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January 11, 2023

## Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Under Japanese GAAP)

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 Securities code: 7516  
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 Scheduled date to file quarterly securities report: January 12, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors)

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

### 1. Consolidated financial results for the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

#### (1) Consolidated operating results (cumulative)

(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	%
Nine months ended								
November 30, 2022	330,803	–	17,916	–	16,715	–	11,024	–
November 30, 2021	335,324	(0.0)	21,755	(17.1)	20,454	(19.4)	13,721	(11.1)

Note: Comprehensive income For the nine months ended November 30, 2022: ¥11,111 million [–%]  
 For the nine months ended November 30, 2021: ¥13,743 million [(11.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
November 30, 2022	357.93	357.82
November 30, 2021	428.73	428.60

Note: KOHNAN SHOJI CO., LTD. (the “Company”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending February 28, 2023, and each figure for the nine months ended November 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
November 30, 2022	422,182	147,260	34.9
February 28, 2022	398,076	142,444	35.8

Reference: Equity  
 As of November 30, 2022: ¥147,260 million  
 As of February 28, 2022: ¥142,444 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending February 28, 2023, and each figure as of November 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	35.00	–	35.00	70.00
Fiscal year ending February 28, 2023	–	45.00	–		
Fiscal year ending February 28, 2023 (Forecast)				45.00	90.00

Note: Revisions to the cash dividend forecasts most recently announced: No

## 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
Full year	436,000	1.2	21,300	(17.6)	19,800	(18.4)	12,800	(18.1)	412.78

Note: Revisions to the financial forecasts most recently announced: No

From the beginning of the first quarter of the fiscal year ending February 28, 2023, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) 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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - (ii) Changes in accounting policies due to other reasons: No
  - (iii) Changes in accounting estimates: No
  - (iv) Restatement: No
- (4) Number of issued shares (common shares)

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

As of November 30, 2022	34,682,113 shares
As of February 28, 2022	34,682,113 shares

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

As of November 30, 2022	4,285,357 shares
As of February 28, 2022	3,247,218 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2022	30,801,714 shares
Nine months ended November 30, 2021	32,003,846 shares

Note: The number of treasury shares at the end of the period and the number of treasury shares excluded from the calculation of the average number of shares outstanding during the period include 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).”

\* Quarterly financial results reports are exempt from quarterly review 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 nine months under review, the company’s quarterly financial statements as of the end of September have been used, with important transactions occurring during the interval between then and the quarterly consolidated fiscal year-end (end of November) 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.

The Company plans to hold financial results briefings for institutional investors on Wednesday, January 11 and Thursday, January 12, 2023.

**Attached Material**

1. Qualitative information on quarterly financial statements .....	2
(1) Operations explanation .....	2
(2) Financial position explanation .....	2
(3) Consolidated earnings forecast and other forward-looking statements .....	2
2. Quarterly consolidated financial statements and significant notes thereto.....	3
(1) Quarterly consolidated balance sheet.....	3
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	5
Quarterly consolidated statement of income (cumulative) .....	5
Quarterly consolidated statement of comprehensive income (cumulative) .....	6
(3) Notes to quarterly consolidated financial statements.....	7
Uncertainties of entity's ability to continue as going concern.....	7
Notes when there are significant changes in amounts of shareholders' equity .....	7
Notes - Changes in accounting policies .....	7
Additional information .....	9
3. Supplementary information.....	12

## 1. Qualitative information on quarterly financial statements

### (1) Operations explanation

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the first quarter. As a result, because the accounting treatment of revenue is different from that of the first nine months of the previous fiscal year, year-on-year changes and percentage year-on-year changes are not given in explanations of operating results below.

During the nine months ended November 30, 2022, under the prolonged impact of the novel coronavirus disease (COVID-19), the Japanese economy showed signs of moving towards normalization of socio-economic activity. On the other hand, the combination of rapid depreciation of the yen and the global surge in resource prices that has taken place against the background of heightened geopolitical risks caused by the Russian invasion of Ukraine and other factors, has resulted in continued uncertainty with regard to the outlook for business conditions. Furthermore, the environment for consumer spending has grown increasingly harsh mainly due to impacts of increasing costs of commodities needed for daily living.

Under these conditions, the KOHNAN Group (the “Group”) is working on various measures to achieve the plan of its Medium-Term Management Plan Part III, “We love KOHNAN!! just fit for you, now and always,” which was released in April 2021.

