

# FY2024 Presentation Materials

May 15, 2024



H2O RETAILING CORPORATION

## ■ FY2024 (Apr.-Mar.) Results

### < Consolidated >

- **Record highs sales, operating profit, and all other profit categories. Results exceeded revised the forecast announced in Feb.**

### < By Segment >

- |                  |  |
|------------------|--|
| Department Store | <ul style="list-style-type: none"><li>• Strong growth in domestic and inbound sales, mainly in urban stores, due to the continued favorable impact of depreciation of yen and booming stock market</li><li>• Inbound sales record high due to growth in three East Asian countries and recovery in China</li><li>• SG&amp;A expenses restrained despite an increase in sales related expenses.</li></ul> |
| Supermarket      | <ul style="list-style-type: none"><li>• Average spend per customer continued to exceed the previous year, and existing store sales exceeded the previous year partly due to recovery in number of customers.</li><li>• SG&amp;A expenses were restrained compared to the forecast, mainly in personnel expenses.</li></ul>   |
| Shopping Center  | <ul style="list-style-type: none"><li>• In Oi Development, the occupancy rate of business hotels remained stable at over 90%, record high for profits.</li><li>• SC related companies also promoted efficient management and increased profit.</li></ul>   |

## ■ Forecast of FY2025

- Operating profit is expected to reach a record high FY2025 as well, as the increase in profit from Department Store and Supermarket businesses will offset the negative factors such as an increase in amortization of goodwill associated with the consolidation of Ningbo Hankyu and the absence of the Hanshin Tigers victory sale.
- Profit is expected to reach a record high, due to the sale of shares of TOHO CO., LTD, gain on goodwill at Ningbo Hankyu, and Kansai Food Market becoming a wholly owned subsidiary.
- Plan to increase dividend to ¥40 per share from ¥28 per share in the previous fiscal year.

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# I-1. Consolidated Financial Results

- ▶ All segments performed well, particularly in Department Store Business, reached record highs sales, operating profit, and all other profit categories.
- ▶ Profit exceeded both the previous year and the forecast. The annual dividend was ¥28, an increase of ¥3 from the initial forecast.

	1H (Apr. – Sep.)		2H (Oct. - Mar.)		FY2024		
	Amount	YoY	Amount	YoY	Amount	YoY	Vs. Forecast in Feb.
(100 millions of yen)							
Gross sales	5,052	109.5%	5,687	109.7%	10,739	109.6%	101.3%
Net sales	3,185	104.6%	3,389	104.7%	6,574	104.7%	96.3%
Operating profit	99	+88	163	+60	262	+148	+17
Ordinary profit	107	+78	172	+70	279	+149	+19
Extraordinary income	10		49		59		
Extraordinary losses	12		103		115		
Profit attributable to owners of parent	63	+35	156	+20	219	+55	+39

# I-2. Results by Segment

	Gross sales		Operating profit		
	Amount	YoY	Amount	YoY	Vs. Forecast
(100 millions of yen)					
Department Store	5,771	117.3%	216	+113	+16
Supermarket	4,256	102.3%	79	+25	▲0
Shopping Center	321	90.1%	37	+18	+6
Other	390	107.9%	▲0	+31	+2
Consolidation adjustment			▲70	▲39	▲6
Total	10,739	109.6%	262	+148	+17

