[Translation]

Interim Consolidated Financial Statements

(for the Second Quarter of the Fiscal Year Ending March 31, 2025)

[Japanese accounting standards]

Nov. 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 filing of the financial report Nov. 12, 2024 Scheduled date of dividend payment Nov. 29, 2024
Preparation of supplementary materials : Yes
Briefing session on financial results : Yes (For institutional investors and analysts)

(Figures are rounded down to the nearest million JPY.)

1. Interim Consolidated Financial Results for the Second Quarter of FY2025 (From Apr. 1, 2024 to Sep. 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	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
2Q of FY2025	331,254	4.0	15,007	51.6	15,943	49.5	27,068	330.0
2Q of FY2024	318,543	4.6	9,897	788.4	10,664	276.1	6,294	125.6

(NOTE) Comprehensive income 2Q of FY2025 23,826 Million JPY (86.0%) 2Q of FY2024 12,809 Million JPY (△20.7%)

	Earnings Per share	Earnings Per share (Diluted)
	Yen	Yen
2Q of FY2025	236.28	230.99
2Q of FY2024	54.47	54.02

(2) Consolidated Financial Position

	Total assets	Net assets	Owner's Equity ratio
	Million JPY	Million JPY	%
2Q of FY2025	704,702	301,302	40.9
FY2024	710,089	294,026	37.8

(Reference) Shareholders' equity 2Q of FY2025 288,154 Million JPY FY2024 268,668 Million JPY

(NOTE) The Company has applied the "Accounting Standard for Corporate, Residential, and Business Taxes" (ASBJ Statement No. 27, Oct. 28, 2022), etc. from the beginning of the first half 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	—	20.00			
FY2025 (Forecast)			—	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.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings Per share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	Yen
Full year	682,000	3.7	31,000	18.4	32,000	14.8	30,000	37.0	245.16

(Note 1) Revision to recently disclosed consolidated business results forecast : Yes
(Note 2) Regarding revision of the forecast, please refer to Attached Materials "Forecast of FY2025."
(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 1,155,000 million JPY (up 7.6% 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 interim 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)	2Q of FY2025	125,201,396 Shares	FY2024	125,201,396 Shares
② Number of treasury stock at the end of the period	2Q of FY2025	2,834,263 Shares	FY2024	9,965,972 Shares
③ Average number of shares outstanding (interim consolidated cumulative period)	2Q of FY2025	114,559,646 Shares	2Q of FY2024	115,549,145 Shares

* Interim financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* 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

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1. Forecast of FY2025

The consolidated forecast of FY2025 is as follows, based on the results of interim of the current fiscal year and the current situation.

(Million JPY)

	FY2025
Net sales	682,000
Operating profit	31,000
Ordinary profit	32,000
Profit attributable to owners of parent	30,000

2. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	2Q of FY2025 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	68,423	51,953
Notes and accounts receivable - trade	74,653	66,973
Merchandise and finished goods	19,403	20,186
Work in process	67	226
Raw materials and supplies	615	706
Accounts receivable - other	12,878	10,236
Other	4,657	5,691
Allowance for doubtful accounts	△605	△717
Total current assets	180,095	155,255
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	121,319	146,097
Machinery, equipment and vehicles, net	2,480	2,613
Land	158,728	156,917
Construction in progress	978	2,265
Other, net	9,320	9,826
Total property, plant and equipment	292,828	317,719
Intangible assets		
Software	12,583	14,964
Software in progress	8,538	7,850
Goodwill	1,183	10,028
Other	3,646	16,712
Total intangible assets	25,951	49,556
Investments and other assets		
Investment securities	103,951	84,545
Long-term loans receivable	9,498	5,093
Guarantee deposits	69,848	69,515
Retirement benefit asset	5,238	5,782
Deferred tax assets	23,527	18,292
Other	1,832	2,361
Allowance for doubtful accounts	△2,682	△3,419
Total investments and other assets	211,214	182,171
Total non-current assets	529,994	549,446
Total assets	710,089	704,702

