

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2019 (Based on Japanese GAAP)

January 10, 2020

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 14, 2020
 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, 2019 (from March 1, 2019 to November 30, 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	%
Nine months ended November 30, 2019	281,462	10.9	16,472	(1.1)	15,524	2.3	9,299	5.3
Nine months ended November 30, 2018	253,842	6.2	16,662	17.1	15,177	14.4	8,835	7.5

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2019	269.78	269.70
Nine months ended November 30, 2018	256.23	256.16

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2019	366,778	121,614	33.2
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	Yen	Yen	Yen	Yen
Year ended February 28, 2019	–	26.00	–	26.00	52.00
Year ending February 29, 2020	–	27.00	–		
Year ending February 29, 2020 (Forecast)				27.00	54.00

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
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 nine months ended November 30, 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 November 30, 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 November 30, 2019	211,090 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)

Nine months ended November 30, 2019	34,470,772 shares	Nine months ended November 30, 2018	34,481,843 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	7,858	12,275
Accounts receivable - trade	4,903	8,051
Merchandise and finished goods	68,394	79,192
Raw materials and supplies	809	942
Other	5,849	7,247
Allowance for doubtful accounts	(1)	(8)
Total current assets	87,813	107,701
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	97,713	98,341
Land	48,131	48,304
Leased assets, net	22,423	21,477
Construction in progress	1,892	1,785
Other, net	4,873	5,603
Total property, plant and equipment	175,033	175,512
Intangible assets		
Trademark right	—	4,159
Customer-related Assets	—	3,044
Goodwill	791	16,655
Other	5,582	6,281
Total intangible assets	6,373	30,140
Investments and other assets		
Investment securities	4,052	3,319
Guarantee deposits	41,525	44,530
Deferred tax assets	3,552	3,970
Other	1,934	1,981
Allowance for doubtful accounts	(322)	(377)
Total investments and other assets	50,743	53,424
Total non-current assets	232,150	259,076
Total assets	319,963	366,778

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	24,207	39,186
Electronically recorded obligations - operating	1,815	3,124
Short-term loans payable	950	5,625
Current portion of long-term loans payable	29,374	26,753
Lease obligations	2,619	2,172
Income taxes payable	4,871	2,059
Provision for bonuses	1,549	2,737
Provision for point card certificates	—	604
Other	11,237	14,063
Total current liabilities	76,626	96,326
Non-current liabilities		
Long-term loans payable	68,672	86,839
Lease obligations	25,387	25,242
Guarantee deposits received	11,538	11,320
Net defined benefit liability	—	25
Provision for loss on voluntary recall of goods	1,066	900
Asset retirement obligations	6,586	7,298
Other	15,786	17,209
Total non-current liabilities	129,038	148,837
Total liabilities	205,664	245,163
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,922
Retained earnings	79,031	86,224
Treasury shares	(445)	(443)
Total shareholders' equity	114,167	121,361
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174	238
Deferred gains or losses on hedges	(42)	(13)
Foreign currency translation adjustment	—	27
Total accumulated other comprehensive income	132	252
Total net assets	114,299	121,614
Total liabilities and net assets	319,963	366,778

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, 2018	Nine months ended November 30, 2019
Net sales	243,452	270,513
Cost of sales	152,391	171,036
Gross profit	91,061	99,477
Operating revenue	10,389	10,948
Selling, general and administrative expenses	84,788	93,953
Operating profit	16,662	16,472
Non-operating income		
Interest income	55	51
Insurance income	89	488
Foreign exchange gains	134	198
Gain on investments in silent partnership	138	138
Other	118	162
Total non-operating income	536	1,038
Non-operating expenses		
Interest expenses	1,735	1,766
Other	285	219
Total non-operating expenses	2,021	1,986
Ordinary profit	15,177	15,524
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	308	9
Other	39	—
Total extraordinary income	348	9
Extraordinary losses		
Impairment loss	2,372	1,629
Other	20	16
Total extraordinary losses	2,392	1,646
Profit before income taxes	13,133	13,887
Income taxes - current	4,782	5,112
Income taxes - deferred	(485)	(524)
Total income taxes	4,297	4,587
Profit	8,835	9,299
Profit attributable to owners of parent	8,835	9,299

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Profit	8,835	9,299
Other comprehensive income		
Valuation difference on available-for-sale securities	(20)	63
Deferred gains or losses on hedges	(27)	29
Foreign currency translation adjustment	—	27
Total other comprehensive income	(47)	120
Comprehensive income	8,787	9,420
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,787	9,420
Comprehensive income attributable to non-controlling interests	—	—