

# **INVESTORS' GUIDE**

## **2021**



**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, 2021  
(Based on Japanese GAAP)**

April 27, 2021

Company name: KOMERI CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 8218 URL <https://www.komeri.bit.or.jp>  
 Representative: President, CEO 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 25, 2021  
 Scheduled date to file Securities Report: June 25, 2021  
 Scheduled date to commence dividend payments: June 28, 2021  
 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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	385,700	10.7	30,326	64.2	30,369	63.1	20,402	70.9
Year ended March 31, 2020	348,573	0.5	18,469	1.9	18,625	2.1	11,941	9.2

	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, 2021	410.25	–	10.7	8.9	7.9
Year ended March 31, 2020	236.58	236.36	6.7	5.7	5.3

(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, 2021	348,159	200,561	57.6	4,032.90
As of March 31, 2020	331,140	181,990	55.0	3,659.43

(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, 2021	36,553	(14,232)	(14,569)	17,082
Year ended March 31, 2020	24,475	(9,816)	(9,039)	9,330

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, 2020	–	21.00	–	21.00	42.00	2,110	17.8	1.2
Year ended March 31, 2021	–	22.00	–	23.00	45.00	2,243	11.0	1.2
Year ending March 31, 2022 (Forecast)	–	23.00	–	23.00	46.00		13.2	

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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, 2021	209,000	2.7	19,200	(6.8)	19,300	(7.0)	12,800	(9.3)	257.38
Full year	382,000	0.0	27,500	(8.6)	27,600	(8.4)	17,300	(14.6)	347.87

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021

(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, 2021	54,409,168 shares	As of March 31, 2020	54,409,168 shares
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Number of treasury shares at the end of the period

As of March 31, 2021	4,677,861 shares	As of March 31, 2020	4,677,174 shares
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Average number of shares during the period

Year ended March 31, 2021	49,731,747 shares	Year ended March 31, 2020	50,474,190 shares
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## 1. Overview of operating results and others

### (1) Overview of operating results for the year ended March 31, 2021

#### 1) Operating results for the year ended March 31, 2021

The Japanese economy during the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021) faced tough times due to continued weak personal consumption and employment conditions stemming from the lasting effects of COVID-19. Furthermore, although the economy is expected to pick up, backed by progress of vaccination, etc., economic uncertainty over the future continues as risks of rebound of COVID-19 including threat of variant viruses have been far from eliminated.

In the retail industry the business environment has required major responses to changes, such as e-commerce and cashless settlement, because of measures to prevent infections of COVID-19 in addition to such factors as increasingly intense sales competition that transcends conventional boundaries of business sectors and formats and the impact of natural disasters.

In the home center industry, moves of industry restructuring through M&A between major companies have become evident, and competition involving other business sectors and formats has also been fiercer.

Operating under these circumstances, to fulfill its role in the social infrastructure, the Group worked to ensure steady supply of building materials for building contractors and other builders and agricultural materials for farmers as well as essential products related to home and everyday living including DIY goods and gardening materials used by many customers, utilizing a logistics network centered around 11 distribution centers across Japan. In addition, from the perspective of preventing infections of COVID-19, the Group has continued to operate business while calling for ensuring social distancing to avoid the “Three Cs,” closed spaces, crowded places and close-contact settings, at stores and making sure to strengthen disinfection of fixings in stores, wear a face mask, wash hands and take other measures with the utmost of consideration given to customers, employees and suppliers.

#### Home Center business

The Group aims to provide better products at lower prices and achieve a store model that makes customers feel that it is an essential part of their lives.

Regarding store opening, the Group opened a total of 25 stores: 10 Power stores, 12 Hard & Green stores, and three PRO stores. Regarding store closure, the Group closed 14 Hard & Green stores in conjunction with conversions to different formats, scrap and build, etc. As a result, the number of stores as of March 31, 2021 stood at 1,208 stores, consisting of 76 Power stores, 1,118 Hard & Green stores, six PRO stores, and eight Athena stores.

As for the overview of business operation, while the new normal where much time is spent at home due to refraining from going outside, etc. has been spreading, categories of tools, hardware and work-related products, renovation materials and exterior goods, and gardening and agricultural goods were strong as a result of potential needs for improvement of home environment becoming apparent. In addition, the sales ratio of private brand products also increased, and therefore, the amount of gross profit and the gross profit rate both grew significantly.

As for the overview of net site, some stores started “KOMERI PICK UP LOCKERS” service that allows items ordered online to be picked up from dedicated lockers placed in front of the stores anytime 24 hours a day, which was evolved from the previous product holding services in stores, and sales from this service were strong.

In April 2020, we renewed “KOMERI app,” our app for smart phones, and it was downloaded by as many as 600,000 users. Features newly added to the app included extra information such as the number of products in stock and the display location, thereby improving convenience for customers.

