

Nitori Holdings Co., Ltd.



Financial Results Presentation for the Fiscal Year 2017



[DISCLAIMER]
IN-HOUSE TRANSLATION

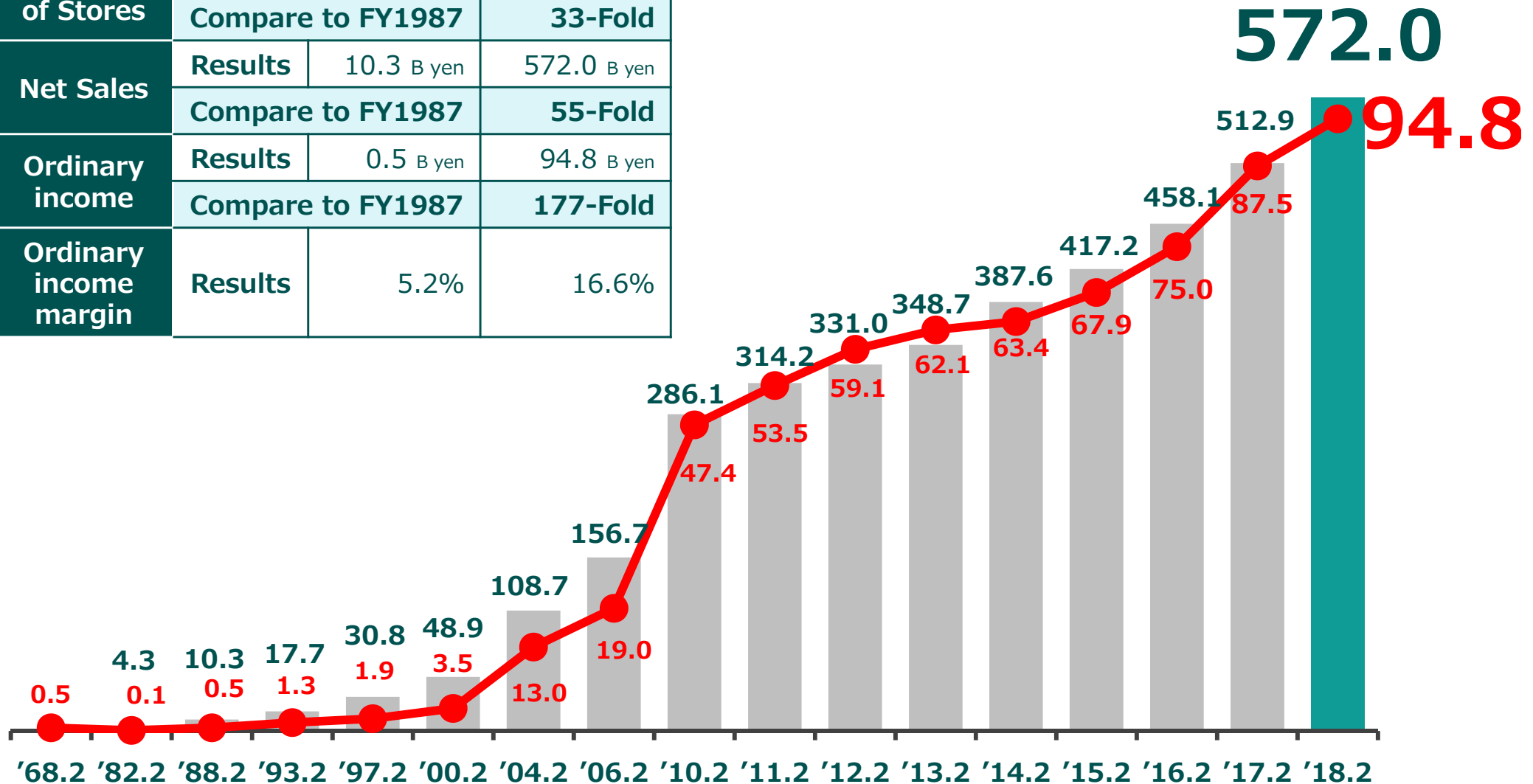
March 27 , 2018
TSE1st.&Sapporo Code : 9843

50th anniversary & achieved growth both in sales and profit for 31 consecutive fiscal years



		FY1987	FY2017
Number of Stores	Results	16 Stores	523 Stores
	Compare to FY1987		33-Fold
Net Sales	Results	10.3 B yen	572.0 B yen
	Compare to FY1987		55-Fold
Ordinary income	Results	0.5 B yen	94.8 B yen
	Compare to FY1987		177-Fold
Ordinary income margin	Results	5.2%	16.6%

■ Net Sales(Billions of Yen)
● Ordinary Income(Billions of Yen)



Number of stores, customers



5 2 3 stores

1 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	2 Years

Achieved 500 stores on 6th Oct. 2017



Overview of Consolidated Financial Results



(Billions of Yen)

	FY2017		FY2016		Change	
	Actual	(to sales)	Actual	(to sales)	(YOY)	
Net sales	572.0	-	512.9	-	59.1	111.5%
Gross profit	314.7	55.0%	278.2	54.2%	36.5	113.1%
SG&A expenses	221.4	38.7%	192.4	37.5%	29.0	115.0%
Operating income	93.3	16.3%	85.7	16.7%	7.6	108.9%
Ordinary income	94.8	16.6%	87.5	17.1%	7.3	108.3%
Profit attributable to owners of parent	64.2	11.2%	59.9	11.7%	4.3	107.0%

Consolidated Balance Sheets



(Billions of Yen)

	20 Feb. 2018	20 Feb. 2017	Change	Major factors on changes
Current assets	164.0	170.1	(6.1)	
(Cash and deposits)	63.3	70.5	(7.2)	
(Inventory)	52.7	48.9	3.8	
Non-Current assets	386.4	317.6	68.8	
(Property, plant and equipment)	291.3	248.0	43.3	Land +40.2
(Investments and other assets)	81.2	55.8	25.4	Investment securities +23.3
Total assets	550.5	487.8	62.7	
Current liabilities	83.4	75.7	7.7	
(Accounts payable - trade)	19.6	16.0	3.6	
(Short-term loans payable)	2.0	0.6	1.4	
Non-Current liabilities	25.4	17.3	8.1	
(Long-term loans payable)	8.0	-	8.0	
Total liabilities	108.8	93.0	15.8	
Total net assets	441.6	394.7	46.9	Net income +64.2
Total liabilities and net assets	550.5	487.8	62.7	

