

Annual Securities Report

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

Fiscal Year
(104th fiscal year)

From 1 Apr. 2022
to 31 Mar. 2023

H2O RETAILING CORPORATION

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Annual securities report for the 104th fiscal year

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Cover

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Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	28 Jun. 2023
Fiscal year	The 104th fiscal year (From 1 Apr. 2022 to 31 Mar. 2023)
Company name	H2O Retailing Corporation
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, Kakudacho, Kita-ku, Osaka
Telephone number	06-6365-8120 (Representative)
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Telephone number	06-6365-8120 (Representative)
Name of contact person	YOSHIMATSU Hiroyuki, Executive officer
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

These documents are translations of the audited Japanese original for reference purpose only and do not contain or constitute any guarantee.

Company Information

I. Overview of the Company

1 Summary of Business Results

(1) Business Results of the Group

Term		100th fiscal year	101th fiscal year	102th fiscal year	103th fiscal year	104th fiscal year
Fiscal year-end		Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	(Millions of yen)	926,872	897,289	739,198	518,447	628,089
Ordinary profit (loss) (△)	(Millions of yen)	21,376	11,831	△2,907	2,346	13,004
Profit (loss) attributable to owners of parent (△)	(Millions of yen)	2,162	△13,150	△24,791	9,872	16,382
Comprehensive income	(Millions of yen)	3,592	△30,174	△11,005	9,235	25,778
Net Asset	(Millions of yen)	279,603	244,634	229,277	260,938	272,814
Total Assets	(Millions of yen)	663,335	586,904	625,945	654,558	686,423
Book value per share	(Yen)	2,252.28	1,967.90	1,843.78	1,922.25	2,137.87
Earnings(loss) (△) per share	(Yen)	17.50	△106.38	△200.45	79.84	135.85
Diluted of earnings (loss) per share	(Yen)	17.39	—	—	79.26	134.81
Equity ratio	(%)	42.0	41.5	36.4	36.2	36.2
Return on equity (ROE)	(%)	0.8	△5.0	△10.5	4.2	6.7
Price earnings ratio (PER)	(times)	88.1	—	—	10.6	11.0
Cash flow from operating activities	(Millions of yen)	15,392	9,871	12,755	6,465	30,295
Cash flow from investing activities	(Millions of yen)	△36,682	△22,451	△20,761	△5,203	5,782
Cash flow from financing activities	(Millions of yen)	9,581	△16,440	31,859	△28,578	△12,549
Cash and cash equivalents at the end of period	(Millions of yen)	55,229	25,958	49,991	33,174	57,020
Number of employees (Separately, average number of temporary employees)	(Persons)	9,634 (15,816)	9,570 (15,291)	8,983 (14,961)	9,856 (16,891)	9,485 (15,247)

(NOTE)

1. Diluted of earnings (loss) per share for the 101th and 102th fiscal years is not disclosed because it is loss per share although there are dilutive shares.
2. For the 101th and 102th 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 "Accounting Standards for Revenue Recognition" has been applied (ASBJ Statement No. 29, 31 Mar. 2020), and major management indicators after the end of 103th fiscal year have been applied.

(2) Business Results of the Reporting Company

Term		100th fiscal year	101th fiscal year	102th fiscal year	103th fiscal year	104th fiscal year
Fiscal year-end		Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Operating revenue	(Millions of yen)	13,556	13,194	14,261	12,288	13,221
Ordinary profit (loss) (Δ)	(Millions of yen)	2,334	3,760	2,992	Δ 2,039	Δ 1,761
Profit (loss) attributable to owners of parent (Δ)	(Millions of yen)	405	1,196	Δ 20,721	11,585	7,786
Share capital	(Millions of yen)	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 yen)	226,428	205,389	193,858	199,222	202,220
Total Assets	(Millions of yen)	470,291	435,538	459,333	443,437	470,738
Net assets per share	(Yen)	1,822.07	1,650.53	1,557.56	1,607.42	1,727.15
Dividends per share (Interim dividend per share)	(Yen)	40.00 (20.00)	40.00 (20.00)	25.00 (12.50)	25.00 (12.50)	25.00 (12.50)
Earnings (loss) per share	(Yen)	3.29	9.68	Δ 167.54	93.69	64.57
Diluted earnings (loss) per share	(Yen)	3.27	9.61	—	93.01	64.08
Equity ratio	(%)	47.9	46.9	42.0	44.7	42.7
Return on equity (ROE)	(%)	0.2	0.6	Δ 10.4	5.9	3.9
Price earnings ratio (PER)	(times)	469.3	81.8	—	9.0	23.1
Dividend payout ratio	(%)	1,217.3	413.4	—	26.7	38.7
Number of employees [Separately, average number of temporary employees]	(Persons)	82 (13)	92 (14)	95 (19)	125 (24)	134 (27)
Total shareholder return	(%)	81.3	44.8	52.5	50.2	84.5
[Benchmark index: TOPIX including dividends]	(%)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)
Highest share price	(Yen)	2,213	1,572	1,007	1,020	1,579
Lowest share price	(Yen)	1,466	660	602	768	828

(NOTE)

1. Diluted earnings (loss) per share in the 102th fiscal year is not included as it is a net loss per share, there is dilutive shares.
2. For the 102th fiscal year, the price earnings ratio (PER) and the total shareholder return rate were 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 3 Apr. 2022, and those on Prime Market of the Tokyo Stock Exchange after 4 Apr. 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 Store Co., Ltd. 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. split and established five companies including Hankyu Family Store Co., Ltd. (all are subsidiaries)
- 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. Commercial Development Co., Ltd.
- Dec. 2021 Acquired Kansai Supermarket 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

3 Description of Business

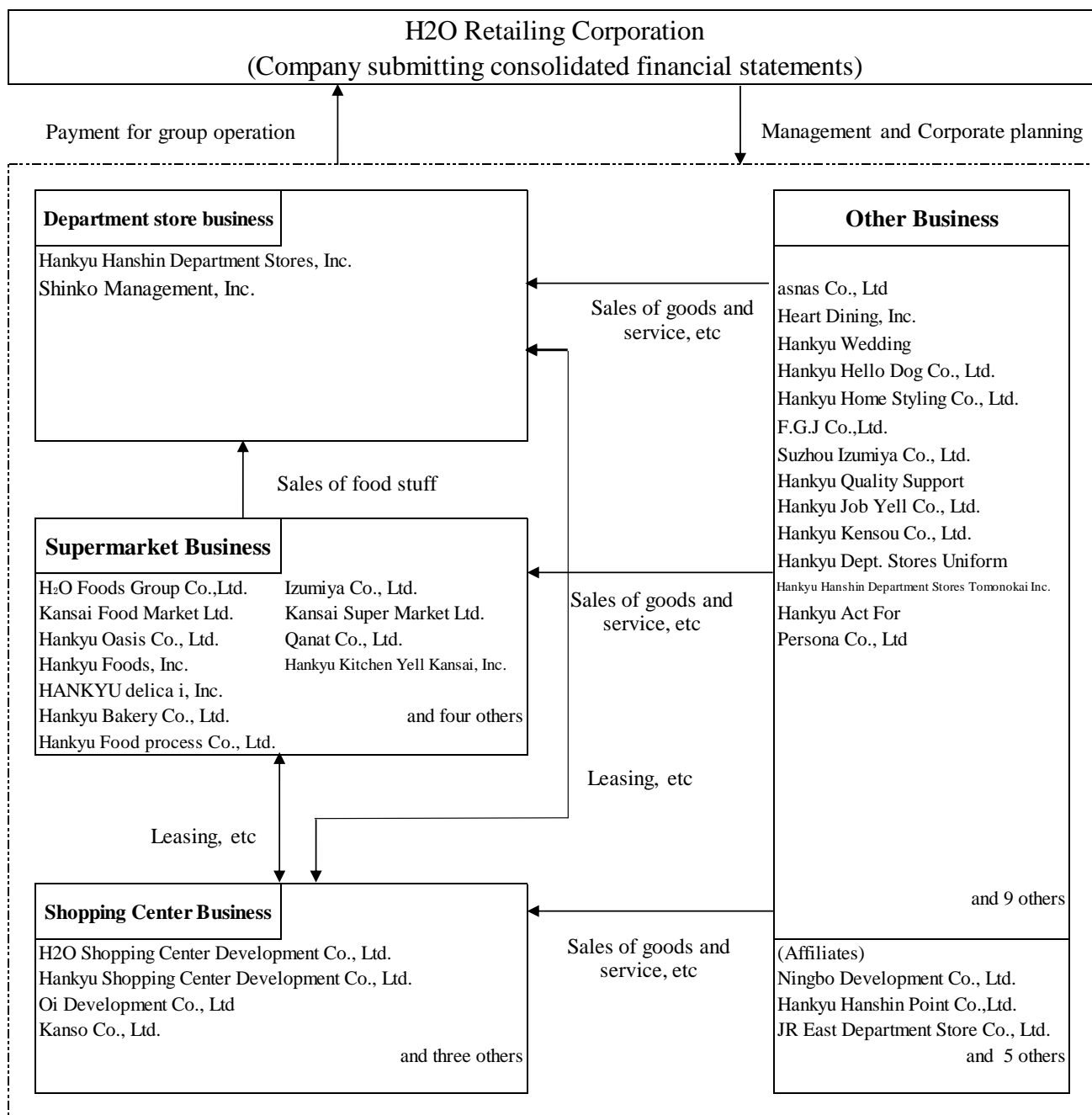
The Group consists of the Company, 47 subsidiaries and 8 affiliated companies that engage in business activities including the Department Store Business, Supermarket Business, Shopping Center Business and Other Businesses.

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.

Furthermore, the Company is a specified listed company. As such, among the criteria for immateriality of significant facts relating to insider trading regulations, the numerical standards determined based on comparisons of a listed company's scale are judged based on consolidated figures.

Department Store Business	The subsidiary Hankyu Hanshin Department Stores, Inc. is engaged in department stores.
Supermarket Business	The subsidiary 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 Izumiya Co., Ltd., Kansai Super Market Ltd. and Qanat Co., Ltd. are engaged in general supermarkets. The subsidiaries Hankyu Foods, Inc., Hankyu delica i, Inc., Hankyu Bakery Co., Ltd. and Yamanami Co., Ltd. produce and process food, and sell it to the subsidiaries Hankyu Oasis Co., Ltd., Izumiya 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. The subsidiary EveryD.com, Inc. is engaged in the home delivery platform business.
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 Kanso Co., Ltd. is engaged in the maintenance, security and cleaning of buildings, facilities, etc. The subsidiary Oi Development Co., Ltd. is engaged in hotel operations. Furthermore, the Group outsources the upkeep, cleaning and security operations of 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 cafeterias 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 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 For is engaged in general affairs, 7 personnel and accounting of group companies; and the subsidiary Persona Co., Ltd. is engaged in the management of Persona card members. The affiliated company JR East Japan Commercial Development Co., Ltd. is engaged in the operation and management of commercial facilities. The subsidiary Suzhou Izumiya Co., Ltd. is engaged in the operation of department stores in Suzhou, China. Furthermore, the Group outsources a portion of sales operations to the subsidiary Hankyu Job Yell Co., Ltd.

The business organization chart is as follows.



Other affiliate company

Hankyu Hanshin Holdings, Inc.

(NOTE 1) Hankyu Corporation and others, which are subsidiaries of Hankyu Hanshin Holdings, Inc., are engaged in the leasing of real estate to the Company, Hankyu Hanshin Department Stores, Inc. and others.

(NOTE 2) On 1 Apr. 2023, Hankyu Oasis Co., Ltd and Izumiya Co., Ltd., which were both subsidiaries of the Company, were merged and changed trade names. Hankyu Oasis Co., Ltd became the surviving company and Izumiya Co., Ltd., became the merged company.

4 Overview of Subsidiaries and Associates

Company name	Address	Share capital or investments in capital (Millions of yen)	Main business activities	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiaries) Hankyu Hanshin Department Stores, Inc. (NOTE 3,5)	Kita-ku, Osaka City	200	Department Store Business	100.00	Borrowing of funds from the Company Interlocking officer: 5 persons
Shinko Management, Inc.	"	1	"	100.00 (100.00)	Development and management of real estate Interlocking officer: 4 persons
H2O Foods Group Co., Ltd.	"	100	Supermarket Business	100.00	Intermediate holding company, corporate planning and management of the Supermarket Business Interlocking officer: 2 persons
Kansai Food Market Ltd. (NOTE 3,4)	Itami-city, Hyogo	100	"	64.08	Intermediate holding company Borrowing of funds from the Company Interlocking officer: 3 persons
Kansai Super Market Ltd. (NOTE 5)	"	100	"	100.00 (100.00)	Purchase of foodstuffs from Hankyu Food process Co., Ltd. and others Interlocking officer: 1 person
Hankyu Oasis Co., Ltd. (NOTE 5,7)	Kita-ku, Osaka City	100	"	100.00 (100.00)	Purchase of food from Hankyu Foods, Inc., Hankyu delica i, Inc., Hankyu Bakery Co., Ltd. and others, Interlocking officer: 1 person
Hankyu Foods, Inc.	"	10	"	100.00	Sale of food to Hankyu Hanshin Department Stores, Inc., Hankyu Oasis Co., Ltd. and others Interlocking officer: 1 person
HANKYU delica i, Inc.	"	20	"	100.00 (50.00)	Sale of food to Hankyu Hanshin Department Stores, Inc., Hankyu Oasis Co., Ltd. and others Interlocking officer: 1 person
Hankyu Bakery Co., Ltd.	"	10	"	100.00	Sale of food to Hankyu Hanshin Department Stores, Inc. and others Borrowing of funds from the Company Interlocking officer: 2 persons
Hankyu Food process Co., Ltd.	"	10	"	100.00	Processing and sale of perishable foods Borrowing of funds from the Company
Yamanami Co., Ltd.	"	10	"	100.00 (100.00)	Contracted for the production and processing of food by Hankyu Foods, Inc. Interlocking officer: 1 person
Hankyu Kitchen Yell Kansai, Inc.	"	10	"	100.00	Borrowing of funds from the Company Interlocking officer: 1 person
EveryD.com, Inc.	"	10	"	100.00	Borrowing of funds from the Company Interlocking officer: 4 persons
Izumiya Co., Ltd. (NOTE 5,7)	Nishinari-ku, Osaka City	100	"	100.00 (100.00)	Purchase of foodstuffs from Hankyu Food process Co., Ltd., HANKYU delica i, Inc., and Hankyu Bakery Co., Ltd.
Qanat Co., Ltd.	Suminoe-ku, Osaka City	10	"	100.00	Products supplied by Izumiya Co., Ltd. Borrowing of funds from the Company
Hankyu Shopping Center Development Co., Ltd.	Nishinari-ku, Osaka City	50	Shopping Center Business	100.00	Leasing of stores with Hankyu Hanshin Department Stores, Inc. Interlocking officer: 2 persons
H2O Shopping Center Development Co., Ltd.	"	10	"	100.00	Of apparel and home products" Borrowing of 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: 1 person
Kanso Co., Ltd.	Nishinari-ku, Osaka City	100	"	100.00 (100.00)	Security, maintenance, cleaning, money collection and distribution, etc. for stores belonging to Izumiya Co., Ltd., rental of land and buildings used for stores to Izumiya Co., Ltd.

Company name	Address	Share capital or investments in capital (Millions of yen)	Main business activities	Ratio of voting rights holding (held) (%)	Relationship
Kanso Co., Ltd. Sakai	Sakai-ku, Sakai City	5	"	100.00 (100.00)	Security, maintenance, cleaning, money collection and distribution, etc. for stores belonging to Izumiya Co., Ltd., rental of buildings used for stores to Izumiya Co., Ltd.
Hankyu Kensou Co., Ltd.	Kita-ku, Osaka City	20	Other Businesses	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 City	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 Tomo no Kai, Inc.	Kita-ku, Osaka City	50	"	100.00	Commission income from Hankyu Hanshin Department Stores, Inc. and 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 of funds from the Company Interlocking officer: 2 persons
Hankyu Home Styling Co., Ltd.	"	10	"	100.00	Sales of household furniture to Hankyu Hanshin Department Stores, Inc. Borrowing of funds from the Company Interlocking officer: 2 persons

Company name	Address	Share capital or investments in capital (Millions of yen)	Main business activities	Ratio of voting rights holding (held)(%)	Relationship
Hankyu Department Store Uniform Co., Ltd.	Kita-ku, Osaka City	10	Other Businesses	100.00	Planning and sales of student apparel and corporate uniforms at Hankyu Hanshin Department Stores, Inc. Borrowing of 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 of 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: 5 persons
Hankyu Hello Dog Co., Ltd.	"	10	"	100.00	Sale of pet accessories at Hankyu Hanshin Department Stores, Inc. Borrowing of funds from the Company Interlocking officer: 2 persons
asnas Co., Ltd.	"	10	"	100.00	Borrowing of funds from the Company Interlocking officer: 2 persons
F.G.J Co., Ltd.	Minato-ku, Tokyo	5	"	80.00	Sale of cosmetics at Hankyu Hanshin Department Stores, Inc. Borrowing of funds from the Company Interlocking officer: 2 persons
H2O (China) investment Co., Ltd. (NOTE 3)	Suzhou City, Jiangsu Province, China	3,377	"	100.00	Borrowing of funds from the Company Interlocking officer: 3 persons
Suzhou Izumiya Co., Ltd. (NOTE 3)	"	5,892	"	100.00	Operation of department stores in Suzhou Interlocking officer: 3 persons
Other 11 companies	—	—	—	—	—

Company name	Address	Share capital or investments in capital (Millions of yen)	Main business activities	Ratio of voting rights holding (held)(%)	Relationship
(Equity-method affiliates) Ningbo Development Co., Ltd.	Kita-ku, Osaka City	10	Other Businesses	48.00	Interlocking officer: 2 persons
JR East Commercial Development Co., Ltd.	Tachikawa City, Tokyo	1,140	"	15.15	Interlocking officer: 1 person
6 other companies	—	—	—	—	—
(Other Affiliated Companies) Hankyu Hanshin Holdings, Inc. (Note 4)	Ikeda City, Osaka	99,474	Urban Transportation Business, others	1.74 [21.61 (12.71)]	Leasing of real estate between subsidiaries Hankyu Corporation and Hanshin Electric Railway Co., Ltd., and Hankyu Hanshin Department Stores, Inc. and others Interlocking officer: 2 persons

(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. This company files the securities report.
5. 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., Hankyu Oasis Co., Ltd. and Izumiya Co., Ltd. exceeded 10%.

Primary profit and loss information, etc.	Hankyu Hanshin Department Stores, Inc.	Kansai Super Market Ltd.	Hankyu Oasis Co., Ltd.	Izumiya Co., Ltd.
(1) Net sales	¥157,601 million	¥123,164 million	¥105,197 million	¥141,388 million
(2) Ordinary profit (loss)	¥9,306 million	¥2,411 million	¥831 million	¥1,726 million
(3) Profit (loss) (△)	¥7,930 million	¥1,272 million	△ ¥348 million	¥3,228 million
(4) Net Asset	¥105,735 million	¥34,873 million	¥17,464 million	¥16,666 million
(5) Total Assets	¥197,674 million	¥51,821 million	¥47,484 million	¥36,106 million

6. The address is based on the registered head office.
7. On 1 April 2023, Hankyu Oasis Co., Ltd and Izumiya Co., Ltd., which were both subsidiaries of the Company, were merged and changed trade names. Hankyu Oasis Co., Ltd became the surviving company and Izumiya Co., Ltd., became the dissolving company.

5 Number of Employees

(1) Consolidated Companies

(As of 31 Mar. 2023)

Segment name	Number of employees (persons)	
Department Store Business	3,884	(851)
Supermarket Business	3,772	(11,408)
Shopping Center Business	609	(1,197)
Other Businesses	1,220	(1,791)
Total	9,485	(15,247)

(NOTE)

1. The number of employees represents full-time and part-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 in the bracket in the "Number of Employees" column refers to the yearly average number of temporary employees.

(2) Information about Reporting Company

(As of 31 Mar. 2023)

Number of employees (persons)	Average age (years old)	Average years of service (years)	Average annual salary (thousands of yen)
134(27)	45.9	20.9	8,165

Segment name	Number of employees (persons)	
Other Businesses	134	(27)
Total	134	(27)

(NOTE)

1. The number of employees represents full-time and part-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 in the bracket in the "Number of Employees" column refers to the yearly average number of temporary employees.

(3) 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 Labor Union, H2OCommercial Development Labor Union, Qanat Labor Union and Kansai Super Market Labor Union. H2O Retailing Group Labor Union Federation is composed of these five labor unions (excluding Izumiya Labor Union, H2OCommercial Development Labor Union and 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.

(4) 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 31 Mar. 2023)

Company Name	Ratio of female employees in management roles (Notes 2,3)	Ratio of male workers taking childcare leave (Notes 4, 5, 6, 7)			Gender wage gap (Notes 2, 5, 8, 9, 10)		
		Total labor	Regular workers	Part-time and fixed-term workers	Total labor	Employee	Part-time and fixed-term employment
Reporting company	11.5%	100.0%	100.0%	-	100.2%	111.9%	0.0%
Hankyu Hanshin Department Stores, Inc.	18.5%	90.0%	94.7%	0.0%	60.4%	65.4%	64.5%
Izumiya Co., Ltd.	3.2%	20.0%	15.4%	50.0%	59.0%	74.6%	88.7%
H2O Foods Group Co., Ltd.	6.9%	-	-	-	-	-	-
Kansai Super Market Ltd.	0.9%	27.3%	27.3%	-	46.7%	76.3%	100.6%
Qanat Co., Ltd.	1.5%	-	-	-	45.4%	73.9%	77.8%
Hankyu Oasis Co., Ltd.	8.5%	7.1%	8.3%	0.0%	51.3%	79.3%	88.3%
HANKYU delica i, Inc.	6.3%	50.0%	50.0%	-	60.2%	78.3%	79.9%
Hankyu Bakery Co., Ltd.	20.0%	-	-	-	49.3%	78.4%	73.6%
H2O Shopping Center Development Co., Ltd.	13.8%	0.0%	0.0%	-	37.6%	79.9%	54.4%
Kanso Co., Ltd.	10.5%	0.0%	0.0%	-	48.0%	84.4%	58.2%
asnas Co., Ltd.	0.0%	-	-	-	89.5%	82.3%	120.5%
F. G. J Co., Ltd.	62.5%	-	-	-	65.2%	44.5%	87.7%
Heart Dining, Inc.	14.3%	0.0%	0.0%	-	47.8%	76.4%	76.2%
Hankyu Job Yell Co., Ltd.	70.0%	-	-	-	82.3%	77.0%	91.2%

(NOTE)

1. The “-” indicates that there are no eligible people.
2. Calculated in accordance with the stipulations of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
3. The ratio of management roles is calculated by including employees seconded to consolidated companies, excluding employees from outside other companies.
4. Calculated as the ratio of usage of childcare leave in Article 71, paragraph 4-1 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) in accordance with the stipulations of 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).
5. 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.
6. The ratio of the number of employees who took childcare leave in the current fiscal year compared to the number of employees who gave birth or whose spouses gave birth in the current fiscal year is calculated.
Since some employees who had given birth or whose partner had given birth in prior years may take childcare leave in the current fiscal year, the acquisition rate may exceed 100%.
7. Part-time and fixed-term employment do not include part-time employees in the calculation of the ratio of male workers taking childcare leave.
8. Part-time and fixed-term employment in the calculation of wage gap include re-employed employees, contract employees, part-timers who were paid during the period.

9. Wages are calculated by dividing the total amount paid by the number of persons eligible for payment, and include bonuses and overtime wages.
10. In the calculation of wage gap, each company does not distinguish between male and female employees in terms of promotion, salary increase, etc., in either regular or fixed-term employment, in terms of wage regulations and other systems. Each company sets different wage standards depending on employment categories and qualification grades, etc. Differences in the number of male and female in each employment category and qualification grade result in gap in wages. In addition, there are gap in wages depending on the number of working days and the length of working hours. In particular, there is a large gap in wages between male and female depending on the distribution ratio of long and short working hours, but there is no difference in hourly wages between male and female.

II. Overview of Business

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

The future information contained in this Annual Securities reflects judgements made by H2O Retailing Group at the end of fiscal year ended 31 Mar. 2023.

(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."

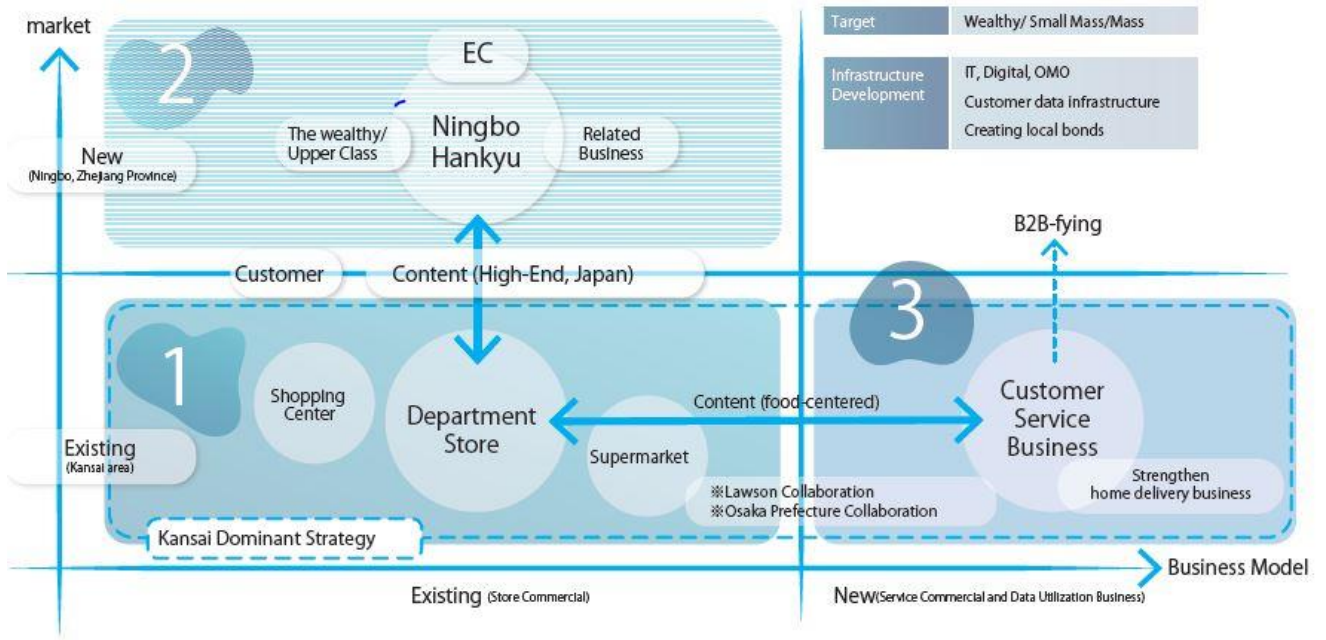
(2) Our target business indicators

The Group conducts business in mature markets. To continue to enhance its enterprise value within such markets, the Group is working to improve its profitability and growth potential, focusing its corporate activities on operating income and operating income margin by business segment. The Group also aims to improve its consolidated return on equity (ROE) by realising increased operating profit.

(3) Management environment, the Company's medium- to long-term management strategy and issues to be resolved

In Jul. 2021, the Company announced Long-Term Business Plan for 2030, which based on rebuilding and refining existing businesses and challenges for new market and new business model. The company also announced Mid-term Management Plan, which began in FY2022, is currently steadily promoting management to achieve this goal. We provide a variety of merchandise and services based on strong and deep ongoing relationships with our customers through direct communication and aim to continue to grow with the local community as a "communication retailer."

[Long-Term Business Plan for 2030]



Numerical Targets (2030)	Number of Group active customers	10 million people
	Operating Income	¥30.0 to 35.0 billion
	Department Store Business	¥15.0 billion or more
	Supermarket Business	¥10.0 billion or more
	Shopping Center Business	¥3.0 billion
	Ningbo / Zhejiang	¥3.0 billion
	Customer service	¥3.0 billion
	ROE	6 to 7%

1.Rebuilding and refining existing businesses

● Rebuilding the Department Store Business

At the same time as reforming the cost restructure, we will promote OMO using digital technology and put the reconstruction of Hanshin Umeda Main Store rebuilding and the renovation of Kobe Hankyu and Takatsuki Hankyu on track. In this way, we will aim to become an entity capable of steadily as the “No. 1 fun” department store.

● Turning the Supermarket Business into a second pillar of the business

We will establish the Supermarket Business as the second pillar only to department stores by thoroughly reviewing operations and working to improve productivity, reducing operating costs and our purchase prices following the integration of operations at Izumiya Hankyu Oasis, and by generating synergies with Kansai Super Market that integrated management.

● Steady operation of Shopping Center Business

We will steadily improve profitability by responding to the market and improving management efficiency, centered on shopping centers and business hotel.

2.Challenges for new market

Ningbo Hankyu Store business, which opened in Apr. 2021, will first be established as the number one store in the region. In collaboration with Hankyu Umeda Main Store, we will provide high-end and Japan content to the affluent and upper class of Ningbo in Zhejiang, whilst also developing e-commerce and related business.

3.Challenges for new business model

We will strive to develop customer service business that make use of the market and our customer base we have developed over the years in the Kansai area. First, we will aim to commercialize new services in the Kansai area through the development of online-based service content, centered on food, the strengthening of the home delivery business, collaboration with real store stores, and the creation of a network through alliances with Lawson, Inc., Osaka Prefecture, etc. We intend to grow the business model into a new earning core business of the Group by providing platform based on customer data obtained there and functions developed to expand into B2B business.

4.Improvement of infrastructure through promotion of IT and digitalization

To support the realization of a communication retailer, we will prepare for a fresh development of the Kansai Dominant Strategy using customer data by developing an IT infrastructure, establishing an OMO style using digital technology and building a group database.

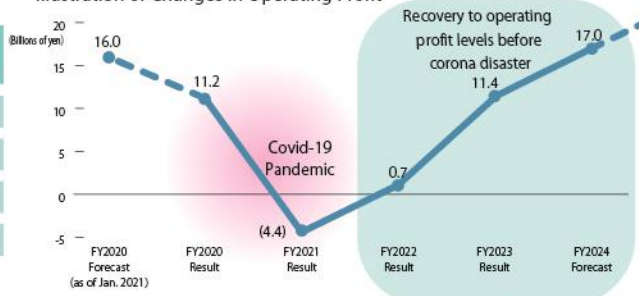
[Medium-Term Management Plan]

In the medium-term management plan for the period from FY2022 to FY2024, with the goal of recovering to pre-COVID-19 pandemic levels of operating income, we will promote initiatives to realize our long-term business vision by setting the following items as priority items.