In the area of store expansion, we opened 9 Home Center KOHNAN stores, 8 KOHNAN PRO stores, 3 CAMP DEPOT stores, 1 BEAVER PRO store, 2 KOHNAN VIETNAM stores, and 4 KEN DEPOT stores. We also closed 1 Home Center KOHNAN store. This brought the number of stores as of the end of the quarter under review to 528 (316 Home Center KOHNAN stores, 110 KOHNAN PRO stores, 9 CAMP DEPOT stores, 6 Home Center BEAVERTOZAN stores, 5 BEAVER PRO stores, 10 KOHNAN VIETNAM stores, 70 KEN DEPOT corporate stores and 2 KEN DEPOT franchise stores).

Also, because the first nine months of KOHNAN VIETNAM CO., LTD. ran from January 1, 2022 to September 30, 2022, the number of stores as of the end of the quarter under review refers to the number of stores as of September 30, 2022.

As result of these developments, operating revenue for first nine months of the fiscal year under review was ¥330,803 million (¥335,324 million for the first nine months of the previous fiscal year). Selling, general and administrative expenses for the first nine months of the fiscal year under review were ¥114,223 million (¥112,157 million for the first nine months of the previous fiscal year), and operating profit was ¥17,916 million (¥21,755 million for the first nine months of the previous fiscal year).

Mainly due to the decline in operating profit, ordinary profit was ¥16,715 million (¥20,454 million for the first nine months of the previous fiscal year), while profit attributable to owners of parent came to ¥11,024 million (¥13,721 million for the first nine months of the previous fiscal year).

### (2) Financial position explanation

As of November 30, 2022, total assets increased by ¥24,105 million from the previous fiscal year-end to ¥422,182 million. Merchandise and finished goods increased by ¥16,002 million, accounts receivable - trade increased by ¥4,761 million, and construction in progress increased by ¥3,701 million, while cash and deposits decreased by ¥3,118 million.

Total liabilities increased by ¥19,289 million from the previous fiscal year-end to ¥274,921 million. Accounts payable - trade and electronically recorded obligations - operating increased by ¥8,665 million, short-term borrowings increased by ¥4,837 million, and long-term borrowings increased by ¥7,903 million.

As of November 30, 2022, net assets stood at ¥147,260 million, and the equity ratio was 34.9%.

### (3) Consolidated earnings forecast and other forward-looking statements

Consolidated earnings forecasts for the fiscal year ending February 28, 2023, are unchanged from the consolidated earnings forecasts for the full year ending February 28, 2023 that were announced on October 7, 2022, at the time of the announcement of “Notice Concerning Revisions to Consolidated Earnings Forecasts.”

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	12,242	9,124
Accounts receivable - trade	10,636	15,398
Merchandise and finished goods	93,113	109,115
Raw materials and supplies	1,115	1,456
Other	6,780	8,592
Allowance for doubtful accounts	(3)	(10)
<b>Total current assets</b>	<b>123,884</b>	<b>143,676</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	109,851	109,326
Land	50,191	50,487
Leased assets, net	20,559	19,656
Construction in progress	887	4,589
Other, net	6,081	6,477
<b>Total property, plant and equipment</b>	<b>187,571</b>	<b>190,536</b>
Intangible assets		
Trademark right	3,410	3,161
Customer-related assets	2,536	2,367
Goodwill	15,245	14,376
Other	6,976	7,262
<b>Total intangible assets</b>	<b>28,169</b>	<b>27,167</b>
Investments and other assets		
Investment securities	3,920	4,603
Guarantee deposits	46,781	48,066
Deferred tax assets	6,123	6,435
Other	1,896	1,927
Allowance for doubtful accounts	(270)	(230)
<b>Total investments and other assets</b>	<b>58,451</b>	<b>60,801</b>
<b>Total non-current assets</b>	<b>274,192</b>	<b>278,506</b>
<b>Total assets</b>	<b>398,076</b>	<b>422,182</b>

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	30,306	39,294
Electronically recorded obligations - operating	9,105	8,782
Short-term borrowings	9,187	14,025
Current portion of long-term borrowings	25,741	26,953
Lease obligations	3,815	3,869
Income taxes payable	3,717	2,120
Contract liabilities	–	3,546
Provision for bonuses	2,259	3,486
Provision for point card certificates	705	–
Provision for loss on disaster	–	52
Other	17,574	13,256
Total current liabilities	102,414	115,386
Non-current liabilities		
Long-term borrowings	85,988	93,892
Lease obligations	22,651	21,517
Guarantee deposits received	10,543	10,404
Provision for loss on voluntary recall of goods	667	611
Provision for share awards	307	531
Asset retirement obligations	16,356	16,909
Other	16,702	15,667
Total non-current liabilities	153,217	159,535
Total liabilities	255,632	274,921
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,923	17,922
Retained earnings	118,946	127,472
Treasury shares	(12,483)	(16,278)
Total shareholders' equity	142,045	146,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	142	152
Deferred gains or losses on hedges	(39)	(317)
Foreign currency translation adjustment	235	595
Remeasurements of defined benefit plans	60	55
Total accumulated other comprehensive income	399	485
Total net assets	142,444	147,260
<b>Total liabilities and net assets</b>	<b>398,076</b>	<b>422,182</b>