The number of cardholders of the cards that consolidated subsidiary KOMERI CAPITAL Co., Ltd. issues in-house such as KOMERI Card (credit card) and AQUA Card (prepaid card) has surpassed 4,000,000 members as of March 31, 2021, contributing to an increase in customer traffic. The Group has taken various

sales promotion measures by understanding customer needs in a timely manner, and is making progress in creating repeat customers by means of an FSP program in which the point return rate increases along with the frequency of usage.

Regarding cooperation with agricultural cooperatives (JA), the Company started full-fledged collaboration with JA Kamiina on March 1, 2020, and has been working to achieve three-way satisfaction among farmers, JA and the Company. The Company also started to cooperate with JA Yamagata Okitama in Yamagata Prefecture and JA Kinosato in Wakayama Prefecture in April 2021, and will continue its efforts to increase convenience for farmers.

#### Operating results of Home Center division (by product category)

##### Tools, hardware and work-related products

Sales of DIY products for improvement of home environment such as power tools, shelf rest used for wall space, and paint were healthy. In addition, sales of cold-proof boots and clothing were also strong due to record heavy snowfalls in the winter season. As a result, net sales in this product category rose 13.3% year on year to 68,483 million yen.

##### Renovation materials and exterior goods

Sales of DIY goods and gardening materials, such as lumber, tile carpets, bricks and garden gravel stones, in addition to materials for professional use were steady. Furthermore, sales of products related to improvement of home environment such as tool sheds and bathroom sinks were also strong. As a result, net sales in this product category rose 14.2% year on year to 55,879 million yen.

##### Gardening and agricultural goods

Sales of plants and culture soil for gardening, herbicides and string trimmers for weeds in gardens, and small tillers and fertilizers for home vegetable gardens were firm as a result of the increased time at home. In addition, sales of snow removal goods were also healthy due partly to record heavy snowfalls in the winter season. As a result, net sales in this product category rose 14.2% year on year to 87,929 million yen.

##### Commodities and pet supplies

High sales prices of hygienic products such as masks, hand soaps and alcohol-based sanitizers were maintained throughout the year as measures to prevent infections of COVID-19. In addition, sales of insecticides and repellents were also steady because insects entered rooms more easily since people were forced to ventilate rooms even in summer. As a result, net sales in this product category increased 5.3% year on year to 63,095 million yen.

##### Major appliances and leisure goods

Sales of cooling and heating equipment, such as air-conditioners and fan heaters, and humidifiers were brisk. Sales were also strong for camping goods such as barbeque stoves and coal for enjoyment as leisure at home and nearby places. As a result, net sales in this product category rose 16.1% year on year to 46,906 million yen.

##### Interior items and household goods

Sales of storage containers for kitchens and living rooms, cleaning goods and cookware were healthy. In addition, curtains, etc. were also steady, backed by demand for room redecoration. As a result, net sales in this product category increased 5.2% year on year to 33,318 million yen.

##### Kerosene and others

Although the number of customers and sales volume of kerosene remained the same as the previous year, the sales value was weak due to low unit price. As a result, net sales in this product category fell 10.5% year on year to 12,433 million yen.

#### Operating results of other divisions

##### - Logistics

HOKUSEI SANGYO Co., Ltd. operates 11 distribution centers nationwide which function as the logistics bases of the Group.

- 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. The number of cardholders exceeded 4,000,000 members and the company is working to respond to diverse methods of payment made at stores and to promote cashless settlement.

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 10.7% on a consolidated basis from the previous fiscal year to 385,700 million yen. Operating profit rose 64.2% to 30,326 million yen and ordinary profit rose 63.1% to 30,369 million yen. Profit attributable to owners of the parent rose 70.9% to 20,402 million yen.

Operating revenue by segment

(Millions of yen, %)

Product category	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)		Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	
	Amount	Year-on-year comparison	Amount	Year-on-year comparison
Home Center business				
Tools, hardware and work-related products	60,468	101.6	68,483	113.3
Renovation materials and exterior goods	48,943	102.4	55,879	114.2
Gardening and agricultural goods	77,007	100.2	87,929	114.2
Commodities and pet supplies	59,897	103.3	63,095	105.3
Major appliances and leisure goods	40,417	98.1	46,906	116.1
Interior items and household goods	31,664	98.0	33,318	105.2
Kerosene and others	13,894	96.7	12,433	89.5
Others	11,960	95.9	13,060	109.2
Home Center business total	344,252	100.5	381,107	110.7
Other businesses	4,320	97.6	4,593	106.3
Total operating revenue	348,573	100.5	385,700	110.7

(Notes) The respective contents in the Home Center business by each product listed above are as follows:

Tools, hardware and work-related products	(Tools, building construction hardware, paint, repair goods, workwear, etc.)
Renovation materials and exterior goods	(Building materials, plumbing materials, lumber, housing equipment, exterior goods, etc.)
Gardening and agricultural goods	(Gardening goods, fertilizers and agrichemicals, agricultural materials, plants, etc.)
Commodities and pet supplies	(Daily consumables, health and beauty care products, foods, pet supplies, etc.)
Major appliances and leisure goods	(Major appliances, car accessories, leisure and cycle goods, stationery, etc.)
Interior items and household goods	(Interior furnishings, furniture and storage containers, household goods, dining ware, etc.)

