1Q of FY2025
Presentation Materials

Aug. 6, 2024

H2O RETAILING CORPORATION

Digest of Financial Results (Apr.-Jun.)

- Department Store Business drove consolidated results.
  Consolidated gross sales and operating profit exceeded forecasts.
  Gross sales, operating profit and other phase profit reached record highs in 1Q.

- Department Store Business exceeded both the previous year’s results and forecast in gross sales and operating profit due to stable domestic sales and rapid growth in inbound sales.

- Supermarket Business increased gross sales but decreased operating profit.
  Supermarket decreased operating profit due to higher labor costs, although average spend per customer was on a par with the previous year and existing store sales exceeded the previous year's level due to steady number of customers.

- Upward revision of 1H and full-year forecasts
  Operating profit was revised upward by ¥3.0 bn, reflecting 1Q results in Department Store Business.

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Topics

I . 1Q Results of FY2025

II . Forecast of FY2025 (Upward Revision)

III . Progress of Mid-term Management Plan

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I. 1Q Results of FY2025

1 . Consolidated Results

2 . Results by segment

3 . Department Store Business

4 . Supermarket Business

5 . Shopping Center Business

6 . Extraordinary Income and Losses

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I-1. Consolidated Results

- Gross sales, operating profit and other phaseprofit reached record highs in 1Q thanks to increased gross sales in Department Store Business.
- Profit attributable to owners of parent increased significantly due to extraordinary income from the sale of policy stock holdings, gain on step acquisitions of subsidiaries, and others.

(Unit: 100 million yen)	1Q (Apr.-Jun.)		
	Results	YoY	YoY Amount
Gross sales	2,764	+13.0%	+317
Net sales	1,619	+4.6%	+71
Operating profit	93	+94.7%	+45
Ordinary profit	102	+96.4%	+50
Extraordinary income	248		
Extraordinary losses	2		
Profit attributable to owners of parent	265	+685.0%	+231

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I-2. Results by segment

- Department Store Business reached record highs in 1Q in gross sales and operating profit.
- Department Store Business significantly exceeded the forecast, while Supermarket Business, Shopping Center Business, and Other Business were generally in line with forecasts.

(Unit: 100 million yen)	Gross sales		Operating profit		
	Results	YoY	Results	YoY	YoY Amount
Department Stores	1,554	+25.8%	80	+170.3%	+50
Supermarket	1,034	+0.3%	15	▲5.8%	▲1
Shopping Center	82	+1.8%	13	+46.8%	+4
Other	94	▲6.3%	66	+204.1%	+44
Consolidation adjustment			▲82	—	H2O +46 ▲53
Total	2,764	+13.0%	93	+94.7%	+45

* Due to the review of head office expense starting in FY2025, head office expense rearranged from non-operating expenses to SG&A, reflected in operating profit in each segment. No change in consolidated operating profit.

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I-3. Department Store Business-Performance Overview

▶ Steady domestic sales and rapid growth in inbound sales led to strong sales at Hankyu Main Store and other urban stores.

(Unit: 100 million yen)	1Q(Apr.-Jun.) Results	YoY	YoY Amount
Gross sales	1,554	+25.8%	+319
Net sales	457	+19.6%	+75
Gross profit	338	+23.5%	+64
SG & A	259	+5.8%	+14
Operating profit	80	+170.3%	+50

Sales by store	YoY
Urban store	+31%
Hankyu Main Store	+38%
Hakata Hankyu	+31%
Suburban stores	+1%

(Unit: 100 million yen)

