



# Consolidated Financial Statements

For the year ended February 20, 2015

Nitori Holdings Co., Ltd.

## Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
As at February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and deposits (Notes 9 and 11)	¥21,973	¥26,409	\$221,740
Notes and accounts receivable-trade (Note 11)	11,924	13,063	109,681
Merchandise and finished goods	34,799	41,563	348,980
Work in process	248	184	1,548
Raw materials and supplies	1,966	2,740	23,011
Deferred tax assets (Note 16)	2,861	831	6,982
Forward exchange contracts	4,446	25,873	217,242
Other	10,779	13,333	111,950
Allowance for doubtful accounts (Note 11)	(0)	(5)	(46)
<b>Total current assets</b>	<b>88,999</b>	<b>123,994</b>	<b>1,041,091</b>
<b>Non-Current Assets:</b>			
Property, plant and equipment:			
Buildings and structures, net (Notes 5 and 17)	84,545	85,224	715,574
Machinery, equipment and vehicles, net (Note 5)	3,174	3,462	29,072
Tools, furniture and fixtures, net (Note 5)	3,605	3,985	33,465
Land (Note 17)	81,853	111,106	932,882
Leased assets, net (Notes 5 and 10)	3,187	2,907	24,411
Construction in progress	1,000	4,255	35,731
<b>Total property, plant and equipment</b>	<b>177,366</b>	<b>210,942</b>	<b>1,771,138</b>
Intangible assets	9,678	10,460	87,831
Investments and other assets:			
Investment securities (Notes 5, 11 and 12)	1,047	1,569	13,175
Long-term loans receivable	712	642	5,396
Guarantee deposits (Notes 5 and 11)	17,778	17,042	143,097
Lease deposits (Note 11)	15,767	17,050	143,161
Deferred tax assets (Note 16)	2,487	1,030	8,653
Other	7,875	22,070	185,310
Allowance for doubtful accounts	(10)	(9)	(83)
<b>Total investments and other assets</b>	<b>45,658</b>	<b>59,396</b>	<b>498,710</b>
<b>Total non-current assets</b>	<b>232,703</b>	<b>280,799</b>	<b>2,357,681</b>
<b>Total assets</b>	<b>¥321,703</b>	<b>¥404,793</b>	<b>\$3,398,773</b>

## Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
As at February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Notes and accounts payable-trade (Notes 5 and 11)	¥13,412	¥16,473	\$138,314
Short-term loans payable (Notes 11 and 21)	4,095	4,392	36,876
Lease obligations (Notes 10 and 21)	197	188	1,581
Accounts payable-other (Note 11)	11,654	18,031	151,402
Income taxes payable (Note 11)	12,635	13,961	117,227
Deferred tax liabilities (Note 16)	—	5,167	43,389
Provision for bonuses	2,320	2,374	19,933
Provision for point card certificates	1,785	1,029	8,645
Provision for special benefits to shareholders	108	121	1,015
Asset retirement obligations (Note 22)	39	26	224
Other	11,642	14,241	119,573
<b>Total current liabilities</b>	<b>57,891</b>	<b>76,007</b>	<b>638,184</b>
<b>Non-Current Liabilities:</b>			
Long-term loans payable (Notes 11 and 21)	3,560	2,129	17,882
Lease obligations (Notes 10 and 21)	2,893	2,706	22,724
Deferred tax liabilities (Note 16)	0	3,020	25,360
Provision for retirement benefits (Note 14)	2,053	—	—
Provision for directors' retirement benefits	228	228	1,922
Net defined benefit liability (Note 14)	—	2,345	19,694
Asset retirement obligations (Note 22)	1,947	2,266	19,031
Other (Note 5)	5,229	5,557	46,658
<b>Total non-current liabilities</b>	<b>15,913</b>	<b>18,254</b>	<b>153,274</b>
<b>Total liabilities</b>	<b>73,805</b>	<b>94,262</b>	<b>791,459</b>
<b>NET ASSETS (Note 8)</b>			
<b>Shareholders' Equity:</b>			
Common stock	13,370	13,370	112,265
Capital surplus	13,581	13,725	115,241
Retained earnings	232,398	267,963	2,249,902
Treasury stock	(15,848)	(14,639)	(122,917)
<b>Total shareholders' equity</b>	<b>243,502</b>	<b>280,419</b>	<b>2,354,491</b>
<b>Accumulated Other Comprehensive Income:</b>			
Unrealized holding gain (loss) on securities (Note 12)	309	586	4,925
Unrealized gain (loss) from hedging instruments (Note 13)	2,624	25,095	210,712
Foreign currency translation adjustment	662	3,345	28,087
Remeasurements of defined benefit plans	—	(33)	(284)
<b>Total accumulated other comprehensive income</b>	<b>3,597</b>	<b>28,993</b>	<b>243,440</b>
<b>Subscription Rights to Shares</b>	<b>757</b>	<b>1,050</b>	<b>8,824</b>
<b>Minority Interests</b>	<b>40</b>	<b>66</b>	<b>558</b>
<b>Total net assets</b>	<b>247,898</b>	<b>310,531</b>	<b>2,607,314</b>
<b>Total liabilities and net assets</b>	<b>¥321,703</b>	<b>¥404,793</b>	<b>\$3,398,773</b>

