

# 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 Year Ended February 29, 2020 (Based on Japanese GAAP)

April 13, 2020

Company name: KOHNAN SHOJI CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 7516 URL <https://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 28, 2020  
 Scheduled date to file Securities Report: May 29, 2020  
 Scheduled date to commence dividend payments: May 29, 2020  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

#### (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 29, 2020	374,644	12.3	20,060	0.9	18,919	0.8	11,830	9.0
Year ended February 28, 2019	333,496	5.5	19,891	14.5	18,772	16.1	10,854	8.2

	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 29, 2020	343.21	343.11	9.9	5.4	5.6
Year ended February 28, 2019	314.79	314.70	9.9	6.1	6.2

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	378,263	124,080	32.8	3,599.56
As of February 28, 2019	319,963	114,299	35.7	3,315.83

#### (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 29, 2020	26,690	(42,450)	19,309	11,959
Year ended February 28, 2019	20,794	(23,798)	4,299	7,840

### 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, 2019	—	26.00	—	26.00	52.00	1,793	16.5	1.7
Year ended February 29, 2020	—	27.00	—	27.00	54.00	1,862	15.7	1.6
Year ending February 28, 2021 (Forecast)	—	27.00	—	27.00	54.00		15.5	

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

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, 2020	204,780	11.0	12,200	4.2	11,500	2.3	6,900	7.5	200.16
Full year	403,400	7.7	20,500	2.2	19,200	1.5	12,000	1.4	348.12

4. Notes

(1) Changes in significant subsidiaries during the year ended February 29, 2020

(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 29, 2020	34,682,113 shares	As of February 28, 2019	34,682,113 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of February 29, 2020	211,090 shares	As of February 28, 2019	211,448 shares
-------------------------	----------------	-------------------------	----------------

Average number of shares during the period

Year ended February 29, 2020	34,470,834 shares	Year ended February 28, 2019	34,480,851 shares
------------------------------	-------------------	------------------------------	-------------------

## Consolidated financial statements

### Consolidated balance sheets

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	7,858	11,978
Accounts receivable - trade	4,903	7,958
Merchandise and finished goods	68,394	78,519
Raw materials and supplies	809	884
Advance payments - trade	34	13
Prepaid expenses	3,844	4,358
Other	1,970	3,167
Allowance for doubtful accounts	(1)	(6)
Total current assets	87,813	106,873
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	97,713	106,803
Machinery, equipment and vehicles, net	768	1,475
Tools, furniture and fixtures, net	4,104	4,032
Land	48,131	48,304
Leased assets, net	22,423	21,311
Construction in progress	1,892	3,082
Total property, plant and equipment	175,033	185,009
Intangible assets		
Trademark right	—	4,076
Customer-related Assets	—	2,987
Goodwill	791	17,561
Leasehold right	4,490	4,557
Software	1,018	1,103
Other	72	494
Total intangible assets	6,373	30,781
Investments and other assets		
Investment securities	4,052	3,340
Long-term loans receivable	70	63
Long-term prepaid expenses	1,568	1,568
Guarantee deposits	41,525	45,782
Retirement benefit asset	—	6
Deferred tax assets	3,552	4,857
Other	295	356
Allowance for doubtful accounts	(322)	(378)
Total investments and other assets	50,743	55,598
Total non-current assets	232,150	271,389
Total assets	319,963	378,263

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	24,207	34,397
Electronically recorded obligations - operating	1,815	3,020
Short-term loans payable	950	14,987
Current portion of long-term loans payable	29,374	26,846
Lease obligations	2,619	2,168
Accounts payable - other	5,794	5,971
Accrued expenses	1,825	3,010
Income taxes payable	4,871	3,241
Accrued consumption taxes	1,369	2,889
Unearned revenue	1,177	1,168
Provision for bonuses	1,549	1,906
Provision for point card certificates	—	610
Provision for bonuses for directors (and other officers)	189	211
Other	882	1,615
Total current liabilities	76,626	102,045
Non-current liabilities		
Long-term loans payable	68,672	81,634
Lease obligations	25,387	24,998
Guarantee deposits received	11,538	11,231
Long-term accounts payable - other	15,295	14,880
Provision for loss on voluntary recall of goods	1,066	847
Asset retirement obligations	6,586	15,639
Deferred tax liabilities	—	2,505
Other	491	398
Total non-current liabilities	129,038	152,136
Total liabilities	205,664	254,182
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus	17,921	17,922
Retained earnings	79,031	88,755
Treasury shares	(445)	(443)
Total shareholders' equity	114,167	123,893
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	174	111
Deferred gains or losses on hedges	(42)	(44)
Foreign currency translation adjustment	—	93
Remeasurements of defined benefit plans	—	26
Total accumulated other comprehensive income	132	187
Total net assets	114,299	124,080
Total liabilities and net assets	319,963	378,263

