



DREAM & VISION



NITORI HOLDINGS ANNUAL REPORT 2017

The Secret Behind
“Offering the Unexpected”

www.nitorihd.co.jp



Nitori Holdings Co., Ltd.

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To provide the foundation of prosperous home living to the global community.

Here at NITORI, our mission statement is “to provide the foundation of prosperous home living to the global community.” This dream is shared by each and every person in our Group as the cornerstone of how we conduct ourselves as a company.

We are also committed to harnessing the capabilities of our entire Group, and we make every effort to achieve our long-term vision statement as one of the guidelines for our corporate activities.

By building on our mission statement and fulfilling our vision, our aim is to share comfort and luxury with our customers and all of NITORI’s stakeholders in a variety of different ways.

DREAM



2017 Full-scale Launch of Global Retail Chain Development.

Achieving our Mission Statement on the World Stage

Vision
2032

Net sales **¥3 trillion**

Total Stores **3,000**

NITORI is committed to human resource development, store creation, product development, and system establishment to fulfill our dream to provide prosperous home living that is influenced by the West to Japan as well.

Since 2007, NITORI has expanded our stage to the world, and by utilizing our foundation that we have established over the years, we have been taking on challenges and continuously evolving to achieve our vision of opening 3,000 stores around the world by 2032.

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[Editing Policy]

We published our "Annual Report 2017" that showcases NITORI Group's activities to various stakeholders including shareholders and investors. Our mission is "to provide the foundation of prosperous home living to the global community," and this Annual Report aims to report our business activities to realize this mission in an easy-to-understand format and promote communication with society. This Annual Report also introduces the NITORI Group's mid-to-long term policy / strategies and business models. It also features our key businesses and CSR activities.

[Target Scope]

We set as many domestic and foreign NITORI Group companies subject to consolidated financial statements as possible as the target of our reporting. However, depending on the item, the reporting target may differ.

[Target Period]

February 21, 2016 to February 20, 2017 activity includes recent content as well.

[Disclaimer Regarding Forward-Looking Statements]

This report contains future plans, strategies and forecasts, and forward-looking statements regarding the business performance of Nitori Holdings and affiliated companies. These statements are not historical facts. These forward-looking statements are based on the current assumptions and beliefs of Nitori Holdings in light of currently available information. In addition, these statements contain risks and uncertainties related to economic trends, personal consumption, market demand and supply, taxation systems, and other systems. Therefore, please note that the actual business performance of Nitori Holdings and our Group companies may differ from our forecasts.



To provide the foundation of prosperous home living to the global community.

Under this "Dream," all employees shall continue to be united in fulfilling our "Vision."

Akio Nitori

Representative Director & Chairperson
(Chief Executive Officer)
Nitori Holdings Co., Ltd.

Q : NITORI successfully increased its income and profits for 30 consecutive years in FY2016. Please tell us how NITORI was able to continue to grow this far.

Although our path to this growth was far from being smooth and clear sailing, we still managed to expand our business with the support of many people.

NITORI's foundation dates back to 1967 when we opened our first store in Sapporo. Furthermore, in 1972 when we had only 2 stores, we set the "First 30-year Plan" to open 100 stores and achieve ¥100 billion in sales by 2002, and we have committed ourselves to achieve this vision. Since sales were less than ¥3 billion when this plan was first created, we truly believed we had developed a tremendous plan, and we were able to achieve this vision in 2003 which was only one year later than originally planned.

In addition, we have been working hard to achieve the next great vision of 3,000 stores and ¥3 trillion in sales under the second 30-year plan by 2032. In 2012, we had 300 stores and achieved ¥300 billion in sales, and in FY2016, we had 471 stores and achieved ¥512.9 billion in sales.

Now, looking back I recall we faced a wide variety of difficulties that we survived since foundation. Our path to this growth was far from smooth and clear sailing. I sincerely believe NITORI has grown this far thanks to every single one of our stakeholders such as customers who purchase our products, shareholders, investors and financial institutions that support us in the financial aspect, people in the communities including land owners who provide the land for our stores, and last but not least, our employees who share the dream "to provide the foundation of prosperous home living to the global community" and who continue to work hard to realize the dream. This is our first annual report as NITORI, and I would like to take advantage of this opportunity to express our appreciation to everyone.

Q : What do you think are the strengths of NITORI?

I truly believe that our product power that supports "Offering the Unexpected" and personnel who commit themselves to fulfilling our vision are our great strengths that allow us to receive support from everyone including our customers.

Recently, we were able to successfully increase our income and profit for 30 consecutive years, and I think these two strengths enabled us to achieve such results. Now, if I may talk about product power, for products, NITORI focuses on the following 3 key elements of affordability, quality and performance, and coordination. In 2004, which is the year following our 100th store opening and ¥100 billion in sales, NITORI launched TV commercials featuring the slogan, "Offering the Unexpected" NITORI. Later, the image that NITORI's products are affordable and high quality became well known. This "Offering the Unexpected" is supported by our own distinctive "Manufacturing, Logistics, and Retail Sales" business model where we conduct everything from product planning and raw material procurement to manufacturing, logistics, and sales on our own. Since this structure enables us to deliver products to customers directly after manufacturing without going through wholesalers or trading companies, we can offer products to customers at affordable prices. In addition, approximately 90% of the products developed by NITORI are manufactured overseas where manufacturing costs are inexpensive and from where we import products. In 1985, joint intervention in the currency market was carried out according to the Plaza Accord, and the Japanese yen, which was once roughly ¥250 against the U.S. dollar, significantly appreciated to around ¥120. NITORI took advantage of this occasion to promote production consignment in Taiwan, Korea, China, Indonesia, Malaysia, and Thailand, etc. In addition, Nitori Furniture, which is our manufacturing section, established a plant in Indonesia in 1994, and since 2004, the Hanoi plant in Vietnam has also been operating. The Ho Chi Minh City plant of Vietnam is also scheduled to launch this year. As you can see, manufacturing in our plants has also been enhanced.

Furthermore, business expansion and an increase in the number of stores are also accelerating the realization of "Offering the Unexpected". Our store numbers increased from 10 to 30, and in 2003, the number reached 100, and we acquired buying power which enabled us to place orders with our specifications. In 2009, the 100 stores increased to 200 stores, and as a result, our buying power doubled. If we were to compete against others solely with prices, we would be allowing our competitors to catch up with us sooner or later. However, NITORI also focuses on "quality and performance" and "coordination". For quality and performance, a significant improvement was made with quality inspections according to stricter standards under the management of Special Technology Advisor Kiyoshi Sugiyama who NITORI invited from Honda in 2004. NITORI will establish a unique NITORI brand that cannot be imitated by others by further enhancing "coordination" which means offering a full range of products that are linked by style and color to support each usage scenario.

Another one of NITORI's strengths is our human resources. We have employees who along with me commit their whole careers to achieve the dream "to provide the foundation of prosperous home living to the global community." Toshiyuki Shirai, Representative Director and COO, who joined the company in 1979, which was the 4th year since NITORI began hiring new university graduates is, is one such employee. Every single employee shares this dream and has been working hard each and every day to achieve the 30-year vision that we have created based on the dream. To enable NITORI to continue to grow 50 or even 100 years into the future, we need to establish an organization that manages the company along with our company philosophy. From

this long-term perspective, we will continue to place the highest priority on investing in "people." In NITORI, since 1981, we take young employees with several years of work experience in NITORI to the United States for training every year. Recently, the number of training participants reached 1,000 employees. The United States is a market that greatly inspired me during my first visit when I was 27, and it was that visit that caused me to embark on management with the dream of providing the foundation of prosperous home living to the Japanese people. I believe it is very important to see and feel the U.S. market on your own when you are young.

Our two strengths of product power and human resources are life lines for NITORI. We will continue to invest in these strengths to grow NITORI further in the long-term perspective.



Chairman Interview

Q : "As the second 30-year vision," NITORI set 3,000 stores and ¥3 trillion in sales by 2032. Please tell us your thoughts on how specifically NITORI will achieve this vision.

We will accelerate store openings overseas. In particular, the Chinese market.

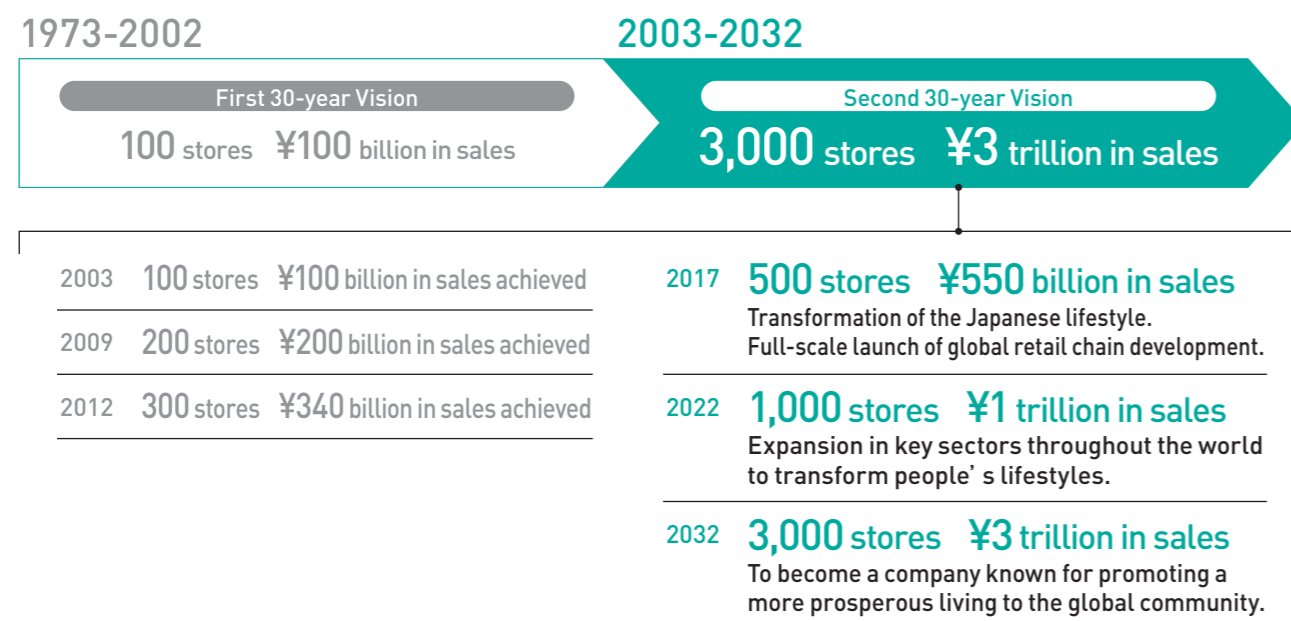
I always set a magnificent figure in the "vision" which seems a dream from the current level when the vision is set. Of the 30 years until 2032, 300 stores and ¥300 billion in sales for the first 10 years were set as targets which is triple the situation when the vision was set. In fact, in 2009, the number of stores exceeded 200, and in 2012, our 300 stores successfully achieved this target. In addition, by 2022 which is only 10 years from 2012, we are aiming for 1,000 stores and ¥1 trillion in sales which we hope will lead to 3,000 stores and achieving ¥3 trillion in sales by 2032.

The Japanese furniture market is said to be worth ¥3 trillion. Therefore, to achieve the ¥3 trillion "vision", of course, overseas market deployment will be the key. For overseas stores, we added 3 stores in Taiwan and 3 stores in China in FY2016, and as a result, we now have 27 stores

in Taiwan, 11 stores in China, and 5 stores in the U.S. as of the end of FY2016. Among these markets, we will prioritize increasing our store openings in China. Needless to say, China has 1.4 billion people, and the income level, which is an important perspective when thinking about the consumption of furniture, is reaching the ¥1 million/year level on average in China. In 2017, we will open 10 stores, and we are targeting 100 stores in 2022. In 2032, we would like to aim for 1,000 stores in the Chinese market.

In addition, the Japanese market still has room to develop. 500 stores is our target for the Japanese market so that one can find NITORI even in small cities with 100,000 people or less. We are also aiming for the number of visitors to top the number for the previous year every year. We will pursue further growth with these targets first.

Long-term Vision



Q : What do you think your challenges are to achieve the second 30-year vision?

Urgent challenges are the securing of human resources that drive rapid growth and investment in logistics centers.

The greatest task to realize rapid expansion in the number of stores and sales is the acquisition of human resources. When the number of stores increases from 1 to 3 stores, from 10 to 30 stores, from 100 to 300 stores, and 1,000 stores, it means the business scale has tripled, and the key is whether or not the business can make a breakthrough. In addition, the quality of human resources that you need differs depending on the business scale. Of course, we need to change the management method itself. "Improvement" is not enough, and new innovative methods such as "reform" are necessary.

If you look at our past growth, you will see that we have changed our flagship operations according to the speed of our growth. During our founding, our sales were mainly from furniture. Later, we enhanced our product portfolio in the new home furnishing field including curtains and bedding accessories. Furthermore, we expanded business areas by launching a series of new businesses such as the online shopping business, renovation business, corporate sales business, NITORI MALL business, logistics, and DECOHOME business for small trade areas. This is also applied to our

plants. Key production items in our plants have completely changed from drawers, shelves, and cabinets to sofas and beds. And, now, in the next 10 years or so, we will pursue further business expansion by using overseas markets as flagship operations. We will reinforce our management class employees who drive this rapid growth as quickly as our business growth by scouting talented personnel from outside of the group as one measure, and we will thoroughly train our employees in the NITORI Way. We will also send human resources that we educated in Japan to overseas markets.

Moreover, we will carry out investment to further expand our logistic centers according to the increase of our sales scale. We are also planning to increase medium-sized logistics centers which are about 1,600 m² to 3,300 m² in size in addition to large scale logistics centers. We will also upgrade our distribution centers in response to our rapidly growing online shopping business.

For stores, we will further enhance "coordination." For me, the current completion level is at the 30% level. Currently, 20% or so of the entire sales floor of stores is used for presenting "coordination." I would like to raise that figure to 50% or so in the future.

Q : Last but not least, do you have any message for your stakeholders?

I would like our stakeholders to keep their eyes on the continuously changing NITORI.

Among our basic needs, namely food, shelter, and clothing, NITORI focuses on home living and offers lifestyle suggestions. I believe whether or not the number of customers continues to increase is a barometer indicating whether or not NITORI is contributing to society.

Recently, I am often told that NITORI's products have changed. 70% of our customers are female, and within the group as well, we have made efforts to realize a workplace where female employees can work comfortably by enhancing various systems from the diversity perspective. Now, 40% of our staff members in product

development are female, and the opinions and power of our female employees are reflected in store and product creation more than ever, and I think that leads to changes in products and the atmosphere of our stores. I always hope that our stores are like a stage, and I believe that we are still far from realizing ideal stores.

NITORI will continue to change. Therefore, I would like all of our stakeholders, starting with customers, to see our changes and continue visiting our stores. I ask for their continuous support. Thank you.



Taking on new challenges and renovating NITORI

Without clinging to past success, we will continue to review our current way of doing things and keep offering prosperous home living to customers.

Toshiyuki Shirai

Representative Director & Chief Operating Officer
Nitori Holdings Co., Ltd.

Q : Please summarize FY2016 overall.

This year was the 30th consecutive year of growth in income and profit, and while our business is growing steadily, we will aggressively take on new challenges without being satisfied with the current situation.

In FY2016, we recorded net sales of ¥512.9 billion and ordinary income totaled ¥87.5 billion which means we achieved 30 consecutive years of growth in income and profit. For store openings, in Japan, we opened 48 stores and closed 3 stores. On the other hand, we opened 3 stores overseas in Taiwan and China respectively, and we now have 471 stores. More than 70 million customers made purchases in our stores. In the last 30 years, the number of stores increased 29 times. Net sales are 50 times greater and ordinary income is 164 times larger, and not only has our business scale expanded, but the net sales and rate of profit of each store has also increased.

In this fiscal year, our efforts for quality and product safety were also recognized as NITORI was given the "METI Minister's Awards" which is the highest honor of the "10th METI Minister's Awards for Best Contributors to Product Safety." In addition, NITORI received Nikkei Research's "Nippon Store Awards" which is based on the results of a Nikkei Research survey targeting 260,000 people across Japan. Our brand power as well as customer satisfaction level are highly regarded.

I believe such great achievements are due to our strength from establishing our own "Manufacturing, Logistics and Retail Sales" business model through tackling various challenges from company foundation and recognition of our stores and products by many customers. In particular, in 2015, we broke into the Tokyo metropolitan area by opening a Ginza store so customers could access our store easily even if they live in the Tokyo metropolitan area or do not have cars. As a result, we were able to acquire a new customer demographic.

However, I strongly think we must be sharply aware that large risks may be hidden especially when times are good, and we must keep taking on new challenges. Up until now, whenever the NITORI Group faced a wide variety of challenges, we improved how we did things up until then and invented new ways. That is how we keep growing. Since I experienced this history firsthand, I would like to lead the Group so it is united in taking on new challenges which are not an extension of the present without being satisfied with the current situation or pursuit of stability.

Q : Please tell us about your future management tasks for achievement of the next vision.

We are working hard on 7 management tasks that we came up with by planning backwards from the vision.

In the "second 30-year plan vision", we are aiming for 3,000 stores and ¥3 trillion in sales in 2032. Our target for 10 years from 2013 to 2022 is 1,000 stores and ¥1 trillion in sales. In NITORI, instead of formulating goals by accumulating expected sales from now, we set future goals first, and then, we think about what we should do now to achieve the goals to clarify our current tasks and the direction we are working on. We manage our progress in monthly "Mid-to-long Term Plan Project Meetings." Let me explain our 7 business challenges we are currently working on to achieve the 2022 vision.

1. Rebuilding of the company organization to sustain a global chain store system

For example, the high performance cool touch "N Cool" bedding series for spring and summer are popular not only in Japan but also China, Taiwan, and the U.S. Therefore, we reformed the Japan-centered product development team into a global team. As illustrated by this example, we are working to transform into a format that can take advantage of the size of our business by establishing standardized, simplified, and differentiated structures and systems. At the same time, we will revolutionize our information system into a next generation information system to improve productivity and promote business reform by use of IT. We will transform into a simple and highly efficient global organization.

2. Development of specialists

As our business becomes global and the business scale and areas expand, we need to shift from Japan-centered human resource management to global human resource management. We will promote the scouting of industry-ready personnel and reform our human resource development system to lead to the development of specialists such as personnel with expertise, global personnel, and manager candidates.

