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July 11, 2024

## Consolidated Financial Results for the Three Months Ended May 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo  
 Securities code: 7516  
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 Scheduled date to file quarterly securities report: July 12, 2024  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors)

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

### 1. Consolidated financial results for the three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

#### (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, 2024	125,505	9.1	7,827	(4.5)	7,290	(5.4)	4,764	(13.7)
May 31, 2023	115,080	3.3	8,194	4.2	7,709	5.0	5,523	11.0

Note: Comprehensive income For the three months ended May 31, 2024: ¥4,933 million [(12.4)%]  
 For the three months ended May 31, 2023: ¥5,632 million [10.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
May 31, 2024	162.71	162.66
May 31, 2023	182.11	182.06

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
May 31, 2024	474,892	159,289	33.5
February 29, 2024	458,557	157,257	34.3

Reference: Equity  
 As of May 31, 2024: ¥159,289 million  
 As of February 29, 2024: ¥157,257 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 29, 2024	–	47.00	–	48.00	95.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		50.00	–	50.00	100.00

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

## 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

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

\* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: No
  - (ii) Changes in accounting policies due to other reasons: No
  - (iii) Changes in accounting estimates: No
  - (iv) Restatement: No

(4) Number of issued shares (common shares)

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

As of May 31, 2024	34,682,113 shares
As of February 29, 2024	34,682,113 shares

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

As of May 31, 2024	5,635,513 shares
As of February 29, 2024	5,312,518 shares

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

Three months ended May 31, 2024	29,279,153 shares
Three months ended May 31, 2023	30,329,600 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.

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

1. Consolidated subsidiary KOHNAN VIETNAM CO., LTD. has 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, 2025, 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 11 and Friday, July 12, 2024.

**Attached Material**

1. Qualitative information on quarterly financial statements .....	2
(1) Operations explanation .....	2
(2) Financial position explanation .....	2
(3) Consolidated earnings forecast and other forward-looking statements .....	3
2. Quarterly consolidated financial statements and significant notes thereto.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	6
Quarterly consolidated statement of income (cumulative) .....	6
Quarterly consolidated statement of comprehensive income (cumulative) .....	7
(3) Notes to quarterly consolidated financial statements.....	8
Uncertainties of entity's ability to continue as going concern.....	8
Notes when there are significant changes in amounts of shareholders' equity .....	8
Additional information .....	9
3. Supplementary information.....	11
Net sales by product division.....	11

## 1. Qualitative information on quarterly financial statements

### (1) Operations explanation

During the three months ended May 31, 2024, the Japanese economy continued to recover due to improvements in the employment and income environment, a recovery in inbound demand, and other factors. On the other hand, there are also concerns about a slowdown of economies due to the impact of geopolitical risks such as 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.

The outlook for business conditions in the retail industry, which is mainly where the KOHNAN Group (the “Group”) develops its business, continues to be uncertain as it has been affected by changes in consumer behavior due to rising prices and by rising costs for raw materials, logistics, utilities and personnel.

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 eight stores during the three months ended May 31, 2024. As a result, the number of stores of the Group as of the end of the quarter under review was brought to 603.

Since the first three months of KOHNAN VIETNAM CO., LTD. is from January 1, 2024 to March 31, 2024, 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, 2024.

#### 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.	470	8	–	478
KEN DEPOT Corporation [Number of franchise stores]	80 [3]	– [–]	– [–]	80 [3]
HOME IMPROVEMENT HIROSE Co., Ltd.	32	–	–	32
Total in Japan [Number of franchise stores]	582 [3]	8 [–]	– [–]	590 [3]
KOHNAN VIETNAM CO., LTD.	13	–	–	13
Total [Number of franchise stores]	595 [3]	8 [–]	– [–]	603 [3]

As a result, for the first three months of the fiscal year under review, operating revenue was ¥125,505 million (up 9.1% year on year), gross profit was ¥45,224 million (up 6.3% year on year), selling, general and administrative expenses were ¥41,557 million (up 8.3% year on year), operating profit was ¥7,827 million (down 4.5% year on year), ordinary profit was ¥7,290 million (down 5.4% year on year), and profit attributable to owners of parent was ¥4,764 million (down 13.7% year on year).

### (2) Financial position explanation

As of May 31, 2024, total assets increased by ¥16,335 million from the previous fiscal year-end to ¥474,892 million. Accounts receivable - trade increased by ¥4,681 million, merchandise and finished goods increased by ¥8,042 million, and property, plant and equipment increased by ¥2,919 million.

