

# 3Q of FY2023 Presentation Materials



H2O RETAILING CORPORATION

- ▶ Consolidated results exceeded forecast of 3Q and cumulative operating profit exceeded full-year forecasts.
- ▶ (Department Store)  
Existing store sales exceeded pre-COVID-19 level due to strong domestic sales and a recovery in inbound sales.
- ▶ (Supermarket)  
Double-digit profit growth in 3Q, and both sales and profit increased in cumulative 3Q.
- ▶ (Shopping Center)  
Continued to increase profit in 3Q due to strengthened sales force and cost reduction in H2OSC Development and improved occupancy rate of business hotel in Oi Development.
- ▶ No changes to the consolidated forecast for the full year  
Considering uncertainties such as rising prices and soaring utilities costs, we expect the 4Q results to be in line with our forecast.

I. Consolidated Financial Results

II. Forecast of FY2023

III. Direction of efforts for FY2024

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

# I-1. Consolidated Financial Results

- ▶ Sales continued to recover particularly in department store business
- ▶ Increase in gross profit and operating profit by sales recovery despite increase in SG&A expenses including external factors like higher utility costs
  - Operating profit exceeded the full-year forecast as a result of cost control efforts mainly in department stores.
- ▶ Extraordinary income of ¥ 3.8 bn. in 3Q due to sale of Takashimaya shares

(billions of yen)	1-3Q		3Q	
	Amount	YoY	Amount	YoY
Gross sales	734.8	29.6% 167.6	273.2	22.5% 50.2
Net sales	474.9	27.9% 103.6	170.5	26.9% 36.2
Operating Profit	9.5	8.8	8.4	2.5
Ordinary Profit	11.6	9.6	8.8	2.6
Extraordinary income	8.9	(13.7)	3.8	1.1
Extraordinary losses	3.9	(4.9)	0.8	(3.2)
Profit	11.0	(2.0)	8.2	3.3

## I-2. Results by segment

- ▶ Department store : Continued sales recovery, increased sales and operating profit
- ▶ Supermarket : Double-digit increase in operating profit in 3Q (Oct.-Dec.) due to new consolidation of Kansai Super Market and cost reductions at Izumiya and Hankyu Oasis, and operating profit also increased in 3Q cumulative
- ▶ Shopping center : Increased profit due to strengthened sales force and cost reduction in H2O SC and improved occupancy rate of business hotel (Oi Development)

(billions of yen)	1-3Q				3Q			
	Gross sales		Operating Profit		Gross sales		Operating Profit	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY
Department store	365.1	29.3%	7.9	6.8	144.6	12.9%	6.2	1.1
Supermarket	315.6	39.7%	4.6	0.6	109.7	43.2%	2.9	1.4
Shopping Center	27.5	(20.9)%	1.7	1.3	10.0	(1.9)%	0.8	0.4
Other	26.6	10.5%	(2.3)	0.3	8.9	9.6%	(0.8)	(0.5)
Consolidation adjustment			(2.3)	(0.3)			(0.8)	0.1
Consolidated	734.8	29.6%	9.5	8.8	273.2	22.5%	8.4	2.5

# I-3. Department store business-Summary of results

- ▶ Urban store sales increased due to sales of high-end items such as jewelry, watches and luxury brand.
- ▶ SG&A expenses increased from the previous year due to a decrease in the amount transferred to COVID-19 extraordinary losses (¥3.3 bn. compared with the previous year) and the opening of the Hanshin Umeda Main Store.
- ▶ Despite an increase in utility expenses, cost increases were kept to a minimum and operating profit was higher than expected.

## Hankyu Hanshin Department stores

(billions of yen)	1-3Q		3Q	
	Amount	YoY	Amount	YoY
Gross Sales	363.1	29.4% 82.5	143.8	12.9% 16.4
Gross profit	81.8	17.9	32.6	3.3
Gross profit / Gross Sales	22.52%	(0.24)pt	22.65%	(0.35)pt
Other operating revenue	2.5	0.1	0.9	0.1
SG & A	76.5	11.3	27.3	2.2
Operating profit	7.8	6.8	6.2	1.1

