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April 11, 2022

## Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 (Under Japanese GAAP)

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 Securities code: 7516  
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 Scheduled date of annual general meeting of shareholders: May 26, 2022  
 Scheduled date to commence dividend payments: May 27, 2022  
 Scheduled date to file annual securities report: May 27, 2022  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2022	441,222	(0.2)	25,788	(16.6)	24,206	(18.7)	15,590	(16.4)
February 28, 2021	442,070	18.0	30,919	54.1	29,774	57.4	18,649	57.6

Note: Comprehensive income For the fiscal year ended February 28, 2022: ¥15,754 million [(15.7)%]  
 For the fiscal year ended February 28, 2021: ¥18,698 million [57.3%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2022	489.30	489.16	11.3	6.1	6.1
February 28, 2021	561.27	561.11	14.5	7.7	7.2

Reference: Share of profit (loss) of entities accounted for using equity method  
 For the fiscal year ended February 28, 2022: ¥- million  
 For the fiscal year ended February 28, 2021: ¥- million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2022	398,076	142,444	35.8	4,531.40
February 28, 2021	395,095	133,287	33.7	4,104.73

Reference: Equity  
 As of February 28, 2022: ¥142,444 million  
 As of February 28, 2021: ¥133,287 million

### (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 period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2022	17,436	(12,677)	(7,286)	12,224
February 28, 2021	35,122	(15,218)	(17,200)	14,663

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2021	–	29.00	–	32.00	61.00	1,981	10.9	1.6
Fiscal year ended February 28, 2022	–	35.00	–	35.00	70.00	2,273	14.3	1.6
Fiscal year ending February 28, 2023 (Forecast)	–	45.00	–	45.00	90.00		18.1	

### 3. Consolidated financial forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2022	226,800	2.5	16,200	0.9	15,300	0.8	9,900	(2.4)	310.70
Full year	447,700	3.9	26,000	0.6	24,400	0.6	15,800	1.0	495.87

Note: From the start of the fiscal year ending February 28, 2023, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant ASBJ regulations. Accordingly, the amounts presented in the above forecast of consolidated financial results reflect the application of the accounting standard and relevant ASBJ regulations, and the year-on-year changes are also calculated on the assumption that the accounting standard and relevant ASBJ regulations had been applied in the fiscal year ended February 28, 2022.

\* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- (ii) Changes in accounting policies due to other reasons: No
- (iii) Changes in accounting estimates: Yes
- (iv) Restatement: No

Note: For details, please refer to the attached materials on page 12 “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements, Changes in accounting estimates.”

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2022	34,682,113 shares
As of February 28, 2021	34,682,113 shares

- (ii) Number of treasury shares at the end of the period

As of February 28, 2022	3,247,218 shares
As of February 28, 2021	2,210,566 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended February 28, 2022	31,862,633 shares
Fiscal year ended February 28, 2021	33,227,557 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the period includes shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), as trust assets for the executive officer incentive plan “Employee Share Benefit Trust (J-ESOP),” the employee incentive plan “Employee Share Benefit Trust (J-ESOP),” and the “Employee Share Benefit Trust (employee stock holding association disposal type).”

**Reference: Overview of non-consolidated financial results**

**1. Non-consolidated financial results for the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)**

**(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2022	395,357	(0.6)	25,410	(16.1)	23,774	(18.3)	15,423	(15.1)
February 28, 2021	397,622	16.7	30,291	46.1	29,098	49.5	18,160	51.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
February 28, 2022	484.05	483.91
February 28, 2021	546.56	546.40

**(2) Non-consolidated financial position**

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 28, 2022	379,973	141,800	37.3	4,510.92
February 28, 2021	377,613	133,014	35.2	4,096.33

Reference: Equity

As of February 28, 2022: ¥141,800 million

As of February 28, 2021: ¥133,014 million

## 2. Non-consolidated financial forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2022	203,800	2.7	14,900	0.8	9,400	(4.8)	295.01
Full year	400,700	3.9	23,900	0.5	15,600	1.1	489.60

Note: From the start of the fiscal year ending February 28, 2023, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant ASBJ regulations. Accordingly, the amounts presented in the above forecast of non-consolidated financial results reflect the application of the accounting standard and relevant ASBJ regulations, and the year-on-year changes are also calculated on the assumption that the accounting standard and relevant ASBJ regulations had been applied in the fiscal year ended February 28, 2022.