3. Reorganizing the global supply chain system

We will build product supply and logistics systems with an eye on global deployment for raw material procurement, package display, and the common use of parts.

4. Provision of a comfortable lifestyle via our merchandise, stores and services

While our business area is geographically expanding to urban areas, regional areas,

2013 to 2022 10-year challenge "Globalize and Expand Business Areas"



- Strategy 1** 2015 to 2017
Achieve profitability in overseas stores to stabilize the business before expanding business areas.
- Strategy 2** 2018 to 2020
Accelerate openings of overseas stores and establish a growth trajectory.
- Strategy 3** 2021 to 2022
Restructure the management foundation with the aim of establishing NITORI as a global chain.

and overseas in addition to a variety of sectors, we will analyze how they use our products, stores and services in detail. Separately from purchase data recorded in point-of-sale (POS) data, we will collect objective data about why customers did not make a purchase and the reasons why customers stop visiting our stores. In this way, we will establish a system for our customers to return to our stores.

5. Enhancement of our store standardization and revitalization of existing stores

To prevent cost increases due to increases in similar stores, we will promote low cost operation by standardization and simplification and carry out the organization of similar store formats and standardization of equipment, product selections, and operation. Outstanding points which can serve as profit models will be used for other stores as well, and we will conduct renovation and the "scrap and build" of existing stores.

6. Creation of new format stores

The NITORI Group includes DECOHOME stores, NITORI EXPRESS stores, and so on. In particular, for DECOHOME launched in 2011 as a new format targeting small trade areas, there are now 51 stores as of the end of FY2016. For DECOHOME, we focus on the development of original products which are not available in NITORI stores as the "nearest HOME FASHION STORE". We will differentiate DECOHOME from NITORI as a different brand so DECOHOME and NITORI stores can be found even in the same shopping center in the future.

7. Rebuilding the growth strategy of each business area

Among related businesses such as the corporate sales business, renovation business, and logistic business, we will further strengthen businesses with high demand and potential for growth mainly in Japan.

President Interview

Q : In this vision, how will you deploy in FY2017? Can you explain the market trend outlook, management strategies, and business performance forecast?

We will aim to increase income and profits by finding opportunities even when the market outlook is far from rosy.

We do not think we can be optimistic about market trends. However, even when the economy slows down, we would like to find opportunities in such an environment. For example, customers who once purchased products in higher price ranges from other companies than NITORI may consider purchasing NITORI products. In addition, currency movement is one factor that greatly impacts our business performance. Therefore, to minimize the risk from exchange rates fluctuations, we conduct forward exchange contracts flexibly based on necessity.

Among the 7 business challenges, in FY2017, we will focus on four items, namely, "1. Rebuilding of the company organization to sustain a global chain store system," "2. Development of specialists," "4. Providing a comfortable lifestyle via our merchandise, stores, and services," and "5. Enhancing our store standardization and revitalizing existing stores." In 4, in particular, thoroughly thinking about what customers were not satisfied about and did not like from the customer perspective is a great task. By completely investigating the cause and creating an environment where customers repeatedly come back, we hope to expand our customer demographics in the true sense. In addition, for revitalizing existing stores, we will invest approximately ¥8 billion in 60 stores which comprise more than 10% of stores in Japan for renovation. We will use success cases from among a wide variety of trials we attempted during the opening of stores in central Tokyo.

In product development, we will enhance the coordination aspect by strengthening highly seasonal coordination plans and rollout of the "&Style" brand which targets a higher price range than the "DAY Value" brand. We will continue to use consistent color schemes and styles in one brand so customers will see how they can coordinate their homes or rooms naturally in harmony if they purchase NITORI products. NITORI itself will transform into a "LIFE STYLE SUGGESTION COMPANY" in addition to "Offering the

Unexpected".

For store openings in Japan, in March 2017, we opened 3 stores simultaneously in central Tokyo, namely, the Tobu Ikebukuro Store which is connected to Ikebukuro station, the Marronnier Gate Ginza Store which was renovated and expanded from the former Printemps Ginza Store, and the atré Meguro store in front of JR Meguro station. In June, we will open the largest store in the central Tokyo area with an impressive 6,000 m² floor space. Including these 4 stores, in FY2017, we are scheduled to add 45 more stores (including 15 DECOHOME stores).

Overseas, in addition to 10 more stores in China, the plan is to open 5 stores in Taiwan and one store in the U.S., which means a total of 16 stores will join our overseas contingent. In Taiwan where we made inroads in 2007, local human resources that are able to carry out PDCA are being developed. And although we still face challenges, we will work on business expansion while solving each challenge one by one. For the U.S., we are in the phase of becoming profitable in stores. We have been working on the improvement of sales and profits, and we are confident that we will be able to lower the deficit. For China which is the most important market for us to achieve our vision, we are working hard to improve our recognition by participating in bridal fairs, placing car card advertising in subways, and staging model room displays in newly constructed apartment buildings. Since we are now able to see business models which drive store sales into the black, we will concentrate management resources further to accelerate store openings.

As a result of all of these initiatives, for FY2017, we expect to have 532 stores by the end of the fiscal year. We forecast ¥568 billion in net sales which is a 10.7% increase compared to the previous year, ¥100 billion ordinary income which is a 14.2% increase year-on-year, and a ¥68.5 billion net income attributable to owners of parent which is a 14.2% increase from the previous year.



Q : Last but not least, do you have any message to stakeholders?

We will also continue to implement initiatives in the perspectives of ESG (Environment, Social and Governance). I would like all stakeholders to support the ever-changing NITORI.

Here at NITORI, we conduct business under the mission statement of "to provide the foundation of prosperous home living to the global community." In our supply chain consisting of product development, plants, logistics and stores, we are working on environmental conservation. In addition, we are continuously providing support to society in culture, community, and educational activities besides contributing to society through our business. To our business partners all around the world, we comply with the "NITORI Group Fair Trade Declaration" and cooperate with each other as equal partners. Moreover, the key to our growth is human resources. We consider education as the greatest benefit program, and we focus on human resource development. At the same time, we also promote diversified work styles. In this quarter, we improved the work environment by expanding the number of employees eligible for the half-day paid leave system

to all employees and introducing a work-at-home system. Furthermore, we launched a regional human resource system as well. By matching the special skills of employees across Japan including part time staff members with work in each division at head offices, we are utilizing a wide variety of human resources and abilities.

For our management system, outside directors actively make comments in Board of Directors meetings, etc. as in the past, and very active discussions are being held.

We will continue to make changes to the stores and company without being satisfied with the current situation. I would like stakeholders to visit our stores and see the changes. I would love to hear from them if they find something that needs improvement to make the company better. I would like to thank them for their understanding and continuous support in advance. Thank you.



Provision of more convenience to customers by store openings in central Tokyo



Ginza Store - NITORI's first store opening in central Tokyo

In April 2015, NITORI opened the "Printemps Ginza Store" (current NITORI Marronnier Gate Ginza Store) in Chuo-ku, Tokyo. This was the first NITORI in the Ginza area as well as the first NITORI in a department store. Until then, NITORI only opened stores in the suburbs. We significantly changed our store opening strategy and launched the development of urban areas which were previously untouched areas for NITORI.

However, since "NITORI" did not exist in urban areas before, the image of the department store and conditions of the building owner were not agreed upon, and negotiations were difficult. While everything started from scratch, in only 2 months from when the store opening decision was made to the actual opening, we created a store that completely revolutionized the image of "NITORI."



Best proposal realized by direct negotiations

In negotiations with the department store and building owner, we presented a concept in line with their image and proposed products, prices, and customer demographics. Since we directly negotiated with the department store and building owner, we found out about their genuine needs, and we were able to offer the best proposal for both sides. As a result, we were able to conclude a contract for opening our first store in central Tokyo.

Furthermore, we also proposed new sections, product types, and product selections suitable for the trade area characteristics of central Tokyo, and we also adopted a different presentation style from our suburban stores that feature displays using different product types (small coordination). Everything from sales floor equipment to sales promotions and staff uniforms were developed by the entire company to make this new business format for NITORI a success.

In this way, our efforts to carry out reform on a wide variety of items such as product selections, product delivery to stores, and sales promotions suitable for customers in central Tokyo led to the success of the "Printemps Ginza store" as NITORI's first store in central Tokyo.

Establishment of the "Urban Area Store Team" comprised mainly of young female staff members

Moreover, we needed to try new items in equipment, presentation method, store operations, etc. in store openings in central Tokyo, therefore, we defined stores to be opened in large city centers and locations in front of train stations as "urban area stores" and established a management system. In addition, we created the "Urban Area Store Team" comprised of young female staff members to prepare for the store openings.

Under the concept of "sales floor featuring outstanding presentations", we designed sales floors that do not interfere with how the products appear and cater to female customers in the female perspective. These presentation-focused sales floors feature fashionable items with an awareness of coordination that have been strictly selected from among NITORI product lineups. We worked on the creation of more attractive stores for customers and created a system for the various given conditions of stores in urban areas. As a result, we were able to contribute to the improvement of customer satisfaction as well as provide an opportunity for employees to improve their skills.

Store openings in central Tokyo and large city centers

Many more customers than expected came to our "Printemps Ginza Store", and the vastly different layout from other NITORI stores was greatly appreciated. This gave us more confidence with regards to our store openings in central Tokyo.

On the heels of this success, we opened the "Nakameguro Store" in September 2016 and the "Shinjuku Takashimaya Times Square Store" in December 2016. Immediately after the store openings, many customers visited both stores, and the "Shinjuku Takashimaya Times Square Store" went on to become one of our top stores in sales.

Since then, we opened a series of stores in central Tokyo such as the "Tobu Ikebukuro Store", "Marronnier Gate Ginza Store (sales floor increase)", and "atre Meguro Store." In addition, more customers visited the stores due to improvements in our brand image. NITORI will accelerate store openings in central Tokyo and large city centers in the future as well.



High performance products that evolve with each season using carefully selected raw materials

Cool Touch "N Cool" series for spring and summer



NITORI sells the cool touch "N Cool" series for spring and summer as high performance products. "Cool touch" means feeling "cool" as a large amount of heat is dissipated from parts that are touched. We use a special fabric that makes you feel cool when your skin touches the fabric. Ore, which is the raw material of cool touch products, is made into chips that are kneaded into fiber with special processing. These fibers are then used to create the fabric.

The "N Cool" series has different grades according to the cool touch level, namely, N Cool, N Cool Super, and N Cool W (Double) Super. The coolness and performance respectively differ, and the "N Cool" series is available in bed pads, blankets, pillow pads, and pillows, etc. For "N Cool", while we keep the prices same, we raised the level of cool touch by checking and improving the entire process down to the raw materials so customers are able to use our "N Cool" products more comfortably.



"N Warm" series with moisture absorbing and heat generation performance for autumn and winter



As the counterpart of "N Cool" for spring and summer, NITORI offers the "N Warm" series that absorbs moisture and generates heat for the autumn and winter to complete our seasonal bedding goods for the whole year. "N Warm" absorbs moisture generated from the body during sleep and turns it into heat. In addition to the warmth from the heat generation effect, the moisture absorption effect makes you feel nice, smooth, and comfortable without feeling sticky. Since "N Warm" uses acrylate materials, you can feel 3 degrees Celsius warmer compared to polyester products. In addition, "N Warm" uses MOISS UP which is the most excellent moisture absorption product in the market. The high performance "N Warm" series' moisture absorption is more than double that of wool. For "N Warm" as well, while the price remains same, we improved the heat retaining capability by increasing the volume of moisture absorption and heat generation fibers.



Building a stable product supply system

"N Cool" and "N Warm" are so popular that there was a time when we were out of stock. However, we analyzed a tremendous amount of data and established a system that allows us to accurately forecast the quantity of sales in a given period of time and set a fixed amount appropriately to manage inventory shortages and surpluses so that we may constantly provide products. In addition, due to mass production, we have been able to secure production lines and install new machines in sewing and fabric plants. In this way, we established a system so we could obtain cooperation from plants.

To secure the maximum sales volume, we created a dedicated team and continued to carry out the PDCA cycle to build a stable product supply system. Therefore, even if the sales volume suddenly increases, we are able to supply products to stores.



High performance products that evolve with each season

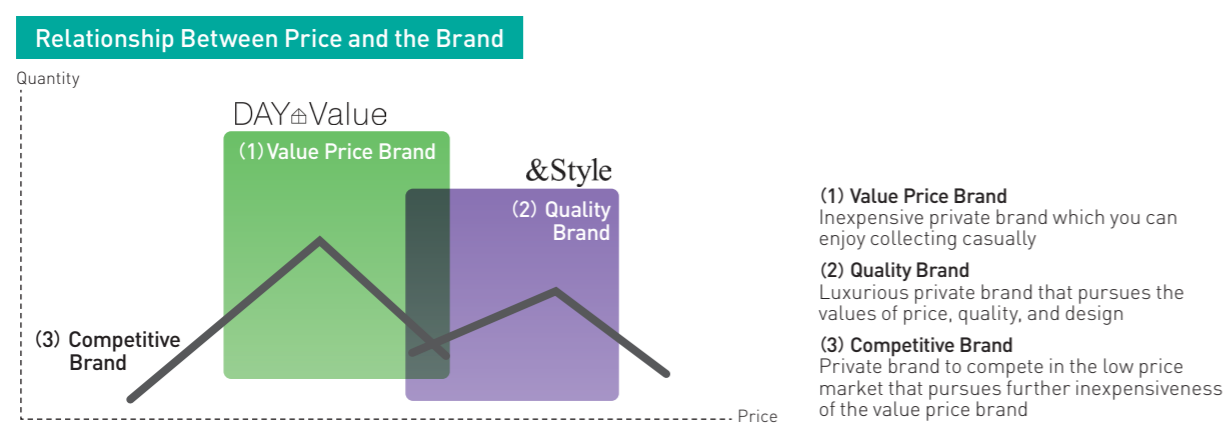
"If we sell the same products again this year, we must reduce the price or improve the quality/performance." Under this policy, our products evolve each year as the entire manufacturing process down to the raw materials is reviewed. This is made possible by NITORI's vertical merchandising method in which we manage and operate the entire manufacturing process on our own. In addition, our improvements are not limited to performance. We also increase product types, colors, and patterns so customers can enjoy coordinating our products. Furthermore, we produced new CMs that are different from the conventional NITORI CM. The CMs communicate appealing features of "N Cool" and "N Warm" with one phrase. In coordination with advertising flyers and stores, the product competitiveness was further enhanced. As a result, "N Cool" and "N Warm" recorded significantly greater sales than the previous year and drove sales. NITORI will continue to establish a stable product supply system by improving the accuracy of sales and inventory plans, and we will work on further improvement of quality and increases of product types.

Features | "DAY Value" "&Style"



Development of brands by price range to build customer trust

NITORI embarked on a new approach for total coordination toward promoting a more prosperous living. We released the new "DAY Value" and "&Style" product brands. Many chain stores have private brands which are classified by characteristics according to the respective price ranges. "DAY Value" and "&Style" were developed as NITORI's value price brand and quality brand based on thorough market research including visits to the U.S. and Europe. We aim to offer lifestyle items which are affordable and match the preferences of customers by unifying prices, color schemes, and styles.



DAY Value

Supporting the Basics of Life with Coordination Favored by More Customers



CONCEPT

Brighten up everyday life with products "Offering the Unexpected."
Meeting with a wide variety of needs by proposing coordination using basic products necessary for customer lifestyles.

STYLE

Simple and modern
Functional, basic, and casual style using straight lines as the basic design

COLOR

A wide variety of color selections
Available in widely popular hues and tones selected from basic "NITORI Colors"

&Style

Proposing new lifestyles with basic style and more

CONCEPT

Make your daily life stylish.
Proposing "sophisticated style" to help fulfill more luxurious home living

STYLE

4 styles to select from according to your taste
Natural modern Vintage Feminine Traditional Japanese

COLOR

Sophisticated colors
Selection of grayish colors under the theme of "sophisticated chic"

Coordination proposing "lifestyles" to customers

In the past, since we proposed coordination using products for each series, items that are designed for coordination were limited, and customers needed to purchase every item to make coordination possible. However, in our new brands, products in the same style and same price range are available in a wide variety of colors and variations. Customers can enjoy coordinating products casually according to their own tastes. If the products are from the same brand, adding such products little by little to your room/house will pull the whole look together. NITORI is also working on the development of human resources including interior coordinators to recommend coordination to customers. NITORI's aim is to have customers think of NITORI as a specialized store that presents staged products in which customers can picture different lifestyles and that has many specialists who can give advice on coordination in addition to being a store offering coordinated products.

Promotion of reform by utilizing strengths of the Group

NITORI is able to work on product development where "price, quality, and design" are well-balanced for new brands. All of this is made possible by our Group's strength of carrying out everything from market research to sales on our own. By utilizing this strength, NITORI is able to actively make suggestions to customers. NITORI will recommend coordination that meets various needs by offering basic home goods necessary for customers with basic designs in a wide variety of colors and sizes. At the same time, by offering products which customers can "buy casually" and "which can be coordinated easily," NITORI will suggest new lifestyles. What NITORI aims for is to enable customers to be able to coordinate rooms naturally if they purchase home goods at NITORI. This is how NITORI itself will transform into a "Lifestyle Suggestion Company" in addition to "Offering the Unexpected."

Achievement of 30 consecutive years of growth in income and profit

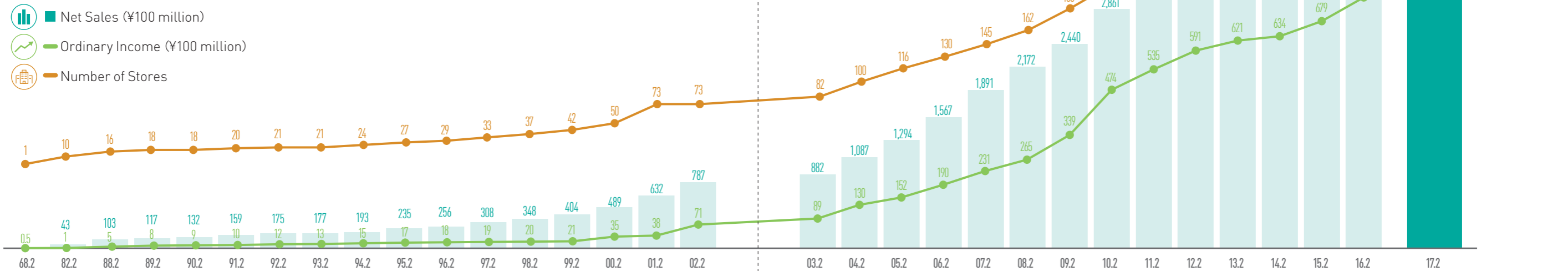
Consolidated net sales for FY2016 were ¥512.9 billion and ordinary income totaled ¥87.5 billion which means we achieved growth in income and profit for 30 consecutive years. Since our foundation, NITORI has constantly improved the present situation and taken on various challenges without being tied to traditional customs in the industry. In addition to such efforts and thanks to support from many stakeholders including customers, we were able to achieve such results.