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>Net Sales:</b>	¥387,605	¥417,285	\$3,503,656
<b>Cost of Sales:</b>	185,948	198,947	1,670,426
Gross profit:	201,656	218,337	1,833,230
<b>Selling, General and Administrative Expenses (Notes 6 and 15)</b>	138,583	152,029	1,276,489
Operating income	63,073	66,307	556,740
<b>Non-Operating Income:</b>			
Interest income	369	431	3,621
Dividends income	19	23	197
Foreign exchange gains	—	466	3,920
Vending machine income	236	226	1,903
Gain on sales of goods	196	258	2,171
Other	355	333	2,800
	1,177	1,740	14,613
<b>Non-Operating Expenses:</b>			
Interest expenses	130	98	828
Foreign exchange losses	594	—	—
Other	50	19	166
	776	118	995
Ordinary income	63,474	67,929	570,359
<b>Special Gains:</b>			
Gain on sales of non-current assets (Note 6)	2	27	231
Gain on reversal of subscription rights to shares	6	64	539
	9	91	771
<b>Special Losses:</b>			
Loss on sales and disposal of non-current assets (Note 6)	37	120	1,013
Penalty for the scrap and build of outlets	183	119	1,007
Impairment loss (Note 6)	21	122	1,025
Special retirement expenses	—	86	728
Other	9	6	56
	252	456	3,830
Income before income taxes and minority interests	63,231	67,565	567,299
<b>Income Taxes (Note 16):</b>			
Current	25,515	26,864	225,561
Deferred	(738)	(775)	(6,515)
	24,777	26,088	219,045
<b>Net Income Before Minority Interests</b>	38,454	41,477	348,254
<b>Minority Interests in Income</b>	29	26	219
<b>Net Income</b>	¥38,425	¥41,450	\$348,034

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>Net Income Before Minority Interests</b>	¥38,454	¥41,477	\$348,254
<b>Other Comprehensive Income</b>			
Unrealized holding gain (loss) on securities	22	277	2,325
Unrealized gain (loss) from hedging instruments	749	22,470	188,672
Foreign currency translation adjustment	2,943	2,682	22,521
<b>Total Other Comprehensive Income(Note 7)</b>	<b>3,715</b>	<b>25,430</b>	<b>213,520</b>
<b>Comprehensive Income</b>	<b>¥42,169</b>	<b>¥66,907</b>	<b>\$561,774</b>
Total comprehensive income attributable to:			
Shareholders of Nitori Holdings Co., Ltd.	¥42,140	¥66,881	\$561,554
Minority interests	29	26	219

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, 2015

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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at February 20, 2013</b>	¥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
<b>Total changes of items during the year</b>	—	27	33,489	741	34,259	22	749	2,943	—	3,715	154	4	38,133
<b>Balance at February 20, 2014</b>	¥13,370	¥13,581	¥232,398	¥(15,848)	¥243,502	¥309	¥2,624	¥662	—	¥3,597	¥757	¥40	¥247,898
Changes of items during the year													
Dividends from surplus			(5,886)		(5,886)								(5,886)
Net income			41,450		41,450								41,450
Purchase of treasury stock				(12)	(12)								(12)
Disposal of treasury stock		143		1,222	1,365								1,365
Net changes in items other than those in shareholders' equity						277	22,470	2,682	(33)	25,396	292	26	25,715
<b>Total changes of items during the year</b>	—	143	35,564	1,209	36,916	277	22,470	2,682	(33)	25,396	292	26	62,633
<b>Balance at February 20, 2015</b>	¥13,370	¥13,725	¥267,963	¥(14,639)	¥280,419	¥586	¥25,095	¥3,345	¥(33)	¥28,993	¥1,050	¥66	¥310,531

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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at February 20, 2014</b>	\$112,265	\$114,034	\$1,951,292	\$(133,072)	\$2,044,519	\$2,600	\$22,039	\$5,565	—	\$30,205	\$6,364	\$338	\$2,081,427
Changes of items during the year													
Dividends from surplus			(49,424)		(49,424)								(49,424)
Net income			348,034		348,034								348,034
Purchase of treasury stock				(107)	(107)								(107)
Disposal of treasury stock		1,206		10,262	11,468								11,468
Net changes in items other than those in shareholders' equity						2,325	188,672	22,521	(284)	213,235	2,459	219	215,914
<b>Total changes of items during the year</b>	—	1,206	298,610	10,155	309,971	2,325	188,672	22,521	(284)	213,235	2,459	219	525,886
<b>Balance at February 20, 2015</b>	\$112,265	\$115,241	\$2,249,902	\$(122,917)	\$2,354,491	\$4,925	\$210,712	\$28,087	\$(284)	\$243,440	\$8,824	\$558	\$2,607,314

See Notes to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	¥63,231	¥67,565	\$567,299
Depreciation and amortization	10,194	10,190	85,563
Impairment loss	21	122	1,025
Increase (decrease) in allowance for doubtful accounts	(15)	4	34
Increase (decrease) in provision for bonuses	202	19	161
Increase (decrease) in provision for retirement benefits	189	—	—
Increase (decrease) in net defined benefit liability	—	239	2,012
Increase (decrease) in provision for point card certificates	33	(755)	(6,341)
Interest and dividends income	(388)	(454)	(3,818)
Interest expenses	130	98	828
Loss (gain) on sales and disposal of non-current assets	34	93	781
Penalty for the scrap and build of outlets	183	119	1,007
Decrease (increase) in notes and accounts receivable-trade	(518)	(2,033)	(17,072)
Decrease (increase) in inventories	(5,861)	(6,941)	(58,282)
Increase (decrease) in notes and accounts payable-trade	261	1,250	10,499
Increase (decrease) in accrued consumption taxes	464	3,146	26,416
Other, net	380	792	6,657
Subtotal	68,545	73,457	616,772
Interest and dividends income received	392	447	3,760
Interest expenses paid	(139)	(100)	(841)
Payment of penalty for the scrap and build of outlets	(77)	(31)	(261)
Income taxes paid	(26,147)	(25,584)	(214,818)
Income taxes refund	3,581	4,734	39,753
Net cash provided by operating activities	46,154	52,923	444,364
<b>Cash Flows from Investing Activities:</b>			
Payments into time deposits	(461)	(601)	(5,051)
Proceeds from withdrawal of time deposits	619	769	6,463
Purchase of property, plant and equipment	(26,773)	(38,691)	(324,864)
Proceeds from sales of property, plant and equipment	116	82	694
Purchase of intangible assets	(3,312)	(1,540)	(12,932)
Payments for guarantee deposits	(1,545)	(767)	(6,440)
Proceeds from collection of guarantee deposits	787	170	1,435
Payments for lease deposits	(1,025)	(1,278)	(10,734)
Proceeds from collection of lease deposits	266	68	576
Proceeds from guarantee deposits received	24	32	272
Proceeds from lease deposits received	164	240	2,017
Purchase of long-term prepaid expenses	(1,001)	(1,190)	(9,996)
Additional investments in affiliates	(37)	—	—
Purchase of short-term and long-term investment securities	—	(91)	(767)
Payments of loans receivable	(172)	(213)	(1,791)
Proceeds from collection of loans receivable	2	6	54
Other payments	(26)	(20)	(171)
Net cash used in investing activities	(32,376)	(43,023)	(361,235)

## Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries  
For the year ended February 20, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2014	2015	2015
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term loans payable	206	(967)	(8,122)
Proceeds from long-term loans payable	40	4,000	33,585
Repayment of long-term loans payable	(6,166)	(4,166)	(34,985)
Repayments of lease obligations	(318)	(196)	(1,650)
Purchase of treasury stock	(3)	(12)	(107)
Cash dividends paid	(4,932)	(5,884)	(49,408)
Proceeds from exercise of stock option	634	573	4,815
Net cash used in financing activities	(10,540)	(6,654)	(55,873)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	1,125	1,288	10,815
<b>Net Increase in Cash and Cash Equivalents</b>	4,363	4,534	38,071
<b>Cash and Cash Equivalents at Beginning of the Year</b>	16,816	21,179	177,827
<b>Cash and Cash Equivalents at End of the Year (Note 9)</b>	¥21,179	¥25,713	\$215,899

See Notes to Consolidated Financial Statements.



## Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2015

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### 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.

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### 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 ¥119.10 = U.S.\$1, the exchange rate prevailing on February 20, 2015. 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.

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### 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.

NITORI FURNITURE CO., LTD. .... December 20, 2014

P.T. NITORI FURNITURE INDONESIA

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, 2014

HOME DECO CO., LTD. .... January 31, 2015

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.

P.T. NITORI FURNITURE INDONESIA has changed its fiscal year end from November 20 to December 31. Since the fiscal year end changed, the consolidated results included the results from November 21, 2013 to December 31, 2014.

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### 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 Point Card Certificates**

The Group provides customers with credit points (Nitori Members Card Points) when they make purchases by 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.

## **10) Provision for Special Benefit to Shareholders**

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

## **11) Accounting Method for Retirement Benefits**

Projected benefit obligations are attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

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.

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.

## **12) 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.

## **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**

Adoption of Accounting Standard for Retirement Benefits

Effective from the current fiscal year, the Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012), and its Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012). (Except for Article 35 of ASBJ Statement No. 26 and Article 67 of ASBJ Guidance No. 25). Under the new Accounting Standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as liability for retirement benefits, and unrecognized actuarial gains and losses and unrecognized prior services costs are recorded as "Net defined benefit liability."

With regard to the adoption of the Accounting Standard for Retirement Benefits, in accordance with transitional accounting as stipulated in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognized as "Remeasurements of defined benefit plans" in "Accumulated other comprehensive income" as of February 20, 2015.

As a result, as of February 20, 2015, "Net defined benefit liability" on the consolidated balance sheet was recorded in the amount of ¥2,345 million (\$19,694 thousand). In addition, "Accumulated other comprehensive income" on the consolidated balance sheet has decreased by ¥33 million (\$284 thousand), and "Net assets per share of common stock" has decreased by ¥0.30(\$0.002).

### **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, March 26, 2015)

#### (1) Overview

The above accounting standard and guidance were revised aiming primarily at changing the accounting method for unrecognized actuarial gains and losses and unrecognized prior service costs, revising the method to calculate retirement benefit obligations and service costs and extending disclosure items, in terms of improving financial reporting in response to international accounting developments trends.

#### (2) Application schedule

The Company will adopt the above accounting standard and guidance from the fiscal year beginning February 21, 2015 with respect to revising the method to calculate the retirement benefit obligation and service costs. In addition, because transitional treatment is prescribed in the above accounting standard, it will not be applied retroactively.

#### (3) Effect of adoption of accounting standards

The effect of the adoption of the accounting standard and guidance on the consolidated financial statements is currently being evaluated.

### **20) Changes in Method of Presentation**

#### (Consolidated Balance Sheet)

In the previous fiscal year, "Forward exchange contracts" was included in "Other" under "Current Assets".

Effective from the fiscal year ended February 20, 2015, the item is now presented separately because it has become more significant. In order to reflect the change in presentation method, modifications were made to the consolidated financial statements of the previous fiscal year.

As a result, "Other" of ¥15,225 million under "Current Assets" in the consolidated balance sheet of the previous fiscal year was reclassified as "Forward exchange contracts" of ¥4,446 million and "Other" of ¥10,779 million.

#### (Consolidated Statement of Income)

In the previous fiscal year, "Interest on refund" was presented separately. Effective from the fiscal year ended February 20, 2015, however, the item is now included in "Other" under "Non-Operating Income" because it has become less significant. In order to reflect the change in presentation method, modifications were made to the consolidated financial statements of the previous fiscal year.

