

Nitori Holdings Co., Ltd. Financial Results Presentation for the First Quarter of FY2017



28 June 2017

TSE1st.&Sapporo Code : 9843

[DISCLAIMER]
IN-HOUSE TRANSLATION

Overview of Consolidated Financial Results



(Billions of Yen)

	Q1 FY2017 21 Feb-20 May 2017 (to sales)		Q1 FY2016 21 Feb-20 May 2016 (to sales)		Change (YOY)	
Net sales	147.5	-	137.0	-	10.5	107.6%
Gross profit	78.6	53.3%	74.6	54.4%	4.0	105.5%
SG&A expenses	52.9	35.9%	47.3	34.6%	5.6	111.8%
Operating income	25.7	17.4%	27.2	19.9%	(1.5)	94.4%
Ordinary income	26.0	17.6%	27.6	20.2%	(1.6)	94.0%
Profit attributable to owners of parent	19.0	12.9%	16.9	12.3%	2.1	112.8%

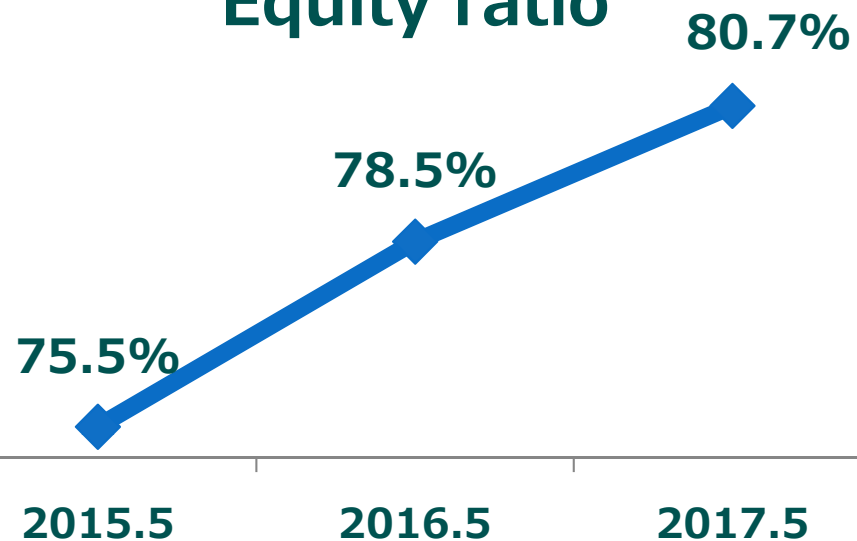
Consolidated Balance Sheets

(Billions of Yen)

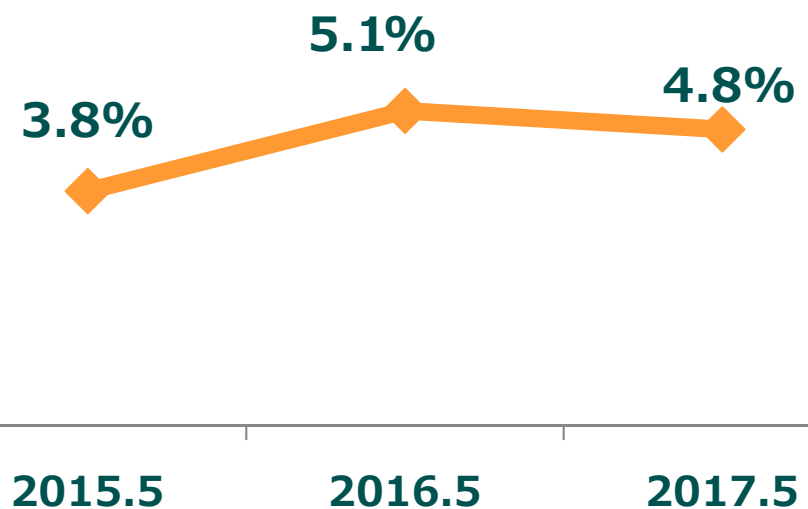
	20 May 2017	20 Feb 2017	Change	Major factors on changes
Current assets	175.2	170.1	5.1	Suspense payments +11.6
(Cash and deposits)	63.6	70.5	(6.9)	
(Inventory)	47.6	48.9	(1.3)	
Non-Current assets	328.4	317.6	10.8	
(Property, plant and equipment)	258.3	248.0	10.3	Land +8.7
(Investments and other assets)	56.3	55.8	0.5	
Total assets	503.7	487.8	15.9	
Current liabilities	79.2	75.7	3.5	Deposits received +10.6 Accounts payable - other (3.2) Income taxes payable (4.5)
(Accounts payable - trade)	17.3	16.0	1.3	
(Short-term loans payable)	-	0.6	(0.6)	Repayment
Non-Current liabilities	17.2	17.3	(0.1)	
(Long-term loans payable)	-	-	-	
Total liabilities	96.5	93.0	3.5	
Total net assets	407.1	394.7	12.4	
Total liabilities and net assets	503.7	487.8	15.9	

