

(Translation)

This document has been translated from the Annual Securities Report fiscal year ended Mar. 31, 2026, pursuant to the Financial Instruments and Exchange Act of Japan.

However, the English translation of the report has not been audited by the Accounting Auditor, the original shall prevail.

Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

Fiscal Year	From Apr. 1, 2025
(107th fiscal year)	to Mar. 31, 2026

This document prints out the securities report based on Article 24, paragraph (1) of the Financial Instruments and Exchange Act using the electronic information processing system (EDINET) for disclosure as stipulated in Article 27-30-2 of the same law, with the contents and pages attached to the submitted data.

H2O RETAILING CORPORATION

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Cover page

Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	Jun. 23, 2026
Fiscal year	The 107th fiscal year (From Apr. 1, 2025, to Mar. 31, 2026)
Company name	エイチ・ツー・オー リテイリング 株式会社
Company name in English	H2O RETAILING CORPORATION
Job title and name of representative	ARAKI Naoya, President and Representative Director
Address of registered headquarters	8-7, Kakuda-cho, Kita-ku, Osaka
Telephone number	+81-6-6365-8120 (from overseas)
Name of contact person	YOSHIMATSU Hiroyuki, Executive officer
Nearest place of contact	Osaka Umeda Twin Towers South 14th Floor, 1-13-1 Umeda, Kita-ku, Osaka
Telephone number	+81-6-6365-8120 (from overseas)
Name of contact person	YOSHIMATSU Hiroyuki, Executive officer
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Company Information

I. Overview of the Company

1 Summary of Business Results

(1) Business Results of the Group

Term		103rd fiscal year	104th fiscal year	105th fiscal year	106th fiscal year	107th fiscal year
Fiscal year-end		Mar. 2022	Mar. 2023	Mar. 2024	Mar. 2025	Mar. 2026
Net sales	(Millions of JPY)	518,447	628,089	657,400	681,759	680,215
Ordinary profit	(Millions of JPY)	2,346	13,004	27,875	35,909	34,508
Profit attributable to owners of parent	(Millions of JPY)	9,872	16,382	21,905	34,842	29,950
Comprehensive income	(Millions of JPY)	9,235	25,778	26,352	41,555	32,053
Net Asset	(Millions of JPY)	260,938	272,814	294,026	313,420	325,440
Total Assets	(Millions of JPY)	654,558	686,423	710,089	730,499	714,709
Book value per share	(JPY)	1,922.25	2,137.87	2,331.48	2,448.54	2,695.07
Earnings per share	(JPY)	79.84	135.85	189.82	295.51	254.39
Diluted earnings per share	(JPY)	79.26	134.81	188.05	289.19	252.09
Equity ratio	(%)	36.2	36.2	37.8	41.0	43.4
Return on equity (ROE)	(%)	4.2	6.7	8.5	12.3	9.8
Price earnings ratio (PER)	(times)	10.6	11.0	10.2	7.7	9.4
Cash flow from operating activities	(Millions of JPY)	6,465	30,295	49,332	46,268	48,333
Cash flow from investing activities	(Millions of JPY)	△5,203	5,782	△17,752	△13,304	△4,724
Cash flow from financing activities	(Millions of JPY)	△28,578	△12,549	△22,531	△44,990	△41,444
Cash and cash equivalents at the end of period	(Millions of JPY)	33,174	57,020	66,373	54,940	57,812
Number of employees (Separately, average number of temporary employees)	(Persons)	9,856 (16,891)	9,485 (15,247)	8,196 (17,125)	8,003 (15,906)	7,775 (16,347)

(NOTE)

1. Compared with the 104th fiscal year, the number of employees decreased by 1,289 and the number of temporary employees increased by 1,878 for the 105th fiscal year. These are mainly due to revision to the calculation method of employees and temporary employees.
2. The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, Oct. 28, 2022; hereinafter referred to as the “2022 Revised Accounting Standard”), etc. from the beginning of the 106th fiscal year. Key management indicators, etc. for the 105th fiscal year are presented after retroactively applying these accounting standards, etc. With respect to the 2022 Revised Accounting Standard, the Company has applied the transitional treatment prescribed in the proviso of paragraph 20-3. In addition, with respect to the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, Oct. 28, 2022), the Company has applied the transitional treatment prescribed in the proviso of paragraph 65-2 (2). As a result, key management indicators, etc. for the 106th fiscal year and subsequent fiscal years are presented after applying these accounting standards, etc.

(2) Business Results of the Reporting Company

Term		103rd fiscal year	104th fiscal year	105th fiscal year	106th fiscal year	107th fiscal year
Fiscal year ended		Mar. 2022	Mar. 2023	Mar. 2024	Mar. 2025	Mar. 2026
Operating revenue	(Millions of JPY)	12,288	13,221	17,751	23,535	29,492
Ordinary profit (loss) (△)	(Millions of JPY)	△2,039	△1,761	851	1,749	7,665
Profit (loss) attributable to owners of parent (△)	(Millions of JPY)	11,585	7,786	△6,052	11,419	23,397
Share capital	(Millions of JPY)	17,796	17,796	17,796	17,796	17,796
Total number of issued shares	(Thousands of shares)	125,201	125,201	125,201	125,201	125,201
Net Asset	(Millions of JPY)	199,222	202,220	191,996	222,229	224,600
Total Assets	(Millions of JPY)	443,437	470,738	457,811	502,306	495,607
Net asset per share	(JPY)	1,607.42	1,727.15	1,654.40	1,806.33	1,940.39
Dividends per share (Interim dividend per share)	(JPY)	25.00 (12.50)	25.00 (12.50)	28.00 (12.50)	42.00 (20.00)	46.00 (22.00)
Earnings (loss) per share	(JPY)	93.69	64.57	△52.45	96.85	198.72
Diluted earnings (loss) per share	(JPY)	93.01	64.08	-	94.78	196.93
Equity ratio	(%)	44.7	42.7	41.6	44.0	45.0
Return on equity (ROE)	(%)	5.9	3.9	△3.1	5.6	10.5
Price earnings ratio (PER)	(Times)	9.0	23.1	-	23.3	12.0
Dividend payout ratio	(%)	26.7	38.7	-	43.4	23.1
Number of employees [Separately, average number of temporary employees]	(Persons)	125 (24)	134 (27)	170 (30)	212 (33)	210 (31)
Total shareholder return [Benchmark index: TOPIX including dividends]	(%) (%)	95.2 (102.0)	168.0 (107.9)	220.9 (152.5)	259.9 (150.2)	278.5 (202.2)
Highest share price	(JPY)	1,020	1,579	2,011	2,760	2,529
Lowest share price	(JPY)	768	828	1,438	1,738	1,752

(NOTE)

1. Diluted earnings (loss) per share for the 105th fiscal years are not disclosed because they are loss per share although there are dilutive shares.
2. For the 105th fiscal year, the price earnings ratio (PER) is not presented in this report because a loss attributable to the owner of parent was recorded.
3. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange before Apr. 3, 2022, and those on Prime Market of the Tokyo Stock Exchange after Apr. 4, 2022.

2 Company History

- Apr. 1929 Hankyu Department Store, the department division of Hanshin Kyuko Railway Co., Ltd. (currently Hankyu Hanshin Holdings, Inc.) opened in Umeda, Osaka
- Apr. 1936 Opened Kobe Branch (Sannomiya Hankyu)
- Nov. 1939 Established Ueda Narazuke Manufacturing Co., Ltd. (Hankyu Foods Industry Co., Ltd. (subsidiary))
- Mar. 1947 Department division of Keihanshin Kyuko Railway Co., Ltd (currently Hankyu Hanshin Holdings, Inc.) became independent through spin-off and Hankyu Department Stores, Inc. was established
- Apr. 1947 Hankyu Department Stores, Inc. was listed on the First Section of the Osaka Securities Exchange
- May 1949 Hankyu Department Stores, Inc. listed on the First Section of the Osaka Securities Exchange.
- Aug. 1952 Hankyu Bussan Co., Ltd. and Hankyu Kyoei Pharmaceuticals Co., Ltd. merged into Hankyu Kyoei Bussan Co., Ltd. (subsidiary)
- Nov. 1953 Opened Tokyo Oi Store (Oi Hankyu)
- Oct. 1960 Established Hankyu Oasis Co., Ltd. (subsidiary)
- Sep. 1962 Hankyu Department Stores, Inc. was listed on the First Section of the Tokyo Stock Exchange
- Mar. 1970 Opened Senri Hankyu
- Oct. 1984 Opened Yurakucho Hankyu
- Apr. 1989 Opened Kawanishi Hankyu
- Oct. 1992 Established H-D Development Co., Ltd. (now Hankyu Commercial Development Co., Ltd. (subsidiary))
- Apr. 1993 Opened Takarazuka Hankyu
- Jan. 1995 Closed Sannomiya Hankyu (due to Great Hanshin-Awaji Earthquake)
- Mar. 2000 Opened Tsuzuki Hankyu
- Oct. 2002 Converted Hankyu Kyoei Bussan Co., Ltd. into a wholly owned subsidiary through share exchange
- Jan. 2003 Hankyu Kyoei Bussan Co., Ltd. incorporated five subsidiaries, including Hankyu Family Store Co., Ltd., through an incorporation-type company split
- Mar. 2003 Merged Hankyu Kyoei Bussan Co., Ltd.
- Mar. 2004 Converted Hankyu Foods Industry Co., Ltd. into a wholly owned subsidiary through share exchange
- Jun. 2006 Hankyu Foods Industry Co., Ltd. transferred operations to three subsidiaries including Hankyu Foods, Inc. through a company split
- Jul. 2006 Converted Nissho Co., Ltd. (Hankyu Nissho Store Co., Ltd.) into a subsidiary through acquisition of shares
- Sep. 2006 Established Hanshoku Co., Ltd. (subsidiary)
- Oct. 2007 Had management integration with Hanshin Department Store, Ltd., through share exchange and converting it into a subsidiary
Changed its name to H2O Retailing Corporation and shifted to a holding company structure
Newly established Hankyu Department Stores, Inc. (subsidiary) through a company split
Established Oi Development Co., Ltd. (subsidiary)
- Feb. 2008 Opened Hankyu Department Store Men's (currently Hankyu Men's Osaka)
- Mar. 2008 Closed Oi Hankyu Food Hall (due to the Redevelopment project for the area around the JR Oimachi Station)
Merged Hankyu Foods Industry Co., Ltd.
- Oct. 2008 Hankyu Department Stores, Inc. and Hanshin Department Store, Ltd. merged and changed the trade name to Hankyu Hanshin Department Stores, Inc.
Hanshoku Co., Ltd., Hankyu Oasis Co., Ltd., Hankyu Nissho Store Co., Ltd., Hankyu Family Store Co., Ltd., and Hankyu Fresh Yell Co., Ltd. merged
- Nov. 2008 Opened Nishinomiya Hankyu
- Oct. 2009 Opened Amagasaki Hanshin
- Mar. 2011 Opened Hakata Hankyu
- Mar. 2011 Opened Hankyu Oimachi Garden (first phase) (Ours Inn Hankyu opened, Hankyu Department Store Oi Food Hall opened)
- Sep. 2011 Converted KAZOKUTEI CO., LTD. into a subsidiary through acquisition of shares
- Oct. 2011 Opened Hankyu Men's Tokyo (by full renovation of Yurakucho Hankyu)
- Nov. 2012 Hankyu Umeda Main Store completed reconstruction and underwent grand opening
Closed Hankyu Ings with the relocation of sporting goods and baby and children's clothing floors to Hankyu Umeda Main Store
- Mar. 2014 Hankyu Oimachi Garden had grand opening (Ours Inn Hankyu Twin Hall opened)
- Jun. 2014 Had a management integration with Izumiya, Co., Ltd. through share exchange, converting it into a subsidiary
- Apr. 2016 Established H2O Foods Group Co., Ltd. (subsidiary)
- Jul. 2016 Former Izumiya Co., Ltd. transferred operations to new Izumiya Co., Ltd. (subsidiary) and changed the trade name to H2O Asset Management Co., Ltd.
- Oct. 2017 Purchased businesses of Sogo Kobe and Seibu Takatsuki stores from Sogo & Seibu Co., Ltd.

Aug. 2019 Succession of asnas Business from Eki Retail Service Hankyu Hanshin Co., Ltd.
 Oct. 2019 Sogo Kobe renamed to Kobe Hankyu, Seibu Takatsuki renamed to Takatsuki Hankyu
 Dec. 2019 Opened Hankyu Rakuhoku Square
 Feb. 2020 Transferred all shares of KAZOKUTEI CO., LTD. and Sun Laurie Co., Ltd. through share exchange
 Apr. 2020 Izumiya Co., Ltd. succeeded to the commercial facility operation business and the apparel and home products sales business to H2O Shopping Center Development Co., Ltd.
 Dec. 2021 Acquired KANSAI SUPER MARKET LTD. (currently KANSAI FOOD MARKET LTD..) as a subsidiary through a share exchange and integrated management
 Apr. 2022 Transitioned from the First Section of the Tokyo Stock Exchange to the Prime Market due to a review of the market classification of the Tokyo Stock Exchange
 Hanshin Umeda Main Store completed reconstruction and underwent grand opening
 Apr. 2023 Hankyu Oasis Co., Ltd. and Izumiya Co., Ltd. merged and changed the trade name to Izumiya ・ Hankyu Oasis Co., Ltd.
 May 2024 Ningbo Development Co., Ltd. and Ningbo Hankyu Co., Ltd. became subsidiaries through the acquisition of shares
 Jul. 2024 Made KANSAI FOOD MARKET LTD. (currently JUSO FOOD MARKET LTD.) a wholly owned subsidiary through the simple share exchanges

3 Description of Business

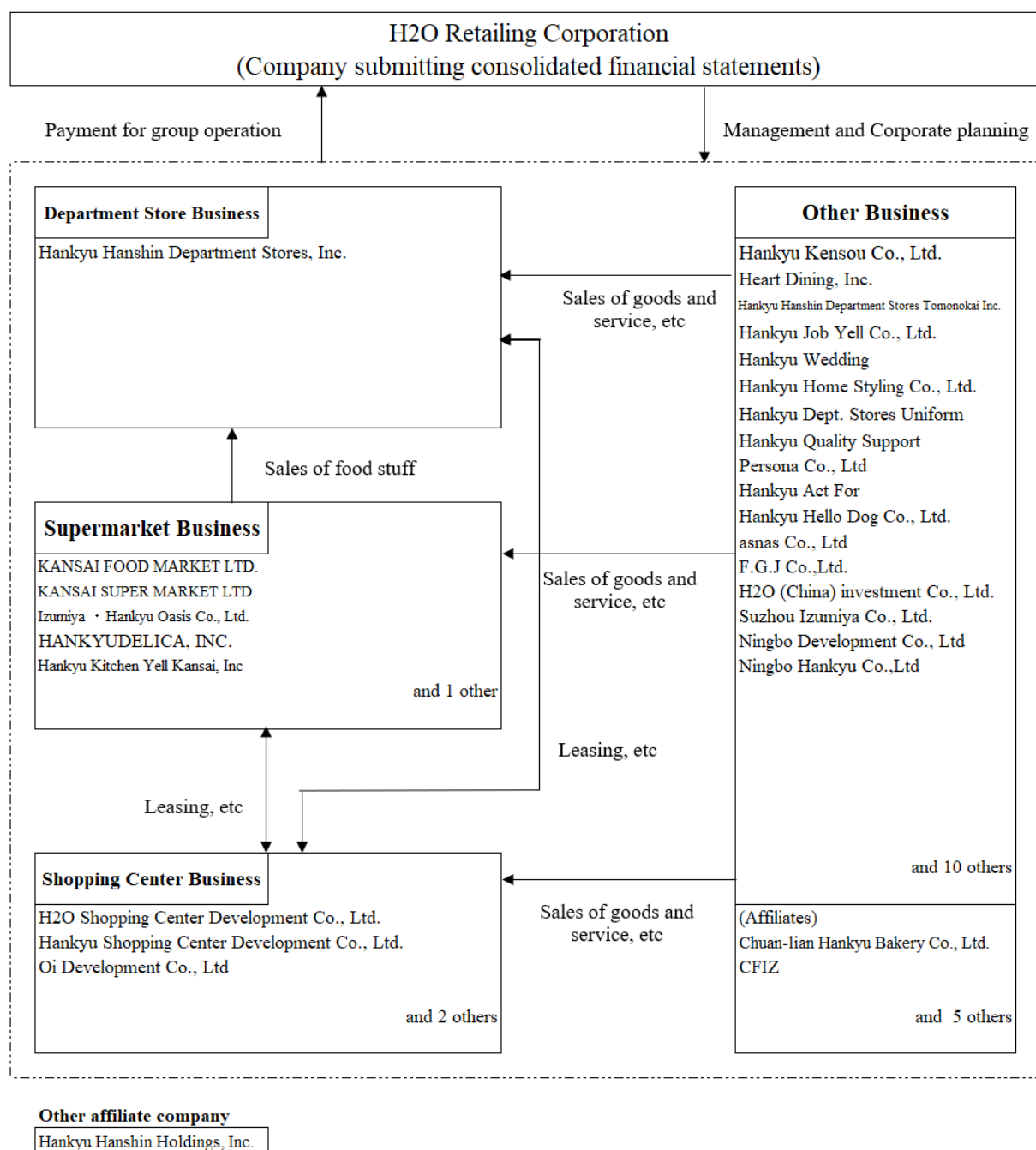
The corporate Group, of which the Company is the holding company, consists of 39 subsidiaries and 7 affiliated companies that engage in business activities including the Department Store Business, Supermarket Business, Shopping Center Business and Other Businesses.

The position of the businesses of the Group and their relation to the segments are as follows. The categories shown below are the same categories as the segments.

The Company is a specified listed company. As a result of falling under the category of specified listed company, the criteria for insignificant material events under the insider trading regulations will be determined based on consolidated figures.

Department Store Business	The subsidiary Hankyu Hanshin Department Stores, Inc. is engaged in department stores.
Supermarket Business	The subsidiary Izumiya • Hankyu Oasis Co., Ltd. is engaged in supermarkets and acts as a food procurement agency for Hankyu Hanshin Department Stores, Inc. and others. The subsidiaries KANSAI SUPER MARKET LTD. are engaged in supermarkets. The subsidiaries HANKYUDELICA, INC. produce and process food, and sell it to the subsidiaries Izumiya • Hankyu Oasis Co., Ltd., KANSAI SUPER MARKET LTD. and Hankyu Hanshin Department Stores, Inc. The subsidiary Hankyu Kitchen Yell Kansai, Inc. is engaged in individual home delivery in the Kansai region.
Shopping Center Business	The subsidiary H2O Shopping Center Development Co., Ltd. is engaged in management of shopping center and sales of apparel and home products. The subsidiary Hankyu Shopping Center Development Co., Ltd. is engaged in the management of shopping centers. The subsidiary Oi Development Co., Ltd. is engaged in hotel operations. The Company entrusts the maintenance, cleaning, and security of its stores to its subsidiary, Hankyu Maintenance Service Co., Ltd.
Other Businesses	The subsidiary Hankyu Kensou Co., Ltd. is contracted to engage in interior finishing work, the subsidiary Heart Dining, Inc. is engaged in business establishments serving food and drink such as the operation of a portion of the cafes, restaurants and staff cafeteria in stores belonging to the subsidiary Hankyu Hanshin Department Stores, Inc., and the subsidiary Hankyu Hanshin Department Stores Tomonokai, Inc. acts as an agent for the sale and purchase of prepaid products with the aim of providing a variety of services. The subsidiary Hankyu Home Styling Co., Ltd. is engaged in the sale of household furniture, and sells its products to the subsidiary Hankyu Hanshin Department Stores, Inc. The subsidiary F.G.J Co., Ltd. is engaged in the sale of cosmetics in stores belonging to the subsidiary Hankyu Hanshin Department Stores, Inc., other commercial facilities, etc. The subsidiary Hankyu Department Stores Uniform is engaged in the sale of school and work uniforms in stores belonging to the subsidiary Hankyu Hanshin Department Stores, Inc. The subsidiary asnas Co., Ltd. is engaged in the convenience store and station store business; the subsidiary Hankyu Hello Dog Co., Ltd. is engaged in the sale of pet accessories, pet grooming, etc.; the subsidiary Hankyu Wedding is engaged in rental clothes; the subsidiary Hankyu Quality Support is engaged in the inspection of products such as food and clothing; the subsidiary Hankyu Act Four is engaged in the general affairs, human resources, and accounting operations of group companies; and the subsidiary Persona Co., Ltd. is engaged in the management of Persona card members. The subsidiary Suzhou Izumiya Co., Ltd. is engaged in the operation of department stores in Suzhou, China. The subsidiary Ningbo Hankyu Co., Ltd is engaged in management of shopping center in Suzhou, China. The Company outsources part of its sales operations to its subsidiary, Hankyu Job Yell Co., Ltd.

The business organization chart is as follows.



(NOTE)

1. H2O Retailing Corporation, Hankyu Hanshin Department stores and etc. lease real estate from Hankyu Corporation and others which are the subsidiaries of Hankyu Hanshin holdings, Inc.
2. Effective Apr. 1, 2026, the Company completed an absorption-type merger in which its consolidated subsidiary, Izumiya ・ Hankyu Oasis Co., Ltd., became the surviving company, and another of its consolidated subsidiaries, KANSAI SUPER MARKET LTD., became the dissolved company. Concurrently on the same date, the surviving company changed its trade name to KANSAI FOOD MARKET LTD.
3. Effective Apr. 1, 2026, the entity named KANSAI FOOD MARKET LTD., a consolidated subsidiary of the Company, changed its trade name to JUSO FOOD MARKET LTD.

4 Overview of Subsidiaries and Associates

Name	Address	Share capital or investments in capital (Millions of JPY)	Main business activities	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiaries) Hankyu Hanshin Department Stores, Inc. (NOTE 3,4)	Kita-ku, Osaka City	200	Department Store	100.00	Borrowing funds from the Company Interlocking officer: 5 persons
KANSAI FOOD MARKET LTD. (NOTE 8)	Itami-city, Hyogo	100	Supermarket	100.00	Intermediate holding company Borrowing funds from the Company Interlocking officer: 2 persons
KANSAI SUPER MARKET LTD. (NOTE 4,7)	"	100	"	100.00 (100.00)	Purchase of foodstuffs from Izumiya • Hankyu Oasis Co., Ltd. and others Interlocking officer: 1 person
Izumiya • Hankyu Oasis Co., Ltd (NOTE 4,7)	Kita-ku, Osaka City	100	"	100.00 (100.00)	Interlocking officer: 1 person
HANKYUDELICA, INC.	"	20	"	100.00	Sales of food to Hankyu Hanshin Department Stores, Inc., Izumiya • Hankyu Oasis Co., Ltd. and others Interlocking officer: 1 person
Hankyu Kitchen Yell Kansai, Inc.	"	10	"	100.00	Borrowing funds from the Company Interlocking officer: 2 persons
Hankyu Shopping Center Development Co., Ltd.	Nishinari-ku, Osaka	50	Shopping Center	100.00	Leasing of stores with Hankyu Hanshin Department Stores, Inc. Interlocking officer: 2 persons
H2O Shopping Center Development Co., Ltd.	"	10	"	100.00	Management of Shopping Center Sale of apparel and home products Borrowing funds from the Company Interlocking officer: 2 persons
Oi Development Co., Ltd	Kita-ku, Osaka City	100	"	100.00	Interlocking officer: 3 persons
Hankyu Maintenance Service Co., Ltd.	"	10	"	100.00	Contracted for the upkeep, cleaning, facility management and security of stores belonging to Hankyu Hanshin Department Stores, Inc. and others Interlocking officer: 2 persons
Hankyu Kensou Co., Ltd.	"	20	Other	100.00	Contracted for interior finishing work for stores by Hankyu Hanshin Department Stores, Inc. and others Interlocking officer: 2 persons
Heart Dining, Inc.	Fukushima-ku, Osaka	10	"	100.00	Operation of cafes, business establishments serving food and drink and staff cafeterias belonging to Hankyu Hanshin Department Stores, Inc. Interlocking officer: 2 persons
Hankyu Hanshin Department Stores, Tomonokai Inc.	Kita-ku, Osaka City	50	"	100.00	Commission income from Hankyu Hanshin Department Stores, Inc. and Izumiya • Hankyu Oasis Co., Ltd. Interlocking officer: 3 persons
Hankyu Job Yell Co., Ltd.	"	10	"	100.00	Contracted for personnel recruitment and operations for Hankyu Hanshin Department Stores, Inc. Interlocking officer: 3 persons
Hankyu Wedding	"	10	"	100.00	Contracted to operate bridal salons by Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 3 persons
Hankyu Home Styling Co., Ltd.	"	10	"	100.00	Sales of household furniture to Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 2 persons

Name	Adress	Share capital or investments in capital (Millions of JPY)	Main business activities	Ratio of voting rights holding (held) (%)	Relationship
Hankyu Department Stores Uniform	Kita-ku, Osaka City	10	Other	100.00	Planning and sales of student apparel and corporate uniforms at Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 2 persons
Hankyu Quality Support	"	10	"	100.00	Contracted for the inspection of products such as food and clothing from Hankyu Hanshin Department Stores, Inc. and others Interlocking officer: 1 person
Persona Co., Ltd.	"	20	"	100.00	Contracted to manage card members by Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 2 persons
Hankyu Act For	"	10	"	100.00	Contracted for accounting work by the Company and each subsidiary Interlocking officer: 4 persons
Hankyu Hello Dog Co., Ltd.	"	10	"	100.00	Sale of pet accessories at Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 2 persons
asnas Co., Ltd..	"	10	"	100.00	Borrowing funds from the Company Interlocking officer: 2 persons
F.G.J Co., Ltd.	Minato-ku, Tokyo	5	"	80.00	Sales of cosmetics at Hankyu Hanshin Department Stores, Inc. Borrowing funds from the Company Interlocking officer: 2 persons
H2O (China) investment Co., Ltd. (NOTE3)	City, Jiangsu Province, China Suzhou City	3,377	"	100.00	Borrowing funds from the Company Interlocking officer: 3 persons
Suzhou Izumiya Co., Ltd. (NOTE 3)	"	5,892	"	100.00	Operation of department store in Suzhou Interlocking officer: 2 persons
Ningbo Development Co., Ltd.	Kita-ku, Osaka City	10	"	95.6	Investment and financing in Ningbo Hankyu Co., Ltd. Interlocking officer: 3 persons
Ningbo Hankyu Co., Ltd. (NOTE 3)	Zhejiang, Ningbo City, China	38,808	"	70.00 (70.00)	Operation of shopping center in Ningbo City Interlocking officer: 2 persons
Other 12 companies	—	—	—	—	—
(Equity-method affiliates) Chuan-lian Hankyu Bakery Co., Ltd.	Taipei-city, Taiwan	936	—	49.0	Borrowing funds from the Company Interlocking officer: 1 person
CFIZ	Chuo-ku, Osaka City	100	—	49.0	Leaseing of stores with subsidiaries Interlocking officer: 1 person
Other 5 companies	—	—	—	—	—
(Other affiliated companies) Hankyu Hanshin Holdings Inc. (NOTE 5)	Ikeda City, Osaka	99,474	Urban Transportation Business, others	1.77 [20.12 (12.86)]	Leasing of real estate between subsidiaries Hankyu Corporation and Hanshin Electric Railway Co., Ltd., and Hankyu Hanshin Department Stores, Inc. and others Interlocking officer: 1 person

(NOTE)

1. Segment names are presented in the "Main business activities" column.
2. The number within the parentheses under the "Ratio of voting rights holding (held)" column is the percentage of indirectly held voting rights.
3. This company qualifies as a specified subsidiary.
4. The percentage of net sales (excluding internal sales between consolidated companies) to consolidated net sales for Hankyu Hanshin Department Stores, Inc., KANSAI SUPER MARKET LTD., and Izumiya • Hankyu Oasis Co., Ltd. exceeded 10%.

Millions of JPY			
Primary Profit and Loss Information etc.	Hankyu Hanshin Department Stores, Inc.	KANSAI SUPER MARKET LTD.	Izumiya • Hankyu Oasis Co., Ltd
(1) Net sales	185,955	128,884	272,129
(2) Ordinary profit	24,231	2,958	7,145
(3) Profit	10,699	3,478	6,621
(4) Net Asset	139,599	41,243	38,751
(5) Total Assets	232,835	58,192	83,231

5. The Company files its Annual Securities Report.
6. The address is based on the registered office.
7. Effective Apr. 1, 2026, the Company completed an absorption-type merger in which its consolidated subsidiary, Izumiya • Hankyu Oasis Co., Ltd., became the surviving company, and another of its consolidated subsidiaries, KANSAI SUPER MARKET LTD., became the dissolved company. Concurrently on the same date, the surviving company changed its trade name to KANSAI FOOD MARKET LTD.
8. Effective Apr. 1, 2026, the entity named KANSAI FOOD MARKET LTD., a consolidated subsidiary of the Company, changed its trade name to JUSO FOOD MARKET LTD.

II Overview of Business

1 Management Policies, Management Environment and Issues to be Resolved, etc.

The future information contained in this Annual Securities Report reflects judgements made by H2O Retailing Group at the fiscal year ended Mar. 31, 2026

(1) The Company's Basic Management Policy

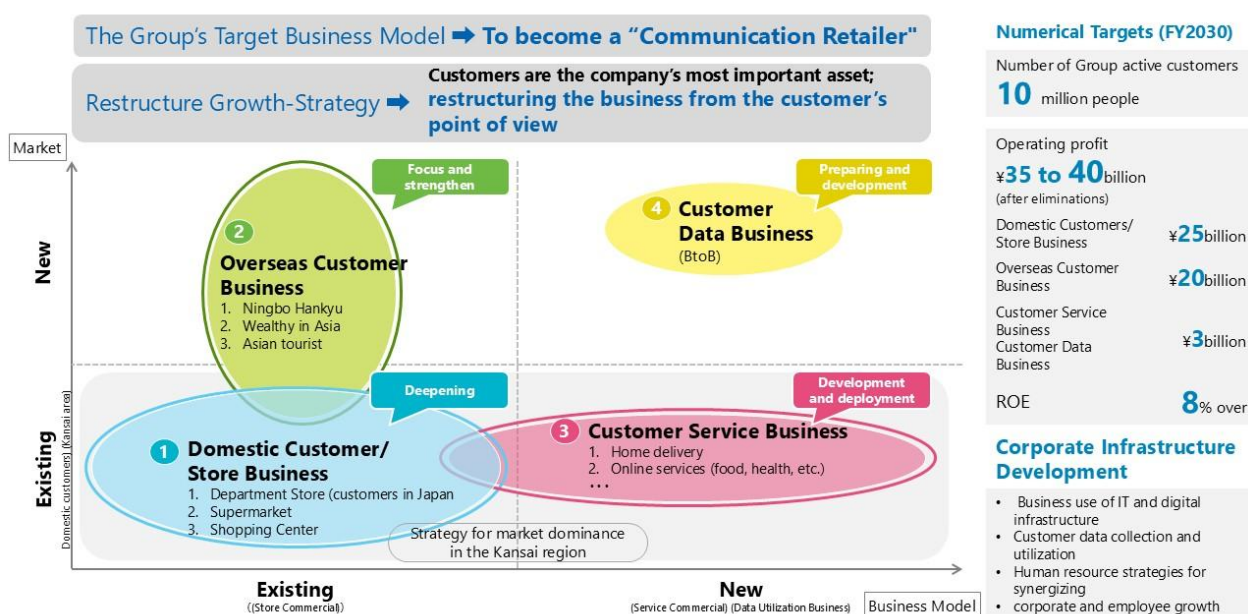
The company's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents." Guided by this philosophy, the company established a vision; "To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences, contributing to the future of the local community, children and our planet."

(2) Our Target Business Indicators

The Group conducts business in mature markets. To continue to enhance its corporate value within such markets, the Group aims to achieve and firmly establish Price Book-Value Ratio (PBR) of more than 1x. The Group will improve our Price earnings ratio (PER) by clarifying our growth strategy, strengthening shareholder returns, expanding our shareholder and investor base and strengthening communications and improving consolidated return on equity (ROE) by controlling total assets and shareholders' equity and concentrating investments in high-growth/high-profit businesses.

(3) The Company's Mid- to Long-term Management Strategy and Management Issues to be Resolved

[Long-term Business Plan for 2030 Ver.2]



Based on the results of the "Mid-term Management Plan (2021-2023)" and changes in the business environment, the Company has restructured its growth strategy as "Long-term Business Plan 2030 Ver. 2," focusing on rebuilding and refining existing businesses, expanding into new markets, and challenging new business models. Viewing customers as the greatest "asset," the company has reorganized its business from the customer's perspective, focusing on domestic customer and store business, overseas customer business, customer service business, customer data utilization business, and corporate infrastructure development, with the aim of maximizing LTV (lifetime value) and establishing itself as a "communication retailer." The Group's targets for 2030 are 10 million active customers, operating profit of JPY 35.0 to 40.0 billion, and ROE of 8% or more.

[Issues and Initiatives]

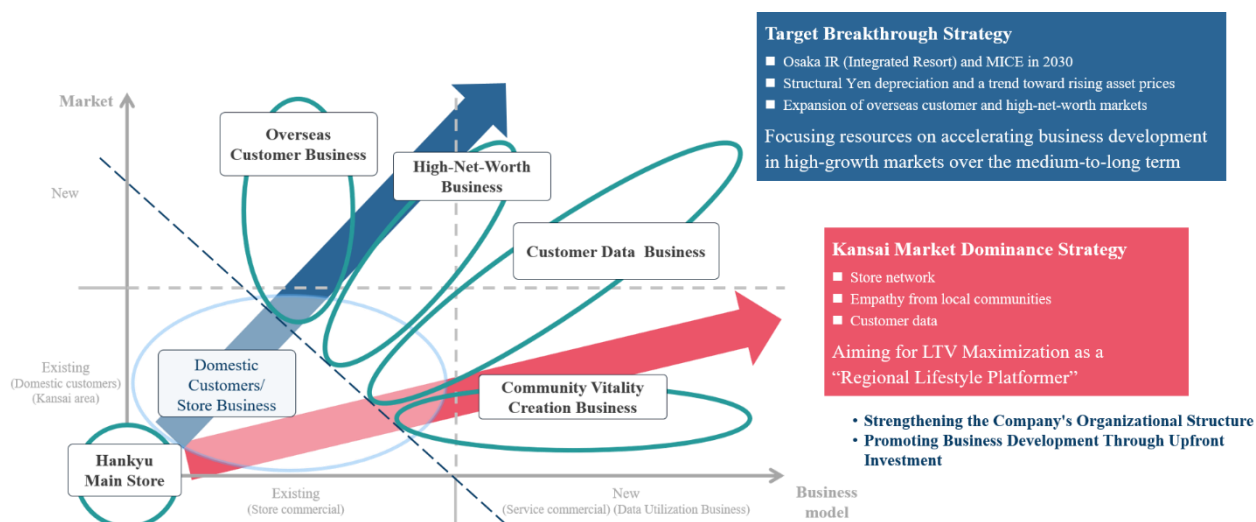
● Long-term Business Plan for 2030 Ver.2 Update

Our Group is simultaneously advancing the deepening of existing businesses and the exploration of new business domains to achieve the Long-term Business Vision 2030 Ver. 2.

Through our initiatives to date, steady progress has been made across each business. In the "Domestic Customer and Store Business," the building-wide remodeling of the Hankyu Main Store toward becoming a global department store has been mostly completed. Additionally, in the Supermarket Business, we are promoting two new store formats focused on "value-oriented" and "price-oriented" offerings. In the "Overseas Customer Business," we have gained a positive momentum in developing new markets through the expansion of our overseas VIP customer base and sales. Furthermore, in the "Customer Service Business," we confirmed that providing services that cultivate community-rooted "empathy" serves as a unique competitive advantage for our Group, establishing a clear path toward balancing social value with business profitability. In the "Customer Data Utilization Business," steady progress is also being made in developing new areas, such as identifying monetization opportunities in B2B and B2G domains through data analysis and marketing.

To steadily realize this long-term business plan, we have newly established five priority growth areas, organized our structure for nurturing, execution, and monetization, and are promoting business development through upfront investment. To break through the market shrinkage accompanying future population decline, we will promote sustainable growth through two growth vectors centered on "Hankyu Main Store": the "Kansai Dominant Strategy" and the "Target Breakthrough Strategy."

Long-term Business Plan 2030 Ver.2 Update – Growth Engines



(1) Kansai Market Dominant Strategy

We aim to evolve into a "regional lifestyle platform provider" -a business model that transcends the boundaries of the retail industry- by leveraging three competitive advantages: "physical stores" such as department stores, supermarkets, and shopping centers; "empathy" cultivated through community partnerships; and high-resolution "customer data."

Specifically, in the Supermarket Business, we will generate synergies through the merger of Izumiya • Hankyu Oasis Co., Ltd. and KANSAI SUPER MARKET LTD. and begin full-scale rollout of two new store formats: one focused on value and the other on price. In the Shopping Center Business, we will strengthen store operations that resonate with local customers and work to improve our earnings base.

Furthermore, through the provision of services such as those offered by Senri Central Park Management, Inc. and "Machi-Uma" and "Machi-Ken," we will cultivate "regional empathy" while simultaneously collecting customer data and leveraging it to generate business revenue, thereby establishing this as a "Community Vitality Creation Business." Established in Mar. 2026, H2O Machi-Genki Partners Co., Ltd.

promotes the creation of a “cycle for revitalizing communities” in collaboration with local governments and companies, offering “supportive consulting” aimed at solving a wide range of regional challenges. In addition, we leverage high-resolution customer analysis data-generated by combining purchase data from traditional retail businesses with, to create high-resolution customer analysis data. We will use this data as a key asset to commercialize marketing solutions (B2B and B2G) for retail media, local governments, and corporations, and aim to create new revenue streams through “customer data utilization businesses.” In this way, we will pursue a new business model in the Kansai region based on “physical stores” × “empathy” × “customer data.”

(2) Target Breakthrough Strategy

Considering the Osaka IR, scheduled to open in 2030, the MICE and the continuing trends of a weak yen and rising asset prices, we will prioritize strengthening our business focused on the promising mid- to long-term markets of “overseas customers” and “high-net-worth individuals.”

Specifically, in our “Overseas Customer Business,” we have been working to establish an “Overseas VIP Customer Acquisition Cycle”—which includes expanding our VIP support staff and developing mutual referral programs with leading companies, primarily in Asia—to build a sustainable revenue model that is not subject to external environmental fluctuations. Going forward, we aim to further accelerate customer acquisition by developing highly distinctive products, experiences, and services unique to Japan, as well as by strengthening marketing efforts that treat the entire Asian region as our market. We will establish and strengthen a new organizational structure to create systems capable of addressing the needs of the “next-level” high-net-worth individuals and enhance our business through the development of highly distinctive content, such as “living space design” and “art.”

● "Human Resources Strategy" and "Sustainability Management" as Group Infrastructure Supporting Businesses

In human resources strategy, we define the relationship between the company and its employees as that of “co-creation partners who enhance value and grow together.” We have established three guiding principles—optimizing organizational performance, vitalizing employee engagement, and work environment and corporate culture reform—and are promoting the development of a Group-wide framework for “talent development and recruitment.” In addition to developing talent through co-creation projects with external partners and conducting company-wide engagement surveys, we have established the “Group Health Management Center” with the aim of creating an environment where employees can take on challenges while maintaining both physical and mental well-being. Moving forward, in addition to developing talent to create new values, we will continue to focus on cultivating an organizational culture where individuals and the company grow together, and where every employee can work with vitality. Furthermore, regarding sustainability management, we have achieved steady results—including improved ESG ratings—by promoting “Tsugu,” a community co-creation initiative focused on the environment, and accelerating collaborations with local governments and pilot demonstration projects centered on clothing, food, and housing. We will further deepen our sustainability management through highly effective CSR initiatives. Centered on our unique “Tsugu.” initiative, we will promote activities to protect and preserve “local community bonds,” “local children,” and “the richness of local nature,” and strive to enhance corporate value.

<*Targets>

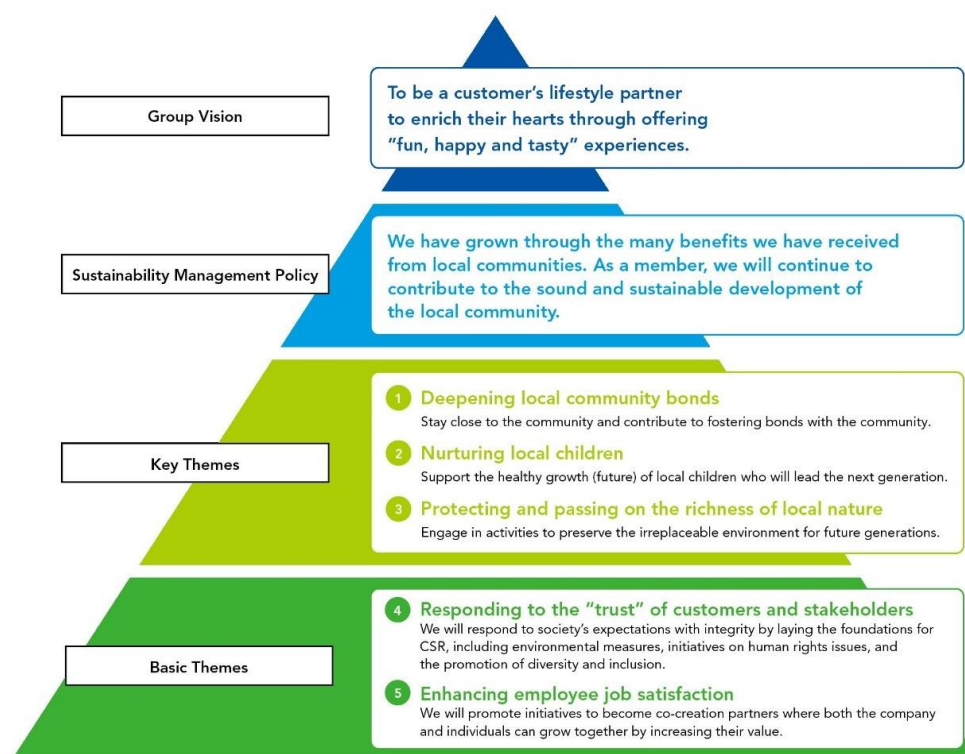
Consolidated	FY2025 Results	FY2026 Forecast
Operating profit	JPY 32.4 billion	JPY 32.5 billion
ROE	9.8%	7.4%
ROE [Underlying basis]	7.9%	—
ROIC	5.5%	5.6%

* ROE [Underlying basis] excludes extraordinary gains such as asset sales and tax effects.

