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October 11, 2023

## Consolidated Financial Results for the Six Months Ended August 31, 2023 (Under Japanese GAAP)

Company name: KOHNAN SHOJI CO., LTD.  
 Listing: Tokyo  
 Securities code: 7516  
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 Scheduled date to file quarterly securities report: October 12, 2023  
 Scheduled date to commence dividend payments: November 7, 2023  
 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 six months ended August 31, 2023 (from March 1, 2023 to August 31, 2023)

#### (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	%
Six months ended August 31, 2023	238,210	7.2	15,628	15.8	14,959	16.9	10,253	20.3
August 31, 2022	222,224	–	13,499	–	12,796	–	8,522	–

Note: Comprehensive income For the six months ended August 31, 2023: ¥10,507 million [18.2%]  
 For the six months ended August 31, 2022: ¥8,891 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2023	342.40	342.29
August 31, 2022	274.82	274.74

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 ended February 28, 2023, and each figure for the six months ended August 31, 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 August 31, 2023	458,457	154,894	33.8
February 28, 2023	419,249	149,555	35.7

Reference: Equity

As of August 31, 2023: ¥154,894 million  
 As of February 28, 2023: ¥149,555 million

## 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, 2023	–	45.00	–	45.00	90.00
Fiscal year ending February 29, 2024	–	47.00			
Fiscal year ending February 29, 2024 (Forecast)			–	48.00	95.00

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

## 3. Consolidated financial forecasts for the fiscal year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

(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	470,450	7.2	22,900	4.0	21,100	1.8	13,550	2.4	452.49

Note: Revisions to the financial forecasts most recently announced: Yes

\* **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

Note: For details, please refer to the attached materials on page 10 “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Notes - Changes in accounting policies.”

(4) Number of issued shares (common shares)

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

As of August 31, 2023	34,682,113 shares
As of February 28, 2023	34,682,113 shares

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

As of August 31, 2023	5,320,518 shares
As of February 28, 2023	4,272,157 shares

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

Six months ended August 31, 2023	29,945,332 shares
Six months ended August 31, 2022	31,008,560 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 six months under review, the company’s quarterly financial statements as of the end of June have been used, with important transactions occurring during the interval between then and the quarterly consolidated fiscal year-end (end of August) 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, October 11 and Thursday, October 12, 2023.

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## 1. Qualitative information on quarterly financial statements

### (1) Operations explanation

During the six months ended August 31, 2023, the impact of the novel coronavirus disease (COVID-19) on the economy decreased, and the Japanese economy continued to gradually recover. On the other hand, the risk of economic downturn caused by increasing costs of commodities, the slowdown of overseas economies, etc. has resulted in uncertainty with regard to the outlook for business conditions.

The outlook for business conditions in the retail industry, which is mainly where the KOHNAN Group (the "Group") develops its business, continues to be uncertain as it has been affected by rising costs, such as raw material expenses, logistics expenses, utilities expenses and personnel expenses.

Under these circumstances, 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.

With regard to the status of store openings and closings in the first six months of the fiscal year under review, the Company opened eight stores and closed three stores, KOHNAN VIETNAM CO., LTD. opened one store, KEN DEPOT Corporation opened three stores, and the number of stores increased by 32 because of HOME IMPROVEMENT HIROSE Co., Ltd. becoming a consolidated subsidiary. As a result, the number of stores as of the end of the quarter under review was brought to 577 (458 stores for the Company, 12 KOHNAN VIETNAM CO., LTD. stores, 72 KEN DEPOT corporate stores and three KEN DEPOT franchise stores, and 32 HOME IMPROVEMENT HIROSE Co., Ltd. stores).

Also, because the first six months of KOHNAN VIETNAM CO., LTD. ran from January 1, 2023 to June 30, 2023, the number of stores as of the end of the quarter under review refers to the number of stores as of June 30, 2023.

