



# Consolidated Financial Statements

For the year ended February 20, 2020

Nitori Holdings Co., Ltd.

## Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries

As of February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and deposits (Notes 9 and 11)	¥102,345	¥159,190	\$1,430,537
Notes and accounts receivable - trade (Note 11)	24,818	27,880	250,540
Merchandise and finished goods	59,184	61,203	549,994
Work in process	153	182	1,636
Raw materials and supplies	3,570	4,127	37,091
Other	20,969	11,010	98,944
Allowance for doubtful accounts (Note 11)	—	(4)	(36)
<b>Total current assets</b>	<b>211,042</b>	<b>263,589</b>	<b>2,368,707</b>
<b>Non-Current Assets:</b>			
Property, plant and equipment:			
Buildings and structures, net (Notes 5 and 17)	115,868	111,548	1,002,413
Machinery, equipment and vehicles, net (Note 5)	3,689	3,713	33,370
Tools, furniture and fixtures, net (Note 5)	8,042	9,071	81,519
Land (Notes 5 and 17)	171,342	173,010	1,554,733
Leased assets, net (Notes 5 and 10)	2,143	2,023	18,182
Right-of-use assets, net (Notes 5 and 10)	—	4,529	40,705
Construction in progress	955	3,489	31,362
<b>Total property, plant and equipment</b>	<b>302,041</b>	<b>307,387</b>	<b>2,762,285</b>
Intangible assets	18,857	24,599	221,062
Investments and other assets:			
Investment securities (Notes 5, 11 and 12)	26,103	25,535	229,473
Long-term loans receivable	778	732	6,579
Guarantee deposits (Notes 5 and 11)	14,268	13,987	125,698
Leasehold deposits (Note 11)	22,908	23,756	213,488
Deferred tax assets (Note 16)	11,905	13,246	119,037
Other	11,380	10,429	93,724
Allowance for doubtful accounts	(0)	(18)	(163)
<b>Total investments and other assets</b>	<b>87,344</b>	<b>87,670</b>	<b>787,837</b>
<b>Total non-current assets</b>	<b>408,244</b>	<b>419,657</b>	<b>3,771,186</b>
<b>Total assets</b>	<b>¥619,286</b>	<b>¥683,247</b>	<b>\$6,139,894</b>

## Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries

As of February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Notes and accounts payable - trade (Notes 5 and 11)	¥20,956	¥19,774	\$177,697
Short-term borrowings (Notes 5, 11 and 21)	2,639	2,787	25,047
Lease obligations (Notes 10, 11 and 21)	187	1,554	13,969
Accounts payable - other (Note 11)	23,752	22,923	206,001
Income taxes payable (Note 11)	19,472	20,224	181,739
Provision for bonuses	4,206	4,020	36,131
Provision for point card certificates	2,014	2,076	18,662
Provision for shareholder benefit program	343	282	2,534
Other (Note 5)	21,444	23,420	210,464
<b>Total current liabilities</b>	<b>95,016</b>	<b>97,063</b>	<b>872,248</b>
<b>Non-Current Liabilities:</b>			
Long-term borrowings (Notes 11 and 21)	6,028	4,000	35,945
Lease obligations (Notes 10, 11 and 21)	1,956	6,714	60,336
Provision for retirement benefits for directors and other officers	228	228	2,057
Retirement benefit liability (Note 14)	3,202	1,343	12,075
Asset retirement obligations (Note 22)	5,365	5,673	50,986
Other (Note 5)	7,296	7,361	66,151
<b>Total non-current liabilities</b>	<b>24,078</b>	<b>25,322</b>	<b>227,552</b>
<b>Total liabilities</b>	<b>119,094</b>	<b>122,385</b>	<b>1,099,801</b>
<b>Net Assets (Note 8):</b>			
<b>Shareholders' Equity:</b>			
Share capital	13,370	13,370	120,154
Capital surplus	19,841	25,074	225,330
Retained earnings	472,755	532,471	4,784,971
Treasury shares	(7,727)	(10,875)	(97,727)
<b>Total shareholders' equity</b>	<b>498,240</b>	<b>560,042</b>	<b>5,032,728</b>
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities (Note 12)	947	750	6,744
Foreign currency translation adjustment	901	161	1,448
Remeasurements of defined benefit plans	(367)	(382)	(3,433)
<b>Total accumulated other comprehensive income</b>	<b>1,481</b>	<b>529</b>	<b>4,759</b>
<b>Share acquisition rights</b>	<b>470</b>	<b>289</b>	<b>2,604</b>
<b>Total net assets</b>	<b>500,192</b>	<b>560,861</b>	<b>5,040,092</b>
<b>Total liabilities and net assets</b>	<b>¥619,286</b>	<b>¥683,247</b>	<b>\$6,139,894</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>Net Sales</b>	¥608,131	¥642,273	\$5,771,692
<b>Cost of Sales</b>	276,709	287,909	2,587,248
Gross profit	331,421	354,364	3,184,443
<b>Selling, General and Administrative Expenses (Note 6)</b>	230,642	246,886	2,218,607
Operating income	100,779	107,478	965,835
<b>Non-Operating Income:</b>			
Interest income	481	522	4,698
Dividend income	37	36	331
Foreign exchange gains	95	—	—
Vending machine income	246	247	2,219
Gain on sales of goods	390	374	3,367
Share of profit of entities accounted for using equity method	511	588	5,292
Other	797	706	6,348
	2,561	2,476	22,259
<b>Non-Operating Expenses:</b>			
Interest expenses	101	283	2,544
Foreign exchange losses	—	24	224
Other	185	124	1,119
	286	432	3,889
Ordinary income	103,053	109,522	984,205
<b>Extraordinary Income:</b>			
Settlement received	31	—	—
Gain on sales of non-current assets (Note 6)	10	315	2,831
Penalty income	49	307	2,767
Gain on reversal of share acquisition rights (Note 15)	11	3	27
	102	626	5,626
<b>Extraordinary Losses:</b>			
Compensation for damage	—	85	769
Provision for loss on cancellation	—	630	5,668
Loss on disaster	1,268	—	—
Loss on change in equity	368	172	1,553
Loss on sales and retirement of non-current assets (Note 6)	94	99	890
Penalty for the scrapping and building of outlets	255	—	—
Impairment loss (Note 6)	653	4,090	36,756
Other	24	—	—
	2,665	5,078	45,637
Income before income taxes	100,490	105,069	944,193
<b>Income Taxes (Note 16):</b>			
Current	33,813	34,979	314,334
Deferred	(1,504)	(1,304)	(11,723)
	32,309	33,674	302,610
<b>Net Income</b>	68,180	71,395	641,583
<b>Net Income Attributable to:</b>			
Owners of parent	¥68,180	¥71,395	\$641,583

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>Net Income</b>	¥68,180	¥71,395	\$641,583
<b>Other Comprehensive Income (Loss):</b>			
Valuation difference on available-for-sale securities	150	(197)	(1,770)
Deferred gains or losses on hedges	704	—	—
Foreign currency translation adjustment	(2,204)	(740)	(6,654)
Remeasurements of defined benefit plans, net of tax	(88)	(14)	(127)
<b>Total other comprehensive income (loss) (Note 7)</b>	<b>(1,437)</b>	<b>(951)</b>	<b>(8,552)</b>
<b>Comprehensive Income</b>	<b>¥66,742</b>	<b>¥70,443</b>	<b>\$633,030</b>
<b>Comprehensive Income Attributable to:</b>			
Owners of parent	¥66,742	¥70,443	\$633,030

