

**Translation**

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**Summary of Non-Consolidated Financial Results  
for the Year Ended February 29, 2016  
(Based on Japanese GAAP)**

April 12, 2016

Company name: KOHNAN SHOJI CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 7516 URL <http://www.hc-kohnan.com/>  
 Representative: PRESIDENT NAOTARO HIKIDA  
 Inquiries: MANAGING DIRECTOR SHUNICHIRO MIYANAGA TEL 072-274-1621  
 Scheduled date of ordinary general meeting of shareholders: May 26, 2016  
 Scheduled date to file Securities Report: May 27, 2016  
 Scheduled date to commence dividend payments: May 27, 2016  
 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. Non-consolidated financial results for the year ended February 29, 2016 (from March 1, 2015 to February 29, 2016)

(1) Non-consolidated financial results

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 29, 2016	302,934	3.1	14,568	23.1	12,911	29.9	6,044	9.0
Year ended February 28, 2015	293,817	2.3	11,837	(1.3)	9,938	(3.0)	5,544	365.7

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 29, 2016	174.28	174.23	6.7	4.5	5.0
Year ended February 28, 2015	159.97	159.81	6.5	3.6	4.2

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2016	289,748	92,478	31.9	2,666.57
As of February 28, 2015	286,794	88,032	30.7	2,538.31

(3) Non-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 February 29, 2016	24,592	(7,274)	(13,797)	8,499
Year ended February 28, 2015	12,984	(11,301)	(1,026)	4,980

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2015	—	16.00	—	19.00	35.00	1,213	21.9	1.4
Year ended February 29, 2016	—	19.00	—	19.00	38.00	1,317	21.8	1.5
Year ending February 28, 2017 (Forecast)	—	19.00	—	19.00	38.00		18.6	

3. Forecast of non-consolidated financial results for the year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2016	157,400	1.3	8,800	3.0	7,800	3.2	3,660	8.7	105.53
Full year	309,450	2.2	15,300	5.0	13,500	4.6	7,100	17.5	204.72

4. Notes

(1) 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

(2) Number of issued shares (common shares)

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

As of February 29, 2016	34,682,113 shares	As of February 28, 2015	34,682,113 shares
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Number of treasury shares at the end of the period

As of February 29, 2016	1,297 shares	As of February 28, 2015	769 shares
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Average number of shares during the period

Year ended February 29, 2016	34,681,100 shares	Year ended February 28, 2015	34,657,976 shares
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**Non-consolidated financial statements**  
**Non-consolidated balance sheets**

(Millions of yen)

	As of February 28, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	4,998	8,518
Accounts receivable - trade	3,461	3,993
Merchandise and finished goods	70,759	65,353
Raw materials and supplies	624	669
Advance payments - trade	12	43
Prepaid expenses	3,777	3,783
Deferred tax assets	2,032	1,484
Other	1,455	1,459
Allowance for doubtful accounts	(249)	(262)
Total current assets	86,871	85,044
Non-current assets		
Property, plant and equipment		
Buildings	136,617	145,035
Accumulated depreciation	(54,114)	(59,228)
Buildings, net	82,503	85,806
Structures	19,533	20,079
Accumulated depreciation	(14,231)	(15,079)
Structures, net	5,301	4,999
Machinery and equipment	1,274	1,283
Accumulated depreciation	(662)	(813)
Machinery and equipment, net	612	469
Vehicles	1,117	1,178
Accumulated depreciation	(982)	(1,068)
Vehicles, net	134	110
Tools, furniture and fixtures	10,825	11,594
Accumulated depreciation	(7,794)	(8,694)
Tools, furniture and fixtures, net	3,030	2,899
Land	29,054	28,546
Leased assets	23,195	28,661
Accumulated depreciation	(2,277)	(3,651)
Leased assets, net	20,917	25,009
Construction in progress	1,987	1,421
Total property, plant and equipment	143,541	149,264
Intangible assets		
Goodwill	455	289
Leasehold right	3,675	4,128
Software	307	258
Software in progress	–	847
Other	72	72
Total intangible assets	4,510	5,596