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

1. Consolidated subsidiary KOHNAN VIETNAM CO., LTD. has its fiscal year-end at the end of December, so there is a two-month difference from the consolidated fiscal year-end (end of February).

For the fiscal year under review, the company’s financial statements as of the end of December have been used, with important transactions occurring during the interval between then and the consolidated fiscal year-end (end of February) adjusted as necessary for consolidation.

2. Forward-looking statements in these materials, such as the forecast for financial results, are based on information currently available to the Company and assumptions deemed reasonable. They do not constitute a promise by the Company regarding their achievement. Furthermore, actual performance and so forth may differ considerably due to various factors. For notes regarding the assumptions and conditions of the financial results forecast and use of the financial results forecast, please refer to the attached materials on page 4 “1. Overview of operating results and others, (4) Future forecast.”

The Company plans to hold financial results briefings for institutional investors on Monday, April 11 and Thursday, April 14, 2022.

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## 1. Overview of operating results and others

### (1) Overview of operating results for the fiscal year under review

During the fiscal year ended February 28, 2022, under the prolonged impact of the novel coronavirus disease (COVID-19), the Japanese economy showed signs of moving towards normalization of economic activity with the spread of vaccines; however, restricted movement such as refraining from going out continued intermittently due to the spread of infections by new variants. Furthermore, the environment for consumer spending has grown increasingly harsh with the added impacts of high resource prices and increasing costs of commodities needed for daily living.

Under these conditions, in April 2021 the KOHNAN Group announced its Medium-Term Management Plan Part III, “We love KOHNAN!! just fit for you, now and always.” Under this new medium-term management plan, based on the slogan “Transformation,” we have designated five priority strategies to transform all of our management activities to a “customer-oriented perspective,” and we are currently working on various measures to achieve the plan.

In the area of store expansion, we opened 13 Home Center KOHNAN stores, 5 KOHNAN PRO stores, 5 CAMP DEPOT stores, 2 KOHNAN VIETNAM stores, and 3 KEN DEPOT stores. We also closed 3 Home Center KOHNAN stores, 1 KOHNAN PRO store, and 1 KEN DEPOT store. This brought the number of stores as of the end of the fiscal year under review to 502 (308 Home Center KOHNAN stores, 102 KOHNAN PRO stores, 6 CAMP DEPOT stores, 6 Home Center BEAVERTOZAN stores, 4 BEAVER PRO stores, 8 KOHNAN VIETNAM stores, 66 KEN DEPOT corporate stores and 2 KEN DEPOT franchise stores).

Since the fiscal year of KOHNAN VIETNAM CO., LTD. is from January 1, 2021 to December 31, 2021, the number of its stores as of December 31, 2021 is presented as the number of stores at the consolidated fiscal year-end.

As a result, for the fiscal year under review, the Company recorded operating revenue of ¥441,222 million (down 0.2% year on year), ordinary profit of ¥24,206 million (down 18.7% year on year), and profit attributable to owners of parent of ¥15,590 million (down 16.4% year on year).

By product division, the housekeeping division, which mainly handles daily necessities and chemicals, experienced sluggish growth due to a swing-back after COVID-19-related demand expanded in the previous fiscal year. Meanwhile, the home improvement division, which mainly handles timber, building supplies, and tools, performed favorably due to changes in consumer purchasing behavior, among other factors.

The above amounts do not include consumption taxes.

