FYE Feb. 2026 - FYE Feb. 2028
Medium-Term Management Plan Part IV

April 11, 2025

KOHNAN SHOJI CO., LTD.
(Securities Code: 7516)
https://www.hc-kohnan.com/ (in Japanese)

Contents

Abbreviation and Definition

HC: Stands for “Home Center,” which is our store format which offers daily necessities including DIY goods with a wide range of products and reasonable prices.

PRO: Refers to our product division or store format for professional customers. It is stocked with a wide range of specialist items including building materials, paints, and other work supplies.

PB: Stands for “Private Brand,” which is originally designed and sold by us.

1. Summary of Medium-Term Management Plan Part III

Sales were nearly achieved a year ahead of schedule, while profits deviated from targets

Factors for sales growth

- **Steady expansion of store openings**
- **Growth of the PRO division**
- **Product lineup tailored to customer needs**

Factors for profit shortfall

- **We did not achieve our targets to improve operational efficiency and promote DX.**
- **Gross profit margin declined as a result of factors such as rising raw material costs due to exchange rate fluctuations**
- **Number of customers decreased due to factors such as consumer restraint caused by rising prices and the impact of competitors such as drug stores**
- **Growth in the ratio of PB sales slowed due to actions to boost sales of NB products**

Consolidated financial results trend	FYE Feb. 2023 Actual	FYE Feb. 2024 Actual	FYE Feb. 2025 Actual/Medium-Term Management Plan Part III Target			
			FYE Feb. 2025 Actual	FYE Feb. 2025 financial results Actual *3	FYE Feb. 2026 Medium-Term Management Plan III Target *3	Evaluation
Net sales	¥423.1 billion	¥472.7 billion	¥484.2 billion	¥501.1 billion	¥500.0 billion	○
Ordinary profit	¥20.7 billion	¥22.5 billion	¥23.3 billion	¥23.2 billion	¥31.0 billion	×
Profit	¥13.2 billion	¥14.0 billion	¥14.2 billion	¥14.2 billion	¥19.5 billion	×
ROE	9.1%	9.2%	8.8%	–	10.0%	△
EPS	¥443	¥474	¥493	–	¥575	△
ROIC *1	5.0%	5.1%	4.9%	–	6.5%	△
Total return ratio	51.2%	41.3%	41.4%	–	30% or more	○
DOE	1.90%	1.85%	1.80%	–	2.00%	△
PB net sales composition ratio*2	37.9%	37.6%	37.2%	–	40%	△

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and relevant ASBJ regulations from the fiscal year ended February 28, 2023.
*1: ROIC = Net operating profit after tax/Invested capital (Net assets + short-term borrowings + long-term borrowings + current portion of long-term borrowings + lease liabilities + current portion of lease liabilities + current portion of long-term accounts payable - other + long-term accounts payable - other)
*2: Division sales composition ratios for KOHNAN non-consolidated are calculated excluding remodeling, 100 Yen Shops, food and alcoholic beverages, etc.
*3: Before application of the "Accounting Standard for Revenue Recognition"

1. Summary of Medium-Term Management Plan Part III

Steadily promote format strategy, aiming to improve operational efficiency and build a foundation for DX

Main initiatives promoted
- ・Expand PB sales ・Improve store operational efficiency/promote DX
- ・Develop hybrid HC/PRO format and gardening specialty format ・Revise HR system

Five key strategies	Theme of initiative	Results
PB product development strategy	Reinforcing PB product development system	・Strengthen PRO products, pet, gardening, and leisure ・Establish a product development system that incorporates design and other horizontal elements
Store digitization strategy	Improving customer experience value through DX	・Building a seamless shopping environment through the integration of stores and online ・Promoted DX
Store operations efficiency strategy	Promoting operational efficiency by DX	・Improved labor productivity mainly through the introduction of business terminals and self-checkouts ・Cost reduction through paperless operations and the expansion of business infrastructure functions
Format strategy	Establishment of existing/urban formats	・Expansion of PRO and hybrid (PRO + HC) stores ・Launch of new formats (gardens umekita, etc.)
Human resources strategy	Human resource development and optimal staffing	・Optimization of human resources planning ・Optimization of human resource allocation and promotion of work style reforms

1. Summary of Medium-Term Management Plan Part III

Improvement of revenue structure through key strategies is still in progress

Main initiatives promoted
- Expand PB sales ・Improve store operational efficiency/promote DX
- Develop hybrid HC/PRO format and gardening specialty format ・Revise HR system

Five key strategies	Theme of initiative	Shortfall factors	Future issues to be addressed
PB product development strategy	Reinforcing PB product development system	・Growth in the PB sales ratio slowed due to actions to boost sales of NB products ・We are halfway in the development of PB products trusted by customers	・Promote the integration of sales and marketing ・Improving the value of PB products and expanding their share of sales
Store digitization strategy	Improving customer experience value through DX	・Collaboration between e-commerce and physical stores is still in progress	・Mutual customer referral between e-commerce and physical stores ・Promoting the use of new technology
Store operations efficiency strategy	Promoting operational efficiency by DX	・Variations emerged in the use and effectiveness of introduced equipment across stores	・Redesign of roles and scope of each operation in stores ・Expansion of customer value through operational efficiency
Format strategy	Establishment of existing/urban formats	・Failure to establish a format for increasing customer traffic ・Lagging in market share growth in urban areas	・Developing formats tailored to the characteristics of each area ・Expand store openings in urban areas
Human resources strategy	Human resource development and optimal staffing	・Establishment of the system and job rotation structure is still in progress	・Enhancing capabilities and expanding job scope through enhanced training ・Invigorating human resources by utilizing Talent Palette, a talent management system

2. Awareness of Changes in External Environment

Respond quickly to market changes and evolve the management plan to achieve the Company's goals

Keeping an eye on changes in the market environment, we redesigned the management plan before the final year of the Medium-Term Management Plan Part III (FYE Feb. 2026), and promote "building a foundation for the future"

Changes in the external environment

● Macroenvironment

- ✓ Rising costs due to inflation and yen depreciation
- ✓ Changes in consumer behavior
- ✓ Acceleration of efficiency through AI and DX

● Microenvironment

- ✓ Logistics issues and cost control
- ✓ Expansion of PB and intensification of price competition
- ✓ Acceleration of industry reorganization

