



Consolidated Financial Statements

For the year ended February 20, 2014

Nitori Holdings Co., Ltd.

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As at February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
ASSETS			
Current Assets:			
Cash and deposits (Notes 9 and 11)	¥17,612	¥21,973	\$214,903
Notes and accounts receivable-trade (Note 11)	10,246	11,924	116,620
Merchandise and finished goods	28,887	34,799	340,337
Work in process	238	248	2,435
Raw materials and supplies	1,610	1,966	19,233
Deferred tax assets (Note 16)	2,654	2,861	27,982
Other	11,317	15,225	148,907
Allowance for doubtful accounts (Note 11)	(3)	(0)	(9)
Total current assets	72,562	88,999	870,411
Non-Current Assets:			
Property, plant and equipment:			
Buildings and structures, net (Notes 5 and 17)	79,103	84,545	826,853
Machinery, equipment and vehicles, net (Note 5)	2,842	3,174	31,043
Tools, furniture and fixtures, net (Note 5)	3,259	3,605	35,259
Land (Note 17)	70,699	81,853	800,521
Leased assets, net (Notes 5 and 10)	3,341	3,187	31,176
Construction in progress	1,223	1,000	9,784
Total property, plant and equipment	160,470	177,366	1,734,639
Intangible assets	6,731	9,678	94,651
Investments and other assets:			
Investment securities (Notes 5, 11 and 12)	1,011	1,047	10,243
Long-term loans receivable	683	712	6,963
Guarantee deposits (Notes 5 and 11)	18,428	17,778	173,870
Lease deposits (Note 11)	15,044	15,767	154,208
Deferred tax assets (Note 16)	2,389	2,487	24,331
Other	6,992	7,875	77,020
Allowance for doubtful accounts	(23)	(10)	(97)
Total investments and other assets	44,526	45,658	446,540
Total non-current assets	211,728	232,703	2,275,831
Total assets	¥284,290	¥321,703	\$3,146,243

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As at February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable-trade (Notes 5 and 11)	¥12,929	¥13,412	\$131,173
Short-term loans payable (Notes 11 and 21)	6,420	4,095	40,053
Lease obligations (Notes 10 and 21)	246	197	1,934
Accounts payable-other (Note 11)	9,207	11,654	113,981
Income taxes payable (Note 11)	13,248	12,635	123,573
Provision for bonuses	2,085	2,320	22,697
Provision for point card certificates	1,751	1,785	17,457
Provision for special benefits to shareholders	87	108	1,056
Deferred tax liabilities (Note 16)	0	—	—
Asset retirement obligations (Note 22)	24	39	383
Other	9,291	11,642	113,863
Total current liabilities	55,294	57,891	566,174
Non-Current Liabilities:			
Long-term loans payable (Notes 11 and 21)	7,155	3,560	34,822
Lease obligations (Notes 10 and 21)	3,091	2,893	28,298
Deferred tax liabilities (Note 16)	1	0	7
Provision for retirement benefits (Note 14)	1,864	2,053	20,080
Provision for directors' retirement benefits	237	228	2,239
Asset retirement obligations (Note 22)	1,770	1,947	19,048
Other (Note 5)	5,110	5,229	51,141
Total non-current liabilities	19,231	15,913	155,637
Total liabilities	74,525	73,805	721,812
NET ASSETS (Note 8)			
Shareholders' Equity:			
Common stock	13,370	13,370	130,765
Capital surplus	13,553	13,581	132,826
Retained earnings	198,909	232,398	2,272,849
Treasury stock	(16,590)	(15,848)	(155,002)
Total shareholders' equity	209,242	243,502	2,381,440
Accumulated Other Comprehensive Income:			
Unrealized holding gain (loss) on securities (Note 12)	286	309	3,028
Unrealized gain (loss) from hedging instruments (Note 13)	1,875	2,624	25,671
Foreign currency translation adjustment	(2,280)	662	6,483
Total accumulated other comprehensive income	(117)	3,597	35,182
Subscription Rights to Shares	603	757	7,413
Minority Interests	36	40	394
Total net assets	209,764	247,898	2,424,431
Total liabilities and net assets	¥284,290	¥321,703	\$3,146,243

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
Net Sales:	¥348,789	¥387,605	\$3,790,762
Cost of Sales:	156,172	185,948	1,818,567
Gross profit:	192,616	201,656	1,972,194
Selling, General and Administrative Expenses (Notes 6 and 15)	131,066	138,583	1,355,335
Operating income	61,550	63,073	616,859
Non-Operating Income:			
Interest income	353	369	3,616
Dividends income	16	19	187
Vending machine income	230	236	2,314
Gain on sales of goods	167	196	1,921
Interest on refund	119	9	90
Other	203	346	3,387
	1,091	1,177	11,517
Non-Operating Expenses:			
Interest expenses	189	130	1,279
Foreign exchange losses	242	594	5,818
Other	14	50	498
	446	776	7,596
Ordinary income	62,195	63,474	620,781
Special Gains:			
Gain on sales of non-current assets (Note 6)	895	2	28
Gain on reversal of subscription rights to shares	10	6	63
Other	17	—	—
	923	9	91
Special Losses:			
Loss on sales and disposal of non-current assets (Note 6)	95	37	368
Penalty for the scrap and build of outlets	172	183	1,791
Impairment loss (Note 6)	55	21	214
Loss on cancellation of lease contracts	40	6	63
Other	18	3	31
	382	252	2,468
Income before income taxes and minority interests	62,736	63,231	618,404
Income Taxes (Note 16):			
Current	25,625	25,515	249,540
Deferred	1,263	(738)	(7,220)
	26,888	24,777	242,319
Net Income Before Minority Interests	35,847	38,454	376,084
Minority Interests in Income	36	29	289
Net Income	¥35,811	¥38,425	\$375,795

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
Net Income Before Minority Interests	¥35,847	¥38,454	\$376,084
Other Comprehensive Income			
Unrealized holding gain (loss) on securities	121	22	223
Unrealized gain (loss) from hedging instruments	2,006	749	7,327
Foreign currency translation adjustment	1,205	2,943	28,782
Total Other Comprehensive Income (Note 7)	3,333	3,715	36,333
Comprehensive Income	¥39,180	¥42,169	\$412,418
Total comprehensive income attributable to:			
Shareholders of Nitori Holdings Co., Ltd.	¥39,144	¥42,140	\$412,129
Minority interests	36	29	289

