Integrated Report 2021

H2O RETAILING

〈 **Origin of Our Company Name** 〉

We adopted the name "H_2O Retailing" to express how our basic philosophy is to be as essential as water (H_2O) to society. With our core business built around the Hankyu and Hanshin Department Stores, we engage in competition and cooperation that enriches customers' lives and maintains our position within local communities as an essential source of information about the urbane and fashionable.



Integrated Report 2021 Editorial Policy

Objective	The purpose of the Integrated Report 2021 is to provide all stakeholders, including customers and shareholders, with an opportunity to learn more about the H₂O Retailing Group's business and sustainability initiatives.
Target organizations	The entire H₂O Retailing Group
Reporting year	FY2021 (unless otherwise specified)
Guidelines used as reference	GRI Standards

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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.
4. 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	H₂O 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 employees (consolidated)	8,983
URL	https://www.h2o-retailing.co.jp

Main group companies

Hankyu Hanshin Department Store Inc.	Operation of department stores
Izumiya Izumiya Co., Ltd.	Operation of supermarkets
Hankyu Oasis Co., Ltd.	Operation of supermarkets

※For other group companies, please refer to the website.

Outline of Shares

Major Shareholders (as of March 31, 2021)	Number of shares held (thousand shares)	Investment ratio (%)
Hanshin Electric Railway Co.,Ltd.	14,749	11.92
Hankyu Hanshin Holdings, Inc.	10,336	8.35
The Master Trust Bank of Japan, Ltd. (Trust account)	7,291	5.89
Takashimaya Co.,Ltd.	6,259	5.06
Custody Bank of Japan, Ltd. (Trust account)	4,256	3.44
Izumiya Kyowakai Assn.	2,824	2.28
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE : UCITS CLIENTS15.315 PCT NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	1,855	1.50
H₂O Retailing Group Employees' Shareholding Association	1,785	1.44
Custody Bank of Japan, Ltd. (Trust account5)	1,438	1.16
MUFG Bank, Ltd.	1,365	1.10

※The investment ratio is calculated based on the total number of shares issued excluding treasury stock (1,469,808 shares).

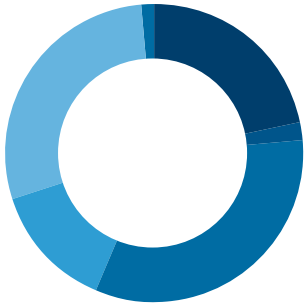
List of Directors and Executive Officers

Chairman of the Board (Chairman of the Board of Directors)	Atsushi Suzuki
President and Representative Director	Naoya Araki
Representative Director and Senior Vice President	Katsuhiro Hayashi
Representative Director	Toshihiko Yamaguchi
Director	Kazuo Sumi
Director Standing Audit and Supervisory Committee Member	Toshimitsu Konishi
Director and Audit and Supervisory Committee Member(※)	Naoshi Ban
Director and Audit and Supervisory Committee Member (※)	Kenjiro Nakano
Director and Audit and Supervisory Committee Member (※)	Mayumi Ishihara
Director and Audit and Supervisory Committee Member (※)	Nobuko Sekiguchi

Executive Officer	Kenji Uno
Executive Officer	Yasuhiro Imai
Executive Officer	Gaku Watanabe
Executive Officer	Hideki Kashihara
Executive Officer	Toru Koyama

※ The Company has designated an independent director as stipulated by the Tokyo Stock Exchange.

Distribution of Shares by Holder



Government and local public entities	0.0%
Financial institutions	21.7%
Financial Instruments Dealers	1.9%
Other corporations	32.9%
Foreign corporations, etc.	13.6%
Individuals and others	28.6%
Treasury stock	1.2%

Total number of shares authorized to be issued ·····150,000,000 shares
Total number of shares issued ·····125,201,396 shares
Stock exchange listing: ·····Tokyo Stock Exchange, First Section
Stock code: ·····8242

Business summary

Department Store Business





Hankyu Hanshin Department Stores, Inc. operates a total of 15 department stores, including Hankyu Department Stores and Hanshin Department Stores. By creating value and promoting the integration of online and offline shopping, we aim to become the "No. 1 department store for fun, enriching customers' lives & spirits, and energizing the future".

The Hankyu Umeda Main Store is the number one store in the region, boasting the largest sales in western Japan, and conveys the brand image of our group as a "theater-type department store" that proposes not only goods but also the cultural value behind them.

The Hanshin Umeda Main Store was rebuilt and reopened in October 2021 with the store concept of "a department store that makes you happy every day". Navigators, who convey the store's appeal, connect with customers through both real and digital means to establish a fan community.

Hankyu Department Store	11 stores
Hanshin Department Store	4 stores

※Number of stores: As of October 31, 2021

Supermarket Business





The group considers "food" to be an important field and is developing a series of businesses related to "food" from manufacturing and processing to sales at food supermarkets. Izumiya Co., Ltd. operates 101 supermarkets* in the Kansai area and pursues the concept of "Good things affordably" by providing safe and reliable products and services. Hankyu Oasis Co., Ltd., operates 76 food supermarkets in the Keihanshin area with the keywords of "specialization," "live atmosphere," and "information transmission". The two companies are working to strengthen competitiveness and improve profitability by integrating product management and operations.

Izumiya	101 stores

※Including stores of Qanat Co., Ltd. and H₂O Shopping Center Development Co., Ltd.

Hankyu Oasis	76 stores
Manufacturing companies	5 companies
Food Delivery Company	1 company

Shopping Center Business



We are developing businesses related to the development, operation and management of commercial facilities, such as the operation of shopping centers (SC) and the provision of building maintenance services. Hankyu Shopping Center Development Co., Ltd. develops SCs such as "Rakuhoku Hankyu Square" that match the location and target. H₂O Shopping Center Development Co., Ltd. is promoting the conversion of Izumiya's general merchandise stores to shopping centers, increasing profitability and promoting activities to deepen "bonds with the community." In addition, Oi Development Co., Ltd. operates a business hotel in Tokyo.

Other Businesses

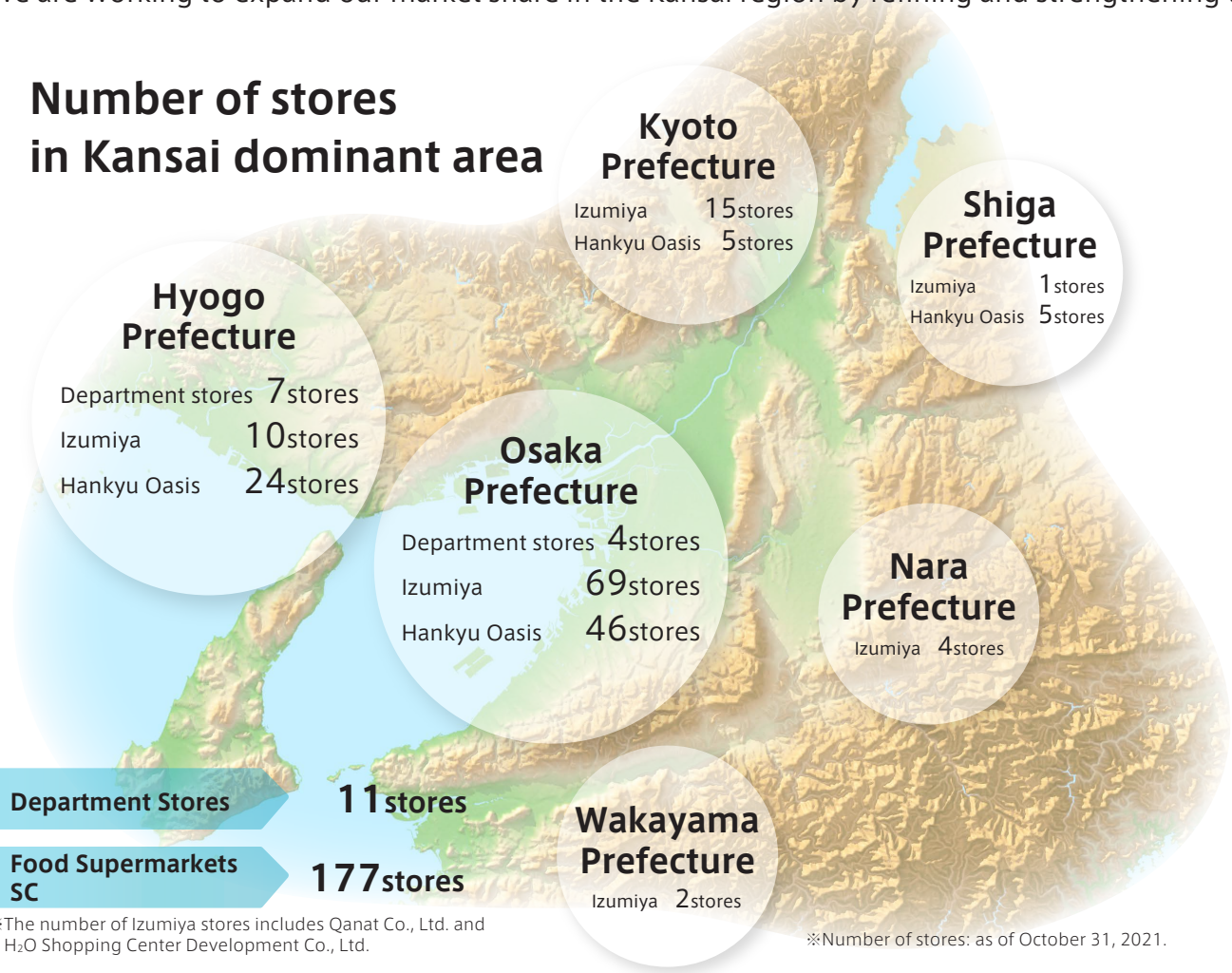


We are working to develop a variety of retail formats, including convenience stores, cosmetics, furniture, pet goods, etc. We are also working to expand our specialty store business, which allows us to open stores in commercial facilities outside the group, such as F.G.J Co.,Ltd which operates the cosmetics and sundry goods specialty store Fruits Gathering. We are also working to expand the specialty store business to include stores in commercial facilities outside the group.

Business Domain

The Kansai business area is a metropolitan area with a population of approximately 20 million where the group is pursuing its "dominant strategy".
We operate a total of about 190 stores, including department stores in our core urban large-scale commercial business,
food supermarkets in our supermarket business, and shopping centers (SCs) in our shopping center business in Umeda,
which is one of the most fiercely competitive commercial districts in Japan, which is undergoing redevelopment itself.
We are working to expand our market share in the Kansai region by refining and strengthening these businesses.

Number of stores in Kansai dominant area



※The number of Izumiya stores includes Qanat Co., Ltd. and H₂O Shopping Center Development Co., Ltd.

※Number of stores: as of October 31, 2021.

Ningbo Hankyu, China

In April 2021, Ningbo Hankyu opened in China's Zhejiang Province as China's first "experience-based department mall" that combines the strengths of a department store with those of a shopping center. Through product and content collaboration with Hankyu Umeda main store, customer collaboration, and cross-border EC initiatives, we are developing business aimed at the wealthy and upper class in China's Zhejiang Province, which has high economic and purchasing power.