"To provide the foundation of prosperous home living to the global community." Under this mission, NITORI will continue to grow to achieve our vision.

		FY1987	FY2016
Number of stores	Results	16 Stores	471 Stores
	Multiplying factor	—	29 times
Net Sales	Results	10.3 billion	512.9 billion
	Multiplying factor	—	50 times
Ordinary Income	Results	500 million	87.5 billion
	Multiplying factor	—	164 times
Ordinary Income Margin	Results	5.2%	17.1%

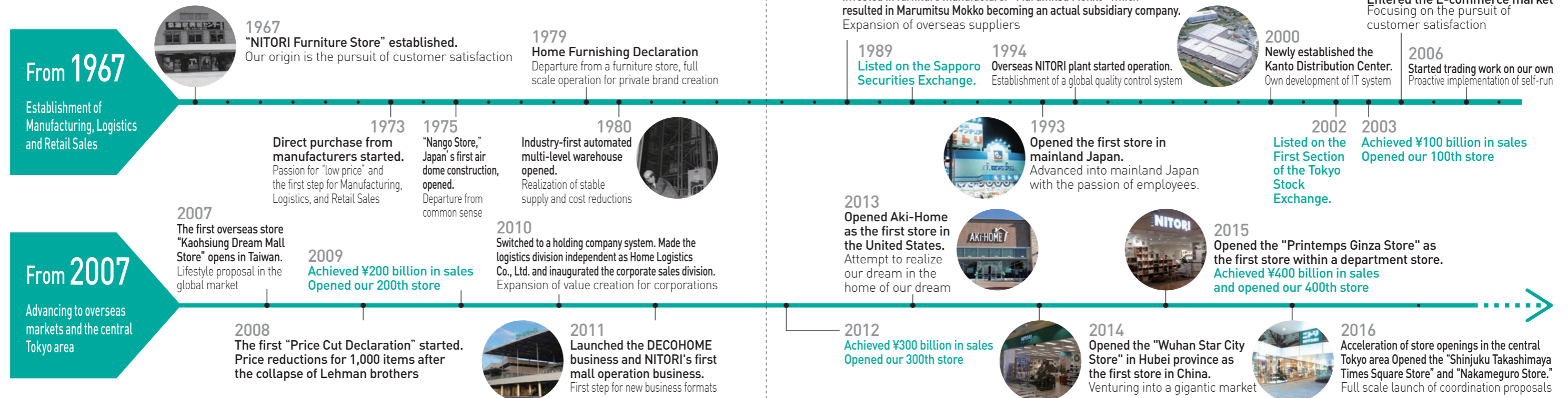
Transition of the number of stores

Acceleration of expansion of the number of stores	No. of Years Taken
One store → 100 stores	36 years
100 stores → 200 stores	6 years
200 stores → 300 stores	3 years
300 stores → 400 stores	3 years
400 stores → 500 stores	(Plan) 2 years



NITORI's Milestones

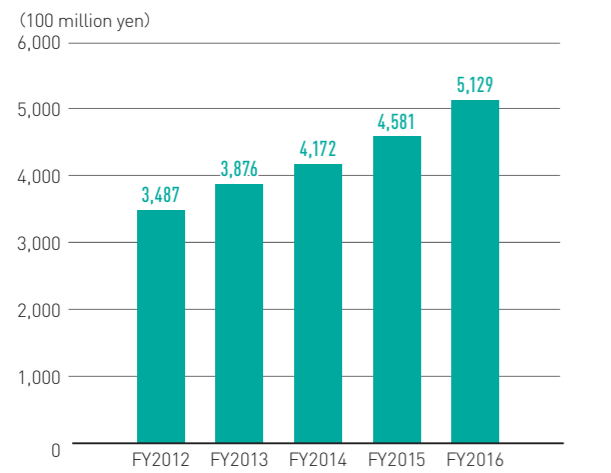
By proposing and realizing "prosperous home living" over half a century, NITORI has grown.



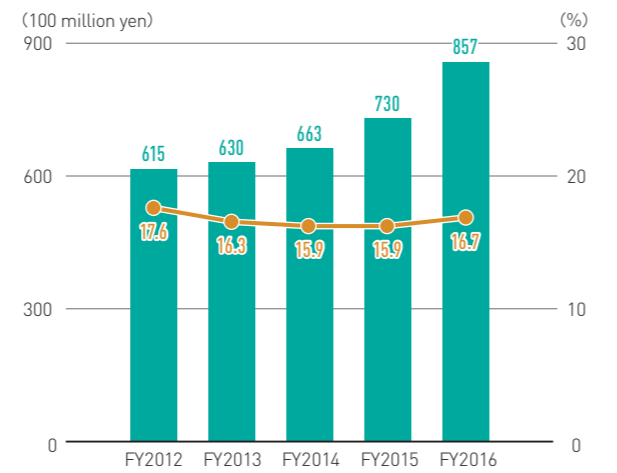
Financial and Non-financial Data

Financial Data

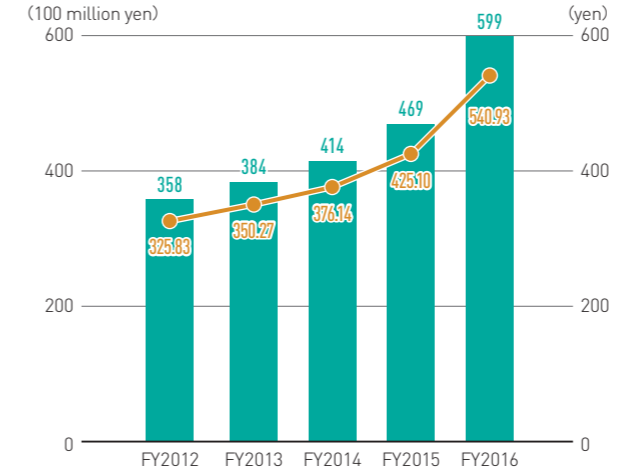
Net Sales



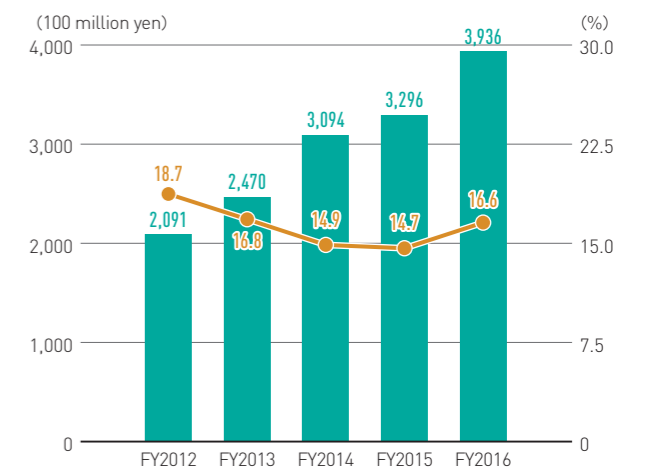
Operating Income/Ratio of Operating Income to Net Sales



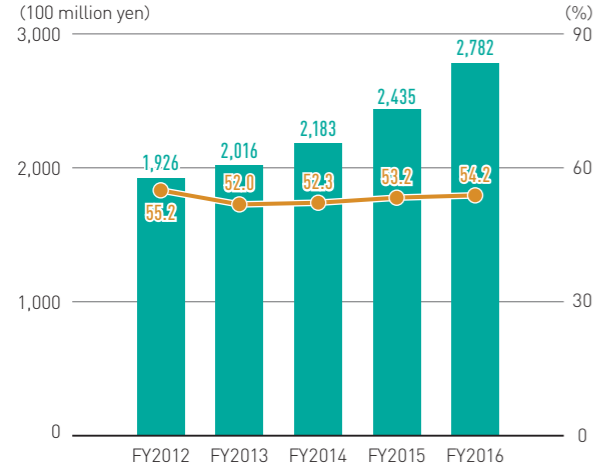
Net Income Attributable to Owners of Parent/Earnings per Share (EPS)



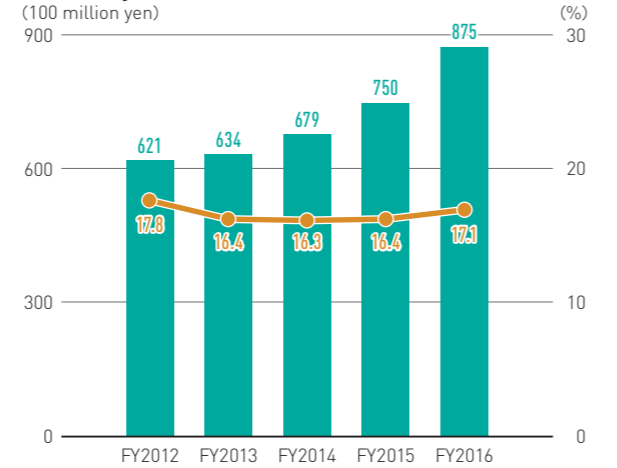
Equity/Return on Equity (ROE)



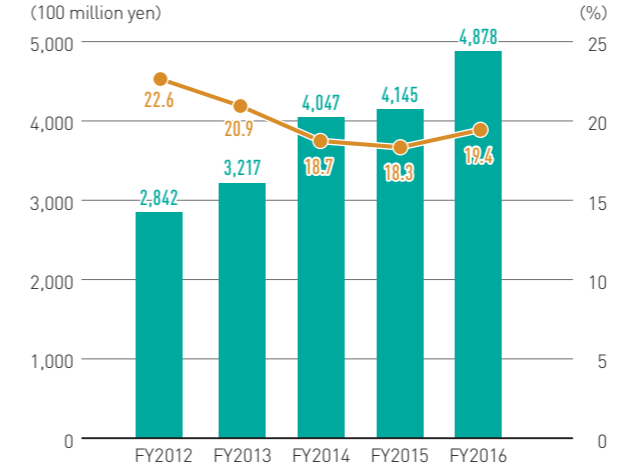
Gross Profit/Ratio of Gross Profit to Net Sales



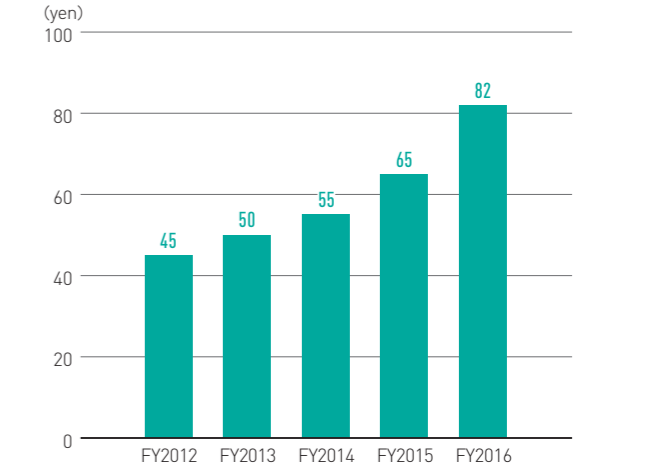
Ordinary Income/Ratio of Ordinary Income to Net Sales



Total Assets/Return on Assets (ROA)

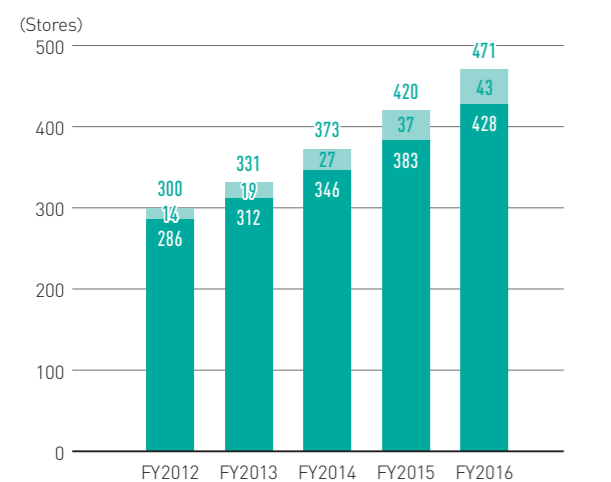


Dividends per Share

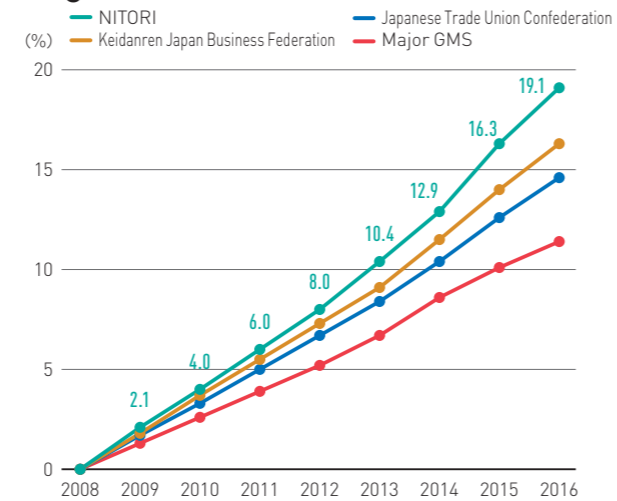


Non-financial Data

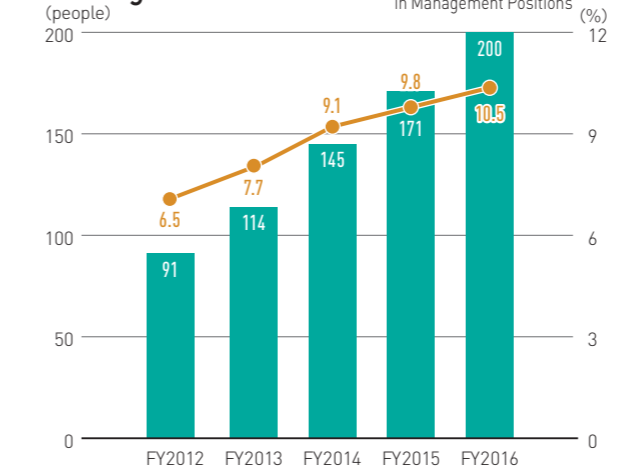
Number of Stores



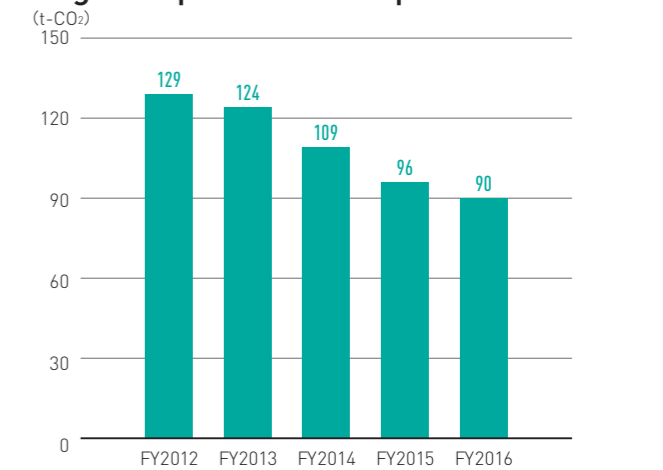
Wage Revision Rate (Total from 2009)



No. of Female Employees in Management Positions



CO2 Emissions in Domestic Logistics per Store in Japan



Topics for the Year

April 2016 NITORI MALL Hirakata opened

NITORI opened the largest NITORI MALL, "NITORI MALL Hirakata," in Hirakata City, Osaka in April 2016. Under the basic concept of "Place for everything your family needs," NITORI MALL Hirakata centered around 4 flagship stores exceeding 3,000 m² in floor space meets various needs in a variety of family life scenarios. In addition to a supermarket, drugstore, and restaurants, etc., a large selection of affordable goods are available in stores specializing in fashion, general merchandise and baby/children goods.



July 2016 In-store Pickup Service launched



Order online at
"NITORI-Net"

Pickup your order
at a NITORI store!

In July 2016, NITORI launched a service that enables customers to pick up products purchased from the "NITORI-Net" e-commerce website at NITORI stores. Customers are able to select the store for picking up orders as well as the day and time on NITORI-Net's order page. (Some stores are not available for in-store order pickup.)

Customers can place orders 24-hours a day on NITORI-Net, and shipping is free when the in-store pickup service is used.

In order to improve customer convenience and satisfaction and encourage visits to our stores, NITORI will enhance omni-channel retailing.

July 2016 "NITORI Otaru Art Base" opened

NITORI Otaru Art Base is based in 3 historical structures that formerly housed the Mitsui Bank Otaru Branch, Takahashi Warehouse, and the Arata Trading Company located in the heart of Otaru City, Hokkaido. In July 2016, NITORI opened the "Stained Glass Museum (Former Takahashi Warehouse)" and "Art Nouveau Glass Museum (Former Arata Trading Company)" as the first of three museums comprising NITORI Otaru Art Base.

NITORI supports education, tourism, and cultural activities in Hokkaido mainly through our Hokkaido aid fund. We will make the NITORI Otaru Art Base a place that can offer opportunities that many people from Japan and overseas can enjoy, nurture a sense of appreciation, and share the excitement of amazing culture and art.



September 2016 Good Design Award 2016 received

In September 2016, NITORI's "Karusara Bathrobe" which was jointly developed with TEIJIN Limited was awarded the Good Design Award in the A1-09 Household Goods and Daily Necessities category. In addition, the 2016 Good Design Award was also awarded to the "robot warehouse (worker-friendly robot warehouse)" operating in the online shopping distribution center in Kawasaki City, Kanagawa in the B2-01 Space and Interior for Business Use category.

NITORI received a Good Design Award for the 4th consecutive year. This is the first Good Design Award for Home Logistics Co., Ltd. which is NITORI's logistic subsidiary.



