

INVESTORS' GUIDE

2018



Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

April 27, 2018

Company name: KOMERI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8218 URL <http://www.komeri.bit.or.jp>
 Representative: President, CEO and COO Yuichiro Sasage
 Director and Executive Officer of the
 Inquiries: Company, General Manager of Strategic Planning Office Hiroshi Hayakawa TEL 025-371-4111
 Scheduled date of ordinary general meeting of shareholders: June 22, 2018
 Scheduled date to file Securities Report: June 22, 2018
 Scheduled date to commence dividend payments: June 25, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	%
Year ended March 31, 2018	341,956	3.8	16,964	1.6	17,087	1.6	10,907	(1.0)
Year ended March 31, 2017	329,588	1.6	16,689	(6.9)	16,811	(3.4)	11,017	14.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/operating revenue
	Yen	Yen	%	%	%
Year ended March 31, 2018	215.35	215.12	6.8	5.5	5.0
Year ended March 31, 2017	217.54	217.32	7.3	5.5	5.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	319,771	164,958	51.5	3,254.23
As of March 31, 2017	306,562	155,241	50.6	3,062.98

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	22,400	(16,914)	(6,229)	6,819
Year ended March 31, 2017	26,719	(13,923)	(14,854)	7,568

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	19.00	–	19.00	38.00	1,924	17.5	1.3
Year ended March 31, 2018	–	19.00	–	20.00	39.00	1,975	18.1	1.2
Year ending March 31, 2019 (Forecast)	–	20.00	–	20.00	40.00		17.3	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	182,000	3.4	12,200	7.4	12,400	8.2	8,100	6.5	159.91
Full year	358,000	4.7	18,700	10.2	18,800	10.0	11,700	7.3	230.99

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

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

As of March 31, 2018	54,409,168 shares	As of March 31, 2017	54,409,168 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	3,756,596 shares	As of March 31, 2017	3,765,404 shares
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Average number of shares during the period

Year ended March 31, 2018	50,650,695 shares	Year ended March 31, 2017	50,644,219 shares
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1. Overview of operating results and others

(1) Overview of operating results for the year ended March 31, 2018

1) Operating results for the year ended March 31, 2018

Consolidated operating results

	Year ended March 31, 2017	Year ended March 31, 2018	Year-on-year comparison (%)
Operating revenue (Millions of yen)	329,588	341,956	103.8
Operating profit (Millions of yen)	16,689	16,964	101.6
Ordinary profit (Millions of yen)	16,811	17,087	101.6
Profit attributable to owners of the parent (Millions of yen)	11,017	10,907	99.0

Non-consolidated operating results

	Year ended March 31, 2017	Year ended March 31, 2018	Year-on-year comparison (%)
Operating revenue (Millions of yen)	316,444	328,491	103.8
Operating profit (Millions of yen)	11,308	11,111	98.3
Ordinary profit (Millions of yen)	12,418	12,254	98.7
Profit (Millions of yen)	8,339	7,964	95.5

The Japanese economy during the fiscal year under review continued a moderate economic recovery amid firm domestic and external demand. However, uncertainties remain such as the effect on the establishment of import tariffs by the United States and the geopolitical risks in the Middle East and the Korean Peninsula. In the consumption environment in Japan, despite a moderate recovery in personal consumption supported by improvements in the employment and personal income environments, there still remains entrenched budget mindedness among consumers. In the home center industry, the growing intensification of competition going beyond the conventional boundaries of business fields, as well as rising costs such as labor costs squeezed sales and profits and created a difficult business environment.

Operating under these circumstances, the Group's operating results by business in the fiscal year under review were as follows.

Home Center business

In the Home Center business during the fiscal year under review, we focused efforts on measures to vitalize stores by creating standard models for each of the store formats of Power stores (PW stores), Home Center stores (HC stores), and Hard & Green stores (H&G stores), and started a horizontal roll-out of such models to new stores and existing stores. Based on this approach, we renovated a total of 156 existing stores, comprising 14 PW stores, 13 HC stores and 129 HG stores during the fiscal year under review. In addition, in all of our PW stores, we boosted sales by realizing robust figures for number of customers and number of items purchased at PW stores through further promotion of EDLP (everyday low price) measures. As a result

of our efforts in this regard, sales at existing stores during the fiscal year under review rose 1.1% year on year and exceeded year-on-year results.

The number of cardholders of the cards that consolidated subsidiary KOMERI CAPITAL Co., Ltd. independently issues such as KOMERI Card (credit card) and AQUA Card (prepaid card) has been steadily increasing, surpassing 2,900,000 members during the fiscal year under review. In addition to offering customers diverse payment methods, these cards enable us to identify our customers' product needs in a timely manner.

Stores

The new store openings were predominantly in the Hokkaido district and the Kanto district. We have opened 8 PW stores; 2 in Hokkaido Prefecture and 1 in each of Miyagi Prefecture, Nagano Prefecture, Gunma Prefecture, Chiba Prefecture, Mie Prefecture, and Nara Prefecture, 7 HC stores; 1 in each of Hokkaido Prefecture, Iwate Prefecture, Gunma Prefecture, Tochigi Prefecture, Ibaraki Prefecture, Shizuoka Prefecture, and Gifu Prefecture, and 2 H&G stores; 1 in each of Akita Prefecture and Nagano Prefecture. Additionally, 1 HC store (Niigata Prefecture) was converted into a PW store, 2 H&G stores (Tochigi Prefecture and Toyama Prefecture) were converted into HC stores, and 2 HC stores, 7 HG stores and 4 ATHENA stores (AT stores) were closed. As a result, the number of stores at the end of the fiscal year under review stood at 1,186 stores, consisting of 53 PW stores, 163 HC stores, 961 H&G stores, and 9 AT stores.