The Company's goals and aspirations

- ✓ **Expand market share** through store openings
- ✓ **Improve gross profit margin** through PB development
- ✓ **Expansion of new markets** through development of new formats
- ✓ **Further promotion of DX**
- ✓ **Evolve CRM**
- ✓ Develop human resources and **accelerate employee growth**
- ✓ **Improve operations**
- ✓ **Promote ESG**
- ✓ **Build business strategies** with a long-term perspective

Building a foundation for the future

- ✓ **Respond quickly** to market changes and the Company's goals
- ✓ **Overlap with the final year** of the Medium-Term Management Plan Part III

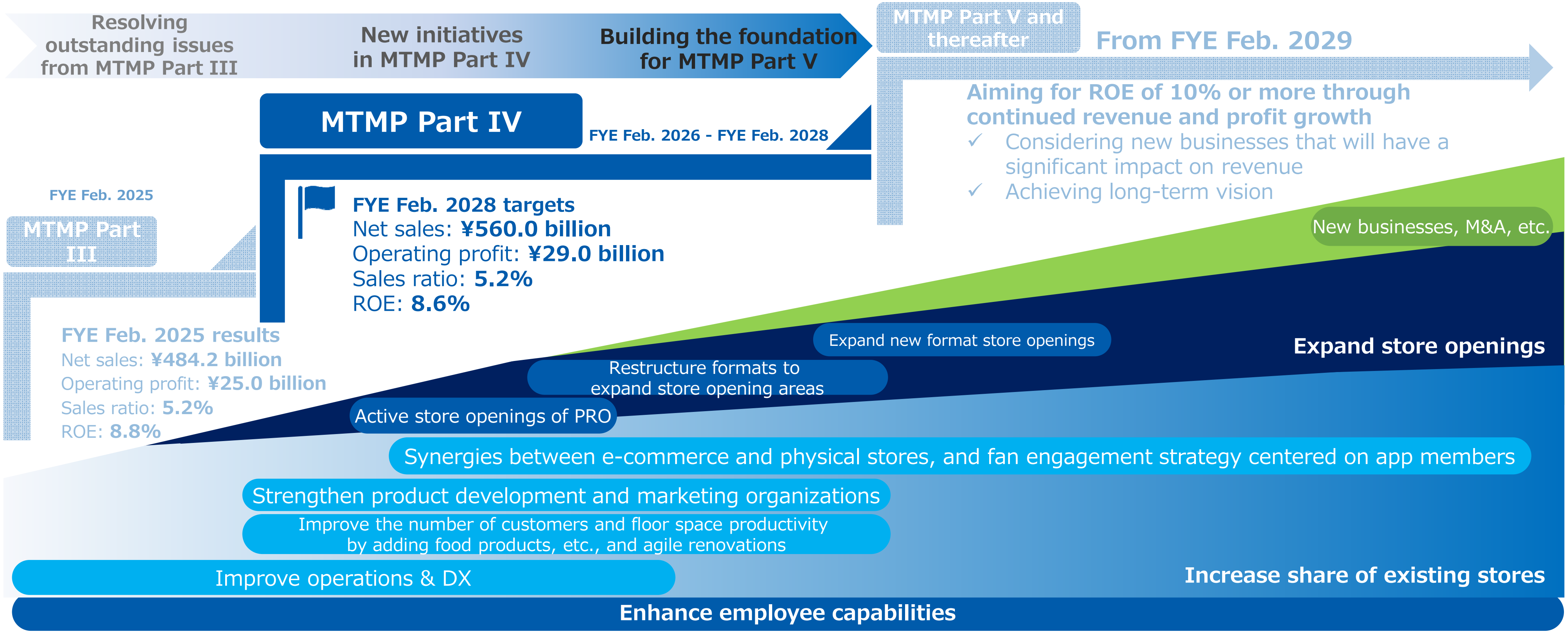
"Formulation of Medium-Term Management Plan Part IV"

- ✓ **Further acceleration** of what was achieved in Medium-Term Management Plan Part III
- ✓ **Early countermeasures and review** of unachieved items
- ✓ Begin conceptualization **with a view to the Medium-Term Management Plan Part V**

3. Positioning of Medium-Term Management Plan Part IV

Positioning of Medium-Term Management Plan Part IV

Medium-Term Management Plan Part IV prioritizes investment for growth.
This is positioned as building the foundation for growth in the Medium-Term Management Plan Part V.



4. Our Goal

Overview of the Medium-Term Management Plan Part IV

Mission: Become everyone's favorite home and lifestyle company

Vision: A leading comprehensive company catering to all customer needs for home and living products/services in Japan

Slogan: Convert all management activities to a "customer perspective"

Key strategies

- **(1) Store opening strategy:** Creating more locations to connect with customers
- **(2) Product and price strategy:** Offering customers a wide variety of products at affordable prices
- **(3) EC×Store strategy:** Enhancing convenience for customers
- **(4) Fan engagement strategy:** Building anticipation and gratitude among customers
- **(5) Logistics strategy:** Deliveries that meet customer expectations
- **(6) Operational strategy (Stores/Headquarters):** Operations that always put customers first

Bringing new surprises to customers

New business considerations

M&A considerations

Laying the groundwork for the future
Exploring new growth pillars

Management base

- **(7) Human resource management:** Talent acquisition and development for future leaders
- **ESG Management:** Contributing to sustainability and social responsibility together with customers
- **Financial Management:** A stable foundation that allows us to return value to customers and our employees

Invest-ment

Invest-ment

4. Our Goal

Positioning of key strategies

Degree of relevance ◎ ▶ ● ▶ ○

	Growth engine	Enhancing customer attraction	Efficiency cost reduction	Promoting the growth and advancement of all employees
(1) Store opening strategy	◎	●		
(2) Product and price strategy	◎	●		
(3) EC×Store strategy	●	◎		
(4) Fan engagement strategy	●	◎		
(5) Logistics strategy	●		◎	
(6) Operational strategy	●	○	◎	○
(7) Human resource management	●	○		◎

4. Our Goal

Consolidated P/L plan

We are targeting sales of ¥75.8 billion, gross profit of ¥33.2 billion, and operating profit of ¥4.0 billion for FYE Feb. 2028, compared to FYE Feb. 2025, with a particular focus on achieving 136% growth in the PRO business.

