2Q of FY2025 Presentation Materials

H2O RETAILING CORPORATION

Nov. 6, 2024

Digest

Results for 1H of FY2025 (Apr.-Sep.)

- As in 1Q, Department Store Business drove consolidated results in 2Q, with gross sales, operating profit, ordinary profit, and profit all reaching new highs for 1H.

- Department Store Business increased both sales and operating profit due to strong domestic sales and significant growth in inbound sales.
  Results of 2Q generally in line with forecast

- Supermarket Business increased sales due to YoY increase in existing stores at supermarkets, and operating profit remained almost flat YoY.

Forecast for FY2025

- Forecast for operating profit and ordinary profit are revised upward in light of the 1H increase.
  In Department Store Business, inbound sales are revised from the initial forecast of 100 bn. JPY to 126 bn. JPY.

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Topics

1 Results for 1H of FY2025

2 Forecast for FY2025

3 Progress of Mid-term Management Plan (FY2025-FY2027)

4 Progress of Cost of Capital and Stock Price

5 Appendix

Note

- Figures in 100 million JPY in this documents are rounded to the nearest 100 million JPY.
- Gross Sales in this document are reclassified on the standard before the application of "Accounting Standard for Revenue Recognition".
- 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 and subsidiaries. No change in consolidated operating profit.
- Profit attribute to owners of the parent is shown as Profit.

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Consolidated Results

- As in 1Q, Department Store Business drove consolidated results in 2Q, with gross sales, operating profit, ordinary profit, and profit all reaching new highs for 1H.
  Profit increased significantly, partly due to the recording of a gain on sale of investment securities in 1Q.
- Results of 2Q generally in line with forecast

(100 million JPY)

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)	Vs. Forecast (b vs c)
Gross sales	5,052	5,585	+10.5%	+533	5,680	▲1.7%
Net sales	3,185	3,313	+4.0%	+127	3,410	▲2.9%
Operating profit	99	150	+51.6%	+51	136	+14
Ordinary profit	107	159	+49.5%	+53	138	+22
Profit	63	271	+330.0%	+208	254	+17

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Results by Segment-Gross Sales and Operating Profit

(100 million JPY)

Consolidated Gross sales

1H of FY2025	**5,585**
YoY change	**+10.5%**
YoY amount	**+533**

(100 million JPY)

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)	Vs. Forecast (b/c)
Department Stores	2,591	3,050	+17.7%	+459	3,032	+0.6%
Supermarket	2,109	2,112	+0.1%	+3	2,191	▲3.6%
Shopping Center	158	160	+1.2%	+2	183	▲12.8%
Other	193	263	+35.9%	+70	275	▲4.2%

Consolidated Operating profit

1H of FY2025	**150**
YoY change	**+51.6%**
YoY amount	**+51**

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)	Vs. forecast (b-c)
Department Stores	63	126	+100.3%	+63	120	+6
Supermarket	37	37	▲0.5%	▲0	41	▲4
Shopping Center	16	21	+34.1%	+5	16	+5
Other	13	48	+260.9%	+34	43	+5
Consolidation adjustment	▲30	▲82	—	▲52	▲85	+3

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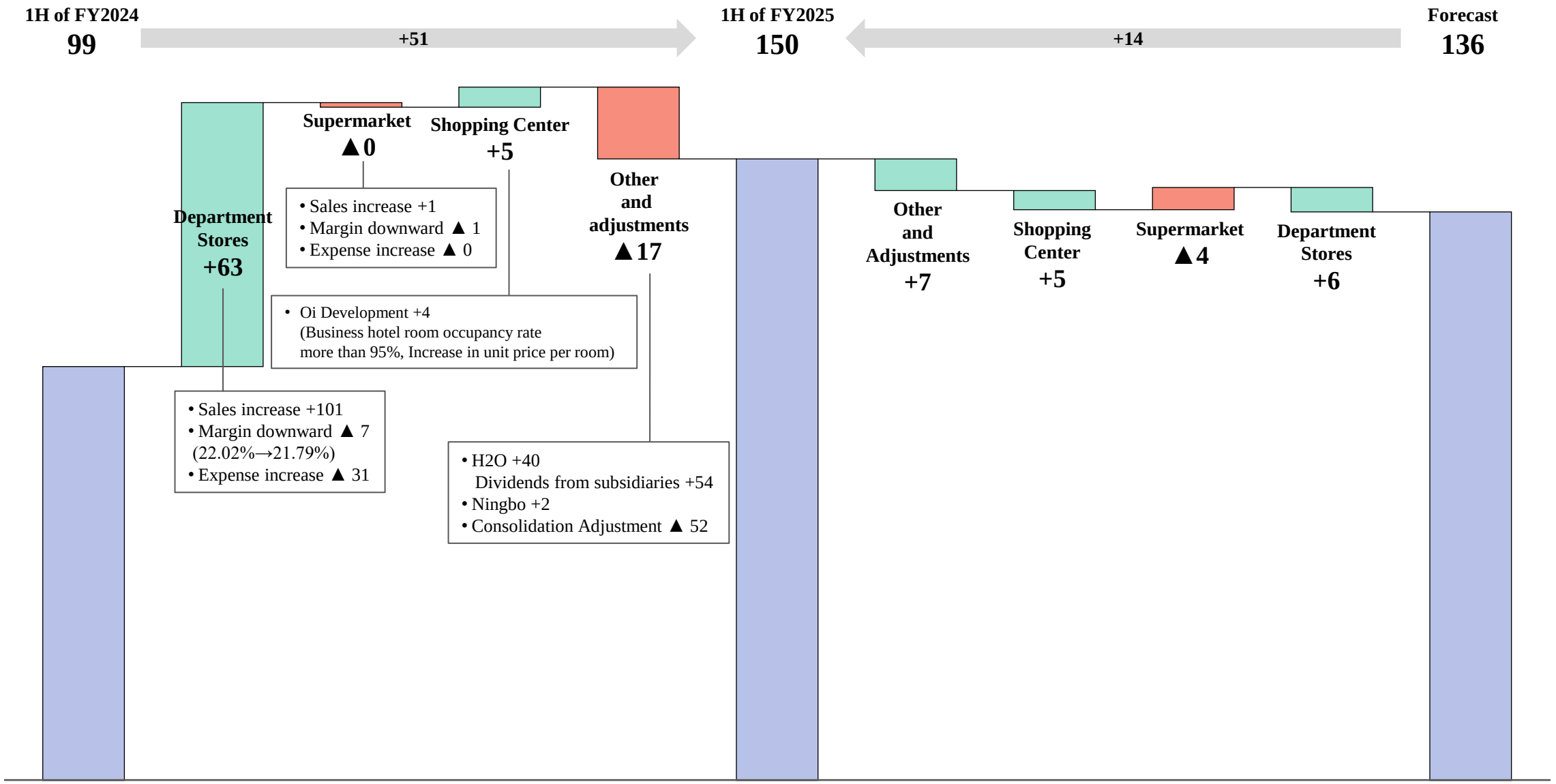
Results by Segment-Factors of Increase / Decrease in operating profit (YoY, Vs. Forecast)