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

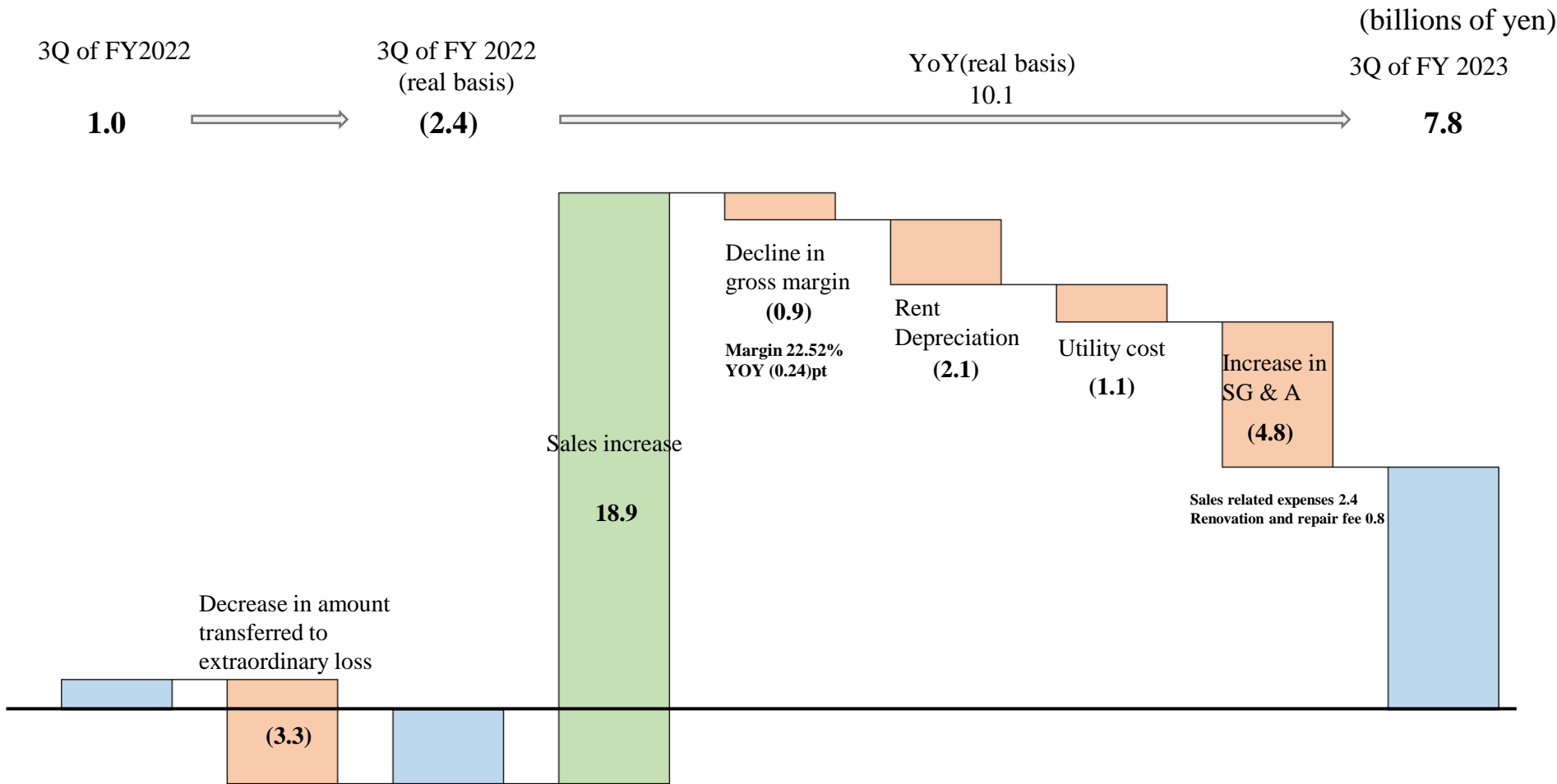
Sales by store	YoY
Urban stores	35%
Hankyu main store Hanshin Umeda main store	33% 104%
Suburban store	7%

SG & A	YoY
decrease in amount transferred to extraordinary loss	3.3
Increase in rent and depreciation (ex. Hanshin Umeda main store)	2.1
Increase in utility cost	1.1
Increase in sales related expenses	2.4

# I-3. Department store business-Factors of Profit Increase/Decrease

►Profit increased by ¥10.1 bn. compared to the previous year on a real basis, excluding the decrease in transfer of SG&A expenses to the COVID-19 extraordinary loss.

