

# 2Q of FY2024 Presentation Materials

Nov. 2, 2023



H2O RETAILING CORPORATION

## ■ 1H (Apr.-Sep.) Results

### < Consolidated >

- Sales progressed as planned in Aug, Department Store Business results exceeded forecast. Both operating profit and ordinary profit reached record highs in 1H.
- 2Q as well as 1Q, all segments, including Department Store business, increased profits.

### < By Segment >

- Department Store Both domestic and inbound sales exceeded 1H of FY2019 results due to the continued positive impact of the external environment.  
Inbound sales growth accelerated in 2Q (Jul.-Sep.)  
SG&A expenses were lower than planned, despite an increase in sales related expenses.
- Supermarket Existing store sales exceeded the previous year's level due to a rise in unit prices and a recovery in the number of customers.  
SG&A expenses were restrained from the previous year and forecasts.
- Shopping Center Hotels continue to perform well with high occupancy rates.

## ■ Forecast of FY2024

- Consolidated operating profit is expected to be ¥22.0 bn, well above Mid-term Management Plan target.
- Forecast of 2H is not based on the positive impact of the external environment in 2Q, and is expected to be in line with the initial plan in May.

I . Consolidated Financial Results

II . Forecast of FY2024

III . For Mid and Long-Term Growth

- 1 . Consolidated Financial Results
- 2 . Results by Segment
- 3 . Department Store Business
- 4 . Supermarket Business
- 5 . Shopping Center Business
- 6 . Extraordinary income and losses
- 7 . Capital Investment

# I-1. Consolidated Financial Results

- ▶ Gross sales exceeded forecast, driven by strong Department Store sales.
- ▶ Operating profit in Department Store and Shopping Center Business exceeded the forecast, and consolidated operating profit reached a record high in 1H.

(Unit: 100 million yen)	1Q	2Q	1H	YoY	Vs. Forecast in Aug.
Gross sales	2,447	2,605	5,052	109.5%	101.9%
Net sales	1,548	1,637	3,185	104.6%	98.9%
Operating profit	48	51	99	+88	+29
Ordinary profit	52	55	107	+78	+40
Extraordinary income	7	3	10	—	—
Extraordinary losses	4	8	12	—	—
Profit	34	29	63	+35	+43

## I-2. Results by Segment

- ▶ **Department Store** Both domestic and inbound sales were driven by high-end items, and sales exceeded as planned.  
Operating profit reached a record high in 1H due to strong sales and ongoing efforts to control costs.
- ▶ **Supermarket** Sales recovery strengthened in Jul.-Sep, and sales were in line with forecast.  
Operating profit increased significantly from the previous year due to sales recovery and cost reductions from chain operation reform effect at Izumiya・Hankyu Oasis.
- ▶ **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.

	Gross sales			Operating profit		
	1H	YoY	Vs. Forecast in Aug.	1H	YoY	Vs. Forecast in Aug.
(Unit: 100 million yen)						
Department Store	2,591	117.5%	103.8%	70	+54	+29
Supermarket	2,109	102.5%	99.9%	41	+25	▲4
Shopping Center	158	90.3%	88.2%	18	+9	+7
Other	193	109.0%	111.5%	13	+29	+14
Consolidation adjustment				▲44	▲29	▲16
Total	5,052	109.5%	101.9%	99	+88	+29

(Unit: 100 million yen)

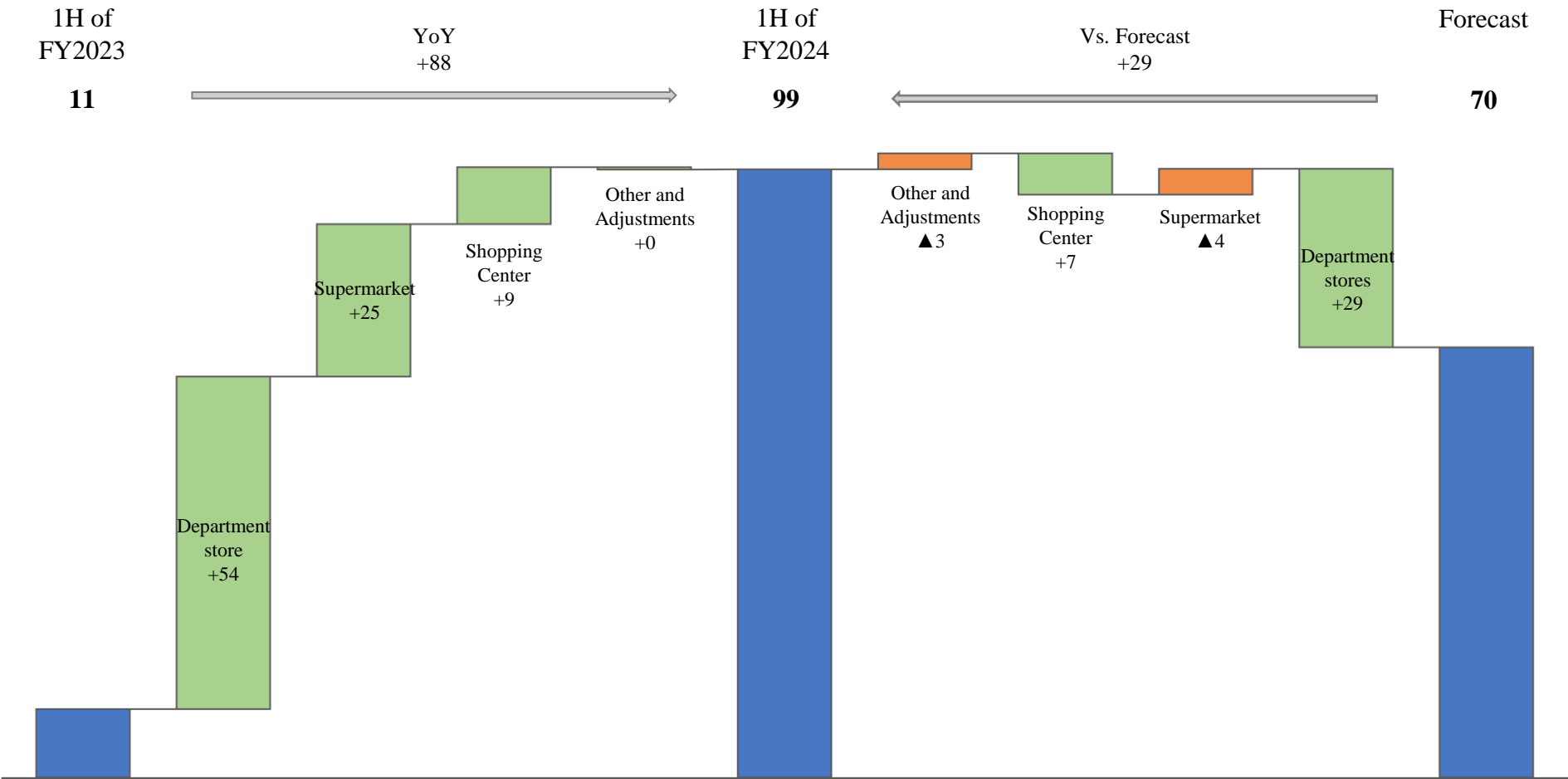
H2O non-consolidated	YoY
Operating profit	+24
Within the group dividend income	+25

