

Translation

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Summary of Consolidated Financial Results for the Year Ended February 20, 2017 (Based on Japanese GAAP)

March 28, 2017

Company name: Nitoh Holdings Co., Ltd.
 Stock exchange listing: Tokyo, Sapporo
 Stock code: 9843 URL <http://www.nitohhd.co.jp/>
 Representative: President and Chief Operating Officer Toshiyuki Shirai
 General Manager,
 Inquiries: Accounting and Finance Division Fumiki Takeda TEL 03-6741-1204
 Scheduled date of ordinary general meeting of shareholders: May 11, 2017
 Scheduled date to file Securities Report: May 16, 2017
 Scheduled date to commence dividend payments: April 21, 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. Consolidated financial results for the year ended February 20, 2017 (from February 21, 2016 to February 20, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 20, 2017	512,958	12.0	85,776	17.4	87,563	16.7	59,999	27.7
Year ended February 20, 2016	458,140	9.8	73,039	10.2	75,007	10.4	46,969	13.3

(Note) Comprehensive income:

Year ended February 20, 2017 66,694 million yen[172.7%] Year ended February 20, 2016 24,458 million yen[(63.4%)]

	Net income per share	Diluted net income per share	Profit attributable to owners of parent /equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 20, 2017	540.93	536.23	16.6	19.4	16.7
Year ended February 20, 2016	425.10	421.40	14.7	18.3	15.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 20, 2017	487,814	394,778	80.7	3,530.51
As of February 20, 2016	414,541	330,968	79.5	2,981.27

(Reference)Equity:

Year ended February 20, 2017 393,693 million yen Year ended February 20, 2016 329,695 million yen

(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 20, 2017	77,930	(42,047)	(6,414)	66,035
Year ended February 20, 2016	57,343	(35,899)	(9,943)	36,794

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 20, 2016	–	30.00	–	35.00	65.00	7,214	15.3	2.2
Year ended February 20, 2017	–	35.00	–	47.00	82.00	9,141	15.2	2.5
Year ending February 20, 2018 (Forecast)	–	45.00	–	47.00	92.00		15.0	

3. Forecast of consolidated financial results for the year ending February 20, 2018 (from February 21, 2017 to February 20, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 20, 2017	282,000	10.7	48,500	(1.4)	49,000	(1.7)	33,000	0.5	295.93
Full year	568,000	10.7	99,000	15.4	100,000	14.2	68,500	14.2	614.29

4. Notes

(1) Changes in significant subsidiaries during the year ended February 20, 2017

(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: Yes

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 20, 2017	114,443,496 shares	As of February 20, 2016	114,443,496 shares
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Number of treasury shares at the end of the period

As of February 20, 2017	2,931,758 shares	As of February 20, 2016	3,854,468 shares
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Average number of shares during the period

Year ended February 20, 2017	110,918,322 shares	Year ended February 20, 2016	110,488,560 shares
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*Statement Relating to the Execution Status for Audit Procedures

Financial results in this report are exempt from the audit procedures.

*Explanation for appropriate use of financial forecasts and other special notes

The forecasts given in this document are based on the current available information in the company and certain reasonable assumptions to the company. And we don't commit to achieve these forecasting numbers. Actual results may differ from these forecasts by a variety of reasons.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 20, 2016	As of February 20, 2017
Assets		
Current assets		
Cash and deposits	42,327	70,560
Notes and accounts receivable - trade	15,258	18,486
Merchandise and finished goods	43,079	46,520
Work in process	90	92
Raw materials and supplies	2,247	2,354
Deferred tax assets	2,602	1,001
Forward exchange contracts	8,160	15,002
Other	16,231	16,174
Allowance for doubtful accounts	(8)	(9)
Total current assets	129,989	170,182
Non-current assets		
Property, plant and equipment		
Buildings and structures	157,371	180,661
Accumulated depreciation	(69,146)	(76,898)
Buildings and structures, net	88,225	103,763
Machinery, equipment and vehicles	8,622	9,653
Accumulated depreciation	(5,106)	(5,754)
Machinery, equipment and vehicles, net	3,515	3,899
Tools, furniture and fixtures	12,122	13,890
Accumulated depreciation	(7,697)	(8,511)
Tools, furniture and fixtures, net	4,424	5,379
Land	115,504	126,923
Leased assets	3,868	3,728
Accumulated depreciation	(1,152)	(1,214)
Leased assets, net	2,715	2,514
Construction in progress	10,477	5,615
Total property, plant and equipment	224,863	248,094
Intangible assets		
Leasehold right	7,664	8,771
Other	3,545	4,961
Total intangible assets	11,209	13,732
Investments and other assets		
Investment securities	2,763	3,531
Long-term loans receivable	540	856
Guarantee deposits	15,362	15,720
Lease deposits	18,079	20,515
Deferred tax assets	2,821	2,952
Other	8,921	12,239
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	48,478	55,804
Total non-current assets	284,551	317,631
Total assets	414,541	487,814

