



[Translation]

Consolidated Financial Statements of the Fiscal Year Ended March 31, 2025

[Japanese accounting standards]

May 13, 2025

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
 Contact Title: Executive Officer (Name) YOSHIMATSU Hiroyuki (TEL) +81-6-6365-8120
 Scheduled date of shareholders' meeting Jun. 25, 2025 Scheduled date of dividend payment Jun. 4, 2025
 Scheduled date of filing of the financial report Jun. 24, 2025
 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. Consolidated Business Results of the Fiscal Year Ended Mar. 31, 2025 (From Apr. 1, 2024 to Mar. 31, 2025)

(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	%
FY2025	681,759	3.7	34,830	33.0	35,909	28.8	34,842	59.1
FY2024	657,400	4.7	26,188	130.0	27,875	114.3	21,905	33.7

(NOTE) Comprehensive income FY2025 41,555 Million JPY (57.7%) FY2024 26,352 Million JPY (2.2%)

	Earnings per share	Earnings per share (Diluted)	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	JPY	JPY	%	%	%
FY2025	295.51	289.19	12.3	5.0	5.1
FY2024	189.82	188.05	8.5	4.0	4.0

(Reference) Equity in earnings of affiliates FY2025 784 Million JPY FY2024 654 Million JPY

(2) Consolidated Financial Positions

	Total assets	Net assets	Owner's equity ratio	Net assets per share
	Million JPY	Million JPY	%	JPY
FY2025	730,499	313,420	41.0	2,448.54
FY2024	710,089	294,026	37.8	2,331.48

(Reference) Shareholders' equity FY2025 299,257 Million JPY FY2024 268,668 Million JPY

(NOTE) The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022), etc. has been applied from the beginning of the fiscal year under review, and the figures for the fiscal year ended Mar. 31, 2024 have been applied retroactively.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million JPY	Million JPY	Million JPY	Million JPY
FY2025	46,268	△13,304	△44,990	54,940
FY2024	49,332	△17,752	△22,531	66,373

2. Dividends

	Annual dividends					Total dividends payment (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year end	Total			
	JPY	JPY	JPY	JPY	JPY	Million JPY	%	%
FY2024	—	12.50	—	15.50	28.00	3,226	14.8	1.3
FY2025	—	20.00	—	22.00	42.00	5,136	14.2	1.8
FY2026 (Forecast)	—	22.00	—	22.00	44.00		29.9	

(NOTE) Revision to recently disclosed dividends forecast: Yes

3. Consolidated Forecasts for the Fiscal Year Ending Mar. 31, 2026 (From Apr. 1, 2025 to Mar. 31, 2026)
(Percentages indicate year-on-year changes for the full fiscal year and for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	JPY
Half Year	334,000	0.8	11,000	△26.7	11,600	△27.2	6,300	△76.7	51.55
Full year	690,000	1.2	30,000	△13.9	31,000	△13.7	18,000	△48.3	147.28

(NOTE) 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 560,000 million JPY (up 0.3% year on year) for the half year and to 1,168,000 million JPY (up 0.7% year on year) for the full year.

* Notes

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

Inclusion 1 Company (Company name) Ningbo Hankyu Commercial Co., Ltd. Exclusion —Company (Company name)

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

(i) Changes in accounting policies due to changes in consolidated accounting standards : Yes

(ii) Changes in accounting policies other than (i) : None

(iii) Changes in accounting estimates : None

(iv) Restatement of revisions : None

(3) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period
(including treasury stock)

(ii) Number of terms treasury share

(iii) Average number of shares during the period

FY2025	125,201,396 Shares	FY2024	125,201,396 Shares
FY2025	2,982,764 Shares	FY2024	9,965,972 Shares
FY2025	117,908,499 Shares	FY2024	115,398,233 Shares

※ The financial results are outside the scope of audits by a certified public accountant or an auditing firm.

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

- The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors.