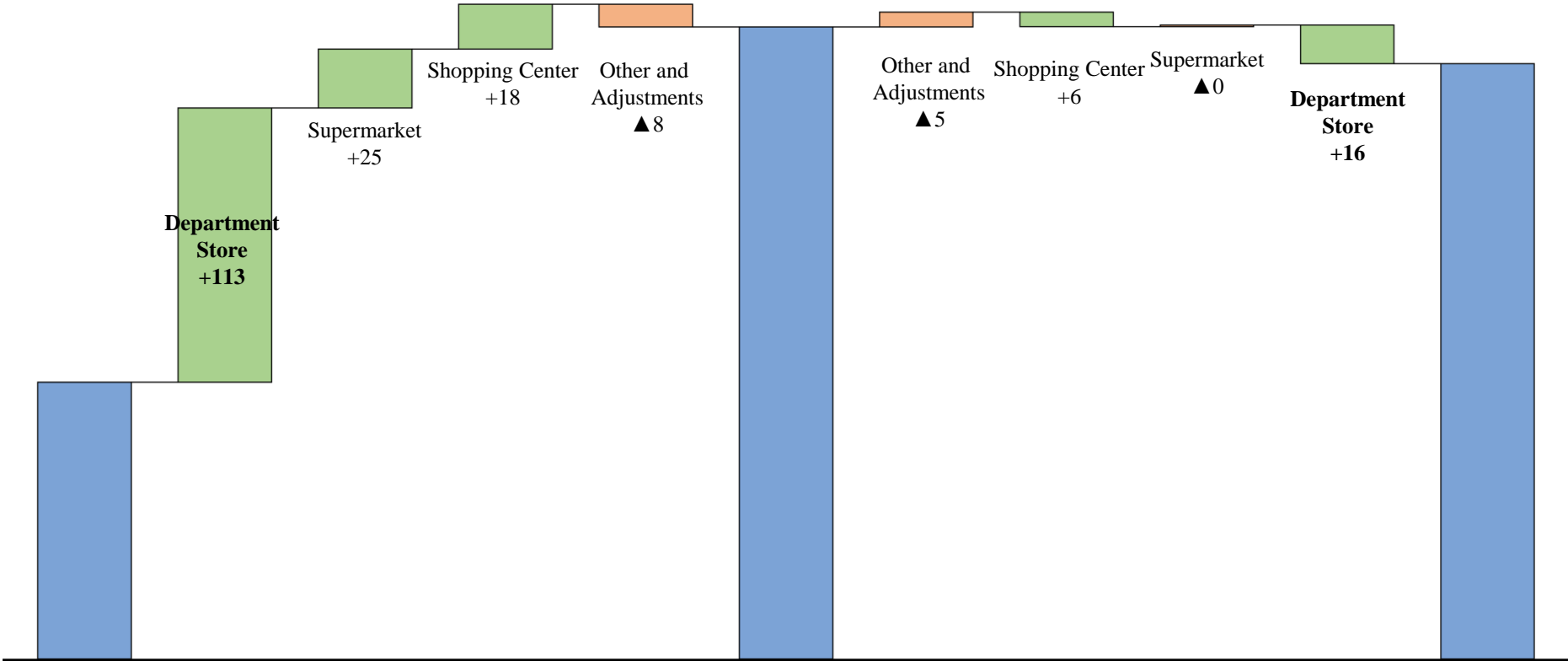
(100 millions of yen)

H2O non-consolidated	YoY
Operating profit	+25
Dividend income within group	+28
(Elimination)	

# I-2. Results by Segment

(100 millions of yen)

FY2023 <b>114</b>	<b>YoY</b> <b>+148</b>	FY2024 <b>262</b>	<b>Vs. Forecast</b> <b>+17</b>	FY2024 Forecast (Feb.) <b>245</b>
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# I-3. Department Store Business-Performance Overview

- ▶ Urban stores with strong sales of high-end items and inbound sales were performed well. All categories exceeded the previous year, with double-digit growth in clothing and cosmetics.
- ▶ Despite an increase in sales related expenses, gross profit increased significantly due to an increase in sales.