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2014

Millions of Yen

	Shareholders' Equity					Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain(loss) on securities	Unrealized gain(loss) from hedging instruments	Foreign currency translation adjustment	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at February 20, 2012	¥13,370	¥13,506	¥167,764	¥(16,663)	¥177,978	¥165	¥(131)	¥(3,485)	¥(3,450)	¥421	—	¥174,949
Changes of items during the year												
Dividends from surplus			(4,667)		(4,667)							(4,667)
Net income			35,811		35,811							35,811
Purchase of treasury stock				(1,020)	(1,020)							(1,020)
Disposal of treasury stock		47		1,092	1,140							1,140
Net changes in items other than those in shareholders' equity						121	2,006	1,205	3,333	182	36	3,551
Total changes of items during the year	—	47	31,144	72	31,264	121	2,006	1,205	3,333	182	36	34,815
Balance at February 20, 2013	¥13,370	¥13,553	¥198,909	¥(16,590)	¥209,242	¥286	¥1,875	¥(2,280)	¥(117)	¥603	¥36	¥209,764
Changes of items during the year												
Dividends from surplus			(4,935)		(4,935)							(4,935)
Net income			38,425		38,425							38,425
Purchase of treasury stock				(3)	(3)							(3)
Disposal of treasury stock		27		744	772							772
Net changes in items other than those in shareholders' equity						22	749	2,943	3,715	154	4	3,873
Total changes of items during the year	—	27	33,489	741	34,259	22	749	2,943	3,715	154	4	38,133
Balance at February 20, 2014	¥13,370	¥13,581	¥232,398	¥(15,848)	¥243,502	¥309	¥2,624	¥662	¥3,597	¥757	¥40	¥247,898

Thousands of U.S. Dollars (Note 2)

	Shareholders' Equity					Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain(loss) on securities	Unrealized gain(loss) from hedging instruments	Foreign currency translation adjustment	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at February 20, 2013	\$130,765	\$132,554	\$1,945,321	\$(162,257)	\$2,046,384	\$2,804	\$18,343	\$(22,299)	\$(1,151)	\$5,904	\$352	\$2,051,490
Changes of items during the year												
Dividends from surplus			(48,267)		(48,267)							(48,267)
Net income			375,795		375,795							375,795
Purchase of treasury stock				(29)	(29)							(29)
Disposal of treasury stock		272		7,285	7,558							7,558
Net changes in items other than those in shareholders' equity						223	7,327	28,782	36,333	1,508	42	37,884
Total changes of items during the year	—	272	327,528	7,255	335,056	223	7,327	28,782	36,333	1,508	42	372,940
Balance at February 20, 2014	\$130,765	\$132,826	\$2,272,849	\$(155,002)	\$2,381,440	\$3,028	\$25,671	\$6,483	\$35,182	\$7,413	\$394	\$2,424,431

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥62,736	¥63,231	\$618,404
Depreciation and amortization	9,185	10,194	99,704
Impairment loss	55	21	214
Increase (decrease) in allowance for doubtful accounts	(7)	(15)	(154)
Increase (decrease) in provision for bonuses	128	202	1,984
Increase (decrease) in provision for retirement benefits	122	189	1,856
Increase (decrease) in provision for point card certificates	425	33	328
Interest and dividends income	(370)	(388)	(3,804)
Interest expenses	189	130	1,279
Loss (gain) on sales and disposal of non-current assets	(799)	34	339
Penalty for the scrap and build of outlets	172	183	1,791
Decrease (increase) in notes and accounts receivable-trade	(444)	(518)	(5,072)
Decrease (increase) in inventories	(5,141)	(5,861)	(57,324)
Increase (decrease) in notes and accounts payable-trade	876	261	2,557
Increase (decrease) in accrued consumption taxes	(2,323)	464	4,541
Other, net	750	380	3,719
Subtotal	65,557	68,545	670,367
Interest and dividends income received	459	392	3,834
Interest expenses paid	(184)	(139)	(1,363)
Payment of penalty for the scrap and build of outlets	(34)	(77)	(760)
Income taxes paid	(27,796)	(26,147)	(255,718)
Income taxes refund	3,989	3,581	35,029
Net cash provided by operating activities	41,989	46,154	451,387
Cash Flows from Investing Activities:			
Payments into time deposits	(952)	(461)	(4,512)
Proceeds from withdrawal of time deposits	586	619	6,058
Purchase of property, plant and equipment	(23,457)	(26,773)	(261,847)
Proceeds from sales of property, plant and equipment	2,901	116	1,136
Purchase of intangible assets	(599)	(3,312)	(32,391)
Payments for guarantee deposits	(406)	(1,545)	(15,114)
Proceeds from collection of guarantee deposits	113	787	7,697
Payments for lease deposits	(542)	(1,025)	(10,032)
Proceeds from collection of lease deposits	362	266	2,608
Proceeds from guarantee deposits received	204	24	234
Proceeds from lease deposits received	403	164	1,610
Purchase of long-term prepaid expenses	(218)	(1,001)	(9,792)
Additional investments in affiliates	—	(37)	(365)
Payments of loans receivable	(365)	(172)	(1,690)
Proceeds from collection of loans receivable	33	2	19
Other payments	(16)	(26)	(257)
Other proceeds	14	—	—
Net cash used in investing activities	(21,937)	(32,376)	(316,638)

Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2013	2014	2014
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	(21,502)	206	2,019
Proceeds from long-term loans payable	11,025	40	391
Repayment of long-term loans payable	(5,983)	(6,166)	(60,310)
Repayments of lease obligations	(276)	(318)	(3,112)
Purchase of treasury stock	(1,020)	(3)	(29)
Cash dividends paid	(4,667)	(4,932)	(48,244)
Proceeds from exercise of stock option	376	634	6,200
Net cash used in financing activities	(22,047)	(10,540)	(103,085)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	401	1,125	11,008
Net Increase in Cash and Cash Equivalents	(1,594)	4,363	42,671
Cash and Cash Equivalents at Beginning of the Year	18,410	16,816	164,460
Cash and Cash Equivalents at End of the Year (Note 9)	¥16,816	¥21,179	\$207,132

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nitori Holdings Co., Ltd. (the "Company") and consolidated subsidiaries (collectively the "Group") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

2. Basis of Translation

The accompanying consolidated financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥102.25 = U.S.\$1, the exchange rate prevailing on February 20, 2014. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

Japanese yen amount less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar amount less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

3. Principles of Consolidation

1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 18 significant subsidiaries.

2) Financial Statements of Consolidated Subsidiaries

The financial closing dates of consolidated subsidiaries below are different from the balance sheet date of the Company.

P.T. NITORI FURNITURE INDONESIA	November 20, 2013
NITORI FURNITURE CO., LTD.	December 20, 2013
NITORI FURNITURE VIETNAM EPE	
NITORI (CHINA) CO., LTD.	
NITORI PUBLIC CO., LTD.	
SHANGHAI LIQIAO INDUSTRIAL CO., LTD.	
NITORI TAIWAN CO., LTD.	
DECO HOME CHINA CO., LTD.	
NITORI USA, INC.	
and other 4 subsidiaries	December 31, 2013
HOME DECO CO., LTD.	January 31, 2014

The above subsidiaries are consolidated using their financial statements as of their respective fiscal year ends, and necessary adjustments are made to their financial statements to reflect any significant transactions from their respective fiscal year ends to that of the Company.

4. Summary of Significant Accounting Policies

1) Investment Securities

The Group has available-for-sale securities. Available-for-sale securities with market quotations are valued at the prevailing market price as at the balance sheet date. Available-for-sale securities without market quotations are stated at cost, cost being determined by the gross average method. Net unrealized gains or losses on available-for-sale securities with market quotations are reported net of taxes as a separate component of "Net Assets" and the cost of sales is determined by the gross average method.

2) Inventories

Inventories are stated at the lower of cost or market, cost being determined by the moving-average method.