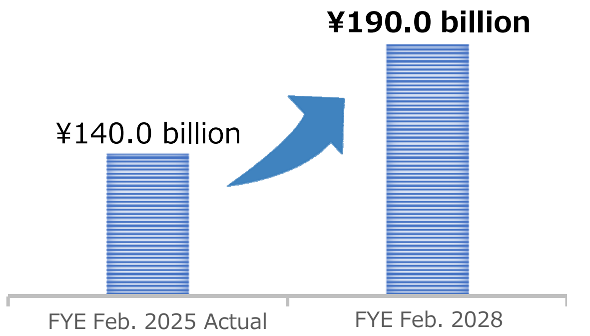
We plan to improve the gross profit margin from 37.06% (FYE Feb. 2025) to 37.98% (FYE Feb. 2028) through measures such as expanding the sales ratio of PB products

	FYE Feb. 2025 Actual	FYE Feb. 2028 Target	FYE Feb. 2025 Comparison
Net sales	¥484.2 billion	**¥560.0 billion**	115.6%
Gross profit margin	37.06%	**37.98%**	+0.92%
Operating profit	¥25.0 billion	**¥29.0 billion**	116.0%
Operating profit margin	5.2%	**5.2%**	+0.0%
EBITDA	¥40.4 billion	**¥43.0 billion**	106.4%
Profit	¥14.2 billion	**¥16.5 billion**	116.2%

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and relevant ASBJ regulations from the fiscal year ended February 28, 2023 (46th fiscal year).
EBITDA = Operating profit + Depreciation

Growth plan for the PRO business, which is a strength

PRO business category sales plan



* PRO sales are the total of sales from KOHNAN, KEN DEPOT and HI HIROSE

Compare with FYE Feb. 2025

Net sales:
Existing stores + new stores
+¥50.0 billion

Sales growth rate
136%

Sales composition ratio
Exceeding 32%

Increase profitability through expansion of the PB ratio and efficiency improvement

PB net sales composition ratio

PB net sales composition ratio
+6%

Operational improvement through DX

Corporate Headquarters operations efficiency

Store operations efficiency

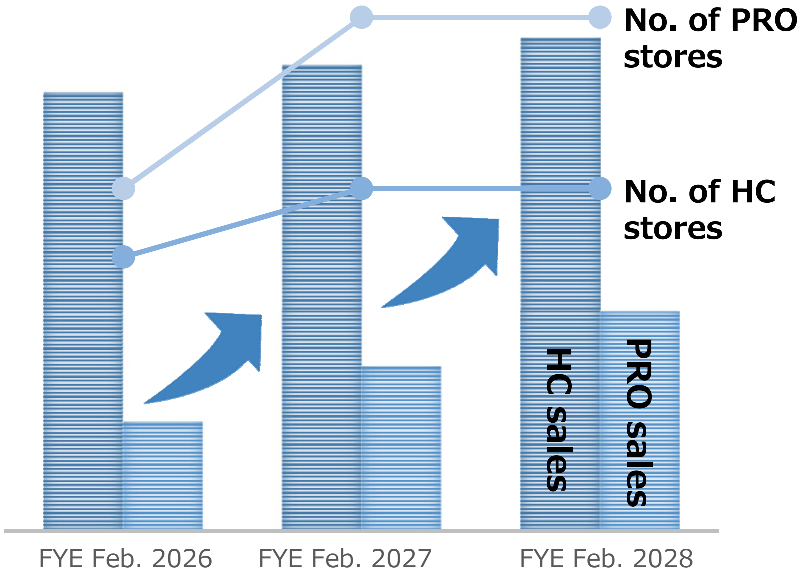
Logistics operations efficiency

(1) Store opening strategy

We plan to open a total of 86 new stores, including new formats, over the next three years, focusing on the aggressive expansion of PRO stores, which are a strength, and contribute ¥60.0 billion in sales.
We will review our investment recovery criteria based on the store opening criteria set for focus areas and aim to achieve sales and operating profit targets.

Store opening plan: 86 stores planned over three years

- (Investment ratio) HC:PRO = approx. 4:6
- Promote the use of openings in vacated furnished stores to reduce investment costs



Targets and Key Initiatives for Store Openings

Three-year cumulative sales contribution target for store openings
Total: ¥60.0 billion

Key initiative (1)
Redesign of store opening decision criteria
Revising store opening criteria and refinement of investment recovery indicators

Key initiative (2)
Clarification of focus areas and dominant areas
Expansion of store openings in areas where the Company's strengths can be leveraged

(2) Product and price strategy

In order to achieve the target gross profit margin by increasing the PB sales ratio by +6%, we will promote the reconstruction of PB value and the optimization of SKU numbers, inventory levels, and turnover. In order to establish PBs that are popular with customers, we will establish frameworks for co-creation for co-creation with customers and the integration of sales and marketing

Target

Contribute to business performance

PB net sales composition ratio

PB net sales composition ratio **+6%**

PB product development target

Improvement of existing products + Product development co-created with customers

3 years **3,000 SKUs** or more

Product strategy to gain customer support

PB strategy

- Establish iconic PBs co-created with customers
- Optimize SKU numbers, inventory levels, and turnover
- Maximize the appeal of PB sales areas

Integration of sales and marketing

- Enhansing coordination of products, sales promotions, and sales floor plans
- PR that creates buzz
- Enhancing value proposition at the sales floor

Design of category-specific shopping stories

- Design of basic product policy for each category
- Optimization of NB/PB composition for each category

✓ Contribution to gross profit margin
✓ Establishment of PBs trusted by customers
✓ Maximization of PB product sales