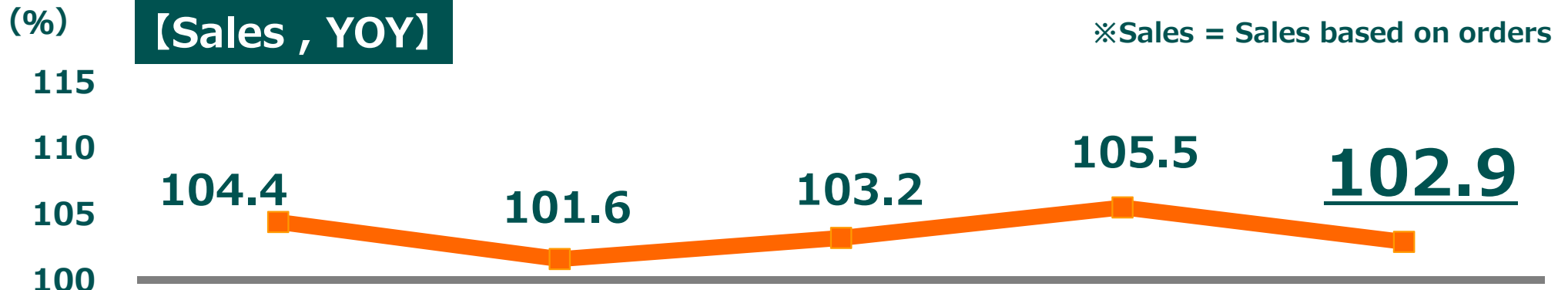
Consolidated Cash Flows



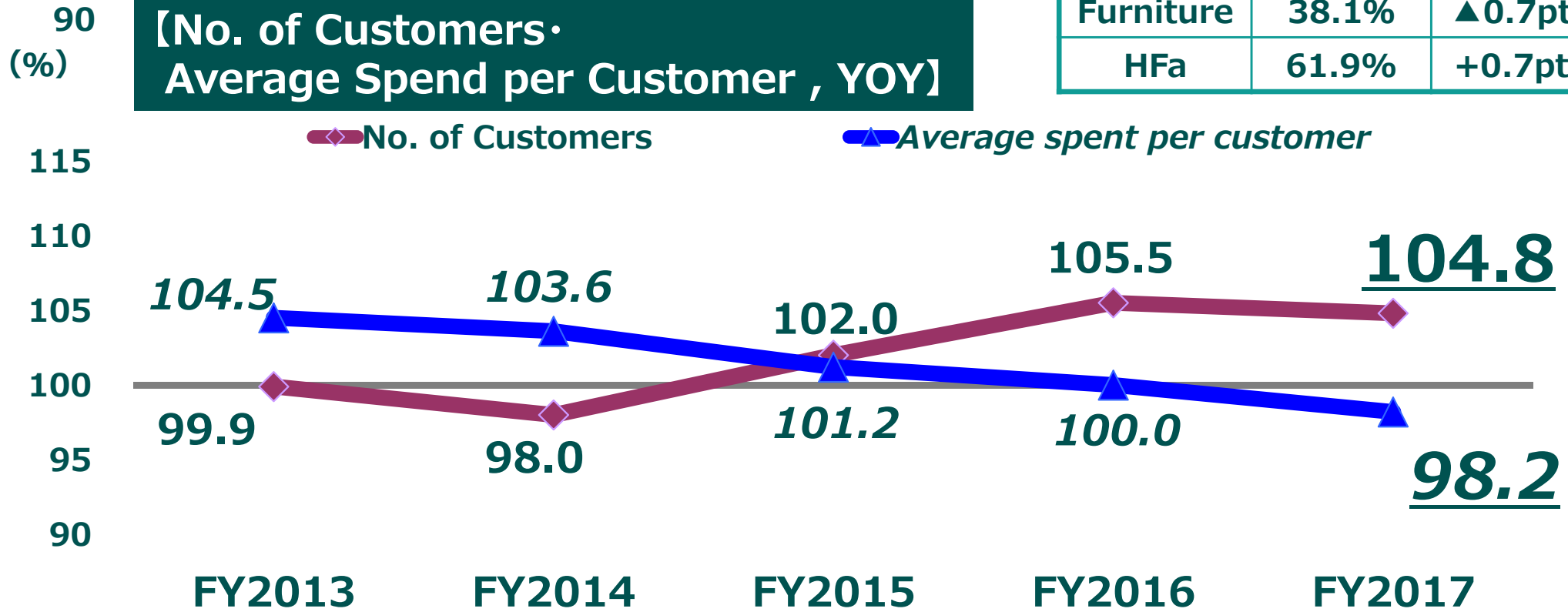
(Billions of Yen)

	FY2017	FY2016	Change	Major factors on changes
Operating activities	76.8	77.9	(1.1)	<ul style="list-style-type: none"> • Income before income taxes +92.7 • Depreciation and amortization +13.0 • Income taxes paid (30.0)
Investing activities	(82.7)	(42.0)	(40.7)	<ul style="list-style-type: none"> • Purchase of property, plant and equipment (60.8) • Purchase of investment securities (23.3)
Financing activities	0.6	(6.4)	7.0	<ul style="list-style-type: none"> • Cash dividends paid (10.2) • Proceeds from long-term loans payable +10.0
Net increase in cash & cash equivalents	(5.1)	29.2	(34.3)	
Cash & cash equivalents at end of the year	60.9	66.0	(5.1)	
Free cash flow	(5.9)	35.9	(41.8)	(CF from Operating activities + CF from Investing activities)