As a result, "Interest on refund" of ¥9 million and "Other" of ¥346 million under "Non-Operating Income" in the consolidated statement of income of the previous fiscal year were reclassified as "Other" of ¥355 million.

In the previous fiscal year, "Loss on cancellation of lease contracts" was presented separately. Effective from the fiscal year ended February 20, 2015, however, the item is now included in "Other" under "Special Losses" because it has become less significant. In order to reflect the change in presentation method, modifications were made to the consolidated financial statements of the previous fiscal year.

As a result, "Loss on cancellation of lease contracts" of ¥6 million and "Other" of ¥3 million under "Special Losses" in the consolidated statement of income of the previous fiscal year were reclassified as "Other" of ¥9 million.

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## 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
	2014	2015	2015
Accumulated depreciation	¥65,676	¥73,998	\$621,316

### 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
	2014	2015	2015
Pledged assets:			
Buildings and structures	¥315	¥292	\$2,456
Guarantee deposits	69	69	583
Total	¥385	¥362	\$3,040
Corresponding liabilities:			
Notes and accounts payable-trade	¥50	¥75	\$637
Non-current liabilities (other)	258	244	2,050
Total	¥308	¥320	\$2,688

### 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
	2014	2015	2015
Investment securities	¥15	¥15	\$131

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## 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
	2014	2015	2015
Customer delivery expenses	¥17,745	¥18,850	\$158,277
Advertising	11,184	12,676	106,435
Salaries, allowances and bonuses	38,144	42,587	357,573
Provision for bonuses	2,134	1,997	16,772
Provision for retirement benefits	604	-	-
Retirement benefit expenses	-	912	7,661
Rents	21,103	22,704	190,634
Depreciation and amortization	8,850	8,921	74,911
Outsourcing	5,979	7,287	61,191

**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
	2014	2015	2015
Machinery, equipment and vehicles	¥2	¥18	\$152
Tools, furniture and fixtures	0	0	0
Land	0	9	79
<b>Total</b>	<b>¥2</b>	<b>¥27</b>	<b>\$231</b>

**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
	2014	2015	2015
Loss on disposal:			
Buildings and structures	¥5	¥69	\$584
Machinery, equipment and vehicles	-	0	0
Tools, furniture and fixtures	5	44	371
Intangible assets and others	8	4	39
Loss on sales:			
Buildings and structures	¥11	¥-	\$-
Machinery, equipment and vehicles	2	1	14
Tools, furniture and fixtures	0	0	0
Land	3	0	4
<b>Total</b>	<b>¥37</b>	<b>¥120</b>	<b>\$1,013</b>

**4) Impairment loss**

For the year ended February 20, 2014

Location	Group	Assets	Millions of Yen
Fujimino City, Saitama and other	Store assets	Buildings and structures	¥21

For the year ended February 20, 2015

Location	Group	Assets	Millions of Yen	Thousands of U.S. Dollars
Numazu City, Shizuoka and other	Idle assets	Land	¥97	\$821
Kobe City, Hyogo and other	Store assets	Buildings and structures and other	24	203

The Company identifies groups of assets on a nature of business basis. Impairment loss was recognized for idle assets for which there is no specific plan for future business usage and for store assets with a significant decline in future profitability.

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
	2014	2015	2015
Unrealized holding gain(loss) on securities			
Amounts arising during the year	¥35	¥430	\$3,613
Reclassification adjustments	-	-	-
Total before income tax effect	35	430	3,613
Income tax effect	(12)	(153)	(1,287)
Sub-total	22	277	2,325
Unrealized gain(loss) from hedging instruments			
Amounts arising during the year	1,208	34,758	291,842
Reclassification adjustments	-	-	-
Total before income tax effect	1,208	34,758	291,842
Income tax effect	(459)	(12,287)	(103,170)
Sub-total	749	22,470	188,672
Foreign currency translation adjustment			
Amounts arising during the year	2,943	2,682	22,521
Sub-total	2,943	2,682	22,521
Total other comprehensive income	¥3,715	¥25,430	\$213,520

## 8. Notes to Consolidated Statement of Changes in Net Assets

### 1) Type and number of outstanding shares

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
For the year ended February 20, 2014				
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.

Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
For the year ended February 20, 2015				
Issued stock:				
Common stock	57,221	57,221	-	114,443
Treasury stock:				
Common stock	2,281	2,283	351	4,213

Notes: 1. The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014.  
2. The increase in 57,221 thousand shares of issued stock is due to the stock split.  
3. The increase in 2,283 thousand shares of treasury stock consists of an increase in 2 thousand shares due to the purchases of shares in quantities less than the minimum trading unit of shares, and an increase in 2,281 thousand shares due to the stock split.  
4. The decrease in 351 thousand shares of treasury stock consists of a decrease in 157 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)", which was resolved on December 20, 2011, and a decrease in 194 thousand shares by the exercise of stock options.  
5. The treasury stock balance at end of the fiscal year included 487 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
	2014	2015	2015
Subscription rights to shares as stock options	¥757	¥1,050	\$8,824

## 3) Dividends

### (1) Dividends paid to shareholders

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

Note: The amount includes the dividend of ¥29 million on shares, held by Trust & Custody Services Bank, Ltd (The Trust Account E).

For the year ended February 20, 2015

Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (March 28, 2014)(Notes 1,3)	Common stock	¥3,038	¥55	February 20, 2014	April 21, 2014
Board of directors (September 25, 2014)(Notes 2,3)	Common stock	2,878	26	August 20, 2014	November 5, 2014

For the year ended February 20, 2015

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 28, 2014) (Notes 1,3)	Common stock	\$25,509	\$0.46	February 20, 2014	April 21, 2014
Board of directors (September 25, 2014)(Notes 2,3)	Common stock	24,170	0.21	August 20, 2014	November 5, 2014

Note:1.The amount includes the dividend of ¥17million (U.S.\$149 thousand) on shares, held by Trust & Custody Services Bank, Ltd (The Trust Account E).

