

MIRA INFORM REPORT

Report No. :	526104
Report Date :	21.08.2018

IDENTIFICATION DETAILS

Name :	KOHNAN SHOJI CO LTD
Registered Office :	6-637-1 Otori-Higashimachi Sakai Osaka-Pref 593-8324
Country :	Japan
Financials (as on) :	28.02.2018
Date of Incorporation :	September 1978
Com. Reg. No.:	1201-01-003135
Legal Form :	Limited Company
Line of Business :	Operates home improvement center chains (DIY goods stores), home improvement, housekeeping, pets 6 leisure goods, others
No. of Employees :	2,730

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A+
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Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

Maximum Credit Limit :	Yen 6,648.5 million
Status :	Good
Payment Behaviour :	Regular
Litigation :	Clear

NOTES :

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Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Japan	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

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JAPAN - ECONOMIC OVERVIEW

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (slightly less than 1% of GDP) have helped Japan develop an advanced economy. Two notable characteristics of the post-World War II economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Both features have significantly eroded under the dual pressures of global competition and domestic demographic change.

Measured on a purchasing power parity basis that adjusts for price differences, Japan in 2017 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. For three postwar decades, overall real economic growth was impressive - averaging 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and the collapse of an asset price bubble in the late 1980s, which resulted in several years of economic stagnation as firms sought to reduce excess debt, capital, and labor. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008.

Japan enjoyed an uptick in growth since 2013, supported by Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform. Led by the Bank of Japan's aggressive monetary easing, Japan is making modest progress in ending deflation, but demographic decline - a low birthrate and an aging, shrinking population - poses a major long-term challenge for the economy. The government currently faces the quandary of balancing its efforts to stimulate growth and institute economic reforms with the need to address its sizable public debt, which stands at 235% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate. However, the first such increase, in April 2014, led to a sharp contraction, so Prime Minister ABE has twice postponed the next increase, which is now scheduled for October 2019. Structural reforms to unlock productivity are seen as central to strengthening the economy in the long-run.

Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials. After the complete shutdown of Japan's nuclear reactors following the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. However, ABE's government is seeking to restart nuclear power plants that meet strict new safety standards and is emphasizing nuclear energy's importance as a base-load electricity source. In August 2015, Japan successfully restarted one nuclear reactor at the Sendai Nuclear Power Plant in Kagoshima prefecture, and several other reactors around the country have since resumed operations; however, opposition from local governments has delayed several more restarts that remain pending. Reforms of the electricity and gas sectors, including full liberalization of Japan's energy market in April 2016 and gas market in April 2017, constitute an important part of Prime Minister Abe's economic program.

Under the Abe Administration, Japan's government sought to open the country's economy to greater foreign competition and create new export opportunities for Japanese businesses, including by joining 11 trading partners in the Trans-Pacific Partnership (TPP). Japan became the first country to ratify the TPP in December 2016, but the United States signaled its withdrawal from the agreement in January 2017. In November 2017 the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan also reached agreement with the European Union on an Economic Partnership Agreement in July 2017, and is likely seek to ratify both agreements in the Diet this year.

Source : CIA

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COMPANY SUMMERY

KOHNAN SHOJI CO LTD

REGD NAME: Kohnan Shoji KK

MAIN OFFICE: 6-637-1 Otori-Higashimachi Sakai Osaka-Pref 593-8324 JAPAN

Tel: 072-274-1621 Fax: 072-274-1620

URL: <http://www.hc-kohnan.com/>

E-Mail address: info@hc-kohnan.com

ACTIVITIES: Home improvement chain store operator

STORES: Nationwide (total 345 locations)

OFFICERS: NAOTARO HIKITA, PRES Shun'ichiro Miyanaga, mgn dir
Takaaki Kato, mgn dir Edamori Sakaki, mgn dir
Yoshihiro Tanaka, dir Eigo Takeuchi, dir

Yen Amount: In million Yen, unless otherwise stated

SUMMARY:	FINANCES	FAIR	A/SALES	Yen 316,081 M
	PAYMENTS	REGULAR	CAPITAL	Yen 17,658 M
	TREND	STEADY	WORTH	Yen 105,375 M
	STARTED	1978	EMPLOYES	2,730

COMMENT

HOME IMPROVEMENT CHAIN STORE OPERATOR.

FINANCIAL SITUATION CONSIDERED FAIR AND GOOD FOR ORDINARY BUSINESS ENGAGEMENTS.-

MAX CREDIT LIMIT: YEN 6,648.5 MILLION, NORMAL TERMS.