### (2) Overview of financial position for the fiscal year under review

As of February 28, 2022, total assets stood at ¥398,076 million, up ¥2,980 million from the previous fiscal year-end. The main factors were an increase in merchandise and finished goods of ¥4,867 million, an increase in accounts receivable - trade of ¥2,067 million, a decrease in cash and deposits of ¥2,439 million, and a decrease in property, plant and equipment of ¥1,480 million.

Total liabilities were ¥255,632 million, down ¥6,176 million from the previous fiscal year-end. The main factors were an increase in short-term borrowings of ¥2,750 million, a decrease in income taxes payable of ¥3,658 million, a decrease in lease obligations (including current portion) of ¥2,098 million, and a decrease in accounts payable - trade and electronically recorded obligations - operating of ¥1,558 million.

Total net assets stood at ¥142,444 million, an increase of ¥9,157 from the previous fiscal year-end. As a result, the equity ratio was 35.8%, up 2.0 percentage points from the previous fiscal year.

### (3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents as of February 28, 2022 had decreased ¥2,439 million from the previous fiscal year end to ¥12,224 million.

The status of cash flows during the fiscal year under review and the main factors are as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥17,436 million (down ¥17,686 million year on year). This mainly reflected profit before income taxes of ¥23,177 million and depreciation of ¥12,982 million, partially offset by an increase in trade receivables of ¥2,066 million, increase in inventories of ¥5,130 million, decrease in trade payables of ¥1,585 million, and income taxes paid of ¥11,449 million.

Cash flows from investing activities

Investing activities used net cash of ¥12,677 million (down ¥2,540 million year on year). This was mainly the result of purchase of property, plant and equipment of ¥9,343 million and purchase of intangible assets of ¥1,744 million.

Cash flows from financing activities

Financing activities used net cash of ¥7,286 million (down ¥9,913 million year on year). This mainly reflected proceeds from short-term borrowings of ¥101,500 million and proceeds from long-term borrowings of ¥26,051 million, which were more than offset by repayments of short-term borrowings of ¥98,750 million, repayments of long-term borrowings of ¥26,375 million, purchase of treasury shares of ¥4,548 million, repayments of lease obligations of ¥2,778 million, and dividends paid of ¥2,176 million.

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Equity ratio (%)	33.7	35.8
Equity ratio based on market value (%)	23.8	28.8
Ratio of cash flow to interest-bearing debt (years)	4.6	9.4
Interest coverage ratio (times)	14.1	11.8

Equity ratio: shareholders' equity / total assets

Equity ratio based on market value: market value of stock / total assets

Ratio of cash flow to interest-bearing debt: interest-bearing debt / operating cash flow

Interest coverage ratio: Operating profit with interest and dividend income added / interest expenses

(Notes) 1. The market value of stock is calculated as the closing price at the end of the fiscal year × the number of issued shares at the end of the fiscal year (after deducting treasury shares).

2. For operating cash flows, cash flows from operating activities in the consolidated statements of cash flows is used. For interest-bearing debt, all liabilities on the consolidated balance sheets for which interest is recorded are used. Moreover, for interest expenses, interest expenses on the consolidated statements of income is used.

**(4) Future forecast**

In the next fiscal year, under the prolonged impact of COVID-19, the Japanese economy is expected to move towards normalization of economic activity with the spread of vaccines; however, there are concerns such as further increases in the price of energy and raw materials, and future uncertainty in the business environment is expected to continue.

Turning to the outlook for full-year consolidated financial results, the Company is forecasting operating revenue of ¥447,700 million (up 3.9% year on year), operating profit of ¥26,000 million (up 0.6% year on year), ordinary profit of ¥24,400 million (up 0.6% year on year), and profit attributable to owners of parent of ¥15,800 million (up 1.0% year on year).

Furthermore, from the start of the fiscal year ending February 28, 2023, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and relevant ASBJ regulations. Accordingly, the amounts presented in the above outlook for consolidated financial results reflect the

application of the accounting standard and relevant ASBJ regulations, and the year-on-year changes are also calculated on the assumption that the accounting standard and relevant ASBJ regulations had been applied in the fiscal year ended February 28, 2022.

