

# Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2018 (Based on Japanese GAAP)

January 11, 2019

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 15, 2019  
 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 nine months ended November 30, 2018 (from March 1, 2018 to November 30, 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	%
Nine months ended November 30, 2018	253,842	6.2	16,662	17.1	15,177	14.4	8,835	7.5
Nine months ended November 30, 2017	238,958	–	14,232	–	13,262	–	8,221	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2018	256.23	256.16
Nine months ended November 30, 2017	238.42	238.36

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2018	327,591	112,407	34.3
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	Yen	Yen	Yen	Yen
Year ended February 28, 2018	–	25.00	–	25.00	50.00
Year ending February 28, 2019	–	26.00	–		
Year ending February 28, 2019 (Forecast)				26.00	52.00

### 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
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 nine months ended November 30, 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 November 30, 2018	34,682,113 shares	As of February 28, 2018	34,682,113 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of November 30, 2018	199,928 shares	As of February 28, 2018	200,473 shares
-------------------------	----------------	-------------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2018	34,481,843 shares	Nine months ended November 30, 2017	34,481,137 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

## Quarterly consolidated financial statements

### Consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	6,563	13,273
Accounts receivable - trade	4,380	5,962
Merchandise and finished goods	62,510	69,035
Raw materials and supplies	791	711
Deferred tax assets	1,458	1,499
Other	5,509	6,725
Allowance for doubtful accounts	(288)	(283)
Total current assets	80,925	96,924
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	95,518	98,926
Land	38,633	48,131
Leased assets, net	23,898	22,871
Construction in progress	977	1,192
Other, net	4,363	5,072
Total property, plant and equipment	163,391	176,195
Intangible assets		
Goodwill	900	818
Other	5,652	5,663
Total intangible assets	6,552	6,481
Investments and other assets		
Investment securities	2,398	3,711
Guarantee deposits	43,297	41,446
Deferred tax assets	685	1,156
Other	2,051	1,699
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	48,408	47,989
Total non-current assets	218,352	230,666
Total assets	299,278	327,591

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	22,031	30,961
Electronically recorded obligations - operating	1,813	1,938
Short-term loans payable	2,500	1,000
Current portion of long-term loans payable	27,624	29,811
Lease obligations	1,657	1,791
Income taxes payable	3,444	2,608
Provision for bonuses	1,457	2,297
Other	10,251	11,893
Total current liabilities	70,779	82,303
Non-current liabilities		
Long-term loans payable	65,262	76,449
Lease obligations	26,338	26,680
Guarantee deposits received	12,276	11,855
Provision for loss on voluntary recall of goods	1,469	1,353
Asset retirement obligations	6,462	6,647
Other	11,314	9,892
Total non-current liabilities	123,122	132,879
Total liabilities	193,902	215,183
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	69,935	77,012
Treasury shares	(415)	(413)
Total shareholders' equity	105,099	112,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	311	291
Deferred gains or losses on hedges	(35)	(62)
Total accumulated other comprehensive income	276	228
Total net assets	105,375	112,407
Total liabilities and net assets	299,278	327,591

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Net sales	228,555	243,452
Cost of sales	143,973	152,391
Gross profit	84,581	91,061
Operating revenue	10,403	10,389
Selling, general and administrative expenses	80,752	84,788
Operating profit	14,232	16,662
Non-operating income		
Interest income	77	55
Foreign exchange gains	213	134
Gain on investments in silent partnership	131	138
Other	348	208
Total non-operating income	769	536
Non-operating expenses		
Interest expenses	1,594	1,735
Other	144	285
Total non-operating expenses	1,738	2,021
Ordinary profit	13,262	15,177
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	359	308
Other	12	39
Total extraordinary income	371	348
Extraordinary losses		
Impairment loss	1,231	2,372
Other	14	20
Total extraordinary losses	1,245	2,392
Profit before income taxes	12,389	13,133
Income taxes - current	4,586	4,782
Income taxes - deferred	(418)	(485)
Total income taxes	4,167	4,297
Profit	8,221	8,835
Profit attributable to owners of parent	8,221	8,835

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

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Profit	8,221	8,835
Other comprehensive income		
Valuation difference on available-for-sale securities	83	(20)
Deferred gains or losses on hedges	(1)	(27)
Total other comprehensive income	82	(47)
Comprehensive income	8,303	8,787
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,303	8,787
Comprehensive income attributable to non-controlling interests	—	—