In March 2018, we established the Hokkaido Distribution Center in Tomakomai City, Hokkaido, the 10th location nationwide, as a base for store network expansion in the Hokkaido District.

Consolidated operating results

	Year ended March 31, 2017	Year ended March 31, 2018	Year-on-year comparison (%)
Net sales (Millions of yen)	313,603	325,576	103.8
Number of stores	1,182	1,186	—
Number of stores newly opened	17	17	—

Operating results of Home Center division (by product category)

- Hardware and building materials

Sales of power tools and related parts, and thermal wear were firm. In addition, sales of household equipment for kitchen, bath, bathroom sink, and the like were strong. As a result, net sales in this product category rose 4.6% year on year to 100,723 million yen.

- Gardening and agricultural goods

Sales of string trimmers, herbicides, and Group-developed irrigation supplies were firm. In addition, sales of plants, particularly vegetable seedlings and cut flowers were also firm. As a result, net sales in this product category rose 3.4% to 77,013 million yen.

- Household goods

Sales of air conditioners, fan heaters, and other home heating/cooling appliances, and bedding such as futon mattresses were firm. As a result, net sales in this product category rose 0.7% to 85,806 million yen.

- Office and leisure goods

Sales of furniture and storage goods centered on Group-developed storage boxes and legless chairs, and so forth were firm. In addition, sales of automotive goods such as car washing goods and tires were also firm. As a result, net sales in this product category rose 2.7% to 45,450 million yen.

- Kerosene and others

Sales of kerosene greatly exceeded year-on-year results, as a result of rising unit prices for kerosene due to market price conditions and increased sales volume due to the drop in temperatures. As a result, net sales in this product category rose 24.3% to 16,581 million yen.

Net sales results by product category

Product category	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)		Year-on-year comparison (%)
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)	
Hardware and building materials	96,296	30.7	100,723	30.9	104.6
Gardening and agricultural goods	74,506	23.7	77,013	23.7	103.4
Household goods	85,223	27.2	85,806	26.3	100.7
Office and leisure goods	44,239	14.1	45,450	14.0	102.7
Kerosene and others	13,336	4.3	16,581	5.1	124.3
Home Center division total	313,603	100.0	325,576	100.0	103.8

Operating results of other divisions

- Logistics

HOKUSEI SANGYO Co., Ltd. operates distribution centers which function as the logistics bases of the Group, and it established the above-mentioned Hokkaido Distribution Center in Tomakomai City, Hokkaido Prefecture, the 10th location nationwide.

- Information technology

BIT-A Co., Ltd. develops, operates and maintains such computer systems as POS, logistics, online shopping, and Web-EDI.

- Credit cards

KOMERI CAPITAL Co., Ltd. performs card business, other contingent business and insurance agent business. As mentioned above, the number of cardholders exceeded 2,900,000 members and the company is working to respond to diverse methods of payment made at stores.

Other businesses

LIFE KOMERI Co., Ltd. sells liquefied petroleum gas, gasoline, kerosene, and related equipment. This company secured top share in liquefied petroleum gas sales in Niigata Prefecture and has expanded its network of sales offices into Nagano Prefecture.

MOVIE TIME Co., Ltd. sells books, etc.

As a result of the above, operating revenue in the fiscal year under review rose 3.8% on a consolidated basis from the previous fiscal year to 341,956 million yen. Operating profit rose 1.6% to 16,964 million yen and ordinary profit rose 1.6% to 17,087 million yen. Profit attributable to owners of the parent fell 1.0% to 10,907 million yen.

2) Outlook for the year ending March 31, 2019

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	182,000	103.4%	358,000	104.7%
Operating profit (Millions of yen)	12,200	107.4%	18,700	110.2%
Ordinary profit (Millions of yen)	12,400	108.2%	18,800	110.0%
Profit attributable to owners of the parent (Millions of yen)	8,100	106.5%	11,700	107.3%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	176,000	103.9%	344,000	104.7%
Operating profit (Millions of yen)	9,400	114.4%	12,800	115.2%
Ordinary profit (Millions of yen)	10,000	113.6%	13,900	113.4%
Profit (Millions of yen)	6,700	112.5%	8,700	109.2%

With respect to our outlook for the year ending March 31, 2019, Japan is expected to continue experiencing uncertainty in the economic outlook, and personal consumption is expected to recover at a slow pace.

In the home center industry, the operating environment is expected to remain difficult owing to sales competition going beyond the conventional boundaries of business fields and business formats, such as Internet sales and drugstores, and further deterioration in the profit margin due to an increase in costs such as labor costs.

Facing these circumstances, the Group will stick to the basic focus of its business, which is to provide customers with good products at lower prices, while also making efforts to further strengthen global sourcing and selling power.

