

Translation

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

October 10, 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: October 11, 2017
 Scheduled date to commence dividend payments: November 9, 2017
 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 six months ended August 31, 2017 (from March 1, 2017 to August 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	%
Six months ended August 31, 2017	161,225	—	10,305	—	9,770	—	6,024	—
Six months ended August 31, 2016	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2017	174.72	174.67
Six months ended August 31, 2016	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2017	307,507	102,241	33.2
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	—	25.00			
Year ending February 28, 2018 (Forecast)			—	25.00	50.00

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
Full year	313,800	—	17,210	—	16,000	—	9,600	—	276.96

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 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 August 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 August 31, 2017	200,158 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)

Six months ended August 31, 2017	34,480,770 shares	Six months ended August 31, 2016	34,680,768 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

As of August 31, 2017

Assets	
Current assets	
Cash and deposits	10,161
Accounts receivable - trade	5,002
Merchandise and finished goods	62,527
Raw materials and supplies	692
Deferred tax assets	1,334
Other	7,113
Allowance for doubtful accounts	(290)
Total current assets	86,540
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	96,840
Land	39,217
Leased assets, net	23,824
Construction in progress	860
Other, net	4,385
Total property, plant and equipment	165,128
Intangible assets	
Goodwill	996
Other	5,762
Total intangible assets	6,758
Investments and other assets	
Investment securities	834
Guarantee deposits	43,612
Deferred tax assets	609
Other	4,053
Allowance for doubtful accounts	(29)
Total investments and other assets	49,079
Total non-current assets	220,966
Total assets	307,507

(Millions of yen)

As of August 31, 2017

Liabilities	
Current liabilities	
Accounts payable - trade	25,398
Electronically recorded obligations - operating	1,872
Short-term loans payable	1,150
Current portion of long-term loans payable	27,539
Lease obligations	1,423
Income taxes payable	3,811
Provision for bonuses	1,441
Other	11,016
Total current liabilities	73,655
Non-current liabilities	
Long-term loans payable	77,920
Lease obligations	26,459
Guarantee deposits received	12,503
Provision for loss on voluntary recall of goods	1,816
Asset retirement obligations	6,346
Other	6,563
Total non-current liabilities	131,610
Total liabilities	205,265
Net assets	
Shareholders' equity	
Capital stock	17,658
Capital surplus	17,921
Retained earnings	66,790
Treasury shares	(414)
Total shareholders' equity	101,955
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	299
Deferred gains or losses on hedges	(13)
Total accumulated other comprehensive income	285
Total net assets	102,241
Total liabilities and net assets	307,507

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

Consolidated statements of income (cumulative)

	(Millions of yen)
	Six months ended August 31, 2017
Net sales	154,298
Cost of sales	97,212
Gross profit	57,086
Operating revenue	6,927
Selling, general and administrative expenses	53,708
Operating income	10,305
Non-operating income	
Foreign exchange gains	171
Gain on investments in silent partnership	131
Other	350
Total non-operating income	653
Non-operating expenses	
Interest expenses	1,068
Other	119
Total non-operating expenses	1,188
Ordinary income	9,770
Extraordinary income	
Gain on Cancellation of Guaranteed Deposits Received	324
Other	12
Total extraordinary income	337
Extraordinary losses	
Impairment loss	1,059
Other	9
Total extraordinary losses	1,069
Profit before income taxes	9,038
Income taxes - current	3,262
Income taxes - deferred	(248)
Total income taxes	3,013
Profit	6,024
Profit attributable to owners of parent	6,024

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2017
Profit	6,024
Other comprehensive income	
Valuation difference on available-for-sale securities	13
Deferred gains or losses on hedges	6
Total other comprehensive income	19
Comprehensive income	6,044
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	6,044
Comprehensive income attributable to non-controlling interests	—

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2017
Cash flows from operating activities	
Profit before income taxes	9,038
Depreciation	4,666
Amortization of goodwill	137
Increase (decrease) in provision for directors' bonuses	(106)
Increase(decrease) in Provision for loss on voluntary recall of goods	(98)
Gain on Cancellation of Guaranteed Deposits Received	(324)
Impairment loss	1,059
Interest and dividend income	(66)
Interest expenses	1,068
Decrease (increase) in notes and accounts receivable - trade	(903)
Decrease (increase) in inventories	(1,748)
Increase (decrease) in notes and accounts payable - trade	4,754
Increase (decrease) in accrued consumption taxes	(825)
Other, net	(417)
Subtotal	16,235
Interest and dividend income received	16
Interest expenses paid	(1,076)
Income taxes (paid) refund	(2,495)
Net cash provided by (used in) operating activities	12,679
Cash flows from investing activities	
Purchase of property, plant and equipment	(12,867)
Proceeds from sales of property, plant and equipment	71
Purchase of intangible assets	(116)
purchase of investment in acquisition of new consolidated subsidiary company	(133)
Payments for guarantee deposits	(1,575)
Proceeds from collection of guarantee deposits	2,816
Proceeds from guarantee deposits received	171
Repayments of guarantee deposits received	(342)
Other, net	(68)
Net cash provided by (used in) investing activities	(12,043)
Cash flows from financing activities	
Increase in short-term loans payable	17,315
Decrease in short-term loans payable	(23,315)
Proceeds from long-term loans payable	23,000
Repayments of long-term loans payable	(13,232)
Repayments of lease obligations	(676)
Collection of Accounts Receivable Installment on Sales of Assets	2,502
Repayments of installment payables	(1,071)
Cash dividends paid	(758)
Other, net	3
Net cash provided by (used in) financing activities	3,766
Net increase (decrease) in cash and cash equivalents	4,401
Cash and cash equivalents at beginning of period	5,741
Cash and cash equivalents at end of period	10,143