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2020

	Shareholders' Equity										Accumulated Other Comprehensive Income			Millions of Yen
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	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	Share acquisition rights	Total net assets		
	<b>Balance at February 21, 2018</b>	¥13,370	¥18,232	¥415,108	¥(8,640)	¥438,072	¥796	¥(704)	¥3,105	¥(279)	¥2,918	¥677	¥441,668	
Changes in items during period														
Dividends of surplus			(10,533)		(10,533)							(10,533)		
Net income attributable to owners of parent			68,180		68,180							68,180		
Purchase of treasury shares				(4)	(4)							(4)		
Disposal of treasury shares		1,608		917	2,526							2,526		
Net changes in items other than shareholders' equity						150	704	(2,204)	(88)	(1,437)	(206)	(1,644)		
Total changes in items during period	—	1,608	57,646	912	60,168	150	704	(2,204)	(88)	(1,437)	(206)	58,524		
<b>Balance at February 21, 2019</b>	¥13,370	¥19,841	¥472,755	¥(7,727)	¥498,240	¥947	¥—	¥901	¥(367)	¥1,481	¥470	¥500,192		
Changes in items during period														
Dividends of surplus			(11,679)		(11,679)							(11,679)		
Net income attributable to owners of parent			71,395		71,395							71,395		
Purchase of treasury shares				(5,012)	(5,012)							(5,012)		
Disposal of treasury shares		5,232		1,865	7,098							7,098		
Net changes in items other than shareholders' equity						(197)	—	(740)	(14)	(951)	(180)	(1,132)		
Total changes in items during period	—	5,232	59,716	(3,147)	61,801	(197)	—	(740)	(14)	(951)	(180)	60,669		
<b>Balance at February 20, 2020</b>	¥13,370	¥25,074	¥532,471	¥(10,875)	¥560,042	¥750	¥—	¥161	¥(382)	¥529	¥289	¥560,861		

	Shareholders' Equity										Accumulated Other Comprehensive Income			Thousands of U.S. Dollars (Note 2)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	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	Share acquisition rights	Total net assets		
	<b>Balance at February 21, 2019</b>	\$120,154	\$178,305	\$4,248,341	\$(69,441)	\$4,477,359	\$8,515	\$—	\$8,102	\$(3,305)	\$13,312	\$4,225	\$4,494,896	
Changes in items during period														
Dividends of surplus			(104,952)		(104,952)							(104,952)		
Net income attributable to owners of parent			641,583		641,583							641,583		
Purchase of treasury shares				(45,046)	(45,046)							(45,046)		
Disposal of treasury shares		47,025		16,760	63,785							63,785		
Net changes in items other than shareholders' equity						(1,770)	—	(6,654)	(127)	(8,552)	(1,621)	(10,173)		
Total changes in items during period	—	47,025	536,630	(28,285)	555,369	(1,770)	—	(6,654)	(127)	(8,552)	(1,621)	545,195		
<b>Balance at February 20, 2020</b>	\$120,154	\$225,330	\$4,784,971	\$(97,727)	\$5,032,728	\$6,744	\$—	\$1,448	\$(3,433)	\$4,759	\$2,604	\$5,040,092		

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥100,490	¥105,069	\$944,193
Depreciation and amortization	14,218	16,561	148,826
Impairment loss	653	4,090	36,756
Increase (decrease) in allowance for doubtful accounts	(0)	21	194
Increase (decrease) in provision for bonuses	836	(177)	(1,598)
Increase (decrease) in retirement benefit liability	400	(1,880)	(16,894)
Increase (decrease) in provision for point card certificates	390	63	568
Interest and dividend income	(519)	(559)	(5,030)
Interest expenses	101	283	2,544
Share of loss (profit) of entities accounted for using equity method	(511)	(588)	(5,292)
Penalty for the scrapping and building of outlets	255	—	—
Penalty income	(49)	(307)	(2,767)
Provision for loss on cancellation	—	630	5,668
Loss (gain) on sales and retirement of non-current assets	84	(216)	(1,941)
Loss (gain) on change in equity	368	172	1,553
Decrease (increase) in trade receivables	(2,365)	(3,664)	(32,926)
Decrease (increase) in inventories	(10,014)	(2,687)	(24,154)
Increase (decrease) in trade payables	1,061	219	1,970
Increase (decrease) in accrued consumption taxes	509	1,011	9,093
Other, net	5,933	4,595	41,299
Subtotal	111,843	122,637	1,102,063
Interest and dividends received	569	1,214	10,916
Interest paid	(98)	(280)	(2,518)
Penalty received	49	307	2,767
Payments of penalty for the scrapping and building of outlets	(48)	(286)	(2,571)
Income taxes paid	(41,125)	(34,112)	(306,545)
Income taxes refund	10,474	9,856	88,572
Net cash provided by operating activities	81,664	99,337	892,684
<b>Cash Flows from Investing Activities:</b>			
Payments into time deposits	(1,694)	(18,374)	(165,118)
Proceeds from withdrawal of time deposits	1,679	2,285	20,536
Purchase of property, plant and equipment	(22,363)	(17,482)	(157,104)
Proceeds from sales of property, plant and equipment	239	517	4,651
Purchase of intangible assets	(5,788)	(9,550)	(85,822)
Purchase of short-term and long-term investment securities	(0)	—	—
Proceeds from sales of short-term and long-term investment securities	38	5	48
Payments of guarantee deposits	(1,590)	(1,032)	(9,276)
Proceeds from refund of guarantee deposits	97	277	2,493
Purchase of shares of subsidiaries and associates	(192)	—	—
Payments of leasehold deposits	(1,134)	(1,157)	(10,401)
Proceeds from refund of leasehold deposits	202	346	3,112
Guarantee deposits received	145	41	368
Leasehold deposits received	203	154	1,388
Refund of leasehold deposits received	(33)	(92)	(833)
Purchase of long-term prepaid expenses	(122)	(158)	(1,428)
Loan advances	(132)	(296)	(2,662)
Collection of loans receivable	35	36	327
Other payments	(15)	(5)	(49)
Net cash used in investing activities	(30,424)	(44,486)	(399,768)

## Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2020	2020
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term borrowings	287	88	790
Repayments of short-term borrowings	—	(2)	(21)
Repayments of long-term borrowings	(2,003)	(2,009)	(18,061)
Repayments of lease obligations	(187)	(1,382)	(12,423)
Purchase of treasury shares	(4)	(4,907)	(44,102)
Proceeds from sales of treasury shares	—	5,009	45,016
Dividends paid	(10,527)	(11,663)	(104,815)
Proceeds from exercise of employee share options	1,094	1,006	9,042
Net cash used in financing activities	(11,340)	(13,862)	(124,575)
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	(768)	(250)	(2,255)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	39,130	40,737	366,084
<b>Cash and Cash Equivalents at Beginning of Period</b>	60,923	100,053	899,116
<b>Cash and Cash Equivalents at End of Period (Note 9)</b>	¥100,053	¥140,791	\$1,265,201

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2020

---

## 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 its 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 (IFRSs), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Japanese yen amounts less than a million yen have been rounded down to the nearest million yen, except for per share data.

---

## 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 ¥111.28 = U.S.\$1, the exchange rate prevailing on February 20, 2020. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

U.S. dollar amounts less than a thousand dollars have been rounded down to the nearest thousand dollars, except for per share data.

---

## 3. Principles of Consolidation and Accounting for Investments in Associates

### 1) Scope of consolidation

(1) As of February 20, 2020, the Company had 25 consolidated subsidiaries (24 consolidated subsidiaries as of February 20, 2019).

Names of major consolidated subsidiaries:

Nitori Co., Ltd.  
Home Logistics Co., Ltd.  
NITORI Taiwan Co., Ltd.  
NITORI (CHINA) HOLDINGS Co., Ltd.  
Deco Home China Co., Ltd.  
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.  
NITORI (SHANGHAI) HOME FURNISHINGS SALES CO., LTD.  
NITORI (Taicang) Trading & Logistics Co., Ltd.  
NITORI USA, Inc.  
NITORI FURNITURE VIETNAM EPE  
NITORI FURNITURE Ba Ria-Vung Tau Co., Ltd.  
NITORI Public Co., Ltd.  
HOME DECO Co., Ltd.  
and 12 other subsidiaries

A subsidiary incorporated during the year ended February 20, 2020 was newly included in the scope of consolidation. Furthermore, the Company passed a resolution at its board of directors meeting held on August 30, 2017 to liquidate P.T. NITORI FURNITURE INDONESIA, which is a consolidated subsidiary of the Company, and said company is currently in the process of liquidation.