**(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income****Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Net sales	323,729	318,910
Cost of sales	201,411	198,663
Gross profit	122,318	120,246
Operating revenue	11,595	11,893
Selling, general and administrative expenses	112,157	114,223
Operating profit	21,755	17,916
Non-operating income		
Interest income	117	65
Insurance claim income	58	51
Foreign exchange gains	124	337
Gain on investments in silent partnerships	140	142
Other	154	176
Total non-operating income	595	772
Non-operating expenses		
Interest expenses	1,671	1,595
Other	225	378
Total non-operating expenses	1,896	1,973
Ordinary profit	20,454	16,715
Extraordinary income		
Gain on cancellation of guarantee deposits received	22	72
Total extraordinary income	22	72
Extraordinary losses		
Impairment losses	62	107
Loss on disaster	-	230
Loss on retirement of non-current assets	48	77
Total extraordinary losses	110	415
Profit before income taxes	20,366	16,372
Income taxes - current	6,806	5,694
Income taxes - deferred	(161)	(347)
Total income taxes	6,645	5,347
Profit	13,721	11,024
Profit attributable to owners of parent	13,721	11,024

**Quarterly consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	13,721	11,024
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	10
Deferred gains or losses on hedges	(21)	(278)
Foreign currency translation adjustment	107	360
Remeasurements of defined benefit plans, net of tax	(2)	(5)
Total other comprehensive income	22	86
Comprehensive income	13,743	11,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,743	11,111
Comprehensive income attributable to non-controlling interests	–	–

**(3) Notes to quarterly consolidated financial statements**Uncertainties of entity's ability to continue as going concern

Not applicable

Notes when there are significant changes in amounts of shareholders' equity

In accordance with the resolution of the Board of Directors meeting held on April 11, 2022, the Company purchased 1,085,100 treasury shares during the first nine months of the fiscal year under review. As a result, treasury shares during the first nine months of the fiscal year under review increased by ¥3,795 million, including changes caused by disposals of treasury shares from the "Employee Share Benefit Trust (employee stock holding association disposal type)" dedicated trust to the employee stock holding association, and reached ¥16,278 million at the end of the quarter under review.

Notes - Changes in accounting policies*Application of accounting standard for revenue recognition, etc.*

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes resulting from the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations are as follows.

## 1. Revenue recognition for the point system operated by the Group

Based on the point system operated by the Group, some members of the Group award points to members in accordance with the purchase amount, and provide goods or services equivalent to the points used. Previously, in preparation for the usage of points granted, the amount expected to be used in future was recorded as a points reserve and a provision for points was recorded in selling, general and administrative expenses. However, the points granted have now been identified as a performance obligation, and the method has been changed to one of deferred revenue recognition.

## 2. Revenue recognition for the point system operated by other companies

Based on the point systems operated by other companies, points granted to customers following sales of merchandise were previously recorded in selling, general and administrative expenses, but the method has been changed to one of recognizing revenue by deducting from the transaction price an amount equivalent to points awarded.

## 3. Revenue recognition for agent transactions

For transactions in which the Group's role in providing goods or services to the customer is equivalent to that of an agent, the total amount received as consideration from the customer was previously recognized as revenue, but the method has been changed to one of recognizing the net revenue after deducting the amount to be paid to related parties from the total amount of consideration.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter was added to or deducted from the opening balance of retained earnings of the first quarter, and thus the new accounting policy was applied from such opening balance.

For the first nine months of the fiscal year under review, as a result of this change, net sales decreased by ¥7,318 million, cost of sales decreased by ¥6,213 million and selling, general and administrative expenses decreased by ¥1,109 million, while operating profit, ordinary profit and profit before income taxes each increased by ¥5 million. In addition, the opening balance of retained earnings increased by ¥50 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, part of "Advances received" and "Provision for point card certificates" under current liabilities of the

consolidated balance sheet as of the end of the previous fiscal year has been included in “Contract liabilities” under current liabilities from the quarterly consolidated balance sheet as of the end of the first quarter. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

*Application of accounting standard for fair value measurement, etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

Additional information*Transactions for issuing shares of the Company to employees, etc. through a trust*

## 1. Executive officer 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 11,400 shares as of the previous fiscal year-end and ¥28 million and 10,500 shares as of the end of the quarter under review.

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

Not applicable

## 2. 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 were ¥3,996 million and 940,700 shares as of the previous fiscal year-end and ¥3,994 million and 940,300 shares as of the end of the quarter under review.