(Elimination)

# I-2. Results by Segment

## ■ Factors of Increase / Decrease in operating profit (YoY, Vs. Forecast)

(100 millions of yen)



## I-3. Department Store Business

- ▶ Strong domestic sales and rapid increase in inbound sales at urban stores drove sales.
- ▶ Increase in expenses, such as personnel expenses and sales related expenses, were kept down compared to the plan. Operating profit exceeded forecast in Aug, and both sales and operating profit reached record highs in 1H.

### Hankyu Hanshin Department Stores

(Unit: 100 million yen)	1Q	2Q	1H	YoY	Vs. Forecast in Aug.
Gross sales	1,227	1,348	2,575	117.5%	103.2%
Gross profit	276	298	574	+82	—
Gross profit / Gross sales	22.49%	22.12%	22.29%	▲0.14pt	—
Other operating revenue	10	10	20	+4	+1
SG&A	253	271	524	+32	—
Operating profit	33	37	70	+54	+28

Sales by store	YoY	Vs. Forecast
Urban store	119%	105%
Hankyu Main Store	119%	107%
Hanshin Umeda Main Store	122%	96%
Hakata Hankyu	125%	106%
Suburban stores	116%	101%

(Unit: 100 million yen)

Breakdown of changes in SG&A expenses	YoY
Increase in personnel expenses	+11
Increase in rent and depreciation (ex. Hanshin Umeda main store)	+10
Increase in sales related expenses	+9

