

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2021 (Based on Japanese GAAP)

April 12, 2021

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 of ordinary general meeting of shareholders: May 27, 2021
 Scheduled date to file Securities Report: May 28, 2021
 Scheduled date to commence dividend payments: May 28, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(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 28, 2021	442,070	18.0	30,919	54.1	29,774	57.4	18,649	57.6
Year ended February 29, 2020	374,644	12.3	20,060	0.9	18,919	0.8	11,830	9.0

	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 28, 2021	561.27	561.11	14.5	7.7	7.2
Year ended February 29, 2020	343.21	343.11	9.9	5.4	5.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2021	395,095	133,287	33.7	4,104.73
As of February 29, 2020	378,263	124,080	32.8	3,599.56

(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 28, 2021	35,122	(15,218)	(17,200)	14,663
Year ended February 29, 2020	26,690	(42,450)	19,309	11,959

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 29, 2020	—	27.00	—	27.00	54.00	1,862	15.7	1.6
Year ended February 28, 2021	—	29.00	—	32.00	61.00	1,981	10.9	1.6
Year ending February 28, 2022 (Forecast)	—	32.00	—	32.00	64.00		13.0	

3. Forecast of consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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, 2021	222,900	(2.9)	17,000	(21.1)	16,100	(22.7)	10,000	(21.2)	300.95
Full year	442,600	0.1	27,400	(11.4)	25,800	(13.3)	16,300	(12.6)	490.55

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2021

(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 28, 2021	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 February 28, 2021	2,210,566 shares	As of February 29, 2020	211,090 shares
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Average number of shares during the period

Year ended February 28, 2021	33,227,557 shares	Year ended February 29, 2020	34,470,834 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	11,978	14,681
Accounts receivable - trade	7,958	8,569
Merchandise and finished goods	78,519	88,245
Raw materials and supplies	884	788
Advance payments - trade	13	65
Prepaid expenses	4,358	4,355
Other	3,167	2,720
Allowance for doubtful accounts	(6)	(2)
Total current assets	106,873	119,422
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	106,803	110,921
Machinery, equipment and vehicles, net	1,475	1,244
Tools, furniture and fixtures, net	4,032	4,991
Land	48,304	49,623
Leased assets, net	21,311	22,287
Construction in progress	3,082	699
Total property, plant and equipment	185,009	189,767
Intangible assets		
Trademark right	4,076	3,743
Customer-related Assets	2,987	2,762
Goodwill	17,561	16,403
Leasehold interests in land	4,557	4,572
Software	1,103	910
Other	494	401
Total intangible assets	30,781	28,793
Investments and other assets		
Investment securities	3,340	3,687
Long-term loans receivable	63	54
Long-term prepaid expenses	1,568	1,391
Guarantee deposits	45,782	45,910
Retirement benefit asset	6	39
Deferred tax assets	4,857	6,018
Other	356	340
Allowance for doubtful accounts	(378)	(329)
Total investments and other assets	55,598	57,111
Total non-current assets	271,389	275,673
Total assets	378,263	395,095

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	34,397	37,525
Electronically recorded obligations - operating	3,020	3,445
Short-term borrowings	14,987	6,437
Current portion of long-term borrowings	26,846	26,113
Lease obligations	2,168	2,411
Accounts payable - other	5,971	6,946
Accrued expenses	3,010	3,514
Income taxes payable	3,241	7,375
Accrued consumption taxes	2,889	3,475
Unearned revenue	1,168	1,205
Advances received	816	2,361
Provision for bonuses	1,906	2,134
Provision for point card certificates	610	650
Provision for bonuses for directors (and other officers)	211	211
Other	798	857
Total current liabilities	102,045	104,665
Non-current liabilities		
Long-term borrowings	81,634	85,941
Lease obligations	24,998	26,154
Guarantee deposits received	11,231	10,846
Long-term accounts payable - other	14,880	14,702
Provision for loss on voluntary recall of goods	847	757
Asset retirement obligations	15,639	16,095
Deferred tax liabilities	2,505	2,307
Other	398	337
Total non-current liabilities	152,136	157,143
Total liabilities	254,182	261,808
Net assets		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,922
Retained earnings	88,755	105,532
Treasury shares	(443)	(8,062)
Total shareholders' equity	123,893	133,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111	159
Deferred gains or losses on hedges	(44)	(16)
Foreign currency translation adjustment	93	58
Remeasurements of defined benefit plans	26	34
Total accumulated other comprehensive income	187	235
Total net assets	124,080	133,287
Total liabilities and net assets	378,263	395,095