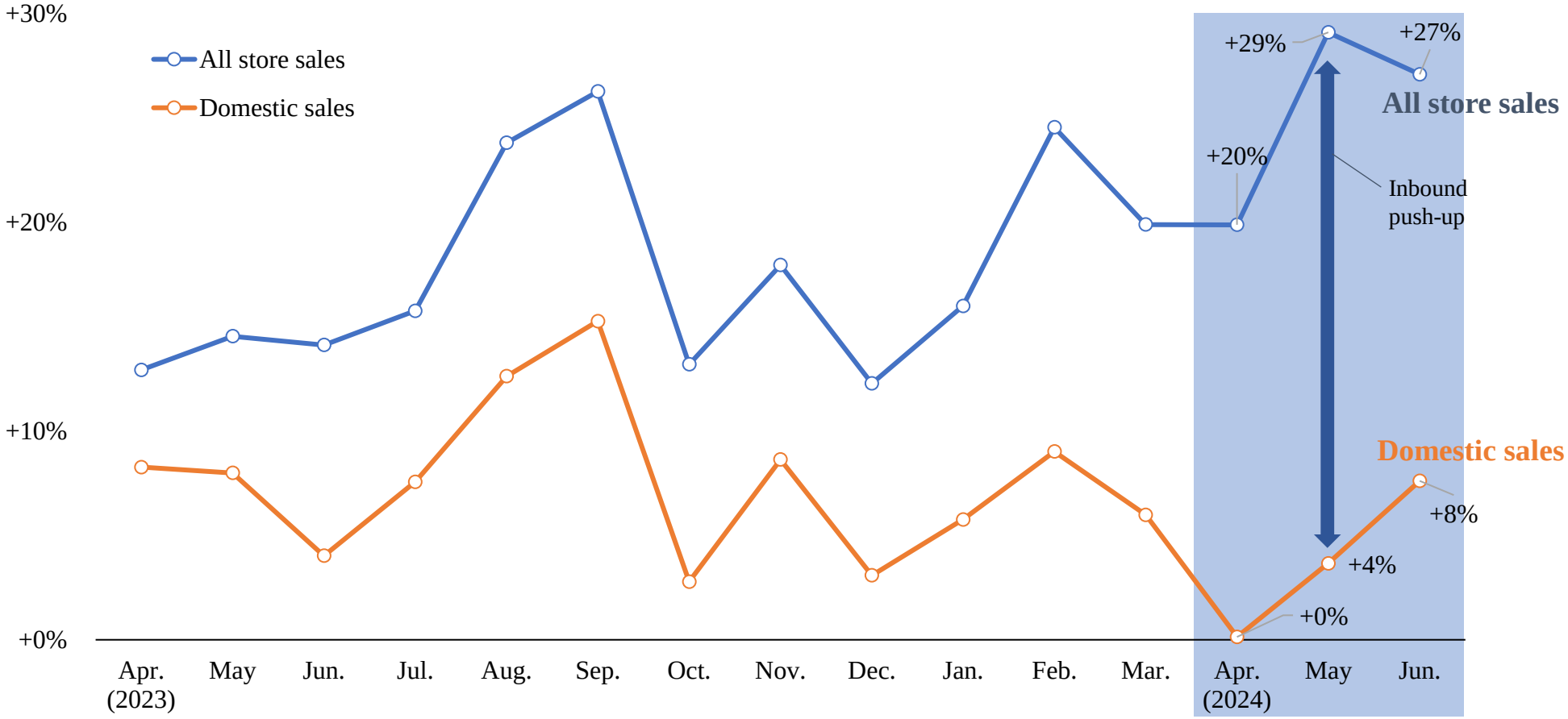
Breakdown of changes in SG&A expenses	YoY Amount
Sales-linked variable expenses	+13
Bonuses, etc.	+5
Utilities expenses	▲2

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I-3. Department Store Business-Sales Trends (YoY Change)

- Domestic sales remained steady and largely in line with expectations, although sales differed from month to month.
- Rapid growth in inbound sales is pushing-up sales at all stores, and while a similar trend is expected to continue after Jul, the previous year's results are expanding month by month, and the increase from the previous year is expected to gradually shrink.

