

2Q of FY2022 Presentation Materials



H2O RETAILING CORPORATION

I . Consolidated Financial Results

II . Forecast of FY2022

III . Topics of Mid-term management plan

- 1 . Consolidated Financial Results
- 2 . Results by segment
- 3 . Department store business
- 4 . Supermarket business
- 5 . Extraordinary income and losses

I – 1 . Consolidated Financial Results

- ▶ Sales fell short of forecast due to COVID-19 expansion, such as the declaration of state of emergency and cluster outbreaks at both main department stores, whereas OP was in line with expectations
- ▶ Significant growth in profit due to gains on sales of non-current assets and investment securities

(billions of yen)	Amount	Amount		YOY	Versus forecast
		1 Q	2 Q		
Gross sales	344.1	161.2	182.9	2.5% +8.5	(0.3)% (0.9)
Operating profit	(5.1)	(2.0) <small>Incl. loss related to Covid-19</small>	(3.1)	(0.7)	+0.1
Ordinary Profit	(4.2)	(0.9) <small>(5.8)</small>	(3.2)	+0.2	+1.1
Extraordinary income	19.9	15.5	4.3		
Extraordinary losses	4.8	4.2	0.6		
Profit	8.1	6.3	1.8	+18.2	+5.0

I – 2 . Results by segment

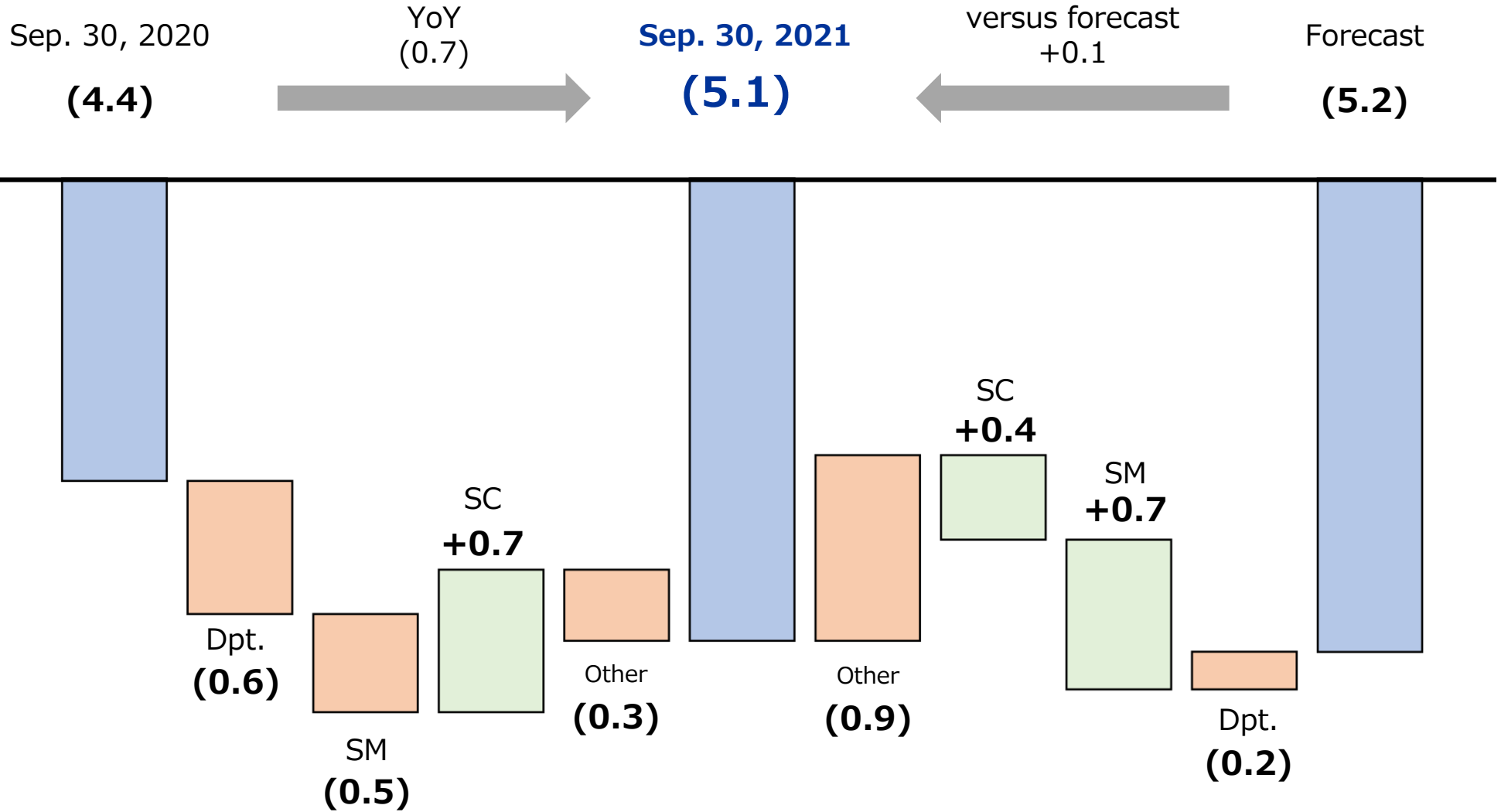
- ▶ Supermarket : outperformed forecast due to continued demand for eating at home
- ▶ Shopping center : profit increased due to H2O SC Development and Oi Development [improved operation ratio and cost reduction]

