



Consolidated Financial Statements

For the year ended February 20, 2018

Nitori Holdings Co., Ltd.

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
ASSETS			
Current Assets:			
Cash and deposits (Notes 9 and 11)	¥70,560	¥63,339	\$593,066
Notes and accounts receivable-trade (Note 11)	18,486	22,458	210,282
Merchandise and finished goods	46,520	49,690	465,269
Work in process	92	56	529
Raw materials and supplies	2,354	2,985	27,956
Deferred tax assets (Note 16)	1,001	5,309	49,711
Forward exchange contracts	15,002	-	-
Other	16,174	20,191	189,055
Allowance for doubtful accounts	(9)	-	-
Total current assets	170,182	164,031	1,535,871
Non-Current Assets:			
Property, plant and equipment:			
Buildings and structures, net (Notes 5 and 17)	103,763	107,258	1,004,293
Machinery, equipment and vehicles, net (Note 5)	3,899	4,273	40,010
Tools, furniture and fixtures, net (Note 5)	5,379	6,179	57,863
Land (Note 17)	126,923	167,153	1,565,104
Leased assets, net (Notes 5 and 10)	2,514	2,330	21,820
Construction in progress	5,615	4,120	38,577
Total property, plant and equipment	248,094	291,315	2,727,669
Intangible assets	13,732	13,887	130,036
Investments and other assets:			
Investment securities (Notes 5, 11 and 12)	3,531	26,472	247,865
Long-term loans receivable	856	804	7,535
Guarantee deposits (Notes 5 and 11)	15,720	14,813	138,704
Lease deposits (Note 11)	20,515	21,880	204,870
Deferred tax assets (Note 16)	2,952	5,447	51,010
Other	12,239	11,854	111,000
Allowance for doubtful accounts	(9)	(0)	(1)
Total investments and other assets	55,804	81,273	760,985
Total non-current assets	317,631	386,476	3,618,691
Total assets	¥487,814	¥550,507	\$5,154,562

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable-trade (Notes 5 and 11)	¥16,001	¥19,607	\$183,594
Short-term loans payable (Notes 11 and 21)	625	2,000	18,726
Lease obligations (Notes 10 and 21)	187	187	1,751
Accounts payable-other (Note 11)	19,291	18,323	171,564
Income taxes payable (Note 11)	15,630	17,399	162,919
Deferred tax liabilities (Note 16)	564	-	-
Provision for bonuses	3,751	3,395	31,789
Provision for point card certificates	1,301	1,625	15,222
Provision for special benefits to shareholders	214	290	2,715
Asset retirement obligations (Note 22)	44	4	38
Other (Note 5)	18,112	20,592	192,812
Total current liabilities	75,724	83,425	781,135
Non-Current Liabilities:			
Long-term loans payable (Notes 11 and 21)	-	8,000	74,906
Lease obligations (Notes 10 and 21)	2,330	2,143	20,068
Deferred tax liabilities (Note 16)	3	4	38
Provision for directors' retirement benefits	228	228	2,143
Net defined benefit liability (Note 14)	2,634	2,713	25,410
Asset retirement obligations (Note 22)	4,565	4,950	46,351
Other (Note 5)	7,548	7,373	69,039
Total non-current liabilities	17,310	25,413	237,958
Total liabilities	93,035	108,839	1,019,094
Net Assets (Note 8):			
Shareholders' Equity:			
Common stock	13,370	13,370	125,194
Capital surplus	16,306	18,232	170,720
Retained earnings	361,103	415,108	3,886,785
Treasury stock	(10,188)	(8,640)	(80,901)
Total shareholders' equity	380,592	438,072	4,101,800
Accumulated Other Comprehensive Income:			
Unrealized holding gain (loss) on securities (Note 12)	884	796	7,461
Unrealized gain (loss) from hedging instruments (Note 13)	10,369	(704)	(6,595)
Foreign currency translation adjustment	2,243	3,105	29,081
Remeasurements of defined benefit plans	(396)	(279)	(2,617)
Total accumulated other comprehensive income	13,100	2,918	27,329
Subscription Rights to Shares	940	677	6,339
Non-controlling Interests	144	-	-
Total net assets	394,778	441,668	4,135,468
Total liabilities and net assets	¥487,814	¥550,507	\$5,154,562

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
Net Sales	¥512,958	¥572,060	\$5,356,372
Cost of Sales	234,684	257,281	2,409,004
Gross profit	278,274	314,778	2,947,367
Selling, General and Administrative Expenses (Notes 6 and 15)	192,497	221,400	2,073,035
Operating income	85,776	93,378	874,331
Non-Operating Income:			
Interest income	433	451	4,227
Dividends income	34	36	339
Foreign exchange gains	102	—	—
Vending machine income	246	249	2,339
Gain on sales of goods	300	356	3,336
Construction revenue from tenants	147	36	339
Facility use revenue	174	—	—
Share of profit of entities accounted for using equity method	—	37	353
Gain on forgiveness of debts	—	206	1,932
Other	425	459	4,302
	1,865	1,833	17,170
Non-Operating Expenses:			
Interest expenses	59	69	651
Foreign exchange losses	—	235	2,200
Other	19	47	443
	78	351	3,294
Ordinary income	87,563	94,860	888,206
Special Gains:			
Gain on sales of non-current assets (Note 6)	645	201	1,882
Subsidy income	80	—	—
Penalty income	52	36	339
Gain on reversal of subscription rights to shares	7	49	464
Gain on sales of shares of subsidiaries and associates	—	3,842	35,982
Other	16	—	—
	801	4,129	38,668
Special Losses:			
Loss on sales and disposal of non-current assets (Note 6)	73	130	1,220
Penalty for the scrap and build of outlets	148	46	437
Impairment loss (Note 6)	10	5,417	50,728
Special retirement expenses	54	354	3,322
Cancellation penalty	190	—	—
Loss on change in equity	—	256	2,404
Loss on valuation of investment securities (Note 12)	61	—	—
Other	4	—	—
	543	6,206	58,113
Income before income taxes	87,822	92,783	868,762
Income Taxes (Note 16):			
Current	28,565	30,875	289,093
Deferred	(787)	(2,310)	(21,634)
	27,777	28,564	267,458
Net Income	60,044	64,219	601,303
Net Income Attributable to:			
Non-controlling interests	45	—	—
Owners of parent	¥59,999	¥64,219	\$601,303

