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April 10, 2024

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (Under Japanese GAAP)

Company name: KOHNAN SHOJI CO., LTD.
Listing: Tokyo
Securities code: 7516
URL: <https://www.hc-kohnan.com/>
Representative: NAOTARO HIKIDA, PRESIDENT
Inquiries: TETSUYA TAKEUCHI, GENERAL MANAGER OF ACCOUNTING DEPARTMENT
Telephone: +81-6-6397-1621
Scheduled date of annual general meeting of shareholders: May 30, 2024
Scheduled date to commence dividend payments: May 31, 2024
Scheduled date to file annual securities report: May 31, 2024
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 29, 2024 (from March 1, 2023 to February 29, 2024)

(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 29, 2024 | 472,655 | 7.7 | 24,097 | 9.4 | 22,598 | 9.0 | 14,054 | 6.2 |
| February 28, 2023 | 439,024 | – | 22,019 | – | 20,732 | – | 13,235 | – |

Note: Comprehensive income For the fiscal year ended February 29, 2024: ¥14,368 million [7.7%]
For the fiscal year ended February 28, 2023: ¥13,347 million [–%]

| | 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 29, 2024 | 473.90 | 473.75 | 9.2 | 5.1 | 5.3 |
| February 28, 2023 | 431.11 | 430.98 | 9.1 | 5.1 | 5.2 |

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended February 29, 2024: ¥– million

For the fiscal year ended February 28, 2023: ¥– million

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 fiscal year ended February 28, 2023, and each figure for the fiscal year ended February 28, 2023 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 | Net assets per share |
|-------------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| February 29, 2024 | 458,557 | 157,257 | 34.3 | 5,354.43 |
| February 28, 2023 | 419,249 | 149,555 | 35.7 | 4,917.97 |

Reference: Equity

As of February 29, 2024: ¥157,257 million

As of February 28, 2023: ¥149,555 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 29, 2024 | 22,494 | (24,013) | 2,502 | 10,205 |
| February 28, 2023 | 9,402 | (17,935) | 5,428 | 9,199 |

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, 2023 | – | 45.00 | – | 45.00 | 90.00 | 2,826 | 20.9 | 1.9 |
| Fiscal year ended February 29, 2024 | – | 47.00 | – | 48.00 | 95.00 | 2,902 | 20.0 | 1.8 |
| Fiscal year ending February 28, 2025 (Forecast) | – | 50.00 | – | 50.00 | 100.00 | | 19.8 | |

3. Consolidated financial forecasts for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(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, 2024 | 252,400 | 6.0 | 16,600 | 6.2 | 15,700 | 5.0 | 10,600 | 3.4 | 360.91 |
| Full year | 501,300 | 6.1 | 25,900 | 7.5 | 24,000 | 6.2 | 14,800 | 5.3 | 503.92 |

* **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: 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 13 “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements, Notes - Changes in accounting policies.”

(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 29, 2024 | 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 February 29, 2024 | 5,312,518 shares |
| As of February 28, 2023 | 4,272,157 shares |

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

| | |
|-------------------------------------|-------------------|
| Fiscal year ended February 29, 2024 | 29,657,964 shares |
| Fiscal year ended February 28, 2023 | 30,699,483 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).” The “Employee Share Benefit Trust (employee stock holding association disposal type)” was terminated in November 2023.

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(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 29, 2024 | 408,178 | 4.9 | 22,953 | 10.6 | 21,295 | 9.9 | 14,525 | 18.3 |
| February 28, 2023 | 388,941 | – | 20,762 | – | 19,384 | – | 12,280 | – |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| February 29, 2024 | 486.83 | 486.68 |
| February 28, 2023 | 400.00 | 399.88 |

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 fiscal year ended February 28, 2023, and each figure for the fiscal year ended February 28, 2023 is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| February 29, 2024 | 425,054 | 156,774 | 36.9 | 5,295.09 |
| February 28, 2023 | 399,930 | 147,708 | 36.9 | 4,857.23 |

Reference: Equity

As of February 29, 2024: ¥156,774 million

As of February 28, 2023: ¥147,708 million

2. Non-consolidated financial forecasts for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(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, 2024 | 217,900 | 4.4 | 15,300 | 7.4 | 10,100 | (7.2) | 341.13 |
| Full year | 426,300 | 4.4 | 22,700 | 6.6 | 14,700 | 1.2 | 496.50 |

* 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 3 "1. Overview of operating results and others, (4) Future forecast."

