



Consolidated Financial Statements

For the year ended February 20, 2019

Nitori Holdings Co., Ltd.

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
ASSETS			
Current Assets:			
Cash and deposits (Notes 9 and 11)	¥63,339	¥102,345	\$924,117
Notes and accounts receivable—trade (Note 11)	22,458	24,818	224,095
Merchandise and finished goods	49,690	59,184	534,394
Work in process	56	153	1,389
Raw materials and supplies	2,985	3,570	32,237
Deferred tax assets (Note 16)	5,309	5,518	49,826
Other	20,191	20,969	189,344
Total current assets	164,031	216,561	1,955,406
Non-Current Assets:			
Property, plant and equipment:			
Buildings and structures, net (Notes 5 and 17)	107,258	115,868	1,046,214
Machinery, equipment and vehicles, net (Note 5)	4,273	3,689	33,309
Tools, furniture and fixtures, net (Note 5)	6,179	8,042	72,618
Land (Note 17)	167,153	171,342	1,547,113
Leased assets, net (Notes 5 and 10)	2,330	2,143	19,353
Construction in progress	4,120	955	8,631
Total property, plant and equipment	291,315	302,041	2,727,241
Intangible assets	13,887	18,857	170,270
Investments and other assets:			
Investment securities (Notes 5, 11 and 12)	26,472	26,103	235,697
Long-term loans receivable	804	778	7,029
Guarantee deposits (Notes 5 and 11)	14,813	14,268	128,838
Lease deposits (Note 11)	21,880	22,908	206,848
Deferred tax assets (Note 16)	5,447	6,386	57,670
Other	11,854	11,380	102,754
Allowance for doubtful accounts	(0)	(0)	(1)
Total investments and other assets	81,273	81,826	738,838
Total non-current assets	386,476	402,725	3,636,349
Total assets	¥550,507	¥619,286	\$5,591,755

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable—trade (Notes 5 and 11)	¥19,607	¥20,956	\$189,224
Short-term loans payable (Notes 11 and 21)	2,000	2,639	23,836
Lease obligations (Notes 10 and 21)	187	187	1,689
Accounts payable—other (Note 11)	18,323	23,752	214,468
Income taxes payable (Note 11)	17,399	19,472	175,824
Provision for bonuses	3,395	4,206	37,979
Provision for point card certificates	1,625	2,014	18,188
Provision for benefits to shareholders	290	343	3,097
Asset retirement obligations (Note 22)	4	—	—
Other (Note 5)	20,592	21,444	193,625
Total current liabilities	83,425	95,016	857,935
Non-Current Liabilities:			
Long-term loans payable (Notes 11 and 21)	8,000	6,028	54,437
Lease obligations (Notes 10 and 21)	2,143	1,956	17,664
Provision for directors' retirement benefits	228	228	2,067
Net defined benefit liability (Note 14)	2,713	3,202	28,917
Asset retirement obligations (Note 22)	4,950	5,365	48,443
Other (Note 5)	7,377	7,296	65,883
Total non-current liabilities	25,413	24,078	217,413
Total liabilities	108,839	119,094	1,075,348
Net Assets (Note 8):			
Shareholders' Equity:			
Common stock	13,370	13,370	120,729
Capital surplus	18,232	19,841	179,158
Retained earnings	415,108	472,755	4,268,671
Treasury stock	(8,640)	(7,727)	(69,774)
Total shareholders' equity	438,072	498,240	4,498,785
Accumulated Other Comprehensive Income:			
Unrealized holding gain (loss) on securities (Note 12)	796	947	8,555
Unrealized gain (loss) from hedging instruments (Note 13)	(704)	—	—
Foreign currency translation adjustment	3,105	901	8,141
Remeasurements of defined benefit plans	(279)	(367)	(3,321)
Total accumulated other comprehensive income	2,918	1,481	13,375
Subscription Rights to Shares	677	470	4,245
Total net assets	441,668	500,192	4,516,407
Total liabilities and net assets	¥550,507	¥619,286	\$5,591,755