### (2) Names of major unconsolidated subsidiaries

The Company did not have any unconsolidated subsidiaries.

## 2) Application of equity method

(1) As of February 20, 2020, the Company had one associate accounted for using the equity method (one as of February 20, 2019).

Name of associate accounted for using equity method:  
KATITAS Co., Ltd.

(2) Other specific information if deemed necessary about the application of equity method

As the associate's reporting date is different from the balance sheet date of the Company, financial statements provisionally prepared based on its latest quarterly financial statements have been used.

## 3) Financial statements of consolidated subsidiaries

The reporting dates of the following consolidated subsidiaries are different from the balance sheet date of the Company.

NITORI Furniture Co., Ltd. .... December 20, 2019  
NITORI Taiwan Co., Ltd.  
NITORI (CHINA) HOLDINGS Co., Ltd.  
Deco Home China Co., Ltd.  
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.  
NITORI (SHANGHAI) HOME FURNISHINGS SALES CO., LTD.  
NITORI (Taicang) Trading & Logistics Co., Ltd.  
NITORI USA, Inc.  
NITORI FURNITURE VIETNAM EPE  
NITORI FURNITURE Ba Ria-Vung Tau Co., Ltd.  
NITORI Public Co., Ltd.  
and 9 other subsidiaries ..... December 31, 2019  
HOME DECO Co., Ltd. .... January 31, 2020

The financial information of the above subsidiaries has been consolidated using their financial statements as of their respective reporting dates, and necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between the reporting dates of respective subsidiaries and the date of the consolidated financial statements.

---

## 4. Summary of Significant Accounting Policies

### 1) Investment securities

The Group has available-for-sale securities. Available-for-sale securities with market quotations are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in "net assets," and the cost of securities sold is determined by the gross average method. Available-for-sale securities without market quotations are stated at cost 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) of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based on the estimated useful lives of the assets, except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. Consolidated overseas subsidiaries apply the straight-line method to their property, plant and equipment. The ranges of estimated useful lives are as follows:

Buildings and structures	5 to 40 years
Machinery, equipment and vehicles	4 to 12 years
Tools, furniture and fixtures	5 to 10 years

For buildings on fixed term leaseholds, the Company and its consolidated domestic subsidiaries compute the depreciation using the straight-line method over the 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 to 7 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.

Finance lease transactions that do not transfer ownership to the lessee, commencing on or before February 20, 2009, are accounted for as operating leases, and related payments are charged to expense as incurred.

#### **7) Right-of-use assets**

Right-of-use assets are depreciated by the straight-line method over the lesser of the useful life of the asset or the lease term.

#### **8) Allowance for doubtful accounts**

The Company and certain consolidated subsidiaries record the allowance for doubtful accounts based on historical experience for normal receivables and on an individual assessment of the collectability of the account for doubtful receivables.

#### **9) Provision for bonuses**

The Company and certain consolidated subsidiaries record the provision for bonuses at the amount expected to be paid to their employees based on actual results during the fiscal year in order to cover the payments to the employees in the following fiscal year.

#### **10) Provision for point card certificates**

Customers earn loyalty points (Nitori Members Card Points) by presenting their member card at the time of purchase. Provision for point card certificates is recorded at the amount expected to be used by customers in the future.

#### **11) Provision for shareholder benefit program**

Provision for shareholder benefit program is recognized for future utilization of granted shareholder benefits and recorded at the amount expected to be used by shareholders in the future based on the historical rate of use of shareholder benefits.

#### **12) Provision for retirement benefits for directors and other officers**

Provision for retirement benefits for directors and other officers is recorded at the amount required to be paid in accordance with internal rules if all directors and corporate auditors were to retire at the balance sheet date. The plans of the Company and its consolidated domestic subsidiaries were abolished in April 2004 and December 2005, respectively, and the recorded amount represents benefits incurred but not yet paid.

#### **13) Accounting method for retirement benefits**

Projected benefit obligations are attributed to periods on a benefit formula basis.

Actuarial gains and losses are amortized using the straight-line method over a specific period (10 years), which is within the average remaining years of service of the employees at the time of occurrence, from the fiscal year following the year in which each gain or loss occurs.

Prior service costs are amortized using the straight-line method over a specific period (10 years), which is within the average remaining years of service of the employees at the time of occurrence.

#### **14) 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 sheet accounts of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date except for the components of net assets, excluding non-controlling interests which are translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustment" in the net assets section. Revenue and expense accounts of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate.

### **15) Hedge accounting**

Hedging instruments are recorded at fair value and accounted for using deferral hedge accounting, under which any unrealized gain or loss is deferred as a separate component of net assets.

Hedging instruments: Derivative transactions (foreign exchange forward contracts)

Hedged items: Accounts payable - trade denominated in foreign currencies

Hedging policy: The derivative transactions are used solely for hedging the risk arising from adverse fluctuations in foreign currency exchange 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.

### **16) 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 insignificant risk of changes in value.

### **17) Consumption taxes**

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

### **18) Income taxes**

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

### **19) Change in accounting policies**

At the beginning of the year ended February 20, 2020, consolidated overseas subsidiaries that had adopted IFRSs adopted IFRS 16 "Leases." In accordance therewith, as a general rule, they, as lessees, recognize all assets and liabilities under lease contracts. They elected to adopt the standard in accordance with the option of recognizing the cumulative effect of initially adopting the standard at the date of initial adoption, as permitted by the transitional provisions thereof. For leases previously classified as operating leases applying IAS 17, they, as lessees, recognized right-of-use assets and lease liabilities at the date of initial adoption.

As a result, in the consolidated balance sheet as of February 20, 2020, right-of-use assets increased by ¥4,529 million (\$40,705 thousand), and lease obligations under current liabilities and non-current liabilities increased by ¥1,360 million (\$12,223 thousand) and ¥4,887 million (\$43,924 thousand), respectively.

The impact of the change on the consolidated statement of income and per share information for the year ended February 20, 2020 was immaterial. In the consolidated statement of cash flows for the year ended February 20, 2020, cash flows from operating activities increased by ¥1,259 million (\$11,321 thousand), and cash flows from financing activities decreased by the same amount.

### **20) Accounting standards issued but not yet effective**

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 30, 2018)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

#### **(1) Overview**

The standard is a comprehensive accounting standard for revenue recognition. Revenue is recognized in accordance with the following five-step approach.

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: Recognize revenue when or as a performance obligation is satisfied.

#### **(2) Scheduled date of adoption**

The Group expects to adopt the standard and implementation guidance at the beginning of the year ending February 20, 2023.

#### **(3) Impact of adopting the standard and implementation guidance**

The Company is currently evaluating the impact of adopting the standard and implementation guidance on its consolidated financial statements.

## 21) Change in presentation

Adoption of Partial Amendments to “Accounting Standard for Tax Effect Accounting”

The Company adopted the Partial Amendments to “Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the year ended February 20, 2020 and has presented deferred tax assets under investments and other assets.

As a result, ¥5,518 million of “deferred tax assets” presented under “current assets” in the consolidated balance sheet as of February 20, 2019 has been included in ¥11,905 million of “deferred tax assets” under “investments and other assets.”

Consolidated statement of cash flows

“Penalty income” and “penalty received,” which were included in “income before income taxes” under “cash flows from operating activities” in the consolidated statement of cash flows for the year ended February 20, 2019, have been set down separately in the consolidated statement of cash flows for the year ended February 20, 2020 since the significance of the amounts has increased. “Penalty received” has been accordingly set down separately below the “subtotal” line under “cash flows from operating activities.” To reflect these changes in presentation, the amount in the consolidated statement of cash flows for the year ended February 20, 2019 has been reclassified.

As a result, ¥111,892 million of “subtotal” under “cash flows from operating activities” in the consolidated statement of cash flows for the year ended February 20, 2019 has been reclassified to ¥(49) million of “penalty income,” ¥49 million of “penalty received,” and ¥111,843 million of “subtotal.”