As result of these developments, operating revenue for first six months of the fiscal year under review was ¥238,210 million (up 7.2% year on year), while gross profit was ¥86,882 million (up 7.0% year on year). Selling, general and administrative expenses for the first six months of the fiscal year under review were ¥79,350 million (up 4.9% year on year), and operating profit was ¥15,628 million (up 15.8% year on year).

Mainly due to an increase in operating profit, ordinary profit was ¥14,959 million (up 16.9% year on year), while profit attributable to owners of parent came to ¥10,253 million (up 20.3% year on year).

### (2) Financial position explanation

As of August 31, 2023, total assets increased by ¥39,207 million from the previous fiscal year-end to ¥458,457 million. Accounts receivable - trade increased by ¥4,142 million, merchandise and finished goods increased by ¥12,003 million, buildings and structures increased by ¥7,412 million, and guarantee deposits increased by ¥3,188 million.

Total liabilities increased by ¥33,868 million from the previous fiscal year-end to ¥303,563 million. Accounts payable - trade increased by ¥7,495 million, short-term borrowings increased by ¥8,112 million, and long-term borrowings increased by ¥12,844 million.

As of August 31, 2023, net assets stood at ¥154,894 million, and the equity ratio was 33.8%.

#### Status of cash flows

Cash and cash equivalents as of August 31, 2023 increased by ¥2,376 million from the previous fiscal year-end to ¥11,576 million.

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

#### Cash flows from operating activities

Operating activities provided net cash of ¥11,805 million (down ¥1,342 million year on year). This mainly reflected profit before income taxes of ¥14,818 million, depreciation of ¥6,981 million, and an increase in trade payables of ¥4,785 million, partially offset by an increase in trade receivables of ¥3,470 million, an increase in inventories of ¥6,424 million, and income taxes paid of ¥3,137 million.

Cash flows from investing activities

Investing activities used net cash of ¥12,442 million (up ¥3,196 million year on year). This was mainly the result of purchase of property, plant and equipment of ¥7,111 million, payments of guarantee deposits of ¥2,352 million, and purchase of investment in acquisition of new consolidated subsidiary of ¥4,422 million.

Cash flows from financing activities

Financing activities provided net cash of ¥2,958 million (up ¥9,915 million year on year). This mainly reflected proceeds from short-term borrowings of ¥112,600 million and proceeds from long-term borrowings of ¥20,250 million, which were more than offset by repayments of short-term borrowings of ¥109,337 million, repayments of long-term borrowings of ¥14,328 million, and purchase of treasury shares of ¥2,999 million.

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

Consolidated earnings forecasts for the full year ending February 29, 2024 have been revised from the forecasted figures announced on April 11, 2023 based on recent earnings trends. For details, please refer to the “Notice Concerning Revisions to Earnings Forecasts” announced today (October 11, 2023).

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

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,218	11,625
Accounts receivable - trade	13,568	17,711
Merchandise and finished goods	108,898	120,902
Raw materials and supplies	1,494	1,370
Other	8,123	10,603
Allowance for doubtful accounts	(10)	(48)
<b>Total current assets</b>	<b>141,292</b>	<b>162,164</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	113,999	121,411
Land	50,471	52,240
Leased assets, net	17,533	19,573
Construction in progress	867	3,074
Other, net	6,522	7,479
<b>Total property, plant and equipment</b>	<b>189,393</b>	<b>203,780</b>
Intangible assets		
Trademark right	3,078	2,911
Customer-related assets	2,311	2,198
Goodwill	14,086	15,278
Other	7,412	7,551
<b>Total intangible assets</b>	<b>26,888</b>	<b>27,940</b>
Investments and other assets		
Investment securities	4,793	4,228
Guarantee deposits	48,458	51,646
Deferred tax assets	6,525	6,800
Other	2,117	2,106
Allowance for doubtful accounts	(220)	(209)
<b>Total investments and other assets</b>	<b>61,675</b>	<b>64,571</b>
<b>Total non-current assets</b>	<b>277,957</b>	<b>296,292</b>
<b>Total assets</b>	<b>419,249</b>	<b>458,457</b>