Hankyu Hanshin Toho Group

The Hankyu Hanshin Toho Group is a corporate group consisting mainly of the Company, Hankyu Hanshin Holdings, and Toho.

- Number of group companies
  198 companies and 5 organizations
- Net sales
  1.5 trillion yen
- Number of employees
  35,480

※As of March 31, 2021

For details, please visit our website



Top message

To become "a partner loved by the community".

Naoya Araki,
President and Representative Director,
H$_2$O RETAILING CORPORATION

Aiming to be a "Communication Retailer"

As a result of the Covid-19 pandemic, our surrounding environment is undergoing major changes, including the rapid shift to digital and online services, the shift to a networked society in which individuals, stores, partners, companies, and society are directly connected and the fluctuating superiority of urban locations. In response to these changes, the group has formulated the "Long-Term Business Plan 2030" as a guideline for the future, as well as a new medium-term management plan based on this plan, which it has begun to implement.

Our group vision is to be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences. To realize this vision, we aim to grow by establishing a new business style as a "communication retailer," i.e., to provide value, products, and services that are appropriate for each individual customer through continuous and deep communication. To achieve this goal, we will focus on the development of attractive content, communication capabilities that integrate stores with e-commerce and using data to enhance the accuracy of sales service capabilities.

In addition to rebuilding and refining existing businesses (such as department stores and the supermarket business), we will deepen our efforts in the Kansai Dominant Strategy, which we have been promoting for some time. This includes trials of developing online based service businesses. We will also rebuild the Group's business structure, including new initiatives through business development in the Ningbo region of China, which has high purchasing power and growth potential.

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

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.

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 phrase "nurturing the children of the community" also includes our desire to look after the families around the children, in addition to the children's own growth. As family lifestyles are changing, with telework becoming the norm, we recognize that it is also our role to provide support.

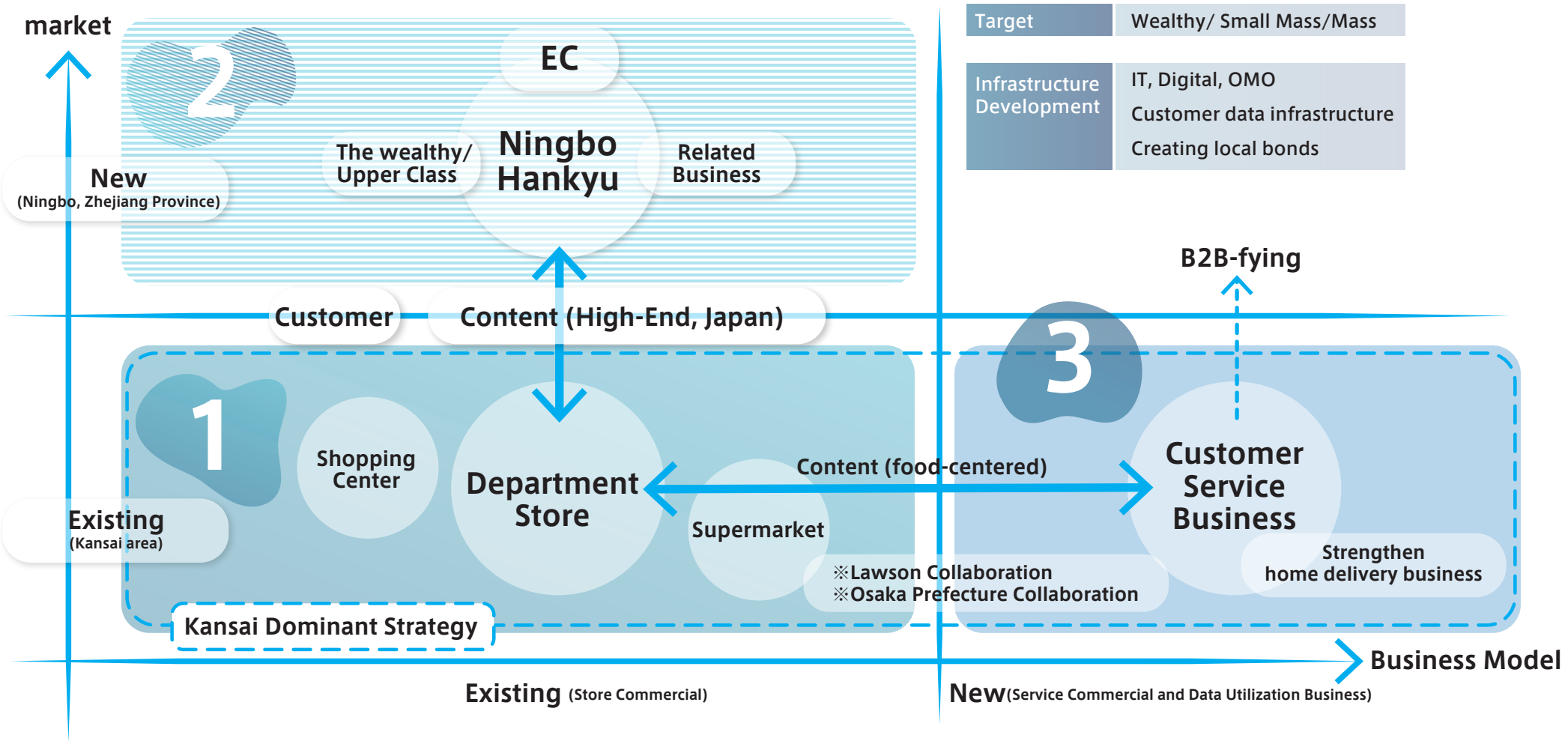
Environmental issues are increasing day by day. In addition to preserving the global environment from the perspective of climate change and resource recycling, the group hopes to create better communities with the help of its residents, being particularly committed to protecting the rich natural environment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

As the times and the environment change drastically, our group will continue to look 10 years into the future, refine our existing businesses, seek new business models and engage in daily activities to become a company that is loved by the local community and residents.

Long-Term Business Concept

Communication Retailer, the business model the H_2O Retailing Group is aiming for

We have formulated a long-term business concept that focuses on 2030, rebuilding and refining existing businesses, expanding into new markets, and taking on the challenge of new business models. As a "Communication Retailer" that provides a variety of products and services based on continuous strong and deep relationships through direct communication with customers, we would like to continue to grow together with the community by delivering fun, happy and tasty lifestyles to our customers.



Target	Wealthy/ Small Mass/Mass
Infrastructure Development	IT, Digital, OMO Customer data infrastructure Creating local bonds

Numerical Targets (2030)	Number of Group active customers	10 million people
	Operating profit	30 to 35 billion yen
		Department Store Business 15 billion yen or more
		Supermarket Business 10 billion yen or more
		Shopping Center Business 3 billion yen
		Ningbo / Zhejiang 3 billion yen
		Customer service 3 billion yen
	ROE	6 to 7%

1

Restructuring of Department Store Business

We will aim to become the "No. 1 fun" department store by reforming the cost structure and at the same time promoting OMO using digital technology and putting the rebuilding of the Hanshin Umeda main store and the remodeling of the Kobe Hankyu and Takatsuki Hankyu on track.

Turning the Supermarket business into a second pillar of the business

We will establish the supermarket business as the second pillar of the department store business by thoroughly reviewing operations, working to improve productivity, and by reducing operating costs and our purchase prices following the integration of Izumiya and Hankyu Oasis operations.

Steady operation of Shopping Center Business

We will promote investment and rationalization of operations, particularly in shopping centers and business hotels.

2

Expansion into new markets

We will establish the Ningbo Hankyu business, which opened in April 2021, and work with the Hankyu Umeda Main store to provide high-end and Japan content to the affluent and upper class of Ningbo and Zhejiang, whilst also developing e-commerce and related businesses.

3

Challenge to a new business model

We will aim to commercialize new services in the Kansai area by combining the Kansai market and customer base we have cultivated to date with the development of online axis service content centered on food, strengthening the home delivery business, collaborating with real stores, and creating a network through alliances such as Lawson, Inc., and Osaka Prefecture.

Infrastructure development

To support the realization of a communication retailer, we will develop an IT infrastructure, establish an OMO style using digital technology and build a group customer database. This will contribute to the community "tie" creation for its residents and society.

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 flagship stores, as well as our diverse customer contacts and our customer base.

External environment recognition

Mega Trends

Structural change



Declining population, low birth rate, and aging society

Lifestyle change and diversification



Going digital and online



Food market expansion

Environmental Concerns



Growing interest in climate change and sustainable society

H₂O Retailing's Business Activities and Output

Core Competencies

Connection with customers and local communities, trust, network,
strong brand power centered on the Hankyu and Hanshin flagship stores, diverse customer contacts, and customer base

Various points of contact with customers
15 department stores,
177 food supermarkets,
shopping centers,
specialty stores, etc.

Group Human Resources
Approx 24,000staff

Diverse partnerships
Suppliers, business partners,
Hankyu Hanshin Toho Group,
local governments,
H₂O Santa, community activity groups...

Continue to be an indispensable part of the local community as a communication retailer

Kansai Dominant Strategy

Building ongoing real and digital relationships with local consumers

- Strengthening the proposal and communication capabilities of real stores
- Content Development
- Realizing communication using digital technology

H₂O RETAILING

Sustainability Management

Key Themes:
Contributing to the Local Community

- Deepening of community bonds
- Nurturing local children
- Protecting and passing on the richness of local nature

Basic themes:

- Responding to the "trust" of customers and stakeholders
- Enhancing employee job satisfaction

Corporate Governance

Sustainability Management Promotion, IT and Digital Management,
Compliance and Risk Management, Discipline Ethics

The Future of H₂O Retailing

Enriching the hearts of customers through the creation of value that is "fun, happy and tasty" experiences

Project Results

- No.1 Mind share & No.1 Market share
  >Achieve both the group's vision and business growth

Social Values

- Contribute to the sound and sustainable development of local communities as a member of the community

Customers / Local Community / Staff / Business Partners / Shareholders

Environmental values

- Protecting and passing on the richness of "local nature"