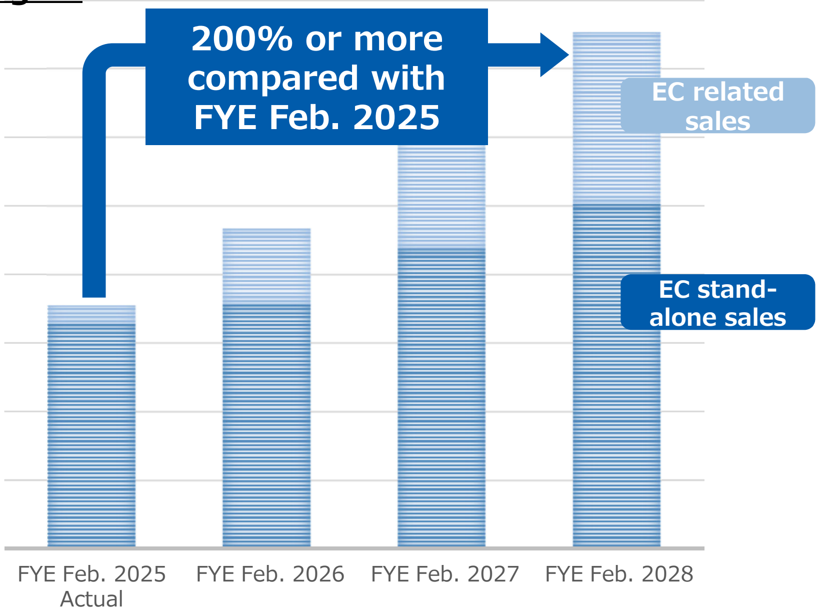
5. Seven Key Strategies

(3) EC×Store strategy

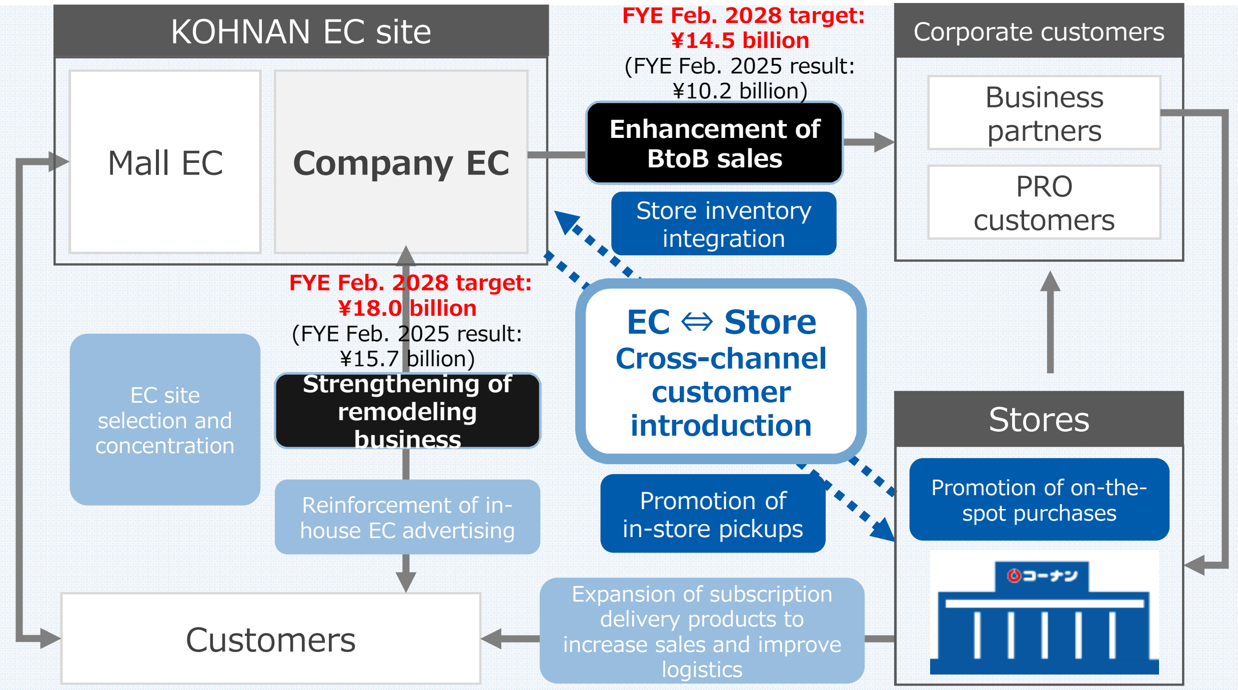
The EC site will play a major role in driving traffic to stores, promoting in-store pickup and impulse purchases, and strengthening our BtoB and renovation sites.
Through synergies with stores, we plan to achieve growth of 200% or more compared to FYE Feb. 2025.

Strengthening measures
Strengthening renovation and BtoB sales, promoting in-store pickup and impulse purchases
Strengthening subscription deliveries and EC-specific items

Trend of sales targets



Our goal for the EC×Store strategy



5. Seven Key Strategies

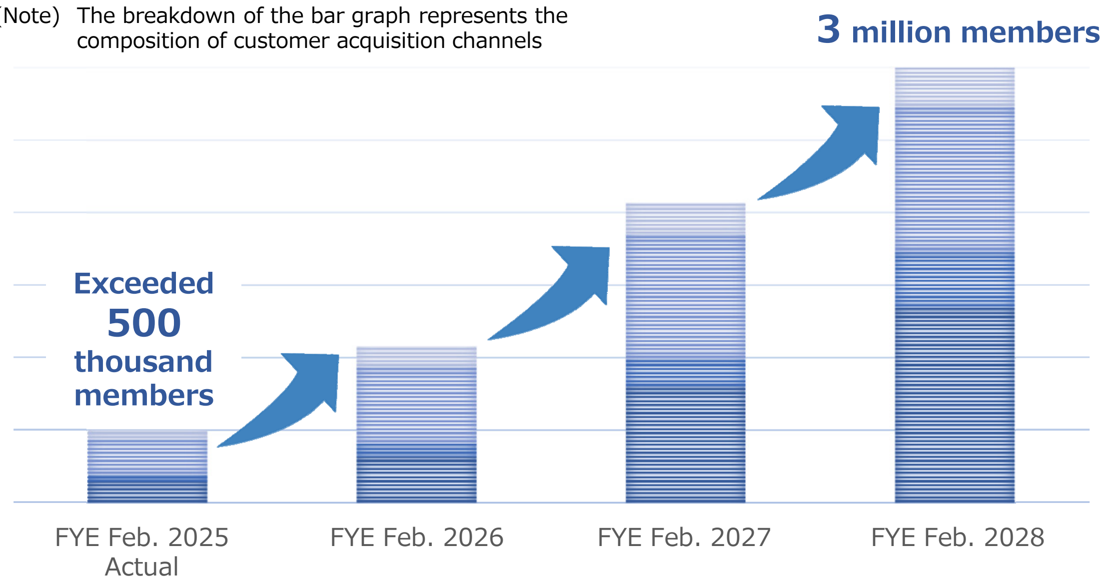
(4) Fan engagement strategy

In order to build the customer base and strengthen services, we are aiming for 3 million app member registrations in FYE Feb. 2028. With an eye toward future membership tiers, we will promote store visits and purchases by registered members, focusing on strengthened categories

