

# 1Q of FY2024 Presentation Materials

Aug. 2, 2023



H2O RETAILING CORPORATION

## ■ 1Q (Apr.-Jun.) Results

### <Consolidated>

- Continued strong performance in Department Store business, with net sales and operating profit growing from the previous year.
- Operating profit increased in Supermarket business and Shopping Center business, and consolidated operating profit exceeded plans as of May.

### <By Segment>

- [Department Store] Increase sales and operating profit  
Both domestic and inbound sales exceeded those of pre-COVID-19 (1Q of FY2019)  
SG&A expenses were lower than planned, despite an increase in sales related expenses.
- [Supermarket] Increase sales and operating profit  
Existing store sales exceeded the previous year's level due to a rise in unit prices in line with price hike.  
SG&A expenses to be kept down even from the previous year and the plan
- [Shopping Center] Increase operating profit  
Hotel operated by Oi Development achieved high occupancy (over 90%) thanks to flexible pricing measures under recovery of business and travel activities.

## ■ Forecast of FY2024

- Upward revision to forecast based on strong 1Q performance at Department Store business  
Considering certain risks of a slowdown in Department Store sales, which are positively impacted by the exchange rate and booming stock market

## I . Consolidated Financial Results

## II . Forecast of FY2024

1 . Consolidated Financial Results

2 . Results by Segment

3 . Department Store Business

4 . Supermarket business

5 . Shopping Center business

# I-1. Consolidated Financial Results

- ▶ In Department Store business, urban stores continued to perform well, to be driven by high-end items.  
Furthermore, sales increased due to the fashion including cosmetics being favorable, with the recovery from the impact of COVID-19.
- ▶ Operating profit recovered due to cost control efforts despite sales increased.
- ▶ COVID-19 was downgraded to common infectious disease, and economic activity normalized at a high pace that exceeded expectations.  
Department store and Shopping Center business outperformed than expected.

(Unit: 100 million yen)	1Q	YoY
Gross sales	2,447	107.4%
Net sales	1,548	103.7%
Operating profit	48	+41
Ordinary profit	52	+33
Extraordinary income	7	
Extraordinary loss	4	
Profit	34	+27

## I-2. Results by Segment

- ▶ **Department Store** Domestic sales grew in all categories due to the expansion of consumer needs resulting from the downgrading of COVID-19 and strong sales of high-end items.  
Inbound sales exceeded pre-COVID-19 due to the impact of exchange rates and rapid increase in sales, especially in Taiwan, South Korea and Hong Kong.
- ▶ **Supermarket** Existing-store sales exceeded the previous year, SG&A expenses were lower than expected, and operating profit recovered.
- ▶ **Shopping Center** Decrease in sales due to closure of shopping center stores, but operating profit increased due to high occupancy rates at Oi Development business-hotel.
- ▶ **Other** Dividends received of H2O increased significantly from the previous year, resulting in an increase in operating profit

(Unit: 100 million yen)	Gross sales		Operating profit	
	1Q	YoY	1Q	YoY
Department Store	1,235	113.6%	33	+21
Supermarket	1,031	101.8%	18	+14
Shopping Center	81	88.7%	10	+4
Other	100	113.5%	22	+29
Consolidation adjustment			▲ 36	▲ 28
Total	2,447	107.4%	48	+41

(Unit: 100 million yen)

H2O non-consolidated	YoY
Operating profit	+25
Within the group Dividend income	+25

(Elimination)

## I-3. Department Store Business

- ▶ Recovery in numbers of customers due the recovery from the impact of COVID-19, sales growth in all categories  
Sales of jewelry and watches and luxury brands were strong, including inbound demand.
- ▶ Increase in expenses, such as utility expenses and sales related expenses, were kept down compared to the plan
- ▶ Operating profit recovered sharply, exceeding plan as of May.

