

The background of the entire page is composed of fluid, organic shapes in various shades of blue, ranging from a deep navy to a very light sky blue. These shapes overlap and flow across the page, creating a sense of movement and depth. The central area is a clean white space where the text is located.

H2O RETAILING

INTEGRATED REPORT 2025



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Scope of Report

Applicable Period

FY2024 (April 1, 2024–March 31, 2025)

Note: Some activities are included that took place before or after the applicable period.

Target Organizations

H2O RETAILING CORPORATION and its group companies. A note is provided where the scope is specified.

Reference Guidelines

GRI Standards

Disclaimer Regarding Forward-looking Statements

The forward-looking statements, including plans, strategies, and forecasts regarding business results contained in this report, are based on information available at the time of publication, and actual results may differ from these statements due to various factors.

H2O RETAILING Website

You can also find a variety of information on our website.

Investor Relations Information	https://www.h2o-retailing.co.jp/en/ir.html
Sustainability Information	https://www.h2o-retailing.co.jp/en/sustainability.html
Corporate Governance Information	https://www.h2o-retailing.co.jp/ja/company/governance.html (Japanese only)
Integrated Report Back Issues	https://www.h2o-retailing.co.jp/en/ir/library/report.html

About the Cover Page

The cover page design uses ripples spreading across water and an even, continuous flow to express how the connections between our company, the people around us, and our communities serve as a powerful force for shaping the future. Last year's design used spreading ripples to symbolize our growth. This year, we have taken that concept a step further, basing the design on the idea that sustainable growth stems from the mutual interaction and synergy among companies, people, and communities. These three elements are closely interconnected, and the design expresses this relationship through a smooth gradient of analogous colors.

Basic Philosophy

To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents

As a company, we believe that our raison d'être is to meet the expectations of our stakeholders, everyone from customers and shareholders to business partners and employees, while also contributing to society as a whole.

Group Vision

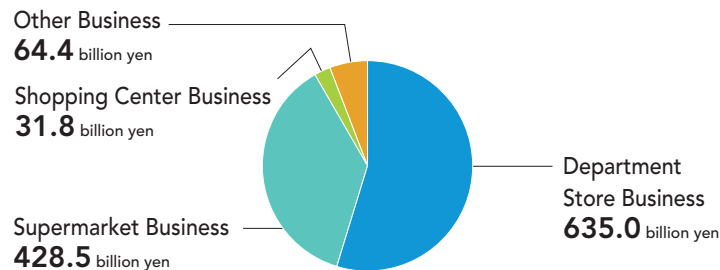
To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences

H2O RETAILING at a Glance

* For the items for which periods are not stated, figures are as of the end of FY2024

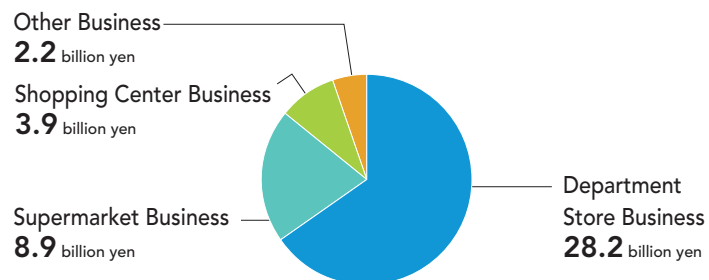
Gross sales

1.1596 trillion yen 8.0% increase ↗



Operating profit

34.8 billion yen* 33.0% increase ↗



* Figures exclude internal transactions between segments.

Group employees

23,909

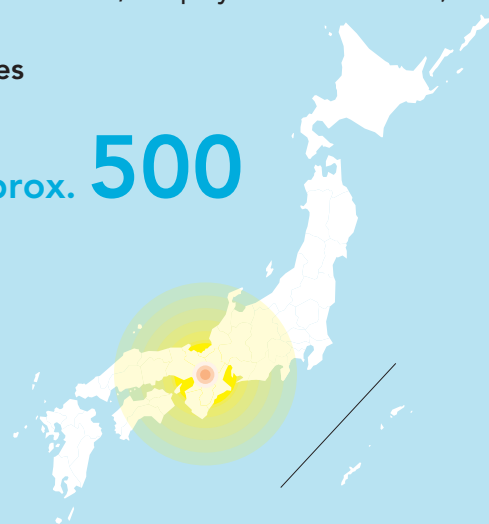
Group companies

50

(43 subsidiaries, 7 equity method affiliates)

Stores

Approx. 500



Amount of investment in IT/ digital transformation

25.9 billion yen

(for the three-year period
from FY2024 to FY2026)

Amount of investment in human capital

6.0 billion yen

(for the three-year period
from FY2024 to FY2026)

Hankyu Main Store

Sales to overseas tourists
(by store)

**Ranked 1st
in the industry/**

**approx. 102.8
billion yen**

(cumulative total from
January to December 2024)

Business Summary

Based on the basic philosophy of “To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents,” the group is developing a variety of businesses centered on the Department Store Business and Supermarket Business, concentrated in the Kansai area.



Department Store Business

Hankyu Hanshin Department Stores operate a total of 15 department stores, including Hankyu Department Store and Hanshin Department Store. We strive to become the No.1 fun department store to make our customers lives also fun and enriched by energizing their future. In addition to the flagship Hankyu Umeda Main Store, we have a wide variety of stores, including the Hanshin Umeda Main Store, Kobe Hankyu, and Hakata Hankyu stores in the city center, as well as suburban stores that are close to the lives of the community.



Shopping Center Business

We are engaged in businesses related to the development, operation, and management of commercial facilities such as shopping centers, including Izumiya SC and Rakuho HANKYU SQUARE, and the Ours Inn Hankyu business hotel.



Supermarket Business

From manufacturing and processing to sales and home delivery in food supermarkets, we are developing businesses related to “food.” As infrastructure indispensable to the community, we operate around 230 food supermarkets in various locations in the Keihanshin area (Kyoto, Osaka and Kobe area) such as residential areas, station fronts, and roadside areas.



Other Business

We operate a variety of businesses, including cosmetics stores, Fruit GATHERING, convenience stores, furniture and other retail sectors, and related services.



Some of the brands in the H2O RETAILING Group

Hankyu

HANSHIN

阪急OASIS

Izumiya

関西スーパー

Fruit GATHERING
For Your Fruitful Life

Group's Process of Evolution

The H2O RETAILING Group will continue to evolve with the times as a group of companies rooted in the Kansai region for 100 years

Ever since our founding, rather than just selling products, our group companies have continued to evolve with the times by adding value to products in step with the times. We will remain closely connected with our customers in the Kansai region, striving to grow as the distribution group that is most familiar to our customers' lives, and to make everyday life in the region more convenient and fulfilling.

The pursuit of "affordable valuables"

Since its founding, Izumiya has continued to provide safe and secure products and services by pursuing a business path of "affordable valuables" so that local customers can lead healthy, enjoyable, and fulfilling lives.



A series of attractive sales areas centered on "food"

The opening of the National Famous Confectionery Town and Hanshin Sweet and Spicy Town at Hanshin Department Store, which brought together specialty products and famous stores with individuality and tradition from all over Japan, was a groundbreaking experiment at the time that gained popularity.



One of the first to launch food delivery service

In today's world, food delivery services have become commonplace. Hankyu Kitchen Yell started offering a similar service back in 2002.



Expertise, liveliness, and information dissemination

In 2008, Hankyu Oasis worked on the development of a new store based on the concepts of "expertise," "liveliness," and "information dissemination."



Creating "New Experience Value"

At the Hanshin Umeda Main Store, which was rebuilt and had a grand opening in 2022, "navigators" who deliver ideas and tips to enrich daily lives take on the challenge of two-way communication with customers through social media and events. We are creating a fan community that transcends the boundaries of customers, salespeople, and producers.



1920s onward

1950s

1960s onward

2000s

2010s

2020s

The world's first terminal department store

Hankyu Department Store was born as the world's first department store directly connected to a railway station with the new idea of "inviting people from along the railway." We advertised in the newspaper that "we want to sell the best products at a lower price than anywhere else."



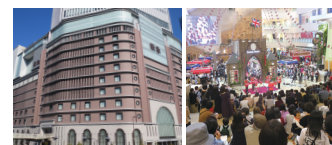
Building a supermarket model in pursuit of freshness

To provide better products to customers who value freshness, Kansai Super Market has undertaken several industry-leading initiatives, such as developing its own processing system for fresh foods and being one of the first to introduce refrigerated cases for vegetables.



Immersive excitement at a "Theater-like department store"

As an "information retailer" the Hankyu Umeda Main Store, which was rebuilt and opened in 2012, erected a four-story atrium SHUKUSAI Plaza (that provides new lifestyle information, learning, and experiences), facilities for disseminating information on lifestyle and culture, as well as a theater-like store environment to take you away from everyday life.



Creating customer contact points that are not limited to stores

We are pursuing sales styles that meet the needs of the times. For example, in 2020, the year the COVID-19 pandemic broke out, we launched Remo Order, a unique online service that lets customers purchase products from Hankyu and Hanshin department stores without having to visit the stores in person. In 2023, we introduced the Mobile Sweets Truck, which allows customers who are unable to visit stores owing to time or distance restraints to enjoy shopping.



2030
Vision for
the Future

→ P.12

Message from the President

Growth as a "Communication Retailer" Grounded in Customers and Communities

Naoya Araki, President and Representative Director



Message from the President

Our growth depends on resonating with local residents and gaining their trust and affection

We at the H2O Retailing Group conduct business in a way that reflects our deep roots in the Kansai Region, guided by our basic philosophy “To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents.”

Quite a few of our many shareholders in the Kansai region are also our customers, and it is not uncommon for their family members to work for our group’s business partners. Therefore, the customers, shareholders, employees, and the local communities that constitute our stakeholders are closely connected and have organically developed strong ties to one another. That is precisely why, guided by the belief that contributing to the sustainable development and prosperity of local communities is key to our growth, we have been engaged in regional co-creation activities.

To be honest, I had long regarded these efforts as largely intended to contribute to society and undertaken as part of our sustainability initiatives, with only a limited impact on our business. However, the relationship of these efforts with our business is now undergoing a major transformation. Activities that started out as sustainability initiatives have evolved into new businesses. At the same time, efforts driven by the desire to develop our business are bringing about the resolution of regional issues. A new cycle of this kind has begun to emerge within the group.

An example of this dynamic is the Senri Central Park revitalization project in



Toyonaka City, Osaka Prefecture. It was initially intended as mainly a regional co-creation activity focused on creating a space for local residents to improve their health and interact with one another. Led by H2O Retailing in collaboration with multiple partner companies, the project developed a café, convenience store, and community space, and hosted a series of resident participation-style events and social gatherings, successfully bringing back to life a park that had seen a sharp decline in visitors as a new community hub. Today, the know-how gained through managing this project has garnered accolades that have in turn attracted ongoing study visits from municipalities, companies, and universities across Japan, and it is now evolving into a business that provides community revitalization consulting services to multiple local governments.

Another good example of this dynamic is the Machi-Ken initiative launched in May 2025. The basic concept of this new business is making communities healthier through enjoyable and readily accessible neighborhood health checks, and its services are being developed both online and in the real world. We held a health check event in collaboration with Kawanishi City in Hyogo Prefecture that drew approximately 1,100 participants over five days. This effort helped to improve health checkup participation rates, a social issue faced by Kawanishi City, and became a tangible example of creating social value through our business activities.