The Company plans to hold financial results briefings for institutional investors on Wednesday, April 10 and Friday, April 12, 2024.

Attached Material

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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 29, 2024, the impact of the novel coronavirus disease (COVID-19) on the economy decreased, and the Japanese economy remained to gradually recover. On the other hand, there were concerns about a downturn in the economy due to rising prices and the slowdown of overseas economies, and the outlook remained uncertain.

The business conditions in the retail industry, which is mainly where the KOHNAN Group (the “Group”) develops its business, continues to face a difficult business environment as it has been affected by various rising costs, including raw material expenses, logistics 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.

In the area of store expansion, the Group opened 30 stores and closed three stores. As a result of HOME IMPROVEMENT HIROSE Co., Ltd. becoming a consolidated subsidiary through the acquisition of its shares on June 1, 2023, the number of stores increased by 32. As a result, the number of stores of the Group as of the end of the fiscal year under review was brought to 595.

Since the fiscal year of KOHNAN VIETNAM CO., LTD. is from January 1, 2023 to December 31, 2023, the number of its stores as of December 31, 2023 is presented as the number of stores as of the end of the fiscal year under review.

Changes in the number of stores (unit: stores)

| | Number of stores as of the end of the previous fiscal year | Stores opened | Stores closed | Changes due to merger or subsidiarization | Number of stores as of the end of the fiscal year under review |
|---|--|---------------|---------------|---|--|
| KOHNAN SHOJI CO., LTD. | 442 | 20 | (3) | 11 | 470 |
| BEAVERTOZAN Co., Ltd. | 11 | – | – | (11) | – |
| KEN DEPOT Corporation [Number of franchise stores] | 72 [3] | 8 [–] | – [–] | – [–] | 80 [3] |
| HOME IMPROVEMENT HIROSE Co., Ltd. | – | – | – | 32 | 32 |
| Total in Japan [Number of franchise stores] | 525 [3] | 28 [–] | (3) [–] | 32 [–] | 582 [3] |
| KOHNAN VIETNAM CO., LTD. | 11 | 2 | – | – | 13 |
| Total [Number of franchise stores] | 536 [3] | 30 [–] | (3) [–] | 32 [–] | 595 [3] |

As a result, for the fiscal year under review, operating revenue was ¥472,655 million (up 7.7% year on year), gross profit was ¥170,806 million (up 6.9% year on year), selling, general and administrative expenses were ¥163,018 million (up 6.1% year on year), operating profit was ¥24,097 million (up 9.4% year on year), ordinary profit was ¥22,598 million (up 9.0% year on year), and profit attributable to owners of parent was ¥14,054 million (up 6.2% year on year).

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

As of February 29, 2024, total assets stood at ¥458,557 million, up ¥39,307 million from the previous fiscal year-end. The main factors were an increase in cash and deposits of ¥2,505 million, an increase in accounts receivable - trade of ¥2,230 million, an increase in merchandise and finished goods of ¥12,859 million, an increase in buildings and structures of ¥9,488 million, and an increase in guarantee deposits of ¥3,332 million.

Total liabilities were ¥301,300 million, up ¥31,605 million from the previous fiscal year-end. The main factors were an increase in short-term borrowings of ¥3,062 million, an increase in accrued consumption taxes of ¥2,338 million, and an increase in long-term borrowings of ¥20,511 million.

Total net assets stood at ¥157,257 million, an increase of ¥7,702 from the previous fiscal year-end. As a result, the equity ratio was 34.3%, down 1.4 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 29, 2024 had increased ¥1,005 million from the previous fiscal year end to ¥10,205 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 ¥22,494 million (up ¥13,092 million year on year). This mainly reflected profit before income taxes of ¥21,051 million and depreciation of ¥14,553 million, partially offset by an increase in inventories of ¥7,208 million and income taxes paid of ¥6,714 million.

Cash flows from investing activities

Investing activities used net cash of ¥24,013 million (up ¥6,078 million year on year). This was mainly the result of purchase of property, plant and equipment of ¥17,998 million, payments of guarantee deposits of ¥3,658 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 ¥2,502 million (down ¥2,925 million year on year). This mainly reflected proceeds from short-term borrowings of ¥214,600 million and proceeds from long-term borrowings of ¥42,500 million, which were more than offset by repayments of short-term borrowings of ¥217,887 million, repayments of long-term borrowings of ¥28,370 million, repayments of lease liabilities of ¥2,605 million, dividends paid of ¥2,924 million, and purchase of treasury shares of ¥2,999 million.

