

# Translation

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## Summary of Non-Consolidated Financial Results for the Nine Months Ended November 30, 2016 (Based on Japanese GAAP)

January 13, 2017

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: January 13, 2017  
 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 nine months ended November 30, 2016 (from March 1, 2016 to November 30, 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	%
Nine months ended November 30, 2016	231,573	1.0	13,347	14.3	12,128	18.5	4,463	(11.1)
Nine months ended November 30, 2015	229,368	3.1	11,673	14.2	10,238	17.5	5,018	(0.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended November 30, 2016	128.70		128.67	
Nine months ended November 30, 2015	144.70		144.67	

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2016	291,502	95,744	32.8	2,760.76
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	6,200	2.6	178.77

#### 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 November 30, 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 November 30, 2016	⋮	1,590 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)

Nine months ended November 30, 2016	⋮	34,680,708 shares	Nine months ended November 30, 2015	⋮	34,681,186 shares
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**Quarterly non-consolidated financial statements**  
**Non-consolidated balance sheets**

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	8,518	7,050
Accounts receivable - trade	3,993	4,801
Merchandise and finished goods	65,353	64,053
Raw materials and supplies	669	645
Deferred tax assets	1,484	1,523
Other	5,286	6,349
Allowance for doubtful accounts	(262)	(297)
Total current assets	85,044	84,125
Non-current assets		
Property, plant and equipment		
Buildings, net	85,806	87,798
Land	28,546	28,137
Leased assets, net	25,009	22,563
Construction in progress	1,421	1,476
Other, net	8,479	9,460
Total property, plant and equipment	149,264	149,437
Intangible assets	5,596	6,043
Investments and other assets		
Investment securities	549	740
Guarantee deposits	44,782	44,236
Deferred tax assets	811	1,548
Other	3,733	5,401
Allowance for doubtful accounts	(33)	(30)
Total investments and other assets	49,842	51,896
Total non-current assets	204,703	207,376
Total assets	289,748	291,502
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	22,115	27,191
Electronically recorded obligations - operating	—	890
Short-term loans payable	6,000	—
Current portion of long-term loans payable	26,624	26,280
Lease obligations	1,116	1,221
Income taxes payable	2,818	2,254
Provision for bonuses	1,351	2,013
Provision for directors' bonuses	105	—
Other	11,329	11,159
Total current liabilities	71,459	71,011
Non-current liabilities		
Long-term loans payable	72,794	72,416
Lease obligations	25,452	25,251
Guarantee deposits received	13,323	12,955
Provision for loss on voluntary recall of goods-Ncl	2,261	2,008
Asset retirement obligations	5,788	6,126
Other	6,189	5,989
Total non-current liabilities	125,809	124,746
Total liabilities	197,269	195,757

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	56,874	59,916
Treasury shares	(1)	(2)
Total shareholders' equity	92,452	95,493
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42	229
Deferred gains or losses on hedges	(16)	22
Total valuation and translation adjustments	26	251
Total net assets	92,478	95,744
Total liabilities and net assets	289,748	291,502

**Non-consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Net sales	218,966	221,390
Cost of sales	140,467	140,281
Gross profit	78,499	81,109
Operating revenue	10,401	10,182
Selling, general and administrative expenses	77,227	77,945
Operating income	11,673	13,347
Non-operating income		
Interest income	93	85
Dividend income	26	14
Foreign exchange gains	178	232
Gain on investments in silent partnership	100	121
Other	193	152
Total non-operating income	593	606
Non-operating expenses		
Interest expenses	1,827	1,679
Other	200	145
Total non-operating expenses	2,028	1,825
Ordinary income	10,238	12,128
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	110	213
Gain on sales of investment securities	153	–
Other	–	11
Total extraordinary income	263	224
Extraordinary losses		
Impairment loss	2,201	3,853
Loss on closing of stores	–	709
Other	9	117
Total extraordinary losses	2,211	4,680
Income before income taxes	8,289	7,672
Income taxes - current	3,271	4,007
Income taxes - deferred	0	(798)
Total income taxes	3,271	3,209
Profit	5,018	4,463

## Non-consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Cash flows from operating activities		
Income before income taxes	8,289	7,672
Depreciation	6,546	6,807
Amortization of goodwill	124	124
Increase (decrease) in provision for directors' bonuses	–	(105)
Increase (decrease) in Provision for loss on voluntary recall of goods	(618)	(253)
Loss (gain) on sales of investment securities	(153)	–
Gain on Cancellation of Guaranteed Deposits Received	(110)	(213)
Impairment loss	2,201	3,853
Loss on store closings	–	709
Interest and dividend income	(120)	(100)
Interest expenses	1,827	1,679
Decrease (increase) in notes and accounts receivable - trade	(1,467)	(807)
Decrease (increase) in inventories	340	1,324
Increase (decrease) in notes and accounts payable - trade	4,558	5,966
Increase (decrease) in accrued consumption taxes	75	(1,599)
Other, net	623	434
Subtotal	22,117	25,493
Interest and dividend income received	31	17
Interest expenses paid	(1,801)	(1,652)
Payment resulting from store closing	–	(709)
Income taxes (paid) refund	(2,441)	(4,689)
Net cash provided by (used in) operating activities	17,905	18,459
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,757)	(8,144)
Purchase of intangible assets	(1,108)	(812)
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	(967)	(1,009)
Proceeds from collection of guarantee deposits	2,674	1,515
Proceeds from guarantee deposits received	656	278
Repayments of guarantee deposits received	(459)	(475)
Other, net	(353)	(233)
Net cash provided by (used in) investing activities	(4,841)	(10,744)

	(Millions of yen)	
	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Cash flows from financing activities		
Increase in short-term loans payable	18,500	—
Decrease in short-term loans payable	(31,500)	(6,000)
Proceeds from long-term loans payable	24,500	19,500
Repayments of long-term loans payable	(21,645)	(20,221)
Repayments of lease obligations	(806)	(891)
Collection of Accounts Receivable Installment on Sales of Assets	2,014	1,520
Repayments of installment payables	(1,784)	(1,681)
Redemption of bonds	(156)	—
Cash dividends paid	(1,307)	(1,409)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(12,185)	(9,183)
Net increase (decrease) in cash and cash equivalents	878	(1,468)
Cash and cash equivalents at beginning of period	4,980	8,499
Cash and cash equivalents at end of period	5,858	7,031