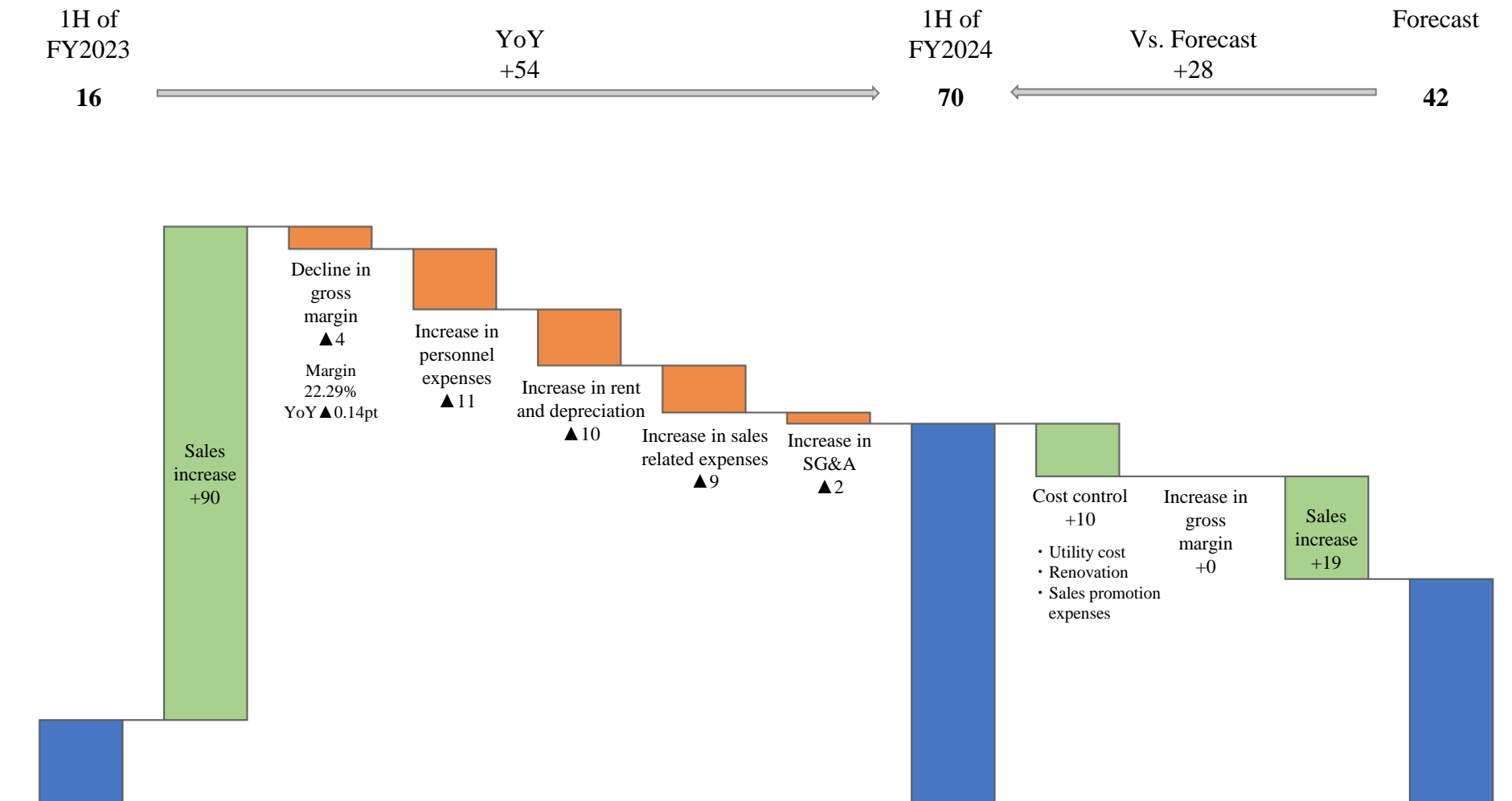
\* Non-consolidated results shown above are reclassified on the basis before the application of "Accounting Standards for Revenue Recognition".



# I-3. Department Store Business - Factors of Increase / Decrease in operating profit

## ■ Hankyu Hanshin Department Store Factors of Increase / Decrease in operating profit (YoY, Vs. Forecast)

(100 millions of yen)



## I-3. Department Store Business - Sales by Product

- ▶ Sales of all categories increased from the previous year in Jul.- Sep. also.
- ▶ Strong domestic sales and rapidly growing inbound sales contributed to increased sales of accessories and general merchandise, including jewelry, watches, and bags.

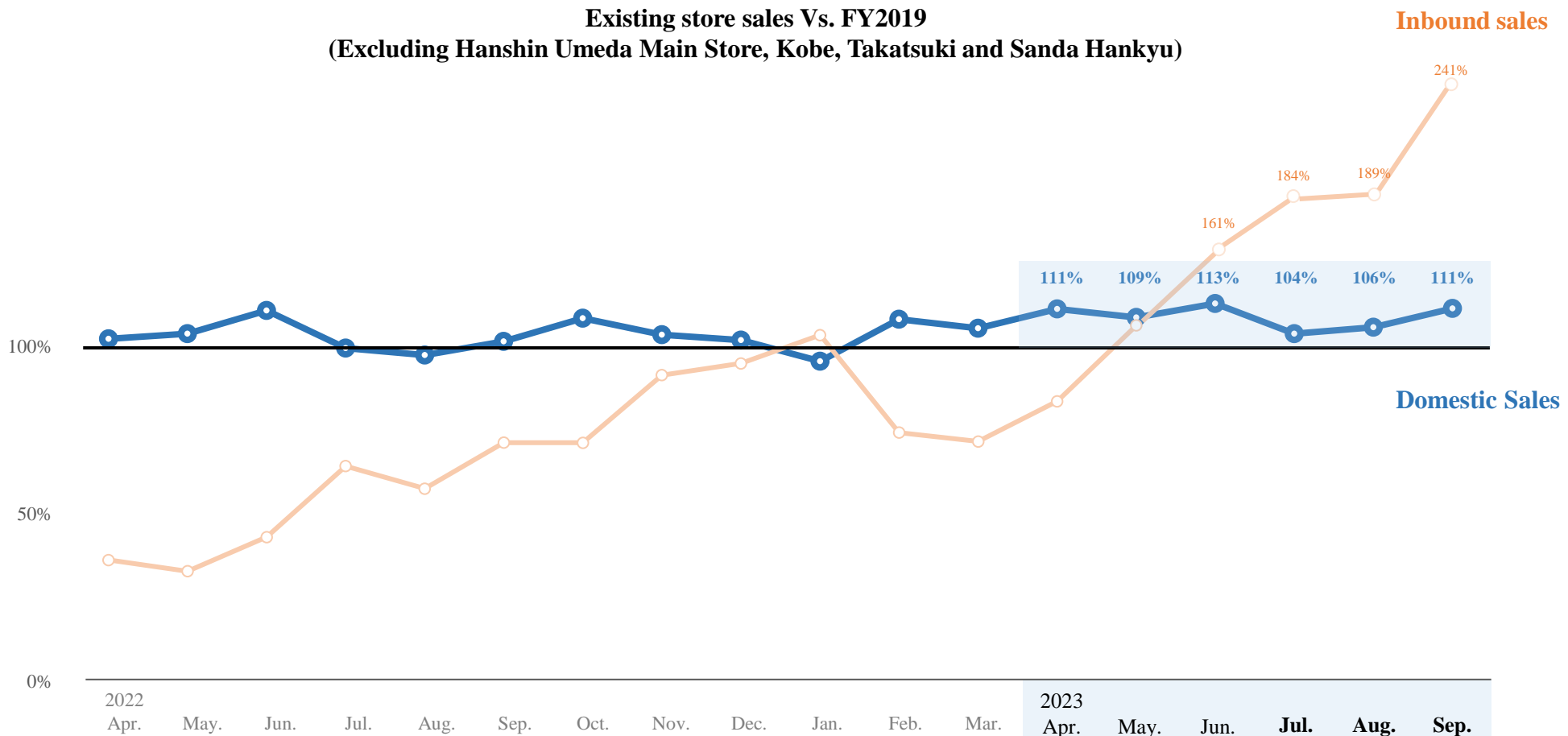
### Sales of each category (All Stores)