Medium-Term Management Plan

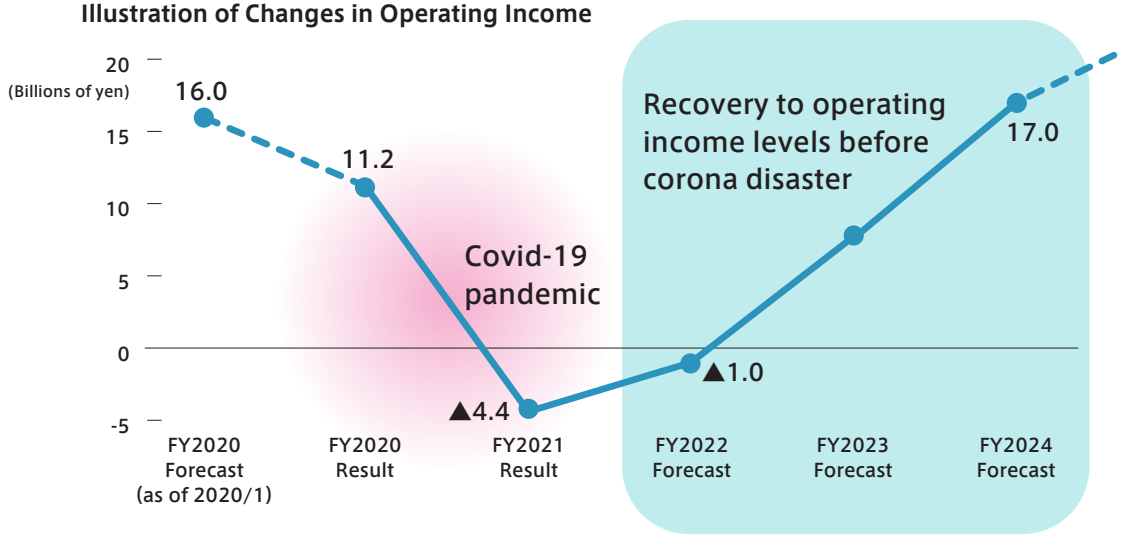
Recovering profit levels to pre-Covid-19 pandemic levels - Toward the realization of the long-term business plan

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

Changes in key indicators

(Unit: Billions of yen)	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Forecast	FY2024 Forecast
Operating profit	20.4	11.2	▲4.4	▲1.0	17.0
Ordinary profit	21.4	11.8	▲2.9	▲2.0	14.0
ROE	0.8%	▲5.0%	▲10.5%	2.2%	2.6%
ROIC	3.6%	2.0%	▲0.8%	▲0.2%	3.0%

Illustration of Changes in Operating Income



Restructuring of Department Store Business

- Establish OMO style
- Priority investment in Hanshin Umeda Main Store, Kobe Hankyu and Takatsuki Hankyu
- Cost 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

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

In the next three years (FY2025 to FY2027), we aim to exceed the level of operating profit before the Covid-19 pandemic and achieve diversification of our revenue sources.

Medium-Term Management Plan
Related Topics

Topic 1 Hanshin Umeda Main Store "Rebuilding and Pre-opening"

The "Hanshin Umeda Main Store Rebuilding Plan," which started in the fall of 2014, opened the 1st phase building in June 2018. After almost seven years of rebuilding work, it opened the 2nd phase building in October 2021 with the exception of some sales floors. We plan to open the other sales floors one by one, in time for the grand opening in the spring of 2022.
Based on the store concept of "a department store that makes you happy every day", the new main store will work to maximize the appeal of Hanshin Food and create new value experiences and fan communities, aiming to become a department store that can respond to the needs of "everyday wealth and essence" in this era of rapid change.

With a total of four floors dedicated to food, in the spring of 2022, we will be grand opening a 38% larger area (compared to 2014, the year before reconstruction).
The Hanshin Food Hall on the first basement floor, which aims to become Japan's No. 1 basement department store with its overwhelming lineup of products and specialties. The restaurant and food hall floor, which features Osaka's favorite foods, and the Shokusai Terrace, which offers new food experiences, are just some of the various food experiences that have been created on each of the four floors. We will deliver "the joy of eating" to our customers by providing new food encounters, food trends and topics.
By creating friend-like relationships with customers, department store staff "navigators" who pursue their preferences and transmit ideas to enrich their daily lives through events and SNS. Through interactive communication with customers via the 50 experience spaces set up in store as well as our digital tool, the LINE mini app, we will form communities of shared preferences to deepen our relationships.
Whilst maintaining the Hanshin Department Store characters of being "casual and friendly" and "Hanshin for food", we will propose a rich daily life like living surrounded by our store symbol, the four-leaf clovers that bring happiness, by being close to customers and adding new experience values.



Updated shopping bag design. The entire design features a four-leaf clover that brings happiness.



Shokusai Terrace, a new way to experience food

Topic 2 Turning the Supermarket business into a second pillar of the business

In the food supermarket industry, demand for processed and prepared foods is increasing against the backdrop of an aging population and an increase in the number of households with two working parents as well as the growing demand for in-home meals (due to stay-home arrangements during the Covid-19 pandemic) is also providing a tailwind and expanding the scale of sales.
The Group will develop the Supermarket business into its "second pillar" in response to the value of food being re-evaluated due to changes in consumer lifestyles.
We have also set a goal of generating more than 10 billion yen in profit from Supermarket Business within 10 years. To achieve this goal, we have launched a company-wide project to thoroughly review our operations and improve productivity. We will integrate functions such as store operations and purchasing to reduce costs and cut the cost ratio. We are also working to standardize operations and increase profitability by rebuilding chain operations. We are also working to unify manufacturing and sales operations.
In terms of stores, we will further promote the switch to store formats that match the trade area and renovate 70 stores between FY2022 to FY2024.
To grow our business under the severe business environment of the Covid-19 pandemic, it is important to not only work on our own, but also join forces with external partners to build a network and enhance our business capabilities. For this reason, we will continue to promote alliances with other companies.
As part of this effort, we concluded a basic agreement for a comprehensive business alliance in July 2021 with MANDAI CO., LTD., In addition, in August 2021, the Group and Kansai Supermarket Co., Ltd. agreed to integrate their operations.
By strengthening these alliances with external parties and forming a top-class food supermarket alliance in the Kansai area, we will create synergies in various fields such as procurement, manufacturing, logistics, and systems to enhance competitiveness and profitability, and build a strong supermarket business.



On July 28, 2021, the Company entered into a basic agreement with MANDAI CO., LTD. for a comprehensive business alliance in the areas of joint product procurement and private brand (PB) product development.

Medium-Term Management Plan
Related Topics

Topic 3 Ningbo Hankyu Opens

Ningbo Hankyu opened in April 2021 as China's first "department mall" that combines the strengths of a department store with the strengths of a shopping center.
Ningbo Hankyu is the first large-scale commercial facility of the Group to be directly operated overseas, with a sales floor area of approximately 116,000 square meters, far larger than the approximately 80,000 square meters of the Hankyu Umeda Main Store. The mid-term target for annual sales is 3 billion yuan (approximately 50 billion yen), making it "by far the best store in Ningbo".
The target customer of Ningbo Hankyu is the intellectual new Chinese with high purchasing power, mainly those born in the 1980s and 1990s. The store was built around the four core concepts of "high-end and high-sensitivity fashion," "high-quality and fun food style," "experience and entertainment," and "Japanese contents".
There are approximately 380 tenants on the first through sixth basement floors.The first and second floors are occupied by more than 50 luxury brands, half of which are new to Ningbo, while the fourth floor features the "Festival Plaza," a space that symbolizes the concept of Ningbo Hankyu. The opening ceremony event for the popular anime "One Piece" as Japan content was well received.
Since the opening of the store, the number of customers has greatly exceeded our initial expectations, and we are off to a good start, exceeding our target by 60% by June.
In the future, after securing stable earnings from the Ningbo Hankyu business, we will use Ningbo Hankyu as a base to develop related businesses such as e-commerce, high-end food supermarkets, and service businesses. In addition, through product and content collaboration, customer collaboration, and cross-border EC initiatives with Hankyu Umeda Main Store, we hope to develop business targeting to cultivate customers in new markets as well as the affluent and upper class in China's Zhejiang Province, who have high economic and purchasing power.





Topic 4 Alliances

In addition to alliances with other companies in the same industry in the Supermarket business, we will work on alliances with partners in various fields, including different industries, government agencies, and start-ups, to promote initiatives such as "contributing to the sound and sustainable development of local communities" and "taking on the challenge of new business models".

As part of this effort, in July 2021, the Group signed a comprehensive cooperation agreement with Osaka Prefecture. We are promoting joint initiatives in the fields of children and education, regional revitalization, and the environment.

We are also promoting multifaceted efforts to solve regional issues by utilizing the diverse customer contacts of our Group. We will continue to contribute to the revitalization of our stores and local communities by leveraging our bonds and relationships of trust with local communities.
As for the challenge of new business models, we will aim to commercialize new services by embodying the "Kansai Dominant Strategy" to expand our market share in consumption and services in the Kansai region, and to shift from the traditional business model of "stores and products first" to a "customer first" model.
To this end, in May 2021, the Group entered into an alliance agreement with Lawson, Inc. which originated in the Kansai region and is developing various businesses based on its approximately 15,000 convenience stores nationwide. By forming an alliance with LAWSON, we hope to integrate the management resources and services of both companies and promote the development of new services and businesses in the Kansai dominant area.



On July 7, 2021, we concluded a comprehensive cooperation agreement with Osaka Prefecture in seven areas: children and education, regional revitalization, the environment, health and welfare, employment promotion, disaster prevention and crime prevention, and government public relations.



On May 7, 2021, the Company entered into a comprehensive business alliance agreement with Lawson, Inc. for the purpose of "enhancing corporate value by leveraging the strengths of both companies.

Sustainability Management Initiatives

Our group's management philosophy is "to remain indispensable to the local communities through our activities of providing a model of life-style to local residents", as well as treating our bonds with the residents as an important asset for our group. 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.



Medium-Term Targets



Key Themes (Contribution to Local Communities)

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets Each operating company	Medium-Term Initiatives Targets Entire Group
① **Deepening the bonds of the community** Stay close to the community and contribute to fostering bonds with the community.	●As a hub for daily life, we support the development of local communities through coexistence and collaboration. ●Helping to promote social and community interaction and deepen bonds across generations ●Propose ways to brighten people's lives by promoting traditional culture, art, and the unique charms of the region.	◆**Establishing priority stores and promoting regional initiatives** Each group company will work with residents and local governments to implement initiatives that are close to the local community' s heart and lead to the discovery of local attractions.	◆**Set up model regions to promote cross-group and cross-thematic initiatives** We will establish role-model regions that symbolize the group's initiatives and promote sustainable and comprehensive initiatives for all priority themes.
② **Nurturing local children** Support the healthy growth (future) of local children who will lead the next generation.	●Create opportunities for children to meet people who will lead them to their dreams. ●Create opportunities for learning through exciting experiences and open the windows to the future for children. ●Participate in local child raising and support family-oriented lifestyles.	◆**Promote child-based initiatives by setting up priority stores** At each of the Group's companies, we will create initiatives that children will want to participate in and places where they can feel at home.	
③ **Protecting and passing on the richness of local nature** Engage in activities to preserve the irreplaceable environment for future generations	●Conduct environmental conservation activities in cooperation with local communities. ●Promote nature conservation activities, including the protection of forests and water resources. ●Propose environmentally friendly products and lifestyles.	◆**H_2O Retailing and other companies work together to promote nature-based initiatives** H_2O 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.	