[Sustainability Management Policy]

Regarding the sustainability management, starting in Apr. 2021, centered on “contribution to the wholesome and sustainable development of local communities,” we will position three key themes and two basic themes, as the “materiality” of the Group and promote initiatives.

- Priority themes: "Deepening the bonds of the community" "Nurturing local children," and "Protecting and passing on richness of local nature"
- Basic themes: "Responding to the “trust” of customers and stakeholders" and "Enhancing employees job satisfaction"



Deep bonds with residents are an important asset for the Group. We aim to be the No. 1 company in each of our businesses in terms of market share and mindshare. We aim to be a partner that is always enriching and close to residents.

2 Approach to and Efforts for Sustainability

Our policy and initiatives for sustainability are as follows.

The future information contained in this material reflects judgements made by H2O Retailing Group at the fiscal year ended Mar. 31, 2026

(1) Governance

The Group's Sustainability Management Promotion Committee is responsible for group-wide sustainability management, including issues related to climate, human capital and diversity. The Committee is established directly under the Board of Directors (the highest decision-making organization of the group). In addition to being chaired by the President and CEO, the Committee consists of the heads of each business segment and the director responsible for sustainability, with two external experts serving in an advisory capacity.

Discussions held by this committee will be reviewed by the Group Management Committee and then reported to the Board of Directors.

The President and Representative Director and the Sustainability Management Promotion Committee and is ultimately responsible for environmental matters.

* The Committee held 6 times in FY2025.

(2) Strategy

(i) Climate Change

We are committed to climate change initiatives and have developed strategies to address short-, medium-and long-term climate-related risks and opportunities.

With reference to the business environment surrounding the group in 2030, we have assumed two scenarios, average global temperatures rise to 2°C or lower and average global temperature rise of 4°C or more.

We recognize the impact of carbon tax payment on transition risks, changes in customer needs in the decarbonized society, and the impact of disasters and unstable procurement as physical risks as major risks.

To control these risks, we will promote investment in measures such as energy-saving and the introduction of renewable energy.

We also recognize that there are many opportunities in scenarios below 2°C. We will promote sustainable product procurement and the development of sales floors and the provision of products and services with an emphasis on responding to changes in customer needs.

Detailed analyses were conducted on the location of Hankyu Main Store regarding the impact of the disaster, which is one of the physical risks, suggesting the potential for increased risks from heavy rains and strong winds.

This has been shared with the Sustainability Management Promotion Committee and the Risk Management Department of Hankyu Hanshin Department Stores, and we recognize the need for further consideration. Regarding opportunities, we will aim to maximize the impact by further promoting each of the initiatives based on the groups' vision and Sustainability Management Policy.

(ii) Group Human Resources Strategy

Based on the concept of "co-creation partners," in which the company and its employees support each other's growth and contribute to one another, we formulated the "H2O Retailing Group Human Resources Strategy 2030." Toward realizing the vision of "communication retailers" set forth in the Long-term Business Plan for 2030, we are promoting this cross-group human resources strategy.

- ▶ Positioning the relationship between the company and individuals as “co-creation partners who enhance value and grow together,” promoting Group-wide human resource measures.
- ▶ Human capital investment is progressing generally as planned, with a cumulative total of JPY 3.0 bn. for FY2024-FY2025.

	Initiatives	Progress
Organizational Performance Optimization	Personnel allocation, recruitment, and development in growth areas	Established organizational structure and deployed personnel to business development areas
	Future Society Co-creation Project with Pasona Group	- Commenced demonstration experiments for business creation and infrastructure development in diverse fields - Comprised mainly of young and mid-career employees from the Group, also utilized as a venue for human resource development
	H2O Future Exploration School	Continuing with expanded scale, aiming to discover and develop business development personnel
Boosting Employee Engagement	Engagement survey (conducted for all Group companies)	Aiming to implement improvement measures for enhancing engagement
	Establishment of Group Health Management Center (Apr. 2026)	Aiming to create an environment where all employees can work in good physical and mental health, establishing a unified Group management system
Working environment and corporate culture reform	Understanding and promoting diversity	Toward fostering an organizational culture that respects diverse values, holding “Diversity Weeks” to deepen mutual understanding

(iii) Risk Management

The Sustainability Management Promotion Committee identifies climate-related risks, comprehensively examines the characteristics of the Group's business, the perceptions of others in the industry, advice from external experts, and identifies risks that are closely related to the group, taking into consideration the frequency and likelihood of risk occurrence and the size of the impact when risks occur. Regarding climate-related risks and opportunities, through the committee members, the risks are incorporated into the initiatives of each operating company and progress is managed through regular committee discussions and collaboration between the company and the person responsible for sustainability promotion in each company. Discussions held by the Sustainability Management Promotion Committee are shared with the Compliance and Risk Management Committee, deliberated by the Group Management Meeting, and integrated into the company-wide risk management process through a reporting process to the Board of Directors.

(iv) Indicators and Targets

1. Climate Change

We use Scope 1, 2, 3 greenhouse gas emissions as indicators for managing climate-related risks and opportunities. In addition to starting to calculate Scope 1, 2, and 3 GHG emissions in FY2020 we have set mid- and long-term targets for GHG reduction. Long-term, we aim to achieve virtually zero GHG emissions in FY2050. To achieve this goal, we have set a Mid-term target for FY2030 (30% reduction from FY2019 levels) and are promoting specific initiatives.

In FY2024, Scope1,2 (market basis) decreased by about 10% compared to FY2019.

There are factors contributing to an increase in GHG emissions, such as higher energy use for air conditioning due to rising summer temperatures in recent years and changes in emission factors.

However, we will first implement thorough energy conservation measures and promote the use of renewable energy for electricity used in stores and facilities. This will allow us to steadily reduce emissions.

< GHG Emissions Targets and Results >

Target	Scope	FY2024 GHG emissions (Thousands of t-CO2e/ year)	FY2030 GHG emissions Targets
12 major companies	Scope 1	53	Scope 1, 2 ▲ 30% (compared to FY2019)
	Scope 2 (location basis)	224	
	Scope 2 (market basis)	199	
4 major companies	Scope 3	3,218	—

*12 major companies: Hankyu Hanshin Department Stores Inc., Izumiya • Hankyu Oasis Co., Ltd.,
KANSAI SUPER MARKET LTD., H2O Shopping Center Development Co., Ltd. etc.

*4 major companies: Hankyu Hanshin Department Stores Inc., Izumiya • Hankyu Oasis Co., Ltd.,
KANSAI SUPER MARKET LTD., H2O Shopping Center Development Co., Ltd.

2. Food recycling rate (Percentage of food waste from stores that is recycled.)

FY2030:70%, FY2026:60%

*Targets: 3 major companies (Hankyu Hanshin Department Stores, Inc, Izumiya • Hankyu Oasis Co., Ltd,
KANSAI SUPER MARKET LTD.)

3. Indicators, Targets, and Achievements for Group Human Resource Strategy

The Company, primarily engaged in the retail sector, believes that, amid the diversifying needs and lifestyles of customers, incorporating various perspectives is essential to realizing its vision. The Company aims to create unprecedented new added value through customer-oriented co-creation and collaboration.

The company believes that it must continue to integrate the strengths of its group companies and utilize its unique business model to create new value. To this end, the Company is actively promoting diversity and inclusion initiatives to enable diverse human resources, including women, seniors, foreign nationals, persons with disabilities, and members of the LGBTQ+ community, to fully demonstrate their abilities. The Company is also actively promoting the appointment of women and mid-career hires to management positions.

To ensure diversity throughout the entire group, the company's human resources office is developing human resources by promoting employees' autonomous careers at each group company, implementing future-ready skill-improvement training, and devising digital education programs. In particular, the Company has set a target for the percentage of female managers at its major companies by 2030, giving priority to the advancement of female employees, accounting for more than half of the total workforce.

In addition, the Sustainability Management Promotion Committee has held repeated discussions on the advancement of female employees unique to the Company Group, not limited to managerial positions, and is considering specific measures to achieve this goal. The Company will continue to actively engage in initiatives such as establishing projects at each operating company so that each individual can maximize their potential and expand their opportunities for advancement.

<Percentage of female managers KPI (2030)>

Hankyu Hanshin Department Stores Inc. 35%

KANSAI FOOD MARKET LTD., Izumiya • Hankyu Oasis Co., Ltd., KANSAI SUPER MARKET LTD. 20%

H2O Shopping Center Development Co., Ltd. 35%

(NOTE)

The ratio of female workers in management roles, the ratio of male workers taking childcare leave, and gap in wages between male and female workers is presented in IV Information About Reporting Company 5 Information about employees (2) Information about employees (v) Difference in the Ratio of Female Workers in Management Roles, the Ratio of Male Workers Taking Childcare Leave, and the Gender Wages Gap

3 Business Risk

The following matters related to the status of operations and financial condition, as described in the annual securities report, may have a significant impact on decisions made by investors. However, risks and uncertainties affecting future performance and financial condition are not limited to these matters. Furthermore, it is difficult to reasonably estimate the extent and timing of the realization of the risks described below, as well as their impact on performance. Therefore, they are not described here.

Forward-looking statements in this Annual Securities Report represent the judgment of the Group as of the filing date of this document (Jun. 23, 2026).

(1) Business Environment

Environment surrounding retail businesses

The domestic retail sector is expected to undergo significant changes in the future, including a declining birthrate and aging population, polarization of consumption patterns, and intensifying competition across business categories. These changes are expected to have a significant impact on the Group's business performance.

In order to respond to the changes in this environment, the Group will utilize one of its unique characteristics, in which it has various points of contact with customers in the Kansai area, and strive to build up new customer relationships and business models that fuse brick-and-mortar stores and digital technologies. In addition, we will expand our market share in the Kansai region by refining and strengthening our core businesses, namely the department store business and the food business, which focuses on supermarkets. For the promising medium- to long-term markets of “overseas customers” and “high-net-worth individuals,” we will build a revenue model that goes beyond the Kansai region and is not subject to external environmental fluctuations.

(2) Laws and Regulations, and Legal Revisions

(i) Laws and regulations such as the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment

Opening of department stores and supermarkets by the Group is subject to regulation under the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment. Under the Act, in cases where a new store with store space of more than 1,000 m² is opened and where the store space of an existing store is increased to more than 1,000 m², local prefectural governments or ordinance-designated cities examine and control traffic congestion, noise, waste management and other matters from the standpoint of protecting the living environment of neighborhood residents. Accordingly, the Group's future plans to open stores may be affected by such laws and regulations.

In addition, the Company is subject to laws and regulations such as, Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Act on Preventing Delay in Payment to Small and Medium-Sized Entrusted Business Operators in Relation to Manufacturing Consignment, Basic Act on the Environment, Act on the Promotion of Effective Utilization of Resources, Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging, and Act against Unjustifiable Premiums and Misleading Representations, and may also be affected by these laws and regulations.

The Group will strive to respond in a timely and appropriate manner while closely observing the legislative revision trends that affect these business activities.

(ii) Regarding Tax Reforms, Including the Consumption Tax Act

The Group's operating results are affected by economic trends, particularly trends in consumer spending. If legal revisions regarding income tax, consumption tax, social insurance premiums, and other related matters are implemented, they could affect consumer spending and, as a result, impact the Group's net sales.

(3) Information Security and Customer Information Management

(i) Information Systems

Our Group utilizes information systems across various fields to improve operational efficiency and provide high-quality services; however, in the event of unforeseen circumstances—such as earthquakes, large-scale power outages, or increasingly sophisticated cyberattacks like ransomware—that disrupt system operations, our business activities could be restricted, potentially leading to a loss of public trust and having a significant impact on our business performance. To prepare for such situations, we have established specialized departments and cross-group task forces, and through measures such as operating a 24/7, 365-day monitoring system (SOC), we strive to detect and respond to security incidents at an early stage. Furthermore, to further strengthen our resilience, we are currently promoting key projects to overhaul our IT Business Continuity Plan (IT-BCP) in anticipation of large-scale disasters and cyberattacks, as well as to build a backup system that ensures data immutability. We are progressively working to enhance system robustness and establish a rapid recovery framework.

(ii) Management of Customer Information

In the event of a leak of customer information to external parties due to unforeseen accidents or unauthorized access, or if personal information is handled or used in a manner not intended by the customer, as well as in the event of any failure to comply with domestic or international regulations regarding the protection of personal information, this could lead to a decline in customer satisfaction, damage to the Group's reputation, or sanctions resulting from legal violations, which could have a negative impact on our business performance and other factors. Regarding the management of customer information, we have established specialized departments and cross-group task forces, and we strive to comply with laws and regulations concerning the protection of personal information through the strict enforcement of rules based on our Personal Information Management Regulations and Management Manual, as well as thorough employee training. Furthermore, as customer awareness and expectations regarding privacy continue to rise, and as we actively promote businesses that utilize customer data and overseas customer businesses in our role as a "Communication Retailer," we are implementing initiatives to strengthen personal information protection governance—such as establishing personal information protection frameworks and enhancing security measures—so that customers can provide their personal information with peace of mind.

(4) Natural Environment and Accidents

(i) Natural Disasters and Accidents

The Group operates department stores and supermarkets. Its business performance could be adversely affected if its stores or other facilities were damaged by unforeseen disasters, such as earthquakes, floods, typhoons, or fires.

The Group operates mainly in the Kansai area and could suffer significant human and material losses in the event of a Nankai Trough earthquake due to expected tsunami damage in addition to earthquake damage. Severe damage to employees or store buildings could lead to business suspension, which could have significant negative impacts on performance.

Additionally, the frequency of typhoons and heavy rains causing severe damage has increased in recent years. If typhoons or heavy rains affect employees, buildings, or public transportation, it could result in operational losses, such as business suspension.

Furthermore, if a fire were to break out at a store, significant losses could result from damage to customers, employees, buildings, and merchandise.

To prepare for these natural disasters and accidents, the company has created response manuals and safety confirmation systems, established emergency communication methods, stockpiled emergency supplies, conducted regular drills, and purchased property insurance.

(ii) Risk of Infection

There is a possibility that the spread of infectious diseases, as well as their prolonged ramifications, will cause a significant negative impact on operating results, mainly in the Department Store Business, which is one of the Group's major businesses, due to stores refraining from operating and the decrease in demand from both Japanese customers and visitors from overseas.

In case of a newly emerging pandemic, the Company will put the safety of human life first and strive to mitigate the impact on its business, based on the know-how it has gained in responding to COVID-19 and continuing its business operations under conditions of infectious disease spread.

(5) Other

(i) Safety of goods sold

The occurrence of health hazards such as food poisoning, as well as product defects or improper labeling, may have negative effects on the Group's business results due to a decrease in customer satisfaction or confidence. As for quality control and hygiene control of goods sold, "Quality Control Promotion Subcommittee" and "Food Hygiene Quality Control Promotion Subcommittee" have been set up within the Group to aggressively promote measures to ensure safety and security of goods for customers.

(ii) Overseas business risk

The group operates stores in China. Therefore, the political climate, economic environment, changes in laws and regulations, terrorist acts, social disruption and other factors in China may have negative effects on its operating results and financial position.

In addition, items denominated in the local currency including net sales, expenses and assets of stores in China are converted into yen to prepare consolidated financial statements. Exchange rate fluctuations at the time of conversion may affect these items. Exchange rate fluctuations at the time of conversion may affect these items.

(iii) Refusal to renew a lease agreement

Many of the Group's stores and facilities are leasehold properties. If lessors, including owners of buildings and land refuse to renew (in the case of fixed-term building lease agreement, refuse to resign) an agreement due to expiration of the lease period, operation of the store, etc. may become unable to be continued.

4 Management Analysis of Financial Position, Operating Results and Cash Flows

The following is an overview of the Company's financial condition. It also shows its operating results and cash flow for the fiscal year ended Mar. 31, 2026.

(1) Operating Results

Millions of JPY							
		FY2024	FY2025				
		Amount	Amount	YoY change	Change	Versus forecast	Change
Department Store		634,959	621,037	97.8%	△13,921	+1.3%	+7,959
Supermarket		428,543	432,455	100.9%	3,911	△1.6%	△7,075
Shopping Center		31,766	30,083	94.7%	△1,683	△0.5%	△146
Other		64,363	78,855	122.5%	14,491	△1.6%	△1,305
Gross sales		1,159,632	1,162,431	100.2%	2,798	△0.0%	△568
Net sales		681,759	680,215	99.8%	△1,544	△1.3%	△8,784
Department Store		28,234	23,783	84.2%	△4,451	+3.2%	+747
Supermarket		8,945	10,021	112.0%	1,075	+0.2%	+21
Shopping Center		3,920	3,833	97.8%	△87	+4.2%	+155
Other		2,198	7,535	342.8%	5,337	+21.5%	+1,334
Consolidation adjustment		△8,468	△12,787	-	△4,318	-	+128
Operating profit		34,830	32,386	93.0%	△2,443	+8.0%	+2,386
Ordinary profit		35,909	34,508	96.1%	△1,400	+11.3%	+3,508
Extraordinary income		26,961	16,909	62.7%	△10,051		
Extraordinary losses		11,540	15,942	138.1%	4,402		
Profit attributable to owners of parent		34,842	29,950	86.0%	△4,891	+24.8%	+5,950

*The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, 31 Mar. 2020) and other standards from the beginning of the first quarter of FY2021. The figures equivalent to sales before the application of Accounting Standard for Revenue Recognition, excluding the effects of changes in accounting policies, are indicated as gross sales.

> Net Sales

The consolidated results for the current fiscal year showed a slight decrease in net sales to JPY 680,215 million (99.8% of the previous fiscal year's figure), but total sales reached JPY 1,162,431 million (100.2% of the previous fiscal year's figure), setting a record high for the third consecutive fiscal year. During the current fiscal year, despite a severe business environment with a decline in inbound sales due to a sharp drop in the number of Chinese visitors to Japan and continued inflation, the Department Store Business saw domestic sales remain steady and reach a new record high, even while affected by the closure of sales floors due to remodeling work at the Hankyu Main Store. In Supermarket Business, higher unit prices driven by inflation led to an increase in average customer spending, and the introduction of a new store format-categorized into "value-oriented" and "price-oriented" types-proved successful, resulting in higher revenue.

> Operating Profit and Ordinary Profit

Consolidated operating profit was JPY 32,386 million (93.0% of the previous fiscal year's figure), which exceeded the initial forecast for the fiscal year but represented a decrease year-on-year.

Consolidated ordinary profit was JPY 34,508 million (96.1% of the previous fiscal year's figure).

[Department Store Business]

In the department store business, Kawanishi Hankyu Square-which had its grand opening in May 2025-and the Hanshin Umeda Main Store, which completed its renovation in Nov., performed well, partially offsetting the impact of the temporary closure of sales floors at the Hankyu Main Store due to renovation work.

At the Hankyu Main Store, where the sales floor area for special events was significantly reduced due to the renovation, we focused on efficient business operations by maintaining freshness through brand rotations during the event period and by strengthening our e-commerce (EC) operations. In addition, domestic customer demand for high-end merchandise such as luxury fashion, jewelry, and watches remained robust throughout the year. Furthermore, with the opening of “HANKYU LUXURY” in Mar. of this year, we established a foundation to further strengthen our ability to attract customers from a wide area, both domestically and internationally.

On the other hand, due to a reactionary decline following the sharp surge in inbound demand in the previous fiscal year and the impact of a decrease in the number of visitors from China, inbound sales fell to 80.1% of the previous fiscal year’s level, resulting in gross sales of JPY 621,037 million (97.8% of the previous fiscal year’s level).

In terms of earnings, in addition to a decline in gross profit due to lower sales, a temporary increase in expenses associated with the replacement of POS systems pushed up selling, general, and administrative expenses, resulting in a decrease in operating profit to JPY 23,783 million (84.2% of the previous fiscal year’s level).

[Supermarket Business]

In the food business, the efforts to improve operational efficiency through the integrated management of Izumiya • Hankyu Oasis Co., Ltd. and KANSAI SUPER MARKET LTD. -which we have been promoting since the previous fiscal year-are steadily showing results. Although the number of customers declined slightly, the average spend per customer increased against the backdrop of rising product unit prices due to soaring inflation, and existing store sales remained robust at 101.7% year-on-year. In addition, sales growth was driven by the opening of new stores and format conversions under two new store formats we are strategically advancing-three “Marche” stores (value-oriented) and ten “Daily Mart” stores (price-oriented)-resulting in increased sales. As a result, gross sales amounted to JPY 432,455 million (100.9% of the previous fiscal year’s figure). The increase in gross profit resulting from higher sales offset the rise in selling, general, and administrative expenses (SG&A), which are linked to sales, leading to an increase in both sales and operating profit, with operating profit reaching JPY 10,021 million (112.0% of the previous fiscal year’s figure).

[Shopping Center Business]

In the commercial facilities business, gross sales decreased to JPY 30,083 million (94.7% of the previous fiscal year), and operating income decreased to JPY 3,833 million (97.8% of the previous fiscal year), due to the impact of the sale of a subsidiary engaged in facility maintenance, security, and related services in the previous fiscal year, as well as the closure of Izumiya Shopping Center Matsubara and Izumiya Shopping Center Hirakata due to their aging infrastructure.

By company, Oi Development Co., Ltd., which operates business hotels, saw its total revenue exceed the previous fiscal year’s level as higher average room rates offset the decrease in the number of occupied rooms resulting from partial renovations to its single room wing. H2O Shopping Center Development Co., Ltd., which operates Izumiya Shopping Centers, accelerated its food truck business initiatives following the opening of a location at the Expo 2025 Osaka, Kansai, Japan, working to strengthen connections with local communities and customers through non-store-based touchpoints. Additionally, Hankyu Shopping Center Development Co., Ltd. carried out large-scale renovations at Rakuho Hankyu Square and Mosaic Mall Kohoku with the aim of creating shopping centers that would attract even greater support from local customers.

[Other Businesses]

In Other Businesses, gross sales was JPY 78,855 million (122.5% of the previous fiscal year), and operating profit was JPY 7,535 million (342.8% of the previous fiscal year), resulting in increased gross sales and operating profit.

In addition to the full-year contribution from Ningbo Hankyu Co.,Ltd (Ningbo City, Zhejiang Province, Republic of China), which became a consolidated subsidiary in the second quarter of the previous fiscal year, group companies such as Persona Co., Ltd. which operates the credit card business, and asnas Co., Ltd.. which operates the convenience store business, performed steadily, significantly boosting the segment's overall results. Furthermore, operating profit increased significantly due to higher dividend income from subsidiaries (Note that transactions within the group are offset and eliminated in the consolidated financial statements and therefore have no impact on consolidated results).

> Profit Attributable to Owners of Parent

While the Company recorded extraordinary income of JPY 16,909 million, including a gain on the sale of investment securities of JPY 13,399 million, recorded extraordinary losses JPY 15,942 million, including an impairment loss of JPY 10,641 million and a loss on disposal of fixed assets of JPY 3,428 million. As a result, profit attributable to owners of parent amounted to JPY 29,950 million (86.0% of the previous fiscal year's figure).

Extraordinary Income and Losses

Millions of JPY

Item	Amount	Major items
Extraordinary income	16,909	(Fiscal year ended Mar. 31, 2025: JPY 26,961 million)
Gain on sale of investment securities	13,399	Sales of shares of TOHO CO., LTD
Gain on sale of non-current assets	2,076	Sale of land
Subsidy income	1,433	Ningbo Hankyu Co., Ltd.
Extraordinary losses	15,942	(Fiscal year ended Mar. 31, 2025: JPY 11,540 million)
Impairment losses	10,641	Hankyu Hanshin Department Stores, Inc. etc
Loss on retirement of non-current assets	3,428	Hankyu Hanshin Department Stores, Inc. etc
Loss on store closings	1,115	Izumiya • Hankyu Oasis Co., Ltd. etc.
Outplacement assistance expenses	435	Izumiya • Hankyu Oasis Co., Ltd. KANSAI SUPER MARKET LTD.
Temporary expenses associated with reforms of human resource systems	206	KANSAI SUPER MARKET LTD.
Loss on demolition of buildings	115	Expenses for demolition of commercial facilities

Track records of production, orders received and sales are as follows.

(i) Track Record of Production

The track record of production in the fiscal year ended Mar. 31, 2026, by business segment is as follows.

Segment name	Product name	Amount of production (Millions of JPY)	YoY (%)
Supermarket Business	Foods	36,304	92.9%
Total		36,304	92.9%

(NOTE)

1. The amounts are based on selling price.
2. There is no applicable information for business segments other than the above segment.

(ii) Status of Orders Received

There is no applicable information for the fiscal year ended Mar. 31, 2026.

For Supermarket Business (food manufacturing business), make-to-stock production is conducted based on the past track records of sales.

(iii) Track Record of Sales

The track record of sales in the fiscal year ended Mar. 31, 2026, by business segment is as follows.

Segment name	Product	Sales (Millions of JPY)	YoY (%)
Department Store Business	Clothing	132,762	98.7%
	Accessories, bags and others	145,513	88.9%
	Household merchandise	13,640	97.0%
	Foods	160,558	101.9%
	Restaurants & cafes	14,082	101.9%
	General merchandise	145,363	101.8%
	Service and other	9,832	107.9%
	Eliminations	△716	107.6%
	Reclassification (NOTE 2)	△435,691	98.4%
	Total	185,346	96.4%
Supermarket Business	Supermarket	412,378	100.7%
	Food production	8,969	100.2%
	Home delivery and delivery platform	6,354	94.6%
	Service and other	6,237	116.4%
	Eliminations	△1,484	81.7%
	Reclassification (NOTE 2)	△16,572	104.4%
	Total	415,883	100.8%
Shopping Center Business	Rental management of commercial facilities	16,178	103.9%
	Apparel and home products	11,645	99.5%
	Hotel	7,386	101.0%
	Service and other	4,172	55.3%
	Eliminations	△9,299	89.7%
	Reclassification (NOTE 2)	△1,624	97.9%
	Total	28,458	94.5%
Other Businesses	Construction for interior decorating of stores	5,329	119.7%
	Eating and drinking establishments	2,835	109.1%
	Membership management	1,029	103.3%
	Temporary staffing	2,963	111.4%
	China business	44,879	146.1%
	Other	62,216	111.1%
	Eliminations	△40,398	122.2%
	Reclassification (NOTE 2)	△32,360	151.1%
	Total	46,494	108.2%
Adjustments (NOTE 1)		4,032	105.0%
Total		680,215	99.8%

(NOTE)

1. This is an adjustment amount for reclassifying sales to external customers, which are shown as net amounts as agent transactions in the business segment, but are treated as principal transactions in the consolidated financial statements (transactions based on intra-segment consumption purchase agreements), to be shown as gross amounts in the consolidated income statement.
2. "Gross sales", which is equivalent to net sales up under the previous standard excluding the impact of the "Accounting Standard for Recognition of Revenues" applied from the beginning of the fiscal year ending Mar. 2022, was reclassified to net sales.

(2) Financial Position

Millions of JPY					
	As of Mar. 31, 2025	As of Mar. 31, 2026		As of Mar. 31, 2025	As of Mar. 31, 2026
Cash and deposits	55,590	57,812	Accounts payable - trade	72,488	75,684
Accounts receivable - trade	74,782	72,295	Loans payable and bonds payable	154,611	134,095
Inventories	20,411	21,123	Total liabilities	417,079	389,268
Total current assets	169,516	169,163	Shareholders' equity	248,449	258,380
Total non-current assets	560,983	545,546	Total net assets	313,420	325,440
Total assets	730,499	714,709	Total liabilities and net assets	730,499	714,709

Total assets at the end of the fiscal year ended Mar. 31, 2026, amounted to JPY 714,709 million, which is a decrease of JPY 15,790 million compared to the fiscal year ended Mar. 31, 2025. This decrease was primarily due to a JPY 12,687 million decrease in property, plant and equipment resulting from the sale and impairment of non-current assets, as well as a JPY 2,262 million decrease in investment securities mainly due to the sale of shares of TOHO CO., LTD.

Total liabilities amounted to JPY 389,268 million, a decrease of JPY 27,810 million compared to the end of the fiscal year ended Mar. 31, 2025. This decrease was primarily due to a JPY 21,180 million decrease in interest-bearing debt resulting from repayments of borrowings, which was partially offset by a JPY 3,196 million increase in accounts payable - trade.

Net assets amounted to JPY 325,440 million, an increase of JPY 12,020 million compared to the end of the fiscal year ended Mar. 31, 2025. This was primarily due to an increase of JPY 24,681 million in retained earnings resulting from the recording of profit attributable to owners of parent and the payment of dividends, while shareholders' equity decreased by JPY 14,722 million due to the purchase of treasury shares.

(3) Cash Flows

Main items	Millions of JPY	
	FY2024	FY2025
Cash flows from operating activities	46,268	48,333
Profit before income taxes	51,330	35,476
Depreciation	23,472	24,785
Impairment losses	4,010	10,641
Loss (gain) on step acquisitions	△7,984	-
Loss (gain) on sale of investment securities	△14,546	△13,411
Interest and dividend income	△1,746	△1,571
Loss (gain) on sale of non-current assets	△2,730	△2,076
Decrease (increase) in notes and accounts receivable-trade	△251	2,500
Decrease (increase) in inventories	376	△686
Increase (decrease) in notes and accounts payable-trade	△6,487	3,178
Increase (decrease) in accounts payable - other	5,162	△3,161
Income taxes paid	△5,921	△13,620
Cash flows from investing activities	△13,304	△4,724
Purchase of property, plant and equipment	△20,215	△16,341
Proceeds from sale of property, plant and equipment	5,883	4,781
Purchase of intangible assets	△10,761	△9,297
Proceeds from sale of investment securities	18,006	14,990
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△11,860	—
Proceeds from collection of long-term loans receivable	1,574	439
Cash flows from financing activities	△44,990	△41,444
Proceeds from long-term borrowings	1,129	27,000
Repayments of long-term borrowings	△431	△47,474
Dividends paid	△4,233	△5,269
Purchase of treasury shares	△28,530	△15,003
Operating CF + Investing CF + Financial CF	△12,026	2,164
Cash and cash equivalents	54,940	57,812

“Cash and cash equivalents at the end of the fiscal year” for the consolidated fiscal year ended Mar. 31, 2026, amounted to JPY 57,812 million, which is an increase of JPY 2,871 million from the fiscal year ended Mar. 31, 2025.

Cash flows from operating activities resulted in an inflow of JPY 48,333 million, an increase of JPY 2,065 million from the fiscal year ended Mar. 31, 2025.

Cash flows from investing activities resulted in an outflow of JPY 4,724 million (compared to an outflow of JPY 13,304 million in the fiscal year ended Mar. 31, 2025), primarily due to the acquisition of tangible fixed assets and proceeds from sale of investment securities.

Cash flows from financing activities were an outflow of JPY 41,444 million (compared to an outflow of JPY 44,990 million in the fiscal year ended Mar. 31, 2025), primarily due to repayment of long-term borrowings.

Changes in the Group's indicators related to cash flows are as follows:

Fiscal year ended Mar. 31	2022	2023	2024	2025	2026
Equity ratio	36.2%	36.2%	37.8%	41.0%	43.4%
Equity ratio based on market price	15.9%	25.2%	31.6%	37.8%	38.4%
Interest-bearing debt to cash flow ratio	29.2	6.3	3.5	3.5	3.0
Interest coverage ratio	6.8 times	31.9 times	56.0 times	50.4 times	56.0 times

Equity ratio: $\text{Equity} / \text{Total assets}$

Equity ratio based on market price: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Operating cash flows}$

Interest coverage ratio: $\text{Operating cash flows} / \text{Interest expenses paid}$

*1 These indicators are calculated based on figures from the consolidated financial statements.

*2 Market capitalization is calculated as the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury shares).

*3 Operating cash flows are the cash flows from operating activities as indicated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest expenses paid is the amount of interest expenses paid in the consolidated statements of cash flows.

(4) Critical Accounting Estimates and the Assumptions Used in Those Estimates

In preparing the consolidated financial statements, the Company's managements make various estimates affecting the reported amounts of assets and liabilities as of the balance sheet date, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Items judged to have a significant impact on the consolidated financial statements for the fiscal year ended Mar. 31, 2027, are disclosed in v. Financial Information 1 Consolidated Financial Statements (1) Consolidated Financial Statements "Notes to Consolidated Financial Statements (Significant Accounting Estimates)"

5 Critical Contracts for Operation

At the Board of Directors meeting held on Sep. 25, 2025, the Company resolved to conduct an absorption-type merger in which its consolidated subsidiary, Izumiya ・ Hankyu Oasis Co., Ltd., becomes the surviving company, and another of its consolidated subsidiaries, KANSAI SUPER MARKET LTD., becomes the dissolved company, and to change the trade name of the surviving company. On the same date, a merger agreement was concluded between the two companies.

For details, please refer to "v. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements Notes (Significant Subsequent Events)."

6 Research and Development Activities

No items to report.

III. Information About Facilities

1 Overview of Capital Investment, etc.

In the fiscal year ended Mar. 31, 2026, total capital investment was JPY 27,555 million (including property, plant and equipment and intangible assets). This was mainly due to the renovation of Hankyu Main Store in Department Store Business, the opening of new stores of KANSAI SUPER MARKET LTD. in Supermarket Business, the guest room renovation of Oi Development Co., Ltd. in Shopping Center Business, and the system investment of the Company in Other Businesses.

Capital investment by business segment are as follows:

Millions of JPY		
	Amount	Major items
Department Store	10,949	Renovations of Hankyu Main Store, Hanshin Umeda Main Store, and Kawanishi Hankyu Square
Supermarket	4,936	New store openings of KANSAI SUPER MARKET LTD. and store renovations
Shopping Center	2,531	Renovation of Oi Development Co., Ltd
Other	9,315	System investment in H2O Retailing Corporation
Consolidation adjustment	△177	Elimination of inter-segment transactions
Total	27,555	

2 Major Facilities

(1) Reporting Company

As of Mar. 31, 2026

Office name (Location)	Segment name	Facility	Carrying amount (Millions of JPY)					Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area m ²)	Other	Total	
Kawanishi Hankyu (Kawanishi City, Hyogo)	Other Businesses	Store	0	—	5,500 (6,042)	97	5,598	—

(NOTE)

1. Carrying amount does not include construction in progress.
2. The above assets are rented to Hankyu Hanshin Department Stores, Inc.

(2) Domestic Subsidiaries

As of Mar. 31, 2026

Office name (Location)	Company name	Segment name	facilities	Carrying amount (Millions of JPY)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Others	Total	
Hankyu Umeda Main Store (Kita-ku, Osaka City)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	14,827	88	—	1,735	16,651	647 [209]
Hanshin Umeda Main Store (Kita-ku, Osaka City)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	18,487	116	—	1,849	20,454	226 [66]
Kawanishi Hankyu (Kawanishi City, Hyogo Prefecture)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	1,911	8	—	147	2,067	51 [78]
Hakata Hankyu (Hakata-ku, Fukuoka City)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	2,347	25	—	270	2,644	117 [195]
Kobe Hankyu (Chuo-ku, Kobe City)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	414	0	8,756 (9,872)	0	9,170	143 [154]
Takatsuki Hankyu Square (Takatsuki City, Osaka Prefecture)	Hankyu Hanshin Department Stores, Inc.	Department Store	Store	2,541	19	5,102 (18,338)	141	7,805	45 [70]
Izumiya Wakayama Store (Wakayama City, Wakayama Prefecture)	Izumiya • Hankyu Oasis Co., Ltd.	Supermarket	Store	0	0	—	0	0	14 [83]
	H2O Shopping Center Development Co., Ltd.	Shopping Center	Store	1,117	0	4,740 (27,868)	7	5,864	—
Izumiya NishiKobe store (Nishi-ku, Kobe City)	Izumiya • Hankyu Oasis Co., Ltd.	Supermarket	Store	0	0	—	0	0	23 [106]
	H2O Shopping Center Development Co., Ltd.	Shopping Center	Store	1,796	1	5,030 (42,669)	14	6,841	—
Izumiya Rakuhoku Hankyu Square store (Kyoto City, Kyoto prefecture)	Izumiya • Hankyu Oasis Co., Ltd.	Supermarket	Store	144	5	—	27	176	22 [172]
	H2O Shopping Center Development Co., Ltd.	Shopping Center	Store	4,319	3	5,876 (6,253)	5	10,206	—
Ours Inn Hankyu (Shinagawa-ku, Tokyo)	Oi Development Co., Ltd	Shopping Center	Hotel, etc.	8,556	5	4,826 (9,856)	175	13,564	51 [34]

(NOTE)

1. Carrying amount does not include construction in progress.
2. The number in the bracket in the above refers to the yearly average number of temporary employees.

(3) Overseas Subsidiaries

Office name (Location)	Company name	Segment name	facilities	Carrying amount (Millions of JPY)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Others	Total	
Ningbo Hankyu (Republic of China Ningbo City, Zhejiang)	Ningbo Hankyu Co., Ltd	Other	Store	31,583	2	—	12,640	44,226	134 [5]

(NOTE)

1. Carrying amount includes construction in progress.
2. The number in the bracket in the above refers to the yearly average number of temporary employees.

In addition to the above, the details of major leased equipment are as follows.

(1) Reporting Company

No items to report.

(2) Domestic Subsidiaries

As of Mar. 31, 2026

Company name	Business office name	Segment name	Lessors	Leased property	Land (m ²)
Hankyu Hanshin Department Stores, Inc.	Hankyu Umeda Main Store	Department Store	Hankyu Corporation Hankyu Hanshin Properties Corp.	Store building	144,262
	Hankyu Men's Osaka	Department Store	Hankyu Hanshin Properties Corp. Toho Co., Ltd.	〃	17,816
	Hanshin Umeda Main Store	Department Store	Hanshin Electric Railway Co., Ltd. Hankyu Corporation	Store building, etc.	102,767
	Hankyu Men's Tokyo	Department Store	Toho Co., Ltd.	Store building	18,049
	Nishinomiya Hankyu	Department Store	Hankyu Corporation	〃	38,643
	Hakata Hankyu	Department Store	JR HAKATA CITY Co., Ltd.	〃	54,710
	Kobe Hankyu	Department Store	Hanshin Electric Railway Co., Ltd. Muromachi Building Co., Ltd., etc.	Store building, etc.	50,668
	Takatsuki Hankyu Square	Department Store	Mitsubishi HC Capital Estate Plus Inc Muromachi Building Co., Ltd., etc.	〃	28,251
H2O Shopping Center Development Co., Ltd.	Izumiya Senrioka store	Shopping Center	Sumitomo Mitsui Trust Bank, Limited	Store building, etc.	24,399
	Izumiya Rakuoku Hankyu Square store	Shopping Center	〃	〃	46,751
	Izumiya Nishinomiya Gardens Store	Shopping Center	Hankyu Corporation	〃	10,911
Hankyu Shopping Center Development Co., Ltd.	MOSAICMALL Kohoku	Shopping Center	Daiichi Kyodo Kaihatsu Co., Ltd.	Store building, etc.	108,765

(3) Foreign Subsidiaries

As there are no principal facilities at overseas consolidated subsidiaries, they are not presented.

3 Planned Additions, Retirements, etc. of Facilities

In accordance with Mid-term Management Plan announced in May 2024, capital investment will be restrained from ordinary renewal investment and aggressively invested in high-priority projects.

The total capital investment planned for the year following the consolidated fiscal year ending Mar 31, 2027, is JPY 34,082 million. This includes the Company's IT/DX investments, such as constructing the Group's next-generation network, developing a cloud environment, and promoting business development, as well as Hankyu Hanshin Department Stores, Inc.'s investments for converting the Hankyu Main Store into a Global Department Store and renovating Hakata Hankyu with a focus on luxury floors, and KANSAI FOOD MARKET LTD.'s investments for accelerating store conversions under new store formats ("Marche" value-oriented and "Daily Mart" price-oriented), along with the repair and update of equipment at each store.

Company name	Office name (Location)	Segment name	Facility	Planned investment amount (Millions of JPY)		Fund procurement Methods	Start	Scheduled completion
				Total amount	Amount already paid			
H2O Retailing Corporation	Head Office, etc. Kita-ku, Osaka City	Other	IT system, Business Development and others	13,489	—	Own funds and borrowings, etc.	Apr. 2026	Mar. 2027
Hankyu Hanshin Department Stores, Inc.	Hankyu Main Store, etc. Kita-ku, Osaka City, etc.	Department Store	Hankyu Main Store, Hakata Hankyu renovation, and others	7,474	—	Own funds and borrowings, etc.	Apr. 2026	Mar. 2027
KANSAI FOOD MARKET LTD.	Main store, etc. (Kita-ku, Osaka City, etc.)	Supermarket	Format Conversion, Repairs, Capital Investment and Others	6,625	—	Own funds and borrowings, etc.	Apr. 2026	Mar. 2027

(NOTE)

Effective Apr. 1, 2026, KANSAI FOOD MARKET LTD. completed an absorption-type merger in which a consolidated subsidiary of the Company, Izumiya • Hankyu Oasis Co., Ltd., became the surviving company, and another consolidated subsidiary of the Company, KANSAI SUPER MARKET LTD., became the dissolved company, and changed the surviving company's trade name on the same date. The entity is stated under its trade name after the change.