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
Net Sales	¥572,060	¥608,131	\$5,491,027
Cost of Sales	257,281	276,709	2,498,506
Gross profit	314,778	331,421	2,992,521
Selling, General and Administrative Expenses (Notes 6 and 15)	221,400	230,642	2,082,551
Operating income	93,378	100,779	909,970
Non-Operating Income:			
Interest income	451	481	4,347
Dividends income	36	37	340
Foreign exchange gains	—	95	858
Vending machine income	249	246	2,228
Gain on sales of goods	356	390	3,528
Construction revenue from tenants	36	—	—
Share of profit of entities accounted for using equity method	37	511	4,621
Gain on forgiveness of debts	206	—	—
Other	459	797	7,200
	1,833	2,561	23,125
Non-Operating Expenses:			
Interest expenses	69	101	916
Foreign exchange losses	235	—	—
Other	47	185	1,672
	351	286	2,588
Ordinary income	94,860	103,053	930,507
Special Gains:			
Settlement received	—	31	287
Gain on sales of non-current assets (Note 6)	201	10	91
Penalty income	36	49	443
Gain on reversal of subscription rights to shares (Note 15)	49	11	101
Gain on sales of shares of subsidiaries and associates	3,842	—	—
	4,129	102	923
Special Losses:			
Loss on disaster	—	1,268	11,454
Loss on change in equity	256	368	3,328
Loss on sales and disposal of non-current assets (Note 6)	130	94	857
Penalty for the scrapping and building of outlets	46	255	2,303
Impairment loss (Note 6)	5,417	653	5,904
Special retirement expenses	354	—	—
Other	—	24	224
	6,206	2,665	24,071
Income before income taxes	92,783	100,490	907,359
Income Taxes (Note 16):			
Current	30,875	33,813	305,318
Deferred	(2,310)	(1,504)	(13,582)
	28,564	32,309	291,735
Net Income	64,219	68,180	615,623
Net Income Attributable to:			
Owners of parent	¥64,219	¥68,180	\$615,623

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
Net Income	¥64,219	¥68,180	\$615,623
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities	(87)	150	1,360
Unrealized gain (loss) from hedging instruments	(11,074)	704	6,360
Foreign currency translation adjustment	862	(2,204)	(19,903)
Remeasurements of defined benefit plans, net of tax	116	(88)	(797)
Total other comprehensive income (loss) (Note 7)	(10,182)	(1,437)	(12,979)
Comprehensive Income	¥54,037	¥66,742	\$602,644
Comprehensive Income Attributable to:			
Owners of parent	¥54,037	¥66,742	\$602,644

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Asset

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2019

	Shareholders' Equity					Accumulated Other Comprehensive Income							Millions of Yen	
	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	¥16,306	¥361,103	¥(10,188)	¥380,592	¥884	¥10,369	¥2,243	¥(396)	¥13,100	¥940	¥144	¥394,778	
Balance at February 21, 2017														
Changes in 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 in 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 21, 2018	¥13,370	¥18,232	¥415,108	¥(8,640)	¥438,072	¥796	¥(704)	¥3,105	¥(279)	¥2,918	¥677	¥—	¥441,668	
Changes in items during the year														
Dividends from surplus			(10,533)		(10,533)								(10,533)	
Net income attributable to owners of parent			68,180		68,180								68,180	
Purchase of treasury stock				(4)	(4)								(4)	
Disposal of treasury stock		1,608		917	2,526								2,526	
Net changes in items other than those in shareholders' equity						150	704	(2,204)	(88)	(1,437)	(206)	—	(1,644)	
Total changes in items during the year		1,608	57,646	912	60,168	150	704	(2,204)	(88)	(1,437)	(206)	—	58,524	
Balance at February 20, 2019	¥13,370	¥19,841	¥472,755	¥(7,727)	¥498,240	¥947	¥—	¥901	¥(367)	¥1,481	¥470	¥—	¥500,192	

	Shareholders' Equity					Accumulated Other Comprehensive Income							Thousands of U.S. Dollars (Note 2)	
	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	
	\$120,729	\$164,631	\$3,748,160	\$(78,015)	\$3,955,505	\$7,195	\$(6,360)	\$28,044	\$(2,524)	\$26,355	\$6,112	\$—	\$3,987,973	
Balance at February 21, 2018														
Changes in items during the year														
Dividends from surplus			(95,111)		(95,111)								(95,111)	
Net income attributable to owners of parent			615,623		615,623								615,623	
Purchase of treasury stock				(42)	(42)								(42)	
Disposal of treasury stock		14,526		8,283	22,810								22,810	
Net changes in items other than those in shareholders' equity						1,360	6,360	(19,903)	(797)	(12,979)	(1,867)	—	(14,846)	
Total changes in items during the year		14,526	520,511	8,241	543,280	1,360	6,360	(19,903)	(797)	(12,979)	(1,867)	—	528,433	
Balance at February 20, 2019	\$120,729	\$179,158	\$4,268,671	\$(69,774)	\$4,498,785	\$8,555	\$—	\$8,141	\$(3,321)	\$13,375	\$4,245	\$—	\$4,516,407	