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
Net Income	¥60,044	¥64,219	\$601,303
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities	594	(87)	(816)
Unrealized gain (loss) from hedging instruments	6,204	(11,074)	(103,691)
Foreign currency translation adjustment	(57)	862	8,077
Remeasurements of defined benefit plans, net of tax	(91)	116	1,092
Total other comprehensive income (loss) (Note 7)	6,649	(10,182)	(95,338)
Comprehensive Income	¥66,694	¥54,037	\$505,965
Total Comprehensive Income Attributable to:			
Owners of parent	¥66,649	¥54,037	\$505,965
Non-controlling interests	45	—	—

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, 2018

	Shareholders' Equity					Accumulated Other Comprehensive Income							Total net assets	
	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	Non-controlling interests	Total net assets	
	¥13,370	¥14,411	¥308,854	¥(13,392)	¥323,244	¥289	¥4,165	¥2,301	¥(305)	¥6,450	¥1,174	¥98	¥330,968	
Balance at February 21, 2016														
Changes of items during the year														
Dividends from surplus			(7,749)		(7,749)								(7,749)	
Net income attributable to owners of parent			59,999		59,999								59,999	
Purchase of treasury stock				(4)	(4)								(4)	
Disposal of treasury stock		1,894		3,208	5,102								5,102	
Change in ownership interest of parent due to transactions with non-controlling interests														
Other														
Net changes in items other than those in shareholders' equity						594	6,204	(57)	(91)	6,649	(233)	45	6,461	
Total changes of items during the year		1,894	52,249	3,203	57,348	594	6,204	(57)	(91)	6,649	(233)	45	63,809	
Balance at February 21, 2017	¥13,370	¥16,306	¥361,103	¥(10,188)	¥380,592	¥884	¥10,369	¥2,243	¥(396)	¥13,100	¥940	¥144	¥394,778	
Changes of items during the year														
Dividends from surplus			(10,273)		(10,273)								(10,273)	
Net income attributable to owners of parent			64,219		64,219								64,219	
Purchase of treasury stock				(3)	(3)								(3)	
Disposal of treasury stock		1,859		1,552	3,412								3,412	
Change in ownership interest of parent due to transactions with non-controlling interests		66			66								66	
Other			58		58								58	
Net changes in items other than those in shareholders' equity						(87)	(11,074)	862	116	(10,182)	(263)	(144)	(10,590)	
Total changes of items during the year		1,926	54,004	1,548	57,479	(87)	(11,074)	862	116	(10,182)	(263)	(144)	46,889	
Balance at February 20, 2018	¥13,370	¥18,232	¥415,108	¥(8,640)	¥438,072	¥796	¥(704)	¥3,105	¥(279)	¥2,918	¥677	¥—	¥441,668	

	Shareholders' Equity					Accumulated Other Comprehensive Income							Total net assets	
	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	Non-controlling interests	Total net assets	
	\$125,194	\$152,683	\$3,381,123	\$(95,401)	\$3,563,599	\$8,277	\$97,096	\$21,004	\$(3,709)	\$122,667	\$8,809	\$1,350	\$3,696,426	
Balance at February 21, 2017														
Changes of items during the year														
Dividends from surplus			(96,190)		(96,190)								(96,190)	
Net income attributable to owners of parent			601,303		601,303								601,303	
Purchase of treasury stock				(37)	(37)								(37)	
Disposal of treasury stock		17,411		14,538	31,949								31,949	
Change in ownership interest of parent due to transactions with non-controlling interests		625			625								625	
Other			549		549								549	
Net changes in items other than those in shareholders' equity						(816)	(103,691)	8,077	1,092	(95,338)	(2,470)	(1,350)	(99,158)	
Total changes of items during the year		18,037	505,662	14,500	538,200	(816)	(103,691)	8,077	1,092	(95,338)	(2,470)	(1,350)	439,042	
Balance at February 20, 2018	\$125,194	\$170,720	\$3,886,785	\$(80,901)	\$4,101,800	\$7,461	\$(6,595)	\$29,081	\$(2,617)	\$27,329	\$6,339	\$—	\$4,135,468	

