Financial Results for the Fiscal Year Ended Mar. 2025

H2O RETAILING CORPORATION

May 13, 2025

Digest

Point

Results

- Consolidated results reached record highs in gross sales, operating profit, and all other profit categories.
- Department Store Business increased both gross sales and operating profit due to significant growth in inbound sales and strong domestic sales.
- Supermarket Business increased both sales and operating profit due to increase in existing store sales of supermarkets and decrease in SG&A expenses YoY.
- Dividends for fiscal year end increased by 2.0 JPY from forecast, annual dividend increased by 14.0 JPY YoY.

Forecast

- Supermarket Business is expected to increase sales and operating profit by strengthening store competitiveness, but Department Store Business is expected to decrease sales and operating profit due to slowdown in inbound sales from unstable global economic conditions and the impact of closing sales area due to remodeling at Hankyu Main Store in preparation for its transformation into “Global Department Store”.
  Aiming for mid- to long-term growth, consolidated operating profit for FY2026 is expected to temporarily decrease.
- Profit is expected to decrease due to extraordinary gains recorded in the previous fiscal year (gain on sales of investment security and gain on step acquisitions).
- Annual dividend for FY2026 is planned to be 44.0 JPY, up 2.0 JPY YoY.

Results for FY2025

(100 million JPY)

		YoY	Vs. Forecast (25/2/5)
Gross sales	11,596	+858 +8%	+26 +0%
Operating profit	348	+86 +33%	+38 +12%
Profit	348	+129 +59%	+48 +16%

Forecast for FY2026

(100 million JPY)

		YoY
Gross sales	11,680	+84 +1%
Operating profit	300	▲ 48 ▲14%
Profit	180	▲ 168 ▲48%

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Topics

1 Results for FY2025

2 Forecast for FY2026

3 Progress of Mid-term Management Plan (2024-2026)

4 Progress of “Measures to Achieve Management Conscious 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 nonoperating 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.
- “1Q” shows the figures for the first quarter, and “1-2Q”, “1-3Q”, “3-4Q”, and “1-4Q” show the cumulative figures for the respective periods.

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Consolidated Results

- (Full-year) Consolidated results reached record highs in gross sales, operating profit, and all other profit categories.
- (4Q) In Department Store Business, inbound sales slowed down and operating profit declined. On the other hand, Supermarket Business increased operating profit significantly due to sales recovery and a decrease in SG&A expenses, leading in consolidated results.

(100 million JPY)

	1-4Q					4Q			
	FY 2024	FY2025	YoY change	YoY amount	Vs. Forecast (25/2/5)	FY 2024	FY2025	YoY change	YoY amount
Gross sales	10,739	11,596	+8.0%	+858	+0.2%	2,722	2,857	+4.9%	+134
Net sales	6,574	6,818	+3.7%	+244	▲0.0%	1,619	1,669	+3.0%	+49
Operating profit	262	348	+33.0%	+86	+38	40	59	+47.6%	+19
Ordinary profit	279	359	+28.8%	+80	+39	40	59	+49.6%	+20
Profit	219	348	+59.1%	+129	+48	41	▲26	—	▲67

Tax effect YoY amount ▲7.5 bn. JPY

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Results by Segment - Gross Sales and Operating Profit

Gross sales

(100 million JPY)

	1-4Q				4Q		
	FY 2024	FY2025	YoY change	Vs. Forecast (25/2/5)	FY 2024	FY2025	YoY change
Department Stores	5,771	6,350	+10.0%	+0.5%	1,525	1,533	+0.6%
Supermarket	4,256	4,285	+0.7%	▲0.1%	1,020	1,043	+2.3%
Shopping Center	321	318	▲0.9%	▲2.9%	77	71	▲7.6%
Other	390	644	+64.9%	+1.0%	101	209	+107.2%

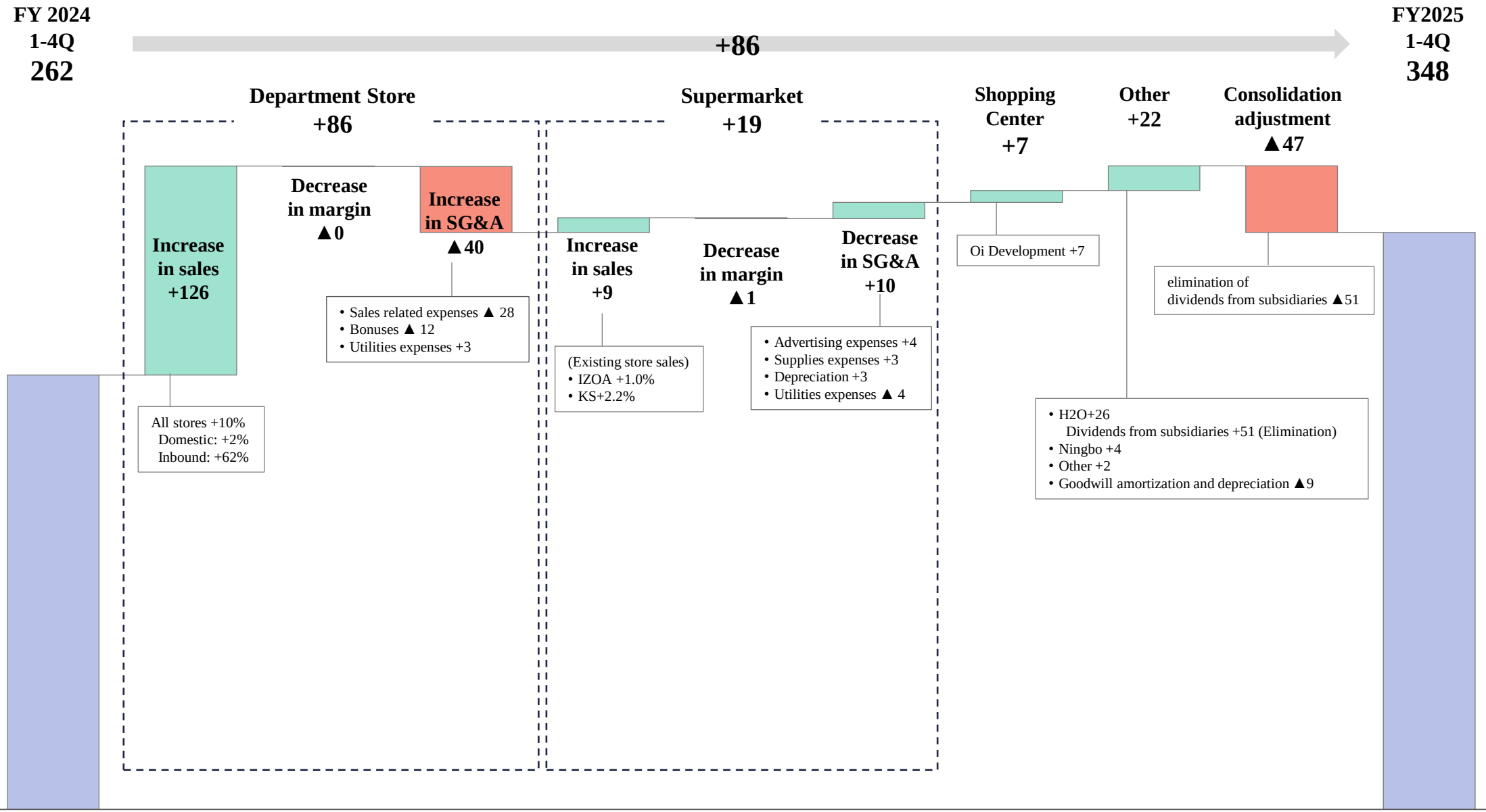
Operating profit

	FY 2024	FY2025	YoY amount	Vs. Forecast (25/2/5)	FY 2024	FY2025	YoY amount
Department Stores	196	282	+86	+12	44	50	+6
Supermarket	71	89	+19	+1	5	20	+15
Shopping Center	32	39	+7	+1	6	6	▲1
Other	▲0	22	+22	+20	▲14	▲14	+0
Consolidation adjustment	▲37	▲85	▲47	+3	▲0	▲3	▲2

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Results for FY2025 by Segment - Factors of Increase / Decrease in Operating Profit (YoY)

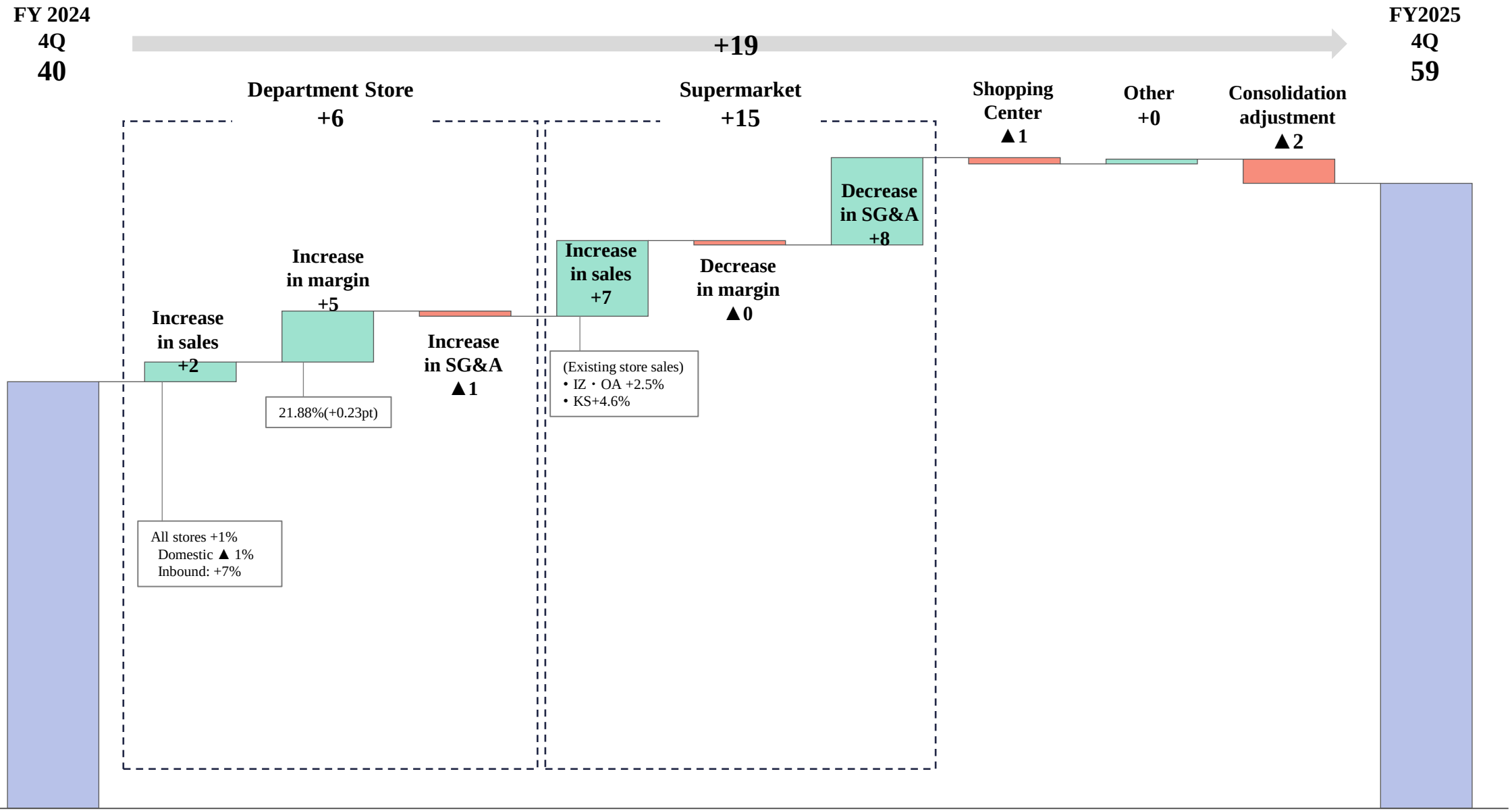
(100 million JPY)



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Results of 4Q by Segment - Factors of Increase / Decrease in Operating Profit (YoY)

(100 million JPY)



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

- Gross sales and operating profit both reached record highs.
  Strong inbound sales and domestic sales at urban stores, and gross profit growth from sales increase significantly higher than sales-related increase in SG&A expenses.
- 4Q: Despite slowdown in inbound sales and impact of remodeling at stores, sales increased and profit margin improved (+0.23 pt), resulting in an increase in operating profit.