(Millions of yen)

	As of February 20, 2016	As of February 20, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,356	16,001
Short-term loans payable	1,504	625
Lease obligations	188	187
Accounts payable - other	16,195	19,291
Income taxes payable	14,929	15,630
Deferred tax liabilities	–	564
Provision for bonuses	3,024	3,751
Provision for point card certificates	1,031	1,301
Provision for special benefits to shareholders	191	214
Asset retirement obligations	–	44
Other	15,176	18,112
Total current liabilities	67,597	75,724
Non-current liabilities		
Long-term loans payable	625	–
Lease obligations	2,518	2,330
Deferred tax liabilities	1	3
Provision for directors' retirement benefits	228	228
Net defined benefit liability	2,279	2,634
Asset retirement obligations	3,902	4,565
Other	6,418	7,548
Total non-current liabilities	15,974	17,310
Total liabilities	83,572	93,035
Net assets		
Shareholders' equity		
Common stock	13,370	13,370
Capital surplus	14,411	16,306
Retained earnings	308,854	361,103
Treasury shares	(13,392)	(10,188)
Total shareholders' equity	323,244	380,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	884
Deferred gains or losses on hedges	4,165	10,369
Foreign currency translation adjustment	2,301	2,243
Remeasurements of defined benefit plans	(305)	(396)
Total accumulated other comprehensive income	6,450	13,100
Subscription rights to shares	1,174	940
Non-controlling interests	98	144
Total net assets	330,968	394,778
Total liabilities and net assets	414,541	487,814

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

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Net sales	458,140	512,958
Cost of sales	214,597	234,684
Gross profit	243,543	278,274
Selling, general and administrative expenses	170,503	192,497
Operating income	73,039	85,776
Non-operating income		
Interest income	450	433
Dividends income	31	34
Foreign exchange gains	681	102
Vending machine income	227	246
Gain on sales of goods	282	300
Construction revenue from tenants	–	147
Facility use revenue	21	174
Other	351	425
Total non-operating income	2,046	1,865
Non-operating expenses		
Interest expenses	76	59
Other	2	19
Total non-operating expenses	78	78
Ordinary income	75,007	87,563
Special income		
Gain on sales of non-current assets	9	645
Subsidy income	643	80
Penalty income	–	52
Gain on reversal of subscription rights to shares	10	7
Other	10	16
Total special income	673	801
Special losses		
Loss on sales and retirement of non-current assets	57	73
Loss on reduction of non-current assets	431	–
Penalty for the scrap and build of outlets	35	148
Impairment loss	488	10
Special retirement expenses	–	54
Cancellation penalty	11	190
Loss on valuation of investment securities	–	61
Other	35	4
Total special losses	1,060	543
Income before income taxes and non-controlling interests	74,619	87,822
Income taxes – current	27,514	28,565
Income taxes – deferred	103	(787)
Income taxes	27,618	27,777
Net income	47,001	60,044
Profit attributable to non-controlling interests	32	45
Profit attributable to owners of parent	46,969	59,999

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Net income	47,001	60,044
Other comprehensive income		
Valuation difference on available-for-sale securities	(296)	594
Deferred gains or losses on hedges	(20,930)	6,204
Foreign currency translation adjustment	(1,044)	(57)
Remeasurements of defined benefit plans, net of tax	(271)	(91)
Total other comprehensive income	(22,542)	6,649
Comprehensive income	24,458	66,694
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,426	66,649
Comprehensive income attributable to non-controlling interests	32	45

Consolidated statements of changes in net assets

Fiscal year ended February 20, 2016

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 20, 2015	13,370	13,725	267,963	(14,639)	280,419
Cumulative effects of changes in accounting policies			434		434
Restated balance	13,370	13,725	268,398	(14,639)	280,854
Changes of items during the year					
Dividends from surplus			(6,513)		(6,513)
Profit attributable to owners of parent			46,969		46,969
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		686		1,248	1,935
Net changes in items other than those in shareholders' equity					
Total changes of items during the year	–	686	40,455	1,247	42,389
Balance at February 20, 2016	13,370	14,411	308,854	(13,392)	323,244