November 2016 Our first METI (Ministry of Economy, Trade and Industry) Minister's Awards received

In November 2016, NITORI received the "METI Minister's Awards" which is the top award in the "10th METI Minister's Awards for Best Contributors to Product Safety" in the Large Retailer category. The Ministry of Economy, Trade and Industry (METI) launched the Best Contributors to Product Safety Awards program in 2007, and 2016 marked the 10th anniversary. Recently, serious accidents with products around us have received attention as social problems and the interest in product safety has been increasing.

This award was given to the NITORI Group in recognition of our 3 key efforts, namely, (1) Efforts to secure safety by united collaboration, (2) Thorough technology evaluation and efforts for accident prevention, and (3) Efforts for the entire supply chain by management education and plant audits.

Through this award, NITORI will continue to expand its product safety measures to the world without being limited to Japan in the pursuit of realizing the prosperous home living of customers.



In December 2016 NITORI opened the Shinjuku Takashimaya Times Square Store

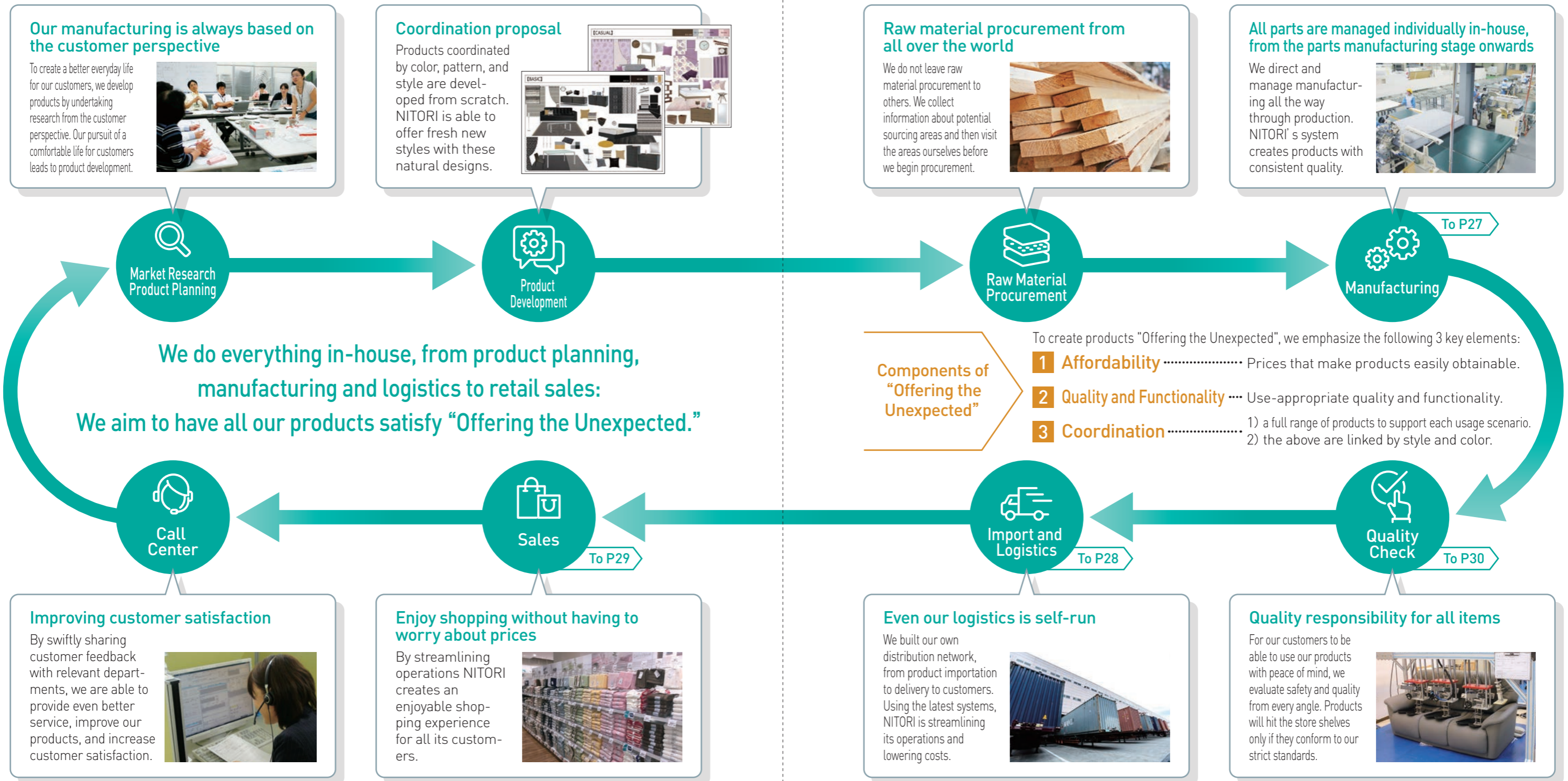
NITORI opened the first NITORI store in the Shinjuku area in the "Takashimaya Times Square" south building in December 2016. This is the second NITORI store in a Takashimaya Group commercial facility following the "NITORI Takashimaya Konandai Store" in September. This NITORI Store occupies the 1st to 5th floors in the south building of the very popular "Takashimaya Times Square" shopping complex and showcases different visual presentations on each floor. By taking advantage of the characteristics of stores with multiple floors, we set life scenarios for each floor such as living rooms, dining rooms, and bedrooms, and we exhibit coordination in each respective scenario. At the same time, we propose total coordination of housing space through all floors. We also target the further expansion of customer demographics mainly consisting of users of Shinjuku station which boasts the world's highest number of passengers by utilizing the station front location characteristic.



System to Provide "Prosperous Living"

To Provide the foundation of prosperous home living to the global community by “Offering the Unexpected”

In order to realize “prosperous home living,” we need to set affordable prices so everyone can make a purchase without hesitation and secure high quality and great performance at the same time. Therefore, NITORI added a logistics function to our conventional “manufacturing and retail sales” business model. NITORI established its original “Manufacturing, Logistics and Retail Sales” SPA model where a series of processes from product planning and raw material procurement to manufacturing, logistics, and sales are carried out in the entire group while reducing intermediate costs as much as possible.





We procure raw materials around the world to realize low price and high performance products

Realization of “Offering the Unexpected” with thorough cost awareness

In raw material procurement, we go back from the prices which customers are asking for, and we thoroughly check not only quality and performance but also cost conditions. We independently negotiate with overseas manufacturers and procure raw materials from around the world. We directly send the raw materials that we procured from around the world to plants that satisfy NITORI’s quality standards and create products. We import approximately 90% of all our products from overseas.

The NITORI Group started operation of a plant in Indonesia in 1994, and in 2004, plants in 2 locations in Vietnam started operation. As furniture development and manufacturing facility sites, these plants mainly manufacture “NITORI STUDIO” products including kitchen cabinets, sofas and mattresses, etc.

In product development, NITORI has created a series of original products one after another while constantly taking on challenges and conducting innovation. Without being tied in existing concepts, we review all materials and parts and repeat scientific verification from scratch.

In addition, since the reduction of costs during the import of products produced overseas to Japan is one of our major challenges, we opened offices in Asian countries to support logistics overseas.

These systems for securing product quality, stable production systems, and thorough cost awareness realize “Offering the Unexpected” and improve gross margin results.

Expansion of product items manufactured by NITORI in the new Vietnam Plant



Nitori Furniture Co., Ltd. has gigantic plants in Indonesia and Vietnam. At the beginning of operations, these plants manufactured closets and kitchen cabinets. Since 2013, sofas and mattresses which are completely different from the products that these plants originally produced have been added to production items. We procure raw materials from around the world without using trading companies, and we use just in time production to manufacture multiple products in small lots according to customer needs while minimizing inventory risks.

In response to increased demand, we are building a new plant in Ba Ria-Vung Tau, Vietnam for operation launch in FY2017. This new plant will begin with the production of bed mattresses. Other production items are scheduled to be added later.



Logistics network optimizing object flow



Japan’s largest distribution centers and advanced distribution system



All logistic functions in Japan are carried out by Home Logistics Co., Ltd. NITORI Group also has its own logistics sites for the purpose of quick and efficient product delivery to stores located across Japan and cost reductions in product storage. The Kanto Distribution Center and Kansai Distribution Center boast the largest scale in Japan and serve all 47 prefectures in Japan. These distribution centers cover 98% of the population.

Our logistics system development does not focus only the equipment aspect. Starting with the introduction of the industry’s first automated multi-level warehouse in 1980, we established our own inventory control and stable product supply system while evolving know-how in the non-equipment aspect. The NITORI Group developed everything from the overseas collection and transport of products for shipping to the delivery system of small lots of products to stores in Japan. By loading products from multiple suppliers in one container at overseas logistics sites, we are decreasing the wasteful movement of products between sites in Japan. Furthermore, we built a system to deliver products from the manufacturer to customers’ homes, and we also carry out container round use where empty containers from cargo unloading during import are used for cargo exports. Through these initiatives, NITORI has also been working on reducing CO₂ emissions.

Original system realizes further efficiency increases and cost reductions

NITORI aggressively invests in logistics to reduce logistics costs. In 2016, NITORI introduced the automated warehouse picking system “AutoStore.” This automatic warehouse system features high storage density and high speed product loading and unloading. This system not only increases work efficiency but also offers a worker-friendly environment since workers do not need move around the warehouse or lift or carry products. These features were appreciated, and the system was awarded the 2016 Good Design Award.

We are scheduled to introduce “Butler,” an unmanned transfer robot using AI, and we are also planning to build cutting-edge large scale distribution centers in Saitte, Nagoya, and Kobe, and to start operation of a large distribution center in Taicang, China. NITORI will build a system to optimize the movement of objects in the global perspective by increasing efficiency further and reducing cost.





Presence of stores makes the living of people in the community prosperous and convenient

Our passion for thoroughly communicating product allure

What NITORI focuses on the most is the "sales floor" in each store. The sales floor is where NITORI presents products to customers. To completely communicate the allure of products to customers, we carefully consider how the products look and are arranged.

Since NITORI would like customers throughout Japan to enjoy shopping, we have been working on the creation of flexible stores that can meet various location conditions.

For sales floors, we repeatedly test different elements of how the entire sales floor looks, how the sales floor is located, and the width of the aisles, etc. to create even better sales floors. Our findings are then used in all stores. We work on the creation of "easy-to-see" and "easy-to-buy" sales floors for customers as well as the promotion of standardization of stores so we can reduce costs by saving on the amount of work.

In addition, we offer a variety of different product lineups depending on the store so product lineups match regional characteristics and customers can decorate their homes/rooms according to their lifestyle. NITORI also displays model rooms that are entirely coordinated by NITORI. We believe our greatest strength is being able to propose different lifestyles across Japan.

Proposing total coordination for customers to enjoy life

What NITORI considers customers are most in need of to enjoy comfortable home living is total coordination, and we believe various furniture, fabrics and livingware must be in harmony in the entire home to feel pleasant and comfortable. All NITORI products are created for beautiful unification in terms of color and design. Customers are able to select products from a wide selections of colors, patterns, and materials according to their lifestyles and coordinate their rooms/home easily.

In addition, in order to improve the ability of employees to propose coordination, NITORI holds internal "Coordination Contests." Our stores are respectively rooted in each community. We are promoting enhancement of the proposal of coordination that is possible only by such stores. NITORI offers a place where customers can enjoy shopping not only with our products but also with our total coordination ability including proposals.



Delivery of safe and worry-free products with our strict quality standards

Establishment of a "United Collaboration System" with business partners

NITORI has been working on the enhancement of quality over many years while overseeing everything from product development to manufacturing and sales. To further pursue quality, we established the Quality Control Management Division in 2006, and by using the quality control methods of automobile manufacturers, NITORI has made many improvements and conducted reform.

In product safety, product liability and seller's responsibility cannot be separated, must not be separated, and must not be left to others. This is our policy, and under this policy, NITORI established the "United Collaboration System" without business partners. For business partner plants that manufacture our products, we strictly check whether or not the plants are able to meet NITORI's quality level based on our "Quality Manual." Even after the start of manufacturing for NITORI, we do not leave quality control up to the plants. Through various measures including a study group session called "Open House" in an improvement model plant, we provide guidance on production technology and plant management with the aim of continually fulfilling product safety.

Furthermore, during the selection of products to be sold, in addition to general strength tests, NITORI carries out performance verification, structural technology evaluations by disassembling products, and durability evaluations with durability testers in "technology evaluation meetings" by taking the utilization environment and situation into consideration.

Detailed management system corresponding to product life cycle

We focus not only on product quality but also quality in the manufacturing process and logistics, and service quality in stores and delivery. We promote cross-sectoral quality improvement while carrying out the PDCA cycle in 5 steps of development, manufacturing, logistics, retail sales, and after-sales service in addition to products. NITORI is promoting reform with the aim of achieving even higher levels.

In the logistics phase, based on our belief that a drastic change of logistics is a short cut to "optimal quality and low price," we established an unprecedented "self-run logistics" system and conduct inspections during logistics. In after-sales service, we investigate the cause of defects/malfunctions thoroughly with actual products while also implementing thorough after-sales service. In addition, we also share information collected from customers at our call center (NITORI customer service center) with relevant departments. Furthermore, our membership card with warranty program enables us to manage the purchase history of customers. The membership cards can be used for warranty purposes in case a product defect occurs. At the same time, effective management of cardholder purchase histories helps us create better products.



Stores that match our customers' lifestyles

NITORI has launched various types of stores to ensure our customers can freely coordinate their living space and enjoy prosperous home living.

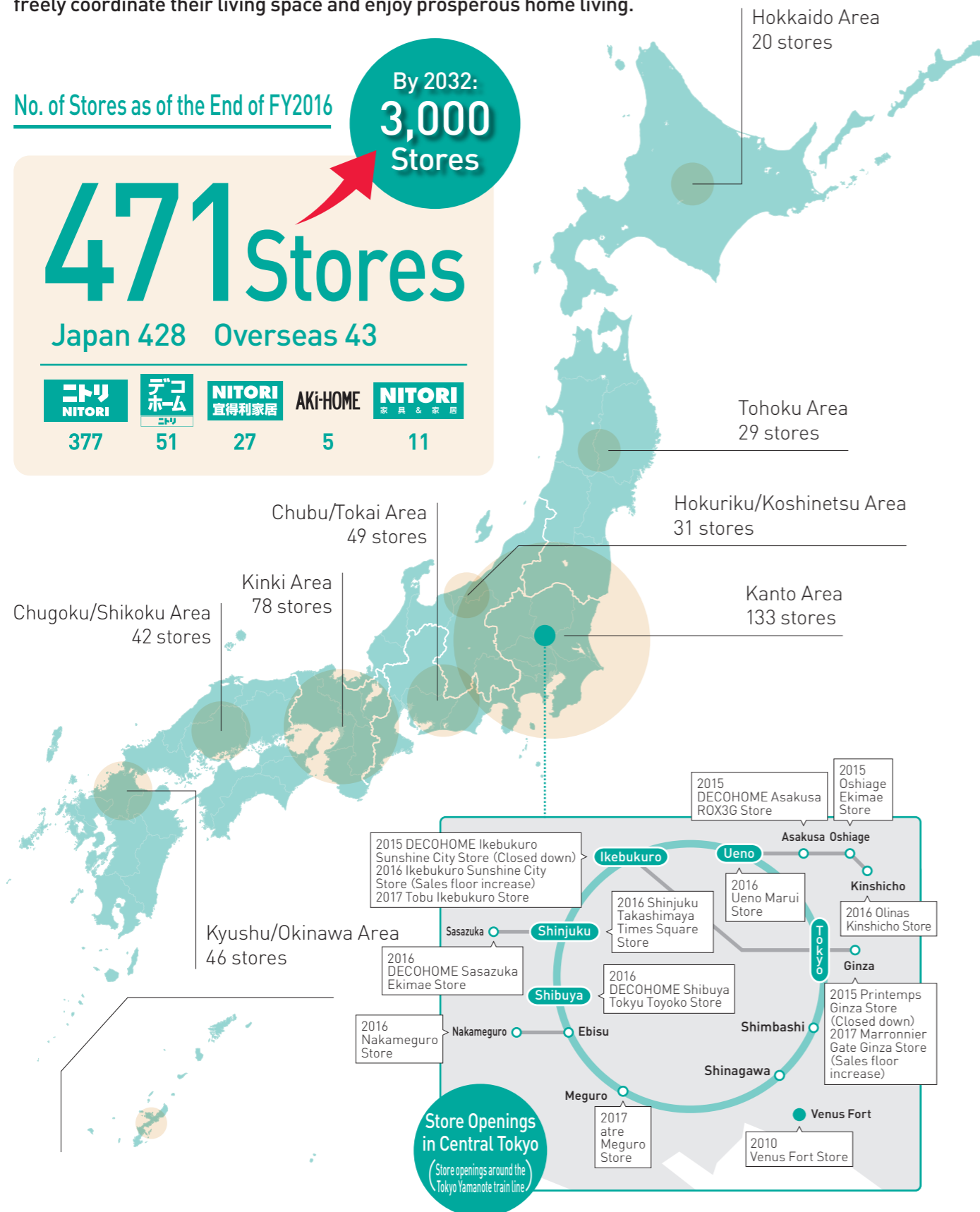
No. of Stores as of the End of FY2016

By 2032:
3,000
Stores

471 Stores

Japan 428 Overseas 43

377	51	27	5	11



► NITORI

Aggressive store openings in “large city centers” and “small trade areas” for the convenience of all customers

Since the opening of the “NITORI Printemps Ginza Store” in 2015 (current Marronnier Gate Ginza Store), we have developed new locations such as department stores in central Tokyo like Shinjuku and Ikebukuro. Our new sales floors propose lifestyles by featuring strictly selected fashionable items among NITORI product lineups with an awareness of coordination. In addition, NITORI is promoting store openings in regional “small trade areas” so our customers can shop more conveniently in nearby locations. NITORI will continue to make improvements and conduct reform every single day so even customers who are not entirely familiar with NITORI can enjoy the fun of total coordination that can only be experienced in NITORI.



► DECOHOME

Achieved 50 store openings. Differentiation from NITORI as a new format by developing original products

We open “DECOHOME” stores in shopping malls as the “nearest HOME FASHION STORE”. “DECOHOME” stores offer daily essentials that customers need to purchase frequently by adding certain elements such as a wide variety of colors. NITORI aims to position DECOHOME as a store where customers can drop by everyday with new store design and store operation in addition to an original product lineup. In 2017, we opened the 50th store. We will continue to promote original product development further and differentiate DECOHOME from NITORI as a different brand so DECOHOME and NITORI stores can be found even in the same shopping center in the future.



