

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended May 31, 2018 (Based on Japanese GAAP)

July 10, 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 to file Quarterly Securities Report: July 11, 2018  
 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, 2018 (from March 1, 2018 to May 31, 2018)

(1) Consolidated operating results (cumulative)

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	%
Three months ended May 31, 2018	83,467	4.2	4,860	(9.4)	4,185	(17.4)	2,763	(23.1)
Three months ended May 31, 2017	80,117	–	5,366	–	5,067	–	3,593	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2018	80.13		80.11	
Three months ended May 31, 2017	104.21		104.18	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2018	320,282	107,305	33.5
As of February 28, 2018	299,278	105,375	35.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2018	–	25.00	–	25.00	50.00
Year ending February 28, 2019	–	–	–	–	–
Year ending February 28, 2019 (Forecast)	–	25.00	–	25.00	50.00

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 three months ended May 31, 2018  
 (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, 2018	34,682,113 shares	As of February 28, 2018	34,682,113 shares
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Number of treasury shares at the end of the period

As of May 31, 2018	201,003 shares	As of February 28, 2018	200,473 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, 2018	34,481,574 shares	Three months ended May 31, 2017	34,480,402 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	6,563	8,408
Accounts receivable - trade	4,380	5,699
Merchandise and finished goods	62,510	66,844
Raw materials and supplies	791	738
Deferred tax assets	1,458	1,523
Other	5,509	7,459
Allowance for doubtful accounts	(288)	(289)
Total current assets	80,925	90,384
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	95,518	96,960
Land	38,633	48,131
Leased assets, net	23,898	24,381
Construction in progress	977	1,629
Other, net	4,363	4,733
Total property, plant and equipment	163,391	175,835
Intangible assets		
Goodwill	900	872
Other	5,652	5,623
Total intangible assets	6,552	6,496
Investments and other assets		
Investment securities	2,398	3,447
Guarantee deposits	43,297	41,620
Deferred tax assets	685	697
Other	2,051	1,826
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	48,408	47,566
Total non-current assets	218,352	229,897
Total assets	299,278	320,282

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	22,031	29,939
Electronically recorded obligations - operating	1,813	2,121
Short-term loans payable	2,500	1,000
Current portion of long-term loans payable	27,624	28,014
Lease obligations	1,657	1,778
Income taxes payable	3,444	1,785
Provision for bonuses	1,457	2,217
Other	10,251	12,437
<b>Total current liabilities</b>	<b>70,779</b>	<b>79,293</b>
<b>Non-current liabilities</b>		
Long-term loans payable	65,262	75,800
Lease obligations	26,338	26,727
Guarantee deposits received	12,276	12,086
Provision for loss on voluntary recall of goods	1,469	1,432
Asset retirement obligations	6,462	6,788
Other	11,314	10,848
<b>Total non-current liabilities</b>	<b>123,122</b>	<b>133,683</b>
<b>Total liabilities</b>	<b>193,902</b>	<b>212,976</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	69,935	71,836
Treasury shares	(415)	(415)
<b>Total shareholders' equity</b>	<b>105,099</b>	<b>107,000</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	311	332
Deferred gains or losses on hedges	(35)	(27)
<b>Total accumulated other comprehensive income</b>	<b>276</b>	<b>304</b>
<b>Total net assets</b>	<b>105,375</b>	<b>107,305</b>
<b>Total liabilities and net assets</b>	<b>299,278</b>	<b>320,282</b>

**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	Three months ended May 31, 2018
Net sales	76,668	79,985
Cost of sales	48,409	50,243
Gross profit	28,258	29,742
Operating revenue	3,448	3,481
Selling, general and administrative expenses	26,340	28,363
Operating profit	5,366	4,860
Non-operating income		
Interest income	26	21
Foreign exchange gains	81	45
Other	221	42
Total non-operating income	329	110
Non-operating expenses		
Interest expenses	535	581
Other	92	204
Total non-operating expenses	628	786
Ordinary profit	5,067	4,185
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	320	306
Other	12	-
Total extraordinary income	333	306
Extraordinary losses		
Impairment loss	43	285
Other	4	8
Total extraordinary losses	47	294
Profit before income taxes	5,353	4,198
Income taxes - current	1,810	1,516
Income taxes - deferred	(49)	(81)
Total income taxes	1,760	1,434
Profit	3,593	2,763
Profit attributable to owners of parent	3,593	2,763

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended May 31, 2017	Three months ended May 31, 2018
Profit	3,593	2,763
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	20
Deferred gains or losses on hedges	(12)	7
Total other comprehensive income	(12)	28
Comprehensive income	3,580	2,791
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,580	2,791
Comprehensive income attributable to non-controlling interests	—	—