H20 RETAILING Integrated Report 2023



Integrated Report 2023

Table of Contents

2	- The Path So Far and at Present - (Introduction)
3	Basic Philosophy / Group Vision
4	Our Conduct
5	Company Profile
6	Business Summary
7	Our Business Foundation
9	Our Value Creation Transition
10	- The Future of H2O RETAILING -
	(Value Creation Stories and Company-wide Strategies)
11	Interview: Top Management
13	Value Creation Process
14	Sustainability Management
16	Long-term Business Plan 2030
18	Mid-term Management Plan (FY2022 to FY2024)
22	- Foundation for Supporting Value Creation of H2O RETAILING -
	(Functional Strategy & Governance)
23	Sustainability Strategy
29	Environment
34	Social
38	Message from an External Expert
39	IT and Digital Strategy
43	Human Capital Strategy
47	Corporate Governance
53	Compliance and Risk Management
55	- Business Strategies for H2O RETAILING's Value Creation -
56	Department Store Business
58	Supermarket Business
60	Shopping Center Business
62	- Data Collection -
63	Data
68	Integrated Report 2023 Editorial Policies

The Path So Far and at Present

Introduction

Integrated Report

2023

The Path So Far and at Present

- Basic Philosophy / Group Vision
- Our Conduct
- Company Profile
- Business Summary
- Our Business Foundation
- Our Value Creation Transition

Basic Philosophy

To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents.

Group Vision

To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences.



Our Conduct

H2O RETAILING Group Code of Conduct

We endeavor to act in the best interest of our customers and live up to their trusts and expectations.

- (1) We will always accurately assess the needs of our customers and provide better products and services.
- (2) We will always keep our promises to our customers and respond to their requests promptly and in good faith.
- ③ We will place the highest priority on safety and security for all our products, services, and sales floor environments.
- We will correctly display and appropriately explain our products and services.
- (5) We will manage and utilize customers' personal information appropriately.

We will conduct our business with sincerity and a challenging spirit.

- (1) We will be sensitive to the changes of the times, always be positive, think and act independently, and produce results.
- (2) We will correctly understand and comply with social norms, laws, regulations, work regulations, and other company rules.
- (3) We will properly manage and operate the company's assets such as products, finances, goods, and important information, and will not miss-use them.

We will all participate to maintain a work environment in which we can always perform at our best.

- 1 We will strive to create an open and cheerful workplace with rich communication.
- 2 We will value the individuality of each person and be concerned about human rights and privacy.
- (3) We will not engage in sexual harassment, abuse of authority, or other acts that lead to harassment or discrimination.

We will observe the rules of fair trade and build good partnerships with our business partners.

- (1) We will not abuse our superior position and will not make unreasonable demands to our business partners. We will not engage in unfair transactions, such as cartels or bid rigging.
- (2) We will be polite and moderate in our dealings with suppliers and will not accept gifts or entertainment that is out of line with social norms.
- (3) We will not violate the intellectual property rights of others, including copyrights and trademarks.

We will act proactively to contribute to society.

- (1) We will not hide information, but present it correctly and in a timely manner, and build good relationships with internal and external stakeholders.
- (2) We will act proactively to protect the environment and contribute to society to realize a sustainable society.
- (3) We will not respond to any unreasonable demands from antisocial organizations, groups, or individuals.

Company
Profile

Company Name	H20 RETAILING CORPORATION		
Head Office Address	8-7, Kakuda-cho, Kita-ku, Osaka City		
Date of Establishment	March 7, 1947		
	October 1, 2007, Trade name change		
Capital Stock	17,796 million yen		
Number of	24,732 (9,485 fulltime employees,		
Group Employees	15,247 temporary employees*)		
	*8-hour equivalent, average during the period		
URL	https://www.h2o-retailing.co.jp		

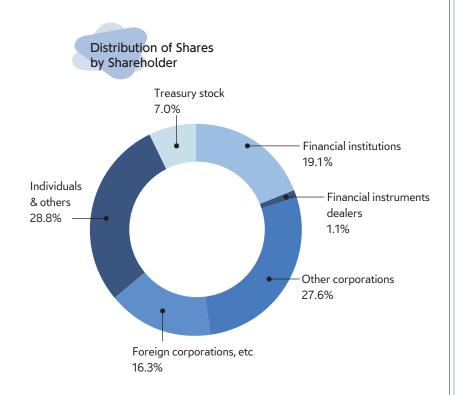
Main Group Companies

	HANKYU HANSHIN DEPARTMENT STORES, INC.	Operation of department stores
5	KANSAI FOOD MARKET LTD.	Business planning and management of
		supermarket companies
	KANSAI SUPER MARKET LTD.	Operation of food supermarkets
	IZUMIYA • HANKYU OASIS, INC.	Operation of food supermarkets
	H2O Shopping Center Development Co., Ltd.	Operation of commercial facilities,
		sales of apparel and home products

 $\% {\rm For}$ other group companies, please refer to the website.



Major Shareholders (as of March 31, 2023)	Number of Shares Held (thousand shares)	Investment Ratio (%)
Hanshin Electric Railway Co., Ltd.	14,749	12.67
The Master Trust Bank of Japan, Ltd. (Trust account)	13,688	11.76
Hankyu Hanshin Holdings, Inc.	10,336	8.88
Custody Bank of Japan, Ltd. (Trust account)	5,753	4.94
Izumiya Kyowakai Assn.	3,090	2.66
H2O Retailing Group Employees' Shareholding Association	1,855	1.59
BNYM AS AGT/CLTS NON-TREATY JASDEC	1,796	1.54
GOVERNMENT OF NORWAY	1,765	1.52
STATE STREET BANK WEST CLIENT-TREATY 505234	1,212	1.04
Nippon Life Insurance Company	1,133	0.97



Total number of shares authorized to be issued •• 150,000,000 shares Total number of shares issued •••••• 125,201,396 shares Listed securities trading ••••••• Tokyo Stock Exchange Prime Market Stock code •••••• 8242

The Company holds treasury stock but excludes them from the above major shareholders.

The investment ratio is calculated based on the total number of shares issued excluding treasury stock (8,813,548 shares).



Business summary

Department Store Business



Hankyu Hanshin Department Stores operate a total of 15 department stores, including Hankyu Department Stores and Hanshin Department Stores. We strive to become the No.1 fun department store to make our customers lives also fun and enriched by energizing their future. In addition to the flagship Hankyu Umeda Main Store, we have a wide variety of stores, including the Hanshin Umeda Main Store, Kobe Hankyu, and Hakata Hankyu stores in the city center, as well as suburban stores that are close to the lives of the community.

P Number of stores by trade name

Hankyu Department Store	11stores
Hanshin Department Store	4 stores

ℜNumber of stores: As of June 30, 2023

Supermarket Business



From manufacturing and processing to sales and home delivery in food supermarkets, we are developing businesses related to "food". As indispensable infrastructure to the community, we operate a total of 236 food supermarkets in various locations in the Keihanshin area (Kyoto, Osaka and Kobe area) such as residential areas, station fronts, and roadside areas.

P Number of stores by trade name

Izumiya*	96stores
Hankyu Oasis	77stores
Kansai Super Market	63stores

**Number of stores: As of June 30, 2023
**Including stores of Qanat Co., Ltd. and H2O Shopping Center Development Co., Ltd.

Shopping Center Business



We are engaged in businesses related to the development, operation, and management of commercial facilities such as shopping centers and the "Ours Inn Hankyu" business hotel.

Other Business

We operate a variety of businesses, including cosmetics stores, "Fruit GATHERING," convenience stores, furniture, pet supplies, and other retail and related services.





As a company rooted in the Kansai region for 100 years

Based on the basic philosophy of "continuing to be an indispensable presence in the local community by providing lifestyle models to local residents, " the group is developing a variety of businesses centered on the Department Store Business and Supermarket Business, concentrated in the Kansai area.

Strategy for market dominance in the Kansai region

Our group has grown based in the Kansai region for almost 100 years. Our core businesses, Department Stores for "urban large-scale commerce" and Supermarkets for "Supermarket Business," were both founded in the Kansai region.

Kansai is a metropolitan area with a population of about 20 million. To respond to the recent dizzying changes in the business environment, such as the maturation of the market and the diversification of lifestyles, we have formulated the "Strategy for market dominance in the Kansai region".

Establishing a dominant position will allow us to be involved in the lives of our customers in all aspects and expand our market share, by building a store network that responds to everything from daily life to non-everyday consumption, and by expanding alliances with business partners and local governments. Additionally, we aim to expand mindshare by promoting sustainability management initiatives, which customers can relate to.

Customer Base and Management Resources in Kansai

ankyu and Hanshin Department Stores

both originated from railroad companies in the Kansai region. They have developed their business from the Umeda area, which boasts the largest concentration of commerce in the region. Hankyu Department Store was founded as the world's first "Terminus" department store. The trains together with urban development along the railway line, and the novel products offered in its spectacular store environments have enriched the lives of locals. With the opening of Senri Hankvu, we have expanded into the suburbs, lives, and hearts of more customers. The fact that the Hankyu Umeda Main Store was able to achieve the highest sales in western Japan is the result of the brand power we have cultivated over many years and the strong support of customers in the Kansai region.

The Supermarket Business core companies Kansai Super Market, Izumiya, and Hankyu Oasis each have a growing number of stores based in the Kansai region, and all have points of contact with the daily lives of their customers. In addition to the accumulated customer base, the combination of the three companies' leading sales capabilities and store networks will enable us to take advantage of economies of scale and improve logistics and cost efficiency.

Most of the group's employees live in the Kansai area. We aim to be an indispensable presence in the local community, by being able to work with a sense of understanding and attachment to the land rooted in each region, and to collaborate with companies and local governments that share the same appreciation for the region, is a source of value creation. We will continue to be an essential part of the lives of our customers and grow as the most familiar distribution group in the Kansai region, whilst striving to make the lives of local communities more convenient and affluent.

Working with the locals to enhance the appeal of the Kansai area

he Kansai area has not been spared from the nationwide trend of its population aging, birthrates and population declining. As lifestyles and purchasing behavior change drastically, various developments are conceivable to the characteristics of each region.

As the base of our group's Department Store Business, Umeda is expected to become more attractive with the planned integrated development of the Ume-Kita district, the Hankvu Osaka Umeda Station area, and various transportation infrastructure improvements associated with the Naniwa-suji Line development. The Osaka-Kansai Expo scheduled to be held in 2025 is expected to increase the flow of people from Japan and abroad, and represents an excellent opportunity for our group, which operates in urban areas. We will work together with the people of the Kansai area to contribute to improving the attractiveness of the region and seize this opportunity.



Hanshin Umeda Main Store

This has been rebuilt and reopened in April 2022 as the "department store that makes every day happy". We are further evolving our "Food Hanshin" such as the "Food Festival Terrace" where you can enjoy food entertainment on a weekly basis. "Navigators" who convey the charm of the store connect with customers and provide content that enriches their daily lives, to ultimately establish a fan community.

Kansai dominant area



Suburban Department Stores

Unlike the Hankyu Umeda Main Store, which embodies the extraordinary, the suburban department store proposes a sophisticated everyday lifestyle. The compact stores, themed to be aligned to the local community lifestyle for those who purchase fresh food and prepared foods, allows customers to enjoy a relaxed shopping atmosphere.



Suburban **Department Malls**

As a new model that combines the characteristics of conventional suburban department stores with a wide range of specialty stores, we aim to meet the diverse demands of daily life, such as child-rearing households and the elderly. We focus on product exhibitions, seasonal events, and lifestyle proposals, which are the specialties of department stores.



Hankyu Umeda Main Store

It is a flagship store that boasts the largest sales in western Japan, a "theater-like department store" that proposes products and its cultural values. Appealing with products and services that can only be obtained here in our sophisticated environment, made to invigorate the stimulated senses, we continue to refine our digital measures.

Izumiya SC (Shopping Center)

The shopping center, with Izumiya food supermarket as its core tenant, handles food, daily miscellaneous goods, clothing, etc. In addition to specialty store tenants such as drugstores and electronics retailers, we frequently hold events to attract customers in cooperation with local residents, businesses, and local governments.



Food Supermarket

Our supermarkets can be found in various locations, including residential areas, in front of train stations, and on roadsides. Based on the concept of managing stores that consider its local customers, we handle fresh local vegetables and offer a full lineup of prepared foods, frozen foods, and Japanese and Western confectionery for souvenirs.

Kitchen Yel

Hankvu Kitchen Yell

The online supermarket that handles everything from daily groceries to department store sweets, side dishes. and daily miscellaneous goods. Main users include those busy with childcare, work, and the elderly.



Customer Service ますうま Business ("Machiuma")

This is a new in-store and online business for consumers in the Kansai region. Starting with the "Machiuma" app, which aims to maximize the "delicious experience" of stores, we will continue to develop services that consider customer needs, whilst aiming to develop into a B2B business that utilizes the customer data obtained.





The H2O RETAILING Group will continue to evolve with the times.

Since its founding, each group company has taken on the challenge of not only selling, but also constantly adding value to its products in accordance with the times and continues to evolve.



The world's first terminal department store



Hankyu Department Store was born as the world's first department store directly connected to a railway station with the new idea of "inviting people from along the railway." We advertised in the newspaper that "we want to sell the best products at a lower price than anywhere else". The most popular dish in the large cafeteria on the top floor was "Rice Curry". It has become a signature menu that is cheaper than anywhere else.



A series of attractive sales areas centered on "food" The opening of the "National

Famous Confectionery Town" and " Hanshin Sweet and Spicy Town" at Hanshin Department Store, which brought together specialty products and famous stores with individuality and tradition from all over Japan, was a groundbreaking experiment at the time that

192⁹

gained poQularity.



Building a supermarket model in pursuit of freshness

To provide better products to customers who value freshness, Kansai Super Market has undertaken several industry-leading initiatives, such as developing its own processing system for fresh foods and being one of the first to introduce refrigerated cases for vegetables.

The pursuit of "affordable valuables"

Since its founding. Izumiva has continued to provide safe and secure products and services by pursuing a business path of "affordable valuables" so that local customers can lead healthy, enjoyable, and fulfilling lives.



Immersive excitement at a "Theater-like department store"

As an "information retailer" the Hankyu Umeda Main Store, which was rebuilt and opened in 2012, erected a four-story atrium "SHUKUSAI Plaza" (that provides new lifestyle information, learning, and experiences), facilities for disseminating information on lifestyle and culture, as well as a theater like store environment to take you away from everyday life.

Expertise, liveliness, and

information dissemination

In 2008, Hankvu Oasis worked on the

development of a new store based on

the concepts of "expertise," "liveliness,"

and "information dissemination."



Bringing the "Depachika" gourmet to your home

Individual food home delivery is now commonplace. Hankvu Kitchen Yell started its service in 2002. Everything from fresh ingredients to department gourmet food delivered to your home, which is a service unique to the group.



Realization of a new business model "Communication Retailer"

From a business that adds value to products and sells them, to a business that supports customers' personal self-fulfillment through direct communication. For details, refer to P17



Creating "New Experience Value"

b which was rebuilt and grandly opened in 2022, "navigators" who deliver ideas and tips to enrich daily lives take on the challenge of two-way communication with customers through social media and events. We are creating a fan community that transcends the boundaries of salespeople, customers, and producers.



At the Hanshin Umeda Main Store,



The Path

So

Integrated Report 2023 Value Creation Stories and Company-wide Strategies

The Future of H2O RETAILING

- Interview: Top Management
- ■Value Creation Process
- Sustainability Management
- Long-term Business Plan 2030
- Mid-term Management Plan (FY2022-FY2024)

20 RETAILING Integrated Report 2023

Interview: Top Management

We would like to build solid relationships with our customers both in person and digitally. Naoya Araki, President and Representative Director

(YK) What is your view of the current business environment surrounding the H2O RETAILING Group?

(AN) The group operates more than 500 physical stores, mainly in the Kansai region, including the Department Store Business, the Supermarket Business such as food supermarkets, food manufacturing industries, and home delivery businesses, the Shopping Center Business such as shopping centers and hotels, and specialty stores. We particularly recognize the three major threats of the next 10 years as the declining population, declining birthrate and aging population that are shaking the social



structure, the ever-accelerating digitalization and online shift, and the excessive competition between retail mega players and community-based players.

(YK) With awareness of the environment, the H2O RETAILING Group has been promoting the "Strategy for market dominance in the Kansai region" for some time.
(AN) Yes. More than 80% of the group's business is in the Kansai region. The Kansai metropolitan

(Interviewer) Yokota Koichi

After working at Nikkei Inc, he became the Representative Director of Yokota Associates Co, Ltd. Specially appointed professor, postgraduate school of Keio University. He is familiar with sustainability in the corporate and administrative sectors. As a co-representative director of the General Incorporated Association Anchor, he is involved in SDGs and career education for high school and secondary school as well as university students. area, with a population of about 20 million, is a market comparable in size to a single country, but it is also a so-called advanced region with a declining birthrate and aging population progressing at the fastest rate in Japan, and excessive competition is intensifying due to population decline and other factors. What should we do to ensure that the group, which was founded in and nurtured by the people of the Kansai region, will continue to specialize in this region and maintain and develop in the future? This naturally led to the emergence of the "Strategy for market dominance in the Kansai region." About 10 years ago, when we launched this strategy, it was just a statement that read "we will continue to mainly develop our business in the Kansai region," but this is no longer the case. Becoming No. 1 in both market share and mindshare in the Kansai region is a clear goal of becoming "Kansai dominant."

(YK) You have set a "Communication Retailer" as your business model, what does this entail?

(AN) Since its founding, the group's strength has been that it has expanded its market share, starting with physical stores, and leveraging the brand value and customer loyalty built up by each store name to develop its business in a complex business format. Post Covid-19 pandemic, changes in customer lifestyles and a shift to digital have progressed rapidly, resulting in rapid changes to physical stores. Under such circumstances, we believe that the acquisition, accumulation, and utilization of cross-business customer data, including online services, as well as services at physical stores, is indispensable for expanding market share. By centrally managing and utilizing the unique customer data that we have previously held for each business category, we will not end our relationship with customers at a one-off meeting on the sales floor. Instead, we will continue to deepen communication, provide



new values tailored to every customer on an individual basis, and maximize the lifetime value of our customers. This is our goal as a "Communication Retailer". I often describe this as "in person in the right hand and digital in the left hand," but until now, the group has only connected with customers at physical stores (on the right hand), but in the future, we would like to build a solid relationship with customers with both in person and digital hands by accelerating digital support (for the left hand).

(YK) Could you go into more specific details regarding "centralizing customer data"?

(AN) The group started with the Department Store Business and has expanded its business scope and sales scale through business integration with food supermarkets, but I believe that the greatest synergy effect of the group, which has a complex business category that includes retail facilities and specialty stores, is the centralisation of group customer data, our greatest asset. Department stores and food supermarkets have very different products and contact frequency with customers, but in addition to centralizing existing customer centric purchase data such as "what

11

customers purchased from which sales floor of which store", we will develop new online services for "food" and "health" and app services at department stores that cater to future needs. By considering customer search information, behavioral information, etc., detailed customer needs emerge from the data. Based on this information, our goal is to propose solutions that increase the lifetime value of each customer. Additionally, in the future, we would like to connect data-based marketing to B2B business.

(YK) Currently, human capital is in the spotlight. What are your thoughts on human capital management as the H2O RETAILING Group to realize "Communication Retailer"?

(AN) In addition to re-skilling of each employee and improving IT literacy, we recognize that training data analysts to analyze 10 million customers worth of data and formulate business actions is also a priority. While actively utilizing external knowledge, we are focusing on mid-career recruitment and training our own human resources who can utilize the asset value of the group's customer data from a business perspective.

Additionally, as we worked to build an internal DX promotion system, we reaffirmed the importance of human capital. In the IT field (but not limited to), the mobility of workers is increasing steadily, and I feel that the declining population is significantly causing a shrinkage of the workforce ahead of the shrinking market. In fact, the group is beginning to see a situation where it is not possible to attract not only specialized human resources, but also part-timers (to stores). In some respects, physical stores in the retail industry could be considered "essential work", but what can we do to encourage people to choose us to work for and play an active role? In addition, we recognize that in the equal relationship between human resources and the company, wages, job satisfaction, work environment, talent management, etc. are comprehensively questioned.

(YK) Lastly, please tell us about the H2O RETAILING Group's sustainability management.

(AN) Like our customers, many of the approximately 25,000

employees of the group live in the Kansai region, and many of our business partners and shareholders have ties to the region. To contribute to the sustainability of the Kansai region where we operate, the pillars of our sustainability management are to deepen our relationship with and contribute to the sound development of the local community. Sustainability initiatives as a company tend to be large-scale, but the group wants to engage stakeholders such as employees, residents, governments, and business partners in sustainability activities that are affordable and suitable for their personal stature. Hankyu Hanshin Department Store has introduced volunteer leave (see page 45) since FY2023 and is promoting its use.

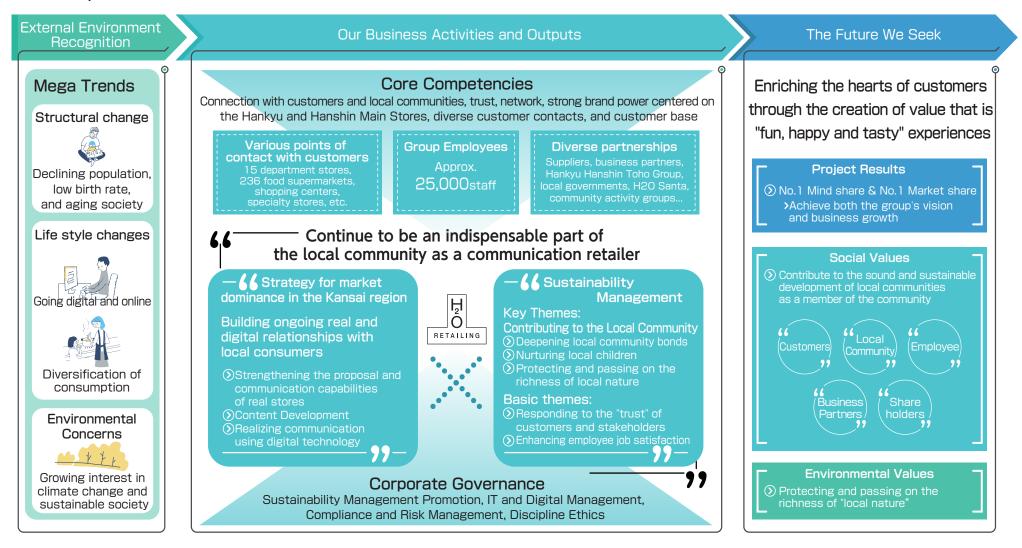
As a company, we will of course take seriously the achievement of planned figures and the improvement of ROE and PBR. Additionally, based on our core stance of "enriching the hearts of our customers and local communities" and "together with the community", we will continue to generate value that cannot be measured numerically.