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|---|--|--|
| Equity ratio (%) | 35.7 | 34.3 |
| Equity ratio based on market value (%) | 23.0 | 26.9 |
| Ratio of cash flow to interest-bearing debt (years) | 18.3 | 8.8 |
| Interest coverage ratio (times) | 10.5 | 11.1 |

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, there are also concerns about a slowdown of overseas economies due to the impact of geopolitical risks from the worsening situation in the Middle East and the prolonged invasion of Ukraine, as well as concerns, among others, about economic recession that might be caused by monetary tightening in various countries and other factors. In Japan, although the economy is expected to continue its recovery trend, the business environment is expected to remain uncertain, affected by stagnant consumer confidence due to rising prices and by rising costs for raw materials, logistics, and labor.

Turning to the outlook for full-year consolidated financial results, the Company is forecasting operating revenue of ¥501,300 million (up 6.1% year on year), operating profit of ¥25,900 million (up 7.5% year on

year), ordinary profit of ¥24,000 million (up 6.2% year on year), and profit attributable to owners of parent of ¥14,800 million (up 5.3% year on year).

2. Basic policy regarding selection of accounting standards

The 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, 2023 | As of February 29, 2024 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,218 | 11,723 |
| Accounts receivable - trade | 13,568 | 15,798 |
| Merchandise and finished goods | 108,898 | 121,758 |
| Raw materials and supplies | 1,494 | 1,387 |
| Advance payments to suppliers | 25 | 47 |
| Prepaid expenses | 4,751 | 5,058 |
| Other | 3,346 | 3,727 |
| Allowance for doubtful accounts | (10) | (47) |
| Total current assets | 141,292 | 159,455 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 113,999 | 123,488 |
| Machinery, equipment and vehicles, net | 875 | 1,269 |
| Tools, furniture and fixtures, net | 5,646 | 6,254 |
| Land | 50,471 | 52,135 |
| Leased assets, net | 17,533 | 18,428 |
| Construction in progress | 867 | 5,210 |
| Total property, plant and equipment | 189,393 | 206,786 |
| Intangible assets | | |
| Trademark right | 3,078 | 2,745 |
| Customer-related assets | 2,311 | 2,085 |
| Goodwill | 14,086 | 14,608 |
| Leasehold interests in land | 4,653 | 4,687 |
| Software | 2,110 | 2,142 |
| Other | 648 | 590 |
| Total intangible assets | 26,888 | 26,860 |
| Investments and other assets | | |
| Investment securities | 4,793 | 4,550 |
| Long-term loans receivable | 84 | 32 |
| Long-term prepaid expenses | 1,680 | 1,686 |
| Guarantee deposits | 48,458 | 51,790 |
| Retirement benefit asset | 102 | 125 |
| Deferred tax assets | 6,525 | 7,231 |
| Other | 250 | 251 |
| Allowance for doubtful accounts | (220) | (212) |
| Total investments and other assets | 61,675 | 65,455 |
| Total non-current assets | 277,957 | 299,101 |
| Total assets | 419,249 | 458,557 |

(Millions of yen)

| | As of February 28, 2023 | As of February 29, 2024 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 33,053 | 34,530 |
| Electronically recorded obligations - operating | 9,226 | 10,293 |
| Short-term borrowings | 20,937 | 24,000 |
| Current portion of long-term borrowings | 26,624 | 27,673 |
| Lease liabilities | 2,416 | 2,477 |
| Accounts payable - other | 7,155 | 6,710 |
| Accrued expenses | 2,609 | 2,939 |
| Income taxes payable | 3,574 | 4,743 |
| Accrued consumption taxes | 613 | 2,952 |
| Unearned revenue | 1,370 | 1,340 |
| Contract liabilities | 4,622 | 4,060 |
| Provision for bonuses | 2,334 | 2,421 |
| Provision for loss on disaster | 72 | - |
| Provision for bonuses for directors (and other officers) | 170 | 200 |
| Other | 773 | 689 |
| Total current liabilities | 115,553 | 125,032 |
| Non-current liabilities | | |
| Long-term borrowings | 87,626 | 108,138 |
| Lease liabilities | 21,197 | 21,816 |
| Guarantee deposits received | 10,397 | 10,578 |
| Long-term accounts payable - other | 14,146 | 14,026 |
| Provision for loss on voluntary recall of goods | 595 | 527 |
| Provision for share awards | 617 | 938 |
| Retirement benefit liability | - | 353 |
| Asset retirement obligations | 17,178 | 18,245 |
| Deferred tax liabilities | 1,911 | 1,282 |
| Other | 469 | 361 |
| Total non-current liabilities | 154,140 | 176,267 |
| Total liabilities | 269,694 | 301,300 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 17,658 | 17,658 |
| Capital surplus | 17,922 | 17,922 |
| Retained earnings | 129,682 | 140,899 |
| Treasury shares | (16,220) | (20,048) |
| Total shareholders' equity | 149,043 | 156,432 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 198 | 315 |
| Deferred gains or losses on hedges | (180) | (79) |
| Foreign currency translation adjustment | 435 | 501 |
| Remeasurements of defined benefit plans | 58 | 87 |
| Total accumulated other comprehensive income | 511 | 825 |
| Total net assets | 149,555 | 157,257 |
| Total liabilities and net assets | 419,249 | 458,557 |