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)
	2018	2019	2019
Cash Flows from Operating Activities:			
Income before income taxes	¥92,783	¥100,490	\$907,359
Depreciation and amortization	13,030	14,218	128,385
Impairment loss	5,417	653	5,904
Increase (decrease) in allowance for doubtful accounts	(19)	(0)	(0)
Increase (decrease) in provision for bonuses	(355)	836	7,551
Increase (decrease) in net defined benefit liability	202	400	3,617
Increase (decrease) in provision for point card certificates	324	390	3,528
Loss (gain) on sales of shares of subsidiaries and associates	(3,842)	—	—
Interest and dividends income	(487)	(519)	(4,687)
Interest expenses	69	101	916
Share of loss (profit) of entities accounted for using equity method	(37)	(511)	(4,621)
Penalty for the scrapping and building of outlets	46	255	2,303
Loss (gain) on sales and disposal of non-current assets	(70)	84	765
Loss (gain) on change in equity	256	368	3,328
Decrease (increase) in notes and accounts receivable—trade	(866)	(2,365)	(21,359)
Decrease (increase) in inventories	(3,743)	(10,014)	(90,426)
Increase (decrease) in trade payable	2,544	1,061	9,584
Increase (decrease) in accrued consumption taxes	(520)	509	4,597
Other, net	(4,835)	5,933	53,571
Subtotal	99,895	111,892	1,010,319
Interest and dividends income received	435	569	5,146
Interest expenses paid	(55)	(98)	(887)
Payment of penalty for the scrapping and building of outlets	(26)	(48)	(440)
Income taxes paid	(30,085)	(41,125)	(371,338)
Income taxes refunded	6,677	10,474	94,575
Net cash provided by operating activities	76,840	81,664	737,373
Cash Flows from Investing Activities:			
Purchase of time deposits	(6,320)	(1,694)	(15,298)
Proceeds from withdrawal of time deposits	8,372	1,679	15,167
Purchase of property, plant and equipment	(60,888)	(22,363)	(201,925)
Proceeds from sales of property, plant and equipment	292	239	2,162
Purchase of intangible assets	(3,084)	(5,788)	(52,264)
Purchase of short-term and long-term investment securities	(23,300)	(0)	(8)
Proceeds from sales of short-term and long-term investment securities	10	38	343
Proceeds from sales of shares of subsidiaries and associates	4,473	—	—
Payments for guarantee deposits	(655)	(1,590)	(14,357)
Proceeds from collection of guarantee deposits	202	97	884
Purchase of shares of subsidiaries and associates	—	(192)	(1,735)
Payments for lease deposits	(1,696)	(1,134)	(10,241)
Proceeds from collection of lease deposits	280	202	1,830
Proceeds from guarantee deposits received	—	145	1,309
Proceeds from lease deposits received	193	203	1,834
Repayments of lease deposits received	(138)	(33)	(302)
Purchase of long-term prepaid expenses	(361)	(122)	(1,105)
Payments of loans receivable	(170)	(132)	(1,192)
Proceeds from collection of loans receivable	38	35	322
Other payments	(11)	(15)	(137)
Other proceeds	13	—	—
Net cash used in investing activities	(82,751)	(30,424)	(274,714)

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)
	2018	2019	2019
Cash Flows from Financing Activities:			
Increase in short-term loans payable	—	287	2,594
Repayment of long-term loans payable	(625)	(2,003)	(18,088)
Proceeds from long-term loans payable	10,000	—	—
Repayments of lease obligations	(187)	(187)	(1,689)
Purchase of treasury stock	(3)	(4)	(42)
Cash dividends paid	(10,272)	(10,527)	(95,054)
Proceeds from exercise of stock options	1,822	1,094	9,883
Other payments	(77)	—	—
Net cash provided by (used in) financing activities	655	(11,340)	(102,396)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	143	(768)	(6,941)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,111)	39,130	353,321
Cash and Cash Equivalents at the Beginning of the Year	66,035	60,923	550,097
Cash and Cash Equivalents at the End of the Year (Note 9)	¥60,923	¥100,053	\$903,419

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2019

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 ¥110.75 = U.S.\$1, the exchange rate prevailing on February 20, 2019. 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, 2019, the Company had 24 consolidated subsidiaries (23 consolidated subsidiaries as of February 20, 2018).

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 11 other subsidiaries

A subsidiary acquired and a subsidiary incorporated during the year ended February 20, 2019 were newly included in the scope of consolidation. Furthermore, the Company passed a resolution at its board of directors meeting held on August 30, 2017 to liquidate P.T. NITORI FURNITURE INDONESIA, which is a consolidated subsidiary of the Company, and said company is currently in the process of liquidation.

Deco Home Co., Ltd. was excluded from the scope of consolidation as it was absorbed into the Company on August 21, 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, 2019, the Company had one associate accounted for using the equity method (one as of February 20, 2018).