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

Not applicable

## 3. “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 a gain on sale of shares has accumulated within the entrusted assets of the trust through sales to the Shareholders 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 were ¥428 million and 96,900 shares as of the previous fiscal year-end and ¥235 million and 53,300 shares as of the end of the quarter under review.

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

At the end of the previous fiscal year: ¥453 million; at the end of the quarter under review: ¥321 million

*Outbreak of fire at consolidated subsidiary of the Company*

On June 13, 2022, a fire broke out at the Soka Sezaki store of consolidated subsidiary KEN DEPOT Corporation, and was extinguished on the following day, June 14.

This incident resulted in the damage and destruction by fire of the leased estate and accompanying facilities owned by the company. Accordingly, a provision for loss on disaster and a loss on destruction of non-current assets, etc. were recorded as a loss on disaster of ¥230 million under extraordinary losses in the quarterly consolidated statement of income. This disaster also caused property, plant and equipment in the quarterly consolidated balance sheet for the first nine months of the fiscal year under review to decrease by ¥33 million. The provision for loss on disaster includes losses related to the leased estate, such as the cost of dismantling and removing the building destroyed by fire, and payments to settle obligations to the extent that can be reasonably estimated, etc., resulting in a book value for the provision for loss on disaster of ¥52 million at the end of the quarter under review. The company is insured for the damage in question, but because the amounts, etc. to be received in relation to the first nine months of the fiscal year under review have not been finalized, and insurance income has not been recorded.

*Absorption-type merger of consolidated subsidiary*

At a meeting of the Board of Directors held on September 20, 2022, it was resolved that an absorption-type merger would be conducted with an effective date of March 1, 2023, with KOHNAN SHOJI CO., LTD. as the company surviving in the absorption-type merger, and KOHNAN SHOJI CO., LTD.'s wholly-owned consolidated subsidiary BEAVERTOZAN Co., Ltd. (hereinafter, "BEAVERTOZAN") as the company disappearing in the absorption-type merger. The absorption-type merger agreement was concluded on the same date.

## 1. Purpose of the merger

Amid changes in the business environment, the Group seeks to enhance corporate value by engaging in structural reforms of the business and the organization. On this occasion, in order to integrate the organizations of both companies with the objective of increasing management efficiency, it was decided that the Company would conduct an absorption-type merger of wholly-owned subsidiary BEAVERTOZAN.

## 2. Summary of the merger

## (i) Merger timeline

Board of Directors meeting to approve the merger	September 20, 2022
Date on which merger agreement concluded	September 20, 2022
Merger date (effective date)	March 1, 2023 (scheduled)

- \* Because this merger is a simplified merger for the Company pursuant to Article 796, paragraph (2) of the Companies Act, as well as a short-form merger pursuant to Article 784, paragraph (1) of the Companies Act for BEAVERTOZAN, the merger will be executed without receiving approval for the merger agreement from a general meeting of shareholders.

## (ii) Method of the merger

As this is an absorption-type merger in which the Company is the surviving company, BEAVERTOZAN will be dissolved.

## (iii) Details of allotment concerning the merger

Because in this merger BEAVERTOZAN is a wholly-owned subsidiary of the Company, no shares or other monies, etc. will be granted or allotted.

## (iv) Treatment of share acquisition rights or bonds with share acquisition rights arising from the merger

Not applicable

## 3. Overview of company disappearing in the absorption-type merger (as of February 28, 2022)

Company name	BEAVERTOZAN Co., Ltd.
Location	24-1 Toda, Atsugi City, Kanagawa Prefecture
Title and name of representative	MAMORU SAKAKIEDA, PRESIDENT
Nature of business	Home center business
Share capital	¥100 million
Net assets	¥1,293 million
Total assets	¥3,541 million

## 4. Situation after completion of the merger

There will be no change in the name, location, title and name of representative, nature of business, share capital, or fiscal year of the Company as a result of this merger.

## 5. Overview of accounting treatment

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company will account for the business combination as a transaction under common control.

### 3. Supplementary information

#### Detailed breakdown of net sales by product division

By product division	Amount (millions of yen)	Year-on-year change (%)
Home improvement (DIY supplies)	158,055	—
Housekeeping (household supplies)	105,325	—
Pet and leisure (pet and leisure supplies)	45,678	—
Other	9,851	—
Total	318,910	—

(Notes) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the first quarter. As a result, because the accounting treatment of revenue is different from that of the first nine months of the previous fiscal year, percentage year-on-year changes are not given in the detailed breakdown of net sales by product division.

2. The composition of each product division is as follows.

- |                      |  |
|----------------------|--|
| (1) Home improvement | (Timber, 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)  |