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	33,053	40,549
Electronically recorded obligations - operating	9,226	9,718
Short-term borrowings	20,937	29,050
Current portion of long-term borrowings	26,624	27,133
Lease liabilities	2,416	2,637
Income taxes payable	3,574	5,449
Contract liabilities	4,622	4,051
Provision for bonuses	2,334	2,455
Other	12,763	13,698
<b>Total current liabilities</b>	<b>115,553</b>	<b>134,743</b>
<b>Non-current liabilities</b>		
Long-term borrowings	87,626	100,470
Lease liabilities	21,197	22,929
Guarantee deposits received	10,397	10,650
Provision for loss on voluntary recall of goods	595	565
Provision for share awards	617	775
Asset retirement obligations	17,178	17,820
Other	16,527	15,608
<b>Total non-current liabilities</b>	<b>154,140</b>	<b>168,819</b>
<b>Total liabilities</b>	<b>269,694</b>	<b>303,563</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	129,682	138,630
Treasury shares	(16,220)	(20,083)
<b>Total shareholders' equity</b>	<b>149,043</b>	<b>154,128</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	198	173
Deferred gains or losses on hedges	(180)	(82)
Foreign currency translation adjustment	435	620
Remeasurements of defined benefit plans	58	54
<b>Total accumulated other comprehensive income</b>	<b>511</b>	<b>765</b>
<b>Total net assets</b>	<b>149,555</b>	<b>154,894</b>
<b>Total liabilities and net assets</b>	<b>419,249</b>	<b>458,457</b>



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

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	214,324	230,113
Cost of sales	133,091	143,231
Gross profit	81,232	86,882
Operating revenue	7,900	8,097
Selling, general and administrative expenses	75,633	79,350
Operating profit	13,499	15,628
Non-operating income		
Interest income	53	37
Insurance claim income	31	40
Foreign exchange gains	165	46
Gain on investments in silent partnerships	142	143
Subsidy income	–	207
Other	126	182
Total non-operating income	518	657
Non-operating expenses		
Interest expenses	1,067	1,095
Other	153	231
Total non-operating expenses	1,221	1,326
Ordinary profit	12,796	14,959
Extraordinary income		
Gain on cancellation of guaranteed deposits received	67	–
Total extraordinary income	67	–
Extraordinary losses		
Impairment losses	107	65
Loss on disaster	230	–
Loss on retirement of non-current assets	50	48
Loss on step acquisitions	–	26
Total extraordinary losses	387	141
Profit before income taxes	12,476	14,818
Income taxes - current	3,987	4,718
Income taxes - deferred	(32)	(153)
Total income taxes	3,954	4,564
Profit	8,522	10,253
Profit attributable to owners of parent	8,522	10,253

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

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	8,522	10,253
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(25)
Deferred gains or losses on hedges	77	97
Foreign currency translation adjustment	293	185
Remeasurements of defined benefit plans, net of tax	(3)	(4)
Total other comprehensive income	369	254
Comprehensive income	8,891	10,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,891	10,507
Comprehensive income attributable to non-controlling interests	—	—