---

## 5. Notes to Consolidated Balance Sheet

### 1) Accumulated depreciation of property, plant and equipment

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Accumulated depreciation	¥114,602	¥127,739	\$1,147,907

## 2) Assets pledged as collateral

Assets pledged as collateral and collateralized liabilities are as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Pledged assets:			
Buildings and structures	¥1,808	¥1,699	\$15,269
Land	–	65	589
Guarantee deposits	36	29	263
Total	¥1,844	¥1,794	\$16,123
Corresponding liabilities:			
Notes and accounts payable - trade	¥45	¥38	\$342
Short-term borrowings	–	128	1,158
Other (current liabilities)	112	122	1,100
Other (non-current liabilities)	1,837	1,716	15,427
Total	¥1,995	¥2,006	\$18,028

## 3) Investment securities

Investments in associates are as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Investment securities	¥22,529	¥22,237	\$199,836

## 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
	2019	2020	2020
Customer delivery expenses	¥26,257	¥27,991	\$251,537
Advertising expenses	16,658	16,888	151,763
Salaries, allowances and bonuses	65,308	68,493	615,507
Provision for bonuses	3,652	3,528	31,710
Retirement benefit expenses	1,393	1,412	12,688
Rent expenses	36,563	37,261	334,846
Depreciation and amortization	12,311	14,575	130,976
Outsourcing expenses	16,532	18,351	164,916

2) The breakdown of gain on sales of non-current assets is as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Buildings and structures	¥2	¥0	\$0
Machinery, equipment and vehicles	4	2	26
Tools, furniture and fixtures	0	0	8
Land	3	311	2,796
Total	¥10	¥315	\$2,831

**3) The breakdown of loss on sales and retirement of non-current assets is as follows:**

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
<b>Loss on retirement:</b>			
Buildings and structures	¥55	<b>¥34</b>	<b>\$306</b>
Machinery, equipment and vehicles	14	<b>0</b>	<b>0</b>
Tools, furniture and fixtures	4	<b>5</b>	<b>53</b>
Construction in progress	–	<b>35</b>	<b>316</b>
Other (intangible assets)	13	<b>12</b>	<b>115</b>
<b>Loss on sales:</b>			
Machinery, equipment and vehicles	1	<b>0</b>	<b>8</b>
Tools, furniture and fixtures	6	<b>9</b>	<b>87</b>
Land	–	<b>0</b>	<b>0</b>
<b>Total</b>	<b>¥94</b>	<b>¥99</b>	<b>\$890</b>

**4) Impairment loss**

For the year ended February 20, 2019

Location	Use	Class	Millions of Yen
Japan	Store	Buildings and structures, and other	¥243
People's Republic of China	Store	Buildings and structures, and other	410

The Group's assets are grouped according to the type of business. Impairment loss was recognized for some stores, taking into account decisions on their closure or their decreased profitability. When the recoverable amount was measured at the net selling price, it was computed based on the real estate appraisal value, assessed value for fixed asset tax, and other value. When the recoverable amount was measured at the value in use, the Group assumed that the value in use was zero.

For the year ended February 20, 2020

Location	Use	Class	Millions of Yen	Thousands of U.S. Dollars
Japan	Store	Buildings and structures, and other	<b>¥78</b>	<b>\$704</b>
	Accommodation	Land, buildings and structures, and other	<b>923</b>	<b>8,292</b>
	Logistics system	Machinery, equipment and vehicles	<b>378</b>	<b>3,400</b>
People's Republic of China	Store	Buildings and structures, and other	<b>594</b>	<b>5,337</b>
		Right-of-use assets	<b>1,791</b>	<b>16,095</b>
Republic of China	Store	Buildings and structures, and other	<b>29</b>	<b>260</b>
The United States of America	Store and headquarters	Buildings and structures, and other	<b>225</b>	<b>2,022</b>
Kingdom of Thailand	Plant facility	Buildings and structures, and other	<b>71</b>	<b>641</b>

The Group's assets are grouped according to the type of business. Impairment loss was recognized for some stores, taking into account decisions on their closure or their decreased profitability. When the recoverable amount was measured at the net selling price, it was computed based on the real estate appraisal value, assessed value for fixed asset tax, and other value. When the recoverable amount was measured at the value in use, the Group assumed that the value in use was zero.

## 7. Note to Consolidated Statement of Comprehensive Income

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Valuation difference on available-for-sale securities			
Amounts arising during period	¥273	¥(268)	\$(2,413)
Reclassification adjustments	(53)	(1)	(17)
Amount before income tax effect	219	(270)	(2,431)
Income tax effect	(69)	73	660
Subtotal	150	(197)	(1,770)
Deferred gains or losses on hedges			
Amounts arising during period	1,018	-	-
Amount before income tax effect	1,018	-	-
Income tax effect	(314)	-	-
Subtotal	704	-	-
Foreign currency translation adjustment			
Amounts arising during period	(2,204)	(740)	(6,654)
Subtotal	(2,204)	(740)	(6,654)
Remeasurements of defined benefit plans, net of tax			
Amounts arising during period	(183)	(77)	(697)
Reclassification adjustments	56	57	513
Amount before income tax effect	(127)	(20)	(183)
Income tax effect	38	6	56
Subtotal	(88)	(14)	(127)
Total other comprehensive income (loss)	¥(1,437)	¥(951)	\$(8,552)

## 8. Notes to Consolidated Statement of Changes in Equity

### 1) Class and total number of issued shares and treasury shares

For the year ended February 20,  
2019

Class of shares	Number of Shares (Thousands)			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Issued shares:				
Ordinary shares	114,443	–	–	114,443
Treasury shares:				
Ordinary shares	2,485	0	263	2,221

Notes: 1. The increase of 0 thousand shares in treasury is due to the purchase of shares less than one unit.  
2. The decrease of 263 thousand shares in treasury consists of a decrease of 67 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)," which was introduced by the resolution at the board of directors meeting held on December 20, 2011, and a decrease of 196 thousand shares due to the exercise of share options.  
3. The number of treasury shares at the fiscal year-end includes 96 thousand shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20,  
2020

Class of shares	Number of Shares (Thousands)			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Issued shares:				
Ordinary shares	114,443	–	–	114,443
Treasury shares:				
Ordinary shares	2,221	290	536	1,975

Notes: 1. The increase of 290 thousand shares in treasury consists of an increase of 0 thousand shares due to the purchase of shares less than one unit and an additional contribution to the "Stock Benefit Trust (J-ESOP)" for 290 thousand shares by the resolution at the board of directors meeting held on January 8, 2020.  
2. The decrease of 536 thousand shares in treasury consists of a decrease of 67 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)," which was introduced by the resolution at the board of directors meeting held on December 20, 2011, a decrease of 177 thousand shares due to the exercise of share options, disposal of 1 thousand shares in treasury in the "performance-based share compensation" plan introduced by the resolution at the board of directors meeting held on April 10, 2019, and an additional contribution to the "Stock Benefit Trust (J-ESOP)" for 290 thousand shares by the resolution at the board of directors meeting held on January 8, 2020.  
3. The number of treasury shares at the fiscal year-end includes 319 thousand shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

### 2) Share acquisition rights

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Share acquisition rights as share options	¥470	¥289	\$2,604

### 3) Dividends

#### (1) Dividends paid to shareholders

For the year ended February 20, 2019

Resolution at	Class of shares	Total amount of dividends (Millions of Yen)	Amount of dividends per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors meeting held on March 27, 2018 (Note 1)	Ordinary shares	¥5,269	¥47	February 20, 2018	April 26, 2018
Board of directors meeting held on September 26, 2018 (Note 2)	Ordinary shares	5,276	47	August 20, 2018	October 23, 2018

Notes: 1. The total amount of dividends includes dividends of ¥7 million on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."  
2. The total amount of dividends includes dividends of ¥4 million on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20, 2020

Resolution at	Class of shares	Total amount of dividends (Millions of Yen)	Total amount of dividends (Thousands of U.S. Dollars)	Amount of dividends per share (Yen)	Amount of dividends per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 8, 2019 (Note 1)	Ordinary shares	¥5,615	\$50,466	¥50	\$0.45	February 20, 2019	April 25, 2019
Board of directors meeting held on October 2, 2019 (Note 2)	Ordinary shares	6,069	54,544	54	0.49	August 20, 2019	October 23, 2019