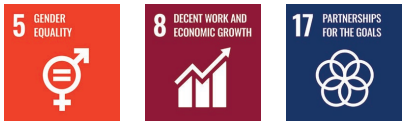
Medium-Term Targets



Basic Theme

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets		KPI
④ **Responding to the trust of customers and stakeholders** Make sincere efforts to promote safety and quality, decarbonization, resource recycling (plastic-free, food loss reduction, etc.), and diversity.	(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.	Maintain and improve food safety under the promotion of the Group Food Hygiene and Quality Control Promotion Committee, and upgrade quality control in product procurement.		Holding of the Group Food Hygiene Quality Control Promotion Committee.
	(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.	For priority stores, we will conclude disaster prevention agreements with local government bodies in the areas where we open stores to provide supplies and shelter in the event of a disaster.		Conduct disaster prevention and crime prevention drills at priority stores.
	(Environmental Initiatives) ● Promote environmental management to reduce our environmental impact (CO_2 emissions, food loss, plastic emissions, etc.) generated by our business activities.	Greenhouse Gas (GHG) Emission Reduction	In addition to promoting energy-saving measures such as the introduction of LED lighting (which has been promoted to date), we will gradually switch to renewable energy sources for power consumption at our major stores.	GHG emission reduction rate ※For 14 major companies 2030: 30% reduction (compared to 2019) 48% reduction equivalent (compared to 2013) Net Zero by 2050
		Food waste reduction	In addition to curbing the generation of food waste from stores, we will promote efforts to recycle waste into fuel and feed.	Food Recycling Rate 2030: 70% (2023: 60%) ※ For the 3 main companies
		Reduction of plastic wast	We will work to reduce emissions and recycle plastics based on the law for "Promotion of Sorted Collection and Recycling of Plastic Resources", which will be enforced in April 2022.	
		Promotion of environmental management	Department stores and the supermarket business group will establish "Environmental Measures Promotion Projects" to promote initiatives.	

Medium-Term Targets



Basic Theme

Themes and Commitments	Direction of Specific Initiatives	Medium-Term Initiatives Targets	KPI
④ Responding to the trust of customers and stakeholders Make sincere efforts to promote safety and quality, decarbonization, resource recycling (plastic-free, food loss reduction, etc.), and diversity.	(Promoting diversity) ● Promote work-life balance, the advancement of women and seniors, employment of people with disabilities, and support the LGBT community.	Promotion of opportunities for women: Actively promote individuals based on their career orientation and aptitude. Employment of people with disabilities: Comply with the legal employment rate and create an environment in which diverse human resources can work comfortably. Promoting universal design: Promote universal design in stores and sales areas to create facilities that are easy for everyone to use.	
⑤ Enhancing employee job satisfaction Promote initiatives to foster a culture of co-creation and collaboration and to create opportunities for growth.	(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 department stores and supermarket business groups 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.	

Key Theme ①

Deepening the bonds of the community

Work closely with the community to contribute to foster bonds.

Direction of efforts

- As the hub for daily life, we support the development of local communities through coexistence and cooperation.
- Helping to promote social and community interaction and deepen bonds across generations.
- Propose ways to add color to people's lives by promoting traditional culture, art, and the unique charms of the region.



Neyagawa City Central Library (Izumiya Neyagawa Store)

Yui Terrace (Izumiya Kawachinagano Store)

※ Please refer to P.02 of the Japanese version of the integrated report

Project : Let's work with the community (Izumiya)

※ Please refer to P.04 of the Japanese version of the integrated report



Oi-Marche (Hankyu Department Store Oi Food Hall)

The store staff visit farmers in the suburbs to help with harvesting and sell the harvested products in the store on the same day, to connect the production area with the customers.

Sun Sun Market (Izumiya)

Sunshine Marche (Hankyu Oasis)

Hankyu PLATFARM MARKET (Hankyu Umeda Main Store)

※ Please refer to P.05 of the Japanese version of the integrated report



Promotion of local production for local consumption「Osaka Curry-Mon」

Heart Dining Inc.is working with the Osaka Prefectural Government to develop "Osaka Curry-Mon" products using ingredients produced in Osaka, to support young farmers in the prefecture, and to promote "Osaka products".

Key Theme ②

Nurturing local children

Support the healthy growth (future) of local children who will lead the next generation.

Direction of efforts

- **We will create a place where children can meet people who will lead them to their dreams.**
- **Creating opportunities for learning through exciting experiences and opening the window of opportunities for children.**
- **Participating in local parenting and supporting family-oriented living.**



「Eco-learning sessions」(Izumiya)

Izumiya holds "Eco-learning sessions" to teach children in the neighborhood about the importance of nature and the environment and conveys Izumiya's environmental initiatives with actual examples.

「HANKYU Children's College」(Hankyu Umeda Main Store)

※ Please refer to P.03 of the Japanese version of the integrated report



「Parent Child and Future ZOO」(Izumiya Nagaoka Store)

To support families who are going through a hard time raising children during the Covid-19 pandemic, 2 child-rearing mothers who are experts in early childhood education and painting, hold free parent-child craft classes monthly to nurture the creativity of young children and provide a kids' space on the second floor of the Izumiya Nagaoka store.



「Children's LOBBY」(Izumiya Kadoma Store)

Children's LOBBY, a place for children in Kadoma City, has opened on the third floor of the Izumiya Kadoma store, and is a part of various public-private partnerships implemented by Kadoma City for children, their guardians and other people involved with children, with the aim of becoming a place that closely integrates into children's daily lives.

「petit repos」(Takatsuki Hankyu)

※ Please refer to P.04 of the Japanese version of the integrated report

Key Theme③

Protecting and passing on the richness of local nature

Engage in activities to preserve the irreplaceable environment for future generations.

Direction of efforts

- **Engage in environmental conservation activities in cooperation with local communities.**
- **Promote nature conservation activities, including the protection of forests and water resources**
- **Propose environmentally friendly products and lifestyles.**



GOOD FOR THE FUTURE (Hankyu Umeda Main Store)

The "Think about what we can do for the future" campaign has been held twice a year since 2019 to focus on issues such as environmental protection, regional revitalization, and inheritance of culture and traditions. Unfortunately, it was canceled in May 2020 due to the State of Emergency Declaration, but in October it was held under the theme of "Awareness of GOOD in familiar places". We proposed eco-friendly actions that can be easily incorporated into everyday life.
In addition, in March 2021, in recognition of our ongoing efforts to date, we received the newly established Sustainable Award at the 13th (FY2020) Department Store Awards by Senken Shimbun and were selected as the first store to receive the prestigious award.



Initiatives with Maniwa City, Okayama Prefecture (Hankyu Umeda Main Store)

In cooperation with Maniwa City in Okayama Prefecture, Hankyu Hanshin Department Store is providing branding support for GREENable HIRUZEN, a tourism and culture center that opened on July 15, 2021, in Hiruzen Highland, where visitors can experience sustainability.
Taking advantage of this connection, the venue decorations for GOOD FOR THE FUTURE used sustainable fixtures made of cypress from the forests of Maniwa City, Okayama Prefecture, which can be dismantled and stored after the event for repeated use. We are working to minimize the burden on the environment as much as possible.



Local Production for Local Consumption of Wood to Promote the Circulation of Osaka's Forests (Souq Company Co., Ltd.)

The Souq Company Co., Ltd. has focused on the promotion of forest circulation. First, Osaka Prefecture and Umeda Souq collaborated with wood craft artists to plan the commercialization of local wood products, which started being sold at Umeda Souq from May 2021.
At the same time, the Osaka Prefectural Government, fixture manufacturers, and the Souq Company collaborated to study the creation of a system for using interior materials and fixtures in retail to accelerate the circulation of forests. We have developed a reusable construction-type lease fixture using locally thinned wood and realized it at Hankyu Umeda Main Store in October 2021.
In the future, we will continue to make full-scale efforts to create products and systems that contribute to forest recycling.

Key Theme ④Responding to the trust of customers and stakeholders:

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 and 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.

⊙Izumiya

The private brand (PB) "Style One" products and in-store processed foods that Izumiya manufactures and sells on consignment are sold under consistent and thorough quality control from the development stage. The food processing rooms in our stores are inspected twice a year for hygiene management conditions.

⊙Hankyu Oasis

A product manager has been assigned to the Product Management Office to conduct regular quality checks of PB products from development to sales. In addition, the Internal Audit Department conducts patrol inspections of quality labeling and kitchen food hygiene to ensure thorough quality control.



Food Safety Net「QUALITA」

You can easily check the information such as the ingredients, place of origin, allergens (※), additives, best-before date, storage method, and nutritional information of the products in the Hankyu and Hanshin Department Stores' mid-year and year-end gift catalogs and Hankyu Oasis' PB products "Taste of Hankyu" from your computer or smartphone, so you can enjoy them with peace of mind.

※Information on allergies is provided for the seven mandatory items as well as the 21 recommended items.



Quality control in a food manufacturing plant

The Takatsuki factory of Hankyu Bakery, which manufactures bread, has acquired FSSC 22000 certification, an international standard for food safety management systems issued by a Dutch safety certification organization. In addition, the Ikeda and Nanko factories of HANKYU delica i, Inc, which manufacture prepared foods and other processed products, have acquired Osaka Prefecture's version of 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 organic vegetables in (Osaka Pref.) Sennan City, Tajiri Town, and (Wakayama Pref.)Wakayama City. At present, the farm grows organic vegetables in addition to vegetables with less than 50% of standard use of pesticides, including mainly salad vegetables such as lettuce, baby leaves, and salad kale, shipping the vegetables not only to the group's department stores and supermarkets, but also to other group companies.

Key Theme ④ Responding to the trust of customers and stakeholders:

Improving safety and security in the event of a disaster

We will work to establish and disseminate a BCP to ensure the safety and security of our customers and employees in the event of a disaster.

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 measures against natural disasters, including earthquakes. Reflecting on our response to the 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 quickly.

Disaster Preparedness Plan

Hankyu Hanshin Department Store

Disaster Prevention Practice

To ensure that everyone can be a commander and play a role for others, disaster drills are held every week at both the Hankyu and Hanshin main stores, which are particularly frequented by customers, with themes (earthquake early warning drills, fire evacuation guidance drills, etc.). Since 2016, we have also incorporated tsunami evacuation drills based on the assumption of a Nankai Trough earthquake and have formulated the Nankai Trough Earthquake Response Action Manual to prepare for such an event. In addition, we have distributed a portable "Disaster Response Pocket Manual" to all employees to raise their awareness of disaster prevention. In addition, we hold seminars for training ordinary life savers and first aid, and more than 1,500 staff members have participated in these seminars.

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.

Izumiya・Hankyu Oasis

In addition to formulating an earthquake countermeasure manual, each store regularly conducts fire drills and disaster drills for earthquakes. We have also concluded disaster relief agreements with local governments in the areas where we have stores to provide supplies and evacuation sites in the event of a disaster.

Izumiya

8 municipalities (Osaka Prefecture, Kyoto Prefecture, Nara Prefecture, Kobe city, etc)

Hankyu Oasis

7 municipalities (Osaka Prefecture, Toyonaka city, Minoh city, Nishinomiya city, etc)



Agreement signing ceremony between Yao city & Izumiya

In addition, the company and its major subsidiaries have introduced a safety confirmation system, IP wireless phones, LINE WORKS, and web bulletin boards for communication between headquarters to confirm the safety of employees, to enable prompt safety confirmation and information communication in the event of a disaster.

Key Theme ④ Responding to the trust of customers and stakeholders:

Environmental Initiatives

We will promote environmental management to reduce environmental impact (CO_2 emissions, food loss, plastic emissions, etc.) generated by our business activities.