## Factors of Increase/Decrease in Operating Profit (YoY)





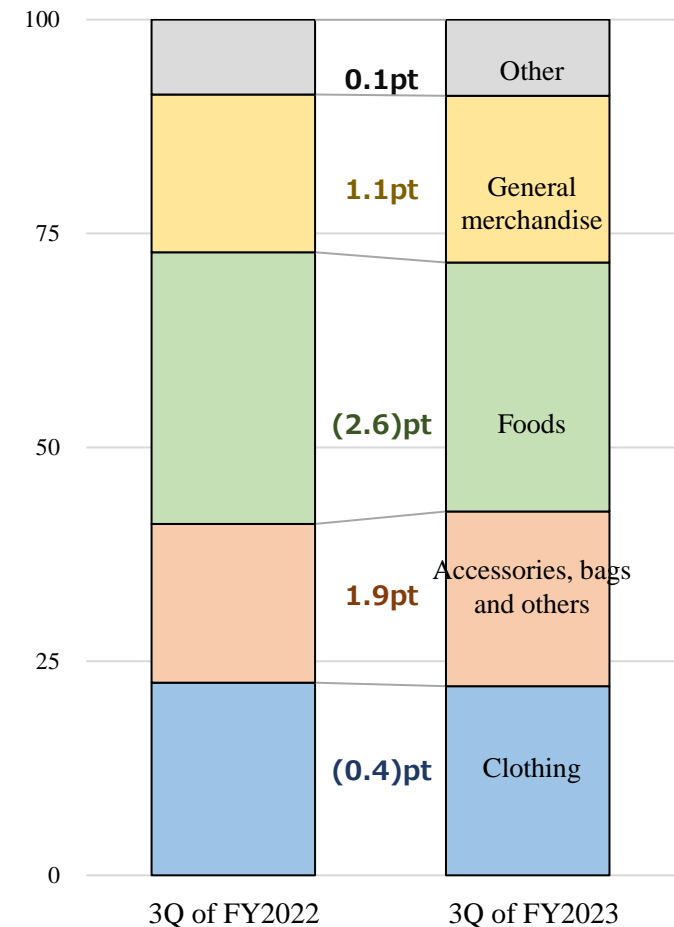
# I-3. Department store business-Sales of each category

- ▶ Increased sales in all categories
- ▶ Foods, whose share had increased during the COVID-19 outbreak, returned to the pre-COVID-19 level of share.
- ▶ Sales of general merchandise, which includes watches and jewelry, and Accessories, bags and others, which include luxury brands, grew significantly and expanded their share.

Sales of each category

(billions of yen)	Amount	YoY	Share	YoY
Clothing	83.1	26%	22.1%	(0.4)pt
Accessories, bags and others	76.8	42%	20.4%	1.9pt
Household merchandise	9.6	24%	2.6%	(0.1)pt
Foods	109.5	18%	29.1%	(2.6)pt
Restaurants & cafes	8.5	97%	2.3%	0.8pt
General merchandise	73.4	36%	19.5%	1.1pt
Service	1.4	35%	0.4%	0.0pt
Other	13.9	12%	3.7%	(0.6)pt
Total	376.2	29%	100.0%	—