* Segmentation has been changed [results for the previous year have been reclassified]

(billions of yen)	Sales			OP		
	Amount	YoY	versus forecast	Amount	YoY	versus forecast
Department store	154.3	11.7%	(2.3)%	(4.1)	(0.6)	(0.2)
Supermarket	149.2	1.1%	2.2%	+2.4	(0.5)	+0.7
Shopping center	24.6	(27.9)%	2.3%	(0.0)	+0.7	+0.4
Other	16.0	1.4%	(6.0)%	(2.3)	(1.6)	(1.3)
Consolidation adjustment				(1.1)	+1.3	+0.5
Consolidated	344.1	2.5%	(0.3)%	(5.1)	(0.7)	+0.1

I – 2. Results by segment

(billions of yen)



I – 3 . Department store business

- ▶ Sales increased and OP decreased due to the increased costs in reaction to the previous year's operating restriction
- ▶ Sales decreased in 2Q due to COVID-19 expansion
[the declaration of state of emergency, partial closure due to cluster outbreak and restricted entry to food floors]
- ▶ Increased in SG&A due to reduction in rent exemption and increase in advertising and sales commissions associated with reopening of business

* Amount reclassified to extraordinary loss : ¥3.6bn. [YoY ¥(0.5)bn.]

Hankyu Hanshin Department Stores, Inc.

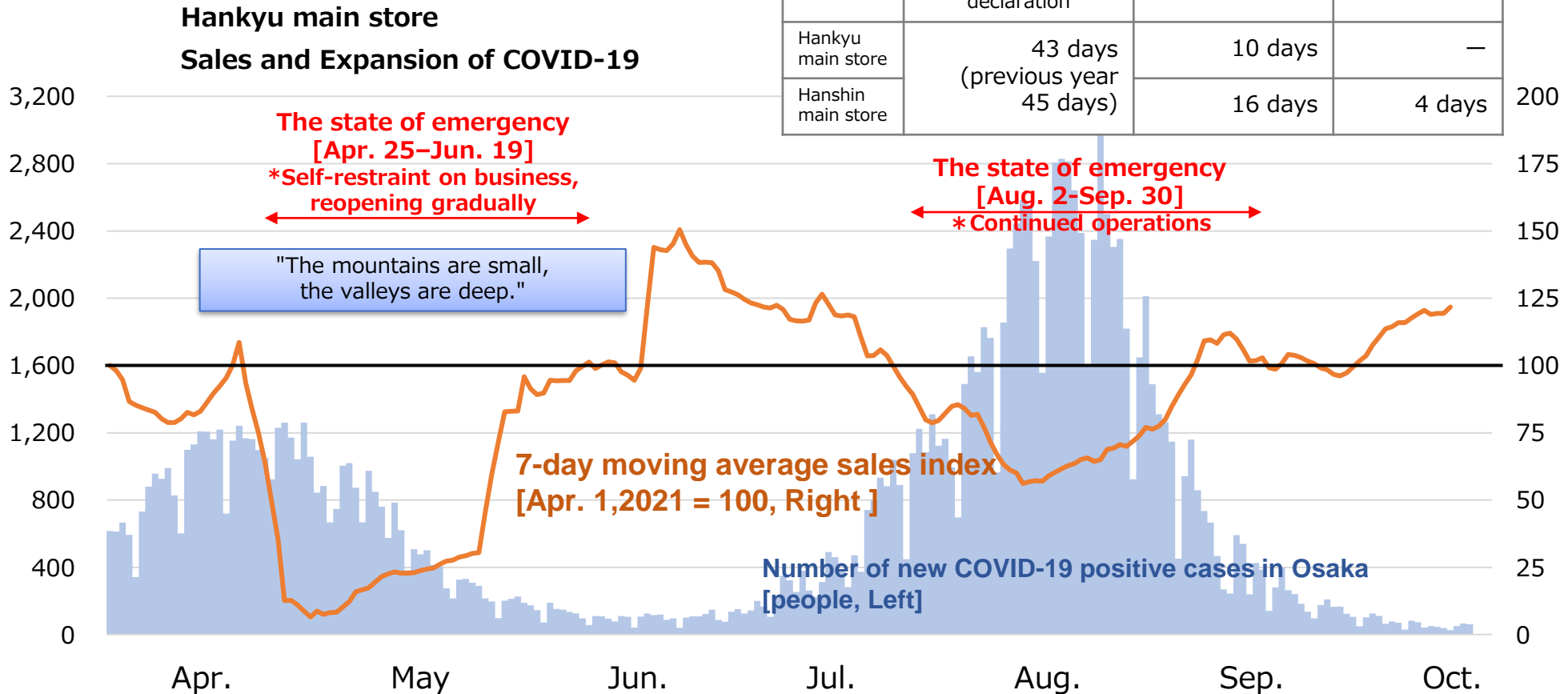
(billions of yen)	Amount	Inc./ Dec.			YoY	versus forecast
			1 Q	2 Q		
Gross Sales	153.2	+16.1	+18.2	(2.1)	11.7%	(2.4)%
Gross Profit	34.5	+3.3	+4.0	(0.7)	10.6%	Increase regardless of business conditions reduction in rent exemption +1.3
Gross profit / Gross Sales	22.56%	(0.24)%	(0.29)%	(0.23)%	–	
Other operating revenue	1.5	+0.1	+0.2	(0.0)	10.8%	Increase due to reopening of business Personnel expenses +0.9 Advertising +0.7 Sales commissions +0.3
SG & A	40.1	+4.2	+3.1	(1.1)	11.6%	
Operating profit	(4.1)	(0.7)	+1.0	(1.8)	–	(0.3)