Promote the expansion of our proprietary app membership base

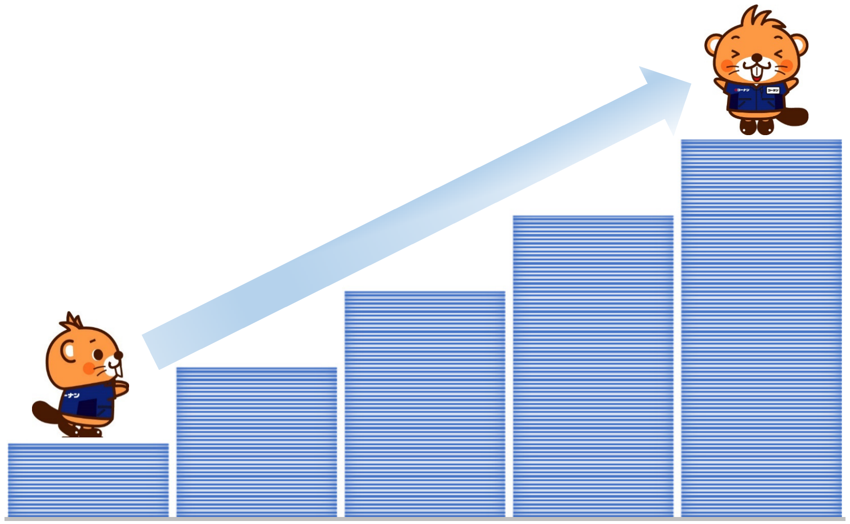
Strengthen the proprietary app membership base and customer acquisition efforts to achieve 3 million members by FYE Feb. 2028

(Note) The breakdown of the bar graph represents the composition of customer acquisition channels



Our goal

Establish unique membership tiers based on annual purchase amounts and implement tailored communication strategies for each customer segment



(Note) Membership tier classifications and conditions for each tier are currently under review

(5) Logistics strategy (6) Operational strategy

For logistics, we will promote measures to respond to changes in the environment so that we can deliver the products our customers want, when they want them
Accelerating DX at headquarters and stores to streamline operations and focus human effort on high-value tasks

[Logistics operations improvement & DX] Adapting to changes in the environment

Staffing optimization and labor-saving initiatives

System overhaul for centralized management of logistics routes

Securing logistics bases in alignment with store opening plans

[Headquarters operations improvement & DX] Qualitative changes in operations

Operational improvement and efficiency

Launching operational improvement workshops to achieve a cycle of immediate implementation and verification

Promotion of advanced business operations

Launch of generative AI research and pilot operation

[Store operations improvement & DX] Balancing customer service and operational efficiency

Customer satisfaction-driven operational improvement

Rollout of some NAVI-KO functions to customers

Store efficiency-driven operational improvement

Paperless operations, AI/robot pilot operation for demand-based automatic ordering and operational improvement

Review and optimization of store staffing levels

Expansion of job scope and responsibilities, along with enhanced training

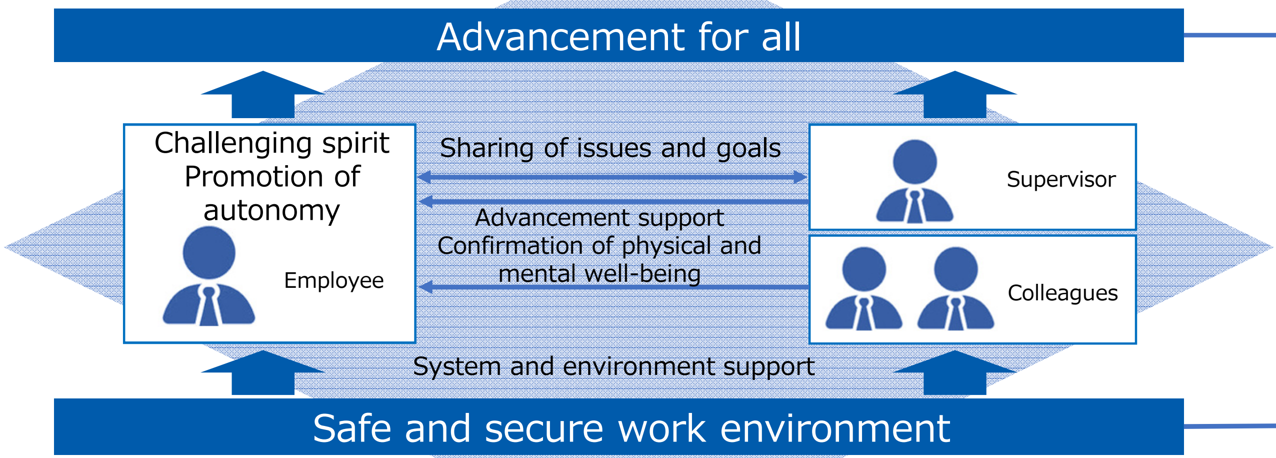
(7) Human resource management

To realize our human resource development policy and internal environment improvement policy, we will strengthen initiatives that enable everyone to grow
As a qualitative measure for human resources, we will establish a Human Resource Committee to address important themes and plan and promote initiatives related to human resources

Our goal

Become a company where everyone advances

Human resources development policy



The Company

Internal environmental improvement policy

Initiatives to achieve our goals

Measures to strengthen the implementation structure → Establish Human Resource Committee

Initiatives for “advancement support”

- ✓ Human resources branding
- ✓ Promotion of a job rotation system
- ✓ Review of evaluation methods and details
- ✓ Redesign of the training system
- ✓ Design and validation of engagement indicators
- ✓ Redesign of the scope of job responsibilities

Initiatives for a "safe and secure work environment"

- ✓ Improving communication
- ✓ Mentoring system
- ✓ Support for promoting operational improvement

Cash allocation plan

Plan for growth investments, mainly in new store openings and renovations, and shareholder returns within the scope of operating cash flow
Effectively utilizing interest-bearing debt to respond flexibly to additional growth investments such as M&A

Cash allocation plan for the Medium-Term Management Plan Part IV cumulative 3-year period

<Cash in>

Operating cash flow
¥90.0 billion

Interest-bearing debt

<Cash out>

New store/remodeling
¥62.0 billion

- Plan to open a total of 86 stores over three years
- Promote remodeling to raise sales area efficiency
- Add new business formats such as groceries

IT and logistics investment ¥6.0 billion

- Investment in DX, security, and logistics IT

Shareholder returns

- Implement based on the shareholder return policy

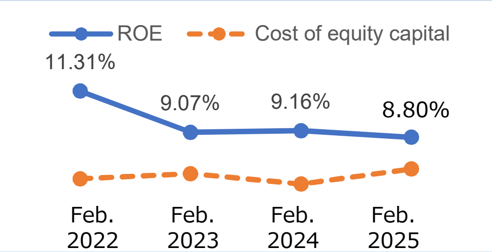
Other (M&A, etc.)