## 2) Outlook for the year ending March 31, 2022

For the year ending March 31, 2022, on a consolidated basis, the Group expects operating revenue to remain unchanged year on year to 382,000 million yen, operating profit to fall 8.6% to 27,500 million yen, ordinary profit to fall 8.4% to 27,600 million yen and profit attributable to owners of the parent to fall 14.6% to 17,300 million yen. Accordingly, as for target figures for the year ending March 31, 2022 in the “Medium-Term Management Plan for 2019 to 2021” released on April 24, 2019, operating revenue has been revised to 382,000 million yen (382,000 million yen before the revision), operating profit to 27,500 million yen (25,000 million yen before the revision), ROA to 7.8% (7.1% before the revision), and ROE to 8.3% (7.5% before the revision).

Although vaccination against COVID-19 has been begun, the threat of infections, including the spread of infections of variant viruses, continues, and therefore uncertainty is expected to continue with economic downturn, the risk of a decline in personal income and employment, and others.

Accordingly, as the premise of results forecasts for the next fiscal year, we assume that demand for improvement of home environment continues to a certain degree, but will fall gradually toward the second half. Going forward, while we envision various risks in the retail industry, we will make prompt disclosures in the event revisions are made to our results forecasts.

Facing these circumstances, the Group will enhance product appeal by promoting development of its own products to meet needs for improvement of home environment that has become obvious due to effects of the spread of COVID-19, and make efforts to solve customers’ problems by instilling “in-house meister system.” In addition, to fulfill its role in the social infrastructure, the Group will continue to carry out its responsibility of supplying building materials for building contractors and other builders and agricultural materials for farmers as well as essential products related to home and everyday living including DIY goods, gardening materials, etc. used by many customers. Furthermore, the Group will work to enhance usability, posted items and services of KOMERI.COM site and integrate customer-friendly online and store services by leveraging the strength of 1,208 stores in all 46 prefectures in Japan.

As for opening of new stores, the Group plans to open a total of 26 stores, that is, 10 Power stores, 13 Hard & Green stores, three PRO stores, and will work to further increase stores in the future. As for renovation of existing stores, the Group plans to renovate a total of approximately 80,000 tsubo to rejuvenate the store age.

The Group will also expand the cooperation with JA, which is a new initiative, further with speed by taking advantage of previous cases.

Notes: The Group plans to newly apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018), and its guidance from the following fiscal year for consolidated accounting, and the main changes are described below.

As for certain transactions considered to be agent transactions, presentation of the carrying amount will be changed from gross amount of the transactions to net amount.

In addition, as for points granted by the Company, the treatment will be changed from accounting treatment as provision for point card certificates to the treatment where revenue on those points is deferred as contract liabilities.

As a result, operating revenue in results forecasts is expected to decrease by approximately 4 billion yen compared with the previous recording method.

Impact of this change on operating profit, ordinary profit and profit attributable to owners of parent is expected to be insignificant.



(2) Overview of financial position for the year ended March 31, 2020

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 17,018 million yen from the previous fiscal year-end to 348,159 million yen. This was mainly due to increases in cash and deposits of 7,678 million yen, merchandise inventories of 5,012 million yen, and property, plant and equipment of 4,123 million yen.

Liabilities decreased by 1,552 million yen from the previous fiscal year-end to 147,597 million yen. This was mainly due to decreases in long-term borrowings of 10,769 million yen and short-term borrowings of 8,500 million yen, despite increases in current portion of long-term borrowings of 8,400 million yen, electronically recorded obligations - operating of 3,345 million yen and income taxes payable of 3,484 million yen.

Net assets increased by 18,570 million yen from the previous fiscal year-end to 200,561 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Year-on-year comparison
Net cash provided by operating activities	24,475	36,553	12,078
Net cash used in investing activities	(9,816)	(14,232)	(5,416)
Net cash used in financing activities	(9,039)	(14,569)	(5,530)
Increase (decrease) in cash and cash equivalents	5,620	7,751	2,131
Cash and cash equivalents, end of year	9,330	17,082	7,751

Cash and cash equivalents (“cash”) at the end of the fiscal year under review totaled 17,082 million yen. Factors affecting cash flows include the followings:

(Net cash provided by operating activities)

Net cash provided by operating activities increased by 49.3% from the previous fiscal year to 36,553 million yen. The main sources of cash provided were profit before income taxes of 29,712 million yen, depreciation of 11,485 million yen, and increase in trade payables of 5,020 million yen. The main reasons for cash usage were income taxes paid of 5,862 million yen, and increase in inventories of 4,826 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased by 45.0% from the previous fiscal year to 14,232 million yen. The main reason for cash usage was purchase of property, plant and equipment.