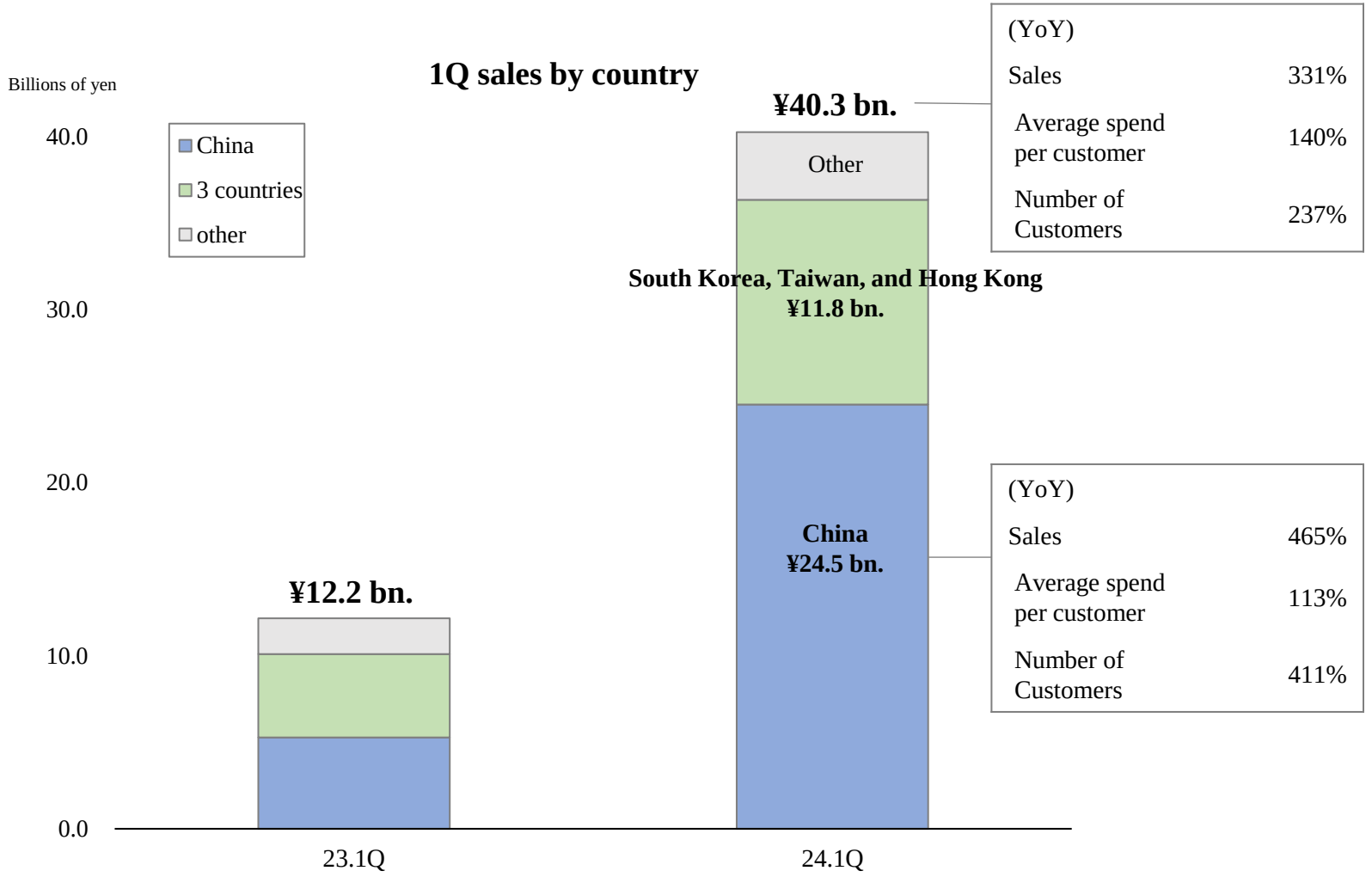
All stores sales by month



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I-3. Department Store Business-Inbound Sales

▶ Due in part to "Labor day (China)" in May, sales of Chinese tourists increased by more than 4.5 times from the previous year, and inbound sales as a whole also expanded significantly



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I-4. Supermarket Business

- Sales at supermarkets were flat, and operating profit decreased by ¥100 million due to higher personnel expenses resulting from changes in the wage system.
- Existing store sales in supermarkets increased YoY due to recovery in the number of customers, while average spend per customer was on par with the previous year. Izumiya・Hankyu Oasis increased operating profits, but sales fell short of plan. Kansai Super Market decreased operating profit, partly in reaction to the strong performance in the previous year, but progress was almost in line with forecasts.
- Gross sales and operating profit decreased in food manufacturing and home delivery, and segment gross sales increased but operating profit decreased.

Segment (Unit: 100 million yen)	1Q(Apr.-Jun.) Results	YoY	YoY Amount
Gross sales	1,034	+0.3%	+3
Operating profit	15	▲5.8%	▲1

By company (Unit: 100 million yen)	Gross sales Results	YoY	YoY Amount	Operating profit Results	YoY	YoY Amount
Izumiya・Hankyu Oasis	645	＋0.3% Existing stores +1.1%	+2	11	+1.5%	+0
Kansai Super Market	325	▲0.4% Existing stores +0.4%	▲1	6	▲19.3%	▲1
Food Manufacturing / Home Delivery	93	▲4.7%	▲5	▲2	—	+0

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I-5. Shopping Center Business

- ▶ Oi Development operated business hotel maintained high occupancy rates (over 95%) and increased gross sales and operating profit.
- ▶ Tenant sales at shopping Center stores were strong.

Segment (Unit: 100 million yen)	1Q(Apr.-Jun.) Results	YoY	YoY Amount
Gross sales	82	+1.8%	+1
Operating profit	13	+46.8%	+4

By company (Unit: 100 million yen)	Gross sales Results	YoY	YoY Amount	Operating profit Results	YoY	YoY Amount
Oi Development	17	+19.5%	+3	8	+35.1%	+2
H2OSC Development	61	▲4.5%	▲3	3	+17.5%	+0
Hankyu SC Development	13	+11.5%	+1	2	+63.4%	+1

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I-6. Extraordinary Income and Losses