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

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

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

3) Financial statements of consolidated subsidiaries

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

NITORI Furniture Co., Ltd. December 20, 2018
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 8 other subsidiaries December 31, 2018
HOME DECO Co., Ltd. January 31, 2019

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 member card at the time of purchase. Provision for point card certificates is recorded at the amount expected to be used by customers in the future.

10) Provision for benefits to shareholders

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

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 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 changes 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

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

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

(1) Overview

The treatment of taxable temporary differences associated with shares of subsidiaries, etc. in the non-consolidated financial statements has been amended, and the treatment of the recoverability of deferred tax assets of companies that qualify as Category 1 has been clarified.

(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.

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

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

(1) Overview

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

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

(2) Scheduled date of adoption

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

(3) Impact of adopting the standard and implementation guidance

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

Consolidated overseas subsidiaries

The following are the main new or amended accounting standards that were issued on or before February 20, 2019 and that the Company's consolidated overseas subsidiaries have not adopted. The Company is currently evaluating the impact of adopting the standards on its consolidated financial statements.

Accounting standard, etc.	Overview	Scheduled date of adoption
"Leases" (International Financial Reporting Standard 16)	Amendments to lease accounting	Expects to adopt the amendments from the fiscal year ending December 31, 2019
"Leases" (Financial Accounting Standards Board, Accounting Standards Update No. 2016-02)	Amendments to lease accounting	Expects to adopt the amendments from the fiscal year ending December 31, 2020

19) Change in presentation

Consolidated balance sheet

"Deferred tax liabilities," which were set down separately under "non-current liabilities" in the previous fiscal year, have been included in "other" in the current fiscal year since the significance of the amount has decreased. To reflect this change in presentation, the amount in the consolidated balance sheet as of February 20, 2018 has been reclassified.

As a result, ¥4 million of "deferred tax liabilities" under "non-current liabilities" in the consolidated balance sheet as of February 20, 2018 has been reclassified to "other."

20) Additional information

Transactions of delivering the Company's own stock to employees through trusts

(1) Transaction overview

The Company introduced a "Stock Benefit Trust (J-ESOP)" plan (the "Plan") on December 20, 2011 in order to have the same awareness of its stock value that its shareholders have and to motivate employees of Nitori Co., Ltd. and boost their morale to increase and improve the Company's share value and performance. As part of the Plan, points are granted to employees of Nitori Co., Ltd. and the Company's own stock are granted based on the points granted in accordance with the Stock Benefit Regulations, which were established by Nitori Co., Ltd. in advance.

(2) Accounting treatments for transactions of delivering the Company's own stock through trusts

The Company has continued to use a method, which it previously adopted, in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

(3) Matters on the Company's own stock held by trusts

The Company's own stock remaining in the trust is recorded as treasury stock in the net assets section at its carrying value in the trust (excluding the amount of associated expenses). The carrying value and the number of such treasury stock as of February 20, 2019 are ¥1,358 million (\$12,266 thousand) and 96,690 shares, respectively.

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
	2018	2019	2019
Accumulated depreciation	¥102,072	¥114,602	\$1,034,785

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
	2018	2019	2019
Pledged assets:			
Buildings and structures	¥1,933	¥1,808	\$16,330
Guarantee deposits	50	36	328
Total	¥1,983	¥1,844	\$16,658
Corresponding liabilities:			
Notes and accounts payable—trade	¥58	¥45	\$409
Other (current liabilities)	117	112	1,015
Other (non-current liabilities)	1,954	1,837	16,589
Total	¥2,130	¥1,995	\$18,014

3) Investment securities

Investments in associates are as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Investment securities	¥23,080	¥22,529	\$203,427

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
	2018	2019	2019
Customer delivery expenses	¥26,448	¥26,257	\$237,086
Advertising expenses	16,726	16,658	150,418
Salaries, allowances and bonuses	61,381	65,308	589,696
Provision for bonuses	2,850	3,652	32,983
Retirement benefit expenses	1,250	1,393	12,580
Rent expenses	33,561	36,563	330,142
Depreciation and amortization	11,357	12,311	111,168
Outsourcing expenses	14,021	16,532	149,274

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
	2018	2019	2019
Buildings and structures	¥0	¥2	\$23
Machinery, equipment and vehicles	169	4	37
Tools, furniture and fixtures	1	0	0
Other (property, plant and equipment)	29	3	31
Total	¥201	¥10	\$91