(Net cash provided by and used in financing activities)

Net cash used in financing activities increased by 61.2% from the previous fiscal year to 14,569 million yen. The main reasons for cash usage were decrease in short-term borrowings of 8,500 million yen, repayments of long-term loans payable of 4,369 million yen, and dividends paid of 2,142 million yen.

### Trends in cash flow indices

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021
Equity ratio (%)	53.2	55.0	57.6
Equity ratio based on market prices (%)	42.1	29.1	44.1
Interest-bearing debt to cash flows ratio (years)	2.5	2.3	1.2
Interest coverage ratio (times)	108.0	144.8	272.8

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

Equity ratio: shareholders' equity/total assets

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

Interest-bearing debt to cash flows ratio: interest-bearing debt/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 shares).

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 working to increase returns to shareholders by constantly raising its corporate value. In distributing profits, we are working to continuously provide stable dividends while strengthening the Group's operating base and financial structure.

Internal reserves will be used for investments in growth to further strengthen the management base. Such investments include new store openings, renew of existing stores, establishment of more new logistics centers, creation of system environments through the expansion of e-commerce, and investments to promote digital transformation (DX) aimed at simultaneous pursuit of increase in customer convenience and improvement in operational productivity of employees. Through such investments will enhance our sustainable growth and medium- to long-term corporate value.

To show our gratitude to our shareholders, we will pay a year-end dividend of 23 yen per share, as announced on October 27, 2020. As a result, the annual dividend will be 45 yen per share including an interim dividend of 22 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 46 yen per share, consisting of an interim dividend of 23 yen per share and a year-end dividend of 23 yen per share.

(4) Issues to address

The Group has been working on logistics reforms, viewing materials and building materials, hardware and tools (hard) as well as gardening, home vegetable gardens and agricultural materials (green) as core categories, in order to contribute to customers and the society through further modernization of distribution centered around the home-related field. As social infrastructure in "hard" and "green" areas, the Group will make the following efforts with the aim to realize a good life of customers and be a company that makes local customers feel that it is an essential part of their lives.

## 1) Business strategy

### (Store opening)

With intensifying sales competition that transcends conventional boundaries of business sectors and formats and declines in market size caused by the shrinking population, the Group will form a highly-condensed dominant area and increase sales efficiency by opening stores through the convoy approach in various formats including Power, Hard & Green, PRO and Athena that enable provision of merchandise mix and services that meet given conditions for areas where stores are opened. In the long term, the Group aims to achieve a 3,000-store structure combined with expansion of the number of distribution center bases that are currently located at 11 places.

### (Merchandise)

The Group will strive to streamline merchandise procurement and hedge various risks related to climate change to reduce social cost and CO2 emissions by globalizing merchandise procurement and evolving logistics network and information system. In addition, the Group will further promote everyday low price (EDLP) and strengthen the product development abilities through production from manufacturing to selling to increase the ratio of private label products for merchandise related to materials and building materials, hardware and tools (hard) as well as gardening, home vegetable gardens and agricultural materials (green), which are core categories.

### (Services)

In order to respond to needs for improvement of home environment that have become apparent as a result of the increased time at home due to effects of the spread of COVID-19, the Group will work to expand services such as Jukyuban to solve home-related needs for improvement of

### (Field of agricultural products)

The Group will support industrialization of agriculture in Japan by contributing to agriculture promotion and regional development through “low-cost supply of production materials,” “advice on farming by agricultural advisers,” “support for distribution of agricultural goods,” “financial support” and “IT support.” The Group will establish a structure that enables it to make total coordination from production of farm products to sales by implementing the above efforts.

## 2) Promotion of DX (digital transformation)

The Group will DX (digital transformation) agriculture in Japan by contributing to agriculture promotion and regional development through “low-cost supply of production materials,” “advice on farming by agricultural advisers,” “support for distribution of the aim to further increase sales of existing stores and establish a high revenue structure. In addition, the Group will leverage the strength of the Group which has been developing its business across Japan by enhancing the integration of stores and online services, such as initiatives of store as place to receive merchandise (BOPIS; Buy Online Pick-up In Store) and checking of real stocks by store. Furthermore, the Group will promote responses to diverse payment methods at stores in line with progress in cashless settlement, together with consolidated subsidiary KOMERI CAPITAL Co., Ltd. Moreover, the Group will also strive to further increase customer convenience by promoting further acquisition of cardholders, making the customer base more solid, and promoting creation of repeat customers.

## 3) Initiatives for SDGs

Aiming to realize a sustainable society through its business activities, the Group will work to enhance labor-saving and streamlining in all processes from merchandise procurement through sales, including goods, store operation and distribution, to solve environmental and social challenges. Specifically, the Group will work on the following items.