► Online Shopping

As the core of our omni-channel strategy, offering online shopping with the same enjoyment as shopping in stores

Responding to various kinds of needs such as “Before visiting the store, I like to research products on the website first,” “I cannot visit the store very often,” and “I like to make my decision at home after checking the store during the day,” etc. has allowed our online business to drastically grow. NITORI focuses on the enhancement of functions of our online shopping website so customers can enjoy online shopping just as they enjoy shopping at our stores. In our website, you can check furniture coordination and search store inventories. In July 2016, NITORI launched a free service that enables customers to pick up products purchased from our “NITORI-Net” website at NITORI stores for added customer convenience. Furthermore, our online shopping website offers products found only online such as colors not available in stores and furniture with custom order sizes. As the core of the NITORI Group’s omni-channel strategy, NITORI takes advantage of the strength of actual stores to offer a place where customers can enjoy shopping more conveniently.

Online Ordering ► In-Store Pickup Service

From order to in-store pickup:
Minimum 4 days



When the store does not have the product

From order to in-store pickup:
Minimum 2 days



When the store has stock
Customers can pick up the product from the store

Store Opening (Overseas)

Aiming to fulfill the bringing of more prosperous living to the global community by establishing a world-class NITORI brand

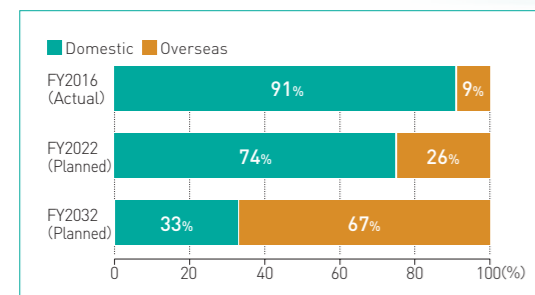
In the future, the furniture and home fashion global market is expected to expand mainly in Asia. In this background, the NITORI Group will accelerate overseas store openings, and even after the stores are opened, we will offer product selections suited to the lifestyle of each location while continuously reforming the stores. For global business deployment, we will develop products which will only be available in respective countries while promoting the development of products that can be used globally. Through these measures, we will establish a world-class NITORI brand and offer more prosperous living to the global community.



China **NITORI**
家具 & 家居
NITORI
宜得利家居
Taiwan

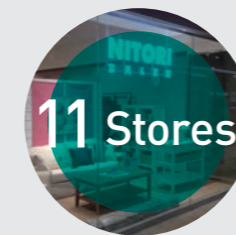


Change in Ratio of Stores between Domestic and Overseas (Planned)



U.S.A. **AKI-HOME**

▶ China Acceleration of store openings with an eye on the less competitive inland area of China as well

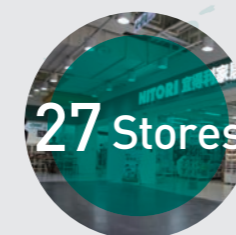


In October 2014, NITORI opened the Wuhan Star City Store as the first store in China. We open stores in China under the "NITORI" brand, and we are accelerating store openings mainly in shopping malls which have seen a significant rise in numbers. As of February 2017, we have 11 stores in China.

While China, which is known as the world's factory, has an abundance of human resources and suppliers that we can work with, few stores offer everything from furniture, interior goods and general merchandise, and the "home fashion" business format which NITORI is strong far from mature. The truth is we have received requests from many commercial facilities, and in addition to our affordable price settings even for China, our focus on displays proposing total interior coordination and efforts to increase our brand recognition from participation in bridal fairs and car-card advertising have resulted in a shift into the black in some stores.

We plan to open a large scale distribution center in Taicang City to deliver products across China. The plan for this distribution center is to not only be a supply base for China but also a logistics site connecting production/procurement plants across Asia and Japan. For China, we will concentrate management resources as the next growth pillar and aggressively open stores.

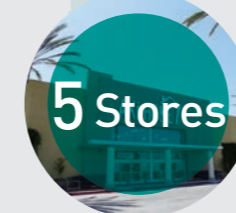
▶ Taiwan To increase stores by intensive store openings that incorporate the small store size and urban store strategy of Japan



In May 2007, in response to overtures from Kaohsiung City, we opened the "Kaohsiung Dream Mall Store" (currently closed down) as the first NITORI store in Taiwan as well as NITORI's first overseas store. We also focused on original product development and procurement suited to customers in Taiwan and regional characteristics. As an overseas company, NITORI lagged behind but as we opened stores in major cities including Taipei, our brand recognition increased, and NITORI's allure of "low price and high quality" made inroads among local customers. The number of stores in Taiwan reached 27 as of February 2017, and store operations in Taiwan have turned positive in a single year.

Meanwhile, the population of Taiwan is concentrated in major cities, and we need to promote store openings in various formats including the small size store and urban store strategies. We believe our store opening plan in Taiwan will be a model format for Southeast Asian and other countries with similar geographical conditions. In addition, we will target an expansion of the sales volume by actively working on the development of products with local specifications and promoting the allure of hit products in Japan such as "N Cool."

▶ U.S.A. Aiming for the establishment of a system to survive fierce competition



Approximately 40 years ago, Chairman Nitori visited chain stores in the U.S. where he was amazed and impressed to find much lower prices, greater selection, and higher quality furniture and interior goods than in Japan. Since the launch of our first store under the brand name of AKI-HOME in October 2013 in the country that can be called our birthplace, NITORI has been opening stores intensively in Los Angeles and increasing our presence.

While communicating the allure of our products which are "affordable and high quality" as in Japan, we also focus on product development and procurement unique to the U.S. in consideration of the differences in physical stature and culture. Furthermore, we promote store creation according to local needs including product selections based on the high frequency of redecoration and floor layouts mainly consisting of highly cost competitive furniture, and together with expanding the furniture sales floor space, we are working on the establishment of a profitability model.

The U.S. is the world largest consumption location and the world's most competitive market. We believe that success in this market will lead to the establishment of a world class business model. Thus, we will promote the establishment of a structure towards evolving into a genuine global company by developing business while repeatedly experimenting through trial and error.

Positioning ourselves as a true “LIFE STYLE SUGGESTION COMPANY,” utilizing a wide range of business fields

The NITORI Group has developed a range of businesses so customers can style their homes the way they like and enjoy a prosperous life. In order to deliver a true luxurious lifestyle for all people in a variety of ways, we endeavor to expand our range for the future too.

Mall



Home goods, fashion and food services:
a shopping center designed from the customer point of view

Any good-quality product that enhances people's lives can be bought conveniently with “one-stop shopping”: this is NITORI's idea of a shopping center that is designed from a customer/user-centric perspective. The “Power Center,” a type of shopping center that anchors fast-growing stores from each retail model is very common in the U.S., but in Japan, it is rare, especially GMC or realtor-operated shopping centers. Making a contribution to enhancing people's lives in the areas where they live by promoting “NITORI MALL” is NITORI's new “DREAM”.



NITORI MALL Hirakata

Renovation Business

Handling everything from goods to construction work

NITORI has launched an interior renovation business for homes, stores, and other facilities. This business is focused on providing a complete overhaul of any space. This total renovation service, with a focus on our proprietary products such as integrated kitchen systems and restroom sink units, is a holistic service from the initial proposal right through to construction work for system-baths, toilets, and other indoor renovations. The service is not simply about replacing existing units, but rather about offering added value through a total coordination service using NITORI's furniture and home ware to fully complement renovations. NITORI's business model of doing everything in-house gives rise to our new way of doing business.



Showroom

NITORI PUBLIC



As an advertising company, NITORI PUBLIC has developed a wide range of businesses that extend beyond the boundary of the NITORI Group

NITORI PUBLIC is an integrated advertising agency which provides a variety of services, including strategic communication planning, advertising and sales promotion. We currently conduct marketing work for several clients, including a real estate company and a travel agency. We have recently also been putting efforts into developing novelty goods. Through learning more from dealings with a wide range of different enterprises, NITORI PUBLIC aims to play a role in enhancing the value of the entire NITORI Group.



Examples of novelty goods

Home Logistics



External logistics business by use of NITORI's extensive Japan-wide logistics network

Home Logistics conducts a direct sales logistics business of delivering large size items to non-NITORI customers by using delivery networks covering 98% of the population of Japan. Since delivering items under consignment of other customers besides NITORI can lead to improving the loading efficiency of trucks and increasing the frequency of deliveries to regions where Home Logistics does not often venture in the delivery of NITORI products, the satisfaction level of NITORI customers is improved.



NITORI's logistics network

Business to Other Businesses

Penetrating the B2B market, by making effective use of our product development capability

We keep expanding our B2B business with these five main business areas as pillars.

- Office Business ● Commercial / Educational Business
- Nursing / Medical Facility Business
- Hotels and Living Conditions Business ● Model Home Business

Recently more and more corporate clients have been looking to lower the cost of installations in their offices and facilities. We are developing products that meet such needs for corporate clients, utilizing the SPA know-how which NITORI has acquired through its home furniture sales business. The corporate sales business market has been expanding rapidly over the past few years, and we are aiming at further growth in this market.



Example of NITORI products in use: Office

NITORI FACILITY



From creating spaces for stores to insurance

NITORI FACILITY handles maintenance duties in order to keep the stores and offices of the NITORI Group in an optimal condition, and pursues the goal of creating an ideal space where our customers can feel comfortable, while reducing the maintenance cost at the same time. Furthermore, as an insurance agency dealing with both life insurance and liability insurance, we support our customers and employees to design their future in a way that is both satisfactory and reliable.



In-store insurance shop: “NITORI no hoken + Life salon” (at NITORI Minami-suna store)



Foundation Supporting the Business

Basic Philosophy **Shaping a brighter future, together with society**

The existence of NITORI makes daily life in the community convenient and enriched. We believe this is the meaning of our existence and our social responsibility as a corporation. NITORI will continue to work on initiatives toward an "indispensable existence" while cherishing our partnerships with the many people who support us.

Use of ISO26000 Guidance on Social Responsibility

Consumer Related Challenges



The NITORI Group aims to provide products and services suitable for the consumer life styles of various countries and regions under the Group's corporate philosophy of "To provide the foundation of prosperous home living to the global community." In recent years, people have been seeking "less expensive and better quality" items more than ever before, and the needs of society for an expansion of furniture and interior related products have been increasing due to changes in life style. In response, NITORI has brought together the

technology and know-how of all of our group companies, and we will contribute to society through realizing communities where everyone not only in Japan but also around the world can enjoy genuine prosperous home living without hesitation. Besides thorough compliance, NITORI will work on the development of local communities as a good corporate citizen by striving for broad communication with communities and continuously making our corporate group grow through human resource development.

Consumer Related Challenges

Working with Customers

- Product safety/Quality control
- Awards for product safety

Quality control throughout product life cycles

Approximately 90% of NITORI products are planned and developed on our own (private brand), and they are produced overseas and imported into Japan. We set original quality standards and work on improvement and reform of quality every single day. Before launching new products, we conduct in-house quality testing. If any problems are found, we demand improvement from the manufacturing plant, and we repeat this process until the product passes our standards. In addition, when a defect is discovered in a product, we investigate the cause thoroughly in the company, formulate improvement measures, and provide improvement guidance to the plants. NITORI believes, in order to realize genuinely prosperous living of customers, we must create products at lower prices than anywhere else while maintaining proper quality, and we who are the closest to the customers must take responsibility for our products until the products are no longer used.



"METI Minister's Awards" recipient as an outstanding contributor to product safety

We inaugurated the Quality Control Management Division in 2005, and we continuously carry out various efforts such as securing safety by united collaboration with our suppliers (under consignment for manufacturing), completely evaluating technology, implementing measures for accident prevention, and providing management education in production sites. In recognition of such efforts, NITORI was awarded the "METI (Ministry of Economy, Trade and Industry) Minister's Awards" in the "10th METI Minister's Awards for Best Contributors to Product Safety" in the Large Retailer Category. NITORI will continue to work on delivering safe and worry-free products by incorporating new technology daily to deliver products that truly satisfy "Offering the Unexpected".



Awards for Product Safety

2008 (2nd Awards)	Silver Prize Winner: Large Retailer Category
2011 (5th Awards)	Director-General for Commerce, Distribution and Industrial Safety Policy Award : Large Retailer Category
2013 (7th Awards)	Director-General for Commerce, Distribution and Industrial Safety Policy Award : Large Retailer Category
2014 (8th Awards)	Director-General for Commerce, Distribution and Industrial Safety Policy Award : Manufacturer and Importer Category
2016 (10th Awards)	Minister of Economy, Trade and Industry Award : Large Retailer Category

Fair Trade Practices

Working with Suppliers

- Fair and Honest Trade
- Guidance to Plants/Open House
- Logistics Partnership

Fair Trade Practices/Partnership with Suppliers

We believe that eliminating injustice, unfairness, or opacity and building trust with our partners will lead to a sustainable business, as we strive to establish a "true partnership."

Guidance to Plants/Open House

As well as improving quality by using jigs for individual processes or implementing tool management, we provide guidance in order to establish traceability systems through techniques such as visualization (Kanban method) and modular production (zero intermediate stock). Together with suppliers, we simultaneously provide one-on-one human resource development to entry-level employees and focus on the development of quality control specialists (overseas/Japan).

We also organize visits to plants operated by our best suppliers in an effort to improve skills across manufacturing workplaces as a whole. We are committed to expanding initiatives such as these in the future and we are planning to provide guidance in plant management as well.

Logistics Partnership

Home Logistics Co., Ltd. has begun holding a "Management Policy Meeting for Suppliers," starting in FY2015 to explain anticipated future management and partnership developments. NITORI has adopted a proactive approach towards working together with suppliers to implement training related to furniture handling and delivery, and to jointly organize initiatives aimed at achieving further enhancement in service quality.

Environment

Environmental Activities

- Initiatives in product development
- Initiatives in store operations and offices
- Initiatives in logistics
- EV charger

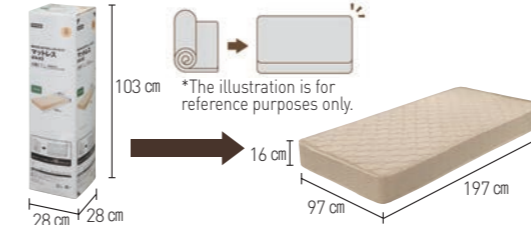
Initiatives in product development to reduce the environmental impact

The NITORI Group carries out environmental activities in each respective phase of manufacturing, logistics and retail sales.

- Efficiency of transportation by compressing the packing size of the product
- Eco-friendly product development
- Simplification of product packaging
- Efficient use of wood and paint

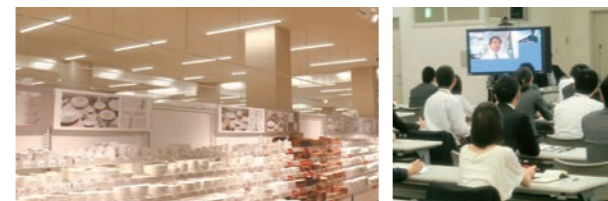
Mainly through these measures, NITORI is contributing to a significant reduction of CO₂ emissions.

(Compression packaged)



Other Initiatives

- Energy saving at stores and head offices**
In FY2013, we started to introduce the use of LED ceiling lights to newly-opened stores. As for existing stores, we are also changing their lighting sequentially. As of FY2016, approximately 250 stores introduced LED ceiling lights. In addition to LED lights, other energy saving facilities, such as a heat pump type air conditioner, demand control system (which suppresses electric power consumption) and BEMS (Building Energy Management System), have also been introduced.
- Use of eco-friendly packing material (Use of reusable packing materials for furniture product transportation between bases)
- Introduction of TV/WEB meetings
- Installation of fluorescent lights with highly reflective backing plates in our large scale logistics facilities
- Initiatives for a paperless environment ("Introduction of paperless records", "Installation of projectors in meeting rooms")



"NITORI Group Fair Trade Declaration"

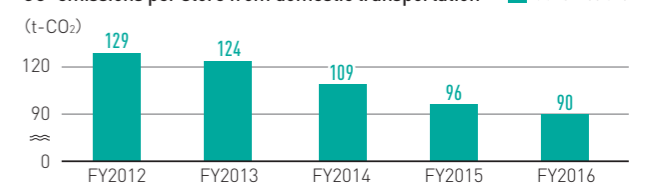
- All NITORI Group company employees shall not accept offers to dine with any suppliers without permission from executives even if they pay half of the cost.
- All NITORI Group company employees shall not accept any gifts including souvenirs and commemorative gifts from any suppliers.
- All NITORI Group company employees shall not accompany any suppliers to entertainment facilities, etc. or accept introductions to entertainment facilities, etc.
- All NITORI Group company employees shall not accept offers to dine with any suppliers personally or sightsee at tourists sites at the invitation of any suppliers.
- All NITORI Group shall establish a "true partnership" where any unfair, dishonest and unclear trade with any suppliers is completely eliminated.



Initiatives in logistics

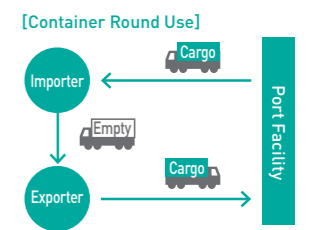
Reduction of CO₂ emissions by making transportation more efficient
We promote efficiency in product transportation and work on reduction of CO₂ emissions by shortening travel distance. Although we used to deliver ordered goods to customers via an in-house distribution center, we are now working on creating a new mechanism that enables us to deliver goods directly from the manufacturer to the customer and eliminating relay points. As a result of these actions, CO₂ emissions from our stores are decreasing.

CO₂ emissions per store from domestic transportation



Container Round Use

In cooperation with many of our business partners, NITORI applied the round use approach to 2,000 containers in 2014 and was able to reduce CO₂ emissions by approximately 130 tons.



Installing electric vehicle charging facilities

To support eco activates by customers who come to shop at NITORI, we installed 558 electric vehicle charging facilities in 208 NITORI stores nationwide.