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

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Net sales	360,013	427,124
Cost of sales	227,702	266,290
Gross profit	132,310	160,834
Operating revenue	14,630	14,945
Operating gross profit	146,941	175,779
Selling, general and administrative expenses	126,881	144,860
Operating profit	20,060	30,919
Non-operating income		
Interest and dividend income	93	87
Insurance claim income	549	143
Foreign exchange gains	260	398
Gain on investments in silent partnerships	277	279
Income from fees for business	—	170
Other	258	221
Total non-operating income	1,439	1,300
Non-operating expenses		
Interest expenses	2,328	2,203
Other	253	241
Total non-operating expenses	2,581	2,444
Ordinary profit	18,919	29,774
Extraordinary income		
Gain on cancelation of guaranteed deposits received	10	23
Other	0	0
Total extraordinary income	10	23
Extraordinary losses		
Impairment loss	2,057	2,845
Other	33	115
Total extraordinary losses	2,090	2,960
Profit before income taxes	16,838	26,837
Income taxes - current	5,989	9,577
Income taxes - deferred	(981)	(1,389)
Total income taxes	5,008	8,187
Profit	11,830	18,649
Profit attributable to owners of parent	11,830	18,649

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Profit	11,830	18,649
Other comprehensive income		
Valuation difference on available-for-sale securities	(63)	48
Deferred gains or losses on hedges	(1)	27
Foreign currency translation adjustment	93	(34)
Remeasurements of defined benefit plans, net of tax	26	7
Total other comprehensive income	55	48
Comprehensive income	11,886	18,698
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,886	18,698
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended February 29, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,658	17,921	79,031	(445)	114,167
Changes during period					
Dividends of surplus			(1,827)		(1,827)
Change in 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 in items other than shareholders' equity					
Total changes during period	—	0	9,724	1	9,726
Balance at end of 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 period	174	(42)	—	—	132	114,299
Changes during period						
Dividends of surplus						(1,827)
Change in scope of consolidation						(279)
Profit attributable to owners of parent						11,830
Purchase of treasury shares						(0)
Disposal of treasury shares						2
Net changes in items other than shareholders' equity	(63)	(1)	93	26	55	55
Total changes during period	(63)	(1)	93	26	55	9,781
Balance at end of period	111	(44)	93	26	187	124,080

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,658	17,922	88,755	(443)	123,893
Changes during period					
Dividends of surplus			(1,873)		(1,873)
Change in scope of consolidation					—
Profit attributable to owners of parent			18,649		18,649
Purchase of treasury shares				(7,620)	(7,620)
Disposal of treasury shares		0		1	1
Net changes in items other than shareholders' equity					
Total changes during period	—	0	16,776	(7,619)	9,158
Balance at end of period	17,658	17,922	105,532	(8,062)	133,051

	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 period	111	(44)	93	26	187	124,080
Changes during period						
Dividends of surplus						(1,873)
Change in scope of consolidation						—
Profit attributable to owners of parent						18,649
Purchase of treasury shares						(7,620)
Disposal of treasury shares						1
Net changes in items other than shareholders' equity	48	27	(34)	7	48	48
Total changes during period	48	27	(34)	7	48	9,206
Balance at end of period	159	(16)	58	34	235	133,287

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	16,838	26,837
Depreciation	11,185	12,517
Amortization of goodwill	741	1,158
Increase (decrease) in provision for bonuses for directors (and other officers)	22	—
Increase(decrease) in Provision for loss on voluntary recall of goods	(218)	(90)
Gain on Cancellation of Guaranteed Deposits Received	(10)	(23)
Impairment loss	2,057	2,845
Interest and dividend income	(93)	(87)
Interest expenses	2,328	2,203
Decrease (increase) in trade receivables	(2,319)	(610)
Decrease (increase) in inventories	(226)	(9,662)
Increase (decrease) in trade payables	2,763	3,574
Increase (decrease) in accrued consumption taxes	1,429	585
Increase (decrease) in advances received	333	1,544
Other, net	1,728	2,052
Subtotal	36,558	42,846
Interest and dividends received	35	28
Interest paid	(2,297)	(2,187)
Income taxes (paid) refund	(7,606)	(5,565)
Net cash provided by (used in) operating activities	26,690	35,122
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,601)	(14,426)
Purchase of intangible assets	(465)	(383)
purchase of investment in acquisition of new consolidated subsidiary company	(23,283)	—
Payments for absorption-type split	(6,118)	—
Payments of guarantee deposits	(2,090)	(2,540)
Proceeds from refund of guarantee deposits	1,494	2,420
Guarantee deposits received	172	437
Refund of guarantee deposits received	(551)	(825)
Other, net	(1,004)	98
Net cash provided by (used in) investing activities	(42,450)	(15,218)
Cash flows from financing activities		
Proceeds from short-term borrowings	93,150	74,350
Repayments of short-term borrowings	(79,412)	(82,900)
Proceeds from long-term borrowings	39,500	30,500
Repayments of long-term borrowings	(29,067)	(26,926)
Repayments of lease obligations	(2,213)	(2,319)
Collection of Accounts Receivable Installment and others on Sales of Assets	1,222	1,221
Repayments of installment payables	(2,044)	(1,642)
Dividends paid	(1,827)	(1,872)
Purchase of treasury shares	(0)	(7,620)
Other, net	2	8
Net cash provided by (used in) financing activities	19,309	(17,200)

	(Millions of yen)	
	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Effect of exchange rate change on cash and cash equivalents	57	(0)
Net increase (decrease) in cash and cash equivalents	3,606	2,703
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	11,959	14,663