**(3) Quarterly consolidated statement of cash flows**

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	12,476	14,818
Depreciation	6,483	6,981
Amortization of goodwill	579	624
Increase (decrease) in provision for bonuses for directors (and other officers)	(211)	(196)
Increase (decrease) in provision for loss on voluntary recall of goods	(37)	(30)
Increase (decrease) in provision for share awards	149	158
Gain on cancellation of guaranteed deposits received	(67)	–
Impairment losses	107	65
Loss (gain) on step acquisitions	–	26
Loss on disaster	230	–
Loss on retirement of non-current assets	50	48
Subsidy income	–	(207)
Interest and dividend income	(53)	(37)
Interest expenses	1,067	1,095
Decrease (increase) in trade receivables	(2,299)	(3,470)
Decrease (increase) in inventories	(5,363)	(6,424)
Increase (decrease) in trade payables	6,883	4,785
Increase (decrease) in advances received	(1,806)	–
Increase (decrease) in contract liabilities	3,205	(887)
Increase (decrease) in accrued consumption taxes	(1,008)	722
Other, net	(3,136)	(2,216)
<b>Subtotal</b>	<b>17,248</b>	<b>15,857</b>
Interest and dividends received	62	31
Interest paid	(1,087)	(1,117)
Payments associated with disaster loss	(7)	(11)
Subsidies received	–	182
Income taxes refund (paid)	(3,068)	(3,137)
<b>Net cash provided by (used in) operating activities</b>	<b>13,148</b>	<b>11,805</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	–	330
Purchase of property, plant and equipment	(7,172)	(7,111)
Purchase of intangible assets	(479)	(459)
Proceeds from sale of property, plant and equipment	–	750
Payments of guarantee deposits	(1,951)	(2,352)
Proceeds from refund of guarantee deposits	985	650
Guarantee deposits received	95	224
Refund of guarantee deposits received	(149)	(114)
Purchase of investment in acquisition of new consolidated subsidiary	–	(4,422)
Other, net	(572)	63
<b>Net cash provided by (used in) investing activities</b>	<b>(9,245)</b>	<b>(12,442)</b>

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	15,000	112,600
Repayments of short-term borrowings	(17,625)	(109,337)
Proceeds from long-term borrowings	15,500	20,250
Repayments of long-term borrowings	(12,933)	(14,328)
Repayments of lease liabilities	(1,221)	(1,278)
Repayments of installment payables	(682)	(603)
Dividends paid	(1,136)	(1,498)
Purchase of treasury shares	(4,000)	(2,999)
Other, net	141	155
Net cash provided by (used in) financing activities	(6,956)	2,958
Effect of exchange rate change on cash and cash equivalents	112	54
Net increase (decrease) in cash and cash equivalents	(2,941)	2,376
Cash and cash equivalents at beginning of period	12,224	9,199
Cash and cash equivalents at end of period	9,282	11,576

**(4) 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, 2023, the Company purchased 846,000 treasury shares during the first six months of the fiscal year under review. Furthermore, 237,900 of the Company's shares held by HOME IMPROVEMENT HIROSE Co., Ltd. have been included in treasury shares due to the said company being included within the scope of consolidation from the second quarter of the fiscal year ending February 29, 2024. As a result, treasury shares during the first six months of the fiscal year under review increased by ¥3,863 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 ¥20,083 million at the end of the quarter under review.

Notes - Changes in significant subsidiaries during the period

Not applicable

Although this does not fall under a change in specified subsidiaries, changes in major subsidiaries and associates are as follows.

The Company's wholly owned consolidated subsidiary BEAVERTOZAN Co., Ltd. has been excluded from the scope of consolidation from the first quarter of the fiscal year ending February 29, 2024 as it disappeared due to an absorption-type merger in which the Company was the surviving company on March 1, 2023.

Furthermore, HOME IMPROVEMENT HIROSE Co., Ltd. has been included within the scope of consolidation from the second quarter of the fiscal year ending February 29, 2024 as a result of the Company acquiring all shares issued by the said company on June 1, 2023.

Notes - Changes in accounting policies*Application of implementation guidance on accounting standard for fair value measurement*

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Guidance on Fair Value Measurement") from the beginning of the first quarter of the fiscal year ending February 29, 2024, and it has applied the new accounting policy provided for by the Guidance on Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Guidance on Fair Value Measurement. There is no impact on the quarterly consolidated financial statements as a result of this change.

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 the “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 ¥28 million and 10,500 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 ¥3,994 million and 940,300 shares as of the previous fiscal year-end and ¥3,990 million and 939,400 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 the “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 ¥177 million and 40,100 shares as of the previous fiscal year-end and ¥33 million and 7,500 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: ¥256 million; at the end of the quarter under review: ¥156 million

Business combinations*Business combination through acquisition*

The Company resolved at the Board of Directors meeting held on March 20, 2023 to make HOME IMPROVEMENT HIROSE Co., Ltd. (hereinafter, "HI HIROSE") a subsidiary by acquiring its issued shares, and concluded a share transfer agreement on the same date. On June 1, 2023, the Company made HI HIROSE a subsidiary by acquiring all of its shares.