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 201

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
Cash Flows from Operating Activities:			
Income before income taxes	¥87,822	¥92,783	\$868,762
Depreciation and amortization	12,312	13,030	122,005
Impairment loss	10	5,417	50,728
Increase (decrease) in allowance for doubtful accounts	1	(19)	(180)
Increase (decrease) in provision for bonuses	733	(355)	(3,333)
Increase (decrease) in net defined benefit liability	266	202	1,892
Increase (decrease) in provision for point card certificates	270	324	3,034
Loss (gain) on sales of shares of subsidiaries and associates	—	(3,842)	(35,982)
Interest and dividends income	(468)	(487)	(4,567)
Interest expenses	59	69	651
Share of (profit) loss of entities accounted for using equity method	—	(37)	(353)
Penalty for the scrap and build of outlets	148	46	437
Loss (gain) on sales and disposal of non-current assets	(571)	(70)	(661)
Loss (gain) on change in equity	—	256	2,404
Subsidy income	(80)	—	—
Loss (gain) on valuation of investment securities	61	—	—
Decrease (increase) in notes and accounts receivable-trade	(1,816)	(866)	(8,114)
Decrease (increase) in inventories	(3,742)	(3,743)	(35,051)
Increase (decrease) in notes and accounts payable-trade	1,409	2,544	23,823
Increase (decrease) in accrued consumption taxes	2,447	(520)	(4,874)
Other, net	470	(4,835)	(45,275)
Subtotal	99,334	99,895	935,346
Interest and dividends income received	465	435	4,078
Interest expenses paid	(56)	(55)	(517)
Payment of penalty for the scrap and build of outlets	(15)	(26)	(250)
Income taxes paid	(29,311)	(30,085)	(281,699)
Income taxes refund	7,512	6,677	62,525
Net cash provided by operating activities	77,930	76,840	719,482
Cash Flows from Investing Activities:			
Payments into time deposits	(6,581)	(6,320)	(59,183)
Proceeds from withdrawal of time deposits	7,361	8,372	78,394
Purchase of property, plant and equipment	(34,966)	(60,888)	(570,116)
Proceeds from sales of property, plant and equipment	1,708	292	2,736
Purchase of intangible assets	(4,155)	(3,084)	(28,877)
Proceeds from sales of intangible assets	395	—	—
Purchase of short-term and long-term investment securities	—	(23,300)	(218,164)
Proceeds from sales of short-term and long-term investment securities	17	10	93
Proceeds from sales of shares of subsidiaries and associates	—	4,473	41,888
Proceeds from government subsidy	291	—	—
Payments for guarantee deposits	(1,678)	(655)	(6,135)
Proceeds from collection of guarantee deposits	128	202	1,893
Payments for lease deposits	(2,856)	(1,696)	(15,883)
Proceeds from collection of lease deposits	56	280	2,626
Proceeds from guarantee deposits received	387	—	—
Proceeds from lease deposits received	1,145	193	1,807
Repayments of lease deposits received	—	(138)	(1,301)
Purchase of long-term prepaid expenses	(2,103)	(361)	(3,381)
Payments of loans receivable	(1,191)	(170)	(1,600)
Proceeds from collection of loans receivable	18	38	358
Other payments	(26)	(11)	(105)
Other proceeds	—	13	121
Net cash used in investing activities	(42,047)	(82,751)	(774,828)

Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 201

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2017	2018	2018
Cash Flows from Financing Activities:			
Repayment of long-term loans payable	(1,504)	(625)	(5,852)
Proceeds from long-term loans payable	—	10,000	93,632
Repayments of lease obligations	(188)	(187)	(1,757)
Purchase of treasury stock	(4)	(3)	(37)
Cash dividends paid	(7,753)	(10,272)	(96,187)
Proceeds from exercise of stock options	3,036	1,822	17,060
Other payments	—	(77)	(724)
Net cash provided by (used in) financing activities	(6,414)	655	6,134
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(227)	143	1,346
Net Increase (Decrease) in Cash and Cash Equivalents	29,240	(5,111)	(47,865)
Cash and Cash Equivalents at the Beginning of the Year	36,794	66,035	618,308
Cash and Cash Equivalents at the End of the Year (Note 9)	¥66,035	¥60,923	\$570,443

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2018

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, 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 ¥106.80 = U.S.\$1, the exchange rate prevailing on February 20, 2018. 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, 2018, the Company had 23 consolidated subsidiaries (23 consolidated subsidiaries as of February 20, 2017).

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 other 10 subsidiaries

Shanghai Liqiao Industrial Co., Ltd., which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation as the entire shareholding in the company previously held by Group was transferred during the year ended February 20, 2018. 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.

NITORI (SHANGHAI) HOME FURNISHINGS SALES CO., LTD. was newly included in the scope of consolidation as it was incorporated during the year ended February 20, 2018.

(2) Names of major unconsolidated subsidiaries

The Company did not have any unconsolidated subsidiaries.

2) Application of equity method

(1) As of February 20, 2018, the Company had one associate accounted for using the equity method (none as of February 20, 2017).

Name of associate accounted for using equity method:

KATITAS Co., Ltd.

KATITAS Co., Ltd. became an associate accounted for using the equity method as the Company acquired its shares during the year ended February 20, 2018.

(2) Other specific information if deemed necessary about 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, 2017

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 other 7 subsidiaries December 31, 2017

HOME DECO Co., Ltd. January 31, 2018

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 gain or loss, 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 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) 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.

8) 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.

9) Provision for point card certificates

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

10) Provision for special benefits to shareholders

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

11) Provision for directors' retirement benefits

Provision for directors' and corporate auditors' retirement benefits 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.

12) 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.

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 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.

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.

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.

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 insignificant risk of change in value.

16) Consumption taxes

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

17) 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.

18) Accounting standards issued but not yet effective

- "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Statement No. 28, February 16, 2018)

- "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018)

- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018)

- "Implementation Guidance on Tax Effect Accounting for Interim Financial Statements" (ASBJ Guidance No. 29, February 16, 2018)

(1) Overview

The amendments include: (i) treatment of taxable temporary differences associated with shares of subsidiaries, etc.; (ii) treatment of the recoverability of deferred tax assets of companies that qualify as (Category 1); (iii) changes in the classification of deferred tax assets into investments and other assets and deferred tax liabilities into non-current liabilities; (iv) a note on information regarding the breakdown of valuation allowance; and (v) a note on information regarding tax losses.

(2) Scheduled date of adoption

The Company expects to adopt the above amendments from the beginning of the fiscal year ending February 20, 2020.

(3) Impact of adopting the amendments

The Company is currently evaluating the impact of adopting the amendments on its consolidated financial statements.

19) Additional information

The Group adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2016), March 28, 2016) from the year ended February 20, 2018.