Notes: 1. The total amount of dividends includes dividends of ¥4 million (\$43 thousand) on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."  
 2. The total amount of dividends includes dividends of ¥1 million (\$14 thousand) on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

(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, 2019

Resolution at	Class of shares	Paid from	Total amount of dividends (Millions of Yen)	Amount of dividends per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 8, 2019	Ordinary shares	Retained earnings	¥5,615	¥50	February 20, 2019	April 25, 2019

Note: The total amount of dividends includes dividends of ¥4 million on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20, 2020

Resolution at	Class of shares	Paid from	Total amount of dividends (Millions of Yen)	Total amount of dividends (Thousands of U.S. Dollars)	Amount of dividends per share (Yen)	Amount of dividends per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 6, 2020	Ordinary shares	Retained earnings	¥6,090	\$54,731	¥54	\$0.49	February 20, 2020	April 23, 2020

Note: The total amount of dividends includes dividends of ¥17 million (\$155 thousand) on shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

#### 4) Shareholder's equity

The Companies 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 stated capital. Such distributions can be made at any time by resolution at the shareholders' meeting, or at the board of directors meeting 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 deposits reported in the consolidated balance sheet and cash and cash equivalents at the fiscal year-end in the consolidated statement of cash flows is as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Cash and deposits	¥102,345	¥159,190	\$1,430,537
Time deposits with maturities exceeding 3 months	(2,292)	(18,398)	(165,335)
Cash and cash equivalents	¥100,053	¥140,791	\$1,265,201

## 10. Leases

As Lessee:

The Group leases certain buildings for retail stores. Finance leases that do not transfer ownership to the lessee commencing on or before February 20, 2009 are accounted for in a manner similar to the accounting treatment for ordinary rental transactions. The information on these lease transactions is omitted because it is insignificant.

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

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Due within 1 year	¥7,239	¥6,192	\$55,648
Due after 1 year	38,383	30,145	270,898
Total	¥45,623	¥36,338	\$326,546

Note: At the beginning of the year ended February 20, 2020, certain consolidated overseas subsidiaries adopted IFRS 16 "Leases." Accordingly, their leases previously classified as operating leases have been presented as "right-of-use assets" under "non-current assets" in the consolidated balance sheet as of February 20, 2020.

As Lessor:

Future minimum lease payments to be received under non-cancelable operating leases are as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Due within 1 year	¥1,104	¥1,030	\$9,259
Due after 1 year	8,541	7,111	63,907
Total	¥9,646	¥8,142	\$73,167

## 11. Financial Instruments

### 1) Overview

#### (1) Policy for financial instruments

The Group raises necessary funds based on capital investment plans and cash flow 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, related risks, and risk management

Notes and accounts receivable - trade are exposed to credit risk of customers, but the collection period is short, and the historical bad debt ratio is extremely low. The Group manages credit risk by monitoring due dates and outstanding balances for each customer and makes efforts to promptly collect receivables from customers in financial difficulties.

Investment securities with market quotations are exposed to market risk, and those without market quotations are exposed to impairment risk due to the relevant companies' operating results. The Group periodically reviews the fair values of such financial instruments.

Guarantee deposits and leasehold deposits, which are mostly related to leases on stores, are exposed to credit risk of lessors. The Group manages credit risk by monitoring due dates and outstanding balances for each

lessor and makes efforts to identify and decrease concerns about collecting deposits from lessors in financial difficulties at an early stage.

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

Long-term borrowings and lease obligations are mainly intended to raise required funding for capital investments and loans and investments.

Regarding derivatives, the Group enters into foreign exchange forward contracts to hedge foreign currency risk related to payables denominated in foreign currencies. The Group believes that the credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with high credit ratings. The finance department executes and manages derivative transactions upon approval by person(s) with authority in accordance with internal rules stipulating authority of transactions.

(3) Supplementary explanation on estimated fair value of financial instruments

The fair values of financial instruments are based on their quoted market prices. When no quoted market price is available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

The notional amounts of derivatives in Note 13. Derivatives are not indicative of the actual market risk involved in derivative transactions.

**2) Estimated fair value of financial instruments**

The carrying values of financial instruments on the consolidated balance sheet as of February 20, 2019 and 2020 and estimated fair values are shown below. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (please refer to Note 2 below).

As of February 20, 2019	Millions of Yen		
	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
(1) Cash and deposits	¥102,345	¥102,345	¥-
(2) Notes and accounts receivable - trade	24,818	24,818	-
(3) Investment securities			
Available-for-sale securities	3,290	3,290	-
Shares of associates	22,529	49,351	26,821
(4) Guarantee deposits	14,268	15,338	1,069
(5) Leasehold deposits	22,908	22,645	(262)
<b>Liabilities:</b>			
(1) Notes and accounts payable - trade	¥20,956	¥20,956	¥-
(2) Accounts payable - other	23,752	23,752	-
(3) Income taxes payable	19,472	19,472	-
(4) Long-term borrowings, including current portion of long-term borrowings	8,028	8,041	12
(5) Lease obligations, including current portion of lease obligations (*2)	2,143	2,143	-

As of February 20, 2020	Millions of Yen		
	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
(1) Cash and deposits	<b>¥159,190</b>	<b>¥159,190</b>	<b>¥-</b>
(2) Notes and accounts receivable - trade	<b>27,880</b>	<b>27,880</b>	<b>-</b>
Allowance for doubtful accounts (*1)	<b>(4)</b>	<b>(4)</b>	<b>-</b>
	<b>27,876</b>	<b>27,876</b>	<b>-</b>
<b>(3) Investment securities:</b>			
Available-for-sale securities	<b>3,014</b>	<b>3,014</b>	<b>-</b>
Shares of associates	<b>22,237</b>	<b>53,090</b>	<b>30,853</b>
(4) Guarantee deposits	<b>13,987</b>	<b>14,966</b>	<b>978</b>
(5) Leasehold deposits	<b>23,756</b>	<b>23,578</b>	<b>(178)</b>
<b>Liabilities:</b>			
(1) Notes and accounts payable - trade	<b>¥19,774</b>	<b>¥19,774</b>	<b>¥-</b>
(2) Accounts payable - other	<b>22,923</b>	<b>22,923</b>	<b>-</b>
(3) Income taxes payable	<b>20,224</b>	<b>20,224</b>	<b>-</b>
(4) Long-term borrowings, including current portion of long-term borrowings	<b>6,000</b>	<b>6,009</b>	<b>9</b>
(5) Lease obligations, including current portion of lease obligations (*2)	<b>8,268</b>	<b>8,268</b>	<b>-</b>

As of February 20, 2020	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
(1) Cash and deposits	<b>\$1,430,537</b>	<b>\$1,430,537</b>	<b>\$-</b>
(2) Notes and accounts receivable - trade	<b>250,540</b>	<b>250,540</b>	<b>-</b>
Allowance for doubtful accounts (*1)	<b>(36)</b>	<b>(36)</b>	<b>-</b>
	<b>250,503</b>	<b>250,503</b>	<b>-</b>
<b>(3) Investment securities:</b>			
Available-for-sale securities	<b>27,086</b>	<b>27,086</b>	<b>-</b>
Shares of associates	<b>199,836</b>	<b>477,093</b>	<b>277,256</b>
(4) Guarantee deposits	<b>125,698</b>	<b>134,494</b>	<b>8,795</b>
(5) Leasehold deposits	<b>213,488</b>	<b>211,888</b>	<b>(1,599)</b>
<b>Liabilities:</b>			
(1) Notes and accounts payable - trade	<b>\$177,697</b>	<b>\$177,697</b>	<b>\$-</b>
(2) Accounts payable - other	<b>206,001</b>	<b>206,001</b>	<b>-</b>
(3) Income taxes payable	<b>181,739</b>	<b>181,739</b>	<b>-</b>
(4) Long-term borrowings, including current portion of long-term borrowings	<b>53,918</b>	<b>54,002</b>	<b>84</b>
(5) Lease obligations, including current portion of lease obligations (*2)	<b>74,306</b>	<b>74,306</b>	<b>-</b>

(\*1) Deducted allowance for doubtful accounts related to notes and accounts receivable - trade.