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

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--|--|--|
| Net sales | 423,136 | 456,345 |
| Cost of sales | 263,300 | 285,539 |
| Gross profit | 159,835 | 170,806 |
| Operating revenue | 15,888 | 16,309 |
| Operating gross profit | 175,724 | 187,115 |
| Selling, general and administrative expenses | 153,704 | 163,018 |
| Operating profit | 22,019 | 24,097 |
| Non-operating income | | |
| Interest and dividend income | 83 | 72 |
| Insurance claim income | 65 | 140 |
| Foreign exchange gains | 350 | 127 |
| Gain on investments in silent partnerships | 284 | 326 |
| Subsidy income | 267 | 270 |
| Other | 203 | 452 |
| Total non-operating income | 1,255 | 1,389 |
| Non-operating expenses | | |
| Interest expenses | 2,113 | 2,173 |
| Commission expenses | 207 | 415 |
| Other | 222 | 300 |
| Total non-operating expenses | 2,542 | 2,888 |
| Ordinary profit | 20,732 | 22,598 |
| Extraordinary income | | |
| Gain on cancellation of guaranteed deposits received | 72 | 31 |
| Gain on sale of non-current assets | 1 | – |
| Total extraordinary income | 73 | 31 |
| Extraordinary losses | | |
| Impairment losses | 899 | 1,488 |
| Loss on retirement of non-current assets | 93 | 63 |
| Loss on disaster | 271 | – |
| Loss on step acquisitions | – | 26 |
| Total extraordinary losses | 1,263 | 1,578 |
| Profit before income taxes | 19,541 | 21,051 |
| Income taxes - current | 6,857 | 7,472 |
| Income taxes - deferred | (550) | (476) |
| Total income taxes | 6,306 | 6,996 |
| Profit | 13,235 | 14,054 |
| Profit attributable to owners of parent | 13,235 | 14,054 |

Consolidated statement of comprehensive income

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--|--|--|
| Profit | 13,235 | 14,054 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 56 | 117 |
| Deferred gains or losses on hedges | (141) | 101 |
| Foreign currency translation adjustment | 199 | 65 |
| Remeasurements of defined benefit plans, net of tax | (2) | 29 |
| Total other comprehensive income | 112 | 313 |
| Comprehensive income | 13,347 | 14,368 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 13,347 | 14,368 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Consolidated statement of changes in equity

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 17,658 | 17,923 | 118,946 | (12,483) | 142,045 |
| Cumulative effects of changes in accounting policies | | | 50 | | 50 |
| Restated balance | 17,658 | 17,923 | 118,997 | (12,483) | 142,096 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,549) | | (2,549) |
| Profit attributable to owners of parent | | | 13,235 | | 13,235 |
| Purchase of treasury shares | | | | (4,000) | (4,000) |
| Disposal of treasury shares | | (0) | | 263 | 262 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (0) | 10,685 | (3,736) | 6,947 |
| Balance at end of period | 17,658 | 17,922 | 129,682 | (16,220) | 149,043 |

| | 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 | 142 | (39) | 235 | 60 | 399 | 142,444 |
| Cumulative effects of changes in accounting policies | | | | | | 50 |
| Restated balance | 142 | (39) | 235 | 60 | 399 | 142,495 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,549) |
| Profit attributable to owners of parent | | | | | | 13,235 |
| Purchase of treasury shares | | | | | | (4,000) |
| Disposal of treasury shares | | | | | | 262 |
| Net changes in items other than shareholders' equity | 56 | (141) | 199 | (2) | 112 | 112 |
| Total changes during period | 56 | (141) | 199 | (2) | 112 | 7,059 |
| Balance at end of period | 198 | (180) | 435 | 58 | 511 | 149,555 |

