

Translation

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## Summary of Non-Consolidated Financial Results for the Year Ended February 28, 2017 (Based on Japanese GAAP)

April 11, 2017

Company name: KOHNAN SHOJI CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 7516 URL <http://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 25, 2017  
 Scheduled date to file Securities Report: May 26, 2017  
 Scheduled date to commence dividend payments: May 26, 2017  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Non-consolidated financial results for the year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

#### (1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2017	304,789	0.6	16,081	10.4	14,562	12.8	6,072	0.5
Year ended February 29, 2016	302,934	3.1	14,568	23.1	12,911	29.9	6,044	9.0

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2017	175.19	175.14	6.4	5.0	5.5
Year ended February 29, 2016	174.28	174.23	6.7	4.5	5.0

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2017	287,217	96,952	33.8	2,811.81
As of February 29, 2016	289,748	92,478	31.9	2,666.57

#### (3) Non-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, 2017	22,550	(14,345)	(11,356)	5,741
Year ended February 29, 2016	24,592	(7,274)	(13,797)	8,499

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-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, 2016	–	19.00	–	19.00	38.00	1,317	21.8	1.5
Year ended February 28, 2017	–	22.00	–	22.00	44.00	1,521	25.1	1.6
Year ending February 28, 2018 (Forecast)	–	22.00	–	22.00	44.00		16.9	

3. Forecast of non-consolidated financial results for the year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2017	160,960	2.1	10,940	9.1	10,000	7.6	5,400	60.1	155.79
Full year	313,950	3.0	17,700	10.1	16,000	9.9	9,000	48.2	259.65

4. Notes

(1) 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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(2) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2017	34,682,113 shares	As of February 29, 2016	34,682,113 shares
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Number of treasury shares at the end of the period

As of February 28, 2017	201,616 shares	As of February 29, 2016	1,297 shares
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Average number of shares during the period

Year ended February 28, 2017	34,661,478 shares	Year ended February 29, 2016	34,681,100 shares
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**Non-consolidated financial statements**  
**Non-consolidated balance sheets**

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	8,518	5,760
Accounts receivable - trade	3,993	3,990
Merchandise and finished goods	65,353	59,625
Raw materials and supplies	669	615
Advance payments - trade	43	833
Prepaid expenses	3,783	3,802
Deferred tax assets	1,484	1,280
Other	1,459	1,405
Allowance for doubtful accounts	(262)	(297)
Total current assets	85,044	77,016
Non-current assets		
Property, plant and equipment		
Buildings	145,035	153,327
Accumulated depreciation	(59,228)	(64,463)
Buildings, net	85,806	88,864
Structures	20,079	20,601
Accumulated depreciation	(15,079)	(15,812)
Structures, net	4,999	4,789
Machinery and equipment	1,283	1,953
Accumulated depreciation	(813)	(1,036)
Machinery and equipment, net	469	916
Vehicles	1,178	1,264
Accumulated depreciation	(1,068)	(1,149)
Vehicles, net	110	114
Tools, furniture and fixtures	11,594	12,928
Accumulated depreciation	(8,694)	(9,470)
Tools, furniture and fixtures, net	2,899	3,457
Land	28,546	31,825
Leased assets	28,661	27,244
Accumulated depreciation	(3,651)	(5,006)
Leased assets, net	25,009	22,238
Construction in progress	1,421	1,591
Total property, plant and equipment	149,264	153,797
Intangible assets		
Goodwill	289	1,133
Leasehold right	4,128	4,383
Software	258	1,370
Software in progress	847	–
Other	72	72
Total intangible assets	5,596	6,959