(\*2) "Lease obligations" as of February 20, 2020 have been presented in the note since the significance of the amount has increased. To reflect this change in presentation, lease obligations as of February 20, 2019 also have been presented.

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

Assets:

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

Since these items are settled in a short period of time, their carrying values approximate fair value.

(3) Investment securities

The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 12. Securities.

(4) Guarantee deposits

The fair values of guarantee deposits are based on the present value of the estimated future cash flows adjusted for credit risk in accordance with the maturity schedule by applying the discount rate determined by reference to an appropriate index, such as a government bond yield.

(5) Leasehold deposits

The fair values of leasehold deposits are based on the present value of the estimated future cash flows adjusted for credit risk by certain period of time by applying the discount rate determined by reference to an appropriate index, such as a government bond yield.

Liabilities:

(1) Notes and accounts payable - trade, (2) Accounts payable - other, and (3) Income taxes payable

Since these items are settled in a short period of time, their carrying values approximate fair value.

(4) Long-term borrowings

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

(5) Lease obligations

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate applicable to similar new leases.

Derivative transactions:

Please refer to Note 13. Derivatives.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of Yen		Thousands of U.S. Dollars
As of February 20	2019	2020	2020
Unlisted stocks	¥283	¥283	\$2,550

Unlisted stocks are excluded from "Assets, (3) Investment securities" because no quoted market price is available and it is extremely difficult to determine the fair value.

3. Redemption schedule for financial assets with maturities

	Millions of Yen		
As of February 20, 2019	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥102,345	¥-	¥-
Notes and accounts receivable - trade	24,818	-	-
Total	¥127,164	¥-	¥-

	Millions of Yen		
As of February 20, 2020	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥159,190	¥-	¥-
Notes and accounts receivable - trade	27,880	-	-
Total	¥187,070	¥-	¥-

	Thousands of U.S. Dollars		
As of February 20, 2020	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	\$1,430,537	\$-	\$-
Notes and accounts receivable - trade	250,540	-	-
Total	\$1,681,077	\$-	\$-

Guarantee deposits and leasehold deposits are not disclosed because it is difficult to determine the redemption schedule for all the years presented.

4. Repayment schedule for long-term borrowings and lease obligations

Millions of Yen						
As of February 20, 2019	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
Long-term borrowings	¥2,000	¥2,026	¥2,002	¥2,000	¥-	¥-
Lease obligations	187	187	187	187	187	1,208
<b>Total</b>	<b>¥2,187</b>	<b>¥2,213</b>	<b>¥2,189</b>	<b>¥2,187</b>	<b>¥187</b>	<b>¥1,208</b>

Millions of Yen						
As of February 20, 2020	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
Long-term borrowings	<b>¥2,000</b>	<b>¥2,000</b>	<b>¥2,000</b>	<b>¥-</b>	<b>¥-</b>	<b>¥-</b>
Lease obligations	<b>1,554</b>	<b>1,203</b>	<b>1,112</b>	<b>991</b>	<b>900</b>	<b>2,505</b>
<b>Total</b>	<b>¥3,554</b>	<b>¥3,203</b>	<b>¥3,112</b>	<b>¥991</b>	<b>¥900</b>	<b>¥2,505</b>

Thousands of U.S. Dollars						
As of February 20, 2020	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
Long-term borrowings	<b>\$17,972</b>	<b>\$17,972</b>	<b>\$17,972</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
Lease obligations	<b>13,969</b>	<b>10,819</b>	<b>9,999</b>	<b>8,911</b>	<b>8,087</b>	<b>22,518</b>
<b>Total</b>	<b>\$31,942</b>	<b>\$28,792</b>	<b>\$27,972</b>	<b>\$8,911</b>	<b>\$8,087</b>	<b>\$22,518</b>

## 12. Securities

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

As of February 20, 2019	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	¥1,657	¥254	¥1,403
Securities whose acquisition costs exceed their carrying values:			
Stocks	1,632	1,677	(45)
<b>Total</b>	<b>¥3,290</b>	<b>¥1,932</b>	<b>¥1,357</b>

Note: Unlisted stocks (¥283 million in the consolidated balance sheet) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

As of February 20, 2020	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	<b>¥1,395</b>	<b>¥147</b>	<b>¥1,247</b>
Securities whose acquisition costs exceed their carrying values:			
Stocks	<b>1,618</b>	<b>1,778</b>	<b>(160)</b>
<b>Total</b>	<b>¥3,014</b>	<b>¥1,926</b>	<b>¥1,087</b>

As of February 20, 2020	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	<b>\$12,541</b>	<b>\$1,328</b>	<b>\$11,212</b>
Securities whose acquisition costs exceed their carrying values:			
Stocks	<b>14,544</b>	<b>15,986</b>	<b>(1,441)</b>
<b>Total</b>	<b>\$27,086</b>	<b>\$17,315</b>	<b>\$9,771</b>

Note: Unlisted stocks (¥283 million (\$2,551 thousand) in the consolidated balance sheet) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

### 2) Sales of available-for-sale securities

For the year ended February 20, 2019	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥91	¥53	¥-
<b>Total</b>	<b>¥91</b>	<b>¥53</b>	<b>¥-</b>

For the year ended February 20, 2020	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥7	¥1	¥-
<b>Total</b>	<b>¥7</b>	<b>¥1</b>	<b>¥-</b>

For the year ended February 20, 2020	Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	<b>\$66</b>	<b>\$17</b>	<b>\$-</b>
<b>Total</b>	<b>\$66</b>	<b>\$17</b>	<b>\$-</b>

### **3) Impairment of available-for-sale securities**

The Group did not recognize any impairment loss for available-for-sale securities for the years ended February 20, 2019 and 2020.

If the fair values of securities as of the fiscal year-end decline more than 50% compared with the acquisition cost, those securities are written down to the fair value, and the resulting losses are charged to the statement of income for the period. If the fair values of securities as of the fiscal year-end decline from 30% to 50% compared with the acquisition cost, those securities are written down to the amount determined taking into consideration the materiality of such amount, recoverability, and other factors, and the resulting losses are charged to the statement of income for the period.

---

## **13. Derivatives**

### **1) Derivative transactions to which hedge accounting is not applied**

As of February 20, 2019

Not applicable.

As of February 20, 2020

Not applicable.

### **2) Derivative transactions to which hedge accounting is applied**

As of February 20, 2019

Not applicable.

As of February 20, 2020

Not applicable.

## 14. Retirement Benefits

### 1) Summary of employees' retirement benefit plans

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

The Company established a retirement benefit trust for the lump-sum payment plan in August 2019.

### 2) Defined benefit plan

(1) The reconciliation from the beginning balance to the ending balance of projected benefit obligations is as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Balance at beginning of period	¥6,012	¥6,762	\$60,766
Balance at beginning of period (as restated)	6,012	6,762	60,766
Service cost	977	1,030	9,261
Interest cost	27	20	185
Actuarial loss (gain)	112	173	1,556
Benefits paid	(369)	(341)	(3,066)
Balance at end of period	¥6,762	¥7,645	\$68,704

Note: The table above includes amounts under plans in which the simplified method has been applied.

(2) The reconciliation from the beginning balance to the ending balance of plan assets at fair value is as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Balance at beginning of period	¥3,299	¥3,559	\$31,987
Expected return on plan assets	65	94	846
Actuarial gain (loss)	(70)	95	859
Employer contributions	421	404	3,636
Establishment of retirement benefit trust	–	2,300	20,668
Benefits paid	(156)	(152)	(1,369)
Plan assets at fair value at end of period	¥3,559	¥6,301	\$56,628

(3) The reconciliation between projected benefit obligations and plan assets at the fiscal year-end and the amount recognized in the consolidated balance sheet is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
As of February 20			
Projected benefit obligations (funded plans)	¥3,650	¥7,276	\$65,391
Plan assets at fair value	(3,559)	(6,301)	(56,628)
	90	975	8,762
Projected benefit obligations (unfunded plans)	3,111	368	3,312
Net of asset and liability accounts recognized in the consolidated balance sheet	3,202	1,343	12,075
Retirement benefit liability	3,202	1,343	12,075
Net of asset and liability accounts recognized in the consolidated balance sheet	¥3,202	¥1,343	\$12,075

Note: The table above includes amounts under plans in which the simplified method has been applied.