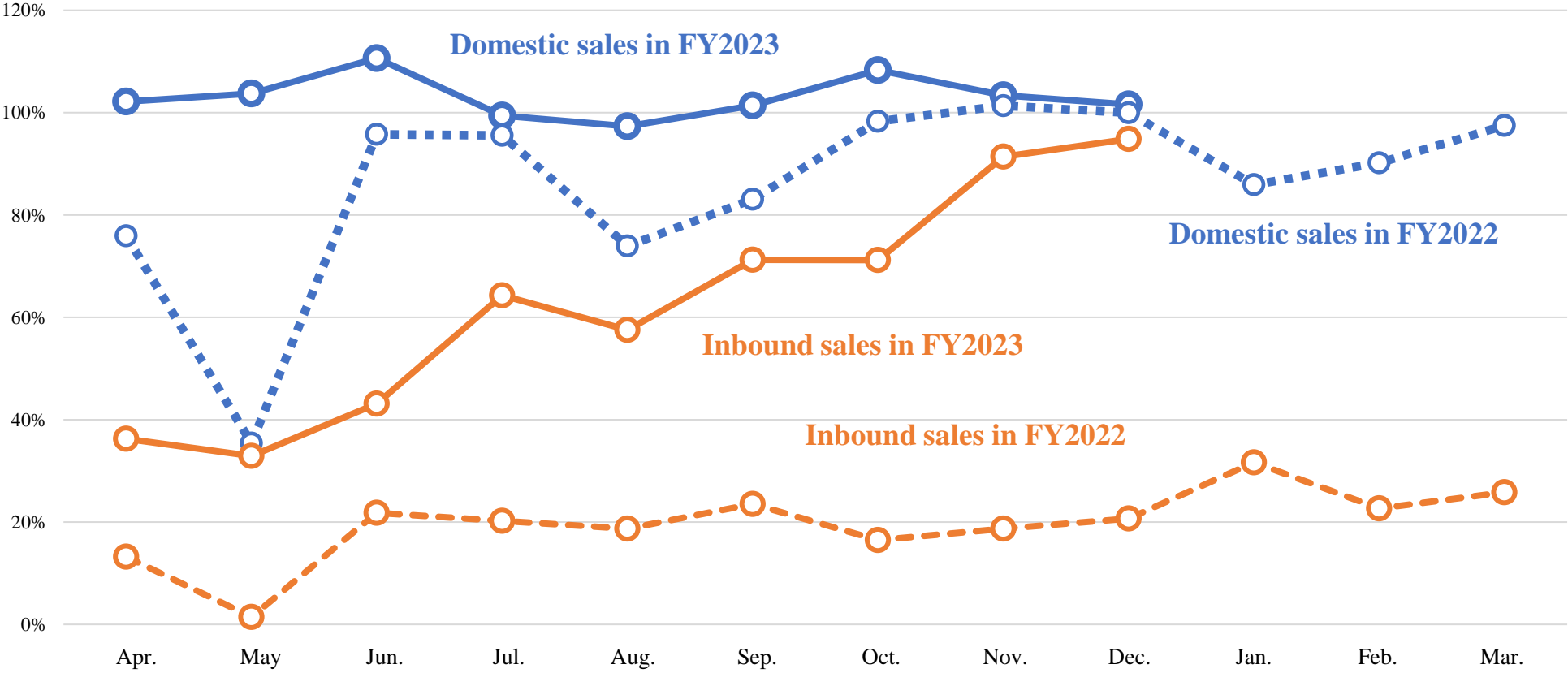
Change in product mix



# I-3. Department store business-Existing store sales (versus pre-COVID-19)

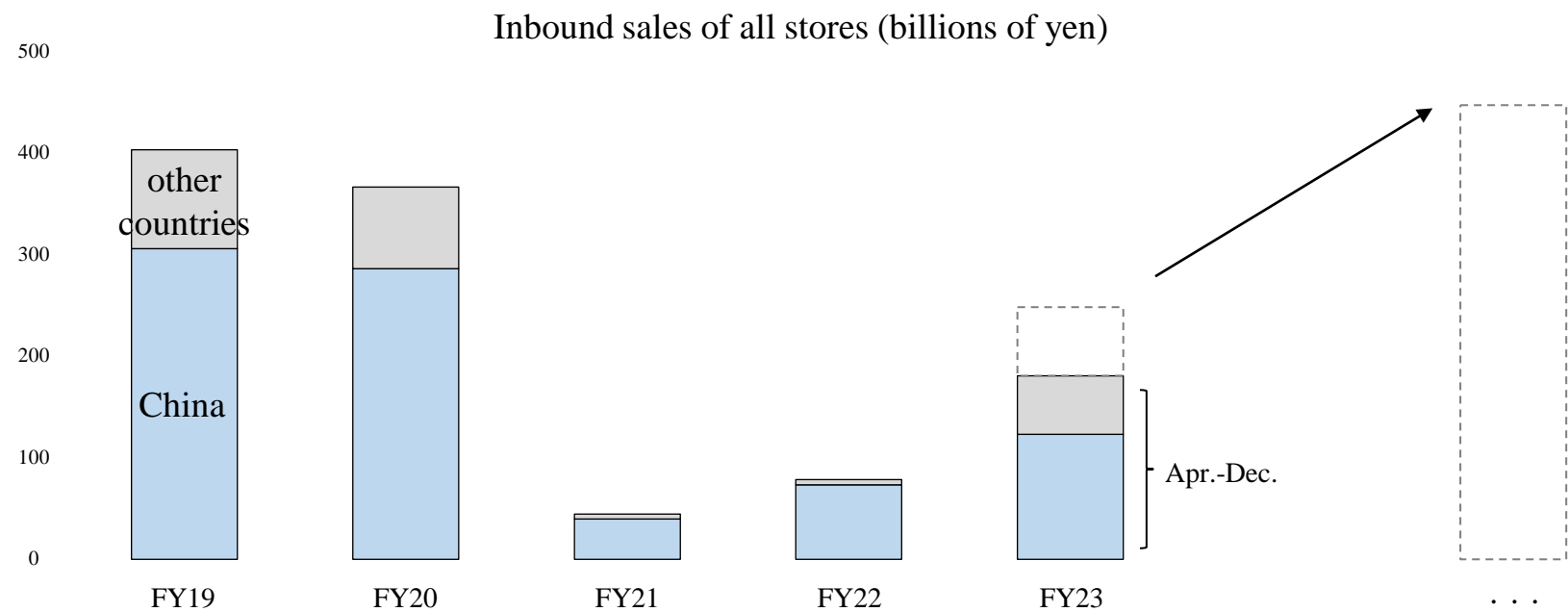
- ▶ Existing store sales in 3Q were 102% of FY2019 (104% domestic, 86% inbound), exceeding pre-COVID-19 level.
  - ▶ Domestic sales generally exceeded pre-COVID-19 levels throughout the period.
  - ▶ Inbound sales recovered throughout the period.
- After the relaxation of entry restrictions in October, the number of foreign customers grew significantly, exceeding 90% of the pre-COVID-19 level in November and December.

Existing store sales versus FY2019  
(Excluding Hanshin Umeda Main Store, Kobe, Takatsuki and Sanda Hankyu)



# I-3. Department store business-Inbound sales trends

- ▶ Pre-COVID-19, FY2019 inbound sales were about ¥40 bn., of which China accounted for about 80% share.
- ▶ In 3Q after relaxation of entry restrictions, South Korea, Hong Kong, and Taiwan exceeded pre-COVID-19 levels, while China only recovered by about 50%.
- ▶ After April 2023, sales exceeded pre-COVID-19 levels due to full-blown recovery to pre-COVID-19 in China and other factors.



Inbound share	FY19	FY20	FY21	FY22	3Q of FY23 cumulative	3Q
China	76%	78%	87%	93%	68%	45%
Other countries	24%	22%	13%	7%	32%	55%

[Inbound sales]  
Versus FY19 (16)%  