### Hankyu Hanshin Department Store

(Unit: 100 million yen)	1Q	YoY
Gross sales	1,227	113.5%
Gross profit	276	113.0%
Gross profit / Gross sales	22.49%	▲ 0.10%
Other operating revenue	10	122.7%
SG&A	253	+13
Operating profit	33	+21

Sales by store	YoY
Urban store	117%
Hankyu Main Store	116%
Hanshin Umeda Main Store	108%
Suburban stores	102%

(Unit: 100 million yen)

Breakdown of changes in SG&A expenses	YoY
Increase in rent and depreciation (ex. Hanshin Umeda main store)	+4
Increase in utility expenses	+2
Increase in sales related expenses	+3

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

## I-3. Department Store Business-Sales of each category

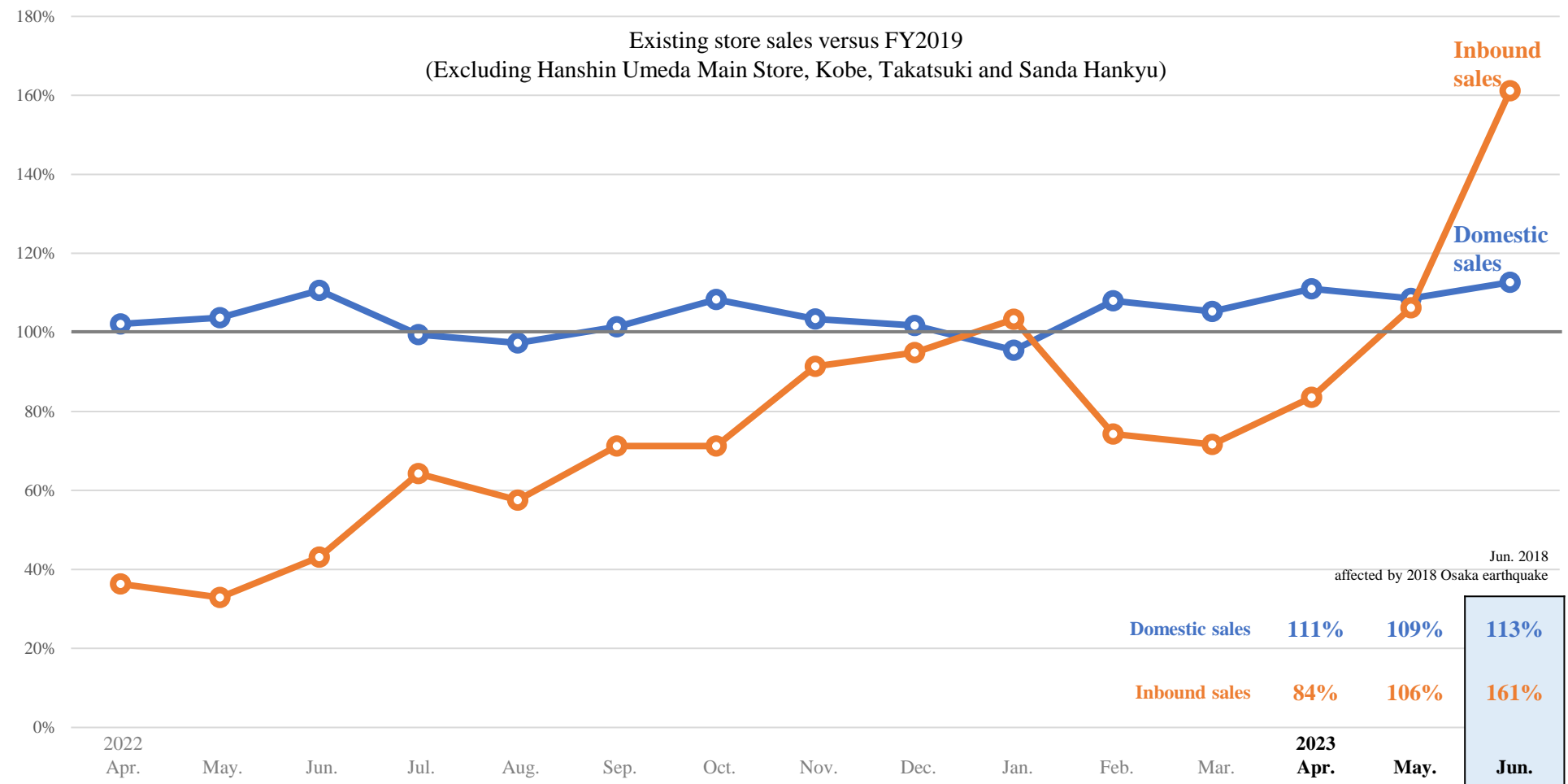
- ▶ Sales of all categories increased from the previous year, clothing recovered due to the recovery from the impact of COVID-19.
- ▶ Sales of accessories and general merchandise, including luxury items, continue to trend favorably
- ▶ Gross profit margin declined due to growth in sales share of high-end items.