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
	2018	2019	2019
Loss on disposal:			
Buildings and structures	¥77	¥55	\$498
Machinery, equipment and vehicles	2	14	126
Tools, furniture and fixtures	13	4	40
Other (property, plant and equipment)	21	–	–
Other (intangible assets)	8	13	119
Loss on sales:			
Machinery, equipment and vehicles	–	1	15
Tools, furniture and fixtures	1	6	55
Other (intangible assets)	4	–	–
Total	¥130	¥94	\$857

4) Impairment loss

For the year ended February 20, 2018

Location	Use	Class	Millions of Yen
Ota-ku, Tokyo and other	Store	Buildings and structures, land, and leaseholds	¥4,500
People's Republic of China	Store	Buildings and structures, and other	460
Republic of Indonesia	Plant facility	Buildings and structures, and other	432
Republic of China	Store	Buildings and structures, and other	19
The United States of America	Store	Tools, furniture and fixtures	2

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.

For the year ended February 20, 2019

Location	Use	Class	Millions of Yen	Thousands of U.S. Dollars
Japan	Store	Buildings and structures, and other	¥243	\$2,196
People's Republic of China	Store	Buildings and structures, and other	410	3,705

The Group's assets are grouped according to the type of business. Impairment loss was recognized for some stores, taking into account decisions on their closure or their decreased profitability.

When the recoverable amount was measured at the net selling price, it was computed based on the real estate appraisal value, assessed value for fixed asset tax, and other value. When the recoverable amount was measured at the value in use, the Group assumed that the value in use was zero.

7. Notes to Consolidated Statement of Comprehensive Income

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Unrealized holding gain (loss) on securities			
Amounts arising during the year	¥(136)	¥273	\$2,469
Reclassification adjustments	–	(53)	(483)
Amount before income tax effect	(136)	219	1,985
Income tax effect	49	(69)	(625)
Subtotal	(87)	150	1,360
Unrealized gain (loss) from hedging instruments			
Amounts arising during the year	(16,017)	1,018	9,199
Amount before income tax effect	(16,017)	1,018	9,199
Income tax effect	4,942	(314)	(2,838)
Subtotal	(11,074)	704	6,360
Foreign currency translation adjustment			
Amounts arising during the year	862	(2,204)	(19,903)
Subtotal	862	(2,204)	(19,903)
Remeasurements of defined benefit plans, net of tax			
Amounts arising during the year	7	(183)	(1,658)
Reclassification adjustments	114	56	511
Amount before income tax effect	122	(127)	(1,146)
Income tax effect	(5)	38	349
Subtotal	116	(88)	(797)
Total other comprehensive income (loss)	¥(10,182)	¥(1,437)	\$(12,979)

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,
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).

For the year ended February 20,
2019

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	2,485	0	263	2,221

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 263 thousand shares in treasury stock consists of a decrease of 67 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)," which was introduced by the resolution at the board of directors meeting held on December 20, 2011, and a decrease of 196 thousand shares due to the exercise of stock options.
3. The treasury stock balance at the fiscal year-end includes 96 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
	2018	2019	2019
Subscription rights to shares as stock options	¥677	¥470	\$4,245

3) Dividends

(1) Dividends paid to shareholders

For the year ended February 20, 2018

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, 2017 (Note 1)	Common stock	¥5,252	¥47	February 20, 2017	April 21, 2017
Board of directors meeting held on September 27, 2017 (Note 2)	Common stock	5,039	45	August 20, 2017	October 24, 2017

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

For the year ended February 20, 2019

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 27, 2018 (Note 1)	Common stock	¥5,269	\$47,581	¥47	\$0.42	February 20, 2018	April 26, 2018
Board of directors meeting held on September 26, 2018 (Note 2)	Common stock	5,276	47,640	47	0.42	August 20, 2018	October 23, 2018

Notes: 1. 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. The total amount of dividends includes dividends of ¥4 million (\$41 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, 2018

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 27, 2018	Common stock	Retained earnings	¥5,269	¥47	February 20, 2018	April 26, 2018

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

For the year ended February 20, 2019

Resolution at	Class of shares	Paid from	Total amount of dividends (Millions of Yen)	Total amount of dividends (Thousands of U.S. Dollars)	Amount of dividends per share (Yen)	Amount of dividends per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 8, 2019	Common stock	Retained earnings	¥5,615	\$50,708	¥50	\$0.45	February 20, 2019	April 25, 2019

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

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
	2018	2019	2019
Cash and deposits	¥63,339	¥102,345	\$924,117
Time deposits with maturities exceeding 3 months	(2,416)	(2,292)	(20,697)
Cash and cash equivalents	¥60,923	¥100,053	\$903,419

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
	2018	2019	2019
Due within one year	¥5,659	¥7,239	\$65,371
Due after one year	33,877	38,383	346,574
Total	¥39,536	¥45,623	\$411,946

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
	2018	2019	2019
Due within one year	¥1,159	¥1,104	\$9,971
Due after one year	9,315	8,541	77,126
Total	¥10,475	¥9,646	\$87,098

11. Financial Instruments

1) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments, related risks, and risk management

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

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

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

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

Long-term loans payable are for long-term working capital.