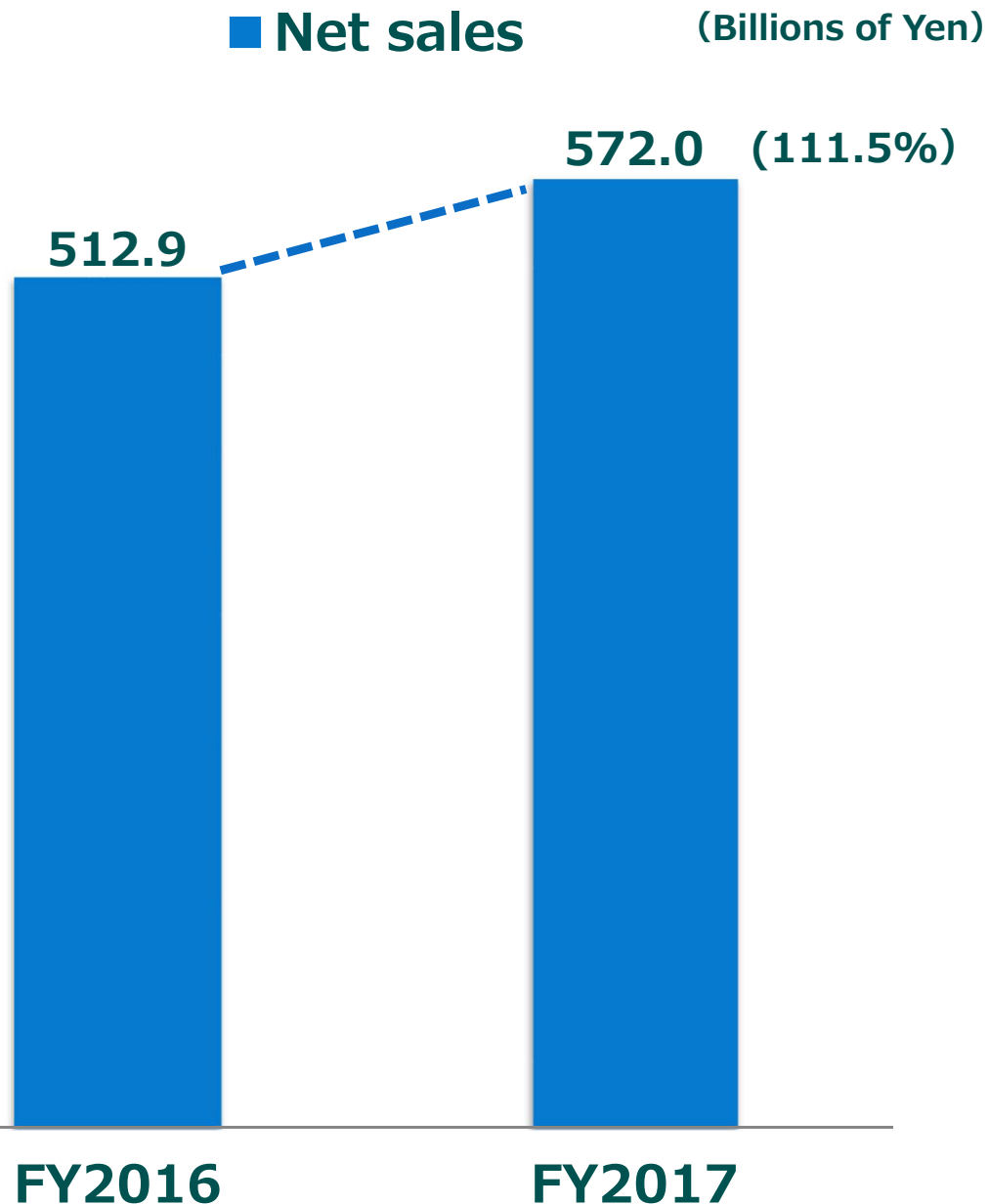
YOY changes in comparable stores



FY2017 Sales comp. by product		Change
Furniture	38.1%	▲0.7pt
HFa	61.9%	+0.7pt



Consolidated Sales



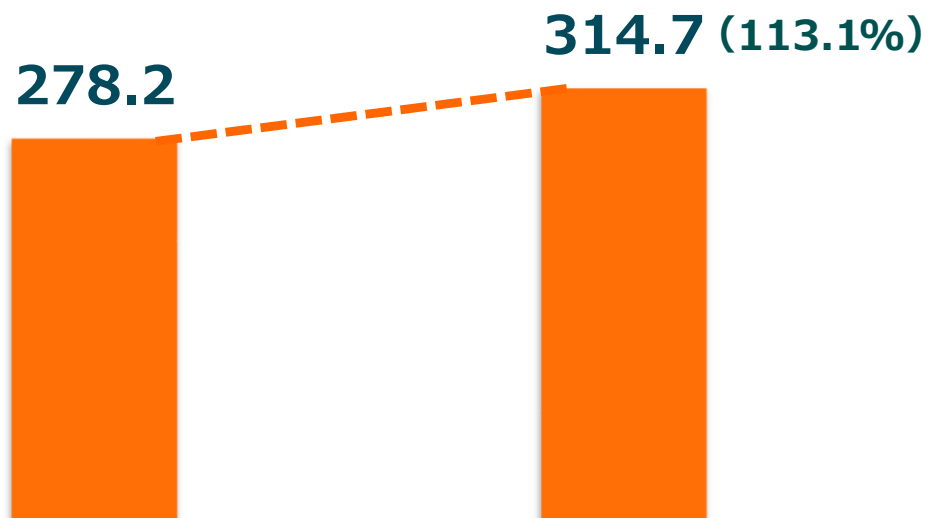
[Net sales]	Amount	YOY
Store sales(Global)	¥519.1bil.	110.3%
E-commerce	¥30.5bil.	135.0%
B to B	¥3.7bil.	120.4%
Renovation sales	¥5.4bil.	103.4%
Rent income	¥7.0bil.	113.8%
Others	¥6.0bil.	118.0%
Total	¥572.0bil.	111.5%

Sales comp. by region					
Hokkaido	4.6%	(0.3)pt	Chugoku & Shikoku	7.3%	(0.4)pt
Tohoku	5.5%	(0.5)pt	Kyusyu & Okinawa	8.6%	(0.3)pt
Kanto	31.4%	+0.9pt	EC	5.4%	+1.0pt
Hokuriku & Koshinetsu	5.3%	(0.3)pt	B to B & Renovation	1.6%	+0.0pt
Chubu & Tokai	10.3%	(0.1)pt	Overseas	2.6%	+0.4pt
Kinki	15.1%	(0.5)pt	Others	2.3%	+0.1pt