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
	2017	2018	2018
Accumulated depreciation	¥92,379	¥102,072	\$955,735

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
	2017	2018	2018
Pledged assets:			
Buildings and structures	¥2,079	¥1,933	\$18,101
Guarantee deposits	23	50	471
Total	¥2,102	¥1,983	\$18,572
Corresponding liabilities:			
Notes and accounts payable-trade	¥23	¥58	\$546
Other (current liabilities)	124	117	1,103
Other (non-current liabilities)	2,162	1,954	18,302
Total	¥2,310	¥2,130	\$19,952

3) Investment securities

Investments in associates are as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Investment securities	¥-	¥23,080	\$216,113

4) Amount of reduction entry

The amount of adjustment deducted from the acquisition cost of property, plant and equipment in order to reflect government subsidies, etc. is as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Tools, furniture and fixtures	¥431	¥431	\$4,042

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
	2017	2018	2018
Customer delivery expenses	¥23,685	¥26,448	\$247,644
Advertising expenses	14,804	16,726	156,617
Salaries, allowances and bonuses	55,198	61,381	574,734
Provision for bonuses	3,361	2,850	26,689
Retirement benefit expenses	1,091	1,250	11,709
Rent expenses	28,027	33,561	314,247
Depreciation and amortization	10,406	11,357	106,339
Outsourcing expenses	10,925	14,021	131,286

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
	2017	2018	2018
Buildings and structures	¥603	¥0	\$0
Machinery, equipment and vehicles	37	169	1,586
Tools, furniture and fixtures	4	1	16
Other (property, plant and equipment)	–	29	279
Total	¥645	¥201	\$1,882

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

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Loss on disposal:			
Buildings and structures	¥40	¥77	\$728
Machinery, equipment and vehicles	1	2	25
Tools, furniture and fixtures	12	13	129
Other (property, plant and equipment)	12	21	204
Other (intangible assets)	2	8	77
Loss on sales:			
Machinery, equipment and vehicles	–	–	–
Tools, furniture and fixtures	3	1	16
Land	–	–	–
Other (intangible assets)	–	4	37
Total	¥73	¥130	\$1,220

4) Impairment loss

For the year ended February 20, 2017

Location	Use	Class	Millions of Yen
Iwata City, Shizuoka	Store	Buildings and structures, and other	¥6
Kamikawa, Hokkaido	Idle	Land	4

The Group's assets are grouped according to the type of business. An impairment loss was recognized for a store, taking its profitability into account. Furthermore, for land whose market price fell, the carrying amount was reduced to its recoverable amount to recognize an impairment loss.

When the recoverable amount was measured at the net selling price, it was computed based on the 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, 2018

Location	Use	Class	Millions of Yen	Thousands of U.S. Dollars
Ota-ku, Tokyo and other	Store	Buildings and structures, land, and leaseholds	¥4,500	\$42,141
People's Republic of China	Store	Buildings and structures, and other	460	4,313
Republic of Indonesia	Plant facility	Buildings and structures, and other	432	4,052
Republic of China	Store	Buildings and structures, and other	19	179
The United States of America	Store	Tools, furniture and fixtures	2	27

The Group's assets are grouped according to the type of business. Impairment loss was recognized for some stores, taking their profitability into account. Furthermore, for land whose market price fell, the carrying amount was reduced to its recoverable amount to recognize an impairment loss.

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. Notes to Consolidated Statement of Comprehensive Income

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unrealized holding gain (loss) on securities			
Amounts arising during the year	¥801	¥(136)	\$(1,276)
Reclassification adjustments	45	—	—
Amount before income tax effect	846	(136)	(1,276)
Income tax effect	(252)	49	460
Subtotal	594	(87)	(816)
Unrealized gain (loss) from hedging instruments			
Amounts arising during the year	8,776	(16,017)	(149,973)
Reclassification adjustments	—	—	—
Amount before income tax effect	8,776	(16,017)	(149,973)
Income tax effect	(2,571)	4,942	46,281
Subtotal	6,204	(11,074)	(103,691)
Foreign currency translation adjustment			
Amounts arising during the year	(57)	862	8,077
Subtotal	(57)	862	8,077
Remeasurements of defined benefit plans, net of tax			
Amounts arising during the year	(122)	7	68
Reclassification adjustments	41	114	1,074
Amount before income tax effect	(80)	122	1,142
Income tax effect	(10)	(5)	(50)
Subtotal	(91)	116	1,092
Total other comprehensive income (loss)	¥6,649	¥(10,182)	\$(95,338)

8. Notes to Consolidated Statement of Changes in Net Assets

1) Class and total number of issued stock and treasury stock

For the year ended February 20, 2017

Class of shares	Number of Shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Issued stock:				
Common stock	114,443	–	–	114,443
Treasury stock:				
Common stock	3,854	0	923	2,931

Notes: 1. The increase of 0 thousand shares in treasury stock is due to the purchase of shares less than one unit.
 2. The decrease of 923 thousand shares in treasury stock consists of a decrease of 156 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 767 thousand shares due to the exercise of stock options.
 3. The treasury stock balance at the fiscal year-end includes 262 thousand shares of common stock 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, 2018

Class of shares	Number of Shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Issued stock:				
Common stock	114,443	–	–	114,443
Treasury stock:				
Common stock	2,931	0	446	2,485

Notes: 1. The increase of 0 thousand shares in treasury stock is due to the purchase of shares less than one unit.
 2. The decrease of 446 thousand shares in treasury stock consists of a decrease of 98 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 348 thousand shares due to the exercise of stock options.
 3. The treasury stock balance at the fiscal year-end includes 164 thousand shares of common stock held by Trust & Custody Services Bank, Ltd. (Trust Account E), which is the trustee under the Stock Benefit Trust (J-ESOP).