2.The amount includes the dividend of ¥12million (U.S.\$106 thousand) on shares, held by Trust & Custody Services Bank, Ltd (The Trust Account E).

3. The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014.

### (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, 2014

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 28, 2014)	Common stock	Retained earnings	¥3,038	¥55	February 20, 2014	April 21, 2014

Note:1.The amount includes the dividend of ¥17million on shares, held by Trust & Custody Services Bank, Ltd (The Trust Account E).

2. The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014.The dividend has not reflected the stock split.

For the year ended February 20, 2015

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 30, 2015)	Common stock	Retained earnings	¥3,210	\$26,958	¥29	\$0.24	February 20, 2015	April 20, 2015

Note:1.The amount includes the dividend of ¥14million (U.S.\$118 thousand) on shares, held by Trust & Custody Services Bank, Ltd (The Trust Account E).



#### 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.

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### 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
	2014	2015	2015
Cash and deposits	¥21,973	¥26,409	\$221,740
Time deposits with maturities exceeding 3 months	(794)	(695)	(5,841)
Cash and cash equivalents	¥21,179	¥25,713	\$215,899

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### 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
	2014	2015	2015
Due within one year	¥1,572	¥2,122	\$17,818
Due after one year	24,439	27,510	230,984
Total	¥26,012	¥29,632	\$248,802

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
	2014	2015	2015
Due within one year	¥109	¥109	\$918
Due after one year	1,537	1,428	11,992
Total	¥1,647	¥1,537	\$12,910

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### 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, 2014 and 2015, 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, 2014	Millions of Yen		
	Carrying value	Estimated fair value	Difference
<b>Assets</b>			
(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)
<b>Liabilities</b>			
(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, 2015	Millions of Yen		
	Carrying value	Estimated fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥26,409	¥26,409	¥-
(2) Notes and accounts receivable-trade	13,057	13,057	-
(3) Investment securities	1,248	1,248	-
(4) Guarantee deposits	17,042	18,462	1,419
(5) Lease deposits	17,050	16,014	(1,036)
<b>Liabilities</b>			
(1) Notes and accounts payable-trade	¥16,473	¥16,473	¥-
(2) Accounts payable-other	18,031	18,031	-
(3) Income taxes payable	13,961	13,961	-
(4) Long-term loans payable, including current portion of long-term loans payable	6,521	6,512	(9)
Derivative transactions(*)	¥38,992	¥38,992	¥-

As at February 20, 2015	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	\$221,740	\$221,740	\$-
(2) Notes and accounts receivable-trade	109,634	109,634	-
(3) Investment securities	10,485	10,485	-
(4) Guarantee deposits	143,097	155,015	11,918
(5) Lease deposits	143,161	134,461	(8,699)
<b>Liabilities</b>			
(1) Notes and accounts payable-trade	\$138,314	\$138,314	\$-
(2) Accounts payable-other	151,402	151,402	-
(3) Income taxes payable	117,227	117,227	-
(4) Long-term loans payable, including current portion of long-term loans payable	54,759	54,676	(82)
Derivative transactions(*)	\$327,395	\$327,395	\$-

(\*)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) Accounts payable-other (3) Income taxes payable

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

(4) 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.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
As at February 20			
Unlisted stocks	¥290	¥320	\$2,690

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

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

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

	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
As at February 20, 2015			
Cash and deposits	¥26,409	¥-	¥-
Notes and accounts receivable-trade	13,063	-	-
Total	¥39,472	¥-	¥-

	Thousands of U.S. Dollars		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
As at February 20, 2015			
Cash and deposits	\$221,740	\$-	\$-
Notes and accounts receivable-trade	109,681	-	-
Total	\$331,422	\$-	\$-

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

	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
As at February 20, 2014						
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, 2015	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
Long-term loans payable	4,395	1,501	625	-	-	-
<b>Total</b>	<b>¥4,395</b>	<b>¥1,501</b>	<b>¥625</b>	<b>¥-</b>	<b>¥-</b>	<b>¥-</b>

As at February 20, 2015	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
Long-term loans payable	36,904	12,606	5,247	-	-	-
<b>Total</b>	<b>\$36,904</b>	<b>\$12,606</b>	<b>\$5,247</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

## 12. Securities

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

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	-	-	-
<b>Total</b>	<b>¥757</b>	<b>¥275</b>	<b>¥481</b>

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, 2015	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost			
Stocks	¥1,248	¥337	¥911
Securities whose acquisition cost exceeds their carrying value			
Stocks	-	-	-
<b>Total</b>	<b>¥1,248</b>	<b>¥337</b>	<b>¥911</b>

As at February 20, 2015	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition costs			
Stocks	\$10,485	\$2,831	\$7,653
Securities whose acquisition cost exceeds their carrying value			
Stocks	-	-	-
<b>Total</b>	<b>\$10,485</b>	<b>\$2,831</b>	<b>\$7,653</b>

Note: Unlisted stocks (¥320 million (\$2,690 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 applied

#### 1) Currency-related transactions

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

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

As at February 20, 2015			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		¥307,422	¥157,546	¥38,992

As at February 20, 2015			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		\$2,581,212	\$1,322,805	\$327,395

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

## 2) Interest-related transactions

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, 2015

			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	¥1,300	¥-	(Note)

As at February 20, 2015

			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	\$10,915	\$-	(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

(The fiscal year ended February 20, 2014)