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

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Net sales	319,595	360,013
Cost of sales	200,354	227,702
Gross profit	119,240	132,310
Operating revenue	13,901	14,630
Operating gross profit	133,141	146,941
Selling, general and administrative expenses	113,250	126,881
Operating profit	19,891	20,060
Non-operating income		
Interest and dividend income	97	93
Insurance income	507	549
Foreign exchange gains	263	260
Gain on investments in silent partnership	277	277
Reversal for loss on voluntary recall of goods	259	—
Other	126	258
Total non-operating income	1,531	1,439
Non-operating expenses		
Interest expenses	2,333	2,328
Other	317	253
Total non-operating expenses	2,650	2,581
Ordinary profit	18,772	18,919
Extraordinary income		
Gain on cancelation of guaranteed deposits received	314	10
Other	40	0
Total extraordinary income	354	10
Extraordinary losses		
Impairment loss	2,892	2,057
Other	30	33
Total extraordinary losses	2,923	2,090
Profit before income taxes	16,203	16,838
Income taxes - current	6,735	5,989
Income taxes - deferred	(1,386)	(981)
Total income taxes	5,348	5,008
Profit	10,854	11,830
Profit attributable to owners of parent	10,854	11,830

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit	10,854	11,830
Other comprehensive income		
Valuation difference on available-for-sale securities	(137)	(63)
Deferred gains or losses on hedges	(6)	(1)
Foreign currency translation adjustment	—	93
Remeasurements of defined benefit plans, net of tax	—	26
Total other comprehensive income	(144)	55
Comprehensive income	10,710	11,886
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,710	11,886
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

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

Fiscal year ended February 29, 2020

(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	79,031	(445)	114,167
Changes of items during period					
Dividends of surplus			(1,827)		(1,827)
Change of scope of consolidation			(279)		(279)
Profit attributable to owners of parent			11,830		11,830
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		1	2
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	9,724	1	9,726
Balance at end of current period	17,658	17,922	88,755	(443)	123,893

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	174	(42)	—	—	132	114,299
Changes of items during period						
Dividends of surplus						(1,827)
Change of scope of consolidation						(279)
Profit attributable to owners of parent						11,830
Purchase of treasury shares						(0)
Disposal of treasury shares						2
Net changes of items other than shareholders' equity	(63)	(1)	93	26	55	55
Total changes of items during period	(63)	(1)	93	26	55	9,781
Balance at end of current period	111	(44)	93	26	187	124,080



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit before income taxes	16,203	16,838
Depreciation	10,364	11,185
Amortization of goodwill	109	741
Increase (decrease) in provision for bonuses for directors (and other officers)	10	22
Increase(decrease) in Provision for loss on voluntary recall of goods	(403)	(218)
Gain on Cancellation of Guaranteed Deposits Received	(314)	(10)
Impairment loss	2,892	2,057
Interest and dividend income	(97)	(93)
Interest expenses	2,333	2,328
Decrease (increase) in notes and accounts receivable - trade	(522)	(2,319)
Decrease (increase) in inventories	(5,901)	(226)
Increase (decrease) in notes and accounts payable - trade	2,141	2,763
Increase (decrease) in accrued consumption taxes	1,096	1,429
Other, net	362	2,061
Subtotal	28,274	36,558
Interest and dividend income received	28	35
Interest expenses paid	(2,290)	(2,297)
Income taxes (paid) refund	(5,217)	(7,606)
Net cash provided by (used in) operating activities	20,794	26,690
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,506)	(10,601)
Proceeds from sales of property, plant and equipment	1,960	—
Purchase of intangible assets	(328)	(465)
Purchase of investment securities	(1,034)	—
purchase of investment in acquisition of new consolidated subsidiary company	—	(23,283)
Payments for investments in capital of subsidiaries and associates	(507)	—
Payments of absorption-type split	—	(6,118)
Payments for guarantee deposits	(2,782)	(2,090)
Proceeds from collection of guarantee deposits	4,727	1,494
Proceeds from guarantee deposits received	899	172
Repayments of guarantee deposits received	(1,361)	(551)
Other, net	(863)	(1,004)
Net cash provided by (used in) investing activities	(23,798)	(42,450)

	(Millions of yen)	
	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from financing activities		
Increase in short-term loans payable	950	93,150
Decrease in short-term loans payable	(2,500)	(79,412)
Proceeds from long-term loans payable	35,500	39,500
Repayments of long-term loans payable	(30,339)	(29,067)
Repayments of lease obligations	(1,761)	(2,213)
Collection of Accounts Receivable Installment and others on		
Sales of Assets	6,703	1,222
Repayments of installment payables	(2,461)	(2,044)
Cash dividends paid	(1,760)	(1,827)
Other, net	(31)	1
Net cash provided by (used in) financing activities	4,299	19,309
Effect of exchange rate change on cash and cash equivalents	–	57
Net increase (decrease) in cash and cash equivalents	1,295	3,606
Cash and cash equivalents at beginning of period	6,544	7,840
Increase in cash and cash equivalents from newly consolidated subsidiary	–	513
Cash and cash equivalents at end of period	7,840	11,959