2) Subscription rights to shares

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Subscription rights to shares as stock options	¥940	¥677	\$6,339

3) Dividends

(1) Dividends paid to shareholders

For the year ended February 20, 2017

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 28, 2016 (Note 1)	Common stock	¥3,885	¥35	February 20, 2016	April 22, 2016
Board of directors meeting held on September 27, 2016 (Note 2)	Common stock	3,887	35	August 20, 2016	October 25, 2016

Notes: 1. The total amount of dividends includes dividends of ¥14 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 ¥9 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, 2018

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 March 28, 2017 (Note 1)	Common stock	¥5,252	\$49,184	¥47	\$0.44	February 20, 2017	April 21, 2017
Board of directors meeting held on September 27, 2017 (Note 2)	Common stock	5,039	47,190	45	0.42	August 20, 2017	October 24, 2017

Notes: 1. The total amount of dividends includes dividends of ¥12 million (\$115 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 ¥7 million (\$69 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, 2017

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 March 28, 2017	Common stock	Retained earnings	¥5,252	¥47	February 20, 2017	April 21, 2017

Note: The total amount of dividends includes dividends of ¥12 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, 2018

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 March 27, 2018	Common stock	Retained earnings	¥5,269	\$49,341	¥47	\$0.44	February 20, 2018	April 26, 2018

Note: The total amount of dividends includes dividends of ¥7 million (\$72 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 common stock. 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
	2017	2018	2018
Cash and deposits	¥70,560	¥63,339	\$593,066
Time deposits with maturities exceeding 3 months	(4,525)	(2,416)	(22,622)
Cash and cash equivalents	¥66,035	¥60,923	\$570,443

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 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
	2017	2018	2018
Due within one year	¥4,824	¥5,659	\$52,990
Due after one year	35,438	33,877	317,201
Total	¥40,263	¥39,536	\$370,191

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
	2017	2018	2017
Due within one year	¥1,133	¥1,159	\$10,860
Due after one year	10,201	9,315	87,220
Total	¥11,335	¥10,475	\$98,081

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 and related risk 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 lease 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 as well as makes efforts to identify and decrease concerns about collecting deposits from lessors in financial difficulties at an early stage.

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

Long-term loans payable are for long-term working capital. Variable rate long-term loans payable are exposed to interest rate fluctuation risk.

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 a high credit rating. 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 value of financial instruments is based on their quoted market price. 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 value.

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

2) Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of February 20, 2017 and 2018 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 (please refer to Note 2 below).

As of February 20, 2017	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	¥70,560	¥70,560	¥-
(2) Notes and accounts receivable-trade	18,476	18,476	-
(3) Investment securities	3,226	3,226	-
(4) Guarantee deposits	15,720	17,061	1,341
(5) Lease deposits	20,515	20,054	(461)
Liabilities:			
(1) Notes and accounts payable-trade	¥16,001	¥16,001	¥-
(2) Accounts payable-other	19,291	19,291	-
(3) Income taxes payable	15,630	15,630	-
(4) Long-term loans payable, including current portion of long-term loans payable	625	624	(0)
Derivative transactions (*)	¥14,998	¥14,998	¥-

As of February 20, 2018	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	¥63,339	¥63,339	¥-
(2) Notes and accounts receivable-trade	22,458	22,458	-
(3) Investment securities:			
Available-for-sale securities	3,090	3,090	-
Shares of associates	23,080	42,739	19,658
(4) Guarantee deposits	14,813	16,013	1,199
(5) Lease deposits	21,880	21,535	(344)
Liabilities:			
(1) Notes and accounts payable-trade	¥19,607	¥19,607	¥-
(2) Accounts payable-other	18,323	18,323	-
(3) Income taxes payable	17,399	17,399	-
(4) Long-term loans payable, including current portion of long-term loans payable	10,000	10,015	15
Derivative transactions (*)	¥(1,018)	¥(1,018)	¥-

As of February 20, 2018	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	\$593,066	\$593,066	\$-
(2) Notes and accounts receivable-trade	210,282	210,282	-
(3) Investment securities:			
Available-for-sale securities	28,934	28,934	-
Shares of associates	216,113	400,186	184,072
(4) Guarantee deposits	138,704	149,934	11,230
(5) Lease deposits	204,870	201,641	(3,229)
Liabilities:			
(1) Notes and accounts payable-trade	\$183,594	\$183,594	\$-
(2) Accounts payable-other	171,564	171,564	-
(3) Income taxes payable	162,919	162,919	-
(4) Long-term loans payable, including current portion of long-term loans payable	93,632	93,782	149
Derivative transactions (*)	\$(9,539)	\$(9,539)	\$-

(*) 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, and (2) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying value approximates 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 value of guarantee deposits is 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) Lease deposits

The fair value of lease deposits is 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 value approximates fair value.

(4) Long-term loans payable

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

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
	2017	2018	2018
As of February 20			
Unlisted stocks	¥304	¥300	\$2,817

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		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
As of February 20, 2017			
Cash and deposits	¥70,560	¥-	¥-
Notes and accounts receivable-trade	18,486	-	-
Total	¥89,047	¥-	¥-

	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
As of February 20, 2018			
Cash and deposits	¥63,339	¥-	¥-
Notes and accounts receivable-trade	22,458	-	-
Total	¥85,797	¥-	¥-

	Thousands of U.S. Dollars		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
As of February 20, 2018			
Cash and deposits	\$593,066	\$-	\$-
Notes and accounts receivable-trade	210,282	-	-
Total	\$803,349	\$-	\$-

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

4. Redemption schedule for 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 of February 20, 2017						
Long-term loans payable	¥625	¥-	¥-	¥-	¥-	¥-
Total	¥625	¥-	¥-	¥-	¥-	¥-

Millions of Yen						
As of February 20, 2018	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	¥2,000	¥2,000	¥2,000	¥2,000	¥2,000	¥-
Total	¥2,000	¥2,000	¥2,000	¥2,000	¥2,000	¥-

Thousands of U.S. Dollars						
As of February 20, 2018	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	\$18,726	\$18,726	\$18,726	\$18,726	\$18,726	\$-
Total	\$18,726	\$18,726	\$18,726	\$18,726	\$18,726	\$-

12. Securities

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

As of February 20, 2017	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥1,980	¥274	¥1,705
Securities whose acquisition cost exceeds their carrying value:			
Stocks	1,246	1,677	(431)
Total	¥3,226	¥1,952	¥1,274

Note: Unlisted stocks (¥304 million in the consolidated balance sheet) are not included in the above table because no quoted market price is available and it is extremely difficult to determine the fair value.