## **2. Basic policy regarding selection of accounting standards**

The KOHNAN Group adopts the Japanese GAAP as the accounting standards in order to ensure comparability among other domestic companies in the same industry.

### 3. Consolidated financial statements and significant notes thereto

#### (1) Consolidated balance sheet

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	14,681	12,242
Accounts receivable - trade	8,569	10,636
Merchandise and finished goods	88,245	93,113
Raw materials and supplies	788	1,115
Advance payments to suppliers	65	29
Prepaid expenses	4,355	4,546
Other	2,720	2,204
Allowance for doubtful accounts	(2)	(3)
Total current assets	119,422	123,884
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	110,921	109,851
Machinery, equipment and vehicles, net	1,244	1,018
Tools, furniture and fixtures, net	4,991	5,063
Land	49,623	50,191
Leased assets, net	22,287	20,559
Construction in progress	699	887
Total property, plant and equipment	189,767	187,571
Intangible assets		
Trademark right	3,743	3,410
Customer-related assets	2,762	2,536
Goodwill	16,403	15,245
Leasehold interests in land	4,572	4,604
Software	910	1,947
Other	401	425
Total intangible assets	28,793	28,169
Investments and other assets		
Investment securities	3,687	3,920
Long-term loans receivable	54	103
Long-term prepaid expenses	1,391	1,378
Guarantee deposits	45,910	46,781
Retirement benefit asset	39	97
Deferred tax assets	6,018	6,123
Other	340	316
Allowance for doubtful accounts	(329)	(270)
Total investments and other assets	57,111	58,451
Total non-current assets	275,673	274,192
Total assets	395,095	398,076

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	37,525	30,306
Electronically recorded obligations - operating	3,445	9,105
Short-term borrowings	6,437	9,187
Current portion of long-term borrowings	26,113	25,741
Lease obligations	2,411	3,815
Accounts payable - other	6,946	6,673
Accrued expenses	3,514	3,017
Income taxes payable	7,375	3,717
Accrued consumption taxes	3,475	2,993
Unearned revenue	1,205	1,359
Advances received	2,361	2,272
Provision for bonuses	2,134	2,259
Provision for point card certificates	650	705
Provision for bonuses for directors (and other officers)	211	211
Other	857	1,046
Total current liabilities	104,665	102,414
Non-current liabilities		
Long-term borrowings	85,941	85,988
Lease obligations	26,154	22,651
Guarantee deposits received	10,846	10,543
Long-term accounts payable - other	14,702	14,336
Provision for loss on voluntary recall of goods	757	667
Provision for share awards	–	307
Asset retirement obligations	16,095	16,356
Deferred tax liabilities	2,307	2,109
Other	337	256
Total non-current liabilities	157,143	153,217
Total liabilities	261,808	255,632
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,923
Retained earnings	105,532	118,946
Treasury shares	(8,062)	(12,483)
Total shareholders' equity	133,051	142,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159	142
Deferred gains or losses on hedges	(16)	(39)
Foreign currency translation adjustment	58	235
Remeasurements of defined benefit plans	34	60
Total accumulated other comprehensive income	235	399
Total net assets	133,287	142,444
Total liabilities and net assets	395,095	398,076

**(2) Consolidated statement of income and consolidated statement of comprehensive income**  
**Consolidated statement of income**