(Unit: 100 million yen)	1H	YoY	Share	YoY
Clothing	552	115%	20.6%	▲0.5pt
Accessories, bags and others	622	131%	23.3%	2.4pt
Household merchandise	70	117%	2.6%	0.0pt
Foods	702	108%	26.3%	▲2.3pt
Restaurants & cafes	67	122%	2.5%	0.1pt
General merchandise	544	118%	20.3%	0.0pt
Service	12	138%	0.5%	0.1pt
Other	105	127%	3.9%	0.3pt
Total	2,673	118%		

# I-3. Department Store Business - Existing Store Sales (Vs. FY2019)

- ▶ As in 1Q, both domestic and inbound sales exceeded FY2019 results in 2Q period. Domestic sales recovered in all categories, including strong sales of high-end items and clothing.
- ▶ Inbound sales have continued to record monthly highs since Jun, and foreign exchange effects and the need for high-end items continue to grow. Hankyu Main Store, which has strengths in high-end items, is progressing in its sales at high level with a 60% increase compared to FY2019.

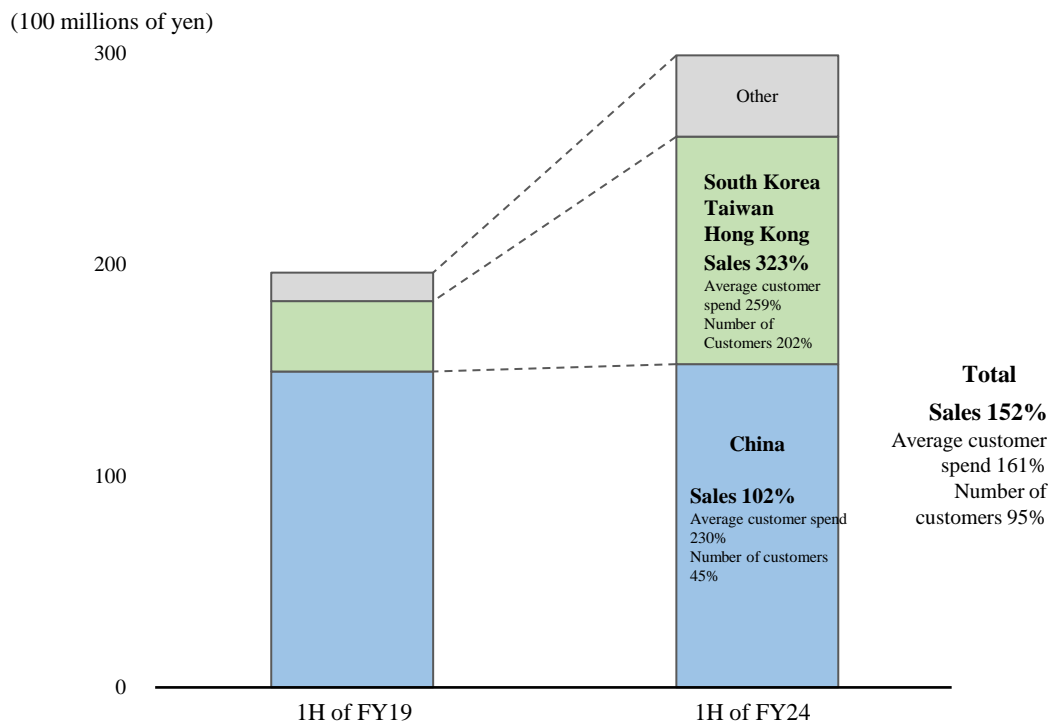
**Existing store sales Vs. FY2019**  
(Excluding Hanshin Umeda Main Store, Kobe, Takatsuki and Sanda Hankyu)