Thus our initiatives ultimately converge on the same destination, regardless of whether they began as sustainability activities or as business ventures. The boundary between the two is rapidly disappearing. Our regional co-creation activities aimed at enriching and revitalizing communities reinforce our relationships with local residents, and the impact can be felt in the form of new business opportunities as they emerge from those connections. Our company has gained a unique competitive advantage by concentrating its operations in the Kansai region and offering diverse points of customer engagement through its stores, regional co-creation activities, and digital channels, thereby resonating with the people living in the region and gaining their trust and affection. I am confident that this advantage will become a powerful asset for our group as we pursue growth as a “Communication Retailer” in an era when connections between people are rendered ever more tenuous by reduced human involvement and streamlining through digitalization and the adoption of AI.

Message from the President

Understanding the changes of our era and advancing personalized customer engagement

In our era of breakneck changes happening all around us, consumer behavior is also undergoing major shifts, and it is now apparent that consumers have become polarized in various ways.

In the past, department store revenues were dependent on moderately formal situations that fell somewhere between strictly formal occasions and the informality of everyday life. However, due to factors such as work styles becoming more casual, these moderately formal occasions are rapidly disappearing as situations are increasingly concentrated into either the strictly formal or the everyday informal. At the same time, rising prices have caused consumers to tighten their purse strings in their daily lives, while a new spending style in which people spare no expense on things that align with their own values, such as supporting their favorite fandoms, has also taken hold.

Meanwhile, despite the widespread embrace of lifestyles in which everything from shopping to self-expression can be completed digitally, the need for the value provided by real-world experiences holds far greater strength than we had imagined. Although the number of visitors to department stores has yet to return to pre-pandemic levels, enthusiasm and response toward certain events now exceed those of that era. We view this as a major shift in consumer behavior.

We intend to understand precisely what is going on in the trends of our time that are exemplified by such polarization, and to create new business opportunities by understanding our customers' values as individuals and engaging with them on a personal level through the combined leveraging of our physical stores and digital channels.

Pursuing growth by addressing long-term structural challenges via the "Communication Retailer" model

In addition to these shifts in consumer behavior, we in the retail sector face the formidable challenge of overcoming the long-term structural change of population decline. The question before us is how to achieve sustainable growth while surmounting risks such as market contraction and labor shortages. We have formulated **Long-Term Business Plan 2030 Ver. 2** as our strategy for achieving growth in the face of these challenges.

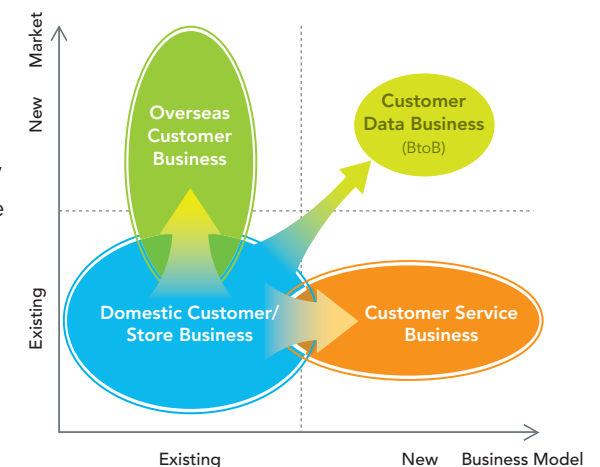
This growth strategy focuses on two key objectives: (1) raising the unit value per purchase and (2) developing new markets. To this end, we aim to drive growth through our "Communication Retailer" model, which seeks to increase **LTV(life time value)** and maximize the amounts spent by customers throughout their lives by strengthening our personal relationships with customers through the combined leveraging of physical stores and digital channels, building on our

strong customer base in the Kansai region. Three advantages make this approach possible: our 500 stores that serve as points of engagement with our customers; our digital leveraging of customer data, which we hope will encompass 10 million customers; and, as I mentioned earlier, the fact that we have resonated with and gained the trust and affection of those living in the region.

In addition, in developing new markets, we are shifting our focus from being grounded in retail outlets to being a "Communication Retailer" that is grounded in our customers, and are currently moving forward with preparations in the following four areas of focus.

- (1) Establishing businesses targeting overseas customers, who are rapidly increasing in number and becoming repeat visitors;
- (2) developing businesses for affluent customers that are not solely reliant on luxury brands;
- (3) expanding and commercializing co-creation activities that revitalize local communities and their residents; and
- (4) developing businesses that leverage customer data that combines purchasing data with search and behavioral data, cross-referenced with external data.

Growth schematic under Long-Term Business Plan 2030 Ver. 2



Message from the President

These plans are currently being prepared in parallel and steadily brought to fruition. We are identifying and registering affluent overseas customers as individually recognized customers amounting to 40,000 individuals, and we are advancing proposals for shopping support and experiential content, particularly for repeat visitors. In addition, our regional gourmet app Machi-Uma has registered more than 100,000 members in Takatsuki City, Osaka Prefecture, a city of about 340,000. We intend to use the department store app scheduled for release in 2026 as a catalyst to further accelerate our efforts to understand, strengthen, and monetize our relationships with customers by expanding points of customer engagement centered on our group-wide H2O ID system.

Disclosure of processes and continuation of management that is conscious of cost of capital and stock price

Although such strategies are steadily bearing fruit, we also recognize that our value has not yet been fully conveyed to existing capital markets, and that this remains an issue. We accept that our current price-to-book ratio (PBR) is a stark reflection of this reality. It is therefore my foremost responsibility to disclose in concrete terms the progress and results achieved in our future growth trajectory as a “Communication Retailer.” With the early achievement and stabilization of a PBR above 1 as our goal, we will focus on pursuing rigorous management that is always conscious of the cost of capital and our stock price, while advancing in an integrated manner the three goals of clarifying our growth strategy, strengthening shareholder returns, and expanding our shareholder and investor base through enhanced communication.

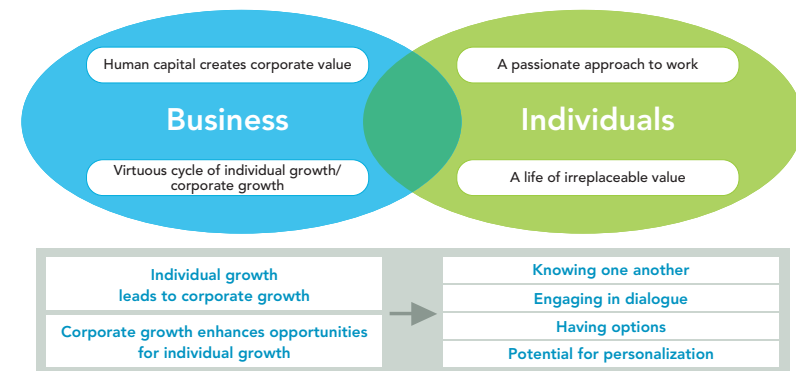
The power of people who support corporate value

It goes without saying that it is people who will bring these initiatives to fruition. In 2024, we declared that the relationship between our companies and individuals is one of “co-creation partners who work together to enhance value and grow.” In other words, we believe that the relationship between the company and the individual is not hierarchical, but one of equality built on resonance and co-creation. Our goal is to bring about a virtuous cycle in which the company's growth creates more opportunities for individual growth, and individual growth in turn drives the growth of the company.

Our group is a collective of employees with diverse backgrounds brought

together through a series of mergers, but we are fortunate that a common DNA lives within us—one that makes us **customer-oriented people** who find our own joy in the joy of our customers. Building on this DNA in which we take pride, we will enhance the development of self-directed and proactive personnel as well as value-creating frontier talent capable of venturing beyond the existing framework of our stores to cultivate new markets and business models, while transforming our human resources portfolio to match the evolution of our business portfolio.

Core values of our human capital strategy = **Resonance and co-creation in growth**



Achieving our Medium-Term Management Plan

Favorable external conditions helped us to deliver results that exceeded expectations in FY2024, the first year of our Medium-Term Management Plan. Factors such as the weak yen, a rebound in consumer spending, and rising prices enabled us to achieve our initial operating profit target two years ahead of schedule, making it a year of acceleration for our initiatives aimed at realizing Long-Term Business Plan 2030 Ver. 2. For FY2025, we expect a temporary decline in profits due to the high base effect from the previous year and the impact of construction work. However, in FY2026, we aim to capture the benefits of growth investments, such as the large-scale remodeling of the Hankyu Umeda Main Store that intends to establish it as a global department store, and the promotion of renovations at our food supermarkets based on the two models of value appeal (Type A) and price appeal (Type C), as we work steadily toward achieving the goals of our Medium-Term Management Plan.

Message from the President

To all our stakeholders: Our vision for future growth

Though various factors lie behind the recent stagnation in our performance, it does suggest that there are limits to the medium- to long-term growth achievable through our existing business model alone. That is precisely why, if we liken our existing domestic customer and retail outlet businesses to the first floor of a building, now is the time to begin in earnest the construction of a second floor. The substance of this second floor will consist of the four focal areas I mentioned earlier: the establishment of businesses for overseas customers; the development of businesses targeting affluent customers; the expansion and commercialization of activities that revitalize local communities; and the development of businesses that leverage customer data. The main pillars supporting these first and second floors are in turn the resonance, trust, and affection we have earned from local residents, and the leveraging of data sourced from our strong customer base.

We will leverage our strengths to the fullest from our point of origin in Kansai to demonstrate a new model of growth as a “Communication Retailer” through concrete initiatives aimed at maximizing lifetime spending by customers and developing new markets with a customer-oriented approach.



Important Keywords for Realizing Our Group Vision

1. Communication Retailer

This is our original business model that supports the evolution and growth of the H2O Retailing Group. Under this model, we aim to build strong, deep, and lasting relationships with our customers by strengthening our direct communication capabilities that fuse digital technology with our physical stores, thereby maximizing the LTV we provide to our customers over the course of their lifetimes.

2. Long-Term Business Plan 2030 Ver. 2

This growth strategy was formulated to make our intended business model of a “Communication Retailer” a reality. It is structured around markets and business models and classifies our operations into four business domains, taking into account both existing and potential markets and businesses. We aim to expand our markets and operations from our existing department store, food supermarket, and commercial facility businesses centered on domestic customers and retail outlets to new areas including overseas customer businesses, a new market; customer service businesses, a new business type; and, building on the strengths of these, businesses that leverage customer data, a new business domain.

3. LTV (Life Time Value)

This concept refers to the total revenue that a single customer brings to a company over the course of their lifetime. However, at the H2O Retailing Group, we think of it as “the total value provided to customers over the course of their lifetime.” We aim to build close, long-term relationships with our customers by offering products and services that are closely aligned with their lifestyles and circumstances through multiple businesses in our group, including department stores and food supermarkets that are firmly rooted in the Kansai region, thereby maximizing the value we provide.

4. H2O ID


This is a group-wide ID that individually identifies customers who consistently use the diverse businesses and brands we operate. Through data analysis of factors such as usage trends across each business, we aim to better understand our customers, provide each individual with optimal products and services, maintain active relationships with our customers, and maximize their LTV.

5. Customer-oriented people

This refers to people who find joy in the joy of their customers and act independently from the customer's perspective. Employees who embody these values are deeply embedded in our frontline operations and form the core of our organizational culture.

Changes in the Management Environment and Our Awareness of the Key Issues

We have made the rapidly changing external environment, our understanding of the circumstances confronting both our company and our customers, and our resulting sense of the issues to be addressed the starting points for formulating our Long-Term Business Plan and Medium-Term Management Plan.