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	427,124	425,704
Cost of sales	266,290	265,208
Gross profit	160,834	160,495
Operating revenue	14,945	15,517
Operating gross profit	175,779	176,013
Selling, general and administrative expenses	144,860	150,225
Operating profit	30,919	25,788
Non-operating income		
Interest and dividend income	87	129
Insurance claim income	143	72
Foreign exchange gains	398	183
Gain on investments in silent partnerships	279	282
Income from fees for business	170	–
Other	221	266
Total non-operating income	1,300	934
Non-operating expenses		
Interest expenses	2,203	2,200
Other	241	316
Total non-operating expenses	2,444	2,516
Ordinary profit	29,774	24,206
Extraordinary income		
Gain on cancellation of guaranteed deposits received	23	25
Gain on sale of non-current assets	0	5
Total extraordinary income	23	31
Extraordinary losses		
Impairment losses	2,845	971
Loss on retirement of non-current assets	45	62
Other	70	25
Total extraordinary losses	2,960	1,059
Profit before income taxes	26,837	23,177
Income taxes - current	9,577	7,867
Income taxes - deferred	(1,389)	(280)
Total income taxes	8,187	7,587
Profit	18,649	15,590
Profit attributable to owners of parent	18,649	15,590

**Consolidated statement of comprehensive income**

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	18,649	15,590
Other comprehensive income		
Valuation difference on available-for-sale securities	48	(17)
Deferred gains or losses on hedges	27	(22)
Foreign currency translation adjustment	(34)	176
Remeasurements of defined benefit plans, net of tax	7	26
Total other comprehensive income	48	163
Comprehensive income	18,698	15,754
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,698	15,754
Comprehensive income attributable to non-controlling interests	—	—

**(3) Consolidated statement of changes in equity**

Fiscal year ended February 28, 2021 (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,658	17,922	88,755	(443)	123,893
Changes during period					
Dividends of surplus			(1,873)		(1,873)
Profit attributable to owners of parent			18,649		18,649
Purchase of treasury shares				(7,620)	(7,620)
Disposal of treasury shares		0		1	1
Net changes in items other than shareholders' equity					
Total changes during period	–	0	16,776	(7,619)	9,158
Balance at end of period	17,658	17,922	105,532	(8,062)	133,051

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	111	(44)	93	26	187	124,080
Changes during period						
Dividends of surplus						(1,873)
Profit attributable to owners of parent						18,649
Purchase of treasury shares						(7,620)
Disposal of treasury shares						1
Net changes in items other than shareholders' equity	48	27	(34)	7	48	48
Total changes during period	48	27	(34)	7	48	9,206
Balance at end of period	159	(16)	58	34	235	133,287

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,658	17,922	105,532	(8,062)	133,051
Changes during period					
Dividends of surplus			(2,176)		(2,176)
Profit attributable to owners of parent			15,590		15,590
Purchase of treasury shares				(4,548)	(4,548)
Disposal of treasury shares		0		127	127
Net changes in items other than shareholders' equity					
Total changes during period	–	0	13,414	(4,421)	8,993
Balance at end of period	17,658	17,923	118,946	(12,483)	142,045

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	159	(16)	58	34	235	133,287
Changes during period						
Dividends of surplus						(2,176)
Profit attributable to owners of parent						15,590
Purchase of treasury shares						(4,548)
Disposal of treasury shares						127
Net changes in items other than shareholders' equity	(17)	(22)	176	26	163	163
Total changes during period	(17)	(22)	176	26	163	9,157
Balance at end of period	142	(39)	235	60	399	142,444