As a major policy measure, the Group will focus efforts on further promoting EDLP and developing new products that are supported by customers. In addition, the Group will further develop the standard models for each store format and work on horizontal roll-out of such models to new stores and existing stores. In Hokkaido, the Group will newly begin operations of the Hokkaido District Headquarters, where the Group will conduct the district-based opening of new stores, management and operations of stores. Following these management practices, the Group will be operating stores across Japan according to an eight-district system so that stores can be more specifically matched to the diversifying needs of customers of local areas. Furthermore, by improving the business processes at stores through BPR (business process re-engineering) the Group will promote low-cost operations.

The Group plans to open a total of 30 stores: 11 PW stores, 6 HC stores (including stores converted from H&G stores), and 13 H&G stores, and strive for even greater dominance in the areas where new stores are opened.

Taking the above-mentioned circumstances into consideration, for the year ending March 31, 2019, on a consolidated basis, the Group expects operating revenue to rise 4.7% year on year to 358,000 million yen, operating profit to rise 10.2% to 18,700 million yen, ordinary profit to rise 10.0% to 18,800 million yen and profit attributable to owners of the parent to rise 7.3% to 11,700 million yen.

(2) Overview of financial position for the year ended March 31, 2018

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 13,209 million yen from the previous fiscal year-end to 319,771 million yen. This was mainly due to increases in property, plant and equipment of 10,971 million yen, merchandise inventories of 1,698 million yen and trade notes and accounts receivable of 1,634 million yen.

Liabilities increased by 3,492 million yen from the previous fiscal year-end to 154,813 million yen. This was mainly due to increases in long-term debt including current portion of 4,519 million yen, other accounts payable of 3,238 million yen and equipment notes payable of 953 million yen, although there was a decrease in short-term bank loans of 7,000 million yen.

Net assets increased by 9,716 million yen from the previous fiscal year-end to 164,958 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2017	Year ended March 31, 2018	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	26,719	22,400	(4,318)
Net cash used in investing activities (Millions of yen)	(13,923)	(16,914)	(2,990)
Net cash used in financing activities (Millions of yen)	(14,854)	(6,229)	8,625
Increase (decrease) in cash and cash equivalents (Millions of yen)	(2,059)	(748)	1,311
Cash and cash equivalents, end of year (Millions of yen)	7,568	6,819	(748)

Cash and cash equivalents (“cash”) at the end of the fiscal year under review totaled 6,819 million yen. Factors affecting cash flows include the followings:

(Net cash provided by operating activities)

Net cash provided by operating activities decreased by 16.2% from the previous fiscal year to 22,400 million yen. The main sources of cash provided were profit before income taxes of 16,506 million yen in addition to adjustments for depreciation of 11,098 million yen. The main reason for cash usage was an increase in adjustments for income taxes paid of 5,379 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased by 21.5% from the previous fiscal year to 16,914 million yen. The main reason for cash usage was the purchases of property, plant and equipment.

(Net cash used in financing activities)

Net cash used in financing activities decreased by 58.1% from the previous fiscal year to 6,229 million yen. The main source of cash provided was proceeds from long-term debt of 9,000 million yen and the main reasons for cash usage were a decrease in short-term bank loans of 7,000 million yen, 4,480 million yen used for repayments of long-term debt and dividends paid of 1,924 million yen.

Trends in cash flow indices

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Equity ratio (%)	45.0	46.1	47.6	50.6	51.5
Equity ratio based on market prices (%)	48.0	47.6	38.1	45.5	44.9
Years of debt redemption (years)	3.5	5.5	3.5	2.4	2.8
Interest coverage ratio (times)	42.4	32.8	53.9	81.7	82.7

(Notes) 1. The calculation formulas are as follows:

Equity ratio: shareholders' equity/total assets

Equity ratio based on market prices: market capitalization/total assets

Years of debt redemption: interest-bearing liabilities/operating cash flow

Interest coverage ratio: operating cash flow/interest payments

2. Each of the foregoing indices is calculated on the basis of consolidated financial data.
3. "Market capitalization" is calculated by multiplying the share price on the final day of the fiscal year by the number of issued shares on the same day (excluding treasury stock).
4. For "operating cash flow," we use the figure of "net cash provided by operating activities" in the consolidated statement of cash flows.
5. "Interest-bearing liabilities" refers to all liabilities on the consolidated balance sheet on which interest payments are made. For "interest payments," we use the figure of "interest expense" in the consolidated statement of cash flows.

(3) Basic policy on distribution of profits and dividends for the fiscal year under review and the next fiscal year

The Group places the highest priority on increasing returns to shareholders by constantly raising its corporate value. When distributing profits, we strive, in principle, to continuously provide stable dividends while strengthening the Group's operating base and financial structure.

We aim to use our internal reserves for new store openings, expansions and renovations of existing stores, and BPR centered on logistics information systems in order to enhance corporate value.

To show our gratitude to our shareholders, we will pay a year-end dividend of 20 yen per share, as announced on October 31, 2017. As a result, the annual dividend will be 39 yen per share including an interim dividend of 19 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 40 yen per share, consisting of an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share.

2. Management policy

(1) Fundamental management policy

The Group's philosophy is based on the concept that "A company should serve the purpose of making people happy, and by making people happy, it will be supported by society, and thus remain a going concern." This has not changed since the Company was founded.

Based on the above management philosophy, the Group leverages its strengths in business areas normally handled by home centers such as those involving building materials, hardware and agricultural materials, and is also working to modernize obsolete distribution systems in such areas of business.