Sales of each category (All Stores)

(Unit: 100 million yen)	1Q	YoY	Share	YoY
Clothing	277	110.7%	21.7%	▲0.6%
Accessories, bags and others	290	121.4%	22.7%	1.4%
Household merchandise	35	118.3%	2.7%	0.1%
Foods	323	107.2%	25.3%	▲1.6%
Restaurants & cafes	31	111.9%	2.4%	0.0%
General merchandise	262	116.2%	20.5%	0.4%
Service	6	131.8%	0.4%	0.1%
Other	53	121.6%	4.1%	0.3%
Total	1,277	113.9%	100%	

# I-3. Department Store Business-Existing Store Sales (vs pre-COVID-19 [1Q FY2019])

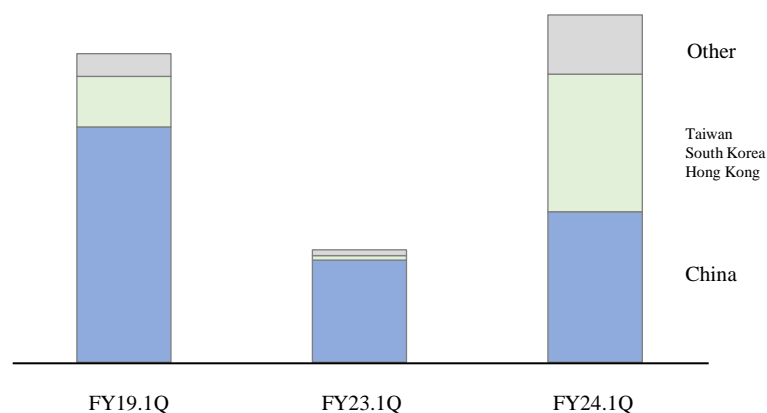
- ▶ Domestic sales and inbound sales exceeded the result of 1Q FY2019.  
Existing store sales were 111% of the FY2019 level for the cumulative 1Q (Domestic sales: 111%, Inbound sales: 114%)
- ▶ Inbound sales recovered from May pre-COVID-19, and the average spend per customer was 1.5 times that of pre-COVID-19 due to strong sales of high-end items, partly due to the impact of exchange rates.
- ▶ Inbound sales at Hankyu Umeda Main store, which has been strengthening its luxury, jewelry and watches, increased 20% from the pre-COVID-19.



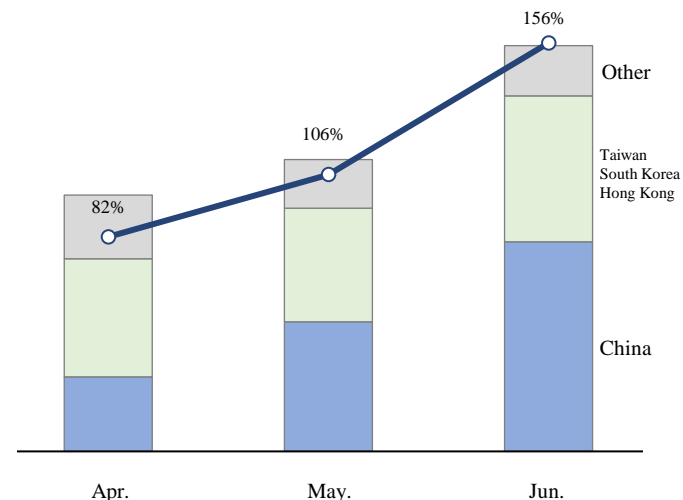
# I-3. Department Store Business-Inbound Sales Trends

- ▶ Inbound sales exceeded results of 1Q FY2019 due to higher sales of high-end items as in domestic sales.
- ▶ Sales rose sharply in Taiwan, South Korea and Hong Kong since Oct. 2022, and China is recovering steadily.