**(4) Consolidated statement of cash flows**

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	26,837	23,177
Depreciation	12,517	12,982
Amortization of goodwill	1,158	1,158
Increase (decrease) in provision for loss on voluntary recall of goods	(90)	(90)
Increase (decrease) in provision for share awards	-	307
Gain on cancellation of guaranteed deposits received	(23)	(25)
Gain on sale of non-current assets	0	(5)
Impairment losses	2,845	971
Loss on retirement of non-current assets	45	62
Interest and dividend income	(87)	(129)
Interest expenses	2,203	2,200
Decrease (increase) in trade receivables	(610)	(2,066)
Decrease (increase) in inventories	(9,662)	(5,130)
Increase (decrease) in trade payables	3,574	(1,585)
Increase (decrease) in accrued consumption taxes	585	(481)
Increase (decrease) in advances received	1,544	(88)
Other, net	2,007	(254)
<b>Subtotal</b>	<b>42,846</b>	<b>31,002</b>
Interest and dividends received	28	79
Interest paid	(2,187)	(2,196)
Income taxes refund (paid)	(5,565)	(11,449)
<b>Net cash provided by (used in) operating activities</b>	<b>35,122</b>	<b>17,436</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14,426)	(9,343)
Purchase of intangible assets	(383)	(1,744)
Payments of guarantee deposits	(2,540)	(2,601)
Proceeds from refund of guarantee deposits	2,420	1,781
Guarantee deposits received	437	238
Refund of guarantee deposits received	(825)	(535)
Other, net	98	(473)
<b>Net cash provided by (used in) investing activities</b>	<b>(15,218)</b>	<b>(12,677)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	74,350	101,500
Repayments of short-term borrowings	(82,900)	(98,750)
Proceeds from long-term borrowings	30,500	26,051
Repayments of long-term borrowings	(26,926)	(26,375)
Repayments of lease obligations	(2,319)	(2,778)
Collection of accounts receivable installment and others on sales of assets	1,221	1,211
Repayments of installment payables	(1,642)	(1,548)
Dividends paid	(1,872)	(2,176)
Purchase of treasury shares	(7,620)	(4,548)
Other, net	8	127
<b>Net cash provided by (used in) financing activities</b>	<b>(17,200)</b>	<b>(7,286)</b>
Effect of exchange rate change on cash and cash equivalents	(0)	89
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,703</b>	<b>(2,439)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>11,959</b>	<b>14,663</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,663</b>	<b>12,224</b>

**(5) Notes to consolidated financial statements**

Uncertainties of entity's ability to continue as going concern

Not applicable

Changes in accounting estimates

*Change in number of years for processing cost of differences in actuarial assumptions in accounting treatment related to retirement benefits*

For the number of years for processing cost of differences in actuarial assumptions in accounting treatment related to retirement benefits, previously the Company has processed the cost over 13 years, a set number of years within the average remaining service period of employees. However, since the average remaining period of service has fallen below this, the number of years for processing the cost has been change to 9 years, starting from the fiscal year under review.

The impact of this change on profit and loss for the fiscal year under review is immaterial.

Additional information*Transactions for issuing shares of the Company to employees, etc. through a trust*  
(Executive officers incentive plan “Employee Share Benefit Trust (J-ESOP)”) 

In accordance with a resolution of the Board of Directors meeting held on January 11, 2019, the Company has introduced a “Employee Share Benefit Trust (J-ESOP)” plan for executive officers, an executive officer incentive plan that uses shares of the Company from January 25, 2019.

## (1) Overview of transactions

In accordance with the Executive Officer Share Benefit Regulations formulated upon introduction of the plan, it is a system for providing shares of the Company to executive officers of the Company who satisfy certain conditions.

To acquire shares to be provided in the future beforehand, the Company entrusts money to Custody Bank of Japan, Ltd. (Trust Account E) as a trust asset for the executive officer incentive plan “Employee Share Benefit Trust (J-ESOP)” system, and the trust bank uses the entrusted money as financial funds to acquire the Company’s shares through the trading markets or by receiving the Company’s disposal of treasury shares.

## (2) Shares of the Company remaining in the trust

Shares of the Company that remain in the trust are recorded as treasury shares under net assets at their carrying value in the trust (excluding the amount of incidental expenses). The carrying value and number of these treasury shares were ¥31 million and 11,500 shares as of the previous fiscal year-end and ¥31 million and 11,400 shares as of the end of the fiscal year under review.

## (3) Carrying value of borrowings recorded under application of the gross amount method

Not applicable

## (Employee incentive plan “Employee Share Benefit Trust” (J-ESOP)”)

In accordance with a resolution of the Board of Directors meeting held on July 12, 2021, the Company has introduced the “Employee Share Benefit Trust (J-ESOP)” an incentive plan that provides shares of the Company to employees from July 26, 2021.