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

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

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

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

2) Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet as of February 20, 2018 and 2019 and estimated fair values are shown below. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (please refer to Note 2 below).

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

As of February 20, 2019	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	\$924,117	\$924,117	\$-
(2) Notes and accounts receivable—trade	224,095	224,095	-
(3) Investment securities:			
Available-for-sale securities	29,707	29,707	-
Shares of associates	203,427	445,608	242,181
(4) Guarantee deposits	128,838	138,492	9,653
(5) Lease deposits	206,848	204,474	(2,374)
Liabilities:			
(1) Notes and accounts payable—trade	\$189,224	\$189,224	\$-
(2) Accounts payable—other	214,468	214,468	-
(3) Income taxes payable	175,824	175,824	-
(4) Long-term loans payable, including current portion of long-term loans payable	72,496	72,611	115

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

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

Assets:

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

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

(3) Investment securities

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

(4) Guarantee deposits

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

(5) Lease deposits

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

Liabilities:

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

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

(4) Long-term 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
As of February 20	2018	2019	2019
Unlisted stocks	¥300	¥283	\$2,562

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

3. Redemption schedule for financial assets with maturities

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

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

	Thousands of U.S. Dollars		
As of February 20, 2019	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	\$924,117	\$-	\$-
Notes and accounts receivable—trade	224,095	-	-
Total	\$1,148,212	\$-	\$-

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

4. Repayment schedule for long-term loans payable

	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	¥-

Millions of Yen						
As of February 20, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	¥2,000	¥2,026	¥2,002	¥2,000	¥-	¥-
Total	¥2,000	¥2,026	¥2,002	¥2,000	¥-	¥-

Thousands of U.S. Dollars						
As of February 20, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	\$18,058	\$18,301	\$18,077	\$18,058	\$-	\$-
Total	\$18,058	\$18,301	\$18,077	\$18,058	\$-	\$-

12. Securities

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

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

Note: Unlisted stocks (¥300 million in the consolidated balance sheet) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

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

As of February 20, 2019	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	\$14,964	\$2,295	\$12,668
Securities whose acquisition costs exceed their carrying values:			
Stocks	14,742	15,150	(408)
Total	\$29,707	\$17,446	\$12,260

Note: Unlisted stocks (¥283 million (\$2,562 thousand) in the consolidated balance sheet) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

2) Sales of available-for-sale securities

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

For the year ended February 20, 2019	Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	\$827	\$483	\$-
Total	\$827	\$483	\$-

3) Impairment of available-for-sale securities

The Group did not recognize any impairment loss for available-for-sale securities for the years ended February 20, 2018 and 2019.

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

13. Derivatives

1) Derivative transactions to which hedge accounting is not applied

As of February 20, 2018

Not applicable.

As of February 20, 2019

Not applicable.

2) Derivative transactions to which hedge accounting is applied

Currency-related transactions

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				
	Buying U.S. dollars	Accounts payable—trade	¥54,487	¥-	¥(1,018)

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

As of February 20, 2019

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
	2018	2019	2019
Balance at beginning of year	¥5,570	¥6,012	\$54,292
Balance at beginning of year (as restated)	5,570	6,012	54,292
Service cost	822	977	8,830
Interest cost	26	27	249
Actuarial loss (gain)	110	112	1,018
Benefits paid	(517)	(369)	(3,333)
Balance at end of year	¥6,012	¥6,762	\$61,057

Note: The table above 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
	2018	2019	2019
Balance at beginning of year	¥2,936	¥3,299	\$29,788
Expected return on plan assets	58	65	595
Actuarial gain (loss)	91	(70)	(639)
Employer contributions	313	421	3,806
Benefits paid	(100)	(156)	(1,411)
Plan assets at fair value at end of year	¥3,299	¥3,559	\$32,140

(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
	2018	2019	2019
Projected benefit obligations (funded plans)	¥3,277	¥3,650	\$32,960
Plan assets at fair value	(3,299)	(3,559)	(32,140)
	(21)	90	819
Projected benefit obligations (unfunded plans)	2,735	3,111	28,097
Net defined benefit liability in the consolidated balance sheet	2,713	3,202	28,917
Defined benefit liability	2,713	3,202	28,917
Net defined benefit liability in the consolidated balance sheet	¥2,713	¥3,202	\$28,917