Changes in key indicators

(Unit: Billions of yen)	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Result	FY2023 Result	FY2024 Forecast
Operating profit	20.4	11.2	(4.4)	0.7	11.4	17.0
Ordinary profit	21.4	11.8	(2.9)	2.3	13.0	16.5
ROE	0.8%	(5.0)%	(10.5)%	4.2%	6.7%	3.2%
ROIC	3.6%	2.0%	(0.8)%	0.1%	2.1%	3.0%

Illustration of Changes in Operating Profit



Rebuilding of Department Store Business

- ① Establish OMO style
- ② Priority Investment in Hanshin Umeda Main Store, Kobe Hankyu and Takatsuki Hankyu
- ③ Cost structure reform

Turning the Supermarket business into a second pillar of the business

- ① Standardization of SM business and restructuring of management capabilities
- ② Integrated operation with manufacturing business
- ③ Strengthen business capabilities through alliances

Start business development for future growth

- ① Establishment of Ningbo Hankyu Business and related business development
- ② Launch and expansion of customer service business

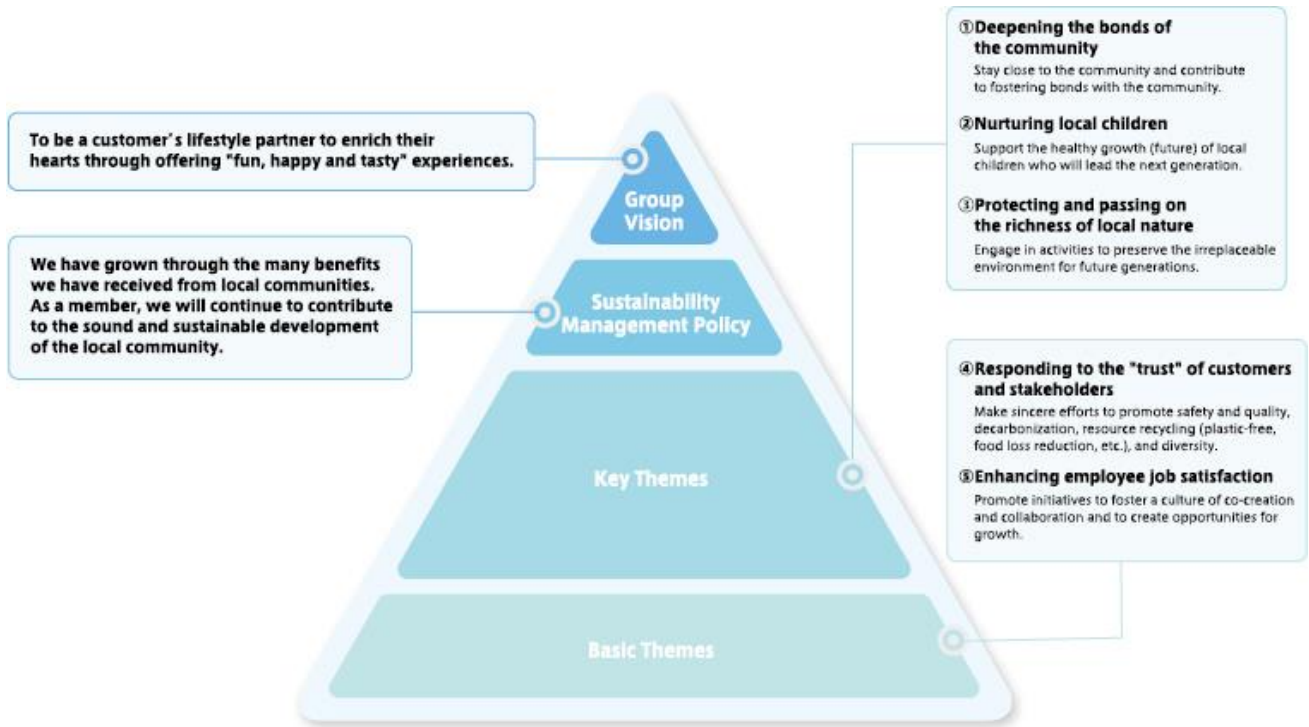
Promoting IT·Digitalization

- ① Building an IT infrastructure for DX
- ② Accelerate business reforms
- ③ Responding to system risks and issues

In the next three years (FY2025 to FY 2027), we aim to exceed the level of operating profit before the Covid-19 pandemic and achieve diversification of our revenue sources.

[Sustainability Management]

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.



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. To achieve this goal, we have set the following 3 key themes as the pillars of our efforts to contribute to the sound and sustainable development of local communities, “Deepening the bonds of the community”, “Nurturing local children” and “Protecting and passing on the richness of local nature”. Furthermore, as a mid-term measure to address environmental issues, we will promote environmental management to reduce the environmental impact (CO2 emissions, food loss, plastic emissions, etc.) generated by our business activities.

- Greenhouse Gas (GHG)

We aim to achieve 30% reduction in GHG emission reduction ratio by 2030 (compared to 2019, *equivalent to 48% reduction compared to 2013), and net zero by 2050. *For the 14 main companies

- Food recycling ratio (the ratio of food waste from stores that is recycled)

We aim for 70% by FY2031 (2023: 60%). * For 3 main companies

[Issues and Challenges in Each Business]

In Department Store Business, we aim for the most enjoyable department store by realizing joyful and affluent lifestyle for customer and empowering their future based on the group vision. Centered on Hankyu Main Store, which is the Group's hub store, and Hanshin Umeda Main Store, which was rebuilt and grand-opened in Apr. 2022, we provide new shopping experiences and develop business models by creating value based on real stores and strengthening customer communication through the use of online services, and remodel Kobe Hankyu and Takatsuki Hankyu to enhance their competitiveness. In FY2023, we have further increased our operating surplus, but we will continue to implement cost structure reforms to lower the break-even point.

In supermarket business, to increase operating profit, we will work to further strengthen the competitiveness and improve the profitability of our mainstay food supermarkets. We have been promoted the integration of the supermarket operational functions of Izumiya and Hankyu Oasis and accelerated the development of a business model with enhanced market responsiveness, rebuild our chain operation management capabilities, and strengthen our sales

capabilities through integrated manufacturing and sales operations. At last, on this Apr. 1, Izumiya and Hankyu Oasis were merged to further accelerate management decision-making and strengthen the business foundation. In addition, the three SM companies, including Kansai Super Market Ltd., the Company will also move forward with specific plans to achieve synergies in store operations, merchandising, payment method, logistics, private brands, refurbishment and store opening plans, and IT digitalization.

In Shopping Center Business, initiatives for growth are as follows. In H2O Shopping Center Development which was divided from Izumiya in Apr. 2020, we achieved operating profitability in FY2022, two years ahead of the original schedule by downsizing our direct operations and promoting the shift to shopping center from general merchandise store and increased operating profit furthermore in FY2023. At the same time, we will improve our customer mind share by promoting activities to build strong ties with the community. In Oi Development, which operates a business hotel, turned profitable in FY2022 in the midst of the headwind of the COVID-19 pandemic by achieving low-cost operations through the use of IT and strengthening sales capabilities, and will strive to further improve profitability with a view to post COVID-19 in the future.

Furthermore, we try to develop new customer service business through digital technologies by leveraging our uniqueness point which has variety of touch points with customers in Kansai region. With the impact of the COVID-19 easing and society returning to pre-COVID-19 levels, we will work to further recover earnings through initiatives in each business based on the Medium-Term Management Plan. In addition to cost control and asset efficiency improvement, we will also make preparations to accelerate business development at the same time. We will work to enhance our corporate value by promoting management based on our unique model, which is to gain the empathy of local communities and consumers and to increase our mindshare and market share by implementing both business activities rooted in the "community" and sustainability activities centered on the Kansai area.

2 Fundamental Policy and Initiatives 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 end of fiscal year ended 31 Mar. 2023.

(1) Governance

Management System and Roles

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 body of the group) and in addition to being chaired by the President and CEO, its members include the heads of each business segment, including two other representative directors, and the director responsible for sustainability. The President chairs the Group Management Committee and the Sustainability Management Promotion Committee and is ultimately responsible for environmental matters.

*The Committee held 11 times in FY2023.

(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 decarbonised 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 recognise the need for further consideration. Regarding opportunities, we will aim to maximise the impact by further promoting each of the initiatives based on the groups' vision and Sustainability Management Policy.

(ii) Policies and strategies for the development of human resources and the development of an internal environment

a. Approach to Human Capital and Human Resource Development

At the H2O Retailing Group, we believe that demonstrating individual capabilities for self-fulfillment through work is the driving force for creating new value and responding to change and leads to increased corporate value. For this reason, we promote human resource development by providing human resource development programs and various types of support to help each employee think about and realize his or her own career plan.

b. Approach to Diversity

The group, whose main business is retailing, believes that as customer needs and lifestyles diversify, it is essential to create unprecedented new added value through customer-driven co-creation and collaboration, incorporating various perspectives to realise its vision. To this end, we will further promote diversity initiatives in the future to ensure our diverse workforce including people of all genders, sexual orientation, age groups, race, abilities, and handicaps can realise their full potential.

(3) Risk Management

Processes for identification, assessment and management of sustainability-related risks and opportunities, and integration into enterprise-wide 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. With regard to 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 persons 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.

(4) Indicators and Targets

(i) 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 FY2021 we have set mid- and long-term targets for GHG reduction. Long-term, we aim to achieve virtually zero GHG emissions in FY2051. To achieve this goal, we have set a mid-term target for FY2031 (30% reduction from FY2020 levels) and are promoting specific initiatives. Scope 1 and 2 (market basis) results for FY2022 were down 10% from FY2020.

This anomaly was due to the impact of store closures and other factors associated with the spread of the Covid-19 pandemic and scope 1 and 2 (market basis) results are expected to increase in the short term. We will work to steadily reduce electricity usage and gradually switch to renewable energy sources at the Hankyu Umeda Main Store beginning in FY2023.

<GHG Emissions Targets and Results>

Target	Scope	FY2022 GHG emissions (thousand tons-CO ₂ e/year)	FY2031 GHG emissions target
14 major	Scope 1	40	Scope 1, 2 ▲ 30%

companies	Scope 2 (location based)	214	(compared to FY2020)
	Scope 2 (market based)	175	

(ii)Details of indicators related to policies for the development of human resources and the development of an internal environment

With regard to human capital and diversity, priority was first given to the advancement of women, who account for more than half of the workforce, so a target was set for the proportion of women in management positions by 2030. In addition, the Sustainability Management Promotion Committee has held several discussions on the group's unique female successes, (not limited to managerial positions) and has been considering specific measures to achieve this. We will continue to be proactive, by for example establishing projects in each of our operating companies, so that each individual can maximise their strengths and expand their field of activity.

Ratio of female managers KPI (2030) Hankyu Hanshin Department Store 35%

H2O Foods Group and three supermarket companies 20%

H2O Shopping Center Development. 35%

(NOTE)

1. 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 (4) 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

Of matters concerning the overview of business, financial information, etc., provided in the financial report, matters which may have significant effects on investors' judgment include those described below. However, risks and uncertainty that may be caused on future operating results and financial position are not limited to these matters. Furthermore, the extent and period of the possibility of risk materialization presented below as well as the impact on operating results are not presented as they are difficult to reasonably estimate.

Matters concerning the future in the text were judged by the Group as of the date of filing of the financial report.

(1) Business Environment

Environment surrounding retail businesses

As for the environment surrounding Japan's retail businesses, significant changes are expected, including aging population, polarization of consumption structure and tightening competition beyond business categories. In addition, the impact of COVID-19 is easing, but future conditions may lead to drastic changes to consumer lifestyles and workstyles, such as self-restraint on going out, remote work, online shopping and online communication taking root. 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. Furthermore, the Company will achieve an increased market share in the Kansai area by refining and strengthening the Department Store Business, its core business, and the Supermarket Business, which is centered on food supermarkets.

(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. Besides, the Group is subject to laws and regulations such as the Antimonopoly Act, the Subcontract Act, environment and recycle related laws and regulations, and the Act against Unjustifiable Premiums and Misleading Representations and other laws and regulations related to consumer protection, 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) Increase in the consumption tax rate resulting from the tax system revision

There is a possibility that the consumption tax rate will be raised gradually to secure the financial resources needed for future social welfare. This may cause a decline in personal consumption and have negative effects on the Group's net sales.

(3) Natural Environment and Accidents

(i) Risk of Infection

There is a possibility that the spread of infectious diseases, such as COVID-19, 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.

Furthermore, there is a possibility that the Shopping Center Business, in which rents in commercial facilities are one source of profits, will face a significant negative impact on operating results due to a decrease in rents collected,

tenants leaving, etc. as a result of refraining from operating as well as other factors.

On the other hand, assuming that operations will continue amid the spread of infection, the Group believes that the impact of COVID-19 on the operating results of the Supermarket Business, which is responsible for functions that serve as daily lifelines, will be relatively small. However, there is a possibility that costs will increase significantly due to this situation as a special response is necessary for the continuation of operations under this environment where infection is spreading, such as measures to prevent the spread of infection to customers and employees in store facilities, a response in the case that someone is infected, and a response in the case that difficulties arise in product procurement due to supply chain disruption, etc. Based on the know-how regarding business continuity amid the spread of infection gained through the response to COVID-19 this time, the Group will work to reduce the impact when these same risks manifest in the future.

(ii) Unusual Weather such as Cool Summer and Warm Winter

Many of clothing items, which are the Group's mainline merchandise, are highly fashionable and seasonable, and sales of these items are affected by weather to some extent. Therefore, cool summer, warm winter and other unusual weather may have negative effects on the Group's net sales.

(iii) Natural Disasters and Accidents

If business facilities including stores are damaged by unforeseeable disasters or accident such as earthquake, flood, typhoon or fire, this may have negative effects on the Group's operating results. As preparation to respond to these natural disasters and accidents, the Group is taking measures such as formulating a response manual, etc. and taking out property insurance.

(4) Others

(i) Safety of Goods Sold

General consumers' heightened sense of concern about foods due to outbreaks of BSE, bird flu and other diseases, occurrence of accidents such as food poisoning and health hazards, and a decrease in customer satisfaction or confidence stemming from defects in goods sold may have negative effects on the Group's business results. 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) Management of Customer Information

If customer information is leaked outside the Group due to an unforeseen accident or unauthorized access, this may have negative effects on the Group's business results. As for management of customer information, the Group have established specialized subcommittees across the Group and ensures the strict operation of rules and the education of employees based on the personal information management regulations and the management manual and strives to comply with the Act on the Protection of Personal Information.

(iii) Information System

The Group utilises information systems in each field to promote operational efficiency and provide high-quality services. However, if any unforeseeable contingency such as earthquakes, large-scale power outages, or unauthorized access interfere with the smooth operation of information systems, our business activities may be restricted. In preparation for the above-mentioned, we have established specialized subcommittees across the Group, and have taken measures such as establishing a system for responding to security incidents throughout the Group.

(iv) 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.

(v) 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.

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

The future information contained in this material reflects judgements made by H2O at the end of fiscal year ended 31 Mar. 2023.

Following the business integration through a share exchange with Kansai Super Market Ltd. in Dec. 2021, consolidated results for the previous year include the result of 4Q of Kansai Food Market Ltd, Kansai Super Market Ltd. and Kansai Super Premium Co., Ltd.

(1) Accounting Estimates that have a Particularly Significant Impact on the Consolidated Financial Statements

In preparing the Group's consolidated financial statements, management makes various estimates that affect the reported amounts of assets and liabilities as of the balance sheet date, the disclosure of contingent assets and liabilities, and income and expenses for the reporting period. Out of these accounting estimates, items deemed to contain a risk of significantly affecting the consolidated financial statements for the next fiscal year are described in "Notes to the Consolidated Financial Statements (Significant Accounting Estimates)" in the Consolidated Financial Statements.

(2) Business Performance for Reporting Period Consolidated business performance for the fiscal year

(Millions of yen)

	FY2021	FY2022	FY2023				
	Amount	Amount	Amount	YoY	Change	Versus forecast	Change
Department Store Business	347,768	385,095	491,838	127.7%	+ 106,743	101.2%	+ 5,838
Supermarket Business	292,754	327,205	416,139	127.2%	+ 88,934	100.3%	+ 1,139
Shopping Center Business	65,024	42,879	35,574	83.0%	△ 7,304	94.9%	△ 1,925
Other Businesses	33,651	32,928	36,169	109.8%	+ 3,240	87.2%	△ 5,330
Gross sales	739,198	788,108	979,723	124.3%	+ 191,614	100.0%	△ 276
Net sales	739,198	518,447	628,089	121.1%	+ 109,641	98.1%	△ 11,910
Department Store Business	△ 1,903	939	10,299	—	+ 9,360	139.0%	+ 2,889
Supermarket Business	4,086	5,326	5,469	102.7%	+ 143	85.3%	△ 940
Shopping Center Business	△ 757	391	1,808	461.8%	+ 1,416	110.9%	+ 178
Other Businesses	△ 1,516	△ 3,409	△ 3,100	—	+ 309	—	+ 649
Consolidation adjustment	△ 4,347	△ 2,506	△ 3,089	—	△ 582	—	△ 389
Operating profit (△)	△ 4,438	740	11,388	—	+ 10,647	126.5%	+ 2,388
Ordinary profit (△)	△ 2,907	2,346	13,004	554.3%	+ 10,658	130.0%	+ 3,004
Extraordinary income	3,049	27,032	17,563	65.0%	△ 9,469		
Extraordinary losses	24,172	13,792	9,422	68.3%	△ 4,370		
Profit attributable to owners of parent (△)	△ 24,791	9,872	16,382	165.9%	+ 6,509	148.9%	+ 5,382

*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 FY2022. 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

Consolidated net sales were ¥628,089 million (121.1% compared to the previous fiscal year), and Consolidated gross sales, which is equivalent to net sales up to the fiscal year before the application of Accounting Standard for Revenue Recognition, excluding the effects of changes in accounting policies, amounted to ¥979,723 million (124.3% compared to the previous fiscal year), showing a significant increase in sales. In Department Store Business, sales grew significantly, as Hankyu Main Store achieved record-high sales. In Supermarket Business, sales also increased due to the new consolidation of Kansai Super Market Ltd. Started from 4Q of FY2022.

> Operating profit and ordinary profit

As a result of the increase in gross profit accompanying the increase in sales and the controlling of selling, general and administrative expenses in Department Store Business from the plan, operating profit was ¥11,388 million (compared with operating profit of ¥740 million in the previous fiscal year) and ordinary profit was ¥13,004 million (up 554.3% from the previous fiscal year).

[Department Store Business]

With the impact of the COVID-19 easing and society returning to pre-COVID-19 levels, domestic sales remained strong throughout the period and domestic sales for the full year exceeded FY2019 results. Furthermore, in the second half of the year, inbound sales also recovered to more than 80% of pre-COVID-19 sales, and total sales also exceeded FY2019 results. At Hankyu Main Store, sales of women's fashion, in particular, performed well with the increase in commuting and opportunities to go out, in addition to the increased needs for wedding or graduation ceremonies. Sales of high-end items such as jewelry, watches and luxuries also increased significantly. As a result, Hankyu Main Store exceeded record sales for the full year. Hanshin Umeda Main Store celebrated its grand opening of entire building in Apr. 2022. Efforts to strengthen the value of experiences centered on food, which is offered on four floors, resulted in a wide range of customers visiting the store. Although sales of non-food items were lower than expected, measures to enhance the customer experience are steadily attracting new customers and increase customer loyalty.

Selling, general and administrative expenses increased compared with the previous fiscal year due to the decrease of the transfer to extraordinary losses related to COVID-19 infection, the increase of depreciation cost with the opening of the Hanshin Umeda Main Store and heating and lighting expenses rise. Selling, general and administrative expenses were lower than planned by reducing costs such as advertising expenses while improving efficiency, despite the increase of sales commission cost due to sales increase.

As a result of the above, gross sales were ¥491,838 million (127.7% compared to the previous fiscal year) and operating profit was ¥10,299 million (compared with operating profit of ¥939 million in the previous fiscal year).

[Supermarket Business]

Gross sales were ¥416,139 million (127.2% compared to the previous fiscal year) and operating profit was ¥5,469 million (102.7% compared to the previous fiscal year).

In the first half of the year, sales struggled due to the downturn after the increasing demand for eating at home at the previous year. On the other hand, in the second half of the year, existing store sales remained at the same level as the previous year because average sales per customer increased due to price hikes although the number of customers decreased from the previous year at each company. Regarding stores opening and remodel, one store was opened and seven stores were remodeled.

Existing store sales year-on-year for Izumiya Co., Ltd. were 97.1% (96.0% for the number of customers and 101.1% for the average spend per customer), and those for Hankyu Oasis Co., Ltd. were 94.3% (95.1% for the number of customers and 99.1% for the average spend per customer). Both companies, worked to improve profits through thorough chain-store operation. That is, measures to increase sales and improve gross profit margin such as by restructuring merchandising, promoting purchasing integration, reducing labor costs by reviewing store operations, and reviewing other expenses. Selling, general and administrative expenses were lower than both the previous year result and forecast due to efforts to reduce personnel costs by optimizing store staff organization through chain operations, while utility expenses increased at both companies.

Kansai Super Market Ltd. promoted measures based on three categories, "health management" (e.g. counseling health visitor), "productivity improvement" (e.g. installation of sliding shelves, expansion of steam convection systems), and "education" (e.g. training sessions for management executives and store managers to share information and unify their intentions). Existing store sales were 99.0% (98.3% for the number of customers and 100.7% for the average spend per customer). Selling, general and administrative expenses were lower than both the previous year result and forecast due to a review of expenses for consumables etc., while utility costs soared.

The food manufacturing subsidiaries, HANKYU delica i, Inc. and Hankyu Bakery Co., Ltd. reported increases in wholesale sales to supermarket companies and specialty store sales, resulting in an increase in profit.

[Shopping Center Business]

Gross sales were ¥35,574 million (83.0% compared to the previous fiscal year) and operating profit was ¥1,808 million (461.8% compared to the previous fiscal year). In H2O Shopping Center Development Co., Ltd., which operates management of Izumiya SC and sales of apparel and home products at Izumiya stores, gross sales decreased due to closure of direct operation area and operating profit increased due to effective use of vacant tenant lots, reorganization of direct operation area and cost reduction by operational efficiency. Oi Development Co., Ltd, which operates the business hotel, increased in gross sales and profit since occupancy rate improved and remained above 90% from October to March thanks to flexible pricing to capture demand and recovery of business and travel activities.

[Other Businesses]

Gross sales were ¥36,169 million (109.8% compared to the previous fiscal year) and operating loss was ¥3,100 million (compared with an operating loss of ¥3,409 million in the previous year). The subsidiaries in the other businesses, excluding the Company as a holding company, posted an operating profit increase of ¥784 million, reflecting an increase in sales due to a reduction in the number and duration of COVID-19 related closed stores compared to the previous year.

> Profit attributable to owners of parent

The Companies recorded extraordinary income of ¥17,563 million including gain on sales of noncurrent assets of ¥13,543 million and gain on sale of investment securities of ¥3,819 million and extraordinary losses of ¥9,422 million including loss on store closings and others of ¥1,699 million and loss on retirement of noncurrent assets of ¥1,600 million. As a result, profit attributable to owners of parent was ¥16,382 million, increased 65.9% YOY, reached a record high due to profitability improved of each business segment centered on Department Store Business, asset sales and review of tax effects associated with recovery of profitability.

Extraordinary income and losses

(Millions of yen)

Item	Amount	Major items
Extraordinary income	17,563	(Down ¥9,469 million compared to the previous fiscal year)
Gain on sales of non-current assets	13,543	Selling logistics center, former head office
Gain on sales of investment securities	3,819	
Settlement of gift certificates	134	Izumiya
Subsidy income	66	Compensation payment for store closing
Extraordinary losses	9,422	(Down ¥4,370 million compared to the previous fiscal year)
Impairment loss	3,877	H2O Retailing, etc.
Loss on store closings	1,699	H2O Shopping Center Development, etc.
Loss on retirement of non-current assets	1,600	Hankyu Hanshin Department Stores, etc.
Temporary expenses associated with reforms of human resource systems	798	Hankyu Oasis and Izumiya
Loss related to COVID-19	415	Hankyu Hanshin Department Stores, etc.
Head office relocation expenses	324	H2O Retailing and Hankyu Hanshin Department Store
Loss on sales of investment securities	324	

Loss on withdrawal of system development	279	
Expenses for store openings	102	Hanshin Umeda Main Store

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 31 Mar. 2023 by business segment is as follows.

Segment name	Product	Amount of production (Millions of yen)	YoY (%)
Supermarket Business	Foods	38,649	110.3%
Total		38,649	110.3%

(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 31 Mar. 2023.

For the 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 31 Mar. 2023 by business segment is as follows.

Segment name	Product	Net sales (Millions of yen)	Year on year (%)
Department Store Business	Clothing	111,868	124.8%
	Accessories, bags and others	106,305	139.0%
	Household merchandise	12,586	119.9%
	Foods	146,814	118.5%
	Restaurants and cafes	11,538	183.5%
	General merchandise	96,979	132.4%
	Service and other	6,325	117.3%
	Eliminations	△578	185.3%
	Reclassification (Note 2)	△334,829	132.0%
	Total	157,009	119.4%
Supermarket Business	Supermarket	398,208	127.9%
	Food production	9,275	86.2%
	Home delivery and delivery platform	7,495	88.1%
	Service and other	5,174	287.0%
	Eliminations	△4,014	75.3%
	Reclassification (Note 2)	△15,487	109.6%
	Total	400,651	128.0%
Shopping Center Business	Rental management of commercial facilities	15,466	99.3%
	Apparel and home products	18,095	67.4%
	Hotel	4,171	162.7%
	Service and other	8,460	98.2%
	Eliminations	△10,619	99.1%
	Reclassification (Note 2)	△1,848	83.7%

	Total	33,725	82.9%
Other Businesses	Construction for interior decorating of stores	3,782	95.6%
	Eating and drinking establishments	2,320	118.2%
	Membership management	1,015	110.1%
	Temporary staffing	1,898	118.7%
	Other	48,128	108.1%
	Eliminations	△20,976	104.7%
	Reclassification (Note 2)	△4,392	96.0%
	Total	31,777	112.1%
Adjustments (Note 1)		4,924	100.3%
Total		628,089	121.1%

(NOTE)

1. This is adjustment to reclassify, of net sales to external customers presented on a net basis as agent transactions in business segments, net sales to external customers from transactions that are principal transactions in consolidated accounts (intersegment transactions based on consignment buying agreements) on a gross basis in the consolidated statements of income.
2. "Gross sales", which is equivalent to net sales up under the previous standard ended 31 Mar. 2021 excluding the effects of changes in accounting policies, was reclassified to net sales reflecting the changes in accounting policies.

(3) Financial Position

(Millions of yen)							
	As of 31 Mar. 2021	As of 31 Mar. 2022	As of 31 Mar. 2023		As of 31 Mar. 2021	As of 31 Mar. 2022	As of 31 Mar. 2023
Cash and deposits	49,991	34,724	58,670	Notes and accounts payable - trade	48,996	56,839	63,674
Notes and accounts receivable - trade	54,385	59,906	68,572	Borrowings and bonds payable	188,547	175,382	179,267
Inventories	23,339	22,639	21,234	Total liabilities	396,667	393,620	413,608
Total current assets	139,291	129,725	161,408	Shareholders' equity	192,763	202,030	206,213
Total non-current assets	486,653	524,832	525,015	Total net assets	229,277	260,938	272,814
Total assets	625,945	654,558	686,423	Total liabilities and net assets	625,945	654,558	686,423

Total assets at the end of the fiscal year under review were ¥686,423 million, an increase of ¥31,865 million from the end of the previous fiscal year. This was mainly attributable to an increase of ¥23,945 million in cash and deposits mainly due to sales of land and investment securities, and an increase of ¥8,665 million in notes and accounts receivable-trade due to an increase in sales.

Total liabilities were ¥413,608 million, an increase of ¥19,988 million from the end of the previous fiscal year. This was mainly attributable to an increase in notes and accounts payable-trade of ¥6,835 million and an increase in deferred tax liabilities of ¥4,796 million mainly due to an increase in unrealised gains on stocks.

Total net assets were ¥272,814 million, an increase of ¥11,876 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥13,173 million in retained earnings mainly reflecting the recording of profit attributable to owners of parent, and increase of ¥7,044 million in valuation difference on available-for-sale securities, despite a decrease of ¥8,786 million in shareholders' equity as a result of the acquisition of treasury stock.

During the fiscal year under review, all indicators of capital efficiency and asset efficiency all improved. Return on equity (ROE) was 6.7% (4.2% in the previous fiscal year), ROA (return on assets) was 1.9% (0.4% in the previous fiscal year), and ROIC (return on invested capital) was 2.1% (0.1% in the previous fiscal year).

(4) Cash Flow

(Millions of yen)

Main items	As of 31 Mar. 2021	As of 31 Mar. 2022	As of 31 Mar. 2023
Cash flow from operating activities	12,755	6,465	30,295
Profit (loss) before income taxes	△ 24,030	15,586	21,146
Depreciation	18,141	17,902	19,159
Impairment loss	14,771	1,881	3,877
Loss (Gain) on sales of investment securities	△ 0	△ 6,485	△ 3,495
Loss (gain) on sales of non-current asset,	△ 56	△ 13,624	△ 13,511
Decrease (increase) in notes and accounts receivable-trade	△ 10,365	△ 3,420	△ 8,655
Decrease (increase) in inventories	6,248	2,992	1,234
Increase (decrease) in notes and accounts payable-trade	5,326	△ 4,706	6,807
Income taxes paid	△ 1,858	△ 2,228	△ 4,237
Cash flows from investing activities	△ 20,761	△ 5,203	5,782
Purchase of property, plant and equipment	△ 13,952	△ 26,304	△ 23,925
Proceeds from sales of property, plant and equipment	1,429	19,771	13,896
Purchase of intangible assets	△ 4,087	△ 3,874	△ 6,788
Proceeds from sales of investment securities	—	9,386	16,828
Payments for long-term loans	△ 4,402	△ 4,011	—
Proceeds from collection of long-term loans receivable	449	451	5,331
Cash flows from financing activities	31,859	△ 28,578	△ 12,549
Proceeds from long-term borrowings	70,000	32,000	5,000
Repayment of long-term borrowings	△ 18,175	△ 46,840	△ 1,181
Cash dividends paid	△ 4,018	△ 3,093	△ 3,080
Purchase of Treasury Shares	△ 1	△ 473	△ 8,855
Operating CF + Investing CF + Financial CF	23,853	△ 27,316	23,528
Cash and cash equivalents	49,991	33,174	57,020

Cash and cash equivalents at the end of the fiscal year under review was ¥57,020 million, an increase of ¥23,845 million from the end of the previous fiscal year.