(100 million JPY)

	1-4Q				4Q		
	FY 2024	FY2025	YoY	Vs. Forecast	FY 2024	FY2025	YoY
Gross sales	5,771	6,350	+10.0%	+0.5%	1,525	1,533	+0.6%
Net sales	1,783	1,922	+7.8%		456	459	+0.8%
Gross profit	1,259	1,385	+126		324	330	+7
SG&A expenses	1,063	1,102	+40		280	281	+0
Operating profit	196	282	+86	+12	44	50	+6

	FY2025	YoY change
Urban stores	5,564	+12%
Hankyu Main Store	3,653	+16%
Hakata Hankyu	694	+11%
Suburban stores	981	▲0%
Total stores	6,545	+10%

(100 million JPY)

Breakdown of YoY amount in SG&A	
Sales related expenses*	+28
Bonuses, etc.	+12
Utilities expenses	▲3

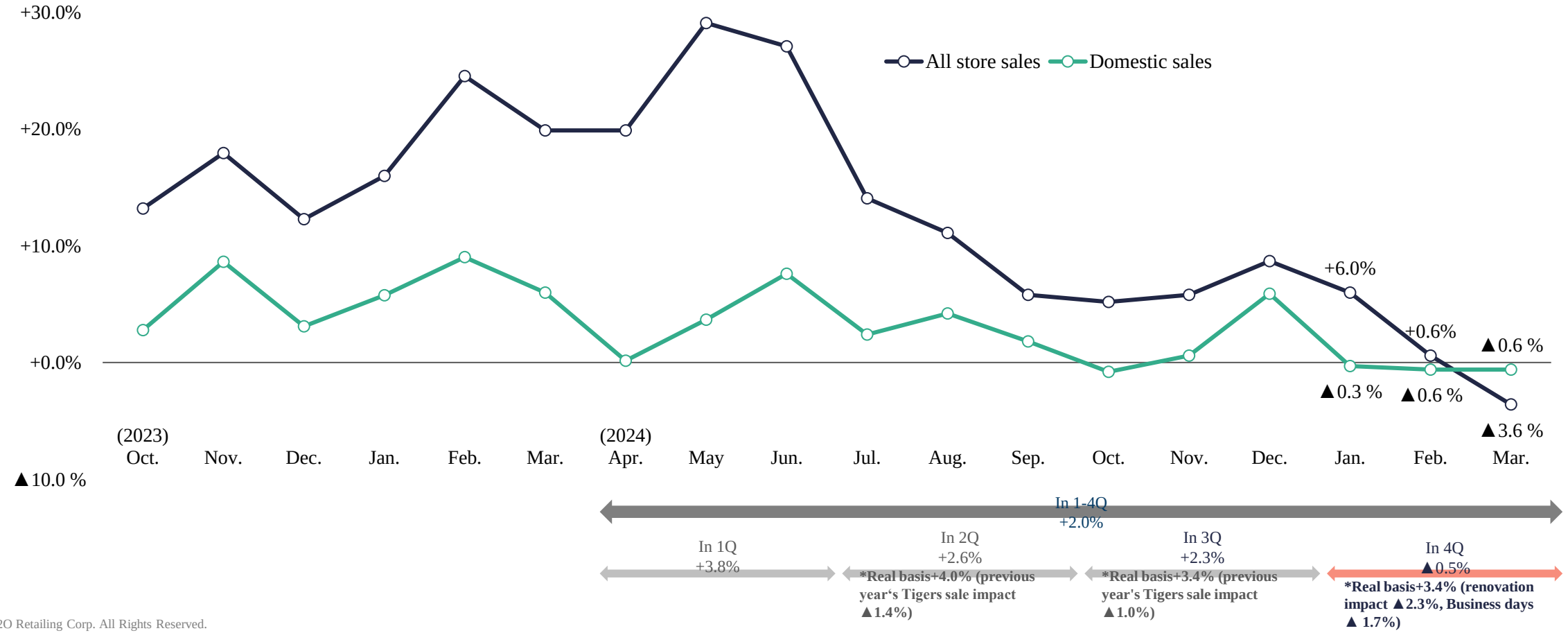
*Sales related expenses: Sales commissions, rent

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

- Sales growth of all stores slowed in 4Q due to slowdown in inbound sales, decrease in number of business days, and impact of remodeling at stores (Hanshin Umeda main store, Kawanishi Hankyu, and Hankyu Main Store).
- Domestic sales in 4Q declined YoY, but the trend remained unchanged at 3.4% growth on a real basis (real basis sales grew 3~4% for the year).

All store sales trends (YoY)



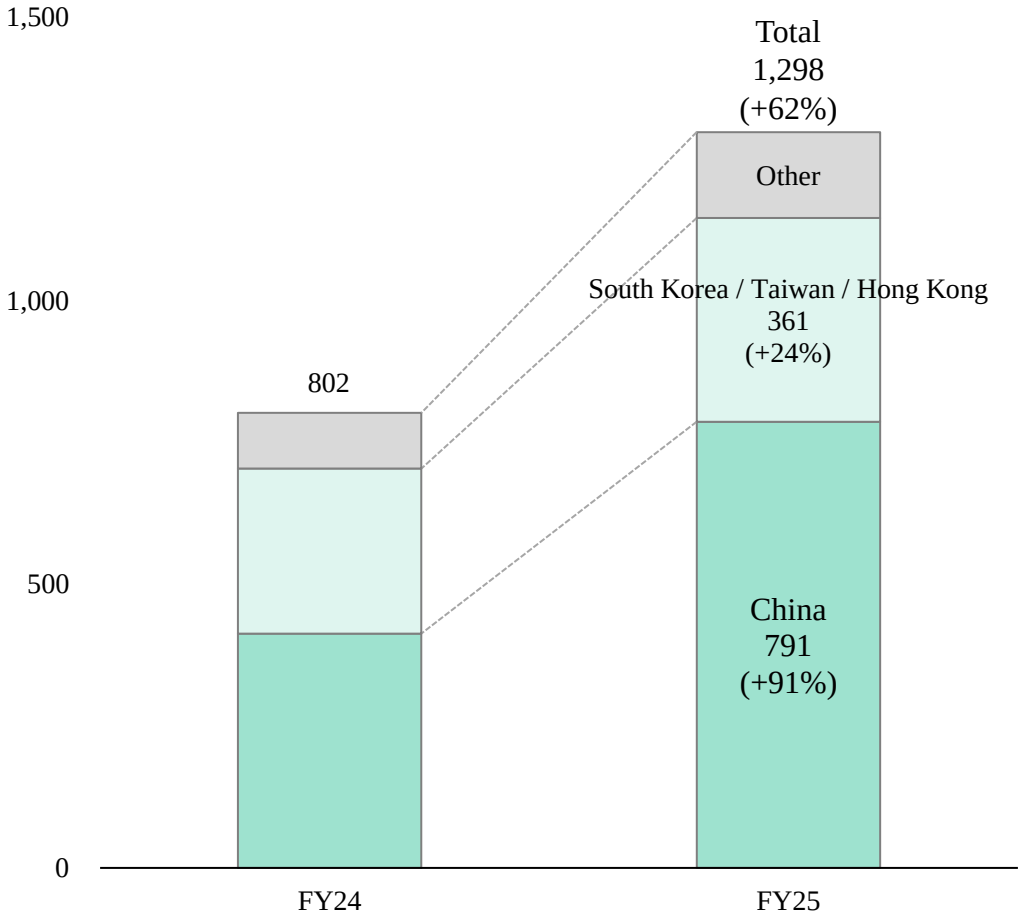
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Results by Segment - Department Store Business (3/3)

- Sales of Chinese customers led the way with a 90% increase, and inbound sales for the full year increased by 50 bn. JPY YoY, a significant increase.
- Sales growth slowed to +7% YoY in 4Q due to the rising hurdles of the previous year and the impact of strong yen.

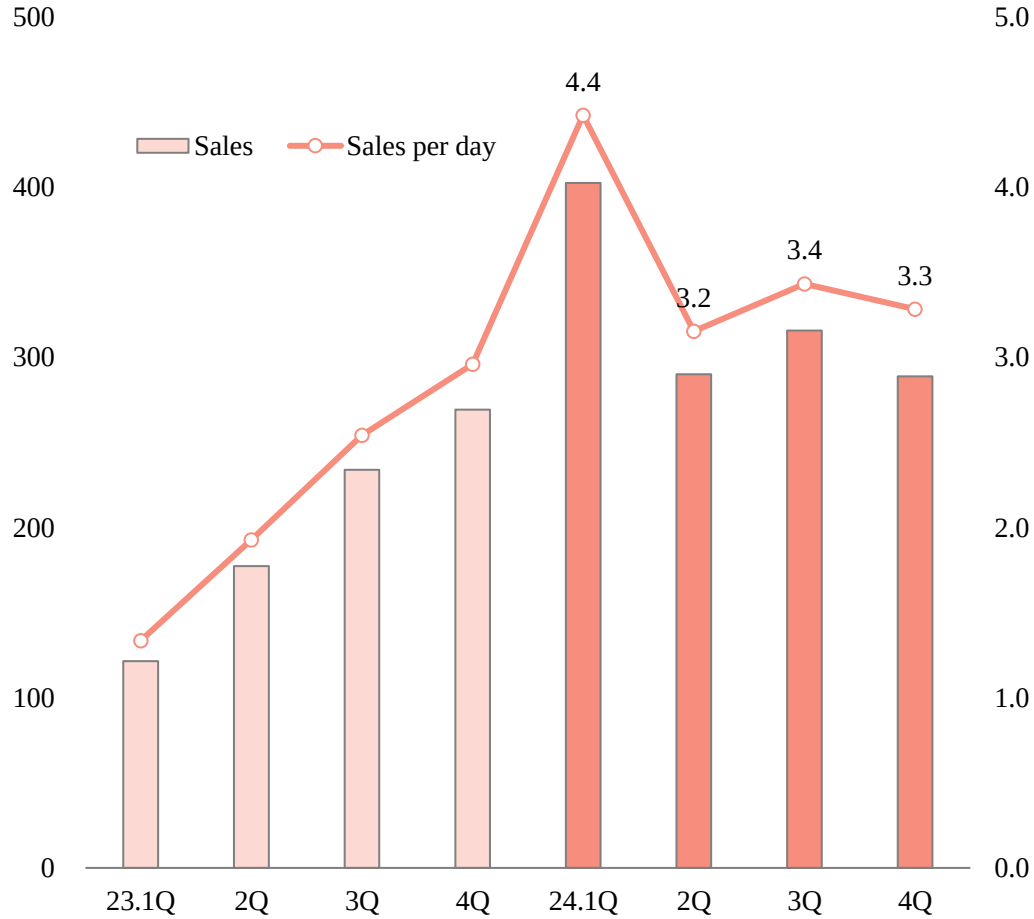
Inbound sales by region (1-4Q)

(100 million JPY)



Inbound Sales trends (by Q)

(100 million JPY)



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Result by Segment - Supermarket Business

- Existing store sales of supermarket exceeded YoY (IZ/OA +1.0%, KS +2.2%), and in 4Q, there was a recovery trend in sales with an increase in average spend per customer and steady number of customers.
  Sales growth and a decrease in SG&A expenses YoY contributed to increasing of operating profits at both supermarkets.
- In food manufacturing and home delivery, sales declined due to the termination of operations of unprofitable subsidiaries, but operating profit increased.