Directors and Executive Officers

(As of May 11, 2017)



① Akio Nitori

Representative Director and Chairperson
Chief Executive Officer (CEO)

Biography

Mar. 1972 Founded the Company, Senior Managing Director
 May 1978 Representative Director and President of the Company
 Feb. 2003 Director of P.T. MARUMITSU INDONESIA (currently P.T. NITORI FURNITURE INDONESIA) (current position)
 Director of Marumitsu Co., Ltd. (currently Nitori Furniture Co., Ltd.) (current position)
 Oct. 2003 Director of MARUMITSU-VIETNAM EPE (currently NITORI FURNITURE VIETNAM EPE) (current position)
 Nov. 2009 Representative Director and Chairperson of Nitori Public Co., Ltd.
 Mar. 2010 Representative Director and President of Deco Home Co., Ltd. (current position)
 May 2010 Chairperson of DECOHOME CHINA Co., Ltd. (current position)
 Aug. 2010 Representative Director and President of Nitori Co., Ltd.
 Representative Director and President of Home Logistics Co., Ltd.
 Aug. 2011 Representative Director and President of Nitori Facility Co., Ltd.
 May 2012 Director and Chairperson of Nitori USA, Inc.
 June 2013 Representative Director, Chairperson and President of Nitori Public Co., Ltd.
 May 2014 Representative Director and Chairperson of Nitori Co., Ltd.
 Representative Director and Chairperson of Home Logistics Co., Ltd.
 Representative Director and Chairperson of Nitori Facility Co., Ltd. (current position)
 Mar. 2015 Representative Director and Chairperson of Nitori Public Co., Ltd.
 May 2015 Director and Senior Advisor of Home Logistics Co., Ltd. (current position)
 Feb. 2016 Representative Director and Chairperson (CEO) of the Company (current position)
 May 2016 Outside Director of KOHNAN SHOJI CO., LTD. (current position)
 June 2016 Chairperson of NITORI (CHINA) HOLDING Co., Ltd.
 Mar. 2017 Director and Senior Advisor of Nitori Public Co., Ltd. (current position)

③ Masanori Ikeda

Senior Managing Director
Officer in Charge of China Sales Operations

Biography

Apr. 1979 Joined the Company
 May 2001 Director of the Company
 May 2004 Managing Director of the Company
 May 2010 Managing Executive Officer of the Company
 Aug. 2010 General Manager of Store Operations Division of Nitori Co., Ltd.
 May 2014 Senior Managing Director of the Company (current position)
 Senior Managing Director and General Manager of Merchandising Division of Nitori Co., Ltd.
 Oct. 2015 Senior Managing Director and Officer in Charge of China Sales Operations of the Company (current position)
 June 2016 President of NITORI (CHINA) HOLDING Co., Ltd. (current position)

② Toshiyuki Shirai

Representative Director and President
Chief Operating Officer (COO)

Biography

Apr. 1979 Joined the Company
 May 2001 Director of the Company
 May 2004 Managing Director of the Company
 May 2008 Senior Managing Director of the Company
 May 2010 Director and Senior Managing Executive Officer of the Company
 Aug. 2010 Director of Nitori Co., Ltd.
 Director of Home Logistics Co., Ltd.
 Dec. 2010 Director and General Manager of Merchandising Division of Nitori Co., Ltd.
 May 2012 Director of Nitori USA, Inc.
 May 2014 Representative Director and Executive Vice President of the Company
 Representative Director and President of Nitori Co., Ltd. (current position)
 Representative Director and President of Home Logistics Co., Ltd.
 Representative Director and President of Nitori Facility Co., Ltd. (current position)
 Mar. 2015 Representative Director and President of Nitori Public Co., Ltd.
 May 2015 Representative Director and Chairperson of Home Logistics Co., Ltd. (current position)
 Feb. 2016 Representative Director and Chief Operating Officer (COO) of the Company (current position)
 Mar. 2017 Representative Director and Chairperson of Nitori Public Co., Ltd. (current position)
 Chairperson of NITORI (CHINA) HOLDING Co., Ltd. (current position)

④ Fumihiro Sudo

Senior Managing Director
General Manager of Store Development Division

Biography

Mar. 1979 Joined SHIMACHU CO., LTD.
 Sep. 2000 Representative Director of KANSAI SHIMACHU CO., LTD.
 Apr. 2001 Joined the Company
 May 2005 Executive Officer of the Company
 May 2008 Managing Director of the Company
 May 2010 Managing Executive Officer and General Manager of Store Development Division of the Company
 May 2014 Senior Managing Director and General Manager of Store Development Division of the Company (current position)



⑥ Muneto Tamagami

Managing Director
General Manager of General Planning Office and Manager of Public Relations Division

Biography

Aug. 2007 Joined the Company
 Aug. 2010 Manager of Recruitment Division of the Company
 July 2014 General Manager of General Planning Office and Manager of Public Relations Division of the Company
 May 2015 Executive Officer and General Manager of General Planning Office and Manager of Public Relations Division of the Company
 May 2016 Senior Executive Officer and General Manager of General Planning Office and Manager of Public Relations Division of the Company
 May 2017 Managing Director and General Manager of General Planning Office and Manager of Public Relations Division of the Company (current position)

⑧ Takao Kubo

Director (Audit and Supervisory Committee Member) (Full time)

Biography

Dec. 1977 Joined the Company
 Feb. 1989 General Manager of Management Policy Office of the Company
 May 1993 Full-time Auditor of the Company
 May 2001 Director and General Manager of Management Planning Office of the Company
 Apr. 2003 Director and General Manager of President's Office of the Company
 May 2004 Full-time Auditor of the Company
 Aug. 2010 Auditor of NITORI Co., Ltd. (current position)
 Auditor of Home Logistics Co., Ltd. (current position)
 May 2016 Director (Audit and Supervisory Committee member) of the Company (current position)

⑩ Kazuhiro Suzuki

Director (Audit and Supervisory Committee Member)
*Independent Outside Director

Biography

Apr. 1976 Appointed a public prosecutor
 Jan. 2009 Director of the Criminal Affairs Department of Supreme Public Prosecutors Office
 June 2010 Chief Prosecutor of Tokyo District Public Prosecutors Office
 Aug. 2011 Superintending Prosecutor of Hiroshima High Public Prosecutors Office
 June 2012 Superintendent Prosecutor of Fukuoka High Public Prosecutors Office
 Jan. 2014 Retired from Fukuoka High Public Prosecutors Office
 May 2014 Registered as an attorney (Daiichi Tokyo Bar Association)
 June 2014 Chief Director of Japan International Training Cooperation Organization (current position)
 May 2015 Auditor (Outside Auditor) of the Company
 June 2015 Outside Auditor of Saitama Resona Bank, Limited (current position)
 May 2016 Outside Director (Audit and Supervisory Committee member) of the Company (current position)

⑤ Masanori Takeda

Managing Director
General Manager of Merchandising Division

Biography

Mar. 2004 Joined the Company
 Feb. 2008 Manager of Recruitment Division of the Company
 Oct. 2012 Merchandising Manager of Soft Goods Department of Merchandising Division of Nitori Co., Ltd.
 Sep. 2013 Merchandising Manager of Furniture Department of Merchandising Division of Nitori Co., Ltd.
 May 2014 Executive Officer of the Company
 Merchandising Manager of Furniture Department of Merchandising Division of Nitori Co., Ltd.
 Oct. 2015 Executive Officer of the Company
 General Manager of Merchandising Division of Nitori Co., Ltd.
 May 2016 Senior Executive Officer of the Company
 General Manager of Merchandising Division of Nitori Co., Ltd.
 May 2017 Managing Director of the Company (current position)
 General Manager of Merchandising Division of Nitori Co., Ltd. (current position)

⑦ Takaharu Ando

Director
*Independent Outside Director

Biography

Apr. 1972 Joined National Police Agency
 Sep. 1994 Chief of Gunma Prefectural Police Headquarters
 Aug. 1999 Director of Public Security Department of Metropolitan Police Department
 Aug. 2004 Director General of Commissioner-General's Secretariat of National Police Agency
 Aug. 2007 Deputy Commissioner General of National Police Agency
 June 2009 Commissioner General of National Police Agency
 Oct. 2011 Retired from National Police Agency
 May 2013 Outside Director of the Company (current position)
 June 2014 Outside Director of Toyoko Inn Co., Ltd. (current position)
 June 2016 External Director of AMUSE INC. (current position)

⑨ Kazuhiko Takeshima

Director (Audit and Supervisory Committee Member)
*Independent Outside Director

Biography

Apr. 1965 Joined the Ministry of Finance
 July 1994 Deputy Director-General for Policy Coordination in the Minister's Secretariat of the Ministry of Finance
 May 1995 Director General of Economic Planning Agency (present Cabinet Office)
 July 1997 Commissioner of National Tax Agency
 Jan. 1998 Head of Domestic Affairs Office of Cabinet Secretariat
 Jan. 2001 Assistant Chief Cabinet Secretary
 July 2002 Chairman of Japan Fair Trade Commission
 Sep. 2012 Retired as Chairman of Japan Fair Trade Commission
 May 2013 Director (Outside Director) of the Company
 June 2013 Outside Auditor of Japan Airport Terminal Co., Ltd. (current position)
 May 2016 Outside Director (Audit and Supervisory Committee member) of the Company (current position)

⑪ Tsuneyoshi Tatsuoka

Director (Audit and Supervisory Committee Member)
*Independent Outside Director

Biography

Apr. 1980 Joined the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry)
 July 2006 Deputy Director-General in the Minister's Secretariat of the Ministry of Economy, Trade and Industry
 July 2008 Deputy Director-General in the Manufacturing Industries Bureau of the Ministry of Economy, Trade and Industry
 Director-General for Policy Planning and Coordination at the Ministry of Economy, Trade and Industry
 Jan. 2010 Councillor of Cabinet Secretariat
 Aug. 2011 Deputy Vice-Minister of Economy, Trade and Industry
 June 2013 Vice-Minister of Economy, Trade and Industry
 July 2015 Retired from the Ministry of Economy, Trade and Industry
 May 2016 Outside Director (Audit and Supervisory Committee member) of the Company (current position)
 June 2016 Outside Director of Asahi Kasei Corporation. (current position)

Basic Policy

NITORI Holdings Co., Ltd. ("the Company") places top priority on sustainable growth and the medium- to long-term improvement of corporate value in its management. The Company considers enhancing its corporate governance system necessary for achieving these goals.

To enhance corporate governance, the Company aims to build an organizational structure to respond promptly to any changes in the business environment, practice fair and transparent management as a listed company, and disclose accurate information to all stakeholders in a timely fashion.

Meanwhile, the Company will develop an internal system to establish its corporate social responsibility and corporate ethics.

This basic policy describes the Company's framework for corporate governance.

To maintain effective corporate governance in the context of the changing social demands and circumstances surrounding the Company, the Board of Directors will review this basic policy from time to time and will revise the policy when necessary. Any revision will be communicated promptly.

Overview of the Governance System

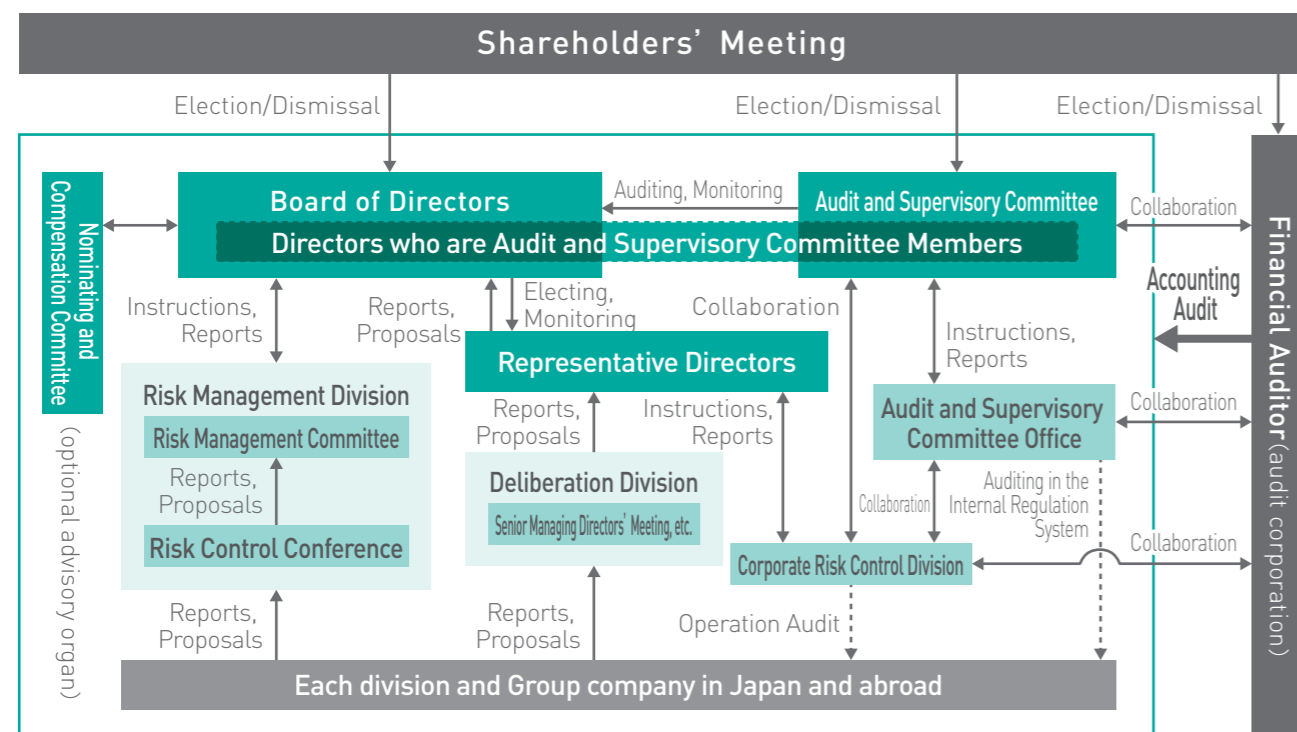
The Company has an audit and supervisory committee to monitor the Board of Directors' performance of duties as well as expedite and streamline decision-making. In addition to the audit and supervisory committee and the board of directors, the Company also has a financial auditor.

The Company believes that including independent outside directors who have extensive experience and insight will stimulate the Board of Directors' discussions and will ensure

the effective monitoring of appropriate decision making and operation execution. The Company's policy for electing appropriate independent outside directors is that a third or more of the directors will be independent outside directors.

The Company appoints 3 independent outside directors as members of the Audit and Supervisory Committee. The committee consists of 4 members to enhance its auditing and monitoring functions.

Organization chart for corporate governance



Criteria for Judging Independence

The Company shall designate as independent directors those outside directors who do not fall under any of the following items:

1. A person that has been an executive director, executive officer, manager, or other employee (hereinafter collectively referred to as "executive") at the Company or its subsidiary in the past ten years.
2. A person, or an executive of a judicial person, that holds 10% or more of the Company's total voting rights directly or indirectly.
3. A person, or an executive of an entity, for which the Company or its subsidiary is a major business partner (Note 1) and a person, or an executive of an entity, that is a major business partner of the Company or its subsidiary (Note 2).
4. A financial auditor for the Company or its subsidiary, or an employee etc. of the financial auditor.
5. A consultant, an attorney, a certified public accountant, a certified public tax accountant, etc. who receives money and property benefits worth more than 10 million yen annually other than executive compensation from the Company or its subsidiary (if the entity receiving property is an organization, such as a corporation and an association, a person belonging to the organization).
6. A person, or an executive of an entity, that receives donations or grants exceeding a total of 10 million yen annually from the Company or its subsidiary.
7. A person that falls under any of items 2. to 6. in the past 3 years.
8. A person whose spouse or a relative within the second degree of kinship falls under any of items 1. to 7. If the spouse or the relative is an executive, the executive shall be limited to the one who executes important operations (Note 3).
9. A person that does not fall under items 1. to 8. but is at risk of generating constant conflicts of interest with the ordinary shareholders.

Note 1: A business partner to which the Company or its subsidiaries paid an amount equivalent to 22 % or more of the annual consolidated sales of the business partner in the most recent fiscal year.

Note 2: A business partner that paid an amount equivalent to 2 or more of the Company's annual consolidated sales to the Company or its subsidiary in the most recent fiscal year, or a business partner that gave a loan equivalent to 2% or more of the Company's consolidated total assets to the Company or its subsidiary at the end of the most recent fiscal year.

Note 3: An executive who executes important operations, such as directors (excluding outside directors), executive officers, managers, and department heads.

Appointment Status of Outside Directors

The following 4 outside directors satisfy the Criteria for Judging Independence for Outside Directors set forth by the Company and all requirements of independent executives stipulated by the

stock market. Therefore, we judged that there is no possibility that conflict of interest may occur with general shareholders, and we appointed these directors as independent executives.

Name	Reason for Appointment
Takaharu Ando	Mr. Ando has held prominent positions, including Commissioner General of the National Police Agency, and has a wealth of experience and extensive knowledge. Based on his professional experience and knowledge, Mr. Ando has been monitoring the Company's overall management and has been giving appropriate advice as an Outside Director.
Kazuhiko Takeshima	Mr. Takeshima has held prominent positions, including Chairman of the Japan Fair Trade Commission, and has a wealth of experience and extensive knowledge. Based on his professional experience and knowledge, Mr. Takeshima has been monitoring the Company's overall management appropriately and has been giving appropriate advice as an Outside Director.
Kazuhiro Suzuki	Mr. Suzuki is a legal professional who has held prominent positions, including Superintendent Prosecutor of the Fukuoka High Public Prosecutors Office. He has made use of his extensive experience and expertise by sharing his opinions about the Company's management as an Outside Director.
Tsuneyoshi Tatsuoka	Mr. Tatsuoka has assumed many prominent positions, including Vice-Minister of Economy, Trade and Industry. He makes the most of his wealth of experience and professional insight to strengthen the Company's corporate governance and compliance systems as an Outside Director appropriately.

Internal Regulation System Outline

The Company has adopted the basic policies below on internal regulation systems in relation to the development of a system for the following execution of the duties of the directors and employees of the Company and the Group companies: risk management and compliance systems to help with the execution of the duties, a system for ensuring effective auditing so that the NITORI Group will implement its corporate

philosophy and corporate governance basic policy for the directors and employees to perform their duties properly and effectively.

In principle, the basic policies on internal control systems apply to all of the Group's entities. The purpose of the basic policies is for the Group as a whole to enhance its enterprise value and to achieve management transparency and efficiency.

Basic Policies on Internal Regulation Systems ("System to ensure appropriate operations")
<http://www.nitorihd.co.jp/ir/governance/pdf/System.pdf>

Specific Initiatives for the System to Ensure Appropriate Operations

1. Initiatives for compliance

In order to enhance the internal regulation system of our Group, the Company aims to increase compliance awareness by implementing compliance training according to the business format and roles of each company. In overseas subsidiaries, in particular, we carry out joint meetings (NITORI Global Legal Conference) separately from compliance training to share information on risks that are unique to overseas countries and legal changes.

