

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2017 (Based on Japanese GAAP)

July 11, 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: July 12, 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. Consolidated financial results for the three months ended May 31, 2017 (from March 1, 2017 to May 31, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2017	80,117	–	5,366	–	5,067	–	3,593	–
Three months ended May 31, 2016	–	–	–	–	–	–	–	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2017	104.21	104.18
Three months ended May 31, 2016	–	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2017	308,536	99,774	32.3
As of February 28, 2017	–	–	–

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 28, 2017	–	22.00	–	22.00	44.00
Year ending February 28, 2018	–	–	–	–	–
Year ending February 28, 2018 (Forecast)	–	22.00	–	22.00	44.00

3. Forecast of consolidated financial results for the year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2017	160,960	–	10,940	–	10,000	–	5,400	–	155.79
Full year	313,950	–	17,700	–	16,000	–	9,000	–	259.65

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2017
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of May 31, 2017	34,682,113 shares	As of February 28, 2017	34,682,113 shares
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Number of treasury shares at the end of the period

As of May 31, 2017	201,758 shares	As of February 28, 2017	201,616 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, 2017	34,480,402 shares	Three months ended May 31, 2016	34,680,815 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

As of May 31, 2017

Assets	
Current assets	
Cash and deposits	9,125
Accounts receivable - trade	5,483
Merchandise and finished goods	64,929
Raw materials and supplies	660
Deferred tax assets	1,392
Other	7,050
Allowance for doubtful accounts	(306)
Total current assets	88,335
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	94,988
Land	39,274
Leased assets, net	23,114
Construction in progress	2,803
Other, net	4,469
Total property, plant and equipment	164,649
Intangible assets	
Goodwill	1,064
Other	5,824
Total intangible assets	6,889
Investments and other assets	
Investment securities	811
Guarantee deposits	43,543
Deferred tax assets	374
Other	3,961
Allowance for doubtful accounts	(29)
Total investments and other assets	48,661
Total non-current assets	220,200
Total assets	308,536

(Millions of yen)

As of May 31, 2017

Liabilities	
Current liabilities	
Accounts payable - trade	28,150
Electronically recorded obligations - operating	2,074
Current portion of long-term loans payable	27,511
Lease obligations	1,423
Income taxes payable	2,086
Provision for bonuses	2,104
Other	10,921
Total current liabilities	<u>74,272</u>
Non-current liabilities	
Long-term loans payable	81,814
Lease obligations	25,645
Guarantee deposits received	12,556
Provision for loss on voluntary recall of goods	1,863
Asset retirement obligations	6,208
Other	6,399
Total non-current liabilities	<u>134,488</u>
Total liabilities	<u>208,761</u>
Net assets	
Shareholders' equity	
Capital stock	17,658
Capital surplus	17,921
Retained earnings	64,359
Treasury shares	(418)
Total shareholders' equity	<u>99,521</u>
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	285
Deferred gains or losses on hedges	(32)
Total accumulated other comprehensive income	<u>253</u>
Total net assets	<u>99,774</u>
Total liabilities and net assets	<u>308,536</u>

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Millions of yen)
	Three months ended May 31, 2017
Net sales	76,668
Cost of sales	48,409
Gross profit	28,258
Operating revenue	3,448
Selling, general and administrative expenses	26,340
Operating income	5,366
Non-operating income	
Foreign exchange gains	81
Other	247
Total non-operating income	329
Non-operating expenses	
Interest expenses	535
Other	92
Total non-operating expenses	628
Ordinary income	5,067
Extraordinary income	
Gain on Cancellation of Guaranteed Deposits Received	320
Other	12
Total extraordinary income	333
Extraordinary losses	
Impairment loss	43
Other	4
Total extraordinary losses	47
Profit before income taxes	5,353
Income taxes - current	1,810
Income taxes - deferred	(49)
Total income taxes	1,760
Profit	3,593
Profit attributable to owners of parent	3,593

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2017
Profit	3,593
Other comprehensive income	
Valuation difference on available-for-sale securities	(0)
Deferred gains or losses on hedges	(12)
Total other comprehensive income	(12)
Comprehensive income	3,580
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	3,580
Comprehensive income attributable to non-controlling interests	-