To pass on a beautiful global environment to the future, dealing with climate change is an urgent issue that our generation must address. 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. We believe that it is our responsibility to contribute to the realization of a decarbonized society and have therefore set medium to long-term goals for reducing greenhouse gas (GHG) emissions.

As a long-term goal, we will aim to achieve net zero GHG emissions from the Group in 2050. To achieve this goal, we have set a medium-term target for 2030 and will promote specific initiatives. In addition to the promotion of energy conservation, such as the introduction of LED lighting, which has been promoted to date, we will switch to renewable energy sources for electricity consumption in our stores. In 2022, the Group will begin switching to renewable energy in its flagship Hankyu Umeda store. We will contribute to the realization of a decarbonized society by promoting multifaceted initiatives while considering social conditions and trends in technological innovation.

Setting medium to long term goals

We have set medium- and long-term greenhouse gas (GHG) emission reduction targets for the realization of a decarbonized society.

2030
30% Reduction
(relative to 2019)

2050
Net Zero by 2050

※2013: 48% Reduction Equivalent

Disclosure of information on climate change initiatives

Responded to CDP2020 (Climate Change), disclosing the Group's awareness of climate-related issues, organizational structure, climate-related opportunities and risks, greenhouse gas emissions, and efforts to reduce emissions.

CDP
DISCLOSURE INSIGHT ACTION

Expansion of the scope of calculation of greenhouse gas emissions and acquisition of third-party guarantees

In addition to Scope 1 and 2, for the first time the Group has calculated its Scope 3 greenhouse gas (GHG) emissions.
In addition, to improve the reliability of our data, we have obtained a third-party guarantee from Deloitte Tohmatsu Sustainability Co., Ltd.for our 2020 energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1).

Switching to Renewable Energy

Plan to start switching electricity used at the Hankyu Umeda Main store to renewable energy in 2022. We are also considering switching to renewable energy for our other major stores.



Efforts to reduce CO_2 emissions

Hankyu Hanshin Department Store is promoting the use of LED lighting in its sales floors, and the Hanshin Umeda Main Store, which opened in October 2021, uses 95% LED ceiling lighting in its sales floors.

Percentage of Hankyu Hanshin Department Stores using LEDs **61%**

(as of April 2021)

In addition to the use of LED lighting, food supermarkets are taking energy-saving measures such as installing frozen reach-in showcases (showcases with glass doors), energy-saving control devices, and nighttime curtains for refrigerated open cases.
Izumiya is working to reduce CO_2 emissions by purchasing emission credits through proceeds from paid plastic bags, customer participation prize campaigns, and sales of PB products with emission credits.
In 2020, we purchased a total of 2,522 tons of credits from Miyagi and Iwate prefectures and transferred them to the Japanese government free of charge.

Key Theme ④ Responding to the trust of customers and stakeholders:

Environmental Initiatives

We will promote environmental management to reduce the environmental impact (CO_2 emissions, food loss, plastic emissions, etc.) generated by our business activities.

Food Waste Recycling

The Hankyu Hanshin Department Store, Izumiya and Hankyu Oasis are working to reduce the amount of food waste generated by their stores and are also promoting initiatives to reuse it as carbonized fuel and animal feed.
Some Izumiya stores have established a "recycling loop" to convert food preparation waste into animal feed.

Environmental Measures Promotion Project

The Hankyu Hanshin Department Store launched the Environmental Measures Promotion Project in May 2021 to promote environmental initiatives. Divided into six subcommittees based on different themes, the project is also working to solve issues specific to department stores, such as resource recycling of clothing items and reuse of fixtures and decorations.
In addition, project members are appointed on a cross-departmental basis, with the aim of raising environmental awareness throughout the company.
At the same time, in the supermarket business, centered on Izumiya and Hankyu Oasis, CO_2 and waste reduction are being studied through cross-company projects.



Effective use of resources through container collection

Izumiya and Hankyu Oasis collect food trays, milk cartons, PET bottles, aluminum cans, etc. at their stores. Collected trays and PET bottles are recycled into trays and other products by recycling companies, and then purchased and reused as recycled trays.
Approximately 48% of the trays used in the food sections of Izumiya (agricultural products, livestock, marine products, delicatessen) and 43% of the trays used in Hankyu Oasis are recycled. In addition, as an educational activity for customers, a briefing session on recycling, "Reborn Food Trays and PET Bottles", was held at the Izumiya Obayashi and Ikeda Asahigaoka stores in November 2020 in collaboration with FP Corporation.



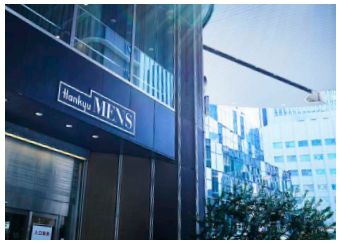
Recycling business aiming to support a recycling-oriented society

Kanso Co., Ltd. is engaged in the recycling business with the aim of contributing to a recycling-oriented society. At Kanso's Tsumori Eco Center (Nishinari-ku, Osaka City), styrofoam delivered by group companies and other companies is crushed, melted, and turned into plate blocks, and aluminum cans and milk cartons collected from customers at stores are recycled as resources. We also recycle paper such as expired important ledgers.
The Tsumori Eco Center has also obtained ISO 14001 certification and is promoting initiatives for a recycling-oriented society.

ISO14001 カンソー本社・津守エコセンター認証取得

Became the first department store in western Japan to receive Eco Mark certification.

In March 2021, Hankyu Men's Osaka became the first department store in western Japan to receive the Eco Mark "Retail Store Version 2.1" certification.
Hankyu Men's Osaka aims to operate its stores in an environmentally friendly manner, and regularly holds in-store SDGs live broadcasts during the hours before the store opens to raise awareness so that all employees can tackle the issue as their own.
In-store, we also conduct environmentally friendly activities with our customers, such as smart wrapping campaigns and repair and maintenance events.





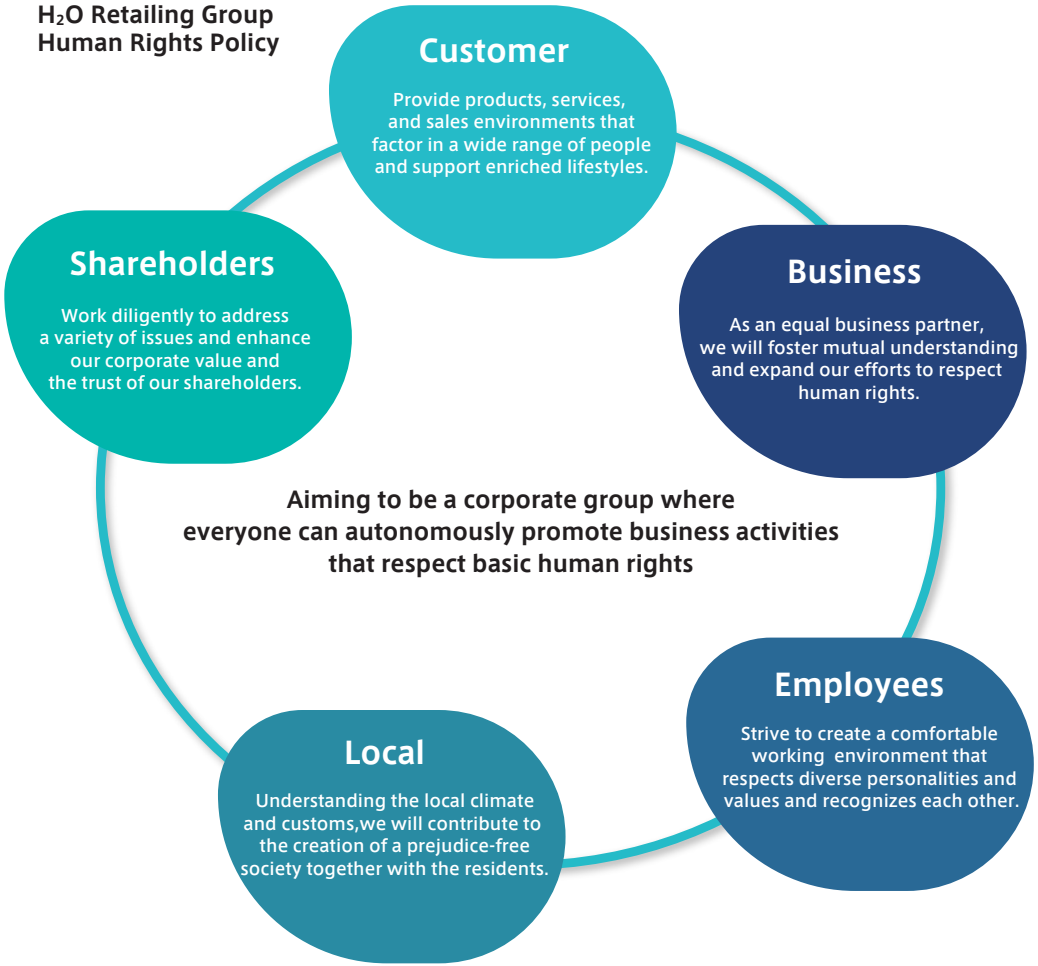
Key Theme ④ Responding to the trust of customers and stakeholders:

Promoting diversity

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:
"Continue to be an indispensable part of the local community by providing a living model for 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



Universal manners

The Hankyu Hanshin Department Store has been providing universal manners training since 2018. We also support the acquisition of qualifications. We also make use of daily sales floor morning meetings and other times to ensure that each employee has a basic mindset and basic knowledge to promote understanding.

Key Theme ④ Responding to the trust of customers and stakeholders:

Promoting diversity

Aiming to create an environment where everyone can work comfortably

We will Promote work-life balance, the advancement of women and seniors, employment of people with disabilities, and support the LGBT community.

As a group whose main business is retailing, we believe that we should actively promote women, and we are working to create systems and raise awareness that support working styles that match different life stages, such as childbirth, parenting, and nursing care, as well as the promotion of women.

Promotion of opportunities for women

H_2O Retailing Group currently has a total of seven women serving as executive officers. Although we have not yet achieved our target for the percentage of women in all management positions at Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis and other companies, we will continue to actively promote women based on their career aspirations and aptitudes.

Work-friendly environment

To create a comfortable working environment for employees at various stages of their lives (such as childbirth, parenting, and nursing care), Hankyu Hanshin Department Stores and other group companies have established a variety of systems, including leave systems and shorter working hours that exceed the statutory requirements, maternity leave for spouses, and telecommuting.



On-site childcare facilities (H_2O Childcare)

Currently, we are operating these in the following: "Daily Qanat Izumiya Abiko", "Qanat Mall Izumifuchu", and "Oasis Town KISELA KAWANISHI". We have a nursery that flexibly accepts children in accordance with the diverse working styles of store employees, and many of them use this facility. In addition to employees of our group companies, tenants, and business partners, the center is also available for use by residents, and we are working to make further contributions to balancing work and family life.