Gross profit · SG&A expenses

【Gross profit】

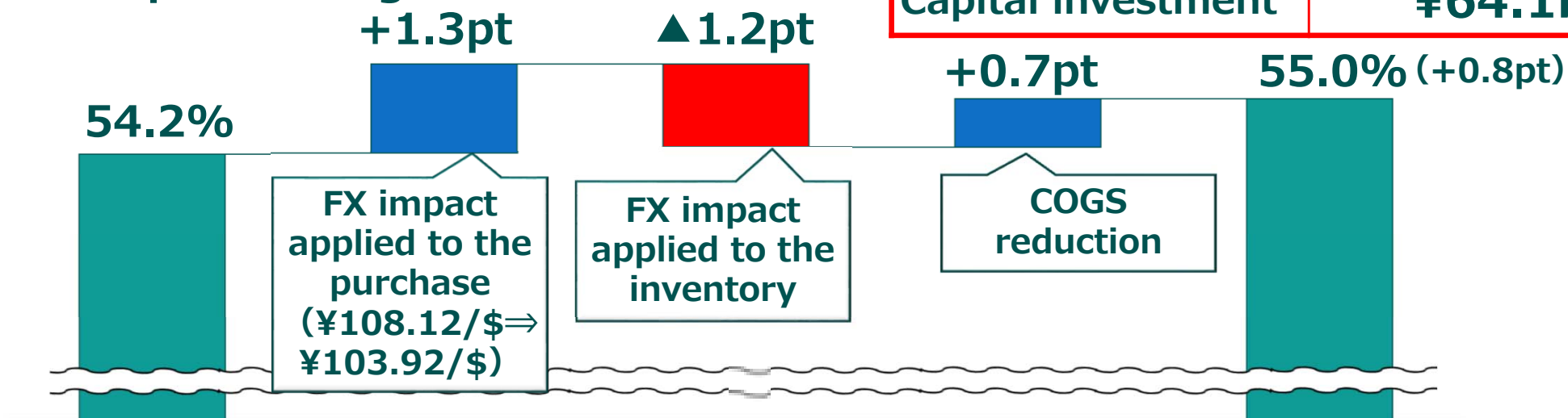
(Billions of Yen)



FY2016

FY2017

【Gross profit margin】



FY2016

FY2017

【SG&A】	Amount	YOY	Ratio to sales	Change
Personnel	¥64.3bil.	109.3%	11.2%	(0.2)pt
Rents	¥33.5bil.	119.7%	5.9%	+0.4pt
Delivery charge	¥26.4bil.	111.7%	4.6%	+0.0pt
Advertising	¥16.7bil.	113.0%	2.9%	+0.0Pt
Outsourcing	¥14.0bil.	128.3%	2.5%	+0.3Pt
Store fixtures expense	¥8.1bil.	204.7%	1.4%	+0.6Pt

Depreciation	¥11.3bil.
Capital investment	¥64.1bil.

No. of stores as of 20 Feb. 2018



5 2 3
Stores
(+ 5 2)



(Taiwan)

3 9 6
(+23)

2 7
(± 0)



AKI-HOME
(USA)

9
(+ 5)

5



DECO HOME



(China)

6 2
(+11)

2 4
(+13)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Hokkaido	21 (+1)	Yamanashi	3	Shimane	2
Hokkaido	21 (+1)	Ishikawa	5	Hiroshima	12
Aomori	6 (±0)	Toyama	4	Yamaguchi	6 (+1)
Akita	5 (+1)	Fukui	2	Kagawa	4
Iwate	3	Hokuriku & Koshinetsu	31	Tokushima	2
Yamagata	5 (+1)	Shizuoka	13 (+2)	Kochi	3
Miyagi	7	Aichi	26 (+2)	Ehime	6
Fukushima	5	Mie	7	Chugoku & Shikoku	43 (+1)
Tohoku	31 (+2)	Gifu	10 (+3)	Fukuoka	19 (+1)
Tokyo	46 (+8)	Chubu & Tokai	56 (+7)	Oita	5
Kanagawa	26 (+3)	Osaka	31 (+3)	Miyazaki	3
Saitama	30 (+6)	Kyoto	12 (+1)	Saga	3 (+1)
Chiba	23 (+2)	Nara	5	Nagasaki	3
Gunma	6	Hyogo	23 (+1)	Kumamoto	6 (+1)
Tochigi	8 (±0)	Shiga	7	Kagoshima	7 (+1)
Ibaraki	13	Wakayama	5	Okinawa	4
Kanto	152(+19)	Kinki	83 (+5)	Kyushu & Okinawa	50 (+4)
Niigata	8	Tottori	2	Japan	467 (+39)
Nagano	9	Okayama	6		

Major indicators of management efficiency (1)



Scope	Number	Indicator	Unit	Target		2018.2	2017.2	2016.2	2015.2	2014.2
Group (Twelve months)	1	Return on assets	%	Over 15%	○	18.3	19.4	18.3	18.7	20.9
	2	Total asset turnover	Times	Over 2	×	1.10	1.14	1.12	1.15	1.28
	3	Ordinary income margin	%	Over 10%	○	16.6	17.1	16.4	16.3	16.4
	4	Earnings per share	¥	Over ¥100	○	574.49	540.93	425.10	376.14	350.27
	5	Return on equity	%	Over 15%	○	15.4	16.6	14.7	14.9	16.8
	6	Equity ratio	%	Over 60%	○	80.1	80.7	79.5	76.4	76.8
	7	Interest coverage	Times	Over 20	○	1,350	1,457	967	676	485
	8	Sales growth rate	%	Over 10%	○	11.5	12.0	9.8	7.7	11.1
	9	Ordinary income growth rate	%	Over 10%	×	8.3	16.7	10.4	7.0	2.1
	10	Ratio of gross profit to sales	%	Over 48%	○	55.0	54.2	53.2	52.3	52.0
	11	Ratio of break-even point to sales	%	Under 80%	○	66.5	65.0	65.6	65.3	64.9

Major indicators of management efficiency (2)



Scope	Number	Indicator	Unit	Target		2018.2	2017.2	2016.2	2015.2	2014.2
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	1,017	981	938	915	903
	13	Stock turnover	Times	Over 9	×	5.6	5.5	5.4	5.5	6.0
	14	Operating assets turnover	Times	Over 2.9	○	3.9	4.0	4.0	4.1	4.5
	15	Ratio of profit distribution	%	Over 20%	○	30.5	31.3	30.2	30.6	31.8
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	21.8	21.1	21.7	22.5	22.3
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	5.9	6.0	6.1	6.4	6.2
	18	Labor productivity	M	Over ¥10M	○	18.67	18.99	18.43	18.47	19.11
	19	Sales floor per labor	Tsubo	Over 60	×	34.3	36.6	38.2	39.6	42.0
	20	Operating income per tsubo	K	Over 150K	○	155	151	134	131	134
	21	Stock per tsubo	K	Under 90K	○	82	81	81	79	71
	22	Average age of labor		30~35	○	33.4	33.4	33.3	32.8	32.6
Results (○won/×lost)						○18×4	○18×4	○14×8	○13×9	○15×7

TOPICS



Product development



Product development



Product development



DAY Value

居心地のいい暮らしを。



&Style

私らしい部屋へ。



Store openings in urban area



Shibuya



Ikebukuro



Sapporo(Nitori express)