3) Derivatives

Derivative financial instruments are stated at fair value.

4) Property, Plant and Equipment (except leased assets)

Depreciation of property, plant and equipment (except leased assets) is computed by the declining balance method, at rates based on the estimated useful lives of the assets, except for buildings (excluding building facilities) acquired on or after April 1, 1998, which are depreciated based on the straight-line method. Overseas subsidiaries apply the straight-line method. The ranges of principal estimated useful lives are as follows:

Buildings and structures	8 to 47 years
Machinery, equipment and vehicles	2 to 12 years
Tools, furniture and fixtures	5 to 10 years

For buildings on fixed term leaseholds, the Company computes depreciation using the straight-line method, over its lease term assuming no residual value. These lease terms are principally 20 years.

5) Intangible Assets (except leased assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

6) Leased Assets

Leased assets under finance lease transactions are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Regarding finance lease transactions that do not transfer ownership to the lessee, commencing on or before February 20, 2009, are accounted for as operating lease transactions.

7) Allowance for Doubtful Accounts

For receivables classified as "normal," the allowance for doubtful accounts is provided based on historical experience. For receivables classified as "doubtful," the allowance for doubtful accounts is provided based on an individual assessment of the collectability of the account.

8) Provision for Bonuses

Provision for bonuses is provided at the estimated amounts, based on actual results during the fiscal year, to provide for the payments to employees in the following fiscal year.

9) Provision for Retirement Benefits

Provision for employees' retirement benefits at the balance sheet date is determined based on the actuarial valuation of projected benefit obligations and the fair value of the plan assets.

Unrecognized prior service costs are amortized using the straight-line method over a specific period (ten years), which is within the average estimated remaining service period of employees at the time of recognition.

Actuarial gains and losses are amortized using the straight-line method over a specific period (ten years), which is within the average estimated remaining service period of employees at the time of recognition, from the following fiscal year when the gain or loss was recognized.

10) Provision for Directors' Retirement Benefits

Provision for directors' and corporate auditors' retirement benefits of the Company and certain of its consolidated subsidiaries is provided based on their internal rules and is calculated at the estimated amount which would be payable if all officers were to retire at the balance sheet date.

11) Provision for Point Card Certificates

The Group provides their customers with credit points (Nitori Members Card Points) when they make purchases using the card. The Group provides a reserve for the estimated future costs of Nitori Members Card Points based on the historical rate of point usage.

12) Provision for Special Benefit to Shareholders

Provision for special benefit to shareholders is provided against future utilization of granted benefits. The amount of provision is estimated based on the historical rate of use of shareholder benefits.

13) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the balance sheet date and the resulting exchange gains or losses are credited or charged to income as incurred.

The balance sheets of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for the components of net assets excluding minority interests which are translated at historical rates. Revenue and expense accounts of overseas subsidiaries are translated into Japanese yen at the average exchange rate.

Differences arising from such translations are shown as "Foreign currency translation adjustment" in "NET ASSETS."

14) Hedge Accounting

Hedging instruments are recorded at fair value and accounted for using the deferral hedge accounting, under which unrealized gain or loss is deferred as a separate component of net assets. With regard to some interest rate swaps that meet certain criteria, the Group uses the special treatment.

Hedging instruments: Derivative transactions (interest rate swaps and foreign exchange contracts).

Hedged items: Liabilities exposed to interest and foreign exchange market fluctuation risks.

Hedging policy: Derivative transactions are used solely for hedging the risks arising from adverse fluctuation in foreign currency exchange rates and interest rates.

The Company assesses the hedge effectiveness every half year based on internal rules covering derivative transactions. Derivative transactions are never entered into for the purpose of trading or speculation.

15) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, bank deposits payable on demand, and short-term investments with a maturity of three months or less, which are readily convertible into cash and subject to minor risks of fluctuations in value.

16) Consumption Tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

17) Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reserve.

18) Accounting Change

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Effective from the current fiscal year, the Company and its domestic consolidated subsidiaries have changed method of depreciation due to the revision of the Corporation Tax Act. Accordingly, property, plant and equipment acquired on or after February 21, 2013, are depreciated in accordance with the revised act.

The impact of the change on the consolidated statement of income was minor.

19) Standards issued but not yet effective

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and unrecognized prior service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and unrecognized prior service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and unrecognized prior service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service periods of the employees. However, actuarial gains and losses and unrecognized prior service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and unrecognized prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(2) Application schedule

The Accounting Standard and the Guidance are effective as of the end of the fiscal year beginning February 21, 2014.

(3) Effect of application of accounting standards

The effect of the application of the Accounting Standard and Guidance on the consolidated financial statements is currently being evaluated.

20) Change in Method of Presentation

(Consolidated Statement of Income)

In the previous fiscal year, "Gain on reversal of subscription rights to shares" was included in "Other" under "Special Gains". Effective from the fiscal year ended February 20, 2014, the item is now presented separately because it accounts for more than 10% of total special gains. In order to reflect the change in presentation method, modifications were made to the financial statements of the previous fiscal year.

As a result, the amount of ¥28 million for "Other" under "Special Gains" in the consolidated statement of income of the previous fiscal year was reclassified as "Gain on reversal of subscription rights to shares" of ¥10 million and "Other" of ¥17 million.

5. Notes to Consolidated Balance Sheet

1) Accumulated depreciation of property, plant and equipment

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Accumulated depreciation	¥56,714	¥65,676	\$642,310

2) Assets Pledged as Collateral

The following assets are pledged as collateral for certain debts and other liabilities:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Pledged assets:			
Buildings and structures	¥338	¥315	\$3,085
Guarantee deposits	69	69	679
Total	¥407	¥385	\$3,765
Corresponding liabilities:			
Notes and accounts payable-trade	¥89	¥50	\$493
Non-current liabilities (other)	272	258	2,525

3) Investment securities of non-consolidated subsidiaries

Investments in non-consolidated subsidiaries and affiliates are as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Investment securities	¥15	¥15	\$153

6. Notes to Consolidated Statement of Income

1) The major components of "Selling, General and Administrative Expenses" are as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Customer delivery expenses	¥16,003	¥17,745	\$173,549
Advertising	12,409	11,184	109,387
Salaries, allowances and bonuses	33,927	38,144	373,048
Provision for bonuses	1,911	2,134	20,872
Provision for retirement benefits	518	604	5,909
Rents	20,495	21,103	206,391
Depreciation and amortization	8,227	8,850	86,557
Outsourcing	6,223	5,979	58,479

2) Gains on sales of non-current assets are as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Machinery, equipment and vehicles	¥0	¥2	\$25
Tools, furniture and fixtures	0	0	0
Land	894	0	2
Intangible assets and others	0	-	-
Total	¥895	¥2	\$28

3) Losses on sales and disposal of non-current assets are as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Loss on disposal:			
Buildings and structures	¥45	¥5	\$53
Machinery, equipment and vehicles	20	-	-
Tools, furniture and fixtures	1	5	57
Intangible assets and others	27	8	85
Loss on sales:			
Buildings and structures	¥-	¥11	\$109
Machinery, equipment and vehicles	-	2	27
Tools, furniture and fixtures	1	0	4
Land	-	3	30
Total	¥95	¥37	\$368

4) Impairment loss

For the year ended February 20, 2013

Location	Group	Assets	Millions of Yen
Izumi City, Osaka and other	Store assets	Buildings and structures and other	¥46
Other	Idle assets	Software and other	9

For the year ended February 20, 2014

Location	Group	Assets	Millions of Yen	Thousands of U.S. Dollars
Fujimino City, Saitama and other	Store assets	Buildings and structures	¥21	\$214

The Company identifies groups of assets on a nature of business basis. Impairment loss was recognized for store assets with a significant decline in future profitability. And, impairment loss was recognized for idle assets for which they have no specific plan for future business usage.