(2) Target management indices

The Group is targeting the goals of achieving "33.3% labor's share, 10% ROA, and 10% ROE" and is striving to increase productivity of both our people and our capital.

As of the end of the fiscal year under review, ROA and ROE stood at 5.5% and 6.8%, respectively.

(3) The medium-to-long-term management strategy

Over the three years beginning with the fiscal year ended March 31, 2017, we have been working to heighten the productivity of both our people and our capital, and take steps to establish a business infrastructure geared to attaining further growth, as we aim to achieve the Group's target management indices.

Concerning the "Komeri Group's Medium-Term Management Plan," which was announced on April 26, 2016, actual progress up until the fiscal year ended March 31, 2018 fell behind schedule. Accordingly, the Group has downwardly revised operating revenue and operating profit for the fiscal year ending March 31, 2019 to 358,000 million yen and 18,700 million yen, respectively.

(4) Issues to be addressed

The environment surrounding the Group is forecast to become increasingly difficult, characterized by changes in the market due to a declining birthrate and aging population and declines in the population and by the intensified sales competition beyond the conventional boundaries of business fields and business formats, such as internet sales.

Facing these circumstances, we in the Group will concentrate on "home" and "agriculture" and differentiate ourselves from our competitors by further developing products and strengthening sales systems and services, and aim for sustainable growth and development.

(i) Store opening strategies

We will work to establish high-density areas of market dominance by launching stores under a "clustered store development strategy" which hinges on store formats specifically tailored to conditions in regional markets where we launch new stores.

(ii) Agricultural fields

The Group will devise plans to contribute to the further development of agriculture in Japan and support the industrialization of Japan's agriculture through the provision of low-cost agricultural materials, financial support, agricultural business guidance by expert agricultural advisors, and assistance for agricultural produce distribution.

(iii) e-commerce

The Group will improve convenience and meet diversifying needs for customers by integrating the physical stores it is developing across Japan with e-commerce to provide such services as a product holding service that allows customers to check the inventories at all stores in real time.

(iv) Card business

The Group will further promote the acquisition of cardholders to further solidify the customer base. For example, the Group will further enhance FSP and services that are increasingly beneficial the

more they are used, thereby boosting customer convenience. In addition to promoting the information-linked services with sales promotions that utilize big data, the Group will provide support for diverse payment methods such as cashless settlement options.

(v) Promotion of diversity

By promoting to make the onsite business processes at stores “easier, better, faster, and cheaper” through BPR, the Group will run its business at low cost and improve its work environment so that a diverse workforce can play more active roles.

(5) Initiatives for the environment and society

The Group is actively taking measures to address issues relating to ESG (Environment, Society and Governance) for a sustainable social contribution and enhancement of corporate value.

(i) The environment

The Group believes that its efforts in the area of gardening and agriculture through the Home Center business, contribute to improving the environment such as preventing global warming.

• Products

The Group sources cedar grown in Japan for the plywood used as structural components in Group-developed products. Generally, gaseous carbon that causes global warming is stored as solid carbon inside the organization of plants, which absorb carbon dioxide as they grow. Therefore, the active use of wood, which is nearly half composed of carbon, is effectively a measure to mitigate global warming. Furthermore, Japan’s forests are approaching an age suitable for felling, and the Japanese government is promoting the active use of Japan-grown timber from the perspective of environmental conservation. The Group believes that through the effective operation of the cycle of planting and felling, it becomes possible to use a sustainable forestry resource, and this can also contribute as a countermeasure against global warming and environmental conservation in Japan.

• Logistics and stores

The products that suppliers deliver to the Group are first gathered at the ten distribution centers situated across Japan. From there, the products are delivered in bulk to stores, which reduces the number of vehicles. Through doing this, the Group is able to reduce the volume of its carbon dioxide emissions. Furthermore, the Group is working to reduce packing materials and load trucks with greater space efficiency by actively using reusable transit boxes and special-purpose pallets as logistics containers.

The Group has established environment stations at the respective distribution centers in Niigata, Hanamaki, Takasaki, Ibaraki, Mie, and Okayama, and is promoting reduction and recycling of waste materials such as cardboard and polyvinyl. Moreover, the Group is working to reduce the amount of energy it uses by adopting energy-efficient lighting and air conditioning in its stores.

• Solar power generation

Since 2013, the Group has been operating solar power generation facilities that utilize the rooftop space of buildings. Currently, the Group is operating such facilities at 12 stores and 4 distribution centers.

(ii) Society

The Group makes concerted efforts to contribute to the societies of local regions through its Home Center business.

- Social contribution activities

In 1990, the Group established the Komeri Greenery Fund, and over the 28 years since the fund's establishment, it has been using 1% of each year's profit as funding to continue greening activities for the regions, promotion of agriculture, the development of infrastructures for the stable supply of goods in the event of disaster, and social contribution programs aimed at contributing to culture and society.

The Komeri Greenery Aid Foundation conducts activities such as projects to contribute to production technology and productivity improvement in the gardening and agricultural fields, providing assistance to local greening activities, and the "Komeri Greenery Fund Volunteer" program.

Komeri Disaster Response Center NPO works to construct networks that unite each local government in Japan, the Group and cooperating companies so that when a disaster occurs, the necessary supply of materials can be carried out swiftly and smoothly.