Cash flow from operating activities was ¥30,295 million, an increase of ¥23,830 million from the previous fiscal year.

Cash flow from investing activities was ¥5,782 million, mainly due to the sale of land and investment securities, compared to ¥5,203 million in the previous fiscal year.

Cash flow from financing activities was ¥12,549 million, mainly due to the purchase of treasury stock, compared to ¥28,578 million in the previous fiscal year.

Changes in the Group's indicators related to cash flows were as follows.

Year ended 31 Mar.	2019	2020	2021	2022	2023
Equity ratio	42.0%	41.5%	36.4%	36.2%	36.2%
Equity ratio based on market price	28.7%	16.7%	18.1%	15.9%	25.2%
Interest-bearing debt to cash flow ratio	11.3	16.9	15.9	29.2	6.3
Interest coverage ratio	21.1 times	12.9 times	16.6 times	6.8 times	31.9 times

Equity ratio: Equity / Total assets

Equity ratio based on market price: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / 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.

5 Critical Contracts for Operation

(Transfer of Significant Property, Plant and Equipment)

Based on the resolution of the Board of Directors meeting held on 4 Aug. 2022, companies entered into an agreement to transfer non-current assets (trust beneficiary right) with a transfer date of 30 Sep. 2022, as follows.

1. Reason for the transfer

To improve an efficiency in the use of assets by effective allocation of management resources and to strengthen the financial conditions

2. Overview of the transfer

Agreement date of transfer: 30 Sep. 2022

Types of assets (current status): Land

Location of the asset: 2-62-1, Shibata, Kita-ku, Osaka

Date of transfer: 30 Sep. 2022

Transfer Price and Transferee: It cannot be disclosed due to confidentiality to the transferee; however, the transferee and the transfer price are determined using a fair method by bidding.

3. Effect on profit or loss

In connection with the transfer of fixed assets (beneficiary right in trust), ¥4,900 million was recorded as extraordinary income in the current fiscal year.

(Absorption merger between consolidated subsidiaries)

Based on the resolution of the Board of Directors meeting of Kansai Food Market Ltd., our consolidated subsidiary held on 1 Nov. 2022, on 1 Apr. 2023, Hankyu Oasis Co., Ltd and Izumiya Co., Ltd., which were both subsidiaries of the Company, were merged and changed trade names. Hankyu Oasis Co., Ltd became the surviving company and Izumiya Co., Ltd., became the dissolving company.

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

6 Research and Development Activities

No items to report.

III. Information About Facilities

1 Overview of Capital Investment, etc.

In the current fiscal year, total capital investment of ¥31,160 million (including property, plant and equipment and intangible assets). This was mainly due to the renovation of Kobe Hankyu in Department Store Business, the opening of new Hankyu Oasis stores in Supermarket Business, the renovation of stores developed by H2O Shopping Center Development Co., Ltd. in Shopping Center Business, and the purchase of land and buildings for the Company in Other Businesses.

Capital investment by business segment were as follows.

(Millions of yen)

	Amount	Major items
Department Store Business	10,468	Renovation of Kobe Hankyu
Supermarket Business	4,942	Opening of new Hankyu Oasis stores and renovation of Izumiya stores
Shopping Center Business	1,096	Renovation of H2O Shopping Center Development stores
Other Businesses	14,758	Purchase of land and buildings of H2O Retailing
Consolidation adjustment	△105	
Total	31,160	

2 Major Facilities

(1) Reporting Company

(As of 31 Mar. 2023)

Office name (Location)	Segment name	Facilities	Carrying amount (millions of yen)					Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Others	Total	
Kawanishi Hankyu (Kawanishi City, Hyogo)	Other businesses	Stores	1	-	5,500 (6,042)	40	5,541	-
Izumiya Hirakata Store (Hirakata City, Osaka)	Other businesses	Stores	211	-	5,361 (15,096)	12	5,584	-

(NOTE)

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

(2) Domestic Subsidiaries

(As of 31 Mar. 2023)

Office name (Location)	Company Name	Segment name	Facilities	Carrying amount (millions of yen)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Others	Total	
Hankyu Main Store (Kita-ku, Osaka City)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	12,339	40	-	1,502	13,882	913 [137]
Hanshin Umeda Main Store (Kita-ku, Osaka City)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	23,402	164	-	2,709	26,276	388 [57]
Kawanishi Hankyu (Kawanishi City, Hyogo)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	1,564	11	-	53	1,629	204 [43]
Hakata Hankyu (Hakata-ku, Fukuoka City)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	2,009	9	-	275	2,295	273 [52]
Kobe Hankyu (Chuo-ku, Kobe City)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	4,287	1	5,165 (4,159)	597	10,052	250 [76]
	Shinko Management, Inc.	Department Store Business	Stores	221	-	6,425 (5,712)	-	6,647	-
Takatsuki Hankyu (Takatsuki City, Osaka)	Hankyu Hanshin Department Stores, Inc.	Department Store Business	Stores	1,372	8	-	162	1,543	136 [50]
	Shinko Management, Inc.	Department Store Business	Stores	39	-	5,102 (18,338)	-	5,142	-
Izumiya Hirakata Store (Hirakata City, Osaka)	Izumiya Co., Ltd.	Supermarket Business	Stores	6	0	-	8	15	19 [110]
	H2O Shopping Center Development Co., Ltd.	Shopping Center Business	Stores	355	0	1 (30)	8	365	-
Izumiya Wakayama Store (Wakayama City, Wakayama)	Izumiya Co., Ltd.	Supermarket Business	Stores	-	-	-	-	-	15 [91]
	H2O Shopping Center Development Co., Ltd.	Shopping Center Business	Stores	1,409	0	4,740 (27,868)	17	6,167	-
Izumiya NishiKobe store (Nishi-ku, Kobe City)	Izumiya Co., Ltd.	Supermarket Business	Stores	-	-	-	-	-	24 [112]
	H2O Shopping Center Development Co., Ltd.	Shopping Center Business	Stores	2,083	1	5,030 (42,669)	20	7,136	-
Izumiya Rakuhoku Hankyu Square store (Kyoto city, Kyoto)	Izumiya Co., Ltd.	Supermarket Business	Stores	178	10	-	80	270	21 [156]
	H2O Shopping Center Development Co., Ltd.	Shopping Center Business	Stores	5,146	4	5,876 (6,253)	10	11,038	-
Hours Inn Hankyu (Shinagawa-ku, Tokyo)	Oi Development Co., Ltd	Shopping Center Business	Hotel, etc.	8,512	9	2,744 (9,856)	216	11,483	42 [28]

(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) Foreign Subsidiaries

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

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

Reporting Company: Not applicable

(2) Domestic Subsidiaries

(As of 31 Mar. 2023)

Company Name	Office name	Segment name	Lessors	Leased properties	Area (m ²)
Hankyu Hanshin Department Stores, Inc.	Hankyu Main Store	Department Store Business	Hankyu Corporation Hankyu Hanshin Properties Corp.	Store buildings	144,262
			Hankyu Hanshin Properties Corp. Toho Co., Ltd.	"	17,816
	Hanshin Umeda Main Store	Department Store Business	Hanshin Electric Railway Co., Ltd. Hankyu Corporation	Store buildings, etc.	102,767
	Hankyu Men's Tokyo	Department Store Business	Toho Co., Ltd.	Store buildings	18,049
	Nishinomiya Hankyu	Department Store Business	Hankyu Corporation	"	38,643
	Hakata Hankyu	Department Store Business	JR HAKATA CITY Co., Ltd.	"	54,710
	Kobe Hankyu	Department Store Business	Hanshin Electric Railway Co., Ltd. Muromachi Building Co., Ltd. and others	Store buildings, etc.	50,654
Takatsuki Hankyu	Department Store Business	Mitsubishi HC Capital Property Inc.	"	23,659	
Hankyu Shopping Center Development Co., Ltd.	Izumiya Senrioka store	Supermarket Business	Sumitomo Mitsui Trust Bank, Limited	Store buildings, etc.	24,399
	Izumiya Rakuohoku Hankyu Saure store	Supermarket Business	"	"	46,751
	Izumiya Nishinomiya Gardens store	Supermarket Business	Hankyu Corporation	"	10,911
Shinko Management, Inc.	Takatsuki Hankyu	Department Store Business	Nippon express Co., Ltd. Muromachi Building Co., Ltd. and others	Store buildings, etc.	4,592
Hankyu Shopping Center Development Co., Ltd.	MOSAICMALL Kohoku	Shopping Center Business	Daiichi Kyodo Kaihatsu Co., Ltd.	Store buildings, 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 Jul. 2021, capital investment will be restrained from ordinary renewal investment and aggressively invested in high-priority projects.

Capital investment in the year after the fiscal year under review are planned to total ¥34,870 million in Department Store Business, the remodeling of Kobe Hankyu and Takatsuki Hankyu, and the renovation of Hankyu Main Store, and IT/DX investments, including the establishment of the Group's system infrastructure in the Company, and the repair and maintenance of the buildings owned with the concentration of the head office of the Supermarket Business.

Company Name	Office name (Location)	Segment name	Facilities	Planned investment amount (Millions of yen)		Funds procurement methods	Start	Scheduled completion
				Total	Amount already paid			
Hankyu Hanshin Department Stores, Inc.	Kobe Hankyu (Chuo-ku, Kobe City)	Department Store Business	Renovation of sales floor, etc.	2,600	—	Own funds and borrowings, etc.	Apr. 2023	Mar. 2024
	Takatsuki Hankyu (Takatsuki City, Osaka)	Department Store Business	Renovation of sales floor, etc.	1,000	—	Own funds and borrowings, etc.	Apr. 2023	Mar. 2024
H2O Retailing Corporation	Head Office, etc. Kita-ku, Osaka City	Other businesses	IT system and others	13,000	—	Own funds and borrowings, etc.	Apr. 2023	Mar. 2024

IV Information About Submitting Company

1 Information about Shares, etc.

(1) Total Number of Shares, etc.

(i) Total number of shares

Class	Total number of authorised shares (shares)
Common stock	150,000,000
Total	150,000,000

(ii) Issued shares

Class	Number of issued shares as of the fiscal year-end (shares) (As of 31 Mar. 2023)	Number of issued shares as of the date of filing (shares) (28 Jun. 2023)	Name of financial instruments exchange where the shares of the Company is traded or the name of authorised financial instruments firms association where the Company is registered	Content
Common stock	125,201,396	125,201,396	Tokyo Stock Exchange, Prime market	Shares with full voting rights, in which shareholders have unlimited standard rights. The number of shares per share unit is 100 shares.
Total	125,201,396	125,201,396	—	—

(NOTE) The number of shares issued as of the filing date does not include the number of shares issued upon the exercise of share acquisition rights from 1 Jun. 2023 to the filing date of this Annual Securities Report.

(2) Share Acquisition Rights, etc.

(i) Details of stock option program

To allow for higher incentives for improving medium- to long-term performance, at the Board of Directors' meeting on 13 May 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 14 May 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 33 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, and Jul. 2022, respectively.

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

	As of 31 Mar. 2023 (shares)	As of 31 May 2023 (shares)
Share acquisition rights issued in Mar. 2009 as stock options	8,500	8,500
Share acquisition rights issued in Mar. 2010 as stock options	13,500	13,500
Share acquisition rights issued in Mar. 2011 as stock options	20,000	20,000
Share acquisition rights issued in 2012 Feb. as stock options	23,000	20,000
Share acquisition rights issued in Mar. 2013 as stock options	31,000	31,000
Share acquisition rights issued in Mar. 2014 as stock options	39,000	33,000
Share acquisition rights issued in Mar. 2015 as stock options	52,000	46,500
Share acquisition rights issued in Mar. 2016 as stock options	67,000	63,000
Share acquisition rights issued in Mar. 2017 as stock options	79,500	79,500
Share acquisition rights issued in Mar. 2018 as stock options	80,500	80,500
Share acquisition rights issued in Jun. 2018 as stock options	94,500	94,500
Share acquisition rights (A) issued in Jul. 2019 as stock options	107,500	107,500
Share acquisition rights (A) issued in Jul. 2020 as stock options	106,000	106,000
Share acquisition rights (A) issued in Jul. 2021 as stock options	109,500	109,500
Share acquisition rights (B) issued in Jul. 2021 as stock options	37,000	37,000
Share acquisition rights (A) issued in Jul. 2022 as stock options	103,500	103,500
Share acquisition rights (B) issued in Jul. 2022 as stock options	36,000	36,000
Total	1,008,000	992,500

The share acquisition rights issued in accordance with the stock option-based compensation system are as follows.

Share acquisition rights issued in Mar. 2009 as stock options	
Resolution date	30 Jan. 2009
Title and number of grantees (persons)	5 directors, 1 executive officer of the Company and 4 directors, 8 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	17
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 8,500 (NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2009 to 31 Mar. 2039
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 987 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar. 2010 as stock options	
Resolution date	28 Jan. 2010
Title and number of grantees (persons)	6 directors, 1 executive officer of the Company and 4 directors, 16 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	27
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 13,500 (NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2010 to 31 Mar. 2040
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,137 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE3) (NOTE6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar. 2011 as stock options	
Resolution date	24 Feb. 2011
Title and number of grantees (persons)	6 directors of the Company and 10 directors, 7 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	40
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 20,000(NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2011 to 31 Mar. 2041
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 985 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Feb.2012 as stock options	
Resolution date	26 Jan. 2012
Title and number of grantees (persons)	6 directors, 1 executive officer of the Company and 9 directors, 8 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	46
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 23,000 (NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Mar. 2012 to 28 Feb. 2042
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,101 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar.2013 as stock options	
Resolution date	31 Jan. 2013
Title and number of grantees (persons)	6 directors of the Company and 8 directors, 9 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	62
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 31,000 (NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2013 to 31 Mar. 2043
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,933 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring *	(NOTE 8)

Share acquisition rights issued in Mar. 2014 as stock options	
Resolution date	31 Jan. 2014
Title and number of grantees (persons)	6 directors of the Company and 10 directors, 7 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	78 [66]
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1) (NOTE 9)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 39,000 [33,000] (NOTE 1) (NOTE 9)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2014 to 31 Mar. 2044
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,567 (NOTE 9) Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar. 2015 as stock options	
Resolution date	30 Jan. 2015
Title and number of grantees (persons)	6 directors of the Company and 9 directors, 11 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	104 [93]
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 52,000 [46,500] (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2015 to Mar. 31, 2045
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 2,142 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 8)

Share acquisition rights issued in Mar. 2016 as stock options	
Resolution date	28 Jan. 2016
Title and number of grantees (persons)	5 directors, 1 executive officer of the Company and 7 directors, 14 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	134 [126]
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 67,000 [63,000] (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2016 to 31 Mar. 2046
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,799 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares *	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar. 2017 as stock options	
Resolution date	26 Jan. 2017
Title and number of grantees (persons)	4 directors, 2 executive officers of the Company and 7 directors, 13 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	159
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 79,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2017 to 31 Mar. 2047
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,646 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Mar. 2018 as stock options	
Resolution date	28 Sep. 2017
Title and number of grantees (persons)	3 directors, 3 executive officers of the Company and 7 directors, 12 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	161
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 80,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Apr. 2018 to 31 Mar. 2048
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,792 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Jun. 2018 as stock options	
Resolution date	22 Jun. 2018
Title and number of grantees (persons)	3 directors, 3 executive officers of the Company and 8 directors, 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	189
Number of shares to be issued upon exercise of one subscription right to shares (shares)	500 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 94,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 1 Jul. 2018 to 30 Jun. 2048
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 1,616 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 3) (NOTE 6)
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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued Jul. 2019 (A) (Stock option-based compensation with continuous service conditions)	
Resolution date	26 Jun. 2019
Title and number of grantees (persons)	5 directors (excluding audit and supervisory committee members), 4 directors who are audit and supervisory committee members, 4 executive officers of the Company and 9 directors, 1 corporate auditor, 11 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	1,075
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 107,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 16 Jul. 2019 to 15 Jul. 2049
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 996 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 4) (NOTE 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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued Jul. 2020 (A) (Stock option-based compensation with continuous service conditions)	
Resolution date	23 Jun. 2020
Title and number of grantees (persons)	4 directors (excluding audit and supervisory committee members), 5 directors who are audit and supervisory committee members, 4 executive officers of the Company and 9 directors, 1 corporate auditor, 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	1,060
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 106,000 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 16 Jul. 2020 to 15 Jul. 2050
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 461 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 4) (NOTE 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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued Jul. 2021 (A) (Stock option-based compensation with continuous service conditions)	
Resolution date	22 Jun. 2021
Title and number of grantees (persons)	4 directors (excluding audit and supervisory committee members), 5 directors who are audit and supervisory committee members, 4 executive officers of the Company and 8 directors, 2 corporate auditor, 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	1,095
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 109,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 16 Jul. 2021 to 15 Jul. 2051
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 742 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 4) (NOTE 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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued in Aug. 2021 (B) (Stock option-based compensation with performance-based conditions)	
Resolution date	28 Jul. 2021
Title and number of grantees (persons)	3 directors (excluding non-executive directors), 4 executive officers of the Company and 7 directors (excluding non-executive directors), 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	370
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 37,000 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)* ※	1 per share
Exercise period of subscription rights to shares*	From 1 Sep. 2021 to 31 Aug. 2051
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 700 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 5) (NOTE 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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued Jul. 2022 (A) (Stock option-based compensation with continuous service conditions)	
Resolution date	22 Jun. 2022
Title and number of grantees (persons)	3 directors (excluding audit and supervisory committee members), 5 directors who are audit and supervisory committee members, 4 executive officers of the Company and 8 directors, 2 corporate auditor, 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	1,035
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 103,500 (NOTE 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)*	1 per share
Exercise period of subscription rights to shares*	From 16 Jul. 2022 to 15 Jul. 2052
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 820 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 4) (NOTE 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 organisational restructuring*	(NOTE 8)

Share acquisition rights issued Jul. 2022 (B) (Stock option-based compensation with performance-based conditions)	
Resolution date	22 Jun. 2022
Title and number of grantees (persons)	2 directors (excluding non-executive directors), 4 executive officers of the Company and 7 directors (excluding non-executive directors), 10 executive officers of its subsidiary
Number of subscription rights to shares (unit)*	360
Number of shares to be issued upon exercise of one subscription right to shares (shares)	100 (NOTE 1)
Class, details and number of shares underlying the subscription rights to shares (shares)*	Common stock 36,000 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (yen)* ※	1 per share
Exercise period of subscription rights to shares*	From 16 Jul. 2022 to 15 Jul. 2052
Issue price of shares and additional paid-in capital in cases where shares are issued upon exercise of subscription rights to shares (yen)*	Issue price 810 Additional paid-in capital (NOTE 2)
Conditions for exercising subscription rights to shares*	(NOTE 5) (NOTE 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 organisational restructuring*	(NOTE 8)

* The following information is provided as at the end of the current financial year (31 Mar. 2023). Matters that have changed between the end of the current financial year and the end of the month before the date of submission (31 May 2023) are indicated in brackets []. Other matters remain unchanged from those as at the end of the current financial year.

(NOTE)

1. After the allotment date, in the event of a share split (including an allotment without contribution of the Company's common stock; 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.

$$\text{Number of shares after adjustment} = \text{Number of shares prior to adjustment} \times \text{Ratio of split/consolidation}$$

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 offered subscription rights 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 ¥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 (i) above less the amount of increase in capital as determined in (i) above.
3. Conditions for exercising offered subscription rights to shares (Portion issued in or before Jun. 2018)
 - (1) The share acquisition rights Holder may exercise the offered subscription rights 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 (a) or (b), share acquisition rights Holders may exercise offered subscription rights to shares for the period stipulated below. (However, (b) 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 8 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) 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 subscription rights to shares unless determined otherwise by the Company.

4. 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 8 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.

5. 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 exercisable units determined within the range of 0 to 100% of allotted share acquisition rights s 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.

The performance-based indicators were as follows.

Performance-based criteria for FY2022 to FY2024

Indicators	Targets for FY2024	Weight
(i) Ordinary profit	¥14.0 billion	50%
(ii) Consolidated ROIC	3.0%	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 8 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.

6. 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

7. 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

8. 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 "organisational 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 organisational 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 case that a 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 stock 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 organisational restructuring.

(4) The amount of assets to be 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 organisational 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.

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

(ii) Description of rights plan

Not applicable.

(iii) Other information about share acquisition rights, etc.

Not applicable.

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

Not applicable.

(4) Changes in the Number of Issued Shares, Capital Stock, etc.

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
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 1 Sep. 2014 as a result of a resolution at the Annual General Meeting of Shareholders held on 24 Jun. 2014.

(5) Shareholding by Shareholder Category

(As of 31 Mar. 2023)

Classification	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of Shareholders (Persons)	—	27	34	673	190	73	54,415	55,412	—
Number of shares held (Unit)	—	239,545	14,039	344,789	204,046	166	446,342	1,248,927	308,696
Shareholding ratio (%)	—	19.18	1.12	27.61	16.34	0.01	35.74	100.00	—

(NOTE)

1. 8,813,548 treasury shares include 88,135 units under "Individuals, etc." and 48 shares under "Shares less than one unit." 8,813,548 treasury shares are the same as the number of shares substantially held as of 31 Mar. 2023.
2. "Other corporations" column above includes 17 units of shares held in the name of Japan Securities Depository Center, Incorporated.

(6) Status of Major Shareholders

(As of 31 Mar. 2023)

Name	Location	Number of shares held (Thousands of shares)	The percentage of the number of shares held to the total number of shares issued excluding treasury shares (%)
Hanshin Electric Railway Co., Ltd.	1-1-24 Ebie, Fukushima-ku, Osaka City, Osaka	14,749	12.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	13,688	11.76
Hankyu Hanshin Holdings, Inc.	1-1 Sakaemachi, Ikeda City, Osaka	10,336	8.88
Custody Bank of Japan, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	5,753	4.94
Izumiya Kyowakai Assn.	1-4-4 Hanazonominami, Nishinari-ku, Osaka City, Osaka	3,090	2.66
H2O Retailing Group Employees' Shareholding Association	8-7, Kakudacho, Kita-ku, Osaka City, Osaka H2O Retailing Corporation	1,855	1.59
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A.	1,796	1.54
GOVERNMENT OF NORWAY (Standing proxy: Citibank N.A. Tokyo Branch)	BANKPLASSEN 2,0107 OSLO 1 OSLO 0107 NO	1,765	1.52
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	1,212	1.04
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	1,133	0.97
Total	—	55,382	47.58

(7) Voting Rights

(i) Issued Shares

(As of 31 Mar. 2023)

Classification	Number of shares (shares)	Number of voting rights (unit)	Content
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.)	(Shares in treasury) Common stock 8,813,500	—	The Company's standard class of shares with no rights limitations
Shares with full voting rights (Other)	Common stock 116,079,200	1,160,792	Same as above
Shares less than one unit	Common stock 308,696	—	Same as above
Total number of issued shares	125,201,396	—	—
Total number of voting rights	—	1,160,792	—

(NOTE)

1. Common stock in "Shares with full voting rights (other)" column include 1700 shares (17 voting rights) in the name of the Japan Securities Depository Center, Incorporated.
2. Common stock in "Shares less than one unit" includes 48 shares of treasury shares held by the Company.

(ii) Treasury shares, etc.

(As of 31 Mar. 2023)

Name of shareholder	Address of the holder	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Shares in treasury) H2O Retailing Corporation	8-7 Kakudacho, Kita-ku, Osaka	8,813,500	—	8,813,500	7.04
Total	—	8,813,500	—	8,813,500	7.04

2 Acquisitions, etc. of Treasury Shares

[Class of Shares] Acquisition of common stock by demand for purchase of shares less than one unit, which falls under Article 155, item (vii) of the Companies Act

(1) Acquisition by Resolution of Shareholders Meeting

Not applicable.

(2) Acquisitions by Resolution of Board of Directors Meeting

Classification	Number of shares(shares)	Total amount (yen)
Resolution at the Board of Directors Meeting (2 Nov. 2022) (Acquisition period: From 4 Nov. 2022 to 4 Nov. 2022)	8,100,000	13,000,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquisition in the current fiscal year	6,868,100	8,852,980,900
Total number and total amount of the residual Shares	1,231,900	4,147,019,100
Ratio of outstanding as of the end of the current fiscal year	15.2	31.9
Treasury shares acquisition during the period	—	—
Ratio of outstanding as of the date of filing	15.2	31.9

Classification	Number of shares(shares)	Total amount (yen)
Resolution of the Board of Directors Meeting (11 May 2023) (Acquisition period: From 12 May 2023 to 12 May 2023)	1,190,000	2,200,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquisition in the current fiscal year	—	—
Total number and total amount of the residual Shares	—	—
Ratio of outstanding as of the end of the current fiscal year	—	—
Treasury shares acquisition during the period	1,190,000	1,881,390,000
Ratio of outstanding as of the date of filing	—	14.5

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

Classification	Number of shares(shares)	Total amount (yen)
Treasury shares acquisition in the current fiscal year	2,195	2,422,077
Treasury shares acquisition during the period	260	393,143

(NOTE) Treasury shares acquired during the period from 1 Jun. 2023 to the filing date of the Annual Securities Report in Japanese do not include shares resulting from the purchase of shares repurchased during the period under review.

(4) Disposals or Holding of Acquired Treasury Shares

Classification	Fiscal year ended 31 Mar. 2023		From 1 Apr. 2023 until the filing date of the Annual Securities Report in Japanese	
	Number of shares (shares)	Total disposal amount (yen)	Number of shares (shares)	Total disposal amount (yen)
Acquired treasury shares offered for subscription	—	—	—	—
Acquired treasury shares that were cancelled	—	—	—	—
Acquired treasury shares transferred for merger, share exchange and company split	—	—	—	—
Other (Note 1)	46,000	75,491,000	15,500	28,379,000
Treasury shares held (Note 2)	8,813,548	—	9,988,308	—

(NOTE)

1. During the current fiscal year, some were disposed of due to exercise of stock options (number of shares: 46,000, total disposal amount: ¥75,491,000). In addition, from 1 Apr. 2023 until the filing date of the Annual Securities Report in Japanese, some were disposed of due to exercise of stock options (number of shares: 15,500, total disposal amount: ¥28,379,000).
2. The number of treasury shares held during the current period does not include the number of shares less than 1 unit purchased or purchased and the number of shares due to the exercise of stock options from 1 Jun. 2023 to 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 flow which is necessary for establishing an appropriate financial base over the medium to long term and investment for growth, based on the performance of each fiscal year. The Company will implement an appropriate profit distribution under the consideration of an overall medium- and long-term plan, for profit attributable to owners of parent, consolidated net assets, and consolidated cash flow. Dividends are scheduled to be distributed twice a year, with the interim dividend being distributed in November and the year-end dividend being distributed in June. 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 the fiscal year under review, profit attributable to owners of the parent reached a record high, but there were also temporary factors such as a decrease in tax expenses due to a review of the tax effects of Hankyu Hanshin Department Store, Inc. and Izumiya Co., Ltd. As a result, the annual dividend per share for the fiscal year under review will be ¥25.

(NOTE) The payment of dividends from surplus resolved at a Board of Directors meeting with record dates falling in the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
2 Nov. 2022 Resolution of the Board of Directors Meeting held	1,540	12.50
17 May 2023 Resolution of the Board of Directors Meeting held	1,454	12.50

4 Status of Corporate Governance, etc.

(1) Outline of Corporate Governance system

(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 rationale of corporate governance system

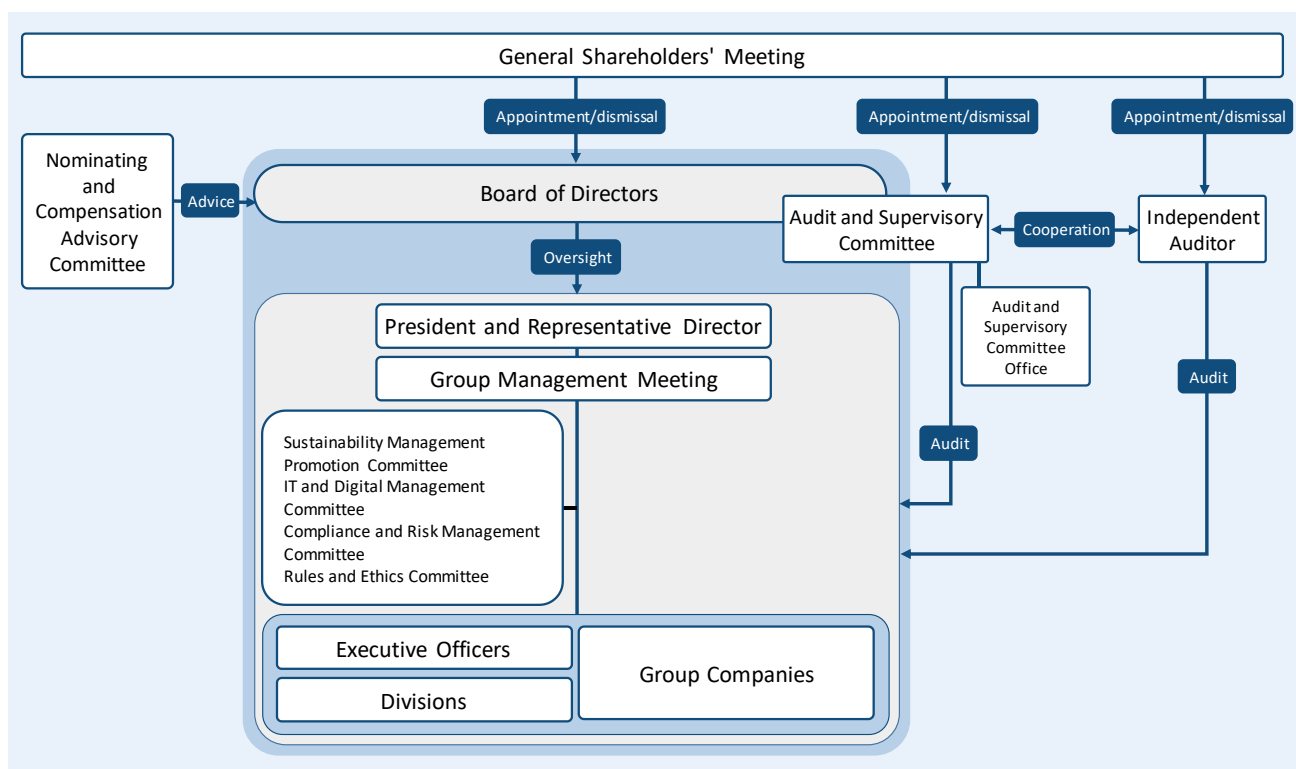
In the H2O Retailing Group, H2O Retailing Corporation (the Company), a holding company, is responsible for the business planning, management and oversight of the entire Group. It seeks through proper and legal means to raise the corporate value of Group companies by building a corporate governance system 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 medium to long term. The Company's Board of Directors consists of nine (9) directors (five (5) directors are ASC members), including four (4) outside directors (four (4) outside directors are ASC members). Thus, more than one-third of directors on the Board of Directors are outside directors. For names of the members, please see "(2) Status of Officers, (i) Officers.", and for activities, please see "(C) Activities of the Board of Directors Meeting." The Chairman of the Board of Directors is ARAKI Naoya, President and Representative Director, and the Chairman of the ASC is GOTO Kenji, standing ASC member.