Changes in the management environment			Issues to be addressed		Response policy
Opportunities		<ul style="list-style-type: none">● Potential shift toward an inflationary economy● Polarization of consumer markets● Rapid expansion of consumption by inbound tourists● Growing domestic and inbound tourism demand in Kansai and the region's advantages	<ul style="list-style-type: none">● Expectation of positive spillover effects on consumption● Creating added value capable of absorbing rising costs● Need for continuous cost-efficiency optimization● Simultaneous parallel initiatives in two different markets● Strengthening medium- to long-term initiatives that view the expected expansion in overseas customer demand as a growth market		<ul style="list-style-type: none">● Deepening our existing domestic customer and store businesses
	Our and our customers' circumstances	<ul style="list-style-type: none">● Hankyu Main Store: No.1 in Japan for tax-free sales by store● Scaling up the food supermarket business through management integration● While demand for high-priced goods and experiential value is rising, consumers continue to insist on value for money in their daily lives			<ul style="list-style-type: none">● Focusing on and boosting our overseas customer business, which has high growth potential● Development of new revenue sources
Risks		<ul style="list-style-type: none">● Gradual progression toward a society with a shrinking population● Digital-based lifestyles and communications becoming the norm● Expanding demand from capital markets and stakeholders	<ul style="list-style-type: none">● Preparing and developing new business domains and models● Productivity improvement initiatives and preparing for labor- and manpower-saving measures● Establishing a business style that fuses real life with the digital● Developing businesses that cater to lifestyle innovations● Continuing sustainability initiatives with clearly-defined KPIs● Synergizing corporate growth and individual growth● Clarifying growth strategies, capital policies, and shareholder return policies		<ul style="list-style-type: none">● Building and leveraging group infrastructure that supports our businesses● Strengthening management initiatives that are conscious of cost of capital and stock price
	Our and our customers' circumstances	<ul style="list-style-type: none">● Signs of labor shortages affecting both value-added talent and operational staff● PBR has fallen below 1.0 due to delays in capital strategy and related factors			

Topics

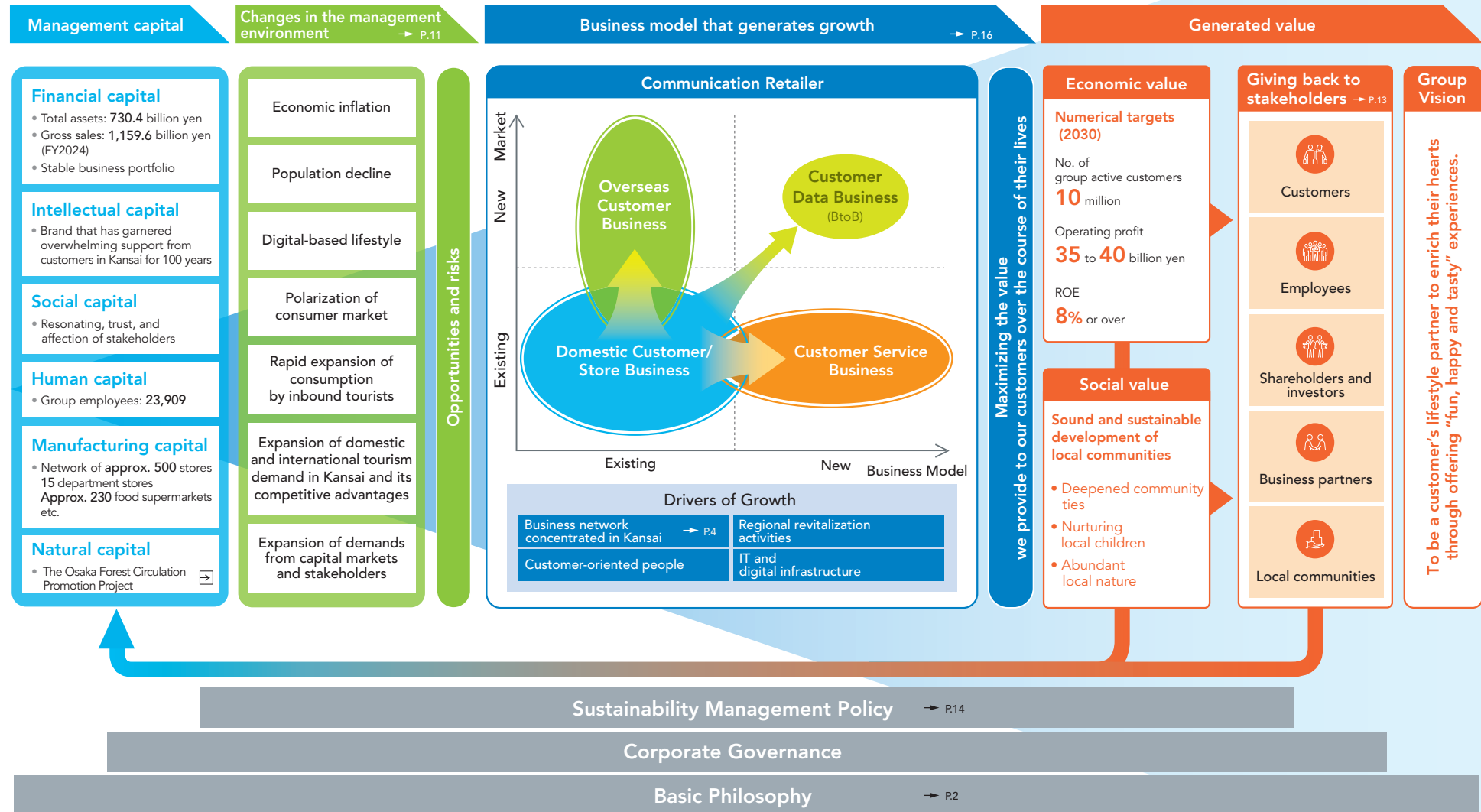
Publishing our white paper *How Retail Is Facing the Future of Kansai*

We have jointly published a white paper with SIGMAXYZ Holdings, Inc. that analyzes the current state of the Kansai region and considers its future outlook. The paper provides an accessible overview of, among other topics, the issues facing the retail industry, how we are addressing those issues, and the concrete actions we are taking.

➡ [To read this white paper, please visit our website. \(Japanese only.\)](#)



H2O RETAILING's Value Creation Process



Stakeholder Engagement

Our group, which remains deeply rooted in the Kansai region as it carries out its business, maintains close engagement and ties with its stakeholders, including customers, employees, shareholders, business partners, and the local communities. Many of our shareholders live in the Kansai region and are also customers of our food supermarkets, and it is not uncommon for them to have family who work for business partners of our group. It is this distinctive interconnectedness among our stakeholders that forms the firm foundation on which our business rests. It is for precisely this reason that we believe communication with our stakeholders is essential to our growth. We identify expectations and issues through dialogue with our stakeholders and reflect them in the way we manage our group, thereby driving sustainable improvement of our corporate value.

Stakeholders	Goals (what we hope to achieve together with all our stakeholders)	Main Opportunities for Dialogue
 Customers	Provide products and services based on a customer-oriented approach and co-create a fulfilling lifestyle model filled with the delight and excitement of “fun, happy, and tasty” experiences.	<ul style="list-style-type: none"> • Customer service and hospitality • Customer consultation liaison • Social media and our websites
 Employees	Aim to be a “Customer’s Lifestyle Partner to Enrich Their Hearts” and, as a partner in co-creation that grows alongside our collaborators, establish systems and environments that allow people to make the most of their abilities.	<ul style="list-style-type: none"> • In-house bulletins • Career consultations • Interaction with top management through group-wide training and exchange among group companies
 Shareholders and investors	Work to enhance corporate value by strengthening dialogue with shareholders and investors and incorporating their feedback into our management practices.	<ul style="list-style-type: none"> • Results briefings (4 times annually) • IR briefings • General meetings of shareholders • Publication of integrated report
 Business partners (suppliers, in-store sales staff)	Position our partners as collaborators in building a future together, with fair and equitable collaboration as the foundation for creating value that exceeds the expectations of our customers.	<ul style="list-style-type: none"> • Business talks and informal gatherings • Joint development • Morning meetings and training (in-store sales staff)
 Local communities (including educational institutions and students)	Contribute to the sound and sustainable development of local communities as a member of those communities, and remain an indispensable presence within them.	<ul style="list-style-type: none"> • Participating in and supporting community events • Collaborative agreements with local government • Recruitment activities

Example Cases

Supporting children’s growth

With initiatives such as the Hankyu Hanshin Department Stores’ Children’s College at the core, we conduct experiential programs that support the healthy growth of local children. During the summer vacation period in 2025, the group as a whole offered approximately 700 experiential programs in total.



Revitalizing local parks

Senri Central Park Management is a group company engaged in the park revitalization project for Senri Chuo Park in Toyonaka City, Osaka Prefecture, working together with local residents to make the park more appealing to visitors.



Panel displays at the general meeting of shareholders

At the general meeting of shareholders held in June 2025, we set up panel displays to present our initiatives, helping attendees better understand our activities while providing an invaluable opportunity to hear their opinions directly.



Communication with employees

In the spring of 2025, we distributed a video message from the president to all employees. To clearly communicate the strengths and significance of our group’s management practices, the video featured an interactive dialogue with young employees, helping ensure that its message took hold across all positions and experience levels.



Sustainability Management Policy

Our Sustainability Management

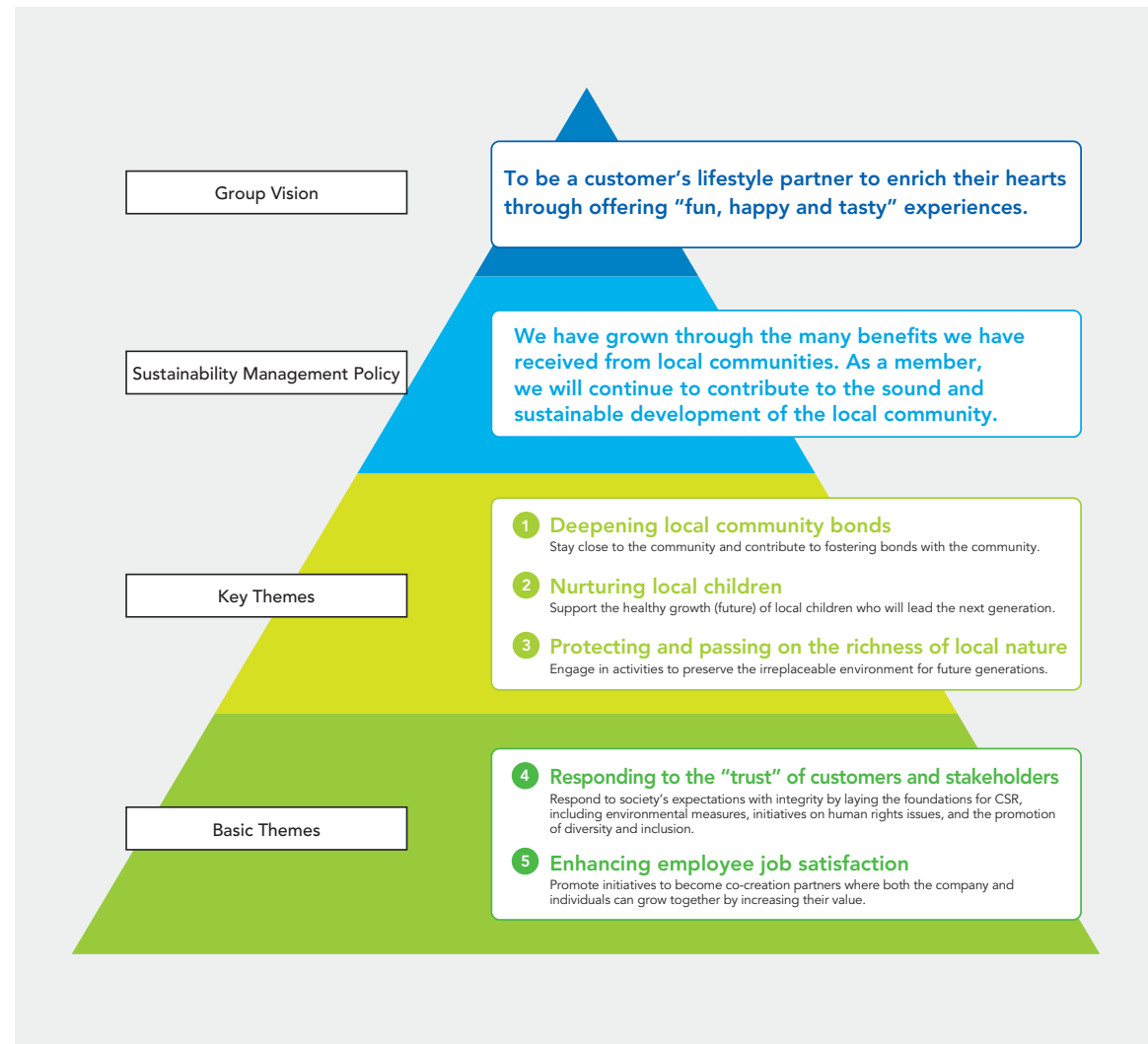
Working together with local communities, we make a conscious effort to address social issues by engaging in activities that are visible, accessible, and achievable. We earn the trust of society by responding in good faith to its expectations, while also fostering a greater sense of purpose and better engagement among our group employees as we pursue better growth as a company.