Value Creation Process

We aim to continue to be an indispensable presence in the local community by leveraging the H2O RETAILING Group's strengths. These include our connections with customers and the local community, trust, network of strong brand power centered on the Hankyu and Hanshin Main Stores, as well as our diverse customer contacts and our customer base.



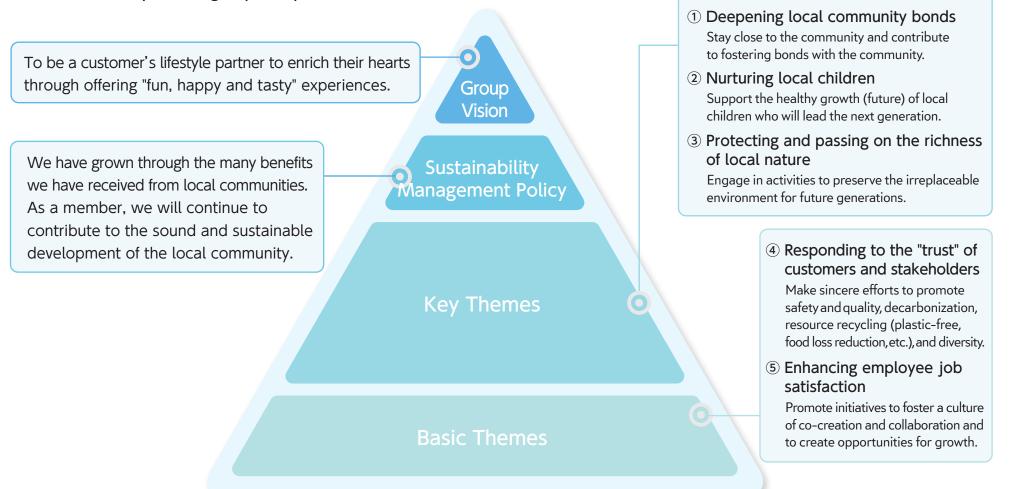
The



Sustainability Management Initiatives

We strongly value our relationships with residents, by adhering to our guiding philosophy "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents". We have grown thanks to the many benefits we have received from our local communities. As a member of the local community, we would like to continue to contribute to the sound and sustainable development of the local community.

Starting in April 2021, centered on "contribution to local communities", we will position three priority themes and two basic themes, as the "materiality" of the group and promote initiatives.



Sustainability Management

Tackling the sustainability of local communities from the perspectives of children and the environment

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 local community bonds
- nurturing local children protecting and passing on the richness of local nature

deepening local community bonds

Whilst "deepening local community bonds" signifies to us the bonds between residents and the group, we also believe that it is important for residents to deepen their bonds with each other and enhance their sense of unity. A community is made up of each one of its residents. We believe that if each one of us co-exist, works together and forms bonds that transcend age, it will become a rich and comfortable place to live. Our group will continue to help with this through our business activities.

nurturing local children

The presence of healthy children energizes the future of the community. Our group would like to create opportunities for children to grow and learn and provide them with new encounters and discoveries. The expression "nurturing local children" also expresses our hope that we will not only nurture the children themselves, but also those families around them.

protecting and passing on the richness of local nature

Environmental issues are increasing day by day. In addition to preserving the global environment from the perspective of climate change and resource recycling, the group hopes to create better communities with the help of its residents, being particularly committed to protecting the rich natural environment of the region and passing it onto the next generation and beyond.

Through discussions at the "Sustainability Management Promotion Committee" and communication at employee briefings, we have established three priority themes and two basic themes as the Group's "Materiality" issues. We are once again grateful for the many benefits we have received from the local community over the course of our 100-year history. As a member of the community, we will continue to implement initiatives that resonate with local residents and contribute to the healthy and sustainable development of the community.



Recognition of the External Environment (Risks and Opportunities)

In formulating the Long-term Business Plan for 2030, it was necessary to recognize the dramatic changes in the business environment due to the Covid-19 pandemic.

Although the pandemic appears to be ending, we will continue to promote our business in an era of rapid change, appropriately grasping the social environment, consumption trends, and the values and needs of consumers.

Declining Population • Aging Society

● The Japanese population is forecast to continue to decline long-term, whilst the Kansai region will continue to decline at a faster rate than the national average.

 Households will continue to shrink and diversify in size (unmarried, married couples only, etc.), along with the aging of the population.
 More than ever, it is necessary to investigate products, services, and communication methods that are in line with the diverse lifestyles of individuals.

Expanding the grocery market beyond business categories

•While total consumer spending is on a downward trend, spending on clothing, footwear, and culture and recreation has fallen more than the total amount.

On the other hand, food products, which account for the largest share of expenditures, have remained stable and are increasing their presence amid a decrease in the number of people per household.

Although there are several directions, such as a low-cost orientation and a high-value-added orientation, food sales have grown significantly for convenience stores, drug stores, and food supermarkets.

• Consumer expectations are expected to increase for businesses that provide food products.

Wealthy-Small Mass-Mass Market

• The market for the wealthy is expected to expand as the population of wealthy individuals with large financial assets is on the rise in both the number of households and their financial assets.

Due to the diversification of values and lifestyles, "small mass markets" are being created in various genres resulting in strongly supported products and services that stand out by specializing in niche needs.

The mass market has a large number of potential customers, with demand for products and services that fulfill fundamental desires that captures the sense of the times.
 It is necessary to identify the differences between each market and implement various initiatives.

Post Covid-19 pandemic societal and lifestyle changes

The transition to an internet-based society has progressed significantly, as made evident by the ease and activation of online access and communication. The digital native younger generations have come to occupy a large position in society, and the expansion of D2C businesses products that are sold directly by creators.

Along with the emergence of the value of "Taipa" (time-performance), there is a growing awareness of focusing on the state of one's own mind and the happiness of their community and family, rather than the evaluation by others of one's appearance and social prestige.

New lifestyles are pervasive across a wide range of generations and genres, and it is necessary to grasp and respond to changes.

Transformation of the Department Store Business model

● The department store industry continues to shrink in terms of sales, has fallen into a difficult situation due to the rapid shift to e-commerce during the Covid-19 pandemic, (which itself has recently grown rapidly due to strong sales of high-priced items and duty-free sales by foreign visitors to Japan), although the future remains unpredictable.

 While the rational consumption trend that emphasizes the balance between cost and value is increasing, the polarization between the trend and the desire to pursue added value has become clear. The middle class, which was the main customer of department stores, is decreasing.
 The number of commuters to the city center is decreasing due to the diversification of lifestyles.
 It is necessary to build a business style that integrates physical stores with digital technology.

Conversion from GMS to SC

• General merchandise stores (GMS) have opened stores in locations near and around stations and terminuses and have gained support by providing comprehensive food and clothing options as well as shelter.

Many specialty stores that offer diverse and competitive product lineups are emerging in shopping centers (SC) which offer increased parking spaces to improve convenience.

Urgent need to convert from uncompetitive GMS to SC.

Toward a sustainable society

● The momentum for efforts to curb the use and disposal of plastics and to recycle resources will continue to increase, starting with the introduction of a fee for plastic shopping bags in July 2020.

■ Regarding food loss problem, although the share of the retail industry is about 10%, we recognize that the retail industry should be involved in reducing the total amount of food loss, since more than 40% of the emissions come from ordinary households (customers).

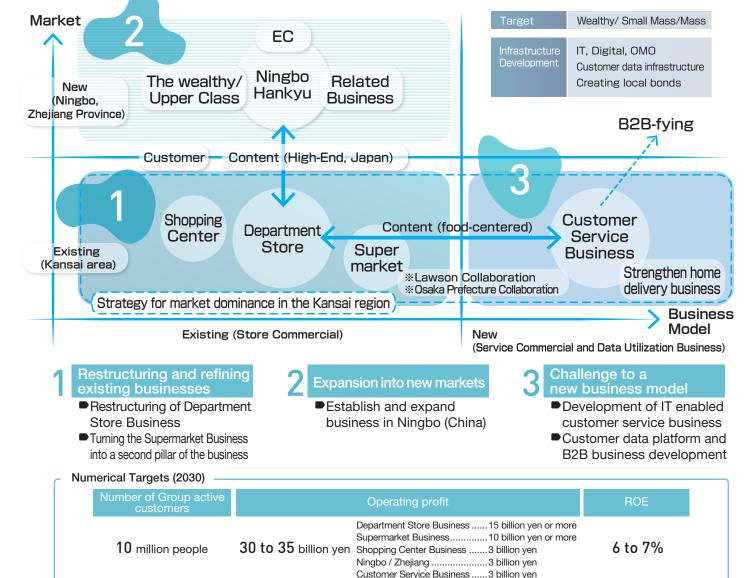
■ The Act on Promotion of Global Warming Countermeasures clearly states the achievement of carbon neutrality by 2050, and concrete actions are required for decarbonization.

■ Retailers, which have direct contact with consumers, can play a significant role in helping to reduce the environmental impact of consumers' lifestyles, resulting in a potential new business opportunity. Long-term Business Plan for 2030

Long-term Business Plan for 2030

Communication Retailer, the business model the H2O RETAILING Group is aiming for

To date, the group has focused on expanding its business, focusing on stores and products. In response to rapid digitalization and changes in behavioral patterns that have progressed further during the Covid-19 pandemic, in 2021 we formulated the "Long-term Business Plan for 2030", which envisions the future management model of the group by promoting a shift to a customer-oriented business model. In addition to the customer contact points at our stores, we aim to build deep relationships with customers by connecting directly with them through digital communication, and to realize a business model called "Communication Retailer" that provides a variety of products and services and new value that suit everyone on a personal basis and continues to connect us with customers. We will increase profitability further by refining our existing businesses and strengthening our efforts in new markets and new business models. We will arow together with the local community and continue to provide our customers with a life filled with "fun, happy and tasty" moments.

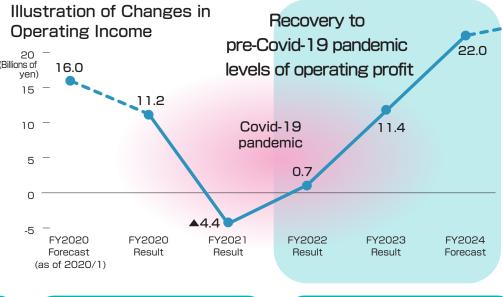


Mid-term Management Plan(FY2022 to FY2024)

Mid-term Management Plan (FY2022 to FY2024)

In the mid-term management plan for the period from FY2022 to FY2024, with the goal of recovering to pre-Covid-19 pandemic levels of operating profit, we will promote initiatives to realize 'Long-term business plan for 2030' by setting the following items as priority items.

(Unit: Billions of yen)	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Result	FY2023 Result	FY2024 Forecast	(8
Operating profit	20.4	11.2	▲4.4	0.7	11.4	22.0	
Ordinary profit	21.4	11.8	▲2.9	2.3	13.0	22.5	
ROE	0.8%	▲5.0%	▲10.5%	4.2%	6.7%	5.1%	
ROIC	3.6%	2.0%	▲0.8%	0.1%	2.1%	3.9%	



Restructuring of Department Store Business

> Establish OMO style

主要な指標の推移

- Priority investment in Hanshin Umeda Main Store, Kobe Hankyu and Takatsuki Hankyu
- Ost structure reform

Turning the Supermarket Business into a second pillar of the business

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

Start business development for future growth

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

Promoting IT • Digitalization

- Suilding an IT infrastructure for DX
- Accelerate business reforms
- Responding to system risks and issues

Mid-term Management Plan Review

Topic **Restructuring of Department Store Business**

Hanshin Umeda Main Store rebuilt and opened

For "Hanshin of food" to evolve, alongside the Hanshin Food Hall, (which aims to be the best department store basement in Japan, with its overwhelming product lineup and expertise), we are building a new restaurant and food hall floor that features foods loved in Osaka and developing experience-based contents edited under a unique theme at the "Shokusai Terrace". To increase customer lifetime value, we are building ongoing relationships through personal initiatives and in person events that customers can participate in (such as child-rearing communities) by harnessing the power of social media. In addition to continuing to take on the challenge of bold projects to develop new markets, we aim to improve the store's customer attraction rate and range by improving and reviving traditional popular events.

Kobe Hankyu remodeling

In October 2023, Kobe Hankyu was reborn as a store with its own unique appeal. With the aim of strengthening and expanding the lineup of special occasion products that are a staple of an urban department store, "Hankyu Mode Kobe" and "International Boutiques" will newly establish a highly sensitive category that captures the essence of the modern times, and "KOBE HANKYU BEAUTY WORLD" (one of the largest in the Kobe area) will offer new beauty experiences. Additionally, we have

newly established a unique community-based lifestyle proposal floor, and we have set up a space for disseminating information on each floor to strengthen our ability to offer fun proposals full of new discoveries and surprises.

Establish OMO style

We are working to develop and provide a new purchasing process that integrates physical and digital, developing digital customer service tools, and strengthening online communication such as enhancing our web catalog.

Cost structure reform

In the wake of the Covid-19 pandemic, we are working to consolidate and save on labor by utilizing IT. By redefining our activity policy, we are continuing to reduce external expenses by reviewing and in-house production of operations, advertising decoration expenses and travel expenses.

Opening of a new logistics center

We have consolidated our distribution centers and significantly improved logistics efficiency and inventory operations by utilizing automated transport equipment. Overall improvements have been made via faster logistics, better in-store inventory liquidity as well as leveraging the power of e-commerce.

Topic

Turning the Supermarket Business into a second pillar of the business

Kansai's top-class **Food Supermarket Association**

In December 2021, we merged with KANSAI SUPERMARKET LTD. to form the Kansai Top-Class Food Supermarket Association. We will create synergies in all areas, including procurement, manufacturing, logistics, and systems, to increase our competitiveness and profitability. In addition, the merger of Izumiya Co.,Ltd. and Hankvu Oasis Co., Ltd. has led to the unification of head office and headquarters functions which sped up decision-making. In July 2021, we established a joint venture with Mandai Co., Ltd., with which we entered a comprehensive business alliance, to enhance our product lineup, procure imported products. reduce procurement costs, and promote joint product development.

Food supermarket business reform

At food supermarkets, we are working to improve productivity by thoroughly standardizing operations. We are promoting operational efficiency through the renewal of MD and core systems, the development and integration of logistics systems, and the centralization of personnel policies through the introduction of a new personnel system. We are also strengthening the development of differentiated products (prepared foods and bread) through SPAs(private label food manufacturing subsidiaries) with group manufacturing companies. In addition, we will work on the development and maintenance of store formats according to the trade area and develop product lineups and sales methods that match the characteristics of the market.

Topic

Strengthen profitability of the **Shopping Center Business**

Conversion of Izumiya GMS to SC (Shopping Center)

By reducing the efficiency of directly managed sales floors and promoting the introduction of tenants, we completed the conversion of all stores to SC by the end of FY2022. We are also working to improve operational efficiency by reorganizing unprofitable stores, standardizing operations, and reviewing facility management operations, which has led to continuous profitability, even after achieving profitability. In addition, we have opened a local community base for public-private partnerships on the 4th floor of Izumiya SC Kawachi-Nagano: "Yui Terrace", and a support base for children and their parents on the 3rd floor of Izumiva SC Kadoma store: "KODOMO (children) LOBBY". By promoting initiatives tailored to each region, we will maximize the attractiveness of the SC as a neighborhood-oriented commercial facility.

Oi Development Co., Ltd (Business Hotel "Ours Inn Hankyu")

We have achieved labor-saving and low-cost operation by introducing self-service check-in machines. Profitability has improved due to the increase in room rates through the introduction of dynamic pricing.

The Future of H2O RETAILING

Mid-term Management Plan Review

Topic Start business development for future growth

Taking on the challenge of a new business model

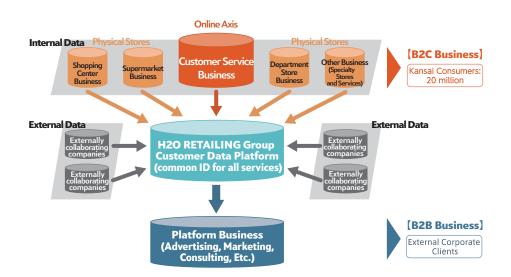
Leveraging the group's accumulated strengths of connections and trust with customers and local communities, we are developing a service business that integrates and utilizes IT and digital technology with existing physical stores and services to acquire 10 million "Active group customers" in the Kansai region. First, we will develop an online service that is frequently used by many consumers and is closely related to local affairs. We will pursue synergies in collaboration with the existing stores and merchants of the group and alliance partners and will further expand our service areas to build relationships that enables us to always connect and communicate closely with 10 million consumers.

Next, we aim to create a B2B business by building a customer data/service platform using customer data infrastructure. This consists of connections through new services to consumer data, and various service and platform functions that combine payment, points, delivery, communication, analysis, and marketing.

Launching and expanding the customer service business

H2O Communication NEXT CORPORATION was newly established in February 2023 to promote the customer service and platform business. In the customer service business, we develop and operate services through B2C apps and provide payment services for stores. In the platform business, most of our customers will be converted to app members, leading to B2B monetization opportunities to advertise and market to our 20 million consumers in the Kansai region.

Given the substantial needs of consumers, we have selected "food" as the first initiative to utilize the group's information and knowledge to develop food-related services online from various angles. In May 2023, we released the smartphone app "Machiuma" as the first trial for themes that we assume will be in particularly high demand.



The opening of Ningbo Hankyu, expansion into new markets

In April 2021, Ningbo Hankyu opened in Zhejiang Province, China. As China's first "experience-based department mall" that combines the strengths of department stores and shopping centers. Through product, content and customer collaboration with the Hankyu Umeda Main Store and cross-border e-commerce initiatives, we are developing business for the wealthy with high economic and purchasing power. Since its opening, luxury brands, food, restaurants and cafe, and event promotions have received unexpectedly high support from young newly wealthy population, and we will further improve the attractiveness of the store with the aim of becoming the best store in the region.

Promoting IT · Digitalization

We are actively promoting IT and digitalization as a foundation for the realization of a

See pp. 39-42. [IT and Digital Strategy]

"Communication Retailer".

Topic

The Future of H2O RETAILING

Mid-term Management Plan Review

Topic //

Investment, Finance, and Financial Planning

Investment Plans

We are actively investing in high-priority projects such as IT/DX investment, the reconstruction of the Hanshin Umeda Main Store, and the remodeling of Kobe Hankyu and Takatsuki Hankyu. The investment amount is expected to be JP\ 91.3 billion compared to the three-year investment plan of JP\ 95.0 billion.

Asset Efficiency Improvement

By streamlining our balance sheet and converting it into cash, we are working to improve the efficiency of our financial position. We sold real estate assets with low usage efficiency, such as the former head office building and a department store distribution center, recording a gain of JP\ 27.2 billion on the sale in FY 2022 and FY 2023. In terms of stocks, we sold 8 stocks in FY 2022, "Takashimaya" shares in November 2022, and "Ume-no-hana" shares in March 2023, significantly reducing our cross-shareholdings from 16 to 6.

Interest-Bearing Debt Reduction & Financial Planning

Interest-bearing debt had been increasing in recent years due to investment in large-scale projects, the deterioration of the earnings environment, and increased borrowing due to the Covid-19 pandemic. Under the policy to stop additional borrowing, we are reducing borrowings thanks to an increase in operating cash flow resulting from the effects of upfront investments and a decrease in investment cash flow.

Cash flow allocation wise, we can raise funds for large-scale projects through operating cash flow and investment cash inflows from asset sales and balance upfront investment for growth with a sound financial base. Large-scale investments will continue in FY 2024, whilst increased operating cash flow has helped decrease interest-bearing debt.

Shareholder Return and Dividend Policy

We make a comprehensive judgment based on the medium- to long-term plan for profit attributable to owners of parent, consolidated net assets, and consolidated cash flow, based on the principle of building an appropriate financial structure over the medium to long term, cash flow necessary for growth investments, and stable return of profits while considering the performance of each fiscal year. In the long term, we aim for a dividend payout ratio of 30-40%.

Aiming to formulate the next Mid-term Management Plan to realize "Communication Retailer"



The results of FY 2022 and 2023 exceeded the plan in Mid-term Management Plan (FY2022-FY2024). In FY 2023, the recovery in the business performance of the Department Store Business made a significant contribution. To achieve the goals of the Mid-term Management Plan, we will continue to improve profitability, efficiency of assets and capital, invest for future growth, and strengthen human resource development.

We have made progress toward a work style that promotes autonomy and co-creation via the successful relocation of our head office. We will continue to reform our organizational culture to create value and produce results. We will strengthen our planning management functions by introducing KPIs that can manage the progress of the Mid-term Management Plan, the Three-year Business Plan (with scope for appropriate revisions), promote BPR, and improve the efficiency of accounting and human resources operations of the entire group. Despite our strong business performance, and the Covid-19 pandemic finally coming to an end, headwinds such as a declining and aging population, stagnant disposable income, and consumption due to an uncertain future will continue to cast a shadow. Our business will no longer be viable if we keep the way as used to be as lifestyles and consumption habits diversify (such as the tendency to seek meaning in consumption and the growing desire to contribute to society), and technologies such as generative AI and Web3 rapidly evolving. To steadily implement our strategy for market dominance in the Kansai region, we will review the actual conditions of consumers, redesian our business portfolio (including new business areas, customer touch points and relationships), to formulate the next Mid-term Management Plan to embody the "Communication Retailer".

