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July 10, 2025

Consolidated Financial Results for the Three Months Ended May 31, 2025 (Under Japanese GAAP)

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 Listing: Tokyo
 Securities code: 7516
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 Scheduled date to commence dividend payments: —
 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 three months ended May 31, 2025 (from March 1, 2025 to May 31, 2025)

(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	%
Three months ended May 31, 2025	130,789	4.2	7,109	(9.2)	6,451	(11.5)	4,373	(8.2)
May 31, 2024	125,505	9.1	7,827	(4.5)	7,290	(5.4)	4,764	(13.7)

Note: Comprehensive income For the three months ended May 31, 2025: ¥4,415 million [(10.5)%]
 For the three months ended May 31, 2024: ¥4,933 million [(12.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2025	152.67	152.62
May 31, 2024	162.71	162.66

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2025	498,111	168,303	33.8
February 28, 2025	479,006	165,792	34.6

Reference: Equity
 As of May 31, 2025: ¥168,303 million
 As of February 28, 2025: ¥165,792 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, 2025	—	50.00	—	50.00	100.00
Fiscal year ending February 28, 2026	—				
Fiscal year ending February 28, 2026 (Forecast)		65.00	—	65.00	130.00

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

3. Consolidated financial forecasts for the fiscal year ending February 28, 2026 (from March 1, 2025 to February 28, 2026)

(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, 2025	267,200	4.1	16,400	3.1	15,600	1.4	9,500	3.0	331.30
Full year	523,600	4.4	25,600	2.4	24,000	3.0	14,500	2.0	505.67

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

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: 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 8 “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements, Notes on 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 May 31, 2025	34,682,113 shares
As of February 28, 2025	34,682,113 shares

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

As of May 31, 2025	6,120,764 shares
As of February 28, 2025	6,007,704 shares

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

Three months ended May 31, 2025	28,642,942 shares
Three months ended May 31, 2024	29,279,153 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)” and the employee incentive plan “Employee Share Benefit Trust (J-ESOP).”

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: No

* Proper use of earnings forecasts, and other special matters

1. Consolidated subsidiary KOHNAN VIETNAM CO., LTD. has the balance sheet date at the end of December, so there is a two-month difference from the consolidated balance sheet date (end of February). For the first quarter of the fiscal year ending February 28, 2026, the company’s financial statements as of the end of March have been used, with important transactions occurring during the interval between then and the quarterly consolidated balance sheet date (end of May) 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 Thursday, July 10 and Friday, July 11, 2025.

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1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the three months ended May 31, 2025, the Japanese economy continued to be on a gradual recovery trend due to improvements in the employment and income environment, and other factors. On the other hand, the impact of the new foreign policy and trade policy in the U.S. is filled with uncertainty, and there are concerns about a downturn in overseas economies due to rising geopolitical risks, an increase in tariffs, and other factors.

The 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 deteriorating consumer confidence against a backdrop of rising prices, increasing logistics costs, supply constraints caused by labor shortages, and other factors.

Under these circumstances, the Group announced in April 2025 its Medium-Term Management Plan Part IV covering the period from the fiscal year ending February 28, 2026 to the fiscal year ending February 29, 2028 and is working on various measures to achieve the plan. The final year targets of this plan are net sales of ¥560.0 billion, operating profit of ¥29.0 billion, and profit attributable to owners of parent of ¥16.5 billion. The Group will continue to pursue sales expansion and high profitability while further strengthening its financial position.

In the area of store expansion, the Group opened 15 stores and closed one store during the three months ended May 31, 2025. As a result, the number of stores of the Group as of the end of the quarter under review was brought to 650.

Since the first three months of KOHNAN VIETNAM CO., LTD. is from January 1, 2025 to March 31, 2025, the number of its stores as of the end of the quarter under review is presented as the number of stores as of March 31, 2025.