(100 million JPY)



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Results by Segment-Department Store Business (1/3)

- Steady domestic sales (+3.2% YoY) and rapid growth in inbound sales (+40 bn. JPY YoY) resulted in significant increases in sales and operating profit.
- Results of 2Q generally in line with forecasts (announced on Aug. 6)

(100 million JPY)

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)	Vs. Forecast (b vs c)
Gross sales	2,591	3,050	+17.7%	+459	3,032	+0.6%
Net sales	813	920	+13.1%	+107	—	—
Gross profit	571	665	+16.5%	+94	—	—
SG&A	508	539	+6.1%	+31	—	—
Operating profit	63	126	+100.3%	+63	120	+6

Breakdown of YoY amount in SG&A	
Sales related expenses*	+20
Bonuses, etc.	+13
Utilities expenses	▲3

*Sales related expenses: Sales commissions, rent

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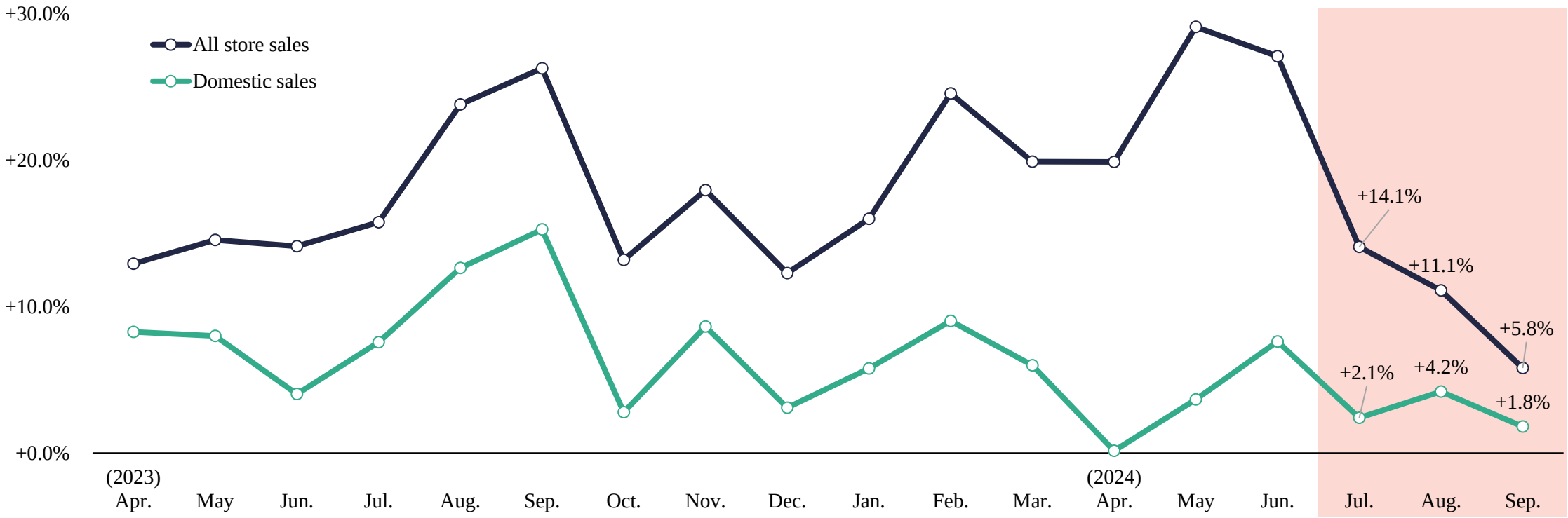
Results by Segment-Department Store Business (2/3)

- Domestic sales remained stable in the 2Q period, exceeding the previous year's level (*2Q real basis +4.0% YoY), on par with initial forecast.
- Sales driven by urban stores, centered on Hankyu Main Store and Hakata Hankyu (+21% YoY).