Note: The table above 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
	2018	2019	2019
Service cost	¥822	¥977	\$8,830
Interest cost	26	27	249
Expected return on plan assets	(58)	(65)	(595)
Amortization and expenses:			
Actuarial loss	149	91	829
Prior service cost	(35)	(35)	(317)
Retirement benefit expenses on defined benefit plan	¥904	¥996	\$8,994
Special retirement expenses	¥354	¥-	\$-

Notes: 1. The table above 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
	2018	2019	2019
Prior service cost	¥(35)	¥(35)	\$(317)
Actuarial gain (loss)	157	(91)	(828)
Total	¥122	¥(127)	\$(1,146)

(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
	2018	2019	2019
Unrecognized prior service cost	¥109	¥74	\$669
Unrecognized actuarial loss	(512)	(604)	(5,456)
Total	¥(403)	¥(530)	\$(4,787)

(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)	
	2018	2019
Life insurance company general accounts	44 %	45 %
Bonds	30	29
Stocks	25	24
Other	1	2
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	2018	2019
Discount rate	Primarily 0.5 %	Primarily 0.3 %
Expected long-term rate of return on plan assets	2.0	2.0
Expected rate of salary increase	Primarily 4.6	Primarily 4.7

3) Defined contribution plan

Contributions made to the defined contribution plan for the years ended February 20, 2018 and 2019 were ¥368 million and ¥397 million (\$3,585 thousand), respectively.

15. Stock Options

For the years ended February 20, 2018 and 2019, the Group recognized expenses regarding stock options of ¥105 million and nil, respectively, which are included in selling, general and administrative expenses.

For the years ended February 20, 2018 and 2019, the Group recognized gains due to forfeited stock options of ¥49 million and ¥11 million (\$101 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, 2019

	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	

2) Summary of stock option activity during the year ended February 20, 2019

	The Sixth Subscription Rights to Shares	The Seventh 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	20,300	658,900
Vested	-	-
Exercised	6,600	189,600
Forfeited	1,200	10,000
At the end of the year	12,500	459,300

The unit price information is as follows:

The Sixth Subscription Rights to Shares

	Yen	U.S. Dollars
Exercise price	¥5,650	\$51.01
Average stock price at exercise	16,553	149.46
Fair value per stock on grant date	1,022	9.22

The Seventh Subscription Rights to Shares

	Yen	U.S. Dollars
Exercise price	¥5,540	\$50.02
Average stock price at exercise	16,553	149.46
Fair value per stock on grant date	996	8.99

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
	2018	2019	2019
Deferred tax assets:			
Accrued enterprise tax and business office taxes	¥1,243	¥1,376	\$12,424
Accrued real estate acquisition tax	50	54	491
Provision for bonuses	855	1,094	9,884
Provision for point card certificates	512	611	5,518
Unrealized gain on sales of inventories	178	265	2,401
Unrealized loss from hedging instruments	314	—	—
Net defined benefit liability	830	979	8,846
Depreciation and amortization	3,843	4,612	41,652
Provision for directors' retirement benefits	70	70	632
Allowance for doubtful accounts	25	3	31
Impairment loss and penalty for the scrapping and building of outlets	1,375	1,371	12,384
Asset retirement obligations	1,629	1,741	15,722
Other	5,399	6,433	58,092
Subtotal	16,328	18,615	168,083
Less: valuation allowance	(2,611)	(3,860)	(34,855)
Total deferred tax assets	13,717	14,754	133,227
Deferred tax liabilities:			
Unrealized holding gain on securities	341	410	3,704
Construction assistance fund receivables	860	926	8,365
Asset retirement cost related to asset retirement obligations	885	853	7,704
Retained earnings of subsidiaries	678	653	5,904
Other	199	5	51
Total deferred tax liabilities	2,964	2,849	25,730
Net deferred tax assets	¥10,752	¥11,905	\$107,496

Deferred tax assets and liabilities as of February 20, 2018 and 2019 are reflected in the following accounts in the consolidated balance sheet:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Current assets—Deferred tax assets	¥5,309	¥5,518	\$49,826
Investments and other assets—Deferred tax assets	5,447	6,386	57,670
Non-current liabilities—Other	4	0	0

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

The details for the years ended February 20, 2018 and 2019 are omitted as differences between the effective statutory tax rate and the actual effective tax rate are 5% or less of the effective statutory tax rate.