(Millions of yen)

	As of February 28, 2015	As of February 29, 2016
Investments and other assets		
Investment securities	1,145	549
Shares of subsidiaries and associates	10	10
Investments in capital of subsidiaries and associates	819	1,037
Long-term loans receivable	121	102
Long-term prepaid expenses	2,881	2,581
Guarantee deposits	46,475	44,782
Deferred tax assets	454	811
Other	–	1
Allowance for doubtful accounts	(38)	(33)
Total investments and other assets	51,870	49,842
Total non-current assets	199,922	204,703
Total assets	286,794	289,748
Liabilities		
Current liabilities		
Accounts payable - trade	22,718	22,115
Short-term loans payable	13,000	6,000
Current portion of long-term loans payable	28,716	26,624
Lease obligations	892	1,116
Accounts payable - other	5,657	5,274
Accrued expenses	1,807	1,637
Income taxes payable	1,323	2,818
Accrued consumption taxes	1,444	2,637
Unearned revenue	1,072	1,115
Provision for bonuses	1,251	1,351
Provision for directors' bonuses	–	105
Other	972	662
Total current liabilities	78,857	71,459
Non-current liabilities		
Long-term loans payable	74,643	72,794
Lease obligations	20,598	25,452
Guarantee deposits received	13,312	13,323
Long-term accounts payable - other	5,269	5,490
Provision for loss on voluntary recall of goods	3,165	2,261
Asset retirement obligations	2,251	5,788
Other	663	699
Total non-current liabilities	119,904	125,809
Total liabilities	198,762	197,269

(Millions of yen)

	As of February 28, 2015	As of February 29, 2016
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus		
Legal capital surplus	17,893	17,893
Other capital surplus	27	27
Total capital surpluses	17,921	17,921
Retained earnings		
Legal retained earnings	111	111
Other retained earnings		
General reserve	46,310	50,310
Retained earnings brought forward	5,726	6,452
Total retained earnings	52,147	56,874
Treasury shares	(1)	(1)
Total shareholders' equity	87,726	92,452
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	310	42
Deferred gains or losses on hedges	(5)	(16)
Total valuation and translation adjustments	305	26
Total net assets	88,032	92,478
Total liabilities and net assets	286,794	289,748

## Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Net sales	280,316	289,144
Cost of sales		
Beginning goods	65,461	70,759
Cost of purchased goods	187,858	180,239
Total	253,319	250,998
Transfer to other account	2,226	197
Ending goods	70,759	65,353
Cost of goods sold	180,334	185,447
Gross profit	99,982	103,696
Operating revenue		
Rent income	13,501	13,790
Operating gross profit	113,483	117,487
Selling, general and administrative expenses		
Provision for directors' bonuses	–	105
Salaries and wages	23,222	23,874
Provision for bonuses	1,251	1,351
Retirement benefit expenses	260	262
Rent expenses	38,593	38,888
Depreciation	8,383	8,810
Provision of allowance for doubtful accounts	37	7
Other	29,896	29,618
Total selling, general and administrative expenses	101,645	102,918
Operating income	11,837	14,568
Non-operating income		
Interest income	131	123
Dividend income	24	27
Insurance income	79	58
Foreign exchange gains	–	278
Gain on investments in silent partnership	188	217
Subsidy income	–	121
Other	153	141
Total non-operating income	576	968
Non-operating expenses		
Interest expenses	2,116	2,401
Foreign exchange losses	109	–
Other	250	224
Total non-operating expenses	2,475	2,625
Ordinary income	9,938	12,911

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	382	138
Gain on sales of investment securities	–	153
Reversal of provision for loss on store closing	51	–
Total extraordinary income	433	291
Extraordinary losses		
Impairment loss	327	2,868
Other	307	131
Total extraordinary losses	635	2,999
Income before income taxes	9,737	10,203
Income taxes - current	3,164	3,956
Income taxes - deferred	1,028	202
Total income taxes	4,193	4,158
Net income	5,544	6,044