Promotion of employment of people with disabilities

H_2O Smile Co.,Ltd. was established in 2016 as a special subsidiary for the purpose of calculating the employment rate of people with disabilities. Currently, 28 employees are engaged in clerical work and light work at group companies, and the employment rate of people with disabilities through the entire special grouping of the company is 2.47% (as of June 30, 2021).

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 H_2O Retailing Group Mutual Aid Association takes the initiative in conducting mental health questionnaires once every two years to prevent and detect mental health problems. We also have a system in place that allows employees to consult with an industrial counselor or an independently contracted mental health physician when they have concerns about their health or mental health.

OHS initiatives

Our group is working to establish the necessary safety and health systems for all group companies in accordance with laws and regulations. In addition to the establishment of health and safety committees and regulations for the handling of health information, we have appointed psychiatrists at each of our bases in Kansai (Osaka), Kanto (Tokyo), and Kyushu (Fukuoka) to provide care for employees during their recuperation and when they return to work.

Dialogue between the company and its employees

The H_2O 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.

Key Theme ④Responding to the trust of customers and stakeholders: Promoting diversity

Group Human Resources Development Policy

At the H_2O Retailing Group, we believe that demonstrating individual capabilities for self-fulfillment through work is the driving force for creating new value and responding to change and leads to increased corporate value.
For this reason, we promote human resource development by providing human resource development programs and various types of support to help each employee think about and realize his or her own career plan.

Promotion system

The Group HR office was newly established in January 2021 at the holding company H_2O Retailing. The promotion of autonomous careers for employees of each group company, reskilling (retraining) to meet future needs and devising digital education, were launched as one of the projects of the Group HR office, and are being promoted by each group company.

Direction of promotion

The core company of the H_2O Retailing Group: Hankyu Hanshin Department Store, has established the Hankyu Hanshin College, which offers a variety of skill development programs to help employees continue to learn with a sense of autonomy and career awareness as they aim to improve themselves. In addition to conventional programs, the college offers a variety of programs, including business skills such as leadership and coaching, and career support training for different age groups, to promote a culture of continuous learning. In the direction of human resource development, we plan to further brush up the Hankyu Hanshin College and promote initiatives in which employees of all group companies can participate.

A well-equipped training centers

We have a training facility (Maishima School) that can be used by group companies. The Maishima School has large classrooms that can be used flexibly according to the content of the training, as well as accommodations, and can accommodate up to 130 people at a time. The dedicated facilities not only allow for highly concentrated training but are also used by many group companies as a place to deepen communication among participants. Izumiya and Hankyu Oasis have also established training centers exclusively for their respective companies, offering a full range of training programs that enable participants to learn practical skills such as display techniques and cash register operations, in addition to processing techniques for agricultural products, livestock, marine products, and delicatessen products.







Upper Photo：Maishima School used by group companies
Lower Photo：Izumiya Training Center

Incentive system

The Hankyu Hanshin Department Store has established a system to reward hard workers from among all sales staff and staff for their efforts to improve sales and services and realize our vision. Each quarter, we commend individuals and sales units that have achieved outstanding results, and the rewards committee decides who will receive special commendations from among them. The food supermarkets Izumiya and Hankyu Oasis are conducting joint sales promotion campaigns to take advantage of the Group's economies of scale and to increase staff motivation. Each of Izumiya and Hankyu Oasis scores stores on the rate of achievement of numerical targets and their ingenuity in creating sales floors, and then selects and commends the best stores.

Key Theme ⑤

Enhancing employee job satisfaction

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

Direction of initiatives

- Promote initiatives to instill the Group vision and foster a culture of co-creation and collaboration (promoting a visionary and co-creative work style).
- Create opportunities to participate in activities that contribute to the development of local communities,beyond the boundaries of the group companies. (Participation in community contribution activities)
- Proactively create opportunities to participate in group and cross-divisional projects. (Provision of growth opportunities)





Vision Cafe, a place for dialogue toward a vision co-creation way of working



Set up various projects that transcend company and department boundaries

To promote a visionary and co-creative work style, the group regularly publishes top management messages in the group's internal newsletter, "H₂O News Link", while the Hankyu Hanshin Department Store has been creating a place for dialogue among all employees (Vision Cafe) to foster a culture of co-creation and collaboration as well as understanding and penetration of the vision.

In addition, in preparation for the office relocation scheduled for the summer of 2022, we are actively providing growth opportunities for employees by establishing projects that transcend company and departmental boundaries with the aim of building a new H₂O retailing group office.

In the future, we will create opportunities for employees to participate in community contribution activities beyond the boundaries of the group companies, so that each employee can deepen bonds with and contribute to local communities and residents in various ways.

Sustainability Promotion Structure and Management

Sustainability Management Promotion Committee

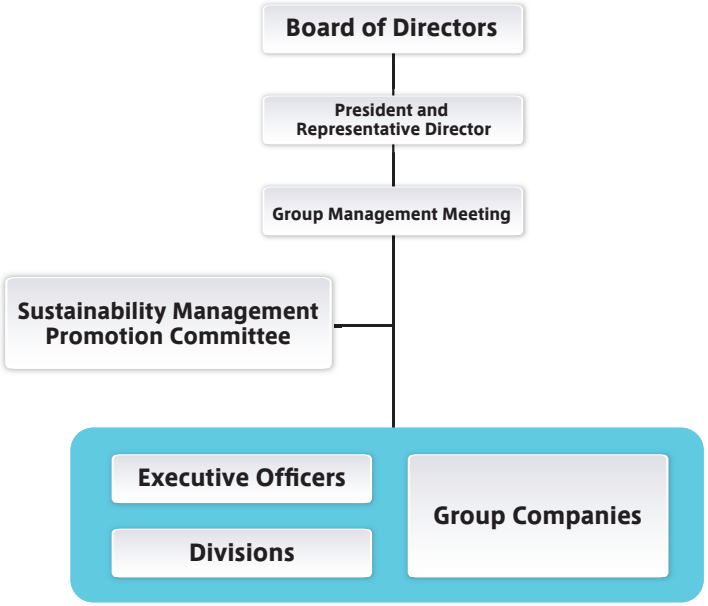
To promote sustainability management across the entire Group, the company has established the Sustainability Management Promotion Committee, chaired by the president and representative director of the company and with the participation of the top management of each operating company as committee members, which holds regular monthly meetings. The contents of the discussions are deliberated by the Group Management Meeting, an advisory body to the president and reported to the board of directors.
The main activities of the committee have been to formulate sustainability management policies and identify materiality, but in the future, the committee will formulate implementation plans for priority and basic themes for each group company and across the group and monitor progress.
In April 2021, H₂O Retailing established the Sustainability Promotion Department as a dedicated department to promote sustainability management more fully. In addition to serving as the secretariat for the Sustainability Management Promotion Committee, the department is working to ensure that the policy is understood and disseminated throughout the group and to coordinate information.



Regularly held Sustainability Management Promotion Committee meetings attended by top management of each operating company

Organization building in each group company

H₂O Food Groups Co., Ltd., (which oversees the food supermarkets Izumiya and Hankyu Oasis), and Hankyu Hanshin Department Store, have both established a common dedicated Sustainability Promotion Department to promote initiatives at each group company.



Our group sponsors the activities of the H₂O Santa Foundation.

By utilizing the media characteristics of the store, we are connecting social contribution organizations with the local community.

チャリティーネットワーク
H₂Oサンタ
誰もが誰かのサンタになれる。

The slogan of the H₂O Santa Foundation is "Everyone can be someone's Santa".
We are engaged in four activities that aim to create a culture of charity in the local community with the theme of supporting children.



https://santa.h2o-retailing.co.jp/h2o-santa/sp/reportcovid19/

We are distributing videos to let people know about the problems and new initiatives of social contribution organizations that have faced difficulties such as limited activities and reduced donations due to the Covid-19 pandemic. (Covid-19 pandemic report)



Charity auction to raise money



Employee volunteers
(providing swimming experience to children with disabilities)

H₂O Santa
https://santa.h2o-retailing.co.jp/h2o-santa/

Main Activities 1 Awareness-raising and fund-raising activities in cooperation with social contribution organizations

In the Hankyu Umeda Main Store, Kobe Hankyu, and Takatsuki Hankyu, the activities of social contribution organizations are introduced with panels and videos, and the "H₂O Santa Charity Guide" is permanently set up where you can donate on the spot. At the Hankyu Umeda Main Store “SHUKUSAI Plaza” , charity talk events are held every Saturday and NPO festivals are held twice a year. We are also expanding our circle of support for children by participating in the LOHAS Festa at the Expo '70 Commemorative Park.

Main Activities 2 Charity Events

To support children as well as the disaster-stricken areas, we hold the "The One And Only Blythe Doll In The World Charity Auction" and the "Charity Dance Festival", where people can donate by performing or watching the dance and provide opportunities for local people to participate in charity activities.

Main Activities 3 Volunteer Mediation

We connect people who want to use what they like and are good at in volunteer activities with social contribution organizations. We also support the participation of our employees in volunteer activities, with a total of more than 600 employees having participated to date.

Main Activities 4 Research and Presentation

To disseminate information on issues surrounding children, we regularly interview experts and social contribution organizations and introduce them in our booklets and blogs. We also hold symposiums with the aim of providing one venue to speed up the resolution of social issues related to child support.

*Please note that some activities have been changed to prevent the spread of Covid-19.

Corporate Governance

Based on our group philosophy and vision to expand our market share in the Kansai region
and become the dominant player in the area, we will practice compliance management, such as observing social norms,
and make efficient and decisive decisions to respond quickly to changes in the competitive environment
and improve our corporate value over the medium to long term.

