

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2020 (Based on Japanese GAAP)

July 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 06(6397)1621
 Scheduled date to file Quarterly Securities Report: July 13, 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 three months ended May 31, 2020 (from March 1, 2020 to May 31, 2020)

(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, 2020	113,791	29.5	10,830	68.4	10,307	68.5	7,054	70.0
Three months ended May 31, 2019	87,871	5.3	6,432	32.3	6,116	46.1	4,150	50.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2020	204.66		204.60	
Three months ended May 31, 2019	120.39		120.36	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2020	393,441	130,295	33.1
As of February 29, 2020	378,263	124,080	32.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 29, 2020	–	27.00	–	27.00	54.00
Year ending February 28, 2021	–	–	–	–	–
Year ending February 28, 2021 (Forecast)	–	27.00	–	27.00	54.00

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 three months ended May 31, 2020
 (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, 2020	34,682,113 shares	As of February 29, 2020	34,682,113 shares
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Number of treasury shares at the end of the period

As of May 31, 2020	211,022 shares	As of February 29, 2020	211,090 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, 2020	34,471,058 shares	Three months ended May 31, 2019	34,470,650 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	11,978	19,805
Accounts receivable - trade	7,958	10,313
Merchandise and finished goods	78,519	81,488
Raw materials and supplies	884	810
Other	7,539	8,605
Allowance for doubtful accounts	(6)	(5)
Total current assets	106,873	121,017
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	106,803	107,377
Land	48,304	48,304
Leased assets, net	21,311	21,008
Construction in progress	3,082	4,161
Other, net	5,508	5,554
Total property, plant and equipment	185,009	186,406
Intangible assets		
Trademark right	4,076	3,993
Customer-related Assets	2,987	2,931
Goodwill	17,561	17,272
Other	6,155	6,017
Total intangible assets	30,781	30,214
Investments and other assets		
Investment securities	3,340	3,447
Guarantee deposits	45,782	45,792
Deferred tax assets	4,857	5,019
Other	1,995	1,904
Allowance for doubtful accounts	(378)	(360)
Total investments and other assets	55,598	55,802
Total non-current assets	271,389	272,424
Total assets	378,263	393,441

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	34,397	45,557
Electronically recorded obligations - operating	3,020	3,171
Short-term borrowings	14,987	5,900
Current portion of long-term borrowings	26,846	27,142
Lease obligations	2,168	2,251
Income taxes payable	3,241	3,835
Provision for bonuses	1,906	3,027
Provision for point card certificates	610	616
Other	14,866	15,600
Total current liabilities	102,045	107,103
Non-current liabilities		
Long-term borrowings	81,634	86,393
Lease obligations	24,998	24,547
Guarantee deposits received	11,231	11,155
Provision for loss on voluntary recall of goods	847	822
Asset retirement obligations	15,639	15,774
Other	17,785	17,349
Total non-current liabilities	152,136	156,043
Total liabilities	254,182	263,146
Net assets		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	88,755	94,879
Treasury shares	(443)	(443)
Total shareholders' equity	123,893	130,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111	211
Deferred gains or losses on hedges	(44)	(10)
Foreign currency translation adjustment	93	50
Remeasurements of defined benefit plans	26	26
Total accumulated other comprehensive income	187	278
Total net assets	124,080	130,295
Total liabilities and net assets	378,263	393,441

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, 2019	Three months ended May 31, 2020
Net sales	84,252	110,088
Cost of sales	52,954	68,143
Gross profit	31,297	41,944
Operating revenue	3,619	3,703
Selling, general and administrative expenses	28,485	34,817
Operating profit	6,432	10,830
Non-operating income		
Interest income	15	15
Insurance claim income	266	22
Foreign exchange gains	62	72
Other	37	55
Total non-operating income	381	166
Non-operating expenses		
Interest expenses	594	565
Other	103	124
Total non-operating expenses	698	689
Ordinary profit	6,116	10,307
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	2	0
Other	-	0
Total extraordinary income	2	0
Extraordinary losses		
Loss on retirement of non-current assets	0	17
Other	-	0
Total extraordinary losses	0	18
Profit before income taxes	6,118	10,289
Income taxes - current	1,976	3,467
Income taxes - deferred	(8)	(232)
Total income taxes	1,968	3,234
Profit	4,150	7,054
Profit attributable to owners of parent	4,150	7,054

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2019	Three months ended May 31, 2020
Profit	4,150	7,054
Other comprehensive income		
Valuation difference on available-for-sale securities	(31)	100
Deferred gains or losses on hedges	(31)	34
Foreign currency translation adjustment	31	(43)
Remeasurements of defined benefit plans, net of tax	–	(0)
Total other comprehensive income	(31)	90
Comprehensive income	4,118	7,145
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,118	7,145
Comprehensive income attributable to non-controlling interests	–	–