## Non-consolidated statements of changes in equity

Fiscal year ended February 28, 2015

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	17,658	17,893	24	17,917	111	46,310	1,290	47,712
Changes of items during period								
Dividends of surplus							(1,108)	(1,108)
Net income							5,544	5,544
Purchase of treasury shares								
Disposal of treasury shares			3	3				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	3	3	-	-	4,435	4,435
Balance at end of current period	17,658	17,893	27	17,921	111	46,310	5,726	52,147

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(115)	83,173	83	(10)	73	83,246
Changes of items during period						
Dividends of surplus		(1,108)				(1,108)
Net income		5,544				5,544
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	114	118				118
Net changes of items other than shareholders' equity			227	4	232	232
Total changes of items during period	114	4,553	227	4	232	4,785
Balance at end of current period	(1)	87,726	310	(5)	305	88,032



Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	17,658	17,893	27	17,921	111	46,310	5,726	52,147
Changes of items during period								
Dividends of surplus							(1,317)	(1,317)
Provision of general reserve						4,000	(4,000)	–
Net income							6,044	6,044
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	–	4,000	726	4,726
Balance at end of current period	17,658	17,893	27	17,921	111	50,310	6,452	56,874

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(1)	87,726	310	(5)	305	88,032
Changes of items during period						
Dividends of surplus		(1,317)				(1,317)
Provision of general reserve		–				–
Net income		6,044				6,044
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(267)	(10)	(278)	(278)
Total changes of items during period	(0)	4,725	(267)	(10)	(278)	4,446
Balance at end of current period	(1)	92,452	42	(16)	26	92,478

## Non-consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Cash flows from operating activities		
Income before income taxes	9,737	10,203
Depreciation	8,383	8,810
Amortization of goodwill	165	165
Increase (decrease) in provision for directors' bonuses	–	105
Increase(decrease) in Provision for loss on voluntary recall of goods	(4,269)	(904)
Loss (gain) on sales of investment securities	–	(153)
Gain on Cancellation of Guaranteed Deposits Received	(382)	(138)
Impairment loss	327	2,868
Interest and dividend income	(155)	(151)
Interest expenses	2,124	2,401
Decrease (increase) in notes and accounts receivable - trade	12	(532)
Decrease (increase) in inventories	(5,137)	5,360
Increase (decrease) in notes and accounts payable - trade	3,499	(603)
Increase (decrease) in accrued consumption taxes	1,575	1,192
Other, net	2,479	739
Subtotal	18,359	29,364
Interest and dividend income received	31	32
Interest expenses paid	(2,063)	(2,363)
Income taxes (paid) refund	(3,343)	(2,441)
Net cash provided by (used in) operating activities	12,984	24,592
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,754)	(7,719)
Proceeds from sales of property, plant and equipment	148	32
Purchase of intangible assets	(157)	(1,501)
Proceeds from sales and redemption of investment securities	–	475
Payments for guarantee deposits	(2,685)	(1,195)
Proceeds from collection of guarantee deposits	2,926	3,001
Proceeds from guarantee deposits received	473	708
Repayments of guarantee deposits received	(607)	(660)
Other, net	(645)	(415)
Net cash provided by (used in) investing activities	(11,301)	(7,274)
Cash flows from financing activities		
Increase in short-term loans payable	102,000	24,500
Decrease in short-term loans payable	(102,000)	(31,500)
Proceeds from long-term loans payable	31,000	25,000
Repayments of long-term loans payable	(30,488)	(28,941)
Repayments of lease obligations	(622)	(1,080)
Collection of Accounts Receivable Installment on Sales of Assets	3,531	2,014
Repayments of installment payables	(2,714)	(2,314)
Redemption of bonds	(625)	(156)
Cash dividends paid	(1,107)	(1,319)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(1,026)	(13,797)
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	656	3,519
Cash and cash equivalents at beginning of period	4,323	4,980
Cash and cash equivalents at end of period	4,980	8,499