In addition, according to stipulations in the "NITORI Group Whistleblower System Regulations", the Company established contact points inside and outside of the Company for whistle blowing. We conduct surveys and feature the whistleblower system in company newsletters periodically to increase the recognition of the system among employees. Consequently, now, problems can be detected early and implementation of improvement measures have had an effect.

2. Initiatives for the appropriate and efficient execution of duties

The Company holds weekly Senior Managing Directors' Meetings for prior deliberation so agile decision making can be made in Board of Directors meetings. In Board of Directors meetings, during the deliberation of agenda items and reporting on the execution of duties, lively discussions and opinion exchanges with Outside Directors are carried out. In addition, for execution of certain important duties, the authority over decision making is delegated to Representative Directors. We believe that these measures assure the appropriateness and efficiency of decision making and effectiveness of monitoring.

For reporting of important items including sales performance and financial situation of each Group company, the Company sets sales targets to be achieved by each respective company first, and the companies need to conduct periodical reporting to the Board of Directors meetings of the Company. This enables us to monitor the appropriateness of duties executed by the directors of subsidiaries.

3. Initiatives for risk management for losses

To minimize losses or disadvantages that our Group suffers, the Company formulated risk management regulations and a Business Continuity Plan (BCP) and established a risk management system initiated by the "Risk Management Committee." According to the Business Continuity Plan (BCP), we carry out various training along with monthly "Risk Control Conferences" that review risks and implement countermeasures against new challenges to strengthen our Group's risk management system.

4. Initiatives to secure the effectiveness of auditing by the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company holds Audit and Supervisory Committee meetings periodically or extraordinarily to exchange auditing information. In addition, full-time Audit and Supervisory Committee Members attend important meetings such as the Board of Directors meetings, Senior Executive Directors' Meetings and Challenge Progress Meetings, etc. For the compliance and establishment situation of internal regulations, the committee conducts audits by utilizing the internal regulation system. This is illustrated by periodical audit results sharing with the Corporate Risk Control Division. In addition, dedicated personnel are assigned to the job of assisting audit work based on instructions of the Audit and Supervisory Committee to secure the effectiveness of audits. Moreover, we ensure that the Audit and Supervisory Committee has an opportunity to have periodical meetings with Representative Directors and financial auditors so they can exchange opinions necessary for auditing.

Status of Internal Audits and Audits by the Audit and Supervisory Committee

In the Company, (11) full-time staff members of the Corporate Risk Control Division carry out audits based on the annual audit plan to check that the duties of each division are conducted appropriately and efficiently according to laws and regulations, articles of incorporation, and internal regulations. Important items are reported to the Board of Directors, Audit and Supervisory Committee, and financial auditors.

The Audit and Supervisory Committee of the Company holds Audit and Supervisory Committee meetings periodically or extraordinarily to exchange auditing information. In addition, full-time Audit and Supervisory Committee members attend important meetings such as the Board of Directors meetings, Senior Executive Directors' Meetings and Challenge Progress Meetings, etc. For the compliance and establishment situation

of the internal regulation, the committee conducts audits by utilizing the internal regulation system. This is illustrated by periodical audit results sharing with the Corporate Risk Control Division.

Furthermore, the Company ensures that Directors who are Audit and Supervisory Committee Members have an opportunity to have periodical meetings with Representative Directors and financial auditors so they can exchange opinions necessary for auditing.

Takao Kubo (Director who is a full-time Audit and Supervisory Committee Member) has extended years of work experience in the management planning area and an appreciable amount of knowledge in finance and accounting.



Financial Section

Consolidated Financial Information (Transition of Key Management Indicators)

Millions of Yen

Millions of Yen

 Thousands of
U.S. Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
Gains and Losses											
Net sales	¥217,229	¥244,053	¥286,186	¥314,291	¥331,016	¥348,789	¥387,605	¥417,285	¥458,140	¥512,958	\$4,544,281
Gross profit	107,136	125,973	154,275	172,483	183,938	192,616	201,656	218,337	243,543	278,274	2,465,223
Selling, general and administrative expenses	81,041	92,876	107,818	119,818	125,987	131,066	138,583	152,029	170,503	192,497	1,705,329
Operating income	26,095	33,096	46,456	52,665	57,951	61,550	63,073	66,307	73,039	85,776	759,893
Ordinary income	26,568	33,969	47,430	53,594	59,151	62,195	63,474	67,929	75,007	87,563	775,725
Net income attributable to owners of parent	15,464	18,353	23,838	30,822	33,548	35,811	38,425	41,450	46,969	59,999	531,531
Net cash provided by operating activities	19,114	25,189	42,757	34,653	43,908	41,989	46,154	52,923	57,343	77,930	690,381
Net cash used in investing activities	(21,096)	(20,656)	(27,444)	(26,684)	(22,925)	(21,937)	(32,376)	(43,023)	(35,899)	(42,047)	(372,498)
Net cash provided by (used in) financing activities	2,403	(2,602)	(15,511)	(3,577)	(16,099)	(22,047)	(10,540)	(6,654)	(9,943)	(6,414)	(56,826)
Cash and cash equivalents at end of the year	8,381	10,318	9,968	14,035	18,410	16,816	21,179	25,713	36,794	66,035	585,004
Depreciation and amortization	4,055	5,026	6,308	7,762	8,456	8,227	8,850	8,921	9,398	10,406	92,194
Capital expenditures	¥ 22,741	¥ 18,721	¥ 27,398	¥ 26,818	¥ 22,348	¥ 25,708	¥ 30,083	¥ 45,033	¥ 26,605	¥ 42,828	\$ 379,416
Financial Data											
Total assets	¥179,614	¥196,607	¥218,386	¥246,187	¥267,153	¥284,290	¥321,703	¥404,793	¥414,541	¥487,814	\$4,321,529
Net assets	98,958	114,378	134,164	146,038	174,949	209,764	247,898	310,531	330,968	394,778	3,497,327
Equity	¥ 98,958	¥114,378	¥134,025	¥145,766	¥174,527	¥209,125	¥247,099	¥309,413	¥329,695	¥393,693	\$3,487,715
Key Management Indicators											
Ratio of gross profit to net sales (%)	49.3	51.6	53.9	54.9	55.6	55.2	52.0	52.3	53.2	54.2	54.2
Ratio of SG&A expenses to net sales (%)	37.3	38.1	37.7	38.1	38.1	37.6	35.8	36.4	37.2	37.5	37.5
Ratio of operating income to net sales (%)	12.0	13.6	16.2	16.8	17.5	17.6	16.3	15.9	15.9	16.7	16.7
Return on equity (ROE) (%)	16.9	17.2	19.2	22.0	20.9	18.7	16.8	14.9	14.7	16.6	16.6
Equity ratio (%)	55.1	58.2	61.4	59.2	65.3	73.6	76.8	76.4	79.5	80.7	80.7
Return on assets (ROA) (%)	15.8	18.1	22.9	23.1	23.0	22.6	20.9	18.7	18.3	19.4	19.4
Dividend payout ratio (Consolidated) (%)	8.1	10.6	12.0	11.8	13.1	13.8	14.3	14.6	15.3	15.2	15.2
Price earnings ratio (PER) (times)	18.3	15.9	16.6	13.6	11.2	10.6	13.3	20.2	19.4	22.7	22.7
Per share Information											
Earnings per share (EPS) (JPY, USD)	136.20	160.70	208.52	274.44	305.95	325.83	350.27	376.14	425.10	540.93	\$4.79
Net assets per share (JPY, USD)	870.87	999.79	1,178.34	1,329.34	1,591.64	1,906.91	2,248.80	2,806.99	2,981.27	3,530.51	\$31.28
Dividend per share (JPY, USD)	11	17	25	32.5	40	45	50	55	65	82	\$0.73
Other Data											
No. of shares issued at fiscal year end (shares)	56,833,428	57,221,748	57,221,748	57,221,748	57,221,748	57,221,748	57,221,748	114,443,496	114,443,496	114,443,496	114,443,496
Stock price at fiscal year end (JPY, USD)	4,970	5,100	6,910	7,460	6,850	6,890	9,340	7,600	8,260	12,250	\$108.52
Aggregate market price (million JPY, thousand USD)	282,462	291,830	395,402	426,874	391,968	394,257	534,451	869,770	945,303	1,401,933	\$12,419,408
No. of stores in Japan (stores)	162	182	212	237	258	286	312	346	383	428	428
No. of stores overseas (stores)	1	4	5	7	10	14	19	27	37	43	43
Net increase (stores)	18	23	31	27	24	32	31	42	47	51	51
Total sales floor area (m ²)	818,955	918,096	1,048,152	1,185,134	1,275,121	1,390,711	1,478,205	1,568,596	1,678,835	1,806,666	1,806,666
No. of employees (employees)	7,786	9,013	10,836	12,504	14,358	15,272	16,884	19,092	20,759	22,111	22,111

(Notes)

1. The Company conducted a 2:1 stock split of common shares as of February 21, 2014. However, for our purposes here, calculation is made under the assumption that the stock split was conducted at the beginning of FY2007.

2. US dollar conversion is calculated at 1 dollar = 112.88 yen.

3. The number of total employees includes the average number of temporary employees. (1 day 8 hour conversion)

Business Environment

In FY2016, while personal consumption in Japan remained at a standstill, the employment and income environment continued to improve, and the economy headed towards recovery. However, the unclear outlook continued due to uncertainties over the global economy such as Brexit, U.S. Presidential election, and

economic trends in emerging countries of Asia including China.

In the furniture and interior products industry, due to intensified sales competition beyond business formats and increase of logistics costs, etc., the difficult management environment continued.

Management Results

Sales of Furniture and Interior Products

The NITORI Group adopted a new product strategy to create new brands with different target price ranges. We launched "DAY Value" as a brand for casually collecting necessary goods for life at a low price, and we started to offer curtains and bedding under the same brand. The roll out of another brand, the quality and design focused "&Style" is scheduled for the autumn of 2017, and we will promote the proposing of coordination that can meet various needs. Furthermore, the seasonal coordination product series using different types of products of "SEA," "Cafe Time,"

and "WINTER HOLIDAY" also recorded strong sales. NITORI will continue vertical merchandising activity, and we will conduct product development in the perspective of overall optimization such as using the same raw materials in multiple products, development of original parts, and reduction of package sizes. Thus, we will pursue cost reductions and further enhancement of product power. NITORI also launched an "in-store pickup service" that improves convenience as customers can receive products ordered from our e-commerce website in stores.

(1) Product development

For the cool touch "N Cool" series for spring and summer and the moisture absorbing and heat generating "N Warm" series for autumn and winter which are very popular high performance products, we established a stable product and supply system, enhanced performance by improving raw materials, and increased product types. In addition, since the effects of sales promotion through various media including TV and magazines also had a positive contribution, sales significantly exceeded the previous year. For furniture, we increased the variety of our original "N Sleep" bed mattress series where we pursued the comfort of feeling as if you were softly wrapped up and durability which drove sales. Moreover, the bed frames and sofas under the "NITORI STUDIO" brand where you can choose the color, size, and design from a wide range of selections continues to grow sales steadily.

(2) Quality

NITORI was awarded the "METI (Ministry of Economy, Trade and Industry) Minister's Awards" which is the top award in "10th METI Minister's Awards for Best Contributors to Product Safety" in recognition of our Group's efforts for "product safety" such as securing safety by united collaboration with our business partners, thorough measures for accident prevention, and provision of technical guidance to our business partners for continually fulfilling product safety. This is our 5th award in the METI Minister's Awards for Best Contributors to Product Safety and our first "METI Minister's Awards for Best Contributors to Product Safety" in the Large Retailer category.

(3) Logistics

We introduced Japan's first "robot warehouse" featuring high storage density in the pursuit of a "worker friendly workplace" in the "Online Shopping Distribution Center" operated by Home Logistics Co., Ltd. (Kawasaki City, Kanagawa). This robot warehouse was selected for the 2016 Good Design Award in the Space and Interior for Business Use category. Furthermore, due to the increase of stores in the Kinki area and expansion of the online shopping business, we consolidated logistics sites in Osaka Prefecture into the logistic center in Ibaraki City, Osaka and opened the "Western Japan Online Shopping Distribution Center" in the facility to further strengthen product supply sites and optimize and stabilize logistics.

(4) Store openings

For store openings in Japan, NITORI opened "NITORI MALL Hirakata" (Hirakata City, Osaka) in April 2016. It is the largest NITORI MALL in the Group thus far. In addition, we increased the pace of store openings in central Tokyo and in department stores such as Shinjuku, Ikebukuro, and Nakameguro. We also continue to open stores in the suburbs including the AEON Nayoro Store in Hokkaido, site of the foundation of NITORI. Due to these store openings, we are acquiring new customer demographics, and as a result, in FY2016, we added 24 stores in the Kanto area (26 store openings, 2 stores closed down), 12 stores in the Kinki Area, and 9 stores in other areas of Japan (10 store openings, 1 store closed down). In total, we added 45 stores to increase the number of stores in Japan to 428. For overseas store openings, we opened 3 stores in Taiwan and China respectively. Overseas, we now have 27 stores in Taiwan, 5 stores in the U.S., and 11 stores in China for a total of 43 stores. The total number of stores in Japan and overseas as of the end of FY2016 is 471.

(5) Other initiatives

For our CSR initiatives, to contribute to the further growth of tourism in Hokkaido, we established the "NITORI Otaru Art Base" which is housed in historical structures in the heart of Otaru City, and we opened the "Stained Glass Museum (Former Takahashi Warehouse)" and "Art Nouveau Glass Museum (Former Arata Trading Company)." In addition, as part of the support for recovery from the "2016 Kumamoto Earthquake," NITORI donated blankets and mattresses to disaster-stricken areas. We also implemented same-day delivery and resumed store operations quickly and established a product supply system rapidly to support local residents as they attempt to return to normal life as quickly as possible.

As a result of the above initiatives, the furniture and interior goods sales business achieved ¥501.591 billion in net sales (11.7% increase from compared to previous year) in FY2016.

Others

Sales of other businesses including revenue from the real estate leasing and advertising business amounted to ¥11.367 billion (27.9% increase year-on-year) in FY2016.

As a result of all of the above, our Group (the Company and consolidated subsidiaries) achieved ¥512.958 billion in net sales (12.0% year-on-year increase), ¥85.776 billion (17.4% year-on-year increase), ¥87.563 billion in ordinary

income (16.7% year-on-year increase), ¥59.999 billion in net income attributable to owners of parent (27.7% year-on-year increase) in FY2016, and we achieved 30 consecutive years of growth in income and profit.

Next Year's Outlook

As an outlook for the future, due to uncertainties over the global economy such as policy trends of the new U.S. Administration, impact from the UK's exit from the EU, and economic trends of emerging countries in Asia including China, the prospects for the global economy are estimated to continue to remain uncertain. In the furniture and interior products industry as well, mainly due to more fierce sales competition beyond business categories and hikes in logistics costs, the tough management environment is expected to continue.

Under this management environment, for establishing a full-scale

global chain, our Group will reform the organization, structure, and systems as well as make full use of the strengths of our original "Manufacturing, Logistics and Retail Sales" business model to offer products, stores, and services in the customer perspective.

As a forecast for consolidated results for the next fiscal year, we estimate ¥568 billion in net sales, ¥99 billion in operating income, ¥100 billion in ordinary income, and ¥68.5 billion in net income attributable to owners of parent.

Financial Situation Analysis

Assets, Liabilities and Net Assets

For current assets, due to increases of ¥28.233 billion in cash and deposits, ¥6.841 billion in forward exchange contracts, ¥3.227 billion in notes and accounts receivable - trade, and ¥3.441 billion of merchandise and finished goods, ¥40.193 billion increase from the end of previous year was recorded. In terms of non-current assets, partly due to the acquisition of land and buildings, we had a ¥23.23 billion increase in property, plant and equipment. In addition, investments and other assets increased by ¥7.326 billion. As a result, there was a ¥33.08 billion increase compared to the end of the previous year. Consequently, total assets as of the end of FY2016 amounted to a ¥73.273 billion increase and recorded ¥487.814 billion.

With regard to current liabilities, accounts payable - other increased by ¥3.095 billion and current liabilities - other rose by ¥2.935 billion. Partly due to these factors, current liabilities increased by ¥8.127 billion. For non-current liabilities, partly owing to the increase of non-current liabilities - other by ¥1.129 billion, non-current liabilities posted a rise of ¥1.336 billion. As a result, a ¥9.463 billion increase was recorded in liabilities as of the end of FY2016 and totaled ¥93.035 billion.

In respect to net assets, retained earnings increased by ¥52.249 billion and unrealized gain (loss) from hedging instruments rose by ¥6.204 billion. Consequently, net assets posted a rise of ¥63.809 billion and totaled ¥394.778 billion.

Cash Flow Situation

In FY2016, in terms of cash and cash equivalents (hereinafter, "funds"), a ¥77.93 billion increase in cash flow from operating activities, a ¥42.047 billion decrease in cash flow from investing activities such as new store openings and enhancement of equipment, and a ¥6.414 billion decrease in cash flow from

financing activities were reported. As a result, cash and cash equivalents recorded a ¥29.24 billion increase compared to the previous year and amounted to ¥66.035 billion.

Each FY2016 cash flow situation and respective factors are as follows.

(1) Cash flow from business activities

Increased funds due to sales activities in FY2016 totaled ¥77.93 billion (Increase of ¥20.586 billion in income year-on-year). This is mainly due to ¥87.822 billion income before income taxes (¥13.202 billion increase in income compared to the previous year), ¥29.311 billion income taxes paid (¥2.618 billion increase in payments compared to the previous year) and increase in accrued consumption taxes by ¥2.447 billion (¥4.811 billion decrease in payments compared to the previous year).

(2) Cash flow from investment activities

Decreased funds due to investment activities in FY2016 totaled ¥42.047 billion (Increase of ¥6.148 billion in payments year-on-year). This is mainly due to a ¥34.966 billion purchase of property, plant and equipment (increase of ¥6.945 billion in payments compared to the previous year) and a ¥4.155 billion purchase of intangible assets (increase of ¥2.498 billion in payments compared to the previous year).

(3) Cash flow from financial activities

Decreased funds due to financial activities in FY2016 totaled ¥6.414 billion (decrease of ¥3.528 billion in payments compared to the previous year). This is mainly due to ¥7.753 billion cash dividends paid (increase of ¥1.243 billion in payments) and ¥3.036 billion proceeds from the exercise of stock options (increase of ¥1.888 billion in income compared to the previous year).