## Hankyu Hanshin Department Stores

	1H (Apr. – Sep.)		2H (Oct.-Mar.)		FY2024	
	Amount	YoY	Amount	YoY	Amount	YoY
(100 millions of yen)						
Gross sales	2,575	117.5%	3,162	117.2%	5,737	117.2%
Gross profit	574	+82	697	+95	1,271	+177
Gross profit/ Gross sales	22.29%	▲0.14pt	22.04%	▲0.25pt	22.16%	▲0.20pt
Other operating revenue	20	+4	21	+2	41	+7
SG&A	524	+32	570	+37	1,094	+69
Operating profit	70	+54	148	+60	218	+115

Sales by store	YoY
Urban stores	120%
Hankyu Main Store Hakata Hankyu	120% 123%
Suburban stores	104%

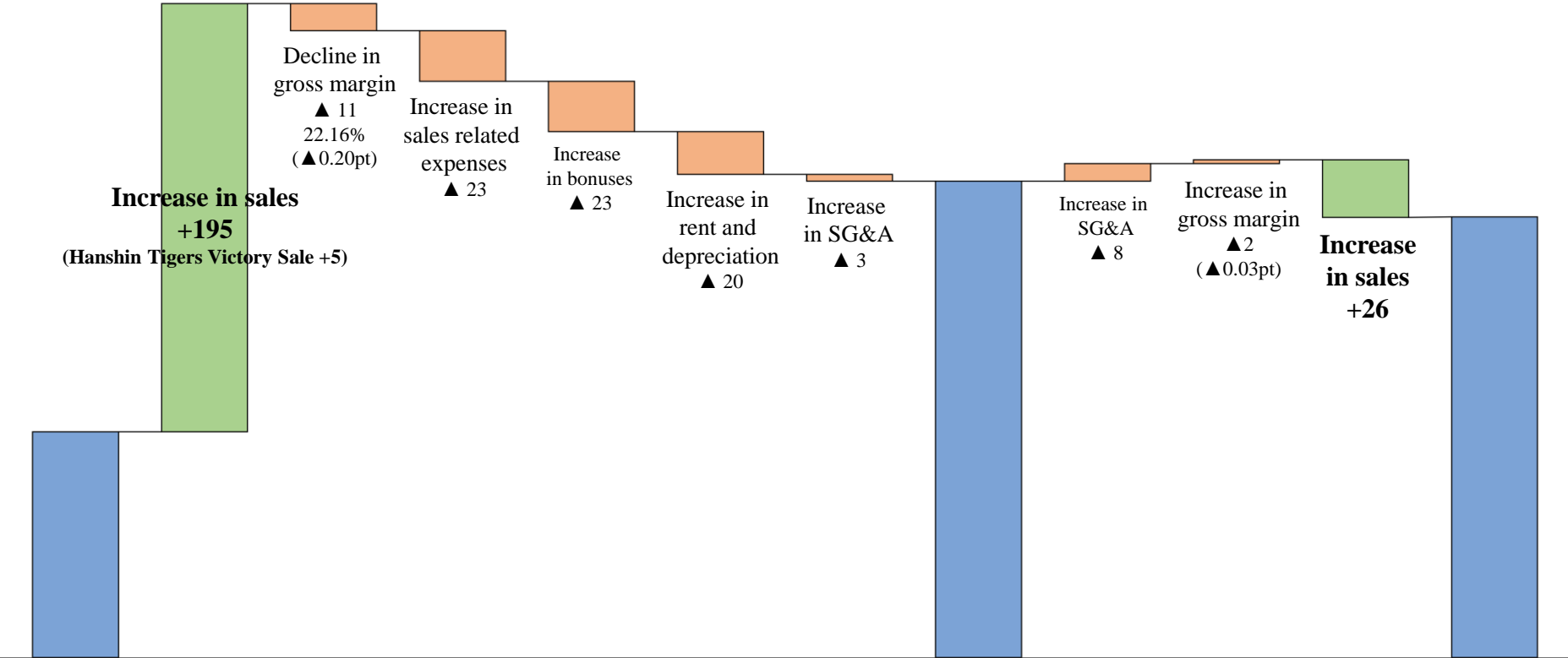
(100 millions of yen)

Breakdown of changes in SG&A expenses	YoY
Increase in sales related expenses	+23
Bonuses, etc.	+23
Increase in rent and depreciation	+20