Sustainability Management Policy

Our group's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents." We have long been a familiar presence in our local communities, where people affectionately refer to our stores as "Hankyu-san," "Hanshin-san," and "Izumiya-san." We have continued to grow, supported by the many benefits we have received from these communities.

In order to repay the support we have received over the years and to meet the expectations of our customers, we are committed to being a good corporate citizen and contributing to the sound and sustainable development of the local community.

Since April 2021, we have been promoting sustainability initiatives by positioning three key themes and two basic themes centered on "contributing to local communities" as the group's material issues.



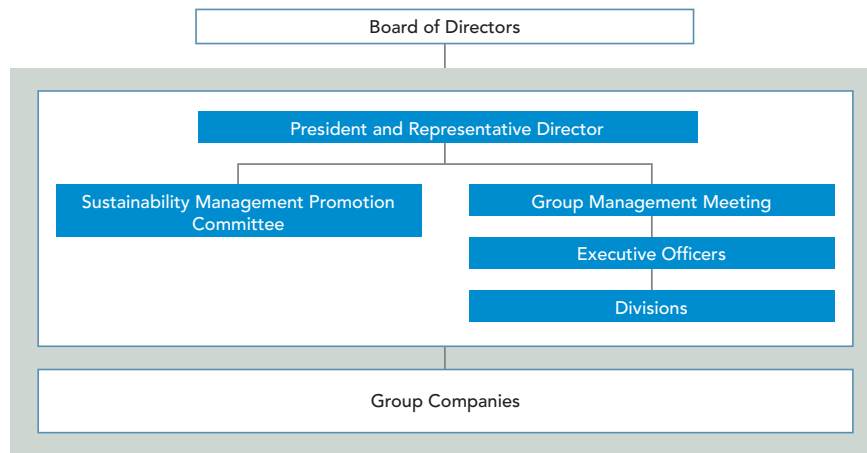
Sustainability Management Policy

Sustainability Management Promotion System

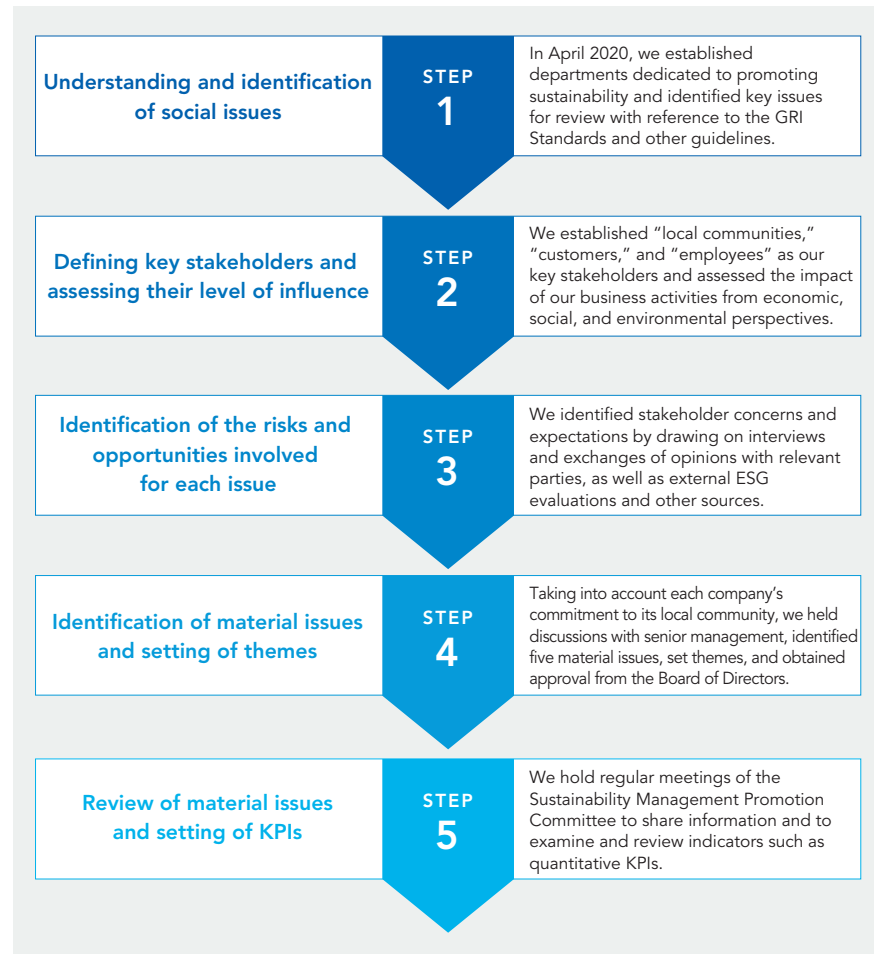
Our group has established the Sustainability Management Promotion Committee. Chaired by the President and Representative Director, it consists of the top executives of each business and two external experts. The committee's secretariat is our Sustainability Promotion Office.

Its main activities include formulating policies for addressing material issues, sharing information on initiatives, and monitoring progress. The resolutions passed are reported to the Board of Directors following deliberation by the Group Management Meeting.

Our core companies have established departments dedicated to promoting sustainability, and they share information and coordinate efforts across the group. Working together as a unified group, we are steadily moving forward our initiatives to address key issues.



Process for Identifying Material Issues



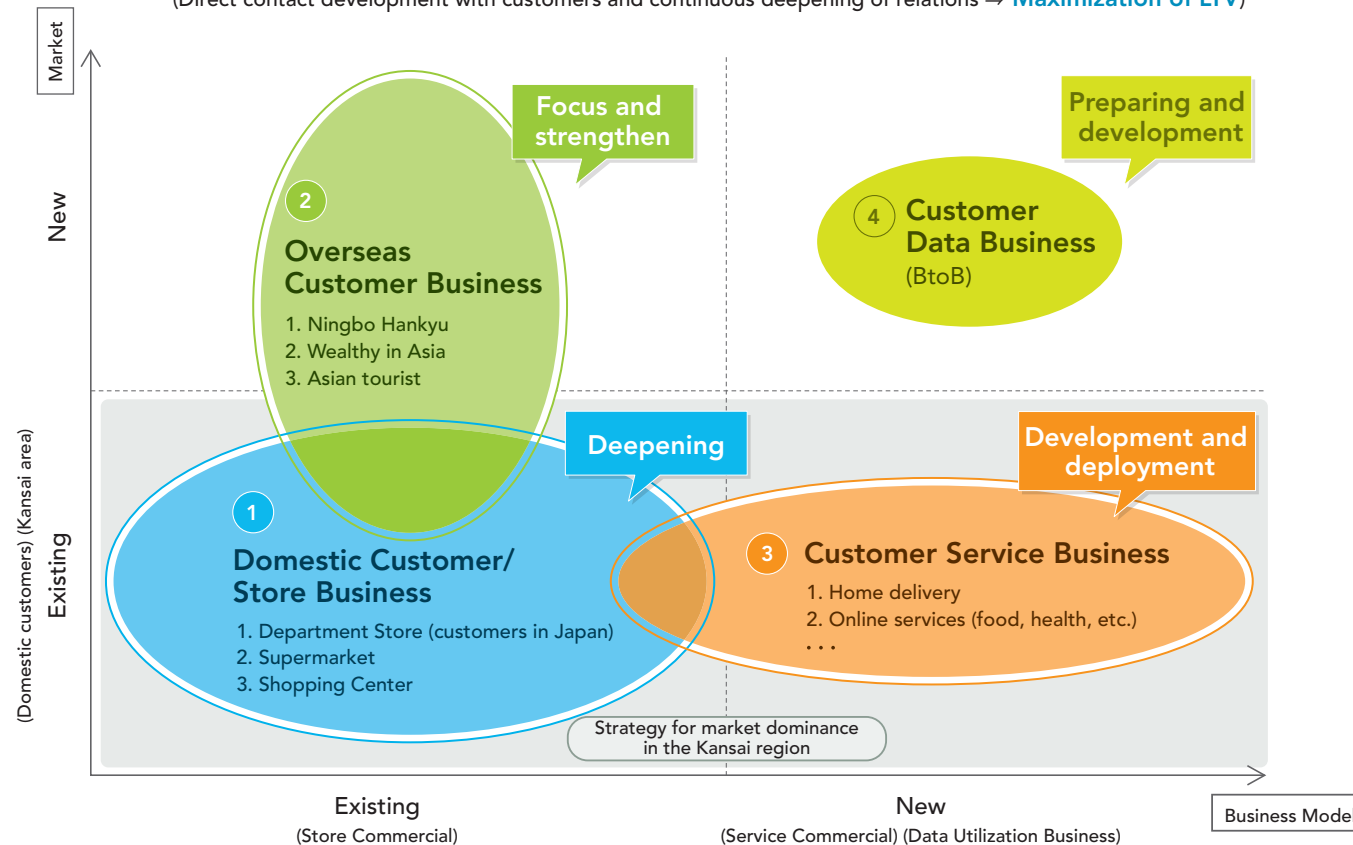
Long-Term Business Plan 2030 Ver. 2

Taking into account the results of the Medium-Term Management Plan FY2021-2023 and changes in the business environment, we have restructured our growth strategy as the Long-Term Business Plan 2030 Ver. 2.