Business Risk, etc.

The main factors believed to have the possibility of impacting our Group's business and others include the items listed below. While being aware of the possibility that such risks may occur, the Company shall make every effort

to avoid such risks and work on responding if such risks should occur. Forward-looking statements are according to management decisions and forecasts of the Company based on available information as of the end of FY2016.

(1) Import rate of our Group is high and exceeds 80%. Therefore, currency exchange fluctuations may have a negative impact on our operating performance.

(4) For customer information protection, we established an internal management system and strictly handle customer information. However, in the event that customer information is leaked outside of the Company due to crime, etc., a decrease in net sales may occur due to payment of costs to compensate for damage to individual customers and damage to our social standing, and a negative impact may be placed on the operating performance and financial situation of the Group.

(2) Most of the products that our Group sells are imported from Asian countries including China. For this reason, our operating results may be affected by the political climate, economic environment, and natural disasters, etc. of Asian countries such as China.

(3) Management personnel including Representative Directors Akio Nitōri and Toshiyuki Shirai are playing important roles in the areas that they supervise. In the event that these Officers are not able to carry out their duties, the operating performance of our Group may be greatly affected.

(5) Our Group has stores in all 47 prefectures of Japan as well as in Taiwan, the U.S. and China. In the event that stores, equipment and inventories in our distribution centers and human resources, etc. are damaged by natural disasters, sales activities may be affected, and a negative impact may be placed on our operating performance and financial situation.

In addition, factors that may impact our operating performance are not limited to the above.

Consolidated Balance Sheet

As at February 20, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Assets			
Current assets			
Cash and deposits	¥ 42,327	¥ 70,560	\$ 625,097
Notes and accounts receivable - trade	15,258	18,486	163,771
Merchandise and finished goods	43,079	46,520	412,122
Work in process	90	92	816
Raw materials and supplies	2,247	2,354	20,858
Deferred tax assets	2,602	1,001	8,868
Forward exchange contracts	8,160	15,002	132,904
Other	16,231	16,174	143,288
Allowance for doubtful accounts	(8)	(9)	(87)
Total current assets	129,989	170,182	1,507,639
Non-current assets			
Property, plant and equipment			
Buildings and structures	157,371	180,661	1,600,477
Accumulated depreciation	(69,146)	(76,898)	(681,243)
Buildings and structures, net	88,225	103,763	919,233
Machinery, equipment and vehicles	8,622	9,653	85,523
Accumulated depreciation	(5,106)	(5,754)	(50,980)
Machinery, equipment and vehicles, net	3,515	3,899	34,543
Tools, furniture and fixtures	12,122	13,890	123,059
Accumulated depreciation	(7,697)	(8,511)	(75,400)
Tools, furniture and fixtures, net	4,424	5,379	47,659
Land	115,504	126,923	1,124,407
Leased assets	3,868	3,728	33,033
Accumulated depreciation	(1,152)	(1,214)	(10,761)
Leased assets, net	2,715	2,514	22,271
Construction in progress	10,477	5,615	49,745
Total property, plant and equipment	224,863	248,094	2,197,861
Intangible assets			
Leasehold right	7,664	8,771	77,705
Other	3,545	4,961	43,949
Total intangible assets	11,209	13,732	121,655
Investments and other assets			
Investment securities	2,763	3,531	31,282
Long-term loans receivable	540	856	7,583
Guarantee deposits	15,362	15,720	139,263
Lease deposits	18,079	20,515	181,743
Deferred tax assets	2,821	2,952	26,155
Other	8,921	12,239	108,431
Allowance for doubtful accounts	(9)	(9)	(87)
Total investments and other assets	48,478	55,804	494,372
Total non-current assets	284,551	317,631	2,813,889
Total assets	¥414,541	¥487,814	\$4,321,529

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 15,356	¥ 16,001	\$ 141,757
Short-term loans payable	1,504	625	5,536
Lease obligations	188	187	1,662
Accounts payable - other	16,195	19,291	170,901
Income taxes payable	14,929	15,630	138,473
Deferred tax liabilities	—	564	4,996
Provision for bonuses	3,024	3,751	33,234
Provision for point card certificates	1,031	1,301	11,531
Provision for special benefits to shareholders	191	214	1,895
Asset retirement obligations	—	44	397
Other	15,176	18,112	160,455
Total current liabilities	67,597	75,724	670,844
Non-current liabilities			
Long-term loans payable	625	—	—
Lease obligations	2,518	2,330	20,645
Deferred tax liabilities	1	3	30
Provision for directors' retirement benefits	228	228	2,028
Net defined benefit liability	2,279	2,634	23,337
Asset retirement obligations	3,902	4,565	40,448
Other	6,418	7,548	66,867
Total non-current liabilities	15,974	17,310	153,357
Total liabilities	83,572	93,035	824,201
Net assets			
Shareholders' equity			
Capital stock	13,370	13,370	118,451
Capital surplus	14,411	16,306	144,459
Retained earnings	308,854	361,103	3,199,007
Treasury stock	(13,392)	(10,188)	(90,263)
Total shareholders' equity	323,244	380,592	3,371,654
Accumulated other comprehensive income			
Unrealized holding gain (loss) on securities	289	884	7,831
Unrealized gain (loss) from hedging instruments	4,165	10,369	91,866
Foreign currency translation adjustment	2,301	2,243	19,872
Remeasurements of defined benefit plans	(305)	(396)	(3,510)
Total accumulated other comprehensive income	6,450	13,100	116,060
Subscription rights to shares	1,174	940	8,334
Non-controlling interests	98	144	1,277
Total net assets	330,968	394,778	3,497,327
Total liabilities and net assets	¥414,541	¥487,814	\$4,321,529

*US dollar conversion is calculated at 1 dollar = 112.88 yen.

Consolidated Statement of Income

For the year ended February 20, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Net sales	¥458,140	¥512,958	\$4,544,281
Cost of sales	214,597	234,684	2,079,058
Gross profit	243,543	278,274	2,465,223
Selling, general and administrative expenses	170,503	192,497	1,705,329
Operating income	73,039	85,776	759,893
Non-operating income			
Interest income	450	433	3,844
Dividend income	31	34	304
Foreign exchange gains	681	102	911
Vending machine income	227	246	2,184
Gain on sales of goods	282	300	2,660
Construction revenue from tenants	—	147	1,305
Facility use revenue	21	174	1,549
Other	351	425	3,767
Total non-operating income	2,046	1,865	16,528
Non-operating expenses			
Interest expenses	76	59	524
Other	2	19	172
Total non-operating expenses	78	78	696
Ordinary income	75,007	87,563	775,725
Special gains			
Gain on sales of non-current assets	9	645	5,717
Subsidy income	643	80	708
Penalty income	—	52	466
Gain on reversal of subscription rights to shares	10	7	69
Other	10	16	141
Total special gains	673	801	7,104
Special losses			
Loss on sales and disposal of non-current assets	57	73	651
Loss on reduction of non-current assets	431	—	—
Penalty for the scrap and build of outlets	35	148	1,312
Impairment loss	488	10	97
Special retirement expenses	—	54	485
Cancellation penalty	11	190	1,683
Loss on valuation of investment securities	—	61	543
Other	35	4	43
Total special losses	1,060	543	4,816
Income before income taxes	74,619	87,822	778,014
Income taxes – current	27,514	28,565	253,057
Income taxes – deferred	103	(787)	(6,977)
Income taxes	27,618	27,777	246,080
Net income	47,001	60,044	531,934
Net income attributable to non-controlling interests	32	45	403
Net income attributable to owners of parent	¥ 46,969	¥ 59,999	\$ 531,531

Consolidated Statement of Comprehensive Income

For the year ended February 20, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Net income	¥47,001	¥60,044	\$531,934
Other comprehensive income			
Unrealized holding gain (loss) on securities	(296)	594	5,264
Unrealized gain (loss) from hedging instruments	(20,930)	6,204	54,967
Foreign currency translation adjustment	(1,044)	(57)	(512)
Remeasurements of defined benefit plans, net of tax	(271)	(91)	(807)
Total other comprehensive income	(22,542)	6,649	58,911
Comprehensive income	¥24,458	¥66,694	\$590,846
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥24,426	¥66,649	\$590,442
Comprehensive income attributable to non-controlling interests	32	45	403

Consolidated Statement of Cash Flows

For the year ended February 20, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Cash flows from operating activities			
Income before income taxes	¥74,619	¥87,822	\$778,014
Depreciation and amortization	10,799	12,312	109,074
Impairment loss	488	10	97
Increase (decrease) in allowance for doubtful accounts	3	1	12
Increase (decrease) in provision for bonuses	662	733	6,493
Increase (decrease) in net defined benefit liability	356	266	2,364
Increase (decrease) in provision for point card certificates	1	270	2,396
Interest and dividend income	(482)	(468)	(4,148)
Interest expenses	76	59	524
Loss (gain) on sales and disposal of non-current assets	48	(571)	(5,066)
Loss on reduction of non-current assets	431	—	—
Penalty for the scrap and build of outlets	35	148	1,312
Subsidy income	(643)	(80)	(708)
Loss (gain) on valuation of investment securities	—	61	543
Decrease (increase) in notes and accounts receivable - trade	(2,138)	(1,816)	(16,090)
Decrease (increase) in inventories	(1,157)	(3,742)	(33,152)
Increase (decrease) in notes and accounts payable - trade	(1,020)	1,409	12,485
Increase (decrease) in accrued consumption taxes	(2,363)	2,447	21,681
Other, net	(1,307)	470	4,171
Subtotal	78,411	99,334	880,004
Interest and dividend income received	492	465	4,127
Interest expenses paid	(79)	(56)	(500)
Payment of penalty for the scrap and build of outlets	(17)	(15)	(139)
Income taxes paid	(26,692)	(29,311)	(259,665)
Income taxes refund	5,228	7,512	66,554
Net cash provided by operating activities	57,343	77,930	690,381
Cash flows from investing activities			
Payments into time deposits	(10,848)	(6,581)	(58,307)
Proceeds from withdrawal of time deposits	5,870	7,361	65,216
Purchase of property, plant and equipment	(28,021)	(34,966)	(309,766)
Proceeds from sales of property, plant and equipment	8	1,708	15,135
Purchase of intangible assets	(1,656)	(4,155)	(36,809)
Proceeds from sales of intangible assets	—	395	3,507
Proceeds from government subsidy	431	291	2,580
Payments for guarantee deposits	(30)	(1,678)	(14,868)
Proceeds from collection of guarantee deposits	108	128	1,141
Payments for lease deposits	(1,101)	(2,856)	(25,305)
Proceeds from collection of lease deposits	356	56	497
Proceeds from guarantee deposits received	549	387	3,431
Proceeds from lease deposits received	595	1,145	10,145
Purchase of long-term prepaid expenses	(464)	(2,103)	(18,633)
Purchase of short-term and long-term investment securities	(1,677)	—	—
Proceeds from sales of short-term and long-term investment securities	—	17	155
Payments of loans receivable	(40)	(1,191)	(10,554)
Proceeds from collection of loans receivable	43	18	167
Other payments	(23)	(26)	(232)
Net cash used in investing activities	(35,899)	(42,047)	(372,498)
Cash flows from financing activities			
Repayments of long-term loans payable	(4,392)	(1,504)	(13,331)
Repayments of lease obligations	(188)	(188)	(1,668)
Purchase of treasury stock	(1)	(4)	(40)
Cash dividends paid	(6,509)	(7,753)	(68,687)
Proceeds from exercise of stock options	1,148	3,036	26,900
Net cash used in financing activities	(9,943)	(6,414)	(56,826)
Effect of exchange rate changes on cash and cash equivalents	(419)	(227)	(2,014)
Net increase in cash and cash equivalents	11,080	29,240	259,043
Cash and cash equivalents at beginning of the year	25,713	36,794	325,961
Cash and cash equivalents at end of the year	¥36,794	¥66,035	\$585,004

*US dollar conversion is calculated at 1 dollar = 112.88 yen.

Company Stock Information

(As of February 20, 2017)

Outline of Shares

Total number of authorized shares: 288,000,000

Total number of issued shares: 114,443,496

Number of shareholders: 15,808 people

Listing market: First Section of the Tokyo Stock Exchange and the Sapporo Securities Exchange

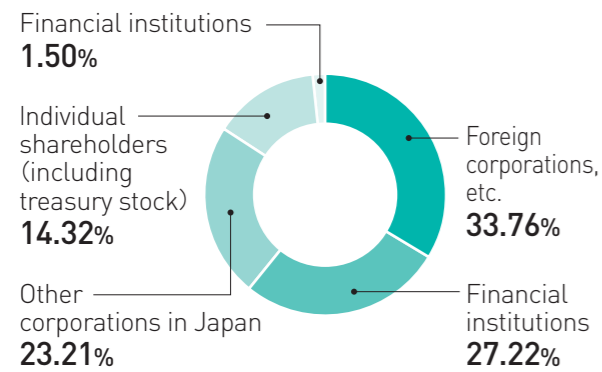
Securities code: 9843

Fiscal year: February 21st of every year to February 20th of the following year

Ordinary General Meeting of Shareholders: May

Administrator of shareholder registry: Sumitomo Mitsui Trust Bank, Limited

Distribution of share by type of shareholder

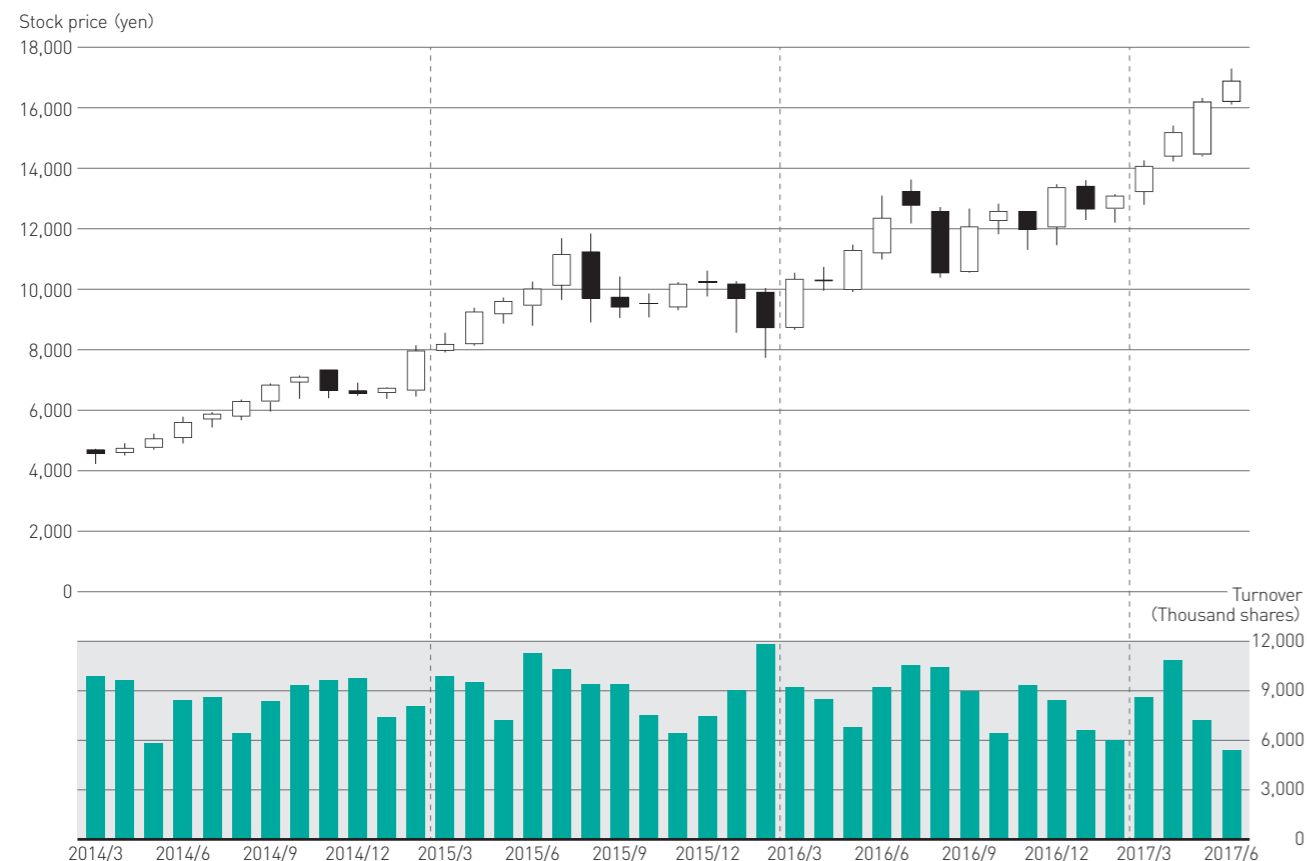


Major Shareholders

(As of February 20, 2017)

Name	Number of Ownership of Shares (1,000 shares)	Ratio of the Number of Ownership of Shares against the Total Number of Issued Shares(%)
NITORI Trading, Ltd.	20,719	18.10
Japan Trustee Services Bank, Ltd. (Trust account)	5,419	4.74
The Master Trust Bank of Japan, Ltd. (Trust account)	4,532	3.96
NITORI International Scholarship Foundation	4,000	3.50
North Pacific Bank, Ltd.	3,860	3.37
Akio Nitōri	3,409	2.98
Momoyo Nitōri	3,078	2.69
Nitori Holdings Co., Ltd.	2,680	2.34
Nippon Life Insurance Company	2,056	1.80
National Mutual Insurance Federation of Agricultural Cooperatives	2,007	1.75

Stock Price and Turnover



Company Information

(As of February 20, 2017)

Company Name	Nitori Holdings Co., Ltd.
Representatives	Akio Nitōri, Representative Director & Chairperson (Chief Executive Officer) Toshiyuki Shirai, Representative Director & Chief Operating Officer
Address	[Tokyo Headquarters] 3-6-20, Kamiya, Kita-ku, Tokyo 115-0043 Tel (03)6741-1235 [Sapporo Head Office] 1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo, Hokkaido 001-0907 Tel (011)330-6200
Establishment	Established December 1967
Incorporated	March 1972
Revenues (Consolidated)	¥512,958 million
Ordinary Income (Consolidated)	¥87,563 million
Capital Stock	¥13,370 million
Number of Employees (Consolidated)	Full-time: 10,169 people plus part-time 11,942

NITORI Group List

(As of February 20, 2017)