6. Initiatives Aimed at Enhancing Corporate Value

Trend of ROE, recognition of issues and improvement measures

The cost of equity capital is generally around 6-7% according to CAPM. Although ROE exceeds the cost of equity capital, it has not reached 10% during the period of Medium-Term Management Part III. Starting from Medium-Term Management Part IV, we aim to achieve 10% ROE through growth strategies and capital policy

ROE



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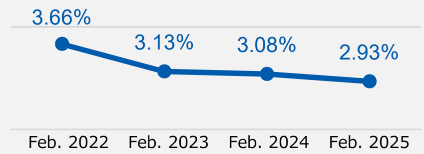
Net profit margin



Due to the greater than expected depreciation of the yen, which led to a sharp increase in import costs, and stagnation in growth of the PB sales ratio, the gross profit margin has declined, resulting in diminishing profit margins

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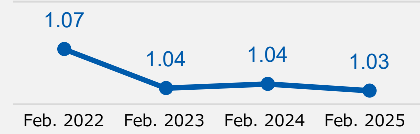
Total assets turnover



As a result of store openings, while total assets have increased, the expansion of net sales growth has kept the turnover rate flat

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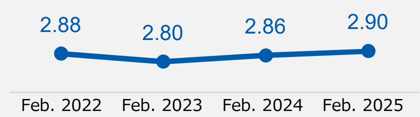
Financial leverage



We will effectively utilize external funding for growth investments

<Medium-Term Management Plan Part IV and thereafter>

- **Improve the gross profit margin and increase profit margins through cost reduction**
- **Pursue an appropriate balance between increasing inventory and investment capital procurement for store openings**

Profit

- ✓ **Gross profit margin improvement**
  - ･Increase PB sales and the PB sales ratio
  - ･Improve cost of goods sold (price improvement/group synergy)
- ✓ **General and administrative expense control**
  - ･Improve efficiency of store and headquarters operations
  - ･Reduce logistics costs

Net sales

- ✓ **Promote store openings and renovations/develop food and new business formats**
- ✓ **Strengthen PB products/thoroughly integrate sales and marketing**
- ✓ **Expand EC sales (corporate, RF)/promote mutual customer referral between stores**
- ✓ **Expand app membership and strengthen service offerings**

Net sales

- ✓ **Promote store openings and renovations/develop food and new business formats**
- ✓ **Strengthen PB products/thoroughly integrate sales and marketing**
- ✓ **Expand EC sales (corporate, RF)/mutual customer referral between stores**
- ✓ **Expand app membership and strengthen service offerings**

Total assets

- ✓ **Optimize inventory management through demand forecasting systems**
- ✓ **Utilize interest-bearing debt effectively while considering the balance with operating cash flow**
- ✓ **Scrutinize capital investment efficiency of owned assets**

Total assets

- ✓ **Optimize inventory management through demand forecasting systems**
- ✓ **Utilize interest-bearing debt effectively while considering the balance with operating cash flow**
- ✓ **Scrutinize capital investment efficiency of owned assets**

Equity

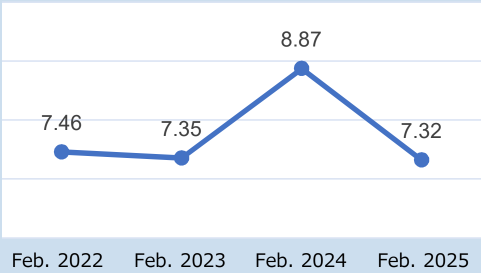
- ✓ **Strengthen shareholder returns**
  (Dividend increase, use of treasury share buybacks, etc.)

6. Initiatives Aimed at Enhancing Corporate Value

Trend of the PER, recognition of issues and improvement measures

The PER remains at around 7-8 times, diverging from the market average, and the stock price continues to remain below BPS (book value per share)
EPS (earnings per share) failed to reach the target level (¥575) due to sluggish profit growth

PER



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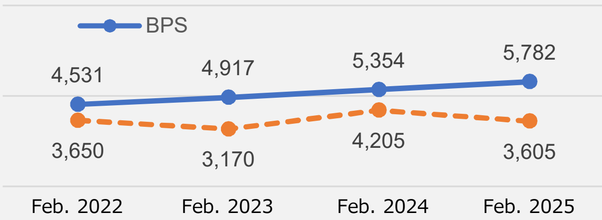
Stock price



The stock price was below BPS (book value per share)

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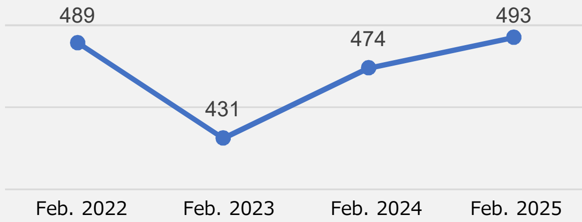
EPS



EPS was sluggish as the increase in gross profit could not offset the increase in SG&A expenses due to new store openings, and did not reach the target level of ¥575

<Medium-Term Management Plan Part IV and thereafter>

- **Growth strategy investments and enhanced shareholder returns**
- **IR promotion**
- **Increase in profit**

✓ We aim to raise the stock price through **growth strategy investments, enhanced shareholder returns**, and corresponding **IR promotion**

