

[Translation]

To whom it may concern

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(Securities Code: 8242
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Supplementary Information and Views Regarding Proposals of the 106th Annual General Meeting of Shareholders

Institutional Shareholder Services Inc. (hereinafter referred to as "ISS"), a proxy advisory firm, has issued a report recommending against Proposal No. 4, "Determination of Compensation for the Allotment of Restricted Shares to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)" (hereinafter referred to as the "Proposal"), at the 106th Annual General Meeting of Shareholders (hereinafter referred to as the "General Meeting") of H2O RETAILING CORPORATION (hereinafter referred to as the "Company").

The Company presents its supplementary information and views regarding ISS views as shown below. We kindly ask shareholders to carefully read the following details and appreciate your understanding of the Proposal.

1. Details of the Recommendation against the Proposal by ISS

ISS has issued a report recommending against the Proposal at the General Meeting. The Company understands that the reasons for this view that Shares with Performance Conditions (hereinafter referred to as "PS") can be disposed of by current Directors within three (3) years, and that the performance standards to be achieved to lift the transfer restrictions have not been specified.

2. Supplementary Information and Views Regarding the Proposal by the Company

The Company will introduce restricted stock compensation in the form of vesting shares (hereinafter referred to as "RS") and PS to our Directors (excluding Outside Directors and Directors who are the Audit and Supervisory Committee Members), subject to the approval of the shareholders at the General Meeting, to provide incentives to Directors to promote the sustainable improvement of the Company's corporate value, and to further enhance the sharing of value between Directors and shareholders and the awareness of Directors regarding their performance and stock value.

Regarding PS, the transfer restriction period is specified on page 19 (26 for Japanese version) of the Notice of convocation of the General Meeting as "a period within five (5) years from the grant date thereof, specified by the Board of Directors of the Company." However, at the Board of Directors meeting after the General Meeting, it will be resolved to determine the applicable period in accordance with "the applicable period of the Mid-term Management Plan, which is three (3) years after the grant of PS (or four (4) years after the grant of PS if the applicable period of the Mid-term Management Plan is four (4) years)." We would like to provide this information as supplementary information.

Similarly, regarding PS, the performance targets are specified on page 19 (26 for Japanese version) of the Notice of convocation of the General Meeting the following: "that requirements separately defined in the Allotment Agreement, such as the achievement of the numerical performance targets set by the Board of Directors of the Company." However, at the Board of Directors meeting after the General Meeting, it will be resolved to determine the following targets: "achieving consolidated operating profit of ¥32.0 billion and consolidated ROIC of 5.9% for fiscal year 2026, as specified in the Mid-term Management Plan (2024–2026)." We would like to provide this information as supplementary information.

The above transfer restriction period and performance targets have been considered by the Nomination and Compensation Advisory Committee and recommended to the Board of Directors. The Company plans to make a resolution based on this recommendation at the Board of Directors meeting after the General Meeting.

With the above supplementary information, we believe that there is no conflict with ISS standards.

Finally, we kindly ask shareholders to carefully read this document and make a careful decision on whether to approve the Proposal.