Store openings in small population area



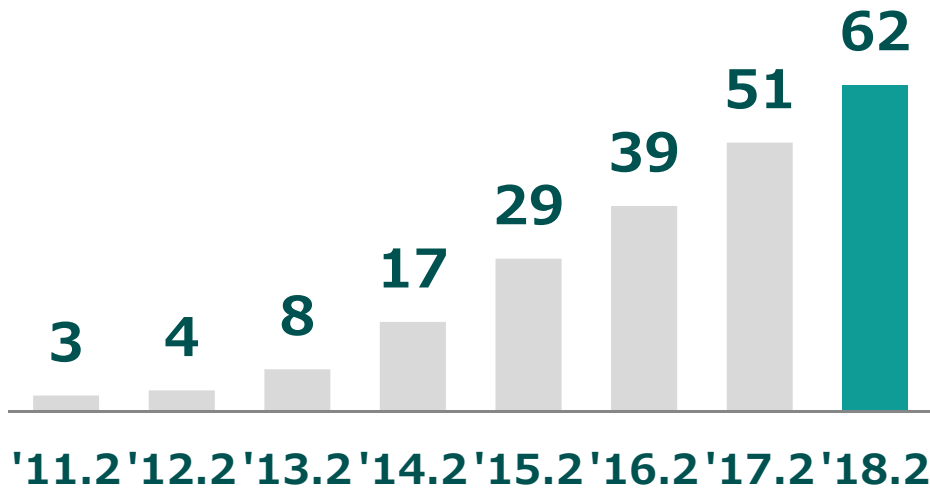
Shinjo(Yamagata)



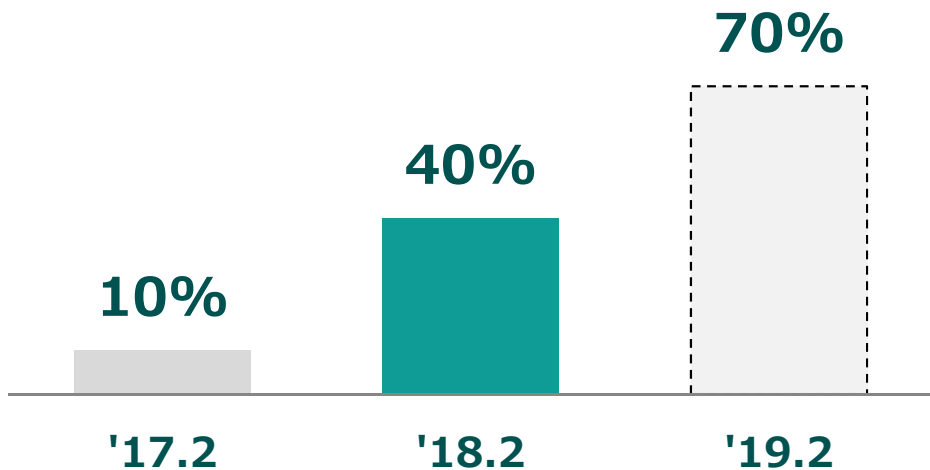
Nakatsugawa (Gifu)



Number of stores

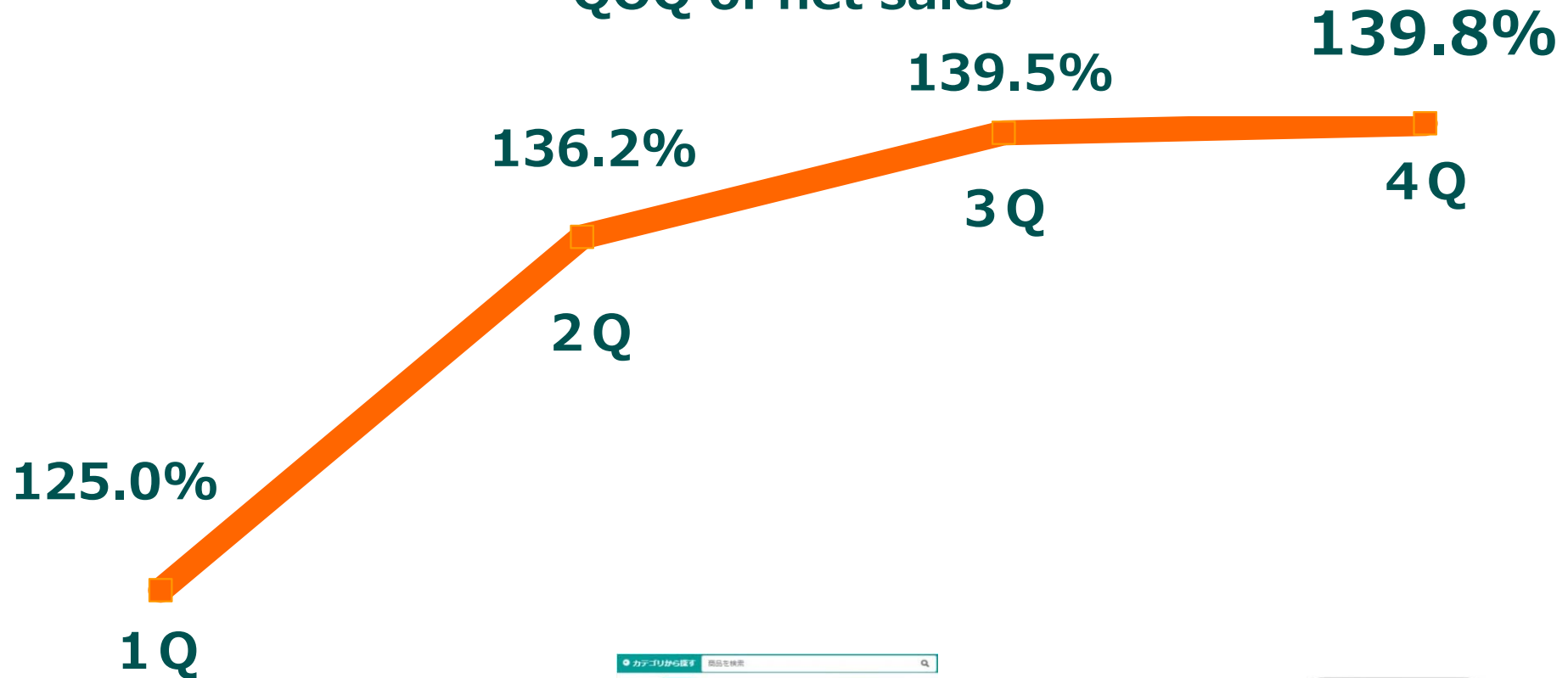


Ratio of original products (items)