IV Information About Reporting Company

1 Company's Shares, etc.

(1) Total Number of Shares, etc.

(i) Total number of shares

Class	Number of shares authorized (Shares)
Common shares	150,000,000
Total	150,000,000

(ii) Number of issued shares

Class	Number of issued shares as of the fiscal year-end (shares) (As of Mar.31, 2026)	Number of issued shares as of the date of filing (shares) (As of Jun. 23, 2026)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Content
Common shares	125,201,396	125,201,396	Tokyo Stock Exchange, Prime Market	The number of shares per share unit 100 shares
Total	125,201,396	125,201,396	—	—

(NOTE)

The number of issued shares as of the filing date does not include the number of issued shares upon the exercise of share acquisition rights from Jun. 1, 2026, to the filing date of this Annual Securities Report.

(2) Share Acquisition Rights, etc.

(i) Details of stock option system

Details of the stock option system granted as of the end of the consolidated fiscal year ended Mar. 31, 2026, are described in “v. Financial Information, 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes” (Stock Options, etc.) "

(ii) Rights plans

No items to report

(iii) Share acquisition rights for other uses

No items to report

(3) Exercises of Moving Strike Convertible Bonds, etc.

No items to report

(4) Changes in Number of Issued Shares, Share Capital and Legal Capital Surplus

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in share capital (Millions of JPY)	Balance of share capital (Millions of JPY)	Change in legal capital surplus (Millions of JPY)	Balance of legal capital surplus (Millions of JPY)
Sep. 1, 2014	△125,201,397	125,201,396	—	17,796	—	72,495

(NOTE)

This was due to a share consolidation (consolidation of two shares into one share) executed on Sep. 1, 2014 because of a resolution at the Annual General Meeting of Shareholders held on Jun. 24, 2014.

(5) Shareholding by Shareholder Category

As of Mar. 31, 2026

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (shares)
	Public sector	Financial institutions	Financial Instruments business operations	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Companies, etc.	Individuals			
Number of Shareholders (Persons)	1	25	23	757	191	77	58,514	59,588	—
Number of shares held (Unit)	6	196,240	34,131	373,546	193,551	139	451,505	1,249,118	289,596
Shareholding ratio (%)	0.00	15.71	2.73	29.90	15.50	0.01	36.15	100.00	—

(NOTE)

- The 10,197,971 treasury shares include 101,979 units under "Individuals, etc." and 71 shares under "Shares less than one unit."
In addition, 10,197,971 treasury shares are the shares listed on the shareholder register, and this is the same as the actual number of treasury shares owned as of the end of the fiscal year.
- The number of units under "Other corporations" includes 37 shares units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Status of Major Shareholders

As of Mar. 31, 2026

Name /Company name	Location	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Hanshin Electric Railway Co., Ltd.	1-1-24 Ebie, Fukushima-ku, Osaka City, Osaka	14,749	12.83
The Master Trust Bank of Japan, Ltd.(Trust Account)	8-1 Akasaka 1-chome, Minato-ku, Tokyo Akasaka Intercity AIR	12,992	11.30
Hankyu Hanshin Holdings, Inc.	1-1 Sakaemachi, Ikeda City, Osaka	8,336	7.25
KANSAI FOOD MARKET Business Partners Shareholding Association	8-7, Kakuda-cho, Kita-ku, Osaka City, Osaka	5,146	4.47
Custody Bank of Japan, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	3,310	2.88
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	2,705	2.35
H2O Retailing Group Employees' Shareholding Association	8-7, Kakuda-cho, Kita-ku, Osaka City, Osaka in H2O Retailing Corporation	1,895	1.65
ITOCHU-SHOKUHN Co., Ltd	2-2-22 Shiromi, Chuo-ku, Osaka City, Osaka	1,431	1.24
KOKUBU GROUP CORP.	1-1-1 Nihonbashi, Chuo-ku, Tokyo	1,415	1.23
Morgan Stanley MUFG Securities Co., Ltd.	Otemachi Financial City South Tower 1-9-7 Otemachi, Chiyoda-ku, Tokyo	1,265	1.10
Total	—	53,247	46.30

(7) Voting Rights

(i) Issued Shares

As of Mar. 31, 2026

Category	Number of shares (shares)	Number of voting rights (Rights)	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury Stock) Common shares 10,197,900	—	Standard shares of the Company with no restrictions on rights
Shares with full voting rights (Other)	Common shares 114,713,900	1,147,139	Same as above
Shares less than one unit	Common shares 289,596	—	Same as above
Total number of issued shares	125,201,396	—	—
Total number of voting rights	—	1,147,139	—

(NOTE)

1. Common shares in the "Shares with full voting rights (Other)" column include 3700 shares (number of voting rights: 37) in the name of the Japan Securities Depository Center.
2. Common shares in "Shares less than one unit" includes 71 shares of treasury shares held by the Company.

(ii) Treasury Shares, etc.

As of Mar. 31, 2026

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (Shares)	Shareholding Ratio (%)
(Treasury shares) H2O Retailing Corporation	8-7, Kakuda-cho, Kita-ku, Osaka City, Osaka	10,197,900	—	10,197,900	8.15
Total	—	10,197,900	—	10,197,900	8.15

2 Acquisitions of Treasury Shares, etc.

[Category of shares] Acquisition of common shares under Article 155, item (vii) of the Companies Act

(1) Acquisition by Resolution of Shareholders Meeting

No items to report

(2) Acquisitions by resolution of the Board of Directors

Category	Number of shares (shares)	Total amount (JPY)
Status of resolution of the Board of Directors meeting (May 13, 2025) (Purchase period: From May 14, 2025, to Mar. 31, 2026)	10,000,000	15,000,000,000
Treasury shares acquired prior to the fiscal year ended Mar. 2026	—	—
Treasury shares acquired during the fiscal year ended Mar. 2026	7,359,700	14,999,873,450
Total number and amount of remaining shares resolved	2,640,300	126,550
Percentage of unexercised shares as of the end of the fiscal year ended Mar. 2026 (%)	26.4	0.00
Treasury shares acquired during the period	—	—
Percentage of unexercised shares as of the filing date (%)	26.4	0.00

(NOTE)

1. With the acquisition completed on Jan. 14, 2026, the acquisition of treasury shares resolved at the Board of Directors meeting held on May 13, 2025, has been completed.

2. The figure for treasury shares acquired during the period from Apr. 1, 2026, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from Jun. 1, 2026, until the filing date of this Annual Securities Report.

Category	Number of shares (shares)	Total amount (JPY)
Status of resolution of the Board of Directors meeting (May 12, 2026) (Purchase period: From May 13, 2026, to Mar. 31, 2027)	6,000,000	10,700,000,000
Treasury shares acquired prior to the fiscal year ended Mar. 2026	—	—
Treasury shares acquired during the fiscal year ended Mar. 2026	—	—
Total number and total amount of remaining shares resolved	—	—
Percentage of unexercised shares as of the end of the fiscal year ended Mar. 2026 (%)	—	—
Treasury shares acquired during the period	953,500	2,773,972,850
Percentage of unexercised shares as of the filing date (%)	81.5	74.1

(NOTE) The figure for treasury shares acquired during the period from Apr. 1, 2026, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from Jun. 1, 2026, until the filing date of this Annual Securities Report.

(3) Acquisitions not Based on Resolution of Shareholders Meeting or Board of Directors

Category	Number of shares (shares)	Total amount (JPY)
Treasury shares acquired during the fiscal year ended Mar. 2026	1,936	4,088,310
Treasury shares acquired during the period	194	483,057

(NOTE) The figure for treasury shares acquired during the period from Apr. 1, 2026, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from Jun. 1, 2026, until the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total disposal value (JPY)	Number of shares (shares)	Total disposal value (JPY)
Acquired treasury shares offered for subscription	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	—	—	—	—
Others (NOTE1)	146,429	253,415,518	—	—
Treasury shares held (NOTE2)	10,197,971	—	11,151,665	—

(NOTE)

1. The breakdown for the fiscal year ended Mar. 31, 2026 is as follows:

Disposal through the exercise of stock options: 36,000 shares with a total disposal amount of JPY 46,902,500

Disposal of treasury shares as restricted stock compensation: 110,400 shares with a total decrease amount of JPY 206,448,000

Disposal due to requests to purchase additional shares less than one unit: 29 shares with a total purchase amount of JPY 65,018

2. The figure for treasury shares acquired, purchase and additional purchase of fractional shares and shares exercised through stock options during the period from Apr. 1, 2026, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from Jun. 1, 2026, until the filing date of this Annual Securities Report.

3 Dividend Policy

The Company's basic policy is to implement stable profit distribution while considering cash flows which is necessary for establishing an appropriate financial base over the mid-to-long term and investment for growth, based on the performance of each fiscal year. With active communication with capital markets, the Company will implement an appropriate profit distribution under the consideration of a record and an overall mid to long-term plan, for profit attributable to owners of parent, consolidated net assets, and consolidated cash flows. Dividends are scheduled to be distributed twice a fiscal year, with the interim dividend being distributed in Nov. and the year-end dividend being distributed in Jun. In addition, the Company's Articles of Incorporation include the provision that the Board of Directors can resolve to pay dividends from surpluses, etc., in accordance with the provisions of Article 459 of the Companies Act.

In addition, regarding the consolidated results for the fiscal year ended Mar. 31, 2026, comprehensively taking into account factors such as consolidated results exceeding the earnings forecast driven by extraordinary income from gain on sale of investment securities, despite operating profit falling below the previous fiscal year's level and the recording of extraordinary losses such as impairment losses, the annual dividend per share for the fiscal year ended Mar. 31, 2026, will be JPY 46.

(NOTE) Dividends of surplus with record dates falling in the current fiscal year are as follows:

Resolution date	Total amount of dividends (Millions of JPY)	Dividends per share (JPY)
Oct. 31, 2025 Resolution of the Board of Directors meeting	2,580	22.00
May 12, 2026 Resolution of the Board of Directors meeting	2,760	24.00

4 Status of Corporate Governance, etc.

(1) Overview of Corporate Governance

(i) Corporate governance system

(a). Basic views on corporate governance

The Company's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents," and under its vision of "To be a customer's lifestyle partner to enrich their hearts through offering 'fun, happy and tasty' experiences, contributing to the future of the local community, children and our planet," the Company considers that its purpose is to contribute to society overall while meeting the expectations of its stakeholders, who are customers, shareholders, business partners, and employees.

Based on the basic philosophy and management vision, the Company will perform swift, efficient and strong-minded decision making and work to increase its medium- to long-term corporate value, while meeting various stakeholders' expectations and emphasizing compliance. To this end, the Company will also ensure the enhancement of corporate governance.

(b). Outline and reason for adopting the system

In the H2O Retailing Group, H2O Retailing Corporation (the Company), a holding company, is responsible for the business planning, management and oversight of the entire Group. It seeks through proper and legal means to raise the corporate value of Group companies by building a corporate governance system that facilitates fast acting and efficient businesses. The Company has adopted a "Company with an Audit and Supervisory Committee" (hereinafter, "ASC") system with a view to increasing its corporate value over the mid to long term.

As of Jun. 23, 2026, the Board of Directors of the Company consists of 9 directors (of whom 5 are ASC members), of whom 4 are outside directors (of whom 4 are ASC members), and the ratio of outside directors on the Board of Directors is at least one-third. For the names of members, please refer to "(2) Information of officers, (i) List of officers" and for the status of activities, please refer to "(c). Activities of the Board of Directors" The Chairman of the Board of Directors is President and Representative Director ARAKI Naoya, and the Chairman of the ASC is GOTO Kenji, standing ASC member. (NOTE1)

To ensure fairness and transparency of the process of appointing directors and deciding compensation for directors, the Company will continue to have a voluntary Nominating and Compensation Advisory Committee. Regarding the agenda on appointing candidates for directors or compensation for directors, in view of the basic principles regarding the corporate governance stipulated by the Company, the Nominating and Compensation Advisory Committee considers the agenda and advises the Board of Directors before the Board of Directors makes a decision. As for directors who are ASC members, decisions concerning their nominations are made with the consent of ASC, and decisions concerning their compensation are made through discussion among ASC members. For information on the activities of the committee, please see "(d). Activity status of Nominating and Remuneration Advisory Committee" (NOTE1)

In addition, the Group Management Meeting, which consists of representative directors and full-time directors, has been established as an organization for efficient management decision-making of the Company and its Group companies, and deliberates and approves important matters such as management plans, business policies, and investments of the Company and its group companies, including matters to be discussed at Board of Directors. The Company and its Group companies have clearly defined business responsibilities established through the adoption of an executive officer system. The directors and the Board of Directors of each company have adopted this system for managing and overseeing the business execution of the executive officers.

The ASC audits and supervises business execution through measures such as the exercise of voting rights held by ASC members at Board of Directors and the exercise of the right to state opinions on personnel affairs and compensation of directors who are not ASC members.

1. The Company has proposed the following agenda items (matters to be resolved) for Annual General Meeting of Shareholders scheduled to be held on Jun. 24, 2026: “Election of four directors (excluding directors who are members of the Audit & Supervisory Committee)” and “Election of four director who is a member of the Audit & Supervisory Committee.” If both agenda items are approved, the Company will have nine directors (including five directors who are members of the ASC). Additionally, the Company plan to submit the following resolution item for Board of Directors meeting scheduled to be held immediately after Annual General Shareholders' Meeting: “Election of members of the Nomination and Compensation Advisory Committee.” The composition of the Board of Directors upon approval of these proposals will be as described in the following “(2) Information of officers (ii) List of officers.”

■ Corporate Governance Framework



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(c). Activities of the Board of Directors

During the fiscal year under review, the Board of Directors meeting held 11 times.

The attendances each Board of Director is as follows.

Name	Title	Number of attendances (11 times in total)
ARAKI Naoya	President and Representative Director	11 times
HAYASHI Katsuhiro	Representative Director and Executive Vice President	11 times
YAMAGUCHI Toshihiko	Representative Director	11 times
SHIMADA Yasuo	Director	Board of Directors meeting, which can participate in resolutions (NOTE) 9times/9 times
GOTO Kenji	Director, Standing Audit and Supervisory Committee Member	11 times
BAN Naoshi	Director, Audit and Supervisory Committee Member	11 times
NAKANO Kenjiro	Director, Audit and Supervisory Committee Member	11 times
ISHIHARA Mayumi	Director, Audit and Supervisory Committee Member	10 times
SEKIGUCHI Nobuko	Director, Audit and Supervisory Committee Member	11 times

(NOTE)

Director SHIMADA Yasuo resigned on Jun. 25, 2025, so the number of attendances he attended differs from that of other directors.

The Board of Directors makes decisions on matters defined by law and the Articles of Associations, as well as important matters related to the management and business operation of the Company and the Group, in accordance with the Regulations of the Board of Directors of the Company and the Regulations on the Standards for the Agenda for the Board of Directors. The Board of Directors also manages and monitors the execution of duties by directors and executive officers by receiving reports on the status of business operations from directors and executive officers. In addition to the above resolutions and reporting items, during the fiscal year under review, the Board of Directors meeting also discussed growth areas in the Long-term Business Plan, as well as individual risks such as disasters and cybersecurity. Furthermore, we have newly established "Matters for Discussion" to continuously discuss medium- to long-term management strategies and direction.

The representative directors (ARAKI Naoya, HAYASHI Katsuhiro, and YAMAGUCHI Toshihiko) and outside directors (BAN Naoshi, NAKANO Kenjiro, ISHIHARA Mayumi, and SEKIGUCHI Nobuko) discussed the Company's mid-to-term management strategy and issues in each business, in the fiscal year under review, a total of four opportunities were provided.

《Evaluation of the Effectiveness of the Board of Directors in FY2025》

The Company conducts an annual analysis and evaluation of the effectiveness of its Board of Directors.

The summary of the evaluation results for fiscal year 2025 is as follows.

■Evaluation Method

In Feb. 2026, we conducted a survey of all directors regarding the composition, operation, and agenda of the Board of Directors, as well as the support structure for the Board. Based on the survey results, the Board of Directors exchanged views at a meeting held in Mar. of the same year.

■Improvement Initiatives and Evaluation Results for FY2025

In FY2025, we implemented the following initiatives to promote the transition to a monitoring board and improve the quality of decision-making.

- The Board of Directors discussed the appropriate direction for the Company
- Newly established "discussion items" for ongoing discussions regarding medium- to long-term strategies and directions
- Formulation of guidelines for materials, regularization of pre-meeting briefings for Outside Directors by executive staff
- Progress reports on the mid-term management plan (8 sessions in total), discussions on growth areas within the long-term business strategy (4 sessions in total), and deliberations on specific risks such as disasters and cybersecurity

These initiatives and other efforts were recognized for improving the quality of discussions and enhancing operational efficiency, and it was concluded that the effectiveness of the Board of Directors for FY2025 has been ensured.

■Issues for FY2026

To further enhance the effectiveness of the Board of Directors and strengthen corporate governance, we will prioritize the following initiatives in FY2026.

(1) Strengthening the Monitoring Function of the Board of Directors

To enhance the quality of discussions regarding our mid-to long-term management direction and to implement effective monitoring, we will work to revise the criteria for submitting items to the Board of Directors and the agenda, improve the content of executive reports, and expand discussions with a view to formulating the next mid-term management plan.

(2) Improving Transparency and Objectivity in the Nomination Process

To enhance the transparency and objectivity of the executive nomination process, we will work to strengthen the deliberations of the Nomination and Compensation Advisory Committee and review succession plans, among other initiatives.

(d). Activity status of Nominating and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of a majority of Independent Outside Directors (BAN Naoshi and NAKANO Kenjiro) and President and Representative Director ARAKI Naoya. During the fiscal year under review, the Committee held 6 meetings, which were attended by all Committee members. At the Committee meetings, the Committee discussed the appointment of executive officers on Apr. 1, 2026, the selection and organizational structure of executive officers with executive titles, the responsibilities of directors and executive titles, the proposed revision of directors' remuneration on the same date, and proposals to be submitted to the 107th Annual General Meeting of Shareholders regarding the election of directors (including directors who are Audit and Supervisory Committee members) and the payment of bonuses. Additionally, the Committee conducted a review of the succession plan for the Board of Directors, the officer evaluation system, and the revision of the executive compensation system of core subsidiaries, etc. The Committee then recommended the contents to the Board of Directors.

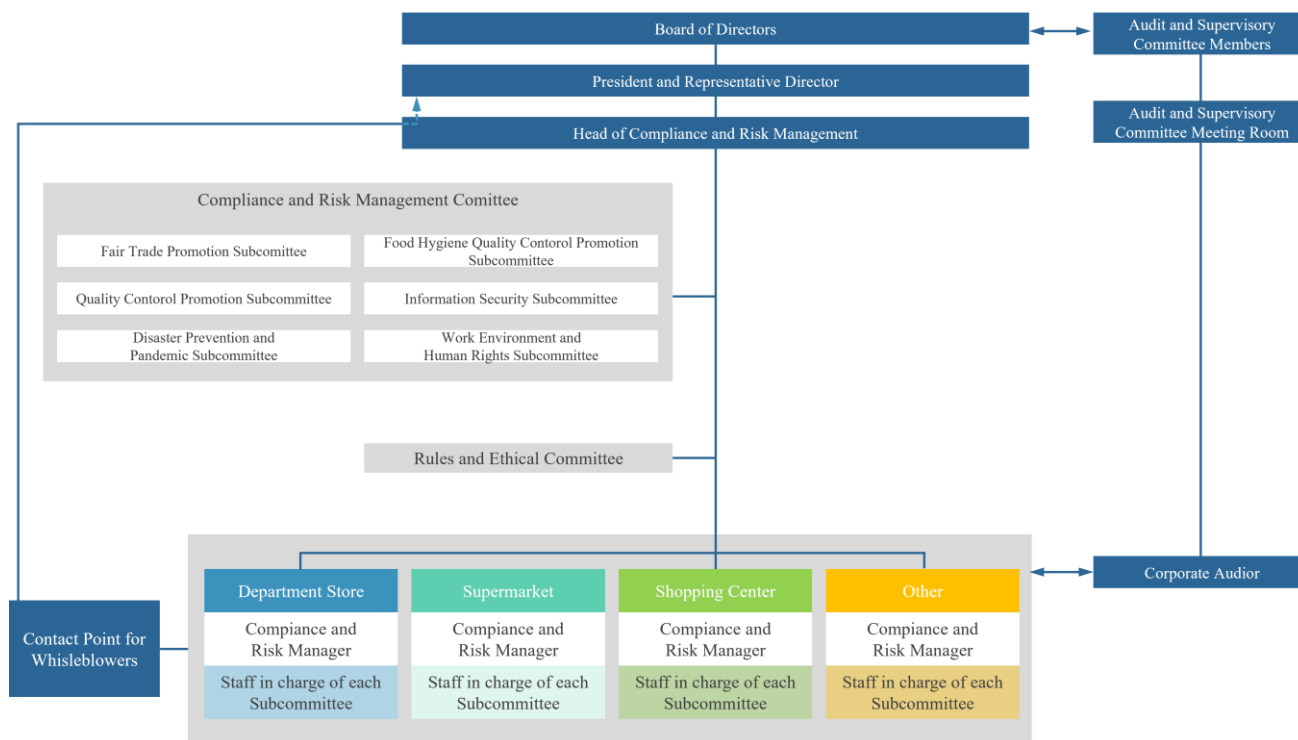
(e). Internal control and risk management system

■ Group Compliance and Risk Management System

The Company resolved the framework of its control system to ensure business appropriateness as follows.

A. Ensuring performance of duties by directors and employees in full compliance with laws and regulations as well as the Company's Articles of Incorporation

« Compliance »



The H2O Retailing Group has a code of conduct stipulating basic principles so that executives and employees will act in accordance with the Companies' code of ethics, laws, rules and regulations. We have also compiled the Group Compliance Regulations, establishing basic policies and rules to ensure Group-wide compliance. In addition, we appoint outside directors with the necessary knowledge and experience to help the Group ensure full compliance. In addition to establishing the "Compliance and Risk Management Committee" to take the lead in building and developing a compliance system, each business of the Company and the Group has a person in charge of carrying out compliance policy and sharing information. In addition, the Group has set up a whistle-blowing system and established rules for disciplinary action in the case of legal and regulatory violations or instances of fraud committed by Group executives or employees.

The Company has an internal audit function and audits the status of compliance in accordance with "Internal Audit Policy."

«Ensuring the reliability of financial reporting»

At each company in the Group, we have set up internal control systems to ensure the reliability of financial reporting. At the Company, we carry out appraisals of the implementation and operational status of internal controls related to financial reporting on a Group-wide basis in accordance with the Financial Instruments and Exchange Act related laws and regulations.

«Eliminating antisocial forces»

The "H2O Retailing Group code of conduct" explicitly prohibits any accession by the Group to unacceptable demands made by antisocial elements that threaten public order and safety. We are also strengthening our partnerships with specialist external organizations such as the police and lawyers, and have created systems for insulating ourselves from all contact with antisocial elements.

B. Storage and management of information related to execution of duties by directors

Internal documentation related to the execution of duties by directors and executives and other information is stored and managed based on laws and regulations for archiving.

C. Regulations and other systems for management of risk of loss

«Risk management systems»

We have compiled a framework of risk management procedures which establishes principles for the prevention of risk events, reporting when risk events occur and dealing with the consequences of risk event occurrence. Basic policies and regulations for risk management enable Group companies to take precautionary measures against risk and to minimize losses when risk events occur. The Compliance and Risk Management Committee collates risk related information and prepares countermeasures while Group companies voluntarily create their own systematic measures to deal with risk based on individual Group company characteristics. Concurrently, a system for pooling information regarding risks faced by all companies in the Group is in place.

D. Ensuring effective performance of duties by Directors

In order to clarify the management supervisory responsibilities of directors and the responsibilities of executive officers and to promote more efficient performance of duties by directors, an executive officer system has been introduced at all Group companies, with the Group Management meeting responsible for effective business decision-making for the Company and the Group. This body manages business performance on a monthly and quarterly basis and assesses the progress of business plans at the Board of Directors meeting and Group Management meetings, revising targets as necessary.

Authority and responsibility have also been clarified based on approval procedures for the issuing and acceptance of management instructions based on job grade.

E. System for reporting by each company in the Group to the Company, and other systems for ensuring the proper conduct of business within the Group

Based on Group company management protocol, business planning, marketing policies and other important operational matters at Group companies are taken up or reported at Group Management meetings and Board of Directors' meetings. The Company's internal auditing, compliance and risk management systems apply to all companies in the Group

F. Audit assistants and their independence from directors who are not ASC members and effectiveness of instruction by ASC in cases in which an ASC seeks help in performing auditing duties

At a request by the ASC, dedicated ASC staff members are selected to help the ASC carry out its duties. These assistants do not report to directors who are not ASC members.

G. Reporting to the ASC by directors who are not ASC members and employees, other reporting to the ASC and ensuring such reporting will not become the basis for any unfair treatment

ASC members regularly hold meetings with representative directors, dedicated ASC staff members, staff members of internal control divisions (Finance and Accounting, General Affairs, Human Resources and Information Technology Promotion, etc.) and the Group Corporate Auditors Committee, attend important meetings such as Group Management meetings and review the approval documents and minutes of Group Management meetings and other committee meetings. When requested by the ASC, the Group's directors and employees shall promptly report to the ASC regarding matters related to the administration of business. Upon discovering any issue such as the violation of laws and regulations which may cause significant loss to the Company or Group companies, the Group's directors and employees shall report to ASC members or corporate auditors of the respective companies of the Group who subsequently report to the Company's ASC. The status of the Group's internal audits, compliance, risk management and internal whistle-blower system is regularly reported to the Company's ASC. All members of the Group are informed that it is strictly prohibited to treat any director, officer or employee unfairly on the grounds that they have provided a relevant report for the ASC or corporate auditors.

H. System to ensure that audits by ASC are executed effectively

Based on requests from the ASC, dedicated ASC staff members are designated as corporate auditors of each company of the Group. When the ASC requests the hiring of outside experts such as lawyers or certified public accountants as their advisors and when ASC members request relevant expenses to fulfil their roles in advance, the Company promptly bears such costs in accordance with applicable laws and regulations. The Company establishes an annual budget for such costs for ASC members.

The following summaries of the status of operations for the year ended Mar.31, 2026

(i) In order to ensure proper operations, the Company prescribed the internal rules of "H2O Retailing Group Code of Conduct" and "Group Compliance Regulations" and established the Group's operations rules, which summarize the basic matters with which each of Group companies shall comply. All directors and employees are informed of these rules.

During the current fiscal year, the Compliance and Risk Management Committee designated the Nankai Trough Earthquake and information security (cyberattacks and personal information leaks) as the group's priority risks and key focus areas. The Committee reviewed current initiatives and identified challenges and discussed future response measures. Furthermore, the Board of Directors held discussions on the direction of risk management for specific topics, such as disasters and cybersecurity. Regarding the Nankai Trough Earthquake, in addition to continuing to strengthen our highly effective disaster mitigation framework, we will work to establish a business continuity plan (BCP) to ensure quick recovery. With regard to information security, given the damage caused by recent cyberattacks and the need for immediate and even more robust measures, we will strengthen our framework for agile risk response-including the establishment of a specialized committee starting in the next fiscal year.

The various subcommittees of the Compliance and Risk Management Committee-including those on Fair Trade Promotion, Food Hygiene Quality Control Promotion, Quality Control Promotion, Information Security, Disaster Prevention and Pandemic, and Work Environment and Human Rights are each working on their respective key issues. The Compliance and Risk Management Committee receives regular reports on their progress, enabling the Group to effectively address these key issues.

During the current fiscal year, we conducted awareness and educational programs regarding the "Act on the Prevention of Delays in Payment to Small and Medium-Sized Contractors in Outsourced Manufacturing and Other Transactions (Act on the Fairness of Transactions with Small and Medium-Sized Contractors)," the "Children and Child-Rearing Support Act," and the "Act on the Promotion of Women's

Active Participation in Professional Life (Act on the Promotion of Women's Active Participation)" and the "Labor Standards Act," as well as on strengthening our customer information protection systems. Going forward, we will continue to respond to legal revisions in a timely and appropriate manner, while continuously monitoring each company's compliance with these changes. Furthermore, regarding the protection of customer information, we will work to cultivate customer confidence through highly transparent communication.

Following the group-wide harassment training for executive-level (management) employees conducted in the previous fiscal year, we expanded the scope of this training in the current fiscal year to include managers (non-management employees) at all group companies. We are promoting initiatives at the group level to prevent harassment in the workplace by improving knowledge and understanding of harassment, and to create a work environment where psychological safety is maintained.

The Internal Audit Department conducted group-wide internal audits this fiscal year in accordance with an audit plan based on a risk-based approach. As priority areas, we verified the appropriateness and effectiveness of "DX in HR and Accounting" for management audits, "System Development Project Management and Information Security" for IT audits, and "Customer Information Management and Labor Management" for business audits.

The "Compliance Hotline", an internal reporting system, is being operated continuously and stably at all Group companies by continuing to make all employees fully aware of the hotline, which has been set up at the Company and core companies. The content of reports is reported regularly to the Representative Director and Standing ASC members, taking into account the objective opinions of outside legal counsel as necessary.

Regarding our response to antisocial forces, we continue to implement measures such as including clauses on the exclusion of antisocial forces and representation and warranty clauses in contracts and other documents.

As part of our efforts to ensure the reliability of financial statements, we evaluated the status of controls company-wide, focusing primarily on the development and operation of business process controls at Hankyu Hanshin Department Stores, Inc., Izumiya • Hankyu Oasis Co., Ltd., and KANSAI SUPER MARKET LTD. Furthermore, following the transfer of the corporate planning and management functions for the Supermarket Business of H2O Food Group Co., Ltd. to KANSAI FOOD MARKET LTD., we added KANSAI FOOD MARKET LTD. to the scope of our evaluation of company-wide controls based on materiality criteria and conducted an evaluation of the establishment and effectiveness of controls at that company.

Even for companies not subject to J-SOX, we investigated each company's control status regarding its business environment to identify risks, and requested that each company address its specific issues. In addition, regarding accounting workflows, we conducted on-site verification of shared service operational workflows and requested improvements for those workflows where control issues were identified. We will continue to contribute to the enhancement of internal controls related to the Group's financial statements.

- (ii) With respect to the audit system, the Company continues to assign 18 dedicated staff members who support the duties of the ASC as requested by the ASC and designate each staff member as a corporate auditor or a person taking responsibility of internal audit function. In addition, meetings between the Outside Directors Audit and Supervisory Committee members and the Representative Directors are held regularly, with the standing Audit and Supervisory Committee members attending important meetings such as the Group Management Committee and the Management Committee of major subsidiaries. In addition, meetings are held regularly with staff in the Corporate Planning Office, Development Office, Business Promotion Office, IT and Digital Office, Finance Office, General Affairs Office, Human Resources Office, and Board Secretary staff. For Group companies, the Audit & Supervisory Board members of each company attend meetings such as the Management Committee of each company.

F. Activities status of Compliance and Risk Management Committee

The Compliance and Risk Management Committee is composed of the executives of the Company and major subsidiaries (IKEJIMA Masaru, HAYASHI Katsuhiro, YAMAGUCHI Toshihiko, MORII Norifumi, SATO Yukichika, KUMANO Keita and KASHIHARA Hideki). The chairman is IKEJIMA Masaru, managing executive officer, who is responsible for compliance and risk management for the Group. During the fiscal year under review, the committee held 1 time. The committee shared information and discussed measures to address the Group's priority risks and issues for the next fiscal year, as well as major legal revisions that will affect the Group's business activities regarding specialized subcommittee meeting held 18 times such as. Fair Trade Promotion Subcommittee, Food Hygiene Quality Control Promotion Subcommittee, Quality Control Promotion Subcommittee, Information Security Subcommittee, Disaster Prevention and Pandemic Subcommittee, and Food Hygiene Quality Control Promotion Subcommittee. In addition, 3 compliance liaison meetings were held to share information with group companies and disseminate measures thoroughly.

The Company held three compliance liaison meetings to share information and thoroughly disseminate measures, promoting full compliance with legislative amendments across laws such as the "Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors," the "Child and Child Care Support Act" the "Act on the Promotion of Women's Active Engagement in Professional Life," and the "Labor Standards Act."

(ii) Outline of the Liability Limitation Agreements

The Company entered into a liability agreement with The Company entered into a liability limitation agreement with Director Yasuo Shimada, and Director Audit and Supervisory Committee Member Naoshi Ban, Kenjiro Nakano, Mayumi Ishihara, and Nobuko Sekiguchi in accordance with Article 427, paragraph (1) of the Companies Act ("Act") for the purpose of limiting liability as prescribed in Article 423, paragraph (1) of the Act. Under the agreement, the maximum amount of liability of an outside director shall be limited to the amount prescribed in the Act.

(iii) Outline of the Directors and Officers Liability Insurance Agreement

The Company has entered into a directors and officers liability insurance agreement as stipulated in Article 430-3, paragraph (1) of the Act. An outline of the agreement is as follows.

a. Scope of the insured

All directors (including ASC members), auditors, and executive officers of the Company and the Company Group

b. Effective share of insurance premiums paid by the insured

Insurance premiums for the insured who belong to the Company (directors including ASC members and executive officers of the Company) are fully paid by the Company, including special provisions.

c. Outline of insured accidents eligible for compensation

The insured shall be compensated for damages arising from liability incurred while performing their duties or from claims related to such liability. However, there are certain exemptions, such as damages arising from criminal acts or acts committed by the insured in violation of laws and regulations, of which the insured was aware.

d. Measures to ensure the appropriateness of the execution of duties by directors and officers

In addition to the exemptions described in c., the agreement stipulates a deductible, and damages up to the deductible will not be compensated.

(iv) Exemption from Liability of Directors

The Company provides in the Articles of Incorporation that, at a resolution of the Board of Directors' meeting, the liability of directors (including former directors) who fail to perform their duties shall be exempt by a statutory limit of 25 based on Article 426, paragraph (1) of the Act. This provision enables directors to perform their duties without the effects of anxiety and allows the Company to continue inviting outside directors with deep insights and a wealth of experience. The above provision also applies to the corporate auditors (including former corporate auditors) before a resolution of the 97th Annual General Shareholders' Meeting held on Jun. 22, 2016.

(v) Number of Directors as Provided in the Articles of Incorporation

The Company provides in the Articles of Incorporation that the number of directors excluding directors who are ASC members shall be 10 or less and that of directors who are ASC members shall be 5 or less.

(vi) Selection of Directors

The Company provides in the Articles of Incorporation that a resolution of a Shareholders' Meeting shall be made by a majority of the votes of the shareholders present at meetings where shareholders holding one third or more of the votes of the shareholders entitled to exercise voting rights are present. It is also provided in the Articles of Incorporation that directors shall not be appointed by cumulative voting.

(vii) Organization for Determining Dividends

For the purpose of implementing a dividend policy corresponding to the status of business operations, the Company provides in the Articles of Incorporation that matters regarding dividends, including matters prescribed in each item of Article 459, paragraph (1) of the Act, shall be resolved at a Board of Directors' meeting regardless of a resolution by a Shareholders' Meeting unless otherwise prescribed in laws and regulations.

(viii) Requirement for Resolution of a Special Proposal at a Shareholders' Meeting

For the purpose of smooth deliberations regarding a special proposal at a Shareholders' Meeting, the Company provides in the Articles of Incorporation that a special proposal submitted at a Shareholders' Meeting as prescribed in Article 309, paragraph (2) of the Act shall be resolved by a majority of two thirds or more of the votes of the shareholders present at meetings where the shareholders holding one third or more of the votes of the shareholders entitled to exercise voting rights are present.

(2) Information of officers

(i) List of officers

The status of the Company's officers as of the date of filing of this report (Jun. 23, 2026) is as follows.

Officers include 7 males and 2 females. (Percentage of female officers:22.2%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
President and Representative Director / Chairman of the Board of Directors	ARAKI Naoya	May 14, 1957	Apr. 1981	Joined Hankyu Department Store, Inc.	(NOTE 2)	31,200
			Apr. 2003	General Manager, Suburban Store Development Office, Hankyu Department Stores, Inc.		
			Apr. 2004	Executive Officer, Hankyu Department Stores, Inc.		
			Oct. 2008	Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2010	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Mar. 2012	President and Representative Director, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2012	Representative Director, H2O Retailing Corporation		
			Apr. 2020	President and Representative Director, H2O Retailing Corporation (present position)		
			Apr. 2020	Chairman and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)		
Representative Director / In charge of Department Store Business	YAMAGUCHI Toshihiko	Aug. 21, 1963	Apr. 1986	Joined Hankyu Department Store, Inc.	(NOTE 2)	22,600
			Apr. 2009	Store Manager, Kawanishi Hankyu Store, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2011	Sales Service Executive Manager, Yurakucho Hankyu Store, Hankyu Hanshin Department Stores, Inc.		
			Aug. 2011	Sales Service Executive Manager, Hankyu Men's Tokyo, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2012	Store Manager, Hankyu Men's Tokyo, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2014	Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2018	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2020	President and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)		
			Jun. 2020	Representative Director, H2O Retailing Corporation (present position) In charge of the Department Store Business, H2O Retailing Corporation (present position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	SHIMADA Yasuo	Jul. 21, 1964	Apr. 1988	Joined Hankyu Corporation	(NOTE 2)	2,200
			Apr. 2019	Director, Hankyu Corporation		
			Apr. 2021	Managing Director, Hankyu Corporation		
			Apr. 2022	President and Representative Director, Hankyu Corporation (present position)		
			Jun. 2022	Representative Director and Executive Vice President, Hankyu Hanshin Holdings, Inc.		
			Mar. 2023	President and Representative Director, Hankyu Hanshin Holdings, Inc.		
			Dec. 2024	President and Representative Director, Chief Executive Officer, Hankyu Hanshin Holdings, Inc. (present position)		
			Jun. 2025	Director, H2O Retailing Corporation (present position)		
Director	HAYASHI Katsuhiro	Jan. 20, 1958	Apr. 1982	Joined Hankyu Department Store, Inc.	(NOTE 2)	40,967
			Apr. 2002	General Manager, Public Relations Office, Hankyu Department Stores, Inc.		
			Apr. 2005	General Manager, Compliance Office, Hankyu Department Stores, Inc.		
			Jun. 2009	Director and Executive Officer, H2O Retailing Corporation		
			Jun. 2009	Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2012	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2014	Director and Managing Executive Officer, H2O Retailing Corporation		
			Apr. 2014	Director and Managing Executive Officer, Hankyu Hanshin Department Store, Inc.		
			Apr. 2015	Representative Director and Senior Managing Executive Officer, H2O Retailing Corporation		
			Apr. 2015	In charge of Human Resources Office, General Affairs Office, and the Public Relations Office, H2O Retailing Corporation		
			Apr. 2015	Representative Director and Senior Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2017	Representative Director and Executive Vice President, H2O Retailing Corporation		
			Apr. 2020	In charge of the Supermarket Business, H2O Retailing Corporation		
			Dec. 2021	President and Representative Director, KANSAI SUPER MARKET LTD. (currently JUSO FOOD MARKET LTD.)		
			Apr. 2023	President and Representative Director, Izumiya・Hankyu Oasis Co., Ltd. (currently KANSAI FOOD MARKET LTD.)		
			Apr. 2026	Director, H2O Retailing Corporation (present position)		
			Apr. 2026	Chairman and Representative Director, KANSAI FOOD MARKET LTD. (present position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Standing Audit and Supervisory Committee Member	GOTO Kenji	Sep. 12, 1961	Apr. 1984	Joined Hankyu Department Store, Inc.	(NOTE 3)	6,100
			Apr. 2004	General Manager, Accounting Office, Hankyu Department Stores, Inc.		
			Apr. 2005	General Manager, Finance Office, Hankyu Department Stores, Inc.		
			Apr. 2006	General Manager of Finance and Accounting Office, Hankyu Department Stores, Inc.		
			Oct. 2007	General Manager, Corporate Management Office, H2O Retailing Corporation		
			Apr. 2008	Store Manager, Takarazuka Hankyu, Hankyu Department Store, Inc.		
			Oct. 2009	Store Manager, Senri Hankyu, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2010	In charge of Financial Policy Office, H2O Retailing Corporation		
			Apr. 2011	General Manager, Business Process Reengineering Office, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2012	General Manager, Audit and Supervisory Board Members' Office, H2O Retailing Corporation		
			Jun. 2012	Audit & Supervisory Board Member, Hankyu Hanshin Department Stores Inc. (present position)		
			Jun. 2023	Director and Standing Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Apr. 2025	Corporate Auditor, KANSAI FOOD MARKET LTD. (present position)		
Director Audit and Supervisory Committee Member	BAN Naoshi	Sep. 30, 1946	Apr. 1969	Joined Mitsubishi Logistics Corporation	(NOTE 4)	18,800
			Jun. 2000	Director, Mitsubishi Logistics Corporation		
			Jun. 2001	Managing Director, Mitsubishi Logistics Corporation		
			Jun. 2003	President and Representative Director, Mitsubishi Logistics Corporation		
			Jun. 2008	Chairman and Representative Director, Mitsubishi Logistics Corporation		
			Jun. 2010	Chairman of the Board, Mitsubishi Logistics Corporation		
			Apr. 2013	Director and Senior Corporate Advisor, Mitsubishi Logistics Corporation		
			Jun. 2013	Senior Corporate Advisor, Mitsubishi Logistics Corporation		
			Jun. 2015	Director, H2O Retailing Corporation		
			Jun. 2016	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Apr. 2018	Special Advisor, Mitsubishi Logistics Corporation		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Standing Audit and Supervisory Committee Member	NAKANO Kenjiro	Aug. 13, 1947	Apr. 1971	Joined Sumitomo Bank, Ltd.	(NOTE 4)	9,600
			Apr. 1998	Director, Sumitomo Bank, Ltd.		
			Jun. 2002	Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Jun. 2004	Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Jun. 2005	Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Apr. 2006	Representative Director Deputy President Executive Officer, Sumitomo Mitsui Banking Corporation		
			Apr. 2008	Deputy Chairman and Representative Director, Sumitomo Mitsui Banking Corporation		
			Jun. 2010	President, Keihanshin Real Estate Co., Ltd. (currently Keihanshin Building Co., Ltd.)		
			Jun. 2013	Outside Director, Maruichi Steel Tube Ltd. (present position)		
			Jun. 2016	Chairman, Keihanshin Building Co., Ltd.		
			Jun. 2016	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
Director Audit and Supervisory Committee Member	ISHIHARA Mayumi	May 3, 1963	Apr. 1997	Registered as lawyer with The Osaka Bar Association	(NOTE 4)	1,500
			Apr. 1997	Joined Oh-Ebashi LPC & Partners		
			Jun. 2013	Outside Auditor, Morishita Jintan Co., Ltd.		
			Feb. 2016	Outside Director, Morito Co., Ltd. (present position)		
			Jun. 2016	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Jun. 2018	Outside Director (Audit and Supervisory Committee Member), Morishita Jintan Co., Ltd. (present position)		
			Apr. 2024	Outside Audit, DyDo Group Holdings, Inc. (present position)		
			Jan. 2025	Joined Umeda Sogo Law Office		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Audit and Supervisory Committee Member	SEKIGUCHI Nobuko	Jul. 3, 1968	Nov. 2005	Joined Capcom Co., Ltd.	(NOTE 4)	2,100
			Oct. 2007	Accounting Manager, Capcom Co., Ltd.		
			Apr. 2011	Corporate Officer in Management of Corporate Planning, Capcom Co., Ltd		
			Apr. 2016	Managing Corporate Officer in Manager of Corporate Planning and Manager of Human Resource,Capcom Co., Ltd		
			Mar. 2019	Left Capcom Co., Ltd.		
			Jun. 2019	Outside Director, Duskin Co., Ltd.		
			Jun. 2020	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Jun. 2022	Outside Director and Audit and Supervisory Committee Member, Kobe Steel, Ltd (present position)		
			Jun. 2025	Outside Director, Duskin Co., Ltd. (present position)		
Total						135,067

(NOTE)

1. BAN Naoshi, NAKANO Kenjiro, ISHIHARA Mayumi and SEKIGUCHI Nobuko are outside directors.
2. One year from the conclusion of the Annual General Meeting of Shareholders held on Jun. 25, 2025.
3. Two years from the conclusion of the Annual General Meeting of Shareholders held on Jun. 25, 2025.
4. Two years from the conclusion of the Annual General Meeting of Shareholders held on Jun. 25, 2024.
5. The Chairman of the Board of Directors is ARAKI Naoya.
6. The Company is a Company with an Audit and Supervisory Committee. The Chairman of the Audit and Supervisory Committee is GOTO Kenji. The members of the Audit and Supervisory Committee are BAN Naoshi, NAKANO Kenjiro, ISHIHARA Mayumi and SEKIGUCHI Nobuko.