To ensure the 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 the 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."

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 meetings of the 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 means such as the exercise of voting rights held by ASC members at Board of Directors' meetings and the exercise of the right to state opinions on personnel affairs and compensation of directors who are not ASC members.

■Corporate Governance Framework



(NOTE) Group Management Meeting

The meeting consists of the Company's full-time directors (ARAKI Naoya, HAYASHI Katsuhiro and YAMAGUCHI Toshihiko) and Audit and Supervisory Committee Member (GOTO Kenji) and the Company's executive officers (WATANABE Gaku, IKEJIMA Masaru, UNO Kenji, IMAI Yasuhiro, KASHIHARA Hideki and KOYAMA Toru). The Chairman is ARAKI Naoya, President and Representative Director.

(C). Activities of the Board of Directors Meeting

During the fiscal year under review, the Board of Directors Meeting held 12times.

The status of attendance by individual directors was as follows.

Name	Position	Attendance (12 in total)
ARAKI Naoya	President and Representative Director	12 times
HAYASHI Katsuhiro	Representative Director and Executive Vice President	12 times
YAMAGUCHI Toshihiko	Representative director	12 times
SUMI Kazuo	Director	8 times
KONISHI Toshimitsu	Director, Standing Audit and Supervisory Committee Member	12 times
BAN Naoshi	Director, Audit and Supervisory Committee Member	12 times
NAKANO Kenjiro	Director, Audit and Supervisory Committee Member	12 times
ISHIHARA Mayumi	Director, Audit and Supervisory Committee Member	12 times
SEKIGUCHI Nobuko	Director, Audit and Supervisory Committee Member	12 times

(NOTE) KONISHI Toshimitsu retired as Director and GOTO Kenji was newly appointed as Director on 28 Jun. 2023.

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 Meetings. 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. The Board of Directors also manages and supervises the execution of duties by directors and executive officers by receiving reports on the status of execution of duties from directors and executive officers. In addition to the above resolutions and reporting items, during the fiscal year under review, the Board of Directors also discussed medium- to long-term management issues of the Group, sustainability management, and other issues.

The representative directors (ARAKI Naoya, HAYASHI Katsuhiko, and YAMAGUCHI Toshihiko) and outside directors (BAN Naoshi, NAKANO Kenjiro, ISHIHARA Mayumi, and SEKIGUCHI Nobuko) discussed the Company's medium- to long-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 FY2023 »

In Mar. 2023, we conducted a survey of all directors, and in an exchange of opinions with representative directors and outside directors held in April of the same year, we interviewed them regarding the composition, operation, agenda, and systems supporting the Board of Directors, and received their honest opinions.

After analyzing and evaluating the results of the survey and opinions, it was confirmed that the Company's Board of Directors has sufficient time for discussions, that an environment has been created in which outside directors can speak actively and freely, and that there are more opportunities for discussion of management issues, etc., compared to the past, and that the Company's Board of Directors will be able to ensure the effectiveness of the Board of Directors in FY2023. On the other hand, based on the results of the evaluation, we will strive to further improve the effectiveness of the Board of Directors meetings by, for example, providing materials earlier in order to secure time for prior consideration, securing more opportunities for discussion of medium- to long-term management plans, and strengthening information provision outside of Board meetings, such as on-site inspections, so that outside directors can gain a deeper understanding of our Group's measures.

(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 ARAKI Naoya, President and Representative Director. During the fiscal year under review, the Committee held two times, which were attended by all Committee members. At the Committee meetings, the Committee discussed the appointment of executive officers on 1 Apr. 2023, the appointment and organizational structure of executive officers, the responsibilities of directors and executive officers, and the proposed revision of directors' remuneration on the same date, as well as the proposals for the election of directors (including directors who are Audit Committee members) and bonus payment to be submitted to the Ordinary General Meeting of Shareholders. The Committee also exchanged opinions on the future direction of the executive compensation system.

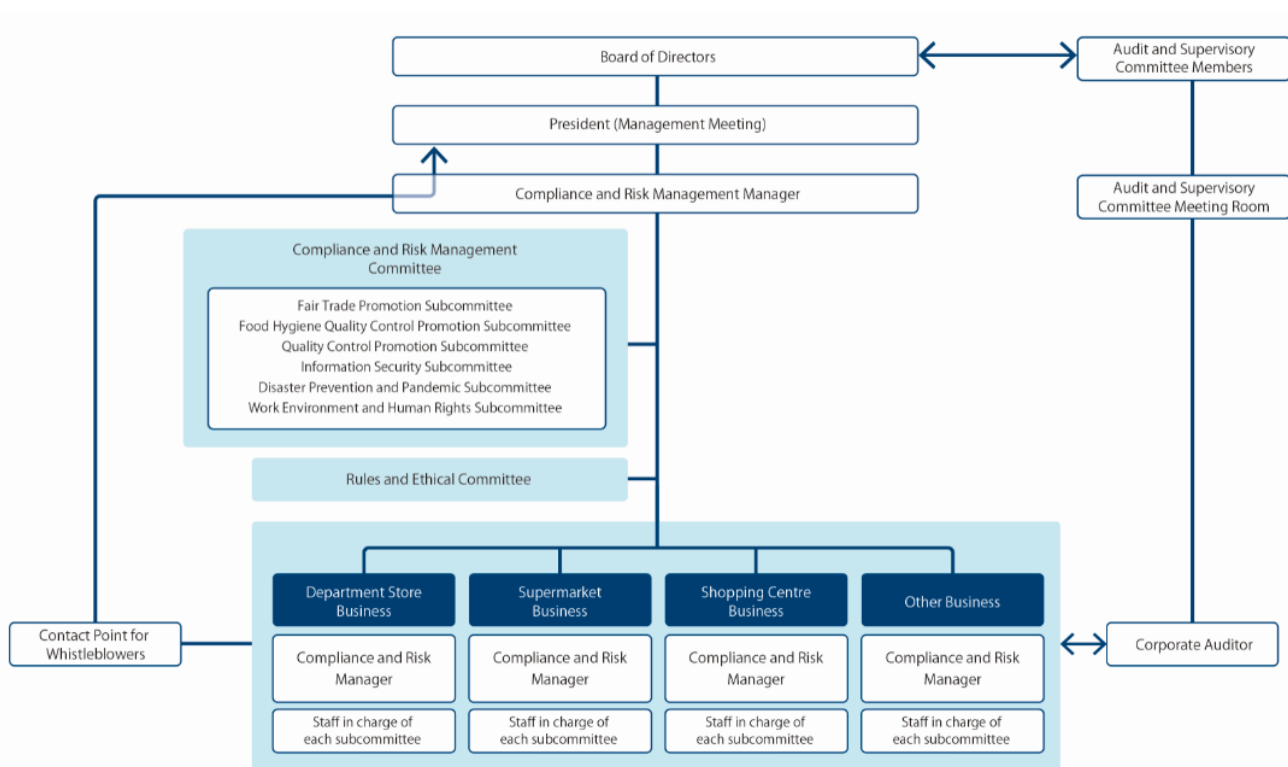
(E). Internal control and risk management system

■ 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 and 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 organisations 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 minimise 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 risk 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 meetings and Group Management meetings, making revisions to 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. Ensuring sound conduct of business in the Group companies

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 summarises the status of operations for the year ended 31 Mar. 2023.

- (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 summarise the basic matters with which each of Group companies shall comply. All directors and employees are informed of these rules. The Compliance and Risk Management Committee shares information and discusses measures to address the Group's key risks and issues for the next fiscal year in each of its specialized committees, including fair trade, quality control, information security, disaster prevention/pandemics, labor environment, and human rights, as well as revisions to the Whistleblower Protection Act and other laws and regulations.

At the same time, to promote compliance and prevent risks in the Group, we hold "compliance liaison meetings" as needed for staff in charge of compliance at each Group company. In the fiscal year under review, we conducted training for staff in charge of the whistleblower protection system in light of the revision of the Whistleblower Protection Act, established a headquarters organization for disaster prevention and pandemic response, and informed Group companies of Group policies and measures to prevent security incidents, and promoted thorough implementation of these measures. Regarding the "Compliance Hotline," an internal reporting system, the Company and major subsidiaries have divisions in charge of the Hotline. In the period under review, we developed and expanded our contact points and re-introduced thoroughness in all group companies. The content of reports is reported regularly to the Representative Director and Full-time Audit and Supervisory Committee members.

In order to ensure the reliability of financial reporting, we added KANSAI SUPER PREMIUM CO., LTD. to the scope of evaluation of company-wide controls and newly established and evaluated internal controls at KANSAI SUPER PREMIUM CO., LTD. In addition to the three existing companies, Hankyu Hanshin Department Stores, Inc., IZUMIYA Corporation, and Hankyu Oasis, Inc., we conducted an assessment of the status of controls for the Group as a whole and an assessment of the development and operation of internal controls at the business process level by adding Kansai Super Market Ltd.

In relation to antisocial forces, the Company continues to ensure that clauses for the elimination of organised crime groups are included in relevant contracts and documents.

- (ii) With respect to the audit system, the Company continues to assign 13 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 and the representative directors and meetings between the Audit and Supervisory Committee Members and staff members in the internal control (Corporate Planning Office, Development Office, Business Promotion Office, IT and Digital Promotion Office, Finance Office, General Affairs Office, Human Resources Office, and J-SOX) are held on a regular basis, while the Standing ASC Members attend important meetings such as the Group Management Committee.

(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 (HAYASHI Katsuhiko, YAMAGUCHI Toshihiko, KITABE Kimihiro, MORII Norifumi, SATO Yukichika, IKEJIMA Masaru, and UMEMOTO Tomoyuki). 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 once and was attended by all members. The committee shared information and discuss 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 to specialized subcommittee meeting held 11 times such as. Fair Trade Promotion Subcommittee, Food Sanitation Quality Management Promotion Subcommittee, Quality Control Subcommittee, Information Security Subcommittee, Disaster Prevention and Pandemic Subcommittee, and Labor Environment and Human Rights Subcommittee.

In addition, a total of four compliance liaison meetings were held to share information and thoroughly promote measures among Group companies. The meetings were held to inform Group companies of the establishment of a headquarters system for disaster prevention and pandemic response, group response policies and measures to prevent security incidents, and to promote thorough response. In addition, we conducted training for those engaged in the whistleblower protection system in light of the revision of the Whistleblower Protection Act.

(ii) Outline of the Liability Limitation Agreements

The Company entered into a liability agreement with each outside director 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), corporate auditors and executive officers of the Company and its subsidiaries (excluding Kansai Food Market Ltd., Kansai Super Market Ltd., Izumiya · Hankyu Oasis Co., Ltd. and KANSAI SUPER PREMIUM CO., LTD.)

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 premiums for riders.

c. Outline of insured events eligible for compensation

The insurance policy compensates for damages that may be incurred by the insured due to the insured assuming liability for the execution of their duties or receiving a claim in relation to the pursuit of such liability. There are certain exemptions, including events arising from criminal acts committed by the insured and events arising from acts committed by the insured with the knowledge that such acts are in violation of laws and regulations.

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

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 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 22 Jun. 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 ten (10) or less and that of directors who are ASC members shall be five (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) Matters Regarding 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) Status of Officers

(i) Officers

Male: 7 Female: 2 (The ratio of female officers is 22.2%)

Title	Name	Date of birth	Brief History		Term of Office	Number of company shares held
President and Representative Director Chairman of the Board of Directors	ARAKI Naoya	14 May 1957	Apr. 1981	Joined Hankyu Department Store, Inc.	(NOTE 2)	16,000
			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 and Senior Vice President In charge of the Supermarket Business Human Resources Office	HAYASHI Katsuhiro	20 Jan. 1958	Apr. 1982	Joined Hankyu Department Store, Inc.	(NOTE 2)	22,000
			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 the Human Resources Office (present position), the 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					

Title	Name	Date of birth	Brief History		Term of Office	Number of company shares held
			Nov. 2019	(present position) President and Representative Director, H2O Foods Group Co., Ltd. (present position)		
			Apr. 2020	In charge of the Supermarket Business, H2O Retailing Corporation (present position)		
			Dec. 2021	President and Representative Director, Kansai Super Market Ltd. (currently Kansai Food Market Ltd.) (present position)		
			Apr. 2023	President and Representative Director, Izumiya Hankyu Oasis Co., Ltd. (present position)		
Representative director In charge of the Department Store Business	YAMAGUCHI Toshihiko	21 Aug. 1963	Apr. 1986	Joined Hankyu Department Store, Inc.	(NOTE 2)	9,400
			Apr. 2009	Store Manager, Kawanishi Hankyu Department Store, Hankyu Hanshin Department Stores, Inc.		
			Apr. 2011	Sales Service Executive Manager, Yurakucho Hankyu Department 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 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, in charge of the Department Store Business, H2O Retailing Corporation (present position)		
Director	SUMI Kazuo	19 Apr. 1949	Apr. 1973	Hankyu Corporation ((currently Hankyu Hanshin Holdings, Inc.)	(NOTE 2)	35,000
			Jun. 2000	Director, Hankyu Corporation		
			Jun. 2002	Managing Director, Hankyu Corporation		
			Jun. 2003	President and Representative Director, Hankyu Corporation		
			Oct. 2007	Director, H2O Retailing Corporation (present position)		
			Jun. 2017	Chairman and Representative Director, Group CEO, Hankyu Hanshin Holdings, Inc. (present position)		

Title	Name	Date of birth	Brief History		Term of Office	Number of company shares held
Director Standing Audit and Supervisory Committee Member	GOTO Kenji	12 Sep. 1961	Apr. 1984	Joined Hankyu Department Store, Inc.	(NOTE 3)	5,000
			Apr. 2004	General Manager, Accounting Office, Hankyu Department Stores, Inc.		
			Apr. 2005	General Manager, Finance Office, Hankyu Department Stores, Inc.		
			Apr. 2006	General Manager, 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 of 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. 2021	Audit and Supervisory Board Member, Hankyu Hanshin Department Store Co, Inc. (present position)		
			Jun. 2023	Director and Standing Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)		
Director Audit and Supervisory Committee Member	BAN Naoshi	30 Sep. 1946	Apr. 1969	Joined Mitsubishi Warehouse Co., Ltd.	(NOTE 4)	16,000
			Jun. 2000	Director, Mitsubishi Logistics Corporation		
			Jun. 2001	Managing Director, Mitsubishi Logistics Corporation		
			Jun. 2003	President and Representative Director, Mitsubishi Logistics Corporation		
			Jun. 2008	Representative Director and Chairman, 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 (present position)		

Title	Name	Date of birth	Brief History		Term of Office	Number of company shares held
Director Audit and Supervisory Committee Member	NAKANO Kenjiro	13 Aug. 1947	Apr. 1971 Apr. 1998 Jun. 2002 Jun. 2004 Jun. 2005 Apr. 2006 Apr. 2008 Jun. 2010 Jun. 2013 Jun. 2016 Jun. 2016	Joined Sumitomo Bank, Ltd. Director, Sumitomo Bank, Ltd. Managing Executive Officer, Sumitomo Mitsui Banking Corporation Managing Director cum Managing Executive Officer, Sumitomo Mitsui Banking Corporation Senior Managing Director cum Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation Representative Director cum Deputy President Executive Officer, Sumitomo Mits Representative Director cum Deputy Chairman, Sumitomo Mitsui Banking Corporation President, Keihanshin Real Estate Co., Ltd. (currently Keihanshin Building Co., Ltd.) Outside Director of Maruichi Steel Tube Ltd. (present position) Chairman, Keihanshin Building Co., Ltd. (present position) Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position)	(NOTE 4)	6,800
Director Audit and Supervisory Committee Member	ISHIHARA Mayumi	3 May 1963	Apr. 1997 Apr. 1997 Jun. 2013 Feb. 2016 Apr. 2016 Jun. 2016 Jun. 2018	Registered as attorney with the Osaka Bar Association Joined Oh-Ebashi LPC & Partners Outside Auditor, Morishita Jintan Co., Ltd. Outside Director, Morito Co., Ltd. (present position) Outside Director (Audit and Supervisory Committee Member), OS Co., Ltd. (present position) Director and Audit and Supervisory Committee Member, H2O Retailing Corporation (present position) Outside Director (Audit and Supervisory Committee Member), Morishita Jintan Co., Ltd. (present position)	(NOTE 4)	500
Director Audit and Supervisory Committee Member	SEKIGUCHI Nobuko	3 Jul. 1968	Nov. 2005 Oct. 2007 Apr. 2011 Apr. 2016 Mar. 2019 Jun. 2019 Jun. 2020	Joined Capcom Co., Ltd. Accounting Manager, Capcom Co., Ltd. Corporate Officer in Management of Corporate Planning, Capcom Co., Ltd Managing Corporate Officer in Manager of Corporate Planning & Manager of Human Resource Left Capcom Co., Ltd. Outside Director, Duskin Co., Ltd. (present position) Director and Audit and Supervisory Committee Member, H2O Retailing	(NOTE 4)	300

Title	Name	Date of birth	Brief History		Term of Office	Number of company shares held
			Jun. 2022	Corporation (present position) Outside Director and Audit and Supervisory Committee Member, Kobe Steel, Ltd (present position)		
Total						111,000

(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 28 Jun. 2023.
3. Two years from the conclusion of the Annual General Meeting of Shareholders held on 28 Jun. 2023.
4. Two years from the conclusion of the Annual General Meeting of Shareholders held on 22 Jun. 2022.
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) Outside Directors

The number of directors from outside the Company is four (4), of whom four (4) 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 utilising 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 interests 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 utilising 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 June 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 interests 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 utilising 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 interests 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 interests in the Company.

For details regarding shareholdings of each outside director, please see "(i) 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 executing person 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 previous fiscal year exceeds the greater of ¥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 previous 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 previous fiscal year end.
3. "Certain amount" means (a) ¥10 million a year of compensation (except director's remuneration) received from the Group in the previous 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 previous 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 ¥10 million a year in the previous 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

Classification	Name	Main activities
Director Audit and Supervisory Committee Member	BAN Naoshi	Attended all 12 meetings of the Board of Directors (excluding written resolutions) and 13 all ASC meetings held during the fiscal year under review, to play a sufficient role in monitoring group management and point out risks in the business and governance, such as executive compensation based on his extensive management experience of having served as a President and Chairman of a business enterprise, appropriately giving his opinions on measures and asking questions. In addition, he chaired the Nominating and Compensation Advisory Committee, a voluntary committee, offering appropriate advice at the committee's meetings and striving to improve the transparency and objectivity for personnel affairs and compensation of the management.
Director Audit and Supervisory Committee Member	NAKANO Kenjiro	Attended all 12 meetings of the Board of Directors (excluding written resolutions) and 12 of 13 ASC meetings held during the fiscal year under review, to play a sufficient role in monitoring group management, raise issues on matters including finance and giving his opinions and asking questions about progress and directions of restructuring and in Supermarket Business from a medium-to long-term perspective based on his extensive management experience as corporate manager of a financial institution. In addition, he served as a member of the Nominating and Compensation Advisory Committee, a voluntary committee, offering appropriate advice at the committee's meetings

		and striving to improve the transparency and objectivity for personnel affairs and compensation of the management.
Director Audit and Supervisory Committee Member	ISHIHARA Mayumi	Attended all 12 meetings of the Board of Directors (excluding written resolutions) and 13 all ASC meetings held during the fiscal year under review. She provides not only opinions on legal risk in new businesses and large projects, governance and compliance but also opinions and questions on agenda as appropriate, such as raising issues from the perspective of a consumer or service user, or from the viewpoint of diversity, such as female participation base on her knowledge and experience as an attorney. In addition, training on harassment prevention is conducted at subsidiaries.
Director Audit and Supervisory Committee Member	SEKIGUCHI Nobuko	Attended all 12 meetings of the Board of Directors (excluding written resolutions) and 13 all ASC meetings held during the fiscal year under review. Based on experience at business companies and consulting services, she has provided opinions and questions regarding the Group's overall digital strategy and human resource development, and has raised issues related to the SDGs, including the promotion of women's activities, as well as other issues. She also serves as a member of the IT and Digital Management Committee and provides advice on data utilization and digital human resource development from the perspective of IT control as appropriate.

(3) Status of Audits

(i) Internal audits and ASC's audits

The Company has five (5) ASC members, consisting of four (4) outside directors and one (1) director (standing ASC member). The Company assigns professionals with corporate management experience and specialised knowledge of law and other subjects as outside directors. KONISHI Toshimitsu, who has substantial knowledge of finance and accounting who had served as an accounting manager in the Company for approximately 30 years has been assigned as the standing ASC member. KONISHI Toshimitsu resigned on 28 Jun. 2023, and GOTO Kenji was newly appointed. The standing ASC member is assigned as an ASC member with the authority to be reported to and to investigate. In addition, 13 assistant employees, consisting of nine (9) dedicated auditors, each of whom serves as corporate auditor of four (4) to five (5) subsidiaries besides administrative operation of the ASC, and five (5) persons taking responsibility of internal audit function, assist the standing ASC member at the ASC Office.

The office in charge of financial reporting, as stipulated in the Financial Instruments and Exchange Act (J-SOX) (six (6) members), is established to secure the reliability of financial reporting. They work to strengthen the audit function by making proposals for improvements based on regular interviews and on-site audits and assessing internal controls in financial reporting and in business processes.

With regard to 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 the monthly "Group Management meeting" and the "Compliance and Risk Management Committee," which are held as needed. The standing ASC member expresses his opinions at these meetings as necessary and inspected final decision reports on key matters as well as the minutes of the meetings, and heard reports regarding the execution of operations directly from internal control divisions.

At each meeting, the standing ASC member spent approximately two (2) hours making an explanation on the content of agendas for the Board of Directors' meeting and a detailed report on the status of audits. Concurrently, a consensus on the ASC's opinion in consideration of the supervisory function over executives was formed through discussions about management issues, and the ASC provided advice and recommendations on the role of the holding company to representative directors for embodiment of the management philosophy as necessary. The main agenda of the Audit Committee meetings are decisions on audit policy and plans, audit reports, audits of quarterly financial statements and financial statements, decisions on reappointment or non-reappointment of accounting auditors, approval of audit firm remuneration, audits of business reports and general shareholders' meeting agenda, audits of internal control systems, and audits of important approval documents. In addition, two (2) outside directors who are ASC members have become the Chairman and a member of the voluntary Nominating and Compensation Advisory Committee, and at ASC meetings, they discussed policy on determining nominations and remuneration to consolidate their opinions, as well as discussing an ideal organisational structure that enables practice of aggressive governance, and providing advice and recommendations to representative directors as necessary. Regarding the auditing of subsidiaries, the standing ASC member concurrently serves as an ASC member of Kansai Food Market Ltd., the listed company, and as a corporate auditor of Hankyu Hanshin Department Stores, Inc. and H2O Foods Group Co., 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 member and corporate auditors of subsidiaries.

With regard to internal audits, reports on methods and results of operational audits are made by the internal audit staff of assistant employees who work with the internal audit staff of major companies while focusing on the operational audit of Hankyu Hanshin Department Stores, Inc. In addition, the member of J-SOX, which was

established to ensure the reliability of financial reporting, reports to the standing ASC Member on the evaluation of internal control related to financial reporting and internal control for business processes. At ASC meetings, the reports are shared by the standing ASC Members to the ASC Members who are outside directors. Similarly, the Internal Audit Manager reports to the Representative Director on the methods and results of operational audits. 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, close coordination is maintained through discussion about major issues in auditing and the audit procedures on a quarterly basis.

(ii) Accounting audits

a. Name of the auditing firm

KPMG AZSA LLC.

b. Continuous auditing period

48 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 conducting an investigation.

c. Certified public accountants who executed the audits

NARUMOTO Koji, KIDO Tatsuya, and YUGE Aki

d. Composition of assistants with the audits

13 other certified public accountants and 21 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 20 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.

(iii) Fees paid to independent auditors

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

Classification	Fiscal year ended 31 Mar. 2022		Fiscal year ended 31 Mar. 2023	
	Audit fees (Millions of yen)	Fees for non-audit services (Millions of yen)	Audit fees (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	74	—	69	—
Consolidated Subsidiaries	160	3	215	—
Total	235	3	284	—

The non-audit services of consolidated subsidiaries in the previous fiscal year consist of the refeed services.

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

Classification	Fiscal year ended 31 Mar. 2022		Fiscal year ended 31 Mar. 2023	
	Audit fees (Millions of yen)	Fees for non-audit services (Millions of yen)	Audit fees (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	—	—	—	—
Consolidated Subsidiaries	12	—	14	—
Total	12	—	14	—

c. Other significant fees paid

(For the fiscal year ended 31 Mar. 2022)

Suzhou Izumiya Co., Ltd., H2O (China) Investment Co., Ltd. and Suzhou Izumiya Supermarkets Co., Ltd., consolidated subsidiaries of the Company, paid ¥12 million in fees to a member firm of KPMG to which certified public accountants acting as the Company's independent auditors belong.

(For the fiscal year ended 31 Mar. 2023)

Suzhou Izumiya Co., Ltd., H2O (China) Investment Co., Ltd. and Suzhou Izumiya Supermarkets Co., Ltd., consolidated subsidiaries of the Company, paid ¥14 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 amounts of fees to the independent auditors.

(4) Compensation for Directors

(i) Compensation paid to directors

Classification	Total compensation (Millions of yen)	Total compensation by type (millions of yen)			Number of directors
		Basic compensation (fixed compensation)	Performance-based compensation (bonus)	Non-monetary compensation (stock option-based compensation)	
Director (excluding ASC members) (excluding outside directors)	144	99	26	18	5
Board of directors (ASC Member) (excluding outside directors)	23	22	—	0	1
Outside directors	39	36	—	3	4

(NOTE)

1. Performance-based compensation

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 take into account 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 31 Mar. 2023 is as stated in the “V. Financial Information (ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.”

2. Non-monetary compensation

The Company grants stock option-based compensation as non-monetary compensation. There are two (2) types of stock option-based compensation, namely the stock option-based compensation with continuous service conditions, for which all directors, including ASC members, are eligible, and the stock option-based compensation with performance-based conditions, for which executive directors are eligible. The details are as described in “(ii) Matters regarding Policy on Determining Compensation for Directors, 2) Outline of the Decision-making Policy.”

The performance-based indicators for the stock option-based compensation with performance-based conditions shall be as follows, and will be determined based on each of the business results. As consolidated ordinary profit is one of the target income indicators, and consolidated ROIC is an indicator of capital efficiency, these two indicators have been chosen.

• Allotment in Jul. 2022

Indicators	Targets for FY2024	Weight
(A) Consolidated Ordinary profit	¥14.0 billion	50%
(B) Consolidated ROIC	3.0%	50%

(ii) Matters regarding Policy on Determining Compensation for Directors

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

At the Board of Directors' meeting held on 25 Feb. 2021, the Company decided on the Policy on Determining Individual Compensation for Directors (the "Decision-making Policy").

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 other factors, stock option-based compensation with continuous service conditions, and stock option-based compensation with performance-based conditions. These types of compensation are combined according to each director's expected duties.

[Basic Policy]

- The plan should contribute to the sustainable growth and to the improvement of medium- to long-term corporate value of the Company group.
- The plan should motivate the executive directors and executive officers to achieve the objectives of the mid-term plan.
- The plan should help the Company group secure human resources who are capable of carrying out its mission and of achieving sustainable growth.
- The plan should facilitate shared awareness with shareholders as well as an outlook that gives weight to the shareholder.

[Types of compensation, timing of payment and recipients]

		Timing of payment	Executive Directors, etc.	Non-executive Directors
Stock compensation	Stock option-based compensation with performance-based conditions	Annually (Jul.)	○	—
	Stock option-based compensation with continuous service conditions	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 for Executive Directors, etc., approximately 50% is basic compensation, which is a fixed compensation, and approximately 50% is the annual bonus and stock compensation, which are types of compensation linked to business results and stock prices.

[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 April in accordance with an assessment for previous fiscal year on the basis of 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 option-based compensation >

Stock compensation shall be the following two (2) types of stock options:

- Stock option-based compensation with continuous service conditions

Subscription rights to shares, which can be exercised by any eligible person for allotment of the subscription rights to shares after losing any position as officer, such as director (including ASC member), corporate auditor and executive officer 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), are granted to Executive Directors, etc. and Non-executive Directors in accordance with the position each year.

- Stock option-based compensation with performance-based conditions

In terms of management indicators targeted in the mid-term plan and other indicators predetermined by the Company's Board of Directors (such as consolidated net sales, each stage of income, ROE and ROIC), the number of exercisable units is determined within the range of 0 to 100% of allotted subscription rights to shares in accordance with achievement levels of the indicators in the final fiscal year for the mid-term plan, and subscription rights to shares, which can be exercised after losing any position as officer, such as director (including ASC member), corporate auditor and executive officer 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), are granted to Executive Directors, etc. in accordance with the position each year.