All store sales trends (YoY change)



Domestic sales (1H) +3.2%

Domestic sales (1Q) +3.8%

Domestic sales (2Q) +2.6%

***Real basis+4.0% (▲ impact of Hanshin Tigers' sale in the previous year 1.4%)**

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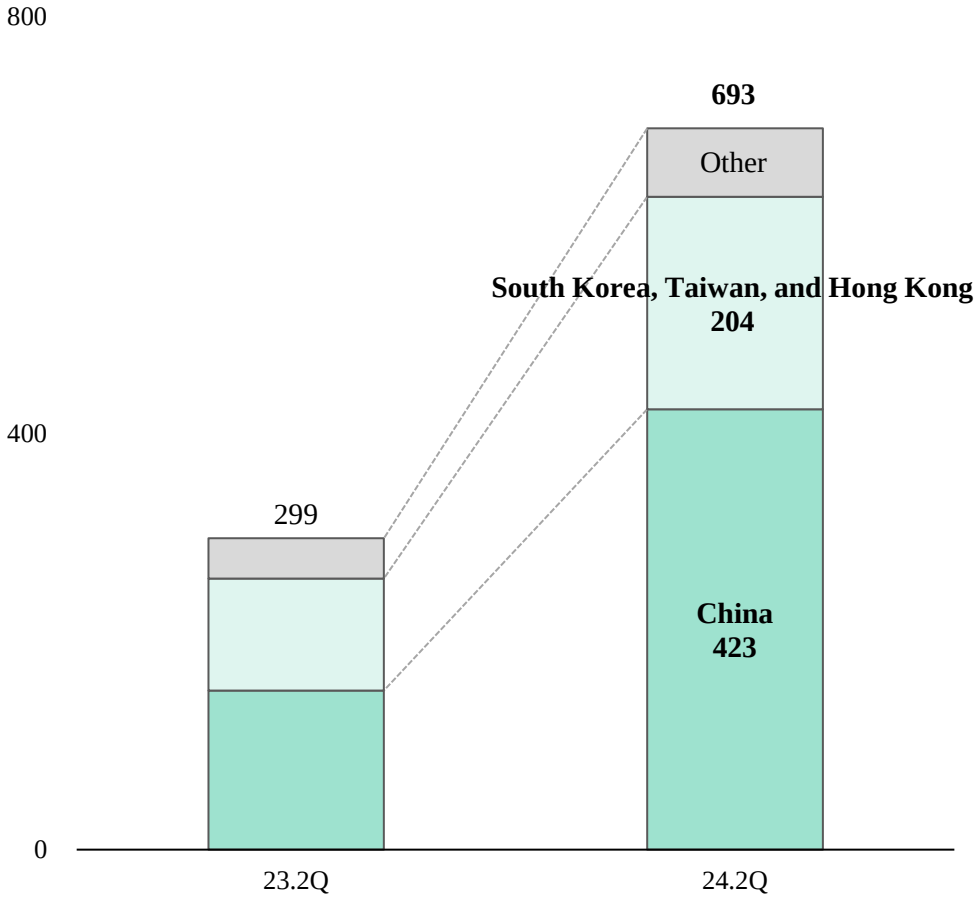
Results by Segment-Department Store Business (3/3)

- Due in part to the depreciation of JPY in 1Q, inbound sales reached a record high of 69.3 bn. JPY in 1H.
- Considering recent trends and exchange rate fluctuations, expecting 57.0 bn. JPY (+13% YoY) in 2H and 126.0 bn. JPY for the full-year FY2025.

Inbound sales by region (1H)

(100 million JPY)



Inbound sales (by quarter)

(100 million JPY)



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Results by Segment-Supermarket Business

- In supermarkets, existing-store sales exceeded the previous year's level due to steady number of customers, despite a decline in the unit price per customer due to a decrease in the number of items purchased. Operating profit was almost flat YoY despite higher personnel expenses.
- In food manufacturing and home delivery, sales declined due to the termination of operations of unprofitable subsidiaries, despite strong performance in food manufacturing, especially prepared food.