### 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

	Millions of Yen
As at February 20, 2014	2014
Retirement benefit obligations	¥(4,368)
Plan assets at fair value	2,128
Unfunded retirement benefit obligation	(2,240)
Unrecognized actuarial loss	436
Unrecognized prior service cost	(249)
Provision for retirement benefits	¥(2,053)

### 3) Retirement Benefit Expenses for Employees

	Millions of Yen
For the year ended February 20, 2014	<b>2014</b>
Service cost	<b>¥614</b>
Interest cost	<b>76</b>
Expected return on plan assets	<b>(36)</b>
Amortization of actuarial loss	<b>41</b>
Amortization of prior service cost	<b>(35)</b>
Contribution of defined contribution pension plan	<b>236</b>
Retirement benefit expenses for employees	<b>¥896</b>

### 4) Assumptions and Policies Used to Calculate Projected Benefit Obligations

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

### (The fiscal year ended February 20, 2015)

#### 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.

#### 2) Defined benefit pension plans

(a) Reconciliation of beginning and ending balances of the projected benefit obligations for the year ended February 20, 2015 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligations at beginning of year	<b>¥4,355</b>	<b>\$36,571</b>
Service cost	<b>647</b>	<b>5,434</b>
Interest cost	<b>55</b>	<b>463</b>
Actuarial loss(gain)	<b>38</b>	<b>321</b>
Benefits paid	<b>(308)</b>	<b>(2,588)</b>
Projected benefit obligations at end of year	<b>¥4,787</b>	<b>\$40,201</b>



(b) Reconciliation of beginning and ending balances of plan assets at fair value for the year ended February 20, 2015 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Plan assets at fair value at beginning of year	<b>¥2,128</b>	<b>\$17,869</b>
Expected return on plan assets	<b>42</b>	<b>357</b>
Actuarial gain(loss)	<b>142</b>	<b>1,198</b>
Employer contributions	<b>269</b>	<b>2,264</b>
Benefits paid	<b>(140)</b>	<b>(1,183)</b>
Plan assets at fair value at end of year	<b>¥2,442</b>	<b>\$20,506</b>

(c) Reconciliation of amounts recognized in the consolidated balance sheet as of February 20, 2015 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligations (funded plans)	<b>¥2,547</b>	<b>\$21,389</b>
Plan assets at fair value	<b>(2,442)</b>	<b>(20,506)</b>
	<b>105</b>	<b>883</b>
Projected benefit obligations (unfunded plans)	<b>2,240</b>	<b>18,811</b>
Net defined benefit liability in the consolidated balance sheet	<b>¥2,345</b>	<b>\$19,694</b>
Gross defined benefit liability	<b>¥2,345</b>	<b>\$19,694</b>
Net defined benefit liability in the consolidated balance sheet	<b>¥2,345</b>	<b>\$19,694</b>

Note: Includes those under the plan in which a simplified method is applied.

(d) The composition of net pension and severance costs for the year ended February 20, 2015 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	<b>¥647</b>	<b>\$5,434</b>
Interest cost	<b>55</b>	<b>463</b>
Expected return on plan assets	<b>(42)</b>	<b>(357)</b>
Amortization and expenses:		
Actuarial loss	<b>52</b>	<b>438</b>
Prior service cost	<b>(35)</b>	<b>(295)</b>
Net pension and severance costs	<b>¥676</b>	<b>\$5,682</b>

Note: Includes those under the plan in which a simplified method is applied.

(e) The amounts recognized in accumulated other comprehensive income (loss) before the effect of income taxes as of February 20, 2015 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	<b>¥215</b>	<b>\$1,805</b>
Unrecognized actuarial loss	<b>(267)</b>	<b>(2,247)</b>
Total	<b>(¥52)</b>	<b>(\$441)</b>

(f) The significant components of plan assets as of February 20, 2015, by asset category, was as follows:

Debt securities	23 %
Equity securities	30
Life insurance company general accounts	44
Others	2
Total	100 %

(g) 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 of various assets of which plan assets are composed.

(h) Assumptions used for the actuarial computation of the retirement benefit obligations for the year ended February 20, 2015 were primarily as follows:

Discount rate 1.5%

Expected long-term rate of return on plan assets 2.0%

### 3) Defined contribution pension plans

The contribution to defined contribution pension plans of the Company was ¥235 million (\$1,978 thousand) for the year ended February 20, 2015.

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## 15. Stock Options

For the years ended February 20, 2014 and 2015, the Group recognized expenses regarding stock options of ¥299 million and ¥482 million (\$4,053 thousand), respectively, which are included in selling, general and administrative expenses.

For the years ended February 20, 2014 and 2015, the Group recognized profits regarding lapse by non-exercise of stock options of ¥6 million and ¥64 million (\$539 thousand), which are presented to special gains "Gain on reversal of subscription rights to shares".

### 1) The stock options outstanding as of February 20, 2015

	The Second Subscription Rights to Shares		The Fourth and Fifth Subscription Rights to Shares	
Date of annual general meeting of shareholders	May 16.2008		May 12.2011	
Date of meeting of directors	March 17.2009		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	725,000	Common stock	1,389,100
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	

	The Sixth Subscription Rights to Shares		The Seventh Subscription Rights to Shares	
Date of annual general meeting of shareholders	May 9.2014		May 9.2014	
Date of meeting of directors	June 27.2014		June 27.2014	
Grantees	Directors	<b>8</b>	Officers	<b>14</b>
	Company auditors	<b>3</b>	Directors of subsidiaries	<b>4</b>
			Employees of subsidiaries	<b>3,239</b>
Type and number of shares	Common stock	<b>121,000</b>	Common stock	<b>904,100</b>
Grant date	July 14, 2014		June 30, 2014	
Exercise conditions	None		None	
Intended service 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	

Note: The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014. Type and number of shares are retroactively adjusted for the stock split.