17. Investment and Rental Properties

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

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

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Rental properties:			
Carrying value			
Balance at beginning of year	¥22,367	¥37,580	\$339,329
Increase (decrease)	15,212	1,647	14,879
Balance at end of year	37,580	39,228	354,209
Fair value at end of year	¥37,141	¥38,866	\$350,941
Real estate including spaces used as rental properties:			
Carrying value			
Balance at beginning of year	¥42,080	¥40,989	\$370,110
Increase (decrease)	(1,090)	(1,216)	(10,986)
Balance at end of year	40,989	39,773	359,124
Fair value at end of year	¥46,792	¥45,609	\$411,828

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

2. 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 and Joto-ku, Osaka City of ¥7,891 million. The increase in rental properties during the year ended February 20, 2019 was primarily due to the acquisition of a property in Shime Town, Fukuoka Prefecture of ¥1,545 million (\$13,955 thousand).

3. 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. The decrease in real estate including spaces used as rental properties during the year ended February 20, 2019 was primarily due to a decrease in the carrying amount attributable to depreciation of ¥1,001 million (\$9,041 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
	2018	2019	2019
Rental properties:			
Rent income	¥953	¥1,012	\$9,144
Rent expenses	395	385	3,482
Difference	557	627	5,662
Real estate including spaces used as rental properties:			
Rent income	¥6,028	¥6,232	\$56,271
Rent expenses	3,179	3,253	29,375
Difference	2,848	2,978	26,895

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, 2018	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	¥558,906	¥13,153	¥572,060

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

	Thousands of U.S. Dollars		
For the year ended February 20, 2019	Sales of home furnishings and interior goods	Other	Total
Net sales to external customers	\$5,372,897	\$118,130	\$5,491,027

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

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

2. This 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. This 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.

For the year ended February 20, 2019								Transaction amount			Year-end balance	
Category	Name	Address	Capital stock or contribution	Occupation	% of voting rights		Business relationship	Details of transaction	Transaction amount		Year-end balance	
					Held (held by others)				Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen
Officer	Masanori Ikeda	-	-	Director of the Company	(held by others) Direct 0.04	-	Exercise of stock options (Note 2)	¥11	\$107	-	¥-	\$-
Close relative of officer	Mitsuko Nitori	-	-	Mother of representative director, Akio Nitori	(held by others) Direct 0.01	Building lease	Building lease (Note 3)	16	146	Lease deposits	28	258

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

2. This 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, 2019.

3. 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
	2018	2019	2019
Net assets per share of common stock	¥3,938.89	¥4,452.99	\$40.21
Basic net income per share of common stock	574.49	608.05	5.49
Diluted net income per share of common stock	571.63	606.03	5.47

Notes: 1. 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.

2. The following are used to calculate the (1) basic net income per share of common stock and (2) 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
	2018	2019	2019
Net income attributable to owners of parent	¥64,219	¥68,180	\$615,623
Net income not attributable to common stock shareholders	—	—	—
Net income attributable to owners of parent related to common stock	64,219	68,180	615,623
Average number of shares (Thousand shares)	111,785	112,128	

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
	2018	2019	2019
Adjustment attributable to owners of parent	¥—	¥—	\$—
Increase in the number of shares of common stock corresponding to subscription rights to shares (Thousand shares)	557	374	

21. Short-term and Long-term Loans Payable

Item	Balance at	Balance at		Average interest rate (%)	Repayment term
	February 21, 2018	February 20, 2019	Thousands of U.S. Dollars		
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars		
Short-term loans payable	¥-	¥639	\$5,777	3.9	-
Current portion of long-term loans payable	2,000	2,000	18,058	0.4	-
Current portion of lease obligations	187	187	1,689	-	-
Long-term loans payable (excluding current portion)	8,000	6,028	54,437	0.4	2020 – 2022
Lease obligations (excluding current portion)	2,143	1,956	17,664	-	2020 – 2032
Total	¥12,330	¥10,812	\$97,627	-	-

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, 2019 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	¥2,026	\$18,301
Over 2 years less than 3 years	2,002	18,077
Over 3 years less than 4 years	2,000	18,058
Over 4 years less than 5 years	-	-

4. Maturities of lease obligations, excluding the current portion, due within 5 years as of February 20, 2019 are as follows:

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥187	\$1,689
Over 2 years less than 3 years	187	1,689
Over 3 years less than 4 years	187	1,689
Over 4 years less than 5 years	187	1,689

22. Asset Retirement Obligations

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

23. Subsequent Event

Not applicable.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Nitori Holdings Co., Ltd. and its consolidated subsidiaries as of February 20, 2019, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nitori Holdings Co., Ltd. and its consolidated subsidiaries as of February 20, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

The consolidated financial statements of Nitori Holdings Co., Ltd. and its consolidated subsidiaries for the year ended February 20, 2018, were audited by other auditors whose report, dated May 17, 2018, expressed an unqualified opinion on those statements.

Convenience Translation

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



May 16, 2019

Member of
Deloitte Touche Tohmatsu Limited