(4) The components of retirement benefit expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
For the years ended February 20			
Service cost	¥977	¥1,030	\$9,261
Interest cost	27	20	185
Expected return on plan assets	(65)	(94)	(846)
Amortization and expenses:			
Actuarial loss	91	92	830
Prior service cost	(35)	(35)	(316)
Retirement benefit expenses on defined benefit plan	¥996	¥1,014	\$9,113

Note: The table above includes amounts under plans in which the simplified method has been applied.

(5) The components of remeasurements of defined benefit plans recognized in other comprehensive income (loss) before income tax effect are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
For the years ended February 20			
Prior service cost	¥(35)	¥(35)	\$(316)
Actuarial gain (loss)	(91)	14	132
Total	¥(127)	¥(20)	\$(183)

(6) The components of remeasurements of defined benefit plans recognized in accumulated other comprehensive income (loss) before income tax effect are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
As of February 20			
Unrecognized prior service cost	¥74	¥38	\$350
Unrecognized actuarial loss	(604)	(589)	(5,298)
Total	¥(530)	¥(550)	\$(4,948)

(7) The plan assets, by major category, as a percentage of total plan assets are as follows:

As of February 20	(% of total plan assets)	
	2019	2020
Life insurance company general accounts	45 %	27 %
Bonds	29	20
Stocks	24	52
Other	2	1
Total	100 %	100 %

Note: Total plan assets as of February 20, 2020 include a retirement benefit trust established for a lump-sum payment plan of 37%.

(8) The expected long-term rate of return on plan assets is determined based on the current and expected future allocation of plan assets and the current and expected future long-term rate of return on various assets of which plan assets are composed.

(9) Assumptions used for the actuarial calculation are as follows:

As of February 20	2019	2020
Discount rate	Primarily 0.3 %	Primarily 0.1 %
Expected long-term rate of return on plan assets	2.0	2.0
Expected rate of salary increase	Primarily 4.7	Primarily 4.7

### 3) Defined contribution plan

Contributions made to the defined contribution plan for the years ended February 20, 2019 and 2020 were ¥397 million and ¥415 million (\$3,731 thousand), respectively.

## 15. Share Options

For the years ended February 20, 2019 and 2020, the Group recognized no expenses regarding share options. For the years ended February 20, 2019 and 2020, the Group recognized gains due to forfeited share options of ¥11 million and ¥3 million (\$27 thousand), respectively, which are presented in extraordinary income as “gain on reversal of share acquisition rights.”

### 1) Description of share options as of February 20, 2020

	The Sixth Share Acquisition Rights		The Seventh Share Acquisition Rights	
Resolution at annual general meeting of shareholders held on	May 9, 2014		May 9, 2014	
Resolution at board of directors meeting held on	June 27, 2014		June 27, 2014	
Grantees	Directors	8	Officers	14
	Company auditors	3	Directors of subsidiaries	4
			Employees of subsidiaries	3,239
Number of shares by class	Ordinary shares (Shares)	121,000	Ordinary shares (Shares)	904,100
Grant date	July 14, 2014		June 30, 2014	
Vesting conditions	None		None	
Vesting period	From July 14, 2014 to July 14, 2017		From June 30, 2014 to June 30, 2017	
Exercise period	From July 15, 2017 to July 14, 2020		From July 1, 2017 to June 30, 2020	

## 2) Summary of share option activity during the year ended February 20, 2020

	The Sixth Share Acquisition Rights	The Seventh Share Acquisition Rights
Non-vested (Shares):		
At beginning of period	-	-
Granted	-	-
Forfeited	-	-
Vested	-	-
At end of period	-	-
Vested (Shares):		
At beginning of period	12,500	459,300
Vested	-	-
Exercised	12,100	165,600
Forfeited	-	3,100
At end of period	400	290,600

The unit price information is as follows:

The Sixth Share Acquisition Rights

	Yen	U.S. Dollars
Exercise price	¥5,650	\$50.77
Average share price at exercise	15,196	136.56
Fair value per share on grant date	1,022	9.18

The Seventh Share Acquisition Rights

	Yen	U.S. Dollars
Exercise price	¥5,540	\$49.78
Average share price at exercise	15,196	136.56
Fair value per share on grant date	996	8.95

### 3) Method of estimating the number of vested options

The number of non-vested, forfeited options is estimated by reference to the historical forfeiture rate due to retirement.

## 16. Income Taxes

### 1) Significant components of deferred tax assets and liabilities

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Deferred tax assets:			
Accrued enterprise tax and business office taxes	¥1,376	¥1,356	\$12,191
Accrued real estate acquisition tax	54	39	354
Provision for bonuses	1,094	1,062	9,549
Provision for point card certificates	611	645	5,803
Unrealized gain on sales of inventories	265	335	3,011
Net operating loss carryforwards (Note)	2,962	3,854	34,634
Retirement benefit liability	979	1,109	9,967
Depreciation and amortization	4,612	5,148	46,263
Provision for retirement benefits for directors and other officers	70	70	629
Allowance for doubtful accounts	3	2	25
Impairment loss and penalty for the scrapping and building of outlets	1,371	1,677	15,077
Asset retirement obligations	1,741	1,850	16,630
Other	3,470	4,158	37,365
Subtotal	18,615	21,310	191,504
Valuation allowance for net operating loss carryforwards (Note)	—	(3,854)	(34,634)
Valuation allowance for deductible temporary differences	—	(1,239)	(11,137)
Total valuation allowance	(3,860)	(5,093)	(45,772)
Total deferred tax assets	14,754	16,217	145,732
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(410)	(336)	(3,026)
Construction assistance fund receivables	(926)	(986)	(8,867)
Asset retirement cost related to asset retirement obligations	(853)	(808)	(7,261)
Retained earnings of subsidiaries	(653)	(837)	(7,528)
Other	(5)	(1)	(9)
Total deferred tax liabilities	(2,849)	(2,970)	(26,694)
Net deferred tax assets	¥11,905	¥13,246	\$119,037

Note: The amounts of net operating loss carryforwards and related deferred tax assets disaggregated by period of expiration:

As of February 20, 2020	Millions of Yen						
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Net operating loss carryforwards *	¥—	¥27	¥413	¥492	¥268	¥2,651	¥3,854
Valuation allowance	—	(27)	(413)	(492)	(268)	(2,651)	(3,854)
Deferred tax assets	—	—	—	—	—	—	—

Thousands of U.S. Dollars							
As of February 20, 2020	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Net operating loss carryforwards *	\$—	\$245	\$3,713	\$4,429	\$2,416	\$23,830	\$34,634
Valuation allowance	—	(245)	(3,713)	(4,429)	(2,416)	(23,830)	(34,634)
Deferred tax assets	—	—	—	—	—	—	—

\*Net operating loss carryforwards present the amounts computed by multiplying the effective statutory tax rate.

## 2) Reconciliation between the effective statutory tax rate and the actual effective tax rate

The details for the years ended February 20, 2019 and 2020 are omitted as differences between the effective statutory tax rate and the actual effective tax rate are 5% or less of the effective statutory tax rate.

## 17. Investment and Rental Properties

The Company and certain consolidated subsidiaries own commercial facilities and other properties (including land) for lease 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.