Foundation for Supporting Value Creation of H2O RETAILING

Integrated Report 2023

Functional Strategy & Governance

Foundation for Supporting Value Creation of H2O RETAILING

- Sustainability Strategy
- Environment
- Social
- Message from an External Expert
- IT and Digital Strategy
- Human Capital Strategy
- Corporate Governance
- Compliance and Risk Management

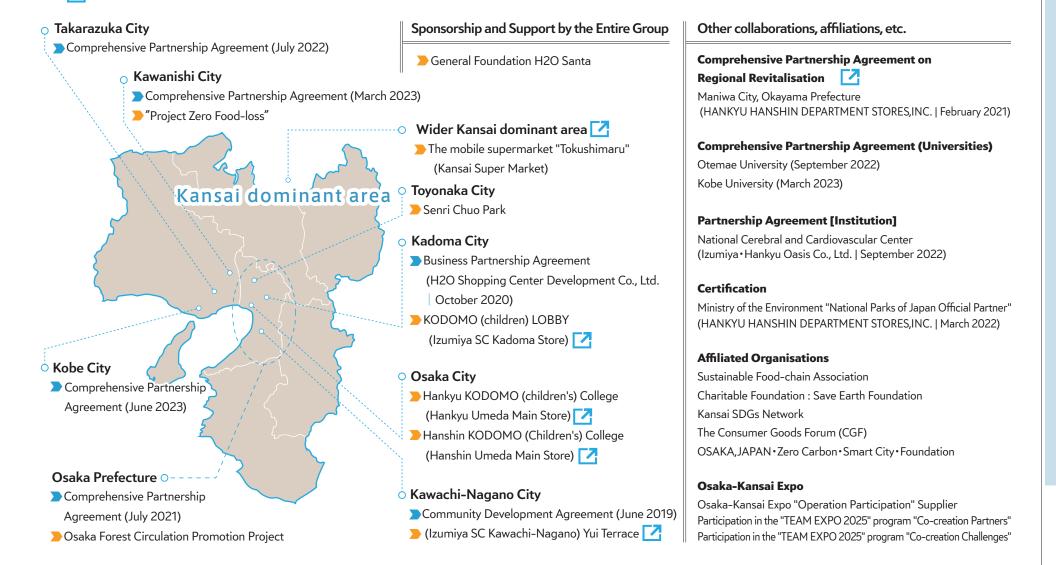




Regional Co-Creation Sustainability Activities

The group's sustainability activities (which are based on the pillar of our efforts to contribute to the sound and sustainable development of local communities), are being promoted in collaboration with various stakeholders in the Kansai dominant area.

We have concluded, collaborated, and joined agreements etc. excluding items specifically noted.
 Click related articles on our website. (Japanese Only)





Related Topics

Topic Takarazuka Grand Conference

In a new attempt to collaborate with companies and universities that have concluded a comprehensive partnership agreement with the city, Takarazuka City which celebrates its 70th anniversary in FY 2025, are holding the "Takarazuka Grand Conference". We signed a comprehensive partnership agreement with Takarazuka City in July 2022 and have been cooperating in the planning and operation of this conference since its inception.

At the meeting, all the partners of the Comprehensive Partnership Agreement, including the operating companies of the group, will gather. Together with city officials, we aim to co-create initiatives and new values that contribute to the SDGs in Takarazuka City, utilizing all their resources and knowledge.

"Interesting" rather than "useful". Rather than being confined to one place and trapped in an inward-looking logic, we transcend the boundaries between "public and private" and "fields and roles." Overcoming the "boundary". Acquire the skills to interact with diverse thinking and values, and to flexibly accept them, leading to a good society and life. We can challenge what we can do because we work together. 1+1 can become 3. Takarazuka Grand Conference is where these come to life. I would like to grow Takarazuka City together with comprehensive partnership agreement members. We want to believe and carry out what we think is fun and right. My work has never been more interesting than it is now, (the joy of connecting with people, feeling of hope for the future, and the importance of believing and trying). I would like to express my gratitude to H2O RETAILING and all our partners and city officials who have been involved.



Takarazuka City, Planning and Management Department, Policy Office, Hitoshi Tagai





Someone's seriousness makes someone serious. Someone's fun will become someone else's fun. Thoughts become actions, and emotions connect people. "The Takarazuka Grand Conference is wonderful" is what I feel whilst conducting this work.

I somehow feel that the positive emotions that people have (such as fun and happiness), come first, and that services and products provided by each company go beyond that. I realize that we are changing to an era in which the comfort of people is valued in all fields.

And for us (in a position to promote better urban development that meets the needs of the times), we are filled with joy and gratitude to have met a very reassuring partner.

This fills me with a desire to act in the near future.

Takarazuka City, Urban Developme

Urban Development Department, Urban Development Office, City Planning Division, Naoko Taniguchi

Topic Hankyu Department Store Brass Band

Music possesses many possibilities to address the priority themes of our sustainability management policy; "deepening local community bonds" and "nurturing local children ".

Post Covid-19 pandemic, the Hankyu Department Store Brass Band resumed its activities in FY 2023 and is energetically increasing opportunities to perform at the group's stores and communities.

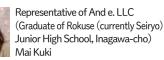
Concert at junior high school and interaction with brass band club

On the 6th of July 2022, we were approached by the principal of Seiryo Junior High School in Inagawa Town, Kawabe District, Hyogo Prefecture, to perform in the gymnasium of the junior high school. The students and locals who rushed to the concert watched with enthusiasm, and the school anthem was played in the encore (which was newly created due to the school merger two years ago). This was the first live performance under the direction of the vice president of the student council. The brass band also presented with a CD of the performance of the school anthem, to great fanfare.

After this, members of the brass band provided individual guidance to the students of the school's brass band club ahead of their competition. "I'm glad that he actually played and set an example instead of verbal instruction" and "he taught me very diligently, down to the smallest details". This day became an important day that will be remembered by the students.

I was moved by the performance of the Hankvu Department Store Brass Band, and I was moved by the enthusiastic advice of the orchestra members and the serious faces of the junior high school students in the guidance of club activities after the performance. Not all children are blessed with the opportunity to hear such a performance, and I am truly grateful to have been given such an opportunity at a "school" in Inagawa Town. I'm sure there was a child who thought, "I'll get a job at Hankyu Hanshin Department Stores someday and join a brass band." I am sure that you have done a lot of practice, preparation, and coordination of work before the day of the event. Thank you so much for giving the children such a wonderful experience.







17 PARTNERSHIPS FOR THE GOALS

X

14 BELOW WATER

15 ON LAND

5-



>>>>

Key Themes (Contribution to Local Communities)

Themes and Commitments	Direction of Specific Initiatives	Mid-term Initiative	s Targets
memes and communents	Direction of Specific Initiatives	Each operating company	Entire Group
①Deepening local community bonds	As a hub for daily life, we support the development of local communities through coexistence and collaboration.	Establishing priority stores and promoting regional initiatives	
Stay close to the community and contribute to fostering bonds with	 Helping to promote social and community interaction and deepen bonds across generations. 	Each group company will work with residents and local governments to	
the community.	Propose ways to brighten people's lives by promoting traditional culture, art, and the unique charms of the region.	implement initiatives that are close to the local community's heart and lead	Set up model regions(*
	Focusing on lifestyle and health care aspects allows us to support the health of the community	to the discovery of local attractions.	to promote cross-group and cross-thematic initiatives
②Nurturing local children	•Create opportunities for children to meet people who will lead them to their dreams.	Promote child-based initiatives	We will establish
Support the healthy growth (future) of local children who will lead	 Create opportunities for learning through exciting experiences and open the windows to the future for children. 	by setting up priority stores At each of the Group's companies, we	role-model regions that symbolize the group's
the next generation.	Participate in local children raising and support family-oriented lifestyles.	will create initiatives that children will want to participate in and places where they can feel at home.	initiatives and promote sustainable and comprehensive initiatives for all priority themes.
③Protecting and passing on the richness of	Conduct environmental conservation activities in cooperation with local communities.	H2O RETAILING and other companies work together to	(※) Kawachinagano area, Senri
local nature	Promote nature conservation activities, including the protection of forests and water resources.	promote nature-based initiatives	area, Kawanishi, Inagawa, Nose, Toyono area
Engage in activities to preserve the irreplaceable environment for future generations	Propose environmentally friendly products and lifestyles.	H2O RETAILING and its group companies will work together to implement initiatives that will help residents become interested in and familiar with their local natural environment.	Nose, Toyono area

4 QUALITY EDUCATION

11 SUSTAINABLE CITIES AND COMMUNITIES

A

12

 α



			CLEAN ENERGY	AND PRODUCTION		0 ~~
			-Q-			* I
Themes and Commitments	Direction of Specific Initiatives	Mic	d-term Initiatives Tar	rgets	KPI	
④Responding to the trust of customers and stakeholders	 (Improving quality control for safety and security) Work to establish a system for thorough quality control of products so that customers can shop with peace of mind. 	of the Food Hy	nprove food safety under giene Quality Control Pro , and enhance quality con	omotion	Holding of the Group Food Hygiene Quality Control Promotion Subcommittee.	
Make sincere efforts to promote safety and quality, decarbonisation, diversity, resource recycling (plastic-free, food loss reduction, etc. and reducing clothing waste.)	 (Improve safety and security in the event of a disaster) Work to establish and disseminate a BCP to ensure the safety and security of our customers and employees in the event of a disaster. 	agreements wi we will open ou	onclusion of disaster prev th local governments in tl Ir priority stores to aid in vacuation sites in the ever	he areas where the provision of	Conduct disaster prevention and crime prevention drills * Cooperation with government and other companies	5.
		Greenhouse Gas (GHG) Emission Reduction	In addition to the introd lighting, we will also use air conditioning system energy conservation. W gradually switch to rene our major stores.	e a new Al smart n to promote Ve will also	GHG Emission Reduction rate (Scope 1 and 2) 2030: 30% reduction (compared to FY2020) 48% reduction equivalen (compared to FY2014) Net Zero by 2050) nt
	 (Promotion of Environmental Measures) Promote environmental management to reduce our environmental impact 	Food waste reduction	In addition to curbing t food waste from stores, efforts to recycle waste	, we will promote	Food Recycling Rate 2030: 70% (2023: 60%) * For Hankyu Hanshin Department Store and food supermarkets	es.,
	(CO2 emissions, food loss, plastic emissions, etc.) – generated by our business activities.	Reduction of plastic waste	We will work to reduce plastic provided and di- as recycling plastics in a law that went into eff concerning "The Promo Recycling of Plastics".	ischarged as well accordance with fect in April 2022	Amount of products using specified plastics provided 2030: 60% reduction in basic un (compared to FY2022) * For Hankyu Hanshin Department Store food supermarkets, and hotel	
	-	Promotion of environmental management	Hankyu Hanshin Depa H2O Foods Group Co., established the "Enviro	, Ltd. have		

12 RESPONSIBLE

7 AFFORDABLE AND

Promotion Project" to promote initiatives.

13 CLIMATE 14 LIFE BELOW WATER

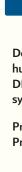
15 UPE ON LAND

Mid-term Targets

>>> **Basic Theme**

Make sincere effor safety and quality, diversity, resource (plastic-free, food etc. and reducing c

26



Direction of Specific Initiatives

4Responding to the trust of customers

and stakeholders

 \mathbb{Y}

Basic Theme

Themes and Commitments

Sustainability Strategy

Make sincere efforts to promote safety and quality, decarbonisat resource recycling (plastic-free, food loss reduction, etc.), and diversity.

Mid-term Targets

S ote ation, re,	(Promotion of human rights initiatives) ●We will establish a human rights due diligence (DD) promotion system based on the H2O RETAILING Group Human Rights Policy. We will also promote CSR procurement.	Development of human rights DD promotion system Promoting CSR Procurement	The Compliance and Risk Management Committee will review and develop a specific promotion system. We will explain the H2O RETAILING Group CSR Procurement Policy to our suppliers after ensuring that the policy is well understood within the company.	
	(Promoting diversity)	Promotion of opportunities for women	Actively promote individuals based on their career orientation and aptitude.	Ratio of Female Managers Hankyu Hanshin Department Stores 35% in 2030
	 Promote work-life balance, the advancement of women and seniors, employment of people with disabilities, 	Employment of people with disabilities	Comply with the legal employment rate and create an environment in which diverse human resources can work	H2O Foods Group, food supermarkets 20% in 2030
	and support the LGBTQ community.	Promoting universal	comfortably. Promote universal design in stores and sales areas to create facilities that are	H2O Shopping Center Development 35% in 2030

universal design

Mid-term Initiatives Targets

easy for everyone to use.

5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWT 17 PARTNERSHIPS FOR THE GOALS q 8 î

KPI



Mid-term Targets



Themes and Commitments

Direction of Specific Initiatives

Mid-term Initiatives Targets

KPI

SEnhancing employee iob satisfaction

Promote initiatives to foster a culture of co-creation and collaboration and to create opportunities for growth.

Basic Theme

(Promoting a visionary, co-creative work style)

Promote initiatives to disseminate the group vision and foster a culture of co-creation and collaboration.

(Participation in community contribution activities) Creating opportunities to participate in activities that contribute to the development of local communities beyond the boundaries of the group companies.

(Provide growth opportunities)

Proactively create opportunities to participate in group and cross-functional projects.

Create opportunities for dialogue among employees in the Hanshin Hankyu Department Stores and H2O Foods Group to promote understanding and penetration of the vision as well as to foster a culture of co-creation and collaboration.

Creating future opportunities for employees to participate in community contribution activities beyond the boundaries of the group companies, and each employee will contribute to deepening bonds with local communities and residents in various ways.

Proactively create opportunities to participate in initiatives that transcend groups and divisions, such as office relocation projects and projects to promote environmental measures.



Promotion of environmental measures

The group conducts initiatives against the targets it has set and measures its effectiveness, to promote environmental measures. The Sustainability Management Promotion Committee conducts reviews with external experts and actively discloses information to raise the level of initiatives.

- > Overview of the group's reduction of greenhouse gas(GHG) emissions
- GHG emissions reduction management related information is disclosed on our homepage and through CDP responses.
- We recognize climate-related risks and opportunities as management issues and respond strategically.
 We disclosed information in line with the TCFD recommendations in 2022.
- From FY2024, we disclose our strategies, risk management, indicators, and targets related to climate change as our approach and initiatives related to sustainability in our annual securities report.

Management for Reducing GHG Emissions

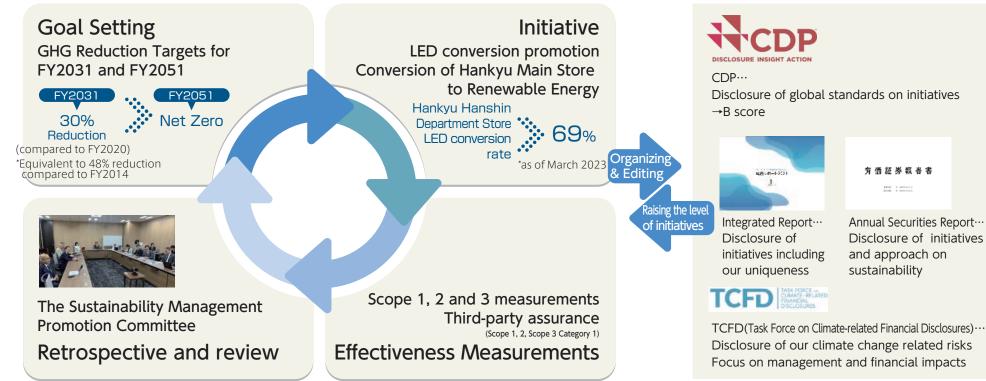




We responded to CDP 2022 (Climate Change) as part of our climate change-related disclosure. We received a "B" rating for our disclosure of the group's awareness of climate-related issues, organizational structure, climate-related opportunities and risks, greenhouse gas emissions, and efforts to reduce emissions.

Additionally, for FY2023 we have endorsed the TCFD (Task Force on Climate-related Financial Disclosure) and will promote disclosure in line with its recommendations. \rightarrow See p. 32.

Information Disclosure





Promotion of environmental measures

We will promote environmental management to reduce environmental impact (CO₂ emissions, food loss, plastic emissions, etc.) generated by our business activities.

Medium- to Long-term targets

Addressing climate change is an urgent issue that our generation must tackle to pass on a beautiful global environment to future generations. In addition, natural disasters, which are expected to increase and become more severe due to climate change, will have a significant impact on the business activities of the group. Based on this recognition, we believe that contributing to the realization of a decarbonized society is our responsibility, and we set medium to long-term targets for GHG reduction in FY2022.

FY2031	30% Reduction (compared to FY2020)
	*Equivalent to 48% reduction compared to FY2014
FY2051	Net Zero

Efforts to reduce CO₂ emissions

To achieve our medium- to long-term targets, we will accelerate energy conservation and gradually shift our stores to renewable energy. We will continue to work on a multifaceted approach based on social conditions and technological innovation trends.

Scope 3 GHG emissions calculation and third-party assurance obtained

In addition to Scope 1 and 2, the group calculates Scope 3 GHG emissions. To improve the reliability of the data, we have obtained third-party assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1) in FY2023.

- Scope 1: Greenhouse gas directly emitted by the business itself (fuel combustion, industrial processes)
- Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
- Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions of other companies related to the business's activities)

Source: Ministry of the Environment

LED conversion promotion etc.

Hankyu Hanshin Department Store is actively promoting the use of LED lighting, whilst the Hanshin Umeda Main Store, which had its grand opening in April 2022, now exclusively uses LED lighting in all areas, including in the noncustomer facing areas. In addition to the use of LED lighting, food supermarkets are taking energy-saving measures such as the introduction of frozen reach-in showcases (showcases with glass doors) and the installation of nighttime curtains on refrigerated open cases.

> Hankyu Hanshin Department Store LED conversion rate 69% (as of March 2023)

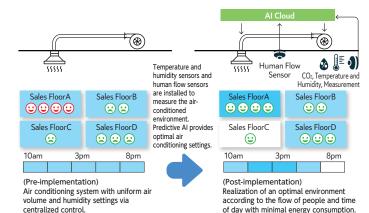
Promoting "conversion to renewable energy" in stages

The group's flagship store Hankyu Umeda Main Store has been making a three-year switch to 100% renewable energy, in stages since October 2022. In addition, 100% of the electricity used at the Hankyu Oasis Suita SST store (which opened in April 2022), is renewable energy. Hakata Hankyu has also made some progress in renewable energy conversion.

Full-scale implementation of "AI Smart Air Conditioning System"

In FY2023 (in collaboration with Kobe University), we conducted a demonstration experiment using an air conditioning system with the latest AI technology at the Hankyu Umeda Main Store to reduce electricity usage. Energy consumption on the demonstration day was reduced by about 50% under normal conditions.

In response to these findings, we established a joint venture in April 2023 called: H2O KU Carbon Neutral Design Co., Ltd., with KOBE UNIVERSITY CAPITAL (an investment business under the umbrella of Kobe University), to commercialize the AI smart air conditioning system and reduce energy consumption by improving the operation of the existing air conditioning system. The AI smart air conditioning system will be put into full operation at the Hankyu Umeda Main Store from October 2023, followed by to the group's department stores and food supermarkets.



"AI Smart Air Conditioning System" is an air conditioning control system patented by Kobe University that uses AI to optimize data such as foot traffic, temperature, and humidity (collected from cameras, thermometers, hygrometers, etc.).



[Demonstration experiment] We monitor temperature \times humidity \times wind speed, which adds up to the comfort factor of the space. We simultaneously checked the actual direction of air flow and CO₂ concentration.



Promotion of environmental measures

We will promote environmental management to reduce environmental impact (CO₂ emissions, food loss, plastic emissions, etc.) generated by our business activities.

Plastic Reduction Initiatives

The group is striving to reduce single use plastics, particularly in the Department Store and Supermarket Businesses. Taking the opportunity of the mandatory reduction of products using specified plastics under The Plastic Resource Circulation Act, which came into effect in April 2022, Kansai Super Market has changed all plastic cutlery provided to customers at its stores to wooden or paper materials.

"Ours Inn Hankyu," a business hotel operated by Oi Development Co., Ltd, uses environmentally friendly toothbrushes made from rice husks and recycled plastics. In addition, by only providing to those who need them, we are working to reduce the number of amenities offered.

Status of Provision of Products Using Specific Plastics under The Plastic **Resource Circulation Act and KPIs**

Of the single use plastic products given to customers, we will strive to reduce the amount of specified plastic-using products (cutlery, hangers, clothing covers, and toiletries) provided and implement initiatives to reduce the amount of plastics used, including alternative materials.

	FY2031 KPI (FY2022YoY)		
Hankyu Hanshin Department Stores (Including our business partners)	25% reduction in basic unit		
Food supermarkets (Izumiya, Hankyu Oasis, Kansai Super Market, and Qanat)	100% reduction in basic unit		
Oi Development	45% reduction in basic unit		
Basic unit = Annual quantity provided (tons /Net sales (millions of yen)			

Food Waste Recycling

Hankvu Hanshin Department Stores, Kansai Super Market, Izumiya · Hankyu Oasis are striving to reduce food waste generated by their stores and are promoting efforts to recycle it as carbonized fuel and animal feed. Most of the waste oil and fish waste generated during in-store cooking is recycled. In addition, Kansai Super Market sold "food recycling loop rice" grown with the compost produced from food residues discharged from some stores in Kobe City.



Effective use of resources through container collection



Food trays, milk cartons, PET bottles, aluminum cans, etc. are collected in stores at Kansai Super Market, Izumiya · Hankyu Oasis, and some Hankyu Hanshin Department Stores. In FY2023, approximately 790t of trays and 460t of plastic bottles were collected by three supermarkets. The collected trays and PET bottles are recycled into trays and PET bottles again by recycling companies. We are also working to "reduce tray usage" by selling products in bags instead of using trays.

Environmentally conscious activities where customers and employees work together

At all Hankyu Hanshin Department Store branches, we regularly implement the "Smart Wrapping" campaign in cooperation with our business partners. We encourage customers to review the use of paper bags at the time of shopping and create opportunities to think about the environmental impact of packaging.



Promoting environmental management through "Eco Action 21"

Kansai Super Market has certified and registered all its stores under "Eco Action 21", an environmental management system from the Ministry of the Environment. In October 2023, Kanso Co., Ltd.head office and Tsumori Eco Centre will receive "Eco Action 21" certification, aiming to create a



(Kansai Super Market)

system that all employees can work on. Additionally, the Tsumori Eco Center is engaged in a recycling business that recycles Styrofoam, aluminum cans and milk cartons collected at stores from by group companies and other organizations.

Three Department Stores Receive Eco Mark Certification

At Hankyu Hanshin Department Store, three stores; Hankyu Men's Osaka, Hankyu Men's Tokyo, and Kawanishi Hankyu. have been certified with the "Retail Store Version 2.1" eco mark, aiming to become environmentally friendly stores.



Climate Change Initiatives

Disclosure in line with TCFD recommendations

We will enhance our disclosure of information on climate-related issues in line with the four disclosure items recommended by the TCFD: governance, risk management, strategy, and indicators and targets.