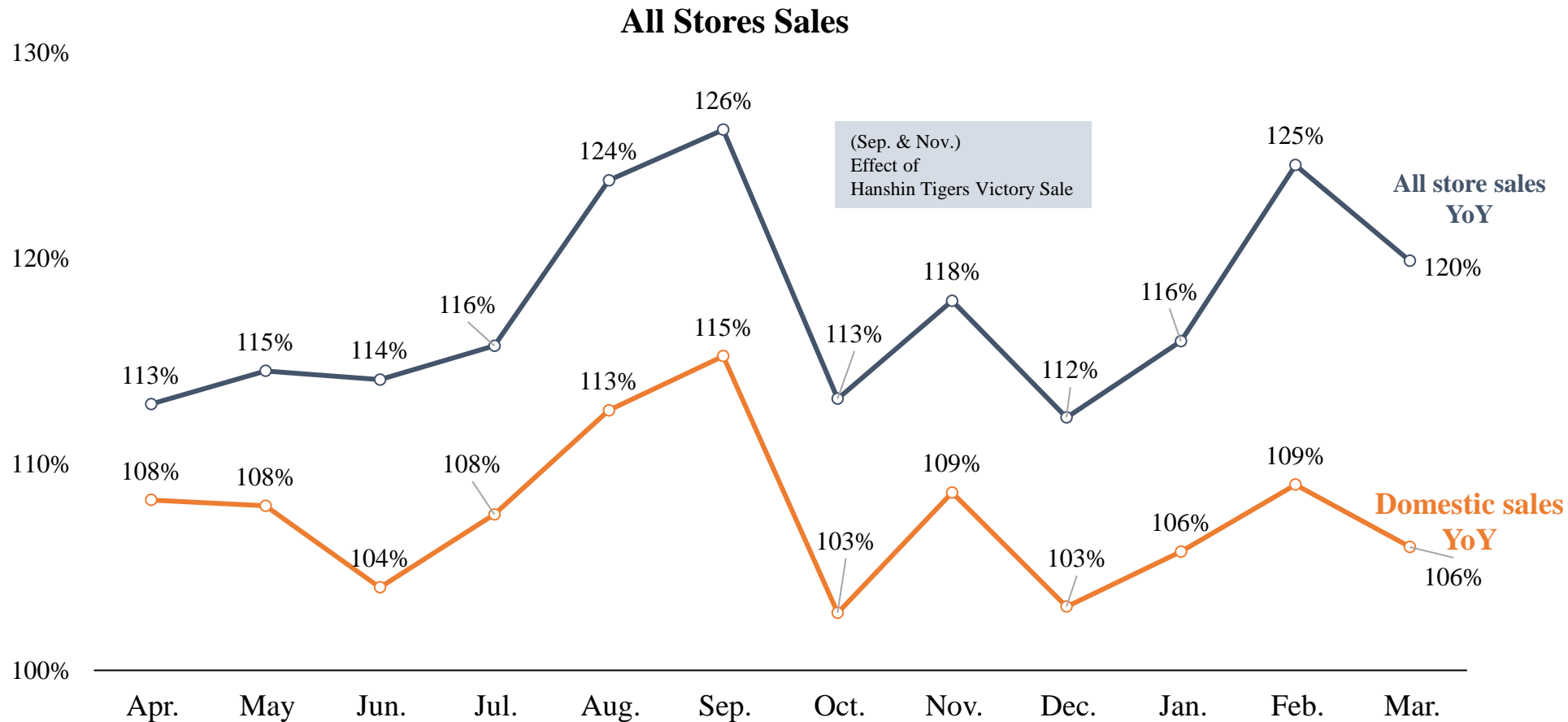
# I-3. Department Store Business-Performance Overview

(100 millions of yen)