I – 3 . Department store business

- ▶ The emergency declaration with the 4th wave of COVID-19 outbreak (Apr.-May.) led to store operation restriction. Sales decreased due to deterioration of customer's buying motivation due to the 5th wave (Jul.-Sep.) and partial closure due to cluster outbreak.
- ▶ Recovery trend with decrease of the number of infected people. The emergency declaration was lifted at the end of September.

Hankyu and Hanshin main stores : Store closing days [fully or partial]

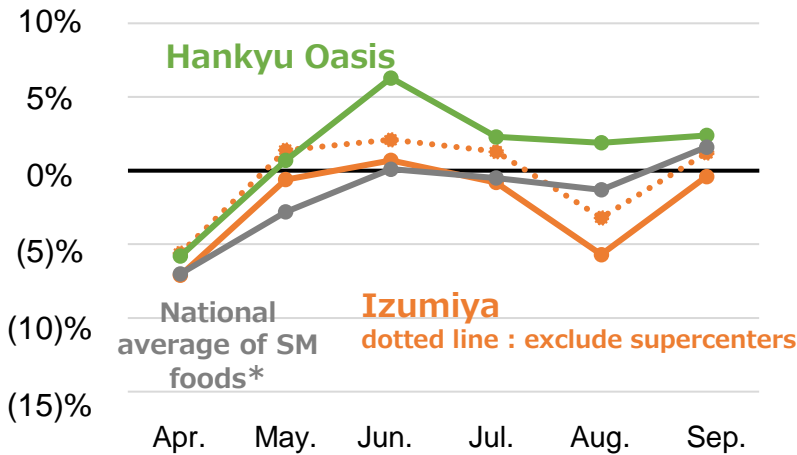
	Emergency declaration	Cluster outbreak	Rebuilding
Hankyu main store	43 days (previous year 45 days)	10 days	—
Hanshin main store		16 days	4 days



I – 4 . Supermarket business

- ▶ Supermarket : Sales increased and profit decreased
 - Hankyu Oasis : Sales and profit increased due to strong sales at existing stores absorbed the increase in SG&A expenses.
 - Izumiya : Sales and profit exceed expectation due to strong sales at SM in spite of struggles at Supercenters undergoing SC conversion and increased advertising expenses associated with resumption of flyers
- ▶ Food manufacturing : Profits recovered on the back of demand for prepared meal at supermarkets in spite of sluggish sales recovery at specialty store business

