[Translation]

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2025
(Japanese accounting standards)

Aug. 6, 2024

Company name: H2O RETAILING CORPORATION Listing Tokyo Stock Exchange
Securities code 8242 URL https://www.h2o-retailing.co.jp/en
Representative Title: President and Representative Director (Name) ARAKI Naoya
Inquiries Title: Executive Officer (Name) YOSHIMATSU Hiroyuki (TEL) +81-6-6365-8120
Scheduled date of dividend payment —
Preparation of supplementary materials : Yes
Briefing session on financial results : Yes (For institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1.Consolidated Financial Results (From Apr. 1, 2024 to Jun. 30, 2024)

(1)Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2025	161,895	4.6	9,266	94.7	10,198	96.4	26,464	685.0
1Q of FY2024	154,813	3.7	4,758	616.4	5,192	178.0	3,371	417.6

(NOTE) Comprehensive income 1Q of FY2025 13,443 Millions of yen (29.1 %) 1Q of FY2024 10,413 Millions of yen (85.0 %)

	Earnings Per share	Earnings Per share (Diluted)
	Yen	Yen
1Q of FY2025	243.37	239.28
1Q of FY2024	29.11	28.88

(2)Consolidated Financial Position

	Total assets	Net assets	Owner’s equity ratio
	Millions of yen	Millions of yen	%
1Q of FY2025	704,637	292,831	36.3
FY2024	710,089	294,026	37.8

(Reference) Shareholders' equity 1Q of FY2025 255,833 Millions of yen FY2024 268,668 Millions of yen

(NOTE) The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, Oct. 28, 2022) from the beginning of the 1Q of the current fiscal year. The figures for FY2024 are based on the figures after retroactively applying the accounting standard.

2.Dividends

	Annual Dividends				
	First quarter	Second quarter	Third quarter	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
FY2024	—	12.50	—	15.50	28.00
FY2025	—				
FY2025 (Forecast)		20.00	—	20.00	40.00

(NOTE) Revision to recently disclosed dividends forecast : None

3.Forecast of Consolidated Financial Results for the Fiscal Year Ending Mar. 31.2025 (From Apr. 1, 2024 to Mar. 31, 2025)

(Percentages indicate year-on-year changes for the full fiscal year and year-on-year changes for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings Per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half Year	341,000	7.0	13,600	37.4	13,785	29.3	25,400	303.5	248.42
Full year	702,000	6.8	29,500	12.6	30,000	7.6	30,000	37.0	293.41

(Note 1) Revision to recently disclosed consolidated business results forecast : Yes

(Note 2) Regarding revision of the forecast, please refer to "Notice regarding Revision of Forecasts for First-Half and Full Year of the Fiscal Year Ending March 31,2025 and Recording of Extraordinary Income (Gain on step acquisitions)" announced today (Aug. 6, 2024).

(Note 3) The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31,2020) and other standards from the beginning of the first quarter of FY2022. Consolidated gross sales, which is equivalent to net sales up to FY2021 excluding the effects of changes in accounting policies, amounted to ¥568,015 million yen (up 12.4% year on year) for the first half and ¥1,175,000 million yen (up 9.4% year on year) for the full year.

Notes

(1) Changes of significant subsidiaries during the period : Yes

Added: One Company(Ningbo Hankyu Co., Ltd.) Excluded: None

(2) Adoption of special accounting method for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates or restatements

① Changes in accounting policies due to changes in consolidated accounting standards : Yes

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement of due to correction : None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding at the end of the period (including treasury stock)	1Q of FY2025	125,201,396 Shares	FY2024	125,201,396 Shares
② Number of treasury stock at the end of the period	1Q of FY2025	22,954,495 Shares	FY2024	9,965,972 Shares
③ Average number of shares outstanding (quarterly consolidated cumulative period)	1Q of FY2025	108,744,203 Shares	1Q of FY2024	115,801,719 Shares

* Review of the accompanying quarterly consolidated financial statements by certified public accountants or an audit corporation : None

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(Notes on forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ from the forecasts due to various factors.

○Attached Materials

1.Status of financial results

This report is presented in the "Supplementary Information to Financial Results for the First Quarter of the Fiscal Year Ending Mar. 31, 2025" and the "1Q of FY2025 Presentation Materials," which were disclosed in TDnet today.