Fiscal year ended February 29, 2024 (From March 1, 2023 to February 29, 2024)

(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 | 129,682 | (16,220) | 149,043 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,838) | | (2,838) |
| Changes in parent company shares held by consolidated subsidiaries | | | | (1,018) | (1,018) |
| Profit attributable to owners of parent | | | 14,054 | | 14,054 |
| Purchase of treasury shares | | | | (2,999) | (2,999) |
| Disposal of treasury shares | | (0) | | 191 | 190 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (0) | 11,216 | (3,827) | 7,388 |
| Balance at end of period | 17,658 | 17,922 | 140,899 | (20,048) | 156,432 |

| | 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 | 198 | (180) | 435 | 58 | 511 | 149,555 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,838) |
| Changes in parent company shares held by consolidated subsidiaries | | | | | | (1,018) |
| Profit attributable to owners of parent | | | | | | 14,054 |
| Purchase of treasury shares | | | | | | (2,999) |
| Disposal of treasury shares | | | | | | 190 |
| Net changes in items other than shareholders' equity | 117 | 101 | 65 | 29 | 313 | 313 |
| Total changes during period | 117 | 101 | 65 | 29 | 313 | 7,702 |
| Balance at end of period | 315 | (79) | 501 | 87 | 825 | 157,257 |

(4) Consolidated statement of cash flows

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 19,541 | 21,051 |
| Depreciation | 13,378 | 14,553 |
| Amortization of goodwill | 1,158 | 1,294 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (41) | 3 |
| Increase (decrease) in provision for loss on voluntary recall of goods | (71) | (68) |
| Increase (decrease) in provision for share awards | 309 | 320 |
| Gain on cancellation of guaranteed deposits received | (72) | (31) |
| Gain on sale of non-current assets | (1) | - |
| Impairment losses | 899 | 1,488 |
| Loss (gain) on step acquisitions | - | 26 |
| Loss on disaster | 271 | - |
| Loss on retirement of non-current assets | 93 | 63 |
| Subsidy income | (267) | (270) |
| Interest and dividend income | (83) | (72) |
| Interest expenses | 2,113 | 2,173 |
| Decrease (increase) in trade receivables | (2,931) | (1,558) |
| Decrease (increase) in inventories | (16,225) | (7,208) |
| Increase (decrease) in trade payables | 2,848 | (630) |
| Increase (decrease) in advances received | (2,272) | - |
| Increase (decrease) in contract liabilities | 4,622 | (878) |
| Increase (decrease) in accrued consumption taxes | (2,380) | 1,193 |
| Other, net | (2,613) | (311) |
| Subtotal | 18,275 | 31,138 |
| Interest and dividends received | 73 | 32 |
| Interest paid | (2,113) | (2,154) |
| Payments associated with disaster loss | (28) | (77) |
| Subsidies received | 173 | 269 |
| Income taxes refund (paid) | (6,978) | (6,714) |
| Net cash provided by (used in) operating activities | 9,402 | 22,494 |
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | - | 360 |
| Purchase of property, plant and equipment | (14,525) | (17,998) |
| Purchase of intangible assets | (1,093) | (755) |
| Proceeds from sale of property, plant and equipment | - | 754 |
| Payments of guarantee deposits | (3,428) | (3,658) |
| Proceeds from refund of guarantee deposits | 1,769 | 1,772 |
| Guarantee deposits received | 380 | 428 |
| Refund of guarantee deposits received | (455) | (360) |
| Purchase of investment in acquisition of new consolidated subsidiary | - | (4,422) |
| Other, net | (582) | (133) |
| Net cash provided by (used in) investing activities | (17,935) | (24,013) |

(Millions of yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|--|--|--|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 87,000 | 214,600 |
| Repayments of short-term borrowings | (75,250) | (217,887) |
| Proceeds from long-term borrowings | 28,500 | 42,500 |
| Repayments of long-term borrowings | (25,978) | (28,370) |
| Repayments of lease liabilities | (2,451) | (2,605) |
| Collection of accounts receivable installment and others on sales of assets | 1,206 | 1,204 |
| Repayments of installment payables | (1,311) | (1,204) |
| Dividends paid | (2,549) | (2,924) |
| Purchase of treasury shares | (4,000) | (2,999) |
| Other, net | 262 | 190 |
| Net cash provided by (used in) financing activities | 5,428 | 2,502 |
| Effect of exchange rate change on cash and cash equivalents | 80 | 22 |
| Net increase (decrease) in cash and cash equivalents | (3,024) | 1,005 |
| Cash and cash equivalents at beginning of period | 12,224 | 9,199 |
| Cash and cash equivalents at end of period | 9,199 | 10,205 |

(5) Notes to consolidated financial statementsUncertainties of entity's ability to continue as going concern

Not applicable

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 fiscal year ended 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 consolidated financial statements as a result of this change.