- (iii) Governance

The Company's Corporate Governance Report is available from the following URL:
<http://www.komeri.bit.or.jp/ir/governance/index.html>

3. Basic rationale for selecting the accounting standard

As the Company is currently engaged in business within Japan, among other reasons, the Company's policy in the immediate term is to prepare its consolidated financial statements on the basis of Japanese GAAP.

The Company intends to examine the application of International Financial Reporting Standards (IFRS) in consideration of such factors as future business development and trends inside and outside Japan.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	7,858	7,124
Notes and accounts receivable - trade	14,443	16,078
Merchandise and finished goods	106,243	107,941
Raw materials and supplies	184	264
Prepaid expenses	1,775	1,532
Deferred tax assets	1,173	1,167
Other	4,738	4,373
Allowance for doubtful accounts	(225)	(242)
Total current assets	136,192	138,240
Non-current assets		
Property, plant and equipment		
Buildings and structures	207,554	222,917
Accumulated depreciation	(105,733)	(111,567)
Buildings and structures, net	101,821	111,349
Machinery, equipment and vehicles	13,595	13,798
Accumulated depreciation	(10,039)	(10,626)
Machinery, equipment and vehicles, net	3,555	3,172
Land	28,998	31,077
Leased assets	10,181	9,813
Accumulated depreciation	(6,030)	(5,699)
Leased assets, net	4,151	4,113
Construction in progress	3,716	3,446
Other	13,218	13,838
Accumulated depreciation	(11,395)	(11,958)
Other, net	1,823	1,879
Total property, plant and equipment	144,066	155,038
Intangible assets		
Leasehold right	4,911	5,170
Other	2,520	2,443
Total intangible assets	7,432	7,613
Investments and other assets		
Investment securities	1,442	2,092
Long-term prepaid expenses	1,007	1,097
Deferred tax assets	6,578	6,651
Lease and guarantee deposits	9,255	8,505
Other	586	531
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	18,871	18,878
Total non-current assets	170,369	181,531
Total assets	306,562	319,771

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,325	27,026
Electronically recorded obligations - operating	22,383	23,403
Short-term loans payable	7,200	200
Current portion of long-term loans payable	4,480	17,169
Accounts payable - other	6,355	9,594
Accrued expenses	239	308
Lease obligations	1,618	1,604
Income taxes payable	3,223	3,589
Accrued consumption taxes	858	998
Provision for bonuses	1,663	1,573
Provision for directors' bonuses	18	19
Provision for directors' retirement benefits	53	—
Provision for loss on store closing	74	44
Provision for point card certificates	581	656
Provision for loss on disaster	1	9
Notes payable - facilities	1,929	2,883
Other	3,083	3,448
Total current liabilities	82,091	92,530
Non-current liabilities		
Long-term loans payable	47,648	39,479
Lease obligations	3,333	3,205
Deferred tax liabilities	76	215
Provision for directors' retirement benefits	124	124
Net defined benefit liability	10,265	10,950
Long-term guarantee deposited	1,706	1,691
Asset retirement obligations	5,710	6,286
Other	363	328
Total non-current liabilities	69,229	62,283
Total liabilities	151,321	154,813
Net assets		
Shareholders' equity		
Capital stock	18,802	18,802
Capital surplus	25,260	25,260
Retained earnings	120,919	129,901
Treasury shares	(9,147)	(9,126)
Total shareholders' equity	155,835	164,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	162	586
Deferred gains or losses on hedges	(53)	(9)
Remeasurements of defined benefit plans	(823)	(580)
Total accumulated other comprehensive income	(714)	(3)
Share acquisition rights	120	123
Total net assets	155,241	164,958
Total liabilities and net assets	306,562	319,771

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	318,547	330,711
Cost of sales	217,208	225,678
Gross profit	101,339	105,032
Operating revenue		
Rent income of real estate	11,040	11,244
Operating gross profit	112,379	116,277
Selling, general and administrative expenses		
Advertising expenses	4,410	4,342
Sales supplies expenses	689	654
Provision for point card certificates	581	656
Salaries and allowances	31,712	33,171
Bonuses	2,051	1,758
Welfare expenses	6,240	6,391
Provision for bonuses	1,663	1,573
Provision for directors' bonuses	18	19
Retirement benefit expenses	1,452	1,347
Supplies expenses	891	1,068
Utilities expenses	3,933	4,275
Taxes and dues	2,536	2,718
Enterprise tax	903	961
Rent expenses	11,647	12,067
Depreciation	11,091	11,098
Store maintenance expenses	1,737	1,800
Other	14,128	15,407
Total selling, general and administrative expenses	95,690	99,313
Operating profit	16,689	16,964
Non-operating income		
Interest income	22	18
Dividend income	31	166
Foreign exchange gains	160	111
Gain on valuation of derivatives	120	68
Compensation income	82	29
Other	301	263
Total non-operating income	717	658
Non-operating expenses		
Interest expenses	327	271
Loss on settlement of derivatives	132	79
Burial cultural asset investigation expense	8	72
Other	126	112
Total non-operating expenses	595	535
Ordinary profit	16,811	17,087