(100 million JPY)

Gross sales

1H of FY2025	**2,112**
YoY change	**+0.1%**
YoY amount	**+3**

(100 million JPY)

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)*	Vs. Forecast (b/c)
Izumiya・Hankyu Oasis	1,321	1,318	▲0.2%	▲3	1,369	▲3.7%
Kansai Super Market	662	663	+0.2%	+2	668	▲0.7%
Food manufacturing and home delivery	200	192	▲4.3%	▲9	—	—

Operating profit

1H of FY2025	**37**
YoY change	**▲0.5%**
YoY amount	**▲ 0**

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)	1H of FY2025 Forecast on Aug. 6 (c)*	Vs. Forecast (b-c)
Izumiya・Hankyu Oasis	25	24	▲3.3%	▲1	35	▲11
Kansai Super Market	18	16	▲10.8%	▲2	16	+0
Food manufacturing and home delivery	▲6	▲4	—	+1	—	—

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Results by Segment-Shopping Center Business

- In Oi Development, sales increased due to the strong performance of the business hotels (Ours Inn Hankyu).
  Sales decreased in H2O SC Development due to a decrease in stores.
- Ours Inn Hankyu achieved occupancy rate of over 95% and an increase in the unit price per room, resulting in an increase in profit.

(100 million JPY)

Gross sales

1H of FY2025	**160**
YoY change	**+1.2%**
YoY amount	**+2**

(100 million JPY)

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)
Oi Development	30	35	+17.5%	+5
H2O SC Development	124	118	▲5.4%	▲7
Hankyu SC Development	23	25	+7.8%	+2

Operating profit

1H of FY2025	**21**
YoY change	**+34.1%**
YoY amount	**+5**

	1H of FY2024 Actual (a)	1H of FY2025 Actual (b)	YoY change (b/a)	YoY amount (b-a)
Oi Development	12	16	+32.6%	+4
H2O SC Development	3	2	▲36.0%	▲1
Hankyu SC Development	2	3	+82.8%	+2

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Consolidated Forecasts for FY2025

- Forecast for operating profit and ordinary profit are revised upward in light of the 1H increase.

(100 million JPY)

	FY2024 Actual (a)	FY2025 Forecast on Aug. 6 (b)	FY2025 Forecast on Nov. 6 (c)	Change (c-a)	Change (c-b)	2H of FY2024 Forecast on Aug. 6 (d)	2H of FY2025 Forecasts on Nov. 6 (e)	Vs. Forecast (e-d)
Gross sales	10,739	11,750	11,550	+811	▲200	6,070	5,965	▲104
Net sales	6,574	7,020	6,820	+246	▲200	3,610	3,507	▲103
Operating profit	262	295	310	+48	+15	159	160	+1
Ordinary profit	279	300	320	+41	+20	162	161	▲2
Profit	219	300	300	+81	+0	46	29	▲17

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Forecast for FY2025-By Segment

(100 million JPY)

Consolidated Gross sales

Forecast of FY2025	**11,550**
YoY change	**+7.6%**
YoY amount	**+811**

(100 million JPY)

	FY2024 Actual (a)	FY2025 Forecast on Aug. 6 (b)	FY2025 Forecast on Nov. 6 (c)	Change (c/a)	Change (c-b)
Department Stores	5,771	6,267	6,285	+8.9%	+18
Supermarket	4,256	4,449	4,300	+1.0%	▲149
Shopping Center	321	380	327	+2.0%	▲53
Other	390	655	638	+63.3%	▲17

Consolidated Operating profit

Forecast of FY2025	**310**
YoY change	**+18.4%**
YoY amount	**+48**

	FY2024 Actual (a)	FY2025 Forecast on Aug. 6 (b)	FY2025 Forecast on Nov. 6 (c)	Change (c-a)	Change (c-b)
Department Stores	196	255	261	+65	+6
Supermarket	71	98	94	+23	▲4
Shopping Center	32	33	38	+6	+5
Other	▲0	▲3	2	+2	+5
Consolidation adjustment	▲37	▲88	▲85	▲47	+4

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Digest of Mid-term Management Plan Progress

Policy	Progress in 1H of FY2025
Deepening of existing business “Domestic Customer and Store Business”	[Department Store Business] Promoting reforms and service development to maximize LTV of key customers [Supermarket Business and others] Executing initiatives to optimize management resources
Focus on and strengthen “Overseas Customer Businesses”	• Establishing a system that is capable of responding to the high-potential and full-scale efforts of the company
Development of new revenue sources	• Steady progress in Customer Service Business; testing begins for use of customer data
Development and use of Group infrastructure to support business	• IT/DX continues to prepare for business implementation and utilization • Promoting training programs across the Group to enhance value creation based on the human resources strategy • Further strengthening activities for regional co-creation unique to our group, and promoting environmental measures

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Focus on and strengthen Overseas Customer Business / Deepen Domestic Customer and Store Business

- Developed the organization and began full-scale efforts to maximize LTVs on key customers.

Overseas wealthy customers (Department Store)

Personal Communication

- Attendance staff for overseas VIP customers to be strengthened by actively hiring foreign language personnel (50 staff planned by the end of this fiscal year)
- Hankyu Umeda Main Store opened a new overseas customer service corner exclusively for VIP customers and expands its support for overseas customers. (shopping attendant service, various consultation services, etc.)

Customer Expansion

- Establish alliances with various business partners who have overseas wealthy customers as clients, and strengthen the promotion of new overseas wealthy customers to visit our stores through cooperation on customer programs.