(100 million JPY)

Gross sales

FY2025 1-4Q	4,285
YoY change	+0.7%
Vs. Forecast	▲0.1%

(100 million JPY)

	1-4Q				4Q		
	FY 2024	FY2025	YoY	Vs. Forecast	FY 2024	FY2025	YoY
Izumiya・Hankyu Oasis	2,670	2,676	+0.2%	+0.6%	642	652	+1.6%
Kansai Super Market	1,325	1,343	+1.3%	▲0.1%	316	327	+3.7%
Food manufacturing and home delivery	407	401	▲1.4%	—	95	99	+4.0%

Operating profit

FY2025 1-4Q	89
YoY amount	+19
Vs. Forecast	+1

	FY 2024	FY2025	YoY	Vs. Forecast	FY 2024	FY2025	YoY
Izumiya・Hankyu Oasis	50	62	+12	+6	6	15	+9
Kansai Super Market	35	37	+2	+1	6	10	+4
Food manufacturing and home delivery	▲10	▲7	+3	—	▲4	▲3	+1

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Result by Segment - Shopping Center Business

- Operating profit of segment increased. Driven by Oi Kaihatsu (Ours Inn Hankyu), which achieved the highest performance. Occupancy rates at Ours Inn Hankyu remained high (over 95%), but from the second half of the year, the upward trend in occupancy rates from the previous year came to a stop, and the unit price per room continued to rise.

(100 million JPY)

Gross sales

FY2025 1-4Q	318
YoY change	▲0.9%
Vs. Forecast	▲2.9%

(100 million JPY)

	1-4Q			4Q		
	FY 2024	FY2025	YoY	FY 2024	FY2025	YoY
Oi Development	63	73	+15.8%	17	18	+10.8%
H2O SC Development	249	240	▲3.6%	57	58	+1.2%
Hankyu Commercial Development	46	49	+6.4%	11	12	+5.1%

Operating profit

FY2025 1-4Q	39
YoY amount	+7
Vs. Forecast	+1

	FY 2024	FY2025	YoY	FY 2024	FY2025	YoY
Oi Development	26	32	+7	6	6	+0
H2O SC Development	5	4	▲1	▲0	▲0	+0
Hankyu Commercial Development	4	5	+1	1	▲0	▲1

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Forecast for FY2026 - Assumptions for forecast of sales

		Outlook / Plan
Department Stores	Domestic	**Domestic sales are expected to remain unchanged YoY** • With the expansion of the affluent class and improvement in the income environment, consumption by the domestic affluent class is expected to remain strong, with clothing, cosmetics, etc. expected to continue to be in favorable conditions. (Sales in real basis: +2% YoY) • Sales of Hankyu Main Store are expected to temporarily decline in FY2026 due to the closure of sales areas for remodeling (▲2%). • In addition, ongoing Osaka / Kansai Expo is expected to increase the number of visitors.
	Inbound	**1H 54.0 bn. JPY (▲22% YoY), 2H 56.0 bn. JPY (▲7% YoY), full-year 110.0 bn. JPY (▲15% YoY)** • Growth expected in the mid-to long-term, but there is a risk of international situation and exchange rate fluctuations in the short term. • Strengthen measures to expand sales to overseas VIP customers, centered on Hankyu Main Store. Aiming to capture sales that are not affected by the external environment. • 1H, including 1Q, which increased significantly in the previous year, is expected to decrease significantly YoY.
Supermarket		**Existing store sales at supermarkets are expected to increase 3% YoY.** • While the income environment is improving, consumption trends are changing due to intensifying competition across sectors and business categories, polarization of consumption, and the outlook for continued price hikes. • Promoting the opening and remodeling of new format (A and C type) stores to respond to changing consumer trends, including polarization, and to strengthen store competitiveness.
Shopping Center		**Sales of Oi Development decreased due to the partial closing of guest rooms associated with renovation, and Shopping Center is expected to be on par with the previous year's level** • Although occupancy needs on hotel are expected to remain high, room renovation will have an impact in FY2026. • Shopping Center is expected to be at the same level as the previous year due to initiatives to strengthen tenants.

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Consolidated Forecast for FY2026

- Supermarket Business is expected to increase sales and operating profit by strengthening competitiveness, but Department Store Business is expected to decrease sales and operating profit due to slowdown in inbound sales from unstable global economic conditions and the impact of closing sales area due to renovation at Hankyu Main Store in preparation for its transformation into “Global Department Store”.
  Aiming for mid- to long-term growth, consolidated operating profit for FY2026 is expected to temporarily decrease.
- Profit is expected to decrease due to extraordinary gains recorded in the previous fiscal year (gain on sales of investment security and gain on step acquisitions).
- Annual dividend for FY2026 is planned to be 44.0 JPY, up 2.0 JPY YoY.

(100 million JPY)

	FY2025 Actual (a)			FY2026 Forecast (b)			(b) Vs (a)
	1-2Q	3-4Q	Full year	1-2Q	3-4Q	Full year	
Gross sales	5,585	6,012	11,596	5,600	6,080	11,680	+0.7%
Net sales	3,313	3,505	6,818	3,340	3,560	6,900	+1.2%
Operating profit	150	198	348	110	190	300	▲48
Ordinary profit	159	200	359	116	194	310	▲49
Profit	271	78	348	63	117	180	▲168

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Forecast for FY2026 by Segment

Gross sales

(100 million JPY)

	FY2025 Actual (a)			FY2026 Forecast (b)			(b) Vs (a)
	1-2Q	3-4Q	Full year	1-2Q	3-4Q	Full year	
Department Stores	3,050	3,300	6,350	2,900	3,265	6,165	▲2.9%
Supermarket	2,112	2,174	4,285	2,165	2,235	4,400	+2.7%
Shopping Center	160	158	318	150	155	305	▲4.0%
Other	263	381	644	385	425	810	+25.8%

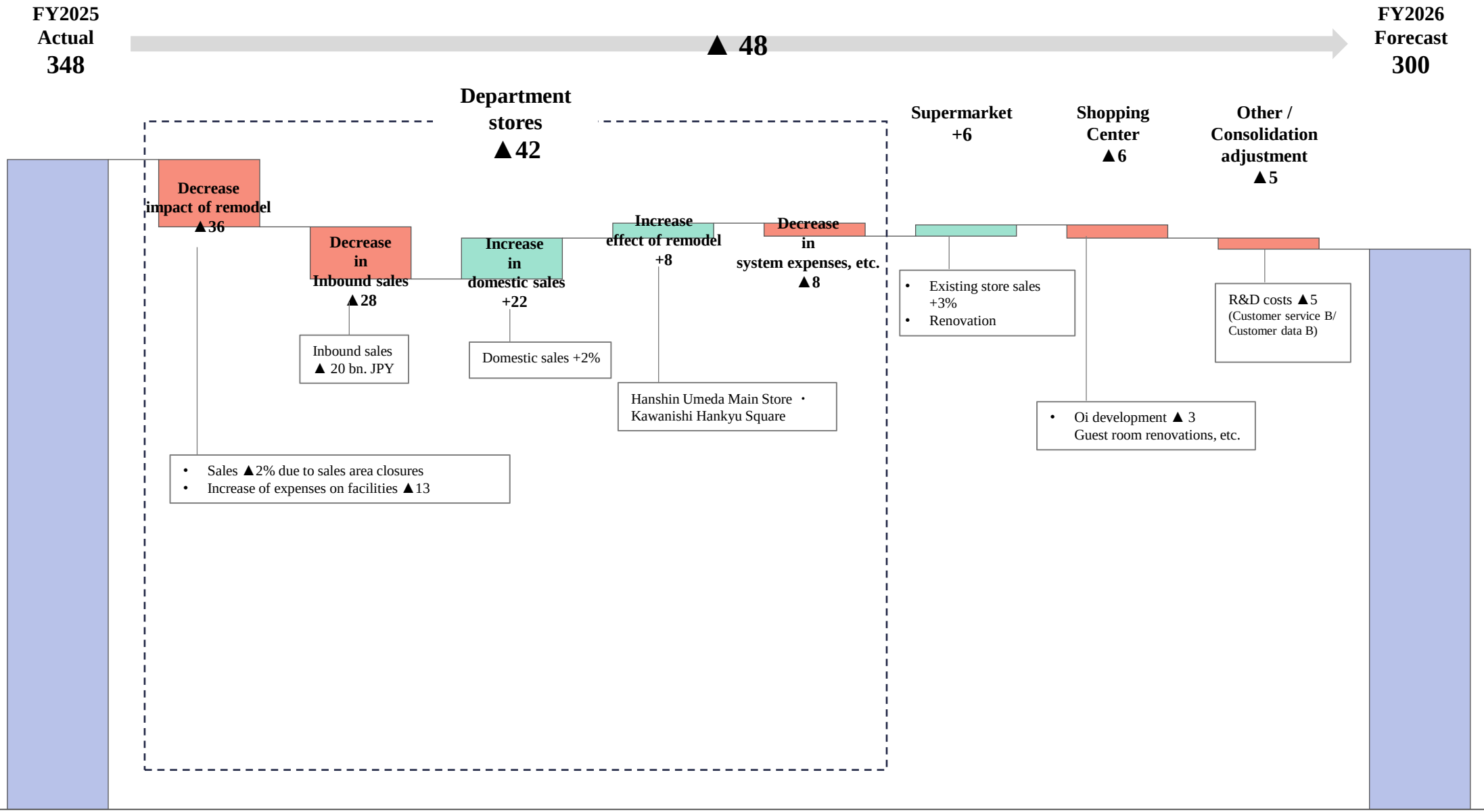
Operating profit

	FY2025 Actual (a)			FY2026 Forecast (b)			(b) Vs (a)
	1-2Q	3-4Q	Full year	1-2Q	3-4Q	Full year	
Department Stores	126	156	282	92	148	240	▲42
Supermarket	37	53	89	38	57	95	+6
Shopping Center	21	18	39	17	16	33	▲6
Other	48	▲26	22	81	▲31	50	+28
Consolidation adjustment	▲82	▲3	▲85	▲118	—	▲118	▲33

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Forecast for FY2026 by Segment - Factors of Increase / Decrease in Operating Profit (YoY)

(100 million JPY)



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Acquisition of own shares

- Plan to acquire its own shares of 15.0 bn. JPY (maximum) in FY2026 toward 30.0 bn. JPY scale target of the Medium-Term Management Plan (2024-2026).
  Aiming to strengthen shareholder returns and improve mid-to long-term capital profitability.

Overview

Class of shares to be acquired	Common shares
Total number of shares that can be acquired	Up to 10,000,000 shares * Percentage of total number of issued shares (excluding treasury shares) 8.2%
Total purchase consideration of shares	Up to 15.0 bn. JPY
Period of acquisition	May 14, 2025 - Mar. 31, 2026
Method of acquisition	Market acquisition on the Tokyo Stock Exchange including off-auction own share repurchase trading system (ToSTNeT-3)

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Progress of Key Initiatives and Environmental Awareness

Operating profit achieved the initial target two years ahead of schedule, accelerating efforts to actualize the Long-Term Business Plan 2030.
Although operating profit is expected to temporarily decline in FY2026, aiming to achieve the target in FY2027 by capturing the effects of growth investments.