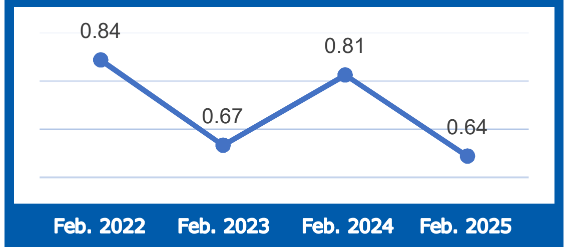
✓ We aim to increase profits through **sales growth and improved gross profit margins**

6. Initiatives Aimed at Enhancing Corporate Value

Trend of the PBR, recognition of issues and improvement measures

ROE and the PER fell below plan and market averages, resulting in the PBR remaining at around 0.6 times
We will steadily implement each growth strategy and capital policy to improve the PBR

PBR 0.64 times



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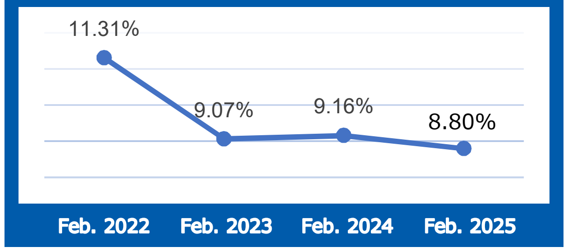
ROE 8.80%



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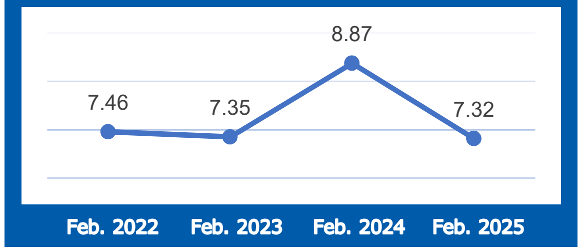
PER 7.32 times



<Results of Medium-Term Management Plan Part III>

- The latest PBR was 0.64 times, deviating below the market guideline of 1.0 times

・While exceeding the cost of equity capital, it fell short of the target 10%

・The PER has remained at approximately 7-8 times, deviating from the market average

<Medium-Term Management Plan Part IV and thereafter>

- Through our growth strategies and capital policy, **we aim to achieve ROE of 10% or more and a PBR of 1.0 times or more**

Initiatives to improve the PBR

- ✓ Target: **10% or more**
  - -Net profit margin: **2.9% → 3.0%**
  - -Asset turnover ratio: **1.03 times → 1.10 times**
  - -Financial leverage: **2.90 times → 3.05 times**
- ✓ Improvement in the operating profit margin and total asset turnover rate

- ✓ Building a foundation for future revenue growth (**expanding store openings with high return on investment, increasing app members to expand the customer base**, etc.)
- ✓ **Cash allocation for shareholder returns** balanced with growth investments
- ✓ **Strengthening investor IR** / enhancing disclosure including non-financial items

6. Initiatives Aimed at Enhancing Corporate Value

Shareholder Return Policy under Medium-Term Management Plan Part IV

- As mentioned above, Medium-Term Management Plan Part IV is positioned as **"a foundation for achieving significant growth in Medium-Term Management Plan Part V and thereafter."** The Plan focuses on expanding market share and building a customer base centered on the PRO market.
- Note that final target figures other than net sales will be lower than those of Medium-Term Management Plan Part III due to the prioritization of growth investments.
- In order to have the support of shareholders for our medium- to long-term outlook, during Medium-Term Management Plan Part IV, we will position the return of profits as one of our important management measures, and **"strengthen dividends while also conducting share buybacks in a flexible manner."**
  In addition, regarding dividends, **"we plan to implement progressive dividends during the period."**

Shareholder return policy

Recognizing that shareholder returns are a key management issue, we will return profits to our shareholders based on the following policies.

Basic policies

- Regarding the return of profits to shareholders as one of our important management policies, we will pay stable dividends over the long term, based on a comprehensive assessment of our business outlook, investment in business activities, financial soundness, and other factors.
- We will consider treasury share buybacks as appropriate, depending on business performance, stock price levels, etc.

Target level

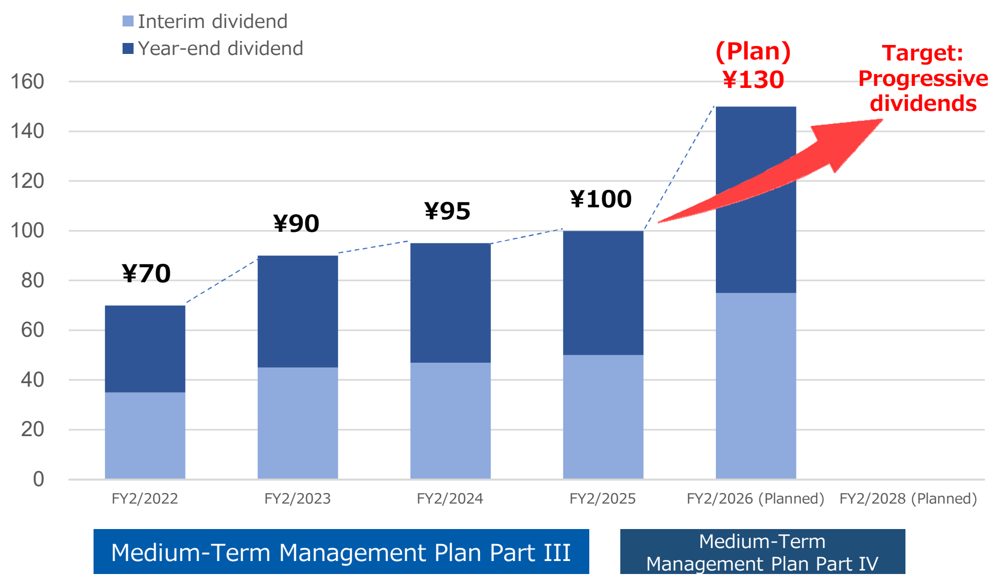
During the Medium-Term Management Plan Part III (FYE Feb. 2022 - FYE Feb. 2025)	During the Medium-Term Management Plan Part IV (FYE Feb. 2026 - FYE Feb. 2028)
• Total return ratio: 30% or more • DOE: 2.0% or more	• **Total return ratio: 40% or more** FYE Feb. 2026 [Planned]: dividend ¥130/year, treasury share buybacks ¥2.0 billion • **Progressive dividends**