Department Store Business

Maximizing LTV through Digital and Real Communications

- The VIP salon at the Hankyu Umeda main store, which is characterized by hands-on experience, is scheduled to open in February 2025 with additional features, including private rooms, from the initial plan.
- Launched a new reservation system: "H2O ID" registration to improve UX and deepen customer relationships.
  (Approx. 40,000 new people registered to use the reservation system / Approx. 240,000 H2O IDs *as of end of September)

Increase store profitability by strengthening ability to attract customers and reviewing business structure

- Hanshin Umeda Main Store is in the process of planning to open a large specialty store with high customer attraction capacity around spring 2025.
- Renovation of the "Kawanishi Hankyu Square" is underway, and the opening is scheduled for spring 2025.

Supermarket Business

- Completed making Kansai Food Market a wholly owned subsidiary, integrating sales headquarters and head office functions in order to achieve synergies in Supermarket Business.

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Development and utilization of group infrastructure

- Promote training programs across the Group to activate value creation based on the Human Resources strategy
- Further strengthen the Group's unique community co-creation activities and promote specific environmental measures

Human resource development and investment

- Conducted "H2O Future Exploration School" to learn mindset, ideas, skills and actions to explore new markets and new business models.
- Launched joint Group training for new employees and newly assigned managers to promote mutual understanding and synergy within the Group.
- Promote the development of a Group-wide human resources database and the collection and accumulation of talent management information.

Sustainability Management

Initiatives based on a comprehensive collaboration agreement with Osaka Prefecture

- Launch of the oHOHo CYCLE PROJECT, a model demonstration project aimed by the Ministry of the Environment at realizing a regionally co-created circular economy and building a sustainable fashion platform
- Full-scale implementation of the "bench for thinking-recycling of life" as part of the "osaka forest recycling promotion project"
  Advancing the production of benches made of wood from Osaka Prefecture, offering hands-on programs, and starting web media by prefectural citizens

Environmental Measures

- Gradual promotion of "conversion to renewable energy" for reduction of greenhouse gas emissions (12% reduction in FY2024 from FY2020)
  Hankyu Umeda Main Store, Nishinomiya Hankyu, and IZUMIYA SC Nishinomiya Gardens have completed conversion of 100% of electricity consumption to renewable energy

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Numerical targets

- Forecast for FY2025 is better than initial expectations, with a target return on equity of 10.8%, but the actual return on equity 6.2%. Aim to achieve the targets for FY2027 by consistently implementing Mid-term Management Plan.

(100 million JPY)

	FY2025 Forecast on May 15	**FY2025 Forecast on Nov. 6**	Change	**FY2027 Forecast**
Gross sales	11,625	**11,550**	▲75	
Operationg profit	265	**310**	+45	**320**
Profit	260	**300**	+40	
ROE	9.6%	**10.8%**	+1.2pt	**6.6% over**
ROE (real base) *	5.1%	**6.2%**	+1.1pt	
ROIC	4.7%	**5.4%**	+0.7pt	**5.9%**

*Excluding extraordinary gains such as asset sales and tax effects

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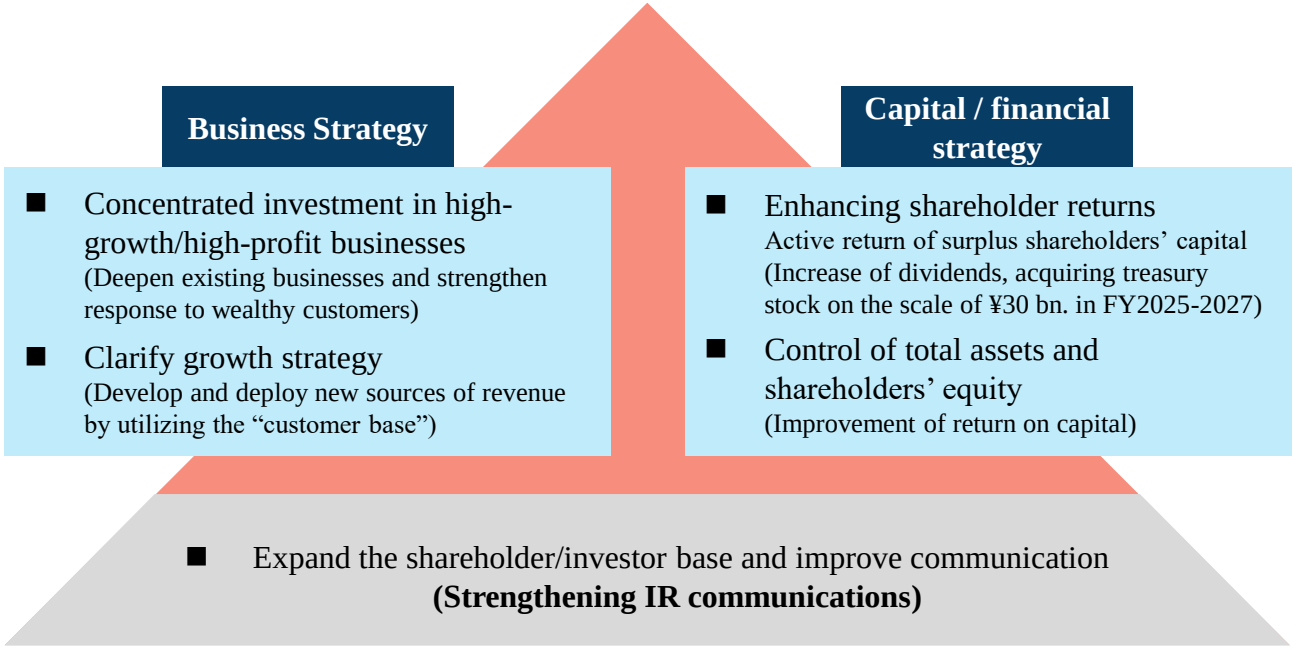
Analysis of Current Status and Direction of Initiatives