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Extraordinary income		
Insurance income	301	74
Compensation income	703	288
Total extraordinary income	1,004	362
Extraordinary losses		
Loss on disposal of non-current assets	410	154
Impairment loss	842	716
Loss on disaster	432	73
Total extraordinary losses	1,686	943
Profit before income taxes	16,129	16,506
Income taxes - current	5,318	5,872
Income taxes - deferred	(206)	(273)
Total income taxes	5,112	5,598
Profit	11,017	10,907
Profit attributable to owners of parent	11,017	10,907

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	11,017	10,907
Other comprehensive income		
Valuation difference on available-for-sale securities	101	423
Deferred gains or losses on hedges	46	44
Remeasurements of defined benefit plans, net of tax	329	242
Total other comprehensive income	477	710
Comprehensive income	11,495	11,618
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,495	11,618
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,802	25,260	111,776	(9,145)	146,693
Changes of items during period					
Dividends of surplus			(1,873)		(1,873)
Profit attributable to owners of parent			11,017		11,017
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	9,143	(1)	9,141
Balance at end of current period	18,802	25,260	120,919	(9,147)	155,835

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	60	(100)	(1,152)	(1,192)	97	145,599
Changes of items during period						
Dividends of surplus						(1,873)
Profit attributable to owners of parent						11,017
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	101	46	329	477	22	500
Total changes of items during period	101	46	329	477	22	9,641
Balance at end of current period	162	(53)	(823)	(714)	120	155,241

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,802	25,260	120,919	(9,147)	155,835
Changes of items during period					
Dividends of surplus			(1,924)		(1,924)
Profit attributable to owners of parent			10,907		10,907
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(0)	(0)	23	22
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	8,982	20	9,002
Balance at end of current period	18,802	25,260	129,901	(9,126)	164,838

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	162	(53)	(823)	(714)	120	155,241
Changes of items during period						
Dividends of surplus						(1,924)
Profit attributable to owners of parent						10,907
Purchase of treasury shares						(2)
Disposal of treasury shares						22
Net changes of items other than shareholders' equity	423	44	242	710	2	713
Total changes of items during period	423	44	242	710	2	9,716
Balance at end of current period	586	(9)	(580)	(3)	123	164,958

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	16,129	16,506
Depreciation	11,091	11,098
Impairment loss	842	716
Loss (gain) on valuation of derivatives	(120)	(68)
Loss on disaster	432	64
Insurance income	(301)	(74)
Compensation income	(25)	(51)
Increase (decrease) in provision for bonuses	(256)	(90)
Increase (decrease) in provision for directors' bonuses	(18)	0
Increase (decrease) in net defined benefit liability	1,157	1,034
Increase (decrease) in provision for directors' retirement benefits	-	(53)
Increase (decrease) in provision for point card certificates	119	75
Increase (decrease) in provision for loss on store closing	(17)	(30)
Increase (decrease) in allowance for doubtful accounts	8	17
Interest and dividend income	(53)	(185)
Interest expenses	327	271
Loss (gain) on disposal of property, plant and equipment	410	153
Decrease (increase) in notes and accounts receivable - trade	(1,528)	(1,634)
Decrease (increase) in inventories	263	(1,778)
Decrease (increase) in accounts receivable - other	(546)	582
Decrease (increase) in deposits paid	2,390	(292)
Increase (decrease) in notes and accounts payable - trade	2,197	(277)
Increase (decrease) in accounts payable - other	663	843
Increase (decrease) in accrued consumption taxes	(814)	140
Other, net	61	843
Subtotal	32,414	27,809
Interest and dividend income received	51	181
Interest expenses paid	(327)	(271)
Income taxes paid	(5,232)	(5,379)
Proceeds from compensation	25	51
Proceeds from insurance income	37	74
Payments for loss on disaster	(250)	(64)
Net cash provided by (used in) operating activities	26,719	22,400

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from investing activities		
Net decrease (increase) in time deposits	25	(0)
Purchase of property, plant and equipment	(12,901)	(15,573)
Proceeds from sales of property, plant and equipment	489	167
Purchase of intangible assets	(1,347)	(1,054)
Net Decrease (increase) in lease and guarantee deposits	56	(114)
Other, net	(246)	(339)
Net cash provided by (used in) investing activities	(13,923)	(16,914)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(11,500)	(7,000)
Proceeds from long-term loans payable	8,000	9,000
Repayments of long-term loans payable	(7,510)	(4,480)
Repayments of lease obligations	(1,970)	(1,822)
Purchase of treasury shares	(1)	(2)
Proceeds from disposal of treasury shares	0	0
Cash dividends paid	(1,872)	(1,924)
Net cash provided by (used in) financing activities	(14,854)	(6,229)
Effect of exchange rate change on cash and cash equivalents	(0)	(5)
Net increase (decrease) in cash and cash equivalents	(2,059)	(748)
Cash and cash equivalents at beginning of period	9,628	7,568
Cash and cash equivalents at end of period	7,568	6,819

(5). Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Segment information, etc.)

a. Segment information

Disclosure of the Group's reportable segments has been omitted as the Group only operates the Home Center business.

b. Related information

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Information by products and services

This information has been omitted, as sales to external customers in a single product or service category account for more than 90% of sales recorded on the consolidated statement of income.

2. Information by geographic area

(1) Sales

This information has been omitted, as the Company has no sales from customers outside Japan.

(2) Property, plant and equipment

This information has been omitted, as the Company has no property, plant and equipment outside Japan.