Governance

Climate-related issue management structure and roles

The Sustainability Management Promotion Committee is responsible for group-wide management of climate-related issues. In addition to being chaired by the President and Representative Director of the company, the committee consists of the heads of each business segment, including two other Representative Directors, and the officer in charge of sustainability. Discussions at the committee are deliberated by the Group Management Meeting and reported to the Board of Directors.

Role of Management

Our President chairs the Group Management Meeting and the Sustainability Management Promotion Committee and is ultimately responsible for environmental matters. Discussions held by the Sustainability Management Promotion Committee are deliberated by the Group Management Meeting and reported to the Board of Directors.

<Management system for climate-related issues>

Risk Management

Processes for identification, assessment and management of climate-related risks, 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. 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.

Board of Directors	System	Role		
President and Representative Director	Board of Directors	Oversees the promotion of initiatives related to sustainability issues, including climate-related issues.		
Group Management Meeting	Group Management Meeting	Deliberates on discussions held by the Sustainability Management Promotion Committee and reports to the Board of Directors. (Meets monthly)		
Sustainability Management Promotion Committee Compliance and Risk Management Committee	Sustainability Management Promotion Committee	Discusses matters related to strategies for climate-related risks and opportunities. The Sustainability Promotion Department serves as th secretariat and collects, compiles, and provides climate-related information.		
Officer in Charge Sustainability Promotion Department	Compliance and Risk Management Committee	Share discussions at the Sustainability Management Promotion Committee and discuss BCP plans for the continuation of business operations in the event of natural disasters, etc. (Held as needed)		

In June 2022, the group endorsed the TCFD (Task Force on Climate-related Financial Disclosure).



established in 2015 by the Financial Stability Board (FSR) for global economic stability to understand and disclose the financia implications of the risks and opport unities posed by climate change

Indicators and Targets

Indicators used in managing climate-related risks and opportunities

In addition to Scope 1 and 2, we use Scope 3 greenhouse gas (GHG) emissions figures. To improve the reliability of the data, we have obtained third-party assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1) in FY2023.

GHG emissions, targets, and actuals for Scopes 1, 2, 3

Natural disasters due to climate change are expected to increase and become more severe, will have a significant impact on the group's business activities. Based on this recognition, we believe that contributing to the realization of a decarbonized society is the responsibility of the group, and in 2021 we set the medium- to long-term targets for GHG reductions with the aim of reducing Scope 1 and 2 GHG emissions. We have set a long-term goal of net-zero GHG emissions by FY2051 and a mid-term target of reducing GHG emissions by 30% by FY2031 compared to FY2020. In FY2023, Scope 1 and 2 (market-based) results decreased by 19% compared to FY2020. In addition to reducing overall power usage, we have also worked to reduce GHG emissions by switching to renewable energy at the Hankyu Umeda Main Store and some of the Hakata Hankyu.

<GHG Emissions Targets and Results>

Applies to:	Scope	FY 2020 GHG emissions (thousand tons-CO2e/year)*		FY2031 GHG emissions target	
15 Major Companies	Scope 1	59	52		
	Scope 2 (Location Based)	283 248		Scope 1&2 ▲30%.	
	Scope 2 (Market Based)	222	175	(Compared to FY 2020)	
5 Major Companies	Scope 3	2,441	2,940	-	

*Due to the business integration with Kansai Super Market in December 2021, Scope 1 and 2 figures for FY2020 were recalculated to include Kansai Super Markets. Scope 3 figures do not include figures for Kansai Super Markets.



Climate Change Initiatives

Strategy

Short/Medium/Long-term climate-related risks and opportunities

Business environment in 2030 under two scenarios: the one below 2°C, and the another one at 4°C

Scenario analysis was conducted to understand the risks, opportunities, and impact of climate change on our group, and to examine the resilience of our strategies and measures. With reference to the business environment surrounding the group in 2030, we have assumed two scenarios based on several existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). The " the < 2°C scenario" is a world in which climate change measures are advanced and the global average temperature increase since before the Industrial Revolution is kept to < 2°C. The "4°C scenario" is a world in which no new policies and systems are introduced, and the current situation continues.

*Referenced Existing Scenarios

The < 2°C Scenario Sustainable Development Scenarios (SDS) by IEA, future policy goals of various ministries, RCP2.6 by IPCC The 4°C Scenarios based on published policies by IEA (STEPS), RCP8.5 by IPCC

Risks and opportunities with significant impact on our group

Based on assumed scenarios, we identified risks and opportunities that could have a significant impact on our group.

There are seven items of risk, with transition risk in the below 2° C scenario and physical risk in the 4° C scenario, which is expected to have a greater impact on business and finances.

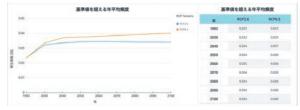
There are seven items regarding opportunities, and we recognize that there are many opportunities, especially with the <2 $^{\circ}$ C scenario.

Measures to address risks and opportunities

Among the transition risks, regarding the increased costs associated with energy consumption, we will

promote both energy conservation and the introduction of renewable energy sources to control the increase in expenditures. In addition, we will continue to respond to changing customer needs by expanding procurement of sustainable products.

Of the physical risks, decrease in sales and increase in recovery costs due to disasters is expected to have a great impact and particularly high probability. Therefore, a financial risk analysis and climate pattern analysis by Weathernews Inc. were conducted for the location where the flagship Hankyu Umeda Main Store is located. Simultaneously, the simulation results indicated that heavy rainfall and strong winds did not directly pose the risk of increased flooding at present, while the 4°C scenario simulation does suggests the possibility of flooding. This has been shared with the Sustainability Management Promotion Committee and the Risk Management Department of Hankyu Hanshin Department Stores, and we recognize the need for further consideration. Regarding opportunities, although we have identified the financial impact that can be ascertained at this time, we will aim to maximize the impact by further promoting each of the initiatives based on the groups' vision and Sustainability Management Policy.



*Climate pattern analysis on the frequency of heavy rainfall

- %1,3 Calculated based on WEO2021 SDS scenario carbon price of
- 100USD/tCO2 (converted to JP\145/ US\$1) and our Group Scope1,2 %2 Calculated based on our electricity consumption forecast and non-fossil
- certificate price (assumed to be JP\4/kWh) %4 Calculated based on the Consumer Affairs Agency's Survey Report on
- Consumer Awareness of Ethical Consumption, etc.
- %5 Calculated based on the "Sixth Basic Energy Plan" of the Agency for Natural Resources and Energy, etc.
- %6 Calculated based on our forecast of actual sales growth rate, etc.

Classification		on	Specific Details	Busine Financia The < 2°C Scenario	l Impact The 4℃	Countermeasure
Risk	Transition Risk	Policy and Law	Increased expenditures due to carbon tax payments (2.4 billion yen*1 under the <2°C scenario)	Major	_	 Increased LED conversion rate in department stores Installation of renewable energy in Hankyu Umeda Main Store and other major stores
		nd Law	Increase in commodity procurement and disposal costs	Major	_	•Expand procurement of sustainable products •Strengthen sales for local production for local consumption
		Technology	Increased investment in energy conservation and GHG emission reduction facilities	Major	Minor	• Develop a plan for updating facilities in conjunction with store remodeling
		Market	Decrease in sales due to products and services that do not meet the needs	Major	Major	• Expand procurement of sustainable products • Understanding needs through expansion of customer data business
			Increase in renewable energy costs (200 million JPY ^{%2} in the < 2°C scenario)	Major	Minor	•Reduce energy consumption by installing energy-efficient equipment and LED lighting.
	Physical Risk	Acute	Decreased sales and increased restoration costs due to a disaster	Minor	Major	Formulation of manuals for natural disasters Conducting evacuation drills Disaster relief agreements with local governments
		Chronic	Increase in procurement costs due to unstable procurement, decrease in sales (agricultural products and seafood, soaring prices of livestock products)	Minor	Major	•Building a stable procurement network that leverages our scale
-	Energy Source		Reduction of carbon tax payment costs by switching to renewable energy (300 million JPY **3 under the < 2°C scenario)	Major	Minor	•Installation of renewable energy in Hankyu Main Store and other major stores
	Products & Services		Increase in sales of environmentally friendly products and services (600 million JPY ⁸⁴ under the < 2°C scenario)	Major	Minor	Sustainable sales floor development, event implementation, and product procurement Promotion of local production for local consumption (PLATFARM, Ohisan Market, San-San Market)
0	Services		Increase in sales of products and services related to the circular economy.	Major	Minor	•Osaka Forest Circulation •Kawanishi area food recycling loop construction
Opportunity	Market		Increase customer attraction by expanding electric vehicle charging facilities (600 million JPY $^{\otimes 5}$ under the < 2°C scenario)	Major	Minor	• Installation of EV charging facilities at Izumiya SC and large food supermarkets
			Creation of a market as a local sustainability communication center	Major	Minor	•Yui Terrace Kawachinagano •Senri Central Park •GREENable (Hiruzen)
			Creating markets to help customers decarbonise their lifestyles	Major	Minor	•Data utilization in the customer service business
	Resilience		Increased profit from providing non-storefront purchasing means (400 million JPY ^{#6} in both under 2°C and 4°C scenarios)	Major	Major	•EC and Remo Order (remote order) sales expansion

Foundation for Supporting Value Creation of H2O RETAILING



Improving quality control for safety and security

We will work to establish a system for thorough quality control of products so that customers can shop with peace of mind.

High-level quality control system

The Food Hygiene Quality Control Promotion Subcommittee has been established to prevent food accidents by developing a quality control system for the entire group and studying ways to respond to legal revisions.

⊙ Hankyu Hanshin Department Store

For in-store products, we regularly conduct spot checks for bacteria, while third-party inspections by an external organization are conducted once a year at suppliers' factories and twice a year at in-store kitchens. If the results are not satisfactory, we request the submission of an improvement report to ensure thorough quality control.

Slzumiya•Hankyu Oasis, Qanat

The Quality Control Department, which collectively manages the quality of products sold by the three supermarkets, checks (from development to sales) the quality of private brand (PB) products and products processed at each store. The Quality Control Department also conducts monthly hygiene inspections of store kitchens, checks food labels and expiration dates, and conducts bacterial inspections of sampled products in stores to improve the quality control level.

Skansai Super Market

As a group company of Kansai Food Market, KANSAI SUPER PREMIUM CO.,LTD. Kobe Akamatsudai Centre "Kobe Central Kitchen" produces cooked rice and rice products. "Kobe Process Centre" produces processed vegetable products. The introduction of state-of-the-art equipment has improved productivity and contributed to a significant reduction in work hours at the stores. In December 2020, "Kobe Central Kitchen" received JmHACCP (HACCP) accreditation from the Japan Sozai Association in recognition of its thorough hygiene management.



Information on ingredients, production areas, allergens (*), additives, shelf life, storage methods, and nutritional information are all listed for products in the gift catalogs of Hankyu and Hanshin Department Stores. You can easily access this information from your computer or smartphone and enjoy our products with peace of mind. ※ Information on allergies is provided for the eight mandatory items as well as the 20 recommended items.

https://www.qualita-net.jp/hankyu/ (Japanese Only)



Quality control in a food manufacturing plant

Hankyu Bakery Co., Ltd. Takatsuki Factory, which manufactures bread, has acquired FSSC22000 certification, an international standard for food safety management systems issued by a Dutch safety certification organization. HANKYU delica i,Inc. Ikeda Plant and Nanko Plant, which manufacture prepared foods and boxed lunches, have acquired "Osaka Prefecture Food Safety and Security Certification" through thorough quality control based on HACCP, and provide safe and secure products.



Organic Vegetable Production "Hankyu Sennan Green Farm"

In 2003, we established Hankyu Sennan Green Farm in Sennan City, Osaka Prefecture, with the aim of providing safe and secure salad vegetables that allow customers to experience the true taste of the ingredients, and we have been growing environmentally sustainable vegetables in Tajiri Town, Sennan City (Osaka Pref.), and Wakayama City (Wakayama Pref.).

Currently, we are engaged in organic cultivation and cultivation using less than 50% of conventional pesticides, mainly for salad vegetables such as mizuna (potherb mustard) and lettuce, a wide range of vegetables such as onions, okra, and broccoli which are shipped to the group's department stores and food supermarkets and companies outside the group.



Promoting human rights

Respect for basic human rights

We believe that one of our core missions is to contribute to the creation of a better social environment by maintaining fair relationships with our many stakeholders, including customers, shareholders, business partners, employees, and residents, to realize our basic group philosophy:

"To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents"

We have formulated the "H2O RETAILING Group Human Rights Policy" based on an understanding of the corporate responsibility to respect human rights as stated in the United Nations Guiding Principles on Business and Human Rights. The basic human rights policy shared by the Group is to respect the dignity and basic human rights of all people and not to discriminate in any way based on race, nationality, ethnicity, gender, sexual orientation, gender identity, disability, age, creed, or social status.

Based on these basic policies, we will make group-wide efforts to ensure that each employee can conduct business activities with respect for the dignity and basic human rights of various stakeholders. H2O RETAILING Group Human Rights Policy

Shareholders

Work diligently to address a variety of issues and enhance our corporate value and the trust of our shareholders.

Customers

Provide products, services, and sales environments that factor in a wide range of people and support enriched lifestyles.

Business Partners

As an equal business partner, we will foster mutual understanding and expand our efforts to respect human rights.

Aiming to be a corporate group where everyone can autonomously promote business activities that respect basic human rights

Local Community

Understanding the local

climate and customs,

we will contribute to the creation

of a prejudice-free society

together with the residents

Employee

Strive to create a comfortable working environment that respects diverse personalities and values and recognizes each other.

Promoting human rights

Employee

Harassment Response

As a mechanism for receiving information from whistleblowing employees (including staff of business partners), the H2O RETAILING Group Compliance Hotline contact points have been set up at the company and an outside law firm, as well as at core company Hankyu Hanshin Department Stores, and supermarkets, and at some group companies. In addition, the company regularly reports to the Representative Director and Standing Audit and Supervisory Committee Member on the status of reports made through the Compliance Hotline, taking steps to protect the privacy of informants.

Physical & mental health

In addition to annual medical checkups, we are also strengthening our mental health checks. Stress check surveys are conducted even at offices with less than 50 employees (at which we are not legally required to conduct stress check surveys). At some group companies, the H2O RETAILING Group Mutual Aid Association is working on the initiative in conducting mental health questionnaires once every two years to prevent and detect mental health problems. In addition, we have a system in place that allows employees to consult with an industrial counselor or an occupational health physician for diagnosis when they have concerns about their mental or physical health.

Dialogue between the company and its employees

The H2O RETAILING Group has labor unions in all major operating companies, and labor and management engage in active discussions on such issues as working conditions, the working environment for employees, and ensuring that work rules are thoroughly understood. In addition, at Hankyu Hanshin Department Store, the labor union conducts an employee satisfaction survey of its members. The company conducts awareness surveys among managers and shares the results with them, using them to improve the workplace and consider measures to create a more comfortable workplace.

OHS initiatives

In accordance with laws and regulations, the groups' Occupational Health and Safety Committee meetings are held at each workplace unit to create a comfortable workplace so that employees can work whilst maintaining health and safety.

Customers

Universal Support

Hankyu Hanshin Department Stores has been providing training and supporting qualification acquisition since 2018. In addition, video training is provided for all employees so that each employee can acquire a standard mindset and knowledge, and we also use morning meetings and other occasions in stores to ensure that employees understand and permeate the training.

Business Partners

CSR Procurement Policy

To realize the group's basic philosophy "to remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents" the group has established the H2O RETAILING Group CSR Procurement Policy as its policy for human rights, work environment, and global environment initiatives, in addition to basic procurement-related matters such as supplying safe and secure products and complying with laws

Personal Data Protection

To ensure the data of our customers and all others involved with our group, each company in our group complies with internal regulations, related laws, and guidelines, etc., in the handling of, management and uses such personal information, and strives to protect the privacy of our customers.

auroment Deliev

and regulations in order to provide valuable products that customers demand.Based on this, we will build great partnerships based on mutual trust with our suppliers, and promote CSR initiatives in the supply chains related to our business by ensuring that our suppliers and the supply chains can be involved in understanding our CSR Procurement Policy.

*Please see our website for the full text of the Group Procurement Policy.(Japanese Only)

Developing Human Rights Due Diligence Promotion System

Based on the H2O RETAILING Group Human Rights Policy, a human rights due diligence (DD) promotion system will be established. Additionally, the Work Environment and Human Rights Subcommittee of the Compliance and Risk Management Committee has been examining the issue since April 2023. Social

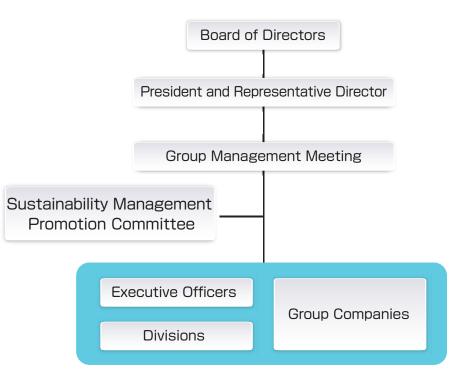
Sustainability Promotion System and Management

Sustainability Management Promotion Committee

Our Sustainability Management Promotion Committee has been established to promote sustainability management across the entire group, chaired by the President and Representative Director, with the participation of top management from each business as members. We invite two external experts, Masanobu Ishikawa, Specially Appointed Professor, Department of Social System Design, Eikei University of Hiroshima and Tomoyo Chiba, Associate Professor, Department of Environmental and Social Systems, Osaka Metropolitan University and hold regular monthly committee meetings.The discussion content discussed by the Committee is deliberated by the Group Management Meeting and reported to the Board of Directors. The main activities are the formulation of action plans and the monitoring of progress across group companies, in accordance with the groups' priority and basic theme: "materiality" . Depending on the agenda, the person in charge of each operating company may report directly to the committee. The Sustainability Promotion Department, which is a dedicated department of the Committee, serves as its secretariat, and is responsible for implementing group-wide initiatives based on the policy and coordinating information among group companies.

Organisation building in each group company

In order to promote initiatives at each group company, we have established a dedicated sustainability promotion department within HANKYU HANSHIN DEPARTMENT STORES, INC., H2O Foods Group Co.,Ltd. and H2O Shopping Center Development Co., Ltd.Additionally, the HANKYU HANSHIN DEPARTMENT STORES, INC. has established a Sustainability Committee, which shares the company's policies and the status of each store's initiatives and discusses the direction of future initiatives on a monthly basis. In FY2O23, the H2O Foods Group Co.,Ltd. also established the Sustainability Management Promotion Committee to address issues unique to the Supermarket Business.









Mid-term Initiative Target Summary



Tomoyo Chiba

Strategies.

Graduated from the Faculty of Integrated Human Studies, Kyoto University, and received a Ph.D. in Global Environmental Studies, Graduate School of Global Environmental Studies, Kyoto University. After working as an associate professor at the Faculty of Economics at Hannan University, she became an associate professor at the Graduate School of Sustainable System Sciences, Osaka Metropolitan University (formerly Osaka Prefecture University) in 2020. She specializes in environmental policy. In addition to her activities as a researcher, she is also involved in citizen environmental activities as the representative director of the Kada Tomogashima Institute for Environmental

6 ——

After reading H2O RETAILING's FY2024 Integrated Report, it was clear that the company has been making steady progress from both quantitative and qualitative perspectives. The quantitative perspective is to enhance information disclosure in line with standards such as the TCFD framework. For example, since last year, we have been examining the impact of climate change on our business activities from the perspective of risks and opportunities and quantifying some of the financial impacts. The qualitative perspective: the "with LOCAL" initiative, which is featured at the beginning of this report and last year. At first glance, the latter may not seem to align with its financial strategy, but for H2O RETAILING. which has a regional customer base, investing in improving local well-being is of up most importance for long-term value creation. We are also seeing steady progress towards achieving the goals of the Group Vision. Due to my limited allocation, I would like to focus on two points here. The first is to identify specific issues related to H2O RETAILING's "materiality". Sustainability is a broad concept, but H2O RETAILING has a wide range of business categories, "stakeholders" and issues that must be addressed. In FY2024, the specific issues included in materiality were evaluated from the two axes of "importance to the company and stakeholders," and the most important issues were identified (areas requiring intensive investment in terms of sustainability), where we will further accelerate our future concrete efforts.

Second, we need to make progress in our efforts to promote women's empowerment. H2O RETAILING has prioritized the promotion of women's participation in the workplace among a variety of diversity-related issues. Each company is working to build a system to achieve the KPI for the ratio of female managers set in FY2O23, but it is noteworthy that HR management efforts are being made to deepen communication with individual female employees and focus on their challenges, rather than utilizing temporary measures to simply raise numbers. Diversity is the foundation for value creation, and carefully nurturing them will surely contribute to the long-term growth of H2O RETAILING.

We hope that future relationship between essential and important but difficult to quantitatively evaluate initiatives (such as regional co-creation sustainability and human resource development), will be strengthened along with H2O RETAILING's business value enhancement, and these initiatives will be further promoted by "visualising invisible values".

Additionally, "collaboration and integration" will be one of the key phrases of future development. One is an integrated understanding of individual sustainability issues. For example, in recent years, there has been a growing international recognition of the close interrelationship between the environment and human rights, and there is a growing desire for the active implementation of comprehensive human rights and environmental due diligence. Also, each issue, such as climate change and gender, labor productivity and energy, has a relationship of synergies and trade-offs. I hope that by reinforcing these relationships, deepening cooperation between each company, each store, and the department in charge, and focusing on the points of initiatives, we will be able to bring consistency to the value story we communicate throughout the group.

Lastly, H2O RETAILING, which operates a comprehensive retail business with a variety of business categories, is a point of contact between consumers and business partners, the global and the local economy, and can work on both to create and propose new value. Just as Ichizo Kobayashi (the founder of Hankyu Department Store), once realized the "Garden City Concept" centered on "the marriage between urban and rural areas," we hope that the company will achieve the simultaneous realization of social and economic value as an entity that harmonizes global economic and environmental issues with the well-being of local society and its people. IT and Digital Strategy 📀 Top Message

Laying the foundation for becoming a "Communication Retailer

We will promote business model reforms via the three IT and digital areas of "OMO infrastructure building," "work style reform," and "risk response."

The group, which had previously focused on real-life customer communication, was lagging in digitization. To overcome this situation and realize our "Long-term Business Plan 2030", it is essential to promote digitization, replace paper and other information with data that can be analyzed, optimize business processes and customer experiences with IT technology, in the name of transforming corporate culture and value creation.