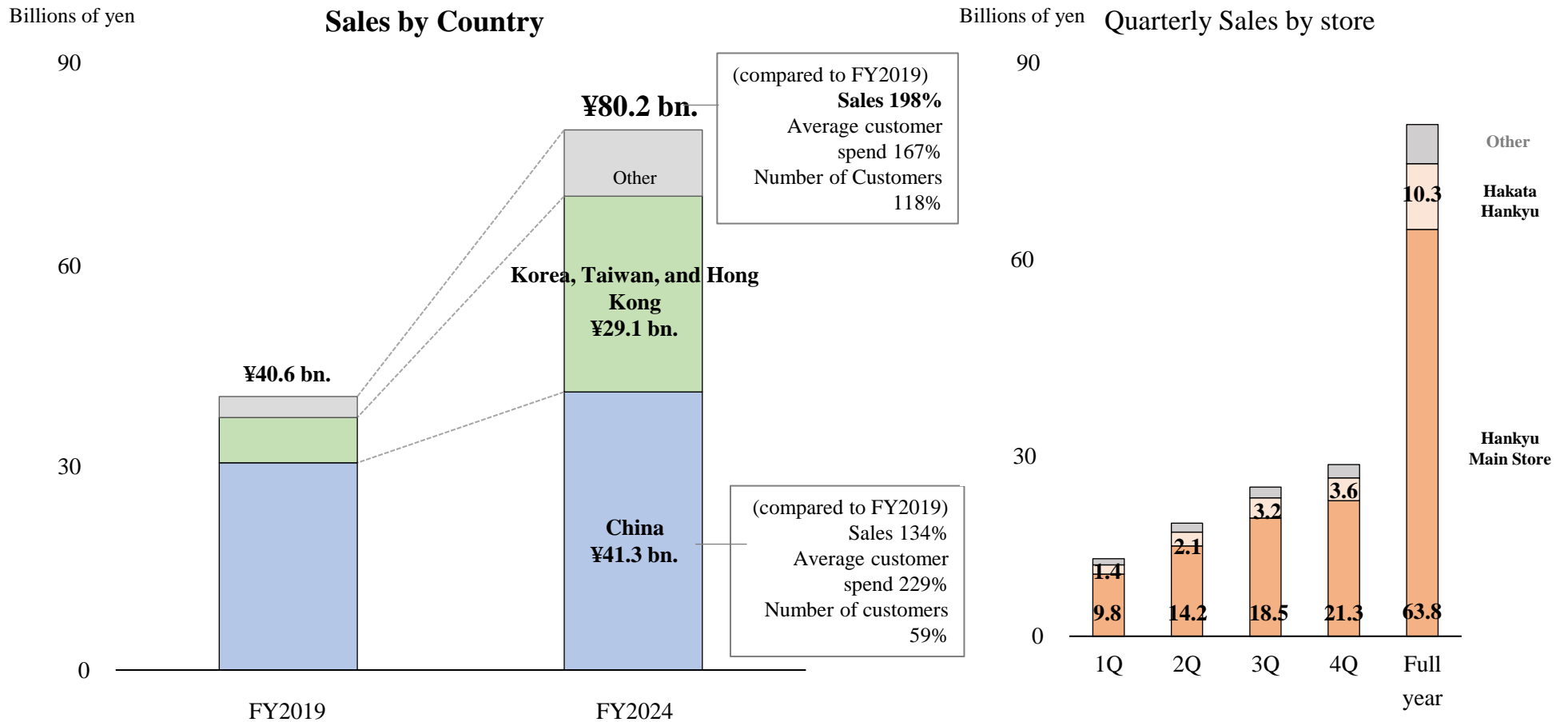
# I-3. Department Store Business-All Store Sales (YoY)

- ▶ FY2024 results: Domestic sales stably exceeded the previous year, and sales at all stores increased by 17% due to significant growth in inbound sales.
- ▶ FY2025 forecast: Domestic sales are expected to be strong, up 4% YoY, and inbound sales are expected to grow 24% YoY, with growth expected in 1H.