China (49)%  
Other countries 78%

# I-4. Supermarket business-Summary of results

- ▶ Supermarket : Sales and profit increased due to new consolidation of Kansai Super Market (PL consolidated from January 2022) .
- ▶ Existing store sales, which struggled in 1Q and 2Q due to downturn after the previous year's demand increase, were on a recovery trend in 3Q, remaining at the same level as the previous year.
- ▶ In 3Q, integration of business operations between Izumiya and Hankyu Oasis and chain operations reform started. Profit increased as a result of efforts to control labor costs, including those of part-time workers, through standardization and improvement of work efficiency.
- ▶ Food manufacturing companies increased profit due to recovery in sales of prepared foods and bakery products and cost reductions.

(billions of yen)	1-3Q				3Q			
	Gross Sales	YoY	Operating Profit	YoY	Gross Sales	YoY	Operating Profit	YoY
Supermarket	307.1	41.8%	4.6	0.7	106.7	45.8%	2.8	1.5
Izumiya, Hankyu Oasis, Qanat	209.4	(3.3)%	2.6	(1.3)	72.9	(0.3)%	1.9	0.6
Kansai Super Market	97.7	— ※ [(1.7)%]	2.0	2.0 [0.7]	33.7	— [1.9 %]	0.9	0.9 [0.8]
Food Manufacturing	17.0	(0.3)%	0.0	0.2	8.9	(1.6)%	0.2	0.1

※ Compared to the company's previous year's results. Previous year's results are not included in the consolidated figures and are for reference only.