Consolidated Financial indicators [Q1]

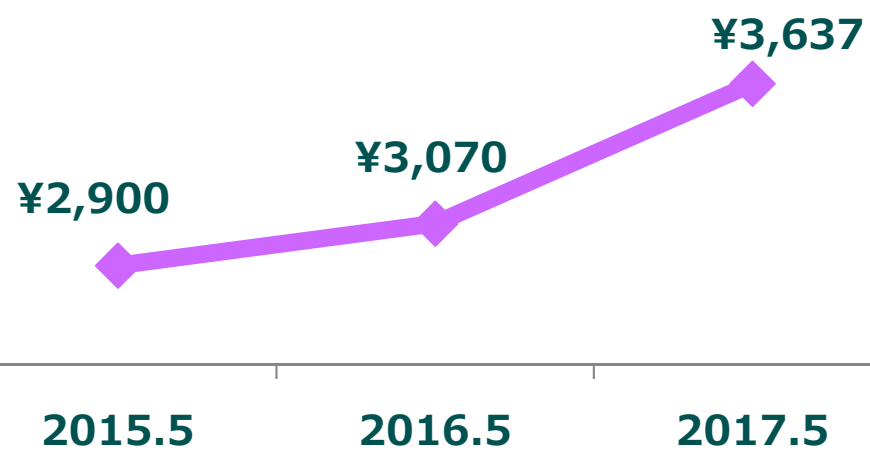
Equity ratio



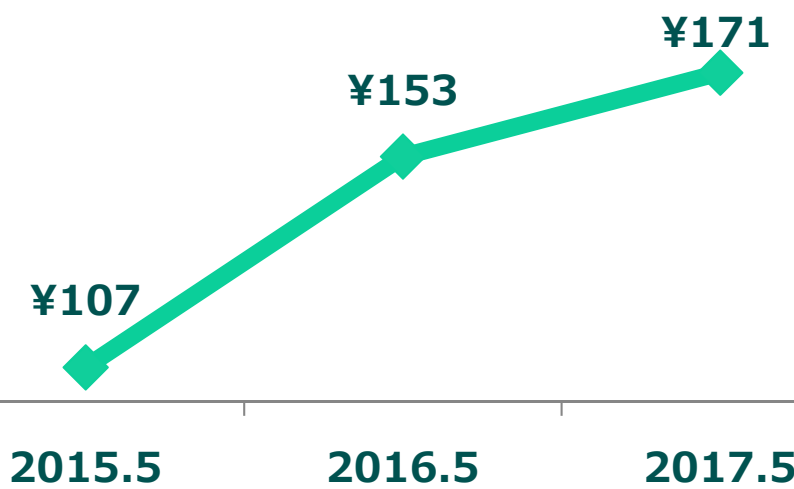
ROE



BPS



EPS



Comparable stores in YOY [Q1]



Sales※	99.0%
(All stores	107.7%)