At a cost of JP¥26 billion, the current mid-term IT plan (which is the first step toward achieving our goal), will promote laying the foundation for the evolution into a "Communication Retailer", will be divided it into the following three areas:

A) OMO Platform Area (*): Creation of a foundation for "Communication Retailer", and a group customer database.
B) Workstyle Area: Implementation of reforms that allows for remote work include networks, data centers, and PCs.
C) Risk Response Area: Fundamental reform of mission-critical systems, POS, and MD systems built on old models from 20-30 years ago.

Department stores, food supermarkets, shopping centers, and specialty stores need to use digital strengths to achieve the customer contact points and OMOs that customers desire. To this end, we are undertaking a major transformation with the aim of creating an environment in which the group's employees can connect with each other, customers and business partners.

(*) OMO : Online Merges with Offline

Initiatives that focus on the customer. All experiences related to purchasing (recognition, purchase, repeat) can be experienced both online (digital) and offline (physical stores).

Developing and Strengthening Human Resources for Transformation

To realize a business model that utilizes IT in the future, it is essential to have human resources who have the skills to speak in digital terms about the requirements for business success and immediately digitally fulfill those requirements. We are developing and strengthening our IT human resources through three measures: (1) Rotation of IT human resources who have been educated in the IT and Digital Promotion Divisions within the group. (2) Outsourcing of human resources and secondment to specialized organizations.

(3) Recruitment of external IT personnel.

Three Areas of the IT Mid-term Plan

In addition, we aim to speed up various DX measures by setting up an in-house development team to reform organizational culture and business processes.

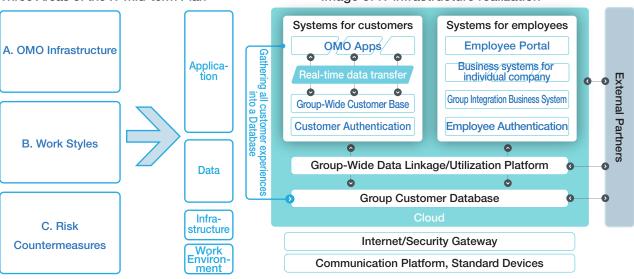
Toru Koyama: Executive Officer, General Manager of Information and Digital Office Accelerate Digital Investment Decisions

Simultaneously, we have been building IT governance to speed up decision-making on various digital initiatives. The IT and Digital Management Committee, which was newly established

- in 2021, consists of three Representative Directors.
- One Outside Director
- The General Manager of Corporate Planning

- The General Manager of Information and Digital Office This allowed for the fostering of a common understanding of important business issues and reporting on digital measures to the Group Management Meeting as necessary. In fact, we believe that it was because of this quick decision that we were able to obtain DX certification in April 2022 in a short period of only six months.

Image of IT infrastructure realization





Forming the foundation for OMO

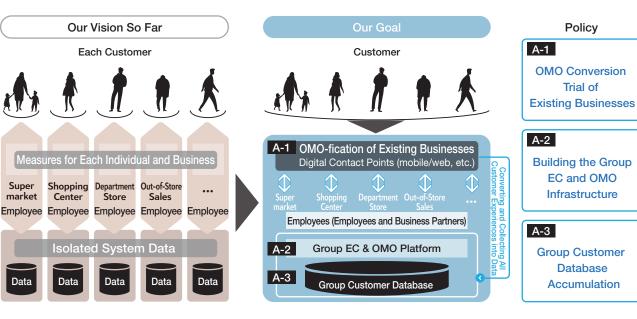
We are building a platform to centrally manage customer data throughout the group, to become a Communication Retailer.

To achieve our new business model of "Communication Retailer," we have started with the highest priority on building a consolidated group customer database. In the past, customer information was segregated for each business and service, causing us to not be able to identify unique customers. Even in a single department store, customer information was managed separately for each service/business unit. This caused the same customer to appear as a different customer at each touchpoint.

Customer data platforms are commonplace for leading global companies, but in Japan, competitors are making significant progress. For the group to build a dominant future position in the Kansai region, it is essential to centralize all customer data from the group and propose optimal customer service at each customer touchpoint.

Finalize the Merging of Department Store Customer Data

The group has customers with whom we have long-term relationships, and we already have a large amount of customer data. As a result, we didn't have the option of throwing away existing information and rebuilding from scratch like a new company. This merging of customer data is an important initiative for the acquisition of 10 million active group customers (which is a long-term business strategy for 2030), and the creation of services that surpass competitors through further



accumulation and analysis.

The past two years (since we started working on this project) have been a preparatory period. Specifically, in anticipation of global expansion we are redesigning our privacy policy, creating an opt-in mechanism for the use of customer data throughout the group, and a customer authentication platform that allows customers to maintain their login information while ensuring security across services online. To help live up to its name, we have built a group customer database system that can collect customer opinions and requests, whilst also integrating past customer information that has been accumulated until now, regardless of its different various formats. To further enhance customer service, customer data from department stores (which are the core of our company), and multiple group companies will be integrated by the end of FY2024.

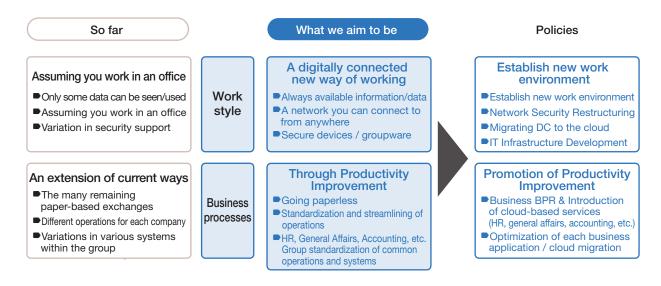
Commencement of the First Phase of a New Business Model



We have launched the "Machiuma" service in the Takatsuki area and are trying to connect customers with local stores, as the first step in the "Customer Service Business," a new business model that utilizes the group's customer database. In the future, we will continue to make use of this to develop and provide new services that reflect the voices of the locals, and we would like to further liven up the Kansai region, where inbound tourism has been revived.

Workplace Reform

To enable employees to work from anywhere, we are upgrading our network infrastructure, data center, and their devices (PCs).



In building the OMO platform, we must also take steps to digitize our work styles and operations. By promoting "workplace reform", we are working on the following two things; "building a new work environment" that includes infrastructure such as network security, and "promoting productivity improvement" through the introduction of cloud-based services and business process reengineering.

Until now, our company has had an old, offices, paper and stamps oriented structure. We are transforming into a company that can allow working from anywhere, whilst still providing services that satisfies customers and ensures data-security via the latest technology.

Establishing a New Work Environment

By introducing Google Workspace as a group-wide platform, we have created an environment where employees can share information and work collaboratively online. In the relocation of the head office in FY2023, this work environment promoted the introduction of hot desks and remote work, contributing to a 30% reduction in office space.

At the same time, we're reimagining network security. The new office has adopted a zero-trust network that authenticates all users and devices on the premise that "the network cannot be trusted," enabling rapid security measures in the promotion of DX. We are also gradually renewing the networks of existing sites within the group and have begun preparations for the introduction of next-generation SD-WAN. We will reduce the risk of in-store payment suspension (at a low cost) to a necessary and sufficient level, and at the same time, create an environment in which a variety of payment and in-store digital devices can be flexibly utilized.

To break away from networking constraints (due to bandwidth capacity) and the risk of hardware failure, we are actively migrating from DC (data centers) to cloud computing. At the

same time as promoting the shift to variable IT costs (which accounted for a high proportion of fixed costs), we are working to eliminate the high IT operations costs whilst responding rapidly, yet flexibly to infrastructure resource needs. In the past, electronic devices such as PCs and smartphones were procured individually by each group company and managed according to individual security standards. We have since addressed this for the entire group and are working to standardizing devices and manage security to prevent incidents such as customer data leakage resulting from poor device management.

Promotion of Productivity Improvement

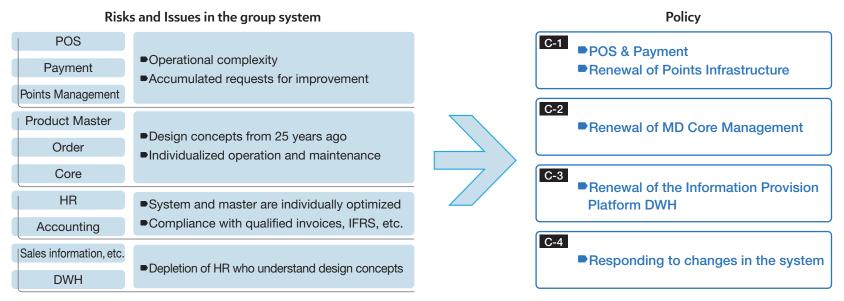
We are promoting the digitalization of back-office operations in the two areas of ${\sf HR}$ and accounting.

In the HR area, we have built a talent database which contains accumulated and visualized human resource development measures and evaluation information. This will lead to optimal allocation and mobility across the group and reduce the risk of HR shortages. In addition, by utilizing an external SaaS system, we have realized the digitization and paperless operation of the employee front desk (pay slips and various applications), and personnel/labor management operations in a brief period. In the accounting area, BPR has been used to reduce expense reimbursement related labor. By introducing SAP's Concur, we have improved operational efficiency and paperless operations (through automatic policy checks), and standardized operations within the group through a unified format. Employees have reduced their expense reimbursement time by approximately 2,100 hours per year, and administrative expense processing time by approximately 2,400 hours per year.



Risk Response

Major update from "Showa to Reiwa". We are conducting a fundamental reform of our core systems, POS, and MD systems built on old models from 20-30 years ago.



ntil now, the systems that support the Department Store Business and the Supermarket Business have been fraught with risks and issues because they have been on the back burner. To eliminate these, we are simultaneously conducting the renewal of: POS system, payment system, points system infrastructure, MD core management, and information provision platform DWH.

Renewal of POS, Payment, Points Infrastructure

In the operation of POS, the non-retention of credit card information was an existing issue. We are working to resolve issues and respond to revisions to the Installment Sales Act during the renewal of existing POS. In addition, we are gradually introducing tablet devices as digital contact points for customers.

Renewal of MD Core Management

In the Supermarket Business, we adopted a standard packaging system (in the Japanese food supermarket industry) to integrate the operations of Izumiya, Hankyu Oasis, and Qanat and standardise the group's food product masters. This has been introduced operating through our cloud environment since October 2023 as an integrated core system.

Renewal of the Information Provision Platform DWH

We have completed the cloud-based migration and migration of the information provision platform that confirms daily sales figures with various indicators. The new information provision platform has already been released and utilized in some of the Department Store, Supermarket business, and Shopping

Center Business.

In addition, we aim to provide better customer service by promoting employees' understanding of "Communication Retailer" by providing data-driven management information that enables cloud analysis of accounting information and customer information, as well as utilizing this for the new businesses "Machiuma".

Support for System Change

The entire group takes stock of the importance of personal information handling and intensively analyses and responds to high security risks areas. In addition, in anticipation of an increase in inbound customers and overseas expansion, we are proactively complying with laws and regulations such as the Personal Information Protection Law of Japan and China as well as the General Data Protection Regulation (GDPR) of Europe. Human Capital Strategy Top Message



Maximizing the performance of "individuals" and "organizations"

We aim to be a rewarding corporate group that develops talent (who are the driving force behind the business model reform), enabling employees to achieve self-actualization and enriching the lives of our customers.

Hideki Kashihara: Executive Officer. General Manager of Human Resources

he demands of management for sustainability and human capital are diversifying amid the dizzying changes in the social environment. We believe that the ability to create value and respond to change through staff is a major driving force to realize our Group Management Vision of: "To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences". Currently, we have set "maximizing the performance of individuals and organizations" based on the Group's Mid-term Management Plan (FY2022-FY2024) as the theme of our personnel initiatives, and we are working with group companies to implement various measures to support the its realization from the perspective of human resources.

HR development for a new "customer-oriented" business model

We are a corporate group primarily focused on retail. Our business model has been designed from "store-centric" and "product-centric" perspectives. However, with our new business model "Communication Retailer" (which we aim to realize by 2030), we will restructure our business model to connect both physically and digitally from the "customer-oriented" perspective. To transform our business model and to foster a sense of self-actualization among employees, we believe that it will be necessary not only to improve conventional "customer service" and "business skills", but also to improve our digital and content development skills which will help us generate new value.

We believe that the relationship between employees and the

company (which used to favour the company), will shift to an equal partnership in the future. Based on the premise that we will be able to choose and be chosen through mutual respect. we are changing our thinking and stance on various systems and measures. By combining the fulfillment of work and life, we aim to become a corporate group where employees with diverse values can work with a sense of fulfillment and continue to improve human resource productivity and engagement.

Promoting HR measures based on the group's cross-sections and business characteristics

We are urgently strengthening our DX promotion system by hiring specialized staff for the company's IT and digital departments, seconding training from each company, and

collaborating with external parties, to promote digitalization and DX throughout the group.

With the aim of creating a new value-added model, department stores are leading group companies in improving IT literacy and utilization by developing HR development/selection program.

We have introduced a method of efficiently and speedily deploying knowledge and case studies from each store using digital tools, which has been warmly received and adopted throughout the group's Supermarket Business. In terms of work styles and paid leave, we are working to formulate systems and measures for highly productive personnel, that vary according to the characteristics of each

type of business. Expanding childcare support that exceeds the statutory requirements, further annual leave for self-actualization and volunteering days throughout the group and introducing flexible employment contracts that increase man-hour productivity at food supermarkets.

We are also formulating the H2O RETAILING Group HR Strategy against this backdrop, which is linked to the next Mid-term Management Plan (FY2025-2027). Regarding the promotion of diversity and support for self-actualization, we plan to go one step further (at the request of our companies) to strengthen measures and share policies across the group.



Formulate themes for each talent flow and function

Opportunities and investments to support self-actualization

Autonomous Placement and Nurturing	Placement Empathy for the vision			
Fulfillment at work	Rewarding work ↓ Improvement of E staff productivity ncreased engagement	Life Inrichmen		
Promoting Diversity	Treatment commensurate with productivity	Support for life events		

Creating an environment to demonstrate their full capabilities

Foundation for Supporting Value Creation of H2O RETAILING



Promote and establish talent development and a foundation for realizing "Communication Retailer" and "customer-oriented"

We are working to enhance training to raise the level of digital skills to realize a "Communication Retailer" that rebuilds its business model from the "customer-oriented".

Development of the Group's HR Data Infrastructure

We are developing infrastructure for a group-wide HR system. We have built a platform that enables centralized management of the system (via issuing a common group ID), and we are promoting the efficient sharing of HR information with various business systems such as Google Workspace and Smart HR. In addition, we will develop a talent database to promote our vast talent pool, to match the right person with the right position via cross-group transfers, evaluation through the digitization of business processes, and the efficiency of recruitment operations.

[IT] Education for Group HR

To promote OMO at department stores, we conducted the "Digital Survey" in FY2023 with the aim of understanding our employees' digital aptitude and personal intentions and promoting training measures. We will implement results-based class training measures accordingly. In FY2024, we are systematizing and promoting a training program with the aim of "improving customer-oriented value creation" and "improving digital utilization capabilities".

In addition, to develop data scientists (who will play a central role in the development of B2B business through the creation and utilization of customer data platforms), we have dispatched two people each to Loyalty Marketing Inc. and Sumitomo Mitsui Card Co., Ltd. to promote the acquisition of necessary knowledge and skills.

[IT] Promoting the Recruitment of Work-Ready HR



We are promoting mid-career recruitment to support the group's business model and contribute to the promotion of DX. While large-scale projects that require advanced IT skills and knowledge (such as the renewal of customer databases, the replacement of cloud-based mission-critical systems, and the use of digital technology for offline customers), are progressing in parallel, we will further strengthen our group wide DX by hiring the latest IT technologies and skills, and work-ready talent with new ideas and perspectives.

[Training] Expansion of the Voluntary Training Menu

To transform its business model into a customer-oriented business, Hankyu Hanshin Department Store selects the skills required by employees themselves (from the content of the online video learning company Schoo) in accordance with the digital survey results, which helps promote learning tailored to the employee.

[Training] Promoting the Digitization of On-Site Education

At food supermarkets, we use the "Clip Line" for the purpose of disseminating a unified message and philosophy within the group, and establishing an educational foundation that transcends the boundaries of operating companies. We have organized a group-wide team to promote the use of this service and the constant dissemination of information of around 4,000 monthly users from all stores.



[Training] Enhancement of Face-to-Face Training



At the food supermarket, we provide guidance to the fresh produce department in the training room. In the livestock training room, SVs (supervisors) instruct new employees on processing techniques, product knowledge, equipment usage procedures, and the importance of hygiene management.



Izumiya · Hankyu Oasis boasts a large training room that can accommodate up to 100 people. In the training for new employees, senior employees (buyers) participate and share their careers and past experiences in a roundtable discussion format, which leads to increased motivation for work.



Promote the creation of a workplace environment where people from diverse backgrounds can work comfortably and achieve job satisfaction.

The group considers its employees and the company to be equal partners.

We are working to improve the work environment so that we can continue to have a relationship based on mutual respect.

Efficient working location choices

From August 2022, the company and part of the rear department of Hankyu Hanshin Department Store have moved to a new office at Osaka Umeda Twin Towers South. In the new office, we have adopted an ABW (Activity Based Working) type of work style. By using Google Workspace (a new work environment common to the group) and lending digital devices to each employee, the employees can adapt to the new way of working by utilizing remote work etc., which has led to reduced commute times, thus improving employee work-life balance. When arriving at the office, we contribute to improving work efficiency and productivity by offering suitable work location for each person on that day, such as an individual work concentration zone or a team meeting zone.

Supporting for Employees Simultaneously Raising Children

In 2018, we opened an on-site childcare facility called "H2O Hoikuen", with the aim of creating a comfortable working environment by combining a workplace with a childcare center. (3 locations as of FY2024)

In April 2020, Hankyu Hanshin Department Store introduced Partner Childcare Leave with the aim of encouraging men to participate in childcare. It has gradually spread throughout the company, and in FY2022, 73% of eligible employees (excluding seconded employees) utilized this. The company has been working to enhance childcare-related systems for men, such as taking paid maternity leave on the day of the birth of a spouse and is currently considering expanding the system to other group companies.

Supporting employees working towards self-actualization

In April 2022, Hankyu Hanshin Department Store introduced one day of paid volunteer leave per year for all employees with the aim of promoting understanding, fostering awareness, and supporting the realization of the corporate vision of "Social Contribution," as well as fostering talent with diverse values. In one year, 41 employees who agreed with the purpose of the program took volunteer leave, and we are considering expanding the introduction of the system to group companies in the future.

In addition, since 2020, sole trader type side business activities have been approved. Currently, there are about 80 people registered for permission to do side jobs, and the number is increasing every year. Improving individual motivation through side jobs is expected to have a positive impact on the execution of the group's core business and lead to the creation of new value, so we are looking to continue promoting side jobs and gig work.

Facilitating cross-organizational projects and public offerings

Through talent exchanges (both inside and outside the company) via projects such as H2O Shopping Center Development's "Community Development is Store Development Project " (MMPJ, the Japanese abbreviation for the project name) and Hankyu Hanshin Department Store's "Diversity Promotion Project", we are solving cross-organizational issues and developing personnel.

In addition, we provide opportunities to work not only within operating companies but also inside and outside the group, and we conduct open recruitment so that staff who apply for the job can absorb new ideas and knowledge and play an active role. For example, we recruited new business members for the "Medical & Health" customer service business (by targeting group employees), which is completely different from the retail industry.

Various Leave System

At Hankyu Hanshin Department Store, we are working to enhance our leave system so that companies and individuals can enjoy the benefits whilst allowing diverse work styles. Under the childcare leave system, employees can take up to the end of May of the year in which the child turns four for each child (rather than only the statutory first year of leave). Under the nursing care leave system, employees can take leave for a total of one year for each reason (rather than the statutory 93 days per reason), and can also be taken in installments. In addition to the "Spouse Transfer Leave System," which allows employees to take up to 3 years of leave when accompanying their spouse to a new job, from April 2022, "Misc Leave," which can be taken for up to 2 years for various reasons such as study or overseas endeavors, will be introduced as "Career Support and Misc Leave".



Promoting Diversity

We promote the participation of women in the workplace by providing a variety of employment opportunities with the aim of creating an environment where everyone can work comfortably.

Establishmen				ulltime ployees		Temporary employees*	Total			
_			ETAILING		140		27	167		
Subcommitte		ment Store Isiness	3	,884		851	4,735			
			rmarket siness	3	,772		11,408	15,180		
			ing Center Isiness		609		1,197	1,806		
			Business RETAILING)	1	,080,		1,764	2,844		
Disclosure Indicators			otal		,485		15,247	24,732		
for Promoting			*8-hour equivalent, average during the period							
Women's Participation and Advancement	% of Wo Manageria		Gen	ender Pay Gap % of Taking			% of Male Taking Ch	Iale Employees Childcare Leave		
in the Workplace of Major Companies	FY2023	Targets for FY2031	Full-Tim Employm		Part-Time Causal Employi		Full-Time Employment	Part-Time/ Causal Employmen		
H2O RETAILING	11%	35%	112	2%		-	100%	-		
Hankyu Hanshin Department Store	18%	35%	65	5%	64	%	95%	-		
Food Supermarket*	4%	20%	76	6%	94	%	17%	25%		
H2O Shopping Center Development	14%	35%	80	0%	54	%	-	-		
\sim			~		\sim	~				
Entire Group	14%	30%	74	4%	86	%	39%	20%		

*KFM Consolidated Companies (Kansai Super Market, KSP, Izumiya, Hankyu Oasis)

There is an active movement among frontline members to think about the direction they are aiming for in promoting women's participation and advancement in the workplace and how to solve such challenges. For example, Hankyu Hanshin Department Store launched the FY2023 Diversity Promotion Project, where participating members discussed and organized issues that should be addressed based on the three axes of "systems and mechanisms," "women's own career development," and "organizational culture and climate."

In "Systems and Mechanisms", we have begun to review various systems to allow a comprehensive review of flexible work arrangements that enable an ideal work-life balance in the workplace. For "Women's Career Development", we plan to hold a career café where women can envision their own career development and to hold orientations for each life event.

Whilst in "Organizational Culture and Climate," we plan to conduct company-wide training to eliminate unconscious bias that may hinder the active participation of women.

In June 2023, the "Female Leader Development Program" was launched. We conduct training for

24 female members who are candidates for future management positions (and their supervisors) over a period of around six months.