### (Environmental)

- Provision of environmentally-conscious products and services

- Reduction of CO2 emitted in the processes from production through distribution and sales
- Reduction of plastic packaging containers including plastic bags
- Further energy-saving of equipment instruments
- Reduction of packing materials for transport, and cutting of generation of waste

(Social)

- Creation of environment in which diverse human resources can exercise their abilities more and is good to work, and establishment of an education system
- Promotion of development and quality improvement of private brand
- Promotion of fair transactions
- Supply of low-cost merchandise related to home, such as hardware, tools, materials and building materials
- Supply of low-cost production materials necessary for food production such as farm products
- Establishment of a supply system for essential commodities and implementation of operation of stores at the time of disaster, etc.

#### 4) Initiatives to strengthen corporate governance

The Company made a transition to a company with audit and supervisory committee at the conclusion of the 59th Ordinary General Meeting of Shareholders held on June 25, 2020. In addition, four Independent Outside Directors were elected, and consequently Independent Outside Directors have accounted for one-third or more of 11 attendees of the Board of Directors meeting. The Nomination and Remuneration Committee, the majority of members of which are Independent Outside Directors, was also set up as an advisory organization for the Board of Directors.

Since it is required to make decisions more swiftly than before under the discontinuously changing business environment, the Group will strive to ensure diversity of senior management including Directors. Furthermore, the Group will secure fairness, transparency and objectivity of procedures for determining nomination and remuneration of Directors and Executive Officers.

The Group will continue to strengthen the audit and supervisory functions of the Board of Directors and further speed up decision-making.

## 2. 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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	9,625	17,303
Notes and accounts receivable - trade	19,821	20,935
Merchandise and finished goods	109,119	114,131
Raw materials and supplies	512	259
Prepaid expenses	1,624	2,051
Other	5,481	4,100
Allowance for doubtful accounts	(534)	(668)
Total current assets	145,651	158,114
Non-current assets		
Property, plant and equipment		
Buildings and structures	236,612	247,537
Accumulated depreciation	(124,258)	(130,555)
Buildings and structures, net	112,353	116,981
Machinery, equipment and vehicles	14,773	14,952
Accumulated depreciation	(11,923)	(12,392)
Machinery, equipment and vehicles, net	2,850	2,560
Land	34,355	35,340
Leased assets	8,391	8,034
Accumulated depreciation	(4,876)	(4,136)
Leased assets, net	3,515	3,897
Construction in progress	3,141	1,504
Other	13,251	13,932
Accumulated depreciation	(10,960)	(11,587)
Other, net	2,290	2,345
Total property, plant and equipment	158,505	162,629
Intangible assets		
Leasehold interests in land	5,349	5,783
Other	2,694	2,835
Total intangible assets	8,043	8,618
Investments and other assets		
Investment securities	1,322	1,909
Long-term prepaid expenses	1,016	1,072
Deferred tax assets	7,820	7,742
Leasehold and guarantee deposits	8,218	7,268
Other	563	806
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	18,939	18,796
Total non-current assets	185,489	190,044
Total assets	331,140	348,159

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	28,012	29,687
Electronically recorded obligations - operating	26,454	29,800
Short-term borrowings	8,500	–
Current portion of long-term borrowings	4,169	12,569
Accounts payable - other	7,728	8,852
Accrued expenses	268	278
Lease obligations	1,370	1,436
Income taxes payable	3,438	6,923
Accrued consumption taxes	2,722	2,280
Provision for bonuses	1,818	1,956
Provision for bonuses for directors (and other officers)	19	20
Provision for loss on store closings	44	–
Provision for point card certificates	739	814
Provision for loss on disaster	4	38
Notes payable - facilities	1,652	694
Other	4,100	4,740
Total current liabilities	91,044	100,094
Non-current liabilities		
Long-term borrowings	38,640	27,870
Lease obligations	2,618	2,900
Deferred tax liabilities	–	61
Provision for retirement benefits for directors (and other officers)	124	124
Provision for share awards for directors (and other officers)	152	183
Retirement benefit liability	5,414	5,768
Long-term guarantee deposits	1,558	1,483
Asset retirement obligations	7,071	7,718
Other	2,524	1,391
Total non-current liabilities	58,105	47,502
Total liabilities	149,149	147,597
<b>Net assets</b>		
Shareholders' equity		
Share capital	18,802	18,802
Capital surplus	25,260	25,260
Retained earnings	148,676	166,934
Treasury shares	(11,239)	(11,241)
Total shareholders' equity	181,499	199,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	461
Deferred gains or losses on hedges	27	5
Remeasurements of defined benefit plans	390	338
Total accumulated other comprehensive income	491	805
Total net assets	181,990	200,561
Total liabilities and net assets	331,140	348,159