(ii). List of officers

The Company has proposed the following proposal matters (matters to be resolved) for the Annual General Meeting of Shareholders scheduled to be held on Jun. 24, 2026: “Election of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Election of Four Director who is an Audit and Supervisory Committee Member”. If both proposal matters are approved, the status of the Company's officers will be as follows. Additionally, the content of the resolutions to be adopted at the board of directors' meeting scheduled to be held immediately following the aforementioned the shareholders' meeting (including title and position, etc.) is also included in this notice.

Officers include 7 males and 2 females. (Percentage of female officers:22.2%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
President and Representative Director / Chairman of the Board of Directors	ARAKI Naoya	May 14, 1957	Apr. 1981	Joined Hankyu Department Store, Inc.	(NOTE 2)	31,200
			Apr. 2003	General Manager, Suburban Store Development Office, Hankyu Department Stores, Inc.		
			Apr. 2004	Executive Officer, Hankyu Department Stores, Inc.		
			Oct. 2008	Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2010	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Mar. 2012	President and Representative Director, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2012	Representative Director, H2O Retailing Corporation		
			Apr. 2020	President and Representative Director, H2O Retailing Corporation (present position)		
			Apr. 2020	Chairman and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)		
Representative Director / In charge of Department Store Business	YAMAGUCHI Toshihiko	Aug. 21, 1963	Apr. 1986	Joined Hankyu Department Store, Inc.	(NOTE 2)	22,600
			Apr. 2009	Store Manager, Kawanishi Hankyu Store, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2011	Sales Service Executive Manager, Yurakucho Hankyu Store, Hankyu Hanshin Department Stores, Inc.		
			Aug. 2011	Sales Service Executive Manager, Hankyu Men's Tokyo, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2012	Store Manager, Hankyu Men's Tokyo, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2014	Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2018	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2020	President and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)		
			Jun. 2020	Representative Director, H2O Retailing Corporation (present position) In charge of the Department Store Business, H2O Retailing Corporation (present position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	SHIMADA Yasuo	Jul. 21, 1964	Apr. 1988	Joined Hankyu Corporation	(NOTE 2)	2,200
			Apr. 2019	Director, Hankyu Corporation		
			Apr. 2021	Managing Director, Hankyu Corporation		
			Apr. 2022	President and Representative Director, Hankyu Corporation (present position)		
			Jun. 2022	Representative Director and Executive Vice President, Hankyu Hanshin Holdings, Inc.		
			Mar. 2023	President and Representative Director, Hankyu Hanshin Holdings, Inc.		
			Dec. 2024	President and Representative Director, Chief Executive Officer, Hankyu Hanshin Holdings, Inc. (present position)		
			Jun. 2025	Director, H2O Retailing Corporation (present position)		
Director / In charge of the Supermarket Business	WATANABE Gaku	May 1, 1968	Apr. 1991	Joined SANYO Electric Co., Ltd.	(NOTE 2)	6,102
			Jul. 2011	Deputy General Manager of Corporate Planning Division, SANYO Electric Co., Ltd.		
			Apr. 2015	Joined SIGMAXYZ Inc. (currently SIGMAXYZ Holdings Inc.)		
			Apr. 2015	Representative Director and Executive Vice President, GLOBAL SECURITY EXPERTS Inc.		
			Apr. 2018	General Manager of Corporate Planning Department (Director), SIGMAXYZ Inc. (currently SIGMAXYZ Holdings Inc.)		
			Oct. 2019	Joined H2O Retailing Corporation, attached to the Executive Vice President (with General Manager status)		
			Apr. 2020	Executive Officer, H2O Retailing Corporation General Manager of Corporate Planning Office		
			Dec. 2021	Director, Finance Office and General Affairs Office, KANSAI SUPER MARKET LTD. (currently JUSO FOOD MARKET LTD.)		
			Feb. 2022	Director, General Manager of Corporate Planning Office Finance Office and General Affairs Office, KANSAI SUPER MARKET LTD. (currently JUSO FOOD MARKET LTD.)		
			Apr. 2022	Managing Executive Officer, H2O Retailing Corporation		
			Apr. 2026	Senior Managing Executive Officer, H2O Retailing Corporation (present position), In charge of Supermarket Business (present position)		
			Apr. 2026	President and Representative Director, KANSAI FOOD MARKET LTD. (present position)		
			Jun. 2026	Director and Senior Managing Executive Officer, H2O Retailing Corporation (scheduled)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Standing Audit and Supervisory Committee Member	GOTO Kenji	Sep. 12, 1961	Apr. 1984	Joined Hankyu Department Store, Inc.	(NOTE 3)	6,100
			Apr. 2004	General Manager, Accounting Office, Hankyu Department Stores, Inc.		
			Apr. 2005	General Manager, Finance Office, Hankyu Department Stores, Inc.		
			Apr. 2006	General Manager of Finance and Accounting Office, Hankyu Department Stores, Inc.		
			Oct. 2007	General Manager, Corporate Management Office, H2O Retailing Corporation		
			Apr. 2008	Store Manager, Takarazuka Hankyu, Hankyu Department Store, Inc.		
			Oct. 2009	Store Manager, Senri Hankyu, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2010	In charge of Financial Policy Office, H2O Retailing Corporation		
			Apr. 2011	General Manager, Business Process Reengineering Office, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2012	General Manager, Audit and Supervisory Board Members' Office, H2O Retailing Corporation		
			Jun. 2012	Audit & Supervisory Board Member, Hankyu Hanshin Department Stores Inc. (present position)		
			Jun. 2023	Director and Standing Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Apr. 2025	Corporate Auditor, KANSAI FOOD MARKET LTD. (present position)		
Director Standing Audit and Supervisory Committee Member	NAKANO Kenjiro	Aug. 13, 1947	Apr. 1971	Joined Sumitomo Bank, Ltd.	(NOTE 4)	9,600
			Apr. 1998	Director, Sumitomo Bank, Ltd.		
			Jun. 2002	Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Jun. 2004	Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Jun. 2005	Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
			Apr. 2006	Representative Director Deputy President Executive Officer, Sumitomo Mitsui Banking Corporation		
			Apr. 2008	Deputy Chairman and Representative Director, Sumitomo Mitsui Banking Corporation		
			Jun. 2010	President, Keihanshin Real Estate Co., Ltd. (currently Keihanshin Building Co., Ltd.)		
			Jun. 2013	Outside Director, Maruichi Steel Tube Ltd.		
			Jun. 2016	Chairman, Keihanshin Building Co., Ltd.		
			Jun. 2016	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Audit and Supervisory Committee Member	ISHIHARA Mayumi	May 3, 1963	Apr. 1997	Registered as lawyer with The Osaka Bar Association	(NOTE 4)	1,500
			Apr. 1997	Joined Oh-Ebashi LPC & Partners		
			Jun. 2013	Outside Auditor, Morishita Jintan Co., Ltd.		
			Feb. 2016	Outside Director, Morito Co., Ltd. (present position)		
			Jun. 2016	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Jun. 2018	Outside Director (Audit and Supervisory Committee Member), Morishita Jintan Co., Ltd. (present position)		
			Apr. 2024	Outside Audit, DyDo Group Holdings, Inc. (present position)		
			Jan. 2025	Joined Umeda Sogo Law Office		
Director Audit and Supervisory Committee Member	SEKIGUCHI Nobuko	Jul. 3, 1968	Nov. 2005	Joined Capcom Co., Ltd.	(NOTE 4)	2,100
			Oct. 2007	Accounting Manager, Capcom Co., Ltd.		
			Apr. 2011	Corporate Officer in Management of Corporate Planning, Capcom Co., Ltd		
			Apr. 2016	Managing Corporate Officer in Manager of Corporate Planning and Manager of Human Resource, Capcom Co., Ltd		
			Mar. 2019	Left Capcom Co., Ltd.		
			Jun. 2019	Outside Director, Duskin Co., Ltd.		
			Jun. 2020	Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
			Jun. 2022	Outside Director and Audit and Supervisory Committee Member, Kobe Steel, Ltd (present position)		
			Jun. 2025	Outside Director, Duskin Co., Ltd. (present position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Audit and Supervisory Committee Member	HIROTOMI Yasuyuki	Jun. 15, 1954	Apr. 1978	Joined The Daiwa Bank, Ltd. (currently Resona Bank, Limited)	(NOTE 4)	—
			Oct. 2003	Executive Officer, Resona Bank, Limited		
			Jun. 2005	Managing Executive Officer, Resona Bank, Limited		
			Jun. 2008	Director and Senior Managing Executive Officer, Resona Bank, Limited		
			Jun. 2009	Representative Director and Executive Vice President, Executive Officer, Resona Bank, Limited		
			Apr. 2014	Joined KYOEI STEEL LTD.		
			Jun. 2014	Executive Vice President, Director, Assistant to the President, KYOEI STEEL LTD.		
			Jun. 2017	Outside Director, ICHINEN HOLDINGS CO., LTD. (present position)		
			Jun. 2018	President and Representative Director, KYOEI STEEL LTD.		
			Jun. 2025	Director and Senior Advisor, KYOEI STEEL LTD. (present position)		
			Jan. 2026	Outside Director, Hankyu Hanshin Department Stores, Inc.		
			Jun. 2026	Director.(Audit and Supervisory Committee Member) (scheduled), H2O Retailing Corporation		
Total						81,402

(NOTE)

1. NAKANO Kenjiro, ISHIHARA Mayumi, SEKIGUCHI Nobuko and HIROTOMI Yasuyuki are outside directors.
2. One year from the conclusion of the Annual General Meeting of Shareholders held on Jun. 24, 2026.
3. Two years from the conclusion of the Annual General Meeting of Shareholders held on Jun. 25, 2025.
4. Two years from the conclusion of the Annual General Meeting of Shareholders held on Jun. 24, 2026.
5. The Chairman of the Board of Directors is ARAKI Naoya.
6. The Company is a Company with an Audit and Supervisory Committee.
The Chairman of the Audit and Supervisory Committee is GOTO Kenji.
The members of the Audit and Supervisory Committee are NAKANO Kenjiro, ISHIHARA Mayumi, SEKIGUCHI Nobuko and HIROTOMI Yasuyuki.

(ii) Outside Directors

The number of directors from outside the Company is four, of whom four are ASC members.

a. Relationship with outside directors

BAN Naoshi has actively given advice and opinions at Board of Directors' Meetings, etc., as an outside director based on his extensive management experience of having served as a President and Chairman of a business enterprise and his broad insights. The Company has appointed him again as an outside director and ASC member, expecting that he will contribute to the sustainable enhancement of the corporate value of the Group by utilizing his experience, etc. in the supervision and audit of the Group. Furthermore, since he fulfils the requirements as prescribed in the below mentioned "Independence Criteria for Outside Directors," the Company appointed Mr. Ban as an independent director. Mr. Ban has no special interest in the Company. NAKANO Kenjiro has actively given advice and opinions at Board of Directors' Meetings, etc., as an outside director based on his extensive experience and his broad insights as the manager of a financial institution. The Company has appointed him again as an outside director and ASC member, expecting that he will contribute to the sustainable enhancement of the corporate value of the Group by utilizing his experience, etc. in the supervision and audit of the Group. Mr. Nakano is a former director of Sumitomo Mitsui Banking Corporation, which is one of the main banks of the Company. However, he has never served with the bank, even as an advisor, since his retirement more than 10 years ago in Jun. 2010. Thus, he fulfils the requirements as prescribed in the below mentioned "Independence Criteria for Outside Directors," and the Company appointed Mr. Nakano as an independent director. Mr. Nakano has no special interest in the Company.

ISHIHARA Mayumi has actively given advice and opinions at Board of Directors' Meetings, etc., as an outside director based on her professional knowledge, experience and broad insights as an attorney-at-law, although she has no experience in corporate management except as an outside director. The Company has appointed her again as an outside director and ASC member, expecting that she will contribute to the sustainable enhancement of the corporate value of the Group by utilizing her experience, etc. in the supervision and audit of the Group. Since she fulfils the requirements as prescribed in the below mentioned "Independence Criteria for Outside Directors," the Company appointed Ms. Ishihara as an independent director. Ms. Ishihara has no special interest in the Company.

SEKIGUCHI Nobuko has extensive experience, accomplishments, and knowledge, etc. of accounting, corporate planning, and personnel system reforms in operating companies and management consulting. The Company has appointed her as an outside director and ASC member, expecting that she will contribute to the sustainable enhancement of the corporate value of the Group by drawing on these attributes in the supervision and audit of the Group. Since she fulfils the requirements as prescribed in the below mentioned "Independence Criteria for Outside Directors," the Company appointed Ms. Sekiguchi as an independent director. Ms. Sekiguchi has no special interest in the Company.

For details regarding shareholdings of each outside director, please refer to "(i) List of officers."

The Company has established the independence criteria for outside directors as follows:

Independence Criteria for Outside Directors

To maintain their independence from the Company, outside directors of the Company shall not meet any of the following criteria.

1. A person for whom the Company and its subsidiaries (collectively, "the Group") is a principal business partner (NOTE 1) or an executing person ("the executing person") of such party, including a managing director, an executive officer, a person who has similar authority, a manager or an employee.
2. A principal business partner (NOTE 2) of the Group or the executing person of such party.
3. An expert such as an attorney-at-law, a certified public accountant, a certified tax accountant or a consultant who receives a certain amount (NOTE 3) of money or other property from the Group in addition to compensation for being a director and/or corporate auditor.
4. A person who belongs to the audit firm which is the statutory accounting auditor of the Group and conducts audit work for the Group.
5. A major shareholder of the Company (directly or indirectly holding 10% or more of the total voting rights) or 34 the executing person of such major shareholder.
6. An executive of a company of which the Group is the major shareholder.
7. In cases in which the Group's executive director, a director who is a standing ASC member or a full-time corporate auditor also holds the post of outside director or outside auditor of other companies, the executing person of such companies.
8. The executing person of Hankyu Hanshin Toho Group (including the Group).
9. A person receiving more than a defined amount (NOTE 4) of donations from the Group or, in cases in which the person is a corporation or an association, the executing person of the party.
10. Any person identified in any of (1) to (9) above in the past five years or any executing person of the Group in the past ten years.
11. Any person whose spouse or relatives within the second degree of kinship are identified in any of (1) to (10) above (limited to key persons (NOTE 5), excluding above (3) and (4)).
12. Any person with whom any special circumstances exist that would result in a conflict of interest with the Company

(NOTE)

1. "A person for whom the Group is a principal business partner" means a party offering products and / or services to the Group whose total amount of transactions with the Group in the latest fiscal year, exceeds the greater of JPY 100 million or 2% of the consolidated sales of the party.
2. "A principal business partner" means (a) a party to whom the Group offers products and/or services whose total amount of transactions with the Group in the latest fiscal year, exceeds 2% of the consolidated net sales of the Company and (b) a party to whom the Group owes liabilities as loans of 2% or more of the consolidated total assets of the Company as of the end of the latest fiscal year.
3. "Certain amount" means (a) JPY 10 million a year of compensation (except director's remuneration) received from the Group in the latest fiscal year, in cases in which the expert is an individual offering services to the Group or (b) the total amount of compensation received from the Group in the latest fiscal year, reaches 2% of the total revenue of a party in cases in which the expert belongs to a party such as a corporation or association offering services to the Group.
4. "Defined amount" means JPY 10 million a year in the latest fiscal year.
5. "Key person" means an executing person with relevant authority as a director, operating officer, executive officer and/or senior manager.

b. Main Activities of Outside Directors during the fiscal year under review

Title and position	Name	Major activities during the year
Director Audit and Supervisory Committee Member	BAN Naoshi	Attended all 11 Board of Directors meetings (excluding written resolutions) and 12 Audit and Supervisory Committee held during the fiscal year ended Mar. 31, 2026. Based on his extensive management experience as president and chairman of operating companies, contributed significantly to the supervision of group management. The Director raised various issues concerning overall risk management from a multifaceted perspective, including business risks such as new business and overseas expansion, as well as hazard risks such as natural disasters and cybersecurity. The director also made appropriate comments on proposals, questions, and other related matters. Additionally, he serves as the chair of the discretionary Nomination and Compensation Advisory Committee. He provides the committee with appropriate advice, striving to improve clarity and objectivity in personnel management and compensation matters.
Director Audit and Supervisory Committee Member	NAKANO Kenjiro	Attended all 11 Board of Directors meetings (excluding written resolutions) and 12 Audit and Supervisory Committee held during the fiscal year ended Mar. 31, 2026. Based on his extensive management experience as an executive at a financial institution, the director has played a sufficient role in supervising group management and has made comments and asked questions from a medium- to long-term and macro perspective, such as raising issues related to finance, offering proposals on structural reform of Supermarket Business and the medium- to long-term direction of new business, among other matters. Additionally, he serves as a member of the discretionary Nomination and Compensation Advisory Committee. He provides the committee with appropriate advice, striving to improve transparency and objectivity in management personnel and compensation matters.
Director Audit and Supervisory Committee Member	ISHIHARA Mayumi	Attended 10 of the 11 Board of Directors meetings (excluding written resolutions) and 12 Audit and Supervisory Committee held during the fiscal year ended Mar. 31, 2026. Based on her knowledge and experience as a lawyer, the Director not only comments on legal risks, governance, and compliance issues related to new businesses and other initiatives, but also offers practical recommendations from the perspective of consumers and other stakeholders, as well as proposals for strengthening human capital in response to a changing society-specifically regarding medium- to long-term human resource development, reskilling, and the promotion of women's active participation in the workforce. She also provides opinions and questions regarding agenda items.
Director Audit and Supervisory Committee Member	SEKIGUCHI Nobuko	Attended all 11 Board of Directors meetings (excluding written resolutions) and 12 Audit and Supervisory Committee held during the fiscal year ended Mar. 31, 2026. Based on her experience in operating companies and consulting, the Director provided opinions, questions, and other comments on agenda items as appropriate, concerning new businesses including Customer Data utilization, as well as Risk Management and Sustainability Management, including raising issues that capture social transformation from the perspectives of the Company's brand value and digital utilization. Additionally, she serves as a member of the IT and Digital Management Committee, where she not only monitors IT and digital investments but also provides advice as appropriate from the perspective of IT control regarding the development of digital transformation (DX) human resources.

(3) Status of Audit

(i) Status of audit by ASC

The Company has 5 ASC members, consisting of 4 outside directors and 1 director (standing ASC member). The Company assigns professionals with corporate management experience, lawyers, and specialized knowledge of law and other subjects as outside directors. GOTO Kenji, who has substantial knowledge of finance and accounting, assigned as the standing ASC member. He had worked in finance and accounting in the Company, had served as corporate auditor in Hankyu Hanshin Department Stores Inc. and other core companies for over 10 years, and has qualifications as a certified internal auditor and an analyst certified by the Japan Securities Analysts Association. The standing ASC member is assigned as an ASC member with the authority to be reported to and to investigate. In addition, 23 assistant staff members are assigned to the Audit Committee Office to assist with the administrative operations of the Audit Committee. 8 of these staff members serve as auditors for an average of 3 to 4 subsidiaries, assisting the full-time members of the Audit Committee.

During the fiscal year ended Mar. 31, 2026, the Company held 12 ASC meetings. The attendance records of each member of the Audit Committee are as follows.

Name	Title	Number of meetings attended (12 in total)
GOTO Kenji	Director, Full-time ASC Member	12 times
BAN Naoshi	Director, ASC Member	12 times
NAKANO Kenjiro	Director, ASC Member	12 times
ISHIHARA Mayumi	Director, ASC Member	12 times
SEKIGUCHI Nobuko	Director, ASC Member	12 times

Regarding activities of the ASC, the ASC developed audit plans and implemented focused audits and ordinary audits in accordance with the standards for ASC's audits, etc., the standards for audits of internal control system and others. Outside directors who are ASC members attended Board of Directors' meetings and regular meetings with representative directors and gave their opinions and asked questions as necessary from the standpoint of attorneys and specialists with extensive business management experience. The standing ASC member attends important meetings such as the monthly "Group Management meeting". The standing ASC member expresses his opinions at these meetings as necessary and inspected important meeting reports and final decision reports on key matters as well as the minutes of the meetings, heard reports regarding the execution of operations directly from internal control divisions, and made efforts to ascertain the status of business operations through direct visits to the sites of major operating companies.

At the Audit and Supervisory Committee meetings held during the fiscal year under review, quarterly direct reporting on internal audits and subsidiary audits was made, and as information sharing, the status of deliberations by the Group Management Committee on the agendas for the Board of Directors' meeting and the details of deliberations by the boards of directors of major operating companies were reported.

Concurrently, a consensus on the ASC's opinion was formed through discussions about management issues from both monitoring and supervisory perspectives, and recommendations on the role of the holding company for the embodiment of the management philosophy and on the enhancement of group internal controls, among other matters, were made to representative directors as necessary.

Additionally, 2 outside directors who are ASC members have been appointed as the Nomination and Compensation Advisory Committee chair and member, respectively. The ASC reviews consultations and recommendations from the Board of Directors, discusses their status, and expresses opinions to the Board as necessary.

Regarding the auditing of subsidiaries, the standing ASC member concurrently serves as a corporate auditor of Hankyu Hanshin Department Stores, Inc. and KANSAI FOOD MARKET LTD., the core subsidiaries, while

the standing corporate auditor or dedicated staff members who are assistant employees assume the position of corporate auditors of other subsidiaries, leading to augmentation of the reporting system to the standing ASC member by closely monitoring the site through auditing visits. At the same time, these corporate auditors work to perform more effective audits by holding meetings of the Group Board of Corporate Auditors Committee where appropriate and verifying the progress of audit plans through individual opinion exchanges with the standing ASC members and corporate auditors of subsidiaries. In terms of liaison with the independent auditors, the ASC members are working closely to exchange opinions. For example, they exchange opinions about key audit matters when drafting the audit plan, while the standing ASC member confirms the progress of the audit procedures and exchanges opinions on issues in audits once a month in principle, and at ASC meetings, establish close relationship by having discussion about major issues in auditing and the audit procedures on a quarterly basis.

The Company has proposed the matter (resolution) “Election of 4 Directors who is an Audit and Supervisory Committee Member” for the Annual General Meeting of Shareholders scheduled to be held on Jun. 24, 2026. If this proposal is approved, the ASC meeting will continue to consist of 5 directors (4 of whom are outside directors) who are ASC members.

(ii) Internal audits

With regard to internal audits, we have established the Internal Audit Department (11 members) directly under the President. The department formulates audit plans based on a risk approach and conducts Group-wide audits across management, IT, and operational audit items in collaboration with internal audit divisions and Corporate Auditors of group companies. By conducting audits in response to changes in the business environment and management issues and making improvement proposals along with reporting results, it contributes to the reduction of potential risks, the improvement of business processes, and, in turn, the enhancement of corporate value. Regarding periodic reporting of audit results, dual reporting to the Representative Director and President and the Audit and Supervisory Committee is conducted on a quarterly basis. At the end of the fiscal year, Full-Time ASC members report to the Board of Directors along with the Audit and Supervisory Committee Audit Report.

In addition, 6 members of the Internal Audit Department are in charge of J-SOX to ensure the reliability of financial reporting. Along with periodic interviews, on-site audits are conducted on an ongoing basis, and proposals for improving operations are made as needed. Together with the valuation of internal control over financial reporting, reports are made to the full-time ASC members, and the ASC shares the information from the full-time ASC members to the outside director and ASC members.

(iii) Accounting audits

a. Name of the auditing firm

KPMG AZSA LLC.

b. Continuous auditing period

51 years

This number of years covers the period from the establishment of KPMG AZSA LLC.'s predecessor, Shinwa Audit Corporation, but a possibility remains that the continuous auditing period exceeds this period due to the remarkable difficulty in investigating.

c. Certified public accountants who executed the audits

NARUMOTO Koji, MATSUI Masateru, and TAMAGAKI Natsuko

d. Composition of assistants with the audits

18 other certified public accountants and 32 other staff members

e. Selection policy and evaluation of auditing firm

In appointing an auditing firm, the Company takes into account the independence of the independent auditors, status of quality management, appropriateness of audit execution structure, ample auditing experience in other industries and companies, enriched relevant services, appropriateness of audit fees, and others. If the independent auditors fall under any of the matter set forth in each item of Article 340, paragraph (1) of the Companies Act, the ASC dismisses the independent auditors. In addition, if quality and efficiency of audits might be lowered and there is no prospect for improvement in consideration of the independent audit's number 39 of years of continuous audits, audit fees and others, or if the ASC judges, in light of assessment of the independent auditors, that a change of the independent audit is reasonable to further increase the appropriateness of audits, the ASC determines the content of proposal for dismissal or non-reappointment of the independent auditors to be submitted to a General Shareholders' Meeting. Based on these policies, the ASC deliberated on the appropriateness of the independent auditors based on an evaluation of their score on 15 evaluation criteria and 128 evaluation items following the "Practical Guide for Audit & Supervisory Board Members, etc., Regarding Evaluation and Formulation of Selection Standards for Accounting Auditors" issued by the Japan Audit & Supervisory Board Members Association. As a result, the ASC judged the selection of KPMG AZSA LLC. as the independent auditor to be appropriate.

(iv) Fees Paid to Independent Auditors

a. Details of fees paid to certified public accountants, etc.

Category	The consolidated fiscal year ended Mar. 31, 2025		The consolidated fiscal year ended Mar. 31, 2026	
	Audit fees (Millions of JPY)	Fees for non-audit services (Millions of JPY)	Audit fees (Millions of JPY)	Fees for non-audit services (Millions of JPY)
Reporting company	90	—	90	—
Consolidated subsidiaries	155	—	157	—
Total	246	—	248	—

b. Details of fees paid to certified public accountants, etc. and their network (KPMG International) (excluding a)

Category	The consolidated fiscal year ended Mar. 31, 2025		The consolidated fiscal year ended Mar. 31, 2026	
	Audit fees (Millions of JPY)	Fees for non-audit services (Millions of JPY)	Audit fees (Millions of JPY)	Fees for non-audit services (Millions of JPY)
Reporting company	—	—	—	—
Consolidated subsidiaries	23	0	22	0
Total	23	0	22	0

The non-audit services of consolidated subsidiaries consist of tax advisory services, etc.

c. Other significant fees paid

(For the consolidated fiscal year ended Mar. 31, 2025)

Suzhou Izumiya Co., Ltd., H2O (China) Investment Co., Ltd. and Suzhou Izumiya Supermarkets Co., Ltd., Ningbo Hankyu Co., Ltd, consolidated subsidiaries of the Company, paid JPY 23 million in fees to a member firm of KPMG to which certified public accountants acting as the Company's independent auditors belong.

(For the consolidated fiscal year ended Mar. 31, 2026)

Suzhou Izumiya Co., Ltd., H2O (China) Investment Co., Ltd, Suzhou Izumiya Supermarkets Co., Ltd, and Ningbo Hankyu Co., Ltd. consolidated subsidiaries of the Company, paid JPY 22 million in fees to a member firm of KPMG to which certified public accountants acting as the Company's independent auditors belong.

d. Policy to determine audit fees

Audit fees to independent auditors are determined based on the items to be audited, the contents and procedures of the audits, the number of days required for audits and the appropriateness of the audit fees considering the scale and characteristics of the business of the Company.

e. Reasons for consent to the independent auditors' remuneration by the ASC

In accordance with the "Practical Guide for Cooperation with Accounting Auditors" issued by the Japan Audit & Supervisory Board Members Association, the Company's ASC examined the number of hours required for audits in the past, evaluated audit results, reviewed fee trends in the past and compared the fees with those paid by other companies in the same business. The ASC also had an interview with the independent auditors to evaluate their credentials and examined the appropriateness and reasonableness of fee calculations and the basis of estimates, including the number of hours and staff estimated in the audit planning and audit procedures for significant audit issues. As a result, the Company's ASC agreed to the

amount of fees to the independent auditors.

(4) Remuneration, etc. for Officers

- (i) Total amount of remuneration, etc. by each category of Directors and Executive Officers, total amount of remuneration, etc. by type, and number of Directors and Executive Officers to be paid

Category of officer	Total amount of compensation (Millions of JPY)	Total amount of remuneration, etc. by type (Millions of JPY)			Number of recipient directors (and other officers) (persons)
		Basic compensation (Fixed)	Performance-linked bonuses (Bonus)	Non-monetary compensation	
Director (excluding ASC members) (excluding outside directors)	180	91	50	38	4
Board of directors (ASC Members) (excluding outside directors)	35	33	—	1	1
Outside officers	43	36	—	7	4

(NOTE)

1. Performance-based bonuses

Bonuses that are performance-based compensation, as compensation paid according to consolidated operating results for one fiscal year, shall use consolidated operating profit as the performance indicator and consider position, assessment, profit attributable to owners of parent, and other factors. Consolidated operating profit and profit attributable to owners of parent in the year ended Mar. 31, 2026, is as stated in the “V. Financial Information (ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.” Among the above-mentioned remuneration, the amount of bonuses scheduled for resolution at the General Meeting of Shareholders in the 107th Period is indicated.

2. Non-performance-linked stock-based remuneration

From fiscal 2025, we revised the share-based compensation system and changed non-monetary compensation from stock option-based compensation to restricted share-based compensation. The details are as described in “(ii) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof, 2) Outline of the Decision-making Policy.”

Target business indicators outlined in the Mid-Term Management Plan and other indicators predetermined by the Board of Directors of the Company for Performance Condition-Type Restricted Stock shall be as follows and will be determined upon the expiration of the restriction period based on the degree of achievement of these indicators in the final fiscal year of the Mid-Term Management Plan. As consolidated operating profit is one of the target income indicators, and consolidated ROIC is an indicator of capital efficiency, these two indicators have been chosen.

* Shares granted in Jul. 2025

Target	Targets for FY2026	Weight
i. Consolidated operating profit	JPY 32 billion	50%
ii. Consolidated ROIC	5.9%	50%

Consolidated operating profit was JPY 32,386 million and consolidated ROIC was 5.5% in FY2025.

(ii) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof

1) Method to determine policy on determining individual compensation for directors

At the Board of Directors' Meeting held on Jun. 25, 2025, the company decided to revise the Policy on determining Individual compensation for Directors (the "Decision-making Policy") in line with the introduction of the restricted stock compensation system in place of the conventional stock option-based compensation system.

2) Outline of the Decision-making Policy

Compensation for the Company's directors is designed based on the views on compensation for directors stipulated in the basic principles regarding corporate governance as well as the following basic policy. The compensation is comprised of monthly basic compensation, an annual bonus that reflects single-fiscal-year performance, and two types of share-based compensation (Service Condition-type Restricted Stock and Performance Condition-type Restricted Stock). These types of compensation are combined according to each director's expected duties.

[Basic Policy]

- Contribute to the sustainable growth and to the improvement of medium- to long-term corporate value of the Company.
- Motivate the executive directors and executive officers to achieve the objectives of the mid-term plan.
- Make sure the company has the necessary human resources to achieve its mission and realize sustainable growth.
- Sharing awareness with shareholders and raising awareness of shareholder importance.

Types of compensation, timing of payment and recipients

		Timing of payment	Executive Directors, etc.	Non-executive Directors
Share-based compensation	Performance Condition-Type Restricted Stock	Annually (Jul.)	○	—
	Service Condition-type Restricted Stock	Annually (Jul.)	○	○
Cash compensation	Bonus (performance-based compensation)	Annually (Jun.)	○	—
	Basic compensation (fixed compensation)	Monthly	○	○

*Executive directors and executive officers are referred to as "Executive Directors, etc." and directors other than Executive Directors, etc., such as outside directors and directors who are ASC members, are referred to as "Non-executive Directors."

[Policy on Determining the Ratio of Each Type of Compensation Against Individual Compensation for Directors]

Regarding compensation composition for Executive Directors, etc., approximately 50% is basic compensation, which is fixed compensation, and approximately 50% is the annual bonus and share-based compensation, which are variable compensation. In this compensation allocation, the higher the position of the officer, the higher the proportion of share-based compensation within variable compensation, and the higher the proportion of Performance Condition-Type Restricted Stock within share-based compensation.

[Amount of Individual Compensation or Policy on Determining Calculation Method Thereof]

< Basic Compensation >

Basic compensation is set in accordance with individual job responsibility and position. For Executive Directors, etc., basic compensation is revised every Apr. in accordance with an assessment for the fiscal year ended Mar. 31, 2024, based on the compensation table according to stages of the amount of consolidated operating income.

To Non-executive Directors, compensation shall be paid in accordance with individual role.

< Bonuses >

Bonuses shall be compensation paid according to consolidated operating results for one fiscal year, determined in accordance with position and assessment based on a compensation table corresponding to the level of consolidated operating income. In addition, profit attributable to owners of parent and other factors shall be considered. Approval of the total amount of bonuses for directors shall be obtained at a General Shareholders' Meeting each year. Because consolidated operating income and profit attributable to owners of parent are target indicators for single-fiscal-year performance, they have been chosen as indicator for performance-based compensation.

<Stock-Based Compensation>

Stock-based compensation consists of the following two types of restricted stock, which are granted annually to executive directors and non-executive directors based on their respective positions.

- Service Condition-type Restricted Stock

(1) Restricted Transfer Period

From the grant date of the stock subject to transfer restrictions based on length of service until the date on which a directors, auditors, executive officers, or other officers (including members of the Audit and Supervisory Committee; hereinafter referred to as “Officers”) of the Company and all of its subsidiaries cease to hold any such position (provided, however, that this applies only in cases of retirement due to the expiration of a term of office or for other reasons deemed valid by the Company) (hereinafter referred to as “Transfer Restriction Period 1”), such stock may not be transferred, used as collateral, or otherwise disposed of.

(2) Lifting Transfer Restrictions

Provided that the grantee has continuously held the position of Officer from the date on which the restricted stock was granted through the end of the fiscal year in which such grant date falls, or through such other date as may be separately determined by the Company’s Board of Directors (hereinafter referred to as the “Service Period”), the transfer restrictions on all restricted stock subject to the length-of-service condition shall be lifted upon the expiration of Restriction Period 1.

-Performance Condition-Type Restricted Stock

(1) Restricted Transfer Period

From the grant date of the service condition-type restricted stock, the stock may not be transferred, used as collateral, or otherwise disposed of during a period determined by the Company’s Board of Directors-which must be at least three years and no more than five years after the grant date, in accordance with the term of the mid-term management plan (hereinafter referred to as “Restriction Period 2”).

(2) Lifting Transfer Restrictions

In addition to the grant recipient having continuously held an officer position during the service provision period, the restriction on transfer for all or part of the Performance Condition-Type Restricted Stock shall be lifted at the expiration of restriction on transfer period (ii), in accordance with the degree of achievement of the target business indicators set forth in the Mid-Term

Management Plan and other indicators predetermined by the Company's Board of Directors (consolidated net sales, profit at each stage, ROE, ROIC, etc.) in the final year of the Mid-Term Management Plan.

[Method of Determining Individual Compensation]

As for compensation for directors, etc., the Board of Directors decides the agenda for the General Shareholders' Meeting and individual amounts of compensation after consideration by the Nominating and Compensation Advisory Committee. As for compensation for directors who are ASC members, individual amounts are determined through discussion by directors who are ASC members.

[Reasons the Board of Directors Determined That Individual Compensation for Directors Pertaining to the Fiscal Year Ended Mar. 31, 2026, Is in Line with the Decision-Making Policy]

The Nominating and Compensation Advisory Committee, a majority of whose members are independent outside directors, conducts deliberation and advises the Board of Directors with regard to individual compensation for directors, which in turn makes a resolution based on the advice.

In deliberating on individual compensation for directors, the Nominating and Compensation Advisory Committee considers factors such as the level of compensation for other executives and employees within the industry and the Company, while evaluating whether such individual compensation is consistent and in line with the decision-making policy. In addition, the Board of Directors also verifies that individual compensation for directors is in line with the decision-making policy before deciding on individual compensation.

The maximum compensation based on a resolution of the General Shareholders' Meeting is outlined below.

- a) At the 97th Annual General Shareholders' Meeting held on Jun. 22, 2016, the total amount of basic compensation for directors excluding directors who are ASC members was set at a maximum of JPY 300 million per year (of which a maximum of JPY 50 million is for outside directors), and basic compensation for directors who are ASC members was set at a maximum of JPY 90 million per year. As of the conclusion of the 97th Annual General Shareholders' Meeting, the number of directors was 8, including 1 outside director, and the number of directors who are ASC members was 4.
- b) Bonus amounts are decided at a Shareholders' Meeting each time they are paid.
- c) At the 106th Annual General Shareholders' Meeting held on Jun. 25, 2025, it was resolved as described 1) that stock option-based compensation would be based on a different framework from the annual compensation described above.

- Total amount of compensation for directors (excluding directors who are ASC members and Outside Directors)

It was resolved that the upper limit would be set at JPY 120 million per year. Of these, the total number of shares of Restricted Stock shall be up to 40,000 shares per year. As of the conclusion of the 106th Annual General Shareholders' Meeting, the number of directors excluding both directors who are ASC members and outside directors was 4.

- Total amount of compensation for directors who are ASC members and outside directors (excluding directors who are ASC members; hereinafter the same in 3.)

It was resolved that the upper limit would be set at JPY 31.5 million per year (including a maximum of JPY 22.5 million per year for directors who are ASC members and a maximum of JPY 9 million per year for outside directors). Of these, the total number of shares of Restricted Stock shall be up to 10,500 shares per year (including a maximum of 7,500 shares per year for directors who are ASC members and a maximum of 3,000 shares per year for outside directors). As of the conclusion of the 106th Annual General Shareholders' Meeting, the number of directors who are ASC members was 5 and the number of outside directors was 0.

(5) Ownership of Shares

(i) Classification criteria and approaches for investment shares

With regard to division of investment securities held for portfolio investment purposes and those held for other than portfolio investment purposes, the Company classifies investment securities which are held for the purpose of gain on sale as portfolio investment purposes and those which are held for the purpose of building good relationships with business partners and related parties such as business alliance partners and contributing to smooth promotion of the Company group's businesses and improvement of corporate value over the medium to long term as purposes other than portfolio investment purposes.

In principle, as its policy, the Company does not hold investment securities which are held for portfolio investment purposes.