As of February 20, 2018	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥1,577	¥274	¥1,302
Securities whose acquisition cost exceeds their carrying value:			
Stocks	1,512	1,677	(165)
Total	¥3,090	¥1,952	¥1,137

As of February 20, 2018	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	\$14,768	\$2,568	\$12,199
Securities whose acquisition cost exceeds their carrying value:			
Stocks	14,166	15,711	(1,544)
Total	\$28,934	\$18,280	\$10,654

Note: Unlisted stocks (¥300 million (\$2,817 thousand) in the consolidated balance sheet) are not included in the above table 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, 2017	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥17	¥16	¥-
Total	¥17	¥16	¥-

For the year ended February 20, 2018	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥10	¥6	¥-
Total	¥10	¥6	¥-

For the year ended February 20, 2018	Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	\$93	\$57	\$-
Total	\$93	\$57	\$-

3) Impairment of available-for-sale securities

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Loss on valuation of investment securities (unlisted stocks)	¥61	¥-	\$-

If the fair value of securities as of the fiscal year-end declines 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 value of securities as of the fiscal year-end declines 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

Currency-related transactions

As of February 20, 2017

		Millions of Yen			
Category	Transaction type	Notional amount	Notional amount maturing over 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign exchange forward contract				
	Selling U.S. dollars	¥546	¥-	¥3	¥3

Note: The fair value of derivative transactions is measured at the quoted price obtained from the counterparty financial institution.

As of February 20, 2018

Not applicable.

2) Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of February 20, 2017

		Millions of Yen			
Hedge accounting 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	¥170,590	¥-	¥14,998

As of February 20, 2018

		Millions of Yen			
Hedge accounting 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	¥54,487	¥-	¥(1,018)

As of February 20, 2018

		Thousands of U.S. Dollars			
Hedge accounting 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	\$510,179	\$-	\$(9,539)

Note: The fair value of derivative transactions is measured at the quoted price obtained from counterparty financial institutions for all the years presented.

(2) Interest-related transactions

As of February 20, 2017

Not applicable.

As of February 20, 2018

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.

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
	2017	2018	2018
Balance at beginning of year	¥4,836	¥5,570	\$52,160
Balance at beginning of year (as restated)	4,836	5,570	52,160
Service cost	764	822	7,700
Interest cost	47	26	248
Actuarial loss (gain)	176	110	1,033
Benefits paid	(253)	(517)	(4,843)
Balance at end of year	¥5,570	¥6,012	\$56,300

Note: The above table includes amounts under plans in which the simplified method is 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
	2017	2018	2018
Balance at beginning of year	¥2,556	¥2,936	\$27,494
Expected return on plan assets	51	58	549
Actuarial gain (loss)	93	91	858
Employer contributions	322	313	2,931
Benefits paid	(87)	(100)	(943)
Plan assets at fair value at end of year	¥2,936	¥3,299	\$30,890

(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:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Projected benefit obligations (funded plans)	¥2,929	¥3,277	\$30,686
Plan assets at fair value	(2,936)	(3,299)	(30,890)
	(7)	(21)	(204)
Projected benefit obligations (unfunded plans)	2,641	2,735	25,614
Net defined benefit liability in the consolidated balance sheet	2,634	2,713	25,410
Defined benefit liability	2,634	2,713	25,410
Net defined benefit liability in the consolidated balance sheet	¥2,634	¥2,713	\$25,410

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

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

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Service cost	¥764	¥822	\$7,700
Interest cost	47	26	248
Expected return on plan assets	(51)	(58)	(549)
Amortization and expenses:			
Actuarial loss	39	149	1,404
Prior service cost	(35)	(35)	(329)
Retirement benefit expenses on defined benefit plan	765	904	8,473
Special retirement expenses	¥54	¥354	\$3,322

Notes: 1. The above table includes amounts under plans in which the simplified method is applied.

2. Special retirement expenses have been recorded under special losses.

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

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Prior service cost	¥(35)	¥(35)	\$(329)
Actuarial gain (loss)	(45)	157	1,472
Total	¥(80)	¥122	\$1,142

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

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unrecognized prior service cost	¥144	¥109	\$1,024
Unrecognized actuarial loss	(669)	(512)	(4,799)
Total	¥(525)	¥(403)	\$(3,774)

(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)	
	2017	2018
Life insurance company general accounts	45 %	44 %
Bonds	27	30
Stocks	26	25
Other	2	1
Total	100 %	100 %

(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	2017	2018
Discount rate	Primarily 0.6 %	Primarily 0.5 %
Expected long-term rate of return on plan assets	2.0	2.0
Expected rate of salary increase	Primarily 4.6	Primarily 4.6

3) Defined contribution plan

Contributions made to the defined contribution plan for the years ended February 20, 2017 and 2018 were ¥329 million and ¥368 million (\$3,454 thousand), respectively.

15. Stock Options

For the years ended February 20, 2017 and 2018, the Group recognized expenses regarding stock options of ¥315 million and ¥105 million (\$987 thousand), respectively, which are included in selling, general and administrative expenses.

For the years ended February 20, 2017 and 2018, the Group recognized gains due to forfeited stock options of ¥7 million and ¥49 million (\$464 thousand), respectively, which are presented in special gains as “Gain on reversal of subscription rights to shares.”

1) Description of stock options as of February 20, 2018

		The Fourth and Fifth Subscription Rights to Shares	
Resolution at annual general meeting of shareholders held on	May 12, 2011		
Resolution at board of directors meeting held on	March 29, 2012		
Grantees	Directors		4
	Company auditors		2
	Officers		16
	Directors of subsidiaries		5
	Employees of subsidiaries		2,664
Number of shares by class	Common stock (shares)		1,389,100
Grant date	April 2, 2012		
Vesting conditions	None		
Vesting period	From April 2, 2012 to March 29, 2015		
Exercise period	From March 30, 2015 to March 29, 2017		

		The Sixth Subscription Rights to Shares		The Seventh Subscription Rights to Shares	
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	Common stock (shares)	121,000		Common stock (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	

Note: The Company completed a two-for-one stock split of its common stock on February 21, 2014. The number of shares by class in the above table has been adjusted for the stock split.