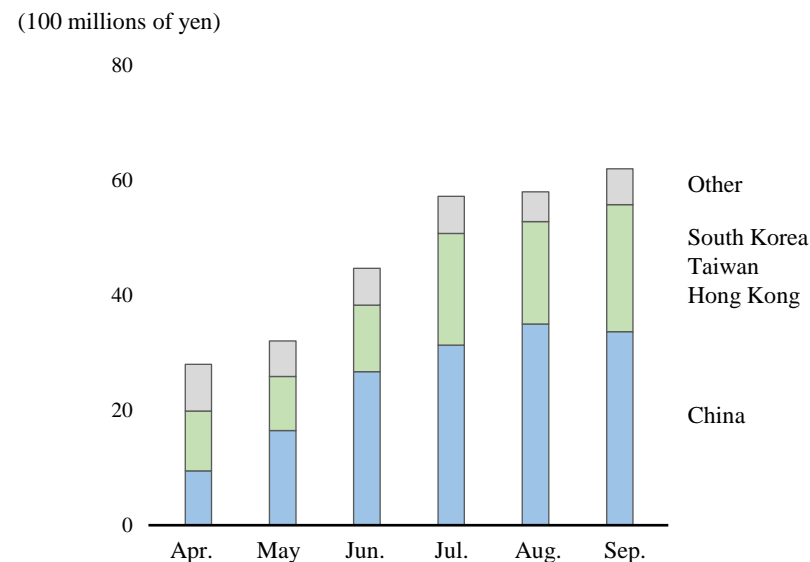
# I-3. Department Store Business - Inbound Sales

- ▶ Inbound sales continued to be strong in Jul.-Sep, double the level in FY2019, driven by high-end items, partly due to foreign exchange effects. In addition to the recovery in sales in tourists from China, sales in those from South Korea, Taiwan, and Hong Kong grew significantly compared to FY2019. Inbound sales in 1H (¥30.0 bn) exceeded full-year sales in FY2023 (¥27.0 bn), a record high.
- ▶ While the number of customers in China is less than 50%, overall number of customers recovered to almost FY2019, and average spend per customer rose significantly due to growth in high-end items sales.

**Inbound sales by country in 1H (Vs. FY2019)**



**Trends in inbound sales by month in 1H**



## I-4. Supermarket Business

- ▶ Existing-store sales of supermarkets have been recovering at a faster pace since 1Q, with a rise in average spend per customer and number of customers exceeding those of the previous year, and price hikes since last October have been gradually becoming widespread. From 3Q, the pace of unit price increase is expected to slow down while remaining at a high level.
- ▶ Significant increase in operating profit due to improved gross profit and cost control by the effect of chain operation reforms over the past two years in Izumiya and Hankyu Oasis.
- ▶ Kansai Super Market also increased sales and profit through steady progress of business promotion.
- ▶ Hankyu Kitchen Yell Kansai decreased sales and profits due to new center operation and membership system changes.

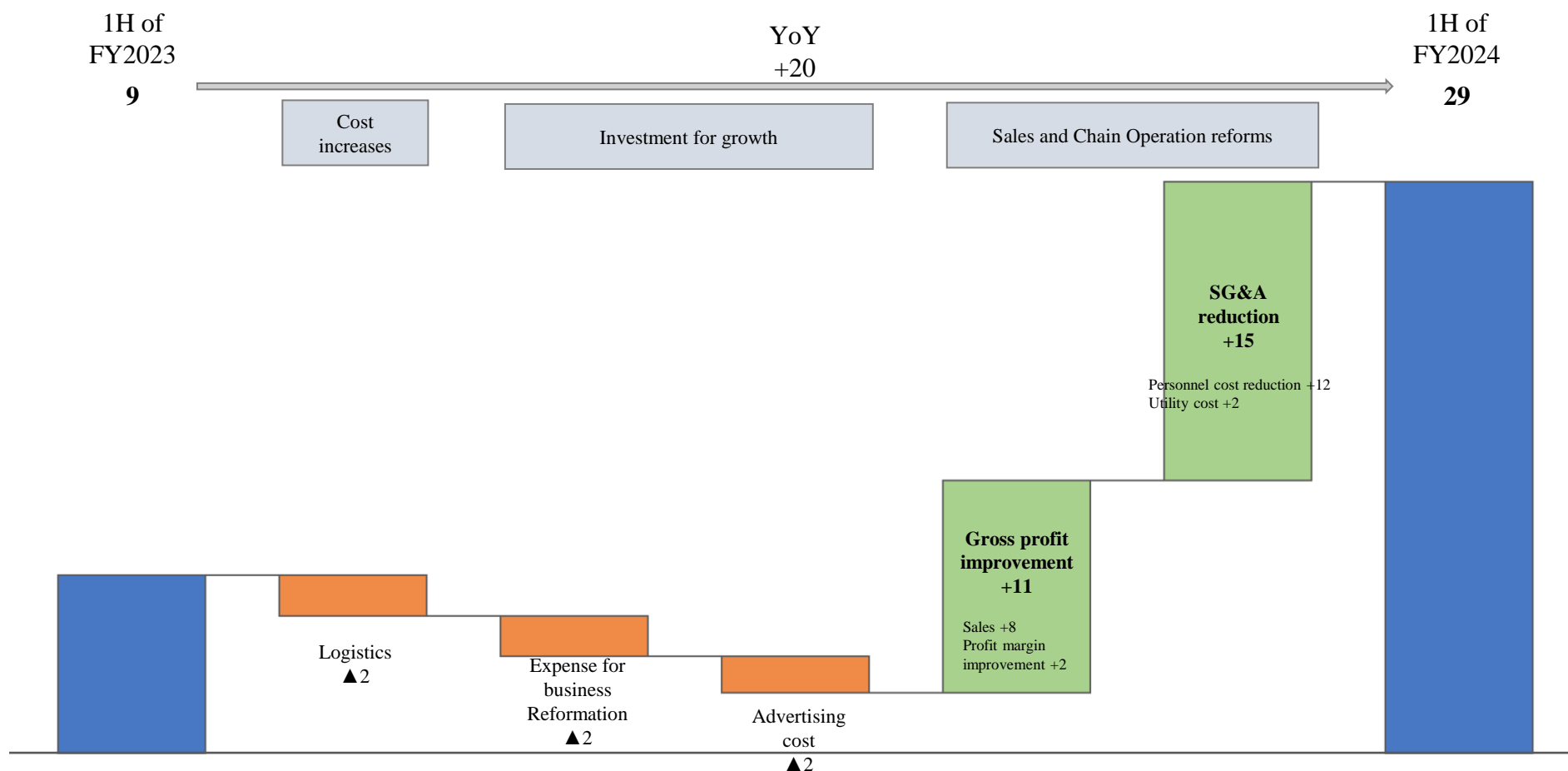
(Unit: 100 million yen)	Gross sales			Operating profit			Existing store YoY	Number of Customers	Average spend per customer
	1H	YoY	Vs. August Forecast	1H	YoY	Vs. August Forecast			
Supermarket	1,880	102.9%	99.4%	49	+29	▲ 1	104.2%	100.7%	103.2%
Izumiya Hankyu Oasis	1,229	102.5%	98.2%	28	+20	▲ 5	104.0%	101.0%	103.0%
Kansai Super Market	651	103.6%	101.7%	20	+9	+5	104.6%	100.0%	104.5%
Food Manufacturing	162	95.8%	—	▲ 0	+1	—			
Hankyu Kitchen Yale Kansai	32	88.0%	—	▲ 4	▲ 4	—			