(ii) Investment shares held for any purpose other than pure investment

a. Methods for verifying ownership policies and the rationality of ownership, as well as the content of verifications conducted by the Board of Directors, etc. regarding the appropriateness of ownership of individual shares

- The company may holding stock as policy-holding shares if it believes that doing so helps build good relationships with business partners and related parties, such as business alliance partners, and contributes to the smooth promotion of the company group's businesses and the improvement of corporate value over the mid-to-long term.
- The company decides whether to exercise voting rights for policy-holding shares of shares on a case-by-case basis, considering whether doing so will improve the group's corporate value in the medium to long term. The company also considers the purpose of the holding.
- If a company that holds the Company's shares as policy-holding shares (hereinafter referred to as the "policy-holding shareholder") expresses its intention to sell that shares, the Company shall not take action to prevent the sale, such as reducing transactions with a policy-holding shareholder.
- The economic reasonableness of transactions with policy-holding shareholders is fully verified to ensure that no transactions that may harm the common interests of the Company and its shareholders are conducted.
- Having already reduced its holdings of shares deemed insignificant, the Company will continue to regularly review the purpose of holdings, transaction details, dividend yields, and associated risks at board meetings. Based on the company's capital costs, considering selling shares deeming insignificant, taking market trends and other factors into account. In the fiscal year ended Mar. 31, 2026, the Company sold all or a portion of three stocks to strengthen its financial position and improve asset efficiency.

b. Number of investment securities and balance sheet value

	Number of issues (issue)	Balance Sheet value (Millions of JPY)
Unlisted shares	22	4,544
Shares other than unlisted shares	4	64,967

(Issues with increased number of shares during the fiscal year ended Mar. 31, 2026)

	Number of issues (issue)	Total amount of acquisition cost related to the increase in the number of shares (Millions of JPY)	Reason for the increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	—	—	—

(Issues with decreased number of shares during the fiscal year ended Mar. 31, 2026)

	Number of issues (issue)	Total amount of sales value related to the decrease in the number of shares (Millions of JPY)
Unlisted shares	2	18
Shares other than unlisted shares	1	14,929

(NOTE) Excluding stocks affected by events such as mergers.

c. Information on number of shares, balance sheet value, etc., of specified investment securities and shares deemed held by stock

Specified investment securities

Issue name	Fiscal year ended Mar. 31, 2026	Fiscal year ended Mar. 31, 2025	Purpose of holding, outline of business alliance, quantitative holding effect of holding and reason for the increase in the number of shares	Holding of the Company's shares
	Number of shares(shares)	Number of shares(shares)		
	Balance Sheet value (Millions of JPY)	Balance Sheet value (Millions of JPY)		
Toho Co., Ltd.	35,489,260	8,797,852	(Purpose of holding) To strengthen relationship with Hankyu Hanshin Toho Group from a group-wide perspective (Method of verifying reasonableness of holding) Made judge to continue to hold taking into consideration the fact that this company is indispensable based on the relationship of Hankyu Hanshin Toho Group During the current fiscal year, while a portion of the stocks was sold, the number of shares increased due to a stock split (1-to-5 stock split).	None
	59,160	65,121		
SRS HOLDINGS CO., LTD.	2,557,404	2,557,404	(Purpose of holding) To strengthen the relationship in business operations-wide perspective (Method of verifying the reasonableness of ownership) Made judge to continue to hold taking into consideration the fact that this company is indispensable for the business relationship with the Company in strategy to dominate the Kansai region, including the promotion of its point service.	None
	3,112	3,017		
Kato Sangyo Co., Ltd.	363,300	363,300	(Purpose of holding) Mainly for the purpose of strengthening business management relationships in Supermarket Business Segment. (Method of verifying the reasonableness of ownership) Made judge to continue taking into consideration the fact that this company is indispensable for the business relationship with the Company, in terms of merchandise procurement transactions.	Yes
	2,434	1,791		
Matsukiyo Cocokara & Co.	103,020	103,020	(Purpose of holding) Mainly for the purpose of strengthening the relationship through a business alliance in Shopping Business segment. (Method of verifying the reasonableness of ownership) Made judge to continue taking into consideration the fact that this company is indispensable for business relationship with the Company in the operation of shopping centers.	Yes
	260	241		

* The method for verifying the rationale for holding stocks is described as it is difficult to disclose the quantitative effects of holding from the perspective of confidentiality due to calculations being based on transaction amounts with investee companies. Furthermore, at the Board of Directors meeting held on Jun. 25, 2025, the Board verified whether the total amount of dividends and capital gains for each stock was commensurate with the cost of capital.

(NOTE) Of the common stocks of Toho Co., Ltd. held by the Company, 3,656,300 shares were sold on Apr. 15, 2026.

(iii) Investment shares held for the purpose of pure investment

No items to report.

(iv) Investment shares changed from pure investment purposes to purposes other than pure investment purposes during the fiscal year ended Mar. 31, 2026

No items to report.

(v) Investment shares changed from non-pure investment purposes to pure investment purposes during the past four fiscal years and the fiscal year ended Mar. 31, 2026

No items to report.

5 Information about employees

(1) [Basic Policies and Guidelines Regarding Human Resources Strategy]

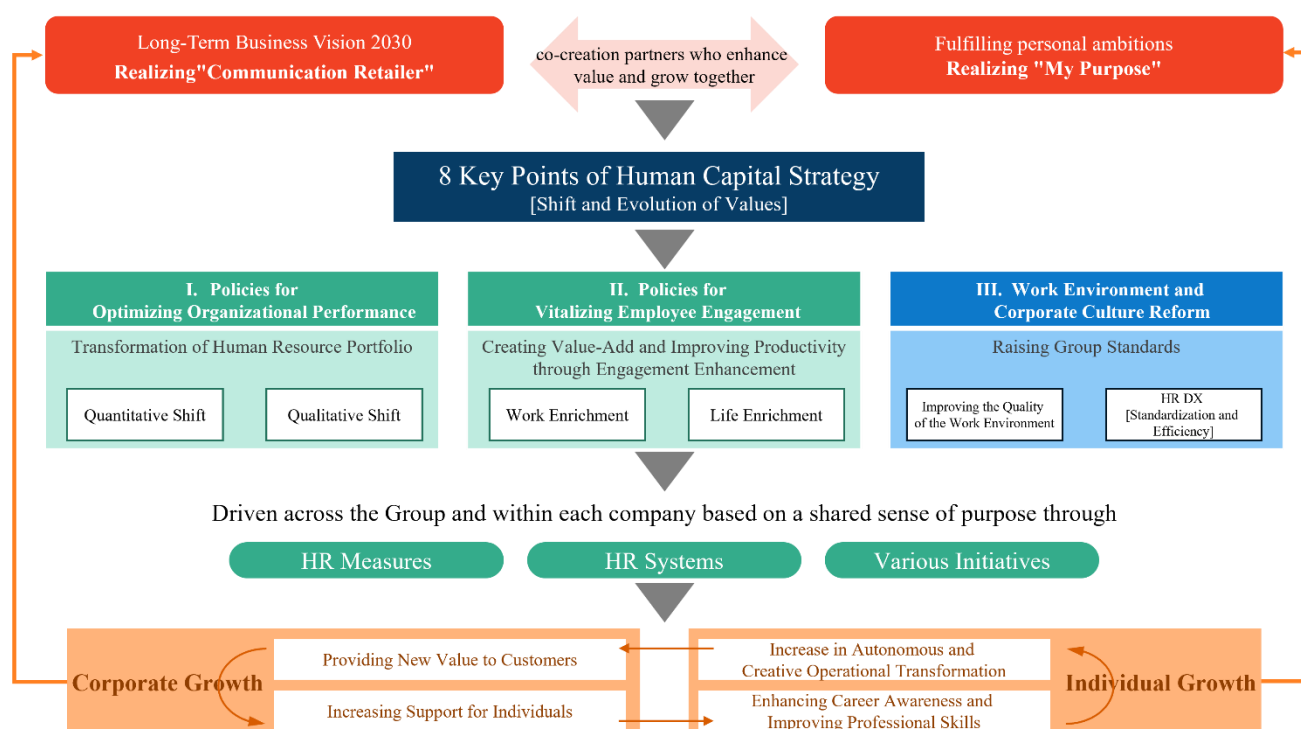
We have established “Resonance” and “Co-creation” in “Growth” as our Group’s shared core values. Based on these values, we formulated a Group-wide, cross-organizational talent strategy in FY2023. Each Group company has incorporated key HR initiatives into its mid-term management plans for FY2024-FY2026, and we are advancing these initiatives as a whole Group.

Based on the belief that the relationship between the company and the individual is not one of hierarchy but rather an equal partnership of “resonance” and “co-creation,” the concept of our human resources strategy is “Aiming to become Co-creation Partners growing together and enhancing mutual value”. We aim to create a virtuous cycle in which the company’s growth increases opportunities for individual growth, and individual growth drives the company’s growth. In formulating and implementing HR initiatives—whether common to the entire Group or specific to individual companies—we are moving forward by continuously refining and improving them in accordance with three major priority action guidelines.

● Policies for Optimizing Organization Performance

We will promote a “quantitative workforce shift” to streamline existing operations and redeploy personnel to new business initiatives, as well as a “qualitative workforce shift” to cultivate personnel with higher levels of creativity and expertise.

Aiming to become "Co-creation Partners" growing together and enhancing mutual value



● Policies for Vitalizing Employee Engagement

We will work to improve employee engagement by leveraging a dual-pronged approach to various initiatives that support both the enrichment of work and the enrichment of life.

● Work Environment and Corporate Culture Reform

We will work to improve employee engagement by leveraging a dual approach of various initiatives that support both enriched work and enriched personal lives.

[Policy on Determining Employee Salaries and Other Compensation]

Regarding the aforementioned human resources strategy and the mid-term management plans of each Group company, we have formulated plans that factor in a certain increase in unit labor costs, taking into account recent labor shortages and inflation. In addition to wage increases in response to the current rise in the Consumer Price Index, adjustments to accommodate minimum wage hikes, and the setting of starting salaries and hourly wages at individual stores to maintain competitiveness in the recruitment market, we appropriately evaluate employees' performance and productivity improvements and reflect these in periodic salary increases. We are also working to develop various employment arrangements and wages systems for certain employees with advanced specialized skills.

(2) Information about Employees

(i) Consolidated Companies

As of Mar. 31, 2026

Segment name	Number of employees (Persons)
Department Store Business	2,596 (1,467)
Supermarket Business	3,454 (12,172)
Shopping Center Business	391 (538)
Other Businesses	1,334 (2,170)
Total	7,775 (16,347)

(NOTE)

1. The number of employees represents full-time staff working within consolidated companies and includes employees seconded to consolidated companies and executive officers but does not include employees seconded to other companies.
2. The number of employees in the (external) column is the average number of temporary employees employed per year (calculated based on an 8-hour workday).

(ii) Information about Reporting Company

As of Mar. 31, 2026

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of JPY)	Change in Average Annual Salary Year-on-Year (%)
210 (31)	46.2	18.5	10,012	3.4

Segment name	Number of employees (Persons)
Other Businesses	210 (31)
Total	210 (31)

(NOTE)

1. The number of employees represents full-time staff working within the Company and includes employees seconded from outside the Company.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees in the (external) column is the average number of temporary employees employed per year (calculated based on an 8-hour workday).

(iii) Status of Companies with the Largest Number of Employees

(a) Company with the largest number of employees during the current fiscal year

Hankyu Hanshin Department Stores, Inc.

As of Mar. 31, 2026

Number of employees	Average age (years)	Average length of service (years)	Average annual salary (thousands of JPY)	Change in Average Annual Salary Year-on-Year (%)
2,596 (1,467)	46.5	21.7	6,771	0.4

(NOTE)

1. The number of employees represents the number of full-time employees and includes personnel seconded to the company from outside organizations.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees in the (external) column is the average number of temporary employees employed per year (calculated based on an 8-hour workday).

(b) Company with the second largest number of employees after the company in (a) above

Izumiya • Hankyu Oasis Co.Ltd.

As of Mar. 31, 2026

Number of employees	Average age (years)	Average length of service (years)	Average annual salary (thousands of JPY)	Change in Average Annual Salary Year-on-Year (%)
1,604 (7,793)	45.2	20.3	5,221	△0.6

(NOTE)

1. The number of employees represents the number of full-time employees and includes personnel seconded to the company from outside organizations.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees in the (external) column is the average number of temporary employees employed per year (calculated based on an 8-hour workday).

(iv) Status of Labor Union

The Company has Hankyu Hanshin Department Store Labor Union, Hankyu Food Group Labor Union, Hankyu Maintenance Service Labor Union, Hart Dining Labor Union, Izumiya • Hankyu Oasis Labor Union, H2O Shopping Center Development Labor Union and KANSAI SUPER MARKET Labor Union. H2O Retailing Group Labor Union Federation is composed of these six labor unions (excluding KANSAI SUPER MARKET Labor Union).

Furthermore, all the labor unions are members of UA Zensen.

These companies have no other particular labor-management issues to note.

(v) Difference in the Ratio of Female Workers in Management Roles, the Ratio of Male Workers Taking Childcare Leave, and the Gender Wages Gap

As of Mar. 31, 2026

Name	Ratio of female employees in management roles (%) (NOTE 2,3)	Ratio of male workers taking childcare leave (%) (NOTE 2,4,5)			Gender wage gap (%) (NOTE 2, 4, 6)		
		Total labor	Employees	Part-time and fixed-term employment	Total labor	Employees	Part-time and fixed-term employment
Reporting company	15.7	100.0	100.0	—	84.2	90.1	—
Hankyu Hanshin Department Stores, Inc.	18.6	100.0	100.0	—	62.0	64.9	68.0
Izumiya • Hankyu Oasis Co., Ltd.	3.2	83.3	82.4	100.0	71.2	81.1	88.4
KANSAI SUPER MARKET LTD.	1.0	100.0	100.0	—	49.3	77.3	97.2
HANKYUDELICA, INC.	14.3	33.3	33.3	—	57.8	83.5	81.2
H2O Shopping Center Development Co., Ltd.	23.8	100.0	100.0	—	39.3	78.8	50.5
Hankyu Maintenance Service Co., Ltd.	—	—	—	—	70.5	78.9	72.5
Hankyu Job Yell Co., Ltd.	50.0	100.0	100.0	—	85.5	99.4	95.8
F.G.J Co., Ltd.	54.5	—	—	—	72.8	68.9	89.3
Heart Dining, Inc.	12.5	—	—	—	46.4	77.0	58.8
Persona Co., Ltd.	38.1	—	—	—	69.3	81.9	—
asnas Co., Ltd..	—	100.0	100.0	—	69.9	74.0	108.3

(NOTE)

1. The “—” indicates that there are no eligible people.
2. The calculation basis for each of the above indicators is calculated based on the following laws and regulations.
 - the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)
 - the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and Article 71-6, item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Order of the Ministry of Labor No. 25 of 1991)
3. The ratio of management roles is calculated by including employees seconded to consolidated companies, excluding employees from outside other companies.
4. The ratio of employees taking childcare leave and gender wage gap are calculated by including employees seconded to outside companies and excluding employees seconded from outside the company.
5. Since some employees who have given birth or whose partner has given birth in prior years may take childcare leave in the current fiscal year, the acquisition rate may exceed 100%.
6. In the calculation of wage gap, each company does not distinguish between male and female employees in terms of promotion, salary increase, hourly wages etc., in either regular or fixed-term employment, in terms of wage regulations and other systems. The main reasons for the gap in wages are differences in the number of male and female in each employment category and qualification grade, the number of working days and the length of working hours.

V Financial Information

1. Methods for Preparation of Consolidated and Non-consolidated Financial Statements

- (i) The Company's consolidated financial statements are prepared under the Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Consolidated Financial Statement Regulations").
- (ii) The Company's non-consolidated financial statements are prepared under the "Regulations Concerning Terminology, Forms and Preparation Method of Financial Statements" (Ministerial Ordinance No. 59 of the Ministry of Finance of 1963; hereinafter referred to as "Financial Statements Regulations"). In addition, the Company falls under the category that requires it to submit special financial statements. As such, it prepares financial statements in accordance with the provisions of Article 127 of the Financial Statements Regulations.

2. Audit Certification

Under the provision of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, the Company received an audit of consolidated financial statements for the consolidated fiscal year (From Apr. 1, 2025, to Mar. 31, 2026) and the non-consolidated financial statements for the fiscal year under review (From Apr. 1, 2025, to Mar. 31, 2026) by KPMG AZSA LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements

To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars, etc. held by the foundation and others.

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Assets		
Current assets		
Cash and deposits	55,590	57,812
Accounts receivable - trade	(NOTE 1) 74,782	(NOTE 1) 72,295
Merchandise and finished goods	19,693	20,373
Work in process	36	84
Raw materials and supplies	681	664
Accounts receivable - other	14,351	12,914
Other	(NOTE 7) 4,773	(NOTE 7) 5,390
Allowance for doubtful accounts	△393	△373
Total current assets	169,516	169,163
Non-current assets		
Property, plant and equipment		
Buildings and structures	(NOTE 2) 398,208	(NOTE 2) 399,484
Accumulated depreciation	△249,426	△256,792
Buildings and structures, net	148,781	142,691
Machinery, equipment and vehicles	(NOTE 2) 9,279	(NOTE 2) 9,627
Accumulated depreciation	△6,541	△6,800
Machinery, equipment and vehicles, net	2,738	2,826
Land	(NOTE 2,6) 155,593	(NOTE 2,6) 149,907
Construction in progress	1,216	817
Other	(NOTE 2) 51,489	(NOTE 2) 49,911
Accumulated depreciation	△40,972	△39,995
Other, net	10,516	9,915
Total property, plant and equipment	318,847	306,159
Intangible assets		
Software	17,675	18,866
Software in progress	7,466	6,392
Goodwill	7,234	6,205
Other	16,003	15,799
Total intangible assets	48,379	47,263
Investments and other assets		
Investment securities	(NOTE 3) 97,048	(NOTE 3) 94,786
Long-term loans receivable	4,790	4,408
Guarantee deposits	(NOTE 4) 68,731	(NOTE 4) 68,213
Retirement benefit asset	8,513	9,320
Deferred tax assets	15,798	16,693
Other	2,261	1,672
Allowance for doubtful accounts	△3,387	△2,972
Total investments and other assets	193,756	192,122
Total non-current assets	560,983	545,546
Total assets	730,499	714,709

Millions of JPY

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Liabilities		
Current liabilities		
Accounts payable - trade	72,488	75,684
Current portion of long-term borrowings	46,369	17,250
Lease liabilities	681	699
Accounts payable - other	36,872	33,284
Income taxes payable	8,567	4,532
Gift certificates	8,461	8,171
Advances received	(NOTE 4,5) 34,944	(NOTE 4,5) 36,893
Provision for bonuses	7,025	7,540
Provision for bonuses for directors (and other officers)	206	166
Provision for loss on store closings	909	96
Asset retirement obligations	225	518
Other	17,024	16,727
Total current liabilities	233,775	201,563
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	98,242	106,845
Long-term accounts payable - other	1,700	988
Lease liabilities	8,892	8,210
Deferred tax liabilities	35,146	33,744
Deferred tax liabilities for land revaluation	(NOTE 6) 325	(NOTE 6) 325
Provision for retirement benefits for directors (and other officers)	190	184
Provision for redemption of gift certificates	3,440	3,482
Long-term guarantee deposited	11,530	11,478
Net defined benefit liability	10,030	8,574
Asset retirement obligations	3,415	3,431
Other	(NOTE 8) 387	(NOTE 8) 437
Total non-current liabilities	183,303	187,704
Total liabilities	417,079	389,268
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	80,635	80,607
Retained earnings	155,564	180,245
Treasury shares	△5,546	△20,269
Total shareholders' equity	248,449	258,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,606	46,743
Revaluation reserve for land	(NOTE 6) 668	(NOTE 6) 668
Foreign currency translation adjustment	1,415	2,742
Remeasurements of defined benefit plans	1,116	1,405
Total accumulated other comprehensive income	50,807	51,560
Share acquisition rights	1,462	1,449
Non-controlling interests	12,700	14,049
Total net assets	313,420	325,440

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Total liabilities and net assets	730,499	714,709

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Net sales	(NOTE 1) 681,759	(NOTE 1) 680,215
Cost of sales	(NOTE 2) 374,403	(NOTE 2) 372,042
Gross profit	307,356	308,172
Selling, general and administrative expenses		
Salaries and allowances	80,386	80,393
Rent expenses	49,454	49,451
Other	142,685	145,940
Total selling, general and administrative expenses	272,526	275,785
Operating profit	34,830	32,386
Non-operating income		
Interest income	242	248
Dividend income	1,504	1,322
Share of profit of entities accounted for using equity method	784	703
Gain on debt settlement	838	820
Foreign exchange gains	274	122
Other	891	1,215
Total non-operating income	4,535	4,433
Non-operating expenses		
Interest expenses	860	917
Provision for redemption of gift certificates	656	646
Expenses related to purchase of shares of subsidiaries	740	—
Other	1,199	747
Total non-operating expenses	3,455	2,311
Ordinary profit	35,909	34,508
Extraordinary income		
Gain on sale of investment securities	(NOTE 3) 14,546	(NOTE 3) 13,399
Gain on sale of non-current assets	(NOTE 4) 2,730	(NOTE 4) 2,076
Subsidy income	—	(NOTE 5) 1,433
Gain on step acquisitions	(NOTE 6) 7,984	—
Gain on sale of shares of subsidiaries	(NOTE 7) 1,700	—
Total extraordinary income	26,961	16,909
Extraordinary losses		
Impairment losses	(NOTE 8,10) 4,010	(NOTE 8,10) 10,641
Loss on retirement of non-current assets	(NOTE 9) 1,271	(NOTE 9) 3,428
Loss on store closings	(NOTE 8,10) 1,556	(NOTE 8,10) 1,115
Outplacement assistance expenses	(NOTE 11) 2,232	(NOTE 11) 435
Temporary expenses associated with reforms of human resource systems	—	(NOTE 12) 206
Demolition of buildings	(NOTE 13) 2,158	(NOTE 13) 115
Retirement benefit expenses	(NOTE 14) 311	—
Total extraordinary losses	11,540	15,942
Profit before income taxes	51,330	35,476
Income taxes - current	10,929	6,737
Income taxes - deferred	4,717	△2,093
Total income taxes	15,646	4,644
Profit	35,683	30,832
Profit attributable to non-controlling interests	841	881
Profit attributable to owners of parent	34,842	29,950

Consolidated Statements of Comprehensive Income

Millions of JPY

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Profit	35,683	30,832
Other comprehensive income		
Valuation difference on available-for-sale securities	3,562	△862
Revaluation reserve for land	△2	—
Foreign currency translation adjustment	686	1,760
Remeasurements of defined benefit plans, net of tax	2,762	289
Share of other comprehensive income of entities accounted for using equity method	△1,137	34
Total other comprehensive income	(NOTE) 5,871	(NOTE) 1,221
Comprehensive income	41,555	32,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,654	30,704
Comprehensive income attributable to non-controlling interests	901	1,349

(iii) Consolidated Statements of Changes in Equity
(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	17,796	94,689	124,954	△13,768	223,672
Changes during period					
Dividends of surplus			△4,233		△4,233
Profit attributable to owners of parent			34,842		34,842
Purchase and disposal of treasury shares		△3,492		△24,872	△28,365
Change by share exchange		△10,561		33,094	22,533
Net changes in items other than shareholders' equity					
Total changes during period	—	△14,054	30,609	8,222	24,776
Balance at end of period	17,796	80,635	155,564	△5,546	248,449

	Accumulated other comprehensive income					Subscripti on rights to shares	Non- controlling interest	Total net assets
	Valuation difference on available-for- sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasuremen ts of defined benefit plans	Total other comprehensive income			
Balance at beginning of period	44,048	671	1,932	△1,656	44,995	1,351	24,006	294,026
Changes during period								
Dividends of surplus								△4,233
Profit attributable to owners of parent								34,842
Purchase and disposal of treasury shares								△28,365
Change by share exchange								22,533
Net changes in items other than shareholders' equity	3,558	△2	△517	2,773	5,811	111	△11,306	△5,383
Total changes during period	3,558	△2	△517	2,773	5,811	111	△11,306	19,393
Balance at end of period	47,606	668	1,415	1,116	50,807	1,462	12,700	313,420

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	17,796	80,635	155,564	△5,546	248,449
Changes during period					
Dividends of surplus			△5,269		△5,269
Profit attributable to owners of parent			29,950		29,950
Purchase and disposal of treasury shares		△27		△14,722	△14,750
Net changes in items other than shareholders' equity					
Total changes during period	—	△27	24,681	△14,722	9,931
Balance at end of period	17,796	80,607	180,245	△20,269	258,380

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at beginning of period	47,606	668	1,415	1,116	50,807	1,462	12,700	313,420
Changes during period								
Dividends of surplus								△5,269
Profit attributable to owners of parent								29,950
Purchase and disposal of treasury shares								△14,750
Net changes in items other than shareholders' equity	△862	—	1,327	289	753	△13	1,349	2,088
Total changes during period	△862	—	1,327	289	753	△13	1,349	12,020
Balance at end of period	46,743	668	2,742	1,405	51,560	1,449	14,049	325,440

(iv) Consolidated Statements of Cash Flows

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Cash flows from operating activities		
Profit before income taxes	51,330	35,476
Depreciation	23,472	24,785
Impairment losses	4,010	10,641
Loss on store closings	1,203	883
Loss (gain) on step acquisitions	△7,984	—
Amortization of goodwill	1,026	1,188
Increase (decrease) in allowance for doubtful accounts	△303	△461
Increase (decrease) in provision for bonuses	△174	503
Increase (decrease) in provision for bonuses for directors	7	△40
Increase (decrease) in retirement benefit liability	△2,043	△1,456
Increase (decrease) in remeasurements of defined benefit plans	2,773	289
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	△5
Increase (decrease) in provision for redemption of gift certificates	13	42
Increase (decrease) in provision for loss on store closings	△231	△812
Interest and dividend income	△1,746	△1,571
Interest expenses	860	917
Foreign exchange losses (gains)	△275	△122
Share of loss (profit) of entities accounted for using equity method	△784	△703
Loss (gain) on sale of investment securities	△14,546	△13,411
Gain on sales of shares of subsidiaries. (Gain on △)	△1,700	—
Loss (gain) on sale of non—current assets	△2,730	△2,076
Loss on retirement of non—current assets	638	1,935
Decrease (increase) in trade receivables	△251	2,500
Decrease (increase) in inventories	376	△686
Increase (decrease) in accounts payable — other	5,162	△3,161
Increase (decrease) in trade payables	△6,487	3,178
Increase (decrease) in accrued consumption taxes	△115	217
Increase (decrease) in gift certificates	△146	△289
Increase (decrease) in advances received	894	1,871
Other	△1,061	3,598
Subtotal	51,186	63,229
Interest and dividends received	1,921	1,819
Interest paid	△917	△863
Income taxes paid	△5,921	△13,620
Extra payments for early retirements	—	△2,232
Cash flows from operating activities	46,268	48,333

Millions of JPY

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Cash flows from investing activities		
Purchase of property, plant and equipment	△20,215	△16,341
Proceeds from sale of property, plant and equipment	5,883	4,781
Purchase of intangible assets	△10,761	△9,297
Payments for asset retirement obligations	△350	△461
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(NOTE 3) △11,860	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,351	—
Purchase of investment securities	△25	△7
Proceeds from sale of investment securities	18,006	14,990
Proceeds from distributions from investment partnerships	277	—
Payments into time deposits	△2,050	—
Proceeds from withdrawal of time deposits	3,450	650
Proceeds from collection of long-term loans receivable	1,574	439
Payments of guarantee deposits	△204	△474
Proceeds from refund of guarantee deposits	1,619	996
Net cash provided by (used in) investing activities	△13,304	△4,724
Cash flows from financing activities		
Redemption of bonds	△10,000	—
Proceeds from long-term borrowings	1,129	27,000
Repayments of long-term borrowings	△431	△47,474
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	△28,530	△15,003
Dividends paid	△4,233	△5,269
Dividends paid to non-controlling interests	△2,204	—
Repayments of lease liabilities	△720	△697
Net cash provided by (used in) financing activities	△44,990	△41,444
Effect of exchange rate change on cash and cash equivalents	592	707
Net increase (decrease) in cash and cash equivalents	△11,433	2,871
Cash and cash equivalents at beginning of period	66,373	54,940
Cash and cash equivalents at end of period	(NOTE 1) 54,940	(NOTE 1) 57,812

【Notes on Consolidated Financial Statements】

(Significant Items Forming the Basis for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Number of consolidated subsidiaries: 39 companies

The names of principal consolidated subsidiaries are omitted here because they are provided in "4. Overview of Subsidiaries and Associates " under "I. Overview of the Company."

From the year ended Mar. 31, 2026, the following companies have been included in the scope of consolidation.

- H2O Machi-Genki Partners Co.,Ltd. (Due to establishment)

Since the fiscal year ended Mar. 31, 2026, the following companies have been excluded from the scope of consolidation.

- Shinko Management, Inc. (due to merger with consolidated subsidiary Hankyu-Hanshin Department Stores, Inc.) and 4 other companies

In addition, effective Apr. 1, 2026, the Company completed an absorption-type merger in which Izumiya • Hankyu Oasis Co., Ltd. became the surviving company, and KANSAI SUPER MARKET LTD. became the dissolved company, and the surviving company changed its trade name to KANSAI FOOD MARKET LTD.

2. Application of the Equity Method

Number of associates accounted for using equity method: 7 companies

Principal companies: Chuan-lian Hankyu Bakery Co., Ltd., CFIZ Co., Ltd.

Name of associates not accounted for using equity method

SUPER NATIONAL Co., Ltd. and MASAMI CATTLE RANCH INC.

Reasons for not accounted for using the equity method

The equity method was not applied since excluding the abovementioned associates from the equity method would have a minor impact on the consolidated financial statements and no significance as a whole in terms of profit or loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest).

3. Fiscal Years Under Review, etc., of Consolidated Subsidiaries

In the year ended Mar. 31, 2026 consolidated subsidiaries had a financial year ending on Dec. 31.

For subsidiaries that have different closing dates than the consolidated closing date, with respect to the period from the subsidiary's year-end to Mar. 31, necessary adjustments were made to reflect significant transactions in the consolidated financial statements.

4. Overview of Significant Accounting Policies

(1) Valuation Basis and Method for Significant Assets

(i) Securities

Available-for-sale securities:

Securities other than shares without market price

Market value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)

Shares without market prices

Moving average cost method

(ii) Derivative transactions: Market value method

(iii) Inventories

Cost method (book value write-down method based on decreased profitability)

Merchandise and finished goods: Mainly retail method

Work in process: Mainly weighted average method

Raw materials and supplies: Mainly weighted average method

(2) Depreciation Method for Major Depreciable Assets

(i) Property, plant and equipment (excluding leased assets)

Mainly using the straight-line method. Major ranges of useful lives are as follows

Buildings and structures	2-60 years
Machinery, equipment and vehicles	2-17 years
Other	2-20 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is used.

Software for internal use is based on an estimated useful life of 5 years.

(iii) Leased assets

Leased assets under finance lease transactions with the right of ownership not transferred

The straight-line method is used with the lease period as the useful life and the residual value as zero.

(3) Accounting Policy for Significant Provisions

(i) Allowance for doubtful accounts

To make allowances for doubtful accounts, for general receivables the historical default rate is used, and receivables designated as potentially irrecoverable are determined using actual default rates on an individual claim basis, and an allowance is made for the amount deemed irrecoverable.

(ii) Provision for bonuses

The Companies accrue estimated amounts of employee bonuses based on estimated payments at the year-end.

(iii) Provision for bonuses for directors

The Companies accrue bonuses for directors based on estimated payments at the year-end.

(iv) Provision for loss on store closings

The Companies accrue losses on store closings based on estimated future losses.

(v) Provision for retirement benefits for directors

Regarding retirement benefits for directors and executive officers of some consolidated subsidiaries, the liability for lump-sum payments is based on the amount equivalent to the liability estimated based on detailed regulations.

(vi) Provision for redemption of gift certificates

The Companies record a liability for gift certificates upon the issuance of the certificates to its customers. If the gift certificates are not redeemed by customers within a certain time period, the Companies reverse the liability and recognize a gain. A provision is recorded by the Companies for the unredeemed gift certificates previously recognized as gain based on the estimated future redemption of those certificates. Due to adoption of “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, Mar. 31, 2020) and other related guidance, the Companies record contract liabilities (included in “Advances received”) for the gift certificates issued by the Companies and record the provision for gift certificates issued by Japan Department Stores Association, etc. which are redeemable in other stores.

(4) Revenue Recognition

Revenue recognition when selling goods

The Companies sells groceries, clothing items, personal items, household goods, etc. mainly at department stores, food supermarkets, and commercial facilities. For such goods sales, revenue is recognized at the time of the transfer of goods to customers as a performance obligation and is deemed to be satisfied at that time. Payment of the goods is received at the time of the transfer of goods to customers when the performance obligation is satisfied.

For the goods sales regarded as agent transactions where the Companies do not have control over goods or services transferred to customers, revenue is recognized at the net of total amount receivable from

customers less payable to suppliers. Also, the Companies recognize performance obligation for gift certificates issued by the Companies and recognize revenue when they are redeemed. The Companies recognize revenue proportionally for the portion of the gift certificates which are not redeemed and on which the Companies expect to gain the right (deemed not to be redeemed) based on the percentage of collection for the portion expected to be redeemed. For the Companies' point systems, the Companies recognize a performance obligation for points granted to members and recognize revenue at the time when the points are used with allocation of transaction prices based on the independent sales price calculated considering expected future expirations.

Providing services of commercial real estate management

The companies operate businesses relating to development, operation, and management of commercial facilities such as operation of shopping centers and provision of building maintenance services. As the services are continuously provided with commercial facilities, a performance obligation is deemed to be satisfied over a certain period of time and accordingly, revenue is recognized when the services are rendered.

(5) Accounting Method for Retirement Benefits

(i) Method to attribute estimated amount of retirement benefits to period of services

The Companies apply the benefit formula to attribute the estimated amount of retirement benefits to the end of the consolidated fiscal year ended Mar. 31, 2025, upon calculation of projected benefit obligation.

(ii) Accounting method for actuarial gains and losses and past service cost

Actuarial gains and losses are recognized in expenses in equal amounts within the average of the estimated remaining service years commencing with the following period. Past service cost is recognized in expenses in equal amounts within the average of the estimated remaining service years.

(iii) Accounting method for unrecognized actuarial gains and losses and unrecognized past service cost

Unrecognized actuarial gains and losses and unrecognized past service cost are recorded in remeasurements of defined benefits plans under accumulated other comprehensive income in net assets, after tax effects are adjusted.

(6) Accounting Policy for Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at the rates prevailing at each balance sheet date, and the resulting translation gains and losses are charged to income. In the translation of the financial statements of the overseas subsidiary, assets and liabilities are translated at the rates prevailing at the subsidiary's balance sheet date, revenue and expenses are translated using the average exchange rate for the fiscal year, and shareholders' equity accounts are translated at historical rates. The resulting foreign currency translation adjustment is shown as a separate component of net assets.

(7) Hedge Accounting

(i) Accounting method

Deferral hedge accounting is adopted for hedge transactions. The Company applies the designation method for foreign exchange forward contracts and for currency swaps in cases in which the specific requirements for this treatment are fulfilled. The Company applies special accounting treatment for interest rate swaps in cases in which the specific requirements for this treatment are fulfilled.

(ii) Hedging instruments and hedged items

a Hedging instruments: Interest rate swaps, currency swaps

Hedged items: Borrowing

b Hedging instruments: Foreign exchange forward contracts

Hedged items: Monetary assets and liabilities denominated in foreign currency

(iii) Policies on hedges

As for interest related derivatives, interest rate swaps are used to exchange floating rates to fixed rates. In addition, foreign exchange forward contracts and currency swaps are used to avoid losses from foreign

exchange market fluctuation. As a policy, the Company does not derivatives for speculative purposes or with a high leverage effect.

(iv) Evaluation of hedge effectiveness

Hedge effectiveness is assessed by comparing the cumulative changes in cash flows of the hedged items with the cumulative changes in cash flows of the hedging instruments and evaluating the ratio of these changes. However, for interest rate swaps to which special treatment is applied, the evaluation of effectiveness is omitted, as the conditions for interest payments and receipts as well as the contract terms are substantially identical to those of the hedged borrowings.

(8) Amortization Method and Period of Goodwill

The difference between the cost of investments in consolidated subsidiaries and the equity in their net assets at the date of acquisition is generally amortized over 10 to 20 years. However, if the amount is insignificant, it is charged as expense as incurred.

(9) Scope of Cash and Cash Equivalents in Consolidated Statement of Cash Flows

In preparing the consolidated statements of cash flows, short-term investments which is cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are accounted.

(10) Other Significant Matters for Preparing Consolidated Financial Statements

Accounting for non-deductible consumption taxes related to assets

The non-deductible portion of consumption taxes relating to assets is accounted for as expense in the same year the taxes are incurred.

(Significant Accounting Estimates)

1. Impairment on Non-Current Assets

- The amounts recorded in the consolidated financial statements for the consolidated fiscal year ended Mar. 31, 2026

The Group operates various types of retail stores such as department stores, GMS, supermarkets, etc., and constantly makes capital investments in new stores, renewal of facilities, etc.

As for non-current assets recorded from such capital investments, recoverable amounts (useable values or net saleable values) are estimated and book values as of the balance sheet date are recorded in the consolidated balance sheets to the extent that the assets are deemed to have a recoverable amount capable of exceeding that book value.

The amounts recorded in the consolidated balance sheets at the end of the consolidated fiscal year ended Mar. 31, 2025, after performing these estimates and assessments are as follows.

	FY2024	FY2025
Property, plant and equipment	JPY 318,847 million	JPY 306,159 million
Intangible assets	JPY 48,379 million	JPY 47,263 million

- Methods used to estimate the recoverable amounts

The recoverability of non-current assets is determined on each measuring unit principally based on stores.

When there is an indication of impairment such as incurring operating losses for two consecutive fiscal years in a certain store, future expected operating cash flows by store after allocating corporate expenses as common department are estimated over the economic remaining useable years of the major non-current assets of the relevant store. Impairment losses are recorded for the store where the estimated future operating cash flows are below book values of store assets as of the balance sheet date.

The recorded amounts of the impairment losses are calculated as difference between the present values of the future expected operating cash flows by store after allocating corporate expenses discounted using the weighted average cost of capital (WACC) and book values of store assets as of the balance sheet date.

Expected amounts by store reflect every identifiable element which effects store operations including new store openings by competitors in neighborhood areas, changes in external circumstances such as demographic trends in trade areas, effects of policies to decrease costs corresponding to environmental changes and measures to attract customers, etc. based on the recent customer trends.

The discount rate was calculated using a weight average method based on the cost of equity calculated using the capital asset pricing model (CAPM) and the actual borrowing rate based on the debt-to-equity ratio (D/E ratio) of the Group at the end of the fiscal year. The discount rate was 6.6% for the consolidated fiscal year ended Mar. 31, 2026.

Regardless of the above, for stores and other assets on which the decision of closing or sales were made, impairment loss is recognized to reduce the book value to the recoverable amount which is measured at the net saleable values primarily based on the value appraised by real estate appraisers.

- Effect on the consolidated financial statements for the following fiscal year

The estimates could be affected by changes in the future uncertain economic conditions, etc. There could be significant effects on the consolidated financial statements for the year ending Mar. 31, 2027, if timing or amounts of the actual cash flows differ from the estimates or the discount rates fluctuate significantly due to fluctuation in share prices or borrowing rates, etc.

2.Recoverability of Deferred Tax Assets

- Amounts recorded in the consolidated financial statements

Each entity of the Group has temporary deductible differences derived from impairment losses on stores whose profitability has declined, tax loss carryforwards, etc. Deferred tax assets are recognized to the extent that the amounts are reasonably expected to reduce the future tax burden by estimating the amounts of future taxable income and timing and amounts of utilizing temporary deductible differences.

The amount of deferred tax assets is the same as the amount described in "【Notes on Consolidated Financial Statements】 (Matters related to Deferred Tax) 1."

- Methods used to estimate the recoverable amounts

To determine the recognition of deferred tax assets, each entity of the Group is classified into five categories in accordance with "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26) based on level of taxable income in prior years, situation of temporary deductible differences, situation of significant tax loss carryforwards, etc. According to the classification, scheduling of expected utilization of taxable income and temporary deductible differences of each entity of the Group is projected and only the amounts that are expected to be recoverable are recorded.

Calculation of estimated future taxable income of each entity of the Group is provided carefully considering the trends of operating results of each entity to date, expected changes in the external circumstances in the future and the effects of measures, etc. to improve profitability corresponding to changes in the external circumstances.

- Effect on the consolidated financial statements for the following fiscal year

The estimates could be affected by changes in the future uncertain economic conditions, etc. There could be significant effects on the consolidated financial statements for the year ending Mar. 31, 2027, if timing or amounts of the actual taxable income differ from the estimates.

3.Valuation of Goodwill

- Amounts recorded in the consolidated financial statements for the consolidated fiscal year ended Mar. 31, 2026

Millions of JPY

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Goodwill	7,234	6,205
Among the above, goodwill related to Ningbo Hankyu Co., Ltd.	6,558	6,036

- Information regarding the content of significant accounting estimates related to the identified items

Goodwill includes that which arose upon making Ningbo Hankyu Co., Ltd. a consolidated subsidiary, and is amortized using the straight-line method over 10 years. The acquisition cost of this goodwill reflects excess earning power calculated based on future business plans.