Key Initiatives	Progress	Environmental awareness
Domestic Customers and Store Business	**Develop and promote responses to diversifying consumer values**	
Department Store Business ■ Hankyu Main Store to be a Global Department Store	■ VIP salon for wealthy domestic and overseas in full operation ■ Remodeling has begun with the goal of opening in spring 2026	■ Upper market expanded more than expected due to asset effects
Supermarket Business ■ promote business integration and realize effects at 4 supermarkets ■ Organization of store positions and roles of supermarkets, and development of price-appealing supermarkets	■ Made Kansai Food Market a wholly owned subsidiary, consolidating headquarters and head office functions of supermarkets ■ Completed requirements definition and classification of store formats and started the execution phase.	■ Discount supermarkets move into savings markets in the Kansai region, further increasing the momentum for price appeal
Overseas Customer Business	**Despite the current uncertainty in inbound business, its high potential and strategic importance remain unchanged**	
■ Initiatives to achieve a cycle of conversion of wealthy individuals into private customers	■ Significant growth in the number of overseas VIPs and sales with the new service corner exclusive for overseas VIPs in Hankyu Umeda Main Store. ■ Sales of Ningbo Hankyu are steady due to the remodeling efforts despite the declining consumption in Chinese market	■ Inbound sales in FY2025 reached record high ■ Tourist sales, which had been slightly overheated, are slowing down, while overseas VIP sales are steadily increasing.
Development and Use of Group infrastructure to support business		
■ Human resource development and investment	■ Implemented measures across the Group, while some measures were implemented first at the head office and Hankyu Hanshin Department Stores.	■ Increasing concern about human resources has made it imperative to link management strategy with human resources strategy
■ Sustainability Management	■ Further develop regional co-creation activities through partnerships and collaborations with enterprises and governments	■ Osaka / Kansai Expo is underway, promoting co-creation even after the event is over

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Targets

Operating Profit and KPI

(100 million JPY)

	Announced on May 15, 2024			Announced on May 13, 2025
	FY2025 Forecast	FY2027 Target	FY2025 Actual	FY2026 Forecast
Department Store	223	250	282	240
Supermarket	98	115	89	95
Shopping Center	33	25	39	33
Other	▲3	10	22	50
Total	265	320	348	300
ROE *ROE (real basis)	9.6%	6.6% over	12.3% (8.9%)	6.0%
ROIC	4.7%	5.9%	6.0%	5.4%

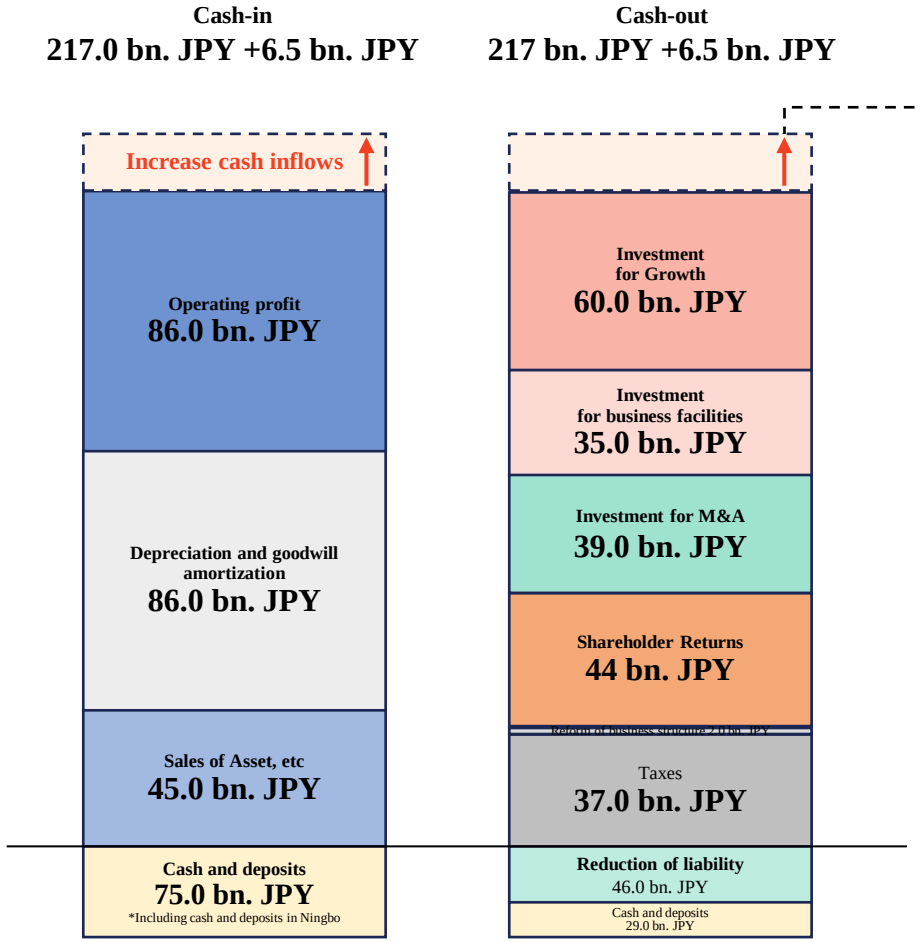
*excluding extraordinary gains from asset sales and other special gains and tax effects

Many uncertain factors, including the impact of U.S. tariffs and the exchange rate, will be closely monitored.

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Cash Flow Allocation (FY2025-2027)

- In FY2025, Ningbo Hankyu becoming a subsidiary and Kansai Food Market becoming a wholly owned subsidiary have been completed as expected, including investments for growth.
- Increased cash inflows due to higher earnings, which are allocated to additional growth investments, such as Hakata Hankyu remodel, and shareholder returns



Investment for growth +6.0 bn. JPY

- **Remodel of Hakata Hankyu**
- Investment in labor saving, etc.

Shareholder returns +0.4 bn. JPY)

- Dividend increase
  FY2025: 42.0 JPY (+2.0 JPY vs. forecast, +14.0 JPY YoY)
  FY2026: 44.0 JPY (+2.0 JPY YoY)

*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: Scale of ¥30 bn. in 3 years Total payout ratio (including acquisition of treasury stock) to be approximately 60% for cumulative period.

Tax ▲5.6 bn. JPY

Reduction of liability +5.7 bn. JPY

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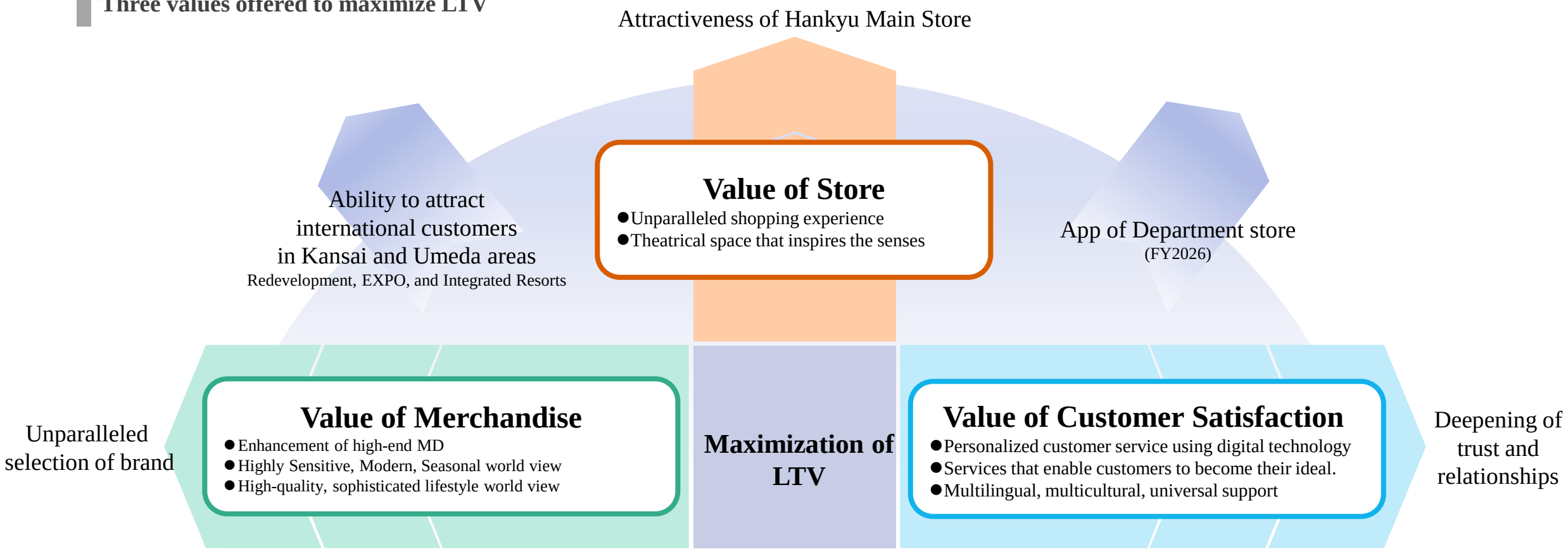
Deepen “Domestic Customers and Store Businesses” - Hankyu Main Store to be a Global Department Store-

- Upscale remodeling of Hankyu Main Store to deepen relationships with key customers, whose consumption values are diversifying as the upper market expands, and to maximize LTV.

New store concept advancing the “Theatrical Department Store”

"Global Department Store that provides the world's best fun with dreams, adventures and impressive experiences"

Three values offered to maximize LTV

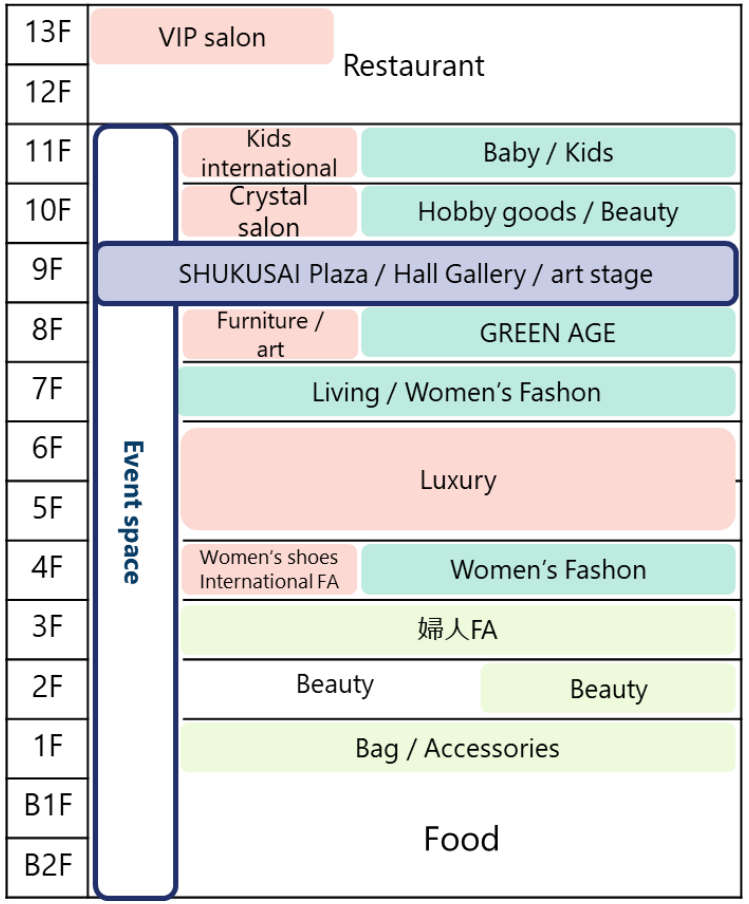


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Deepen “Domestic Customers and Store Businesses” - Hankyu Main Store to be a Global Department Store-