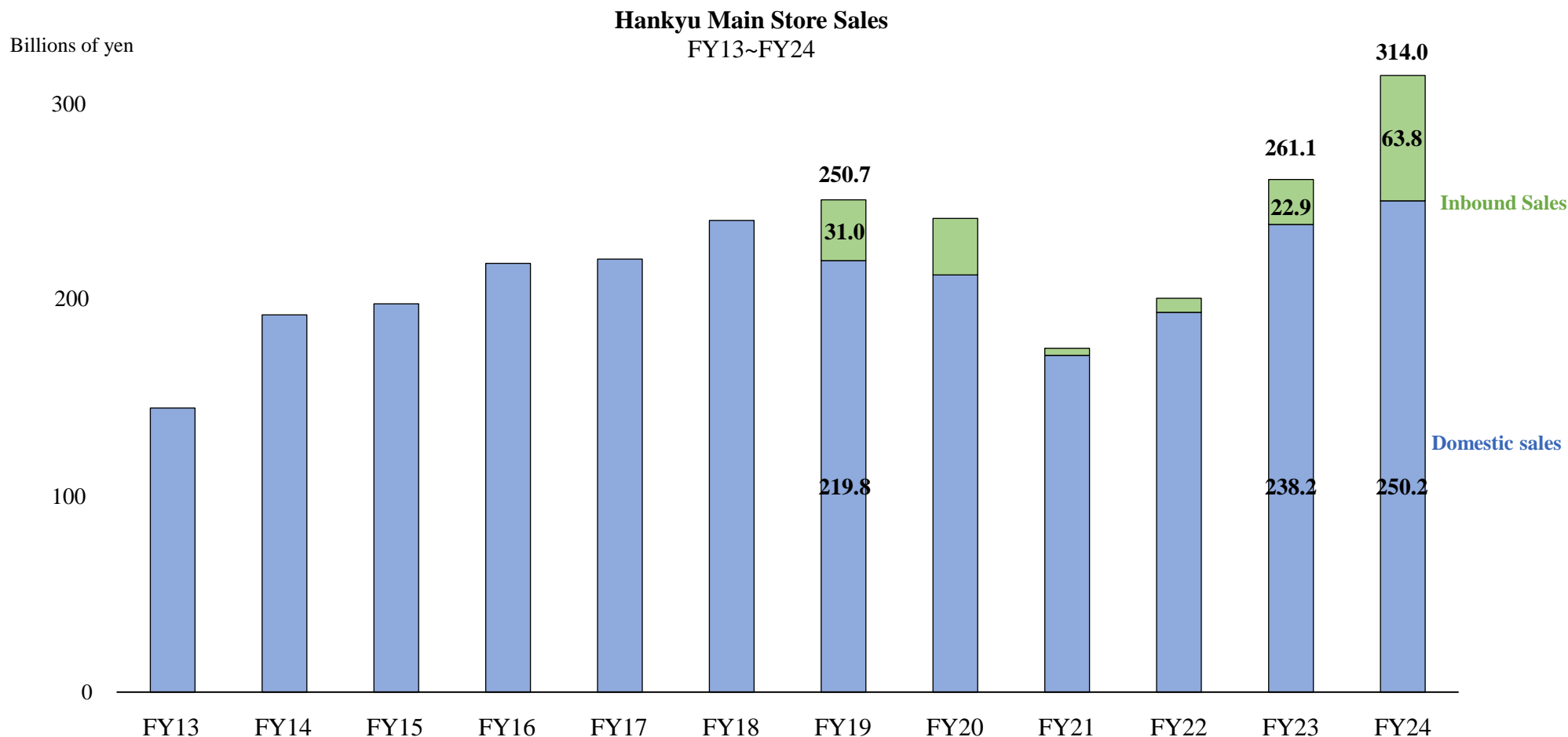
# I-3. Department Store Business-Inbound Sales

- ▶ Average spend per customer rose due to the yen depreciation, and the number of customers recovered month by month. Inbound sales were ¥80 bn., double the record high of FY2019.
- ▶ From Dec. onward, the recovery in China accelerated and daily sales remained at ¥290 million. Sales are expected to reach ¥100 bn. in FY2025.