Consolidated Balance Sheets

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	FY2025 (As of Mar. 31, 2025)
Assets		
Current assets		
Cash and deposits	68,423	55,590
Notes and accounts receivable - trade	74,653	74,782
Merchandise and finished goods	19,403	19,693
Work in process	67	36
Raw materials and supplies	615	681
Accounts receivable - other	12,878	14,351
Other	4,657	4,773
Allowance for doubtful accounts	△605	△393
Total current assets	180,095	169,516
Non-current assets		
Property, plant and equipment		
Buildings and structures	348,878	398,208
Accumulated depreciation	△227,558	△249,426
Buildings and structures, net	121,319	148,781
Machinery, equipment and vehicles	9,175	9,279
Accumulated depreciation	△6,695	△6,541
Machinery, equipment and vehicles, net	2,480	2,738
Land	158,728	155,593
Construction in progress	978	1,216
Other	50,846	51,489
Accumulated depreciation	△41,525	△40,972
Other, net	9,320	10,516
Total property, plant and equipment	292,828	318,847
Intangible assets		
Software	12,583	17,675
Software in progress	8,538	7,466
Goodwill	1,183	7,234
Other	3,646	16,003
Total intangible assets	25,951	48,379
Investments and other assets		
Investment securities	103,951	97,048
Long-term loans receivable	9,498	4,790
Guarantee deposits	69,848	68,731
Retirement benefit asset	5,238	8,513
Deferred tax assets	23,527	15,798
Other	1,832	2,261
Allowance for doubtful accounts	△2,682	△3,387
Total investments and other assets	211,214	193,756
Total non-current assets	529,994	560,983
Total assets	710,089	730,499

(Million JPY)

	FY2024 (As of Mar. 31, 2024)	FY2025 (As of Mar. 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	78,875	72,488
Current portion of bonds payable	10,000	-
Current portion of long-term borrowings	350	46,369
Lease liabilities	713	681
Accounts payable - other	30,409	36,872
Income taxes payable	5,329	8,567
Gift certificates	8,608	8,461
Advances received	32,682	34,944
Provision for bonuses	7,172	7,025
Provision for bonuses for directors	199	206
Provision for loss on store closings	1,097	909
Provision for loss on liquidation of subsidiaries and associates	43	-
Asset retirement obligations	209	225
Other	14,957	17,024
Total current liabilities	190,648	233,775
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	143,494	98,242
Long-term accounts payable - other	156	1,700
Lease liabilities	9,572	8,892
Deferred tax liabilities	32,130	35,146
Deferred tax liabilities for land revaluation	323	325
Provision for retirement benefits for directors (and other officers)	189	190
Provision for redemption of gift certificates	3,426	3,440
Long-term guarantee deposited	10,313	11,530
Net defined benefit liability	12,073	10,030
Asset retirement obligations	3,378	3,415
Other	355	387
Total non-current liabilities	225,414	183,303
Total liabilities	416,062	417,079
Net assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	94,689	80,635
Retained earnings	124,954	155,564
Treasury shares	△13,768	△5,546
Total shareholders' equity	223,672	248,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,048	47,606
Revaluation reserve for land	671	668
Foreign currency translation adjustment	1,932	1,415
Remeasurements of defined benefit plans	△1,656	1,116
Total accumulated other comprehensive income	44,995	50,807
Share acquisition rights	1,351	1,462
Non-controlling interests	24,006	12,700
Total net assets	294,026	313,420
Total liabilities and net assets	710,089	730,499

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statements of Income

(Million JPY)

	FY2024 (From Apr. 1, 2023 to Mar. 31, 2024)	FY2025 (From Apr. 1, 2024 to Mar. 31, 2025)
Net sales	657,400	681,759
Cost of sales	369,792	374,403
Gross profit	287,608	307,356
Selling, general and administrative expenses		
Salaries and allowances	78,195	80,386
Rent expenses	48,697	49,454
Other	134,527	142,685
Total selling, general and administrative expenses	261,420	272,526
Operating profit	26,188	34,830
Non-operating income		
Interest income	311	242
Dividend income	1,050	1,504
Share of profit of entities accounted for using equity method	654	784
Gain on debt settlement	890	838
Foreign exchange gains	161	274
Other	1,197	891
Total non-operating income	4,267	4,535
Non-operating expenses		
Interest expenses	884	860
Provision for redemption of gift certificates	692	656
Expenses related to purchase of shares of subsidiaries	-	740
Other	1,003	1,199
Total non-operating expenses	2,580	3,455
Ordinary profit	27,875	35,909
Extraordinary income		
Gain on sale of investment securities	-	14,546
Gain on step acquisitions	-	7,984
Gain on sale of non-current assets	5,865	2,730
Gain on sale of shares of subsidiaries	-	1,700
Total extraordinary income	5,865	26,961
Extraordinary losses		
Impairment losses	7,196	4,010
Outplacement assistance expenses	-	2,232
Demolition of buildings	-	2,158
Loss on store closings	1,031	1,556
Loss on retirement of non-current assets	2,737	1,271
Retirement benefit expenses	-	311
Office relocation expenses	313	-
Loss on liquidation of subsidiaries and associates	171	-
Total extraordinary losses	11,450	11,540
Profit before income taxes	22,289	51,330
Income taxes - current	6,289	10,929
Income taxes - deferred	△8,129	4,717
Total Income taxes	△1,839	15,646
Profit	24,129	35,683
Profit attributable to non-controlling interests	2,224	841
Profit attributable to owners of parent	21,905	34,842