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Investments and other assets		
Investment securities	549	802
Shares of subsidiaries and associates	10	10
Investments in capital of subsidiaries and associates	1,037	1,716
Long-term loans receivable	102	89
Long-term prepaid expenses	2,581	2,183
Guarantee deposits	44,782	44,236
Deferred tax assets	811	434
Other	1	0
Allowance for doubtful accounts	(33)	(30)
Total investments and other assets	49,842	49,443
Total non-current assets	204,703	210,200
Total assets	289,748	287,217
Liabilities		
Current liabilities		
Accounts payable - trade	22,115	20,280
Electronically recorded obligations - operating	–	1,738
Short-term loans payable	6,000	5,000
Current portion of long-term loans payable	26,624	26,406
Lease obligations	1,116	1,243
Accounts payable - other	5,274	5,530
Accrued expenses	1,637	1,700
Income taxes payable	2,818	2,893
Accrued consumption taxes	2,637	1,474
Unearned revenue	1,115	1,139
Provision for bonuses	1,351	1,364
Provision for directors' bonuses	105	106
Other	662	698
Total current liabilities	71,459	69,577
Non-current liabilities		
Long-term loans payable	72,794	69,286
Lease obligations	25,452	24,927
Guarantee deposits received	13,323	12,953
Long-term accounts payable - other	5,490	4,890
Provision for loss on voluntary recall of goods	2,261	1,915
Asset retirement obligations	5,788	6,103
Other	699	609
Total non-current liabilities	125,809	120,687
Total liabilities	197,269	190,265

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Net assets		
Shareholders' equity		
Capital stock	17,658	17,658
Capital surplus		
Legal capital surplus	17,893	17,893
Other capital surplus	27	27
Total capital surpluses	17,921	17,921
Retained earnings		
Legal retained earnings	111	111
Other retained earnings		
General reserve	50,310	55,310
Retained earnings brought forward	6,452	6,103
Total retained earnings	56,874	61,524
Treasury shares	(1)	(417)
Total shareholders' equity	92,452	96,686
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42	286
Deferred gains or losses on hedges	(16)	(20)
Total valuation and translation adjustments	26	266
Total net assets	92,478	96,952
Total liabilities and net assets	289,748	287,217

## Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net sales	289,144	291,136
Cost of sales		
Beginning goods	70,759	65,353
Cost of purchased goods	180,239	178,857
Total	250,998	244,210
Transfer to other account	197	30
Ending goods	65,353	59,625
Cost of goods sold	185,447	184,554
Gross profit	103,696	106,582
Operating revenue		
Rent income	13,790	13,652
Operating gross profit	117,487	120,234
Selling, general and administrative expenses		
Provision for directors' bonuses	105	106
Salaries and wages	23,874	24,464
Provision for bonuses	1,351	1,364
Retirement benefit expenses	262	266
Rent expenses	38,888	38,899
Depreciation	8,810	9,251
Amortization of goodwill	165	183
Provision of allowance for doubtful accounts	7	33
Other	29,453	29,584
Total selling, general and administrative expenses	102,918	104,153
Operating income	14,568	16,081
Non-operating income		
Interest income	123	112
Dividend income	27	14
Insurance income	58	66
Foreign exchange gains	278	200
Gain on investments in silent partnership	217	249
Other	263	205
Total non-operating income	968	848
Non-operating expenses		
Interest expenses	2,401	2,206
Other	224	160
Total non-operating expenses	2,625	2,367
Ordinary income	12,911	14,562

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Extraordinary income		
Gain on Cancellation of Guaranteed Deposits Received	138	213
Gain on sales of investment securities	153	–
Gain on sales of non-current assets	–	17
Gain on extinguishment of tie-in shares	–	10
Total extraordinary income	291	242
Extraordinary losses		
Impairment loss	2,868	3,855
Loss on closing of stores	–	709
Other	131	122
Total extraordinary losses	2,999	4,687
Profit before income taxes	10,203	10,117
Income taxes - current	3,956	4,520
Income taxes - deferred	202	(475)
Total income taxes	4,158	4,044
Profit	6,044	6,072

## Non-consolidated statements of changes in equity

Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	17,658	17,893	27	17,921	111	46,310	5,726	52,147
Changes of items during period								
Dividends of surplus							(1,317)	(1,317)
Provision of general reserve						4,000	(4,000)	–
Profit							6,044	6,044
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	–	4,000	726	4,726
Balance at end of current period	17,658	17,893	27	17,921	111	50,310	6,452	56,874