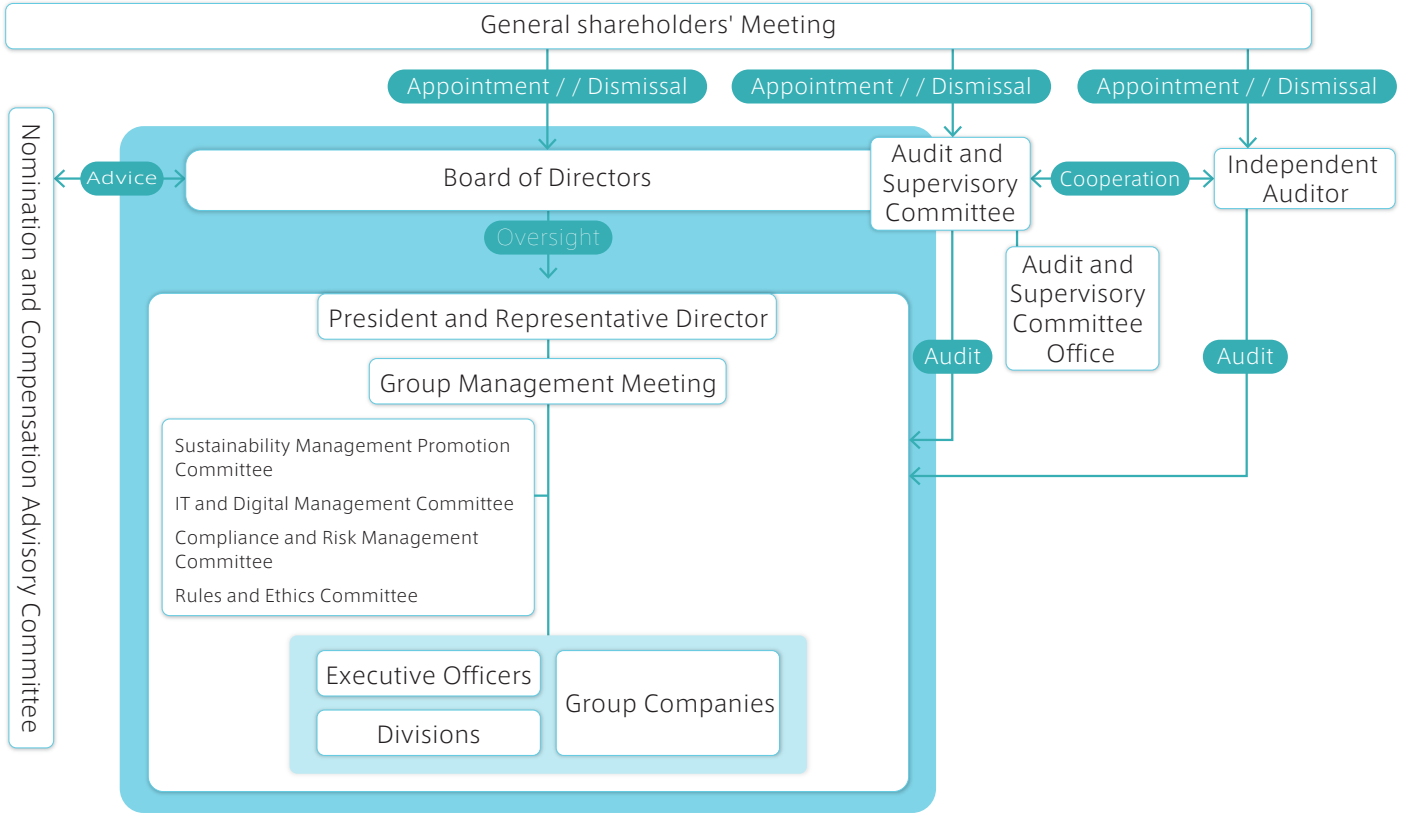
Basic Principles of Corporate Governance

- Respect the rights of shareholders and ensure equality.
- Consider the interests of stakeholders, including shareholders, and take action with them as appropriate.
- 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 see our website for the full text of the basic principles. (Jananese Only)

Corporate Governance Structure

We have adopted the "company with audit and supervisory committee system" to enhance its corporate value over the medium and long term by establishing a governance system that enables the company, as a holding company, to take charge of the management planning and supervision functions of the entire group and to promote legal, appropriate, prompt and efficient business operations of the group companies.



Corporate Governance

Board of Directors

The board of directors of the company consists of 10 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. With the transition to a company with an audit and supervisory committee, we have substantially revised the operation of the meetings, including the enhancement of reporting items, expansion of the number and duration of meetings, and prior explanation to outside directors. We are also working to improve the effectiveness of the board of directors by reviewing the criteria for agenda matters from the perspective of risk and enhancing the materials for agenda matters.

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

Audit and Supervisory Committee

The Audit and Supervisory Committee of the company consists of five 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.
Additionally, the full-time Audit & Supervisory Board member meets with the accounting auditor (KPMG AZSA LLC) once a month, whilst the Audit & Supervisory Committee meets quarterly, in principle, to ensure close cooperation and to ensure the effectiveness of audits.

- Diversity of Directors
- Reasons for Appointment of Outside Directors and Status of Attendance
- Criteria for Independence of Outside Directors

※For more information about the above items, please visit our website. (Japanese Only)

Analysis and evaluation of the effectiveness of the board of directors

The company regularly analyzes and evaluates the effectiveness of the board of directors. In March 2021, we conducted a questionnaire survey of all directors, and in April of the same year, we held a meeting to exchange opinions with representative directors, outside directors and members of the audit and supervisory committee, and held hearings on the composition, operation, agenda, and support system of the board of directors.

As a result of the analysis, the board of directors has further revitalized its deliberations considering the issues identified in the previous fiscal year, particularly by enhancing the content of agenda materials and increasing the number of free discussions on the company's management issues and strategies outside of the board of directors meetings. We assessed that the effectiveness of the board of directors for fiscal 2020 has been secured. However, the company will continue to make efforts to improve the effectiveness of the board of directors meetings, as it was confirmed that there is a need to continue efforts for further improvement, such as providing information to the audit and supervisory committee members at an appropriate timing and further securing time for prior consideration of proposals.

Corporate Governance

Officer's Compensation

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 compensation-type stock options with conditions of service ("SO with conditions of service") , and stock compensation-type stock options with conditions linked to business results ("SO with conditions linked to business results") .

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 outline of each type of remuneration and the persons to whom it is paid are as follows. The composition of remuneration for executive directors and executive officers is approximately 50% monthly basic remuneration and approximately 50% in annual bonuses and stock-based 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 Meeting of Shareholders and the amount of remuneration, etc. for each individual director after review by the Nomination and Compensation Advisory Committee, and the amount of remuneration, etc.
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 other officer of the company or its subsidiaries are granted annually according to the position.
	Continuous service SOs	Stock acquisition rights that can be exercised after the loss of any position as a director or other officer of the company or its subsidiaries are granted annually in accordance with the position.
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.
	Base pay	Remuneration commensurate with job responsibilities and position, revised every April.

Applicable to

		Executive Directors and Executive Officers
Stock	Performance SOs	○
	Continuous service SOs	○
Cash	Annual bonus	○
	Base pay	○

Nomination and Compensation Advisory Committee

To ensure fairness and transparency in determining the nomination and remuneration of directors, the company has established the Nomination 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 Board Member: Independent External)
committee chairman	**Kenjiro Nakano** (Director, Audit & Supervisory Board Member: Independent External)
committee chairman	**Naoya Araki** (President and Representative Director)

- Dialogue with Shareholders
- Shareholder Return Policy
- Policy on Ownership of Policy-Shared Shares and Exercise of Voting Rights

※For more information about the above items, please visit our website. (Japanese Only)

Compliance and Risk Management

The H₂O Retailing Group considers it important to develop and properly operate an internal control system that supports its business expansion as well as the realization of its growth strategy.
The group reviews its internal control system as appropriate, and even group companies that are not required by the Company Act to adopt resolutions, 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 risk. In addition, we have established the H₂O Retailing Group Code of Conduct, which sets forth the basic stance of the group's officers and employees in acting in accordance with the group's basic policies, ethics, laws, and rules, and the Group Compliance Regulations and for promoting compliance.

In fiscal 2020, we reviewed the group's risk management system to prevent risks before they occur, minimize losses when they do occur, build, and maintain a compliance system, and respond flexibly to changes in the environment surrounding the group. Additionally, clarifying who is responsible for compliance and risk management and revising the system to centralize risk information, the Compliance and Risk Management Committee will collect risk information and formulate 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.

In addition to the establishment of new specialized subcommittees to respond to issues such as the recent increase in natural disasters, including the outbreak of Covid-19, revisions to labor-related laws and regulations, and changes in work styles, the specialized subcommittees are also working to further strengthen the system by selecting personnel that incorporate elements of human resource development for compliance promotion and risk management.

Whistleblowing System and Anti-Harassment Measures

The H₂O Retailing Group Compliance Hotline has been established at the company and an outside law firm as a mechanism for receiving internal reports from employees of the group (including staff of business partners). The status of the hotline is reported to the President and full-time audit and supervisory committee members on a regular basis after protecting the privacy of the whistleblower. In addition, our core companies, Hankyu Hanshin Department Store, Izumiya and Hankyu Oasis, have established individual internal reporting systems.

In addition, to prevent harassment, we will share recent cases and preventive measures at a compliance liaison meeting (held in March 2021) attended by about 100 people, including presidents and general affairs staff of Group companies. We will also conduct Group-wide educational activities to prevent harassment at Hankyu Hanshin Department Stores and other Group companies by holding several training sessions tailored to each company's situation and internal hierarchy.

Information Management

In addition to the establishment of the Privacy Policy, we have also established the Information Security Subcommittee for the purpose of appropriately managing and improving the security of corporate information, including personal information, throughout the group.
In regards to personal information, in preparation for the enforcement of the revised Act on the Protection of Personal Information in April 2022, we have established an overall policy for the group, conducted another survey on the status of compliance at each group company, and are taking measures such as reviewing regulations and rules and implementing employee education.

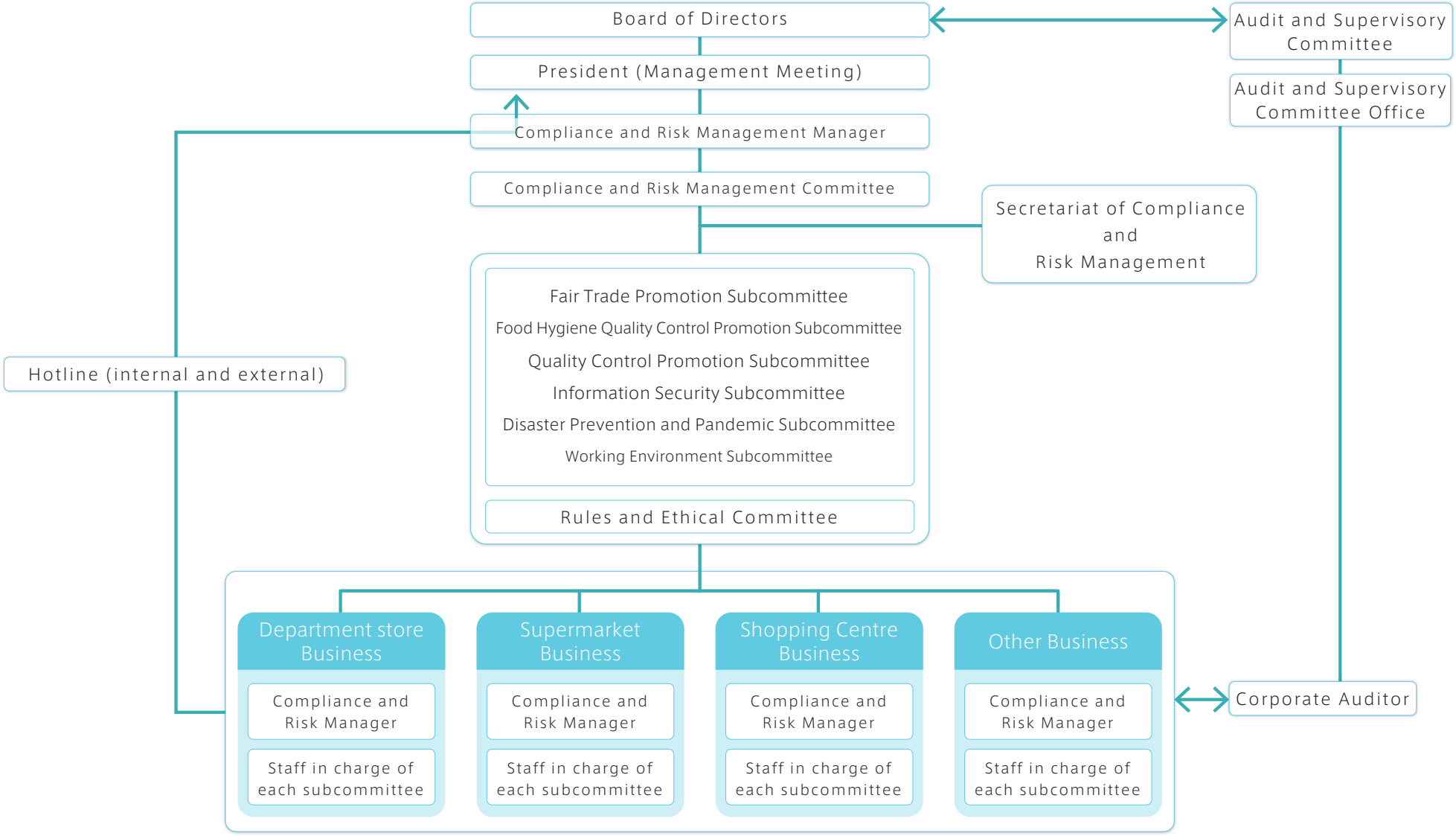
In addition, to prevent risks associated with the recent increase in the transmission of information, we review the content of our social media policy and prepare information security guidelines and conduct other reviews as appropriate in response to changes in the surrounding environment.