Direction of Remodel	Sales target	Investment	Remodel schedule
• To make MD and store environments more sensitive and high-grade • Transition to an operational system that emphasizes personalized customer service	400.0 bn. JPY (FY2027)	12.0 bn. JPY	Scheduled to open in spring 2026

Target	Points
Wealthy domestic and overseas	■ High-end MD and enhanced customer service • Made LUX Big Maison brands in-store flagship stores • Expansion of high-end jewelry and watch sales area • High-grade café and restaurants (5-6F) • High-grade furniture and art (8F) • Hands-on VIP salons (13F), Crystal salons (10F), and expansion of VIP rooms (5-6F) Remodeling is scheduled to begin in June 2025. Scheduled to open in spring 2026.
Prime domestic customers	■ Offering high-quality, sophisticated lifestyle world view • Fusion of women's fashion and living room floors(7F) • Offering counseling and treatment services in Beauty floor (10F) • Personal consulting services and gift recommendation service base across the entire store
Highly sensitive next-generation customers domestic and wide area of Asia	■ Achieving Highly Sensitive, Modern, Seasonal world view • Newly established gender/category mix type editorial sales area (3F) 「BEYOND WORLD」 Opened in Apr. 2025 • Newly established luxury brand stores of fashion goods and beauty (2F)



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Deepen “Domestic Customers and Store Businesses” – Remodel of Hakata Hankyu

- Remodel planned based on increased cash inflows from higher earnings
- The goal is to become the "No. 1 department store in the Kyushu area for fun" in a market with high growth potential, such as the redevelopment rush and the expansion of the runway at Fukuoka Airport.

Purpose of remodel

- Maximize LTV by upgrading merchandise to high-grade and high-sensitivity and strengthening communication with affluent domestic and overseas customers
- Attract new customers by creating stores that match the development of Fukuoka city

Details of remodel

- Investment for FY2025-2027: 4.25 bn. JPY
  Reinforced luxury on the 3rd floor and reorganized cosmetics floor
  Opened a salon to promote customerization
- Fall 2026: Phase I open, Fall 2027: Remodel complete



- FY2031 Targets
  Sales 80.0 bn JPY (+15% compared to FY2025)

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Deepen “Domestic Customers and Store Businesses” -Store Strategy-

- Steady progress toward increasing store profitability by strengthening customer attraction and reviewing business structure.

Remodel of Hanshin Umeda Main Store (To be completed by fall 2025)

In accordance with the store concept of “A department store that makes you happy every day,” refine and improve the store to make it more attractive.

Points

- Opening of “Loft,” a large specialty store with high customer attraction power
- Refinement of Food World on the 1st floor, centered on the SHOKUSAI Terrace
- Opening of a health and beauty service specialty store of high customer interest



Loft image (scheduled to open on May 21, 2025)

Remodel to Kawanishi Hankyu Square (grand opening on May 16, 2025)

Based on the store concept of “enriching, enjoyable, and convenient daily life,” the store is converted into a department mall that combines the appeal of a department store and a specialty store.

Points

- Opening of new stores for approximately 50 brands
- Offering services that meet the unique needs of the nearest store
- Regularly held family events at the plaza in ASTE Kawanishi



1st floor entrance image

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Deepen “Domestic Customers and Store Businesses” -Supermarket Business-

- Aiming to strengthen store competitiveness, began step-by-step experimentation and verification to materialize two store formats that respond to the polarization of consumption.

	Value-appeal store (A type)	Price-appeal store (C type)
Merchandise	Based on a basic line-up of merchandise necessary for daily life Line-up to satisfy a variety of needs	Price-appealing merchandise line-up
Price	Reasonable	Everyday low price
Private Brand	Basic Value-appeal PB (HANKYU PREMIUM)	Develop price-appealing PB
Operations and services	Service menu matched to the market	Pursuing low cost operation
Store name	Hankyu Oasis Takarazuka Minamiguchi store	Kansai Super Daily Mart Ichioka store
	By the end of FY2027, several additional stores are scheduled to open.	

Hankyu Oasis Takarazuka Minamiguchi store (opened in Apr. 2025)





Kansai Super Daily Mart Ichioka store (opened in Apr. 2025)





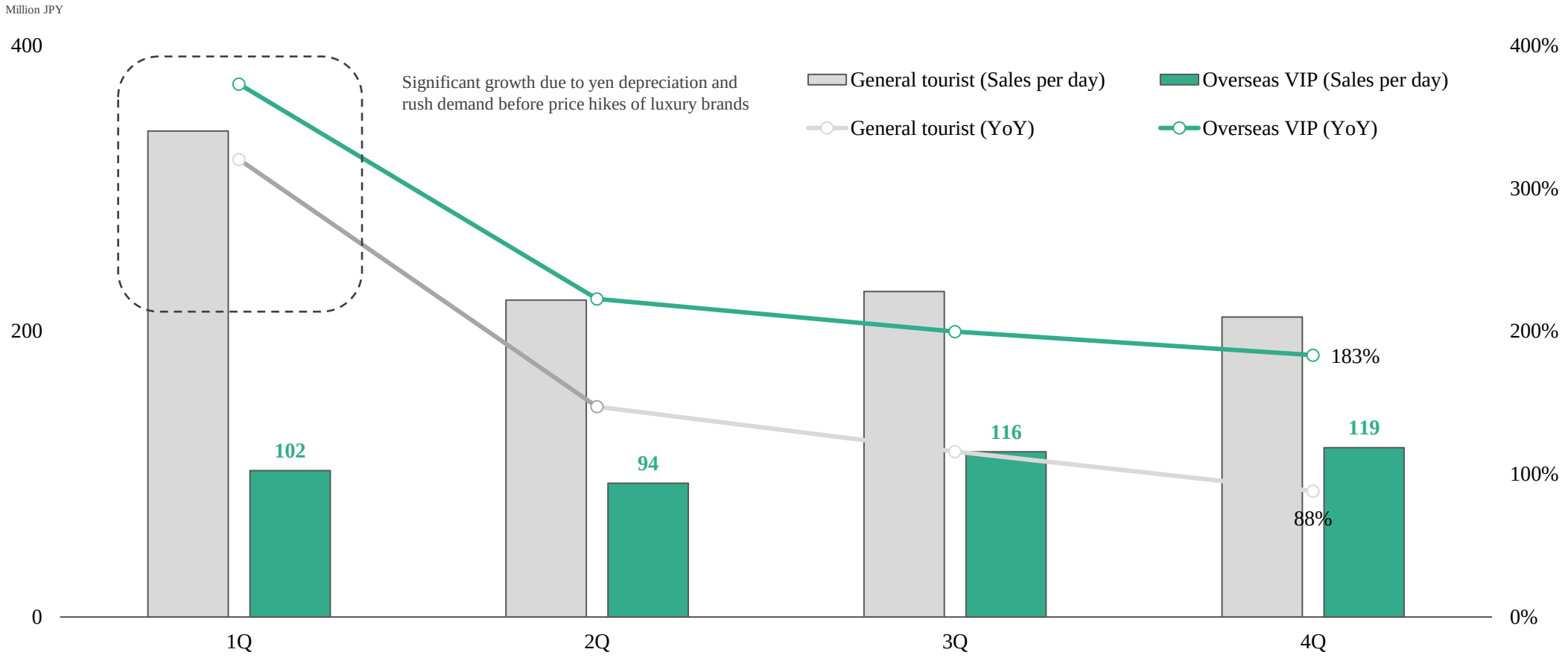
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Focus on and strengthen “Overseas Customer Businesses” -Current Awareness-

- Inbound sales at department stores reached a record high in FY2025.
- While tourist sales, which had been slightly overheated, have been slowing down, overseas VIP * sales, which have been expanded with the establishment of a new exclusive service corner, have been growing.

*Overseas VIP: Customers who purchase more than 1 million JPY per year and customers referred by alliance partners

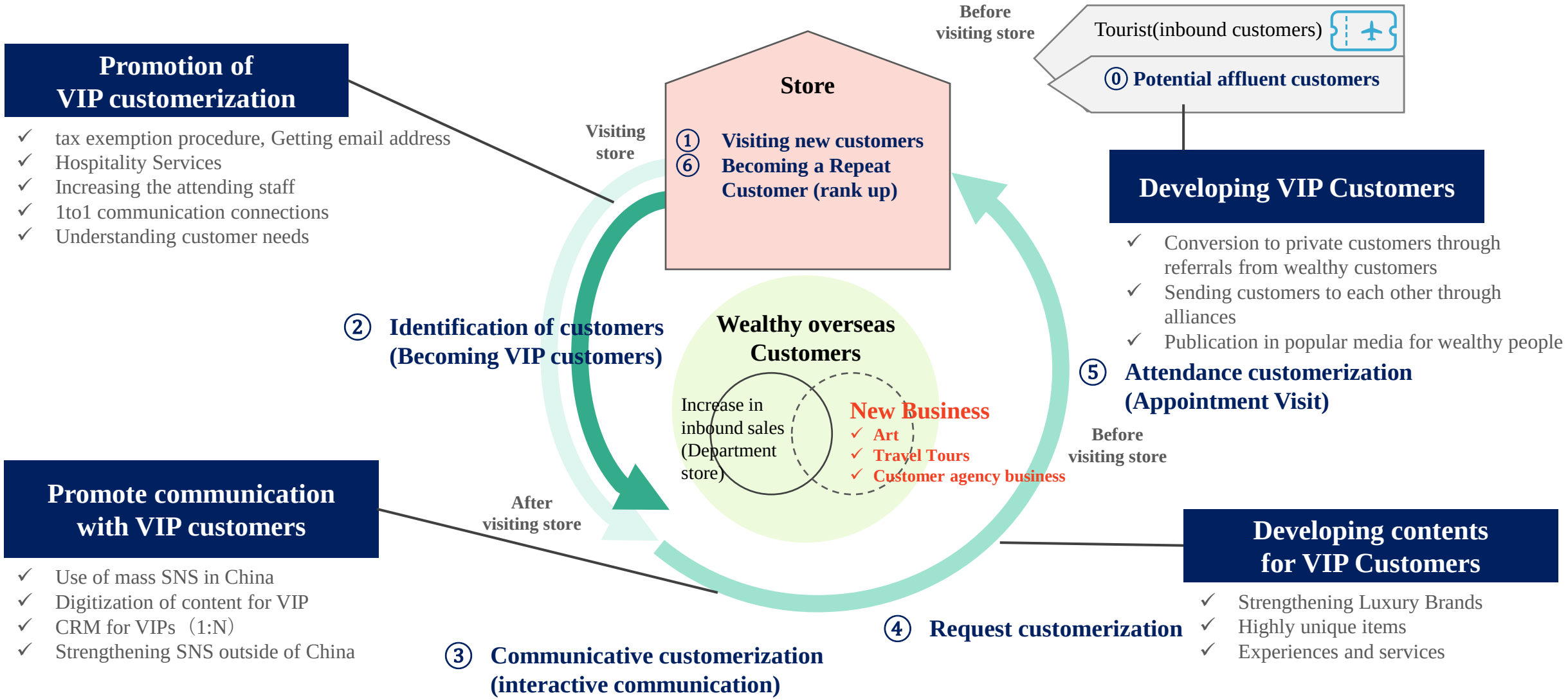
Inbound Sales at Department Stores in FY2025



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Focus on and strengthen “Overseas Customer Businesses” -Initiatives-

- Initiatives to convert wealthy individuals into personal customers are progressing and strengthening its structure with the aim of building relationships that are not influenced by the external environment.