## I-4. Supermarket Business - Results of Izumiya and Hankyu Oasis

- ▶ Significant increase in profit due to gross profit improvement and reduction of SG&A expenses by reforming chain operations despite cost push factors
- ▶ In 2H, we will continue to reduce SG&A expenses and increase sales by effectively spending expenses.

### ■ Factors of Increase/Decrease in Operating Profit (YoY) of Izumiya and Hankyu Oasis

(100 millions of yen)



- Occupancy rates of business hotels operated by Oi Development continued to exceed 90% in Jul.-Sep.  
Increase average room rate while maintaining high occupancy through dynamic pricing  
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		
	1H	YoY	Vs. August Forecast	1H	YoY	Vs. August Forecast
Oi Development	30	172.1%	—	13	+10	—
Other subsidiaries	129	81.4%	—	5	▲0	—
Shopping Center Business	158	90.3%	88.2%	18	+9	+7

I-6. Extraordinary income and losses



- Recorded gain on sale of fixed assets of the store closed in the previous year

	Major items	Amount	Major contents
(Unit: 100 million yen)			
Extraordinary income	Gain on sale of non-current assets	10	H2OSC Development (Former Izumiya Okubo Store)
Extraordinary losses	Loss on retirement of non-current assets	8	Hankyu Hanshin Department Stores (Hankyu Main Store, Kobe Hankyu, Takatsuki Hankyu)
	Office relocation expenses	3	SM business HQ office
	Loss on store closings	1	



## I-7. Capital Investment

- ▶ Implement upfront investments for IT infrastructure building and growth using cash generated through earnings recovery and asset sales
- ▶ Stores and major facilities... Remodel of Kobe Hankyu, Hankyu Main Store renovation, supermarket store renovation
- ▶ IT • DX investment... Groupwide system infrastructure building

(Unit: 100 million yen)		
	Amount	Major contents
Department Store	44	Remodel of Kobe Hankyu and Takatsuki Hankyu Newly established GREEN AGE and floor renovation of Hankyu Main Store
Supermarket	38	Renovation and repair of supermarket stores New center of home delivery company
Shopping Center	10	Renovation of H2OSC Development shopping center
Other	77	Consolidation of Supermarket Business head office Software renewal of merchandise and operational system (Supermarket Business) POS Restructuring (Department Store Business)
Total	168	

## II. Forecast of FY2024

- ▶ Forecast of 2H is not based on the positive impact of the external environment in 2Q, and is expected to be in line with the initial plan in May.
- ▶ All segments, centered on the department store business, are expected to improve their business results and significantly exceed the operating profit targets of the medium-term management plan.
- ▶ Planned year-end special dividend of ¥3.0 per share based on steady recovery of business results. Dividend is expected to be 28.0 yen for the full year.

	1H			2H		FY2024		
	Amount	YoY	Vs. Forecast in Aug.	Forecast	YoY	Forecast	YoY	Vs. Mid-term Plan
(Unit: 100 million yen)								
Gross sales	5,052	109.5%	101.9%	5,448	105.1%	10,500	107.2%	112.9%
Net sales	3,185	104.6%	98.9%	3,615	111.7%	6,800	108.3%	—
Operating profit	99	+88	+29	121	+18	220	+106	+50
Ordinary profit	107	+78	+40	118	+17	225	+95	+85
Profit	63	+35	+43	67	▲69	130	▲34	—

## II. Forecast of FY2024

- ▶ Operating profit is expected to exceed Mid-term Plan target for all segments.
- ▶ Department Store Business expects operating profit on par with FY2019.

	Gross sales		Operating profit		
	Forecast	YoY	Forecast	YoY	Vs. Mid-term Plan
(Unit: 100 million yen)					
Department Store	5,553	112.9%	175	+72	+40
Supermarket	4,218	101.4%	80	+25	+18
Shopping Center	349	98.1%	30	+12	+12
Other	380	105.1%	▲ 2	+29	+18
Consolidation adjustment			▲ 63	▲ 32	▲ 38
Total	10,500	107.2%	220	+106	+50

## II. Forecast of FY2024 - Capital Investment

- ▶ Aggressive investment in high priority projects, in accordance with the mid-term management plan  
Total investment from FY2022 to FY2024: ¥91.3 bn. [the mid-term management plan: ¥95.0 bn.]