Existing store sales



* National Supermarket Association of Japan, food, existing stores

	Sales		OP		
	(billions of yen)	YoY		YoY	Versus forecast
SM	143.3	0.7%	2.6	(0.6)	+2.0
Food manufacturing	16.9	(0.6)%	(0.3)	+0.4	(0.0)

I – 5 . Extraordinary income and losses

- ▶ Recorded gains on sales of non-current assets and investment securities as an initiative to improve asset efficiency in the mid-term plan
- ▶ Loss related to COVID-19 of ¥3.9bn., including rent and personnel expenses during the store closure period
 - Subsidy income of ¥2.3bn., including employment adjustment subsidies and cooperative payments for store closure

		Amount	Main contents	
Extraordinary income	Gain on sale of non-current assets	¥11.1bn.	Nakatsu, Osaka Oyodo, Osaka	¥4.7bn. ¥3.9bn.
	Gain on sale of investment securities	¥6.5bn.	Policy holding shares	
	Subsidy income	¥2.3bn. [YoY (0.1)]	employment adjustment subsidies cooperative payments for store closure	¥1.4bn. ¥0.9bn.
Extraordinary losses	Loss related to COVID-19	¥3.9bn. [YoY (1.1)]	Hankyu Hanshin Dept.	¥3.6bn.

▶ Existing businesses

- The full-year forecast remains unchanged because OP has been in line with expectations through 2Q
 - Sales are likely to continue to be affected by the spread of COVID-19.

▶ Management integration with Kansai Supermarket

- Impact on financial results yet to be determined

⇒ The full-year forecast remains unchanged

Earnings forecast will be disclosed when the impact of the integration with Kansai Supermarket becomes clear.

III. Topics of Mid-term management plan

1. Pre-opening of Hanshin Umeda main store
2. Management integration with Kansai Supermarket
3. Head office relocation
4. Sustainability Management

III – 1 . Pre-opening of Hanshin Umeda main store

▶ Pre-opening on Oct. 8,2021

- Store concept “Store that makes your daily life happy”
 - In food, proposals for every scene, including eating out and eating in
 - In non-food products, experience value across product categories based on lifestyles and preferences
- Grand opening planned for spring 2022 with expansion of underground food sales area

	Before rebuilding	Oct. 10,2021 Pre-opening	Spring, 2022 Grand opening
Sales area	53,000m ²	47,000m ²	53,000m ²
Food related area [versus before rebuilding]	13,000m ²	16,000m ² [23%]	18,000m ² [38%]



▶ Sales target

- FY2022 sales: ¥73 bn. (of which 58% from food sales)

III – 1 . Pre-opening of Hanshin Umeda main store

▶ Maximize the strong point “Hanshin Boasting Food”

- Expansion of food-related floors to four floors
- “Food Festival Terrace” on the first floor
A space for experiencing food that symbolizes the concept
- “Hanshin Shokuhin-kan” on the first basement floor
*Opening scheduled in spring 2022
overwhelming selection of products and expertise



Food Festival Terrace

▶ Create fan community

● Build relationship between “Navigator” and customers

Communicate ideas to enrich customer’s daily lives with one’s own unique sensibility through our stores and SNS



Navigator’s event

▶ Provide new experience value through OMO

- Set up a total of 50 experience spaces of three types
- Use of digital tools such as LINE mini-applications

⇒ Combine the real and digital worlds to create a new Hanshin identity in addition to the presenting strong points



Community studio

Oct. 29, 2021 Approval of business integration at the extraordinary general meeting of shareholders of Kansai Supermarket

Dec. 1, 2021 Management integration with Kansai Supermarket

Feb. 1, 2022 Transition to holding company + 3 SM companies

▶ Aims of the Integration

- Make Food business as second core

We expect OP of ¥9.4 bn. in FY2024 based on the simple aggregate plan of the three companies

⇒ Earlier achievement of OP of 10 billion yen or more in FY2031, stated in the long-term business plan

▶ Main synergies expected

- Short- to medium-term: Joint sales promotion, joint purchasing, sharing of store development and management know-how

- Medium- to long-term: Increased logistics efficiency, improved customer service across the Group