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Focus on and strengthen “Overseas Customer Businesses” -Initiatives-

Ningbo Hankyu

Ningbo Hankyu, now a consolidated subsidiary, has a stable foundation and is steadily promoting itself as an overseas customer business base.

- Despite continued weakness in consumption in China, performance is recovering due to the remodeling effect.
- Expected favorable turnaround in the business environment, including a large adjacent building to be constructed in 2026, further raising expectations for growth.

<u>Outline of remodel</u>

- Expansion of luxury brands that continue to perform well, including the establishment of a new VIP lounge, strengthen service to wealthy people
- Total investment in FY2025-2027: 0.43 bn. CNY

<u>Cooperation with Hankyu Main Store</u>

- VIP customers of Ningbo Hankyu are offered the same service at Hankyu Main Store.
- Cooperation between VIP attending staff at both stores started, aiming for a structured operation.



Overview of Comprehensive Business Alliance with Pasona Group Inc.

Promoting initiatives to strengthen inbound services through a comprehensive business alliance with Pasona Group Inc.

- Supporting the development of human resources who can respond to overseas customers and support their growth, as well as promoting co-creation of tourism and tourism content development, etc.
- Accepting foreign-language staff at the end of the Osaka/Kansai Expo.

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Focus on and strengthen “Overseas Customer Businesses” -Numerical Targets-

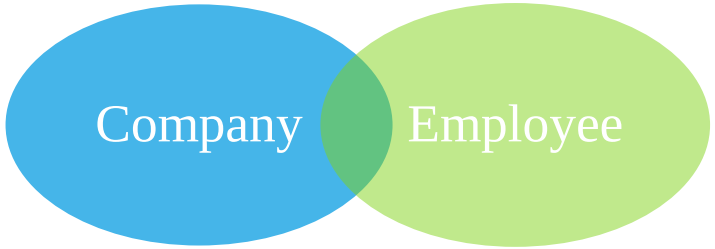
- Despite the current uncertainty in the inbound business, its high potential and strategic importance remain unchanged
- Aiming to build a solid sales base by promoting upscale remodeling of Hankyu Main Store and increasing the number of wealthy overseas customers.

	Mid-term Management Plan announced in May 2024		Announced on 13 May 2025		
	FY2025 Forecast	FY2027 Target	FY2025 Actual	FY2026 Target	FY2031 Target
Inbound sales	100.0 bn. JPY	142.0 bn. JPY	130.0 bn. JPY	110.0 bn. JPY	200.0 bn. JPY
Overseas VIP memberships	35,000 persons	60,000 persons	39,000 persons	53,000 persons	90,000 persons
Overseas VIP Customer sales (share)	25.0 bn. JPY (25%)	50.0 bn. JPY (35%)	39.0 bn. JPY (30%)	49.0 bn. JPY (45%)	100.0 bn. JPY (50%)

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Development and Use of Group infrastructure to support business-Human Resource Development / Investment-

■ Promote human resource strategies based on the view of the relationship between company and individual as "co-creation partners who enhance value and grow together.



- "Individual growth" leads to "corporate growth"
- Growth of the company enhances opportunities for personal growth

▶

- Knowing each other
- Dialogue
- Having many choices
- To be able to work as oneself

	Initiatives	Measures
Optimizing Organizational Performance	• Develop human resources for new value creation	< H2O Future Exploration School > 16 employees completed an in-house school that trains employees to discover new markets and new business models. < Comprehensive business alliance with Pasona Group Inc. > Training and growth support for human resources responsive to overseas customers Human resource exchange (collaboration training, etc.) and development of frontier human resources
	• Training of customer-oriented human resources	< Customer Success Award > In-house incentive program aimed at cultivating a corporate culture of working based on the customers' needs.
Activating Employee Engagement	• Developed a new personnel system for career autonomy	< New Personnel System (Department Store) > Matching the job based on the employee's willingness to define his or her own suitable position, aiming for autonomous professional development
Reform of working environment and culture	• Development of human resources data infrastructure	< Centralized management and visualization of human resources data > Based on objective data on each employee's individual digital data, the entire group aims to achieve highly satisfactory job and training in line with the individual's orientation.

Customer Success Award ceremony

Approximately 2,500 people, more than 60% of the department store employees, applied for the program



Human capital investment progressed as expected, FY2025 1.4 bn. JPY (▲3% vs. plan)

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Development and Use of Group infrastructure to support business -Sustainability Management-

- Taking the opportunity of Osaka / Kansai Expo 2025 to further promote contributions to the growth of local communities.
  Create an environment to promote co-creation even after the Expo is over.

Participation in Osaka / Kansai Expo 2025

Participated as a co-creation partner in the “TEAM EXPO 2025” program, in support of the theme “Designing Future Society for Our Lives”.

- Participation in “bench for thinking-recycling of life” and “Junior SDGs Camp”.
- Cooperation in PR and promotions at Hankyu Umeda Main Store, Hanshin Umeda Main Store, etc.
- H2O Commercial Development is opening a food truck at the exhibition site (adopted for EXPO food trucks).
- “EXPO Green Challenge” activity for Group employees to engage in decarbonization actions

"bench for thinking-recycling of life"



Resource Recycling Symposium 2024 “Tsugu.” (Supported by Ministry of the Environment)

Held for the first time with the aim of expanding the circle of regional co-creation through the sharing of knowledge and know-how on resource recycling.

17 speakers from various companies, governments, and municipalities spoke at the event, which was attended by about 130 people.

Food truck



oHOHo CYCLE PROJECT

Aiming to realize a community-based circular economy for clothing, cooperating with Osaka Prefecture, Suita City, Fujiidera City, and 11 companies including our company.

Collect and sort unwanted clothing and then recycle it for resale or to meet market needs.

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Topics

1 Results for FY2025

2 Forecast for FY2026

3 Progress of “Mid-term Management Plan (2024-2026)”

4 Progress of “Measures to Achieve Management Conscious of Cost of Capital and Stock Price”

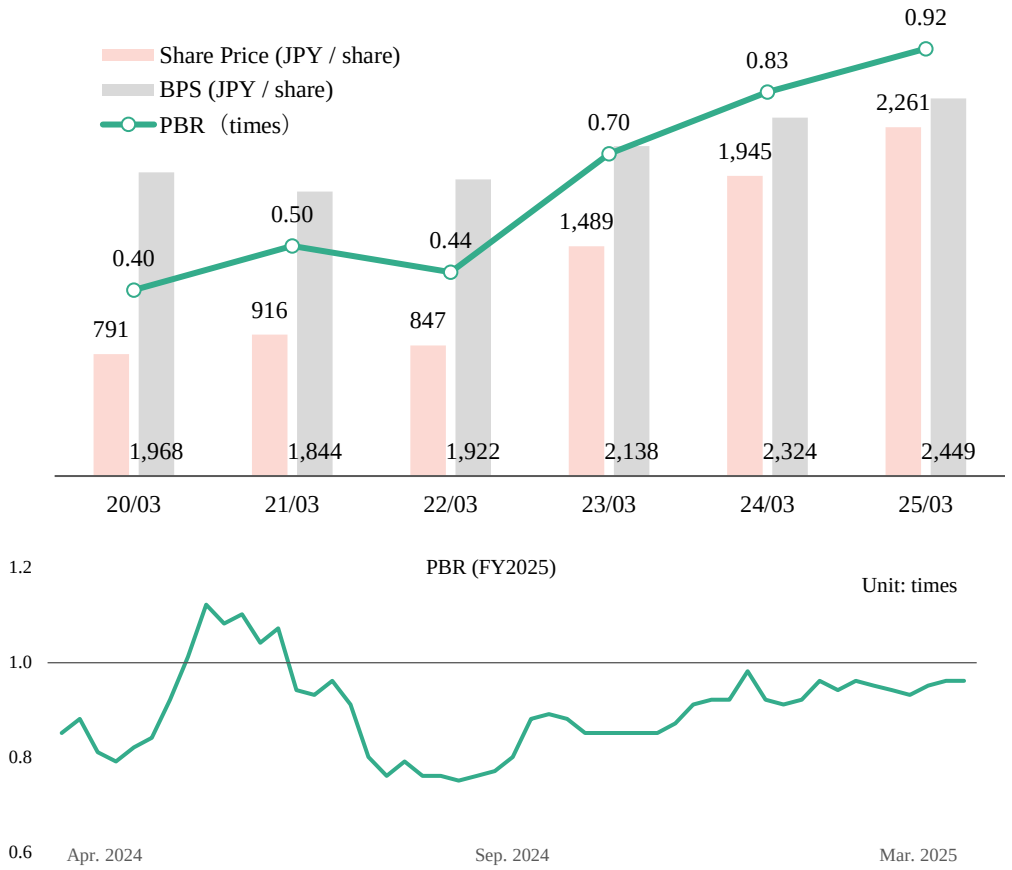
5 Appendix

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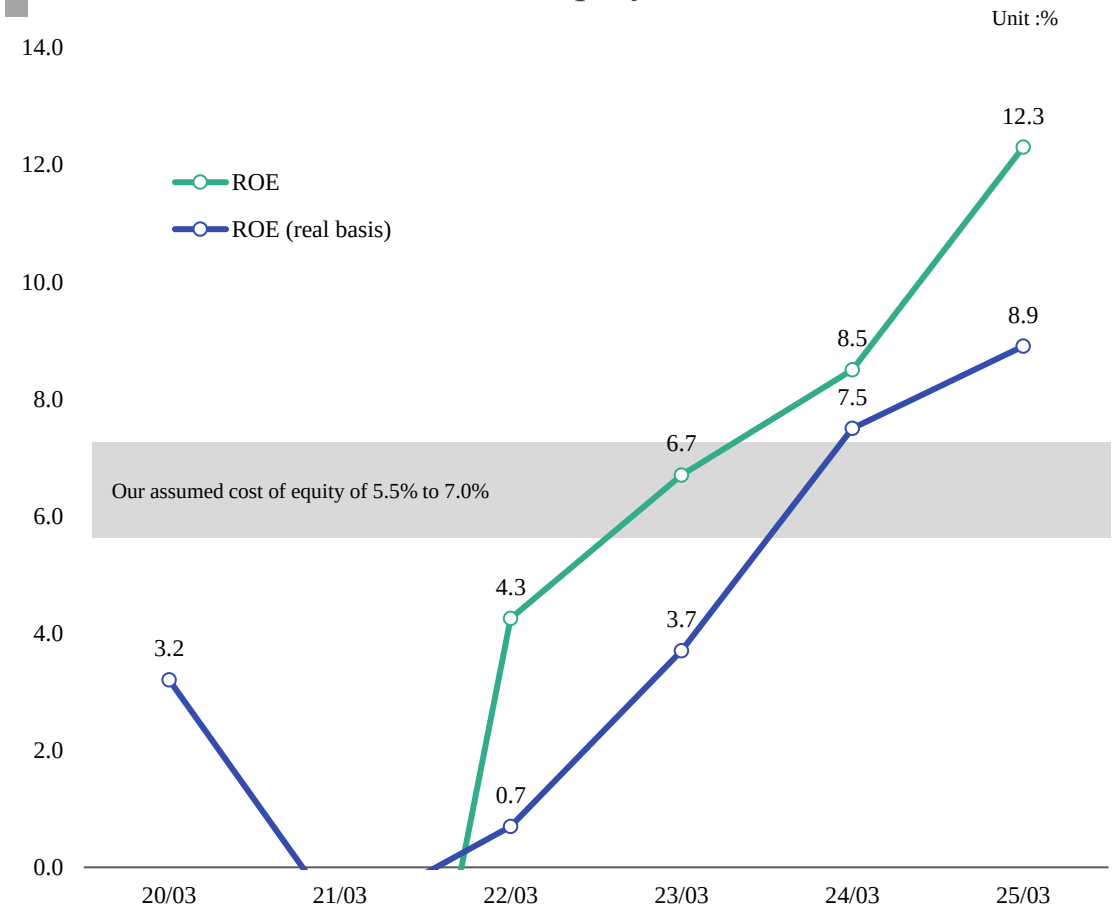
Analysis of Current Status and Direction of Initiatives

- P/B ratio temporarily exceeded 1.0x but is currently below 1.0x. to achieve the target of 1.2x over, a low PER ratio compared to the average of the sector (around 15.0x) is an issue.
- Continue to improve ROE by enhancing business performance, clarify growth strategies, strengthen shareholder returns, expand the shareholder/investor base and enhance IR communication.