Total liabilities increased by ¥14,303 million from the previous fiscal year-end to ¥315,603 million. Accounts payable - trade increased by ¥9,624 million and long-term borrowings increased by ¥15,883 million, while short-term borrowings decreased by ¥11,070 million.

As of May 31, 2024, net assets stood at ¥159,289 million, and the equity ratio was 33.5%.

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

Consolidated earnings forecasts for the fiscal year ending February 28, 2025, are unchanged from the consolidated earnings forecasts for the first half and full year ending February 28, 2025 that were announced on April 10, 2024, at the time of the announcement of consolidated financial results for the fiscal year ended February 29, 2024.

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

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	11,723	10,428
Accounts receivable - trade	15,798	20,480
Merchandise and finished goods	121,758	129,800
Raw materials and supplies	1,387	1,316
Other	8,834	10,832
Allowance for doubtful accounts	(47)	(53)
<b>Total current assets</b>	<b>159,455</b>	<b>172,804</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	123,488	125,233
Land	52,135	52,135
Leased assets, net	18,428	18,545
Construction in progress	5,210	6,118
Other, net	7,523	7,673
<b>Total property, plant and equipment</b>	<b>206,786</b>	<b>209,706</b>
Intangible assets		
Trademark right	2,745	2,662
Customer-related assets	2,085	2,029
Goodwill	14,608	14,273
Other	7,419	7,365
<b>Total intangible assets</b>	<b>26,860</b>	<b>26,331</b>
Investments and other assets		
Investment securities	4,550	4,591
Guarantee deposits	51,790	52,508
Deferred tax assets	7,231	7,130
Other	2,095	2,019
Allowance for doubtful accounts	(212)	(198)
<b>Total investments and other assets</b>	<b>65,455</b>	<b>66,051</b>
<b>Total non-current assets</b>	<b>299,101</b>	<b>302,088</b>
<b>Total assets</b>	<b>458,557</b>	<b>474,892</b>

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	34,530	44,155
Electronically recorded obligations - operating	10,293	10,634
Short-term borrowings	24,000	12,930
Current portion of long-term borrowings	27,673	28,288
Lease liabilities	2,477	2,491
Income taxes payable	4,743	2,833
Contract liabilities	4,060	3,839
Provision for bonuses	2,421	3,698
Provision for bonuses for directors (and other officers)	200	–
Other	14,631	14,239
Total current liabilities	125,032	123,111
Non-current liabilities		
Long-term borrowings	108,138	124,021
Lease liabilities	21,816	21,848
Guarantee deposits received	10,578	10,752
Provision for loss on voluntary recall of goods	527	499
Provision for share awards	938	1,018
Retirement benefit liability	353	353
Asset retirement obligations	18,245	18,376
Other	15,670	15,622
Total non-current liabilities	176,267	192,492
Total liabilities	301,300	315,603
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	140,899	144,208
Treasury shares	(20,048)	(21,493)
Total shareholders' equity	156,432	158,295
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315	363
Deferred gains or losses on hedges	(79)	(46)
Foreign currency translation adjustment	501	591
Remeasurements of defined benefit plans	87	85
Total accumulated other comprehensive income	825	994
Total net assets	157,257	159,289
Total liabilities and net assets	458,557	474,892



**(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, 2023	Three months ended May 31, 2024
Net sales	111,088	121,345
Cost of sales	68,528	76,120
Gross profit	42,559	45,224
Operating revenue	3,992	4,160
Selling, general and administrative expenses	38,357	41,557
Operating profit	8,194	7,827
Non-operating income		
Interest income	10	17
Insurance claim income	20	22
Foreign exchange gains	-	28
Subsidy income	145	4
Income from fees for business	-	54
Other	82	135
Total non-operating income	259	262
Non-operating expenses		
Interest expenses	543	559
Foreign exchange losses	1	-
Other	198	239
Total non-operating expenses	743	799
Ordinary profit	7,709	7,290
Extraordinary income		
Gain on cancellation of guaranteed deposits received	-	3
Total extraordinary income	-	3
Extraordinary losses		
Loss on retirement of non-current assets	3	1
Total extraordinary losses	3	1
Profit before income taxes	7,706	7,292
Income taxes - current	2,589	2,494
Income taxes - deferred	(406)	32
Total income taxes	2,182	2,527
Profit	5,523	4,764
Profit attributable to owners of parent	5,523	4,764

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

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Profit	5,523	4,764
Other comprehensive income		
Valuation difference on available-for-sale securities	(60)	47
Deferred gains or losses on hedges	139	33
Foreign currency translation adjustment	31	90
Remeasurements of defined benefit plans, net of tax	(2)	(2)
Total other comprehensive income	108	168
Comprehensive income	5,632	4,933
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,632	4,933
Comprehensive income attributable to non-controlling interests	—	—

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

Not applicable

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

In accordance with the resolution of the Board of Directors meeting held on April 10, 2024, the Company purchased 323,900 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 ¥1,445 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 through the employee incentive plan "Employee Share Benefit Trust (J-ESOP)," and reached ¥21,493 million at the end of the quarter under review.