[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 current fiscal year 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 the 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 22 Jun. 2016, the total amount of basic compensation for directors excluding directors who are ASC members was set at a maximum of ¥300 million per year (of which a maximum of ¥50 million is for outside directors), and basic compensation for directors who are ASC members was set at a maximum of ¥90 million per year. As of the conclusion of the 97th Annual General Shareholders'

Meeting, the number of directors was eight (8), including one (1) outside director, and the number of directors who are ASC members was four (4).

b) Bonus amounts are decided at a Shareholders' Meeting each time they are paid.

c) At the 102nd Annual General Shareholders' Meeting held on 22 Jun. 2021, it was resolved as described below 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)

It was resolved that the upper limit would be set at ¥129 million per year (including ¥9 million for outside directors). Of the amount, the upper limit of ¥93 million per year will be set for stock option-based compensation with continuous service conditions (including a maximum of ¥9 million for outside directors) and the upper limit of ¥36 million per year would be set for stock option-based compensation with performance-based conditions. As of the conclusion of the 102nd Annual General Shareholders' Meeting, the number of directors excluding directors who are ASC members was five (5), none of whom were outside directors.

- Total amount of compensation for directors who are ASC members

It was resolved that the upper limit would be set at ¥22.5 million per year. As of the conclusion of the 102nd Annual General Shareholders' Meeting, the number of directors who are ASC members was five (5).

(5) Holding Status

(i) Criteria and idea for division of investment securities

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 securities which are held for other than portfolio investment purposes

a. Holding policy and method for verification of reasonableness of holdings as well as details of verification by the Board of Directors, etc., in relation to whether or not the holding of individual stock is appropriate

- When the Company considers that holding the stock helps build a good relationship with business partners and related parties such as business alliance partners and contributes to smooth promotion of the Company group's businesses and improvement of corporate value over the medium to long term, it may hold the stock of the business partner, etc., as a policy-holding shares.
- The Company judges whether or not to exercise voting rights for stocks held as a policy-holding shares, for each proposal from a viewpoint of whether doing so contributes to improvement of the Group's corporate value over the medium to long term, also taking into account the holding purpose.
- If a company that holds stock of the Company as a policy-holding shares (hereinafter, the "policy-holding shareholder") expresses its intention to sell that stock, the Company shall not perform actions such as indicating a reduction in transactions with this company as a means for preventing the sale.
- For transactions with policy-holding shareholders, economic reasonableness of the transactions is fully verified so that any transactions that may harm the common interests of the Company and shareholders are not conducted.
- The Company has been pushing forward reduction in stocks of which the holding necessity is considered low. The Board of Directors will continue to verify holding purposes, details of transactions, dividend yields, holding risks and other matters, and consider selling stocks of which the holding necessity is considered low in view of

market trends and other factors, also taking into account the Company's capital cost. As a result, the Company sold two stocks for ¥16,828 million in FY2023.

b. Number of investment securities and balance sheet value

	Number of stocks (stock)	Total amount of balance sheet value (Millions of yen)
Unlisted shares	26	4,707
Shares other than unlisted shares	5	66,313

(Stocks of which the number of shares increased in the current fiscal year)

	Number of stocks (stock)	Total amount of acquisition cost related to the increase in the number of shares (Millions of yen)	Reason for the increase in the number of shares
Unlisted shares	1	9	To strengthen business management relationships
Shares other than unlisted shares	—	—	—

(Stock of which the number of shares decreased in the current fiscal year)

	Number of stocks (stock)	Total amount of sale value related to the decrease in the number of shares (Millions of yen)
Unlisted shares	—	—
Shares other than unlisted shares	2	16,828

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

Specified investment securities

Stock	For the year ended 31 Mar. 2023	For the year ended 31 Mar. 2022	Purpose of holding, outline of business alliance, quantitative holding effect of holding and reason for the increase in the number of shares	Whether or not the stock of the Company is held
	Number of shares	Number of shares		
	Balance Sheet value (Millions of yen)	Balance Sheet value (Millions of yen)		
Toho Co., Ltd.	12,297,852	12,297,852	(Purpose of holding) To strengthen relationship with the Hankyu Hanshin Toho Group from a group-wide perspective	None
	62,350	57,000	(Method of verifying reasonableness of holding) Based on the relationship of the Hankyu Hanshin Toho Group, the Company has judged that there are positive effects of holding the stock.	
SRS HOLDINGS CO., LTD.	2,557,404	2,557,404	(Purpose of holding) To strengthen relationship in business operations- wide perspective	None
	2,424	2,063	(Method of verifying reasonableness of holding) Considering the business relationship with the Company in strategy for Kansai Dominant Strategy, including the promotion of our point- service, the Company has judged that there are positive effects of holding the stock.	
Kato Sangyo Co., Ltd.	363,300	363,300	(Purpose of holding) To strengthen the business management relationship, mainly in the Supermarket Business segment	Yes
	1,275	1,151	(Method of verifying reasonableness of holding) As a result of taking into account the business relationship with this company (transaction for purchase of goods), the Company has considered that there are positive effects of holding the stock.	
Matsukiyokokara & Co.	34,340	34,340	(Purpose of holding) To strengthen relationship between both companies through business alliance, mainly in the Supermarket Business segment	Yes
	240	148	(Method of verifying reasonableness of holding) As a result of taking into account the business relationship with the Company in the operation of our shopping centers, the Company has considered that there are positive effects of holding the stock.	
Tokyo Rakutenchi Co., Ltd.	5,500	5,500	(Purpose of holding) To strengthen relationship with the Hankyu Hanshin Toho Group from a group-wide perspective	None
	23	22	(Method of verifying reasonableness of holding) Based on the relationship of the Hankyu Hanshin Toho Group, the Company has judged that there are positive effects of holding the stock.	
Takashimaya Company, Limited	—	8,887,000	The Company sold shares of this company during the year ended 31 Mar. 2023.	None
	—	10,326		
Umenohana Co., Ltd.	—	374,500	The Company sold shares of this company during the year ended 31 Mar. 2023.	None
	—	387		

*For stocks for which it is difficult to describe quantitative effects of holding, the method of verifying reasonableness of holding has been provided.

(NOTE)"—" indicates that the Company does not hold the stock.

(iii) Investment securities which are held for portfolio investment purposes

Not applicable.

(iv) Investment securities whose purpose for holding was changed from portfolio investment purposes to purposes other than portfolio investment purposes during the current fiscal year

Not applicable.

(v) Investment securities whose purpose for holding was changed from purposes other than portfolio investment purposes to portfolio investment purposes during the current fiscal year

Not applicable.

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 1 Apr. 2022 to 31 Mar. 2023) and the non-consolidated financial statements for the fiscal year (from 1 Apr. 2022 to 31 Mar. 2023) 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 yen)

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Assets		
Current assets		
Cash and deposits	34,724	58,670
NOTEs and accounts receivable – trade	(NOTE 1) 59,906	(NOTE 1) 68,572
Merchandise and finished goods	21,002	19,800
Work in process	231	149
Raw materials and supplies	1,405	1,285
Accounts receivable – other	7,398	8,055
Other	(NOTE 7) 5,368	(NOTE 7) 5,306
Allowance for doubtful accounts	△311	△430
Total current assets	129,725	161,408
Non-current assets		
Property, plant and equipment		
Buildings and structures	(NOTE 2, 4) 345,658	(NOTE 2) 355,118
Accumulated depreciation	△223,168	△229,334
Buildings and structures, net	122,490	125,783
Machinery, equipment and vehicles	(NOTE 2) 9,280	(NOTE 2) 9,557
Accumulated depreciation	△6,376	△6,718
Machinery, equipment and vehicles, net	2,903	2,839
Land	(NOTE 2, 4, 6) 162,462	(NOTE 2, 6) 162,665
Construction in progress	2,220	1,465
Other	(NOTE 2) 50,019	(NOTE 2) 51,428
Accumulated depreciation	△38,852	△40,929
Other, net	11,167	10,498
Total Property, plant and equipment, net	301,245	303,253
Intangible assets		
Goodwill	2,197	1,690
Other	14,245	18,074
Total intangible assets	16,443	19,764
Investments and other assets		
Investment securities	(NOTE 3) 104,231	(NOTE 3) 101,249
Long-term loans receivable	16,044	11,454
Guarantee deposits	(NOTE 4) 73,074	(NOTE 4) 70,903
Retirement benefit asset	4,156	4,548
Deferred tax assets	10,495	14,901
Other	1,943	1,683
Allowance for doubtful accounts	△2,802	△2,743
Total investments and other assets	207,143	201,997
Total non-current assets	524,832	525,015
Total assets	654,558	686,423

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Liabilities		
Current liabilities		
NOTEs and accounts payable - trade	56,839	63,674
Current portion of long-term loans borrowings	(NOTE 4) 1,100	(NOTE 4) 15,350
Accounts payable - other	24,764	27,877
Lease obligations	1,267	839
Income taxes payable	3,546	5,395
Gift certificates	9,211	8,908
Advances received	(NOTE 4, 5) 32,320	(NOTE 4, 5) 32,820
Provision for bonuses	4,177	4,740
Provision for bonuses for directors	24	109
Provision for loss on store closings	1,457	1,947
Provision for temporary expenses associated with reforms of human resource systems	4	682
Asset retirement obligations	620	570
Other	12,329	13,139
Total current liabilities	147,663	176,055
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	154,282	143,917
Long-term accounts payable - other	386	325
Lease obligations	12,248	10,280
Deferred tax liabilities	26,938	31,735
Deferred tax liabilities on land revaluation	(NOTE 6) 266	(NOTE 6) 266
Provision for retirement benefits for directors	228	207
Provision for redemption of gift certificates	3,079	3,247
Long-term guarantee deposited	10,651	10,572
Retirement benefit liability	13,260	13,028
Asset retirement obligations	3,580	3,444
Other	(NOTE 8) 1034	(NOTE 8) 526
Total non-current liabilities	245,956	237,553
Total liabilities	393,620	413,608
Net assets		
Shareholders' equity		
Capital stock	17,796	17,796
Capital surplus	95,086	94,882
Retained earnings	92,299	105,473
Treasury shares	△3,151	△11,938
Total shareholders' equity	202,030	206,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,881	42,925
Revaluation reserve for land	(NOTE 6) 303	(NOTE 6) 303
Foreign currency translation adjustment	565	1,188
Remeasurements of defined benefit plans	△1,936	△1,808
Total accumulated other comprehensive income	34,814	42,608
Share acquisition rights	1,168	1,200
Non-controlling interests	22,924	22,792
Total net assets	260,938	272,814
Total liabilities and net assets	654,558	686,423

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

(Millions of yen)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Net sales	(NOTE 1) 518,447	(NOTE 1) 628,089
Cost of sales	(NOTE 2) 299,766	(NOTE 2) 362,641
Gross profit	218,680	265,447
Selling, general and administrative expenses		
Salaries and allowances	67,553	76,869
Rent expenses	40,468	47,521
Other	109,918	129,668
Total selling, general and administrative expenses	217,939	254,059
Operating profit	740	11,388
Non-operating income		
Interest income	533	541
Dividend income	1,062	1,116
Gain on debt settlement	1,105	913
Foreign exchange gains	1,530	873
Other	835	818
Total non-operating income	5,068	4,262
Non-operating expenses		
Interest expenses	940	962
Provision for redemption of gift certificates	729	701
Share of loss of entities accounted for using equity method	901	281
Other	891	700
Total non-operating expenses	3,462	2,646
Ordinary profit	2,346	13,004
Extraordinary income		
Gain on sales of non-current assets	(NOTE 3) 13,632	(NOTE 3) 13,543
Gain on sales of investment securities	(NOTE 4) 6,485	(NOTE 4) 3,819
Gain on gift certificates settlement	-	(NOTE 5) 134
Subsidy income	(NOTE 6) 3,001	(NOTE 6) 66
Gain on bargain purchase	(NOTE 7) 3,427	-
Gain on reversal of asset retirement obligations	(NOTE 8) 486	-
Total extraordinary income	27,032	17,563
Extraordinary losses		
Impairment losses	(NOTE 10, 12) 1,881	(NOTE 10, 12) 3,877
Loss on store closings	(NOTE 10, 12) 2,530	(NOTE 10, 12) 1,699
Loss on retirement of non-current assets	(NOTE 11) 2,222	(NOTE 11) 1,600
Temporary expenses associated with reforms of human resource systems	-	(NOTE 13) 798
Loss related to COVID-19	(NOTE 9) 4,253	(NOTE 9) 415
Head office relocation expenses	-	(NOTE 14) 324
Loss on sales of investment securities	-	(NOTE 15) 324
Loss on withdrawal of system development	-	(NOTE 16) 279
Expenses for store openings	(NOTE 17) 751	(NOTE 17) 102
Loss on step acquisitions	(NOTE 18) 1,753	-
Loss on sale of shares of subsidiaries and associates	(NOTE 19) 400	-
Total extraordinary losses	13,792	9,422
Profit (loss) before income taxes	15,586	21,146
Income taxes - current	4,166	5,885
Income taxes-deferred	1,399	△2,737
Total income taxes	5,566	3,147
Profit (loss)	10,020	17,998
Profit (loss) attributable to non-controlling interests	148	1,616

(Millions of yen)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Profit (loss) attributable to owners of parent	9,872	16,382

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Profit (loss)	10,020	17,998
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,774	7,045
Foreign currency translation adjustment	326	116
Remeasurements of defined benefit plans, net of tax	463	111
Share of other comprehensive income of entities accounted for using equity method	1,199	506
Total other comprehensive income	(NOTE) △784	(NOTE) 7,779
Comprehensive income	9,235	25,778
(Comprehensive income attributable to)		
Comprehensive profit attributable to owners of parent	9,173	24,175
Comprehensive income attributable to non-controlling interests	61	1,603

(iii) Consolidated Statement of Changes in Equity
(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	17,796	92,633	85,065	△2,732	192,763
Cumulative effect of changes in accounting policies			454		454
Restated balance	17,796	92,633	85,520	△2,732	193,218
Changes of items during period					
Dividends of surplus			△3,093		△3,093
Profit attributable to owners of parent			9,872		9,872
Acquisition and disposal of treasury stock		4		△419	△414
Increase due to share exchanges		2,449			2,449
Increase (decrease) in equity due to purchase of treasury stock of consolidated subsidiaries		△1			△1
Net change in items other than shareholders' equity					-
Total changes during the period	-	2,452	6,778	△419	8,812
Balance at the end of the period	17,796	95,086	92,299	△3,151	202,030

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	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 the beginning of the period	38,668	124	△960	△2,462	35,370	1,138	4	229,277
Cumulative effect of changes in accounting policies								454
Restated balance	38,668	124	△960	△2,462	35,370	1,138	4	229,731
Change during the period								
Dividends of surplus								△3,093
Profit attributable to owners of parent								9,872
Acquisition and disposal of treasury stock								△414
Increase due to share exchanges								2,449
Increase (decrease) in equity due to purchase of treasury stock of consolidated subsidiaries								△1
Net change in items other than shareholders' equity	△2,787	178	1,526	526	△556	29	22,920	22,394
Total changes during the period	△2,787	178	1,526	526	△556	29	22,920	31,206
Balance at the end of the period	35,881	303	565	△1,936	34,814	1,168	22,924	260,938

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity Total
Balance at the beginning of the period	17,796	95,086	92,299	△3,151	202,030
Cumulative effect of changes in accounting policies			△127		△127
Restated balance	17,796	95,086	92,171	△3,151	201,902
Change during period					
Dividends of surplus			△3,080		△3,080
Profit attributable to owners of parent			16,382		16,382
Acquisition and disposal of treasury stock		6		△8,786	△8,779
Increase (decrease) in equity due to purchase of treasury stock of consolidated subsidiaries		△211			△211
Net change in items other than shareholders' equity					-
Total changes during the period	-	△204	13,301	△8,786	4,310
Balance at the end of the period	17,796	94,882	105,473	△11,938	206,213

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	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 the beginning of the period	35,881	303	565	△1,936	34,814	1,168	22,924	260,938
Cumulative effect of changes in accounting policies								△127
Restated balance	35,881	303	565	△1,936	34,814	1,168	22,924	260,810
Change during the period								
Dividends of surplus								△3,080
Profit attributable to owners of parent								16,382
Acquisition and disposal of treasury stock								△8,779
Increase (decrease) in equity due to purchase of treasury stock of consolidated subsidiaries								△211
Net change in items other than shareholders' equity	7,044	-	622	127	7,794	31	△131	7,694
Total changes during the period	7,044	-	622	127	7,794	31	△131	12,004
Balance at the end of the period	42,925	303	1,188	△1,808	42,608	1,200	22,792	272,814

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	15,586	21,146
Depreciation	17,902	19,159
Impairment losses	1,881	3,877
Loss on store closings	1,086	227
Loss on withdrawal of system development	-	279
Head office relocation expenses	-	76
Amortization of goodwill	507	507
Increase (decrease) in allowance for doubtful accounts	7	59
Increase (decrease) in provision for bonuses	445	561
Increase (decrease) in provision for bonuses for directors (and other officers)	2	84
Increase (decrease) in retirement benefit liability	△422	△231
Increase or decrease of remeasurements of defined benefit plans	463	127
Increase (decrease) in provision for retirement benefits for directors (and other officers)	56	△21
Increase (decrease) in provision for redemption of gift certificates	262	167
Increase (decrease) in provision for loss on store closings	1,108	490
Interest and dividend income	△1,596	△1,657
Interest expenses	940	962
Foreign exchange losses (gains)	△1,529	△873
Gain on bargain purchase	△3,427	-
Subsidy income	△3,001	△66
Loss related to COVID-19	3,700	415
Loss (gain) on step acquisitions	1,753	-
Share of loss (profit) of entities accounted for using equity method	901	281
Loss (Gain) on sales of investment securities	△6,485	△3,495
Loss (gain) on sales of shares of subsidiaries and associates	400	-
Loss (gain) on sale of non-current assets	△13,624	△13,511
Loss on retirement of non-current assets	1,130	658
Decrease (increase) in trade receivables	△3,420	△8,655
Decrease (increase) in inventories	2,992	1,234
Increase (decrease) in accounts payable - other	370	2,982
Increase (decrease) in trade payables	△4,706	6,807
Increase (decrease) in accrued consumption taxes	△2,869	777
Increase (decrease) in gift certificates	△37	△302
Increase (decrease) in advances received	△208	477
Other	△1,230	1,748
Subtotal	8,939	34,297
Interest and dividend received	1,535	1,650
Interest paid	△945	△949
Income taxes paid	△2,228	△4,237
Subsidies received	3,001	66
Payments for loss related to COVID-19	△3,601	△531
Extra payment for early retirements	△237	-
Cash flows from operating activities	6,465	30,295

(Millions of yen)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Cash flow from investing activities		
Purchase of property, plant and equipment	△26,304	△23,925
Proceeds from sales of property, plant and equipment	19,771	13,896
Purchase of intangible assets	△3,874	△6,788
Proceeds from sale of intangible assets	1	4
Payments for asset retirement obligations	△260	△473
Purchase of investment securities	△125	△34
Proceeds from sales of investment securities	9,386	16,828
Payments into time deposits	△1,400	△2,650
Proceeds from withdrawal of time deposits	900	2,550
Long-term loan advance	△4,011	-
Proceeds from collection of long-term loans receivable	451	5,331
Payments of guarantee deposits	△341	△644
Proceeds from refund of guarantee deposits	620	1,687
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	△18	-
Cash flow from investing activities	△5,203	5,782
Cash flows from financing activities		
Proceeds from long-term borrowings	32,000	5,000
Repayments of long-term borrowings	△46,840	△1,181
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	△473	△8,855
Purchase of treasury shares of subsidiaries	△7,383	△1,611
Dividends paid	△3,093	△3,080
Dividends paid to non-controlling interests	-	△390
Repayments of lease obligations	△1,027	△2,430
Proceeds from refund of investments in silent partnerships	△1,760	-
Cash flows from financing activities	△28,578	△12,549
Effect of exchange rate change on cash and cash equivalents	763	317
Net increase (decrease) in cash and cash equivalents	△26,553	23,845
Cash and cash equivalents at beginning of period	49,991	33,174
Increase (decrease) in cash and cash equivalents due to share exchange	(Note 2) 9,736	-
Cash and cash equivalents at end of period	(Note 1) 33,174	(Note 1) 57,020

Notes on Consolidated Financial Statements

(Significant Matters that Form the Basis for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Number of consolidated subsidiaries: 47 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 31 Mar. 2023, the following companies have been included in the scope of consolidation.

- Senri Central Park Management Co., Ltd. (Due to new establishment)
- H2O Communication NEXT CORPORATION(Due to new establishment)

2. Application of the Equity Method

Number of associates accounted for using equity method: 8companies

Principal companies: Ningbo Development Co., Ltd. and Hankyu Hanshin Point Co., Ltd.

Name of associates not accounted for using equity method

SUPER NATIONAL Co., Ltd., MASAMI CATTLE RANCH INC., and H.M. Trading Co., Ltd.

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, etc., of Consolidated Subsidiaries

In the year ended 31 Mar. 2023, 4 consolidated subsidiaries had a financial year ending on 31 Dec.

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

4. Summary of Significant Accounting Policies

(1) Valuation bases and methods for significant assets

(i) Securities

Available-for-sale securities

Investment securities consist principally of marketable and nonmarketable equity securities. The Companies categorise the securities as "available-for-sale". Available-for-sale securities other than equity securities without market price are stated at fair value. Unrealised holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realised gains and losses on sales of such securities are determined principally by the average cost method. Available-for-sale securities without market price are stated at average cost.

(ii) Derivative transactions

Derivative transactions are stated at fair value.

(iii) Inventories

Inventories are stated at cost. The book value of inventories is reduced on the basis of declines in profitability and is determined principally by the retail method for merchandise and finished goods and the weighted average method for work in process and raw materials and supplies.

(2) Depreciation and amortisation methods for significant depreciable and amortisable assets

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

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

Buildings and structures	1-60 years
Machinery, equipment and vehicles	2-17 years
Other	1-20 years

(ii) Intangible assets (excluding leased assets)

Intangible assets, excluding lease assets, are carried at cost. Amortisation is computed principally by the straight-line method. Software for internal use is amortised using the straight-line method over the estimated useful life of 5 years.

(iii) Leased 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 Significant Provisions

(i) 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.

(ii) Provision for bonuses

The Companies accrue estimated amounts of employee bonuses based on the estimated amount to be paid in the subsequent period.

(iii) Provision for bonuses for directors

The Companies accrue bonuses for directors based on estimated payments to be made after the end of the year.

(iv) Provision for loss on store closings

The Companies provide provision for loss on the closing of stores based on the estimated amount to be incurred in the future.

(v) Provision for retirement benefits for directors

With regard to retirement benefits for directors of some consolidated subsidiaries, the liability for lump-sum payments is stated at the amount which would be required to be paid if they retired as of the balance sheet date. The amount of provision for executive officers' severance and retirement benefits as of 31 Mar. 2023 was ¥17 million, respectively.

(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 recognise a gain. A provision is recorded by the Companies for the unredeemed gift certificates previously recognised as gain based on the estimated future redemption of those certificates. Due to adoption of "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, 31 Mar. 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 from the year ended 31 Mar. 2022.

(vii) Provision for temporary expenses associated with reforms of human resource

The Companies provide provision for temporary expenses associated with reforms of human resource based on the estimated amount to be incurred in the future.

(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 recognised at the time of the transfer of goods to customers as a performance obligation is deemed to be satisfied at that time. Payment of the goods are 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 recognised at the net of total amount receivable from customers less payable to supplier. Also, The Companies recognise performance obligation for gift certificates issued by the Companies and

recognise revenue when they are redeemed. The Companies recognise 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 recognise a performance obligation for points granted to members and recognise 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 to commercial facilities, a performance obligation is deemed to be satisfied over a certain period of time and accordingly, revenue is recognised 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 fiscal year upon calculation of projected benefit obligation.

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

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

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

Unrecognised actuarial gains and losses and unrecognised 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 the 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 enter derivatives for speculative purpose or with a high leverage effect.

(iv) Evaluation of hedge effectiveness

The Companies assess hedge effectiveness by comparing the cumulative variation in cash flows of hedged items

and the cumulative variation in cash flows of the hedging instruments.

The Companies do not evaluate the effectiveness of hedges for interest rate swaps under special accounting treatment since the interest payments and terms of the swaps are consistent with those of the hedged items.

(8) Amortisation 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 amortised 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, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(10) Other Significant Matters for Preparing Consolidated Financial Statements

Accounting for non-deductible portion of 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

- Amounts recorded in the consolidated financial statements for the fiscal year under review

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 fiscal year under review after performing these estimates and assessments are as follows.

	FY2022	FY2023
Property, plant and equipment	¥301,245 million	¥303,253 million
Intangible assets	¥16,443 million	¥19,764 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. Discount rates are calculated using the weighted average methods with the cost of equity calculated using the capital asset pricing model (CAPM) and the cost of debt calculated using the actual borrowing rates based on the debt equity ratio (D/E ratio) of the Group as of the balance sheet date. 3.6% is used for the year ended 31 Mar. 2022. Regardless of the above, for stores and other assets on which the decision of closing or sales were made, impairment loss is recognised 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 31 Mar. 2024 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 recognised to the extent that the 66 amounts are reasonably expected to reduce the future tax burden by estimating the amounts of future taxable income and timing and amounts of utilising temporary deductible differences.

The amounts of deferred tax assets are the same as the amount described in "Notes on Consolidated Financial Statements (Matters related to Deferred tax)."

- 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 31 Mar. 2024 if timing or amounts of the actual taxable income differ from the estimates.

(Change in Accounting Policies)

Changes in the Valuation Standard and Valuation Method for Inventory

Previously, certain consolidated subsidiaries stated merchandise at cost determined by the retail method (the book value is devaluated based on the decrease in profitability). However, due to system modifications aimed to improve the accuracy of inventory management and the efficiency of operations, it became possible to acquire the data necessary for calculations, and the Company changed the valuation method to the lower of cost or market method based on the retail method in the current consolidated fiscal year. Since the system does not archive the necessary data for prior periods, it is not practicable to calculate the cumulative effect of retrospective application of this accounting policy. Therefore, the cumulative effect calculated based on the difference between the book value of the merchandise at the beginning of the current fiscal year and the book value of the merchandise at the end of the previous fiscal year based on the modified valuation method is reflected in the beginning balance of the current fiscal year.

As a result, retained earnings at the beginning of the current fiscal year decreased by ¥127 million. The effect of this change on cost of sales, profit/loss at each level, and per share information for the current consolidated fiscal year was immaterial.

(Changes in Presentation)

Matters Related to Consolidated Balance Sheets

Temporary expenses associated with reforms of human resource systems," which was included in "Other" under "Current liabilities" in the previous consolidated fiscal year, is separately stated from the current consolidated fiscal year due to its increased importance in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, ¥12,334 million presented as "Other" under "Current liabilities" in the consolidated balance sheets for the previous fiscal year has been reclassified as "Temporary expenses associated with reforms of human resource systems" of ¥4 million and "Other" of ¥12,329 million.

(Matters related to the Consolidated Statements of Cash Flows)

Increase (decrease) in accounts payable-other," which was included in "Other" under "Cash flows from operating activities" in the previous consolidated fiscal year, is stated separately from the current consolidated fiscal year due to its increased importance. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the amount of △¥859 million presented as "Other" in "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified as "Increase (decrease) in accrued liabilities" of ¥370 million and "Other" of △¥1,230 million.

(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 from contracts with customers) 3. (1) Balance of contract liabilities"

2. Reduction entry amount

Due to the acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of relevant assets.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Reduction entry amount	¥568 million	¥568 million
(Buildings and structures)	¥407 million	¥407 million
(Machinery, equipment and vehicles)	¥64 million	¥64 million
(Land)	¥58 million	¥58 million
(Other)	¥38 million	¥38 million

3. Assets related to associates

Assets related to associates were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Investments securities (stock)	¥10,875 million	¥11,110 million
(Investments in entities under common control)	(¥9,474 million)	(¥9,347 million)

4. Pledged assets and secured liabilities

(1) Assets pledged as collateral and corresponding secured liabilities were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Buildings and structures	¥833 million	—
Land	¥7,927 million	—
Total	¥8,761 million	—
Current portion of long-term borrowings	¥660 million	—

(2) Deposits under the Installment Sales Act were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Guarantee deposits	¥133 million	¥158 million

(3) Deposits under the Real Estate Brokerage Act were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Guarantee deposits	¥10 million	¥10 million

(4) Deposits under the Travel Business Act were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Guarantee deposits	¥2 million	¥0 million

(5) Deposits and secured liabilities under the Payment Services Act were as follows:

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Guarantee deposits	¥100 million	¥100 million
Advances received	¥157 million	¥157 million

5. Regarding advances received, the amounts of contract liabilities were described in "Notes on Consolidated Financial Statements (Matters related to revenue from contracts with customers) 3. (1) Balance of contract liabilities "

6. In accordance with the Act on Revaluation of Land and Act on Partial Amendment to the Act on Revaluation of Land, land used for business owned by the Company and some consolidated subsidiaries was revaluated. The unrealised gains and losses, net of deferred taxes, were excluded from the statements of operations and reported as "Revaluation reserve for land" in net assets, and the relevant deferred taxes were shown as "Deferred tax liabilities for land revaluation" in liabilities as of 31 Mar. 2022 and 2023.

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 Act on Revaluation of Land" (Cabinet Order No. 119, issued on 31 Mar. 1998)
Date of revaluations	28 Feb. 2002 and 31 Mar. 2002

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

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
	△ ¥792 million	△ ¥792 million

7. Commitment agreements

In order to obtain working funds efficiently, the Company had loan commitment agreements with 3 financial institutions. The loan commitment facilities and unused balances at the end of the fiscal year were as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Total loan commitment facilities	¥50,000million	¥50,000 million
Outstanding balances	—	—
Unused balances	¥50,000 million	¥50,000 million

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

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Total overdraft commitment facilities	¥13,981 million	¥14,615 million
Outstanding balances	¥417 million	¥448 million
Unused balances	¥13,563 million	¥14,166 million

The overdraft commitment facilities include overdraft contracts that are executed subject to the customer's use of funds and credit condition. Thus, the total facilities are not always executed (unused balance at the end of the previous fiscal year of ¥13,563 million and unused balance at the end of the current fiscal year of ¥14,166 million).

8. Specified accounts pertaining to business combination

(For the fiscal year ended 31 Mar. 2022)

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 ¥385 million. In the consolidated balance sheets, they were recorded in "Other" under "Non-current liabilities."

(For the fiscal year ended 31 Mar. 2023)

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 ¥298 million. In the consolidated balance sheets, they were recorded in "Other" under "Non-current liabilities."

(Matters Related to Consolidated Statements of Income)

(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 from contracts with customers) 1. Information on breakdown of revenue from contracts with customers".