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(1)	87,726	310	(5)	305	88,032
Changes of items during period						
Dividends of surplus		(1,317)				(1,317)
Provision of general reserve		–				–
Profit		6,044				6,044
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(267)	(10)	(278)	(278)
Total changes of items during period	(0)	4,725	(267)	(10)	(278)	4,446
Balance at end of current period	(1)	92,452	42	(16)	26	92,478



	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	17,658	17,893	27	17,921	111	50,310	6,452	56,874
Changes of items during period								
Dividends of surplus							(1,421)	(1,421)
Provision of general reserve						5,000	(5,000)	–
Profit							6,072	6,072
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period						5,000	(349)	4,650
Balance at end of current period	17,658	17,893	27	17,921	111	55,310	6,103	61,524

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(1)	92,452	42	(16)	26	92,478
Changes of items during period						
Dividends of surplus		(1,421)				(1,421)
Provision of general reserve		–				–
Profit		6,072				6,072
Purchase of treasury shares	(416)	(416)				(416)
Net changes of items other than shareholders' equity			243	(4)	239	239
Total changes of items during period	(416)	4,234	243	(4)	239	4,473
Balance at end of current period	(417)	96,686	286	(20)	266	96,952

## Non-consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	10,203	10,117
Depreciation	8,810	9,251
Amortization of goodwill	165	183
Increase (decrease) in provision for directors' bonuses	105	1
Increase(decrease) in Provision for loss on voluntary recall of goods	(904)	(345)
Loss (gain) on sales of investment securities	(153)	–
Gain on Cancellation of Guaranteed Deposits Received	(138)	(213)
Impairment loss	2,868	3,855
Loss on store closings	–	709
Interest and dividend income	(151)	(127)
Interest expenses	2,401	2,206
Loss (gain) on extinguishment of tie-in shares	–	(10)
Decrease (increase) in notes and accounts receivable - trade	(532)	2
Decrease (increase) in inventories	5,360	5,782
Increase (decrease) in notes and accounts payable - trade	(603)	(95)
Increase (decrease) in accrued consumption taxes	1,192	(1,164)
Loss (gain) on sales of non-current assets	–	(17)
Other, net	739	(48)
Subtotal	29,364	30,085
Interest and dividend income received	32	19
Interest expenses paid	(2,363)	(2,154)
Payment resulting from store closing	–	(709)
Income taxes (paid) refund	(2,441)	(4,689)
Net cash provided by (used in) operating activities	24,592	22,550
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,719)	(11,543)
Proceeds from sales of property, plant and equipment	32	79
Purchase of intangible assets	(1,501)	(867)
Purchase of shares of subsidiaries and associates	–	(1,433)
Payments for investments in capital of subsidiaries and associates	–	(430)
Proceeds from sales and redemption of investment securities	475	–
Payments for guarantee deposits	(1,195)	(1,391)
Proceeds from collection of guarantee deposits	3,001	1,819
Proceeds from guarantee deposits received	708	434
Repayments of guarantee deposits received	(660)	(646)
Other, net	(415)	(366)
Net cash provided by (used in) investing activities	(7,274)	(14,345)

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from financing activities		
Increase in short-term loans payable	24,500	7,500
Decrease in short-term loans payable	(31,500)	(8,500)
Proceeds from long-term loans payable	25,000	20,000
Repayments of long-term loans payable	(28,941)	(26,659)
Repayments of lease obligations	(1,080)	(1,192)
Collection of Accounts Receivable Installment on Sales of Assets	2,014	1,520
Repayments of installment payables	(2,314)	(2,186)
Redemption of bonds	(156)	–
Cash dividends paid	(1,319)	(1,422)
Purchase of treasury shares	(0)	(416)
Net cash provided by (used in) financing activities	(13,797)	(11,356)
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	3,519	(3,151)
Cash and cash equivalents at beginning of period	4,980	8,499
Increase in cash and cash equivalents resulting from merger	–	392
Cash and cash equivalents at end of period	8,499	5,741