## 2) A summary of stock option activity during the fiscal year ended February 20, 2015

	The Second Subscription Rights to Shares		The Fourth and Fifth Subscription Rights to Shares	
Non-vested (Shares)				
At the beginning of the year	-		<b>1,315,500</b>	
Granted	-		-	
Forfeited and expired	-		<b>63,900</b>	
Vested	-		-	
At the end of the year	-		<b>1,251,600</b>	
Vested (Shares)				
At the beginning of the year	<b>293,406</b>		-	
Vested	-		-	
Exercised	<b>194,006</b>		-	
Forfeited and expired	<b>99,400</b>		-	
At the end of the year	-		-	

	The Sixth Subscription Rights to Shares		The Seventh Subscription Rights to Shares	
Non-vested (Shares)				
At the beginning of the year	-		-	
Granted	<b>121,000</b>		<b>904,100</b>	
Forfeited and expired	-		<b>18,700</b>	
Vested	-		-	
At the end of the year	<b>121,000</b>		<b>885,400</b>	
Vested (Shares)				
At the beginning of the year	-		-	
Vested	-		-	
Exercised	-		-	
Forfeited and expired	-		-	
At the end of the year	-		-	

Note: The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014. Number of shares issued are calculated under the assumption that the stock split had been conducted at the time each stock were issued.

The unit price information is as follows:

	The Second Subscription Rights to Shares	The Fourth and Fifth Subscription Rights to Shares
Exercise price – yen	¥2,956	¥3,959
(U.S. dollars)	(\$24.81)	(\$33.24)
Average stock price at exercise – yen	¥4,597	-
(U.S. dollars)	(\$38.59)	-
Fair value price on grant date – yen	¥647	¥706
(U.S. dollars)	(\$5.43)	(\$5.92)

	The Sixth Subscription Rights to Shares	The Seventh Subscription Rights to Shares
Exercise price – yen	¥5,650	¥5,540
(U.S. dollars)	(\$47.43)	(\$46.51)
Average stock price at exercise – yen	-	-
(U.S. dollars)	-	-
Fair value price on grant date – yen	¥1,022	¥996
(U.S. dollars)	(\$8.58)	(\$8.36)

Note: The Company conducted a stock split of common shares at a ratio of two for one effective February 21, 2014. The Exercise price is calculated under the assumption that the stock split had been conducted at the time each stock were issued.

### 3) Method of estimating fair value

	The Sixth Subscription Rights to Shares	The Seventh Subscription Rights to Shares
Pricing Model	<b>Black Scholes Option Pricing Model</b>	<b>Black Scholes Option Pricing Model</b>
Volatility of stock price (Note 1)	24.2%	24.1%
Estimated remaining outstanding period (Note 2)	4.5 years	4.5 years
Estimated dividend per share (Note 3)	¥52 (\$0.43)	¥52 (\$0.43)
Risk-free interest rate (Note 4)	0.13%	0.14%

Notes: 1. Calculated based on the actual stock prices corresponding to the expected number of years to expiration.

2. Based on the assumption that stock acquisition rights are exercised in the middle of their exercisable periods because it cannot be reasonably estimated due to the insufficient accumulated data.

3. Based on the forecast for dividends as of the date of estimating the fair value.

4. Risk-free interest rate is Japanese government bond yield corresponding to the expected number of years to expiration.

### 4) 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, 2014 and 2015, the significant components of deferred tax assets and liabilities are as follows:

As at February 20	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
<b>Deferred tax assets</b>			
Accrued enterprise tax, business office tax	¥1,264	¥1,222	\$10,264
Accrued real estate acquisition tax	132	65	546
Provision for bonuses	809	753	6,325
Provision for point card certificates	678	366	3,081
Unrealized gain on sales of inventories	102	159	1,340
Provision for retirement benefits	712	-	-
Net defined benefit liability	-	813	6,833
Depreciation and amortization	2,545	2,854	23,966
Provision for directors' retirement benefits	81	81	685
Allowance for doubtful accounts	57	45	380
Impairment loss and penalty for the scrap and build of outlets	416	352	2,961
Asset retirement obligations	758	882	7,409
Other	2,889	4,109	34,502
Sub total	10,450	11,707	98,298
Less: valuation allowance	(906)	(1,236)	(10,379)
Total deferred tax assets	9,543	10,471	87,918
<b>Deferred tax liabilities</b>			
Deferred gains on hedges	1,689	13,897	116,683
Unrealized holding gain on securities	171	324	2,727
Construction assistance fund receivables	860	789	6,630
Asset retirement cost related to asset retirement obligation	374	427	3,585
Retained earnings of subsidiaries	1,081	1,326	11,141
Other	17	31	261
Total deferred tax liabilities	4,195	16,796	141,031
Net deferred tax asset(liabilities)	¥5,348	(¥6,325)	(\$53,112)

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

The details for the years ended February 20, 2014 and 2015 are omitted as the differences between the statutory tax rate and effective tax rates are 5% or less of the statutory tax rate.

### 3) Revision of amount of deferred tax assets and deferred tax liabilities due to change in rate of corporate tax rate.

The "Act for Partial Amendment 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 year 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 year beginning February 21, 2015.

As a result, deferred tax assets decreased by ¥39 million (\$328 thousand) and deferred tax liabilities decreased by ¥345 million (\$2,898 thousand). Income taxes-deferred increased by ¥307 million (\$2,578 thousand).