2. Reduction in the book value of inventories

Reduction in book value of inventories held for ordinary sale due to a decline in profitability. The following loss on valuation of inventories is included in cost of sales.

FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
494 Millions of yen	7 Millions of yen

3. Gain on sales of non-current assets

(For the fiscal year ended 31 Mar. 2022)

Gain on sale of land by H2O Retailing Corporation and Hankyu Hanshin Department Store, Inc.

(For the fiscal year ended 31 Mar. 2023)

Gain on sales of land in H2O Retailing Corporation.

4. Gain on sales of investment securities

(For the fiscal year ended 31 Mar. 2022)

Gain on sales of investment securities of Toho Co., Ltd. and Mitsubishi UFJ Financial Group Inc. in H2O Retailing Corporation.

(For the fiscal year ended 31 Mar. 2023)

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

5. Gain on gift certificates settlement

(For the fiscal year ended 31 Mar. 2023)

Gain on reversal of advances received due to the elimination of gift certificates at Izumiya Co., Ltd.

6. Gain on subsidy income

(For the fiscal year ended 31 Mar. 2022)

Subsidy income consisted of employment adjustment subsidies for personnel expenses for employees leave.

(For the fiscal year ended 31 Mar. 2023)

Subsidy income consisted of cooperation for preventing the spread of infection through reduced opening hours.

7. Gain on bargain purchase

(For the fiscal year ended 31 Mar. 2022)

Gain on bargain purchase consisted of share exchanges with Kansai Super Market Ltd. (currently Kansai Food Market Ltd.)

8. Gain on reversal of asset retirement obligations

(For the fiscal year ended 31 Mar. 2022)

Due to the reversal of the difference between actual retirement costs and asset retirement obligations which were recorded as reserves for restoration expenses for buildings rented by H2O Shopping Center Development Co., Ltd. from external companies in line with the termination of the contracts.

9. Loss related to COVID-19

(For the fiscal year ended 31 Mar. 2022)

Personnel expenses for employees on leave	¥1,874 million
Rent and depreciation expenses while businesses were closed	¥1,847 million
Other (store decontamination expenses, event cancellation fees and other)	¥531 million
Total	¥4,253 million

(For the fiscal year ended 31 Mar. 2022)

Store sterilization expenses	¥330 million
Personnel expenses for employees on leave	¥54 million
Others (Rent reductions during periods of closing, depreciation,)	¥31 million
Total	¥415 million

10. Loss on store closing

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Izumiya stores	¥673 million	¥1,273 million
Qanat stores	¥13 million	¥198 million
SELCY	¥1,312 million	¥142 million
F.G.J stores	¥17 million	¥29 million
Hankyu Bakery stores	¥20 million	¥23 million
Other	¥492 million	¥32 million
Total	*1 ¥2,530 million	*2 ¥1,699 million

*1 (For the fiscal year ended 31 Mar. 2022)

The amounts included expenses related to store closings of ¥1,354 million, impairment loss of ¥849 million, and additional payment on retirement allowance and cost for support for reemployment of ¥287 million.

*2 (For the fiscal year ended 31 Mar. 2023)

The amounts included expenses related to store closings and others of ¥1,329 million and impairment loss of ¥227 million.

11. Loss on retirement of non-current assets

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Buildings and structures	¥411 million	¥266 million
Machinery, equipment and vehicles	¥25 million	¥8 million
Removal cost	¥1,084 million	¥936 million
Other	¥701 million	¥389 million
Total	¥2,222 million	¥1,600 million

12. Impairment loss

(For the fiscal year ended 31 Mar. 2022)

The Companies recognised 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.

The Companies recorded impairment loss for the year ended 31 Mar. 2022 as follows.

Company	Assets Group	Use	Location	Type of assets	Millions of yen
H2O Shopping Center Development Co., Ltd.	Katada store Edosaki rental property Yao store	Store and rental property	Otsu City, Shiga and other	Buildings and structures	854
				Machinery, equipment and vehicles	0
				Land	843
				Other	
Hankyu Bakery Co., Ltd.	Takatsuki factory and other	Factory Store	Takatsuki City, Osaka and other	Buildings and structures	343
				Machinery, equipment and vehicles	325
				Other	33
Hankyu Oasis Co., Ltd.	Ibaraki station front store and other	Store	Ibaraki City, Osaka and other	Buildings and structures	328
				Machinery, equipment and vehicles	11
				Other	114
Hankyu Hanshin Department Stores, Inc.	Hankyu Beauty Studio and other	Store	Osaka City, Osaka	Buildings and structures	172
				Machinery, equipment and vehicles	3
				Other	29
Izumiya Co., Ltd., etc.	Kokubuchō store and other	Store and other	Osaka City, Osaka and other	Buildings and structures	219
				Machinery, equipment and vehicles	27
				Other	213

For H2O Shopping Center Development Co., Ltd, HANKYU BAKERY Co., Ltd., Hankyu Oasis Co., Ltd., Hankyu Hanshin Department Stores, Inc., and Izumiya Co., Ltd., and other companies, impairment loss was recognised to the recoverable amounts for asset groups in stores with continuous negative cash flows from operating activities and asset groups in closed stores.

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 3.6%. For some asset groups, the recoverable amounts were the net saleable values and are valued based on estimated sales, real estate appraisal values.

As a result, the Company accounted for the total of ¥2,730 million as impairment loss.

Impairment loss of ¥849 million related to the store closing, including H2O Shopping Center Development Co., Ltd, Hankyu Hanshin Department Stores, Inc., and other stores, is included in “Loss on store closings”, including extraordinary losses, in the consolidated statements of income. Accordingly, ¥1,881 million is included in the impairment loss of extraordinary losses.

(For the fiscal year ended 31 Mar. 2023)

The Companies recorded impairment loss for the year ended 31 Mar. 2023 as follows.

Company	Assets Group	Use	Location	Type	Millions of yen
H2O Retailing Corporation	Suita Warehouse Elm Plaza	Warehouse Shopping center	Suita City, Osaka and other	Buildings and structures	370
				Land	1,189
				Other	0
Hankyu Oasis Co., Ltd.	Kobe Sannomiya store and other	Store	Kobe City, Hyogo and other	Buildings and structures	453
				Machinery, equipment and vehicles	11
				Land	362
				Other	150
Izumiya Co., Ltd.	Yao store and other	Store and other	Yao City, Osaka and other	Buildings and structures	272
				Machinery, equipment and vehicles	38
				Other	237
Kansai Super Market Ltd.	Tondabayashi station front store and other	Store and other	Tondabayashi City, Osaka and other	Buildings and structures	234
				Machinery, equipment and vehicles	16
				Other	104
H2O Shopping Center Development Co., Ltd. and other	Senrioka store and other	Store and other	Suita City, Osaka and other	Buildings and structures	399
				Machinery, equipment and vehicles	20
				Land	142
				Other	160

The Company recognised impairment losses up to the recoverable amount for asset groups in warehouses with a change in use and asset groups in shopping centers with a continuous negative operating income. For Hankyu Oasis Co., Ltd., H2O Shopping Center Development Co., Ltd. and other subsidiaries, impairment losses were recognized for asset groups of stores and rental real estate assets that have continuously recorded operating losses up to their recoverable amounts.

Izumiya Co., Ltd., Kansai Super Market Ltd., and other subsidiaries recognised impairment losses on asset groups at stores that have continuously recorded operating losses and asset groups at stores where the decision was made to close, down to the recoverable amount. The recoverable amount is mainly based on the value in use, and the discount rate is mainly 5.0%. Some asset groups are valued at net realizable value, which is calculated using methods similar to those used in real estate appraisals. As a result, a total of ¥4,167 million for the group was accounted for as an impairment loss.

Izumiya Co., Ltd., Kansai Supermarket Ltd. and other subsidiaries, impairment loss of ¥227 million related to store closing is included in loss on store closings in the consolidated statements of income, and expenses of ¥62 million related to head office relocation are included in head office relocation expenses, so that impairment loss of ¥3,877 million is included in extraordinary loss.

13. Temporary expenses associated with reforms of human resource systems

(For the fiscal year ended 31 Mar. 2023)

Expense due to the revision of the personnel system at Hankyu Oasis Co., Ltd. and Izumiya Co., Ltd.

14. Head office relocation expenses

(For the fiscal year ended 31 Mar. 2023)

Expense due to the head office relocation of H2O Retailing Corporation and Hankyu Hanshin Department Store, Inc.

15. Loss on sales of investment securities

(For the fiscal year ended 31 Mar. 2023)

Loss due to on the sales of stock of UMENOHANA Co., Ltd. in H2O Retailing Corporation.

16. Loss on withdrawal of system development

(For the fiscal year ended 31 Mar. 2023)

Loss due to the cancellation of new system-development at H2O Retailing Corporation.

17. Expenses for store openings

(For the fiscal year ended 31 Mar. 2023)

Expense due to grand opening of Hanshin Umeda Main Store of Hankyu Hanshin Department Store, Inc.

(For the fiscal year ended 31 Mar. 2023)

Expense due to grand opening of Hanshin Umeda Main Store of Hankyu Hanshin Department Store, Inc.

18. Loss on step acquisitions

(For the fiscal year ended 31 Mar. 2022)

Loss due to the acquisition of additional shares in Kansai Super Market Ltd. (currently Kansai Food Market Ltd.) in order to make it a consolidated subsidiary of the Company.

19. Loss on sales of shares of subsidiaries and associates

(For the fiscal year ended 31 Mar. 2022)

Loss due to the sale of all shares of our consolidated subsidiary, Be-U Co., Ltd, a consolidated subsidiary of the Company.

(Matters Related to Consolidated Statements Comprehensive Income)

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

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Valuation difference on available-for-sale securities		
Amount arising during the period	¥799 million	¥13,644 million
Reclassification adjustments	△ ¥4,731 million	△ ¥3,495 million
Amount before the effect of deferred income tax	△ ¥3,932 million	¥10,149 million
Effect of deferred income tax	¥1,157 million	△ ¥3,103 million
Valuation difference on available-for-sale securities	△ ¥2,774 million	¥7,045 million
Foreign currency translation adjustment		
Amount arising during the period	¥326 million	¥116 million
Reclassification adjustments	—	—
Amount before the effect of deferred income tax	¥326 million	¥116 million
Effect of deferred income tax	—	—
Foreign currency translation adjustment	¥326 million	¥116 million
Remeasurements of defined benefit plans, net of tax		
Amount arising during the period	¥96 million	△ ¥311 million
Reclassification adjustments	¥549 million	¥503 million
Amount before the effect of deferred income tax	¥645 million	¥192 million
Effect of deferred income tax	△ ¥182 million	△ ¥81 million
Remeasurements of defined benefit plans, net of tax	¥463 million	¥111 million
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	¥1,199 million	¥506 million
Total other comprehensive income	△ ¥784 million	¥7,779 million

(Matters Related to Consolidated Statements of Changes in Equity)

(For the fiscal year ended 31 Mar. 2022)

1. Outstanding shares

Share	Beginning of FY2022	Increase	Decrease	End of FY2022
Common stock	125,201,396	—	—	125,201,396

2. Treasury shares outstanding

Share	Beginning of FY2022	Increase	Decrease	End of FY2022
Common stock (shares)	1,469,808	552,070	32,625	1,989,253

(Outline of changes)

Due to the increases were as follows.

Increase due to acquisition of treasury shares by ToSTNeT (Tokyo Stock Exchange Trading NeTwork System): 550,000 shares

Increase due to purchase of odd-lot shares: 1,945 shares

Increase in shares held by newly consolidated subsidiary: 125 shares

Due to the decreases were as follows.

Decrease due to exercise of stock options: 32,500 shares

Decrease due to sale of shares of our newly consolidated subsidiary: 125 shares

3. Subscription rights to shares

Company	Details	Class of shares	Number of shares				Balance at the end of the fiscal year (Millions of yen)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
H2O Retailing Corporation	Mar. 2009 as stock options			—			8
	Mar. 2010 as stock options			—			17
	Mar. 2011 as stock options			—			22
	Feb. 2012 as stock options			—			28
	Mar. 2013 as stock options			—			65
	Mar. 2014 as stock options			—			61
	Mar. 2015 as stock options			—			117
	Mar. 2016 as stock options			—			129
	Mar. 2017 as stock options			—			145
	Mar. 2018 as stock options			—			174
	Jun. 2018 as a stock option			—			152
	Jul. 2019 as stock options A (stock-based compensation with seniority-based conditions)			—			106
	Jul. 2020 as stock options A (stock-based compensation with seniority-based conditions)			—			49
	Jul. 2021 as stock options A (stock-based compensation with seniority-based conditions)			—			81
Aug. 2021 as stock options B (stock-based compensation with performance-based conditions)			—			7	
Total				—			1,168

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record Date	Effective date
11 May 2021 Board of Directors' meeting	Common stock	1,546	12.50	31 Mar. 2021	1 Jun. 2021
5 Nov. 2021 Board of Directors' meeting	Common stock	1,546	12.50	30 Sep. 2021	30 Nov. 2021

(2) Dividends with a record date in the year ended 31 Mar. 2021 but an effective date in the year ending 31 Mar. 2022

Resolution	Class of shares	Source	Total dividends (Millions of yen)	Dividends per share (yen)	Record Date	Effective date
17 May 2022 Board of Directors' meeting	Common stock	Retained earnings	1,540	12.50	31 Mar. 2022	1 Jun. 2022

(For the fiscal year ended 31 Mar. 2023)

1. Outstanding shares

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

2. Treasury shares outstanding

Share	Beginning of the current consolidated fiscal year	Increase	Decrease	End of the consolidated financial year
Common stock (shares)	1,989,253	6,870,295	46,000	8,813,548

(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)
: 6,868,100 shares

Increase due to acquisition by purchase of odd-lot shares: 2,195 shares

Due to the decrease is as follows.

Decrease due to exercise of stock options: 46,000 shares

3. Share acquisition rights

Company	Details	Class of shares	Number of shares				Balance at the end of the fiscal year (Millions of yen)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
H2O Retailing Corporation	Mar. 2009 as stock options			—			8
	Mar. 2010 as stock options			—			15
	Mar. 2011 as stock options			—			19
	Feb. 2012 as stock options			—			25
	Mar. 2013 as stock options			—			59
	Mar. 2014 as stock options			—			61
	Mar. 2015 as stock options			—			111
	Mar. 2016 as stock options			—			120
	Mar. 2017 as stock options			—			130
	Mar. 2018 as stock options			—			144
	Jun. 2018 as stock option			—			152
	Jul. 2019 as stock options A (stock-based compensation with seniority-based conditions)			—			106
	Jul. 2020 as stock options A (stock-based compensation with seniority-based conditions)			—			48
	Jul. 2021 as stock options A (stock-based compensation with seniority-based conditions)			—			81
	Aug. 2021 as stock options B (stock-based compensation with performance-based conditions)			—			17
Jul. 2022 as a stock option A (stock-based compensation with seniority-based conditions)			—			84	
Jul. 2022 as a stock option B (stock-based compensation with performance-based conditions)			—			12	
Total				—			1,200

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record Date	Effective date
17 May 2022 Board of Directors' meeting	Common stock	1,540	12.50	31 Mar. 2022	1 Jun. 2022
2 Nov. 2022 Board of Directors' meeting	Common stock	1,540	12.50	30 Sep. 2022	30 Nov. 2022

(2) Dividends with a record date in the year ended 31 Mar. 2022 but an effective date in the year ending 31 Mar. 2023

Resolution	Class of shares	Source	Total dividends (Millions of yen)	Dividends per share (yen)	Record Date	Effective date
17 May 2023 Board of Directors' meeting	Common stock	Retained earnings	1,454	12.50	31 Mar. 2023	7 Jun. 2023

(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 as of 31 Mar. 2022 and 2023 was as follows.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Cash and deposit account	¥34,724 million	¥58,670 million
Time deposits with maturities exceeding three months	△ ¥1,550 million	△ ¥1,650 million
Cash and cash equivalents	¥33,174 million	¥57,020 million

2. Significant noncash transactions

(1) Assets and liabilities in connection with finance lease transactions and asset retirement obligations were as follows.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Assets and liabilities in connection with finance lease transactions	¥24 million	—
Asset retirement obligations	¥604 million	¥147 million

(2) Transactions due to share exchanges

(For the fiscal year ended 31 Mar. 2022)

The following is a summary of assets and liabilities at the beginning of consolidation of Kansai Super Market Ltd. and its consolidated subsidiaries by share exchanges. Capital surplus increased by ¥2,449 million due to share exchanges.

Current assets	¥16,843 million
Non-current assets	¥49,987 million
Current liabilities	△ ¥26,798 million
Non-current liabilities	△ ¥7,703 million
Gain on bargain purchase	△ ¥3,427 million
Non-controlling interests	△ ¥12,032 million
Acquisition cost of shares	¥16,867 million

Current assets include cash and cash equivalents of ¥9,736 million of cash and cash equivalents at the beginning of consolidation, which is recorded in “Increase in cash and cash equivalents resulting from share exchanges”.

(Matters related to Lease Transactions)

1. Finance lease transactions

The Companies 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 are same as those described in Note, "4. Summary of Significant Accounting Policies (2) Depreciation and amortisation methods for significant depreciable and amortisable assets".

2. Operating lease transactions

Future lease payments for non-cancellable operating leases

The Companies as lessee

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Payments due within one year	¥17,612 million	¥11,367 million
Payments due after one year	¥49,619 million	¥48,172 million
Total	¥67,231 million	¥59,540 million

Company as lessor

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Payments due within one year	¥2,447 million	¥1,795 million
Payments due after one year	¥10,696 million	¥6,575 million
Total	¥13,143 million	¥8,370 million

(Matters related to Financial Instruments)

1. Matters related to financial instruments conditions

(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

Notes and 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.

Notes and accounts payable - trade, which are operating payables, and 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. Long-term loans payable and bonds payable are mainly for capital investment. Some are subject to interest rate risk because of floating interest rates. Moreover, notes and accounts payable - trade, 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 into interest rate swap transactions to hedge the fluctuation risk of interests on loans. The Company also enters into 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 Note 2, "Summary of Significant Accounting Policies".

(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 notes and 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 payment from particular 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 manage price volatility risk in the same way.

(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 fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities			
Available-for-sale securities *3	86,764	86,764	—
(2) Guarantee deposits	73,074		
Allowance for doubtful accounts	△2,046		
	71,028	68,963	△2,064
Total assets	157,792	155,727	△2,064
(1) Bonds payable	20,000	20,013	13
(2) Long-term loans borrowings *4	155,382	154,004	△1,377
Total liabilities	175,382	174,017	△1,364
Derivative transactions			
Hedge accounting is applied	—	—	—
Total derivative transactions	—	—	—

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

*2 Disclosure of "Accounts receivable other", "Accounts payable other" and "Long-term guarantee deposited" is omitted because they are not significant.

*3 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	FY2022 (Millions of yen)
(1) Unlisted shares	17,082
(2) Investment in limited liability partnership for investment	385
Total	17,467

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

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities			
Available-for-sale securities *3	83,578	83,578	—
(2) Guarantee deposits	70,903		
Allowance for doubtful accounts	△2,008		
	68,895	66,022	△2,872
Total assets	152,473	149,601	△2,872
(1) Bonds payable	20,000	19,941	△58
(2) Long-term loans borrowings *4	159,267	157,195	△2,072
Total liabilities	179,267	177,136	△2,131
Derivative transactions			
Hedge accounting is applied	—	—	—
Total derivative transactions	—	—	—

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

*2 Disclosure of "Accounts receivable other", "Accounts payable other" and "Long-term guarantee deposited" is omitted because they are not significant.

*3 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	FY2023 (Millions of yen)
(1) Unlisted shares	17,318
(2) Investment in limited liability partnership for investment	352
Total	17,670

*4 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 fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	34,724	—	—	—
Notes and accounts receivable - trade	59,906	—	—	—
Accounts receivable - other	7,398	—	—	—
Guarantee deposits	8,729	12,901	16,926	32,471
Total	110,758	12,901	16,926	32,471

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

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	58,670	—	—	—
Notes and accounts receivable - trade	68,572	—	—	—
Accounts receivable - other	8,055	—	—	—
Guarantee deposits	7,181	21,678	26,566	13,469

Total	142,480	21,678	26,566	13,469
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The redemption schedule for guarantee 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 borrowings, lease obligations and other interest bearing debts

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	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	—	—	10,000
Long-term loans borrowings	1,100	15,288	212	46,111	17,111	75,156
Lease obligations	1,267	1,972	718	685	698	8,173
Total	2,367	17,260	10,930	46,797	17,810	93,758

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	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	—	—	—	10,000
Long-term loans borrowings	15,431	431	46,330	17,330	9,832	69,929
Lease obligations	839	718	685	698	721	7,451
Total	16,270	11,149	47,016	18,029	10,554	87,381

3. Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorised 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 categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair values in the consolidated balance sheets

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	86,764	—	—	86,764
Total assets	86,764	—	—	86,764

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	83,578	—	—	83,578
Total assets	83,578	—	—	83,578

(2) Financial instruments other than those measured at fair values in the consolidated balance sheets

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	68,963	—	68,963
Total assets	—	68,963	—	68,963
Bonds payable	—	20,013	—	20,013
Long-term loans borrowings	—	154,004	—	154,004
Total liabilities	—	174,017	—	174,017

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	66,022	—	66,022
Total assets	—	66,022	—	66,022
Bonds payable	—	19,941	—	19,941
Long-term loans borrowings	—	157,195	—	157,195
Total liabilities	—	177,136	—	177,136

(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, and 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, and 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 payable (See (2) above).

(Matters related to Investment Securities)

1. Available-for-sale securities

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Classification	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Available-for-sale securities with book value exceeding acquisition cost			
Equity securities	73,983	18,843	55,140
Subtotal	73,983	18,843	55,140
Available-for-sale securities with book value not exceeding acquisition cost			
Equity securities	12,780	15,956	△3,176
Subtotal	12,780	15,956	△3,176
Total	86,764	34,800	51,964

(NOTE) Unlisted shares (consolidated balance sheet amount: ¥6,591 million) are not included in the above tables since they are equity securities without market price.

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

Classification	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Available-for-sale securities with book value exceeding acquisition cost			
Equity securities	81,151	18,843	62,308
Subtotal	81,151	18,843	62,308
Available-for-sale securities with book value not exceeding acquisition cost			
Equity securities	2,427	2,624	△196
Subtotal	2,427	2,624	△196
Total	83,578	21,467	62,111

(NOTE) Unlisted shares (consolidated balance sheet amount: ¥6,560 million) are not included in the above tables since they are equity securities without market price.

2. Sales of available-for-sale securities

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Classification	Sales	Gain on sales	Loss on sales
Equity securities	9,386	6,485	—

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

Classification	Sales	Gain on sales	Loss on sales
Equity securities	16,828	3,819	324

3. Impairment loss on investment securities

The Companies recognise impairment loss on investment securities when the market value of securities decreases by 50% or more of the acquisition cost as of the balance sheet date or the market value continues to decrease by 30% or more throughout the fiscal year.

(For the fiscal year ended 31 Mar. 2022)

Not applicable.

(For the fiscal year ended 31 Mar. 2023)

Not applicable.

(Matters related to Derivative Transactions)

Derivatives for which hedge accounting is applied

(1) Currency related

(For the fiscal year ended 31 Mar. 2022)

Not applicable.

(For the fiscal year ended 31 Mar. 2023)

Not applicable.

(2) Interest related

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Method of hedge accounting	Type of derivative transactions	Hedged items	Contract amount, etc.	Due after one year	Fairvalue
Exceptional method for interest rate swaps	Interest rate swaps Pay fixed/ Receive floating	Long-term loans borrowings	2,375	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 fiscal year ended 31 Mar. 2023)

(Millions of yen)

Method of hedge accounting	Type of derivative transactions	Hedged items	Contract amount, etc.	Due after one 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 Co., Ltd. and H2O Shopping Center Development Co., Ltd. have unfunded lump-sum payment plans, defined benefit pension plans and defined contribution pension plans. In Apr. 2017, these companies transferred a portion of the defined benefit pension plans and unfunded lump-sum payment plans to defined contribution 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 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 yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Projected benefit obligation - beginning balance	44,984	48,751
Increase due to share exchanges	5,302	—
Service cost	1,797	1,999
Interest cost	121	152
Changes in actuarial differences	△393	△107
Retirement benefits paid	△3,060	△2,964
Projected benefit obligation - ending balance	48,751	47,831

(2) Changes in plan assets were as follows.

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Plan assets – beginning balance	35,752	40,917
Increase due to share exchanges	5,396	—
Expected return on plan assets	1,141	1,214
Changes in actuarial differences	△297	△418
Employers' contributions	1,202	1,191
Retirement benefits paid	△2,277	△2,103
Plan assets – ending balance	40,917	40,801

(3) Ending balances of projected benefit obligation and plan assets and amounts included in the consolidated balance sheets

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Projected benefit obligation under-funded plans	38,099	37,264
Plan assets	△40,917	△40,801
	△2,817	△3,537
Projected benefit obligation under non-funded plans	10,652	10,567
Net balance in the consolidated balance sheets	7,834	7,030
Net defined benefit liability	11,990	11,578
Net defined benefit asset	△4,156	△4,548
Net balance in the consolidated balance sheets	7,834	7,030

(4) Components of retirement benefit cost

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Service cost	1,797	1,999
Interest cost	121	152
Expected return on plan assets	△1,141	△1,214
Amortisation of actuarial loss	626	580
Amortisation of past service cost	△76	△76
Other	19	58
Retirement benefit cost	1,347	1,499

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans in other comprehensive income before the effect of deferred income tax

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Past service cost	△76	△76
Actuarial differences	722	269
Total	645	192

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans in accumulated comprehensive income before the effect of deferred income tax

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Unrecognised past service cost	△406	△329
Unrecognised actuarial differences	3,346	3,077
Total	2,940	2,747

(7) Matter on plan assets

(i) The breakdown of plan assets by major category

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
General account of life insurance	35%	32%
Debt securities	35%	37%
Real estate investment funds	13%	14%
Cash and deposits	11%	11%
Equity securities	2%	2%
Other	4%	4%
Total	100%	100%

(NOTE) Total plan assets include 2% contribution to the retirement benefit trust in the retirement benefit plans in the previous fiscal year and in the current fiscal year.

(ii) Method of set of 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)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Discount rate	0.31%	0.24%
Long-term expected rate of return	2.97%	3.11%
Estimated rate of salary increase	1.07%	1.68%

(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

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Projected benefit obligation - beginning balance	1,709	1,269
Defined benefit cost	240	318
Retirement benefits paid	△206	△130
Decrease due to transfer to defined contribution plans	△384	—
Decrease due to exclusion from consolidation	△59	—
Other	△31	7
Projected benefit obligation - ending balance	1,269	1,449

(2) Ending balances of projected benefit obligation and plan assets and amounts included in the consolidated balance sheets

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Projected benefit obligation under-funded plans	—	—
Plan assets	—	—
Projected benefit obligation under non-funded plans	1,269	1,449
Net balance in the consolidated balance sheets	1,269	1,449
Net defined benefit liability	1,269	1,449
Net balance in the consolidated balance sheets	1,269	1,449

(3) Defined benefit cost

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Retirement benefit cost calculated by the simplified method	240	318

(NOTE) Retirement benefit cost calculated by the above simplified method, ¥240 million recorded in the previous fiscal year does not include ¥237 million in additional retirement benefits, and ¥318 million recorded in the current fiscal year includes ¥115 million in part-time retirement benefits.

4. Defined contribution plan

The amount required for contributions to the defined contribution plans of the Company and its consolidated subsidiaries was ¥615 million for the previous fiscal year and ¥616 million for the current fiscal year.

5. Other Matters

With the transfer of a portion of the unfunded lump-sum payment plans to defined contribution plans, the plan assets to be transferred to the defined contribution plans amounted to ¥387 million and are planned to be transferred over 8 years beginning from the year ended 31 Mar. 2018. In addition, from the previous fiscal year, some subsidiaries have shifted from a lump-sum retirement benefit plan to defined contribution plans. The amount of assets transferred to the defined contribution plans amounted ¥425 million and are planned to be transferred over 4 years beginning from the year ended 31 Mar. 2022. The plan assets not yet transferred amounted to ¥429 million and ¥283 million as of 31 Mar. 2022 and 2023, respectively, and were recorded under “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

	FY2022	FY2023
Selling, general and administrative expenses	¥88 million	¥106 million

2. Scale and changes in stock options

The number of shares means total shares to be issued upon exercise of share acquisition rights and is adjusted for the reverse stock split (two-to-one share) executed on 1 Sep. 2014.

