Forecast in Nov.
(Unit: 100 million yen)								
Gross sales	10,600	108.2%	114.0%	5,052	109.5%	5,548	107.1%	101.8%
Net sales	6,830	108.7%		3,185	104.6%	3,645	112.6%	100.8%
Operating profit	245	+131	+75	99	+88	146	+43	+25
Ordinary profit	260	+130	+120	107	+78	153	+52	+35
Profit	180	+16		63	+35	117	▲19	+50

II. Forecast of FY2024

- ▶ Revised up Department Store Business from forecast in Nov.
- ▶ Segments other than Department Store Business generally progressed as expected.

	Gross sales		Operating profit		
	Forecast	YoY	Forecast	YoY	Vs. Mid-term Plan
(Unit: 100 million yen)					
Department Store	5,653	114.9%	200	+97	+65
Supermarket	4,218	101.4%	80	+25	+18
Shopping Center	349	98.1%	30	+12	+12
Other	380	105.1%	▲2	+29	+18
Consolidation adjustment			▲63	▲32	▲38
Total	10,600	108.2%	245	+131	+75



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