- Although PBR temporarily exceeded 1.0x, but has recently remained at around 0.8x, and PER has remained at a low level of 7.5x to 8.0x.
- To improve PER, realising the business strategy, execution of enhancement of shareholder returns and promote the strengthening of IR communications disclosed in May 2024.



Current					Future				
PBR	=	ROE	×	PER	PBR	=	ROE	×	PER
Approx. 0.8x	=	Approx. 10%	×	7.5 ~ 8.0x	1.2x over	=	8% over	×	15x over

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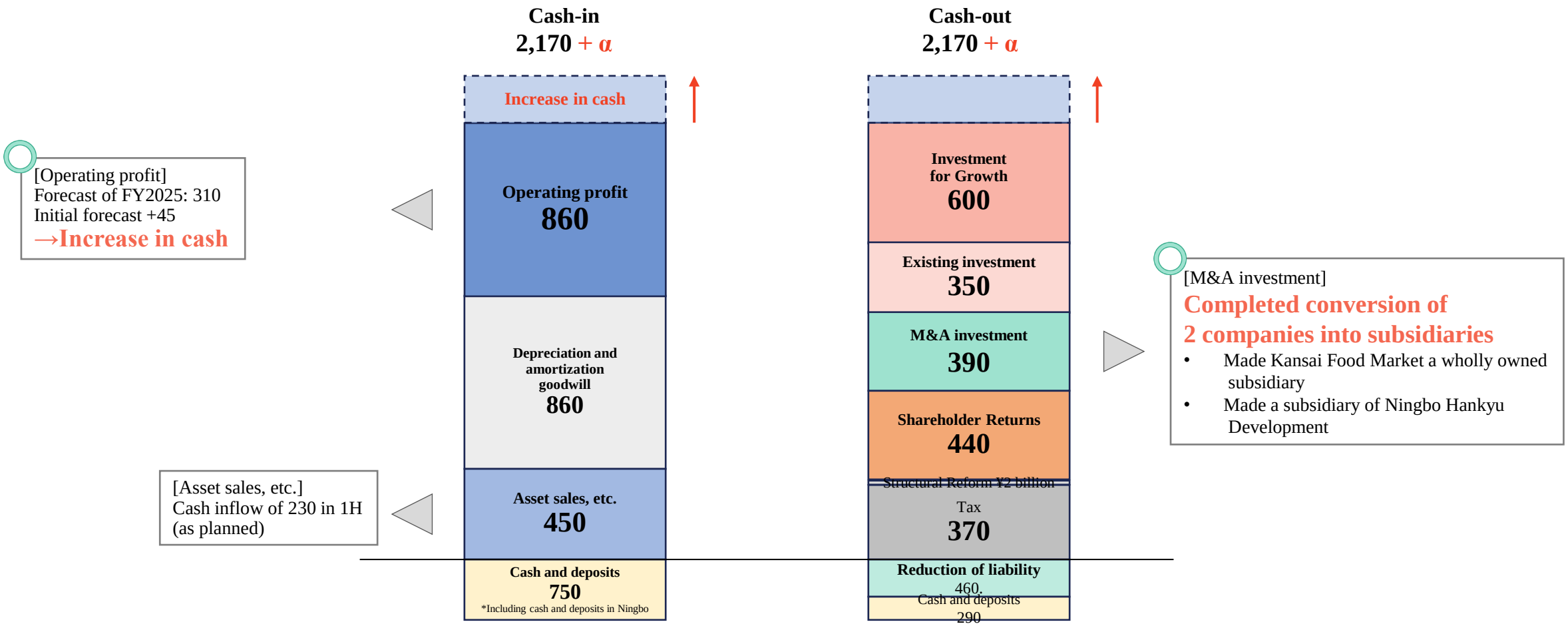
Cash Flow Allocation (FY2025-2027)

- Cash-in: Expected to exceed forecast due to strong business performance of FY2025
- Cash-out: M&A (making it a subsidiary) has been completed, planning to allocate additional funds to shareholder returns and growth investments as appropriate based on performance trends

(100 million JPY)



