

Translation

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

October 12, 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: October 13, 2020
 Scheduled date to commence dividend payments: November 10, 2020
 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 six months ended August 31, 2020 (from March 1, 2020 to August 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	%
Six months ended August 31, 2020	229,479	24.4	21,539	84.0	20,834	85.4	12,690	97.6
Six months ended August 31, 2019	184,448	9.3	11,703	8.5	11,240	15.2	6,421	24.8

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2020	373.56	373.46
Six months ended August 31, 2019	186.27	186.22

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2020	386,349	128,283	33.2
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	Yen	Yen	Yen	Yen
Year ended February 29, 2020	—	27.00	—	27.00	54.00
Year ending February 28, 2021	—	29.00			
Year ending February 28, 2021 (Forecast)			—	29.00	58.00

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
Full year	428,000	14.2	29,800	48.6	28,500	50.6	17,800	50.5	523.97

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 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 August 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 August 31, 2020	2,210,528 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)

Six months ended August 31, 2020	33,971,209 shares	Six months ended August 31, 2019	34,470,632 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	11,978	13,150
Accounts receivable - trade	7,958	10,135
Merchandise and finished goods	78,519	82,008
Raw materials and supplies	884	838
Other	7,539	8,389
Allowance for doubtful accounts	(6)	(3)
Total current assets	106,873	114,519
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	106,803	109,009
Land	48,304	48,304
Leased assets, net	21,311	19,823
Construction in progress	3,082	2,806
Other, net	5,508	5,714
Total property, plant and equipment	185,009	185,658
Intangible assets		
Trademark right	4,076	3,910
Customer-related Assets	2,987	2,875
Goodwill	17,561	16,982
Other	6,155	5,945
Total intangible assets	30,781	29,712
Investments and other assets		
Investment securities	3,340	3,558
Guarantee deposits	45,782	45,637
Deferred tax assets	4,857	5,700
Other	1,995	1,906
Allowance for doubtful accounts	(378)	(344)
Total investments and other assets	55,598	56,459
Total non-current assets	271,389	271,830
Total assets	378,263	386,349

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	34,397	43,563
Electronically recorded obligations - operating	3,020	2,316
Short-term borrowings	14,987	6,712
Current portion of long-term borrowings	26,846	26,228
Lease obligations	2,168	2,258
Income taxes payable	3,241	7,502
Provision for bonuses	1,906	2,016
Provision for point card certificates	610	628
Other	14,866	16,049
Total current liabilities	102,045	107,276
Non-current liabilities		
Long-term borrowings	81,634	82,385
Lease obligations	24,998	23,993
Guarantee deposits received	11,231	10,836
Provision for loss on voluntary recall of goods	847	790
Asset retirement obligations	15,639	15,896
Other	17,785	16,887
Total non-current liabilities	152,136	150,789
Total liabilities	254,182	258,066
Net assets		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	88,755	100,514
Treasury shares	(443)	(8,062)
Total shareholders' equity	123,893	128,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111	181
Deferred gains or losses on hedges	(44)	(28)
Foreign currency translation adjustment	93	71
Remeasurements of defined benefit plans	26	25
Total accumulated other comprehensive income	187	249
Total net assets	124,080	128,283
Total liabilities and net assets	378,263	386,349

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
Net sales	177,164	222,073
Cost of sales	111,695	137,538
Gross profit	65,468	84,534
Operating revenue	7,284	7,405
Selling, general and administrative expenses	61,049	70,401
Operating profit	11,703	21,539
Non-operating income		
Interest income	34	58
Insurance claim income	440	52
Foreign exchange gains	158	199
Gain on investments in silent partnerships	138	139
Other	96	112
Total non-operating income	868	562
Non-operating expenses		
Interest expenses	1,186	1,115
Other	144	152
Total non-operating expenses	1,331	1,267
Ordinary profit	11,240	20,834
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	2	0
Other	—	0
Total extraordinary income	2	0
Extraordinary losses		
Impairment loss	1,603	2,267
Loss on retirement of non-current assets	15	45
Other	—	22
Total extraordinary losses	1,619	2,335
Profit before income taxes	9,623	18,499
Income taxes - current	3,520	6,766
Income taxes - deferred	(317)	(957)
Total income taxes	3,202	5,808
Profit	6,421	12,690
Profit attributable to owners of parent	6,421	12,690

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit	6,421	12,690
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	69
Deferred gains or losses on hedges	(9)	15
Foreign currency translation adjustment	7	(22)
Remeasurements of defined benefit plans, net of tax	—	(1)
Total other comprehensive income	(50)	61
Comprehensive income	6,370	12,752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,370	12,752
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit before income taxes	9,623	18,499
Depreciation	5,330	6,015
Amortization of goodwill	258	579
Increase (decrease) in provision for bonuses for directors (and other officers)	(189)	(211)
Increase(decrease) in Provision for loss on voluntary recall of goods	(116)	(56)
Gain on Cancellation of Guaranteed Deposits Received	(2)	(0)
Impairment loss	1,603	2,267
Interest and dividend income	(59)	(58)
Interest expenses	1,186	1,115
Decrease (increase) in trade receivables	(1,622)	(2,178)
Decrease (increase) in inventories	(1,969)	(3,453)
Increase (decrease) in trade payables	5,140	8,469
Increase (decrease) in accrued consumption taxes	122	576
Other, net	621	(349)
Subtotal	19,927	31,214
Interest and dividends received	30	32
Interest paid	(1,202)	(1,153)
Income taxes (paid) refund	(4,241)	(2,644)
Net cash provided by (used in) operating activities	14,513	27,449
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,855)	(7,056)
Purchase of intangible assets	(298)	(105)
purchase of investment in acquisition of new consolidated subsidiary company	(23,283)	–
Payments of guarantee deposits	(851)	(1,200)
Proceeds from refund of guarantee deposits	783	1,370
Guarantee deposits received	107	206
Refund of guarantee deposits received	(320)	(613)
Other, net	(151)	(127)
Net cash provided by (used in) investing activities	(27,869)	(7,528)
Cash flows from financing activities		
Proceeds from short-term borrowings	59,550	31,600
Repayments of short-term borrowings	(42,750)	(39,875)
Proceeds from long-term borrowings	18,500	14,500
Repayments of long-term borrowings	(16,092)	(14,367)
Repayments of lease obligations	(1,051)	(1,142)
Repayments of installment payables	(1,023)	(902)
Dividends paid	(896)	(930)
Purchase of treasury shares	–	(7,620)
Other, net	(0)	1
Net cash provided by (used in) financing activities	16,235	(18,736)
Effect of exchange rate change on cash and cash equivalents	(13)	(12)
Net increase (decrease) in cash and cash equivalents	2,865	1,172
Cash and cash equivalents at beginning of period	7,840	11,959
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	513	–
Cash and cash equivalents at end of period	11,219	13,131