(Unit: 100 million yen)	Amount	Major items
Department Store	88	Remodel of Kobe Hankyu and Takatsuki Hankyu Newly established GREEN AGE and floor renovation of Hankyu Main Store
Supermarket	82	Renovation and repair of supermarket stores New center of home delivery company
Shopping Center	21	Renovation of H2OSC Development shopping centers and facility renewal Oi Development Business-Hotel Repair
Other	158	Consolidation of Supermarket Business head office Software renewal of merchandise and operational system (Supermarket Business) POS Restructuring (Department Store Business)
Total	349	

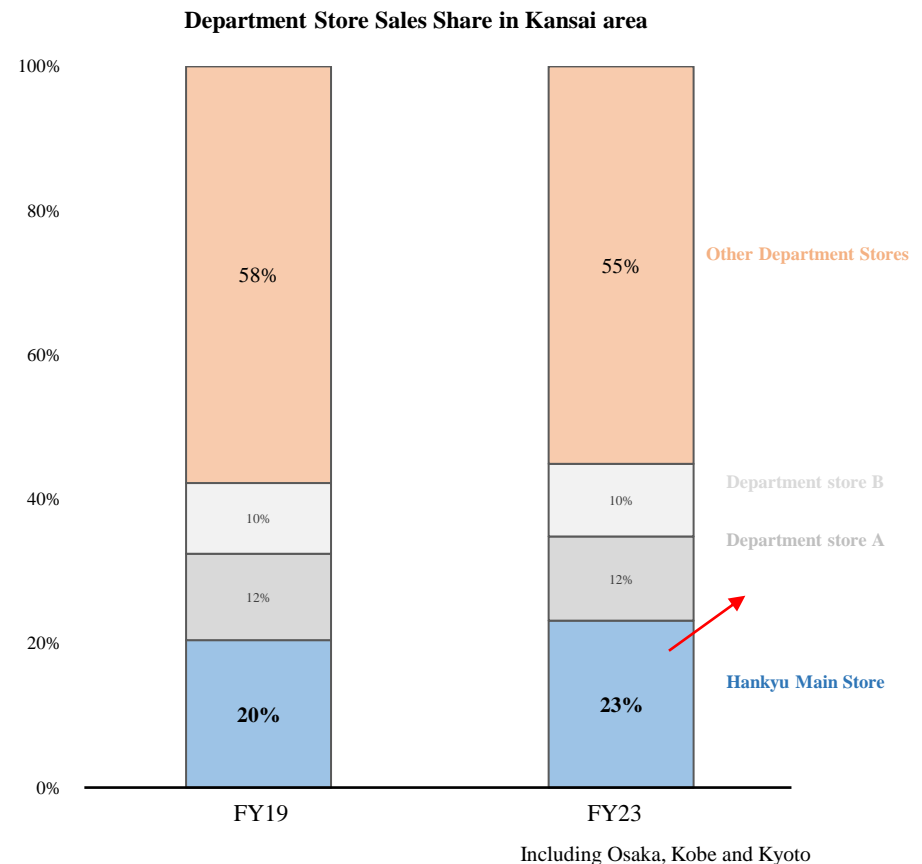
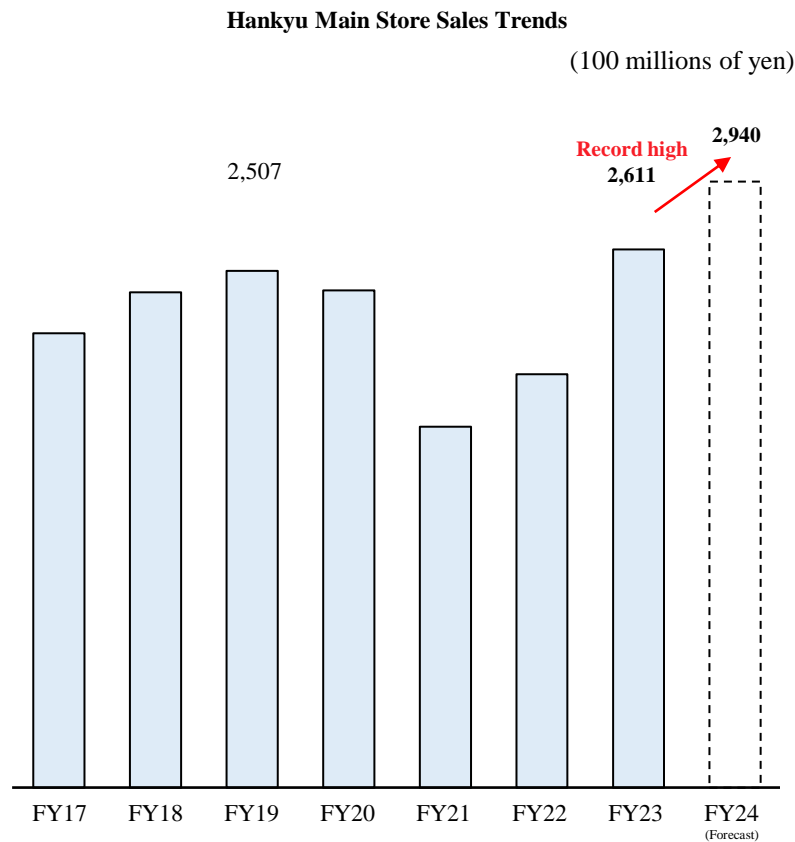
### III. For Mid and Long-Term Growth