## (1) Overview of transactions

In accordance with the Employee Officer Share Benefit Regulations formulated upon introduction of the plan, it is a system for providing shares of the Company to employees of the Company who satisfy certain conditions.

To acquire shares to be provided in the future beforehand, the Company entrusts money to Custody Bank of Japan, Ltd. (Trust Account E) as a trust asset for the employee incentive plan “Employee Share Benefit Trust (J-ESOP)” system, and the trust bank uses the entrusted money as financial funds to acquire the Company’s shares through the trading markets or by receiving the Company’s disposal of treasury shares.

## (2) Shares of the Company remaining in the trust

Shares of the Company that remain in the trust are recorded as treasury shares under net assets at their carrying value in the trust (excluding the amount of incidental expenses). The carrying value and number of these treasury shares was ¥3,996 million and 940,700 shares as of the end of the fiscal year under review.

## (3) Carrying value of borrowings recorded under application of the gross amount method

Not applicable

## (“Employee Share Benefit Trust (employee stock holding association disposal type)”)

In accordance with a resolution of the Board of Directors meeting held on July 12, 2021, the Company introduced a “Employee Share Benefit Trust (employee stock holding association disposal type)” from July 30, 2021.

(1) Overview of transactions

This plan is an incentive plan for returning the benefit of an increase in the Company's stock price to all employees who are enrolled in the KOHNAN SHOJI Employee Shareholders Association" (hereinafter, the "Shareholders Association").

The trustee of the plan acquires at once beforehand all of the shares of the Company expected to be acquired by the Shareholders Association over the five years following the establishment of the trust, using the Trust Account E set up at Custody Bank of Japan, Ltd. and sells the shares of the Company when the Shareholders Association acquires them. Until the trust is terminated, in the case where an amount corresponding to the proceeds from sale of shares has accumulated within the entrusted assets of the trust through sales to the Shareholding Association, the amount is distributed as residual assets to persons enrolled in the Shareholders Association who satisfy the qualifying conditions for beneficiaries. Moreover, since the Company guarantees borrowings for the trustee to acquire the Company's shares, upon termination of the trust, in cases where there is a loan balance in an amount corresponding to a loss on sale of the shares, the Company is to settle the balance in accordance with the guarantee contract.

(2) Shares of the Company remaining in the trust

Shares of the Company that remain in the trust are recorded as treasury shares under net assets at their carrying value in the trust (excluding the amount of incidental expenses). The carrying value and number of these treasury shares was ¥428 million and 96,900 shares as of the end of the fiscal year under review.

(3) Carrying value of borrowings recorded under application of the gross amount method

¥453 million at the end of the fiscal year under review

Segment information

[Segment information]

Segment information is omitted since the KOHNAN Group has only one segment, which conducts retail sales, sales of construction materials and so forth, and ancillary business.

[Related information]

Fiscal year ended February 28, 2021 (From March 1, 2020 to February 28, 2021)

## 1. Information by product and service

This information is omitted since the amount of net sales to external customers in a single product and service classification exceeds 90% of net sales in the consolidated statement of income.

## 2. Information by region

## (1) Net sales

This information is omitted since the amount of net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income.

## (2) Property, plant and equipment

This information is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

## 3. Information by main customer

This information is omitted since there are no customers who account for 10% or more of the amount of net sales in the consolidated statement of income within net sales to external customers.

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

## 1. Information by product and service

This information is omitted since the amount of net sales to external customers in a single product and service classification exceeds 90% of net sales in the consolidated statement of income.

## 2. Information by region

## (1) Net sales

This information is omitted since the amount of net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income.

## (2) Property, plant and equipment

This information is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

## 3. Information by main customer

This information is omitted since there are no customers who account for 10% or more of the amount of net sales in the consolidated statement of income within net sales to external customers.

[Information about impairment loss of non-current assets by reportable segment]

This information is omitted since the KOHNAN Group has only a single segment.