The Group's Target Business Model → To become a "Communication Retailer"

Restructure Growth-Strategy → Customers are the company's most important asset;
restructuring the business from the customer's point of view

(Direct contact development with customers and continuous deepening of relations ⇒ Maximization of LTV)



Numerical Targets (FY2030)

Number of group active customers

10 million people

Operating profit

35 to 40 million (after eliminations)

- ① Domestic Customer/Store Business ¥25 billion
- ② Overseas Customer Business ¥20 billion
- ③ Customer Service Business } ¥3 billion
- ④ Customer Data Business (BtoB)

ROEs

8% over

Corporate Infrastructure Development

- Business use of IT and digital infrastructure
- Customer data collection and utilization
- Human resource strategies for synergizing corporate and employee growth

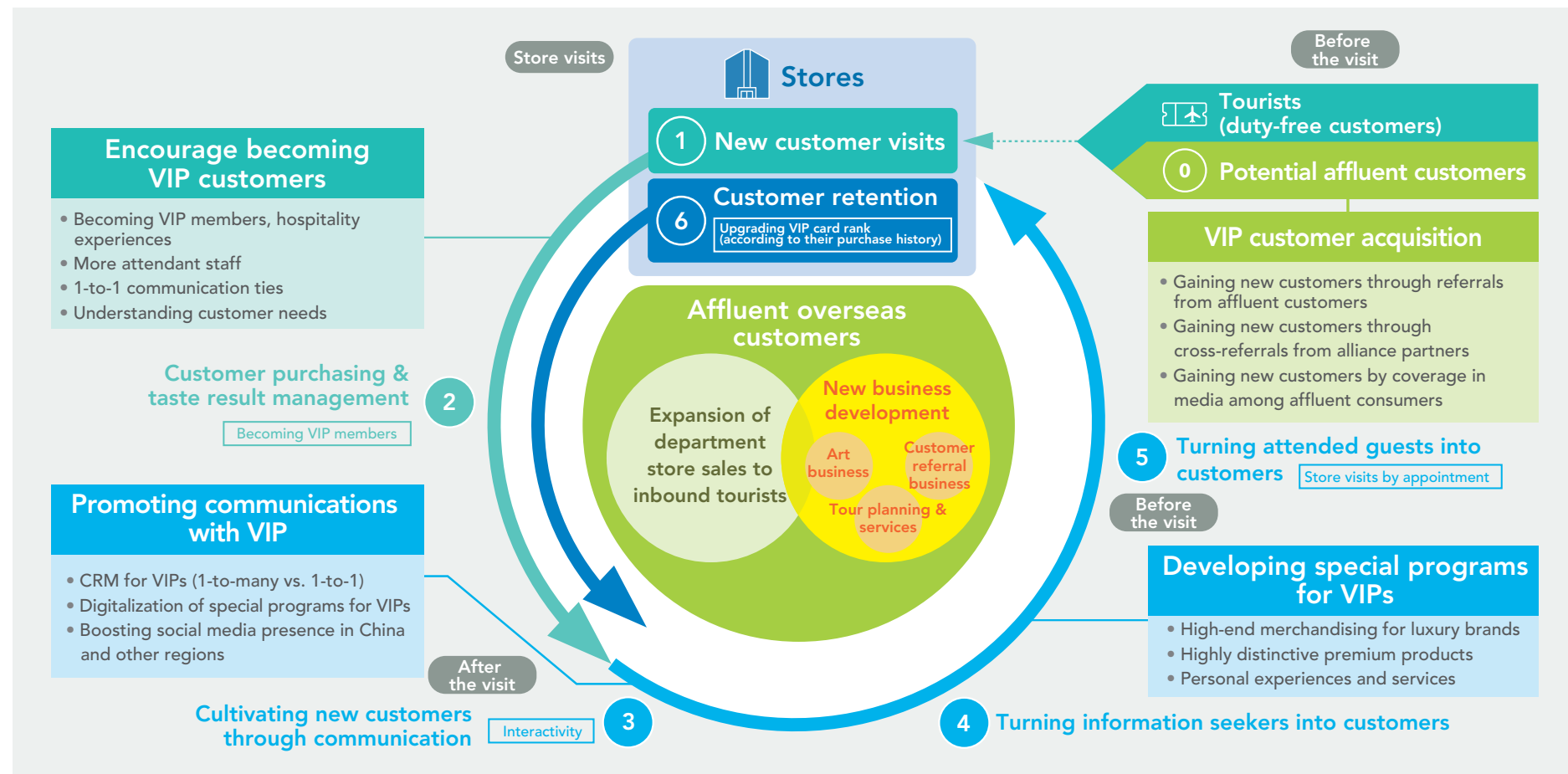
Focusing on and Enhancing Overseas Customer Business

While there is uncertainty regarding current inbound consumption, we believe it still has great potential and is important from a strategic perspective.

We aim to build stable relationships, not influenced by our surroundings, with high-value customers focusing on a cycle of VIP customer development.

The customer development cycle begins when new customers visit our stores and we encourage them to be VIP card members.

Through ongoing communication, we seek to build strong relationships with these members. We develop and offer special opportunities such as various events and experiential programs to customers to encourage continuous future visits and purchases.



Focusing on and Enhancing Overseas Customer Business

Target Level

We aim to build a solid sales foundation by upscale-remodeling the Hankyu Main Store and promoting overseas affluent customers to our loyal clientele.

	FY2024 results	FY2026 target	FY2030 target
Sales to inbound tourists	130 billion yen	142 billion yen	200 billion yen
Number of overseas VIP members	39,000	60,000	90,000
Sales to overseas VIP customers	39 billion yen (30% ratio)	50 billion yen (35% ratio)	100 billion yen (50% ratio)

Developing Regionally Specific and Unique Programs for Affluent Overseas Customers

We are developing products based on the key concepts of 'Japanese specific high added value and quality', 'investment value', 'personalization', and 'premium experiential value'.

For example, in the food sector, where we offer the high added value of 'Japan Premium,' we developed the 'Homare Iroha' series of aged sake in a joint effort with Ozeki Co., Ltd., a company with a history of over 310 years, and went on sale in 2024.

We sell these products at locations such as the Hankyu Umeda Main Store, airports, and luxury cruise ships, sharing the appeal of Japanese sake with the world.



Service Corner Exclusively for VIPs

In September 2024, we established an exclusive service corner for overseas VIP customers at the Hankyu Umeda Main Store. The space allows customers to complete tax exemption procedures while seated in comfort, and our relationships with them grow stronger as we communicate with them during this process.

A large LCD monitor installed on the wall plays videos that evoke Japan's four seasons to create an atmosphere where customers can relax.



Positioning Ningbo Hankyu as a Base for Overseas Customer Business

We will build a solid foundation for our business at Ningbo Hankyu, which has become our consolidated subsidiary, and steadily advance its development as a base for our overseas customer business.

Current status of Ningbo Hankyu

Despite continued sluggish consumer spending in China, Ningbo Hankyu is trending toward recovery, supported in part by the effects of its remodeling. We expect it to grow into an even more profitable business enterprise thanks to the completion of a large-scale adjacent facility scheduled for 2026 and other factors.

Remodeling Details

- Expansion of luxury brands, which continue to perform strongly, and enhancement of services for affluent customers, including the establishment of a VIP lounge
- Total investment of 430 million yuan from FY2024 to FY2026

Coordination with Hankyu Main Store

- Providing VIP customers of Ningbo Hankyu the same level of VIP services when they visit the Hankyu Main Store
- Initiating collaboration between VIP attendant staff at both stores, with the goal of systematizing operations



Sustainability Strategies

Five Material Issues and Medium-Term Initiatives

Main Initiatives FY2024-2026	Key Theme <ul style="list-style-type: none"> Further promotion of regional co-creation activities unique to our company Enhancing dialogue with local communities, disseminate information to communities, etc. 	Basic Theme <ul style="list-style-type: none"> Promotion of initiatives integrated with human resource strategies (health and productivity management, diversity and inclusion) Specific activities to achieve KPIs for the environment, etc.
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Material issues and targets/KPIs

Theme and commitment	Specific directions of initiatives	Medium-term targets and KPIs	Progress and quantitative KPIs
Key Theme ① Deepening local community bonds Stay close to the community and contribute to fostering bonds with the community.	<ul style="list-style-type: none"> Support the creation of hubs for daily life through co-creation and collaboration. Help to promote interaction between different generations in the local community. Propose ways to brighten people's lives by promoting the unique charms of the region, such as traditional culture and art. Support the health of the community in terms of lifestyle and healthcare. 	KPIs for regional co-creation activities, including their target values and disclosure timelines, are being developed.	Group-wide promotion of regional co-creation activities, focusing on model regions and municipalities with which we have concluded comprehensive partnership agreements.
Key Theme ② Nurturing local children Support the healthy growth (future) of local children who will lead the next generation.	<ul style="list-style-type: none"> Create opportunities for children to meet people, which 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. 		Model regions Osaka Prefecture: Kawachinagano, Toyonaka, Ikeda area Hyogo and Osaka prefectures: Takarazuka, Kawanishi, Inagawa, Toyono area
Key Theme ③ Protecting and passing on the richness of local nature Engage in activities to preserve the irreplaceable environment for future generations.	<ul style="list-style-type: none"> Conduct environmental conservation activities in cooperation with local communities. Promote nature conservation activities, including forests, water resources, and other natural assets. Propose environmentally friendly products, services and lifestyles. 		Municipalities with which we have concluded comprehensive partnership agreements Osaka Prefecture Kobe City, Kawanishi City, Takarazuka City (Hyogo Prefecture)
Basic Theme ④ Responding to the "trust" of customers and stakeholders Respond to society's expectations with integrity by laying the foundations for CSR, including environmental measures, initiatives on human rights issues, and the promotion of diversity and inclusion.	Promotion of environmental measures Promote environmental management to mitigate the environmental impact of our business activities.	Greenhouse gas (GHG) emission reduction Scope 1 and 2 GHG emission reduction rate FY2026: 20% reduction (compared to FY2019) FY2030: 30% reduction (compared to FY2019) * 48% reduction equivalent (compared to FY2013) FY2050: Net zero	FY2024 Scope 1: 53,000 t-CO ₂ e Scope 2: 199,000 t-CO ₂ e (10.3% reduction from FY2019) *Data from 12 major companies
		Food waste reduction Food recycling rate * Department stores and supermarkets only FY2026: 60% FY2030: 70%	Food recycling rate FY2024: 58% * Department stores and supermarkets only
		Plastic waste reduction Amount of products using specified plastics provided * For department stores, food supermarkets, and a hotel FY2030: 60% reduction in basic unit (compared to FY2021)	Amount of products using specified plastics provided FY2024: 11% reduction in basic unit (compared to FY2021)
		Promotion of environmental management Promote initiatives by establishing theme-based working teams in the Department Store Business and Supermarket Business each year	Establish the Environmental Measures Promotion Project at Hankyu Hanshin Department Stores. In FY2025, four subcommittees promote initiatives on circular design and food waste, etc.