- 1 . Review of refining existing business
- 2 . Focus on Next Mid-Term Management Plan

### III-1. Review of refining existing business - Factors behind the strong performance of Hankyu Main Store

- ▶ Hankyu Main Store sales significantly grew, and forecast of FY2024 is also expected to exceed the previous year's level to record high sales.
- ▶ Continuous renovation for high grade and high sensitivity during COVID-19 disaster. Expanding regional market share as the dominant No. 1 store in the region by attracting customers through large-scale events and promotions, and further transforming into a super-regional store.



Since its grand opening in 2012, the Hankyu Main Store has continued to update itself through floor renovations, becoming the dominant No. 1 store in Kansai area.

- ① Strengthen jewelry & watch and luxury brands
  - ② Update of floor and world to suit the trend and needs ( GREEN AGE newly established)
- Sales of accessories and general merchandise grew significantly, partly due to foreign exchange effects.  
Sales of men's and women's clothing surpassed those of FY2019.

Hankyu Main Store is getting more recognized by inbound customers, leading to rapid expansion of number of customers.

## Hankyu Main Store Floor Structure (sales area: 98,400 m<sup>2</sup>)

### Hankyu Umeda Main Store

10-13F	General merchandise, Baby & Children's Wear, Restaurants
9F	SHUKUSAI Plaza, Event Hall
8F	<b>GREEN AGE (Including luxury) (2023)</b>
7F	<b>Cosmetics Expansion (2020)</b>
6F	<b>Strengthen watches and luxury (2020)</b>
5F	<b>Strengthen luxury (2020), jewelry expansion (2020)</b>
4F	<b>Newly established shoes boutiques (2021)</b> <b>Newly established "IT CONTEMPORARY" (2022)</b>
3F	Women's fashion → cosmetics Newly established high sensitivity mode world (2016)
2F	<b>Strengthen bags and luxury (2016)</b>
1F	<b>Jewelry expansion (2022, 2023)</b> <b>Strengthen luxury bags and leather goods (2016)</b>
B1,B2F	Food floor

### Hankyu Men's Osaka

5F	Casual
4F	Contemporary
3F	<b>Strengthen luxury (2019)</b>
2F	<b>Strengthen high sensitivity mode (2019~)</b>
1F	<b>Strengthen luxury (2019~)</b>
B1F	Contemporary

### Hankyu Main Store Sales of each category (1H)

Vs. 1H of FY2019	
<b>Men's clothing</b>	<b>104%</b>
<b>Women's clothing</b>	<b>101%</b>
Clothing	98%
Accessories, bags and others	<b>161%</b>
General merchandise (jewelry, art, cosmetics)	<b>137%</b>
Foods	99%
Others	104%
<b>Total</b>	<b>122%</b>

# III-1. Review of refining existing business-Large-scale investment project

- Renovation of Kobe and Takatsuki Hankyu was completed in Oct. 2023, and large-scale store investment, including Hanshin Umeda Main Store, has done.

## Kobe Hankyu

## Takatsuki Hankyu Square

## Hanshin Umeda Main Store

### Concept

Enhance attractiveness as an urban department store  
strengthen unique, community-based lifestyle proposals

Remodeling to be a department mall offering  
“fashionable,” “fun” and “convenient”  
living in Takatsuki

Provides most attractive experiences as ”  
Hanshin, strengths in food”.

### Strengthening point

- Strengthen mode and luxury
- Largest cosmetics sales floor in Kobe area
- Establishment of a new lifestyle proposal-type floor based Kobe

- Expansion of large specialty stores
- Cosmetics sales floor relocated and expanded
- Opened a “Takatsuki Keyaki Park” for family with children

- Four floors of food products
- OMO style-model stores that combine real store and digital
- Proposal of empathy-based content that captures the small mass market

### Opening

Oct. 2023

Oct. 2023

Apr. 2022

### Sales target (FY2024)

¥44.0 bn.

¥22.5 bn.

¥68.8 bn.

### Sales area

45,500 m<sup>2</sup>

38,600 m<sup>2</sup>

53,000 m<sup>2</sup>





### Responding to expected future market downsizing and accelerating workforce shortages

#### ▶ Enhance profitability by deepening and strengthening existing businesses and improving efficiency

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"><li>• Concretization of measures for the domestic wealthy</li><li>• Maximization of customer LTV</li><li>• Concentrated investment in Hankyu Main Store, a super-regional store</li><li>• Development of discount formats in supermarkets</li></ul> | + | <ul style="list-style-type: none"><li>• To minimize operational costs</li><li>• Review of Department Store business structure</li><li>• Business integration including Kansai Super Market</li></ul> |
|---|---|--|

#### ▶ Measures to attract overseas wealthy customers

#### ▶ Concretization of customer service business based on food and health, and practical utilization of customer data

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- ▶ Promotion of human capital management and establishment of human resource strategy
    - Enhancement of value-added creation capabilities, securing and fostering of professional human resources
  - ▶ Clarify Group-headquarters functions
    - Sustainability, IT/DX, R&D, business development



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