# I-3. Department Store Business-Hankyu Main Store

- ▶ Hankyu Main Store continues to grow both in domestic and inbound sales as the dominant best store in the region, with sales exceeding ¥300 bn., a record high.
- ▶ Continued to expand ability to attract high-net-worth domestic and overseas customers from wide area, with plans for focused investment to become a "global department store" in the future.



## I-4. Supermarket Business

- ▶ Supermarket sales increased due to higher sales at existing stores than the previous year because of higher sales per customer.  
Izumiya · Hankyu Oasis increased profit significantly due to sales growth and the effect of business reforms.  
Kansai Super Market recorded the highest profit ever due to sales growth and gross profit margin improvement.
- ▶ Segment sales and profit increased. Although struggled due to the launch of a new center and the changes of the membership system in home delivery, supermarkets led the way.

	FY2024				
	Gross sales		Operating profit		
	Amount	YoY	Amount	YoY	Vs. Forecast
(100 millions of yen)					
Izumiya · Hankyu Oasis	2,489 <small>Existing stores 104%</small>	102.6%	56	+23	+6
Kansai Super Market	1,305 <small>Existing stores 103%</small>	102.3%	39	+10	+1
Above 2 Supermarkets	3,794	102.5%	95	+33	+7
Food Manufacturing and home delivery	400	96.8%	▲ 7	▲ 3	

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

## I-5. Shopping Center Business

- ▶ Business hotel operated by Oi Development, maintain high occupancy rates (90%) during the period, and record high in operating profit.
- ▶ Although decreased sales due to store closures at H2O SC Development, increased profit due to strong performance at other SC companies, resulting in a significant increase in segment profit as whole segment.

	FY2024			
	Gross Sales		Operating profit	
	Amount	YoY	Amount	YoY
(100 millions of yen)				
Oi Development	63	151.4%	27	+16
H2O SC Development/ Hankyu SC Development, etc.	402	87.4%	12	+4

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

## I-6. Extraordinary Income and Losses

(100 millions of yen)	Major items	Amount	Major contents
Extraordinary income	Gain on sale of non-current assets	<b>59</b>	Sale of land (former logistic center of Department Store), etc.
Extraordinary losses		<b>115</b>	
	Impairment losses	72	SM / SC stores, etc.
	Loss on retirement of non-current assets	27	H2O Retailing Hankyu Hanshin Department Stores (Kobe Hankyu, Hankyu Main Store, and Takatsuki Hankyu Square)
	Loss on store closings	10	SC stores, etc.
	Office relocation expenses	3	Consolidation of head office divisions (Supermarket Business)
	Loss on liquidation of subsidiaries and associates	2	

## I-7. Capital Investment

- ▶ With the cash created from earnings recovery and asset sales, IT infrastructure development and high-priority growth investments were implemented.  
Fell short of forecast due to revision of investment plan and delay in IT/DX investment.

(100 millions of yen)	Amount	Vs. Forecast	Major contents
Department Store	77	▲ 11	Remodeling of Kobe Hankyu and Takatsuki Hankyu Square Renovation of Hankyu Main Store
Supermarket	66	▲ 16	Renovation and repair of SM stores New Center of Hankyu Kitchen Yale Kansai Inc.
Shopping Center	20	▲ 2	Renovation of SC stores (H2O SC Development)
Other	156	▲ 2	Group-wide IT/DX investment Office construction (consolidation of head office divisions)
IT/DX investment	136	—	Software renewal of merchandise (Supermarket) POS restructuring and cloud infrastructure building (Department Store)
<b>Total</b>	<b>318</b>	<b>▲ 31</b>	Delay in investment and differences from forecasts due to scrutiny of investment details