(Unit: 100 million yen)	Major items	Results	Major contents
Extraordinary income		**248**	
	Gain on sale of policy stock holdings	**142**	Sales of stocks of Toho Co., Ltd.
	Gain on step acquisitions of subsidiaries	**80**	Ningbo Development
	Gain on sale of non-current assets	**26**	Kansai Super Market: Fukushima store (closed) H2OSC Development: Merchandise center
Extraordinary losses	Loss on retirement of non-current assets	**2**	Hankyu Hanshin Department Store

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II. Forecast of FY2025 (Upward Revision)

- Upward revision of 1H and full-year forecasts based on strong 1Q results
  No change from the forecast in May from 2Q onward
- Plan to increase dividend to ¥40 per share from ¥28 per share in the previous fiscal year (no change from the forecast in May)

(Unit: 100 million yen)	1H			2H			FY2025		
	Forecast	YoY	Vs. forecast (May)	Forecast	YoY	Vs. forecast (May)	Forecast	YoY	Vs. forecast (May)
Gross sales	5,680	+12.4%	+125	6,070	+6.7%	—	11,750	+9.4%	+125
Net sales	3,410	+7.0%	+20	3,610	+6.5%	—	7,020	+6.8%	+20
Operating profit	136	+37	+30	159	▲4	—	295	+33	+30
Ordinary profit	138	+31	+35	162	▲10	—	300	+21	+35
Extraordinary income	248			0			248		
Extraordinary losses	17			58			75		
Profit attributable to owners of parent	254	+191	+40	46	▲110	—	300	+81	+40

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II. Forecast of FY2025(Upward Revision)

- Upward revision of gross sales and operating profit in Department Store Business based on strong 1Q results
- Business results were generally in line with forecasts in May, except for Department Store Business, which remained unchanged from May.

(Unit: 100 million yen)	Gross sales		Operating profit		
	Forecast	YoY	Forecast	YoY amount	Vs. forecast (May)
Department Stores	6,267	+8.6%	255	+59	+32
Supermarket	4,449	+4.5%	98	+27	—
Shopping Center	380	+18.4%	33	+1	—
Other	655	+67.6%	▲3	▲3	—
Consolidation adjustment			▲88	▲51	▲2
Total	11,750	+9.4%	295	+33	＋30

* Due to the review of head office expense starting in FY2025, head office expense rearranged from non-operating expenses to SG&A, reflected in operating profit in each segment. No change in consolidated operating profit.

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III. Progress of Mid-term Management Plan

▶ Started HR strategy based on three policies to support personnel and organizational aspects to realise the Long-Term Business Plan 2030.
① Optimizing Organizational Performance ② Activating Employee Engagement ③ Strengthen HR infrastructure

■ Organizational and Personnel System

- Revision of the Personnel System in FY2026 to realise the Vision
  Presenting career courses according to the skills and values required by the Company, arranging employees around their willingness, building professional skills and clarifying the roles and skills of individuals
  Introducing a performance-based evaluation system and establishing a new HR course for new graduates and employees with a short working career in order to improve employees' autonomous working style and motivation
- Establish new organizations to expand overseas and domestic wealthy customer by dividing them into overseas and domestic customers
- Consolidation of offices to pursue synergies among supermarkets
  Consolidation of Izumiya・Hankyu Oasis and Kansai Super Market's headquarters department offices to Itami City, where Kansai Super Market's head office is located

■ Specific efforts to acquire high-net-worth overseas customers

- Signed a partnership agreement with the State of Hawaii of Department of Business, Economic Development and Tourism
  Strengthening popular events for both domestic and inbound customers, consumer research on local products, etc.
- Signed a partnership agreement with La Ditta Singapore
  Jointly develop high-value-added Japanese foods and beverages, and secure sales channels
- Increased overseas VIP attendance staff to expand overseas affluent customer
- Collaborated with Hyundai Card, South Korea‘s leading payment amount, to capture overseas customer

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III. Progress of Mid-term Management Plan (To Achieve Management Conscious of Cost of Capital and Stock Price)

▶ Sell low-profit assets and invest in businesses to achieve ROE targets set forth in the financial and capital strategies of the Mid-term Management Plan (announced in May 2024).

■ **Cash-in from sales of non-business assets**

- Sales of stocks of Toho Co., Ltd. ¥17.4 bn.
- Sales of real estate ¥5.6 bn.

■ **Acquisition of treasury stock (May 2024)**

- Acquired treasury stock of ¥24.2 bn.
  Treasury stock is used for share exchange to make Kansai Food Market Ltd. wholly owned subsidiary.

■ **Made Kansai Food Market Ltd. a wholly owned subsidiary**

- Completed conversion to a wholly owned subsidiary at the end of Jul. 2024, and began accelerating integrated management and maximizing synergies in the future

Continue to enhance corporate value and equity value by implementing business strategies and actively pursuing capital and financial strategies to achieve a stable PBR over 1.2x.

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