

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2019 (Based on Japanese GAAP)

April 12, 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 of ordinary general meeting of shareholders: May 30, 2019
 Scheduled date to file Securities Report: May 31, 2019
 Scheduled date to commence dividend payments: May 31, 2019
 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, 2019 (from March 1, 2018 to February 28, 2019)

(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, 2019	333,496	5.5	19,891	14.5	18,772	16.1	10,854	8.2
Year ended February 28, 2018	316,081	—	17,372	—	16,170	—	10,031	—

	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, 2019	314.79	314.70	9.9	6.1	6.2
Year ended February 28, 2018	290.91	290.83	9.9	5.5	5.7

(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, 2019	319,971	114,299	35.7	3,315.83
As of February 28, 2018	299,278	105,375	35.2	3,056.00

(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, 2019	20,794	(23,798)	4,299	7,840
Year ended February 28, 2018	19,501	(14,426)	(4,272)	6,544

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, 2018	—	25.00	—	25.00	50.00	1,724	17.2	1.7
Year ended February 28, 2019	—	26.00	—	26.00	52.00	1,793	16.5	1.7
Year ending February 29, 2020 (Forecast)	—	26.00	—	26.00	52.00		16.3	

3. Forecast of consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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, 2019	173,520	2.8	12,000	11.2	10,900	11.7	5,400	5.0	156.60
Full year	337,300	1.1	20,500	3.1	19,000	1.2	11,000	1.2	319.01

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2019

(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, 2019	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 February 28, 2019	211,448 shares	As of February 28, 2018	200,473 shares
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Average number of shares during the period

Year ended February 28, 2019	34,480,851 shares	Year ended February 28, 2018	34,481,270 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	6,563	7,858
Accounts receivable - trade	4,380	4,903
Merchandise and finished goods	62,510	68,394
Raw materials and supplies	791	809
Advance payments - trade	19	34
Prepaid expenses	3,828	3,844
Deferred tax assets	1,458	1,413
Other	1,661	1,970
Allowance for doubtful accounts	(288)	(1)
Total current assets	80,925	89,227
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	95,518	97,713
Machinery, equipment and vehicles, net	882	768
Tools, furniture and fixtures, net	3,481	4,104
Land	38,633	48,131
Leased assets, net	23,898	22,423
Construction in progress	977	1,892
Total property, plant and equipment	163,391	175,033
Intangible assets		
Goodwill	900	791
Leasehold right	4,468	4,490
Software	1,110	1,018
Other	72	72
Total intangible assets	6,552	6,373
Investments and other assets		
Investment securities	2,398	4,052
Long-term loans receivable	92	70
Long-term prepaid expenses	1,958	1,568
Guarantee deposits	43,297	41,525
Deferred tax assets	685	2,146
Other	0	295
Allowance for doubtful accounts	(25)	(322)
Total investments and other assets	48,408	49,336
Total non-current assets	218,352	230,743
Total assets	299,278	319,971

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	22,031	24,207
Electronically recorded obligations - operating	1,813	1,815
Short-term loans payable	2,500	950
Current portion of long-term loans payable	27,624	29,374
Lease obligations	1,657	2,619
Accounts payable - other	6,174	5,794
Accrued expenses	1,720	1,825
Income taxes payable	3,444	4,871
Accrued consumption taxes	272	1,369
Unearned revenue	1,126	1,177
Provision for bonuses	1,457	1,549
Provision for directors' bonuses	179	189
Other	778	882
Total current liabilities	70,779	76,626
Non-current liabilities		
Long-term loans payable	65,262	68,672
Lease obligations	26,338	25,387
Guarantee deposits received	12,276	11,538
Long-term accounts payable - other	10,713	15,295
Provision for loss on voluntary recall of goods	1,469	1,066
Asset retirement obligations	6,462	6,586
Other	600	498
Total non-current liabilities	123,122	129,046
Total liabilities	193,902	205,672
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	69,935	79,031
Treasury shares	(415)	(445)
Total shareholders' equity	105,099	114,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	311	174
Deferred gains or losses on hedges	(35)	(42)
Total accumulated other comprehensive income	276	132
Total net assets	105,375	114,299
Total liabilities and net assets	299,278	319,971

