

Translation

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**Summary of Non-Consolidated Financial Results  
for the Three Months Ended May 31, 2016  
(Based on Japanese GAAP)**

July 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 to file Quarterly Securities Report: July 13, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the three months ended May 31, 2016 (from March 1, 2016 to May 31, 2016)

(1) Non-consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2016	79,476	1.9	5,776	22.1	5,354	29.8	3,475	31.3
Three months ended May 31, 2015	77,975	0.2	4,729	(11.2)	4,124	(15.2)	2,646	(9.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2016	100.22		100.19	
Three months ended May 31, 2015	76.31		76.29	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2016	298,399	95,398	32.0	2,750.77
As of February 29, 2016	289,748	92,478	31.9	2,666.57

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2016	–	19.00	–	19.00	38.00
Year ending February 28, 2017	–	–	–	–	–
Year ending February 28, 2017 (Forecast)	–	19.00	–	19.00	38.00

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		Profit		Earnings 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) Application of special accounting methods for preparing quarterly non-consolidated financial statements: 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: Yes

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 May 31, 2016	⋮	34,682,113 shares	As of February 29, 2016	⋮	34,682,113 shares
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Number of treasury shares at the end of the period

As of May 31, 2016	⋮	1,307 shares	As of February 29, 2016	⋮	1,297 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2016	⋮	34,680,815 shares	Three months ended May 31, 2015	⋮	34,681,335 shares
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**Quarterly non-consolidated financial statements**  
**Non-consolidated balance sheets**

(Millions of yen)

	As of February 29, 2016	As of May 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	8,518	8,802
Accounts receivable - trade	3,993	5,142
Merchandise and finished goods	65,353	67,257
Raw materials and supplies	669	676
Deferred tax assets	1,484	1,515
Other	5,286	6,846
Allowance for doubtful accounts	(262)	(268)
Total current assets	85,044	89,972
Non-current assets		
Property, plant and equipment		
Buildings, net	85,806	86,507
Land	28,546	28,546
Leased assets, net	25,009	25,453
Construction in progress	1,421	1,425
Other, net	8,479	8,648
Total property, plant and equipment	149,264	150,581
Intangible assets	5,596	6,030
Investments and other assets		
Investment securities	549	627
Guarantee deposits	44,782	44,897
Deferred tax assets	811	795
Other	3,733	5,526
Allowance for doubtful accounts	(33)	(31)
Total investments and other assets	49,842	51,815
Total non-current assets	204,703	208,427
Total assets	289,748	298,399
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	22,115	28,125
Short-term loans payable	6,000	–
Current portion of long-term loans payable	26,624	26,151
Lease obligations	1,116	1,202
Income taxes payable	2,818	2,119
Provision for bonuses	1,351	1,957
Provision for directors' bonuses	105	–
Other	11,329	11,121
Total current liabilities	71,459	70,678

(Millions of yen)

	As of February 29, 2016	As of May 31, 2016
Non-current liabilities		
Long-term loans payable	72,794	78,442
Lease obligations	25,452	25,867
Guarantee deposits received	13,323	13,045
Provision for loss on voluntary recall of goods-ncl	2,261	2,171
Asset retirement obligations	5,788	5,828
Other	6,189	6,966
Total non-current liabilities	125,809	132,322
Total liabilities	197,269	203,000
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	56,874	59,691
Treasury shares	(1)	(1)
Total shareholders' equity	92,452	95,269
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42	117
Deferred gains or losses on hedges	(16)	11
Total valuation and translation adjustments	26	129
Total net assets	92,478	95,398
Total liabilities and net assets	289,748	298,399

## Non-consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended May 31, 2015	Three months ended May 31, 2016
Net sales	74,503	76,101
Cost of sales	47,882	48,237
Gross profit	26,621	27,863
Operating revenue	3,471	3,375
Selling, general and administrative expenses	25,363	25,462
Operating income	4,729	5,776
Non-operating income		
Interest income	31	29
Subsidy income	54	–
Foreign exchange gains	28	176
Other	29	59
Total non-operating income	144	264
Non-operating expenses		
Interest expenses	627	578
Other	121	108
Total non-operating expenses	748	686
Ordinary income	4,124	5,354
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	–	213
Total extraordinary income	–	213
Extraordinary losses		
Impairment loss	–	126
Loss on closing of stores	–	35
Other	4	3
Total extraordinary losses	4	165
Income before income taxes	4,120	5,402
Income taxes - current	991	1,958
Income taxes - deferred	482	(31)
Total income taxes	1,473	1,926
Profit	2,646	3,475

## Non-consolidated statements of cash flows

(Millions of yen)

	Three months ended May 31, 2015	Three months ended May 31, 2016
Cash flows from operating activities		
Income before income taxes	4,120	5,402
Depreciation	2,120	2,179
Amortization of goodwill	41	41
Increase (decrease) in provision for directors' bonuses	–	(105)
Increase(decrease) in provision for loss on voluntary recall of goods	(279)	(89)
Gain on Cancellation of Guaranteed Deposits Received	–	(213)
Impairment loss	–	126
Interest and dividend income	(31)	(29)
Interest expenses	627	578
Decrease (increase) in notes and accounts receivable - trade	(1,438)	(1,148)
Decrease (increase) in inventories	(1,043)	(1,910)
Increase (decrease) in notes and accounts payable - trade	6,485	6,010
Increase (decrease) in accrued consumption taxes	(767)	(1,363)
Other, net	802	(649)
Subtotal	10,636	8,828
Interest and dividend income received	1	1
Interest expenses paid	(577)	(525)
Income taxes (paid) refund	(1,044)	(2,668)
Net cash provided by (used in) operating activities	9,015	5,635
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,254)	(1,847)
Purchase of intangible assets	(345)	(504)
Purchase of shares of subsidiaries and associates	–	(1,433)
Payments for investments in capital of subsidiaries and associates	–	(430)
Payments for guarantee deposits	(322)	(492)
Proceeds from collection of guarantee deposits	1,903	317
Proceeds from guarantee deposits received	260	86
Repayments of guarantee deposits received	(163)	(165)
Other, net	(3)	(75)
Net cash provided by (used in) investing activities	(926)	(4,545)
Cash flows from financing activities		
Increase in short-term loans payable	7,000	–
Decrease in short-term loans payable	(19,000)	(6,000)
Proceeds from long-term loans payable	12,500	12,000
Repayments of long-term loans payable	(6,821)	(6,824)
Repayments of lease obligations	(266)	(294)
Collection of Accounts Receivable Installment on Sales of Assets	2,014	1,520
Repayments of installment payables	(632)	(595)
Redemption of bonds	(156)	–
Cash dividends paid	(601)	(613)
Other, net	(0)	0
Net cash provided by (used in) financing activities	(5,963)	(807)
Net increase (decrease) in cash and cash equivalents	2,126	283
Cash and cash equivalents at beginning of period	4,980	8,499
Cash and cash equivalents at end of period	7,106	8,783