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	337,326	373,253
Cost of sales	229,170	248,782
Gross profit	108,155	124,471
Operating revenue		
Real estate lease revenue	11,247	12,447
Operating gross profit	119,402	136,918
Selling, general and administrative expenses		
Advertising expenses	3,766	3,652
Sales supplies expenses	600	610
Provision for point card certificates	739	814
Salaries and allowances	34,397	35,651
Bonuses	1,753	1,996
Welfare expenses	6,461	6,616
Provision for bonuses	1,818	1,956
Provision for bonuses for directors (and other officers)	19	20
Retirement benefit expenses	1,029	771
Supplies expenses	1,248	2,296
Utilities expenses	3,932	3,732
Taxes and dues	2,857	3,109
Enterprise tax	1,006	1,062
Rent expenses	12,559	12,981
Depreciation	11,350	11,485
Store maintenance expenses	1,876	2,011
Other	15,516	17,821
Total selling, general and administrative expenses	100,933	106,591
Operating profit	18,469	30,326
Non-operating income		
Interest income	14	15
Dividend income	95	92
Foreign exchange gains	82	–
Other	297	237
Total non-operating income	490	344
Non-operating expenses		
Interest expenses	170	134
Foreign exchange losses	–	50
Expenses of soil pollution measures	–	53
Burial cultural asset investigation expense	69	11
Loss On Processed Gift Certificates	44	4
Other	49	47
Total non-operating expenses	334	302
Ordinary profit	18,625	30,369

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Extraordinary income		
Insurance claim income	400	152
Gain on reversal of share acquisition rights	154	–
Gain on transition of retirement benefit plan	1,157	–
Total extraordinary income	1,712	152
Extraordinary losses		
Loss on disposal of non-current assets	163	323
Impairment losses	1,607	249
Loss on disaster	427	235
Provision for share-based remuneration for directors (and other officers)	133	–
Total extraordinary losses	2,331	808
Profit before income taxes	18,006	29,712
Income taxes - current	5,810	9,336
Income taxes - deferred	254	(26)
Total income taxes	6,064	9,310
Profit	11,941	20,402
Profit attributable to owners of parent	11,941	20,402



## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	11,941	20,402
Other comprehensive income		
Valuation difference on available-for-sale securities	(328)	388
Deferred gains or losses on hedges	27	(22)
Remeasurements of defined benefit plans, net of tax	719	(52)
Total other comprehensive income	418	314
Comprehensive income	12,359	20,716
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,359	20,716
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,802	25,260	138,811	(9,126)	173,747
Changes during period					
Dividends of surplus			(2,076)		(2,076)
Profit attributable to owners of parent			11,941		11,941
Purchase of treasury shares				(2,112)	(2,112)
Disposal of treasury shares		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	9,864	(2,112)	7,752
Balance at end of period	18,802	25,260	148,676	(11,239)	181,499

	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 period	401	–	(328)	72	148	173,968
Changes during period						
Dividends of surplus						(2,076)
Profit attributable to owners of parent						11,941
Purchase of treasury shares						(2,112)
Disposal of treasury shares						0
Net changes in items other than shareholders' equity	(328)	27	719	418	(148)	270
Total changes during period	(328)	27	719	418	(148)	8,022
Balance at end of period	72	27	390	491	–	181,990

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,802	25,260	148,676	(11,239)	181,499
Changes during period					
Dividends of surplus			(2,143)		(2,143)
Profit attributable to owners of parent			20,402		20,402
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period			18,258	(1)	18,256
Balance at end of period	18,802	25,260	166,934	(11,241)	199,756

	Accumulated other comprehensive income				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 period	72	27	390	491	181,990
Changes during period					
Dividends of surplus					(2,143)
Profit attributable to owners of parent					20,402
Purchase of treasury shares					(1)
Disposal of treasury shares					
Net changes in items other than shareholders' equity	388	(22)	(52)	314	314
Total changes during period	388	(22)	(52)	314	18,570
Balance at end of period	461	5	338	805	200,561

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	18,006	29,712
Depreciation	11,350	11,485
Impairment losses	1,607	249
Loss (gain) on valuation of derivatives	(29)	(27)
Loss on disaster	427	235
Insurance claim income	(400)	(152)
Compensation income	(68)	(37)
Gain on reversal of share acquisition rights	(154)	–
Increase (decrease) in provision for bonuses	136	138
Increase (decrease) in provision for bonuses for directors (and other officers)	0	1
Increase (decrease) in provision for share awards for directors (and other officers)	152	30
Increase (decrease) in retirement benefit liability	(5,054)	278
Increase (decrease) in provision for point card certificates	56	75
Increase (decrease) in allowance for doubtful accounts	178	134
Interest and dividend income	(110)	(107)
Interest expenses	170	134
Loss (gain) on disposal of property, plant and equipment	163	323
Decrease (increase) in trade receivables	(2,122)	(1,114)
Decrease (increase) in inventories	281	(4,826)
Decrease (increase) in accounts receivable - other	(674)	594
Decrease (increase) in deposits paid	396	37
Decrease (increase) in prepaid expenses	338	(411)
Increase (decrease) in trade payables	2,841	5,020
Increase (decrease) in accounts payable - other	241	844
Increase (decrease) in accrued consumption taxes	980	(441)
Other, net	1,601	119
Subtotal	30,314	42,297
Interest and dividends received	109	109
Interest paid	(169)	(134)
Income taxes paid	(6,112)	(5,862)
Proceeds from compensation	68	37
Subsidies received	45	47
Proceeds from insurance income	400	152
Payments associated with disaster loss	(181)	(93)
Net cash provided by (used in) operating activities	24,475	36,553