2.Quarterly Consolidated Financial Statements

(1)Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2024 (As of Mar. 31, 2024)	1Q of FY2025 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	68,423	48,528
Notes and accounts receivable - trade	74,653	74,510
Merchandise and finished goods	19,403	21,225
Work in process	67	152
Raw materials and supplies	615	636
Accounts receivable - other	12,878	14,400
Other	4,657	5,745
Allowance for doubtful accounts	△605	△686
Total current assets	180,095	164,512
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	121,319	146,453
Machinery, equipment and vehicles, net	2,480	2,447
Land	158,728	156,917
Construction in progress	978	2,021
Other, net	9,320	8,972
Total property, plant and equipment	292,828	316,812
Intangible assets		
Software	12,583	15,370
Software in progress	8,538	6,645
Goodwill	1,183	9,875
Other	3,646	16,166
Total intangible assets	25,951	48,057
Investments and other assets		
Investment securities	103,951	74,569
Long-term loans receivable	9,498	5,095
Guarantee deposits	69,848	69,591
Retirement benefit asset	5,238	5,514
Deferred tax assets	23,527	21,443
Other	1,832	2,444
Allowance for doubtful accounts	△2,682	△3,402
Total investments and other assets	211,214	175,255
Total non-current assets	529,994	540,124
Total assets	710,089	704,637

(Millions of yen)

	FY2024 (As of Mar. 31, 2024)	1Q of FY2025 (As of Jun. 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	78,875	74,889
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	350	350
Lease liabilities	713	695
Accounts payable - other	30,409	26,455
Income taxes payable	5,329	7,319
Gift certificates	8,608	8,750
Advances received	32,682	39,558
Provision for bonuses	7,172	3,740
Provision for bonuses for directors	199	54
Provision for loss on store closings	1,097	991
Provision for loss on liquidation of subsidiaries and associates	43	16
Asset retirement obligations	209	194
Other	14,957	17,729
Total current liabilities	190,648	190,744
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	143,494	143,401
Long-term accounts payable - other	156	109
Lease liabilities	9,572	9,400
Deferred tax liabilities	32,130	27,126
Deferred tax liabilities for land revaluation	323	323
Provision for retirement benefits for directors (and other officers)	189	182
Provision for redemption of gift certificates	3,426	3,390
Long-term guarantee deposited	10,313	11,388
Net defined benefit liability	12,073	12,017
Asset retirement obligations	3,378	3,389
Other	355	331
Total non-current liabilities	225,414	221,060
Total liabilities	416,062	411,805
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	94,689	94,693
Retained earnings	124,954	149,633
Treasury shares	△13,768	△37,907
Total shareholders' equity	223,672	224,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,048	32,647
Revaluation reserve for land	671	671
Foreign currency translation adjustment	1,932	△120
Remeasurements of defined benefit plans	△1,656	△1,581
Total accumulated other comprehensive income	44,995	31,616
Share acquisition rights	1,351	1,331
Non-controlling interests	24,006	35,667
Total net assets	294,026	292,831
Total liabilities and net assets	710,089	704,637

(2)Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly consolidated statement of income

1Q consolidated cumulative accounting period

(Millions of yen)

	1Q of FY2024 (From Apr. 1, 2023 to Jun. 30, 2023)	1Q of FY2025 (From Apr. 1, 2024 to Jun. 30, 2024)
Net sales	154,813	161,895
Cost of sales	88,054	88,712
Gross profit	66,759	73,182
Selling, general and administrative expenses	62,001	63,916
Operating profit	4,758	9,266
Non-operating income		
Interest income	77	59
Dividend income	661	1,027
Share of profit of entities accounted for using equity method	-	188
Foreign exchange gains	71	192
Gain on debt settlement	125	162
Other	135	378
Total non-operating income	1,071	2,007
Non-operating expenses		
Interest expenses	223	214
Provision for redemption of gift certificates	88	137
Expenses related to purchase of shares of subsidiaries	-	534
Share of loss of entities accounted for using equity method	18	-
Other	307	188
Total non-operating expenses	638	1,075
Ordinary profit	5,192	10,198
Extraordinary income		
Gain on sale of investment securities	-	14,232
Gain on step acquisitions	-	7,984
Gain on sale of non-current assets	723	2,591
Total extraordinary income	723	24,807
Extraordinary losses		
Loss on retirement of non-current assets	398	179
Total extraordinary losses	398	179
Profit before income taxes	5,516	34,826
Income taxes - current	510	6,925
Income taxes - deferred	1,078	684
Total Income taxes	1,589	7,610
Profit	3,927	27,216
Profit attributable to non-controlling interests	555	751
Profit attributable to owners of parent	3,371	26,464

Quarter Consolidated comprehensive computing a profit statement

1Q consolidated cumulative accounting period

(Millions of yen)

	1Q of FY2024 (From Apr. 1, 2023 to Jun. 30, 2023)	1Q of FY2025 (From Apr. 1, 2024 to Jun. 30, 2024)
Profit	3,927	27,216
Other comprehensive income		
Valuation difference on available-for-sale securities	6,058	△11,396
Foreign currency translation adjustment	166	△1,296
Remeasurements of defined benefit plans, net of tax	65	64
Share of other comprehensive income of entities accounted for using equity method	195	△1,144
Total other comprehensive income	6,486	△13,773
Quarterly comprehensive income	10,413	13,443
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,831	13,085
Comprehensive income attributable to non-controlling interests	581	357