A relatively significant amount of the acquisition cost was allocated to the goodwill upon the acquisition of control. Regarding whether there are any indications of impairment related to the goodwill, the Company determined that no indication of impairment exists, based on an evaluation that took into consideration the turn into positive operating income for the current consolidated fiscal year and the forecast for operating income in the next consolidated fiscal year under the business plan. The business plan used in this judgment incorporates assumptions such as the effectiveness of initiatives to attract customers regarding revenue.

These assumptions may need to be revised if uncertain economic conditions or other factors in the future make it difficult to achieve the business plan. This could have a significant impact on the amount of goodwill recognized in the consolidated financial statements for the following fiscal year.

(Unapplied Accounting Standards, etc.)

(Accounting Standard for Leases)

- Accounting Standard for Leases (ASBJ Statement No. 34, Sep. 13, 2024)
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, Sep. 13, 2024), etc.

(1) Overview

As part of its efforts to make Japanese GAAP internationally consistent, the ASBJ conducted a review based on international accounting standards to develop accounting standards for leases that recognize assets and liabilities for all leases of lessees. As a basic policy, the ASBJ issued Lease Accounting Standards, which are based on a single accounting model in IFRS No. 16, but aim to make the provisions of IFRS No. 16 simpler and more convenient and to eliminate the need for modifications even when the provisions of IFRS No. 16 are used in individual financial statements.

As a lessee, a single accounting model is applied to the method of expense allocation for lessees' leases, similar to IFRS 16. This model records depreciation expense on a right-of-use asset and interest equivalent on the lease liability for all leases, regardless of whether the lease is a finance lease or an operating lease.

(2) Expected date of Application

Effective from the beginning of the fiscal year ending Mar. 31, 2028.

(3) Effect of Application of the Accounting Standards

The impact on the consolidated financial statements resulting from the application of the “Accounting Standard for Leases” and other standards is currently being evaluated.

(Matters Related to Consolidated Balance Sheets)

(NOTE)

1. The amounts of Notes and accounts receivable arising from contracts with customers are described in "Notes on Consolidated Financial Statements (Matters Related to Revenue Recognition) 3. (1) Balance of Contract Liabilities"

2. Reduction in entry amount

Among the assets acquired before the year ended Mar. 31, 2025, and in the year ended Mar. 31, 2026, the amount of reduction entry due to government subsidies, etc. is as follows, and the amount recorded on the consolidated balance sheet is deducted from this amount of reduction entry.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Reduction in entry amount	JPY 558 million	JPY 553 million
(Buildings and structures)	JPY 402 million	JPY 398 million
(Machinery, equipment and vehicles)	JPY 59 million	JPY 59 million
(land)	JPY 58 million	JPY 58 million
(others)	JPY 38 million	JPY 38 million

3. Assets related to associates

Assets related to associates were as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Investments in securities (stock)	JPY 2,653 million	JPY 3,104 million
(Investments in entities under common control)	(JPY 19 million)	(JPY 18 million)

4. Pledged assets and secured liabilities

(1) Deposits under the Installment Sales Act

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Guarantee deposits	JPY 128 million	JPY 130 million

(2) Deposits under the Real Estate Brokerage Act

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Guarantee deposits	JPY 10 million	JPY 10 million

(3) Deposits under the Travel Business Act

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Guarantee deposits	JPY 0 million	JPY 0 million

(4) Deposits and secured liabilities under the Payment Services Act

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Guarantee deposits	JPY 100 million	JPY 100 million
Advances received	JPY 155 million	JPY 155 million

5. Regarding advances received, the amounts of contractual liabilities are described in "Notes on Consolidated Financial Statements (Matters Related to Revenue Recognition) 3. (1) Balance of Contract Liabilities"

6. In accordance with the "Act on Revaluation of Land" (Act No. 34 promulgated on Mar. 31, 1998) and the "Act on Partial Revaluation of Land" (Act No. 19 promulgated on Mar. 31, 2001), land used for business owned by the Company and some consolidated subsidiaries was revaluated, and the amount obtained by deducting deferred tax liabilities for land revaluation was recorded as "Revaluation reserve for land" in net assets.

Revaluation method	Calculated by making reasonable adjustments to roadside land prices and appraisal values for property tax specified in Article 2, Item 3 and Item 4 of the "Order for Enforcement of the Law Concerning Revaluation of Land" (Cabinet Order No. 119 issued on Mar. 31, 1998).
Date of revaluations	Feb. 28, 2002, and Mar. 31, 2002

Difference between book value of land after revaluation and market value of land was as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
	JPY △427 million	JPY △427 million

7. To obtain working funds efficiently, the Company had loan commitment agreements with 3 financial institutions. Unused borrowings related to loan commitments at the end of the consolidated fiscal year ended Mar. 31, 2026, were as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Total loan commitments	JPY 40,000 million	JPY 40,000 million
Outstanding balances	—	—
Unused balances	JPY 40,000 million	JPY 40,000 million

Some consolidated subsidiaries provide financial services using card loans and credit cards. The overdraft commitment facilities and outstanding balances at the end of the fiscal year were as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Total overdraft limit and total loan commitments	JPY 15,707 million	JPY 15,912 million
Less amount draw down	JPY 372 million	JPY 359 million
Unused balances	JPY 15,334 million	JPY 15,553 million

The overdraft commitment facilities include overdraft contracts that are executed subject to the customer's use of funds and credit conditions.

Thus, the total facilities are not always executed (unused balance at the end of the consolidated fiscal year ended Mar. 31, 2025, of JPY 15,334 million and unused balance at the end of the consolidated fiscal year ended Mar. 31, 2026, of JPY 15,553 million).

8. Provision incurred from business combination

(For the consolidated fiscal year ended Mar. 31, 2025)

Due to the business transfer from Sogo & Seibu Co., Ltd. effective on Oct.1 2017, specified accounts pertaining to business combination were recorded for expenses necessary for replacing customer credit cards (new issuance) in the amount of JPY 81 million. In the consolidated balance sheets, they were recorded in “Other” under “Non-current liabilities.”

(For the consolidated fiscal year ended Mar. 31, 2026)

Due to the business transfer from Sogo & Seibu Co., Ltd. effective on 1 Oct. 2017, specified accounts pertaining to business combination were recorded for expenses necessary for replacing customer credit cards (new issuance) in the amount of JPY 80 million. In the consolidated balance sheets, they were recorded in “Other” under “Non-current liabilities.

(Matters Related to Consolidated Statements of Revenue)

(NOTE)

1. Revenue from contracts with customers

Net sales are not disclosed to classify revenue from contracts with customers and revenue from others. The amount of revenue from contracts with customers is disclosed in "【Notes on Consolidated Financial Statements】 (Matters Related to Revenue Recognition) 1. Information on breakdown of revenue from contracts with customers".

2. Reduction in the book value of inventories

Year-end inventories are presented after writing down book values due to a decline in profitability, and the cost of sales includes the following valuation losses on inventories.

FY2024		FY2025	
(From Apr. 1, 2024 to Mar. 31, 2025)		(From Apr. 1, 2025 to Mar. 31, 2026)	
JPY	5 million	JPY	7 million

3. Gain on sales of investment securities

(For the consolidated fiscal year ended Mar. 31, 2025)

Gain on sales of investment securities of Toho Company, Limited in H2O Retailing Corporation.

(For the consolidated fiscal year ended Mar. 31, 2026)

Gain on sales of investment securities of Toho Company, Limited in H2O Retailing Corporation.

4. Gain on sales of non-current assets

(For the consolidated fiscal year ended Mar. 31, 2025)

Gain on sale of land by KANSAI SUPER MARKET LTD. and H2O Shopping Center Development Co., Ltd.

(For the consolidated fiscal year ended Mar. 31, 2026)

Gain on sale of land by H2O Shopping Center Development Co., Ltd.

5. Details of subsidy income

(For the consolidated fiscal year ended Mar. 31, 2026)

Subsidy income received by Ningbo Hankyu Co., Ltd.

6. Details of gain on step acquisition

(For the consolidated fiscal year ended Mar. 31, 2025)

The acquisition of additional shares in Ningbo Development Co., Ltd., an equity-method affiliate, led to the consolidation of Ningbo and its subsidiary Ningbo Hankyu Co., Ltd.

7. Gain on sales of shares of subsidiaries

(For the consolidated fiscal year ended Mar. 31, 2025)

Gain on sale of consolidated subsidiaries, such as Kanso Co., Ltd. and Kanso Sakai Co., Ltd.

8. Impairment loss

(For the consolidated fiscal year ended Mar. 31, 2025)

The Companies recorded impairment loss for the year ended Mar. 31, 2025, as follows.

Company	Assets Group	Use	Location	Type	Millions of JPY
H2O Shopping Center Development Co., Ltd.	Former Kagamihara store, etc.	Store and other	Kagamigahara City, Gifu, etc.	Buildings and structures Machinery, equipment and vehicles Land Other	1,315 0 1,295 105
Izumiya • Hankyu Oasis Co., Ltd.	Minami Senri Store, etc.	Store and other	Suita City, Osaka and other	Buildings and structures Machinery, equipment and vehicles Other	545 97 340
H2O Communication NEXT CORPORATION	Food Service Division	Business assets in use	Osaka City, Osaka	Software Software in progress Other	279 74 3
Hankyu Hanshin Department Stores, Inc., etc.	Hanshin Nishinomiya, etc.	Store and other	Nishinomiya City, Hyogo and others	Buildings and structures Machinery, equipment and vehicles Software Software in progress Other	805 93 26 10 220

The Company recognized asset groups based on certain rules. As for stores and others, asset groups are based on the management unit of performance. As for the idle assets and the assets to be sold, each individual asset constitutes an asset group.

Regarding H2O Shopping Center Development Co., Ltd. an impairment loss was recognized for the asset group of rental properties or idle assets where the use was changed, and the asset group of rental properties where the profit or loss from operating activities was continuously negative or the decision was made to close stores, up to the recoverable amount.

For Izumiya • Hankyu Oasis Co., Ltd., impairment losses were recognized for asset groups in stores where profit and loss arising from operating activities continued to be negative, and asset groups in stores where decision-making was made to close stores to their recoverable amounts.

Regarding H2O Communication NEXT CORPORATION, Hankyu Hanshin Department Store, Inc. and others, impairment losses were recognized for asset groups in stores where profit and loss arising from operating activities continued to be negative, and asset groups in stores where decision-making was made to close stores to their recoverable amounts. The recoverable amounts of assets were principally the present value of expected cash flows from on-going use and subsequent disposal of the assets based on a discount rate of 6.2% primarily. In addition, net selling prices are used for some asset groups and are calculated using methods similar to real estate appraisal standards.

As a result, the Group accounted for the total of JPY 5,214 million as impairment loss.

The impairment loss of JPY 1,203 million related to the closure of Izumiya • Hankyu Oasis Co., Ltd., H2O Communication NEXT CORPORATION, and other stores are included in loss on store closings in the consolidated statements of income. As a result, the impairment loss of JPY 4,010 million is presented in extraordinary loss.

(For the consolidated fiscal year ended Mar. 31, 2026)

The Companies recorded impairment loss for the year ended Mar. 31, 2026, as follows.

Company	Assets Group	Use	Location	Type	Millions of JPY
Hankyu Hanshin Department Stores, Inc.	Kobe Hankyu, etc.	Store and other	Kobe City, Hyogo, etc.	Buildings and structures Machinery, equipment and vehicles Land Other	4,954 19 2,834 567
Izumiya • Hankyu Oasis Co., Ltd.	Tonoki Store, etc.	Store and other	Takaishi City, Osaka, etc.	Buildings and structures Machinery, equipment and vehicles Other	951 65 357
KANSAI SUPER MARKET LTD.	HAT Kobe Store, etc.	Store and other	Kobe City, Hyogo, etc.	Buildings and structures Machinery, equipment and vehicles Land Other	302 121 197 220
H2O Shopping Center Development Co., Ltd., etc.	Koryo Store, etc.	Store and other	Kitakatsuragi District, Nara, etc.	Buildings and structures Machinery, equipment and vehicles Software Software in progress Other	361 0 257 14 298

The Company recognized asset groups based on certain rules. As for stores and others, asset groups are based on the management unit of performance. As for the idle assets and the assets to be sold, each individual asset constitutes an asset group.

For Hankyu Hanshin Department Stores, Inc., impairment losses were recognized up to the recoverable amount for asset groups in stores where profit and loss arising from operating activities continued to be negative.

For Izumiya • Hankyu Oasis Co., Ltd., impairment losses were recognized for asset groups in stores where profit and loss arising from operating activities continued to be negative, and asset groups in stores where decision-making was made to close stores to their recoverable amounts.

For KANSAI SUPER MARKET LTD., impairment losses were recognized for asset groups in stores where profit and loss arising from operating activities continued to be negative, and asset groups in stores where decision-making was made to close stores to their recoverable amounts.

Regarding H2O Shopping Center Development Co., Ltd. and others, an impairment loss was recognized to the recoverable amount for asset groups of rental properties where the profit or loss from operating activities was continuously negative or the decision was made to close stores.

The recoverable amount is measured at the higher of net selling price or value in use, with a discount rate of 6.6% applied primarily. In addition, net selling prices are used for some asset groups and are calculated using methods based on real estate appraisal standards.

As a result, the Group accounted for the total of JPY 11,525 million as impairment loss.

The impairment loss of JPY 883 million related to the closure of Izumiya • Hankyu Oasis Co., Ltd., H2O Shopping Center Development Co., Ltd and other stores is included in loss on store closings in the consolidated statements of income. As a result, the impairment loss of JPY 10,641 million is presented in extraordinary loss.

9. Loss on retirement of non-current assets

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Buildings and structures	292	1,242
Machinery, equipment and vehicles	10	3
Removal cost	633	1,492
Software and Software in progress	243	502
Furniture and fixtures	92	186
Total	1,271	3,428

10. Loss on store closing

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Izumiya • Hankyu Oasis stores	270	524
H2O SC Development SC stores	1,057	282
KANSAI SUPER MARKET stores, etc.	—	291
Hankyu Delica stores	11	15
Suzhou Izumiya stores	107	—
SELCY	64	—
Hankyu Hello Dog stores	26	—
Qanat stores	10	—
Other	6	1
Total	1,556 *1	1,115 *2

*1 (For the consolidated fiscal year ended Mar. 31, 2025)

The amounts included expenses related to impairment loss of JPY 1,203 million.

*2 (For the consolidated fiscal year ended Mar. 31, 2026)

The amounts included expenses related to impairment loss of JPY 883 million.

11. Outplacement assistance expenses

(For the consolidated fiscal year ended Mar. 31, 2025)

Includes additional retirement benefits and outplacement expenses as part of the extraordinary career path design support system.

(For the consolidated fiscal year ended Mar. 31, 2026)

Includes additional retirement benefits and outplacement expenses as part of the extraordinary career path design support system.

12. Temporary expenses associated with reforms of human resource systems

(For the consolidated fiscal year ended Mar. 31, 2026)

Includes temporary expenses resulting from the revision of the human resource system at KANSAI SUPER MARKET LTD.

13. Demolition of buildings

(For the consolidated fiscal year ended Mar. 31, 2025)

Expenses related to the demolition of commercial facilities.

(For the consolidated fiscal year ended Mar. 31, 2026)

Expenses related to the demolition of commercial facilities.

14. Retirement benefit expenses

(For the consolidated fiscal year ended Mar. 31, 2025)

This was primarily due to a change in the calculation method for the retirement benefit obligations of certain consolidated subsidiaries, which shifted from the simplified method to the principal method. This change was made to improve the accuracy of the calculation as the number of employees increased and to more appropriately calculate periodic profit and loss for retirement benefits.

(Matters Related to Consolidated Statements Comprehensive Income)

(NOTE) Reclassification adjustments and Income taxes and tax effects related to other comprehensive income

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Valuation difference on available-for-sale securities		
Amount arising during the period	20,241	12,132
Reclassification adjustments	△14,232	△13,391
Before income taxes and tax effects	6,009	△1,259
Income taxes and tax effects	△2,446	396
Valuation difference on available-for-sale securities	3,562	△862
Revaluation reserve for land		
Income taxes and tax effects	△2	—
Foreign currency translation adjustment		
Amount arising during the period	686	1,760
Reclassification adjustments	—	—
Before income taxes and tax effects	686	1,760
Income taxes and tax effects	—	—
Foreign currency translation adjustment	686	1,760
Remeasurements of defined benefit plans, net of tax		
Amount arising during the period	3,590	185
Reclassification adjustments	353	229
Before income taxes and tax effects	3,944	414
Income taxes and tax effects	△1,181	△125
Remeasurements of defined benefit plans, net of tax	2,762	289
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	442	34
Reclassification adjustments	△1,580	—
Share of other comprehensive income of entities accounted for using equity method	△1,137	34
Total other comprehensive income	5,871	1,221

(Matters Related to Consolidated Statements of Changes in Equity)

(For the consolidated fiscal year ended Mar. 31, 2025)

1. Outstanding Shares

Class of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	125,201,396	—	—	125,201,396

2. Treasury Shares Outstanding

Class of shares	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares	9,965,972	15,037,677	22,020,885	2,982,764

(Outline of Changes)

Due to the increase is as follows.

Increase due to acquisition of treasury shares by ToSTNeT (Tokyo Stock Exchange Trading Network System): 15,035,500 shares

Increase due to acquisition by purchase of odd-lot shares: 2,177 shares

Due to the decrease is as follows.

Decrease due to exercise of stock options: 120,500 shares

Decrease due to purchase requests: 88 shares

Decrease due to exercise of share acquisition rights associated with a series of transactions related to facility-type treasury shares: 1,860,000 shares

Decrease due to delivery of shares in connection with the share exchange with KANSAI FOOD MARKET LTD: 20,040,297 shares

3. Share Acquisition Rights

Company	Details	Class of shares	Number of shares				Balance at the end of the fiscal year (Millions of JPY)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
H2O Retailing Corporation	Mar. 2009 as stock options			—			6
	Mar. 2010 as stock options			—			13
	Mar. 2011 as stock options			—			16
	Feb. 2012 as stock options			—			22
	Mar. 2013 as stock options			—			54
	Mar. 2014 as stock options			—			45
	Mar. 2015 as stock options			—			82
	Mar. 2016 as stock options			—			83
	Mar. 2017 as stock options			—			97
	Mar. 2018 as stock options			—			118
	Jun. 2018 as a stock option			—			113
	Jul. 2019 as stock options A (stock-based compensation with seniority-based conditions)			—			89
	Jul. 2020 as stock options A (stock-based compensation with seniority-based conditions)			—			43
	Jul. 2021 as stock options A (stock-based compensation with seniority-based conditions)			—			72
	Aug. 2021 as stock options B (stock-based compensation with performance-based conditions)			—			23
	Jul. 2022 as a stock option A (stock-based compensation with seniority-based conditions)			—			83
	Jul. 2022 as a stock option B (stock-based compensation with performance-based conditions)			—			29
	Jul. 2023 as a stock option A (stock-based compensation with seniority-based conditions)			—			140
	Jul. 2023 as a stock option B (stock-based compensation with performance-based conditions)			—			50
	Jul. 2024 as a stock option A (stock-based compensation with seniority-based conditions)			—			251
	Jul. 2024 as a stock option B (stock-based compensation with performance-based conditions)			—			24
Total				—			1,462

4. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of JPY)	Dividends per share (JPY)	Record date	Effective date
May 15, 2024 Board of Directors' meeting	Common shares	1,786	15.50	Mar. 31, 2024	Jun. 4, 2024
Nov. 6, 2024 Board of Directors' meeting	Common shares	2,447	20.00	Sep. 30, 2024	Nov. 29, 2024

(2) Dividends with a Record Date in the Year Ended Mar. 31, 2026, but an Effective Date in the year Ending Mar. 31, 2027

Resolution	Class of shares	Sources	Total dividends (Millions of JPY)	Dividends per share (JPY)	Record date	Effective date
May 13, 2025 Board of Directors' meeting	Common shares	Retained earnings	2,688	22.00	Mar. 31, 2025	Jun. 4, 2025

(For the consolidated fiscal year ended Mar. 31, 2026)

1. Outstanding Shares

Share	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares (shares)	125,201,396	—	—	125,201,396

2. Matter on Treasury Shares

Share	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the current consolidated fiscal year
Common shares (shares)	2,982,764	7,361,636	146,429	10,197,971

(Outline of Changes)

Due to the increase is as follows.

Increase due to acquisition of treasury shares by ToSTNeT 7,359,700 shares

Increase due to acquisition by purchase of odd-lot shares: 1,936 shares

Due to the decrease is as follows.

Decrease due to exercise of stock options: 36,000 shares

Decrease due to disposal of treasury shares as restricted stock compensation: 110,400 shares

Decrease due to purchase request: 29 shares

3. Share Acquisition Rights

Company	Details	Class of shares	Number of shares				Balance at the end of the fiscal year (Millions of JPY)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
H2O Retailing Corporation	Mar. 2009 as stock options		—				6
	Mar. 2010 as stock options		—				9
	Mar. 2011 as stock options		—				12
	Feb. 2012 as stock options		—				17
	Mar. 2013 as stock options		—				46
	Mar. 2014 as stock options		—				45
	Mar. 2015 as stock options		—				82
	Mar. 2016 as stock options		—				83
	Mar. 2017 as stock options		—				97
	Mar. 2018 as stock options		—				110
	Jun. 2018 as a stock option		—				103
	Jul. 2019 as stock options A (stock-based compensation with seniority-based conditions)		—				80
	Jul. 2020 as stock options A (stock-based compensation with seniority-based conditions)		—				43
	Jul. 2021 as stock options A (stock-based compensation with seniority-based conditions)		—				72
	Aug. 2021 as stock options B (stock-based compensation with performance-based conditions)		—				23
	Jul. 2022 as a stock option A (stock-based compensation with seniority-based conditions)		—				83
	Jul. 2022 as a stock option B (stock-based compensation with performance-based conditions)		—				29
	Jul. 2023 as a stock option A (stock-based compensation with seniority-based conditions)		—				140
	Jul. 2023 as a stock option B (stock-based compensation with performance-based conditions)		—				50
	Jul. 2024 as a stock option A (stock-based compensation with seniority-based conditions)		—				251
	Jul. 2024 as a stock option B (stock-based compensation with performance-based conditions)		—				58
Total			—				1,449

4. Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of JPY)	Dividends per share (JPY)	Record date	Effective date
May 13, 2025 Board of Directors' meeting	Common shares	2,688	22.00	Mar. 31, 2025	Jun. 4, 2025
Oct. 31, 2025 Board of Directors' meeting	Common shares	2,580	22.00	Sep. 30, 2025	Nov. 28, 2025

(2) Dividends for Which the Base Date Belongs to the Consolidated Fiscal Year Ended Mar. 31, 2026, and for Which the Effective Date of Distribution Falls in the Following Consolidated Fiscal Year

Resolution	Class of shares	Sources	Total dividends (Millions of JPY)	Dividends per share (JPY)	Record date	Effective date
May 12, 2026 Board of Directors' meeting	Common shares	Retained earnings	2,760	24.00	Mar. 31, 2026	Jun. 3, 2026

(Matters Related to the Consolidated Statements of Cash Flows)

(NOTE)

1. The reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Cash and deposit account	JPY 55,590 million	JPY 57,812 million
Time deposits with maturities of over three months	JPY △650 million	—
Cash and cash equivalents	JPY 54,940 million	JPY 57,812 million

2. Significant non-cash transactions

Assets and liabilities in connection with finance lease transactions and asset retirement obligations

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Assets and liabilities in connection with finance lease transactions	JPY 10 million	JPY 23 million
Asset retirement obligations	JPY 373 million	JPY 766 million

3. Assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

FY2024 (From Apr. 1, 2024, to Mar. 31, 2025)

The breakdown of assets and liabilities at the start of consolidation, resulting from the newly consolidated Ningbo Development Co., Ltd. and its subsidiary, Ningbo Hankyu Commercial Co., Ltd., following the acquisition of their shares, as well as the relationship between the acquisition cost of the shares and the net expenditure for the acquisition, is as follows.

Current assets	JPY 5,595 million
Non-current assets	JPY 44,283 million
Goodwill	JPY 6,815 million
Current liabilities	JPY △ 4,866 million
Non-current liabilities	JPY △ 7,660 million
Non-controlling interests	JPY △ 12,107 million
Foreign currency translation adjustment	JPY 1,078 million
Purchase price of shares	JPY 33,138 million
Fair value of shares held immediately prior to the business combination as of the business combination date	JPY △ 16,638 million
Cash and cash equivalents	JPY △ 4,639 million
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	JPY 11,860 million

(Matters Related to Lease Transactions)

1. Finance Lease Transactions

As lessee

Finance leases that are not deemed to transfer ownership of the lease property to the lessee

(i) Details of lease investment assets

Property, plant and equipment

Store facilities (buildings and structures) and merchandise display shelves and computers (other) in the Supermarket Business are included in property, plant and equipment

(ii) Method of depreciation of leased assets

The method of depreciation of leased assets is same as those described in "4. Overview of Significant Accounting Policies (2) Depreciation method for major depreciable assets".

2. Operating Lease Transactions

Future lease payments for non-cancellable operating leases

As lessee

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Payments due within 1 year	JPY 21,659 million	JPY 20,888 million
Payments due after 1 year	JPY 45,222 million	JPY 41,602 million
Total	JPY 66,882 million	JPY 62,490 million

As lessor

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Payments due within 1 year	JPY 1,692 million	JPY 1,865 million
Payments due after 1 year	JPY 7,736 million	JPY 9,445 million
Total	JPY 9,428 million	JPY 11,311 million

(Matters related to Financial Instruments)

1. Matters Related to Financial Instruments

(1) Policies for Financial Instruments

In accordance with their capital investment plan, the Companies procure needed funds primarily through loans from banks, commercial papers and the issuance of bonds. Temporary surplus funds are invested in highly secure financial assets. Derivative transactions are carried out within the confines of real demand according to internal control regulations, and no speculative transactions are performed.

(2) Financial Instruments and Their Risks

Accounts receivable - trade, which are operating receivables, and accounts receivable - other are subject to credit risk. Investment securities are subject to market price volatility risk.

Accounts payable - other are almost all subject to payment deadlines of one year or less. Commercial papers are used to procure necessary funds mainly for short-term operations. Borrowings and bonds are primarily used to finance capital expenditures, some of which are at variable interest rates and therefore are exposed to interest rate risk.

Moreover, accounts payable - other, long-term loans payable and bonds payable are subject to the liquidity risk of the inability to make payment by the payment due date.

The Company enters interest rate swap transactions to hedge the fluctuation risk of interest on loans. The Company also enters foreign exchange forward contracts and currency swap transactions to hedge foreign exchange market fluctuation risk of monetary assets and liabilities denominated in foreign currency.

Hedging instruments and hedged items, policies on hedges and the evaluation of hedge effectiveness are stated in "4. Overview of Significant Accounting Policies (vii) Hedge Accounting".

(3) Risk Management System for Financial Instruments

(i) Management of credit risk (risk of customer default on contract)

At Hankyu Hanshin Department Stores, Inc., a consolidated subsidiary, the management of customer service units cooperates with the accounting office concerning accounts receivable - trade arising from sales activities according to sales management guidelines and credit management guidelines and routinely monitors the status of key customers by managing due dates and balances for each. At the same time, this company attempts to quickly determine if there are concerns about the collection of payments from customers due to worsening financial conditions. Other consolidated subsidiaries also manage credit risk in the same way.

(ii) Management of market risk (risk of fluctuation in interest rates and foreign exchange markets)

To limit the risk of fluctuation in interest rate payments for long-term loans payable and bonds payable and to limit the risk of foreign exchange market fluctuation of monetary assets and liabilities denominated in foreign currency, the Company conducts derivative transactions only with major and highly trusted financial institutions according to derivative management guidance.

(iii) Management of price volatility risk

The Company and Hankyu Hanshin Department Stores, Inc. invest in and manage securities and investment securities according to securities management guidance. Other consolidated subsidiaries also implement the same management.

(iv) Management of liquidity risk

The Company and Hankyu Hanshin Department Stores, Inc. manage liquidity risk for accounts payable - trade and long-term loans payable following a cash management plan that the financial department prepares, and updates based on reports provided by all departments in accordance with accounting rules. Other consolidated subsidiaries also manage liquidity risk in the same way.

2. Matters Related to Fair Value of Financial Instruments

Fair values and differences between these amounts in consolidated balance sheets were as follows.

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Book value	Fair value	Difference
(1) Investment securities			
Available-for-sale securities *2	88,137	88,137	—
(2) Guarantee deposits	68,731		
Allowance for doubtful accounts	△2,079		
	66,652	60,294	△6,357
Total assets	154,789	148,431	△6,357
(1) Bonds payable	10,000	9,625	△374
(2) Long-term loans borrowings *3	144,611	140,194	△4,417
Total liabilities	154,611	149,819	△4,792
Derivative transactions			
Hedge accounting is applied	—	—	—
Total derivative transactions	—	—	—

*1 Disclosure of "Cash and deposits", "Accounts receivable trade" and "Accounts payable trade" is omitted since their book value approximates their fair value because of their short repayment periods.

*2 Securities without market price and investments in partnerships and other similar entities recorded net of equity in the consolidated balance sheet are not included in "(1) Investment securities Available-for-sale securities." Book value of the financial instruments is as follows.

Classification	FY2024 (Millions of JPY)
(1) Unlisted shares	8,839
(2) Investment in limited liability partnership for investment	71
Total	8,911

*3 Figures shown include current portion of long-term loans borrowings.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Book value	Fair value	Difference
(1) Investment securities			
Available-for-sale securities *2	85,338	85,338	—
(2) Guarantee deposits	68,213		
Allowance for doubtful accounts	△2,033		
	66,179	58,446	△7,733
Total assets	151,517	143,784	△7,733
(1) Bonds payable	10,000	9,600	△399
(2) Long-term loans borrowings *3	124,095	119,293	△4,802
Total liabilities	134,095	128,893	△5,202
Derivative transactions			
Hedge accounting is applied	—	—	—
Total derivative transactions	—	—	—

*1 Disclosure of "Cash and deposits", "Accounts receivable trade" and "Accounts payable trade" is omitted since their book value approximates their fair value because of their short repayment periods.

*2 Securities without market price and investments in partnerships and other similar entities recorded net of equity in the consolidated balance sheet are not included in "(1) Investment securities Available-for-sale securities." Book value of the financial instruments was as follows.

Classification	FY2025 (Millions of JPY)
(1) Unlisted shares	9,250
(2) Investment in limited liability partnership for investment	197
Total	9,448

*3 Figures shown include current portion of long-term loans borrowings.

(NOTE)

1. Expected proceeds from redemption after the balance sheet date for monetary claims and securities that have maturities

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	55,590	—	—	—
Accounts receivable - trade	74,782	—	—	—
Accounts receivable - other	14,351	—	—	—
Guarantee deposits	9,638	19,632	25,152	12,229
Total	154,362	19,632	25,152	12,229

The redemption schedule for guarantee deposits is based on contract periods, etc.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	57,812	—	—	—
Accounts receivable - trade	72,295	—	—	—
Accounts receivable - other	12,914	—	—	—
Guarantee deposits	9,756	20,352	22,953	15,151
Total	152,778	20,352	22,953	15,151

The redemption schedule for guaranteed deposits is based on the contract terms and other conditions.

2. Expected payments from redemption after the balance sheet date for bonds payable, long-term loans payable, lease obligations and other interest bearing debts

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Bonds payable	—	—	—	10,000	—	—
Long-term loans borrowings	46,450	17,330	10,905	17,116	5,092	47,742
Lease liabilities	681	708	728	748	4,773	1,934
Total	47,131	18,039	11,633	27,865	9,866	49,676

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Bonds payable	—	—	10,000	—	—	—
Long-term loans borrowings	17,394	9,828	17,088	5,076	56,576	18,149
Lease liabilities	699	741	758	4,775	1,936	—
Total	18,093	10,569	27,847	9,852	58,513	18,149

3. Fair Value Information of Financial Instruments by Level of Inputs

The fair values of financial instruments are categorized into the following three levels based on the observability and the significance of the inputs used to determine the fair values:

Level 1 fair value: fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial Instruments Measured at Fair Value in the Consolidated Balance Sheets

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	88,137	—	—	88,137
Total assets	88,137	—	—	88,137

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	85,338	—	—	85,338
Total assets	85,338	—	—	85,338

(2) Financial Instruments Other than Financial Instruments Recorded on the Consolidated Balance Sheets at Fair Value

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	60,294	—	60,294
Total assets	—	60,294	—	60,294
Bonds payable	—	9,625	—	9,625
Long-term borrowings	—	140,194	—	140,194
Total liabilities	—	149,819	—	149,819

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	58,446	—	58,446
Total assets	—	58,446	—	58,446
Bonds payable	—	9,600	—	9,600
Long-term borrowings	—	119,293	—	119,293
Total liabilities	—	128,893	—	128,893

(NOTE) Valuation techniques and inputs used for the measurement of fair values

Assets

(1) Investment securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities is classified as Level 1, because they are exchanged in active markets.

(2) Guarantee deposits

The fair values of guarantee deposits are determined based on the current value obtained by discounting future cash flows reflecting recoverability at the interest rate of Japanese Government Bonds over contract terms are classified as Level 2.

Liabilities

(1) Bonds and (2) Long-term loans borrowings

The fair value of bonds payable and long-term loans borrowings is determined by discounting the current value at the assumed applicable interest rates should new bonds or loans be taken with the same total principal and interest is classified as Level 2.

Bonds and long-term loans that are based on floating interest rates reflect market interest rates over the short term. In addition, because the Company's credit status has not changed substantially since taking on these loans and as the fair value approximates book value, the book value is deemed to be the fair value. For long-term loans that are based on floating interest rates and hedged by interest rate swaps under the exceptional method, the sum of principal and the interest accounted for as an integral part of the interest rate swaps is discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.

Derivative Transactions

Interest rate swaps under the exceptional method are accounted for as an integral part of long-term loans borrowings, hedged items. Thus, their fair value is included in that of long-term loans borrowings (See (2) above).

(Matters related to Investment Securities)

1. Available-for-Sale Securities

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

Classification	Book value	Acquisition cost	Difference
Available-for-sale securities with book value exceeding acquisition cost			
Equity securities	88,135	18,284	69,851
Subtotal	88,135	18,284	69,851
Available-for-sale securities with book value not exceeding acquisition cost			
Equity securities	1	1	△0
Subtotal	1	1	△0
Total	88,137	18,286	69,850

(NOTE) Unlisted shares (consolidated balance sheet amount: JPY 6,257 million) are not included in the above table because they are equity securities without market price.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

Classification	Book value	Acquisition cost	Difference
Available-for-sale securities with book value exceeding acquisition cost			
Equity securities	85,336	16,746	68,589
Subtotal	85,336	16,746	68,589
Available-for-sale securities with book value not exceeding acquisition cost			
Equity securities	1	1	△0
Subtotal	1	1	△0
Total	85,338	16,748	68,589

(NOTE) Unlisted shares (consolidated balance sheet amount: JPY 6,343 million) are not included in the above table because they are equity securities without market price.

2. Sales of Available-for-Sale Securities

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

Classification	Sales	Gain on sales	Loss on sales
Equity securities	18,006	14,546	—

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

Classification	Sales	Gain on sales	Loss on sales
Equity securities	14,990	13,411	—

(Matters related to Derivative Transactions)

Derivatives for which hedge accounting is applied

(1) Currency Related

(For the consolidated fiscal year ended Mar. 31, 2025)

Not applicable.

(For the consolidated fiscal year ended Mar. 31, 2026)

Omitted as immaterial.

(2) Interest Related

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

Method of hedge accounting	Type of derivative transactions	Hedged items	Contract amount, etc.	Due after 1 year	Fair value
Exceptional method for interest rate swaps	Interest rate swaps Pay fixed/ Receive floating	Long-term loans borrowings	2,000	2,000	(NOTE)

(NOTE) Interest rate swaps under the exceptional method are accounted for as an integral part of long-term loans borrowings, hedged items. Thus, their fair value is included in that of long-term loans borrowings.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

Method of hedge accounting	Type of derivative transactions	Hedged items	Contract amount, etc.	Due after 1 year	Fair value
Exceptional method for interest rate swaps	Interest rate swaps Pay fixed/ Receive floating	Long-term loans borrowings	2,000	2,000	(NOTE)

(NOTE) Interest rate swaps under the exceptional method are accounted for as an integral part of long-term loans borrowings, hedged items. Thus, their fair value is included in that of long-term loans borrowings.

(Matters Related to Employees' Severance and Retirement Benefits)

1. Outline of Retirement Benefits

The Companies provide three types of retirement benefit plans, unfunded lump-sum payment plans, defined benefit pension plans and defined contribution pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salary at the time of retirement or termination, length of service and certain other factors. The Company and Hankyu Hanshin Department Stores, Inc. have retirement benefits plans which consist of unfunded lump-sum payment plans, cash balance defined benefit pension plans and defined contribution pension plans. Izumiya • Hankyu Oasis Co., Ltd. and H2O Shopping Center Development Co., Ltd. have unfunded lump-sum payment plans, defined benefit pension plans and defined contribution pension plans. KANSAI SUPER MARKET LTD. has unfunded lump-sum payment plans and defined benefit pension plans. Other subsidiaries also have unfunded lump-sum payment plans, defined benefit pension plans or defined contribution pension plans. The Company, Hankyu Hanshin Department Stores, Inc. and Izumiya • Hankyu Oasis Co., Ltd. each have a retirement benefit trust in their retirement benefit plans. Additional retirement benefits may be provided upon the retirement of employees, where those benefits are not considered to be retirement benefit obligations as calculated under actuarial methods in accordance with the accounting standard for retirement benefits. The employees of the Company, who are seconded from the subsidiaries, are provided with the respective subsidiaries' retirement benefit plans. The simplified method is used to calculate net defined benefit liability and retirement benefit cost for defined benefit pension plans and unfunded lump-sum payment plans of the Company and unfunded lump-sum payment plans of some subsidiaries.

2. Defined Benefit Plans (Excluding Plans Under the Simplified Method)

(1) Changes in Projected Benefit Obligation Were as Follows.

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Projected benefit obligation - beginning balance	46,114	41,100
Service cost	1,857	1,669
Interest cost	142	595
Changes in actuarial differences	△3,906	△32
Retirement benefits paid	△3,638	△3,422
Amortization of past service cost	60	—
Others (NOTE)	470	3
Projected benefit obligation - ending balance	41,100	39,914

(NOTE) In the previous consolidated fiscal year, this was primarily due to a change in the calculation method for the retirement benefit obligations, which shifted from the simplified method to the principal method.

(2) Changes in Plan Assets Were as Follows.

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Plan assets - beginning balance	40,712	40,597
Expected return on plan assets	1,207	1,205
Changes in actuarial differences	△255	152
Employers' contributions	1,274	2,419
Retirement benefits paid	△2,342	△2,750
Plan assets - ending balance	40,597	41,624

(3) Ending Balances of Projected Benefit Obligation and Plan Assets and Amounts Included in the Consolidated Balance Sheets

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Projected benefit obligation underfunded plans	34,336	32,871
Plan assets	△40,597	△41,624
	△6,260	△8,752
Projected benefit obligation under non-funded plans	6,763	7,042
Net balance in the consolidated balance sheets	502	△1,710
Net defined benefit liability	9,016	7,609
Net defined benefit asset	△8,513	△9,320
Net balance in the consolidated balance sheets	502	△1,710

(4) Components of Retirement Benefit Cost

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Service cost	1,857	1,669
Interest cost	142	595
Expected return on plan assets	△1,207	△1,205
Amortization of actuarial loss	458	315
Amortization of past service cost	△104	△85
Others (Note 1)	364	61
Retirement benefit cost	1,511	1,350
Early Retirement Premium Payment (NOTE 2)	2,207	409

(NOTE)

1. In the previous consolidated fiscal year, this was primarily due to a change in the calculation method for the retirement benefit obligations, which shifted from the simplified method to the principal method.
2. Outplacement assistance expenses for extraordinary losses are recorded.

(5) Remeasurements of Defined Benefit Plans, Net of Tax

Breakdown of items recorded in remeasurements of defined benefit plans, net of tax (before income taxes and tax effects) is as follows.

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Past service cost	△164	△85
Actuarial differences	4,108	500
Total	3,944	414

(6) Remeasurements of Defined Benefit Plans

Breakdown of items recorded in remeasurements of defined benefit plans, net of tax (before income taxes and tax effects) is as follows.

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Unrecognized past service cost	△79	6
unrecognized actuarial differences	△1,692	△2,193
Total	△1,772	△2,186

(7) Matter on Plan Assets

(i) The breakdown of plan assets by major category

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
General account of life insurance	30%	30%
Debt securities	39%	37%
Real estate investment funds	11%	13%
Cash and deposits	11%	11%
Equity securities	4%	—
Other	5%	9%
Total	100%	100%

(NOTE) Total plan assets include the retirement benefit trust established for the corporate pension plan, which accounted for 4% of FY2024 and 5% of FY2025.

(ii) Method of setting long-term expected rate of return on plan assets

Long-term expected rate of return on plan assets is determined based on the current and future allocation of plan assets and the current and long-term return on various components of the assets.

(8) Actuarial Assumptions (Weighted-Average Rate)

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Discount rate	1.53%	1.81%
Long-term expected rate of return	3.12%	3.00%
Estimated rate of salary increase	1.60%	1.43%

(NOTE) Estimated rate of salary increase is an expected rate of increase in retirement benefit points.