The recoverable value of store assets was measured at the net realizable value based on the publicity assessed value of fixed assets. Idle assets were measured at the use value and assumed to have no recoverable value.

7. Notes to Consolidated Statement of Comprehensive Income

For the years ended February 20	Millions of yen		Thousands of U.S. Dollars
	2013	2014	2014
Unrealized holding gain(loss) on securities			
Amounts arising during the year	¥188	¥35	\$347
Reclassification adjustments	-	-	-
Total before income tax effect	188	35	347
Income tax effect	(67)	(12)	(123)
Sub-total	121	22	223
Unrealized gain(loss) from hedging instruments			
Amounts arising during the year	3,245	1,208	11,820
Reclassification adjustments	-	-	-
Total before income tax effect	3,245	1,208	11,820
Income tax effect	(1,238)	(459)	(4,492)
Sub-total	2,006	749	7,327
Foreign currency translation adjustment			
Amounts arising during the year	1,205	2,943	28,782
Sub-total	1,205	2,943	28,782
Total other comprehensive income	¥3,333	¥3,715	\$36,333

8. Notes to Consolidated Statement of Changes in Net Assets

1) Type and number of outstanding shares

For the year ended February 20, 2013	Number of shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Type of shares				
Issued stock:				
Common stock	57,221	-	-	57,221
Treasury stock:				
Common stock	2,395	150	157	2,388

- Notes: 1. The increase in 150 thousand shares of treasury stock is due to the purchases of shares based on the resolution by the board of directors meeting.
2. The decrease in 157 thousand shares of treasury stock consists of decrease in 93 thousand shares by the exercise of "Stock Benefit Trust (J-ESOP)" which was resolved on December 20, 2011, and decrease in 63 thousand shares by the exercise of stock options.
3. The treasury stock balance at end of the fiscal year included 322 thousand shares of common stock held by Trust & Custody Services Bank, Ltd.

For the year ended February 20, 2014	Number of shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Type of shares				
Issued stock:				
Common stock	57,221	-	-	57,221
Treasury stock:				
Common stock	2,388	0	107	2,281

- Notes: 1. The increase of treasury stock is due to the purchases of shares in quantities less than the minimum trading unit of shares.
2. The decrease of treasury stock is due to the exercise of stock options.
3. The treasury stock balance at end of the fiscal year included 322 thousand shares of common stock held by Trust & Custody Services Bank, Ltd.

2) Subscription rights to shares

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Subscription rights to shares as stock options	¥603	¥757	\$7,413

3) Dividends

(1) Dividends paid to shareholders

For the year ended February 20, 2013

Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (March 30, 2012)	Common stock	¥2,209	¥40	February 20, 2012	April 24, 2012
Board of directors (September 26, 2012)	Common stock	2,488	45	August 20, 2012	November 2, 2012

For the year ended February 20, 2014

Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (March 29, 2013)	Common stock	¥2,482	¥45	February 20, 2013	April 26, 2013
Board of directors (September 27, 2013)	Common stock	2,482	45	August 20, 2013	November 5, 2013

For the year ended February 20, 2014

Resolution approved by	Type of shares	Amount (Thousands of U.S. Dollars)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors (March 29, 2013)	Common stock	\$24,274	\$0.44	February 20, 2013	April 26, 2013
Board of directors (September 27, 2013)	Common stock	24,277	0.44	August 20, 2013	November 5, 2013

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date in the following fiscal year

For the year ended February 20, 2013

Resolution approved by	Type of shares	Paid from	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (March 29, 2013)	Common stock	Retained earnings	¥2,482	¥45	February 20, 2013	April 26, 2013

For the year ended February 20, 2014

Resolution approved by	Type of shares	Paid from	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors (March 28, 2014)	Common stock	Retained earnings	¥3,038	\$29,713	¥55	\$0.53	February 20, 2014	April 21, 2014

4) Shareholder's Equity

The Corporation Act of Japan (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

9. Note to Consolidated Statement of Cash Flows

The reconciliation between cash and cash equivalents reported in the consolidated statement of cash flows and cash and deposits reported in the consolidated balance sheet is as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and deposits	¥17,612	¥21,973	\$214,903
Time deposits with maturities exceeding 3 months	(796)	(794)	(7,771)
Cash and cash equivalents	¥16,816	¥21,179	\$207,132

10. Leases

As Lessee:

The Group leases certain buildings for retail stores. With finance leases for which ownership is not transferred to the lessee commencing on or before February 20, 2009, the Company employs accounting methods normally applicable to operating lease transactions. The information on these lease transactions is omitted because it is insignificant.

Future minimum lease payments relating to non-cancelable operating leases are as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥1,304	¥1,572	\$15,377
Due after one year	21,876	24,439	239,019
Total	¥23,180	¥26,012	\$254,397

As Lessor:

Future minimum lease receivables relating to non-cancelable operating leases are as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥104	¥109	\$1,070
Due after one year	1,620	1,537	15,038
Total	¥1,724	¥1,647	\$16,108

11. Financial Instruments

1. Overview

1) Policy for financial instruments

The Group raises necessary funds based on capital investment plans and fund management plans, mainly through loans from banks. The Group utilizes derivative financial instruments only to manage risks described below and does not enter into such transactions for speculative trading purposes.

2) Types of financial instruments, risk and risk management

Trade notes and accounts receivable-trade are exposed to credit risk of customers. The Group manages its credit risk monitoring balances of customers to identify default risk of customers at an early stage.

Investment securities with market values are exposed to market risk, and which without market values are exposed to impairment risk. The Group periodically reviews the fair values of such financial instruments.

Guarantee deposits and lease deposits, which are mostly related to rental of stores, are exposed to credit risk of lessors. The Group manages its credit risk monitoring balances of these deposits to identify the default risk of lessors at an early stage.

Most notes and accounts payable-trade and income taxes payable are due within three months.

Short-term loans payable are obtained mainly for short-term working capital, and long-term loans payable are for long-term working capital. Certain long-term loans payable are exposed to interest rate fluctuation risk. However, the interest rate fluctuation risk is hedged by interest rate swap transactions.

Regarding derivatives, the Group enters into forward foreign currency exchange transactions to hedge foreign currency exchange rate fluctuation risk related to trade receivables and trade payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to hedge interest rate fluctuation risk related to the loans. The Group believes that the credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with a high credit rating. The execution and management of derivative transactions are performed by the finance department based on in-house rules.

3) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value, or, when no market price is available, a rationally estimated amount. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. The notional amounts of derivatives in the following table are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

The carrying value of the financial statements on the consolidated balance sheet as at February 20, 2013 and 2014, and estimated fair value are shown below. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

As at February 20, 2013	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and deposits	¥17,612	¥17,612	¥-
(2) Notes and accounts receivable-trade	10,243	10,243	-
(3) Investment securities	721	721	-
(4) Guarantee deposits	18,428	19,587	1,158
(5) Lease deposits	15,044	13,326	(1,717)
Liabilities			
(1) Notes and accounts payable-trade	¥12,929	¥12,929	¥-
(2) Short-term loans payable	760	760	-
(3) Accounts payable-other	9,207	9,207	-
(4) Income taxes payable	13,248	13,248	-
(5) Long-term loans payable, including current portion of long-term loans payable	12,815	12,823	8
Derivative transactions(*)	¥3,012	¥3,012	¥-

As at February 20, 2014	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and deposits	¥21,973	¥21,973	¥-
(2) Notes and accounts receivable-trade	11,923	11,923	-
(3) Investment securities	757	757	-
(4) Guarantee deposits	17,778	19,114	1,336
(5) Lease deposits	15,767	14,384	(1,383)
Liabilities			
(1) Notes and accounts payable-trade	¥13,412	¥13,412	¥-
(2) Short-term loans payable	967	967	-
(3) Accounts payable-other	11,654	11,654	-
(4) Income taxes payable	12,635	12,635	-
(5) Long-term loans payable, including current portion of long-term loans payable	6,688	6,691	2
Derivative transactions(*)	¥4,234	4,234	¥-

As at February 20, 2014	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and deposits	\$214,903	\$214,903	\$-
(2) Notes and accounts receivable-trade	116,611	116,611	-
(3) Investment securities	7,403	7,403	-
(4) Guarantee deposits	173,870	186,942	13,071
(5) Lease deposits	154,208	140,679	(13,529)
Liabilities			
(1) Notes and accounts payable-trade	\$131,173	\$131,173	\$-
(2) Short-term loans payable	9,461	9,461	-
(3) Accounts payable-other	113,981	113,981	-
(4) Income taxes payable	123,573	123,573	-
(5) Long-term loans payable, including current portion of long-term loans payable	65,414	65,442	28
Derivative transactions(*)	\$41,411	\$41,411	\$-

(*)The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Notes: 1. Methods to determine the estimated fair value of financial instruments

[Assets]

(1) Cash and deposits, (2) Notes and accounts receivable-trade

The Company uses the carrying value because they will be settled in the short term, meaning that carrying value approximates fair value.

(3) Investment securities

Fair value of stocks is based on quoted market prices. Additional information on securities classified by holding purpose is presented in "Securities" (Note 12).

(4) Guarantee deposits

Fair value of guarantee deposits is based on the present value of the future cash flows, which are discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted for the credit risk related to the maturity schedule

(5) Lease deposits

Fair value of lease deposits is based on the present value of the future cash flows, which are discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted with the credit risk related to the term remaining. [Liabilities]

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Accounts payable-other, (4) Income taxes payable
The Company uses carrying value because they will be settled in the short term, meaning that carrying value approximate fair value.

(5) Long-term loans payable

Fair value of long-term loans payable is based on the present value of the total of principal and interest discounted by the rate applicable to similar new borrowings.

For long-term loans payable with floating interest rates hedged by interest rate swaps subject to special treatment, the fair value is based on the present value of the total of principal and interest discounted by the rate applicable to similar new borrowings.

(Derivative transactions)

Details of derivative transactions are described in "Derivatives" (Note 13).

2. Investment securities for which fair value is deemed extremely difficult to determine.

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Unlisted stocks	¥290	¥290	\$2,840

Unlisted stocks are excluded from "(3) Investment securities" because they are not actively traded in a market and it is extremely difficult to determine the fair value.

3. Redemption schedule for monetary assets

As at February 20, 2013	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥17,612	¥-	¥-
Notes and accounts receivable-trade	10,243	-	-
Total	¥27,855	¥-	¥-

Guarantee deposits and Lease deposits are not disclosed because it is difficult to determine the redemption schedule.

As at February 20, 2014	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥21,973	¥-	¥-
Notes and accounts receivable-trade	11,924	-	-
Total	¥33,898	¥-	¥-

As at February 20, 2014	Thousands of U.S. Dollars		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	\$214,903	\$-	\$-
Notes and accounts receivable-trade	116,620	-	-
Total	\$331,524	\$-	\$-

Guarantee deposits and Lease deposits are not disclosed because it is difficult to determine the redemption schedule.

4. Redemption schedule for short-term loans payable and long-term loans payable

As at February 20, 2013	Millions of Yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥760	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	5,660	3,620	2,400	509	625	-
Total	¥6,420	¥3,620	¥2,400	¥509	¥625	¥-

As at February 20, 2014	Millions of Yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥967	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	3,128	2,408	517	633	1	-
Total	¥4,095	¥2,408	¥517	¥633	¥1	¥-

As at February 20, 2014	Thousands of U.S. Dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	\$9,461	\$-	\$-	\$-	\$-	\$-
Long-term loans payable	30,592	23,550	5,064	6,195	11	-
Total	\$40,053	\$23,550	\$5,064	\$6,195	\$11	\$-

12. Securities

1) Available-for-sale securities (with market value)

As at February 20, 2013	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost			
Stocks	¥721	¥275	¥445
Securities whose acquisition cost exceeds their carrying value			
Stocks	-	-	-
Total	¥721	¥275	¥445

Note: Unlisted stocks (¥290 million in the consolidated balance sheet) are not included in the above table because determining their fair values is extremely difficult.

As at February 20, 2014	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost			
Stocks	¥757	¥275	¥481
Securities whose acquisition cost exceeds their carrying value			
Stocks	-	-	-
Total	¥757	¥275	¥481

As at February 20, 2014	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition costs			
Stocks	\$7,403	\$2,697	\$4,705
Securities whose acquisition cost exceeds their carrying value			
Stocks	-	-	-
Total	\$7,403	\$2,697	\$4,705

Note: Unlisted stocks (¥290 million (\$2,840 thousand) in the consolidated balance sheet) are not included in the above table because determining their fair values is extremely difficult.

2) Impairment of available for sale securities

Not applicable.

If the market value of securities as of the fiscal year-end declines more than 50% compared with the acquisition costs, the difference between fair market value and the acquisition cost is recognized as loss on valuation in the period of the decline. In addition, if the market value of securities as of the fiscal year-end declines from 30% to 50% compared with the acquisition costs and if such decline is considered to be material and unrecoverable, the difference between fair market value and the acquisition cost is recognized as loss on valuation in the period of the decline.

13. Derivatives

1. Derivative transactions to which hedge accounting is not applied

Transaction type	Millions of Yen			
	Notional amount	Notional amount maturing after 1 year	Fair value	Unrealized gain (loss)
Foreign exchange forward contract				
Buying U.S. dollars	¥104	¥-	¥(13)	¥(13)

Note: The fair value of derivative transactions is valued using prices quoted by counterparty financial institutions.

As at February 20, 2014

Not applicable.

2. Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

As at February 20, 2013			Millions of Yen		
Hedging method	Transaction type	Main hedged item	Notional amount	Notional amount maturing over 1 year	Fair value
Deferral method	Foreign exchange forward contract	Accounts payable-trade			
	Buying U.S. dollars		¥17,600	¥-	¥3,025

Note: The fair value of derivative transactions is valued using prices quoted by counterparty financial institutions.

As at February 20, 2014

As at February 20, 2014			Millions of Yen		
Hedging method	Transaction type	Main hedged item	Notional amount	Notional amount maturing over 1 year	Fair value
Deferral method	Foreign exchange forward contract	Accounts payable-trade			
	Buying U.S. dollars		¥168,086	¥-	¥4,234

As at February 20, 2014

Thousands of U.S. Dollars

Hedging method	Transaction type	Main hedged item	Notional amount	Notional amount maturing over 1 year	Fair value
Deferral method	Foreign exchange forward contract	Accounts payable-trade			
	Buying U.S. dollars		\$1,643,879	\$-	\$41,411

Note: The fair value of derivative transactions is valued using prices quoted by counterparty financial institutions.

2) Interest-related transactions

As at February 20, 2013

Millions of Yen

Hedging method	Transaction type	Main hedged item	Notional amount	Notional amount maturing over 1 year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed/ Receive floating	Long-term loans payable	¥3,710	¥2,100	(Note)

As at February 20, 2014

Millions of Yen

Hedging method	Transaction type	Main hedged item	Notional amount	Notional amount maturing over 1 year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed/ Receive floating	Long-term loans payable	¥2,100	¥1,300	(Note)

As at February 20, 2014

Thousands of U.S. Dollars

Hedging method	Transaction type	Main hedged item	Notional Amount	Notional amount maturing over 1 year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed/ Receive floating	Long-term loans payable	\$20,537	\$12,713	(Note)

Note: Since accounting for interest rate swaps subject to special treatment are combined with the hedged long-term loans payable, their market values have been included in those of the corresponding long-term loans payable.

14. Retirement Benefits

1) Summary of Employees' Retirement Benefit Plans

The Company and certain consolidated subsidiaries have a defined benefit corporate pension plan, an employees' retirement lump-sum benefit plan and a defined contribution pension plan. The Company and certain consolidated subsidiaries provide for lump-sum payments, which are not included in the calculation of projected benefit obligations, to employees upon retirement determined by reference to their current rate of pay, length of service and the conditions under which termination occurs.

The Company and certain consolidated subsidiaries have transferred their tax qualified pension plan to a defined benefit corporate pension plan and also have transferred a portion of their employees' retirement lump-sum benefit plan to a defined contribution pension plan after revisions to the employees' retirement benefit plans on April 1, 2011.

2) Projected Benefit Obligations

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Retirement benefit obligations	¥(3,661)	¥(4,368)	\$(42,728)
Plan assets at fair value	1,845	2,128	20,814
Unfunded retirement benefit obligation	(1,815)	(2,240)	(21,913)
Unrecognized actuarial loss	236	436	4,271
Unrecognized prior service cost	(285)	(249)	(2,438)
Provision for retirement benefits	¥(1,864)	¥(2,053)	\$(20,080)

3) Retirement Benefit Expenses for Employees

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Service cost	¥487	¥614	\$6,012
Interest cost	56	76	748
Expected return on plan assets	(31)	(36)	(361)
Amortization of actuarial loss	40	41	404
Amortization of prior service cost	(35)	(35)	(343)
Contribution of defined contribution pension plan	219	236	2,310
Retirement benefit expenses for employees	¥738	¥896	\$8,771

4) Assumptions and Policies Used to Calculate Projected Benefit Obligations

	2013	2014
Method of allocation of the projected benefit obligations to periods of service	Straight-line basis	Straight-line basis
Discount rate	2.0%	1.5%
Expected rates of return on plan assets	2.0%	2.0%
Amortization periods for prior service cost	10 years	10 years
Amortization periods for actuarial loss	10 years	10 years

Notes: 1. Unrecognized prior service costs are amortized using the straight-line basis over the specific period, which is within the average of the estimated remaining service periods of employees.

2. Actuarial losses are amortized using the straight-line basis over the specific period, which is within the average of the estimated remaining service periods. Amortization cost of the actuarial loss is recognized in the following year when incurred.

15. Stock Options

For the years ended February 20, 2013 and 2014, the Group recognized expenses regarding stock options of ¥275 million and ¥299 million (\$2,928 thousand), respectively, which are included in selling, general and administrative expenses.

For the years ended February 20, 2013 and 2014, the Group recognized profits regarding lapse by non-exercise of stock options of ¥10 million and ¥6 million (\$63 thousand), which are presented to special gains "Gain on reversal of subscription rights to shares".

1) The stock options outstanding as of February 20, 2014

	Resolution approved by annual general meeting of shareholders (May 16, 2008) and board of directors (March 17, 2009)		Resolution approved by annual general meeting of shareholders (May 12, 2011) and board of directors (March 29, 2012)	
Grantees	Directors	9	Directors	4
	Company auditors	2	Company auditors	2
	Officers	9	Officers	16
	Employees	1,966	Directors of subsidiaries	5
	Directors and employees of subsidiaries	94	Employees of subsidiaries	2,664
	Quality/Technical advisers (External)	5		
Type and number of shares	Common stock	362,500	Common stock	694,550
Grant date	March 26, 2009		April 2, 2012	
Exercise conditions	None		None	
Intended service period	From March 26, 2009 to March 17, 2012		From April 2, 2012 to March 29, 2015	
Exercise period	From March 18, 2012 to March 17, 2014		From March 30, 2015 to March 29, 2017	

2) A summary of stock option activity during the fiscal year ended February 20, 2014

	Resolution approved by annual general meeting of shareholders (May 16, 2008) and board of directors (March 17, 2009)		Resolution approved by annual general meeting of shareholders (May 12, 2011) and board of directors (March 29, 2012)	
Non-vested (Shares)				
At the beginning of the year	-		678,000	
Granted	-		-	
Forfeited and expired	-		20,250	
Vested	-		-	
At the end of the year	-		657,750	
Vested (Shares)				
At the beginning of the year	258,950		-	
Vested	-		-	
Exercised	107,247		-	
Forfeited and expired	5,000		-	
At the end of the year	146,703		-	

The unit price information is as follows:

	Resolution approved by annual general meeting of shareholders (May 16, 2008) and board of directors (March 17, 2009)	Resolution approved by annual general meeting of shareholders (May 12, 2011) and board of directors (March 29, 2012)
Exercise price – yen	¥5,912	¥7,917
(U.S. dollars)	(\$57.81)	(\$77.42)
Average stock price at exercise – yen	¥9,364	-
(U.S. dollars)	(\$91.57)	-
Fair value price on grant date – yen	¥1,294	¥1,413
(U.S. dollars)	(\$12.65)	(\$13.81)

3) Method of reflecting expirations

Estimated number of options vested is determined by estimating expirations by reference to the actual termination ratio of employees.