Notes - Changes in significant subsidiaries during the fiscal year under review

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 ended February 29, 2024 as a result of the Company acquiring all shares issued by the said company on June 1, 2023.

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 fiscal year 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 ¥3,988 million and 938,900 shares as of the end of the fiscal year under review.

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

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. However, the trust was terminated in November 2023.

(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.

All of the shares of the Company acquired were sold to the Shareholders Association, and the trust was terminated in November 2023.

(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. There are no shares of the Company remaining in the trust as of the end of the fiscal year under review.

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

The value was ¥256 million as of the previous fiscal year-end. There were no applicable items as of the end of the fiscal year under review.

Segment information

[Segment information]

Segment information is omitted since the 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, 2023 (From March 1, 2022 to February 28, 2023)

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 29, 2024 (From March 1, 2023 to February 29, 2024)

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 Group has only a single segment.

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

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

[Information about gain on bargain purchase by reportable segment]

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

Per share information

(Yen)

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|----------------------------|-------------------------------------|-------------------------------------|
| Net assets per share | 4,917.97 | 5,354.43 |
| Basic earnings per share | 431.11 | 473.90 |
| Diluted earnings per share | 430.98 | 473.75 |

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

| | Fiscal year ended February 28, 2023 | Fiscal year ended February 29, 2024 |
|---|-------------------------------------|-------------------------------------|
| Basic earnings per share | | |
| Profit attributable to owners of parent (millions of yen) | 13,235 | 14,054 |
| Profit (loss) not attributable to common shareholders (millions of yen) | — | — |
| Profit attributable to owners of parent pertaining to common shares (millions of yen) | 13,235 | 14,054 |
| Average number of outstanding common shares during period (shares) | 30,699,483 | 29,657,964 |
| | | |
| 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) The Company has introduced 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).” 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 “Employee Share Benefit Trust (employee stock holding association disposal type)” was terminated in November 2023.

The number of treasury shares at the end of the period that is deducted when calculating net assets per share was 990 thousand for the previous fiscal year and 949 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 1,019 thousand for the previous fiscal year and 963 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 10, 2024 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 enhance shareholder returns and increase 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 | 800,000 shares (upper limit) |
| (3) Total amount of the acquisition price of the shares | ¥3,000 million (upper limit) |
| (4) Period of acquisition | From April 11, 2024 to September 30, 2024 |
| (5) Acquisition method | Market purchase on the Tokyo Stock Exchange |

4. Other

(1) Net sales by product division

| | Fiscal year ended February 28, 2023 | | Fiscal year ended February 29, 2024 | |
|--|-------------------------------------|-------------------------|-------------------------------------|-------------------------|
| | Amount (millions of yen) | Year-on-year change (%) | Amount (millions of yen) | Year-on-year change (%) |
| Home improvement (DIY supplies) | 207,336 | – | 218,848 | 105.6 |
| Housekeeping (household supplies) | 137,009 | – | 144,630 | 105.6 |
| Pet and leisure (pet and leisure supplies) | 60,549 | – | 67,554 | 111.6 |
| Food | 4,806 | – | 11,351 | 236.2 |
| Other | 13,434 | – | 13,961 | 103.9 |
| Total | 423,136 | – | 456,345 | 107.8 |

- (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 beginning of the fiscal year ended February 28, 2023. Each figure for the fiscal year ended February 28, 2023 is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.
2. 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)
- (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)
3. As a result of HOME IMPROVEMENT HIROSE Co., Ltd. becoming a consolidated subsidiary in the fiscal year ended February 29, 2024, classifications of product divisions were reviewed in 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.” Net sales for the previous fiscal year have been restated to conform with the classification after the change. With regard to year-on-year changes, the net sales for the fiscal year under review have been compared against figures for net sales of the previous fiscal year that were restated to conform with the classification after the change.