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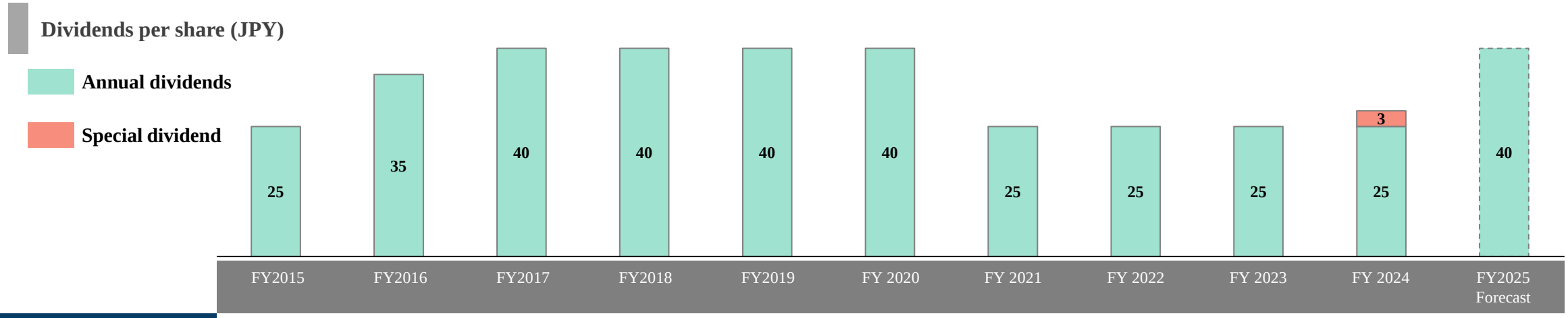
Shareholder Returns

- Forecast of dividend for FY2025 is ¥40 per share as initially planned.
- Considering acquisition of treasury stock for the current fiscal year after the completion of market purchase transactions in ASR transaction, which is part of the share repurchase program implemented in May



	FY2015	FY2016	FY2017	FY2018	FY2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY2025 Forecast
Acquisition of treasury stock (100 million JPY)	35	0	0	0	0	0	0	5	89	19	To be Determined
Total return ratio	54%	26%	32%	34%	229%	—	—	36%	73%	22%	14%
Dividend payout ratio	26%	31%	35%	34%	229%	—	—	31%	18%	15%	16%
Dividends on Equity	1.5%	1.7%	2.0%	2.1%	2.0%	2.1%	1.9%	1.6%	1.5%	1.3%	1.8%

Shareholder return policy

Keeping an annual dividend of 25 JPY per share and aiming for a long-term dividend payout ratio of 30-40%

In principle, the Company will pay out dividends based on a DOE of over 1.8% and will flexibly return profits to shareholders in accordance with business performance.
Acquisition of treasury stock planned on the scale of 30 bn. JPY in FY 2025-2027 (cumulative total return ratio of over 60%)

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Expand the shareholder base

- To expand the investor base by taking concrete measures to improve the convenience of shareholder benefits and increase the number of fan shareholders

Enhancing shareholder benefits

Before

Contents

- Discount coupons (paper-based) that can be used at department stores and supermarkets

Issue

- Response to existing individual shareholders of Kansai Food Market Ltd.

Present: Introduction of choice system

Contents

- Introduced a "choice system" where customers can choose from "Department Stores," "Supermarkets," and "rice".

Target

- Responding to the diversifying needs of individual shareholders, understand what's needed and how to use it.

under reviw: Enhance convenience and appeal

Considering shareholder benefits programs to make shopping with the Company more economical and enjoyable through like application of shareholder benefits and the expansion of the shareholder benefits program.

Implementing fan shareholder initiatives

Event for individual shareholder to be held at Hankyu Umeda Main Store in 2025

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Consolidated Results trends

(100 million JPY)

	2023.1Q	2023.2Q	2023.3Q	2023.4Q	2024.1Q	YoY	2024.2Q	YoY
Gross sales	2,447	2,605	2,965	2,722	2,764	+13.0%	2,821	+8.3%
Net sales	1,548	1,637	1,769	1,619	1,619	+4.6%	1,694	+3.4%
Operating profit	48	51	123	40	93	+45	57	+6
Ordinary profit	52	55	133	40	102	+50	57	+3
Profit	34	29	115	41	265	+231	6	▲23

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Results by Segment trends

(100 million JPY)

	2023.1Q	2023.2Q	2023.3Q	2023.4Q	2024.1Q	YoY	2024.2Q	YoY
Department Stores	1,235	1,356	1,655	1,525	1,554	+25.8%	1,496	+10.3%
Supermarket	1,031	1,078	1,127	1,020	1,034	+0.3%	1,078	▲0.0%
Shopping Center	81	77	86	77	82	+1.8%	78	+0.5%
Other	100	93	96	101	94	▲6.3%	169	+81.2%
Gross sales	**2,447**	**2,605**	**2,965**	**2,722**	**2,764**	**+13.0%**	**2,821**	**+8.3%**
Department Stores	29	34	90	44	80	+50	47	+13
Supermarket	16	21	29	5	15	▲1	21	+1
Shopping Center	9	7	10	6	13	+4	8	+1
Other	22	▲8	1	▲14	66	+44	▲18	▲10
Consolidation adjustment	▲29	▲1	▲7	▲0	▲82	▲53	▲0	+1
Operating profit	**48**	**51**	**123**	**40**	**93**	**+45**	**57**	**+6**

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Consolidated Forecast for 2H of FY2025

(100 million JPY)

	2H of FY2024 Actual (a)	2H of FY2025 Forecast on Aug. 6 (b)	2H of FY2025 Forecast on Nov. 6 (c)	Change	
				(c vs a)	(c-b)
Gross sales	5,687	6,070	5,965	+4.9%	▲104
Net sales	3,389	3,610	3,507	+3.5%	▲103
Operating profit	163	159	160	▲3	+1
Ordinary profit	172	162	161	▲12	▲2
Profit	156	46	29	▲127	▲17