3. Information by major customer

This information has been omitted, as there were no sales from a single external customer accounting for 10% or more of sales on the consolidated statement of income.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Information by products and services

This information has been omitted, as sales to external customers in a single product or service category account for more than 90% of sales recorded on the consolidated statement of income.

2. Information by geographic area

(1) Sales

This information has been omitted, as the Company has no sales from customers outside Japan.

(2) Property, plant and equipment

This information has been omitted, as the Company has no property, plant and equipment outside Japan.

3. Information by major customer

This information has been omitted, as there were no sales from a single external customer accounting for 10% or more of sales on the consolidated statement of income.

c. Information on impairment loss of non-current assets by reportable segment

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

This information has been omitted, as the Group has only one reportable segment, which is the Home Center business, and there is no impairment loss that has not been allocated to the reportable segment.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

This information has been omitted as the Group has only one reportable segment, which is the Home Center business, and there is no impairment loss that has not been allocated to the reportable segment.

d. Information on amortization of goodwill and unamortized balance by reportable segment

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Not applicable.

e. Information on gains on negative goodwill by reported segment

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Not applicable.

(Earnings per share)

	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Net assets per share (Yen)	3,062.98	3,254.23
Earnings per share (Yen)	217.54	215.35
Diluted earnings per share (Yen)	217.32	215.12

(Notes) 1. The basis of the calculation of net assets per share is as follows.

	As of March 31, 2017	As of March 31, 2018
Total net assets (Millions of yen)	155,241	164,958
Amounts to be deducted from total net assets (Millions of yen)	120	123
[Of the above, share acquisition rights (Millions of yen)]	[120]	[123]
Net assets at the end of period, related to common shares (Millions of yen)	155,121	164,834
Number of common shares at end of period used in the calculation of net asset per share (Thousands of shares)	50,643	50,652

2. The basis of calculating earnings per share and diluted earnings per share is as follows:

	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Earnings per share		
Profit attributable to owners of the parent (Millions of yen)	11,017	10,907
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available of common shares (Millions of yen)	11,017	10,907
Average number of shares during the period (Thousands of shares)	50,644	50,650
Diluted earnings per share		
Profit attributable to owners of the parent (Millions of yen)	–	–
Increase in the number of common shares (Thousands of shares)	51	53
[Of the above, share acquisition rights (Millions of yen)]	(51)	(53)
Overview of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	–	–

(Significant subsequent events)

Not applicable.

5. Others

Sales results

Product category	Year ended March 31, 2017		Year ended March 31, 2018		Year-on-year comparison (%)
	(April 1, 2016 to March 31, 2017)		(April 1, 2017 to March 31, 2018)		
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)	
Hardware and building materials	96,296	29.2	100,723	29.5	104.6
Gardening and agricultural goods	74,506	22.6	77,013	22.5	103.4
Household goods	85,223	25.9	85,806	25.1	100.7
Office and leisure goods	44,239	13.4	45,450	13.3	102.7
Kerosene and others	13,336	4.1	16,581	4.8	124.3
Home Center division total	313,603	95.2	325,576	95.2	103.8
Others	4,944	1.5	5,135	1.5	103.8
Total net sales	318,547	96.7	330,711	96.7	103.8
Operating income	11,040	3.3	11,244	3.3	101.9
Operating revenue	329,588	100.0	341,956	100.0	103.8

(Note) The respective contents by each product listed above are as follows:

Hardware and building materials

(Building construction hardware, building materials, fittings, tools, paint and interior furnishings, workwear, etc.)

Gardening and agricultural goods

(Gardening and agricultural equipment, plants, etc.)

Household goods

(Commodities and household goods, major appliances, interior items, clothing and accessories, etc.)

Office and leisure goods

(Office supplies, furniture and storage containers, sports and leisure items, stationery and toys, pet supplies, car accessories, etc.)

Reference

Ten-year consolidated financial and operating results of Komeri Co., Ltd.

(JPY in millions)

