

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2018 (Based on Japanese GAAP)

April 12, 2018

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 of ordinary general meeting of shareholders: May 24, 2018
 Scheduled date to file Securities Report: May 25, 2018
 Scheduled date to commence dividend payments: May 25, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2018 (from March 1, 2017 to February 28, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2018	316,081	—	17,372	—	16,170	—	10,031	—
Year ended February 28, 2017	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2018	290.91	290.83	9.9	5.5	5.7
Year ended February 28, 2017	—	—	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2018	299,278	105,375	35.2	3,056.00
As of February 28, 2017	—	—	—	—

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2018	19,501	(14,426)	(4,272)	6,544
Year ended February 28, 2017	—	—	—	—

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2017	—	22.00	—	22.00	44.00	1,521	—	—
Year ended February 28, 2018	—	25.00	—	25.00	50.00	1,724	17.2	1.7
Year ending February 28, 2019 (Forecast)	—	25.00	—	25.00	50.00		16.9	

3. Forecast of consolidated financial results for the year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		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, 2018	166,350	3.2	10,830	5.1	10,130	3.7	5,620	(6.7)	162.98
Full year	323,700	2.4	18,500	6.5	17,000	5.1	10,200	1.7	295.81

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): 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: No

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 February 28, 2018	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 February 28, 2018	200,473 shares	As of February 28, 2017	201,616 shares
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Average number of shares during the period

Year ended February 28, 2018	34,481,270 shares	Year ended February 28, 2017	34,661,478 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

As of February 28, 2018

Assets	
Current assets	
Cash and deposits	6,563
Accounts receivable - trade	4,380
Merchandise and finished goods	62,510
Raw materials and supplies	791
Advance payments - trade	19
Prepaid expenses	3,828
Deferred tax assets	1,458
Other	1,661
Allowance for doubtful accounts	(288)
Total current assets	80,925
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	95,518
Machinery, equipment and vehicles, net	882
Tools, furniture and fixtures, net	3,481
Land	38,633
Leased assets, net	23,898
Construction in progress	977
Total property, plant and equipment	163,391
Intangible assets	
Goodwill	900
Leasehold right	4,468
Software	1,110
Other	72
Total intangible assets	6,552
Investments and other assets	
Investment securities	2,398
Long-term loans receivable	92
Long-term prepaid expenses	1,958
Guarantee deposits	43,297
Deferred tax assets	685
Other	0
Allowance for doubtful accounts	(25)
Total investments and other assets	48,408
Total non-current assets	218,352
Total assets	299,278

(Millions of yen)

As of February 28, 2018

Liabilities	
Current liabilities	
Accounts payable - trade	22,031
Electronically recorded obligations - operating	1,813
Short-term loans payable	2,500
Current portion of long-term loans payable	27,624
Lease obligations	1,657
Accounts payable - other	6,174
Accrued expenses	1,720
Income taxes payable	3,444
Accrued consumption taxes	272
Unearned revenue	1,126
Provision for bonuses	1,457
Provision for directors' bonuses	179
Other	778
Total current liabilities	70,779
Non-current liabilities	
Long-term loans payable	65,262
Lease obligations	26,338
Guarantee deposits received	12,276
Long-term accounts payable - other	10,713
Provision for loss on voluntary recall of goods	1,469
Asset retirement obligations	6,462
Other	600
Total non-current liabilities	123,122
Total liabilities	193,902
Net assets	
Shareholders' equity	
Capital stock	17,658
Capital surplus	17,921
Retained earnings	69,935
Treasury shares	(415)
Total shareholders' equity	105,099
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	311
Deferred gains or losses on hedges	(35)
Total accumulated other comprehensive income	276
Total net assets	105,375
Total liabilities and net assets	299,278