H2O Smile Initiatives

To realize a society in which people with disabilities can enthusiastically work, in June 2016 the group established H2O Smile Co., Ltd. as a special subsidiary. It is working to expand the number of workplaces and for people with disabilities and to maintain and expand their opportunities. At the time of its establishment, the main allocated tasks were to act as an agent for incidental workers on the sales floor of the Hankyu Umeda Main Store. In 2018, tasks such as cleaning facilities of the Hanshin Department Store, and from 2021, data slip entry were added to their duties. By making the most of their abilities, we currently have 31 staff who are active in their respective duties. Since there are more opportunities to interact with other employees of group companies, it is also having the effect of deepening the understanding of people with disabilities for the employees around them.

Of course, we are also actively promoting their recruitment at Hankyu Hanshin Department Store, Izumiya Hankyu Oasis, and other group companies. We are working to share H2O Smile's knowledge throughout the group (such as support for adapting to the workplace and training managers with knowledge). Our employment rate of people with disabilities is 2.9% (as of June 2023) for the entire group company, well ahead of the government's target of 2.5% for FY2025 and the target of 2.7% for FY2027.

Acceptance of Overseas Trainees

The group actively accepts overseas trainees by utilizing the Ministry of Health, Labor, and Welfare's "Technical Intern Training Program for Foreigners." In the food supermarket Hankyu Oasis, technical intern trainees in the "delicatessen manufacturing" occupation are currently in charge of manufacturing various prepared foods for the delicatessen department of the store. We also plan to accept overseas trainees for the "seafood processing" occupation in the future. In addition, food manufacturing companies such as "Hankyu Bakery" and "HANKYU delica i" also have many technical intern trainees working on the production lines in their factories. Due to the impact of the Covid-19 pandemic, we were unable to enter the country of prospective trainees and conduct on-site selection of new trainees, but we expect to resume recruiting and accept new trainees at a constant rate in the future. technical intern trainees are highly motivated to work and acquire skills, and we will continue to actively accept them as valuable assets for our companies.



Representative Director and Outside Director Tripartite Discussion

Outside Directors Kenjiro Nakano and Nobuko Sekiguchi and President and Representative Director Naoya Araki talked about the current state of the group and its corporate governance.



From left to right: Outside Director: Kenjiro Nakano, Outside Director: Nobuko Sekiguchi, President and Representative Director: Naoya Araki

Toward the Realizing the Long-term Business Plan for 2030

(NK) I think the H2O RETAILING Group's "Strategy for market dominance in the Kansai region " is a very good perspective. Specializing in the Kansai trading area, we aim to be No. 1 in market share and mindshare. To that end, it is essential to refine our existing businesses. The Long-term Business Plan for 2030 calls for "making the Supermarket Business the second pillar," but I was skeptical when I first assumed the position as an Outside Director, as we were about to dare to focus on the highly competitive Supermarket Business despite having the core businesses of Hankyu and Hanshin Department Stores with high brand value. **(AN)** Various opinions were exchanged at the Board of Directors meetings regarding the strategy of the Supermarket Business. After a series of discussions, we finally received approval to implement drastic chain operation reforms (even if it costs money) to achieve an operating profit of JP ¥ 10Billion or more in the Supermarket Business by 2030.

(NK) Food supermarkets hold an indispensable function in society. It can be said that there are opportunities always arise when a large price fluctuation occurs. I believe that it is the position of an outside director to give an opinion from an external perspective on the policy of ensuring that all in the company are responsible for rationalizing and improving

efficiency and effectiveness of management integration, supervise whether the executive side is managing well, and support realization of this policy.

(AN) We try to report and share the reform process in as much detail as possible. We frequently provide opportunities (such as internal meetings and on-site visits) to check how reforms are progressing outside of the Board of Directors.

(SN) Restructuring of the Department Store Business is the major theme of the "Long-term Business Plan for 2030". In a situation where the industry itself is not necessarily a business type that is on the rise, it is necessary to constantly increase the attractiveness of department stores. What I feel has deepened

Representative Director and Outside Director Tripartite Discussion

through discussions with employees is that as a

"Communication Retailer" there is a growing awareness of how to interact with and attract and provide value to all customers to physical stores and encourage consumption. The strategies and rationale data explained in the Board of Directors are also discussed in a different way than in the past. I am looking forward to seeing how the Hankyu and Hanshin brands will be utilized in a strategy that is different from other companies, in order to become Kansai dominant.



Promoting IT/DX with speed

(AN) During the Covid-19 pandemic, the group sold many of its idle assets to reinvest in IT/DX. The main purpose of promoting IT/DX is to share various internal information, data and values that the group holds. Over the past 15 years or so, we have expanded the group through repeated business integrations and other measures, and it has been a major issue that we have been in a "patchwork state" by not sharing various information and data.

(SN) I have been a member of the IT and Digital Management Committee as an observer since its inception in 2021. At first, my main concerns were the issues resulting from our stopgaps. However, I feel that the drastic and speedy efforts we have made over the past two years have paid off, and that we have made very efficient progress in replacing our analog ways with digital solutions.

(AN) Since many of the members of the Board of Directors are not experts in the IT/DX field, we have established the IT and Digital Management Committee to discuss opinions from various company divisions. We also have Ms. Sekiguchi who

uses her specialized knowledge to check the promotion plan from various perspectives. In addition, the Audit and Supervisory Committee meets for 2-3 hours on the day before the Board of Directors meeting, to brief all priority agenda items in advance to the full-time Audit and Supervisory Committee member and external Audit and Supervisory Committee members. During this meeting, Ms. Sekiguchi also explained the contents discussed with the IT and Digital Management Committee.

(SN) In the early days of the IT and Digital Management Committee, there were noticeable differences in the levels of understanding of the IT/DX field among the members, and there were many occasions where technical terms caused discussions to stall, but as the committee evolved and understanding improved, I feel that we have become able to conduct productive discussions on business and human resources issues.

An ongoing challenge in promoting IT/DX is how to raise employees' awareness and skills related to IT/DX. Currently, efforts are being made to solve problems by dividing roles, reassigning employees, and expanding the number of IT talent through mid-career recruitment.

(AN) In addition to the centralizing the groups values and data, the promotion of IT/DX also holds a productivity improvement aspect. In addition to preparing for a labor shortage (due to a declining population), the enhancement of human capital is also an urgent challenge for the group. From now on, the Board of Directors will continue to discuss the securing and developing of talent (in consideration of Diversity and Inclusion, and the rapidly changing business environment of recent years).



(SN) Regarding human resources, due partly to spending many years near to those practical environments, it seems to me that the key remains how flexible we can be in placing key talent in the right positions. I believe that it is essential for the top management to make decisions with a long-term vision and a sense of balance, including the promotion of opportunities for female employees.

As a Community-Centric Corporate Group

(NK) A long-term vision and a sense of balance are essential elements of ESG investment in general. Companies must constantly evolve. Due to the characteristics of the distribution and retail industries, it may be difficult to achieve the indicators set forth by the Tokyo Stock Exchange, such as a return on equity (ROE) of over 8% and a price-book value ratio (PBR) of more than 1x. Yet management is required to have a sense of balance in how to face social demands while keeping an eye on a long-term vision.



(AN) There are many social demands that we in the retail industry cannot fulfill on our own. While consciously preparing (including consideration of the risk of passing on future costs such as carbon neutrality), we recognize that the foundation of the group's sustainability management remains as "together with the community."

As a community-based mega-retail-company, we would like to create synergy between our financial activities to improve capital efficiency and non-financial activities to contribute to the development and prosperity of the community on the same footing as our customers (who are members of the local community), so that our employees can participate and feel a sense of job satisfaction.



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 it operates with the vision of expanding its market share in the Kansai region by diversifying its retail business to become the dominant area and, to achieve this, practicing compliance management, including adherence to social norms, and constantly innovating its management to respond quickly to changes in the competitive environment. Based on this philosophy and vision, the Company is committed to continuously improving its corporate governance to meet the expectations of its various stakeholders, to make prompt, efficient and decisive decisions, with an emphasis on compliance, and to increase its corporate value over the medium- to long-term.

Basic Principles of Corporate Governance

- Respect the rights of shareholders and ensure equality
- Consider the interests of stakeholders, including shareholders, and take action with them appropriately
- Disclose corporate information appropriately and ensure transparency
- Strengthen the supervisory function of business execution by the board of directors, including the establishment of a system to obtain the appropriate involvement of independent outside directors
- Engage in constructive dialogue with shareholders who have investment policies that contribute to medium- to long-term corporate value enhancement

%Please refer to the website for the full text of the basic principles. (Japanese Only)

Initiatives to Strengthen Corporate Governance

In accordance with the Basic Principles of Corporate Governance, we are continuously working to strengthen corporate governance by establishing various committees, achieving diversity on the Board of Directors, and introducing a compensation system that increases incentives to achieve goals, along with the transition to a company with an Audit and Supervisory Committee and the expansion of Independent Outside Directors (to strengthen the superintendent function of the Board of Directors).

	2007	2008	2009		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Cha	nsition to ho anged the co O RETAILIN	ompany nar				Commenc	Criteria for n to a comp ement of eval	Independer bany with ar uation of the	nce of Outsi Audit and Abolitior	de Director Supervisory	Committe		
Committee				hment of the Col Management C			effectivene hment of th nsation Adv		ng and			Manager Establis Digital M nent of the Ru	ment of the S lent Promotion nment of the lanagement les and Ethice and Risk Manager	a Committee IT and Committee
Number of Directors	10				12		>	1)) []]			9	>
Number of Audit Officers	④					>	Transitio	n to a comp	any with ar	Audit and	Supervisory	Committee	e	
Of which, Outside Directors	2				>	\$\$ >	****						Ratio of Inde Outside Di 44.4	rectors>
Of which, Female Directors							2				11		Di	of Female rectors 2.2%
Remuneration System				ock-Based Remi ement Benefits	uneration Pl	an					tion of Perf ased Remu			

 $\% \mbox{The number of directors and corporate auditors as of the end of each shareholders' meeting$



Overview of the Governance Structure

The Company's Board of Directors consists of 9 directors (including 5 directors who are Audit and Supervisory Committee), of which 4 are outside directors (4 directors who are Audit and Supervisory Committee), and the ratio of outside directors is more than one-third. All the outside directors have been registered with the Tokyo Stock Exchange as independent directors

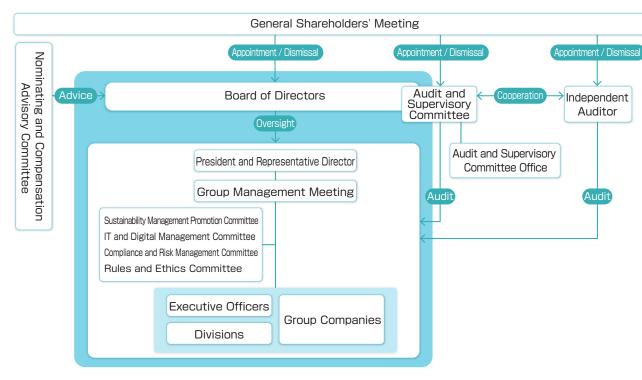
In addition, the Group Management Meeting, which consists of representative directors, standing directors and others, has been established as an organization for efficient management decision-making of the Company and its group companies, and deliberates and approves important matters such as management plans, business policies, and investments of the Company and its group companies, including matters to be discussed at meetings of the board of directors.

Additionally, the Company and its group companies have introduced an executive officer system to clarify the responsibility for business

execution and have adopted a system in which the directors and the board of directors of each company manage and supervise the business execution of the executive officers.

The Audit and Supervisory Committee of the Company consists of 5 directors who are Audit and Supervisory Committee members. In addition to attending meetings of the Board of Directors, the Group Management Meetings and other important meetings, the Audit and Supervisory Committee members monitor and verify the execution of duties by the directors by confirming the contents of these meetings, while fulfilling their supervisory function as to whether the principles of management judgment are being observed as the most important issue.

In addition, the Standing Audit and Supervisory Committee Member inspects approval documents on important matters and minutes of important meetings, and regularly hear from the full-time Audit and Supervisory Committee members and staff in charge of the Corporate Planning Office, Development Office, Business Promotion Office, IT and Digital Promotion Office, Finance Office, General Affairs Office, Human Resources Office, and J-SOX on the status of business execution, while the Standing Audit and Supervisory Committee member meets with the Independent Auditor (KPMG AZSA LLC appointed) once a month and the Audit and Supervisory Committee in principle four times a year to ensure close cooperation and to improve the effectiveness of audits.



Board of Director's Activity Results

In accordance with the "Rules of the Board of Directors" and the "Standards for Matters Submitted to the Board of Directors", the Board of Directors determines matters stipulated by laws and regulations and the "Articles of Incorporation", important matters related to the management and execution of business of the Company and the group, and manages and supervises the execution of duties by directors and executive officers by receiving reports on the status of business execution.

The Board of Directors met 12 times In FY2023, (excluding written resolutions) to discuss the group's medium- to long-term management issues and sustainability management, in addition to the above resolutions and reports. In FY2023, we held a total of four opportunities for the Representative Directors and Outside Directors to share information and engage in free discussions on the company's medium long term management strategies and issues in each business.

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of its Board of Directors, and conducted a questionnaire for all Directors in March 2023, and interviews with Representative and Outside Directors in April 2023 regarding the composition, operation, agenda and systems supporting the Board of Directors.

As a result of analyzing and evaluating the results of the questionnaire and opinions, it was confirmed that the Company's Board of Directors has secured sufficient time for deliberations, created an environment in which Outside Directors can speak actively and freely, and increased the number of opportunities for discussion on management issues compared to the past. The Company's Board of Directors has been able to ensure their effectiveness in FY2023. On the other hand, based on the evaluation results (in addition to accelerating the timing of providing materials to secure time for preliminary consideration and securing more opportunities for discussion on medium- to long-term management plans, etc.,) in order to deepen the understanding of the group's initiatives among Outside Directors, we will further revitalize deliberations at the Board of Directors Meetings by strengthening the provision of information at venues other than these meetings, such as on-site inspections. We will strive to further improve the effectiveness of the Board of Directors.





Officer's Remuneration

The Company's remuneration for directors and executive officers is based on the concept of remuneration for directors and executive officers as stipulated in the Basic Principles of Corporate Governance. Based on the following basic policy, the remuneration system for directors and executive officers consists of monthly basic salary, an annual bonus reflecting the business results for a single fiscal year, stock remuneration-type stock options with conditions of continuous service ("Continuous Service SOs"), and stock remuneration-type stock options with conditions linked to business performance ("Performance SOs").

Basic Policy

- To contribute to the sustainable growth and medium- to long-term enhancement of the corporate value of our group.
- To motivate Directors and Executive Officers who execute business operations to achieve the goals of the mid-term business plan.
- To secure human resources suitable for achieving the group's mission and realizing sustainable growth.
- It should be something that shares awareness with shareholders and raises awareness of the importance of shareholders.

The composition of remuneration for Executive Directors and Executive Officers is as follows: basic salary, which is fixed remuneration, accounts for approximately 50%, and annual bonuses and share-based remuneration, which are linked to performance and share price, accounts for approximately 50% of total remuneration. With regard to the remuneration of Directors, the Board of Directors shall determine the details of the proposals to be submitted to the General Shareholders' Meeting and the amount of remuneration, etc. for each individual Director after review by the Nominating and Compensation Advisory Committee. For each individual Director member of the Audit and Supervisory Committee, remuneration shall be determined through consultation with the Directors' members of the Audit and Supervisory Committee.

Summary of Compensation

Stock	Performance SOs	The number of stock acquisition rights that can be exercised is fixed in the range of 0% to 100% according to the degree of achievement of indices determined in advance by the Board of Directors of the Company. Stock acquisition rights that can be exercised after the loss of any position as a director or the other officer of the company or its subsidiaries are granted annually according to the position.	
		Continuous Service SOs	
	Cash	Annual Bonus	Remuneration based on consolidated business results for a fiscal year is determined based on the remuneration table according to the stage of consolidated operating income and in accordance with the role and evaluation.
		Basic	Remuneration commensurate with job responsibilities and position, revised every April.

Applicable to

		Executive Directors and Executive Officers	Non-Executive Directors
Stock	Performance SOs	\bigcirc	_
SLOCK	Continuous Service SOs	\bigcirc	\bigcirc
Cash	Annual Bonus	\bigcirc	—
Cuali	Basic	\bigcirc	\bigcirc

Nominating and Compensation Advisory Committee

To ensure fairness and transparency in determining the nomination and remuneration of directors, the Company has established the Nominating and Compensation Advisory Committee, which consists of several Independent Outside Directors and the President, as a voluntary advisory committee. The Committee examines and recommends to the Board of Directors the appointment and dismissal of Directors, nomination of candidates, policies regarding remuneration, etc. for Directors, and the details of remuneration, etc. The Committee also oversees the succession planning through its opinions and recommendations, thereby ensuring objectivity.

Committee Members

Committee Chairman	Naoshi Ban	Director, Audit & Supervisory Committee Member : Independent Outside
Committee Member	Kenjiro Nakano	Director, Audit & Supervisory Committee Member : Independent Outside
Committee Member	Naoya Araki	President and Representative Director



Skills Matrix	Current Title	Corporate Management	Treasury, Financing & Accounting	Compliance, Legal, and Risk Management	Marketing	IT/DX	Human Resources Development	ESG and Sustainability
Naoya Araki	President and Representative Director	~			~			•
Katsuhiro Hayashi	Executive Vice President and Representative Director, in charge of Supermarket Business	~		~			~	~
Toshihiko Yamaguchi	Representative Director, in charge of Department Store Business	~			~			~
Kazuo Sumi	Director	~						
Kenji Goto	Director, Standing Audit and Supervisory Committee Member		~	~				
Naoshi Ban	Outside Director, Audit and Supervisory Committee Member	~	~	~				
Kenjiro Nakano	Outside Director, Audit and Supervisory Committee Member	~	~	~				
Mayumi Ishihara	Outside Director, Audit and Supervisory Committee Member			~				
Nobuko Sekiguchi	Outside Director, Audit and Supervisory Committee Member		~			~	~	

President and	Naova Araki
Representative Director	Naoya Araki
Executive Vice President and Representative Director, in charge of Supermarket Business	Katsuhiro Hayasł
Representative Director, in charge of Department Store Business	Toshihiko Yamaguch
Director	Kazuo Sumi
Director, Standing Audit and Supervisory Committee Member	Kenji Goto
Outside Director, Audit and Supervisory Committee Member	Naoshi Ban
Outside Director, Audit and Supervisory Committee Member	Kenjiro Nakano
Outside Director, Audit and Supervisory Committee Member	Mayumi Ishihara
Outside Director, Audit and Supervisory Committee Member	Nobuko Sekiguch
Managing Executive Officer	Gaku Watanab
Managing Executive Officer	Masaru Ikejim
Executive Officer	Kenji Uno
Executive Officer	Yasuhiro Imai
Executive Officer	Hideki Kashihar
Executive Officer	Toru Koyama

- Diversity of Directors
- Reasons for Appointment of Outside Directors and Status of Attendance
- Criteria for Independence of Outside Directors
- Dialogue with Shareholders
- Policy on Ownership of Policy-Shared Shares and Exercise of Voting Rights

Foundation for Supporting Value Creation of H2O RETAILING



Compliance and Risk Management

The H2O RETAILING group believes in the importance of realizing its growth strategy, establish and properly operate an internal control system proportionate to the nature and scale of its business. The group reviews its internal control system as appropriate, and even group companies that are not required by the Companies Act to adopt resolutions at Board of Directors Meetings, formulate and adopt basic policies on internal control develop systems to prevent and reduce risks.

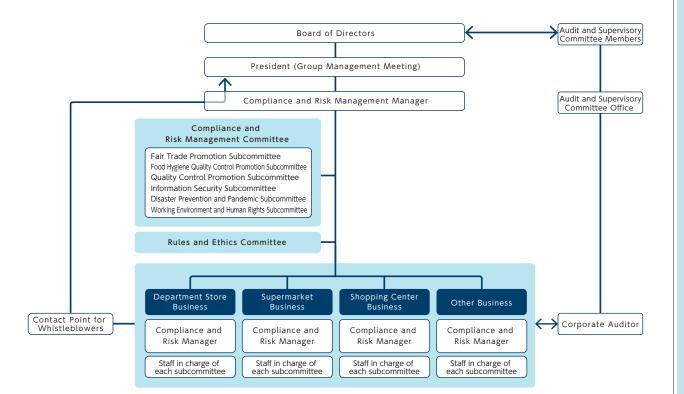
System for Risk Management and Compliance Promotion

We have established the Risk Management Regulations, which outline preventive measures against the occurrence of, reporting, principles for dealing with, and implementation of countermeasures of risks. The H2O RETAILING Group Code of Conduct sets forth the basic stance of the group's officers and employees regarding the promotion of compliance and ensures that they act in accordance with the group's basic policies, ethics, laws and regulations, and rules, and the Group Compliance Regulations and for promoting compliance.

In addition, while a risk management system is in place to prevent risks from occurring, minimize losses when they do occur and promote the establishment and maintenance of a compliance system, the Compliance and Risk Management Committee collects risk information and formulates countermeasures for the group. It also appointed a person in charge of each business of the Company and the group to establish a system for each business to take risk countermeasures voluntarily and systematically according to the characteristics of the business.

Compliance and Risk Management Committee

The subcommittee shares information and examines countermeasures for the group's priority risks and future issues in each subcommittee, such as Fair Trade, Quality Control, Information Security, Disaster Prevention and Pandemics, Working Environment and Human Rights. In addition, to promote compliance and risk prevention, we hold "Compliance Liaison Meetings" as needed for compliance officers at each group company. In FY2023, we will conduct training for those who are engaged in the whistleblowing system, develop a headquarters system for disaster prevention and pandemic response. We also disseminated the group's response policy and countermeasures to prevent security incidents and promoted thorough responses at each group company.



Whistleblowing System

In addition to setting up "the H2O RETAILING Group Compliance Hotline (whistleblowing system) " internally and at external law firms. We have also set up whistleblowing hotlines at core and some group companies. In FY2O23, we worked to improve and expand the contact point and re-ensure that all group companies are aware of this system. After taking steps to protect the privacy of informants, the Company regularly reports to the Representative Director, Standing Audit and Supervisory Committee Member, and the Board of Directors regarding the status of reports made through the Compliance Hotline.