16. Income Taxes

1) As at February 20, 2013 and 2014, the significant components of deferred tax assets and liabilities are as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets			
Accrued enterprise tax, business office tax	¥1,181	¥1,264	\$12,367
Accrued real estate acquisition tax	153	132	1,297
Provision for bonuses	726	809	7,914
Provision for point card certificates	665	678	6,635
Unrealized gain on sales of inventories	147	102	1,002
Provision for retirement benefits	651	712	6,970
Depreciation and amortization	2,224	2,545	24,899
Provision for directors' retirement benefits	86	81	798
Allowance for doubtful accounts	66	57	561
Impairment loss and penalty for the scrap and build of outlets	746	416	4,074
Asset retirement obligations	640	758	7,419
Other	2,646	2,889	28,261
Sub total	9,935	10,450	102,203
Less: valuation allowance	(1,391)	(906)	(8,864)
Total deferred tax assets	8,544	9,543	93,338
Deferred tax liabilities			
Deferred gains on hedges	1,150	1,689	16,527
Unrealized holding gain on securities	158	171	1,677
Construction assistance fund receivables	757	860	8,419
Asset retirement cost related to asset retirement obligation	321	374	3,658
Retained earnings of subsidiaries	1,113	1,081	10,579
Other	1	17	168
Total deferred tax liabilities	3,502	4,195	41,031
Net deferred tax assets	¥5,041	¥5,348	\$52,306

2) Reconciliation between the effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended February 20, 2013 and 2014 is as follows:

	2013	2014
Effective statutory tax rate	40.7%	-
(Reconciliation)		
Retained earnings of subsidiaries	1.8%	-
Other – net	0.4%	-
Actual effective tax rates	42.9%	-

Note: The details for the years ended February 20, 2014 are omitted as the differences between the statutory tax rate and effective tax rates are 5% or less of the statutory tax rate.

3) Change in the corporate tax rate after financial closing date

The “Act for Partial Revision of the Income Tax Act etc.” (Act No.10 of 2014) was promulgated on March 31, 2014. The special reconstruction corporate tax will not be imposed on corporate taxes effective fiscal years beginning on or after April 1, 2014. Therefore, the effective tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences expected to be utilized from fiscal years beginning February 21, 2015.

The impact of the change in the corporate tax rate on the Company's deferred tax assets and liabilities as of February 20, 2014 is immaterial.

17. Investment and Rental Properties

The Company and certain consolidated subsidiaries hold rental properties such as commercial facilities(including land) in major cities throughout Japan. Certain rental properties are not recognized as rental properties but as real estate including spaces used as rental properties since the Company and certain consolidated subsidiaries use some of the floor space of these properties.

For the years ended February 20, 2013 and 2014, the carrying values, changes during the year, and fair values of those properties are as follows:

	2013	Millions of Yen 2014	Thousands of U.S. Dollars 2014
For the years ended February 20			
Rental property			
Carrying value			
Balance at beginning of year	¥7,732	¥11,682	\$114,254
Increase (Decrease)	3,948	(6,453)	(63,116)
Balance at end of year	11,682	5,228	51,138
Fair value at end of year	10,120	5,142	50,289
Real estate including spaces used as rental properties			
Carrying value			
Balance at beginning of year	¥15,445	¥19,919	\$194,808
Increase (Decrease)	4,474	15,223	148,889
Balance at end of year	19,919	35,143	343,698
Fair value at end of year	13,533	28,335	277,119

Notes: 1. The carrying value is presented after deducting accumulated depreciation from acquisition cost.

2. Increase of rental property during the year ended February 20, 2013 was primarily attributable to newly acquired properties of ¥5,836 million partially offset by sales of properties of ¥1,886 million. Decrease during the year ended February 20, 2014 was primarily attributable to transfer to real estate including spaces used as rental properties of ¥6,453 million (\$63,115thousand).

3. Increase of real estate including spaces used as rental properties during the year ended February 20, 2013 was primarily attributable to newly acquired properties of ¥5,106 million partially offset by depreciation expense of ¥639 million. Increase during the year ended February 20, 2014 was primarily attributable to newly acquired properties of ¥9,526 million (\$93,167 thousand) partially offset by depreciation expense of ¥745 million (\$7,290 thousand).

4. Fair values of the properties as of year end are calculated by the Company based on certain appraisal values and other indicators reflecting the market value.

For the years ended February 20, 2013 and 2014, income from rental properties is as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Real estate including spaces used as rental properties			
Income from rental properties	¥2,559	¥3,148	\$30,796
Cost of rental properties	1,446	1,639	16,035
Gross profit from rental properties	1,112	1,509	14,760
Other (gain or loss on sales of properties)	885	-	-

Note: Since the Company and certain of its subsidiaries use certain real estate including spaces used as rental properties for the purposes of providing services and management, the related rental income is not reported. Expenses related to rental property (depreciation, insurance, taxes, etc.) are included in cost of rental properties.

18. Segment Information

1. Segment Information

The Company and its consolidated subsidiaries have been primarily engaged in a single segment of sales of home furnishings and interior goods. Therefore, the disclosure of reportable segment information is omitted.

2. Related Information

1) Information about products and services

Information about products and services is as follows:

For the year ended February 20, 2013	Millions of Yen		
	Home furnishings and interior goods	Other	Total
Sales to external customers	¥343,501	¥5,287	¥348,789

For the year ended February 20, 2014	Millions of Yen		
	Home furnishings and interior goods	Other	Total
Sales to external customers	¥381,158	¥6,446	¥387,605

For the year ended February 20, 2014	Thousands of U.S. Dollars		
	Home furnishings and interior goods	Other	Total
Sales to external customers	\$3,727,715	\$63,047	\$3,790,762

2) Information about geographic areas

a) Sales

Information about geographic areas is not disclosed because sales to external customers in Japan constituted more than 90% of net sales on the consolidated statement of income.

b) Property, plant and equipment

Information about property, plant and equipment is not disclosed because property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheet.

3) Information about major customers

Information about major customers is not disclosed since no single customer accounts for more than 10% of consolidated net sales.

3. Information about Impairment Loss on Fixed Assets by Reportable Segment

The Group has been primarily engaged in a single segment of sales of home furnishings and interior goods. Therefore, this information is omitted.

4. Information about Amortization and Unamortized Balances of Goodwill by Reportable Segment

The Group has been primarily engaged in a single segment of sales of home furnishings and interior goods. Therefore, this information is omitted.

5. Information about Gain on Negative Goodwill by Reportable Segment

Not applicable.

19. Related Party Transactions

1. Related party transactions between the Company and related parties

Directors and major shareholders (individual shareholders only), etc., of the Company

For the year ended February 20, 2013							Amounts of Transaction		Balance at the end of the year	
Category	Name	Address	Capital or Investment	Relationship	% of Voting Rights Held (held by Others)	Business Relationship	Nature of Transaction	Millions of Yen	Account	Millions of Yen
Directors	Nitori Akio	-	-	Representative directors	(held by others) Direct 13.12	-	Exercise of stock options (Note 2)	¥295	-	-
Close relative of Nitori directors	Mitsuko	-	-	Mother of representative director	(held by others) Direct 0.12	Building lease	Building lease (Note 3)	¥16	Lease deposits	¥28

For the year ended February 20, 2014							Amounts of Transaction			Balance at the end of the year		
Category	Name	Address	Capital or Investment	Relationship	% of Voting Rights Held (held by Others)	Business Relationship	Nature of Transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
Directors	Shirai Toshiyuki	-	-	Directors	(held by others) Direct 0.03	-	Exercise of stock options (Note 2)	¥11	\$115	-	-	-
Directors	Kubo Takao	-	-	Auditors	(held by others) Direct 0.03	-	Exercise of stock options (Note 2)	¥11	\$115	-	-	-
Close relative of Nitori directors	Mitsuko	-	-	Mother of representative director	(held by others) Direct 0.02	Building lease	Building lease (Note 3)	¥16	\$158	Lease deposits	¥28	\$279

Notes: 1. Amount of transaction does not include consumption taxes.