Consolidated Statement of Comprehensive Income

(Million JPY)

	FY2024 (From Apr. 1, 2023 to Mar. 31, 2024)	FY2025 (From Apr. 1, 2024 to Mar. 31, 2025)
Profit	24,129	35,683
Other comprehensive income		
Valuation difference on available-for-sale securities	1,199	3,562
Revaluation reserve for land	△56	△2
Foreign currency translation adjustment	285	686
Remeasurements of defined benefit plans, net of tax	336	2,762
Share of other comprehensive income of entities accounted for using equity method	458	△1,137
Total other comprehensive income	2,222	5,871
Comprehensive income	26,352	41,555
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	23,847	40,654
Comprehensive income attributable to non-controlling interests	2,504	901

Consolidated Statements of Changes in Net Assets

FY2024 (From Apr. 1, 2023, to Mar. 31, 2024)

(Million JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	17,796	94,882	105,473	△11,938	206,213
Cumulative effects of changes in accounting policies			876		876
Restated balance at beginning of period	17,796	94,882	106,349	△11,938	207,089
Changes during period					
Dividends of surplus			△2,895		△2,895
Profit attributable to owners of parent			21,905		21,905
Purchase and disposal of treasury shares		11		△1,830	△1,818
Increase (decrease) in equity due to purchase of treasury shares of consolidated subsidiaries		△204			△204
Sale of shares of consolidated subsidiaries		1			1
Reversal of revaluation reserve for land			△405		△405
Net changes in items other than shareholders' equity					
Total changes during period	—	△192	18,605	△1,830	16,582
Balance at end of period	17,796	94,689	124,954	△13,768	223,672

	Accumulated other comprehensive income					Share acquisition rights	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	42,925	303	1,188	△1,808	42,608	1,200	22,792	272,814
Cumulative effects of changes in accounting policies								876
Restated balance at beginning of period	42,925	303	1,188	△1,808	42,608	1,200	22,792	273,690
Changes during period								
Dividends of surplus								△2,895
Profit attributable to owners of parent								21,905
Purchase and disposal of treasury shares								△1,818
Increase (decrease) in equity due to purchase of treasury shares of consolidated subsidiaries								△204
Sale of shares of consolidated subsidiaries								1
Reversal of revaluation reserve for land								△405
Net changes in items other than shareholders' equity	1,122	368	743	152	2,387	150	1,214	3,752
Total changes during period	1,122	368	743	152	2,387	150	1,214	20,335
Balance at end of period	44,048	671	1,932	△1,656	44,995	1,351	24,006	294,026

FY2025 (From Apr. 1, 2024 to Mar. 31, 2025)

(Million JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	17,796	94,689	124,954	△13,768	223,672
Changes during period					
Dividends of surplus			△4,233		△4,233
Profit attributable to owners of parent			34,842		34,842
Purchase and disposal of treasury shares		△3,492		△24,872	△28,365
Change by share exchange		△10,561		33,094	22,533
Net changes in items other than shareholders' equity					
Total changes during period	—	△14,054	30,609	8,222	24,776
Balance at end of period	17,796	80,635	155,564	△5,546	248,449