- Initiatives to ensure fair trade
- Efforts to eliminate antisocial forces

※For more information about the above items, please visit our website. (Japanese Only)

Compliance and Risk Management

System diagram



Performance Highlights

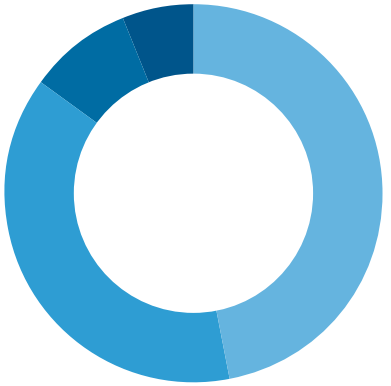
Key financial data

(Per Million Yen)

Year	2016	2017	2018	2019	2020
Fiscal Year End	FY 3.2017	FY 3.2018	FY 3.2019	FY 3.2020	FY 3.2021
Fiscal Year					
Net Sales	901,221	921,871	926,872	897,289	739,198
Operating Profit	22,542	22,765	20,422	11,171	(4,438)
Ordinary Profit	21,725	24,272	21,376	11,831	(2,907)
Net Income Attributable to shareholders of the parent company	14,298	14,636	2,162	(13,150)	(24,791)
Capital Investment	28,060	26,443	32,039	35,125	22,699
Depreciation expenses	15,857	16,223	17,399	18,519	18,141
Cash flow from operating activities	38,742	32,739	15,392	9,871	12,755
Cash flow from investment activities	(25,325)	(35,492)	(36,682)	(22,451)	(20,761)
Cash flow from financial activities	21,703	(13,812)	9,581	(16,440)	31,859
Fiscal Year End					
Net Assets	264,323	280,807	279,603	244,634	229,277
Owner's equity	263,220	279,569	278,364	243,317	228,134
Total Assets	639,305	659,582	663,335	586,904	625,945
Per Share Information					
Book value Per Share (JPY)	2131.97	2263.95	2252.28	1967.90	1843.78
Earnings Per Share (JPY)	115.84	118.54	17.50	(106.38)	(200.45)
Dividend per share (JPY)	40.00	40.00	40.00	40.00	25.00
Financial Indicators					
Operating Income Ratio (%)	2.5	2.5	2.2	1.2	(0.6)
Owner's Equity Ratio (%)	41.2	42.4	42.0	41.5	36.4
Return on Equity (%)	5.6	5.4	0.8	(5.0)	(10.5)
Ratio of Ordinary Income to Total Assets (%)	3.5	3.7	3.2	1.9	(0.5)
Consolidated Dividend Payout Ratio (%)	34.5	33.7	228.5	–	-

Data by Segment

Composition ratio of net sales (consolidated) (FY2020)



Department store business	47%
Supermarket business	38%
Shopping Center business	9%
Other business	6%

FY2021 Net Sales and Operating Income

Department store business	Net sales	347.8 billion yen	YoY	73.5%
	Operating income	-1.9 billion yen	YoY	-
Supermarket business	Net sales	28.1 billion yen	YoY	79.4%
	Operating income	4.2 billion yen	YoY	-
Shopping Center business	Net sales	63.3 billion yen	YoY	725.1%
	Operating income	-100 million yen	YoY	-
Other businesses	Net sales	47.1 billion yen	YoY	76.9%
	Operating income	-2.7 billion yen	YoY	-

Data collection

Major Items	Minor Items	Range	Units	FY2020	FY2021
Environment	Energy Usage				
	Electricity	Consolidated	1000kWh	506,825	457,480
	Gas	Consolidated	1000㎥	10,773	8,959
	Water (hot/cold/steam)	Consolidated	GJ	109,713	90,649
	Petrol/Diesel	Consolidated	GJ	11,169	7,320
	Total	Consolidated	GJ	5,685,855	5,082,666＊
	GHG Emissions				
	Scope 1	Consolidated	t-CO_2e	48,966	48,350＊
	Scope2	Consolidated	t-CO_2e	189,637	164,869＊
	Scope3	4 Main Companies	t-CO_2e	2,441,116	2,178,807
	"Category 1 Purchased product･service"	4 Main Companies	t-CO_2e	2,132,905	1,943,590＊
	Water Usage				
	Water Usage	4 Main Companies	1000㎥	2,164	1,909
	Containers and packaging				
	Papers	3 Main Companies	t	1,025	735
	Plastics	3 Main Companies	t	3,975	3,416
	Waste				
	Total amount of waste generated	4 Main Companies	t	46,093	42,639
	Of which is recycled(rate)	4 Main Companies	t	27,904	25,413
	Recycling rate	4 Main Companies	%	60.5	59.6
	Amount of food waste generated	3 Main Companies	t	10,935	9,876
	Food recycling rate	3 Main Companies	%	46.3	46.6
	Others				
	Rate of people who bring their own shopping bag	Izumiya	%	60.8	85.1
		Hankyu Oasis	%	65.0	80.3

※Consolidated :Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, H₂O Shopping Center Development Co., Ltd. and 14 other major companies
4 major companies:Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, H₂O Shopping Center Development Co., Ltd.
3 major companies:Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis
＊:Items covered by third-party warranty

Major Items	Minor Items	Range	Units	FY2020	FY2021
Company	Staff				
	Staff Numbers	Consolidated	People	9,570	8,983
	Female staff ratio	Consolidated	%	55.0	57.2
	Female staff in management role ratio	Hankyu Hanshin Department Store	%	14.4	15.3
		Izumiya	%	9.0	2.5
		Hankyu Oasis	%	8.3	9.6
		H₂O Shopping Center Development Co., Ltd.	%	—	12.8
	Employment rate of persons with disabilities	Consolidated	%	2.32	2.47
	Average tenure difference between men and women	Hankyu Hanshin Department Store		2Y 10M	2Y 10M
		Izumiya		4Y 5M	5Y
		Hankyu Oasis		7Y 10M	7Y 11M
	Number of childcare workers	Main 4 Companies	People	144	142
	Number of nursing care leave	Main 4 Companies	People	11	11
	Paid leave acquisition rate	Hankyu Hanshin Department Store	%	59.8	48.7
		Izumiya	%	63.8	77.7
		Hankyu Oasis	%	72.8	65.1
		H₂O Shopping Center Development Co., Ltd.	%	—	82.5

※Consolidated :All Group Companies
※Main 4 Companies:Hankyu Hanshin Department Store, Izumiya, Hankyu Oasis, H₂O Shopping Center Development Co., Ltd.

■ Calculation of Greenhouse Gas Emissions

Scope 1 Emissions＝Σ (Fuel Usage×CO_2 Emission Factor ※1)＋Σ (GHG emissions other than CO_2 from energy sources x global warming potential ※1)

Scope 2 Emissions＝Σ (Purchase of electric power, etc.(Includes hot water, cold water, and steam)×CO_2 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 organization through its supply chain.
Refer to Ver3.1

Third Party Guarantee

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 FY2021.

Deloitte.
デロイト トーマツ

独立した第三者保証報告書

2021年11月4日

エイチ・ツー・オー リテイリング株式会社
代表取締役社長　荒木　直也　殿

デロイト トーマツ サステナビリティ株式会社
東京都千代田区丸の内三丁目2番3号
代表取締役 杉山雅彦

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会社は、会社が採用した算定及び報告の基準（環境定量情報に注記されている。）に準拠して環境定量情報を作成する責任を負っている。また、温室効果ガスの算定は、様々なガスの排出量を結合するため必要な排出係数と数値データの決定に利用される科学的知識が不完全である等の理由により、固有の不確実性の影響下にある。

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当社は、誠実性、客観性、職業的専門家としての能力と正当な注意、守秘義務、及び職業的専門家としての行動に関する基本原則に基づく、国際会計士倫理基準審議会の「職業会計士の倫理規程」が定める独立性及びその他の要件を遵守した。また、当社は、国際品質管理基準第1号「財務諸表の監査及びレビュー並びにその他の保証及び関連サービス業務を行う事務所の品質管理」に準拠して、倫理要件、職業的専門家としての基準及び適用される法令及び規則の要件の遵守に関する文書化した方針と手続を含む、包括的な品質管理システムを維持している。

当社の責任

当社の責任は、当社が実施した手続及び当社が入手した証拠に基づいて、環境定量情報に対する限定的保証の結論を表明することにある。当社は、「国際保証業務基準3000 過去財務情報の監査又はレビュー以外の保証業務」（国際監査・保証基準審議会）、「国際保証業務基準3410 温室効果ガス報告に対する保証業務」（国際監査・保証基準審議会）及び「サステナビリティ情報審査実務指針」（サステナビリティ情報審査協会）に準拠して、限定的保証業務を実施した。

当社が実施した手続は、職業的専門家としての判断に基づいており、質問、プロセスの観察、文書の閲覧、分析的手続、算定方法と報告方針の適切性の検討、報告書の基礎となる記録との照合又は調整、及び以下を含んでいる。

- 会社の見積り方法が、適切であり、一貫して適用されていたかどうかを評価した。ただし、手続には見積の基礎となったデータのテスト又は見積の再実施を含めていない。
- データの網羅性、データ収集方法、原始データ及び現場に適用される仮定を評価するため、事業所の現地調査を実施した。

限定的保証業務で実施する手続は、合理的保証業務に対する手続と比べて、その種類と実施時期が異なり、その実施範囲は狭い。その結果、当社が実施した限定的保証業務で得た保証水準は、合理的保証業務を実施したとすれば得られたであろう保証水準ほどには高くない。

限定的保証の結論

当社が実施した手続及び入手した証拠に基づいて、環境定量情報が、会社が採用した算定及び報告の基準に準拠して作成されていないと信じさせる事項はすべての重要な点において認められなかった。

以　上

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