#### 4) Change in rate of corporate and other income taxes after financial closing date

The "Act for Partial Amendment of the Income Tax Act etc." (Act No. 9 of 2015) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. The effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.6% to 33.1% for temporary differences expected to be utilized in the fiscal year beginning on February 21, 2016 and to 32.3% for temporary differences expected to be utilized in and after the fiscal year beginning on February 21, 2017.

As a result, deferred tax assets decreased by ¥420 million (\$3,533 thousand) and deferred tax liabilities decreased by ¥264 million (\$2,217 thousand). Income taxes-deferred increased by ¥590 million (\$4,956 thousand).

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### 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, 2014 and 2015, the carrying values, changes during the year, and fair values of those properties are as follows:

For the years ended February 20	2014	Millions of Yen 2015	Thousands of U.S. Dollars 2015
<b>Rental property</b>			
Carrying value			
Balance at beginning of year	¥11,682	<b>¥5,228</b>	<b>\$43,903</b>
Increase (Decrease)	(6,453)	<b>718</b>	<b>6,029</b>
Balance at end of year	5,228	<b>5,946</b>	<b>49,932</b>
Fair value at end of year	5,142	<b>5,593</b>	<b>46,961</b>
<b>Real estate including spaces used as rental properties</b>			
Carrying value			
Balance at beginning of year	¥19,919	<b>¥35,143</b>	<b>\$295,072</b>
Increase (Decrease)	15,223	<b>8,492</b>	<b>71,301</b>
Balance at end of year	35,143	<b>43,635</b>	<b>366,374</b>
Fair value at end of year	28,335	<b>38,276</b>	<b>321,376</b>

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

2. Decrease of rental property 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. Increase during the year ended February 20, 2015 was primarily attributable to transfer to real estate including spaces used as rental properties of ¥784 million (\$6,587 thousand).

3. Increase of real estate including spaces used as rental properties during the year ended February 20, 2014 was primarily attributable to newly acquired properties of ¥9,526 million partially offset by depreciation expense of ¥745 million. Increase during the year ended February 20, 2015 was primarily attributable to newly acquired properties of ¥10,278 million (\$86,299 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, 2014 and 2015, income from rental properties is as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
<b>Real estate including spaces used as rental properties</b>			
Income from rental properties	¥3,148	<b>¥3,755</b>	<b>\$31,534</b>
Cost of rental properties	1,639	<b>1,950</b>	<b>16,374</b>
Gross profit from rental properties	1,509	<b>1,805</b>	<b>15,160</b>
Other (gain or loss on sales of properties)	-	-	-

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, 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, 2015	Millions of Yen		
	Home furnishings and interior goods	Other	Total
Sales to external customers	<b>¥409,947</b>	<b>¥7,338</b>	<b>¥417,285</b>

For the year ended February 20, 2015	Thousands of U.S. Dollars		
	Home furnishings and interior goods	Other	Total
Sales to external customers	<b>\$3,442,042</b>	<b>\$61,613</b>	<b>\$3,503,656</b>

#### 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

Not applicable.

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

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.

For the year ended February 20, 2015						% of Voting Rights	Amounts of Transaction			Balance at the end of the year		
Category	Name	Address	Capital or Investment	Relationship	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
Close relative of directors	Nitori Mitsuko	-	-	Mother of representative director	(held by others) Direct 0.02	Building lease	Building lease (Note 2)	¥16	\$136	Lease deposits	¥28	\$240

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

2. 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

Not applicable.



## 20. Amounts per Share

As at and for the years ended February 20	Yen		U.S. Dollars
	2014	2015	2015
Net assets per share of common stock	¥2,248.80	<b>¥2,806.99</b>	<b>\$23.56</b>
Basic net income per share of common stock	350.27	<b>376.14</b>	<b>3.15</b>
Diluted net income per share of common stock	349.74	<b>374.73</b>	<b>3.14</b>

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
	2014	2015	2015
Net income	¥38,425	<b>¥41,450</b>	<b>\$348,034</b>
Net income not attributable to ordinary shareholders	-	-	-
Net income attributable to ordinary shareholders	38,425	<b>41,450</b>	<b>348,034</b>
Average number of shares issued and outstanding during the period (Thousand shares)	109,702	<b>110,202</b>	

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
	2014	2015	2015
Adjustment to net income	¥-	¥-	\$-
Increase in the number of common stock corresponding to share warrants (Thousand shares)	166	<b>414</b>	

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

The Sixth Subscription Rights to Shares (Stock acquisition rights: 1,210 units).

## 21. Short-term and Long-term Loans Payable

Item	Balance at	Balance at		Average interest rate (%)	Repayment term
	February 21, 2014	February 20, 2015	Millions of Yen		
Short-term loans payable	¥967	¥-	\$-	-	-
Current portion of long-term loans payable	3,128	4,392	36,876	0.54	-
Current portion of lease obligations	197	188	1,581	-	-
Long-term loans payable (Excluding current portion)	3,560	2,129	17,882	0.57	2016–2017
Lease obligations (Excluding current portion)	2,893	2,706	22,724	-	2016–2032
<b>Total</b>	<b>¥10,747</b>	<b>¥9,416</b>	<b>\$79,064</b>	-	-

Notes: 1. Average interest rates show weighted-average interest rate on the balance of these items at February 20, 2015.

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, 2015 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	¥1,504	\$12,634
Over 2 years less than 3 years	625	5,247
Over 3 years less than 4 years	-	-
Over 4 years less than 5 years	-	-

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥188	\$1,581
Over 2 years less than 3 years	187	1,575
Over 3 years less than 4 years	187	1,570
Over 4 years less than 5 years	187	1,570

## 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

Not applicable.



Building a better  
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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, 2015, 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, 2015, 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 8, 2015  
Tokyo, Japan