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	2Q of FY2025 (As of Sep. 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	78,875	64,979
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	350	300
Lease liabilities	713	685
Accounts payable - other	30,409	26,095
Income taxes payable	5,329	9,672
Gift certificates	8,608	8,616
Advances received	32,682	36,655
Provision for bonuses	7,172	7,134
Provision for bonuses for directors	199	117
Provision for loss on store closings	1,097	795
Provision for loss on liquidation of subsidiaries and associates	43	16
Asset retirement obligations	209	358
Other	14,957	13,945
Total current liabilities	190,648	179,373
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	143,494	143,778
Long-term accounts payable - other	156	115
Lease liabilities	9,572	9,236
Deferred tax liabilities	32,130	29,877
Deferred tax liabilities for land revaluation	323	323
Provision for retirement benefits for directors (and other officers)	189	174
Provision for redemption of gift certificates	3,426	3,401
Long-term guarantee deposited	10,313	11,507
Net defined benefit liability	12,073	11,906
Asset retirement obligations	3,378	3,400
Other	355	305
Total non-current liabilities	225,414	224,027
Total liabilities	416,062	403,400
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	94,689	84,110
Retained earnings	124,954	150,236
Treasury shares	△13,768	△4,680
Total shareholders' equity	223,672	247,462
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,048	39,476
Revaluation reserve for land	671	671
Foreign currency translation adjustment	1,932	2,061
Remeasurements of defined benefit plans	△1,656	△1,517
Total accumulated other comprehensive income	44,995	40,691
Share acquisition rights	1,351	1,311
Non-controlling interests	24,006	11,835
Total net assets	294,026	301,302
Total liabilities and net assets	710,089	704,702

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

Interim Consolidated Statements of Income

(Million JPY)

	2Q of FY2024 (From Apr. 1, 2023 To Sep. 30, 2023)	2Q of FY2025 (From Apr. 1, 2024 To Sep. 30, 2024)
Net sales	318,543	331,254
Cost of sales	181,496	182,880
Gross profit	137,047	148,373
Selling, general and administrative expenses	127,150	133,366
Operating profit	9,897	15,007
Non-operating income		
Interest income	155	118
Dividend income	668	1,031
Share of profit of entities accounted for using equity method	61	322
Foreign exchange gains	164	379
Gain on debt settlement	346	362
Other	516	514
Total non-operating income	1,912	2,728
Non-operating expenses		
Interest expenses	446	433
Provision for redemption of gift certificates	273	304
Expenses related to purchase of shares of subsidiaries	-	740
Other	424	314
Total non-operating expenses	1,145	1,792
Ordinary profit	10,664	15,943
Extraordinary income		
Gain on sale of investment securities	-	14,232
Gain on step acquisitions	-	7,984
Gain on sale of non-current assets	988	2,701
Total extraordinary income	988	24,917
Extraordinary losses		
Loss on retirement of non-current assets	794	347
Loss on store closings	101	141
Impairment losses	-	39
Office relocation expenses	282	-
Total extraordinary losses	1,178	527
Profit before income taxes	10,473	40,333
Income taxes - current	2,350	8,953
Income taxes - deferred	329	3,501
Total Income taxes	2,680	12,454
Net income	7,793	27,879
Net income attributable to non-controlling shareholders	1,498	811
Profit attributable to parent	6,294	27,068

Interim Consolidated Statements of Comprehensive Income

(Million JPY)

	2Q of FY2024 (From Apr. 1, 2023 To Sep. 30, 2023)	2Q of FY2025 (From Apr. 1, 2024 To Sep. 30, 2024)
Net income	7,793	27,879
Other comprehensive income		
Valuation difference on available-for-sale securities	4,131	△4,567
Foreign currency translation adjustment	288	1,501
Remeasurements of defined benefit plans, net of tax	130	128
Share of other comprehensive income of entities accounted for using equity method	466	△1,115
Total other comprehensive income	5,016	△4,053
Comprehensive income	12,809	23,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent Comprehensive income	11,251	22,764
Comprehensive income attributable to non-controlling interests Comprehensive income	1,557	1,061