3. Defined Benefit Plans Under the Simplified Method

(1) Changes in Projected Benefit Obligation for the Defined Benefit Plans Under the Simplified Method

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Projected benefit obligation - beginning balance	1,433	1,014
Retirement benefit expenses	240	154
Retirement benefits paid	△182	△126
Decrease due to transfer to defined contribution plans	△23	△69
Decrease due to exclusion from consolidation	△77	—
Others (NOTE)	△376	△7
Projected benefit obligation - ending balance	1,014	964

(NOTE) The previous fiscal year includes the impact of changes to the retirement benefit plans and the change from the simplified method to the principle method.

(2) Ending Balances of Projected Benefit Obligation and Plan Assets and Amounts Included in the Consolidated Balance Sheets

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Projected benefit obligation underfunded plans	—	—
Plan assets	—	—
	—	—
Projected benefit obligation under non-funded plans	1,014	964
Net balance in the consolidated balance sheets	1,014	964
Net defined benefit liability	1,014	964
Net balance in the consolidated balance sheets	1,014	964

(3) Retirement benefit expenses

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 To Mar. 31, 2026)
Retirement benefit cost calculated by the simplified method	240	154

4. Defined Contribution Plan

The amounts of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were JPY 464 million for FY2024 and JPY 454 million for FY2025.

5. Other Provisions

Retirement of consolidated subsidiaries shifted from a lump-sum payment plan to a defined contribution pension plan. The amount of JPY 266 million transferred to the defined contribution pension plan is scheduled to be transferred over a 4-year period.

The total amount not transferred was JPY 197 million at the end of the consolidated fiscal year ended Mar. 31, 2025, and JPY 219 million at the end of the consolidated fiscal year ended Mar. 31, 2026, which was recorded in accounts payable-other and long-term accounts payable-other.

(Matter Related to Stock Options, etc.)

1. The Amount of Cost and Its Presentation in the Consolidated Statements of Operations

	FY2024	FY2025
Selling, general and administrative expenses	JPY 276 million	JPY 33 million

2. Scale and Changes in Stock Options

To aim for higher incentives for improving medium- to long-term performance, at the Board of Directors' meeting on May 13, 2008, the Company resolved to replace its retirement benefits system for executives with strong seniority-based and fixed elements with a system of stock option-based compensation linked to stock price, and subsequently issued subscription rights to shares 11 times based on this system.

After this, at the Board of Directors' meeting on May 14, 2019, the Group revised the stock compensation system aiming to achieve sustainable growth and increase in corporate value, and to enhance awareness of shareholders, and resolved to introduce two types of stock option-based compensation with a long-service condition and a performance-based condition as a new stock compensation system. Subscription rights to shares based on this system were issued in Jul. 2019, Jul. 2020, Jul. 2021, Aug. 2021, Jul. 2022, Jul. 2023, and Jul. 2024 respectively.

The number of shares to be issued upon exercise of share acquisition rights is as follows.

(1) Detail of stock options

	Share acquisition rights issued in Mar. 2009 as stock options	Share acquisition rights issued in Mar. 2010 as stock options	Share acquisition rights issued in Mar. 2011 as stock options
Resolution date	Jan. 30, 2009	Jan. 28, 2010	Feb. 24, 2011
Title and number of grantees	5 directors 1 executive officer of the Company 4 directors 8 executive officers of Hankyu Hanshin Department Stores, Inc	6 directors 1 executive officer of the Company 4 directors 16 executive officers of Hankyu Hanshin Department Stores, Inc.	6 directors of the Company 10 directors 7 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (NOTE 3)	46,000 common shares	82,500 common shares	97,000 common shares
Date of issue	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2011
Exercise conditions	No provisions (NOTE 4)		
Intended service period	No provisions		
Exercise period *	From Apr. 1, 2009 to Mar. 31, 2039	From Apr. 1, 2010 to Mar. 31, 2040	From Apr. 1, 2011 to Mar. 31, 2041
Number of subscription rights to shares (unit)*	14	17	26
Class, details and number of shares underlying the subscription rights to shares (shares)*	7,000 common shares (NOTE 1, 10)	8,500 common shares (NOTE 1, 10)	13,000 common shares (NOTE 1, 10)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 987 (NOTE 10) Additional paid-in capital (NOTE 2)	Issue price JPY 1,137 (NOTE 10) Additional paid-in capital (NOTE 2)	Issue price JPY 985 (NOTE 10) Additional paid-in capital (NOTE 2)

Conditions for exercising subscription rights to shares *	(NOTE 4, 7)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)

	Share acquisition rights issued in Feb. 2012 as stock options	Share acquisition rights issued in Mar. 2013 as stock options	Share acquisition rights issued in Mar. 2014 as stock options
Resolution date	Jan. 26, 2012	Jan. 31, 2013	Jan. 31, 2014
Title and number of grantees	6 directors 1 executive officer of the Company 9 directors 8 executive officers of Hankyu Hanshin Department Stores, Inc.	6 directors of the Company 8 directors 9 executive officers of Hankyu Hanshin Department Stores, Inc.	6 directors of the Company 10 directors 7 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (NOTE 3)	99,500 common shares	99,000 common shares	101,000 common shares
Date of issue	Feb. 29, 2012	Mar. 31, 2013	Mar. 31, 2014
Exercise conditions	No provisions. (NOTE 4)		
Intended service period	No provisions.		
Exercise period *	From Mar. 1, 2012 to Feb. 28, 2042	From Apr. 1, 2013 to Mar. 31, 2043	From Apr. 1, 2014 to Mar. 31, 2044
Number of subscription rights to shares (unit)*	32	48	58
Class, details and number of shares underlying the subscription rights to shares (shares)*	16,000 common shares (NOTE 1, 10)	24,000 common shares (NOTE 1, 10)	29,000 common shares (NOTE 1, 10)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 1,101 (NOTE 10) Additional paid-in capital (NOTE 2)	Issue price JPY 1,933 (NOTE 10) Additional paid-in capital (NOTE 2)	Issue price JPY 1,567 (NOTE 10) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 4, 7)		
Matters regarding transfer of subscription rights to shares*	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.		
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)		

	Share acquisition rights issued in Mar. 2015 as stock options	Share acquisition rights issued in Mar. 2016 as stock options	Share acquisition rights issued in Mar. 2017 as stock options
Resolution date	Jan. 30, 2015	Jan. 28, 2016	Jan. 26, 2017
Title and number of grantees	6 directors of the Company 9 directors 11 executive officers of Hankyu Hanshin Department Stores, Inc.	5 directors 1 executive officer of the Company 7 directors 14 executive officers of Hankyu Hanshin Department Stores, Inc.	4 directors 2 executive officers of the Company 7 directors 13 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (NOTE 3)	109,000 common shares	110,000 common shares	106,500 common shares
Date of issue	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017
Exercise conditions	There are no vesting conditions. (NOTE 4)		
Intended service period	There is no stipulation of the applicable service period.		
Exercise period *	From Apr. 1, 2015 to Mar. 31, 2045	From Apr. 1, 2016 to Mar. 31, 2046	From Apr. 1, 2017 to Mar. 31, 2047
Number of subscription rights to shares (unit)*	77	93	118
Class, details and number of shares underlying the subscription rights to shares (shares)*	38,500 common shares (NOTE 1)	46,500 common shares (NOTE 1)	59,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 2,142 Additional paid-in capital (NOTE 2)	Issue price JPY 1,799 Additional paid-in capital (NOTE 2)	Issue price JPY 1,646 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 4, 7)		
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.		
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)		

	Share acquisition rights issued in Mar. 2018 as stock options	Share acquisition rights issued in Jun. 2018 as stock options	Share acquisition rights issued Jul. 2019 as stock options (A) (Stock-based compensation with seniority-based conditions)
Resolution date	Sep. 28, 2017	Jun. 22, 2018	Jun. 26, 2019
Title and number of grantees	3 directors 3 executive officers of the Company 7 directors 12 executive officers of Hankyu Hanshin Department Stores, Inc.	3 directors 3 executive officers of the Company 8 directors 10 executive officers of Hankyu Hanshin Department Stores, Inc.	5 directors (excluding audit and supervisory committee (“ASC”) members) 4 directors as ASC members 4 executive officers of the Company 9 directors 1 corporate auditor 11 executive officers of subsidiaries of the Company
Number of stock options (NOTE 3)	100,500 common shares	98,500 common shares	112,500 common shares
Date of issue	Mar. 31, 2018	Jun. 30, 2018	Jul. 15, 2019
Exercise conditions	No provisions. (NOTE 4)		(NOTE 5)
Intended service period	No provisions.		
Exercise period *	From Apr. 1, 2018 to Mar. 31, 2048	From Jul. 1, 2018 to Jun. 30, 2048	From Jul. 16, 2019 to Jul. 15, 2049
Number of subscription rights to shares (unit)*	123	128	810
Class, details and number of shares underlying the subscription rights to shares (shares)*	61,500 common shares (NOTE 1)	64,000 common shares (NOTE 1)	81,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 1,792 Additional paid-in capital (NOTE 2)	Issue price JPY 1,616 Additional paid-in capital (NOTE 2)	Issue price JPY 996 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 4, 7)		(NOTE 5, 8)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company’s Board of Directors.		
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)		

	Share acquisition rights issued Jul. 2020 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2021 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued in Aug. 2021 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Resolution date	Jun. 23, 2020	Jun. 22, 2021	Jul. 28, 2021
Title and number of grantees	4 directors (excluding ASC members) 5 directors as ASC members 4 executive officers of the Company 9 directors 1 corporate auditor 10 executive officers of subsidiaries of the Company	4 directors (excluding ASC members) 5 directors as ASC members 4 executive officers of the Company 8 directors 2 corporate auditors 10 executive officers of subsidiaries of the Company	3 directors (excluding non-executive officers) 4 executive officers of the Company 7 directors (excluding non-executive officers) 10 executive officers of subsidiaries of the Company
Number of stock options (NOTE 3)	113,000 common shares	109,500 common shares	37,000 common shares
Date of issue	Jul. 15, 2020	Jul. 15, 2021	Aug. 31, 2021
Exercise conditions	(NOTE 5)		(NOTE 6)
Intended service period	No provisions.		
Exercise period *	From Jul. 16, 2020 to Jul. 15, 2050	From Jul. 16, 2021 to Jul. 15, 2051	From Sep. 1, 2021 to Aug. 31, 2051
Number of subscription rights to shares (unit)*	935	985	340
Class, details and number of shares underlying the subscription rights to shares (shares)*	93,500 common shares (NOTE 1)	98,500 common shares (NOTE 1)	34,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 461 Additional paid-in capital (NOTE 2)	Issue price JPY 742 Additional paid-in capital (NOTE 2)	Issue price JPY 700 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 5, 8)		(NOTE 6, 8)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.		
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)		

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock- based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2022 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Resolution date	Jun. 22, 2022	Jun. 22, 2022
Title and number of grantees	3 directors (excluding ASC members) 5 directors as ASC members 4 executive officers of the Company 8 directors 2 corporate auditors 10 executive officers of subsidiaries of the Company	2 directors (excluding non-executive officers) 4 executive officers of the Company 7 directors (excluding non-executive officers) 10 executive officers of subsidiaries of the Company
Number of stock options (NOTE 3)	103,500 common shares	36,000 common shares
Date of issue	Jul. 15, 2022	Jul. 15, 2022
Exercise conditions	(NOTE 5)	(NOTE 6)
Intended service period	No provisions.	
Exercise period *	From Jul. 16, 2022 to Jul. 15, 2052	From Jul. 16, 2022 to Jul. 15, 2052
Number of subscription rights to shares (unit)*	1,025	360
Class, details and number of shares underlying the subscription rights to shares (shares)*	102,500 common shares (NOTE 1)	36,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares(JPY)*	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 820 Additional paid-in capital (NOTE 2)	Issue price JPY 810 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 5, 8)	(NOTE 6, 8)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.	
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)	

	Share acquisition rights issued Jul. 2023 as stock options (A) (Stock- based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2023 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Resolution date	Jun. 28, 2023	Jun. 28, 2023
Title and number of grantees	3 directors (excluding ASC members) 5 directors as ASC members 5 executive officers of the Company 8 directors 1 corporate auditor 10 executive officers of subsidiaries of the Company	2 directors (excluding non-executive officers) 5 executive officers of the Company 7 directors (excluding non-executive officers) 10 executive officers of subsidiaries of the Company
Number of stock options (NOTE 3)	106,500 common shares	38,000 common shares
Date of issue	Jul. 15, 2023	Jul. 15, 2023
Exercise conditions	(NOTE 5)	(NOTE 6)
Intended service period	No Provisions.	
Exercise period *	From Jul. 16, 2023 to Jul. 15, 2053	From Jul. 16, 2023 to Jul. 15, 2053
Number of subscription rights to shares (unit)*	1,055	380
Class, details and number of shares underlying the subscription rights to shares (shares)*	105,500 common shares (NOTE 1)	38,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (JPY)*	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 1,330 Additional paid-in capital (NOTE 2)	Issue price JPY 1,326 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 5, 8)	(NOTE 6, 8)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.	
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)	

	Share acquisition rights issued Jul. 2024 as stock options (A) (Stock- based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2024 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Resolution date	Jun. 25, 2024	Jun. 25, 2024
Title and number of grantees	3 directors (excluding ASC members) 5 directors as ASC members 5 executive officers of the Company 8 directors 1 corporate auditors 9 executive officers of subsidiaries of the Company	2 directors (excluding non-executive officers) 5 executive officers of the Company 7 directors (excluding non-executive officers) 9 executive officers of subsidiaries of the Company
Number of stock options (NOTE 3)	102,500 common shares	37,000 common shares
Date of issue	Jul. 15, 2024	Jul. 15, 2024
Exercise conditions	(NOTE 5)	(NOTE 6)
Intended service period	No Provisions.	
Exercise period *	From Jul. 16, 2024 to Jul. 15, 2054	From Jul. 16, 2024 to Jul. 15, 2054
Number of subscription rights to shares (unit)*	1,015	370
Class, details and number of shares underlying the subscription rights to shares (shares)*	101,500 common shares (NOTE 1)	37,000 common shares (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares*	1 per share	1 per share
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares*	Issue price JPY 2,480 Additional paid-in capital (NOTE 2)	Issue price JPY 2,473 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 5, 8)	(NOTE 6, 8)
Matters regarding transfer of subscription rights to shares *	Acquisition of subscription rights to shares through transfer shall be subject to approval by the resolution of the Company's Board of Directors.	
Matters regarding delivery of subscription rights to shares accompanied by act of organizational restructuring*	(NOTE 9)	

* Information as of the end of the consolidated fiscal year ended Mar. 31, 2026, is presented. Items changed from the end of the consolidated fiscal year ended Mar. 31, 2026, to the end of the previous month (May 31, 2026) as of the filing date are listed in [] as of the end of the previous month. Other items are unchanged from those as of the end of the consolidated fiscal year ended Mar. 31, 2026.

(NOTE)

1. After the allotment date, in the event of a share split (including an allotment without contribution of the Company's common shares; the same applies hereinafter) or share consolidation, the number of shares subject to each offered share acquisition rights shall be adjusted using the following equation.

Number of shares after adjustment = Number of shares prior to adjustment x Ratio of split/consolidation

In the case of a stock split, the number of shares after adjustment shall be applied on and after the date following the base date, while in the case of stock consolidation, it shall be applied on and after the effective date.

Furthermore, if any unavoidable event other than those set forth above arises after the allotment date of each offered share acquisition rights that makes it necessary to adjust the number of shares, the Company shall adjust the number of shares subject to each offered share acquisition rights to the extent reasonable. Fractional shares, less than one share resulting from the above adjustment shall be rounded down.

Furthermore, when adjusting the number of shares subject to each offered share acquisition rights, the Company shall notify holders of each offered share acquisition rights (hereinafter, the "Subscription rights to shares Holder") being recorded in the registry of subscription rights to shares or make public notice of necessary information by the date before the date on which the number of shares after adjustment is applied. However, in cases where the notification or public notice cannot be made by the date before the date of the application, the notification or public notice shall be made promptly afterward.

2. Matters concerning the amount of increase in capital and capital surplus resulting from issuance of shares upon exercise of offered share acquisition rights
 - (1) The amount of increase in capital resulting from the issuance of shares upon exercise of the subscription rights offered to shares shall be one-half of the maximum amount of increase in capital, etc. as calculated pursuant to Article 17, paragraph (1) of the Regulation on Corporate Accounting. Any fraction of less than JPY 1 shall be rounded up to the nearest yen.
 - (2) The amount of increase in capital surplus resulting from the issuance of shares upon exercise of offered subscription rights to shares shall be the maximum amount of increase in capital, etc. as provided in (1) above less the amount of increase in capital as determined in (1) above.
3. The number of options is listed as the number of shares.
4. Conditions for exercising offered subscription rights to shares (Portion issued in or before Jun. 2018)
 - (1) The share acquisition rights Holder may exercise the subscription rights offered to shares only for a period of five years reckoning from the day following the date when they lose their position as Director, corporate auditor, executive officer, etc. of the Company and the subsidiary Hankyu Hanshin Department Stores, Inc. (hereinafter, the "Exercise Start Date").
 - (2) Notwithstanding (1) above, in the event of the following (i) or (ii), share acquisition rights Holders may exercise offered subscription rights to shares for the period stipulated below. (However, (ii) does not apply to cases where subscription rights to shares will be issued by a restructured company to Subscription rights to shares Holders in compliance with NOTE 9 below.)
 - (i) In case the commencement date of exercise does not come before the date one year prior to the last day of the exercise period
From the day following the day one year prior to the last day of the exercise period until the last day of the exercise period
 - (ii) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan

(under which the Company becomes a wholly owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Directors' meeting if a decision at a shareholders' meeting is not necessary)

Within 15 days from the day following the approval date

- (3) The grantee cannot exercise the subscription rights to shares if the grantee renounces the subscription rights to shares.

5. Conditions for exercising offered share acquisition rights Share acquisition rights A issued in or after Jul. 2019

- (1) The share acquisition rights Holder may exercise the offered share acquisition rights only for a period of five years reckoning from the day following the date when they lose their position as Director (including Audit and Supervisory Committee Member), corporate auditor, executive officer, etc. of the Company and its subsidiary (but provided that the loss is for retirement due to expiration of the terms of office or any other valid reason accepted by the Company) (hereinafter, the "Exercise Start Date").
- (2) Notwithstanding (1) above, in the event of the following (i) or (ii), share acquisition rights Holders may exercise offered share acquisition rights for the period stipulated below. (However, (ii) does not apply to cases where subscription rights to shares will be issued by a restructured company to share acquisition rights Holders in compliance with NOTE 9 below.)
- (i) In the event that the Exercise Start Date does not become effective by the day one year prior to the last day of the exercise period of the share acquisition rights holder from the day following the day one year prior to the last day of the exercise period until the last day of the exercise period
- (ii) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Directors' meeting if a decision at a shareholders' meeting is not necessary)

Within 15 days from the day following the approval date or resolution date

- (3) Notwithstanding (i) (ii) above, in the event that, as of the final day of the fiscal year on which the allotment date falls, the share acquisition rights Holder does not hold a position of company officer, etc., at the company where the share acquisition rights Holder became the grantee, the share acquisition rights Holder may not exercise the share acquisition rights unless determined otherwise by the Company.

6. Conditions for exercising offered share acquisition rights (Share acquisition rights B issued in or after Jul. 2019)

- (1) The share acquisition rights Holder may exercise the offered share acquisition rights only for a period of five years reckoning from the day following the date when they lose their position as Director (including Audit and Supervisory Committee Member), corporate auditor, executive officer, etc. of the Company and its subsidiaries (but provided that the loss is for retirement due to expiration of the terms of office or any other valid reason accepted by the Company). Within the abovementioned exercise period, the share acquisition rights Holders may exercise the number of exercise units determined within the range of 0 to 100% of allotted share acquisition rights in accordance with achievement levels of management indicators targeted in the final fiscal year of the Mid Term plan and other indicators predetermined by the Company's Board of Directors.

[Performance-based criteria for Aug. 2021, Jul. 2022, and Jul. 2023]

The performance-based indicators were as follows. By the end of the consolidated fiscal year ended Mar. 31, 2025, stock options with performance-based conditions for the Aug. 2021, Jul. 2022, and Jul. 2023 allotments had become fully exercisable.

Indicators	Targets for FY2023	Weight
(i) Consolidated Ordinary profit	JPY 14 billion	50%
(ii) Consolidated ROIC	3.0%	50%

[Allotment in Jul. 2024]

The performance-based indicators were as follows.

Indicators	Targets for FY2026	Weight
(i) Consolidated Operating profit	JPY 32 billion	50%
(ii) Consolidated ROIC	5.9%	50%

- (2) Notwithstanding (1) above, in the event of the following (i) or (ii), Subscription rights to shares Holders may exercise offered share acquisition rights for the period stipulated below. (However, (ii) does not apply to cases where share acquisition rights will be issued by a restructured company to Share acquisition rights Holders in compliance with Note 9 below.)

- (i) In the event that the Exercise Start Date does not become effective by the day one year prior to the last day of the exercise period of the Share acquisition rights holder from the day following the day one year prior to the last day of the exercise period until the last day of the exercise period
- (ii) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Directors' meeting if a decision at a shareholders' meeting is not necessary)

Within 15 days from the day following the approval date or resolution date

- (3) Notwithstanding (1) (2) above, until the time that the following conditions are met, the Share acquisition rights Holder may not exercise the share acquisition rights unless determined otherwise by the Company.
- (i) The exercisable number of subscription rights to shares is determined.
- (ii) The share acquisition rights Holder holds a position of company officer, etc. at the company at which the Subscription rights to shares Holder became a grantee.

7. Provisions for share acquisition rights (Portion issued in or before Jun. 2018)

In cases where proposal (i) - (v) below is approved at the General Meeting of Shareholders of the Company (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the

resolution of the Board of Directors is made"), the Company may acquire offered subscription rights to shares without consideration on the date separately provided for by the Board of Directors.

- (i) A merger agreement proposal under which the Company becomes an absorbed company
- (ii) A proposal for approval of a contract or plan of company split where the Company would be the split company
- (iii) A proposal for approval of a share exchange agreement or share transfer plan whereby the Company becomes the wholly owned subsidiary
- (iv) A proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of all shares to be issued by the Company shall require the approval of the Company
- (v) A proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company or that the Company may acquire all of such class of shares by resolution at a General Meeting of Shareholders

8. Provisions for acquiring offered share acquisition rights (Portion issued in or after Jul. 2019)

In cases where proposal (i) - (vii) below is approved at the General Meeting of Shareholders of the Company (if a resolution by the General Meeting of Shareholders is not necessary, it is read as “in cases where the resolution of the Board of Directors is made”), the Company may acquire offered subscription rights to shares without consideration on the date separately provided for by the Board of Directors.

- (i) A merger agreement proposal under which the Company becomes an absorbed company
- (ii) A proposal for approval of a contract or plan of company split where the Company would be the split company
- (iii) A proposal for approval of a share exchange agreement or share transfer plan whereby the Company becomes the wholly owned subsidiary
- (iv) A proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of all shares to be issued by the Company shall require the approval of the Company
- (v) A proposal for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company or that the Company may acquire all of such class of shares by resolution at a General Meeting of Shareholders proposal to approve a change in the articles of incorporation that establishes a provision with respect to the amendment
- (vi) A proposal for approval of a share consolidation affecting the class of shares to be issued upon exercise of the share acquisition rights (limited to those in which fractional shares less than one share arise when multiplying the share unit of the affected shares by the share consolidation ratio)
- (vii) A proposal for approval of a request to sell shares by a special controlling shareholder

9. The Company, in the case of a merger (limited only to cases in which the Company is dissolved by merger), an absorption company split/incorporation company split (limited to cases where the Company is the splitting company), a share exchange or share transfer (limited to cases in which the Company becomes a wholly owned subsidiary) (hereinafter the above cases are collectively called “organizational restructuring”), may issue the share acquisition rights of the stock companies listed in Article 236, paragraph (1), item (viii) (a) through (e) of the Companies Act (hereinafter, “restructured company”) to each Subscription rights to shares Holder (hereinafter, “remaining subscription rights to shares”) that remain outstanding immediately preceding the day that effects of the organizational restructuring arise, for each case thereof, based on the conditions set forth below. In such case, the remaining share acquisition rights shall become null, and void and the restructured companies shall issue new share acquisition rights. However, this will apply only to the provision of issuance of the share acquisition rights of the restructured companies is provided in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan, in accordance with the conditions set forth below.

- (1) Number of share acquisition rights of restructured companies
The same number of share acquisition rights as that of remaining share acquisition rights held by a Share acquisition rights holder
- (2) Class of shares of restructured companies underlying share acquisition rights
Common shares of restructured companies
- (3) Number of shares of restructured companies underlying share acquisition rights
To be determined in the same manner as the matters set forth in Note 1 above, taking into consideration the terms and conditions of organizational restructuring.
- (4) The amount of assets contributed upon exercise of share acquisition rights
The value of the property to be contributed when each share acquisition rights to be delivered is exercised

shall be the amount obtained by multiplying the paid-in amount after restructuring as specified below by the number of shares of a restructured company to be issued upon exercise of each share acquisition rights, which is decided pursuant to (3) above. The paid-in amount after restructuring shall be ¥1 per share of the shares of the restructured company that would be delivered by exercising the delivered share acquisition rights

(5) Exercise period of share acquisition rights

The offered share acquisition rights determined in (4) above can be exercised from the later of the commencement date of the exercise period of the offered share acquisition rights determined in (4) above or the effective date of the organizational restructuring to the expiration date of the period

(6) Matters concerning the amount of increase in capital and capital surplus resulting from issuance of shares upon exercise of share acquisition rights

To be determined in the same manner as the matters set forth in NOTE 2 above.

(7) Restriction on the acquisition of subscription rights to shares through transfer

Acquisition of share acquisition rights through transfer shall require the approval by resolution of the Board of Directors of restructured companies.

(8) Provisions for acquiring share acquisition rights

To be determined in the same manner as the provisions for acquiring offered share acquisition rights set forth above.

(9) Other conditions for exercising share acquisition rights

To be determined in the same manner as the conditions for exercising offered share acquisition rights set forth above.

10. The Company made adjustments due to share consolidation (consolidation of two shares into one share) with an effective date of Sep. 1, 2014.

(2) Scale and Changes in Stock Options

The following table describes the scale and changes in stock options that existed during the consolidated fiscal year ended Mar. 31, 2026.

(i) Number in Stock Options

	Share acquisition rights issued in Mar. 2009 as stock options (shares)	Share acquisition rights issued in Mar. 2010 as stock options (shares)	Share acquisition rights issued in Mar. 2011 as stock options (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	7,000	11,500	17,000
Vested	—	—	—
Exercised	—	3,000	4,000
Forfeited	—	—	—
Outstanding balance	7,000	8,500	13,000

	Share acquisition rights issued in Feb. 2012 as stock options (shares)	Share acquisition rights issued in Mar. 2013 as stock options (shares)	Share acquisition rights issued in Mar. 2014 as stock options (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	20,000	28,000	29,000
Vested	—	—	—
Exercised	4,000	4,000	—
Forfeited	—	—	—
Outstanding balance	16,000	24,000	29,000

	Share acquisition rights issued in Mar. 2015 as stock options (shares)	Share acquisition rights issued in Mar. 2016 as stock options (shares)	Share acquisition rights issued in Mar. 2017 as stock options (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	38,500	46,500	59,000
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding balance	38,500	46,500	59,000

	Share acquisition rights issued in Mar. 2018 as stock options (shares)	Share acquisition rights issued in Jun. 2018 as stock options (shares)	Share acquisition rights issued Jul. 2019 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	66,000	70,000	90,000
Vested	—	—	—
Exercised	4,500	6,000	9,000
Forfeited	—	—	—
Outstanding balance	61,500	64,000	81,000

	Share acquisition rights issued Jul. 2020 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)	Share acquisition rights issued Jul. 2021 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)	Share acquisition rights issued in Aug. 2021 as stock options (B) (Stock-based compensation with performance-based vesting conditions) (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	95,000	98,500	34,000
Vested	—	—	—
Exercised	1,500	—	—
Forfeited	—	—	—
Outstanding balance	93,500	98,500	34,000

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)	Share acquisition rights issued Jul. 2022 as stock options (B) (Stock-based compensation with performance-based vesting conditions) (shares)	Share acquisition rights issued Jul. 2023 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
End of the previous consolidated fiscal year	102,500	36,000	105,500
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding balance	102,500	36,000	105,500

	Share acquisition rights issued Jul. 2023 as stock options (B) (Stock-based compensation with performance-based vesting conditions) (shares)	Share acquisition rights issued Jul. 2024 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)	Share acquisition rights issued Jul. 2024 as stock options (B) (Stock-based compensation with performance-based vesting conditions) (shares)
Before vested			
End of the previous consolidated fiscal year	—	—	37,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	37,000
After vested			
End of the previous consolidated fiscal year	38,000	101,500	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding balance	38,000	101,500	—

(ii) Price Information

	Share acquisition rights issued in Mar. 2009 as stock options	Share acquisition rights issued in Mar. 2010 as stock options	Share acquisition rights issued in Mar. 2011 as stock options
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	—	1,964	1,964
Fair value at grant date (JPY)	986	1,136	984

	Share acquisition rights issued in Feb. 2012 as stock options	Share acquisition rights issued in Mar. 2013 as stock options	Share acquisition rights issued in Mar. 2014 as stock options
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	1,964	1,964	—
Fair value at grant date (JPY)	1,100	1,932	1,566

	Share acquisition rights issued in Mar. 2015 as stock options	Share acquisition rights issued in Mar. 2016 as stock options	Share acquisition rights issued in Mar. 2017 as stock options
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	—	—	—
Fair value at grant date (JPY)	2,141	1,798	1,645

	Share acquisition rights issued in Mar. 2018 as stock options	Share acquisition rights issued in Jun. 2018 as stock options	Share acquisition rights issued Jul. 2019 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	2,216	2,286	2,124
Fair value at grant date (JPY)	1,791	1,615	995

	Share acquisition rights issued Jul. 2020 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2021 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued in Aug. 2021 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	2,338	—	—
Fair value at grant date (JPY)	460	741	699

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2022 as stock options (B) (Stock-based compensation with performance-based vesting conditions)	Share acquisition rights issued Jul. 2023 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	—	—	—
Fair value at grant date (JPY)	819	809	1,329

	Share acquisition rights issued Jul. 2023 as stock options (B) (Stock-based compensation with performance-based vesting conditions)	Share acquisition rights issued Jul. 2024 as stock options (A) (Stock-based compensation with seniority-based conditions)	Share acquisition rights issued Jul. 2024 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Exercise price (JPY)	1	1	1
Average exercise price (JPY)	—	—	—
Fair value at grant date (JPY)	1,325	2,479	2,472

3. Method Used to Estimate the Number of Vested Subscription Rights to Shares

Because it is difficult to estimate the number of forfeitures in the future reasonably, only the actual number of forfeitures is reflected to estimate the number of vested subscription rights to shares. For stock options (B) (stock-based compensation with performance-based vesting conditions), the number of forfeitures due to non-vesting is estimated, considering vesting conditions.

(Matters related to Deferred Tax)

1. Significant Components of the Companies' Deferred Tax Assets and Liabilities

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Deferred tax assets		
Tax loss carryforwards (NOTE 3)	27,194	23,577
Provision for redemption of gift certificates	2,120	1,157
Provision for bonuses	2,165	2,307
Net defined benefit liability	1,072	363
Excess depreciation	530	1,089
Impairment losses	11,984	12,846
Retirement benefit trust assets	118	134
Provision for loss on store closings	308	27
Asset retirement obligations	1,169	1,243
Valuation differences of fair value in consolidation	892	860
Contract liabilities	837	798
Allowance for doubtful accounts	1,152	1,000
Provision incurred from business combination	28	25
Other	6,066	5,872
Subtotal of deferred tax assets	55,642	51,305
Valuation allowance pertaining to tax loss carryforwards (NOTE 3)	△19,646	△16,599
Valuation allowance pertaining to total amount of temporary deductible differences	△16,101	△13,645
Subtotal of valuation allowance (NOTE 1)	△35,747	△30,244
Total deferred tax assets	19,894	21,060
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	△3,394	△3,562
Valuation differences of fair value in consolidation	△10,399	△10,159
Valuation gain on investment securities resulting from conversion of retirement benefit trust assets (equity securities)	△2,327	△1,877
Valuation difference on available-for-sale securities	△22,040	△21,644
Other	△1,079	△867
Total deferred tax liability	△39,242	△38,112
Net deferred tax assets (liabilities)	△19,348	△17,051

(NOTE)

1. Valuation allowance decreased JPY 5,503 million. Mainly due to a decrease of JPY 3,046 million in valuation allowance related to tax loss carryforwards.

2. Expected maturity of the deferred tax assets after the balance sheet date for tax loss carryforwards

(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforwards *1	891	1,339	612	2,657	3,322	18,370	27,194
Valuation allowance	△891	△1,204	△612	△1,100	△3,058	△12,778	△19,646
Deferred tax assets	—	134	—	1,557	263	5,592	7,548*2

*1. The amount of tax loss carryforwards was calculated by using the statutory tax rate.

*2. Deferred tax assets of JPY 7,548 million were recorded for tax loss carryforwards of JPY 27,194 million (applying the statutory tax rate). The deferred tax assets are deferred tax assets of JPY 7,548 million relating to tax loss carryforwards of Hankyu Hanshin Department Stores, Inc. and Izumiya • Hankyu Oasis Co., Ltd. The Company judged the respective deferred tax assets related to tax loss carryforwards as recoverable based on the estimated future taxable income.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforwards *1	340	632	2,171	2,901	4,747	12,784	23,577
Valuation allowance	△340	△632	△684	△1,086	△3,741	△10,113	△16,599
Deferred tax assets	—	—	1,486	1,814	1,005	2,670	6,978*2

*1. The amount of tax loss carryforwards was calculated by using the statutory tax rate.

*2. Deferred tax assets of JPY 6,978 million have been recorded for tax loss carryforwards of JPY 23,577 million (amount multiplied by the statutory tax rate). The deferred tax assets consist mainly of JPY 6,879 million of deferred tax assets related to tax loss carryforwards at Hankyu Hanshin Department Stores, Inc. and Izumiya • Hankyu Oasis Co., Ltd. The deferred tax assets related to these tax loss carryforwards are deemed recoverable based on projected future taxable income and other factors.

2. Principal Components of Significant Differences Arising Between the Statutory Tax Rate and the Effective Tax Rate

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Statutory tax rate	—	30.6%
(Adjustment)		
Entertainment expenses	—	0.4%
Dividend income	—	△7.2%
Per capita inhabitant tax	—	1.2%
Amortization of goodwill	—	1.0%
Increase (decrease) of valuation allowance	—	△15.5%
Other	—	2.6%
Effective income tax rate	—	13.1%

(NOTE) For the consolidated fiscal year ended Mar. 31, 2025, the difference between the statutory tax rate and the effective income tax rate, as calculated using tax effect accounting, is less than or equal to 5/100 of the statutory effective tax rate. Therefore, the notes are omitted.

(Matters Related to Asset Retirement Obligations)

1. Asset Retirement Obligations Reported in the Consolidated Balance Sheets

(1) Outline of the Asset Retirement Obligations

The obligation to restore properties to their original state pursuant to real estate lease agreements for store properties, etc.

(2) Calculation Method for Asset Retirement Obligations

An estimated usage period of 1 to 39 years, and a discount ratio of 0.0% to 2.28%, respectively, were used to calculate the amount of asset retirement obligations.

(3) Changes in the Total Amount of Asset Retirement Obligations

(For the consolidated fiscal year ended Mar. 31, 2025)

Asset retirement obligations increased by JPY 373 million since it became possible to estimate the restoration costs for closing of the group companies. Decrease due to fulfillment of asset retirement obligations is related mainly to H2O Shopping Center Development Co., Ltd.

(For the consolidated fiscal year ended Mar. 31, 2026)

Asset retirement obligations increased by JPY 753 million since it became possible to estimate the restoration costs for closing of the group companies. Decrease due to fulfillment of asset retirement obligations is related mainly to H2O Shopping Center Development Co., Ltd.

Changes in the balance of asset retirement obligations are as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)		FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)	
Balance at beginning of the fiscal year	JPY	3,588 million	JPY	3,641 million
Increase due to estimate changes	JPY	373 million	JPY	753 million
Increase due to acquisition of property plant and equipment		—	JPY	12 million
Adjustments with passage of time	JPY	44 million	JPY	45 million
Decrease due to fulfillment of asset retirement obligations	JPY	△357 million	JPY	△502 million
Decrease due to exclusion from consolidation	JPY	△7 million		—
Other		—	JPY	△1 million
Balance at end of the fiscal year	JPY	3,641 million	JPY	3,949 million

2. Asset Retirement Obligations Not Included in the Consolidated Balance Sheets

The Company and the Group companies are obligated to restore properties to their original state upon leaving based on the real estate leasing agreements for stores, offices, etc. However, when the leasing period of leased assets is unclear and the future leaving is not yet planned, asset retirement obligations are not recorded as it is not possible to reasonably estimate the asset retirement obligations.

(Matters Related to Revenue Recognition)

1. Information on Breakdown of Revenue from Contracts with Customers

Relationship between information on breakdown of revenue of each reportable segment and “Net sales to external customers”

(For the consolidated fiscal year ended Mar. 31, 2025)

Other revenues were rental income based on the accounting standard for lease transactions.

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Consolidation adjustment (NOTE 3)	Total
Revenue from contracts with customers	632,148	422,954	21,386	60,507	—	1,136,996
Other revenue	2,811	5,589	10,379	3,856	—	22,636
Gross sales (NOTE 1)	634,959	428,543	31,766	64,363	—	1,159,632
Reclassification (NOTE 2)	△442,762	△15,880	△1,659	△21,412	3,841	△477,873
Net sales to external customers	192,197	412,663	30,106	42,951	3,841	681,759

(NOTE)

1. The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, Mar. 31, 2020) and other standards from the beginning of the first quarter of FY2022. Consolidated gross sales, which are equivalent to net sales up to FY2021 excluding the effects of changes in accounting policies, are stated as “Gross sales”.
2. “Gross sales”, which is equivalent to net sales up to the year ended Mar. 31, 2021, excluding the effects of changes in accounting policies, was reclassified to net sales reflecting the changes in accounting policies.
3. Adjustments are to reclassify net sales to external customers from transactions that are principal transactions on a consolidated basis (transactions based on intersegment consumption purchase contracts), included in net sales to external customers presented as agent transactions in each reportable segment, into gross sales in the consolidated statements of operations.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Consolidation adjustment (NOTE 3)	Total
Revenue from contracts with customers	617,653	426,937	19,573	74,229	—	1,138,394
Other revenue	3,384	5,517	10,509	4,625	—	24,037
Gross sales (NOTE 1)	621,037	432,455	30,083	78,855	—	1,162,431
Reclassification (NOTE 2)	△435,691	△16,572	△1,624	△32,360	4,032	△482,216
Net sales to external customers	185,346	415,883	28,458	46,494	4,032	680,215

(NOTE)

1. The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, Mar. 31, 2020) and other standards from the beginning of the first quarter of FY2022. Consolidated gross sales, which are equivalent to net sales up to FY2021 excluding the effects of changes in accounting policies, are stated as 'Gross sales'.
2. "Gross sales", which is equivalent to net sales up to the year ended Mar. 31, 2021, excluding the effects of changes in accounting policies, was reclassified to net sales reflecting the changes in accounting policies.
3. Adjustments are to reclassify net sales to external customers from transactions that are principal transactions on a consolidated basis (transactions based on intersegment consumption purchase contracts), included in net sales to external customers presented as agent transactions in each reportable segment, into gross sales in the consolidated statements of operations.

2. Information to Understand Revenue from Contracts with Customers

Same as those described in (Significant Items Forming the Basis for Preparation of Consolidated Financial Statements) "4. Overview of Significant Accounting Policies (4) Revenue Recognition "

3. Information for Understanding the Amount of Revenue for the Current and Next Fiscal Years and Thereafter

(1) Balance of Contract Liabilities

The beginning and ending balances of contractual liabilities arising from contracts with customers are as follows:

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Receivables from contracts with customers (beginning balance)		
Notes receivable - trade	24	—
Accounts receivable - trade	74,545	74,705
	74,569	74,705
Receivables from contracts with customers (ending balance)		
Notes receivable - trade	—	—
Accounts receivable - trade	74,705	72,221
	74,705	72,221
Contract liabilities (beginning balance)	23,880	26,534
Contract liabilities (ending balance)	26,534	28,274

(NOTE)

Contract liabilities recorded in "Advances received" in the consolidated balance sheets were the balances of performance obligations not satisfied as of the year end, mainly the remaining balance of gift certificates issued by the Companies, electronic money and granted points.

The amount of revenue recognized in the consolidated fiscal year ended Mar. 31, 2026, that was included in the contract liability balance at the beginning of the fiscal year was JPY 13,916 million.

(2) Transaction Price Apportioned to Remaining Performance Obligations

For the transaction price apportioned to remaining performance obligations, the Companies recognize revenue according to actual usage of gift certificates, electronic money and points, etc. The total transaction price apportioned to remaining performance obligations and the period in which revenue recognition is expected were as follows.

	Millions of JPY	
	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Within 1 year	13,705	15,427
Over 1 year but within 2 years	3,068	3,414
Over 2 years	9,760	9,432
Total	26,534	28,274

(Segment Information)

1. General Information about Reportable Segments

(1) Methods of deciding on reportable segments

The Companies' reportable segments are components of the Companies whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions and for which discrete financial information is available.

The Companies have designated "Department Store Business", "Supermarket Business", "Shopping Center Business" and "Other Businesses" as reportable segments.