E-commerce

QOQ of net sales



Refurbishment of product photos

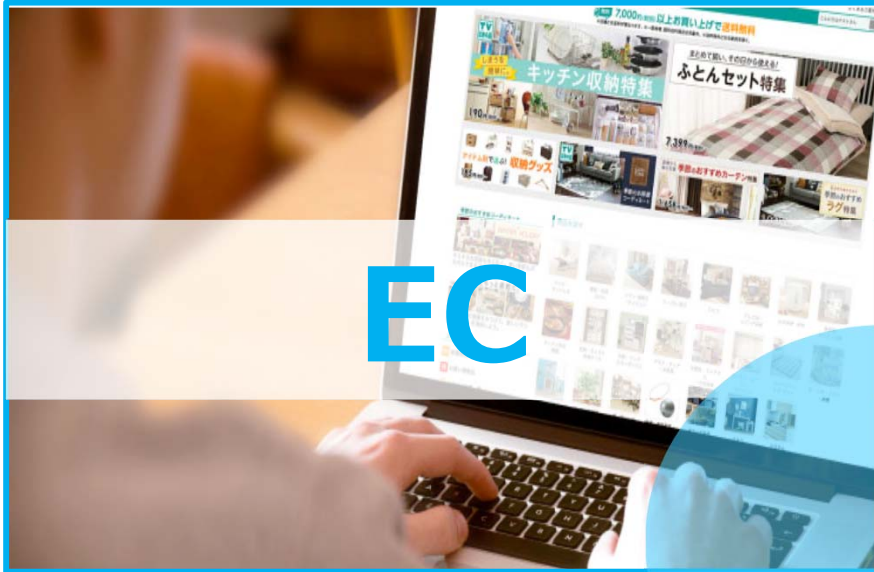


Renewal top page



Improvement of Nitori App

O2O project

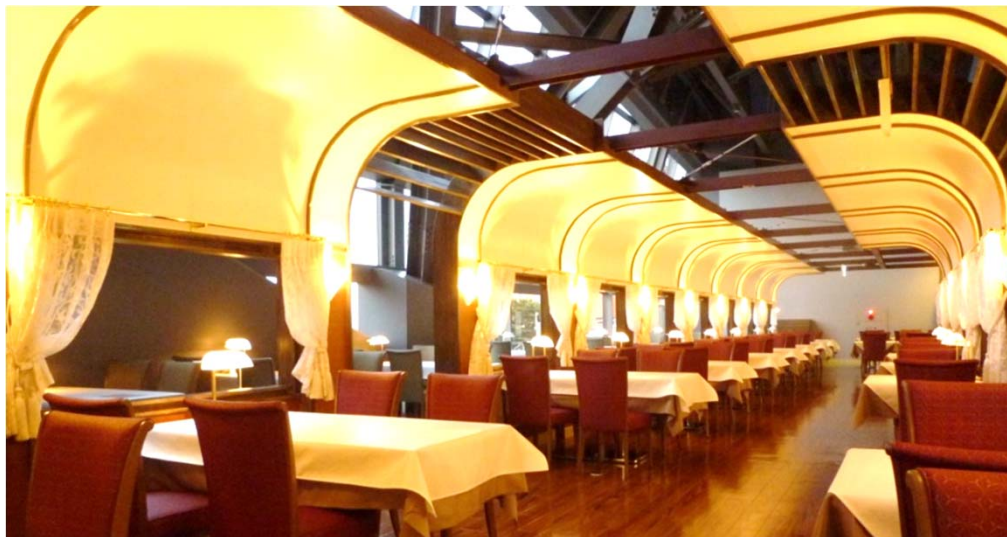


Aiming to find effective solutions through active cooperation among different division



Corporate business

Net sales ¥3.7 bil. YOY 120%



Renovation business

Improvement in labor productivity through establishment of separational system between sales and construction YOY 117%



Store openings in Taiwan



Taoyuan



Tainan



Store openings in China



Shanghai 3rd store (Flagship store)



Retail Business in China

Net Sales ¥6.2 bil.

YOY 176%

Store openings in China

Store openings nationwide & first Hfa store opening

Tianjin(north)



Shenzhen(south)



Chengdu(west)



Wuhan(Hfa store)



Logistics measure

~Working toward human-friendly logistic warehouse~



Unattended/intelligent transport robotic system

Butler



Devanning assist machine

EL-De/VAN



Alliance with Katitas Co., Ltd.



Mutual use of skill, know-how,
sales and distribution network,
personnel

- Expand customer base and service
- Plan to develop “enhancing value of home living” product

Used homes with Nitori furnitures and interior goods



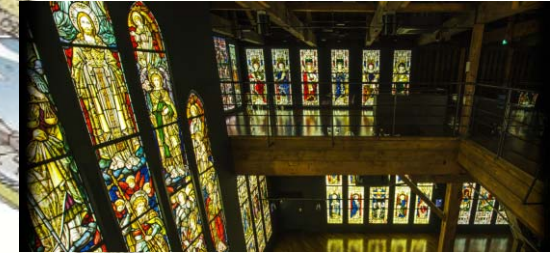
Grand opening of Otaru Art Village September 1st



Former Mitsui Bank Ltd.
Otaru Branch



Stained Glass Museum
(Former Takahashi Storage Warehouse)



Museum Shop
(Former Arata Corp Ltd.)



Nitori Art Museum
(Former Hokkaido Takushoku Bank
Ltd. Otaru Branch)