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Forecast for 2H of FY2025-by Segment

(100 million JPY)

Consolidated Gross sales

Forecast for 2H of FY2025	**5,965**
YoY change	**+4.9%**
YoY amount	**+279**

(100 million JPY)

	2H of FY2024 Actual (a)	2H of FY2025 Forecast on Aug. 6 (b)	2H of FY2025 Forecast on Nov. 6 (c)	Change (c/a)	Change (c-b)
Department Stores	3,180	3,235	3,235	+1.7%	+0
Supermarket	2,147	2,258	2,188	+1.9%	▲70
Shopping Center	163	196	167	+2.8%	▲29
Other	197	380	375	+90.1%	▲5

Consolidated Operating profit

Forecast for 2H of FY2025	**160**
YoY change	**▲1.8%**
YoY amount	**▲3**

	2H of FY2024 Actual (a)	2H of FY2025 Forecast on Aug. 6 (b)	2H of FY2025 Forecast on Nov. 6 (c)	Change (c-a)	Change (c-b)
Department Stores	133	135	135	+2	+0
Supermarket	34	57	57	+23	+0
Shopping Center	16	17	17	+1	+0
Other	▲13	▲46	▲46	▲33	+0
Consolidation adjustment	▲7	▲4	▲3	+4	+1

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Department Store-Results for 1H of FY2025

(100 million JPY)

	2023.1Q Actual	2024.1Q Actual	YoY	2024.2Q Actual	2024.2Q Actual	YoY	1H of FY2024 Actual	1H of FY2025 Actual	YoY
Gross sales	1,235	1,554	+25.8%	1,356	1,496	+10.3%	2,591	3,050	+17.7%
Net sales	383	457	+19.6%	431	463	+7.4%	813	920	+13.1%
Gross profit	274	338	+64	297	327	+30	571	665	+94
SG&A	244	259	+14	263	280	+17	508	539	+31
Operating profit	29	80	+50	34	47	+13	63	126	+63

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Department Store-Results for 1H of FY2025

(100 million JPY)

	2023.1Q Actual	2024.1Q Actual	YoY	2024.2Q Actual	2024.2Q Actual	YoY	1H of FY2024 Actual	1H of FY2025 Actual	YoY
Gross sales	122,734	154,535	+25.9%	134,745	148,700	+4.0%	257,479	303,235	+17.8%
Gross profit	27,599	34,116	+6,517	29,805	32,854	+3,049	57,404	66,971	+ 9,566
(Gross profit / Gross Sales)	22.49%	22.08%	▲0.41pt	22.12%	22.09%	▲0.03pt	22.29%	22.09%	▲0.21pt
Other operating revenue	967	1,035	+68	1,000	1,054	+53	1,968	2,090	+ 122
SG & A	25,634	27,174	+1,540	27,473	29,311	+1,838	53,107	56,486	+ 3,378
(SG & A / Gross Sales)	20.89%	17.58%	▲3.30pt	20.39%	19.71%	▲0.68pt	20.63%	18.63%	▲2.00pt
Operating profit	2,932	7,977	+5,045	3,332	4,597	+1,264	6,265	12,575	+ 6,310
(Operating profit / Gross Sales)	2.39%	5.16%	+2.77pt	2.47%	3.09%	+0.62pt	2.43%	4.15%	+1.71pt

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Non-operating income/expenses and Extraordinary income/losses

(100 million JPY)

	1H of FY2024 Actual	1H of FY2025 Actual	YoY amount	Major items	YoY amount
Operating profit	99	150	+51		
Non-operating income/expenses	**8**	**9**	**+2**	• Increase in dividends received • Increase in foreign exchange gain • Increase in share of profit of entities accounted for using equity method • Increase in expenses related to purchase of shares of subsidiaries	+4 +2 +3 ▲7
Ordinary profit	107	159	+53		
Extraordinary income/losses	**▲2**	**244**	**+246**	• Increase in gain on sales of investment security • Increase in gain on step acquisitions • Increase in gain on sales of non-current assets • Decrease in loss on retirement of non-current assets	+142 +80 +17 +4
Profit /loss before income taxes	105	403	+299		
Income taxes, Profit / loss attributable to non-controlling interests	42	133	+91		
Profit	63	271	+208		

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Capital Investment and Depreciation

Capital Investment

(100 million JPY)

	1H of FY2024 Actual	1H of FY2025 Actual	Major items	FY2025 Forecast
Department Stores	44	19	Hankyu Main Store renovation	53
Supermarket	38	39	Store investment of supermarket	85
Shopping Center	10	10	Renovation of SC stores and renovation of business hotel	23
Other	77	69		163
IT・DX	60	60	POS and data-infrastructure development	101
Ningbo	—	6	Ningbo Hankyu Remodeling	51
Total	**168**	**132**		**324**

Depreciation

(100 million JPY)

	1H of FY2024 Actual	FY2024 Actual	1H of FY2025 Actual	YoY amount
Total	95	199	104	+9

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