Changes in the number of stores (unit: stores)

	Number of stores as of the end of the previous fiscal year	Stores opened	Stores closed	Number of stores as of the end of the quarter under review
KOHNAN SHOJI CO., LTD.	502	11	(1)	512
KEN DEPOT Corporation [Number of franchise stores]	88 [3]	1 [-]	— [-]	89 [3]
HOME IMPROVEMENT HIROSE Co., Ltd.	33	1	—	34
Total in Japan [Number of franchise stores]	623 [3]	13 [-]	(1) [-]	635 [3]
KOHNAN VIETNAM CO., LTD.	13	2	—	15
Total [Number of franchise stores]	636 [3]	15 [-]	(1) [-]	650 [3]

As a result, for the first three months of the fiscal year under review, operating revenue was ¥130,789 million (up 4.2% year on year), gross profit was ¥46,763 million (up 3.4% year on year), selling, general and administrative expenses were ¥44,024 million (up 5.9% year on year), operating profit was ¥7,109 million (down 9.2% year on year), ordinary profit was ¥6,451 million (down 11.5% year on year), and profit attributable to owners of parent was ¥4,373 million (down 8.2% year on year).

(2) Overview of financial position for the period under review

As of May 31, 2025, total assets stood at ¥498,111 million, up ¥19,104 million from the previous fiscal year-end. This mainly reflected increases of ¥3,091 million in accounts receivable - trade and ¥10,685 million in merchandise and finished goods.

As of May 31, 2025, total liabilities were ¥329,808 million, up ¥16,594 million from the previous fiscal year-end. This mainly reflected increases of ¥10,242 million in accounts payable - trade, ¥1,186 million in current portion of long-term borrowings, and ¥9,922 million in long-term borrowings, while there was a decrease of ¥7,200 million in short-term borrowings.

As of May 31, 2025, total net assets stood at ¥168,303 million, and the equity ratio was 33.8%.

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

Consolidated earnings forecasts for the fiscal year ending February 28, 2026, are unchanged from the consolidated earnings forecasts for the first half and full year ending February 28, 2026 that were announced on April 11, 2025, at the time of the announcement of consolidated financial results for the fiscal year ended February 28, 2025.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2025	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	10,842	12,294
Accounts receivable - trade	17,893	20,985
Merchandise and finished goods	131,973	142,659
Raw materials and supplies	1,186	1,268
Other	8,649	11,233
Allowance for doubtful accounts	(49)	(46)
Total current assets	170,496	188,393
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	133,171	134,366
Land	51,741	51,741
Leased assets, net	20,546	20,045
Construction in progress	2,548	2,923
Other, net	8,093	8,222
Total property, plant and equipment	216,101	217,300
Intangible assets		
Trademark right	2,412	2,329
Customer-related intangible assets	1,860	1,803
Goodwill	13,288	13,010
Other	7,587	7,551
Total intangible assets	25,148	24,695
Investments and other assets		
Investment securities	4,515	5,013
Guarantee deposits	53,510	53,512
Deferred tax assets	7,532	7,499
Other	1,883	1,854
Allowance for doubtful accounts	(182)	(159)
Total investments and other assets	67,260	67,721
Total non-current assets	308,510	309,717
Total assets	479,006	498,111

(Millions of yen)

	As of February 28, 2025	As of May 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	36,820	47,063
Electronically recorded obligations - operating	10,451	12,035
Short-term borrowings	17,100	9,900
Current portion of long-term borrowings	31,178	32,364
Lease liabilities	2,769	2,767
Income taxes payable	4,748	2,536
Contract liabilities	4,124	3,988
Provision for bonuses	2,593	3,977
Provision for bonuses for directors (and other officers)	180	—
Other	13,513	15,980
Total current liabilities	123,480	130,613
Non-current liabilities		
Long-term borrowings	118,774	128,696
Lease liabilities	23,366	22,800
Guarantee deposits received	10,851	10,754
Provision for loss on voluntary recall of goods	455	440
Provision for share awards	1,270	1,362
Retirement benefit liability	361	365
Asset retirement obligations	19,108	19,258
Other	15,544	15,516
Total non-current liabilities	189,734	199,194
Total liabilities	313,214	329,808
Net assets		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	152,173	155,065
Treasury shares	(23,033)	(23,457)
Total shareholders' equity	164,722	167,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	431	540
Deferred gains or losses on hedges	(130)	(79)
Foreign currency translation adjustment	619	507
Remeasurements of defined benefit plans	149	144
Total accumulated other comprehensive income	1,070	1,113
Total net assets	165,792	168,303
Total liabilities and net assets	479,006	498,111