	Accumulated other comprehensive income					Share acquisition rights	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	44,048	671	1,932	△1,656	44,995	1,351	24,006	294,026
Changes during period								
Dividends of surplus								△4,233
Profit attributable to owners of parent								34,842
Purchase and disposal of treasury shares								△28,365
Change by share exchange								22,533
Net changes in items other than shareholders' equity	3,558	△2	△517	2,773	5,811	111	△11,306	△5,383
Total changes during period	3,558	△2	△517	2,773	5,811	111	△11,306	19,393
Balance at end of period	47,606	668	1,415	1,116	50,807	1,462	12,700	313,420

Consolidated Statements of Cash Flows

(Million JPY)

	FY2024 (From Apr. 1, 2023 to Mar. 31, 2024)	FY2025 (From Apr. 1, 2024 to Mar. 31, 2025)
Cash flows from operating activities		
Profit before income taxes	22,289	51,330
Depreciation	19,970	23,472
Impairment losses	7,196	4,010
Loss on store closings	121	1,203
Office relocation expenses	57	—
Loss on liquidation of subsidiaries and associates	74	—
Loss (gain) on step acquisitions	—	△7,984
Amortization of goodwill	507	1,026
Increase (decrease) in allowance for doubtful accounts	113	△303
Increase (decrease) in provision for bonuses	2,430	△174
Increase (decrease) in provision for bonuses for directors	90	7
Increase (decrease) in retirement benefit liability	△954	△2,043
Increase (decrease) in remeasurements of defined benefit plans (△ decreased)	152	2,773
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△17	0
Increase (decrease) in provision for redemption of gift certificates	178	13
Increase (decrease) in provision for loss on store closings	△850	△231
Interest and dividend income	△1,362	△1,746
Interest expenses	884	860
Foreign exchange losses (gains)	△160	△275
Share of loss (profit) of entities accounted for using equity method	△654	△784
Loss (gain) on sale of investment securities	△21	△14,546
Gain on sales of shares of subsidiaries. (Gain on △)	—	△1,700
Loss (gain) on sale of non-current assets	△5,817	△2,730
Loss on retirement of non-current assets	1,808	638
Decrease (increase) in trade receivables	△6,072	△251
Decrease (increase) in inventories	1,162	376
Increase (decrease) in accounts payable - other	1,424	5,162
Increase (decrease) in trade payables	15,176	△6,487
Increase (decrease) in accrued consumption taxes	△795	△115
Increase (decrease) in provision for redemption of gift certificates	△300	△146
Increase (decrease) in advances received	△158	894
Other	△621	△1,061
Subtotal	55,852	51,186
Interest and dividends received	1,586	1,921
Interest paid	△880	△917
Income taxes paid	△7,225	△5,921
Cash flows from operating activities	49,332	46,268

(Million JPY)

	FY2024 (From Apr. 1, 2023 to Mar. 31, 2024)	FY2025 (From Apr. 1, 2024 to Mar. 31, 2025)
Cash flows from investing activities		
Purchase of property, plant and equipment	△17,507	△20,215
Proceeds from sale of property, plant and equipment	10,152	5,883
Purchase of intangible assets	△13,076	△10,761
Proceeds from sale of intangible assets	197	—
Payments for asset retirement obligations	△541	△350
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△11,860
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,351
Purchase of investment securities	△11	△25
Proceeds from sale of investment securities	36	18,006
Proceeds from distributions from investment partnerships	—	277
Payments into time deposits	△1,550	△2,050
Proceeds from withdrawal of time deposits	1,150	3,450
Proceeds from collection of long-term loans receivable	2,312	1,574
Payments of guarantee deposits	△383	△204
Proceeds from refund of guarantee deposits	1,469	1,619
Cash flows from investing activities	△17,752	△13,304
Cash flows from financing activities		
Redemption of bonds	—	△10,000
Proceeds from long-term borrowings	—	1,129
Repayments of long-term borrowings	△15,431	△431
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	△1,885	△28,530
Purchase of treasury shares of subsidiaries	△1,124	—
Dividends paid	△2,895	△4,233
Dividends paid to non-controlling interests	△368	△2,204
Repayments of lease liabilities	△843	△720
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	16	—
Cash flows from financing activities	△22,531	△44,990
Effect of exchange rate change on cash and cash equivalents	305	592
Net increase (decrease) in cash and cash equivalents	9,353	△11,433
Cash and cash equivalents at beginning of period	57,020	66,373
Cash and cash equivalents	66,373	54,940