Sustainability Strategies

Material issues and targets/KPIs

Theme and commitment	Specific directions of initiatives		Medium-term targets and KPIs	Progress and quantitative KPIs
<div>Basic Theme</div> <div>④ Responding to the “trust” of customers and stakeholders</div> <div>Respond to society’s expectations with integrity by laying the foundations for CSR, including environmental measures, initiatives on human rights issues, and the promotion of diversity and inclusion.</div>	<div>Promoting human rights initiatives</div> <div>Establish a human rights due diligence (DD) promotion system based on the H2O RETAILING Group Human Rights Policy, and promote CSR procurement.</div>		(FY2024–2026) <ul style="list-style-type: none">Establish a system for implementing and promoting human rights DD within the group.Identify human rights risks in the supply chain and engage in dialogue with business partners.	<div>Within the group:</div> <div>Promoted by the Work Environment and Human Rights Subcommittee. After creation of a human rights assessment sheet and identifying the issues, all group companies have been working since FY2025 to address such issues.</div> <div>Across the supply chain:</div> <div>Promoted by the Sustainability Management Promotion Committee. We plan to initiate engagement with our business partners within FY2025 to achieve highly effective assessment of human rights risks and impacts.</div>
	<div>Promoting diversity and inclusion</div> <div>Meet the expectations of all customers and local communities by creating an environment that respects the individuality of each and every employee, irrespective of differences in age, sex, sexual orientation, gender identity, race, religion, disability, or working status, and makes the most of our diverse strengths.</div>	Promotion of opportunities for women	<div>Ratio of female managers (FY2030)</div> <div>Hankyu Hanshin Department Stores..... 35%</div> <div>KANSAI FOOD MARKET 20%</div> <div>H2O Shopping Center Development 35%</div>	<div>Ratio of female managers (FY2024)</div> <div>Hankyu Hanshin Department Stores..... 17%</div> <div>KANSAI FOOD MARKET 5.7%</div> <div>H2O Shopping Center Development 22%</div>
		Employment of people with disabilities	Maintain a level of employment of people with disabilities that exceeds the statutory employment rate. (2.7% in FY2030)	Employment of people with disabilities rate: 2.94% (as of June 2025)
		Support for LGBTQ+ people	(FY2024–2026) <ul style="list-style-type: none">Implement employee training, develop regulations, etc.Prepare manual for dealing with customers.	<ul style="list-style-type: none">Employment regulations revised at all group companies to include provisions preventing sexual orientation and gender identity (SOGI) harassment and outing.Conducted video training for executives and all employees group-wide.Customer service manuals are currently being developed.
	<div>Promoting health and productivity management</div> <div>Establish a system to support the mental and physical health of each employee, irrespective of their employment status.</div>		(FY2024–2026) <div>Build a promotion system that provides comprehensive health and mental support within the group.</div>	Launched a project aimed at establishing a Group Health Management Center (provisional name) in 2026 to promote unified health initiatives and various support measures across the group.
	<div>Improving quality control for safety and peace of mind</div> <div>Practice strict quality control of our products so that our customers can shop with peace of mind.</div>		Hold regular meetings of the Group Food Hygiene Quality Control Promotion Subcommittee.	The Group Food Hygiene Quality Control Promotion Subcommittee held two meetings (September and March) in FY2024.
	<div>Improving safety and peace of mind in times of disaster</div> <div>Work to build and disseminate a business continuity plan (BCP) with the aim of ensuring the safety and peace of mind of customers and employees in the event of a disaster.</div>		<ul style="list-style-type: none">Promote the conclusion of disaster preparedness agreements with municipalities.Conduct disaster preparedness drills in collaboration with municipalities and other companies. Consider KPIs in conjunction with measures to stimulate employee engagement.	Two supermarket companies (Izumiya-Hankyu Oasis and Kansai Super Market) have concluded disaster-prevention agreements with 26 municipalities.
<div>Basic Theme</div> <div>⑤ Enhancing employee job satisfaction</div> <div>Promote initiatives to become co-creation partners where both the company and individuals can grow together by increasing their value.</div>	<div>Promoting a visionary, co-creative work style</div> <div>Promote initiatives aimed at disseminating the group vision and fostering a culture of co-creation and collaboration.</div> <div>Promoting participation in community contribution activities</div> <div>Create opportunities for people from all backgrounds within the group to participate in activities that contribute to the development of local communities.</div> <div>Providing growth opportunities</div> <div>Support autonomous career development across the entire group by expanding opportunities for employees to choose their own duties, such as through open recruitment for new posts and projects, and self-reporting.</div>		Plan to conduct employee engagement survey. KPIs, including their target values and disclosure timelines, are being developed.	<div>H2O Future Exploration School</div> <div>Held the 2nd Future Exploration School to cultivate the skills needed to explore new markets and business models and develop our future business.</div> <div>Co-Creation Project with Pasona Group</div> <div>In March 2025, we launched a co-creation project through a business collaboration with Pasona Group. Nearly 60 members in total are participating in 6 working groups and 2 R&D groups, including 30 employees from across our group. We aim to commercialize the project in FY2027.</div>

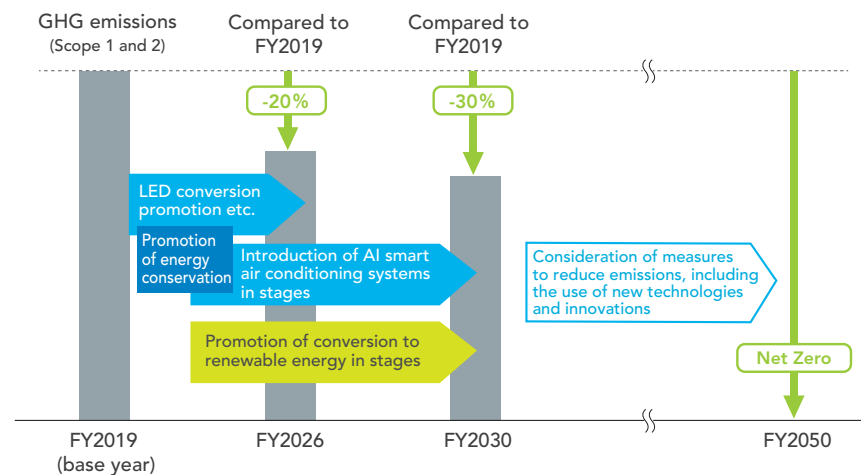
Sustainability Strategies

Climate Change Initiatives (1) Measures to Reduce Greenhouse Gas (GHG) Emissions

Addressing climate change is an urgent issue that our generation must tackle to pass on a beautiful global environment to future generations. 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 prioritize the issues of greenhouse gases (GHG), food waste, and plastic use, recognizing their particular importance to our business activities, and we are working to achieve the targets we have set in relation to these issues. The Sustainability Management Promotion Committee measures the effectiveness of its initiatives and reviews them with the assistance of external experts. We then actively disclose information to enhance initiatives. To reduce GHG emissions, we are implementing comprehensive energy-saving measures, including the introduction of high-efficiency equipment such as LED lighting and the use of AI smart air conditioning systems. At the same time, we are moving forward with the transition to renewable energy sources for electricity used at our main stores and facilities.

Roadmap for reducing GHG emissions



LED conversion promotion

Hankyu Hanshin Department Stores Inc. is actively promoting the use of LED lighting. The LED installation rate, which was 77% at the end of FY2023, exceeded 90% by the end of FY2024.

We are also systematically converting to LED lighting in our Supermarket Business and Shopping Center Business. In addition to the use of LED lighting, food supermarkets are taking energy-saving measures such as the introduction of frozen reach-in showcases (showcases with glass doors) and the installation of nighttime curtains on refrigerated open cases.

AI smart air conditioning system

In April 2023, we established a joint venture, H2O KU Carbon Neutral Design Co., Ltd., with KOBE UNIVERSITY CAPITAL, an investment business under the umbrella of Kobe University. The joint venture is working to commercialize an AI smart air conditioning system and achieve energy reductions by improving the operation of existing air conditioning systems.

In addition to the Hankyu Umeda Main Store, where the system was introduced in 2023, we are gradually expanding its implementation to other group stores, including the Hanshin Umeda Main Store. We are also providing this solution to companies outside the group, thereby contributing to decarbonization across society.

Gradual transition to renewable energy sources

We have formulated plans for our Department Store, Supermarket, and Shopping Center businesses to transition in stages to renewable energy, beginning with major stores, a hotel, and facilities that consume large amounts of electricity.

We converted our electricity use at the Nanko Distribution Center (January 2025), the Hanshin Umeda Main Store, and Takarazuka Hankyu (April 2025) to 100% renewable energy. This is in addition to the facilities converted in previous years: the Hankyu Umeda Main Store, Nishinomiya Hankyu, Izumiya SC Nishinomiya Gardens, and Hankyu Oasis Suita SST Store. Renewable energy has also been partially introduced at Hakata Hankyu, and we will continue to advance the transition.

Topics

AI smart air conditioning system business
Won the NIKKEI Reskilling Awards 2025
Special Jury Prize

NIKKEI
RESKILLING
AWARD 2025

Special Jury Prize

To facilitate the commercialization of our AI smart air conditioning system, we dispatched employees to take part in a curriculum offered by Kobe University, which conducts research fundamental to this field, to cultivate specialists in AI and air conditioning. Our approach to reskilling was recognized not only for its unique methods but also for its outcomes, including career development of individual employees, such as those who had elevated their expertise being invited to serve as outside lecturers at Kobe University, and reductions in air conditioning energy costs.

Sustainability Strategies

Climate Change Initiatives (2) Disclosure in Line with TCFD Recommendations



*Task force established in 2015 by the Financial Stability Board (FSB) for global economic stability to understand and disclose the financial implications of the risks and opportunities posed by climate change.

Governance

The Sustainability Management Promotion Committee oversees the management of climate-related issues across the entire group. The committee is chaired by the President and Representative Director, who has ultimate responsibility regarding environmental issues.

Risk management

The Sustainability Management Promotion Committee identifies climate-related risks, comprehensively examines such things as the characteristics of the business, and takes advice from external experts. Having identified risks that are closely related to the group, the risks are incorporated into the initiatives of each operating company and the persons responsible for sustainability promotion in each company work together to manage progress. The content of discussions held by the Sustainability Management Promotion Committee are shared with the Compliance and Risk Management Committee. Furthermore, the matters resolved are integrated into the company-wide risk management process following deliberations by the Group Management Meetings through a reporting process to the Board of Directors.

Indicators and targets

We use Scope 1, 2, and 3 greenhouse gas (GHG) emissions figures as indicators to manage climate-related risks and opportunities. To improve the reliability of the data, we have obtained third-party assurance for energy consumption and GHG emissions (Scope 1, 2, and Scope 3 Category 1) in FY2024.

Long-term target	Net-zero GHG emissions in FY2050
Medium-term target	30% reduction compared to FY2019 by FY2030

Strategy

We conducted scenario analysis to identify the risks and opportunities that climate change poses to our group along with the impacts of these risks and opportunities, as well as to consider the resilience of our strategies and measures. We assumed two scenarios: the <2°C scenario, in which the rise in the average global temperature from pre-industrial levels is kept below 2°C until 2030, and the 4°C scenario, which is based on the assumption that no new policies or systems will be introduced and that the world will continue on its current path. We then used the results to identify risks and opportunities that would have a significant impact on our group.

➔ [For more information about the risks and opportunities under each scenario, please visit our website.](#)
(Japanese only)

Risks and opportunities with significant impact on our group based on the scenarios

Classification			Specific Details	Business and Financial Impact		Countermeasures
				<2°C Scenario	4°C Scenario	
Risk	Transition Risk	Policy and Law	Increased expenditures due to carbon tax payments (2.4 billion yen ¹ under the <2°C scenario)	Major	—	• Increased LED conversion rate for lighting in department stores • Installation of renewable energy in Hankyu Umeda Main Store and other major stores
			Increase in commodity procurement and disposal costs	Major	—	• Expand procurement of sustainable products • Strengthen sales for local production for local consumption
		Technology	Increased investment in energy conservation and GHG emission reduction facilities (conversion to LED lighting, use of non-CFC refrigerant equipment)	Major	Minor	• Develop a plan for updating facilities in conjunction with store remodeling
			Market	Decrease in sales due to products and services that do not meet the needs	Major	Minor
		Increase in renewable energy costs (200 million yen ² in the <2°C scenario)		Major	Minor	• Reduce energy consumption by installing energy-efficient equipment and LED lighting
	Physical Risk	Acute	Decreased sales and increased restoration costs due to a disaster (typhoons, torrential rain, and storm surges)	Minor	Major	• Formulation of manuals for natural disasters • Conducting evacuation drills • Disaster relief agreements with local governments
		Chronic	Increase in procurement costs due to unstable procurement, decrease in sales (agricultural products and seafood, soaring prices of livestock products)	Minor	Major	• Building a stable procurement network that leverages our scale
	Opportunity	Energy Source		Reduction of carbon tax payment costs by switching to renewable energy (300 million yen ³ under the <2°C scenario)	Major	Minor
Products & Services		Increase in sales of environmentally friendly products and services (600 million yen ⁴ under the <2°C scenario) Decreased container and packaging costs		Major	Minor	• Sustainable sales floor development, event implementation, and product procurement • Promotion of local production for local consumption (Ohisan Market)
		Increase in sales of products and services related to the circular economy		Major	Minor	• Implementation of the Osaka Forest Circulation Promotion Project • Takarazuka/Kawanishi area food recycling loop construction
Market		Increase customer attraction by expanding electric vehicle charging facilities (600 million yen ⁵ under the <2°C scenario)		Major	Minor	• Installation of EV charging facilities at Izumiya SC and large food supermarkets
		Creation of a market as a local sustainability communication center		Major	Minor	• Community development of Izumiya Yui Terrace Kawachinagano • Revitalization of Senri Central Park • GREENable initiatives (Hiruzen, Okayama)
		Creating markets to help customers decarbonize their lifestyles		Major	Minor	• Data utilization in the customer service business
Resilience		Increased sales from providing non-storefront purchasing means (400 million yen ⁶ in both under <2°C and 4°C scenarios)	Major	Major	• EC and Remo Order (remote order) sales expansion	

1, 3 Calculated based on WEO2021 SDS scenario carbon price of 100 USD/t-CO₂ (converted to JPY 145/USD) and our group Scope 1 & 2 emissions

2 Calculated based on our electricity consumption forecast and non-fossil certificate price (assumed to be JPY 4/kWh)

4 Calculated based on the Consumer Affairs Agency's Survey Report on Consumer Awareness of Ethical Consumption, etc.

5 Calculated based on the Sixth Basic Energy Plan of the Ministry of Economy, Trade and Industry, etc.

6 Calculated based on our forecast of actual sales growth rate, etc.

Sustainability Strategies

Promoting 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:

“To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents.”