The carrying value in the consolidated balance sheet, net change during the year, and fair value of those properties are as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Rental properties:			
Carrying value			
Balance at beginning of period	¥37,580	¥39,228	\$352,522
Increase (decrease)	1,647	(1,649)	(14,823)
Balance at end of period	39,228	37,579	337,698
Fair value at end of period	¥38,866	¥39,657	\$356,372
Real estate including spaces used as rental properties:			
Carrying value			
Balance at beginning of period	¥40,989	¥39,773	\$357,414
Increase (decrease)	(1,216)	2,267	20,376
Balance at end of period	39,773	42,040	377,791
Fair value at end of period	¥45,609	¥50,332	\$452,306

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The increase in rental properties during the year ended February 20, 2019 was primarily due to the acquisition of a property in Shime Town, Fukuoka Prefecture of ¥1,545 million. The decrease in rental properties during the year ended February 20, 2020 was primarily due to the termination of lease of the property in Shime Town, Fukuoka Prefecture of ¥1,545 million (\$13,888 thousand) for building a store.

3. The decrease in real estate including spaces used as rental properties during the year ended February 20, 2019 was primarily due to a decrease in the carrying amount attributable to depreciation of ¥1,001 million. The increase in real estate including spaces used as rental properties during the year ended February 20, 2020 was primarily due to the opening of a new building for tenants of ¥3,281 million (\$29,491 thousand), and the decrease was primarily due to a decrease in the carrying amount attributable to depreciation of ¥916 million (\$8,240 thousand).

4. The fair value at fiscal year-end is measured at the value based on certain appraisal values and other indicators reflecting the market value.

Lease revenue and rental expenses on rental properties and real estate including spaces used as rental properties are as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Rental properties:			
Lease revenue	¥1,012	¥956	\$8,593
Rental expenses	385	382	3,434
Difference	627	574	5,159
Real estate including spaces used as rental properties:			
Lease revenue	¥6,232	¥6,422	\$57,717
Rental expenses	3,253	3,149	28,302
Difference	2,978	3,273	29,414

Note: Since real estate including spaces used as rental properties includes some of the floor space used by the Company and certain consolidated subsidiaries for the purposes of providing services and management, the related lease revenue is not recognized. Expenses related to the properties (depreciation, insurance, taxes, etc.) are included in rental expenses.

## 18. Segment Information

### 1) Segment information

The Group has 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:

	Millions of Yen		
For the year ended February 20, 2019	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	¥595,048	¥13,082	¥608,131

	Millions of Yen		
For the year ended February 20, 2020	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	¥629,747	¥12,526	¥642,273

	Thousands of U.S. Dollars		
For the year ended February 20, 2020	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	\$5,659,122	\$112,569	\$5,771,692

(2) Information about geographic areas

a) Net 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 10% or more of net sales on the consolidated statement of income.

### 3) Information about impairment loss on non-current 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

Not applicable.

### 5) Information about gain on bargain purchase by reportable segment

Not applicable.

## 19. Related-Party Transactions

### 1) Related-party transactions between the Company and related parties

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

For the year ended February 20, 2019								Transaction amount		Year-end balance	
Category	Name	Address	Share capital or contribution	Occupation	% of voting rights		Details of transaction	Millions of Yen	Account	Millions of Yen	
					Held (held by others)	Business relationship					
Officer	Masanori Ikeda	-	-	Director of the Company	(held by others) Direct 0.04	-	Exercise of share options (Note 2)	¥11	-		¥-
Close relative of officer	Mitsuko Nitori	-	-	Mother of representative director, Akio Nitori	(held by others) Direct 0.01	Building lease	Building lease (Note 3)	16	Leasehold deposits		28

Notes: 1. The transaction amount does not include consumption taxes.

2. This represents the exercise of share options granted in accordance with a resolution at the annual general meeting of shareholders on May 9, 2014 during the year ended February 20, 2019.

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

For the year ended February 20, 2020								Transaction amount			Year-end balance	
Category	Name	Address	Share capital or contribution	Occupation	% of voting rights		Details of transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
					Held (held by others)	Business relationship						
Officer	Toshiyuki Shirai	-	-	Representative director of the Company	(held by others) Direct 0.04	-	Exercise of share options (Note 2)	¥56	\$507	-	¥-	\$-
Officer	Fumihiko Sudo	-	-	Director of the Company	(held by others) Direct 0.01	-	Exercise of share options (Note 2)	11	106	-	-	-
Officer of subsidiary	Shigehito Matsukura	-	-	Representative director of subsidiary	(held by others) Direct 0.04	-	Exercise of share options (Note 2) Loaning of money (Note 3)	83	746	-	-	-
Close relative of officer	Mitsuko Nitori	-	-	Mother of representative director, Akio Nitori	(held by others) Direct 0.01	Building lease	Building lease (Note 4)	16	145	Leasehold deposits	28	257

Notes: 1. The transaction amount does not include consumption taxes.

2. This represents the exercise of share options granted in accordance with a resolution at the annual general meeting of shareholders on May 9, 2014 during the year ended February 20, 2020.

3. The interest rate for the loaning of money was determined based on the market interest rate.

4. The terms and rent on the building lease transaction are determined based on similar transactions in a nearby area.

### 2) Related-party transactions between the consolidated subsidiaries and related parties

Not applicable.

## 20. Amounts per Share

As of and for the years ended February 20	Yen		U.S. Dollars
	2019	2020	2020
Net assets per share	¥4,452.99	<b>¥4,984.29</b>	<b>\$44.79</b>
Basic earnings per share	608.05	<b>635.42</b>	<b>5.71</b>
Diluted earnings per share	606.03	<b>634.03</b>	<b>5.70</b>

Notes: 1. Shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which have been accounted for as treasury shares in the consolidated financial statements, are excluded from the number of shares at the fiscal year-end for the calculation of net assets per share.

2. The following are used to calculate the (1) basic earnings per share and (2) diluted earnings per share:

(1) Basic earnings per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net income attributable to owners of parent	¥68,180	<b>¥71,395</b>	<b>\$641,583</b>
Net income not attributable to ordinary shareholders	—	—	—
Net income attributable to owners of parent related to ordinary shares	68,180	<b>71,395</b>	<b>641,583</b>
Average number of shares (Thousand shares)	112,128	<b>112,358</b>	

Note: Shares held by Trust & Custody Services Bank, Ltd. (Trust Account E), which have been accounted for as treasury shares in the consolidated financial statements, are excluded from the average number of shares.

(2) Diluted earnings per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Adjustment attributable to owners of parent	¥—	<b>¥—</b>	<b>\$—</b>
Increase in the number of ordinary shares corresponding to share acquisition rights (Thousand shares)	374	<b>247</b>	

## 21. Short-term and Long-term Borrowings

Item	Balance at		Balance at	Average interest rate (%)	Repayment term	
	February 21, 2019	Millions of Yen	February 20, 2020			Thousands of U.S. Dollars
Short-term borrowings		¥639	¥787	\$7,075	3.8	–
Current portion of long-term borrowings		2,000	2,000	17,972	0.4	–
Current portion of lease obligations		187	1,554	13,969	–	–
Long-term borrowings (excluding current portion)		6,028	4,000	35,945	0.4	2021 – 2022
Lease obligations (excluding current portion)		1,956	6,714	60,336	–	2021 – 2032
<b>Total</b>		<b>¥10,812</b>	<b>¥15,056</b>	<b>\$135,299</b>	–	–

Notes: 1. The average interest rate represents a weighted-average interest rate applicable to the borrowings balance at the fiscal year-end.

2. The average interest rate applicable to lease obligations is not disclosed since related interest charges are included in the amount of lease obligations in the consolidated balance sheet.

3. The repayment schedule of long-term borrowings due within 5 years as of February 20, 2020 is as follows:

Long-term borrowings (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥2,000	\$17,972
Over 2 years less than 3 years	2,000	17,972
Over 3 years less than 4 years	–	–
Over 4 years less than 5 years	–	–

4. Maturities of lease obligations, excluding the current portion, due within 5 years as of February 20, 2020 are as follows:

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥1,203	\$10,819
Over 2 years less than 3 years	1,112	9,999
Over 3 years less than 4 years	991	8,911
Over 4 years less than 5 years	900	8,087

## 22. Asset Retirement Obligations

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

## 23. Subsequent Event

Not applicable.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nitori Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Nitori Holdings Co., Ltd. and its consolidated subsidiaries as of February 20, 2020, and the related 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 such internal control as management determines is necessary to enable the preparation of 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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 of February 20, 2020, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

May 14, 2020