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	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 February 20, 2015	586	25,095	3,345	(33)	28,993	1,050	66	310,531
Cumulative effects of changes in accounting policies								434
Restated balance	586	25,095	3,345	(33)	28,993	1,050	66	310,965
Changes of items during the year								
Dividends from surplus								(6,513)
Profit attributable to owners of parent								46,969
Purchase of treasury stock								(1)
Disposal of treasury stock								1,935
Net changes in items other than those in shareholders' equity	(296)	(20,930)	(1,044)	(271)	(22,542)	123	32	(22,386)
Total changes of items during the year	(296)	(20,930)	(1,044)	(271)	(22,542)	123	32	20,002
Balance at February 20, 2016	289	4,165	2,301	(305)	6,450	1,174	98	330,968

Fiscal year ended February 20, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at February 20, 2016	13,370	14,411	308,854	(13,392)	323,244
Changes of items during period					
Dividends from surplus			(7,749)		(7,749)
Profit attributable to owners of parent			59,999		59,999
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		1,894		3,208	5,102
Net changes of items other than those in shareholders' equity					
Total changes of items during period	-	1,894	52,249	3,203	57,348
Balance at February 20, 2017	13,370	16,306	361,103	(10,188)	380,592

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	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 February 20, 2016	289	4,165	2,301	(305)	6,450	1,174	98	330,968
Changes of items during period								
Dividends from surplus								(7,749)
Profit attributable to owners of parent								59,999
Purchase of treasury stock								(4)
Disposal of treasury stock								5,102
Net changes of items other than those in shareholders' equity	594	6,204	(57)	(91)	6,649	(233)	45	6,461
Total changes of items during period	594	6,204	(57)	(91)	6,649	(233)	45	63,809
Balance at February 20, 2017	884	10,369	2,243	(396)	13,100	940	144	394,778

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	74,619	87,822
Depreciation and amortization	10,799	12,312
Impairment loss	488	10
Increase (decrease) in allowance for doubtful accounts	3	1
Increase (decrease) in provision for bonuses	662	733
Increase (decrease) in net defined benefit liability	356	266
Increase (decrease) in provision for point card certificates	1	270
Interest and dividend income	(482)	(468)
Interest expenses	76	59
Loss (gain) on sales and disposal of non-current assets	48	(571)
Loss on reduction of non-current assets	431	–
Penalty for the scrap and build of outlets	35	148
Subsidy income	(643)	(80)
Loss (gain) on valuation of long-term investment securities	–	61
Decrease (increase) in notes and accounts receivable - trade	(2,138)	(1,816)
Decrease (increase) in inventories	(1,157)	(3,742)
Increase (decrease) in notes and accounts payable - trade	(1,020)	1,409
Increase (decrease) in accrued consumption taxes	(2,363)	2,447
Other, net	(1,307)	470
Subtotal	78,411	99,334
Interest and dividends income received	492	465
Interest expenses paid	(79)	(56)
Payment of penalty for the scrap and build of outlets	(17)	(15)
Income taxes paid	(26,692)	(29,311)
Income taxes refund	5,228	7,512
Net cash provided by operating activities	57,343	77,930
Cash flows from investing activities		
Payments into time deposits	(10,848)	(6,581)
Proceeds from withdrawal of time deposits	5,870	7,361
Purchase of property, plant and equipment	(28,021)	(34,966)
Proceeds from sales of property, plant and equipment	8	1,708
Purchase of intangible assets	(1,656)	(4,155)
Proceeds from sales of intangible assets	–	395
Proceeds From state subsidy	431	291
Payments for guarantee deposits	(30)	(1,678)
Proceeds from collection of guarantee deposits	108	128
Payments for lease deposits	(1,101)	(2,856)
Proceeds from collection of lease deposits	356	56
Proceeds from guarantee deposits received	549	387
Proceeds from deposits received	595	1,145
Purchase of long-term prepaid expenses	(464)	(2,103)
Purchase of short-term and long-term investment securities	(1,677)	–
Proceeds from sales of short-term and long-term investment securities	–	17
Payments of loans receivable	(40)	(1,191)
Proceeds from collection of loans receivable	43	18
Other payments	(23)	(26)
Net cash used in investing activities	(35,899)	(42,047)

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Cash flows from financing activities		
Repayments of long-term loans payable	(4,392)	(1,504)
Repayments of lease obligations	(188)	(188)
Purchase of treasury stock	(1)	(4)
Cash dividends paid	(6,509)	(7,753)
Proceeds from exercise of stock options	1,148	3,036
Net cash used in financing activities	(9,943)	(6,414)
Effect of exchange rate changes on cash and cash equivalents	(419)	(227)
Net increase in cash and cash equivalents	11,080	29,240
Cash and cash equivalents at beginning of the year	25,713	36,794
Cash and cash equivalents at end of the year	36,794	66,035