Labor unions are established at our main operating companies, and labor and management hold active discussions regarding working conditions and the work environment. In addition, we handle personal information in an appropriate and proper manner, in compliance with internal regulations, related laws and guidelines, etc.

Human rights policy

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 International Bill of Human Rights and related international human rights norms. The 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, social status, etc. Based on this policy, 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.

We also established our Basic Customer Harassment Policy in June 2025. We maintain a workplace environment where employees can work with peace of mind while feeling highly motivated, which helps us provide products and services that are all the more satisfying to our customers.

➔ [For our group's Human Rights Policy, please visit our website. \(Japanese only.\)](#)

➔ [For our Basic Customer Harassment Policy, please visit our website. \(Japanese only.\)](#)

CSR procurement policy

We have established the H2O RETAILING Group CSR Procurement Policy as our policy for human rights, work environment, and global environment initiatives, in addition to supplying safe and secure products and complying with laws and regulations. Based on this, we will promote CSR initiatives throughout the entire supply chain related to our business.

➔ [For more information about our CSR Procurement Policy, please visit our website. \(Japanese only.\)](#)

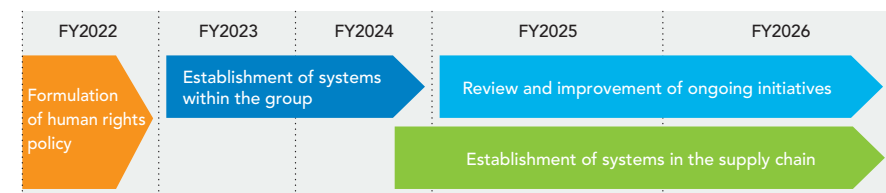
Human rights due diligence

As part of the group's human rights due diligence, in FY2024 we localized the human rights issues outlined in government guidelines to reflect issues specific to our group. We then used these as the basis for interviews conducted across all group companies. Based on these results, we drafted Human Rights Assessment Sheets and identified related issues. Recognizing harassment as an urgent issue, we conducted harassment prevention training for approximately 1,200 managers across the group. Rather than merely providing one-way instruction, the training was designed to enable participants to gain awareness and understanding through dialogue.

Beginning in FY2025, we regard potential workplace issues such as unpaid overtime and improper management of working hours as human rights violations, and work closely with all group companies to advance concrete initiatives for resolving these issues.

As part of our human rights due diligence in the supply chain, we review external information regarding high-risk items, such as risk commodities, that pose a high threat of human rights violations. We then conduct internal surveys and interviews with relevant departments such as the purchasing divisions, to develop highly effective human rights risk and impact assessment that reflect actual conditions.

Stages



Sustainability Strategies

Diversity and Inclusion

As a group whose core business is retail, it is essential for us to create and deliver new value by embracing diverse values and perspectives as the needs and lifestyles of our customers themselves grow more diverse. To that end, we are promoting management that emphasizes diversity and inclusion so that diverse talents may fully demonstrate their individual strengths and thrive.

Women's empowerment

Given that more than half of our employees are women, we regard their active participation as critical to our group's success and are making it a top priority in our initiatives. The ratio of women in management positions is one of our key indicators for women's empowerment. At our major group companies, we have established targets for this ratio and are striving to improve this ratio.

As of the end of FY2024, the ratio of women in management positions across the group stood at 15%. To raise this figure, we are implementing measures focused on two pillars: the establishment of systems (such as support for balancing work and childcare, and flextime arrangements) and the expansion of the female candidate pool by fostering career advancement awareness and capability development among women. This includes initiatives such as early-stage career training and Female Leader Development Program.

In addition, we are discussing methods unique to our group for advancing women's participation that extend beyond management positions. Currently, we are actively implementing initiatives to improve motivation, such as providing opportunities for assignment to internal projects and introducing in-house award programs.

Topics

Female Leader Development Program

The Female Leader Development Program is implemented at Hankyu Hanshin Department Stores with the aim of fostering mindset and skill development among women, as well as raising managerial awareness of employee

development. The approximately six-month training is conducted while addressing issues at a practical level. More than 80% of participants in FY2024 reported skill improvement, and over half felt that they had grown or changed. Furthermore, a substantial number of participants have subsequently been promoted, confirming the program's strong impact.



LGBTQ+

In April 2025, we revised the employment regulations across all group companies to include provisions for preventing SOGI harassment¹ and outing.² To foster a comfortable working environment, Hankyu Hanshin Department Stores allows employees to take congratulatory or condolence leave regardless of their partner's gender and related measures.

We are also improving the safe and inclusive working environment through the establishment of consultation desks, the revision of benefit programs, and the enhancement of employee facilities, among other initiatives, so that all employees can work regardless of their sexual orientation, gender identity, or gender expression.

¹ Harassment related to sexual orientation or gender identity

² Disclosing an individual's non-public information regarding their sexual orientation or gender identity without that individual's consent

Employment of people with disabilities

We established H2O Smile Co., Ltd. as a special subsidiary in June 2016. It is working to expand the number of workplaces for people with disabilities and to maintain and expand their opportunities, with the aim of creating a society where people with disabilities can work actively. While the main initial duty was providing ancillary duties on behalf of sales staff at the Hankyu Umeda Main Store, the scope of operations has since expanded to include duties such as cleaning employee facilities and collecting and delivering internal mail.

H2O Smile currently employs 31 staff who are making the most of their individual abilities. We are actively promoting their recruitment at each group company, and are working to share H2O Smile's knowledge throughout the group, such as providing support for adapting to the workplace and training managers. The group's employment rate of people with disabilities is 2.94% (as of June 2025), already exceeding the statutory rate of 2.7% that the government plans to raise in FY2026.

Sustainability Strategies

Health and Productivity Management

Our group believes that nothing is more important than ensuring that every employee across the group is healthy both physically and mentally. To that end, we are actively developing an environment where employees can work vigorously and in good health. We have specifically established a detailed support framework that provides employees with individualized mental health care.

Main initiatives

Health examinations	We conduct group-wide health examinations that exceed statutory standards for all regular employees, including shorter-hour part-time staff. At business sites where feasible, we have introduced detailed examination items beyond those required by law, such as gastroscopy and abdominal ultrasounds. As about 70% of our employees are women, we have newly introduced and are recommending health checkup items specific to women, such as breast cancer screenings.
Stress checks	We conduct stress checks at our business sites, including those with fewer than 50 employees, where the checks are not legally required.
Mental health care	As more than half of leaves of absence due to illness are mental-health-related, we conduct a Mental Health Assessment Questionnaire every two years, in addition to the regular stress checks to provide a more detailed assessment of mental health conditions. Moreover, by assigning occupational physicians and counselors, we have established a mental health support system that enables all employees to seek advice without hesitation.

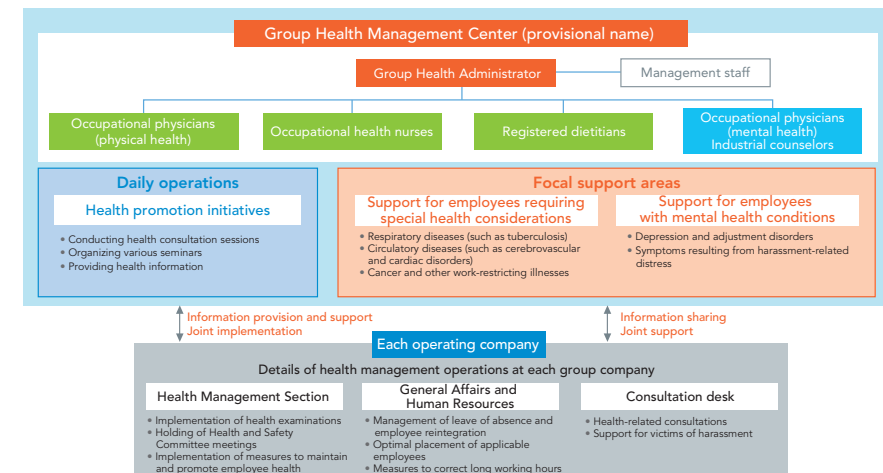
Specific health management promotion systems

As the initial step of our health and productivity management initiatives, we conducted a thorough review of the current situation and determined that improvement plans by individual operating companies alone have limitations in fully resolving the issues.

In response, beginning in FY2024, we began reviewing the establishment of a Group Health Management Center (provisional name) as an organization responsible for realizing a group-wide and cross-functional health management system and promoting further initiatives to maintain and improve employee health.

To achieve the launch of operations in FY2026, we will finalize details such as the organization's structure, location, scope of operations, and work to reduce absenteeism (non-working status) and presenteeism (low productivity). Furthermore, we will promote support measures that help employees avoid leaves of absence by enabling them to balance work and medical treatment, as well as assistance for smooth reintegration into the workplace upon their return. The center is expected to function as the engine that drives the group's health and productivity management, including efforts to improve employee health literacy.

Schematic of intended system



Sustainability Strategies

Initiatives at Expo 2025 Osaka, Kansai

Even after Expo 2025 Osaka, Kansai, Japan has concluded, our group aims to work hand in hand with local communities to make the Expo's theme of "Designing Future Society for Our Lives" a reality for a tomorrow where we all can be our best. As a co-creation partner for the TEAM EXPO 2025 program, we promoted initiatives based on the themes of community ties, local children, and the rich natural environment of our communities, as set forth in our Sustainability Management Policy.



Providing a relaxing space through Omou Bench: Cycle of Life.

This project was selected for the Co-Design Challenge, a special program for participation in the management of the Expo. We installed 16 Omou Benches created by three designers that highlight the unique character of the locally sourced wood from Osaka Prefecture from which they were made. After the Expo concludes, the benches will be relocated within Osaka Prefecture and used as spaces for local community interaction.

Operating food trucks featuring products made with locally sourced ingredients from Osaka

H2O Shopping Center Development Co., Ltd. operated three of its own food trucks at the EXPO Food Truck event. They helped enliven Expo 2025 Osaka, Kansai by offering menus and more that showcase the richness of Japanese cuisine, including Osaka Wagyu Beef Domannaka Bowl, Multinational! Takoyaki Roll, and Vegan Fruit Kuzukiri.



Sponsorship of the Junior SDGs Camp

Our group and Hankyu Hanshin Department Stores participated in the Junior SDGs Camp within the Green Expo, which was part of the Future Society Showcase Projects exhibition. We organized activities such as interacting with baby sea turtles and workshops where children made wooden spoons using locally-sourced wood from the forests of Osaka Prefecture, providing the children with an enjoyable opportunity to learn about SDGs and environmental issues.



Sponsorship of the Pasona Natureverse Pavilion

We shared the Pasona Group's vision, incorporated into the pavilion, of a society emphasizing well-being where every can live healthy and active lives, and provided our support as a sponsor. We also took this as an opportunity to enter into a comprehensive business alliance with Pasona Group and have launched various projects with the aim of promoting co-creation across a wide range of fields even after the conclusion of the Expo.