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Net decrease (increase) in time deposits	(0)	72
Purchase of property, plant and equipment	(8,691)	(12,438)
Proceeds from sale of property, plant and equipment	30	196
Purchase of intangible assets	(1,062)	(1,444)
Net Decrease (increase) in lease and guarantee deposits	160	19
Other, net	(253)	(637)
Net cash provided by (used in) investing activities	(9,816)	(14,232)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,430)	(8,500)
Proceeds from long-term borrowings	10,500	2,000
Repayments of long-term borrowings	(12,239)	(4,369)
Repayments of lease obligations	(1,682)	(1,556)
Purchase of treasury shares	(2,112)	(1)
Proceeds from disposal of treasury shares	0	–
Dividends paid	(2,075)	(2,142)
Net cash provided by (used in) financing activities	(9,039)	(14,569)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	5,620	7,751
Cash and cash equivalents at beginning of period	3,710	9,330
Cash and cash equivalents at end of period	9,330	17,082

(5). Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Segment information, etc.)

Segment information

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

Related information

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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, 2021 (April 1, 2020 to March 31, 2021)

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.

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

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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, 2021 (April 1, 2020 to March 31, 2021)

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.

Information on amortization of goodwill and unamortized balance by reportable segment

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Not applicable.

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not applicable.

Information on gains on negative goodwill by reported segment

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Not applicable.

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not applicable.

(Earnings per share)

Items	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net assets per share (Yen)	3,659.43	4,032.90
Earnings per share (Yen)	236.58	410.25
Diluted earnings per share (Yen)	236.36	—

Notes: 1. Diluted earnings per share for the year ended March 31, 2021 have not been provided because there were no potentially dilutive shares.

2. The basis of the calculation of net assets per share is as follows.

	As of March 31, 2020	As of March 31, 2021
Total net assets (Millions of yen)	181,990	200,561
Amounts to be deducted from total net assets (Millions of yen)	—	—
Of the above, share acquisition rights (Millions of yen)	(—)	(—)
Net assets at the end of period, related to common shares (Millions of yen)	181,990	200,561
Number of common shares at end of period used in the calculation of net asset per share (Thousands of shares)	49,731	49,731

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

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
<b>Earnings per share</b>		
Profit attributable to owners of the parent (Millions of yen)	11,941	20,402
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available of common shares (Millions of yen)	11,941	20,402
Average number of shares during the period (Thousands of shares)	50,474	49,731
<b>Diluted earnings per share</b>		
Profit attributable to owners of the parent (Millions of yen)	–	–
Increase in the number of common shares (Thousands of shares)	48	–
Of the above, share acquisition rights (Thousands of shares)	(48)	(–)
Overview of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	–	–



#### 4. Others

##### Changes in officers

##### 1) Changes in other officers

##### - New candidates for Director

Director and Executive Officer Shigeyuki Mori (currently Executive Officer, General Manager of the Human Resources Department)

##### - Director to retire

Noboru Ishizawa (currently Director and Managing Executive Officer, Managing Director of BIT-A Co., Ltd.)