Main measures of FY2018



A. To establish group growth projectory and to face new challenges

B. To provide prosperous lifestyles to customers through products, stores, and services

C. To reform system and structures that support our global chain system

Opening of Deco Home Toresa Yokohama store in March 23, 2018

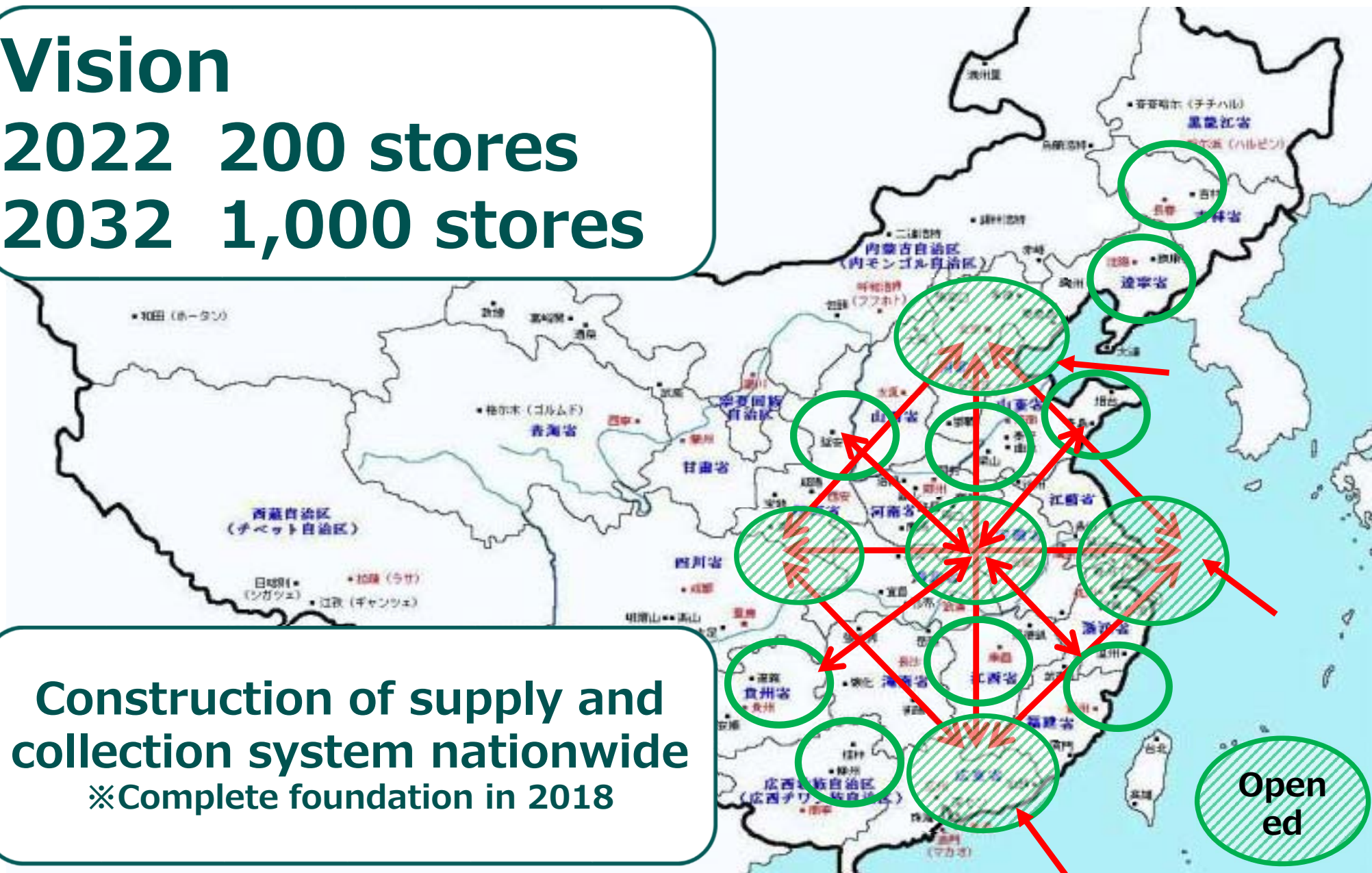


Vision

2022 200 stores

2032 1,000 stores

Construction of supply and collection system nationwide
※Complete foundation in 2018





Connection of styles and colors between

DAY Value

& Style

Coordination product composition ratio
(Number of items)

FY2017 18%



FY2018 40%

【Change in business environment】

- Globalization
- Expansion of business area
- Change in product composition

【Change in external environment】

- Competition with different industries
- Advancement in technology
- Problems in logistics and employment

2022 ¥1 tril. in net sales
1,000 stores

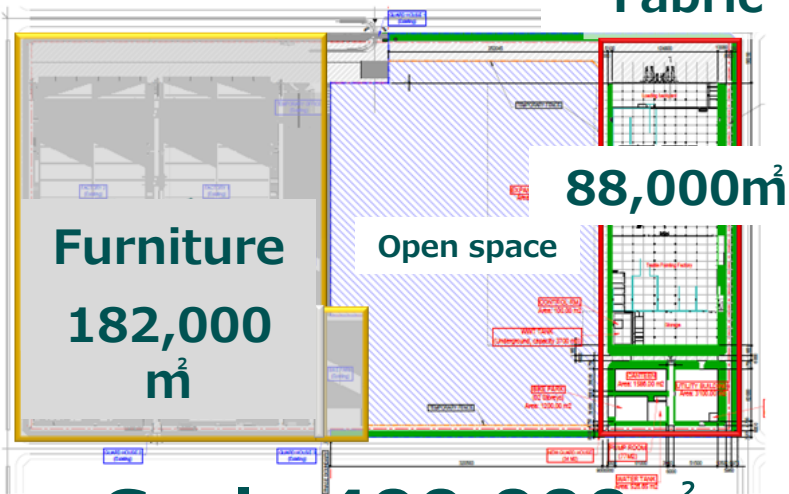
【Major Projects】

- New core system
- New ordering and inventory control system
- O2O(Online ⇔ Offline)

Ba Ria-Vung Tau factory (Vietnam)



Fabric



Scale 400,000m²
(about 2.5 times larger than Hanoi factory)



Taichang Logistics Center (China)