## 1. Overview of business combination

## (1) Name and business description of the acquiree

Name of the acquiree:	HOME IMPROVEMENT HIROSE Co., Ltd.
Nature of business:	Retail sales, etc. of housing-related supplies and foods

## (2) Primary reasons for the business combination

By bringing HI HIROSE, which is based in the Kyushu region, into the Group, the Company expects to be able to further strengthen its business foundation in the Kyushu region while also expanding the scope of its business operations even more by newly entering the food supermarket business. In addition, the Company decided to make HI HIROSE a subsidiary as it believes that, by providing and integrating the product planning capabilities, sales capabilities and management know-how, such as in the areas of logistics and systems, that have been cultivated by the Group, it will expand the scope of the Group's medium- to long-term business operations as well as contribute to enhancing corporate value.

## (3) Date of the business combination

June 1, 2023

## (4) Legal form of the business combination

Cash acquisition of shares

## (5) Name of entity after the business combination

Unchanged.

## (6) Ratio of voting rights acquired

Ratio of voting rights held immediately before the business combination	10.31%
Ratio of voting rights acquired on the date of business combination	89.69%
Ratio of voting rights after acquisition	100.00%

## (7) Main basis for reaching a decision on business combination

The Company acquired the shares with cash as consideration.

## 2. Period of earnings of the acquiree included in the quarterly consolidated statement of income (cumulative)

From June 1, 2023 to August 31, 2023

## 3. Acquisition cost of acquiree and components thereof by consideration type

Consideration for acquisition	Market value of shares held immediately before the business combination on the date of the business combination	¥1,007 million
	Consideration for additional shares acquired on the date of the business combination (cash)	¥2,735 million
Acquisition cost		¥3,743 million



## 4. Difference between acquisition cost of acquiree and total acquisition cost of individual transactions leading to acquisition

Loss on step acquisitions	¥26 million
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## 5. Details and amounts of main acquisition-related costs

Advisory fees, etc.	¥14 million
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## 6. Amount of goodwill, reason for recognition, amortization method and amortization period

## (1) Amount of goodwill

¥1,816 million

## (2) Reason for recognition

Goodwill was recognized due to the future excess earning power expected based on business expansion going forward.

## (3) Amortization method and amortization period

Amortized by the straight-line method over ten years

## 7. Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Current assets	9,681	Millions of yen
Non-current assets	15,933	
<hr/> Total assets	<hr/> 25,614	
Current liabilities	10,537	
Non-current liabilities	13,274	
<hr/> Total liabilities	<hr/> 23,811	

(Note) The amount of non-current assets includes the market value of the Company's shares held by HI HIROSE.

Subsequent events

Not applicable

### 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)	111,987	105.9
Housekeeping (household supplies)	71,858	104.7
Pet and leisure (pet and leisure supplies)	34,624	112.2
Food	4,825	185.6
Other	6,818	104.8
Total	230,113	107.4

(Notes) 1. 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)
  - (3) Pet and leisure (Automotive supplies, pet supplies, stationery and office supplies, cycling and leisure supplies)
  - (4) Food (Food, alcoholic beverages)
  - (5) Other (100 Yen Shop, books, vending machines, kerosene)
2. As a result of HOME IMPROVEMENT HIROSE Co., Ltd. becoming a consolidated subsidiary in the second quarter of the fiscal year ending February 29, 2024, classifications of product divisions were reviewed with regard to net sales in the first six months of the fiscal year under review, and the method of classifying food and alcoholic beverages, which were included in "Housekeeping," was changed to include them in "Food." With regard to year-on-year changes, the figures for the first six months of the previous fiscal year have been reclassified into the figures for the classifications after the change.