## I-4. Supermarket business-Existing store sales

- ▶ In 1Q and 2Q, demand for eating at home was particularly strong in the previous year, in Kansai region due to the expansion of COVID-19 infection. This made existing stores to struggle in 1Q and 2Q in reaction, resulting in a year-on-year decline in existing stores sales in the cumulative 3Q.
- ▶ In 3Q (Oct.-Dec.), existing store sales remained on a par with the previous year  
Number of customers decreased due to the easing of the impact of COVID-19, and sales unit price increased due to price hikes.

	1-3Q			3Q		
	Existing store sales	Number of customers	Sales unit price	Existing store sales	Number of customers	Sales unit price
Izumiya	(3.2)%	(4.5)%	1.3%	0.5%	(2.7)%	3.3%
Hankyu Oasis	(6.7)%	(5.4)%	(1.4)%	(2.0)%	(4.1)%	2.2%
Kansai Super Market	(1.7)%	(2.4)%	0.7%	1.9%	(0.9)%	2.8%
Total	(3.7)%	(4.0)%	0.3%	0.2%	(2.5)%	2.7%

# I-5. Extraordinary income and losses

► Recorded ¥3.8 bn. gain on sale of Takashimaya shares in 3Q

(billions of yen)	Major items	Amount	Major contents
Extraordinary income	Gain on sales of non-current assets	5.0	former head office
	Gain on sales of investment securities	3.8	Takashimaya
Extraordinary losses	Loss on store closings and others	1.4	H2O Shopping Center Development
	Loss on retirement of non-current assets	1.1	Hankyu Hanshin Department stores

## II. Forecast of FY2023

- ▶ Operating profit exceeded the full-year forecast on a consolidated basis, although there are differences by business segment.
- ▶ Due to following uncertainties, the full-year forecast announced in November remains unchanged.

Unpredictable impact of COVID-19 infection and rising raw material costs and utility costs are factors reducing profit.

Department store : Sales in January continued to exceed expectations and sales trend is steady.

Supermarket : Plan to realize profit improvement by thorough chain operations at Izumiya and Hankyu Oasis

(Proceed as planned with measures to reduce SG&A expenses, centered on personnel expenses)

(billions of yen)	1H		2H		FY2023	
	Amount	YoY	Forecast	YoY	Forecast	YoY
Gross sales	461.5	34.1% 117.5	518.5	16.8% 74.4	980.0	24.3% 191.9
Net sales	304.4	28.4%	335.6	19.2%	640.0	23.4%
Operating profit	1.1	6.3	7.9	2.0	9.0	8.3
Ordinary profit	2.8	7.0	7.2	0.6	10.0	7.7
Profit	2.8	(5.3)	8.2	6.4	11.0	1.1

# III. Direction of efforts for FY2024

	FY2023	FY2024
Department store business		<ul style="list-style-type: none"><li>● New approach to expand the number of customers at Hanshin Umeda Main store (Subscription, mobile ordering)<ul style="list-style-type: none"><li>● Strengthen approach for the wealthy market (Establish an all-in-one system from content development to customer service)</li><li>● Promote energy conservation at Hankyu Main Store (Improve efficiency of air conditioning, etc., which consume large amounts of energy)</li><li>● Hankyu Main Store opens “GREEN AGE” in April Based on the concept of "Living in harmony with nature”</li></ul></li></ul> <div>● Fall of FY2024 Completed Kobe Hankyu and Takatsuki Hankyu remodeling</div>
Supermarket business	<ul style="list-style-type: none"><li>● Thorough chain operations</li></ul>	<div>➡ Steadily improve profits by modifying and increasing the precision of chain operation reforms</div> <ul style="list-style-type: none"><li>● Establish joint venture with Mandai Co., Ltd. in February 2023 (starting with procurement of products from overseas)</li></ul> <div><ul style="list-style-type: none"><li>● Merger of Izumiya and Hankyu Oasis in April Promotion of organizational and system integration<ul style="list-style-type: none"><li>● Hankyu Kitchen Yell Kansai, a home delivery company, starting operation of a new center in June.</li></ul></li></ul></div>
New business Others		<ul style="list-style-type: none"><li>● Starting a revitalization project for the redevelopment of Senri Central Park in March.</li><li>● Launching an application service related to food as the customer service business in the spring of FY2024</li></ul>





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