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

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Net sales	302,207	319,595
Cost of sales	190,738	200,354
Gross profit	111,468	119,240
Operating revenue	13,874	13,901
Operating gross profit	125,343	133,141
Selling, general and administrative expenses	107,970	113,250
Operating profit	17,372	19,891
Non-operating income		
Interest and dividend income	116	97
Insurance income	118	507
Foreign exchange gains	289	263
Gain on investments in silent partnership	266	277
Reversal for loss on voluntary recall of goods	—	259
Other	279	126
Total non-operating income	1,070	1,531
Non-operating expenses		
Interest expenses	2,110	2,333
Other	162	317
Total non-operating expenses	2,273	2,650
Ordinary profit	16,170	18,772
Extraordinary income		
Gain on cancelation of guaranteed deposits received	377	314
Gain on sales of non-current assets	36	40
Total extraordinary income	413	354
Extraordinary losses		
Impairment loss	1,892	2,892
Other	25	30
Total extraordinary losses	1,917	2,923
Profit before income taxes	14,666	16,203
Income taxes - current	5,083	6,735
Income taxes - deferred	(448)	(1,386)
Total income taxes	4,635	5,348
Profit	10,031	10,854
Profit attributable to owners of parent	10,031	10,854

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Profit	10,031	10,854
Other comprehensive income		
Valuation difference on available-for-sale securities	25	(137)
Deferred gains or losses on hedges	(15)	(6)
Total other comprehensive income	10	(144)
Comprehensive income	10,041	10,710
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,041	10,710
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

Fiscal year ended February 28, 2019

(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	69,935	(415)	105,099
Changes of items during period					
Dividends of surplus			(1,758)		(1,758)
Profit attributable to owners of parent			10,854		10,854
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		2	3
Purchase of treasury shares through board benefit trust				(31)	(31)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	9,095	(29)	9,067
Balance at end of current period	17,658	17,921	79,031	(445)	114,167

	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	311	(35)	276	105,375
Changes of items during period				
Dividends of surplus				(1,758)
Profit attributable to owners of parent				10,854
Purchase of treasury shares				(0)
Disposal of treasury shares				3
Purchase of treasury shares through board benefit trust				(31)
Net changes of items other than shareholders' equity	(137)	(6)	(144)	(144)
Total changes of items during period	(137)	(6)	(144)	8,923
Balance at end of current period	174	(42)	132	114,299

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from operating activities		
Profit before income taxes	14,666	16,203
Depreciation	9,604	10,364
Amortization of goodwill	233	109
Increase (decrease) in provision for directors' bonuses	73	10
Increase(decrease) in Provision for loss on voluntary recall of goods	(446)	(403)
Gain on Cancellation of Guaranteed Deposits Received	(377)	(314)
Impairment loss	1,892	2,892
Interest and dividend income	(116)	(97)
Interest expenses	2,110	2,333
Decrease (increase) in notes and accounts receivable - trade	(281)	(522)
Decrease (increase) in inventories	(1,831)	(5,901)
Increase (decrease) in notes and accounts payable - trade	1,327	2,141
Increase (decrease) in accrued consumption taxes	(1,218)	1,096
Other, net	776	362
Subtotal	26,413	28,274
Interest and dividend income received	18	28
Interest expenses paid	(2,073)	(2,290)
Income taxes (paid) refund	(4,857)	(5,217)
Net cash provided by (used in) operating activities	19,501	20,794
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,114)	(24,506)
Proceeds from sales of property, plant and equipment	742	1,960
Purchase of intangible assets	(211)	(328)
Purchase of investment securities	—	(1,034)
purchase of investment in acquisition of new consolidated subsidiary company	(133)	—
Payments for investments in capital of subsidiaries and associates	—	(507)
Proceeds from withdrawal of investments in silent partnership	450	
Payments for guarantee deposits	(2,729)	(2,782)
Proceeds from collection of guarantee deposits	4,329	4,727
Proceeds from guarantee deposits received	236	899
Repayments of guarantee deposits received	(604)	(1,361)
Other, net	(390)	(863)
Net cash provided by (used in) investing activities	(14,426)	(23,798)

	(Millions of yen)	
	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from financing activities		
Increase in short-term loans payable	42,815	950
Decrease in short-term loans payable	(47,465)	(2,500)
Proceeds from long-term loans payable	24,000	35,500
Repayments of long-term loans payable	(26,806)	(30,339)
Repayments of lease obligations	(1,424)	(1,761)
Collection of Accounts Receivable Installment and others on		
Sales of Assets	8,445	6,703
Repayments of installment payables	(2,215)	(2,461)
Cash dividends paid	(1,619)	(1,760)
Other, net	(1)	(31)
Net cash provided by (used in) financing activities	(4,272)	4,299
Net increase (decrease) in cash and cash equivalents	803	1,295
Cash and cash equivalents at beginning of period	5,741	6,544
Cash and cash equivalents at end of period	6,544	7,840