HIGHLIGHTS

The subject company is the second largest home improvement center operator, originating in Sakai City as a DIY retail store. It has expanded rapidly to operate now a total of 195 stores, extending into nationwide locations. The pace of new store openings has been on an average 30 stores per year. The firm will slow down the pace to about 20 stores due to the slow recovery of consumer spending. Handles a wide range of home improvement items (DIY goods), dining utensils, gardening tools, other. Competition among the trade is getting severer and the firm now focusing on imports from China and other S/E Asian countries. Reinforcing private brand products thru direct purchasing overseas with the aim of increasing earnings. Also strengthening sales in the Tohoku area.

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FINANCIAL INFORMATION

The sales volume for Feb/2018 fiscal term amounted to Yen 316,081 million, a 3.7% up from Yen 304,789 million in the previous term. The recurring profit was posted at Yen 16,170 million and net profit at Yen 10,031 million, respectively, compared with Yen 14,562 million recurring profit and Yen 6,072 million net profit, respectively, a year ago.

For the current term ending Feb 2019 the recurring profit is projected at Yen 17,000 million and net profit at Yen 10,200 million, respectively, on a 2.41% rise in turnover, to Yen 323,700 million.

The financial situation is considered maintained FAIR and good for ORDINARY business engagements. Max credit limit is estimated at Yen 6,648.5 million, on normal 30 days terms.

REGISTRATION

Date Registered: Sept 1978
Regd No.: 1201-01-003135 (Sakai-Nishiku)
Legal Status: Limited Company (Kabushiki Kaisha)
Authorized: 60 million shares
Issued: 34,682,113 shares
Sum: Yen 17,658 million

Major shareholders (%): Kozo Hikita (11.8), Kohnan Co (5.8), Japan Trustee Service T (5.1), Naotaro Hikita (5.1), Japan Trustee Services T9 (3.6), Customers' Stock Holding (3.5), Master Trust Bank of Japan T (3.3), other; foreign owners (23.0)

No. of shareholders: 15,647

Listed on the S/Exchange (s) of: Tokyo

Nothing detrimental is known as to the commercial morality of executives.

OPERATION

Activities: Operates home improvement center chains (DIY goods stores), home improvement (39%), housekeeping (40%), pets 6 leisure goods (18%), others (2%)

(Handling items):

Home improvement division: lumber/building materials, tools, metal building supplies, painting equipment, plants & gardening supplies, interior & exterior decorating materials, housing & plumbing equipment, remodeling & renovating materials including kitchen & bathroom supplies;

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Housekeeping division: dining ware, interior furnishings, electrical & lighting fixtures, pharmaceuticals, clothing, footwear, household items, electrical appliances, storage cabinets & other household furniture, such as bookshelves, wardrobes, dining & lounge suites, beds, bedroom suites, other;
Car & leisure division: automotive accessories, pet supplies, stationary & office supplies, cycling & leisure equipment, other.

Clients: Consumers

No. of accounts: Unavailable

Domestic areas of activities: Nationwide

Suppliers: [Mfrs, wholesalers] Paltac Japan, Eco Trading, Kao Group Customer marketing, other.

Also imports from China, etc.

Payment record: Regular

Location: Business area in Sakai City, adjacent to Osaka City. Office premises at the caption address are owned and maintained satisfactorily.

Bank References:

Mizuho Bank (Osaka)

Kiyo Bank (Sakai)

Relations: Satisfactory

FINANCES

(Consolidated in million yen)

Terms Ending:	28/02/2019	28/02/2018	28/02/2017	29/02/2016
Annual Sales	323,700	316,081	304,789	302,934
Recur. Profit	17,000	16,170	14,562	12,911
Net Profit	10,200	10,031	6,072	6,044
Total Assets		299,278	295,869	287,217
Net Worth		105,375	105,433	96,952
Capital, Paid-Up		17,658	17,658	17,658
Div.P.Share(¥)		50.00	44.00	38.00
<Analytical Data>	(%)	(%)	(%)	(%)
S.Growth Rate	2.41	3.70	0.61	3.10
Current Ratio	
N.Worth Ratio		35.21	35.64	33.76
N.Profit/Sales	3.15	3.17	1.99	2.00

Forecast (or estimated) figures for the 28/02/2019 fiscal term.

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.76
UK Pound	1	INR 88.47
Euro	1	INR 79.67
YEN	1	INR 0.63

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	DIV
Report Prepared by :	TRU

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)