##### 2) Scheduled date of assuming office and retirement

June 25, 2021

## 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										
		FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010
<Profit and loss data>	%											
Operating revenue	3.5	385,700	348,573	346,863	341,956	329,588	324,343	316,969	335,567	319,245	312,017	298,594
Revenue growth rate	—	10.7	0.5	1.4	3.8	1.6	2.3	△ 5.5	5.1	2.3	4.5	4.6
Cost of sales	3.2	248,782	229,170	227,753	225,678	217,208	212,497	207,222	223,185	211,149	205,609	200,896
Selling, general and administrative expenses	2.6	106,591	100,933	100,986	99,313	95,690	93,917	93,638	92,134	88,917	86,181	81,829
Operating profit	11.1	30,326	18,469	18,123	16,964	16,689	17,928	16,108	20,246	19,178	20,226	15,869
Operating profit growth rate	—	64.2	1.9	6.8	1.6	△ 6.9	11.3	△ 20.4	5.6	△ 5.2	27.5	5.3
Profit before income taxes	14.3	29,712	18,006	16,537	16,506	16,129	15,229	12,049	18,027	17,183	18,820	10,347
Net income attributable to owners of the parent	16.3	20,402	11,941	10,935	10,907	11,017	9,585	7,171	10,573	10,000	9,687	5,698
Net income attributable to owners of the parent growth rate	—	70.9	9.2	0.3	△ 1.0	14.9	33.7	△ 32.2	5.7	3.2	70.0	−11.8
Earnings per share	16.7	410.25	236.58	215.90	215.35	217.54	189.33	141.44	208.22	196.94	190.78	111.86
Earnings per share growth rate	—	73.4	9.6	0.3	△ 1.0	14.9	33.9	△ 32.1	5.7	3.2	70.6	−11.5
Average number of shares issued during the period (thousand)	△ 0.4	49,731	50,474	50,652	50,650	50,644	50,630	50,704	50,784	50,779	50,777	50,942
Gross margin ratio	—	35.5	34.3	34.3	34.0	34.1	34.5	34.6	33.5	33.9	34.1	32.7
SG&A expenses to operating revenue	—	27.6	29.0	29.1	29.0	29.0	29.0	29.5	27.5	27.9	27.6	27.4
Operating profit ratio	—	7.9	5.3	5.2	5.0	5.1	5.5	5.1	6.0	6.0	6.5	5.3
Interest-bearing debt ratio	—	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3
Pretax profit margin	—	7.7	5.2	4.8	4.8	4.9	4.7	3.8	5.4	5.4	6.0	3.5
Net income ratio	—	5.3	3.4	3.2	3.2	3.3	3.0	2.3	3.2	3.1	3.1	1.9
<Balance sheet data>	%											
Total assets	2.6	348,159	331,140	326,435	326,435	306,562	305,496	301,128	296,811	272,073	257,609	247,689
Inventory assets	1.4	114,131	109,119	109,805	107,941	106,243	106,660	103,736	98,944	91,649	88,231	79,724
Non-current assets	2.6	190,044	185,489	188,629	182,608	170,369	167,082	167,280	163,540	158,544	149,196	121,793
Non-current liabilities	△ 6.1	47,502	58,105	56,004	62,192	69,229	65,040	54,984	43,934	35,370	26,409	28,577
Shareholders' equity	6.4	199,756	181,499	173,747	164,838	155,835	146,693	138,793	133,668	124,912	116,739	108,498
Net assets per share	7.0	4,032.9	3,659.4	3,431.6	3,254.2	3,063.0	2,873.0	2,746.5	2,631.9	2,467.8	2,300.0	2,136.7
Non-current liabilities ratio	—	23.8	32.0	32.2	37.7	44.4	44.3	39.6	32.9	28.3	22.6	26.3
Current ratio	—	1.60:1	1.60:1	1.43:1	1.48:1	1.66:1	1.46:1	1.25:1	1.12:1	1.02:1	0.95:1	0.94:1
Equity ratio	—	57.6	55.0	53.2	51.6	50.6	47.6	46.1	45	46.1	45.3	43.8
Inventory turnover ratio	—	3.4	3.2	3.2	3.2	3.1	3.1	3.1	3.5	3.5	3.7	3.7
Return on equity (ROE)	—	10.7	6.7	6.5	6.8	7.3	6.7	5.3	8.2	8.3	8.6	5.3
Return on assets (ROA)	—	8.9	5.7	5.6	5.5	5.5	5.7	5.2	6.9	7.0	7.8	6.3
<Cash flow data>	%											
Depreciation	△ 0.3	11,485	11,350	11,400	11,098	11,091	11,686	12,123	11,840	11,778	12,065	11,487
Cash flows from operating activities	10.9	36,553	24,475	23,336	22,400	26,719	21,834	14,900	22,293	17,511	17,620	20,535
Cash flows from investing activities	2.0	△ 14,232	△ 9,816	△ 20,280	△ 16,914	△ 13,923	△ 12,875	△ 17,088	△ 18,149	△ 17,913	△ 17,480	△ 9,975
Cash flows from financing activities	—	△ 14,569	△ 9,039	△ 6,170	△ 6,229	△ 14,854	△ 8,311	△ 1,539	5,543	△ 544	△ 6,306	△ 7,829
Cash dividends per share (yen)	4.6	45.0	42.0	40.0	39.0	38.0	36.0	36.0	36.0	36.0	34.0	34.0
<Store Data>	%											
Number of stores	0.5	1,208	1,197	1,192	1,186	1,182	1,178	1,169	1,150	1,126	1,089	1,047
Number of Komeri Power stores	13.7	76	66	64	53	44	40	38	28	25	21	18
Number of Komeri Home Center stores	2.0	166	164	164	163	157	150	147	145	140	132	126
Number of Komeri Hard & Green stores	△ 0.4	958	959	956	961	968	975	970	962	945	919	885
Athena	△ 9.3	8	8	8	9	13	13	14	15	16	17	18
Stores operated by subsidiaries	—	0	0	0	0	0	0	0	0	0	0	0
Sales floor space (square meters)	3.8	2,402,548	2,313,411	2,280,347	2,177,881	2,080,241	1,997,646	1,958,232	1,858,724	1,775,021	1,657,833	1,556,329
Average number of employees	0.6	9,678	9,820	9,536	9,594	9,450	9,402	9,354	9,340	8,985	8,625	8,164
Sales per employee(thousands of yen)	2.9	39,853	35,496	36,373	35,643	34,877	34,497	33,886	35,928	35,531	36,176	36,574
Comparable store sales growth	—	9.0	△ 1.1	△ 1.3	1.1	△ 0.1	△ 0.3	△ 8.5	1.6	△ 1.1	1.4	2.5