

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2021 (Based on Japanese GAAP)

October 11, 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: SENIOR EXECUTIVE OFFICER NORIO IISAKA TEL 06(6397)1621
 Scheduled date to file Quarterly Securities Report: October 12, 2021
 Scheduled date to commence dividend payments: November 9, 2021
 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, 2021 (from March 1, 2021 to August 31, 2021)

(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, 2021	226,675	(1.2)	16,030	(25.6)	15,154	(27.3)	10,117	(20.3)
Six months ended August 31, 2020	229,479	24.4	21,539	84.0	20,834	85.4	12,690	97.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2021	313.27	313.18
Six months ended August 31, 2020	373.56	373.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2021	403,131	137,943	34.2
As of February 28, 2021	395,095	133,287	33.7

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, 2021	–	29.00	–	32.00	61.00
Year ending February 28, 2022	–	35.00			
Year ending February 28, 2022 (Forecast)			–	35.00	70.00

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
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 six months ended August 31, 2021
(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, 2021	34,682,113 shares	As of February 28, 2021	34,682,113 shares
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Number of treasury shares at the end of the period

As of August 31, 2021	3,271,543 shares	As of February 28, 2021	2,210,566 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, 2021	32,295,307 shares	Six months ended August 31, 2020	33,971,209 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	14,681	12,533
Accounts receivable - trade	8,569	11,588
Merchandise and finished goods	88,245	93,855
Raw materials and supplies	788	972
Other	7,141	8,547
Allowance for doubtful accounts	(2)	(4)
Total current assets	119,422	127,492
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	110,921	109,421
Land	49,623	50,223
Leased assets, net	22,287	21,695
Construction in progress	699	1,459
Other, net	6,236	6,197
Total property, plant and equipment	189,767	188,996
Intangible assets		
Trademark right	3,743	3,577
Customer-related Assets	2,762	2,649
Goodwill	16,403	15,824
Other	5,884	6,617
Total intangible assets	28,793	28,669
Investments and other assets		
Investment securities	3,687	3,851
Guarantee deposits	45,910	46,754
Deferred tax assets	6,018	5,812
Other	1,825	1,847
Allowance for doubtful accounts	(329)	(290)
Total investments and other assets	57,111	57,974
Total non-current assets	275,673	275,639
Total assets	395,095	403,131

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	37,525	34,032
Electronically recorded obligations - operating	3,445	8,668
Short-term borrowings	6,437	12,312
Current portion of long-term borrowings	26,113	25,320
Lease obligations	2,411	2,444
Income taxes payable	7,375	5,527
Provision for bonuses	2,134	2,241
Provision for point card certificates	650	673
Other	18,571	16,124
Total current liabilities	104,665	107,343
Non-current liabilities		
Long-term borrowings	85,941	87,990
Lease obligations	26,154	25,404
Guarantee deposits received	10,846	10,748
Provision for loss on voluntary recall of goods	757	710
Provision for share-based remuneration	–	155
Asset retirement obligations	16,095	16,283
Other	17,347	16,551
Total non-current liabilities	157,143	157,844
Total liabilities	261,808	265,188
Net assets		
Shareholders' equity		
Share capital	17,658	17,658
Capital surplus	17,922	17,923
Retained earnings	105,532	114,610
Treasury shares	(8,062)	(12,591)
Total shareholders' equity	133,051	137,601
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159	189
Deferred gains or losses on hedges	(16)	(24)
Foreign currency translation adjustment	58	144
Remeasurements of defined benefit plans	34	32
Total accumulated other comprehensive income	235	342
Total net assets	133,287	137,943
Total liabilities and net assets	395,095	403,131

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, 2020	Six months ended August 31, 2021
Net sales	222,073	218,972
Cost of sales	137,538	136,015
Gross profit	84,534	82,957
Operating revenue	7,405	7,702
Selling, general and administrative expenses	70,401	74,629
Operating profit	21,539	16,030
Non-operating income		
Interest income	58	58
Insurance claim income	52	39
Foreign exchange gains	199	89
Gain on investments in silent partnerships	139	140
Other	112	94
Total non-operating income	562	421
Non-operating expenses		
Interest expenses	1,115	1,125
Other	152	172
Total non-operating expenses	1,267	1,297
Ordinary profit	20,834	15,154
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	0	7
Other	0	–
Total extraordinary income	0	7
Extraordinary losses		
Impairment loss	2,267	62
Loss on retirement of non-current assets	45	9
Other	22	–
Total extraordinary losses	2,335	71
Profit before income taxes	18,499	15,090
Income taxes - current	6,766	4,855
Income taxes - deferred	(957)	117
Total income taxes	5,808	4,973
Profit	12,690	10,117
Profit attributable to owners of parent	12,690	10,117

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit	12,690	10,117
Other comprehensive income		
Valuation difference on available-for-sale securities	69	30
Deferred gains or losses on hedges	15	(7)
Foreign currency translation adjustment	(22)	85
Remeasurements of defined benefit plans, net of tax	(1)	(1)
Total other comprehensive income	61	106
Comprehensive income	12,752	10,224
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,752	10,224
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	18,499	15,090
Depreciation	6,015	6,396
Amortization of goodwill	579	579
Increase (decrease) in provision for bonuses for directors (and other officers)	(211)	(211)
Increase(decrease) in Provision for loss on voluntary recall of goods	(56)	(47)
Increase (decrease) in provision for share-based remuneration	–	155
Gain on Cancellation of Guaranteed Deposits Received	(0)	(7)
Impairment loss	2,267	62
Interest and dividend income	(58)	(58)
Interest expenses	1,115	1,125
Decrease (increase) in trade receivables	(2,178)	(3,019)
Decrease (increase) in inventories	(3,453)	(5,756)
Increase (decrease) in trade payables	8,469	1,711
Increase (decrease) in accrued consumption taxes	576	(902)
Other, net	(349)	(2,363)
Subtotal	31,214	12,756
Interest and dividends received	32	32
Interest paid	(1,153)	(1,155)
Income taxes (paid) refund	(2,644)	(6,662)
Net cash provided by (used in) operating activities	27,449	4,969
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,056)	(4,503)
Purchase of intangible assets	(105)	(1,060)
Payments of guarantee deposits	(1,200)	(1,586)
Proceeds from refund of guarantee deposits	1,370	772
Guarantee deposits received	206	103
Refund of guarantee deposits received	(613)	(208)
Other, net	(127)	(228)
Net cash provided by (used in) investing activities	(7,528)	(6,711)
Cash flows from financing activities		
Proceeds from short-term borrowings	31,600	50,500
Repayments of short-term borrowings	(39,875)	(44,625)
Proceeds from long-term borrowings	14,500	15,051
Repayments of long-term borrowings	(14,367)	(13,794)
Repayments of lease obligations	(1,142)	(1,238)
Repayments of installment payables	(902)	(761)
Dividends paid	(930)	(1,039)
Purchase of treasury shares	(7,620)	(4,547)
Other, net	1	14
Net cash provided by (used in) financing activities	(18,736)	(441)
Effect of exchange rate change on cash and cash equivalents	(12)	34
Net increase (decrease) in cash and cash equivalents	1,172	(2,148)
Cash and cash equivalents at beginning of period	11,959	14,663
Cash and cash equivalents at end of period	13,131	12,514