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	(Millions of yen)
	Fiscal year ended February 28, 2018
Net sales	302,207
Cost of sales	190,738
Gross profit	111,468
Operating revenue	13,874
Selling, general and administrative expenses	107,970
Operating profit	17,372
Non-operating income	
Interest and dividend income	116
Insurance income	118
Foreign exchange gains	289
Gain on investments in silent partnership	266
Other	279
Total non-operating income	1,070
Non-operating expenses	
Interest expenses	2,110
Other	162
Total non-operating expenses	2,273
Ordinary profit	16,170
Extraordinary income	
Gain on Cancellation of Guaranteed Deposits Received	377
Other	36
Total extraordinary income	413
Extraordinary losses	
Impairment loss	1,892
Other	25
Total extraordinary losses	1,917
Profit before income taxes	14,666
Income taxes - current	5,083
Income taxes - deferred	(448)
Total income taxes	4,635
Profit	10,031
Profit attributable to owners of parent	10,031

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2018
Profit	10,031
Other comprehensive income	
Valuation difference on available-for-sale securities	25
Deferred gains or losses on hedges	(15)
Total other comprehensive income	10
Comprehensive income	10,041
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	10,041
Comprehensive income attributable to non-controlling interests	—

Consolidated statements of changes in equity

Fiscal year ended February 28, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,658	17,921	61,524	(417)	96,686
Changes of items during period					
Dividends of surplus			(1,620)		(1,620)
Profit attributable to owners of parent			10,031		10,031
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		3	3
Net changes of items other than shareholders' equity					
Total changes of items during period	–	0	8,410	2	8,412
Balance at end of current period	17,658	17,921	69,935	(415)	105,099

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income	
Balance at beginning of current period	286	(20)	266	96,952
Changes of items during period				
Dividends of surplus				(1,620)
Profit attributable to owners of parent				10,031
Purchase of treasury shares				(1)
Disposal of treasury shares				3
Net changes of items other than shareholders' equity	25	(15)	10	10
Total changes of items during period	25	(15)	10	8,423
Balance at end of current period	311	(35)	276	105,375

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2018
Cash flows from operating activities	
Profit before income taxes	14,666
Depreciation	9,604
Amortization of goodwill	233
Increase (decrease) in provision for directors' bonuses	73
Increase(decrease) in Provision for loss on voluntary recall of goods	(446)
Gain on Cancellation of Guaranteed Deposits Received	(377)
Impairment loss	1,892
Interest and dividend income	(116)
Interest expenses	2,110
Decrease (increase) in notes and accounts receivable - trade	(281)
Decrease (increase) in inventories	(1,831)
Increase (decrease) in notes and accounts payable - trade	1,327
Increase (decrease) in accrued consumption taxes	(1,218)
Other, net	776
Subtotal	26,413
Interest and dividend income received	18
Interest expenses paid	(2,073)
Income taxes (paid) refund	(4,857)
Net cash provided by (used in) operating activities	19,501
Cash flows from investing activities	
Purchase of property, plant and equipment	(16,114)
Proceeds from sales of property, plant and equipment	742
Purchase of intangible assets	(211)
purchase of investment in acquisition of new consolidated subsidiary company	(133)
Proceeds from withdrawal of investments in silent partnership	450
Payments for guarantee deposits	(2,729)
Proceeds from collection of guarantee deposits	4,329
Proceeds from guarantee deposits received	236
Repayments of guarantee deposits received	(604)
Other, net	(390)
Net cash provided by (used in) investing activities	(14,426)
Cash flows from financing activities	
Increase in short-term loans payable	42,815
Decrease in short-term loans payable	(47,465)
Proceeds from long-term loans payable	24,000
Repayments of long-term loans payable	(26,806)
Repayments of lease obligations	(1,424)
Collection of Accounts Receivable Installment and others on Sales of Assets	8,445
Repayments of installment payables	(2,215)
Cash dividends paid	(1,619)
Other, net	(1)
Net cash provided by (used in) financing activities	(4,272)
Net increase (decrease) in cash and cash equivalents	803
Cash and cash equivalents at beginning of period	5,741
Cash and cash equivalents at end of period	6,544