6. Initiatives Aimed at Enhancing Corporate Value

Shareholder return policy

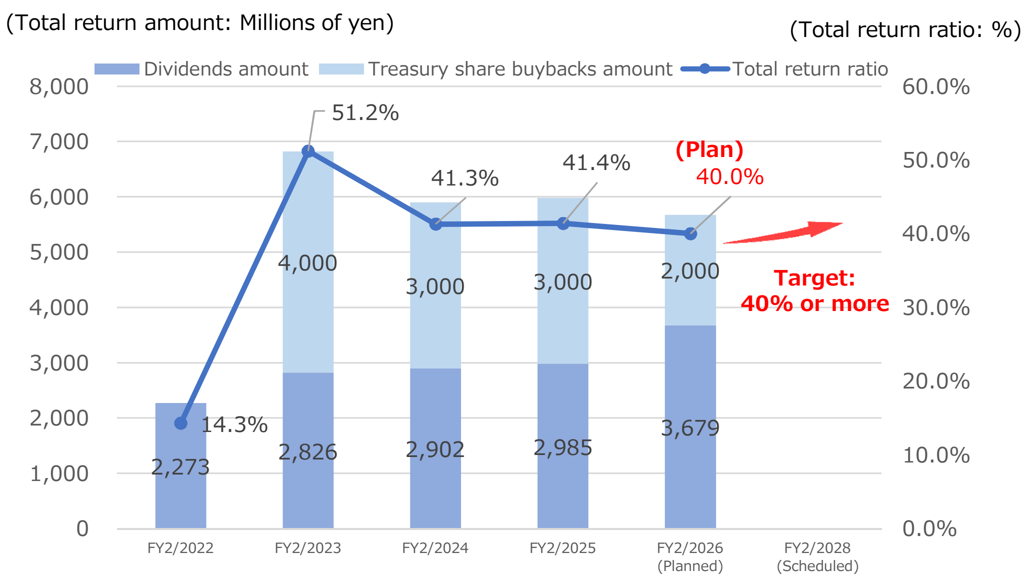
Trend of Actual Results and Plan for Dividends per Share

Plan to increase annual dividend from ¥100 to ¥130



Trend of Actual Results and Plan for the Total Return Ratio

Target for the total return ratio raised from 30% to 40%



7. ESG Initiatives

Continuation of initiatives from Medium-Term Management Plan Part III

Initiatives implemented during Medium-Term Management Plan Part III will be continued during the period of Medium-Term Management Plan Part IV, and new initiatives (listed on the next page) will be added, maintaining contributions to the environment and society

E	Forest conservation activity “KOHNAN DIY Forest”
	Circular recycling of waste plastic
	Circular recycling of cardboard
	Installation of solar power generation equipment for private consumption
	Installation of quick chargers for EVs (electric vehicles)
	Agreement on the reduction of disposable plastics in Sakai City
S	Donations to “Osaka Dream Education Fund” and “Sakai City Children’s Education Dream Fund”
	Agreement with local governments on the supply of goods and materials in the event of large-scale disasters, etc.
	Selected under the “2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program”
G	Establishment of a Nominating and Remuneration Committee (comprised of the Chair and a majority of Outside Directors)
	At least one-third of Directors are Outside Directors

Forest conservation activity “KOHNAN DIY Forest”

Installation of solar power generation equipment for private consumption

Agreement with local governments on the supply of goods and materials in the event of large-scale disasters, etc.

Donations to “Osaka Dream Education Fund” and “Sakai City Children’s Education Dream Fund”

New Initiatives Under Medium-Term Management Plan Part IV

Amid growing attention on companies' efforts regarding non-financial information such as environmental, social, and governance (ESG) issues, Medium-Term Management Plan Part IV will strengthen collaboration between business operations and initiatives related to PB and events, prioritize consideration for and training of human resources, and advance disaster preparedness and support measures, quantifying the results of these efforts, and comprehensively outlining business strategies aimed at enhancing the Company's corporate value.

Formulation of Materiality Basic Policy *Stated on the next page

E Environmental	S Social	G Governance
Development and implementation of PBs that contribute substantially to the environment	Enhancement of health management and measurement and utilization of engagement, etc.	Promotion of issuing Integrated Reports
Hosting of sustainability events, etc.	Support for disaster prevention measures in local communities and companies	Promotion of an implementation organization
Quantification of renewable energy usage and other resources	Strengthening of sustainability education	

7. ESG Initiatives

KOHNAN Sustainability Basic Policy and material issues

KOHNAN Sustainability Basic Policy

We will do what we can to achieve a sustainable society, without any pretense.

We are committed to contributing to the realization of a sustainable society and enhancing corporate value through our business activities, guided by our management philosophy of "contributing to customers and society, and seeking happiness and prosperity of our employees."

We believe that there are things that we can do because we are a retailer, and by working honestly without pretense with all stakeholders, including local customers, to address each of our key issues, we aim to become "a leading comprehensive company catering to all customer needs around the home in Japan" that is loved by everyone.

Material issues group	Material issues (materialities)
1. Contribution to the enrichment of housing and lifestyles	(1) Achieving a comfortable lifestyle for customers through reasonable pricing, good quality, and a wide selection of products
	(2) Providing products and services that pursue convenience for customers
	(3) Offering total support for customers' daily lives, leisure, and times of disaster through diverse business formats
2. Promotion of environmentally friendly business	(1) Promotion of resource conservation in PB products
	(2) Contribution to a decarbonized society through reducing CO_2 emissions achieved by energy conservation
	(3) Contribution to a circular economy through waste reduction achieved by resource recycling
	(4) Contribution to a society in harmony with nature through environmental conservation activities
3. Contribution to the local community	(1) Strengthening cooperation with local governments through the provision of goods and materials and provision of evacuation sites in the event of a disaster
	(2) Contributing to regional revitalization through various events and activities
4. Creating a rewarding work environment and promoting diversity	(1) Supporting the development of skills and career formation that respects the diversity and individuality of workers
	(2) Creating a workplace where everyone can feel comfortable and improving communication
	(3) Enhancing the physical and mental well-being of employees (promoting health management and improving engagement)
5. Strengthening corporate governance	(1) Creating a corporate culture and strengthening management systems to further enhance management transparency
	(2) Dialogue and co-creation that respect the rights and positions of various stakeholders
	(3) Fair and equitable transactions in the supply chain
	(4) Compliance with laws and regulations