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

## 1. Executive officer incentive plan “Employee Share Benefit Trust (J-ESOP)”

In accordance with a resolution of the Board of Directors meeting held on January 11, 2019, the Company has introduced the “Employee Share Benefit Trust (J-ESOP)” plan for executive officers, an executive officer incentive plan that uses shares of the Company from January 25, 2019.

## (1) Overview of transactions

In accordance with the Executive Officer Share Benefit Regulations formulated upon introduction of the plan, it is a system for providing shares of the Company to executive officers of the Company who satisfy certain conditions.

To acquire shares to be provided in the future beforehand, the Company entrusts money to Custody Bank of Japan, Ltd. (Trust Account E) as a trust asset for the executive officer incentive plan “Employee Share Benefit Trust (J-ESOP)” system, and the trust bank uses the entrusted money as financial funds to acquire the Company’s shares through the trading markets or by receiving the Company’s disposal of treasury shares.

## (2) Shares of the Company remaining in the trust

Shares of the Company that remain in the trust are recorded as treasury shares under net assets at their carrying value in the trust (excluding the amount of incidental expenses). The carrying value and number of these treasury shares were ¥28 million and 10,500 shares as of the previous fiscal year-end and ¥28 million and 10,500 shares as of the end of the quarter under review.

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

Not applicable

## 2. Employee incentive plan “Employee Share Benefit Trust (J-ESOP)”

In accordance with a resolution of the Board of Directors meeting held on July 12, 2021, the Company has introduced the “Employee Share Benefit Trust (J-ESOP),” an incentive plan that provides shares of the Company to employees from July 26, 2021.

## (1) Overview of transactions

In accordance with the Employee Officer Share Benefit Regulations formulated upon introduction of the plan, it is a system for providing shares of the Company to employees of the Company who satisfy certain conditions.

To acquire shares to be provided in the future beforehand, the Company entrusts money to Custody Bank of Japan, Ltd. (Trust Account E) as a trust asset for the employee incentive plan “Employee Share Benefit Trust (J-ESOP)” system, and the trust bank uses the entrusted money as financial funds to acquire the Company’s shares through the trading markets or by receiving the Company’s disposal of treasury shares.

## (2) Shares of the Company remaining in the trust

Shares of the Company that remain in the trust are recorded as treasury shares under net assets at their carrying value in the trust (excluding the amount of incidental expenses). The carrying value and number of these treasury shares were ¥3,988 million and 938,900 shares as of the previous fiscal year-end and ¥3,984 million and 937,900 shares as of the end of the quarter under review.

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

Not applicable

## 3. “Employee Share Benefit Trust (employee stock holding association disposal type)”

In accordance with a resolution of the Board of Directors meeting held on July 12, 2021, the Company introduced the “Employee Share Benefit Trust (employee stock holding association disposal type)” from July 30, 2021. 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

There are no shares of the Company remaining in the trust.

(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)	60,489	106.1
Housekeeping (household supplies)	36,441	110.0
Pet and leisure (pet and leisure supplies)	17,469	107.6
Food	3,284	279.9
Other	3,659	104.5
Total	121,345	109.2

(Notes) 1. The composition of each product division is as follows.

- (1) Home improvement (Timber, building materials, tools, hardware and plumbing, painting and work supplies, gardening supplies, gardening plants, materials, exteriors, housing equipment, remodeling)
  - (2) Housekeeping (Dining supplies, interiors, electrical materials and lighting, daily necessities, storage supplies, chemicals, footwear and clothing, household goods, home appliances, nursing care supplies)
  - (3) Pet and leisure (Automotive supplies, pet supplies, stationery and office supplies, cycling and leisure supplies)
  - (4) Food (Food, alcoholic beverages)
  - (5) Other (100 Yen Shop, books, vending machines, kerosene)
2. As a result of HOME IMPROVEMENT HIROSE Co., Ltd. becoming a consolidated subsidiary in June 2023, classifications of product divisions were reviewed, and the method of classifying food and alcoholic beverages, which were included in "Housekeeping," was changed to include them in "Food." With regard to year-on-year changes, the net sales for the first three months of the previous fiscal year have been reclassified into the figures for the classifications after the change.