

Translation

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

October 11, 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: October 12, 2016
 Scheduled date to commence dividend payments: November 9, 2016
 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 six months ended August 31, 2016 (from March 1, 2016 to August 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	%
Six months ended August 31, 2016	157,653	1.5	10,023	17.3	9,291	22.9	3,373	0.2
Six months ended August 31, 2015	155,324	2.5	8,545	3.9	7,557	1.0	3,366	(22.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2016	97.28		97.25	
Six months ended August 31, 2015	97.07		97.04	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	289,029	95,339	33.0	2,749.07
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	—	22.00	—	—	—
Year ending February 28, 2017 (Forecast)	—	—	—	22.00	44.00

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
Full year	309,520	2.2	16,700	14.6	15,200	17.7	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 August 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 August 31, 2016	⋮	1,438 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)

Six months ended August 31, 2016	⋮	34,680,768 shares	Six months ended August 31, 2015	⋮	34,681,271 shares
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Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	8,518	7,805
Accounts receivable - trade	3,993	4,578
Merchandise and finished goods	65,353	61,516
Raw materials and supplies	669	656
Deferred tax assets	1,484	1,372
Other	5,286	6,934
Allowance for doubtful accounts	(262)	(276)
Total current assets	85,044	82,588
Non-current assets		
Property, plant and equipment		
Buildings, net	85,806	87,102
Land	28,546	27,808
Leased assets, net	25,009	22,888
Construction in progress	1,421	1,250
Other, net	8,479	8,795
Total property, plant and equipment	149,264	147,844
Intangible assets	5,596	6,159
Investments and other assets		
Investment securities	549	681
Guarantee deposits	44,782	44,756
Deferred tax assets	811	1,559
Other	3,733	5,470
Allowance for doubtful accounts	(33)	(30)
Total investments and other assets	49,842	52,436
Total non-current assets	204,703	206,440
Total assets	289,748	289,029
Liabilities		
Current liabilities		
Accounts payable - trade	22,115	25,172
Short-term loans payable	6,000	—
Current portion of long-term loans payable	26,624	25,513
Lease obligations	1,116	1,211
Income taxes payable	2,818	3,470
Provision for bonuses	1,351	1,330
Provision for directors' bonuses	105	—
Other	11,329	11,057
Total current liabilities	71,459	67,755
Non-current liabilities		
Long-term loans payable	72,794	72,862
Lease obligations	25,452	25,560
Guarantee deposits received	13,323	13,001
Provision For Loss On Voluntary Recall Of Goods-Ncl	2,261	2,112
Asset retirement obligations	5,788	5,918
Other	6,189	6,477
Total non-current liabilities	125,809	125,933
Total liabilities	197,269	193,689

	(Millions of yen)	
	As of February 29, 2016	As of August 31, 2016
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	56,874	59,589
Treasury shares	(1)	(2)
Total shareholders' equity	92,452	95,166
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42	174
Deferred gains or losses on hedges	(16)	(1)
Total valuation and translation adjustments	26	172
Total net assets	92,478	95,339
Total liabilities and net assets	289,748	289,029

Non-consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Net sales	148,392	150,885
Cost of sales	95,409	95,871
Gross profit	52,983	55,013
Operating revenue	6,931	6,768
Selling, general and administrative expenses	51,369	51,758
Operating income	8,545	10,023
Non-operating income		
Interest income	63	57
Dividend income	26	14
Subsidy income	67	–
Foreign exchange gains	61	246
Gain on investments in silent partnership	100	121
Other	86	98
Total non-operating income	406	539
Non-operating expenses		
Interest expenses	1,237	1,138
Other	156	132
Total non-operating expenses	1,394	1,271
Ordinary income	7,557	9,291
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	109	213
Gain on sales of investment securities	153	–
Other	–	0
Total extraordinary income	262	214
Extraordinary losses		
Impairment loss	2,201	3,562
Other	8	53
Total extraordinary losses	2,210	3,616
Income before income taxes	5,610	5,888
Income taxes - current	2,069	3,157
Income taxes - deferred	174	(642)
Total income taxes	2,243	2,514
Profit	3,366	3,373

Non-consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from operating activities		
Income before income taxes	5,610	5,888
Depreciation	4,321	4,453
Amortization of goodwill	82	82
Increase (decrease) in provision for directors' bonuses	–	(105)
Increase(Decrease) In Provision For Loss On Voluntary Recall Of Goods	(514)	(149)
Loss (gain) on sales of investment securities	(153)	–
Gain on Cancellation of Guaranteed Deposits Received	(109)	(213)
Impairment loss	2,201	3,562
Interest and dividend income	(90)	(72)
Interest expenses	1,237	1,138
Decrease (increase) in notes and accounts receivable - trade	(1,342)	(585)
Decrease (increase) in inventories	3,637	3,849
Increase (decrease) in notes and accounts payable - trade	2,112	3,057
Increase (decrease) in accrued consumption taxes	(210)	(1,368)
Other, net	(776)	(1,211)
Subtotal	16,007	18,327
Interest and dividend income received	29	16
Interest expenses paid	(1,256)	(1,130)
Income taxes (paid) refund	(1,048)	(2,668)
Net cash provided by (used in) operating activities	13,732	14,545
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,772)	(4,278)
Purchase of intangible assets	(914)	(799)
Purchase of shares of subsidiaries and associates	–	(1,433)
Payments for investments in capital of subsidiaries and associates	–	(430)
Proceeds from sales and redemption of investment securities	475	–
Payments for guarantee deposits	(778)	(757)
Proceeds from collection of guarantee deposits	2,365	750
Proceeds from guarantee deposits received	413	190
Repayments of guarantee deposits received	(319)	(326)
Other, net	(260)	(224)
Net cash provided by (used in) investing activities	(2,792)	(7,308)

	(Millions of yen)	
	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from financing activities		
Increase in short-term loans payable	14,500	—
Decrease in short-term loans payable	(24,500)	(6,000)
Proceeds from long-term loans payable	14,000	13,000
Repayments of long-term loans payable	(14,979)	(14,043)
Repayments of lease obligations	(535)	(591)
Collection of Accounts Receivable Installment on Sales of Assets	2,014	1,520
Repayments of installment payables	(1,253)	(1,175)
Redemption of bonds	(156)	—
Cash dividends paid	(659)	(659)
Other, net	(0)	0
Net cash provided by (used in) financing activities	(11,570)	(7,949)
Net increase (decrease) in cash and cash equivalents	(630)	(712)
Cash and cash equivalents at beginning of period	4,980	8,499
Cash and cash equivalents at end of period	4,349	7,787