

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2019 (Based on Japanese GAAP)

July 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 to file Quarterly Securities Report: July 16, 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 three months ended May 31, 2019 (from March 1, 2019 to May 31, 2019)

(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, 2019	87,871	5.3	6,432	32.3	6,116	46.1	4,150	50.2
Three months ended May 31, 2018	83,467	4.2	4,860	(9.4)	4,185	(17.4)	2,763	(23.1)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2019	120.39		120.36	
Three months ended May 31, 2018	80.13		80.11	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2019	354,197	117,242	33.1
As of February 28, 2019	319,963	114,299	35.7

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, 2019	–	26.00	–	26.00	52.00
Year ending February 29, 2020	–	–	–	–	–
Year ending February 29, 2020 (Forecast)	–	26.00	–	26.00	52.00

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	182,500	8.1	12,000	11.2	10,900	11.7	5,400	5.0	156.60
Full year	364,300	9.2	20,500	3.1	19,000	1.2	11,000	1.2	319.01

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2019
 (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, 2019	34,682,113 shares	As of February 28, 2019	34,682,113 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	211,958 shares	As of February 28, 2019	211,448 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, 2019	34,470,650 shares	Three months ended May 31, 2018	34,481,574 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	7,858	36,956
Accounts receivable - trade	4,903	6,756
Merchandise and finished goods	68,394	71,766
Raw materials and supplies	809	906
Other	5,849	7,310
Allowance for doubtful accounts	(1)	(2)
Total current assets	87,813	123,694
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	97,713	99,069
Land	48,131	48,131
Leased assets, net	22,423	22,068
Construction in progress	1,892	216
Other, net	4,873	4,761
Total property, plant and equipment	175,033	174,246
Intangible assets		
Goodwill	791	763
Other	5,582	5,696
Total intangible assets	6,373	6,459
Investments and other assets		
Investment securities	4,052	3,082
Guarantee deposits	41,525	41,547
Deferred tax assets	3,552	3,576
Other	1,934	1,912
Allowance for doubtful accounts	(322)	(322)
Total investments and other assets	50,743	49,796
Total non-current assets	232,150	230,503
Total assets	319,963	354,197

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	24,207	30,709
Electronically recorded obligations - operating	1,815	2,094
Short-term loans payable	950	18,950
Current portion of long-term loans payable	29,374	28,589
Lease obligations	2,619	2,618
Income taxes payable	4,871	2,271
Provision for bonuses	1,549	2,336
Other	11,237	12,058
Total current liabilities	76,626	99,628
Non-current liabilities		
Long-term loans payable	68,672	77,757
Lease obligations	25,387	25,012
Guarantee deposits received	11,538	11,484
Provision for loss on voluntary recall of goods	1,066	1,040
Asset retirement obligations	6,586	6,662
Other	15,786	15,368
Total non-current liabilities	129,038	137,326
Total liabilities	205,664	236,955
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,921
Retained earnings	79,031	82,005
Treasury shares	(445)	(445)
Total shareholders' equity	114,167	117,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174	143
Deferred gains or losses on hedges	(42)	(74)
Foreign currency translation adjustment	-	31
Total accumulated other comprehensive income	132	100
Total net assets	114,299	117,242
Total liabilities and net assets	319,963	354,197

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, 2018	Three months ended May 31, 2019
Net sales	79,985	84,252
Cost of sales	50,243	52,954
Gross profit	29,742	31,297
Operating revenue	3,481	3,619
Selling, general and administrative expenses	28,363	28,485
Operating profit	4,860	6,432
Non-operating income		
Interest income	21	15
Insurance income	16	266
Foreign exchange gains	45	62
Other	26	37
Total non-operating income	110	381
Non-operating expenses		
Interest expenses	581	594
Other	204	103
Total non-operating expenses	786	698
Ordinary profit	4,185	6,116
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	306	2
Total extraordinary income	306	2
Extraordinary losses		
Impairment loss	285	-
Loss on retirement of non-current assets	8	0
Total extraordinary losses	294	0
Profit before income taxes	4,198	6,118
Income taxes - current	1,516	1,976
Income taxes - deferred	(81)	(8)
Total income taxes	1,434	1,968
Profit	2,763	4,150
Profit attributable to owners of parent	2,763	4,150

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Profit	2,763	4,150
Other comprehensive income		
Valuation difference on available-for-sale securities	20	(31)
Deferred gains or losses on hedges	7	(31)
Foreign currency translation adjustment	–	31
Total other comprehensive income	28	(31)
Comprehensive income	2,791	4,118
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,791	4,118
Comprehensive income attributable to non-controlling interests	–	–