(1) Details of stock options

	Share acquisition rights issued in Mar. 2009 as stock options
Title and number of grantees	5 directors, 1 executive officer of the Company and 4 directors, 8 executive officers of Hankyu Hanshin Department Stores, Inc
Number of stock options (Note 1)	46,000 common shares
Date of issue	31 Mar. 2009
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2009 to 31 Mar. 2039

	Share acquisition rights issued in Mar. 2010 as stock options
Title and number of grantees	6 directors, 1 executive officer of the Company and 4 directors, 16 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	82,500 common shares
Date of issue	31 Mar. 2010
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2010 to 31 Mar. 2040

	Share acquisition rights issued in Mar. 2011 as stock options
Title and number of grantees	6 directors of the Company and 10 directors, 7 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	97,000 common shares
Date of issue	31 Mar. 2011
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2011 to 31 Mar. 2041

	Share acquisition rights issued in Feb.2012 as stock options
Title and number of grantees	6 directors, 1 executive officer of the Company and 9 directors, 8 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	99,500 common shares
Date of issue	29 Feb. 2012
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Mar. 2012 to 28 Feb. 2042

	Share acquisition rights issued in Mar. 2013 as stock options
Title and number of grantees	6 directors of the Company and 8 directors, 9 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	99,000 common shares
Date of issue	31 Mar. 2013
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2013 to 31 Mar. 2043

	Share acquisition rights issued in Mar. 2014 as stock options
Title and number of grantees	6 directors of the Company and 10 directors, 7 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	101,000 common shares
Date of issue	31 Mar. 2014
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2014 to 31 Mar. 2044

	Share acquisition rights issued in Mar. 2015 as stock options
Title and number of grantees	6 directors of the Company and 9 directors, 11 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	109,000 common shares
Date of issue	31 Mar. 2015
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2015 to 31 Mar. 2045

	Share acquisition rights issued in Mar. 2016 as stock options
Title and number of grantees	5 directors, 1 executive officer of the Company and 7 directors, 14 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	110,000 common shares
Date of issue	31 Mar. 2016
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2016 to 31 Mar. 2046

	Share acquisition rights issued in Mar. 2017 as stock options
Title and number of grantees	4 directors, 2 executive officers of the Company and 7 directors, 13 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	106,500 common shares
Date of issue	31 Mar. 2017
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2017 to 31 Mar. 2047

	Share acquisition rights issued in Mar. 2018 as stock options
Title and number of grantees	3 directors, 3 executive officers of the Company and 7 directors, 12 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	100,500 common shares
Date of issue	31 Mar. 2018
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Apr. 2018 to 31 Mar. 2048

	Share acquisition rights issued in Jun. 2018 as stock options
Title and number of grantees	3 directors, 3 executive officers of the Company and 8 directors, 10 executive officers of Hankyu Hanshin Department Stores, Inc.
Number of stock options (Note 1)	98,500 common shares
Date of issue	30 Jun. 2018
Exercise conditions	No provisions. (NOTE 2)
Intended service period	No provisions.
Exercise period	From 1 Jul. 2018 to 30 Jun. 2048

	Share acquisition rights issued Jul. 2019 as stock options (A) (Stock- based compensation with seniority-based conditions)
Title and number of grantees	5 directors (excluding audit and supervisory committee (“ASC”) members), 4 directors as ASC members, 4 executive officers of the Company and 9 directors, 1 corporate auditor, 11 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	112,500 common shares
Date of issue	15 Jul. 2019
Exercise conditions	(NOTE 3)
Intended service period	No provisions.
Exercise period	From 16 Jul. 2019 to 15 Jul. 2049

	Share acquisition rights issued Jul. 2020 as stock options (A) (Stock- based compensation with seniority-based conditions)
Title and number of grantees	4 directors (excluding ASC members), 5 directors as ASC members, 4 executive officers of the Company and 9 directors, 1 corporate auditor, 10 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	113,000 common shares
Date of issue	15 Jul. 2020
Exercise conditions	(NOTE 3)
Intended service period	No provisions.
Exercise period	From 16 Jul. 2020 to 15 Jul. 2050

	Share acquisition rights issued Jul. 2021 as stock options (A) (Stock- based compensation with seniority-based conditions)
Title and number of grantees	4 directors (excluding ASC members), 5 directors as ASC members, 4 executive officers of the Company and 8 directors, 2 corporate auditors, 10 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	109,500 common shares
Date of issue	15 Jul. 2021
Exercise conditions	(NOTE 3)
Intended service period	No provisions.
Exercise period	From 16 Jul. 2021 to 15 Jul. 2051

	Share acquisition rights issued in Aug. 2021 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Title and number of grantees	3 directors (excluding non-executive officers), 4 executive officers of the Company and 7 directors (excluding non-executive officers), 10 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	37,000 common shares
Date of issue	31 Aug. 2021
Exercise conditions	(NOTE 4)

Intended service period	No provisions.
Exercise period	From 1 Sep. 2021 to 31 Aug.2051

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock- based compensation with seniority-based conditions)
Title and number of grantees	3 directors (excluding ASC members), 5 directors as ASC members, 4 executive officers of the Company and 8 directors, 2 corporate auditors, 10 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	103,500 common shares
Date of issue	15 Jul. 2022
Exercise conditions	(NOTE 3)
Intended service period	No provisions.
Exercise period	From 16 Jul. 2022 to 15 Jul. 2052

	Share acquisition rights issued Jul. 2022 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Title and number of grantees	2 directors (excluding non-executive officers), 4 executive officers of the Company and 7 directors (excluding non-executive officers), 10 executive officers of subsidiaries of the Company
Number of stock options (Note 1)	36,000 common shares
Date of issue	15 Jul. 2022
Exercise conditions	(NOTE 4)
Intended service period	No provisions.
Exercise period	From 16 Jul. 2022 to 15 Jul. 2052

(NOTE)

1. The number of options is listed as the number of shares.

2.Exercise is subject to the following conditions.

(1) The grantee can exercise subscription rights to shares only for five years from the following day of the date the grantee loses the position either as directors, corporate auditors or executive officers of the Company or Hankyu Hanshin Department Stores, Inc., a subsidiary of the Company, ("the commencement date of exercise") within the above exercise period of the share acquisition rights.

(2) Regardless of (1), the grantee can exercise subscription rights to shares only for each of the following period when stipulated in the following (a) or (b) (except in case of (b) that share acquisition rights of the target company of reorganisation are granted to the grantee in accordance with note 8 below).

(a) 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

(b) In case a resolution of a merger agreement in which the Company becomes a disappearing company, or share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary is approved by the shareholders' meeting of the Company (or resolved by the Board of Directors' meeting if the resolution by the shareholders' meeting is not required) Within 15 days from the following day of the date of the approval

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

3.Exercise is subject to the following conditions.

(1) The grantee can exercise subscription rights to shares only for five years from the following day of the date the grantee loses the position either as directors (including ASC members), corporate auditors or executive officers of the Company or subsidiaries of the Company, ("the commencement date of exercise") within the above exercise period of the share

acquisition rights.

(2) Regardless of (1), the grantee can exercise subscription rights to shares only for each of the following period when stipulated in the following (a) or (b) (except in case of (b) that share acquisition rights of the target company of reorganisation are granted to the grantee in accordance with note 8 below).

(a) 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

(b) In case a resolution of a merger agreement in which the Company becomes a disappearing company, or share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary is approved by the shareholders' meeting of the Company (or resolved by the Board of Directors' meeting if the resolution by the shareholders' meeting is not required)

Within 15 days from the following day of the date of the approval

(3) Regardless of the above (1) and (2), the grantee cannot exercise the share acquisition rights if the grantee does not have a position as directors, etc. of the target company as of the end of the fiscal year in which the date of allotment is pertaining to, except in case where there is a separate arrangement.

4. Exercise is subject to the following conditions.

(1) The grantee can exercise number of exercisable rights fixed within the range from 0% to 100% of the allotted subscription rights to shares, depending on a degree of achievement of the management indicator or other indicator that is preassigned in the mid-term plan by the Board of Directors of the Company, in the final year of the mid-term plan only for five years from the following day of the date the grantee loses the position (only when resignation due to expiration of term of office or other legitimate reason that the Company permits) either as directors (including ASC members), corporate auditors or executive officers of the Company or subsidiaries of the Company, ("the commencement date of exercise") within the above exercise period of the share acquisition rights.

The performance-based indicators are as follows.

Performance-based criteria for Aug. 2021 and Jul. 2022

Indicators	Targets for FY2024	Weight
(a) Consolidated Ordinary profit	¥14,000 million	50%
(b) Consolidated ROIC	3.0%	50%

(2) Regardless of (1), the grantee can exercise share acquisition rights only for each of the following period when stipulated in the following (a) or (b) (except in case of (b) that share acquisition rights of the target company of reorganisation are granted to the grantee in accordance with note 8 below).

(a) 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

(b) In case a resolution of a merger agreement in which the Company becomes a disappearing company, or share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary is approved by the shareholders' meeting of the Company (or resolved by the Board of Directors' meeting if the resolution by the shareholders' meeting is not required)

Within 15 days from the following day of the date of the approval

(3) Regardless of the above (1) and (2), the grantee cannot exercise the share acquisition rights until the following conditions are satisfied, except in case where there is a separate arrangement.

(a) The number of exercisable rights is fixed.

(b) The grantee maintains a position of directors, etc. at the target company as of the end of the fiscal year in which the date of allotment is pertaining to.

(2) Scale and changes in stock options

The following table describes the scale and changes in stock options that existed during the fiscal year under review.

(i) Number in stock options

	Share acquisition rights issued in Mar. 2009 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	8,500
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	8,500

	Share acquisition rights issued in Mar. 2010 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	15,500
Vested	—
Exercised	2,000
Forfeited	—
Outstanding balance	13,500

	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	23,000
Vested	—

Exercised	3,000
Forfeited	—
Outstanding balance	20,000

	Share acquisition rights issued in Feb.2012 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	26,000
Vested	—
Exercised	3,000
Forfeited	—
Outstanding balance	23,000

	Share acquisition rights issued in Mar. 2013 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	34,000
Vested	—
Exercised	3,000
Forfeited	—
Outstanding balance	31,000

	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	39,000
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	39,000

	Share acquisition rights issued in Mar. 2015 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	55,000
Vested	—
Exercised	3,000
Forfeited	—
Outstanding balance	52,000

	Share acquisition rights issued in Mar. 2016 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	72,000
Vested	—
Exercised	5,000
Forfeited	—

Outstanding balance	67,000
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	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	88,500
Vested	—
Exercised	9,000
Forfeited	—
Outstanding balance	79,500

	Share acquisition rights issued in Mar. 2018 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	97,500
Vested	—
Exercised	17,000
Forfeited	—
Outstanding balance	80,500

	Share acquisition rights issued in Jun. 2018 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	94,500
Vested	—

Exercised	—
Forfeited	—
Outstanding balance	94,500

	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	107,500
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	107,500

	Share acquisition rights issued Jul. 2020 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	107,000
Vested	—
Exercised	1,000
Forfeited	—
Outstanding balance	106,000

	Share acquisition rights issued Jul. 2021 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	109,500
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	109,500

	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	37,000
Granted	—
Forfeited	—
Vested	—
Outstanding	37,000
After vested	
End of the previous consolidated fiscal year	—
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	—

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock-based compensation with seniority-based conditions) (shares)
Before vested	
End of the previous consolidated fiscal period	—
Granted	103,500
Forfeited	—
Vested	103,500
Outstanding	—
After vested	
End of the previous consolidated fiscal period	—
Vested	103,500
Vested of rights	—
Forfeited	—
Outstanding balance	103,500

	Share acquisition rights issued Jul. 2022 as stock options (B) (Stock-based compensation with performance-based vesting conditions) (shares)
Before vested	
End of the previous consolidated fiscal year	—
Granted	36,000

Forfeited	—
Vested	—
Outstanding	36,000
After vested	
End of the previous consolidated fiscal year	—
Vested	—
Exercised	—
Forfeited	—
Outstanding balance	—

(ii) Price information

	Share acquisition rights issued in Mar. 2009 as stock options
Exercise price (yen)	1
Average exercise price (yen)	—
Fair value at grant date (yen)	986

	Share acquisition rights issued in Mar. 2010 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,019
Fair value at grant date (yen)	1,136

	Share acquisition rights issued in Mar. 2011 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,019
Fair value at grant date (yen)	984

	Share acquisition rights issued in Feb. 2012 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,019
Fair value at grant date (yen)	1,100

	Share acquisition rights issued in Mar. 2013 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,019
Fair value at grant date (yen)	1,932

	Share acquisition rights issued in Mar. 2014 as stock options
Exercise price (yen)	1
Average exercise price (yen)	—
Fair value at grant date (yen)	1,566

	Share acquisition rights issued in Mar. 2015 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,238
Fair value at grant date (yen)	2,141

	Share acquisition rights issued in Mar. 2016 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,214
Fair value at grant date (yen)	1,798

	Share acquisition rights issued in Mar. 2017 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,315
Fair value at grant date (yen)	1,645

	Share acquisition rights issued in Mar. 2018 as stock options
Exercise price (yen)	1
Average exercise price (yen)	1,269
Fair value at grant date (yen)	1,791

	Share acquisition rights issued in Jun. 2018 as stock options
Exercise price (yen)	1
Average exercise price (yen)	—
Fair value at grant date (yen)	1,615

	Share acquisition rights issued Jul. 2019 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (yen)	1
Average exercise price (yen)	—
Fair value at grant date (yen)	995

	Share acquisition rights issued Jul. 2020 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (yen)	1
Average exercise price (yen)	859
Fair value at grant date (yen)	460

	Share acquisition rights issued Jul. 2021 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (yen)	1
Average exercise price (yen)	—
Fair value at grant date (yen)	741

	Share acquisition rights issued in Aug. 2021 as stock options (B) (Stock-based compensation with performance-based vesting conditions)
Exercise price (yen)	1
Average stock price at exercise (yen)	—
Fair value at grant date (yen)	699

	Share acquisition rights issued Jul. 2022 as stock options (A) (Stock-based compensation with seniority-based conditions)
Exercise price (yen)	1
Average exercise price (yen)	—

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

3. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of subscription rights to shares issued in Jul. 2022 as stock options and granted during the year ended 31 March 2023 was as follows.

- Stock options (A) (stock-based compensation with seniority-based conditions)

(i) Valuation method used : Adjusted Black-Scholes option-pricing model

(ii) Principal parameters and estimation method

	Jul. 2022 Stock options (A)
Expected volatility of the underlying stock (NOTE 1)	31.79%
Remaining expected life of the option (NOTE 2)	6.8 years
Expected dividends on the stock (NOTE 3)	¥25.0 per share
Risk-free interest rate during the expected option term (NOTE 4)	0.116%

(NOTE)

1. The fair value of stock options was calculated on the basis of the Company's weekly share price movements from Sep. 2015 to Jul. 2022.
2. This period has been calculated using the average period of service for directors (or executive officers) of the Company and the average period of service for directors (or executive officers) from allotment date to retirement date as of the issuing date of the stock options.
3. In the year ended 31 Mar. 2023, the amount of expected dividends was calculated based on the actual dividends paid as the interim dividend and the final dividend for the year ended 31 Mar. 2022.
4. This rate has been calculated using the compound interest rate on Japanese Government Bonds whose remaining period is similar to that of the stock options.

- Stock options (B) (stock-based compensation with performance-based vesting conditions)

(i) Valuation method used: Black-Scholes dividend-adjusted valuation technique

(ii) Principal parameters and estimation method

	Jul. 2022 stock options (B)
Expected volatility of the underlying stock (NOTE 1)	32.45%
Remaining expected life of the option (NOTE 2)	7.3 years
Expected dividends on the stock (NOTE 3)	¥25.0 per share
Risk-free interest rate during the expected option term (NOTE 4)	0.156%

(NOTE)

1. The fair value of stock options was calculated on the basis of the Company's weekly share price movements from Mar.2015 to Jul. 2022.
2. This period has been calculated using the average period of service for directors (or executive officers) of the Company and the average period of service for directors (or executive officers) from allotment date to retirement date as of the issuing date

of the stock options.

3. In the year ended 31 Mar. 2023, the amount of expected dividends was calculated based on the actual dividends paid as the interim dividend and the final dividend for the year ended 31 Mar. 2022.

4. This rate has been calculated using the compound interest rate on Japanese Government Bonds whose remaining period is similar to that of the stock options.

4. 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

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Deferred tax assets		
Tax loss carryforwards (Note 2)	¥33,679 million	¥32,158 million
Provision for redemption of gift certificates	¥1,892 million	¥2,055 million
Provision for bonuses	¥1,362 million	¥1,729 million
Net defined benefit liability	¥3,705 million	¥3,458 million
Depreciation	¥495 million	¥410 million
Impairment loss	¥12,517 million	¥12,306 million
Retirement benefit trust assets	¥96 million	¥105 million
Provision for loss on store closings	¥452 million	¥645 million
Asset retirement obligations	¥1,436 million	¥1,390 million
Shares in subsidiaries	¥1,358 million	¥1,358 million
Valuation on the consolidation	¥1,086 million	¥1,060 million
Contract liabilities	¥803 million	¥779 million
Allowance for doubtful accounts	¥1,058 million	¥1,079 million
Unrealised gains and losses on intercompany asset transfers	¥3,598 million	¥3,598 million
Provision incurred from business combination	¥136 million	¥106 million
Other	¥3,543 million	¥3,742 million
Subtotal of deferred tax assets	¥67,224 million	¥65,987 million
Valuation allowance pertaining to tax loss carryforwards (Note 2)	△ ¥29,166 million	△ ¥25,844 million
Valuation allowance pertaining to total amount of temporary deductible differences	△ ¥20,305 million	△ ¥19,884 million
Subtotal of valuation allowance (Note 1)	△ ¥49,472 million	△ ¥45,728 million
Total deferred tax assets	¥17,752 million	¥20,258 million
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	△ ¥3,594 million	△ ¥3,551 million
Valuation differences of fair value in consolidation	△ ¥9,187 million	△ ¥9,124 million
Valuation gain on investment securities resulting from conversion of retirement benefit trust assets (equity securities)	△ ¥3,160 million	△ ¥3,160 million
Valuation difference on available-for-sale securities	△ ¥15,954 million	△ ¥19,058 million
Unrealised gains and losses on intercompany asset transfers	△ ¥877 million	△ ¥876 million
Other	△ ¥1,420 million	△ ¥1,320 million
Total deferred tax liabilities	△ ¥34,195 million	△ ¥37,092 million
Net deferred tax assets (liabilities)	△ ¥16,443 million	△ ¥16,833 million

(NOTE)

1. Valuation allowance decreased ¥3,744 million. Mainly due to a decrease of ¥3,322 million in valuation allowance related to tax loss carryforwards at consolidated subsidiaries.

2. Expected maturity of the deferred tax assets after the balance sheet date for tax loss carryforwards
(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	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	124	358	1,916	1,651	1,932	27,695	33,679
Valuation allowance	△124	△265	△538	△1,629	△1,914	△24,694	△29,166
Deferred tax assets	-	92	1,377	22	18	3,001	*2 4,512

*1. The amount of tax loss carryforwards was calculated by using the statutory tax rate.

*2. Deferred tax assets of ¥4,512 million were recorded for tax loss carryforwards of ¥33,679 million (applying the statutory tax rate). The deferred tax assets of ¥4,512 million are mainly deferred tax assets of ¥4,424 million relating to tax loss carryforwards of Hankyu Hanshin Department Store, Inc. The Company judged the respective deferred tax assets related to tax loss carryforwards as recoverable based on the estimated future taxable income.

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	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	265	829	1,401	1,629	1,113	26,919	32,158
Valuation allowance	△265	△554	△896	△587	△1,113	△22,426	△25,844
Deferred tax assets	—	274	504	1,041	—	4,493	*2 6,314

*1. The amount of tax loss carryforwards was calculated by using the statutory tax rate.

*2. Deferred tax assets of ¥6,314 million were recorded for tax loss carryforwards of ¥32,158 million (applying the statutory tax rate). The deferred tax assets of ¥6,314 million are mainly deferred tax assets of ¥6,136 million relating to tax loss carryforwards of Hankyu Hanshin Department Store, Inc. and Izumiya Co., Ltd. The Company judged the respective deferred tax assets related to tax loss carryforwards as recoverable based on the estimated future taxable income.

2. Reconciliation of the differences between the statutory tax rate and the effective income tax rate

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses	0.3%	0.4%
Dividend income	△6.7%	△1.0%
Per capita inhabitant tax	2.4%	2.2%
Amortization of goodwill	1.1%	0.8%
Loss on step acquisitions	3.4%	—%
Gain on bargain purchase	△6.7%	—%
Increase (decrease) of valuation allowance	12.3%	△17.7%
Other	△0.9%	△0.5%
Effective income tax rate	35.7%	14.9%

(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 fiscal year ended 31 Mar. 2022)

Asset retirement obligations increased by ¥576 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 fiscal year ended 31 Mar. 2023)

Asset retirement obligations increased by ¥60 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 were as follows.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Balance at beginning of the fiscal year	4,134 Millions of yen	4,201 Millions of yen
Increase due to estimate changes	576	60
Increase due to acquisition of property, plant and equipment	27	86
Adjustments with passage of time	47	48
Decrease due to fulfilment of asset retirement obligations	△998	△349
Decrease due to exclusion from consolidation	△65	—
Increase due to management integration	520	—
Other	△41	△32
Balance at end of the fiscal year	4,201	4,014

2. Asset retirement obligations not included in the consolidated balance sheets

The 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 fiscal year ended 31 Mar. 2022)

Other revenues were rental income based on the accounting standard for lease transactions.

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Business	Consolidation adjustment (Note 3)	Total
Revenue from contracts with customers	382,974	323,426	32,641	31,118	-	770,161
Other revenues	2,120	3,778	10,237	1,809	-	17,947
Gross sales (Note 1)	385,095	327,205	42,879	32,928	-	788,108
Reclassification (Note 2)	△253,648	△14,136	△2,208	△4,576	4,909	△269,661
Net sales to external customers	131,446	313,068	40,670	28,351	4,909	518,447

(NOTE)

1. 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 FY2022. Consolidated gross sales, which is 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 31 Mar. 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 fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Business	Consolidation adjustment (Note 3)	Total
Revenue from contracts with customers	489,823	410,564	24,652	34,291	-	959,331
Other revenues	2,014	5,575	10,922	1,878	-	20,391
Gross sales (Note 1)	491,838	416,139	35,574	36,169	-	979,723
Reclassification (Note 2)	△334,829	△15,487	△1,848	△4,392	4,924	△351,634
Net sales to external customers	157,009	400,651	33,725	31,777	4,924	628,089

(NOTE)

1. 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 FY2022. Consolidated gross sales, which is 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 31 Mar. 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 Note "4. Summary of Significant Accounting Policies"

3. Information to understand revenue from contracts with customers for the current and next fiscal year and thereafter

(1) Balance of contract liabilities

Beginning and ending balances of contract liabilities from contracts with customers

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Receivables from contracts with customers (beginning balance)		
Notes receivable - trade	5	17
Accounts receivable - trade	54,312	59,819
	54,318	59,836
Receivables from contracts with customers (ending balance)		
Notes receivable - trade	17	10
Accounts receivable - trade	59,819	68,484
	59,836	68,495
Contract liabilities (beginning balance)	24,658	25,111
Contract liabilities (ending balance)	25,111	24,848

(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 recognised in the current consolidated fiscal year that was included in the contract liability balance at the beginning of the fiscal year was ¥12,931 million.

(2) Transaction price apportioned to remaining performance obligations

For the transaction price apportioned to remaining performance obligations, the Companies recognise 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 related revenue recognition is expected were as follows

	(Millions of yen)	
	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Within 1 year	11,488	12,695
Over 1 years but within 2 years	2,324	2,586
Over 2 years	11,298	9,566

(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, membership management, temporary staffing, eating and drinking establishments, 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 "Summary of Significant Accounting Policies". Income by reportable segment is presented on an operating income basis. Intersegment sales and transfers are recognised based on current market prices.

3.Information on Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Businesses	Total	Adjustment (NOTE 1)	Consolidated Financial statement total
Net sales							
External customers	131,446	313,068	40,670	28,351	513,537	4,909	518,447
Intersegment	312	5,329	10,719	19,275	35,636	△35,636	—
Total	131,758	318,398	51,389	47,627	549,174	△30,726	518,447
Segment profit (loss)	939	5,326	391	△3,409	3,247	△2,506	740
Segment assets	176,337	157,366	157,244	484,815	975,764	△321,205	654,558
Other items							
Depreciation	6,275	4,048	3,097	4,544	17,965	△63	17,902
Amortization of goodwill	—	507	—	—	507	—	507
Investment in associated companies accounted for by the equity method	273	—	—	10,215	10,489	—	10,489
Impairment loss	214	1,416	902	197	2,730	—	2,730
Increase in property, plant and equipment and intangible assets	15,947	3,838	1,787	4,009	25,583	△327	25,256

(NOTE)

1. Adjustments were as follows:

- (1) Adjustment of Net sales amounted ¥4,909 million to sales to external customers 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) △¥2,506 million represented elimination of intersegment transactions..
- (3) Adjustment of assets was △¥321,205 million and included △¥193,272 million offset elimination of investments and capital, △¥126,376 million offset elimination of debts and credits and △¥1,256 million adjustment for unrealised gains and losses on non-current assets.
- (4) Adjustment of depreciation amounting to △¥63 million and adjustment of increase in property, plant and equipment and intangible assets amounting to △¥327 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.

3. During the fiscal year under review, the Company acquired shares in Kansai Super Market Ltd. (changed its trade name Kansai Food Market Ltd. on 1 Feb. 2022) and included it in the scope of consolidation. As a result, segment assets in the Supermarket Business increased by ¥62,083 million from the end of the previous fiscal year.

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Business	Total	Adjustment (NOTE 1)	Consolidated Financial statement total
Net sales							
External customers	157,009	400,651	33,725	31,777	623,164	4,924	628,089
Intersegment	578	4,165	10,619	20,126	35,489	△35,489	—
Total	157,588	404,817	44,345	51,904	658,654	△30,565	628,089
Segment profit (loss)	10,299	5,469	1,808	△3,100	14,477	△3,089	11,388
Segment assets	199,077	157,650	145,739	517,756	1,020,224	△333,801	686,423
Other items							
Depreciation	6,747	5,338	2,916	4,235	19,238	△78	19,159
Amortization of goodwill	—	507	—	—	507	—	507
Investment in associated companies accounted for by the equity method	292	—	—	10,406	10,698	—	10,698
Impairment loss	123	2,051	336	1,656	4,167	—	4,167
Increase in property, plant and equipment and intangible assets	10,468	4,942	1,096	14,758	31,265	△105	31,160

(NOTE)

1. Adjustments are as follows:

(1) Adjustment of Net sales amounted ¥4,924 million to sales to external customers 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) △¥3,089 million represented elimination of intersegment transactions

(3) Adjustment of assets was △¥333,801 million and included △¥184,542 million offset elimination of investments and capital, △¥147,794 million offset elimination of debts and credits and △¥1,179 million adjustment for unrealised gains and losses on non-current assets.

(4) Adjustment of depreciation amounting to △¥78 million and adjustment of increase in property, plant and equipment and intangible assets amounting to △¥105 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.

3. Following the business integration through a share exchange with Kansai Super Market Ltd. in Dec. 2021, Kansai Food Market Ltd., Kansai Super Market Ltd., and Kansai Super Premium Co., Ltd. were included in Supermarket Business Segment. The consolidated results for the previous year does not include the above three companies, and only their balance sheets as of 31 Dec. 2021 are included in the consolidated balance sheet.

(Related Information)

(For the fiscal year ended 31 Mar. 2022)

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

This information has been omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

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 fiscal year ended 31 Mar. 2023)

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

This information has been omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

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 of Impairment Loss on Non-Current Assets for Each Reportable Segment)

(For the fiscal year ended 31 Mar. 2022)

This information has been omitted since similar information has been disclosed in segment information.

(For the fiscal year ended 31 Mar. 2023)

This information has been omitted since similar information has been disclosed in segment information.

(Amortisation of Goodwill and Unamortised Balance by Reportable Segments)

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Business	Total	Adjustment	Consolidated Financial statement total
(Goodwill)							
Amortization	—	507	—	—	507	—	507
Impairment	—	—	—	—	—	—	—
Unamortised balance	—	2,197	—	—	2,197	—	2,197

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Department stores Business	Supermarket Business	Shopping Center Business	Other Business	Total	Adjustment	Consolidated Financial statement total
(Goodwill)							
Amortization	—	507	—	—	507	—	507
Impairment	—	—	—	—	—	—	—
Unamortised balance	—	1,690	—	—	1,690	—	1,690

(Information on Gain on Bargain Purchase by Reportable Segment)

(For the fiscal year ended 31 Mar. 2022)

Gain on bargain purchase of ¥3,427 million was recorded due to management integration with Kansai Super Market Ltd. (renamed Kansai Food Market Ltd. as of 1 Feb. 2022) in “Supermarket Business” segment.

(For the fiscal year ended 31 Mar. 2022)

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 fiscal year ended 31 Mar. 2022)

Not applicable.

(For the fiscal year ended 31 Mar. 2023)

Not applicable.

b. Companies whose parent is the same as the parent of the reporting entity or the other related companies

(For the fiscal year ended 31 Mar. 2022)

Not applicable.

(For the fiscal year ended 31 Mar. 2023)

Classification	Name of company or individual	Location	Capital or investment (Millions of yen)	Occupation or business lines	Ownership of voting rights (%)	Nature of relationship	Nature of transactions	Value of Transactions (Millions of yen)	Accounting designation	Ending balance (Millions of yen)
Subsidiaries of companies that have significant stakes in the reporting entity	Hankyu Hanshin Properties Corp.	Kita-ku, Osaka City	12,426	Office and shopping center rental and real estate development business	—	Sales of land	Sales of land	9,000	—	—
							Gain on sales of non-current assets	8,568	—	—

Business terms and policies for determination of business terms

(NOTE)1. Sales of land are executed at fair prices reflecting market prices through bids.

(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 fiscal year ended 31 Mar. 2022)

Not applicable.

(For the fiscal year ended 31 Mar. 2023)

Not applicable.

b. Companies whose parent is the same as the parent of the reporting entity or the other related companies

(For the fiscal year ended 31 Mar 2022)

Classification	Name or trade name or individual	Location	Capital or investment (Millions of yen)	Occupation or business lines	Ownership of voting rights (%)	Nature of relationship	Nature of transactions	Value of Transactions (Millions of yen)	Accounting designation	Ending balance (Millions of yen)		
Subsidiaries of companies that have significant stakes in the reporting entity	Hankyu Corporation	Osaka City Kita Ward	100	Railway operations, real estate rental and dealership operations, stage revues, retailing	—	Same person serving concurrently as director or corporate auditor for both parties, Rental of real estate	Rent expenses	9,352	Accounts receivable - other	72		
									Current assets Other (Prepaid expenses)	195		
									Accounts payable - other	51		
									Current liabilities Other (Accrued expenses)	1		
									Fees for display of signs, etc.	6	Current assets Other (Prepaid expenses)	0
									Return of guarantee money	0	Guarantee deposits	24,921
	HANSHIN ELECTRIC RAILWAY CO., LTD.	Fukushima -ku, Osaka City	29,384	Railway operations, real estate rental and dealership operations, sports business, travel business	12.00% shares of the Company directly held	Same person serving concurrently as director or corporate auditor for both parties, Rental of real estate	Rental expenses	3,118	Accounts receivable - other	165		
									Current assets Other (Prepaid expenses)	68		
									Accounts payable - other	2		
									Current liabilities Other (Accrued expenses)	23		
								Fees for display of signs, etc.	0	Current assets Other (Prepaid expenses)	—	
								Deposit of guarantee money	—	Guarantee deposits	8,649	
							Refund of security deposit	21				
Hankyu Hanshin Properties Corp.	Kita-ku, Osaka City	12,426	Office and shopping center rental and real estate development business	—	Sales of land	Sales of land	128	—	—			
						Gain on sales of non-current assets		4,227	—	—		

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.
3. Sales of land are executed at fair prices reflecting market prices through bids.