Compliance and Risk Management

Compliance and Risk Management

FY2023 Initiatives by Committees and Subcommittees

Compliance and Risk Management Committee	Conducted training for employees who are engaged in the whistleblowing system (in light of the revision of the Whistleblower Protection Act), establish a headquarters system for disaster prevention and pandemic response and disseminate the group's response policies and countermeasures to prevent security incidents to group companies.
Fair Trade Promotion Subcommittee	Sharing the operational status of related laws and regulations (Anti-Monopoly Act, S ubcontract Act, Act on Unjustifiable Premiums and Misleading Representations) and future issues, as well as precautions for the introduction of the invoice system and internet advertising
Food Hygiene Quality Control Promotion Subcommittee	 Verify and review the contents of the Group Quality Management Standards and ensure that they are fully disseminated By sharing information on improvement cases and best practices, we promote quality control level improvement in each group company Conducted equipment inspections to improve sanitary conditions of in-store kitchen equipment
Quality Control Promotion Subcommittee	 As a group-wide initiative, we conduct inspections to ensure that the labeling of advertising materials is appropriate, and that the appearance and sewing of products are appropriately inspected Created "Responding to Labeling Expressions that May Violate the Pharmaceuticals and Medical Devices Act Guideline".
Information Security Subcommittee	 Promote sharing of security incidents status and development of a Group-wide security incident response system Revised "Group-wide Personal Information Management Regulations and Information Security Guidelines" in accordance with the "Overseas Personal Information Protection Law" Provide security education by hierarchy
Disaster Prevention and Pandemic Subcommittee	 Develop and strengthen the group's disaster prevention capabilities (initial response) 1. Prepare headquarters structure chart and initial response flowchart for all group companies 2. Promote introduction of a safety confirmation system and expanding the number of registrants
Working Environment and Human Rights Subcommittee	 As a countermeasure against harassment (which is a common issue for the Group), we continue to conduct training at each group company Declared the Group Human Rights Policy and Established the CSR Procurement Policy Created a roadmap to promote future "human rights due diligence"

Initiatives to ensure fair trade Efforts to eliminate antisocial forces

% For more information about the avobe items, please refer to the website. (Japanese Only)

Disaster Preparedness Plan

As the Group operates many commercial facilities (including department stores, food supermarkets, shopping centers, and other facilities) that are visited by an unspecified number of customers, we place a high priority on natural disaster counter measures, including earthquakes. Reflecting on our response to many natural disasters that have occurred in recent years (such as the 2018 Northern Osaka Earthquake), we have begun reviewing our initial response manual in the event of a disaster and are working to build a system that will enable us to continue and restore our operations rapidly. In addition, the Company and its major subsidiaries have introduced a system for confirming the safety of employees, as well as IP wireless phones, online chat, and web bulletin boards for communication with our headquarters, to enable prompt safety confirmation and communication of information in the event of a disaster.

Hankyu Hanshin Department Store Disaster Prevention Practice

To ensure that everyone can be a commander and play a role in supporting others, disaster drills are held every week at both the Hankyu and Hanshin Main Stores (which are particularly frequented by customers) with particular emphasis on earthquake early warning drills, fire evacuation guidance drills, etc.We have also incorporated tsunami evacuation drills based on the assumption of the Nankai Trough Earthquake. The Hankyu and Hanshin Main Stores (visited by many customers) have formulated the "Nankai Trough Earthquake Response Action Manual" and the "Manual for Persons Unable to Return Home". In addition, we are working to raise awareness of disaster prevention by distributing portable "Disaster Response Pocket Manuals" to all employees and posting them on the internal portal site. In addition, we hold training courses for ordinary paramedics and first aid courses, which are attended by more than 1,500 staff.

Responding to a Diverse Range of Customers and Employees

At stores in the city center, where there are many foreign tourists, we have implemented multilingual emergency earthquake alerts and evacuation guidance. In addition, all stores have expanded their stockpiles to aid those whose journey home has been made more difficult and are strengthening their countermeasures in the event of a disaster.

Kansai Super Market, Izumiya Hankyu Oasis

We regularly conduct fire drills and earthquake drills at each store and have concluded disaster support agreements with local governments in the area, where our stores will provide supplies and shelters in the event of a disaster.

Kansai Super Market

11 Municipalities : Osaka Prefecture, Toyonaka City, Minoh City, Yao City, Kawachinagano City, Takaishi City, Tondabayashi City, Osaka City Suminoe-ku, Kobe City, Nishinomiya City, Itami City

Izumiya · Hankyu Oasis

18 Municipalities : Osaka Prefecture, Kyoto Prefecture, Nara Prefecture, Osaka City, Toyonaka City, Minoh City, Yao City, Kawachinagano City, Matsubara City, Izumiotsu City, Toyono-cho, Kobe City, Itami City, Nishinomiya City, Kawanishi City, Nagaokakyo City, Wakayama City Koryo Town

Integrated Report 2023

Business Strategies for H2O RETAILING's Value Creation

Department Store Business

- Supermarket Business
- Shopping Center Business

Business Strategies for H2O RETAILING's Value Creation

Transforming our business model to become a "Communications Retailer"

Transform from a business that adds value and sells, to a business that supports the self-fulfillment of customers. In preparation for the full-scale start of operations in 2025, we are working to reform the mindset of every worker in FY2024.



Representative Director, **Department Store Business**

migration to digital and online (which was accelerated during the Covid-19 pandemic), has made it possible for consumers to obtain more information, more goods, and more services from our webstore. In addition, in recent years, consumption styles (such as self-investment in pursuit of self-fulfillment, as well as consumption based on empathy for cultural values) have changed with the maturing of modern society.

We, as department stores, have been developing our business by adding value to our products, and we will seize these changes and transform our business into a business based on supporting the self-realization of our customers. In other words, we are shifting to a business model (communication retailer) that aims to improve the unit price per customer (LTV: lifetime value) over the medium term by providing value, products, and services that are appropriate for each customer through continuous communication, not only in-store but also online to guide the customer's self-fulfillment. FY2024 is positioned as the start line for business transformation, and we are working to change the mindset of every worker.

Establish clear values and action guidelines Customer-centric sales activities

There are two major initiatives that we are specifically promoting from FY2024.

The first is to transform the way we work from the customer perspective. For all employees to engage in their daily work with the same mindset, we have clearly established our values (the customer's joy is our joy). Our values include: "be aware of our customers' interests, concerns and issues", "empathize with them", and "continue to solve them in a way that moves hearts, so that our customers and we can grow together and be happy". At the same time, we have established a code of conduct: (1) listening to our customers, (2) doing our best, and (3) continuing to improve) for the sake of customer satisfaction. We have also introduced a new reward system called the Customer Success Award. We hope that as many employees as possible will enter this award and come up with and implement specific actions of their own. The second initiative is customer-oriented sales activities. In the past, maximizing sales by store and category was the basis of department store sales activities. However, the goal of setting sales activities (with the customer as the starting point) changes to maximizing sales for each customer. To achieve the goal, the number of domestic and overseas customers, customers with whom we can communicate. customers who continue to use the service, and online payment customers are all important indicators. We will provide value, products, and services that are appropriate to each customer's interests beyond the store, and we will renew our mindset to acknowledge that the relationship with the customer begins from there (rather than ending with a single sale), for which we will develop after-sales follow-up and new services. By increasing the number of purchase days and products (to

continuously increase the sales total of customers), we contribute to the improvement of the customers' lifetime value (LTV). To reduce routine administrative work and focus on activities for the self-realization of customers, members of our stores are working together creatively.

Develop data infrastructure in 2024

In 2024, we plan to develop a data infrastructure that can integrate and centrally manage customer data so that we can commence as a "Communication Retailer" in 2025. Utilizing this platform, we will centrally understand the customers with whom we have contact both in-store and online. deepen our understanding of their interests and concerns, and make suggestions that are appropriate for them. At the same time, we will work to develop our staff's ability to analyze and utilize this data. In addition to the skills to master digital data, the ability to communicate with customers, solve problems (such as skeletal and color analysis) and coordination proposals that can respond to individual needs are also important areas for skill development. By 2025, (through three points of contact: smartphone apps in addition to physical stores, and online media integrated with e-commerce functions), we will have more sufficient online customer contact touch points to identify proposition value to customers. For employees to empathize with the need of this business transformation and take new actions. I am striving to promote understanding by sending video messages to all employees and holding one-on-one meetings with the head of the organization. We will boldly take on the challenge of becoming a "Communication Retailer" by taking advantage of the marketing capabilities we have cultivated through our stores, our network with many business partners that we have worked with, and our employees who have a service spirit that above all exists to please our customers.

02

Remodeling of Takatsuki Topic Hankyu Square, specialty 01 stores × department stores



akatsuki Hankyu was reborn as "Takatsuki Hankvu Square" in October 2023. We aim to be the No. 1 store supported by Takatsuki customers with the goal of "a department store mall that proposes 'fashionable', 'fun', and 'convenient' to live in Takatsuki", which is relatively easily accessible from Osaka and Kvoto and is blessed with abundant nature. While incorporating the strengths of specialty stores that support day to day living (such as drugstores and electronics retailers), we have created three new style worlds that are in line with the Takatsuki market by leveraging the editorial capabilities that are the strength of department stores: "Child-rearing family life," "Contemporary seasonal fashion," and "Adult fun". The first floor known as "Child-rearing Family Life" has completed the construction of a new baby room, alongside the "Takatsuki Kevaki Park" a gathering place for child-rearing families, has been set up as a symbolic corner to hold events and workshops to support those child-rearing families. We will continue to synergize with the lifestyles of Takatsuki's customers.

Topic Mobile food sales for solving social issues



O n July 14, 2023, the new business "Mobile Sweets Truck" started in earnest. We will provide about 30 brands of popular standard department store sweets and brands born in Hankyu Department Stores (Baton d'Or, Grand Calbee, Happy Turns, etc.) in mobile sales vehicles for customers who cannot get to a department store due to time or distance constraints. There are various sales locations in the Keihanshin area such as in front of train stations and offices, nursing care facilities, hospitals, suburban facilities, and family apartments. We will work to eliminate various customer inconveniences and points of dissatisfaction. catering to those who are too busy with work to spend sufficient time shopping, physical/medical issue preventing them from visiting stores, and those with a stroller who tend to avoid crowds. In addition to providing customers with the "joy of choice" with the ability to offer a wide variety of products and topical product proposals (which have been the specialties of department stores), we will both deepen the value of existing businesses and achieve a customer-oriented business model through a new mobile sales business model that further expands customer contact points.

in harmony.

Sales floors that offers sustainable // Topic "symbiosis between people and nature"



O n the April 12, 2023, "GREEN AGE" was opened on the 8th floor of the Hankyu Umeda Main Store, the sales floor that proposes fashion, sports, health & beauty and lifestyle categories, as well as featuring outdoor and luxury brands that coexist with the concept of "symbiosis between people and nature". Stella's World by Stella McCartney, a concept store jointly developed by Hankyu Department Store, has a café that offers vegan and vegetarian menus, and a shop that sells items made from sustainable materials in line with the brand's philosophy. In the sales floor, we have set up a place for experiences and learning related to "coexistence with nature," as well as a base for recycling-type services to continue usage with care. We used building materials with low environmental impact to create the sales floor. While considering the global environment, we propose a new lifestyle in harmony with nature for urban dwellers and aim to co-create a prosperous future in which people, society, and the environment coexist

sustainable / Topic Nurturing local children



W ith the aim of "nurturing local children", one of the priority themes of the group's sustainability management policy "HANKYU KODOMO(Children's) College" was launched during the summer vacation season of 2019 at the Hankvu Umeda Main Store. Since then, we have been providing learning opportunities for children based on the concept of "having fun plaving. learning, and experiencing" for families and mainly local children. On February 22, 2023, the "2021 HANKYU KODOMO (Children's) College" received its first ever Judging Committee Excellence Award in the department store industry, at the Ministry of Education, Culture, Sports, Science and Technology's "Reiwa 4th Youth Experience Activity Promotion Company Award".

In 2023, the event was held at the Hanshin Umeda Main Store, and the "KODOMO(Children's) College" will become even more powerful. There were 230 workshop at the Hankvu Umeda Main Store and 92 workshop at the Hanshin Umeda Main Store, for a total of 322 workshop. At the festival plaza on the 9th floor of the Hankyu Umeda Main Store, a "school of living things" was held to learn, feel, and cultivate curiosity about the ecology of living creatures. We teamed up with "Kaivukan". "Nifrel", "Adventure World" and others to hold an event to learn from living creatures professionals.

Business Strategies for H2O RETAILING's Value Creation



Become a "personalized" supermarket that customers consider as "my supermarket"

We aim to increase our market share and mindshare by enabling customers to use different stores according to their needs.



Executive Vice President and Representative Director.

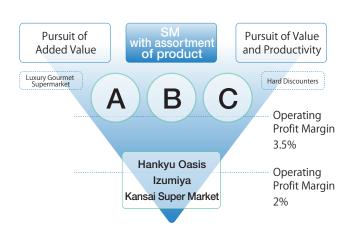
n the food supermarket industry, households are becoming increasingly budget conscious due to the shrinking retail market. This can be attributed to factors such as the declining birthrate, aging population, intensifying competition by the introduction of e-commerce and the new entrance from other industries, changes in lifestyles Covid-19 pandemic related, and soaring raw material prices and energy costs with ongoing international economic instability. These various changes have a significant impact on commodity prices, and the environment surrounding the food business requires increased levels of flexibility and diversification.

Currently, the food supermarkets "Kansai Super Market," "Izumiya," and "Hankyu Oasis" in this business are working to create stores according to the characteristics of the store locations' region, and to review their product lineups and price ranges by maintaining the three store name and utilizing their own characteristics. We aim to create a "personalized" supermarket that is highly tailored to local customers and that customers can think of as "my No.1 supermarket" and a "just-fit" supermarket that responds to regional, market, and customer needs and provides optimal choices.

Aiming to operate the business as a single entity, optimizing within the area with three store models

As first step, on April 1, 2023, we merged Izumiya Co., Ltd. and Hankyu Oasis Co., Ltd. We have embarked on business reforms and further evolution of both companies and are working to realize the future synergies through the business integration with KANSAI SUPER MARKET LTD. Specifically, we are classifying and organizing store formats based on trade area, location, and store size. And are working on initiatives in areas such as store management, payment, product and supplier policies, manufacturing and development, logistics, process centers, systems, and HQ functions. While pursuing short-term synergies, we will proceed with medium- to long-term design and integrate business operations.

As shown in the figure below, we believe that there are two directions for stores: "pursuit of added value" and "pursuit of price and productivity", and at the two poles are high-end gourmet supermarkets and hard discounters. Rather than



aiming for these two poles of the business, we are planning to develop a variety of supermarkets with assortment of product, namely A and B models, which provide added value, and C models, which focus on price, so that we can provide a variety of options that meet the needs of our customers. In this way, we will differentiate ourselves within the area and allow customers to use different stores of the group according to their needs, thereby increasing our market and mindshare.

Infrastructure investment is indispensable for personalized business development

To optimize the store model whilst providing unique and differentiated products to stores, we will further collaborate. consolidate, and expand the SPA functions of our manufacturing companies in the future.

In addition, in June 2023, to expand the home delivery business (which will be the foundation of personal support in the future), a new logistics center was relocated and newly built, and put into operation. It is a center with twice the capacity of a former one.

In this way, to develop our business in a more personal way, it is essential to invest in DX, efficiency, and continuous evolution of infrastructure such as SCM (supply chain management), logistics, and systems, which are the basis of our business, while also updating the physical assets (stores). In the future, we will promote initiatives that make use of the advantages of economies of scale.

Simultaneously, to realize these initiatives, we believe that the starting point of this project is "community symbiosis," which is created together with various stakeholders, including local communities. Increasing growth and profitability of the Supermarket Business is our being a vitalizing partner in people's lives through food. With these two "wheels", we aim to become the "second pillar" of the group's business.

Business Strategies 😔 Supermarket Business

Topic Strengthening of Online Ol Supermarkets - Establishment of New Bases -



n June 2023, we relocated the distribution base of the online supermarket "Hankyu Kitchen Yell" from Suita City, Osaka Prefecture to Itami City, Hyogo Prefecture. The new base is close to Osaka Airport, the Hanshin Expressway, and several other highways, providing good access to Osaka, Kobe, and Kyoto. The warehouse is compatible with three temperature zones (frozen, refrigerated, and room temperature). The area has been expanded to 15,000 square meters (1.5 times that of the former center) to strengthen the lineup of frozen and room temperature products, for which demand is increasing. At the same time, we have renewed the equipment that had deteriorated over time and introduced the latest picking equipment in all temperature ranges.

Hankyu Kitchen Yell, which delivers more than 1 million times a year, has been working with Hankyu Oasis and Izumiya stores since 2022 to further expand its business as an "online supermarket" for daily use. Currently, it has about 50,000 members, a product lineup exceeding 3,000, and offers products from both food supermarkets and department stores. With a goal of delivering 2 million times per year, we aim to be an online supermarket rooted in the community.
 Topic
 Strengthening SPA

 02
 :Development of frozen foods for prepared food manufacturers



ANKYU delica i,Inc. develops and manufactures products centered on prepared foods, bento boxes, and sushi through integrated manufacturing and sales operations with the group's food supermarkets.

The "One Dish Deli" series, which we have developed in-house, has earned a high reputation for its quality, convenience, and shelf life. At the Ikeda Plant (Ikeda City, Osaka Prefecture), which serves as our manufacturing base, we have introduced a high-performance guick-freezing line, and have recently shipped approximately 300,000 packs per month under advanced quality control standards. It has a long shelf life (one year from production), and planned manufacturing leads to a reduction in food loss for both consumers and businesses. In anticipation that the need for frozen foods will continue to increase, HANKYU delica i is working on further new product development by utilizing the guick-freezing technology it has accumulated over the years, and is strengthening and expanding the infrastructure functions, which support the group's Supermarket Business (such as supplying highquality commercial ingredients frozen to the delicatessen department of food supermarkets).

sustainable Topic To the local children and environment



A t 16 Izumiya and Hankyu Oasis stores (as of May 2023), we donate unsold bread to the "Kodomo-Shokudou (children's cafeterias) Network" local to each store, through H2O Santa (a general incorporated foundation the activities of which H2O group sponsors and supports). In addition to supporting the operation of the "Kodomo-Shokudou (children's cafeterias) Network", we hope that it will be an opportunity for children to experience the joy of choosing their favorite bread type and eating together. These activities have also led to the group' s overall reduction of food loss. In addition, each food supermarket has a local produce and local consumption section with fresh vegetables and fruits from nearby farmers. We started by providing "products that show the face of the producer" with a focus on freshness and quality, but since procuring products from nearby farmers also leads to a reduction in CO2 emissions in the distribution process. The Hankyu Oasis Toyonaka Ekimae store, Ikeda store, and Izumiya Senrioka store participated in a demonstration experiment (November 2022 to January 2023) of Osaka Prefecture's "Decarbonization Point System Promotion Platform*". Special points were awarded for the

purchase of products at the store's local production and local consumption corner "Ohisan Market".

Kansai Super Market collects food residues discharged from stores to produce liquid compost. In 2010, with the cooperation of JA Tamba Hikami, we began cultivating "Tamba Hikami Koshihikari" using liquid compost. In 2011, we received certification from the Ministry of Agriculture, Forestry and Fisheries and the Ministry of the Environment as a "Recycling Business Plan (Food Recycling Loop)". In 2022, we sold food recycling loop rice (400 kg of polished rice) at five stores. Moving forward, we will continue to engage in a

variety of activities that can only be done by a highly utilized food supermarket to deepen our sustainable bonds with communities.

* A project to verify the effects of promoting product selection and CO2 reduction effects that contribute to decarbonization by granting additional decarbonization points to consumers (who purchase products with low CO2 emissions during the production and distribution processes) using the point system currently operated by retailers etc. Business Strategies 😔 Shopping Center Business 😔 Top Message

Aiming to maximize the use of commercial facilities and real estate loved by the community

In addition to improving profitability, we are working with a sense of urgency to rebuild the Shopping Center Business with the aim of becoming commercial facilities loved by the community.



Shopping Center Business

he Shopping Center Business consists of three businesses: (1) management and operation of commercial facilities (H2O Shopping Center Development Co., Ltd. and Hankyu Shopping Center Development Co., Ltd.), (2) hotel management business (Oi Development Co., Ltd.), and (3) comprehensive building maintenance business (Kanso Co., Ltd., Hankyu Maintenance Service Co., Ltd.). In addition to the major blows caused by the Covid-19 pandemic, the environment surrounding the Shopping Center Business continues to be severe, with a declining birthrate, aging and declining population, the rise of e-commerce, intensifying competition due to the opening of large-scale commercial facilities, and soaring fuel prices (due to uncertainty about the international situation). Even under these circumstances, in the Mid-term Management Plan (FY2022-2024), we are promoting business restructuring based on the following three key initiatives:

- Conversion of Izumiya GMS(General Merchandise Store) to SC
- Establishment of neighborhood-type commercial facilities that connect "people" and "communities"
- Review of the operation of the business hotel "Ours Inn Hankyu" to improve profitability

Going forward, we will make "strengthening the real estate business" the first pillar of our efforts

H2O Shopping Center Development Co., Ltd., which was established in April 2020 after taking over the operation of commercial facilities and the clothing and housing-related goods sales business from Izumiya Co., Ltd., (a general merchandise store operator) through an absorption split, is actively promoting the transformation from a general merchandise store to a shopping center, which is our biggest challenge. We were able to improve our profitability ahead of schedule from the initial plan by strengthening the attraction of tenants through leasing projects with cross-group members, strengthening profitability by restructuring directly managed clothing departments, and optimizing costs by reviewing the management system and checking functions of the head office division. The company's culture and employee awareness have also changed significantly in the direction of "valuing the accumulation of small success experiences and actively taking on new challenges," resulting in a virtuous cycle. The business hotel "Ours Inn Hankyu" was greatly affected by the Covid-19 pandemic, yet the room occupancy rate has improved significantly due to the return of post Covid accommodation demand. In addition, the company returned to profitability by improving the unit price by introducing a variable room price system and by reviewing the operation and management of the two buildings in the hotel (such as the integration of the front desk and the introduction of self-service check-in machines). In the building maintenance business, we are working on various measures, such as reviewing our cost structure and expanding the number of contracted facilities, to achieve a stable earnings structure. On the other hand, there is a shortage of human resources in this business, so we will focus on hiring specialists and developing talent in the future. Thanks to the efforts of these companies, the real estate business is making steady progress in restructuring its core business, including achieving the operating income target of the Mid-term Manage-

ment Plan one year ahead of schedule. In addition to this, to further improve the efficient use of real estate and speed up decision-making, we have recently set "strengthening the real estate business" as the first pillar of our efforts in the entire management and operation business of commercial facilities. We will establish the "Real Estate Business Division" to promptly make decisions on the use of real estate, strengthen our business planning functions, and build business development with profitability as our top priority. To maximize the asset value of the group's real estate, we will take on new challenges with flexible ideas that are not bound by conventional frameworks.