2) Summary of stock option activity during the year ended February 20, 2018

The Fourth and Fifth Subscription Rights to Shares

Non-vested (Shares):	
At the beginning of the year	-
Granted	-
Forfeited	-
Vested	-
At the end of the year	-
Vested (Shares):	
At the beginning of the year	165,400
Vested	-
Exercised	102,800
Forfeited	62,600
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	119,000	827,400
Granted	-	-
Forfeited	10,000	6,000
Vested	-	-
At the end of the year	-	-
Vested (Shares):		
At the beginning of the year	-	-
Vested	109,000	821,400
Exercised	88,700	157,100
Forfeited	-	5,400
At the end of the year	20,300	658,900

Note: The Company completed a two-for-one stock split of its common stock on February 21, 2014. The number of the fourth and fifth subscription rights to shares issued has been adjusted for the stock split based on the assumption that the stock split was completed at the time of issue.

The unit price information is as follows:

The Fourth and Fifth Subscription Rights to Shares

	Yen	U.S. dollars
Exercise price	¥3,959	\$37.06
Average stock price at exercise	13,160	123.22
Fair value per stock on grant date	706	6.61

The Sixth Subscription Rights to Shares

	Yen	U.S. dollars
Exercise price	¥5,650	\$52.90
Average stock price at exercise	16,841	157.68
Fair value per stock on grant date	1,022	9.56

The Seventh Subscription Rights to Shares

	Yen	U.S. dollars
Exercise price	¥5,540	\$51.87
Average stock price at exercise	16,742	156.76
Fair value per stock on grant date	996	9.32

Note: The Company completed a two-for-one stock split of its common stock on February 21, 2014. The price of the fourth and fifth subscription rights to shares has been adjusted for the stock split based on the assumption that the stock split was completed at the time of issue.

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
	2017	2018	2018
Deferred tax assets:			
Accrued enterprise tax and business office taxes	¥1,296	¥1,243	\$11,639
Accrued real estate acquisition tax	222	50	473
Provision for bonuses	1,012	855	8,014
Provision for point card certificates	405	512	4,800
Unrealized gain on sales of inventories	173	178	1,675
Unrealized loss from hedging instruments	–	314	2,943
Net defined benefit liability	765	830	7,775
Depreciation and amortization	3,134	3,843	35,984
Provision for directors' retirement benefits	70	70	656
Allowance for doubtful accounts	22	25	234
Impairment loss and penalty for the scrap and build of outlets	271	1,375	12,876
Asset retirement obligations	1,474	1,629	15,260
Other	4,206	5,399	50,556
Subtotal	13,055	16,328	152,892
Less: valuation allowance	(1,634)	(2,611)	(24,448)
Total deferred tax assets	11,420	13,717	128,443
Deferred tax liabilities:			
Unrealized gain from hedging instruments	4,628	–	–
Unrealized holding gain on securities	390	341	3,193
Construction assistance fund receivables	798	860	8,056
Asset retirement cost related to asset retirement obligations	887	885	8,293
Retained earnings of subsidiaries	886	678	6,353
Other	443	199	1,863
Total deferred tax liabilities	8,034	2,964	27,760
Net deferred tax assets	¥3,386	¥10,752	\$100,683

Deferred tax assets and liabilities as of February 20, 2017 and 2018 are reflected in the following accounts in the consolidated balance sheet:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Current assets – Deferred tax assets	¥1,001	¥5,309	\$49,711
Investments and other assets – Deferred tax assets	2,952	5,447	51,010
Current liabilities – Deferred tax liabilities	564	–	–
Non-Current liabilities – Deferred tax liabilities	3	4	38

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

The details for the years ended February 20, 2017 and 2018 are omitted as differences between the 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
	2017	2018	2018
Rental properties:			
Carrying value			
Balance at beginning of year	¥29,577	¥22,367	\$209,436
Increase (decrease)	(7,210)	15,212	142,443
Balance at end of year	22,367	37,580	351,879
Fair value at end of year	22,004	37,141	347,765
Real estate including spaces used as rental properties:			
Carrying value			
Balance at beginning of year	¥32,297	¥42,080	\$394,007
Increase (decrease)	9,782	(1,090)	(10,208)
Balance at end of year	42,080	40,989	383,799
Fair value at end of year	47,032	46,792	438,130

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

2. Increase in rental properties during the year ended February 20, 2017 was primarily due to the acquisition of a property in Abeno-ku, Osaka City (Previous Sharp Corporation's Headquarters) of ¥6,830 million and transfer from real estate including spaces used as rental properties of ¥4,906 million. Decrease in rental properties during the year ended February 20, 2017 was primarily due to the termination of a lease contract on a property in Abeno-ku, Osaka City (Previous Sharp Corporation's Headquarters) of ¥6,589 million and transfer to real estate including spaces used as rental properties of ¥11,082 million. The increase in rental properties during the year ended February 20, 2018 was primarily due to the acquisition of properties in Takamatsu-cho, Nishinomiya City of ¥7,794 million (\$72,979 thousand) and Higashi-ku, Osaka City of ¥7,891 million (\$73,893 thousand).

3. Increase in real estate including spaces used as rental properties during the year ended February 20, 2017 was primarily due to the transfer from rental properties of ¥15,343 million. Decrease in real estate including spaces used as rental properties during the year ended February 20, 2017 was primarily due to the transfer to rental properties of ¥4,906 million. The decrease in real estate including spaces used as rental properties during the year ended February 20, 2018 was primarily due to a decrease in the carrying amount attributable to depreciation of ¥991 million (\$9,281 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.