\* After adjustment



## II-1. FY2025 Forecast

- ▶ Operating profit is expected to reach a record high FY2025 as well, as the increase in profit from Department Store and Supermarket businesses will offset the negative factors such as an increase in amortization of goodwill associated with the consolidation of Ningbo Hankyu, the effect of closure department store renovation, and the absence of the Hanshin Tigers victory sale.
- ▶ Profit is also expected to reach the highest level.  
Extraordinary income is expected to increase due to the sale of ¥14.2 bn. of Toho shares and the gain on goodwill of Ningbo Hankyu and profit increased due to making Kansai Food Market a wholly owned subsidiary (noncontrolling shareholders' profit of approximately ¥1.5 bn. in FY2025).
- ▶ Plan to increase dividend to ¥40 per share from ¥28 per share in the previous fiscal year.

	1H			2H			FY2025		
	Forecast	FY2024	YoY	Forecast	FY2024	YoY	Forecast	FY2024	YoY
(100 millions of yen)									
Gross sales	5,555	5,052	110.0%	6,070	5,687	106.7%	11,625	10,739	108.3%
Net sales	3,390	3,185	106.4%	3,610	3,389	106.5%	7,000	6,574	106.5%
Operating profit	106	99	+7	159	163	▲4	265	262	+3
Ordinary profit	103	107	▲4	162	172	▲10	265	279	▲14
Extraordinary income	249	10		0	49		249	59	
Extraordinary losses	17	12		58	103		75	115	
Profit attributable to owners of parent	214	63	+151	46	156	▲110	260	219	+41

## II-1. FY2025 Forecast

- ▶ Sales increased in all segments.  
Department Store business expects steady domestic sales and inbound growth. Supermarket Business plans sales increase in both supermarket companies.
- ▶ Operating profit is expected to increase significantly in Department Store and Supermarket Businesses. Operating profit in Department stores, Supermarket, and Shopping Center Businesses will be reduced compared to the previous standard due to the change in accounting for intra-group consulting fees as operating expenses from FY2025.

	Gross sales		Operating profit		(Reference) Operating profit (FY2024)		
	Forecast	YoY	Forecast	YoY (Compare replaced by new standard*)	(Replaced by new standard)		(Former standard)
(100 millions of yen)							
Department Store	6,142	106.4%	223	+27	196	▲ <sup>20</sup>	216
Supermarket	4,449	104.5%	98	+27	71	▲ <sup>8</sup>	79
Shopping Center	380	118.4%	33	+1	32	▲ <sup>4</sup>	37
Other	655	167.6%	▲ 3	▲ 3	▲ 0		▲ 0
Consolidation adjustment			▲ 86	▲ 49	▲ 37	+ <sup>32</sup>	▲ 70
Total	11,625	108.3%	265	+3	262		262

\*From FY2025, the Company reviewed the accounting for consulting fees paid from subsidiaries.

Year-on-year comparison of operating profit forecasts is based on figures in which the previous year's results have been replaced by the FY2025 standard.

## II-2. FY2025 Forecast - Capital Investment

- ▶ Implementing high priority investments in accordance with the Mid-term Management Plan in a prioritized order with an attention to speed of cash-in and efficiency.
- ▶ Implementing investment for future growth of newly consolidated Ningbo Hankyu plans, promoting investment to strengthen Supermarket Business.

(100 millions of yen)	Amount	YoY	Major contents
Department Store	53	▲24	Renovation of Hankyu Main Store, Investment in renewable energy, etc.
Supermarket	85	+19	Hankyu Oasis new stores opened Renovations and maintenance
Shopping Center	23	+3	H2O SC store maintenance and tenant-replacement Oi Development (partial renovation of business hotels)
Other	163	+7	
IT / DX	101	▲35	IT / DX Investment
Ningbo Hankyu	51	+51	Remodel to strengthen high-net-worth customer business to establish the best store in the region
<b>Total</b>	<b>324</b>	<b>+6</b>	



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