Trends of Stock Price and PBR



ROE and Cost of shareholders' equity



*ROE(real basis) is excluding extraordinary gains from asset sales and other special gains and tax effects

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Enhancing Corporate Value and Equity Value

- Steadily implement initiatives in the first year of the Mid-Term Management Plan in accordance with business strategies and capital and financial strategies
- Business strategy is a mid- to long-term initiative, but by actively promoting it, aiming to improve visibility of the growth strategy and increase market confidence in this strategy.

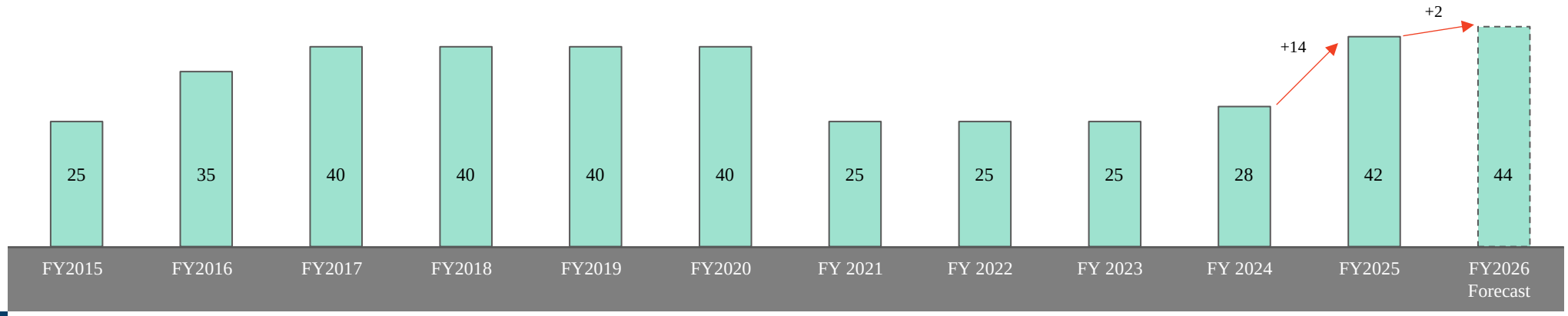
		Initiatives	Progress (FY2025)	Direction (FY2026)
Capital and Financial Strategy	Enhancing shareholder returns	• Dividends	Annual dividend increased to 42.0 JPY (YoY +14.0 JPY)	Annual dividend to be increased to 44.0 JPY (YoY +2.0 JPY)
		• Acquisition of own shares (Target: 3-year cumulative of 30.0 bn. JPY)	Implemented 4.4 bn. JPY	Up to 15.0 bn. JPY
	Maintain B/S at appropriate size	• Reallocated funds generated from the sale of low-profitability assets to growth areas	Sales of investment security (14.2 bn. JPY) Made Kansai Food Market a wholly owned subsidiary Ningbo Hankyu became a subsidiary	In accordance with the policy of reducing strategic shareholdings, take appropriate measures as needed
Business Strategy	Concentrated investment in high-growth/high-profit business	• Hankyu Main Store to be a Global Department Store	Strengthen services to wealthy domestic and overseas customers (13F VIP salons, etc.)	FY2026: Remodel begins in earnest (Scheduled to open in spring 2026)
		• Remodel of Hakata Hankyu (new projects)		FY2026: Remodeling started (Remodel to be completed in fall 2027.)
		• Remodel of Ningbo Hankyu, Strengthen services to wealthy people	Implemented upgrading and remodel of Ningbo Hankyu to secure the NO.1 store in Ningbo area	
	Clarify growth strategy	• Develop and deploy new sources of revenue by leveraging “customer date base”	H2O ID, the Group's common customer ID, has increased membership through the App service	Further developing App services and collecting data for BtoB business development

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Shareholder Returns

- Annual dividend for FY2025: 42.0 JPY (up 14.0 JPY YoY), annual dividend for FY2026: 44.0 JPY (up 2.0 JPY YoY)
- Implement acquisition of treasury stock of 4.4 bn. JPY in FY2025 and 15.0 bn. JPY (upper limit) in FY2026 to target a cumulative 3-year goal of 30.0 bn. JPY.

Dividends per share (JPY)



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY 2021	FY 2022	FY 2023	FY 2024	FY2025	FY2026 Forecast
Acquisition of treasury stock (100 million JPY)	35	0	0	0	0	0	0	5	89	19	44	150
Total return ratio *1	54%	26%	32%	34%	229%	—	—	36%	73%	22%	25%	112%
Dividend payout ratio	26%	31%	35%	34%	229%	—	—	31%	18%	15%	14%	29%*2
Dividends on equity (DOE)	1.5%	1.7%	2.0%	2.1%	2.0%	2.1%	1.9%	1.6%	1.5%	1.2%	1.8%	2.1%

Shareholder return policy

Keeping an annual dividend of 25.0 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 FY2025-2027 (cumulative total return ratio of over 60%)

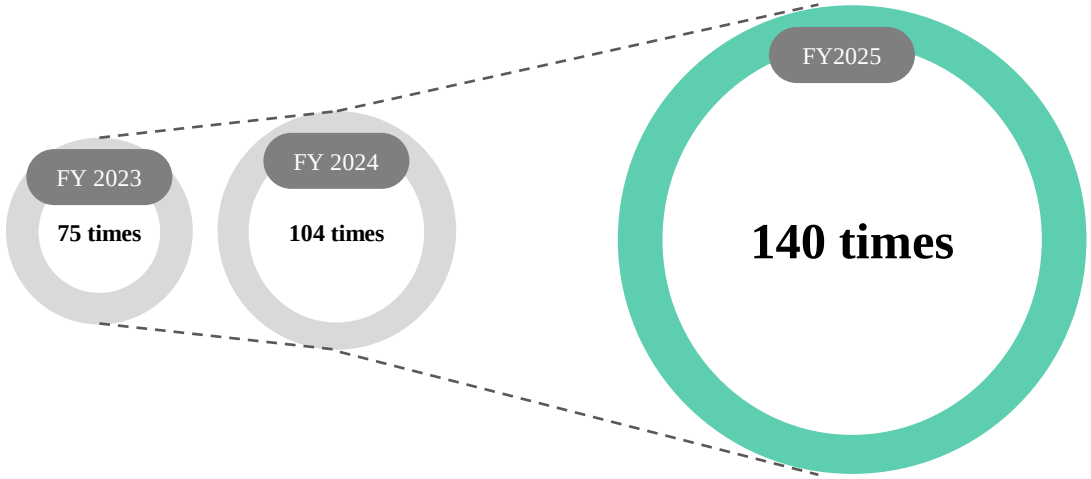
*1The total dividend payout ratio is calculated as the year-end dividend for the previous fiscal year + interim dividend for the fiscal year.
*2Including estimated acquisition of treasury stock in FY2026

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Dialogue with Shareholders and Investors

- Strengthen IR activities to enhance shareholder/investor base and reflect dialogue in corporate management to enhance corporate value and equity value.

Results of Dialogue with investors (Number of 1on1 MTG)

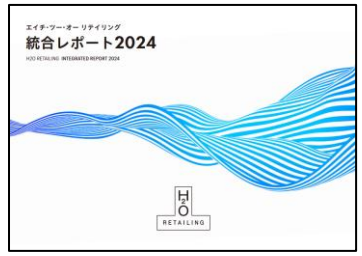


IR Activities

		FY2023	FY2024	FY2025
Domestic Institutional Investor	IR Day	1	1	1
Overseas Institutional Investor	Overseas IR Physical roadshows	1	1	1
Individual investors	Briefings for individual investors	0	0	1
	Information session for all group employees	2	3	4

Integrated Report Awards

Integrated Report for FY2025 won the Newcomer's Award at the “4th Nikkei Integrated Reporting Awards”.



Holding events for individual investors

Holding the first briefing for individual investors at Hankyu Umeda Main Store in Mar. 2025



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Consolidated Results trends

(100 million JPY)

	FY 2024				FY2025							
	1Q	2Q	3Q	4Q	1Q	YoY	2Q	YoY	3Q	YoY	4Q	YoY
Gross sales	2,447	2,605	2,965	2,722	2,764	+13.0%	2,821	+8.3%	3,155	+6.4%	2,857	+4.9%
Net sales	1,548	1,637	1,769	1,619	1,619	+4.6%	1,694	+3.4%	1,836	+3.8%	1,669	+3.0%
Operating profit	48	51	123	40	93	+45	57	+6	139	+16	59	+19
Ordinary profit	52	55	133	40	102	+50	57	+3	140	+8	59	+19
Profit	34	29	115	41	265	+231	6	▲23	104	▲11	▲26	▲68

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Results by Segment trends

(100 million JPY)

	FY 2024				FY2025							
	1Q	2Q	3Q	4Q	1Q	YoY	2Q	YoY	3Q	YoY	4Q	YoY
Department Stores	1,235	1,356	1,655	1,525	1,554	+25.8%	1,496	+10.3%	1,766	+6.7%	1,533	+0.6%
Supermarket	1,031	1,078	1,127	1,020	1,034	+0.3%	1,078	▲0.0%	1,130	+0.3%	1,043	+2.3%
Shopping Center	81	77	86	77	82	+1.8%	78	+0.5%	87	+1.2%	71	▲7.6%
Other	100	93	96	101	94	▲6.3%	169	+81.2%	172	+78.5%	209	+107.2%
Gross sales	**2,447**	**2,605**	**2,965**	**2,722**	**2,764**	**+13.0%**	**2,821**	**+8.3%**	**3,155**	**+6.4%**	**2,857**	**+4.9%**
Department Stores	29	34	90	44	80	+50	47	+13	107	+17	50	+6
Supermarket	16	21	29	5	15	▲1	21	+1	32	+3	20	+15
Shopping Center	9	7	10	6	13	+4	8	+1	12	+2	6	▲1
Other	22	▲8	1	▲14	66	+44	▲18	▲10	▲12	▲13	▲14	+0
Consolidation adjustment	▲29	▲1	▲7	▲0	▲82	▲53	▲0	+1	▲0	+7	▲3	▲2
Operating profit	**48**	**51**	**123**	**40**	**93**	**+45**	**57**	**+6**	**139**	**+16**	**59**	**+19**

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Department Store – Results trends

(100 million JPY)