2. Exercise of stock option during the fiscal year ended February 20, 2014 approved by annual general meeting of shareholders on May 16, 2008.

3. The terms and prices of building lease transactions are determined based on a similar transaction in a nearby area.

2. Related party transactions between the consolidated subsidiaries and related parties

Directors and major shareholders (individual shareholders only), etc., of the Company

For the year ended February 20, 2013							Amounts of Transaction		Balance at the end of the year	
Category	Name	Address	Capital or Investment	Relationship	% of Voting Rights Held (held by Others)	Business Relationship	Nature of Transaction	Millions of Yen	Account	Millions of Yen
Directors	Nitori Akio	-	-	Representative directors	-	-	Goods sales (Note 2)	¥13	-	-

Notes: 1. Amount of transaction does not include consumption taxes.

2. The terms and prices of goods sales transactions are determined in accordance with general transactions.

For the year ended February 20, 2014

Not applicable.

20. Amounts per Share

As at and for the years ended February 20	Yen		U.S. Dollars
	2013	2014	2014
Net assets per share of common stock	¥1,906.91	¥2,248.80	\$21.99
Basic net income per share of common stock	325.83	350.27	3.42
Diluted net income per share of common stock	325.58	349.74	3.42

Notes: 1. Stocks held by Trust & Custody Services Bank, Ltd. on behalf of the J-ESOP are not included in the number of shares for the calculation of per share information.

2. The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014. Accordingly for the purpose of calculating net assets per share, basic net income per share and diluted net income per share, it is assumed that the stock split was implemented at the beginning of the previous fiscal year.

1. Basis of net income per share of common stock and diluted net income per share of common stock

1) Basic net income per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net income	¥35,811	¥38,425	\$375,795
Net income not attributable to ordinary shareholders	-	-	-
Net income attributable to ordinary shareholders	35,811	38,425	375,795
Average number of shares issued and outstanding during the period (Thousand shares)	109,907	109,702	

Note: Stocks held by Trust & Custody Services Bank, Ltd. on behalf of the J-ESOP are not included in the number of shares for the calculation of per share information.

2) Diluted net income per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Adjustment to net income	¥-	¥-	\$-
Increase in the number of common stock corresponding to share warrants (Thousand shares)	86	166	

3) Summary of shares not included in the calculation of diluted net income per share due to their anti-dilutive effect

Not applicable.

21. Short-term and Long-term Loans Payable

Item	Balance at February 21, 2013	Balance at February 20, 2014		Average interest rate (%)	Repayment term
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars		
Short-term loans payable	¥760	¥967	\$9,461	0.69	—
Current portion of long-term loans payable	5,660	3,128	30,592	0.67	—
Current portion of lease obligations	246	197	1,934	-	—
Long-term loans payable (Excluding current portion)	7,155	3,560	34,822	0.62	2015–2018
Lease obligations (Excluding current portion)	3,091	2,893	28,298	-	2015–2032
Total	¥16,914	¥10,747	\$105,108	-	—

Notes: 1. Average interest rates show weighted-average interest rate on the balance of these items at February 20, 2014.

2. The weighted-average rate of interest for finance lease obligations is not disclosed since related interest charges are included in the amount of lease obligations amount in the consolidated balance sheet.

3. Maturities of long-term loans payable and lease obligations, excluding the current portion, due to be paid back within 5 years as of February 20, 2014 are as follows:

Long-term loans payable (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥2,408	\$23,550
Over 2 years less than 3 years	517	5,064
Over 3 years less than 4 years	633	6,195
Over 4 years less than 5 years	1	11

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥188	\$1,841
Over 2 years less than 3 years	188	1,841
Over 3 years less than 4 years	187	1,835
Over 4 years less than 5 years	187	1,829

22. Asset Retirement Obligations

Asset retirement obligations are not disclosed because asset retirement obligations constituted less than 1% of total liabilities and net assets on the consolidated balance sheet.

23. Subsequent Event

Stock Split, change in number of share trading units and partial amendment to articles of incorporation

At the meeting of the Board of Directors held on December 3, 2013, the implementation of a stock split, the change in share trading units and partial amendment to the articles of incorporation were resolved and effective from February 21, 2014.

1. Purpose of stock split, change in number of share trading units and partial amendment to articles of incorporation

In accordance with the Action Plan for Consolidating Trading Units announced on November 27, 2007 by all of the stock exchanges in Japan, the Company will conduct a 2-for-1 stock split of its common stock and change of the number of its share trading units from 50 shares to 100 shares.

There will be no actual change in the investment units as a result of this stock split and change in the number of share trading units.

2. Outline of stock split

1) Method of stock split

Shares of common stock held by shareholders listed or recorded in the final shareholder registry as of February 20, 2014 will be split at a ratio of two for one.

2) Increase in shares resulting from the stock split

Shares issued prior to the stock split:	57,221,748	shares	
Increase resulting from the stock split:	57,221,748	shares	
Shares issued after the stock split:	114,443,496	shares	
Total number of shares authorized for issue after the stock split:	288,000,000	shares	

3) Schedule of stock split

Public notice date of the record date:	Wednesday, February 5, 2014
Record date:	Thursday, February 20, 2014
Effective date:	Friday, February 21, 2014

3. Adjustment of exercise price of subscription rights to shares

In line with the above-mentioned stock split, the following adjustment of exercise price per share will be made from February 21, 2014.

	Resolution date board of directors	Exercise price before adjustment	Exercise price after adjustment
2nd subscription rights to shares (U.S. dollars)	March 17, 2009	¥5,912 (\$57.81)	¥2,956 (\$28.90)
4th subscription rights to shares (U.S. dollars)	March 29, 2012	¥7,917 (\$77.42)	¥3,959 (\$38.71)
5th subscription rights to shares (U.S. dollars)	March 29, 2012	¥7,917 (\$77.42)	¥3,959 (\$38.71)

4. Change in number of share trading units

1) Number of share trading units to change

At the same time as the implementation of the stock split, the number of share trading units will be changed from 50 shares to 100 shares.

2) Schedule of change

Effective date: Friday, February 21, 2014

5. Effect on per share information

The effect on per share information as a result of the stock split (net assets per share, basic net income per share and diluted net income per share) as at and for the fiscal years ended February 20, 2013 and 2014 is disclosed in "Amounts per Share" (Note 20).



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Nitori Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Nitori Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at February 20, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nitori Holdings Co., Ltd. and its consolidated subsidiaries as at February 20, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

May 9, 2014
Tokyo, Japan