[Translation]

Consolidated Financial Statements

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

[Japanese accounting standards]

Feb. 5, 2025

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

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

1. Consolidated Financial Results for the Third Quarter of FY2025 (From Apr. 1, 2024 to Dec. 31, 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	%
3Q of FY2025	514,887	3.9	28,919	30.4	29,990	25.4	37,449	110.7
3Q of FY2024	495,464	4.3	22,184	134.0	23,919	105.4	17,772	62.2

(NOTE) Comprehensive income 3Q of FY2025 31,899 Million JPY (53.2%) 3Q of FY2024 20,827 Million JPY (△1.2%)

	Earnings Per share	Earnings per share (Diluted)
	Yen	Yen
3Q of FY2025	320.56	313.66
3Q of FY2024	153.94	152.64

(2) Consolidated Financial Position

	Total assets	Net assets	Owner's Equity ratio
	Million JPY	Million JPY	%
3Q of FY2025	739,987	306,266	39.7
FY2024	710,089	294,026	37.8

(Reference) Shareholders' equity 3Q of FY2025 293,888 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 : None

(Note 2) 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 1,157,000 million JPY (up 7.7% 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 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)	3Q of FY2025	125,201,396 Shares	FY2024	125,201,396 Shares
② Number of treasury stock at the end of the period	3Q of FY2025	3,218,899 Shares	FY2024	9,965,972 Shares
③ Average number of shares outstanding (consolidated cumulative period)	3Q of FY2025	116,824,976 Shares	3Q of FY2024	115,448,924 Shares

* Review of the accompanying quarterly consolidated financial statements by certified public accountants or an auditing 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

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1. Status of financial results

This report is presented in "Supplementary Information to Financial Results for the Third Quarter of the Fiscal Year Ending Mar. 31, 2025" and "Financial Results for the 3Q of the Fiscal Year Ending Mar. 2025" which were disclosed in TDnet today.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	3Q of FY2025 (As of Dec. 31, 2024)
Assets		
Current assets		
Cash and deposits	68,423	62,108
Notes and accounts receivable - trade	74,653	91,475
Merchandise and finished goods	19,403	21,768
Work in process	67	230
Raw materials and supplies	615	811
Accounts receivable - other	12,878	11,677
Other	4,657	5,513
Allowance for doubtful accounts	△605	△508
Total current assets	180,095	193,077
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	121,319	143,850
Machinery, equipment and vehicles, net	2,480	2,699
Land	158,728	156,917
Construction in progress	978	2,300
Other, net	9,320	9,751
Total property, plant and equipment	292,828	315,518
Intangible assets		
Software	12,583	14,490
Software in progress	8,538	9,336
Goodwill	1,183	9,031
Other	3,646	15,593
Total intangible assets	25,951	48,453
Investments and other assets		
Investment securities	103,951	86,427
Long-term loans receivable	9,498	4,992
Guarantee deposits	69,848	69,370
Retirement benefit asset	5,238	6,050
Deferred tax assets	23,527	17,142
Other	1,832	2,308
Allowance for doubtful accounts	△2,682	△3,353
Total investments and other assets	211,214	182,938
Total non-current assets	529,994	546,910
Total assets	710,089	739,987

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	3Q of FY2025 (As of Dec. 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	78,875	98,556
Current portion of bonds payable	10,000	-
Current portion of long-term borrowings	350	17,800
Lease liabilities	713	680
Accounts payable - other	30,409	32,413
Income taxes payable	5,329	7,871
Gift certificates	8,608	9,055
Advances received	32,682	36,336
Provision for bonuses	7,172	3,614
Provision for bonuses for directors	199	128
Provision for loss on store closings	1,097	805
Provision for loss on liquidation of subsidiaries and associates	43	-
Asset retirement obligations	209	313
Other	14,957	18,725
Total current liabilities	190,648	226,301
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	143,494	126,831
Long-term accounts payable - other	156	114
Lease liabilities	9,572	9,065
Deferred tax liabilities	32,130	30,487
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	3,472
Long-term guarantee deposited	10,313	11,386
Net defined benefit liability	12,073	11,792
Asset retirement obligations	3,378	3,404
Other	355	357
Total non-current liabilities	225,414	207,419
Total liabilities	416,062	433,721
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	94,689	84,110
Retained earnings	124,954	158,171
Treasury shares	△13,768	△5,435
Total shareholders' equity	223,672	254,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,048	40,740
Revaluation reserve for land	671	671
Foreign currency translation adjustment	1,932	△728
Remeasurements of defined benefit plans	△1,656	△1,439
Total accumulated other comprehensive income	44,995	39,244
Share acquisition rights	1,351	1,404
Non-controlling interests	24,006	10,973
Total net assets	294,026	306,266
Total liabilities and net assets	710,089	739,987

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

Quarterly consolidated statement of income

3Q consolidated cumulative accounting period

(Million JPY)

	3Q of FY2024 (From Apr. 1, 2023 to Dec. 31, 2023)	3Q of FY2025 (From Apr. 1, 2024 to Dec. 31, 2024)
Net sales	495,464	514,887
Cost of sales	279,627	282,884
Gross profit	215,837	232,003
Selling, general and administrative expenses	193,652	203,083
Operating profit	22,184	28,919
Non-operating income		
Interest income	234	173
Dividend income	1,049	1,503
Gain on debt settlement	680	641
Foreign exchange gains	266	62
Share of profit of entities accounted for using equity method	469	522
Other	862	674
Total non-operating income	3,562	3,577
Non-operating expenses		
Interest expenses	666	653
Provision for redemption of gift certificates	549	533
Expenses related to purchase of shares of subsidiaries	-	740
Other	612	578
Total non-operating expenses	1,828	2,506
Ordinary profit	23,919	29,990
Extraordinary income		
Gain on sale of investment securities	-	14,232
Gain on step acquisitions	-	7,984
Gain on sale of non-current assets	4,421	2,701
Gain on sale of shares of subsidiaries	-	1,700
Total extraordinary income	4,421	26,618
Extraordinary losses		
Outplacement assistance expenses	-	2,232
Loss on retirement of non-current assets	2,095	463
Loss on store closings	161	349
Impairment losses	166	41
Office relocation expenses	295	-
Total extraordinary losses	2,718	3,087
Profit before income taxes	25,621	53,522
Income taxes - current	4,833	10,393
Income taxes - deferred	1,039	4,885
Total Income taxes	5,872	15,279
Profit	19,749	38,242
Profit attributable to non-controlling interests	1,976	793
Profit attributable to owners of parent	17,772	37,449

Quarterly consolidated statements of comprehensive income

3Q consolidated cumulative accounting period

(Million JPY)

	3Q of FY2024 (From Apr. 1, 2023 to Dec. 31, 2023)	3Q of FY2025 (From Apr. 1, 2024 to Dec. 31, 2024)
Profit	19,749	38,242
Other comprehensive income		
Valuation difference on available-for-sale securities	△230	△3,303
Foreign currency translation adjustment	401	△2,069
Remeasurements of defined benefit plans, net of tax	195	206
Share of other comprehensive income of entities accounted for using equity method	712	△1,176
Total other comprehensive income	1,078	△6,343
Quarterly comprehensive income	20,827	31,899
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent Quarterly Comprehensive income	18,807	31,698
Comprehensive income attributable to non-controlling interests Quarterly Comprehensive income	2,020	200