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

(Millions of yen)

	Three months ended May 31, 2024	Three months ended May 31, 2025
Net sales	121,345	126,419
Cost of sales	76,120	79,655
Gross profit	45,224	46,763
Operating revenue	4,160	4,369
Selling, general and administrative expenses	41,557	44,024
Operating profit	7,827	7,109
Non-operating income		
Interest income	17	9
Insurance claim income	22	32
Foreign exchange gains	28	154
Subsidy income	4	—
Income from fees for business	54	—
Other	135	124
Total non-operating income	262	321
Non-operating expenses		
Interest expenses	559	697
Other	239	281
Total non-operating expenses	799	978
Ordinary profit	7,290	6,451
Extraordinary income		
Gain on cancellation of guaranteed deposits received	3	—
Total extraordinary income	3	—
Extraordinary losses		
Loss on retirement of non-current assets	1	12
Total extraordinary losses	1	12
Profit before income taxes	7,292	6,439
Income taxes - current	2,494	2,172
Income taxes - deferred	32	(106)
Total income taxes	2,527	2,066
Profit	4,764	4,373
Profit attributable to owners of parent	4,764	4,373

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2024	Three months ended May 31, 2025
Profit	4,764	4,373
Other comprehensive income		
Valuation difference on available-for-sale securities	47	109
Deferred gains or losses on hedges	33	50
Foreign currency translation adjustment	90	(111)
Remeasurements of defined benefit plans, net of tax	(2)	(5)
Total other comprehensive income	168	42
Comprehensive income	4,933	4,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,933	4,415
Comprehensive income attributable to non-controlling interests	—	—

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

Not applicable

Notes on changes in accounting policies*Application of the "Accounting Standard for Current Income Taxes," etc.*

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the first quarter under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

In addition, for changes related to the revised treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the first quarter under review. This change in accounting policies has been applied retrospectively, and is reflected in the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

Application of the "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules," etc.

The Company has applied the "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (ASBJ Practical Solution No. 46, March 22, 2024), etc. from the beginning of the first quarter under review.

For the quarter under review, as the Company has applied the treatment in paragraph 7 of the Practical Solution No. 46, the Company does not record current taxes related to the global minimum tax rules.

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, 2025, the Company purchased 114,000 treasury shares during the first three months of the fiscal year under review. As a result, treasury shares during the first three months of the fiscal year under review increased by ¥424 million, including an increase in treasury shares due to requests for the Company to purchase shares less than one share unit and a decrease in treasury shares due to the provision of treasury shares to employees, etc. through the executive officer incentive plan "Employee Share Benefit Trust (J-ESOP)" and the employee incentive plan "Employee Share Benefit Trust (J-ESOP)," and reached ¥23,457 million at the end of the quarter under review.

Notes to quarterly consolidated statements of cash flows

Quarterly consolidated statements of cash flows have not been prepared for the three months ended May 31, 2025. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended May 31, 2025 are as follows.

(Millions of yen)

	Three months ended May 31, 2024	Three months ended May 31, 2025
Depreciation	3,716	3,963
Amortization of goodwill	335	277

Notes on segment information, etc.

[Segment information]

I. Three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

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.

II. Three months ended May 31, 2025 (from March 1, 2025 to May 31, 2025)

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.

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 ¥26 million and 9,700 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 ¥3,978 million and 936,400 shares as of the previous fiscal year-end and ¥3,977 million and 936,200 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. Supplementary information

Net sales by product division

Product division	Amount (millions of yen)	Year-on-year change (%)
Home improvement (DIY supplies)	63,274	104.6
Housekeeping (household supplies)	37,561	103.1
Pet and leisure (pet and leisure supplies)	17,672	101.2
Food	3,920	119.3
Other	3,990	109.0
Total	126,419	104.2

(Note) 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) |