(2) Products and Services in Each Reportable Segment

The "Department Store Business" segment is primarily engaged in the sale of clothing, accessories, home furnishings, foods and others. The "Supermarket Business" segment is engaged in supermarkets and food production, etc. The "Shopping Center Business" segment is engaged in rental management of commercial facilities and building maintenance. The "Other Businesses" segment is engaged in remodeling, the China business, the operation of convenience stores, the operation of beauty selects shops, information processing and others.

2. Basis of Measurement about Reportable Segment Net Sales, Segment Income and Loss, Segment Assets and Other Items

The accounting policies for the reportable segments are basically the same as those described in Note "Significant Items Forming the Basis for Preparation of Consolidated Financial Statements". Income by reportable segment is presented on an operating income basis. Intersegment sales and transfers are recognized based on current market prices.

3.Information on Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment
(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Total	Adjustment (NOTE 1)	Consolidated Financial statement total
Net sales							
External customers	192,197	412,663	30,106	42,951	677,918	3,841	681,759
Intersegment	666	2,149	10,375	32,168	45,359	△45,359	—
Total	192,863	414,812	40,482	75,120	723,278	△41,518	681,759
Segment profit	28,234	8,945	3,920	2,198	43,299	△8,468	34,830
Segment assets	231,322	155,762	130,823	594,037	1,111,947	△381,447	730,499
Other items							
Depreciation	7,062	4,636	2,997	8,843	23,540	△67	23,472
Amortization of goodwill	—	507	—	519	1,026	—	1,026
Investment in associated companies accounted for by the equity method	312	—	—	1,955	2,267	—	2,267
Impairment loss	257	1,377	2,758	821	5,214	—	5,214
Increase in property, plant and equipment and Intangible assets	5,989	6,457	2,085	17,259	31,792	△493	31,299

(NOTE)

1. Adjustments are as follows:

- (1) Adjustment of Net sales amounted JPY △41,518 million to sales represents the elimination of intersegment transactions and an adjustment to reclassify sales to outside customers that are presented as net sales as agent transactions in the business segment, but which are themselves transactions in the consolidated financial statements (transactions based on intersegment digestion and purchase contracts), to sales to external customers in the consolidated statement of income.
- (2) Adjustment of the segment profit (loss) JPY △8,468 million represented elimination of intersegment transactions
- (3) Adjustment to segment assets of JPY △381,447 million include elimination of investment and capital of JPY △224,965 million, elimination of intercompany receivables and payables of JPY △155,578 million, and adjustment of unrealized gains and losses on fixed assets of JPY △1,121 million.
- (4) Adjustment of depreciation amounting to JPY △67 million and adjustment of increase in property, plant and equipment and intangible assets amounting to JPY △493 million consisted of the elimination of intersegment transactions.

2. Segment net sales and profit (loss) are reconciled with net sales and operating profit in the consolidated statements of income.

(For the consolidated fiscal year ended Mar. 31, 2026)

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Total	Adjustment (NOTE 1)	Consolidated Financial statement total
Net sales							
External customers	185,346	415,883	28,458	46,494	676,182	4,032	680,215
Intersegment	716	1,852	9,308	40,048	51,926	△51,926	—
Total	186,062	417,736	37,766	86,543	728,108	△47,893	680,215
Segment profit	23,783	10,021	3,833	7,535	45,173	△12,787	32,386
Segment assets	233,524	152,693	125,421	586,730	1,098,370	△383,661	714,709
Other items							
Depreciation	6,913	4,346	2,628	10,966	24,855	△70	24,785
Amortization of goodwill	—	507	—	680	1,188	—	1,188
Investment in associated companies accounted for by the equity method	330	—	—	2,388	2,718	—	2,718
Impairment loss	8,376	2,251	573	323	11,525	—	11,525
Increase in property, plant and equipment and Intangible assets	10,949	4,936	2,531	9,315	27,733	△177	27,555

(NOTE)

1. Adjustments are as follows:

- (1) The adjustment to net sales of JPY △47,893 million includes the elimination of intersegment transactions. It also includes adjustments to reclassify net sales to external customers from net presentation as agent transactions at the segment level to gross presentation in the consolidated statement of income, as these transactions (based on concession contracts between segments) are recognized as principal transactions in the consolidated financial statements.
- (2) Adjustment of the segment profit (loss) JPY △12,787 million represents elimination of intersegment transactions
- (3) Adjustment to segment assets of JPY △383,661 million include elimination of investment and capital of JPY △221,966 million, elimination of intercompany receivables and payables of JPY △161,164 million, and adjustment of unrealized gains and losses on fixed assets of JPY △757 million.
- (4) Adjustment of depreciation amounting to JPY △70 million and adjustment of increase in property, plant and equipment and intangible assets amounting to JPY △177 million consisted of the elimination of intersegment transactions.

2. Segment net sales and profit (loss) are reconciled with net sales and operating profit in the consolidated statements of income.

(Related Information)

(For the consolidated fiscal year ended Mar. 31, 2025)

1.Information for Each Product and Service

This information has been omitted since similar information has been disclosed in segment information.

2.Information for Each Region

(1) Net Sales

This information has been omitted since net sales to external customers in Japan exceeded 90% of net sales in the consolidated statements of operations.

(2) Property, Plant and Equipment

Millions of JPY		
Japan	China	Total
284,980	33,867	318,847

3.Information for Each Main Customer

There is no applicable information to disclose since, among net sales to external customers, no customer accounted for 10% or more of net sales in the consolidated statements of operations.

(For the consolidated fiscal year ended Mar. 31, 2026)

1.Information for Each Product and Service

This information has been omitted since similar information has been disclosed in segment information.

2.Information for Each Region

(1) Net Sales

This information has been omitted since net sales to external customers in Japan exceeded 90% of net sales in the consolidated statements of operations.

(2) Property, Plant and Equipment

Millions of JPY		
Japan	China	Total
274,512	31,646	306,159

3.Information for Each Main Customer

There is no applicable information to disclose since, among net sales to external customers, no customer accounted for 10% or more of net sales in the consolidated statements of operations.

(Information about Impairment Loss on Non-Current Assets for Each Reportable Segment)

(For the consolidated fiscal year ended Mar. 31, 2025)

This information has been omitted since similar information has been disclosed in segment information.

(For the consolidated fiscal year ended Mar. 31, 2026)

This information has been omitted since similar information has been disclosed in segment information.

(Amortization of Goodwill and Unamortized Balance by Reportable Segments)
(For the consolidated fiscal year ended Mar. 31, 2025)

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Total	Adjustment	Consolidated Financial statement total
(Goodwill)							
Amortization	—	507	—	519	1,026	—	1,026
Impairment	—	—	—	—	—	—	—
Unamortized balance	—	676	—	6,558	7,234	—	7,234

(NOTE) For the fiscal year ended Mar. 31, 2025, goodwill was recognized in the "Other business" segment due to the additional acquisition of shares of Ningbo Development Co., Ltd. The increase in goodwill resulting from this event was JPY 6,558 million for the fiscal year ended Mar. 31, 2025.

Current consolidated fiscal year (From Apr. 1, 2025 to Mar. 31, 2026)

Millions of JPY

	Department stores	Supermarket	Shopping Center	Other	Total	Adjustment	Consolidated Financial statement total
(Goodwill)							
Amortization	—	507	—	680	1,188	—	1,188
Impairment	—	—	—	—	—	—	—
Unamortized balance	—	169	—	6,036	6,205	—	6,205

(Information on Gain on Bargain Purchase by Reportable Segment)
(For the consolidated fiscal year ended Mar. 31, 2025)

There was no gain on bargain purchase by reportable segment.

(For the consolidated fiscal year ended Mar. 31, 2026)

There was no gain on bargain purchase by reportable segment.

(Related Party Transactions)

Transactions with related parties

(1) Transactions Between the Reporting Entity of the Consolidated Financial Statements and Related Parties

- a. Directors, corporate auditors and major individual shareholders of the reporting entity of the consolidated financial statements

(For the consolidated fiscal year ended Mar. 31, 2025)

Not applicable.

(For the consolidated fiscal year ended Mar. 31, 2026)

Not applicable.

- b. Companies whose parent is the same as the parent of the reporting entity or the other related companies

(For the consolidated fiscal year ended Mar. 31, 2025)

Not applicable.

(For the consolidated fiscal year ended Mar. 31, 2026)

Not applicable.

(2) Transactions Between Subsidiaries of the Reporting Entity of the Consolidated Financial Statements and Related Parties

- a. Directors, corporate auditors and major individual shareholders of the reporting entity of the consolidated financial statements

(For the consolidated fiscal year ended Mar. 31, 2025)

Not applicable.

(For the consolidated fiscal year ended Mar. 31, 2026)

Not applicable.

b. Companies whose parent is the same as the parent of the reporting entity or the other related companies
(For the consolidated fiscal year ended Mar. 31, 2025)

Classification	Name or trade name or individual	Location	Capital or investment (Millions of JPY)	Occupation or business lines	Ownership of voting rights (%)	Nature of relationship	Nature of transactions	Value of Transactions (Millions of JPY)	Accounting designation	Ending balance (Millions of JPY)
Subsidiaries of other affiliates	Hankyu Corporation	Kita-ku, Osaka City	100	Urban Transportation Business Shopping Center Business Entertainment and Communication Business	—	Rental of real estate	Rent expenses	11,167	Accounts receivable - other	0
									Current assets Other (Prepaid expenses)	214
									Accounts payable - other	15
									Current liabilities Other (Accrued expenses)	69
							Deposit of guarantee money	3	Guarantee deposits	24,748
							Refund of security deposit	—		
	HANSHIN ELECTRIC RAILWAY CO., LTD.	Fukushima-ku, Osaka City	29,384	Railway Business Shopping Center Business Sport and Leisure Business	12.07% of the Company directly held	interlocking director Rental of real estate	Rent expenses	4,277	Accounts receivable — other	0
									Current assets Other (Prepaid expenses)	97
									Accounts payable - other	12
									Current liabilities Other (Accrued expenses)	—
							Deposit of guarantee money	—	Guarantee deposits	8,627
							Refund of security deposit	—		

Business terms and policy for determination of business terms

(NOTE)

1. Rent expenses for buildings are determined by current market rates.
2. All other matters are determined according to general terms and conditions.

(For the consolidated fiscal year ended Mar. 31, 2026)

Classification	Name or trade name or individual	Location	Capital or investment (Millions of JPY)	Occupation or business lines	Ownership of voting rights (%)	Nature of relationship	Nature of transactions	Value of Transactions (Millions of JPY)	Accounting designation	Ending balance (Millions of JPY)
Subsidiaries of other affiliates	Hankyu Corporation	Kita-ku, Osaka City	100	Urban Transportation Business Shopping Center Business Entertainment and Communication Business	—	Rental of real estate	Rent expenses	10,911	Accounts receivable — other	123
									Current assets Other (Prepaid expenses)	208
									Accounts payable — other	38
									Current liabilities Other (Accrued expenses)	—
							Deposit of guarantee money	—	Guarantee deposits	24,748
							Refund of security deposit	—		
	HANSHIN ELECTRIC RAILWAY CO., LTD.	Fukushima-ku, Osaka City	29,384	Railway Business Shopping Center Business Sport and Leisure Business	12.83% of the Company directly held	interlocking director Rental of real estate	Rent expenses	4,450	Accounts receivable — other	—
									Current assets Other (Prepaid expenses)	108
									Accounts payable — other	8
									Current liabilities Other (Accrued expenses)	—
							Deposit of guarantee money	44	Guarantee deposits	8,671
							Refund of security deposit	0		

Business terms and policy for determination of business terms

(NOTE)

1. Rent expenses for buildings are determined by current market rates.
2. All other matters are determined according to general terms and conditions.

(Per Share Information)

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
BPS	JPY 2,448.54	JPY 2,695.07
Basic EPS	JPY 295.51	JPY 254.39
Diluted EPS	JPY 289.19	JPY 252.09

(NOTE) Reconciliation of the basic and diluted profit per share (Earnings Per Share “EPS”) was as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Basic profit per share		
Profit (loss) attributable to owners of parent (Millions of JPY)	34,842	29,950
Amounts not belonging to common shareholders	—	—
Profit (loss) attributable to owners of parent concerning common share (Millions of JPY)	34,842	29,950
Weighted average number of shares (shares)	117,908,499	117,736,978
Diluted profit per share		
Profit attributable to owners of parent (Millions of JPY)	—	—
Increase in amounts not belonging to common shareholders (shares)	2,576,374	1,075,096
(Share acquisition rights (shares))	(2,576,374)	(1,075,096)
Overview of potentially dilutive shares that were not included in the computation of diluted EPS because they have no dilutive effect	—	

2. Net assets per share (Book value Per Share “BPS”) calculation was as follows.

	FY2024 (From Apr. 1, 2024 to Mar. 31, 2025)	FY2025 (From Apr. 1, 2025 to Mar. 31, 2026)
Net assets (Millions of JPY)	313,420	325,440
Deduction from net assets (Millions of JPY)	14,163	15,498
(Share acquisition rights (shares)) (Millions of JPY)	(1,462)	(1,449)
(Non-controlling interests (Millions of JPY))	(12,700)	(14,049)
Net assets concerning common shares	299,257	309,941
Number of shares used for the calculation of net assets per share (shares)	122,218,632	115,003,425

(Significant Subsequent Events)

(Absorption-Type Merger Between Consolidated Subsidiaries)

Effective Apr. 1, 2026, the Company completed an absorption-type merger in which its consolidated subsidiary, Izumiya・Hankyu Oasis Co., Ltd., became the surviving company, and another of its consolidated subsidiaries, KANSAI SUPER MARKET LTD., became the dissolved company, and changed the trade name of the surviving company.

1. Outline of the Transaction

(1) Names of the combining companies and their business descriptions

Name of the combining company: Izumiya・Hankyu Oasis Co., Ltd.

Description of business: Supermarket Business

Name of the combined company: KANSAI SUPER MARKET LTD.

Description of business: Supermarket Business

(2) Date of business combination: Apr. 1, 2026

(3) Legal form of business combination

Absorption-type merger with Izumiya・Hankyu Oasis Co., Ltd. as the surviving company and KANSAI SUPER MARKET LTD. as the dissolved company

(4) Name of the company after business combination

KANSAI FOOD MARKET LTD.

(5) Other matters concerning outline of the transaction

By merging both Izumiya・Hankyu Oasis Co., Ltd. and KANSAI SUPER MARKET LTD., the companies will speed up management decision-making and further strengthen competitiveness by concentrating dispersed management resources. In particular, along with the effective utilization of human resources through the merger, the companies will work to strengthen coordination between manufacturing and sales with manufacturing subsidiaries within the Group, striving to further expand the scale of business and strengthen business competitiveness as a group.

In connection with this merger, the trade name of Izumiya・Hankyu Oasis Co., Ltd., the surviving company, was changed to "KANSAI FOOD MARKET LTD." and the trade name of KANSAI FOOD MARKET LTD, a consolidated subsidiary of the Company, was changed to "JUSO FOOD MARKET LTD."

2. Outline of Accounting Treatment

The transaction was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, Jan. 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, Jan. 16, 2019).

(Transfer of Shares)

Based on a resolution of the Board of Directors meeting held on Apr. 14, 2026, the Company transferred a portion of its common shares in Toho Co., Ltd. on Apr. 15, 2026.

1. Method of Transfer

Application for the purchase through the off—auction own share repurchase trading system (ToSTNeT—3) of the Tokyo Stock Exchange

2. Outline of Transfer

Number of shares transferred: 3,656,300 common shares

Date of transfer: Apr. 15, 2026

3. Impact on Profit and Loss

The Company expects to record a gain on sale of investment securities of JPY 5,122 million as extraordinary income in the first quarter of the consolidated fiscal year ending Mar. 31, 2027.

(Acquisition of Treasury Shares)

At the Board of Directors meeting held on May 12, 2026, the Company resolved to acquire Treasury shares in accordance with the Articles of Incorporation pursuant to the provisions of Article 459-1 of the Companies Act. The Company repurchased Treasury shares as follows.

1. Reason for Acquisition of Treasury Shares

In "Mid-term Management Plan (FY2024-2026)", the Company plans to acquire treasury shares for a cumulative total of JPY 30 billion over the 3-year period beginning in FY2024 as part of its shareholder return plan.

2. Resolution for Purchase

- (1) Class of shares: Common shares
- (2) Total number of shares to be acquired: 6,000,000 shares (maximum)
(5.22% of the total number of issued shares (excluding Treasury shares))
- (3) Total purchase price of shares: JPY 10,700,000,000 (maximum)
- (4) Acquisition period: May 13, 2026-Mar. 31, 2027
- (5) Acquisition method: Purchase on the Tokyo Stock Exchange through discretionary investment trading by a securities company

3. Acquisition Status (As of May 31, 2026)

- (1) Class of shares: Common shares
 - (2) Total number of shares acquired: 1,111,200 shares
 - (3) Total purchase price of shares: JPY 2,773,972,850
 - (4) Acquisition period: May 13, 2026-May 31, 2026 (settlement date basis)
 - (5) Acquisition method: Purchase on the Tokyo Stock Exchange through discretionary investment trading by a securities company
- (NOTE) Treasury shares acquired from Jun. 1, 2026, through the filing date of this annual securities report are not included.

(v) Consolidated Supplementary Schedule

Schedule of Bonds

Company	Stock	Issue date	Balance of the beginning of the fiscal year (Millions of JPY)	Balance of the end of the fiscal year (Millions of JPY)	Interest ratio (%)	Security	Maturity
H2O Retailing Corporation	Second Unsecured Straight bonds	Dec. 21, 2018	10,000	10,000	0.480	Unsecured bonds	Dec. 21, 2028
Total	—	—	10,000	10,000	—	—	—

(NOTE) The redemption schedule within 5 years after the consolidated balance sheet date is as follows.

Within 1 year (Millions of JPY)	Over 1 year but within 2 years (Millions of JPY)	Over 2 years but within 3 years (Millions of JPY)	Over 3 years but within 4 years (Millions of JPY)	Over 4 years but within 5 years (Millions of JPY)
—	—	10,000	—	—

Schedule of Borrowings

Classification	Balance of the beginning of the fiscal year (Millions of JPY)	Balance of the end of the fiscal year (Millions of JPY)	Average interest ratio (%)	Maturity
Short-term borrowings	—	—	—	—
Long-term borrowings within 1 year	46,369	17,250	0.126	—
Lease obligations within 1 year	681	699	—	—
Long-term borrowings (excluding to be repaid within 1 year)	98,242	106,845	0.743	From Oct. 2027 to Oct. 2035
Lease obligations (excluding to be repaid within 1 year)	8,892	8,210	—	From Mar. 2028 to Mar. 2037
Other interest-bearing liabilities	—	—	—	—
Total	154,186	133,005	—	—

(NOTE)

1. Average interest ratio represents weighted average interest ratio on the balance of loans borrowings at the fiscal year end.
2. Average interest ratio on lease obligations have not been provided because certain consolidated subsidiaries record lease obligations in the consolidated balance sheets at the amount before deduction of the amount equivalent to interest rates included in lease payments.
3. The estimated repayment amounts of long-term borrowings and lease obligations (excluding current portion) within five years from the consolidated balance sheet date are as follows.

	Over 1 year but within 2 years (Millions of JPY)	Over 2 years but within 3 years (Millions of JPY)	Over 3 years but within 4 years (Millions of JPY)	Over 4 years but within 5 years (Millions of JPY)
Long-term borrowings	9,828	17,088	5,076	56,576
Lease liabilities	741	758	4,775	1,936

[Schedule of Asset Retirement Obligations]

The amount of asset retirement obligations at the beginning and end of the consolidated fiscal year ended Mar. 31, 2026, is less than 1/100 of the total liabilities and net assets at the beginning and end of the consolidated fiscal year ended Mar. 31, 2026, respectively, and thus has been omitted.

(2) Other

Quarterly information for the consolidated fiscal year ended Mar. 31, 2026

	Interim consolidated accounting period	For the fiscal year ended Mar. 31, 2026
Net sales (Millions of JPY)	333,024	680,215
Profit before taxes (Millions of JPY)	11,894	35,476
Profit attributable to owners of parent (Millions of JPY)	6,909	29,950
Earnings per share (JPY)	57.70	254.39

2 Non-consolidated Financial Statements

(1) Financial Statements

(i) Balance Sheet

Millions of JPY

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Assets		
Current assets		
Cash and deposits	30,261	36,431
Trade accounts receivable	(NOTE1) 5,594	(NOTE1) 5,308
Prepaid expenses	339	471
Short-term loans receivable	(NOTE1) 27,740	(NOTE1) 9,407
Current portion of long-term loans receivable	(NOTE1) 6,394	(NOTE1) 6,857
Other	(NOTE1) 1,273	(NOTE1) 3,228
Allowance for doubtful accounts	△6,301	△5,709
Total current assets	65,302	55,994
Non-current assets		
Property, plant and equipment		
Buildings and structures	(NOTE2) 7,891	(NOTE2) 7,730
Vehicles, furniture and equipment	(NOTE2) 3,501	(NOTE2) 3,421
Land	(NOTE2) 26,631	(NOTE2) 26,631
Construction in progress	362	373
Total property, plant and equipment	38,386	38,156
Intangible assets		
Software	16,675	18,169
Right to use facilities	24	15
Software in progress	7,214	6,286
Total intangible assets	23,913	24,471
Investments and other assets		
Investment securities	74,598	69,511
Shares of subsidiaries and associates	250,072	249,299
Investments in capital of subsidiaries and associates	10,762	10,294
Long-term loans receivable	(NOTE1) 53,258	(NOTE1) 59,976
Guarantee deposits	310	286
Long-term prepaid expenses	2	5
Other	50	50
Allowance for doubtful accounts	△14,350	△12,440
Total investments and other assets	374,704	376,984
Total non-current assets	437,004	439,612
Total assets	502,306	495,607

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Liabilities		
Current liabilities		
Current portion of long-term borrowings	46,214	17,214
Accounts payable - other	(NOTE1) 4,001	(NOTE1) 2,949
Accrued expenses	182	246
Income taxes payable	3,004	88
Advances received	94	50
Deposits received	(NOTE1) 92,265	(NOTE1) 107,300
Provision for bonuses	344	360
Provision for bonuses for directors	54	50
Other	8	1
Total current liabilities	146,169	128,260
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	96,430	106,216
Long-term accounts payable - other	12	9
Deferred tax liabilities	26,548	25,622
Deferred tax liabilities for land revaluation	274	274
Provision for retirement benefits	33	46
Provision for loss on business of subsidiaries and associates	486	447
Long-term guarantee deposited	122	128
Total non-current liabilities	133,907	142,746
Total liabilities	280,077	271,006
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus		
Legal capital surplus	72,495	72,495
Other capital surplus	31,004	30,976
Total capital surplus	103,499	103,471
Retained earnings		
Legal retained earnings	4,429	4,429
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	5,557	5,537
General reserve	29,054	29,054
Retained earnings brought forward	17,970	36,119
Total retained earnings	57,012	75,140
Treasury shares	△5,546	△20,269
Total shareholders' equity	172,761	176,139
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	47,408	46,415
Revaluation reserve for land	596	596
Total valuation and translation adjustments	48,004	47,011
Share acquisition rights	1,462	1,449
Total net assets	222,229	224,600
Total liabilities and net assets	502,306	495,607

(ii) Statement of income

Millions of JPY

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Operating revenue		
Dividends from subsidiaries and associates	8,247	12,797
Group operating contribution income	3,670	3,590
Revenue from system use fees	9,047	10,587
Real estate lease revenue	2,570	2,516
Total operating revenues	(NOTE1) 23,535	(NOTE1) 29,492
Total operating expenses	(NOTE1.2) 20,533	(NOTE1,2) 22,925
Operating profit	3,002	6,567
Non-operating income		
Interest income	759	812
Dividend income	1,578	1,535
Settlement income	—	384
Other	170	270
Total non—operating income	(NOTE1) 2,508	(NOTE1) 3,002
Non-operating expenses		
Interest expenses	1,053	1,192
Loss on investments in silent partnerships	2,443	467
Other	263	243
Total non—operating expenses	(NOTE1) 3,760	(NOTE1) 1,904
Ordinary profit	1,749	7,665
Extraordinary income		
Gain on sale of investment securities	14,540	13,401
Reversal of provision for loss on liquidation of subsidiaries and associates	—	(NOTE3) 2,541
Total extraordinary income	14,540	15,942
Extraordinary losses		
Loss on retirement of non—current assets	205	374
Loss on investments in subsidiaries and associates	(NOTE4) 2,061	(NOTE4) 224
Impairment losses	236	15
Related expenses on sale of shares of subsidiaries	196	—
Total extraordinary losses	2,700	614
Profit before income taxes	13,589	22,993
Income taxes - current	2,964	66
Income taxes - deferred	△794	△469
Total Income taxes	2,170	△403
Profit	11,419	23,397

(iii) Statement of Changes in Equity

(For fiscal year under review ended Mar. 31, 2025)

Millions of JPY

	Shareholders' equity				
	Capital stock	Capital stock			Capital stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the fiscal year	17,796	72,495	19,856	92,351	4,429
Changes during the period					
Dividends of surplus					
Profit					
Acquisition and disposal of Treasury shares			△3,492	△3,492	
Change by share exchange			14,641	14,641	
Reversal of reserve for tax purpose reduction entry of non-current assets					
Decrease in reserve for advanced depreciation of non-current assets due to change in tax rate					
Net changes in items other than shareholders' equity					
Total changes during the period	—	—	11,148	11,148	—
Balance at the beginning of the fiscal year	17,796	72,495	31,004	103,499	4,429

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward			
Balance at the beginning of the fiscal year	5,651	29,054	10,691	49,825	△13,768	146,204
Changes during the period						
Dividends of surplus			△4,233	△4,233		△4,233
Profit			11,419	11,419		11,419
Acquisition and disposal of Treasury shares					△24,872	△28,365
Change by share exchange					33,094	47,735
Reversal of reserve for tax purpose reduction entry of non-current assets	△20		20	—		—
Decrease in reserve for advanced depreciation of non-current assets due to change in tax rate	△72		72	—		—
Net changes in items other than shareholders' equity						
Total changes during the period	△93	—	7,279	7,186	8,222	26,557
Balance at the end of the fiscal year	5,557	29,054	17,970	57,012	△5,546	172,761

Millions of JPY

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Other securities Valuation difference	Revaluation reserve for land	Valuation and translation Total adjustments		
Balance at the beginning of the fiscal year	43,836	604	44,440	1,351	191,996
Changes during the period					
Dividends of surplus					△4,233
Profit					11,419
Acquisition and disposal of Treasury shares					△28,365
Change by share exchange					47,735
Reversal of reserve for tax purpose reduction entry of non-current assets					—
Decrease in reserve for advanced depreciation of non-current assets due to change in tax rate					—
Net changes in items other than shareholders' equity	3,572	△7	3,564	111	3,675
Total changes during the period	3,572	△7	3,564	111	30,232
Balance at the end of the fiscal year	47,408	596	48,004	1,462	222,229

Current business year (From Apr. 1, 2025 to Mar. 31, 2026)

(Millions of JPY)

	Shareholders' equity				
	Capital stock	Capital surplus			Retained earnings
		Legal capital surplus	Legal retained earnings	Total capital surplus	Legal retained earnings
Balance at the beginning of the fiscal year	17,796	72,495	31,004	103,499	4,429
Changes during the period					
Dividends of surplus					
Profit					
Acquisition and disposal of Treasury shares			△27	△27	
Reversal of reserve for tax purpose reduction entry of non-current assets					
Net changes in items other than shareholders' equity					
Total changes during the period	—	—	△27	△27	—
Balance at the end of the fiscal year	17,796	72,495	30,976	103,471	4,429

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward			
Balance at the beginning of the fiscal year	5,557	29,054	17,970	57,012	△5,546	172,761
Changes during the period						
Dividends of surplus			△5,269	△5,269		△5,269
Profit			23,397	23,397		23,397
Acquisition and disposal of Treasury shares					△14,722	△14,750
Reversal of reserve for tax purpose reduction entry of non-current assets	△20		20			
Net changes in						

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward			
items other than shareholders' equity						
Total changes during the period	△20	—	18,148	18,128	△14,722	3,377
Balance at the end of the fiscal year	5,537	29,054	36,119	75,140	△20,269	176,139

Millions of JPY

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the fiscal year	47,408	596	48,004	1,462	222,229
Changes during the period					
Dividends of surplus					△5,269
Profit					23,397
Acquisition and disposal of Treasury shares					△14,750
Reversal of reserve for tax purpose reduction entry of non-current assets					—
Net changes in items other than shareholders' equity	△992	—	△992	△13	△1,006
Total changes during the period	△992	—	△992	△13	2,371
Balance at the end of the fiscal year	46,415	596	47,011	1,449	224,600

Notes to the Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation Bases and Methods for Assets

(1) Derivatives

Derivative transactions are stated at fair value method.

(2) Valuation bases and methods for securities

(i) Shares of subsidiaries and associates

Shares of subsidiaries and associates are stated at average cost.

(ii) Investments in capital of subsidiaries and associates

Information on investment in silent partnerships is described in "5. Other significant matters for preparing the financial statements "

(iii) Available-for-sale securities

Securities other than shares without market price

Market value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)

Shares without market prices

Moving average cost method

2. Method of Depreciation of Non-Current Assets

(1) Property, plant and equipment (excluding leased assets)

The Company adopts the straight-line method.

(2) Intangible assets (excluding leased assets)

The Company adopts the straight-line method.

(3) Lease assets

Leased assets under finance lease contracts that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease with a residual value at zero.

3. Accounting Policy for Provision

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in amounts management considers sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amounts are individually estimated.

(2) Provision for bonuses

The Companies accrue estimated amounts of employee bonuses based on the estimated amount to be paid in the subsequent period.

(3) Provision for bonuses for directors

The Companies accrue bonuses for directors based on estimated payments to be made after the end of the year.

(4) Provision for benefit provision

The Company provides provision for retirement benefits for employees in the amount considered to have accrued at the end of the current year based on the estimated amount of retirement benefit obligation and plan assets at the end of the current year. The estimated amount of retirement benefit obligation is recorded by the simplified method (method by which the amount required to be paid in association with the retirement benefits at the end period is considered to be the retirement benefit obligation).

(5) Provision for loss on business of subsidiaries and associates

The Company provides provision for loss on business of subsidiaries and associates based on the

estimated amount of loss to be borne by the Company in excess of receivables such as loans receivable from subsidiaries and associates.

4. Revenue Recognition

The Company primarily provides management and guidance to group companies and system management and recognizes revenue for services to each company in the amount expected to be received in exchange for promised goods or services. In addition, the Company recognizes revenue from the rents of real estate over the term of the lease contracts in accordance with the accounting standard for lease transactions.

5. Other Significant Matters for Preparing the Financial Statements

(1) Method of hedge accounting

Deferral hedge accounting is adopted for hedge transactions. The Company applies the designation method for foreign exchange forward contracts and for currency swaps in cases in which the specific requirements for this treatment are fulfilled. The Company applies special accounting treatment for interest rate swaps in cases in which the specific requirements for this treatment are fulfilled.

(2) Accounting for non-deductible portion of consumption taxes

The non-deductible portion of consumption taxes relating to assets is accounted for as expense in the same year the taxes are incurred.

(3) Accounting for investments in silent partnerships

As for investments in silent partnerships, the amount corresponding to the equity interest in the property of the silent partnerships is recorded as 'Investments in capital of subsidiaries and associates'. In addition, profit or loss earned by silent partnerships is recognized in non-operating profit or loss in the amount of the share, and the same amount is added to or subtracted from 'Investments in capital of subsidiaries and associates'.

(Significant Accounting Estimates)

1. Impairment Loss on Non-Current Assets

As impairment of non-current assets, the Company determines whether there are signs of impairment of fixed assets, whether impairment losses should be recognized, and the amount of impairment losses to be recognized, based on estimates of future cash flows from recently reported business results, changes in the business environment, and future business plans. Such estimates may be affected by uncertain economic conditions in the future, and if actual cash flows or amounts differ from the forecasts, it may have a material impact on the financial results and financial position of the Company in the next fiscal year under review.

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Property, plant and equipment	JPY 38,386 million	JPY 38,156 million
Intangible assets	JPY 23,913 million	JPY 24,471 million

2. Valuation of Shares of Subsidiaries and Associates

The acquisition cost of shares in Ningbo Development Co., Ltd., which is a subsidiary of the Company, reflects excess earning power calculated based on the future business plan of Ningbo Hankyu Co., Ltd., a subsidiary of Ningbo Development Co., Ltd. For shares of subsidiaries and associates, the value of the net asset, which reflects excess earnings power, is compared to the acquisition cost to determine whether an impairment loss is required. At the end of the fiscal year under review, the value of the net assets was not recorded as an impairment charge due to the comparison of the real value and the acquisition cost, which reflects excess earnings power. Real value, which reflects excess earning power, is estimated based on the future business plan of Ningbo Hankyu Co., Ltd. The content of assumptions in this business plan is as described in "Notes to Consolidated Financial Statements (Significant Accounting Estimates)" 3. Valuation of

goodwill. These assumptions could impact on the amounts of shares of subsidiaries and associates in next year's financial statements. This could occur if a review is required due to difficulties achieving the business plan caused by changes in uncertain future economic conditions or other factors.

Amounts recorded on the balance sheet based on such estimates are as follows:

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Shares of subsidiaries and associates	JPY 250,072 million	JPY 249,299 million
In the above Ningbo Development Co., Ltd. shares of subsidiaries and associates.	JPY 27,330 million	JPY 27,330 million

(Matters Related to Non-consolidated Balance Sheets)

(NOTE)

1. Monetary claims and liabilities to related companies

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Short-term monetary claims	JPY 40,036 million	JPY 21,842 million
Long-term monetary receivables	JPY 53,256 million	JPY 59,975 million
Short-term loans payables	JPY 92,522 million	JPY 107,578 million

2. Reduction in the entry amount of national subsidies, etc.

The reduction in the entry amount of national subsidies, etc., is as follows. This reduction entry amount was deducted from the book values recorded in the nonconsolidated balance sheets.

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Reduction in entry amount	JPY 225 million	225 million
(Buildings and structures)	JPY 168 million	168 million
(Vehicles and fixtures)	JPY 12 million	12 million
(Land)	JPY 44 million	44 million

3. The Company has committed to loan commitment agreements with three financial institutions to raise capital efficiently. The balance of unused loan commitments at the end of the financial year was as follows.

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Total loan commitment	JPY 40,000 million	40,000 million
Outstanding balances	—	—
Unused balances	40,000 million	40,000 million

(Matters Related to Non-consolidated Statements of Income)

(NOTE)

1. Transactions with subsidiaries and associates

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Operating transaction		
Operating revenue	JPY 23,186 million	JPY 29,131 million
Operating expenses	JPY 1,794 million	JPY 1,752 million
Non-operating transactions	JPY 2,730 million	JPY 2,298 million

2. Major items and amounts of operating expenses were as follows.

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Remuneration, salaries and allowances for directors (and other officers)	JPY 2,538 million	JPY 2,534 million
Repair expenses	JPY 107 million	JPY 150 million
Depreciation	JPY 5,712 million	JPY 7,029 million
Information system expenses	JPY 6,764 million	JPY 7,122 million
Outsourcing expenses	JPY 2,435 million	JPY 3,205 million
Approximate ratio (%)		
Selling expenses	79.2 %	79.9 %
General and administrative expenses	20.8 %	20.1 %

3. Gain on reversal of provision for loss on subsidiaries and associates mainly consists of reversal of allowance for doubtful accounts for subsidiaries and associates.

4. Loss on investments in subsidiaries and associates mainly consists of provision of allowance for doubtful accounts for entities accounted for using equity method and loss on valuation of shares of subsidiaries and associates.

(Matters Related to Investment Securities)

Shares and investments in capital of subsidiaries and associates

(For fiscal year under review ended Mar. 31, 2025)

Contributions from subsidiaries, related companies, and affiliated companies are not listed as the equity value of these companies due to the lack of a market price.

The carrying amounts of shares which do not have market prices not included above are as follows.

Millions of JPY	
Classification	Book value
Shares of subsidiaries	232,647
Investments in subsidiaries and associates	489
Investments in capital of subsidiaries and associates	10,762
Total	243,899

(For fiscal year under review ended Mar. 31, 2026)

Contributions from subsidiaries, related companies, and affiliated companies are not listed as the equity value of these companies due to the lack of a market price.

The carrying amounts of shares which do not have market prices not included above are as follows.

Millions of JPY	
Classification	Book value
Shares of subsidiaries	229,657
Investments in subsidiaries and associates	489
Investments in capital of subsidiaries and associates	10,294
Total	240,442

(Matters Related to Deferred Tax)

1. Significant Components of the Companies' Deferred Tax Assets and Liabilities

	Millions of JPY	
	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Deferred tax assets		
Shares of subsidiaries resulting from company split	8,923	8,923
Allowance for doubtful accounts	6,505	5,717
Provision for loss on business of subsidiaries and associates	153	141
Loss on investments in silent partnerships	1,153	710
Tax loss carryforwards	—	671
Other	5,030	4,732
Subtotal	21,766	20,897
Valuation allowance to pertain to tax loss carryforwards	—	△671
Valuation allowance pertaining to total amount of deductible temporary differences	△21,629	△20,078
Subtotal of valuation allowance	△21,629	△20,750
Total deferred tax assets	136	146
Deferred tax liabilities		
Valuation gain on investment securities resulting from conversion of retirement benefit trust assets (equity securities)	△2,327	△1,877
Reserve for tax purpose reduction entry of non-current assets	△2,555	△2,546
Valuation difference on available-for-sale securities	△21,800	△21,344
Deferred gains on asset transfers based on group companies' taxation system	△1	△0
Total deferred tax liability	△26,685	△25,769
Net deferred tax assets	△26,548	△25,622

2. Reconciliation of the Differences Between the Statutory Tax Rate and the Effective Income Tax Rate Was as Follows.

	FY2024 (As of Mar. 31, 2025)	FY2025 (As of Mar. 31, 2026)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Dividend income	△21.8%	△29.5%
Increase (decrease) of valuation allowance	7.8%	△3.8%
Other	△0.6%	0.9%
Effective income tax rate	16.0%	△1.8%

(Matters Related to Revenue Recognition)

Information that provides the basis for understanding revenue arising from contracts with customers is presented in the NOTES to the Consolidated Financial Statements (Matters related to Revenue Recognition). NOTE have been omitted as the same information is presented in the NOTE.

(Significant Subsequent Events)

(Transfer of Shares)

This information is omitted because the same details are provided in the consolidated financial statements in “NOTE (Significant Subsequent Events)” (Transfer of Shares).

(Acquisition of Treasury Shares)

This information is omitted because the same details are provided in the consolidated financial statements in “NOTE (Significant Subsequent Events)” (Acquisition of Treasury shares).

(iv) Supplementary Schedules

Schedule of Property, Plant and Equipment

Millions of JPY

Classification	Type of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	7,891	318	8	471	7,730	7,384
	Vehicles, furniture and equipment	3,501	965	75	969	3,421	5,562
	Land	26,631 [870]	—	—	—	26,631 [870]	—
	Construction in progress	362	366	355	—	373	—
	Net property, plant and equipment	38,386 [870]	1,650	440	1,440	38,156 [870]	12,946
Intangible assets	Software	16,675	7,315	237 (15)	5,583	18,169	—
	Right to use facilities	24	0	—	9	15	—
	Software in progress	7,214	6,299	7,226	—	6,286	—
	Net intangible assets	23,913	13,614	7,464 (15)	5,592	24,471	—

- (NOTE)1. Major items of increase during the period
- Increase due to IT infrastructure development, etc.
Buildings and structures JPY 0 million, Vehicles, furniture and fixtures JPY 295 million
Construction in progress JPY 119 million, Software JPY 2,957 million
Right to use facilities JPY 0 million, Software in progress JPY 1,663 million
- Increase due to Hankyu Hanshin Department Stores-related system development, etc.
Vehicles, furniture and fixtures JPY 194 million, Construction in progress JPY 13 million
Software JPY 2,091 million, Software in progress JPY 2,432 million
2. Major items of decrease during the period
- Decrease due to IT infrastructure development, etc. (including decrease due to account transfer)
Buildings and structures JPY 0 million, Vehicles, furniture and fixtures JPY 19 million
Construction in progress JPY 183 million, Software JPY 10 million
Software in progress JPY 2,728 million
- Decrease due to Hankyu Hanshin Department Stores-related system development, etc. (including decrease due to account transfer)
Buildings and structures JPY 0 million, Vehicles, furniture and fixtures JPY 36 million
Construction in progress JPY 47 million, Software JPY 116 million
Software in progress JPY 1,794 million
3. The amounts in parentheses in decrease during the period are due to the recognition of impairment loss.
4. The amounts in brackets in the balance at beginning of period and balance at end of period for land represent the difference from the book value before the revaluation of business-use land based on the "Act on Revaluation of Land" (Act No. 34 promulgated on Mar. 31, 1998) and the "Act on Partial Revision of the Act on Revaluation of Land" (Act No. 19 promulgated on Mar. 31, 2001).

Schedule of allowance and provisions

Millions of JPY

Classification	Balance at the beginning of the fiscal year	Increased during the period	Decreased during the period	Balance at the end of the fiscal year
Allowance for doubtful accounts	20,652	1,702	4,204	18,150
Provision for bonuses	344	360	344	360
Provision for bonuses for directors (and other officers)	54	50	54	50
Provision for retirement benefits	33	44	30	46
Provision for loss on business of subsidiaries and associates	486	93	132	447

(NOTE) The basis for recording allowances is described in "Significant Accounting Policies."

(2) Details of Major Assets and Liabilities

This information is omitted as the Company prepares consolidated financial statements.

(3) Other

Not applicable.