	Five-Year Compound Annual Growth Rate	Fiscal year (FY) starting April 1, ending March 31 next year										
		FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007
<Profit and loss data>	%											
Operating revenue	1.4	341,956	329,588	324,343	316,969	335,567	319,245	312,017	298,594	285,480	277,557	273,889
Revenue growth rate	—	3.8	1.6	2.3	△ 5.5	5.1	2.3	4.5	4.6	2.9	1.3	5.7
Cost of sales	1.3	225,678	217,208	212,497	207,222	223,185	211,149	205,609	200,896	192,797	188,043	186,491
Selling, general and administrative expenses	2.2	99,313	95,690	93,917	93,638	92,134	88,917	86,181	81,829	77,611	74,798	71,808
Operating profit	△ 2.4	16,964	16,689	17,928	16,108	20,246	19,178	20,226	15,869	15,072	14,716	15,591
Operating profit growth rate	—	1.6	△ 6.9	11.3	△ 20.4	5.6	△ 5.2	27.5	5.3	2.4	△ 5.6	0.5
Profit before income taxes	△ 0.8	16,506	16,129	15,229	12,049	18,027	17,183	18,820	10,347	12,474	11,495	14,431
Net income attributable to owners of the parent	1.8	10,907	11,017	9,585	7,171	10,573	10,000	9,687	5,698	6,460	6,421	8,293
Net income attributable to owners of the parent growth rate	—	△ 1.0	14.9	33.7	△ 32.2	5.7	3.2	70.0	△ 11.8	0.6	△ 22.6	-10.4
Earnings per share	1.8	215.35	217.54	189.33	141.44	208.22	196.94	190.78	111.86	126.39	124.27	157.19
Earnings per share growth rate	—	△ 1.0	14.9	33.9	△ 32.1	5.70	3.2	70.6	△ 11.5	1.7	△ 20.9	-10.2
Average number of shares issued during the period (thousand)	△ 0.1	50,650	50,644	50,630	50,704	50,784	50,779	50,777	50,942	51,113	51,672	52,890
Gross margin ratio	—	34.0	34.1	34.5	34.6	33.5	33.9	34.1	32.7	32.5	32.3	31.9
SG&A expenses to operating revenue	—	29.0	29.0	29.0	29.5	27.5	27.9	27.6	27.4	27.2	26.9	26.2
Operating profit ratio	—	5.0	5.1	5.5	5.1	6.0	6.0	6.5	5.3	5.3	5.3	5.7
Interest-bearing debt ratio	—	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.2
Pretax profit margin	—	4.8	4.9	4.7	3.8	5.4	5.4	6.0	3.5	4.4	4.1	6
Net income ratio	—	3.2	3.3	3.0	2.3	3.2	3.1	3.1	1.9	2.3	2.3	3
<Balance sheet data>	%											
Total assets	3.3	319,771	306,562	305,496	301,128	296,811	272,073	257,609	247,689	239,832	242,290	229,783
Inventory assets	3.3	107,941	106,243	106,660	103,736	98,944	91,649	88,231	79,724	83,755	80,070	76,074
Non-current assets	2.7	181,531	170,369	167,082	167,280	163,540	158,544	149,196	121,793	139,266	124,286	113,518
Non-current liabilities	12.0	62,283	69,229	65,040	54,984	43,934	35,370	26,409	28,577	18,935	23,516	18,897
Shareholders' equity	5.7	164,838	155,835	146,693	138,793	133,668	124,912	116,739	108,498	105,129	100,792	97,541
Net assets per share	5.7	3,254.2	3,063.0	2,873.0	2,746.5	2,631.9	2,467.8	2,300.0	2,136.7	2,058.1	1,967.0	1,880.0
Non-current liabilities ratio	—	37.8	44.4	44.3	39.6	32.9	28.3	22.6	26.3	18.0	23.3	19.4
Current ratio	—	1.49:1	1.66:1	1.46:1	1.25:1	1.12:1	1.02:1	0.95:1	0.94:1	0.87:1	0.83:0	0.85:1
Equity ratio	—	51.5	50.6	47.6	46.1	45.0	46.1	45.3	43.8	43.8	41.6	42.5
Inventory turnover ratio	—	3.2	3.1	3.1	3.1	3.5	3.5	3.7	3.7	3.5	3.5	3.3
Return on equity (ROE)	—	6.8	7.3	6.7	5.3	8.2	8.3	8.6	5.3	6.3	6.5	8.7
Return on assets (ROA)	—	3.4	3.6	3.1	2.4	3.7	3.7	3.8	2.3	2.7	2.7	3.7
<Cash flow data>	%											
Depreciation	△ 1.2	11,098	11,091	11,686	12,123	11,840	11,778	12,065	11,487	11,408	11,176	7,714
Cash flows from operating activities	5.0	22,400	26,719	21,834	14,900	22,293	17,511	17,620	20,535	19,928	13,131	15,067
Cash flows from investing activities	△ 1.1	△ 16,914	△ 13,923	△ 12,875	△ 17,088	△ 18,149	△ 17,913	△ 17,480	△ 9,975	△ 8,317	△ 14,529	△ 15,702
Cash flows from financing activities	62.8	△ 6,229	△ 14,854	△ 8,311	△ 1,539	5,543	△ 544	△ 6,306	△ 7,829	△ 12,239	△ 252	560
Cash dividends per share (yen)	1.6	39.0	38.0	36.0	36.0	36.0	36.0	34.0	34.0	34.0	34.0	34.0
<Store Data>	%											
Number of stores	1.0	1,186	1,182	1,178	1,169	1,150	1,126	1,089	1,047	986	949	921
Number of Komeri Power stores	16.2	53	44	40	38	28	25	21	18	12		
Number of Komeri Home Center stores	3.1	163	157	150	147	145	140	132	126	127	139	138
Number of Komeri Hard & Green stores	0.3	961	968	975	970	962	945	919	885	847	810	783
Athena	△ 10.9	9	13	13	14	15	16	17	18			
Stores operated by subsidiaries	—	0	0	0	0	0	0	0	0	0	14	14
Sales floor space (square meters)	4.2	2,177,881	2,080,241	1,997,646	1,958,232	1,858,724	1,775,021	1,657,833	1,556,329	1,462,352	1,348,673	1,234,399
Average number of employees	1.3	9,594	9,450	9,402	9,354	9,340	8,985	8,625	8,164	7,856	7,414	7,180
Sales per employee(thousands of yen)	0.1	35,643	34,877	34,497	33,886	35,928	35,531	36,176	36,574	36,339	37,437	37,788
Comparable store sales growth	—	1.1	△ 0.1	△ 0.3	△ 8.5	1.6	△ 1.1	1.4	2.5	0.8	△ 3.3	0.9