Rent income and 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
	2017	2018	2018
Rental properties:			
Rent income	¥1,024	¥953	\$8,927
Rent expenses	654	395	3,703
Difference	370	557	5,223
Real estate including spaces used as rental properties:			
Rent income	¥5,122	¥6,028	\$56,446
Rent expenses	2,841	3,179	29,772
Difference	2,281	2,848	26,674

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 rent income is not recognized. Expenses related to the properties (depreciation, insurance, taxes, etc.) are included in rent 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, 2017	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	¥501,591	¥11,367	¥512,958

	Millions of Yen		
For the year ended February 20, 2018	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	¥558,906	¥13,153	¥572,060

	Thousands of U.S. Dollars		
For the year ended February 20, 2018	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	\$5,233,208	\$123,164	\$5,356,372

(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 negative goodwill 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, 2017								Transaction amount		Year-end balance
Category	Name	Address	Capital stock or contribution	Occupation	% of voting rights		Details of transaction	Millions of Yen	Account	Millions of Yen
					Held (held by others)	Business relationship				
Officer	Shoshin Komiya	-	-	Director of the Company	(held by others) Direct 0.03	-	Exercise of stock options (Note 2)	¥19	-	¥-
Officer	Masanori Ikeda	-	-	Director of the Company	(held by others) Direct 0.03	-	Exercise of stock options (Note 2)	15	-	-
Officer	Fumihiko Sudo	-	-	Director of the Company	(held by others) Direct 0.01	-	Exercise of stock options (Note 2)	19	-	-
Officer	Takao Kubo	-	-	Director of the Company	(held by others) Direct 0.02	-	Exercise of stock options (Note 2)	15	-	-
Officer of subsidiary	Sigehito Matsukura	-	-	Representative director of subsidiary	(held by others) Direct 0.04	-	Exercise of stock options (Note 2) Loans receivable (Note 3) Collection of loans receivable (Note 3)	79 79 79	- - -	- - -
Close relative of officer	Mitsuko Nitōri	-	-	Mother of representative director, Akio Nitōri	(held by others) Direct 0.01	Building lease	Building lease (Note 4)	16	Lease deposits	28

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

2. It represents the exercise of stock options granted in accordance with a resolution at the annual general meeting of shareholders on May 12, 2011 during the fiscal year ended February 20, 2017.

3. Interest rates on loans are determined based on market interest rates.

4. 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, 2018										Transaction amount		Year-end balance	
Category	Name	Address	Capital stock or contribution	Occupation	% of voting rights		Business relationship	Details of Transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars
					Held (held by others)	Direct							
Officer	Akio Nitori	-	-	Representative director of the Company	(held by others)	Direct 3.05	-	Exercise of stock options (Note 2)	¥452	\$4,232	-	¥-	\$-
Officer	Takao Kubo	-	-	Director of the Company	(held by others)	Direct 0.02	-	Exercise of stock options (Note 2)	16	158	-	-	-
Officer	Takaharu Ando	-	-	External director of the Company	(held by others)	Direct 0.00	-	Exercise of stock options (Note 2)	11	105	-	-	-
Officer	Kazuhiko Takeshima	-	-	External director of the Company	(held by others)	Direct 0.00	-	Exercise of stock options (Note 2)	11	105	-	-	-
Officer	Shoshin Komiya	-	-	Former director of the Company	-	-	-	Exercise of stock options (Note 3)	19	185	-	-	-
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	151	Lease deposits	28	267

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

2. It represents the exercise of stock options granted in accordance with a resolution at the annual general meeting of shareholders on May 9, 2014 during the year ended February 20, 2018.

3. It represents the exercise of stock options granted in accordance with a resolution at the annual general meeting of shareholders on May 12, 2011 during the year ended February 20, 2018.

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
	2017	2018	2018
Net assets per share of common stock	¥3,530.51	¥3,938.89	\$36.88
Basic net income per share of common stock	540.93	574.49	5.38
Diluted net income per share of common stock	536.23	571.63	5.35

Note: Stocks held by Trust & Custody Services Bank, Ltd. (Trust Account E), which have been accounted for as treasury stock 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 of common stock.

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
	2017	2018	2018
Net income attributable to owners of parent	¥59,999	¥64,219	\$601,303
Net income not attributable to common stock shareholders	—	—	—
Net income attributable to owners of parent related to common stock	59,999	64,219	601,303
Average number of shares (Thousand shares)	110,918	111,785	

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

2) Diluted net income per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Adjustment attributable to owners of parent	¥—	¥—	\$—
Increase in the number of shares of common stock corresponding to subscription rights to shares (Thousand shares)	972	557	

21. Short-term and Long-term Loans Payable

Item	Balance at		Balance at	Average interest rate (%)	Repayment term
	February 21, 2017	Millions of Yen	February 20, 2018		
Short-term loans payable	¥-	¥-	\$-	-	-
Current portion of long-term loans payable	625	2,000	18,726	0.4	-
Current portion of lease obligations	187	187	1,751	-	-
Long-term loans payable (excluding current portion)	-	8,000	74,906	0.4	2019 – 2022
Lease obligations (excluding current portion)	2,330	2,143	20,068	-	2019 – 2032
Total	¥3,143	¥12,330	\$115,453	-	-

Notes: 1. The average interest rate represents a weighted-average interest rate applicable to the loans payable 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 loans payable due within 5 years as of February 20, 2018 is as follows:

Long-term loans payable (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥2,000	\$18,726
Over 2 years less than 3 years	2,000	18,726
Over 3 years less than 4 years	2,000	18,726
Over 4 years less than 5 years	2,000	18,726

4. Maturities of lease obligations, excluding the current portion, due within 5 years as of February 20, 2018 are as follows:

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥187	\$1,751
Over 2 years less than 3 years	187	1,751
Over 3 years less than 4 years	187	1,751
Over 4 years less than 5 years	187	1,751

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

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, 2018, 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, 2018, 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.



May 17, 2018
Tokyo, Japan