Trends in inbound sales by country (all stores)



Inbound sales by month (all stores)



Inbound sales share by country (all stores)

	FY19.1Q	22.1Q	23.1Q
China	76%	91%	43%
Taiwan KoreaHong Kong	16%	3%	40%
Other	7%	6%	17%

Inbound sales by month (all stores) compared to FY2019

	Apr.	May.	Jun. *	1Q
China	32%	61%	105%	64%
Taiwan South Korea Hong Kong	235%	248%	342%	272%
Total	82%	106%	156%	113%

\*Due to the impact of 2018 Osaka earthquake in Jun. 2018

## I-4. Supermarket Business

- ▶ Existing store sales exceeded the previous year due to higher average spend per customer and sales and profits increased.  
We assume the unit price will continue to exceed the previous year's level. Consumers will continue to increase defensive spending patterns by price hike.
- ▶ Izumiya • Hankyu Oasis increased ¥1.0 bn. year-on-year due to sales increase, gross profit improvement, and cost reduction.  
Sales fell short of plan, but cost reductions from chain operations progressed more than expected
- ▶ Sales and profits of Kansai Super Market increased due to strong sales at existing stores.
- ▶ In food manufacturing companies, although sales at specialty stores were strong, sales declined by controlling in group outpacks.  
Profit increased due to a reduction in loss and other factors offsetting the impact of utility expenses and high raw material costs.

(Unit: 100 million yen)	Gross sales		Operating profit		Existing store YoY		
	1Q	YoY	1Q	YoY		Number of Customers	Average spend per customer
Supermarket	919	102.2%	21	+14	Supermarket	103.6%	99.5% 104.1%
Izumiya • Hankyu Oasis	598	102.0%	13	+10	Izumiya • Hankyu Oasis	103.5%	99.8% 103.7%
Kansai Super Market	321	102.7%	9	+4	Kansai Super Market	103.7%	99.0% 104.7%
Food Manufacturing	79	96.5%	▲0	+0			

- Occupancy rates at business hotels operated by Oi Development exceeded 90% in Apr.-Jun.  
Maintained high occupancy rates due to the success of profit-conscious pricing measures (dynamic pricing, price competition with competitors) under recovering demand for business travel and tourism.  
Record profit pace due to the renewal of the company's website and reservation system, and the effect of measures for more efficient operations.

(Unit: 100 million yen)	Gross sales		Operating profit	
	1Q	YoY	1Q	YoY
Oi Development	15	183.9%	7	+5
Other subsidiaries	66	79.6%	4	▲ 1
Shopping Center business	81	88.7%	10	+4

## II. Forecast of FY2024

- ▶ Upward revision to forecast based on strong 1Q performance at Department Store business
- ▶ Considering certain risks of a slowdown in Department Store sales, which are positively impacted by the exchange rate and booming stock market

	1H			FY2024			
	Plan (as of May)	Revision plan	Difference with the May plan	Plan (as of May)	Revision plan	Difference with the May plan	Difference with Mid-term Plan
(Unit: 100 million yen)							
Gross sales	4,960	4,960	—	10,400	10,400	—	111.8%
Net sales	3,220	3,220	—	6,750	6,750	—	—
Operating profit	48	70	+22	170	190	+20	+20
Ordinary income	45	67	+22	165	185	+20	+45
Profit	5	20	+15	80	95	+15	—

## II. Forecast of FY2024

- ▶ Gross sales: No change because sales of 1Q as planned
- ▶ Operating profit: Revised 1H forecasts for Department Store Business, which exceeded plan in 1Q

	Gross sales			Operating profit				
	Revision plan	Difference with the May plan	YoY	Plan (as of May)	Revision plan	Difference with the May plan	YoY	Difference with Mid-term Plan
(Unit: 100 million yen)								
Department Store	5,450	—	110.8%	123	144	+21	+41	+9
Supermarket	4,220	—	101.4%	84	84	—	+29	+22
Shopping Center	370	—	104.0%	24	24	—	+6	+6
Other	360	—	99.5%	▲ 16	▲ 16	—	+15	+4
Consolidation adjustment				▲ 45	▲ 46	▲ 1	▲ 15	▲ 21
Total	10,400	—	106.2%	170	190	+20	+76	+20