Aiming to be a commercial facility loved by the community

Based on the main theme of "Living with Flowers, Music, and Festivals," the commercial facilities operated by this project aim to be ones that are loved as a hub for the local community, for which we are strengthening cooperation with the local community, including the government. In addition to creating flower beds with kindergarten and nursery school children, actively holding music events (according to the region and season) and work with government and companies to improve the local environment. To be able to expand the success stories of these initiatives to all shopping centers in the future, we have launched the "Community" Development is Store Development Project " (MMPJ, the Japanese abbreviation for the project name) with an eve on "human resource development" that will play a driving role in promoting these efforts. As well as restructuring in terms of profitability, we will promote the reconstruction of commercial facilities that are loved by the community, by collaborating with local residents, government, and companies, fostering human resources with a spirit of challenge to promote various projects, and fostering a corporate culture. As a Shopping Center Business, we will promote our business to achieve the target operating profit of JP¥ 3 billion in the Long-term Business Plan for 2030 as soon as possible.





20 Shopping Center Development has н established the Real Estate Business Division and is promoting initiatives to maximize asset value in the real estate business. Specifically, to make a total of 33 former GMS and supercenters into more neighborhood-type community-based SCs, we are reconstructing the concept of our stores by renovating with local characteristics in mind to attract tenants. In addition, we have launched a group-wide leasing project, and while establishing a team structure that includes equipment design personnel to enhance their expertise, members are working together to strengthen our leasing capabilities and attract tenants of new genres in accordance with the customers' life styles. In April 2023, we will master lease the groups four retail facilities and proceed with future renovation plans whilst managing their operations, aiming to increase profitability of these four facilities and increase the number of entrusted properties to expand the scale of our real estate business. We will also systematically promote the sale and reconstruction of facilities that were built to the old earthquake resistance standards, create safe and secure long term commercial facilities, and aim to realize sustainable corporate activities rooted in the local community.

TopicToward a specialty store02business that proposes
the"value of experience"



In the specialty stores business, we have achieved a return to profitability in FY2023 by reviewing MD, thoroughly implementing VMD and optimizing inventories. Specifically, we have transformed the sales floor into a shop "i-closet" that adjusts not only the original "value of things" but also its niche positive values. We have assigned an "i-closet concierge" at our headquarters, and we are working to acquire various qualified talent such as shoe fitters so that we can provide customers with higher quality information.

In addition, the "i-closet concierge" also plans events centered on "self-improvement," "social contribution," and "experience" to make customers feel the "additional information value." Examples include coordination popularity polls that incorporate trendy colors, events aimed at improving the health of local residents (such as chair yoga and shoe fitting events) and social media and videos in collaboration with our business partners (Wacoal) in the promotion of women's underwear (which became a hot topic). In the future, we will continue to propose a variety of value experiences such as yukata dressing events. Femtech roundtable discussions, and children's coordination experiences, so that people further associate with i-closet.

sustainable S Topic i

SC, a place to disseminate information and interact with the local community



n September 2022, Toyota Osaka Rental & Leasing Co., Ltd., The Kansai Electric Power Company, Inc. and H2O Shopping Center Development Co., Ltd. jointly launched activities, holding an unveiling ceremony at SC Senrioka for electric vehicles and wireless chargers (introduced in our business vehicles), to improve the local environment through carbon neutrality initiatives.To link this momentum to cooperation with the government, in February 2023, we exhibited a booth at the "Suita Environmental Education Festa" hosted by Suita City and exhibited an electric vehicle as our business vehicle. "Agenda 21 Suita" (which promotes the creation of a sustainable community in Suita City through collaboration and participation between citizens, businesses, and government) participated at the pre-announcement event held at SC Senrioka. This has led to our participation as a cooperating company in events sponsored by "Agenda 21 Suita," as well as participation as an operator in the following year's "Suita Environmental Education Festa," thereby deepening cooperation with the government and other organizations. In addition, we are working to create flower beds as part of SC's management concept of "living with flowers, music, and festivals". In Suita City, the city hall introduces organizations involved in local planting, and we are working to increase opportunities to collaborate with local residents, such as creating flower beds and cooperating with group events. Furthermore, in Nara Prefecture, we support the efforts of local governments to create landscapes and environments, and since last fiscal year, we have been discussing regional cooperation through the creation of flower beds. Currently, those we created with local children in front of SC Gakuenmae and SC Koryo have been certified as partner flower beds for the initiative, delighting the eyes of local customers. In the future, we will also collaborate with local organizations that are engaged in the same initiatives. To "develop human resources" to promote these

To "develop human resources" to promote these initiatives, we have launched the "Community Development is Store Developmen Project" (MMPJ). At MMPJ, SCs rooted in the community will play a new role in the "town" and participate in projects that will set up "community development", by working to develop human resources who can contribute to the local environment in collaboration with government and others and will actively work as an indispensable presence in the community.



Data

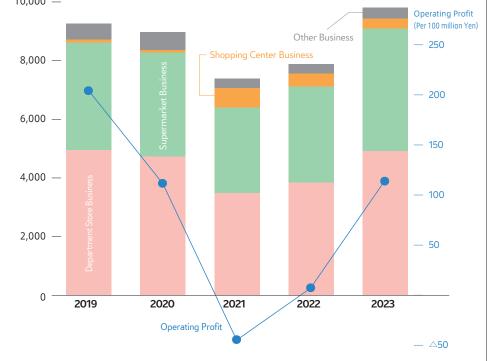
Performance Highlights \bigcirc

					(Pe	er Million Yen)
	Fiscal Year	2019	2020	2021	2022	2023
	Fiscal Year End	March, 2019	March, 2020	March, 2021	March, 2022	March, 2023
Fiscal	Year					
Gross	Sales (*1)	926,872	897,289	739,198	788,108	979,723
	Department Store Business	494,608	473,225	347,768	385,095	491,838
	Supermarket Business	367,580	354,115	292,754	327,205	416,139
	Shopping Center Business	8,736	8,725	65,024	42,879	35,574
	Other Business	55,948	61,222	33,651	32,928	36,169
Net S	ales	926,872	897,289	739,198	518,447	628,089
Opera	ating Profit	20,422	11,171	△ 4,438	740	11,388
	Department Store Business	17,883	11,486	△ 1,903	939	10,299
	Supermarket Business	△ 438	△ 2,503	4,086	5,326	5,469
	Shopping Center Business	4,281	4,141	△ 757	391	1,808
	Other Business	5,030	2,903	△ 1,516	△ 3,409	△ 3,100
	Consolidation adjustment	△ 6,335	△ 4,856	△ 4,347	△ 2,506	△ 3,089
Ordin	ary Profit	21,376	11,831	△2,907	2,346	13,004
	come Attributable to shareholders parent company	2,162	△13,150	△24,791	9,872	16,382
Capita	al Investment	32,039	35,125	22,699	25,256	31,160
Depre	eciation expenses	17,399	18,519	18,141	17,902	19,159
Cash	flow from operating activities	15,392	9,871	12,755	6,465	30,295
Cash	flow from investment activities	△ 36,682	riangle 22,451	riangle 20,761	riangle 5,203	5,782
Cash	flow from financial activities	9,581	△16,440	31,859	△28,578	riangle 12,549

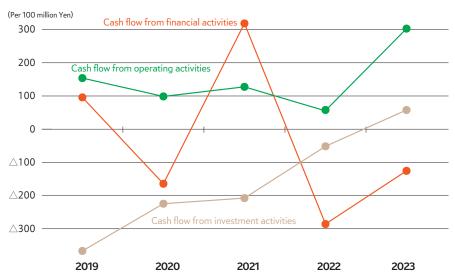
*1 The "Accounting Standard for Revenue Recognition" was applied from the fiscal year ending March 31, 2022. Equivalent to net sales under the previous standard, which excludes the impact of the Accounting Standard for Revenue Recognition, etc.

Net Sales (Per 100 million Yen) 10,000 —

Net Sales by Segment and Consolidated Operating Profit



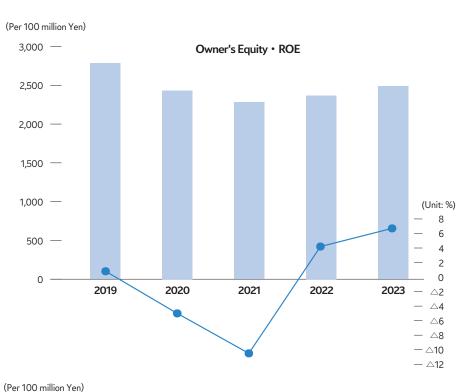
Cash Flow



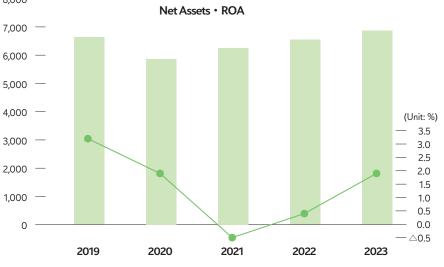
Data

Performance Highlights (2)

				(Pe	er Million Yen)
Fiscal Year	2019	2020	2021	2022	2023
Fiscal Year End	March, 2019	March, 2020	March, 2021	March, 2022	March, 2023
Fiscal Year End					
Net Assets	279,603	244,634	229,277	260,938	272,814
Owner's equity	278,364	243,317	228,134	236,844	248,821
Total Assets	663,335	586,904	625,945	654,558	686,423
Per Share Information					
Book value Per Share (JPY)	2252.28	1967.90	1843.78	1922.25	2,137.87
Earnings Per Share (JPY)	17.50	△106.38	△200.45	79.84	135.85
Dividend per share (JPY)	40	40	25	25	25
Financial Indicators					
Operating Income Ratio (%)	2.2	1.2	△0.6	0.1	1.8
Owner's Equity Ratio (%)	42.0	41.5	36.4	36.2	36.2
Return on Equity (%)	0.8	△5.0	△10.5	4.2	6.7
Ratio of Ordinary Profit to Total Assets (%)	3.2	1.9	△0.5	0.4	1.9
Consolidated Dividend Payout Ratio (%)	228.5	-	-	31.3	18.4







Environmental Data

Data

ltems	Range	Units	FY2021	FY2022	FY2023
Energy Usage					
Electricity	Consolidated		457,480	458,474	551,994
Gas	Consolidated		8,959	8,116	7,772
Water (hot/cold/steam)	Consolidated	1000 GJ	91	119	158
Petrol/Diesel	Consolidated	1000 GJ	7	8	9
Total	Consolidated	1000 GJ	5,083	5,094	6,082 *
GHG Emissions					
Scope 1	Consolidated	1000t-CO2e	48	40	52 *
Scope2	Consolidated	1000t-CO2e	165	175	175 *
Scope3	5 Main Companies	1000t-CO2e	2,179	2,246	2,940
"Category 1		1000: 000	1011	1000	
Purchased product • service"	5 Main Companies	1000t-CO2e	1,944	1,982	2,633 *
Water Usage					
Water Usage	5 Main Companies	1000m ³	1,909	1,925	2,653
Containers and packaging					
Papers	5 Main Companies	t	735	741	1,131
Plastics	5 Main Companies	t	3,416	2,801	3,784
Waste					
Total amount of waste generated	5 Main Companies	t	42,639	42,692	59,679
Recycling rate	5 Main Companies	%	59.6	60.2	61.1
Amount of food waste generated	4 Main Companies	t	9,876	9,415	11,800
Food recycling rate	4 Main Companies	%	46.6	50.3	56.1

*Consolidated : Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, Kansai Super Market, H2O Shopping Center Development, and 15 other major companies

(Pre FY2022, 14 major companies not including Kansai supermarkets)

 5 major companies : Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, Kansai Super Market ,H2O Shopping Center Development(Pre FY2022, 4 major companies not including Kansai supermarkets)
 3 major companies : Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, Kansai Super Market (Pre FY2022, 3 major companies not including Kansai supermarkets)

Calculation of Greenhouse Gas Emissions

Scope 1

Scope 2

Emissions = Σ (Fuel Usage×CO2 Emission Factor %1)

+ Σ (GHG emissions other than CO2 from energy sources \times global warming potential %1)

Emissions = Σ (Purchase of electric power, etc. (Includes hot water, cold water, and steam) ×CO2 emission factor %1) Scope 3 Category 1

Emissions = Σ { (Amount of goods purchased by the company) × (Emissions per unit of production &2)

- **1 Coefficients based on the Law Concerning the Promotion of Measures to Cope with Global Warming. For electricity, emission factors by electric utility published by the Ministry of the Environment and Ministry of Economy, Trade and Industry are used.
- *2 Emissions intensity database for calculating the greenhouse gas emissions of an organisation through its supply chain. Refer to Ver3.2

Third Party Assurance

Deloitte Tohmatsu Sustainability Co., Ltd. has provided a third-party guarantee for energy consumption and greenhouse gas emissions (Scope 1, 2, Scope 3 Category 1) in FY2023.



当社が実施した手続致び入手した証明に基づいて、開始定船情報が、会社が採用した施定及び服告の基準に準結して作成されていべいと信じさせる事務計中ででの重要な加工おい て認められばかった。 以 上

HR Data (1/2)

Data

			FY2021			FY2022			FY2023		
Items	Business Segment	Units	Full Time Staff	Contract/ Part-Time Staff	Total	Full Time Staff	Contract/ Part-Time Staff	Total	Full Time Staff	Contract/ Part-Time Staff	Total
Staff Numbers	Department Store Business	People	4,195	949	5,144	4,185	907	5,092	3,884	851	4,735
	Supermarket Business	People	3,399	10,560	13,959	2,621	10,136	12,757	3,772	11,408	15,180
	Shopping Center Business	People	348	909	1,257	695	1,497	2,192	609	1,197	1,806
	Other Business	People	1,628	2,873	4,501	1,482	2,421	3,903	1,220	1,791	3,011
	Consolidated	People	9,570	15,291	24,861	8,983	14,961	23,944	9,485	15,247	24,732
Female staff ratio	Department Store Business	%	63.7	85.3	71.7	65.0	86.4	72.7	64.9	80.2	70.5
	Supermarket Business	%	28.1	76.5	69.3	28.9	77.2	69.5	28.9	77.5	68.9
	Shopping Center Business	%	29.1	61.4	55.2	27.2	56.3	50.2	27.4	54.9	48.9
	Other Business	%	54.5	74.6	69.5	58.3	76.4	70.6	58.1	78.8	71.7
	Consolidated	%	44.0	75.2	68.1	45.1	75.9	68.3	45.0	75.7	67.7
Female staff in management role ratio	Department Store Business	%	14.2		14.2	15.9		15.9	18.5		18.5
	Supermarket Business	%	5.3	0.0	5.2	5.6	0.0	5.5	5.9	33.3	6.2
	Shopping Center Business	%	10.6	0.0	9.9	11.6	0.0	11.0	14.6	0.0	13.9
	Other Business	%	21.2	75.0	22.7	25.6	40.0	26.0	28.4	33.3	28.5
	Consolidated	%	10.5	16.7	10.6	12.2	12.5	12.2	13.7	18.8	13.7
Gender pay gap	Department Store Business	%	63.9	64.7	56.9	64.7	60.4	55.8	65.4	64.5	60.4
	Supermarket Business	%	73.0	87.5	54.9	64.1	86.3	51.5	75.5	91.3	51.8
	Shopping Center Business	%	91.6	65.6	54.5	90.5	70.1	56.9	84.9	69.6	55.5
	Other Business	%	74.9	114.6	74.4	73.6	107.5	72.3	72.9	111.2	75.0
	Consolidated	%	67.6	84.3	56.9	65.8	83.5	54.6	74.1	86.5	56.6
Number of staff utilizing childcare leave	Department Store Business	People	53	12	65	41	11	52	48	16	64
	Supermarket Business	People	34	30	64	21	43	64	39	51	90
	Shopping Center Business	People	5	2	7	4	0	4	5	1	6
	Other Business	People	15	7	22	20	11	31	23	12	35
	Consolidated	People	107	51	158	86	65	151	115	80	195

*The number of employees refers to the number of employees stated in the annual securities report for each fiscal year.

((Employees refers to the number of employees at the end of the fiscal year. Contract and PA are the average number of temporary employees during the fiscal year after converting to 8 hours).

This includes executive officers and employees seconded to other group companies, excluding those seconded to non-group companies).

*The following indicators for the ratio of female employees for companies that belong to the group and can be aggregated as of FY2024.

* The ratio of female managers includes those seconded from other group companies and excludes those seconded to non-group companies.

*Indicators stemming from the gender pay gap to the turnover rate are calculated by employers, including employees seconded to other group companies, excluding those seconded from non-group companies.

HR Data (2/2)

Data

		[FY2021				FY2022		FY2023		
Items	Business Segment	Units	Full Time Staff	Contract/ Part-Time Staff	Total	Full Time Staff	Contract/ Part-Time Staff	Total	Full Time Staff	Contract/ Part-Time Staff	Total
% of male employees taking childcare leave	Department Store Business	%	71.0		71.0	77.8		77.8	94.7	0.0	90.0
	Supermarket Business	%	5.7		5.7	6.3		6.3	31.0	33.3	31.3
	Shopping Center Business	%	0.0	50.0	33.3	0.0	0.0	0.0	0.0	50.0	16.7
	Other Business	%	100.0		100.0	33.3		33.3	80.0		80.0
	Consolidated	%	36.8	50.0	37.1	30.9	0.0	30.4	54.4	33.3	52.4
Number of nursing care leave	Department Store Business	People	3	6	9	1	2	3	2	9	11
	Supermarket Business	People	3	1	4	2	4	6	3	1	4
	Shopping Center Business	People	0	1	1	0	0	0	1	0	1
	Other Business	People	0	0	0	0	0	0	0	0	0
	Consolidated	People	6	8	14	3	6	9	6	10	16
Paid leave acquisition rate	Department Store Business	%	42.8	69.7	52.0	45.2	70.0	53.4	55.8	78.1	63.1
	Supermarket Business	%	51.2	79.6	74.0	51.3	83.2	76.8	53.8	82.2	76.3
	Shopping Center Business	%	50.9	75.9	70.4	53.9	63.9	61.2	60.0	71.7	68.6
	Other Business	%	56.4	46.1	49.7	64.8	68.0	66.7	70.4	74.4	72.8
	Consolidated	%	48.2	76.7	68.5	50.1	79.7	70.8	56.2	80.6	73.2
Turnover rate	Department Store Business	%	1.1	7.9	3.6	1.7	11.2	5.2	1.8	11.1	5.1
	Supermarket Business	%	5.5	17.6	15.6	5.3	19.1	16.8	6.1	19.4	17.0
	Shopping Center Business	%	6.3	29.1	25.1	7.7	24.6	21.1	7.6	21.0	18.0
	Other Business	%	6.2	26.3	19.3	14.1	24.2	19.9	8.8	24.5	17.9
	Consolidated	%	3.9	18.7	14.9	5.0	19.3	15.5	4.8	19.2	15.2
Employment rate of persons with disabilities	Consolidated	%	_	_	2.61	-	_	2.68	_	_	2.89
Total Labor Costs	Consolidated	Billion yen	—	—	652	-	-	691	-	-	821
ROI of Human Capital	Consolidated	%	_	_	12.1	-	_	7.1	_	-	17.5

* The employment rate of persons with disabilities is the total number of employees who are eligible under the special subsidiary system and corporate groups,

as well as those who are eligible for special calculations by corporate groups.

* Total personnel costs and human capital ROI are calculated based on consolidated financial results adjusted within the group.

* The ROI of human capital = business profit / amount of personnel fee * 100



Editorial Policies



Masaru Ikejima (front row, center left), Managing Executive Officer, General Manager of General Affairs Office Stakeholder Communication Project Members

The "Integrated Report 2023" was prepared to provide a comprehensive overview of the Group, its strategy for creating corporate value, and the foundation that supports value creation. The aim is to provide all stakeholders (including shareholders and investors) with a deeper understanding of the group's medium- to long-term value creation strategy. From the previous fiscal year, we launched a project with the

Integrated Report Production Flow



aim of building better relationships with stakeholders and

formulating a communication strategy for the entire group. For this

fiscal year, we prepared the "Integrated Report 2023" mainly by

projects members.Compared to the previous fiscal year, we have

strategies, functional strategies, IT and digital strategies, and

enhanced the description of execution strategies (such as business

human capital strategies) and discussed how we will transform our business model "Communication Retailer" to achieve our goals.

We also have edited our strategies (such as "Strategy for market

dominance in the Kansai region " and "Communication Retailer")

FY2024 is the final year of the current medium-term management

plan, and by explaining the progress of the plan, we would like to

confirm the current position of the group and formulate the next

mid-term management plan to realize the "Long-term Business

The aim of this report will be to contribute to the understanding of

stakeholders, and we will continue to strive to disclose information

appropriately and work to further enhance our corporate value.

the group and lead to opportunities for dialogue with our

with an emphasis on how we can convey them to readers in an

easy-to-understand manner.

Plan 2030".

Scope of Reporting Applicable Period:

It focuses on activities in FY2023 (April 1, 2022 - March 31, 2023) and includes the most recent activity reports.

Reference Guidelines:

GRI Standards

Target Organizations:

If H2O RETAILING CORPORATION and its group company scopes are specified, a note is provided.

Forward-Looking Statements:

The forward-looking statements, including plans, strategies, and forecasts regarding business results contained in this report, are based on information available at the time of publication, and actual results may differ from these statements due to various factors.

Introduction to the Website

You can also find a variety of information on our website.

Investor Relations Information

https://www.h2o-retailing.co.jp/en/ir.html

Sustainability Information https://www.h2o-retailing.co.jp/en/sustainability.html

Corporate Governance Information (Japanese Only)

https://www.h2o-retailing.co.jp/ja/company/governance.html

Integrated Report Back Number https://www.h2o-retailing.co.jp/en/ir/library/report.html

Our Story (Interviews with Group Employees) (Japanese Only) https://www.h2o-retailing.co.jp/ja/our-story.html

H2O RETAILING CORPORATION

8-7, Kakuda-cho, Kita-ku, Osaka City 530-0017 https://www.h2o-retailing.co.jp/en/index.html