Global logistics base

Total site area approx.
133,250m²

Total floor area approx.
186,050m²







Operation scheduled to start
in Oct. 2018

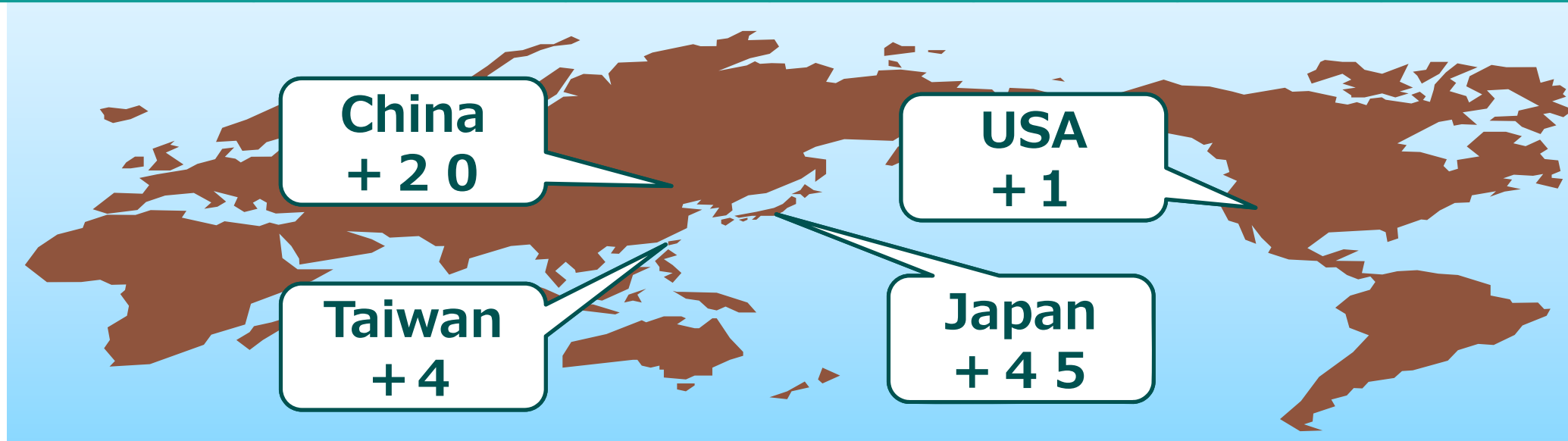


**Taichang
logistics
center**

Store roll-out plan in FY 2018



Store	 		 Taiwan	 USA	 China	Total
End of FY2017	4 0 5	6 2	2 7	5	2 4	5 2 3
Openings	+ 2 5	+ 2 0	+ 4	+ 1	+ 2 0	+ 7 0
End of FY2018	4 3 0	8 2	3 1	6	4 4	5 9 3



Plan in FY 2018



(Billions of Yen)

	FY2018 Plan		FY2017 Actual		Change	
		(to sales)		(to sales)	(to actual)	
Net sales	614.0	–	572.0	–	42.0	107.3%
Gross profit	330.0	53.7%	314.7	55.0%	15.3	104.8%
SG&A expenses	231.0	37.6%	221.4	38.7%	9.6	104.3%
Operating income	99.0	16.1%	93.3	16.3%	5.7	106.0%
Ordinary income	100.0	16.3%	94.8	16.6%	5.2	105.4%
Profit attributable to owners of parent	68.0	11.1%	64.2	11.2%	3.8	105.9%

【Assumption】

Sales in comparable stores YOY 102.5% (NITORI+DECOHOME+EC)
YOY 101.0% (NITORI)

FX rate 111yen/\$
(completed exchange contracts(through June) : lower 108yen/\$)

Distribution of Profits to Shareholders



Shareholders dividends increase for consecutive 14 fiscal years

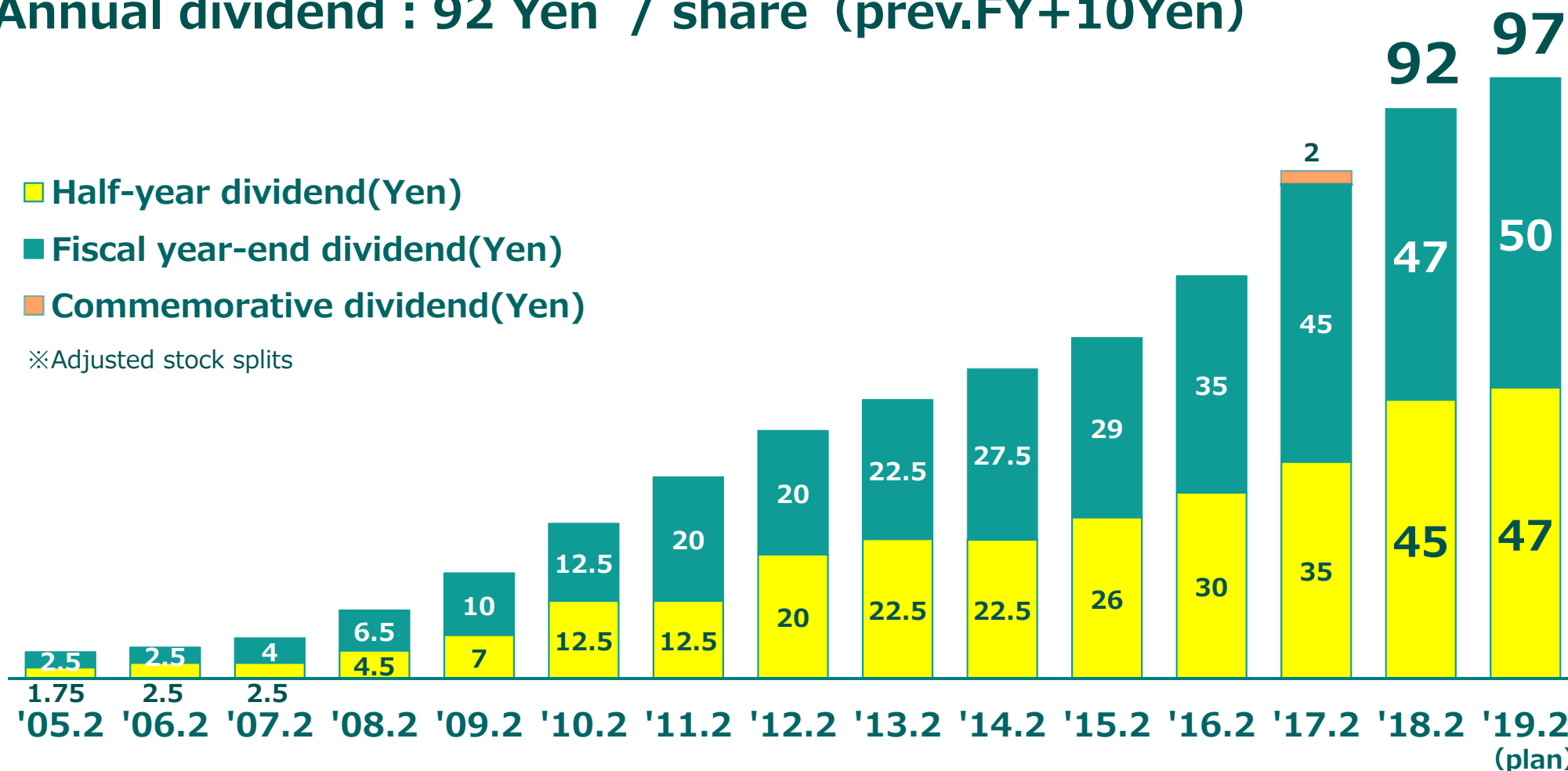
【FY2017】

(Unit : Yen)

Annual dividend : 92 Yen / share (prev.FY+10Yen)

- Half-year dividend(Yen)
- Fiscal year-end dividend(Yen)
- Commemorative dividend(Yen)

※Adjusted stock splits





【DISCLAIMER】

The forecasts and projected operating results contained in this report are based on information available at the time of preparation, and thus involve inherent risks and uncertainties. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.