(For the fiscal year ended 31 Mar. 2023)

Classification	Name or trade name or individual	Location	Capital or investment (Millions of yen)	Occupation or business lines	Ownership of voting rights (%)	Nature of relationship	Nature of transactions	Value of Transactions (Millions of yen)	Accounting designation	Ending balance (Millions of yen)
Subsidiaries of companies that have significant stakes in the reporting entity	Hankyu Corporation	Kita-ku, Osaka City	100	Railway operations, real estate rental and dealership operations, stage revues, retailing	-	Same person serving concurrently as director or corporate auditor for both parties, Rental of real estate	Rent expenses	10,211	Accounts receivable - other	73
									Current assets Other (Prepaid expenses)	209
									Accounts payable - other	18
									Current liabilities Other (Accrued expenses)	124
	Fees for display of signs, etc.	5	Current assets Other (Prepaid expenses)	0						
		Refund of security deposit	78	Guarantee deposits	24,702					
	HANSHIN ELECTRIC RAILWAY CO., LTD.	Fukushima-ku, Osaka City	29,384	Railway operations, real estate rental and dealership operations, sports business, travel business	12.67% shares of the Company directly held	Same person serving concurrently as director or corporate auditor for both parties, Rental of real estate	Rent expenses	3,873	Accounts receivable - other	31
									Current assets Other (Prepaid expenses)	66
									Accounts payable - other	4
									Current liabilities Other (Accrued expenses)	18
Fees for display of signs, etc.							0	Current assets Other (Prepaid expenses)	-	
Deposit of guarantee money							-	Guarantee deposits	8,580	
Refund of security deposit	30									

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)

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
BPS	¥1,922.25	¥2,137.87
Basic EPS	¥79.84	¥135.85
Diluted EPS	¥79.26	¥134.81

(NOTE)1. Reconciliation of the basic and diluted profit per share (Earnings Per Share “EPS”) was as follows.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Basic profit per share		
Profit (loss) attributable to owners of parent (Millions of yen)	9,872	16,382
Amounts not belonging to common stockholders	—	—
Profit (loss) attributable to owners of parent concerning common stock (Millions of yen)	9,872	16,382
Weighted average number of shares(shares)	123,651,665	120,589,216
Diluted profit per share		
Profit attributable to owners of parent (Millions of yen)	—	—
Increase in amounts not belonging to common stockholders(shares)	904,744	931,140
(Share acquisition rights (shares))	(904,744)	(931,140)
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.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Net assets (Millions of yen)	260,938	272,814
Deduction from net assets (Millions of yen)	24,093	23,992
(Share acquisition rights (shares)) (Millions of yen)	(1,168)	(1,200)
(Non-controlling interests (Millions of yen))	(22,924)	(22,792)
Net assets concerning common stock	236,844	248,821
Number of shares used for the calculation of net assets per share (shares)	123,212,143	116,387,848

(Significant Subsequent Events)

Grant of Subscription Rights to Shares as Stock Option Based Compensation

The Company grants two types of stock option-based compensation with seniority-based conditions and performance-based conditions depending on the roles required for respective directors (including ASC members), corporate auditors and executive officers of the Company and its subsidiaries.

At the Board of Directors' meeting held on 28 Jun. 2023, the Company resolved the grant of subscription rights to shares as follows in order to grant the stock option-based compensation for the year ending 31 Mar. 2024.

« Stock option based compensation with seniority-based conditions »

1. Grant date 15 Jul. 2023
2. Number of subscription rights to shares issued 1,065 units
3. Type and number of shares subject to subscription rights to shares
106,500 shares of common stock of the Company
4. Exercise price
¥1 per share
5. Exercise period
From 16 Jul. 2023 to 15 Jul. 2053
6. Title and number of grantees
3 directors (excluding ASC members), 5 directors as ASC members, and 5 executive officers of the Company
8 directors, 1 corporate auditor and 10 executive officers of the subsidiaries of the Company
7. Increase in shareholders' equity as a result of the issuance of shares upon the exercise of share acquisition rights
 - (1) The amount of capital stock to be increased as the result of the issuance of shares upon the exercise of share acquisition rights shall be one half of the maximum amount of capital stock increase calculated in accordance with Article 17, Paragraph 1 of the Regulations on Accounting of Companies, and any amounts of less than ¥1 shall be rounded up.
 - (2) The amount of legal capital surplus to be increased as the result of the issuance of shares upon the exercise of share acquisition rights shall be calculated as the maximum amount of the capital stock increase provided in paragraph (1) above, minus the amount of capital stock to be increased pursuant to paragraph (1) above.
8. Calculation of payment price of share acquisition rights
The payment price shall be the fair market value calculated in accordance with the Black-Scholes model as of the grant date of the share acquisition rights. For the grantees who are directors or executive officers of the Company ("Officers of the Company"), the payable amount for share acquisition rights shall be offset by the remuneration of Officers of the Company. For the grantees who are directors, corporate auditors or executive officers of the subsidiaries of the Company ("Officers of the Subsidiaries"), the payable amount of the subsidiaries of the Company for the remuneration shall be assumed by the Company and the payable amount for share acquisition rights shall be offset by the remuneration of the Officers of the Subsidiaries.

« Stock option based compensation with performance-based conditions »

1. Grant date 15 Jul. 2023
2. Number of subscription rights to shares issued 380 units
3. Type and number of shares subject to subscription rights to shares 38,000 shares of our common stock
4. Exercise price ¥1 per share
5. Exercise period From 16 Jul. 2023 to 15 Jul. 2053

6. Title and number of grantees

2 directors (excluding non-executing persons) and 5 executive officers of the Company

7 directors and 10 executive officers of the subsidiaries of the Company

7. Increase in shareholders' equity as a result of the issuance of shares upon the exercise of share acquisition rights

(1) The amount of capital stock to be increased as the result of the issuance of shares upon the exercise of share acquisition rights shall be one half of the maximum amount of capital stock increase calculated in accordance with Article 17, Paragraph 1 of the Regulations on Accounting of Companies, and any amounts of less than ¥1 shall be rounded up.

(2) The amount of legal capital surplus to be increased as the result of the issuance of shares upon the exercise of share acquisition rights shall be calculated as the maximum amount of the capital stock increase provided in paragraph (1) above, minus the amount of capital stock to be increased pursuant to paragraph (1) above.

8. Calculation of payment price of share acquisition rights

The payment price shall be the fair market value calculated in accordance with the Black-Scholes model as of the grant date of the subscription rights to shares. For the grantees who are directors or executive officers of the Company ("Officers of the Company"), the payable amount for subscription rights to shares shall be offset by the remuneration of Officers of the Company. For the grantees who are directors or executive officers of the subsidiaries of the Company ("Officers of the Subsidiaries"), the payable amount of the subsidiaries of the Company for the remuneration shall be assumed by the Company and the payable amount for share acquisition rights shall be offset by the remuneration of the Officers of the Subsidiaries.

(Acquisition of Treasury Stock)

At Board of Directors meeting held on 11 May 2023, the Company resolved to acquisition of treasury stock and the method of acquisition in accordance with the provisions of Article 459 of the Companies Act, Paragraph 1. A summary is as follows.

1. Reason for acquisition of treasury stock

To improve capital efficiency and to enable flexible capital policies in response to changes in the business environment.

2. Resolution for acquisition

(1) Class of shares: Common stock

(2) Total number of shares: 1,190,000 shares (maximum)

(Ratio to total number of shares issued and outstanding (excluding treasury stock) 1.02%)

(3) Total acquisition price: ¥2,200 million (maximum)

3. Implementation of acquisition

(1) Class of shares: Common stock

(2) Total number of shares: 1,190,000 shares

(Ratio to total number of shares issued and outstanding (excluding treasury stock) 1.02%)

(3) Acquisition cost: ¥1,881,390,000

(4) Acquisition date: 12 May 2023

(5) Acquisition Method: Acquisition by ToSTNeT-3 (Tokyo Stock Exchange Trading NeTwork System)

(Absorption-type merger between consolidated subsidiaries)

On 1 Apr. 2023, Hankyu Oasis Co., Ltd and Izumiya Co., Ltd., which were both subsidiaries of the Company, were merged and changed trade names. Hankyu Oasis Co., Ltd. became the surviving company and Izumiya Co., Ltd. became the merged company.

1. Summary of Transactions

(1) Combined entity's name and business

Name of the combined company: Hankyu Oasis Co., Ltd.

Business: Operation of supermarkets

Name of the predecessor company: Izumiya Co., Ltd.

Business: Operation of supermarkets

(2) Date of the business combination

1 Apr. 2023

(3) Legal form of the business combination

Absorption-type merger with Hankyu Oasis Co., Ltd. as the surviving company and Izumiya Co., Ltd. as the merged company

(4) Name of the company after the business combination

Izumiya • Hankyu Oasis Co., Ltd.

(5) Other matters related to the outline of transactions

Hankyu Oasis Co., Ltd. and Izumiya Co., Ltd. have long been engaged in business structure reforms to achieve operational restructuring by reviewing store formats from a customer perspective.

The two companies have decided to merge in order to further accelerate management decision-making and strengthen the business foundation. In addition, the company plans to integrate its systems in 2023, and will continue to work on more efficient measures for products and workflow, etc., which are currently in the process of being implemented, in order to increase productivity as well as human resources investment, thereby strengthening the foundation for growth.

2. The outline of the accounting method

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, 16 Jan. 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, 16 Jan. 2019), these transactions were accounted for as transactions under common control.

(Additional Information)

(Transfer of property, plant and equipment)

The Company resolved to transfer the following property, plant and equipment held by the subsidiary of the Company, Hankyu Hanshin Department Store, Inc. at the Board of Directors' meeting held on 24 Nov. 2021.

1. Reason for the transfer

To improve an efficiency in the use of assets by effective allocation of management resources and to strengthen the financial conditions

2. Overview of the transfer

Agreement date of transfer: 24 Nov. 2021

Type of the assets (current status): Land

Location of the assets: 1-32-13 Sagisu, Fukushima-ku, Osaka City

Date of transfer: Late Dec. 2023

Transfer price and transferee:

It cannot be disclosed due to confidentiality to the transferee; however, the transferee and the transfer price are determined using a fair method by bidding.

3. Effect on profit or loss

Approximately ¥3,300 million of gain on sales of property, plant and equipment is expected to be recorded under extraordinary income for the third quarter ending 31 Mar. 2024 which contains the date of transfer.

[Consolidated Supplementary Schedule]

[Schedule of Bonds]

Company	Stock	Issue date	Balance of the beginning of the fiscal year (Millions of yen)	Balance of the end of the fiscal year (Millions of yen)	Interest ratio (%)	Security	Maturity
H2O Retailing Corporation	First unsecured Straight bonds	19 Dec. 2014	10,000	10,000	0.706	Unsecured bonds	19 Dec. 2024
H2O Retailing Corporation	Second Unsecured Straight bonds	21 Dec. 2018	10,000	10,000	0.480	Unsecured bonds	21 Dec. 2028
Total	—	—	20,000	20,000	—	—	—

(NOTE) The redemption schedule within 5 years after the consolidated accounts date is as follows.

Within 1 year (Millions of yen)	Over 1 years but within 2 years (Millions of yen)	Over 2 years but within 3 years (Millions of yen)	Over 3 years but within 4 years (Millions of yen)	Over 4 years but within 5 years (Millions of yen)
—	10,000	—	—	—

[Schedule of Borrowings]

Classification	Balance of the beginning of the fiscal year (Millions of yen)	Balance of the end of the fiscal year (Millions of yen)	Average interest ratio (%)	Maturity
Short-term borrowings	—	—	—	—
Long-term borrowings within 1 year	1,100	15,350	0.118	—
Lease obligations within 1 year	1,267	839	—	—
Long-term borrowings (excluding to be repaid within 1 year)	154,282	143,917	0.319	From Apr. 2024. to Feb.2037
Lease obligations (excluding to be repaid within 1 year)	12,248	10,280	—	From Apr. 2024. to Mar. 2037
Other interest-bearing liabilities	—	—	—	—
Total	168,897	170,388	—	—

(NOTE)

1. Average interest ratio represent 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 years but within 2 years (Millions of yen)	Over 2 years but within 3 years (Millions of yen)	Over 3 years but within 4 years (Millions of yen)	Over 4 years but within 5 years (Millions of yen)
Long-term borrowings	431	46,330	17,330	9,832
Lease obligations	718	685	698	721

[Schedule of Asset Retirement Obligations]

The amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1/100 of the total liabilities and net assets at the beginning and end of the current consolidated fiscal year, respectively, and thus has been omitted.

(2) Other

Quarterly information for the current consolidated fiscal year

(Cumulative period)		1st quarter	2nd quarter	3rd quarter	FY2023
Net sales	(Millions of yen)	149,352	304,425	474,896	628,089
Profit before taxes	(Millions of yen)	1,175	4,719	16,594	21,146
Profit attributable to owners of parent	(Millions of yen)	651	2,790	10,957	16,382
Earnings per share	(Yen)	5.29	22.64	89.93	135.85

(Accounting Period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share	(Yen)	5.29	17.36	68.18	46.61

2 Non-consolidated Financial Statements

(1) Financial Statements

(i) Balance Sheet

(Millions of yen)

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Assets		
Current assets		
Cash and deposits	15,847	42,391
Trade accounts receivable	(Note 1) 3,203	(Note 1) 3,808
Prepaid expenses	252	268
Short-term loans receivable	(Note 1) 30,827	(Note 1) 30,394
Long-term loans receivable due within 1 year	(Note 1) 9,926	(Note 1) 8,687
Other	(Note 1) 1,288	(Note 1) 738
Allowance for doubtful accounts	△3,321	△4,292
Total current assets	58,023	81,995
Non-current assets		
Property, plant and equipment		
Buildings and structures	(Note 2) 3,341	(Note 2) 7849
Vehicles, furniture and equipment	(Note 2) 2,374	(Note 2) 1,858
Land	(Note 2) 25,469	(Note 2) 26,631
Construction in progress	1,255	188
Total Property, plant and equipment, net	32,441	36,528
Intangible assets		
Software	6,543	5,514
Right of use facilities	19	39
Software in progress	1,845	7,076
Total intangible assets	8,408	12,631
Investments and other assets		
Investment securities	75,841	71,020
Shares of subsidiaries and associates	195,813	197,120
Investments in capital of subsidiaries and associates	14,068	13,652
Long-term loans receivable	(Note 1) 70,481	(Note 1) 70,049
Guarantee deposits	190	396
Long-term prepaid expenses	3	0
Other	53	53
Allowance for doubtful accounts	△11,888	△12,710
Total investments and other assets	344,564	339,582
Total non-current assets	385,413	388,743
Total assets	443,437	470,738

(Millions of yen)

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Liabilities		
Current liabilities		
Current portion of long-term borrowings	214	15,214
Accounts payable - other	(Note 1) 1,900	(Note 1) 2,961
Accrued expenses	153	169
Income taxes payable	286	2,081
Advances received	201	158
Deposits received	(Note 1) 46,945	(Note 1) 59,325
Provision for bonuses	78	115
Provision for bonuses for directors (and other officers)	-	26
Other	910	133
Total current liabilities	50,690	80,185
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	153,072	142,858
Long-term accounts payable - other	3	3
Deferred tax liabilities	19,303	24,432
Deferred tax liabilities on land revaluation	266	266
Defined benefit provision	12	16
Provision for loss on business of subsidiaries and associates	628	518
Long-term guarantee deposited	237	237
Total non-current liabilities	193,525	188,333
Total liabilities	244,215	268,518
Net assets		
Shareholders' equity		
Capital stock	17,796	17,796
Capital surplus		
Capital surplus	72,495	72,495
Other capital surplus	20,427	20,434
Total capital surplus	92,922	92,929
Retained earnings		
Legal retained earnings	4,429	4,429
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	5,685	5,668
General reserve	29,054	29,054
Retained earnings brought forward	14,898	19,621
Total retained earnings	54,067	58,773
Treasury shares	△3,151	△11,938
Total shareholders' equity	161,634	157,561
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	35,814	42,854
Revaluation reserve for land	604	604
Total valuation and translation adjustments	36,418	43,458
Share acquisition rights	1,168	1,200
Total net assets	199,222	202,220
Total liabilities and net assets	443,437	470,738

(ii) Statement of Income

(Millions of yen)

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Operating revenue		
Dividends from subsidiaries and associates	213	331
Group operating contribution revenue	2,199	2,810
Real estate lease revenue	2,694	2,699
Revenue from system use fees	7,181	7,380
Total Operating revenues	(Note 1) 12,288	(Note 1) 13,221
Total operating expenses	(Note 1, 2) 13,644	(Note 1, 2) 15,293
Operating loss (Δ)	Δ 1,355	Δ 2,072
Non-operating income		
Interest income	840	801
Dividend income	1,052	1,081
Other	207	257
Total non-operating income	(Note 1) 2101	(Note 1) 2140
Non-operating expenses		
Interest expenses	1,012	1,055
Loss on investments in silent partnerships	1,561	415
Other	211	359
Total non-operating expenses	(Note 1) 2785	(Note 1) 1829
Ordinary loss (Δ)	Δ 2,039	Δ 1,761
Extraordinary income		
Gain on sales of non-current assets	3,991	13,526
Gain on sales of investment securities	6,391	3,819
Gain on reversal of allowance for losses on subsidiaries and associates	(Note 3) 15,396	-
Total extraordinary income	25,779	17,346
Extraordinary losses		
Loss on investments in subsidiaries and affiliates	(Note 4) 829	(Note 4) 1720
Impairment loss	501	1,072
Loss on sales of investment securities	-	324
Loss on withdrawal of system development	-	279
Loss on retirement of non-current assets	231	252
Loss on sale of shares of subsidiaries and associates	486	-
Loss on liquidation of subsidiaries and associates	59	-
Total extraordinary losses	2,107	3,648
Profit before income taxes	21,631	11,935
Income taxes - current	485	2,124
Income taxes-deferred	9,560	2,024
Total income taxes	10,046	4,148
Profit	11,585	7,786

(iii) Statement of changes in equity
(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the fiscal year	17,796	72,495	20,422	92,918	4,429
Changes during the period					
Dividends of surplus					
Profit					
Acquisition and disposal of treasury stock			4	4	
Reversal of reserve for tax purpose reduction entry of non-current assets					
Reversal of general reserve					
Net changes in items other than shareholders' equity					
Total changes during the period	-	-	4	4	-
Balance at the end of the fiscal year	17,796	72,495	20,427	92,922	4,429

(Millions of yen)

	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	6,643	44,054	△9,552	45,574	△2,732	153,557
Changes during the period						
Dividends of surplus			△3,093	△3,093		△3,093
Profit			11,585	11,585		11,585
Acquisition and disposal of treasury stock					△419	△414
Reversal of reserve for tax purpose reduction entry of non-current assets	△958		958	-		-
Reversal of general reserve		△15,000	15,000	-		-
Net changes in items other than shareholders' equity						
Total changes during the period	△958	△15,000	24,450	8,492	△419	8,077
Balance at the end of the fiscal year	5,685	29,054	14,898	54,067	△3,151	161,634

(Millions of yen)

	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	38,557	604	39,161	1,138	193,858
Changes during the period					
Dividends of surplus					△3,093
Profit					11,585
Acquisition and disposal of treasury stock					△414
Reversal of reserve for tax purpose reduction entry of non-current assets					-
Reversal of general reserve					-
Net changes in items other than shareholders' equity	△2,743	-	△2,743	29	△2,713
Total changes during the period	△2,743	-	△2,743	29	5,364
Balance at the end of the fiscal year	35,814	604	36,418	1,168	199,222

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the fiscal year	17,796	72,495	20,427	92,922	4,429
Changes during the period					
Dividends of surplus					
Profit					
Acquisition and disposal of treasury stock			6	6	
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	-	-	6	6	-
Balance at the end of the fiscal year	17,796	72,495	20,434	92,929	4,429

(Millions of yen)

	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	5,685	29,054	14,898	54,067	△3,151	161,634
Changes during the period						
Dividends of surplus			△3,080	△3,080		△3,080
Profit			7,786	7,786		7,786
Acquisition and disposal of treasury stock					△8,786	△8,779
Reversal of reserve for tax purpose reduction entry of non-current assets	△16		16	-		-
Net changes in items other than shareholders' equity'						
Total changes during the period	△16	-	4,723	4,706	△8,786	△4,073
Balance at the end of the fiscal year	5,668	29,054	19,621	58,773	△11,938	157,561

(Millions of yen)

	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	35,814	604	36,418	1,168	199,222
Changes during the period					
Dividends of surplus					△3,080
Profit					7,786
Acquisition and disposal of treasury stock					△8,779
Reversal of reserve for tax purpose reduction entry of non-current assets					-
Net changes in items other than shareholders' equity	7,039	-	7,039	31	7,071
Total changes during the period	7,039	-	7,039	31	2,997
Balance at the end of the fiscal year	42,854	604	43,458	1,200	202,220

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.

(2) Valuation bases and methods for securities

(i) Shares of subsidiaries and associates

Shares of subsidiaries and associate 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

Investment securities consist principally of marketable and nonmarketable equity securities. The Companies categorise the securities as "available-for-sale". Available-for-sale securities other than equity securities without market price are stated at fair value. Unrealised holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realised gains and losses on sales of such securities are determined principally by the average cost method. Available-for-sale securities without market price are stated at average cost.

If the fair market value of available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between fair market value and the carrying amount is recognised as loss in the period of decline. If the net asset value of available-for-sale securities with no available fair market value declines significantly, the securities are written down to the net asset value and charged to income. In these cases, the fair market value or the net asset value will be carried forward as book value to the next year.

2. Method of depreciation of non-current assets

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

Property, plant and equipment, excluding lease assets, are depreciated principally by the declining-balance method. The straight-line method is applied to buildings, excluding facilities attached to buildings, acquired on or after 1 Apr. 1998.

(2) Intangible assets (excluding leased assets)

Intangible assets, excluding lease assets, are carried at cost. Amortisation is computed principally by 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 period-end 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 the 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 recognised 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)

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.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Property, plant and equipment	¥32,441 million	¥36,528 million
Intangible assets	¥8,408 million	¥12,631 million

(Matters related to Non-consolidated Balance Sheets)

(NOTE)1. Monetary claims and liabilities to relate companies

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Short-term monetary claims	¥44,198 million	¥43,222 million
Long-term monetary receivables	¥70,479 million	¥70,047 million
Short-term monetary payables	¥47,302 million	¥59,606 million

(NOTE)2. Reduction entry amount of national subsidies, etc.

The reduction 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.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Reduction entry amount	¥225 million	¥255 million
(Buildings and structures)	¥168 million	¥168 million
(Vehicles and fixtures)	¥12 million	¥12 million
(Land)	¥44 million	¥44 million

(NOTE)3. The Company has committed to loan commitment agreements with three financial institutions in order to raise capital efficiently. The balance of unused loan commitments at the end of the financial year was as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Total loan commitment agreement	¥50,000 million	¥50,000 million
Outstanding balances	—	—
Unused balances	¥50,000 million	¥50,000 million

(Matters related to Non-consolidated Statements of Income)

(NOTE)1. Transactions with subsidiaries and associates

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Operating transaction		
Operating revenue	¥11,612 million	¥12,556 million
Operating expenses	¥868 million	¥1,792 million
Non-operating transaction	¥22,047 million	¥2,820 million

(NOTE)2. Major items and amounts of operating expenses were as follows.

	FY2022 (From 1 Apr. 2021 to 31 Mar. 2022)	FY2023 (From 1 Apr. 2022 to 31 Mar. 2023)
Remuneration for directors and salaries	¥1,400million	¥1,494million
Repair expenses	¥160million	¥138million
Depreciation	¥4,300million	¥3,988million
Information system expenses	¥3,264million	¥4,129million
Outsourcing expenses	¥2,137million	¥2,743million
Approximate ratio (%)		
Selling Expenses	79.2%	79.1%
General and administrative expenses	20.8%	20.9%

(NOTE)3. Gain on reversal of allowance for losses on subsidiaries and associates was mainly a reversal of allowance for doubtful receivables from subsidiaries and associates.

(NOTE)4. Loss on investments in subsidiaries and affiliates in the previous financial year was a loss on valuation of shares of subsidiaries and associates, and in the current financial year was mainly a provision for doubtful accounts of subsidiaries and associates.

(Matters related to Investment Securities)

Shares and investments in capital of subsidiaries and associates

(For the fiscal year ended 31 Mar. 2022)

(Millions of yen)

Classification	Book value	Market value	Difference
Shares of subsidiaries	45,137	45,367	230

The market values of shares and investments in capital of subsidiaries and associates are not reported because such shares and investments do not have market prices.

The carrying amounts of shares which do not have market prices not included above are as follows.

(Millions of yen)

Classification	Book value
Shares of subsidiaries	124,196
Investments in subsidiaries and associates	11,564
Investments in capital of subsidiaries and associates	14,068
Total	149,829

(For the fiscal year ended 31 Mar. 2023)

(Millions of yen)

Classification	Book value	Market value	Difference
Shares of subsidiaries	44,470	55,515	11,044

The market values of shares and investments in capital of subsidiaries and associates are not reported because such shares and investments do not have market prices.

The carrying amounts of shares which do not have market prices not included above are as follows.

(Millions of yen)

Classification	Book value
Shares of subsidiaries	124,546
Investments in subsidiaries and associates	11,589
Investments in capital of subsidiaries and associates	13,652
Total	149,788

(Matters related to deferred tax)

1. Significant components of the Companies' deferred tax assets and liabilities

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Deferred tax assets		
Shares of subsidiaries resulting from company split	¥8,668 million	¥8,668 million
Allowance for doubtful accounts	¥4,654 million	¥5,203 million
Provision for loss on business of subsidiaries and associates	¥192 million	¥158 million
Loss on investments in silent partnerships	¥688 million	¥495 million
Tax loss carryforwards	¥2,062 million	¥17 million
Other	¥3,399 million	¥3,867 million
Subtotal	¥19,665 million	¥18,411 million
Valuation allowance pertaining to tax loss carryforwards	△ ¥648 million	△ ¥17 million
Valuation allowance pertaining to total amount of deductible temporary difference	△ ¥16,859 million	△ ¥18,267 million
Subtotal of valuation allowance	△ ¥17,507 million	△ ¥18,285 million
Total deferred tax assets	¥2,157 million	¥125 million
Deferred tax liabilities		
Valuation gain on investment securities resulting from conversion of retirement benefit trust assets (equity securities)	△ ¥3,160 million	△ ¥3,160 million
Reserve for tax purpose reduction entry of non-current assets	△ ¥2,506 million	△ ¥2,499 million
Valuation difference on available-for-sale securities	△ ¥15,791 million	△ ¥18,895 million
Deferred gains on asset transfers based on group companies taxation system	△ ¥2 million	△ ¥2 million
Total deferred tax liability	△ ¥21,461 million	△ ¥24,557 million
Net deferred tax assets	△ ¥19,303 million	△ ¥24,432 million

2. Reconciliation of the differences between the statutory tax rate and the effective income tax rate was as follows.

	FY2022 (As of 31 Mar. 2022)	FY2023 (As of 31 Mar. 2023)
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Dividend income	△5.0%	△2.5%
Increase (decrease) of valuation allowance	20.7%	6.5%
Other	0.1%	0.1%
Effective income tax rate	46.4%	34.8%

(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 (Revenue Recognition). Notes have been omitted as the same information is presented in the Notes.

(Significant Subsequent Events)

Grant of Subscription Rights to Shares as Stock Option Based Compensation This information is omitted because the same details are provided in the consolidated financial statements in 'Notes (Significant subsequent events)' (Grant of Subscription Rights to Shares as Stock Option Based Compensation).

[Supplementary Schedules]

[Schedule of Property, Plant and Equipment]

(Millions

of yen)

Classification	Type of asset	Beginning balance	Increased during the period	Decreased during the period	Amortization for the period	Ending balance	Total depreciation amount
Property, plant and equipment	Buildings and structures	3,341	5,309	300 (16)	501	7,849	8,500
	Vehicles, furniture and equipment	2,374	241	19	737	1,858	5,124
	Land	25,469 [870]	2,686	1,524 (1,056)	—	26,631 [870]	—
	Construction in progress	1,255	333	1,400	—	188	—
	Net property, plant and equipment	32,441 [870]	8,571	3,245 (1,072)	1,239	36,528 [870]	13,625
Intangible assets	Software	6,543	1,784	68	2,745	5,514	—
	Right to use facilities	19	29	0	8	39	—
	Software in progress	1,845	6,865	1,633	—	7,076	—
	Net intangible assets	8,408	8,679	1,702	2,754	12,631	—

- (NOTE) Major items in increase during the period
1. Due to purchase of Yodogawa Logistics Center
Buildings and structures ¥4,900 million Land ¥2,686 million
- Due to infrastructure system construction
Vehicles, furniture and fixtures ¥37 million Software ¥1,042 million
Software in progress ¥6,252 million
- Due to relocation of head office
Buildings and structures ¥256 million Vehicles, furniture and fixtures ¥104 million
Construction in progress ¥262 million Software ¥46 million
Right to use facilities ¥18 million
2. Major items in decrease during the period
- Due to impairment loss recorded of Suita Delivery Center
Buildings and structures ¥16 million Land ¥960 million
- Due to sale of Esaka Logistics Center
Land ¥428 million
- Due to sale of former head office building
Buildings and structures ¥282 million Vehicles, furniture and fixtures ¥0
Land ¥40 million Software ¥2 million
Right to use facilities ¥0
- Due to transfers of accounts related to infrastructure system construction
Software in progress ¥1,328 million
- Due to transfer of accounts related to purchase of Yodogawa Logistics Center
Construction in progress ¥1,133 million
3. Figures in brackets for decrease during the period were due to impairment losses.
4. The balances of land at the beginning and end of the current fiscal year in brackets are the difference between the book value of land for business use before revaluation based on the "Act on Revaluation of Land" (Act No. 34 of 31 Mar. 1998) and the "Partial Amendment to the Act on Revaluation of Land" (Act No. 94 of 29 Jun. 2001).

[Schedule of allowance and provisions]

(Millions of yen)

Classification	Balance at the beginning of the fiscal year	Increased during current period	Decreased during current period	Balance at the end of the fiscal year
Allowance for doubtful accounts	15,210	1,798	5	17,003
Provision for bonuses	78	115	78	115
Provision for bonuses for directors (and other officers)	—	26	—	26
Provision for retirement benefits	12	11	7	16
Provision for loss on business of subsidiaries and associates	628	87	197	518

(NOTE) The accounting policy for provisions has been provided in “Significant Accounting Policies” section.

(2) Details of main assets and liabilities

This information is omitted because the Consolidated Financial Statements have been prepared.

(3) Other

Not applicable.