[Information about amortization and unamortized balance of goodwill by reportable segment]

This information is omitted since the KOHNAN Group has only a single segment.

[Information about gain on bargain purchase by reportable segment]

This information is omitted since the KOHNAN Group has only a single segment.

Per share information

(Yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net assets per share	4,104.73	4,531.40
Basic earnings per share	561.27	489.30
Diluted earnings per share	561.11	489.16

(Note) The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	18,649	15,590
Profit (loss) not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (millions of yen)	18,649	15,590
Average number of outstanding common shares during period (shares)	33,227,557	31,862,633
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (millions of yen)	—	—
Increase in the number of common shares (shares)	9,400	9,400
(Of the above, stock options (shares))	(9,400)	(9,400)
Overview of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	—	—

(Note) Shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the executive officer incentive plan “Employee Share Benefit Trust (J-ESOP),” the employee incentive plan “Employee Share Benefit Trust (J-ESOP),” and the “Employee Share Benefit Trust (employee stock holding association disposal type)” are included in treasury shares deducted when calculating the number of common shares at the end of the period used for calculating net assets per share and the average number of outstanding common shares during the period used as the basis for calculating basic earnings per share and diluted earnings per share.

The number of treasury shares at the end of the period that is deducted when calculating net assets per share was 11 thousand for the previous fiscal year and 1,049 thousand for the fiscal year under review. The average number of treasury shares during period deducted in calculating the basic earnings per share and diluted earnings per share was 11 thousand for the previous fiscal year and 620 thousand for the fiscal year under review.

Subsequent events*Acquisition of treasury shares*

The Company resolved at a Board of Directors meeting held on April 11, 2022 to acquire treasury shares in accordance with Article 156 of the Companies Act as applied pursuant to the provisions of paragraph (3), Article 165 of the Act, as follows.

1. Reason for conducting the acquisition of treasury shares

The Company will acquire treasury shares to increase shareholder returns and capital efficiency, and to execute an agile capital policy in response to changes in the management environment.

2. Details of the Board of Directors resolution regarding the acquisition of treasury shares

- |   |   |
|---|---|
| (1) Class of shares to be acquired                      | Common shares of the Company                |
| (2) Number of shares to be acquired                     | 1,200,000 shares (upper limit)              |
| (3) Total amount of the acquisition price of the shares | ¥4,000 million (upper limit)                |
| (4) Period of acquisition                               | From April 12, 2022 to September 30, 2022   |
| (5) Acquisition method                                  | Market purchase on the Tokyo Stock Exchange |

#### 4. Other

##### (1) Net sales by product division

	Fiscal year ended February 28, 2021		Fiscal year ended February 28, 2022	
	Amount (millions of yen)	Year-on-year change (%)	Amount (millions of yen)	Year-on-year change (%)
Home improvement (DIY supplies)	192,590	120.1	201,114	104.4
Housekeeping (household supplies)	153,423	118.0	143,383	93.5
Pet and leisure (pet and leisure supplies)	67,946	113.2	68,374	100.6
Other	13,163	136.9	12,832	97.5
Total	427,124	118.6	425,704	99.7

(Notes) 1. The composition of each product division is as follows.

- |                      |  |
|----------------------|--|
| (1) Home improvement | (Timber and building materials, tools, hardware and plumbing, painting and work supplies, gardening supplies, gardening plants, materials, exteriors, housing equipment, remodeling)                                       |
| (2) Housekeeping     | (Dining supplies, interiors, electrical materials and lighting, daily necessities, storage supplies, chemicals, footwear and clothing, household goods, home appliances, nursing care supplies, food, alcoholic beverages) |
| (3) Pet and leisure  | (Automotive supplies, pet supplies, stationery and office supplies, cycling and leisure supplies)  |
| (4) Other            | (100 Yen Shop, books, vending machines, kerosene)  |

2. The above amounts do not include consumption taxes.