Holding a talk session at the Women's Pavilion

In July, we introduced GREENable, a regional revitalization initiative by Maniwa City in Okayama Prefecture and Hankyu Hanshin Department Stores, at the Women's Pavilion presented in collaboration with Cartier. In September, members of the Omou Bench: Cycle of Life project discussed the project's background and shared their thoughts about it.

Business Performance Summary (FY2014–2024)

(Unit: Million Yen)

Fiscal Year	Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Fiscal Year End	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024	March 2025
Gross Sales*		844,819	915,690	901,221	921,871	926,872	897,289	739,198	788,108	979,723	1,073,866	1,159,632
Net Sales		844,819	915,690	901,221	921,871	926,872	897,289	739,198	518,447	628,089	657,400	681,759
Operating Profit		21,358	23,825	22,542	22,765	20,422	11,171	(4,438)	740	11,388	26,188	34,830
Ordinary Profit		21,219	23,060	21,725	24,272	21,376	11,831	(2,907)	2,346	13,004	27,875	35,909
Net Income Attributable to Shareholders of the Parent Company		11,586	14,053	14,298	14,636	2,162	(13,150)	(24,791)	9,872	16,382	21,905	34,842
Capital Investment		38,914	20,110	28,060	26,443	32,039	35,125	22,699	25,256	31,160	31,754	31,299
Depreciation Expenses		15,149	16,230	15,857	16,223	17,399	18,519	18,141	17,902	19,159	19,970	23,472
Cash Flow from Operating Activities		25,468	24,539	38,742	32,739	15,392	9,871	12,755	6,465	30,295	49,332	46,268
Cash Flow from Investment Activities		(49,162)	5,852	(25,325)	(35,492)	(36,682)	(22,451)	(20,761)	(5,203)	5,782	(17,752)	(13,304)
Cash Flow from Financial Activities		24,161	(26,207)	21,703	(13,812)	9,581	(16,440)	31,859	(28,578)	(12,549)	(22,531)	(44,990)
Fiscal Year End												
Net Assets		251,659	252,587	264,323	280,807	279,603	244,634	229,277	260,938	272,814	294,026	313,420
Owner's Equity		250,762	251,554	263,220	279,569	278,364	243,317	228,134	236,844	248,821	268,668	299,257
Total Assets		631,877	597,041	640,543	661,873	663,335	586,904	625,945	654,558	686,423	710,089	730,499
Per Share Information												
Book Value per Share (JPY)		2,033.25	2,038.83	2,131.97	2,263.95	2,252.28	1,967.90	1,843.78	1,922.25	2,137.87	2,331.48	2,448.54
Earnings per Share (JPY)		98.06	113.93	115.84	118.54	17.50	(106.38)	(200.45)	79.84	135.85	189.82	295.51
Dividend per Share (JPY)		25	35	40	40	40	40	25	25	25	28	42
Financial Indicators												
Operating Income Ratio (%)		2.5	2.6	2.5	2.5	2.2	1.2	(0.6)	0.1	1.8	4.0	5.1
Owner's Equity Ratio (%)		39.7	42.1	41.1	42.2	42.0	41.5	36.4	36.2	36.2	37.8	41.0
Return on Equity (%)		5.4	5.6	5.6	5.4	0.8	(5.0)	(10.5)	4.2	6.7	8.5	12.3
Ratio of Ordinary Profit to Total Assets (%)		4.2	3.8	3.5	3.7	3.2	1.9	(0.5)	0.4	1.9	4.0	5.0
Consolidated Dividend Payout Ratio (%)		25.5	30.7	34.5	33.7	228.5	—	—	31.3	18.4	14.8	14.2

* The Accounting Standard for Revenue Recognition was applied from FY2021 (the fiscal year ending March 31, 2022).
Equivalent to net sales under the previous standard, which excludes the impact of the Accounting Standard for Revenue Recognition, etc.

Environmental Data

Items	Range	Unit	FY2022	FY2023	FY2024
Energy Usage					
Electricity	Consolidated	1000 kWh	551,994	529,119	513,337
Gas	Consolidated	1000 m ³	7,772	7,009	7,421
Water (hot/cold/steam)	Consolidated	1000 GJ	158	151	137
Petrol/Diesel	Consolidated	1000 GJ	9	9	9
Total	Consolidated	1000 GJ	6,082	5,041	4,940*
GHG Emissions					
Scope 1	Consolidated	1000-CO ₂ e	52	54	53*
Scope 2	Consolidated	1000-CO ₂ e	175	193	199*
Scope 3	4 main companies	1000-CO ₂ e	2,940	3,114	3,218
Scope 3 Category 1 Purchased Products/Services	4 main companies	1000-CO ₂ e	2,633	2,822	2,948*
Water Usage					
Water usage	4 main companies	1000 m ³	2,653	3,004	2,838
Containers and Packaging					
Papers	4 main companies	t	1,131	1,251	1,333
Plastics	4 main companies	t	3,784	3,625	3,544
Waste					
Total Amount of Waste Generated	4 main companies	t	59,679	55,462	49,183
Recycling Rate	4 main companies	%	61.1	66.6	65.3
Amount of Food Waste Generated	3 main companies	t	11,800	11,286	11,009
Food Recycling Rate	3 main companies	%	56.1	48.8†	58.0

* Items covered by third-party assurance
† Decreased as a result of the merger between Izumiya and Hankyu Oasis, which means that the amount of reduction in emissions is not calculated.

Range	
Consolidated	12 major companies, including Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, Kansai Super Market, H2O Shopping Center Development, and others (Due to mergers and other factors among operating companies, there were 15 major companies in FY2022 and 14 in FY2023.)
4 Main Companies	Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, Kansai Super Market, and H2O Shopping Center Development (In FY2022, it was before the merger of Izumiya and Hankyu Oasis, so there were 5 main companies.)
3 Main Companies	Hankyu Hanshin Department Stores, Izumiya-Hankyu Oasis, and Kansai Super Market (In FY2022, it was before the merger of Izumiya and Hankyu Oasis, so there are 4 main companies.)

Calculation of Greenhouse Gas Emissions

Scope 1	Emissions = $\Sigma(\text{Fuel Usage} \times \text{CO}_2 \text{ Emission Factor}^1) + \Sigma(\text{GHG emissions other than CO}_2 \text{ from energy sources} \times \text{global warming potential}^1)$
Scope 2	Emissions = $\Sigma(\text{Purchase of electric power, etc. (Includes hot water, cold water, and steam)} \times \text{CO}_2 \text{ emission factor}^1)$
Scope 3 Category 1	Emissions = $\Sigma[(\text{Amount of goods purchased by the company}) \times (\text{Emissions per unit of production}^2)]$

1 Coefficients based on the Law Concerning the Promotion of Measures to Cope with Global Warming.

For electricity and gas, emission factors by industry 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 Ver. 3.5

Third Party Assurance

Deloitte Tohmatsu Sustainability Co., Ltd. has provided a third-party guarantee for energy consumption and greenhouse gas emissions (Scope 1, Scope 2, Scope 3 Category 1) in FY2024.



独立した第三者保証報告書

2025年10月14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
東京都中央区本町三丁目2番3号
代表取締役 長谷 友春

デロイト トーマツ サステナビリティ株式会社 (以下「当社」という。)は、エイチ・ツー・オー リテイリング株式会社 (以下「会社」という。)が作成した「統合レポート 2025」(以下「報告書」という。)に記載されている本件付された 2024 年度の環境データ (以下「環境定量情報」という。)について、限定保証業務を実施した。

会社の責任
会社は、会社が採用した算定及び報告の規程 (報告書の環境定量情報に注記) 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換算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り、

当社の独立性と品質マネジメント
当社は、監査士、公認会計士、税理士、環境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き、国際会計士倫理基準審議会の「職業会計士の倫理規範」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、国際品質マネジメント基準第1号「財務諸表の監査若しくはレビュー又はその他の保証若しくは関連サービス業務を行う事務所の高品質マネジメント」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、包括的な品質マネジメント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指針」(サステナビリティ情報審査協会)に準拠して、限定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、及び以下を含むものである。

- データの信頼性、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。
- 会社の見解り方法が、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、手続には見解りの基礎となったデータのテスト又は見解りの再実施を含めていない。

限定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、その種類と実施時間が異なり、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規程に準拠して作成されていると信じさせる事項上すべての重要な点において認められなかった。

以上

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data / Stock Information (As of March 31, 2025)

Company Profile

Company Name	H2O RETAILING CORPORATION
Head Office Address	8-7, Kakuda-cho, Kita-ku, Osaka City
Establishment	March 7, 1947 October 1, 2007, Trade name change
Capital Stock	17,796 million yen
Number of Group Employees	23,909 (8,003 fulltime employees, 15,906 temporary employees*)
Website	https://www.h2o-retailing.co.jp/en/index.html

*8-hour equivalent, average during the period

Main Group Companies

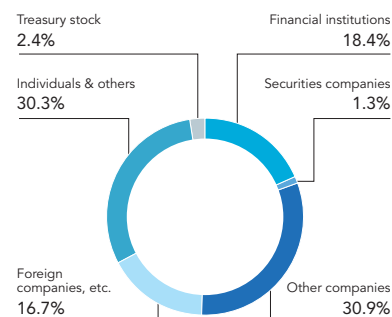
HANKYU HANSHIN DEPARTMENT STORES, INC.	Operation of department stores
IZUMIYA-HANKYU OASIS, CO.,LTD.	Operation of food supermarkets
KANSAI SUPER MARKET LTD.	Operation of food supermarkets
KANSAI FOOD MARKET LTD.	Business planning and management of supermarket companies
H2O Shopping Center Development Co., Ltd.	Operation of commercial facilities, sales of apparel and home products

➔ List of Group Companies
<https://www.h2o-retailing.co.jp/en/company/group.html>

Stock Information

Total number of shares authorized to be issued	150,000,000 shares
Total number of shares issued	125,201,396 shares
Listed securities trading	Tokyo Stock Exchange Prime Market
Stock code	8242
Number of shareholders	64,285

Distribution of shares by shareholder



Major Shareholders

Name of Shareholder	Number of Shares Held (thousand shares)	Investment Ratio (%)
Hanshin Electric Railway Co., Ltd.	14,749	12.07
The Master Trust Bank of Japan, Ltd. (Trust account)	13,616	11.14
Hankyu Hanshin Holdings, Inc.	8,336	6.82
Custody Bank of Japan, Ltd. (Trust account)	6,041	4.94
KANSAI FOOD MARKET Business Partners Shareholding Association	5,347	4.37
BNYM AS AGT/CLTS 10 PERCENT	2,445	2.00
GOVERNMENT OF NORWAY	1,975	1.62
H2O Retailing Group Employees' Shareholding Association	1,908	1.56
STATE STREET BANK AND TRUST COMPANY 505223	1,807	1.48
STATE STREET BANK AND TRUST COMPANY 505001	1,441	1.18

Notes:

1. The Company holds treasury stock but excludes them from the above major shareholders.
2. The investment ratio is calculated based on the total number of shares issued excluding treasury stock.

Editorial Policy

We have prepared the H2O RETAILING INTEGRATED REPORT 2025 with the aim of reporting on the progress of the H2O RETAILING Group's Long-Term Business Plan 2030 Ver. 2 and Medium-Term Management Plan FY2024–2026, as well as clearly communicating how we are creating sustainable corporate value. In this fiscal year, we have focused on helping all stakeholders, including shareholders and investors, better understand our unique business model, which positions regional growth and revitalization as the engine driving our own growth, and how that model contributes to society. We have also structured the content of the Business Strategies section so that it tracks with how the four business domains set forth in the Long-Term Business Plan have developed, allowing the reader to better understand our group's growth strategy. We will continue to disclose information in an appropriate manner and work toward creating opportunities for dialogue with our stakeholders.



Edited by:
Corporate Planning Group
Corporate Communications Office