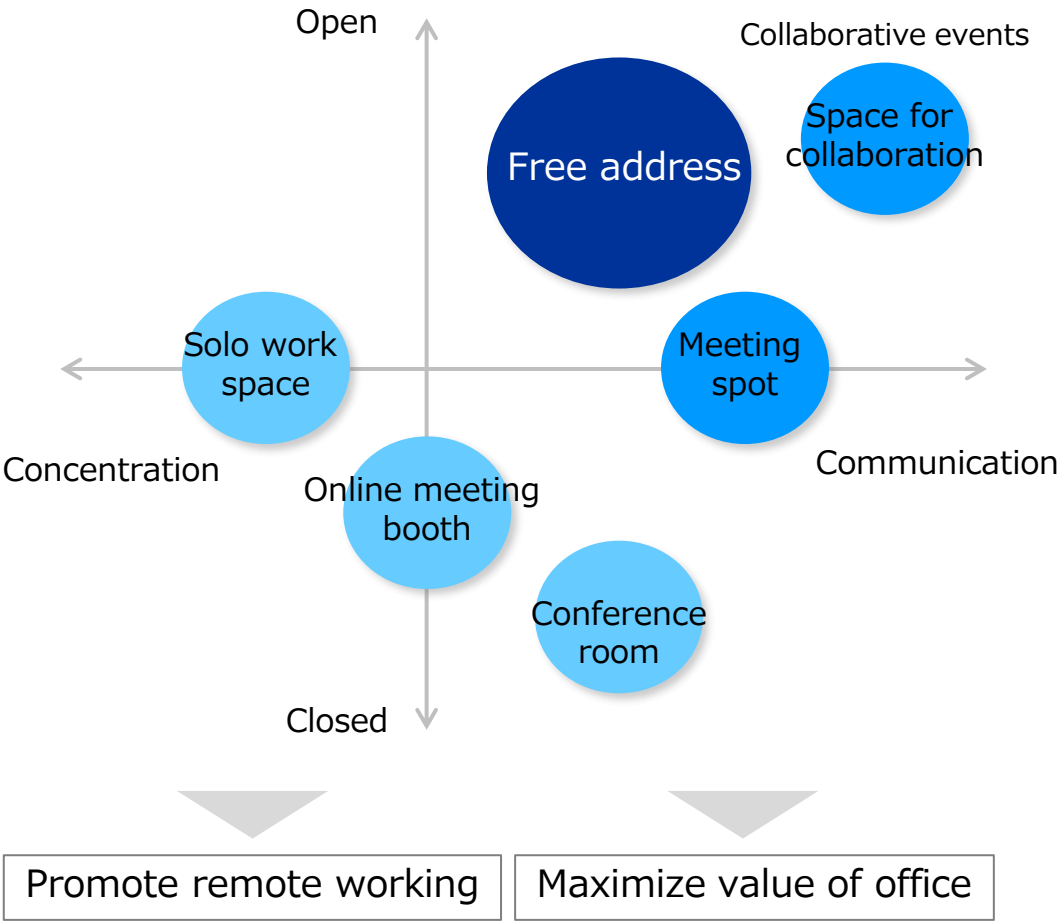
⇒ Maximize the effects of the Kansai area's top-class food supermarket alliance

▶ Impact on consolidated business results

- Full-year forecasts will be disclosed as soon as the impact on business performance becomes clear.

III – 3 . Head office relocation

► Late August 2022, relocate headquarters offices of H2O Retailing and Hankyu Hanshin Department Store to the 14th floor of Osaka Umeda Twin Towers South.



- Transformation to an self-motivated and flexible work style through ABW
ABW = Activity Based Working
Choice of the best environment for each work style

- Create new value through collaboration
 - Collaboration areas and multiple meeting spots
 - Mechanisms for co-creation across departments, groups, and companies

- Support various work styles
 - Online meeting booths and solo workspaces that

- ➔ Reduce office space by 40%
 - 60% or less attendance rate and a paperless office system
(Consolidate offices in the Umeda area, and plan to sell the current head office building)

- *Thorough use of laptops and smart phones
- *Review of the work environment
- *Elimination of landline phones
- *Introduction of attendance management tools, etc.

► Commitment for sustainability management

- Set the sustainability management policy and materiality based on the Group vision
⇒ Aim to be the No. 1 mindshare company by contributing to the local community



▶ Strengthen stakeholder communication

- Published integrated report in November 2021

Information on the Group's business and sustainability initiatives such as value creation process, KPIs and initiatives for materiality, etc.

- Plan to hold a briefing session for investors on the Integrated Report in early December.

⇒ Deepen our sustainability management through disclosure and communication



*English version to be published in early 2022

<KPIs>

Target for GHG reduction

*major 14 companies

FY2031

FY2051

Versus FY2020
(30)%

>>

Net Zero

*48% reduction
versus FY2014

Food recycle rate

*major 3 companies

FY2024

FY2031

60%

>>

70%



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