	FY2024				FY2025							
	1Q	2Q	3Q	4Q	1Q	YoY	2Q	YoY	3Q	YoY	4Q	YoY
Gross sales	1,235	1,356	1,655	1,525	1,554	+25.8%	1,496	+10.3%	1,766	+6.7%	1,533	+0.6%
Net sales	383	431	514	456	457	+19.6%	463	+7.4%	542	+5.4%	459	+0.8%
Gross profit	274	297	365	324	338	+64	327	+30	390	+25	330	+7
SG&A expenses	244	263	275	280	259	+14	280	+17	283	+8	281	+0
Operating profit	29	34	90	44	80	+50	47	+13	107	+17	50	+6

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Non-consolidated Results - Hankyu Hanshin Department Store Inc. (before the application of "Accounting Standard for Revenue Recognition")

(Million JPY)

	FY2024				FY2025							
	1Q	2Q	3Q	4Q	1Q	YoY	2Q	YoY	3Q	YoY	4Q	YoY
Gross sales	122,734	134,745	164,620	151,584	154,535	+25.9%	148,700	+10.4%	175,652	+6.7%	152,390	+0.5%
Gross profit	27,599	29,805	36,888	32,816	34,116	+6,517	32,854	+3,049	39,462	+2,573	33,347	+531
(Gross profit/ Gross Sales) Gross Profit/Total Sales	22.49%	22.12%	22.41%	21.65%	22.08%	▲0.41pt	22.09%	▲0.03pt	22.47%	+0.06pt	21.88%	+0.23pt
Other operating revenue	967	1,000	1,063	1,033	1,035	+68	1,054	+53	1,131	+67	1,120	+87
SG&A expenses	25,634	27,473	28,995	29,229	27,174	+1,540	29,311	+1,838	29,917	+921	29,507	+278
(Selling, general and administrative expenses ratio) Sale, general and administrative expenses/Total sales	20.89%	20.39%	17.61%	19.28%	17.58%	▲3.30pt	19.71%	▲0.68pt	17.03%	▲0.58pt	19.36%	+0.08pt
Operating profit	2,932	3,332	8,956	4,620	7,977	+5,045	4,597	+1,264	10,676	+1,719	4,960	+339
(Operating margin) Operating Income/Total Sales	2.39%	2.47%	5.44%	3.05%	5.16%	+2.77pt	3.09%	+0.62pt	6.08%	+0.64pt	3.26%	+0.21pt

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Non-operating income / expenses and Extraordinary income / losses

(100 million JPY)

	FY 2024 1-4Q	FY2025 1-4Q	YoY amount	Major items	
Operating profit	262	348	+86		
Non-operating income / expenses	**17**	**11**	**▲6**	• Increase in dividends received • The investment income increase by equity-methods • Foreign exchange gains • Increase in expenses related to acquisition of shares of subsidiaries • Decrease in the interest income • Other changes	+5 +1 +1 ▲7 ▲1 ▲5
Ordinary profit	279	359	+80		
Extraordinary income / losses	**▲56**	**154**	**+210**	• Gain increase on sales of investment security • Increase of profit that is associated with step acquisition • Gain increase on sales of a share of subsidiary • Reduction in impairment charge • Loss loss on retirement of non-current assets • Increase in building demolition costs • Decrease in gain on sales of non-current assets • Increase in outplacement assistance expenses	+145 +80 +17 +32 +14 ▲22 ▲31 ▲22
Profit before income taxes	223	513	+290		
Profit attributable to non-controlling interests	4	164	+161	• Tax effects	+128
Profit	219	348	+129		

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Capital Investment and Depreciation

Capital Investment

(100 million JPY)

	FY2024 1-4Q Actual	FY2025 1-4Q Actual	Major items	FY2026 1-4Q Forecast
Department Stores	77	60	Hankyu Main Store / Hanshin Umeda Main Store/ Kawanishi Hankyu renovation	144
Supermarket	66	65	Store investment of supermarkets	63
Shopping Center	20	21	Renovation of SC stores and renovation of business hotels	26
Other	156	173		161
IT・DX	136	123	POS and data-infrastructure development	123
Ningbo	—	43	Ningbo Hankyu Remodeling	14
Consolidated Total	**318**	**313**		**395**

Depreciation

(100 million JPY)

	FY 2024 1-4Q	FY2025 1-4Q	YoY amount
Consolidated Total	200	235	+35

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Consolidated B/S

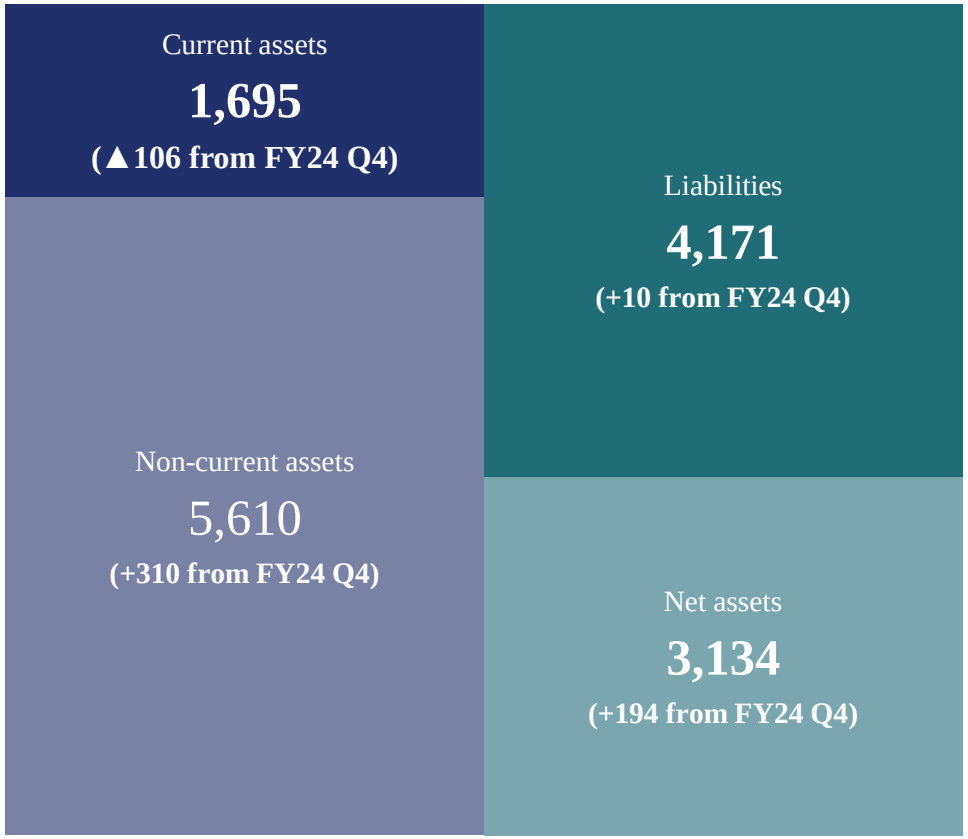
- Despite sale of investment securities, fixed assets increased due to the Ningbo Hankyu becoming a subsidiary of the Company
- Decrease in capital surplus and non-controlling interests due to the making of Kansai Food Market into a wholly owned subsidiary

(100 million JPY)

Total assets 7,304 (+204 from FY24 Q4)

Major changes
- Cash and deposits ▲128

Major changes
- Tangible fixed assets +260
- Intangible assets +224
- Investment securities ▲53 (Ningbo ▲ 98)
- Long-term loans receivable ▲47
- Deferred tax assets ▲77

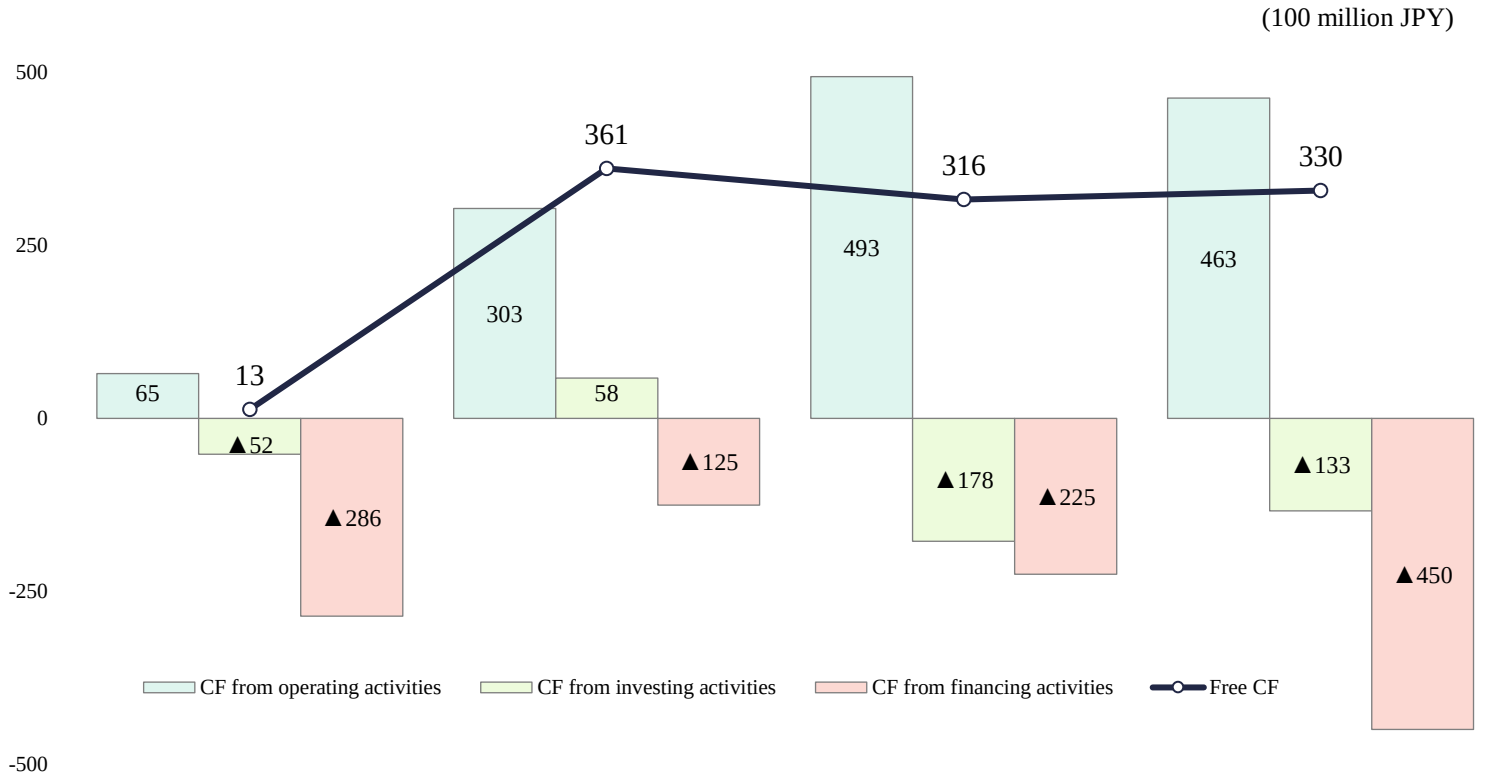


Major changes
- Capital surplus ▲ 141
- Retained earnings +308
- Treasury shares +82
- Valuation and translation adjustments +36
- Non-controlling interests ▲ 114

Equity ratio 41% (38% at FY24 Q4)

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Statements of Cash Flows



(100 million JPY)

	FY2022	FY2023	FY2024	FY2025	YoY amount
CF from operating activities	65	303	493	463	▲31
CF from investing activities	▲52	58	▲178	▲133	+44
Free CF	13	361	316	330	+14
CF from financing activities	▲286	▲125	▲225	▲450	▲225
Cash and cash equivalents	332	570	664	549	▲114

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