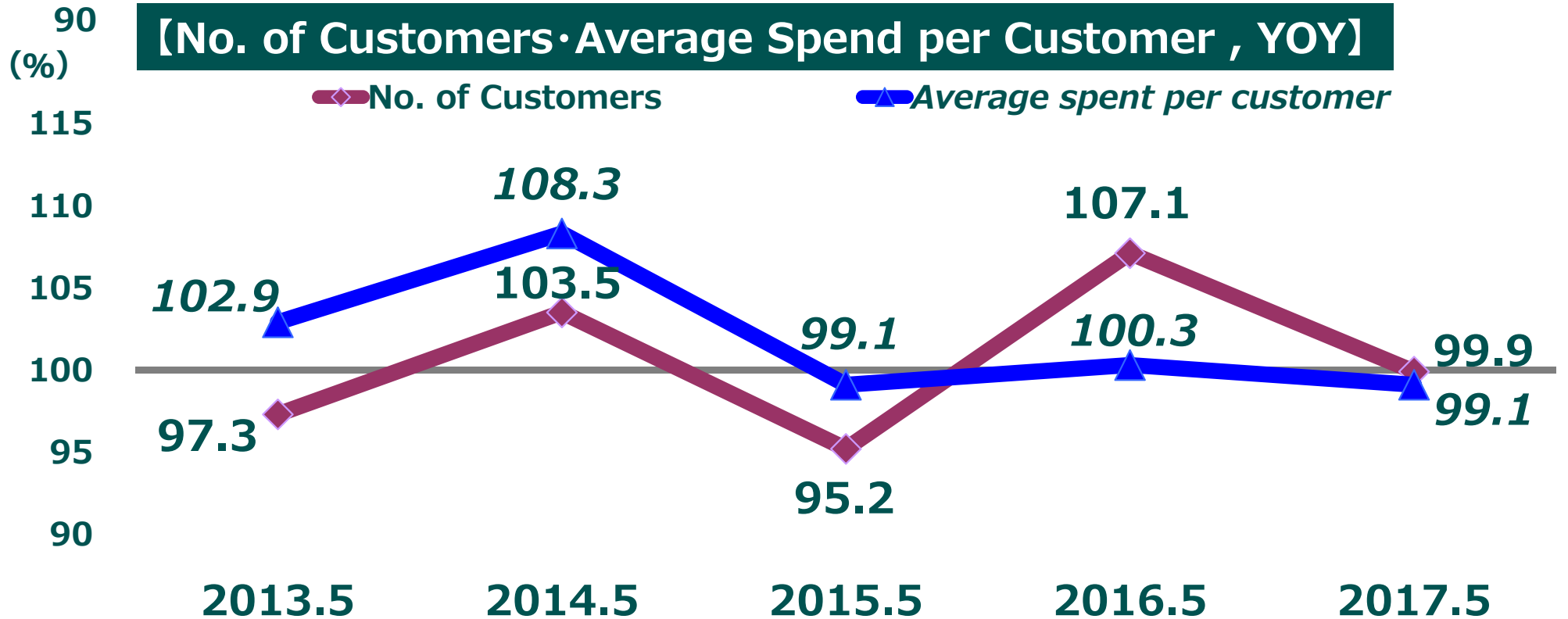
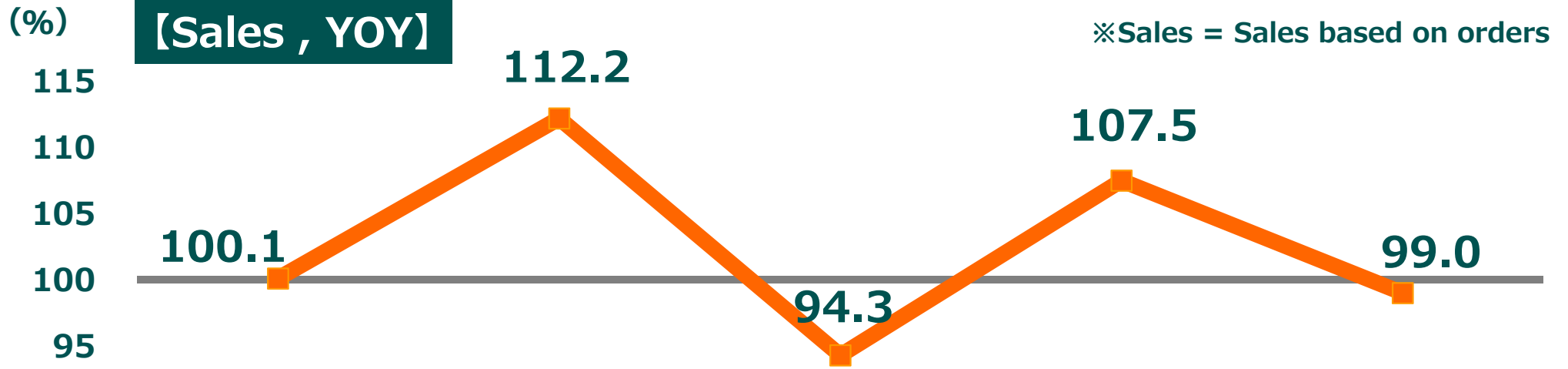
※Sales = Sales based on orders

No. of Customers	99.9%
(All stores	112.8%)

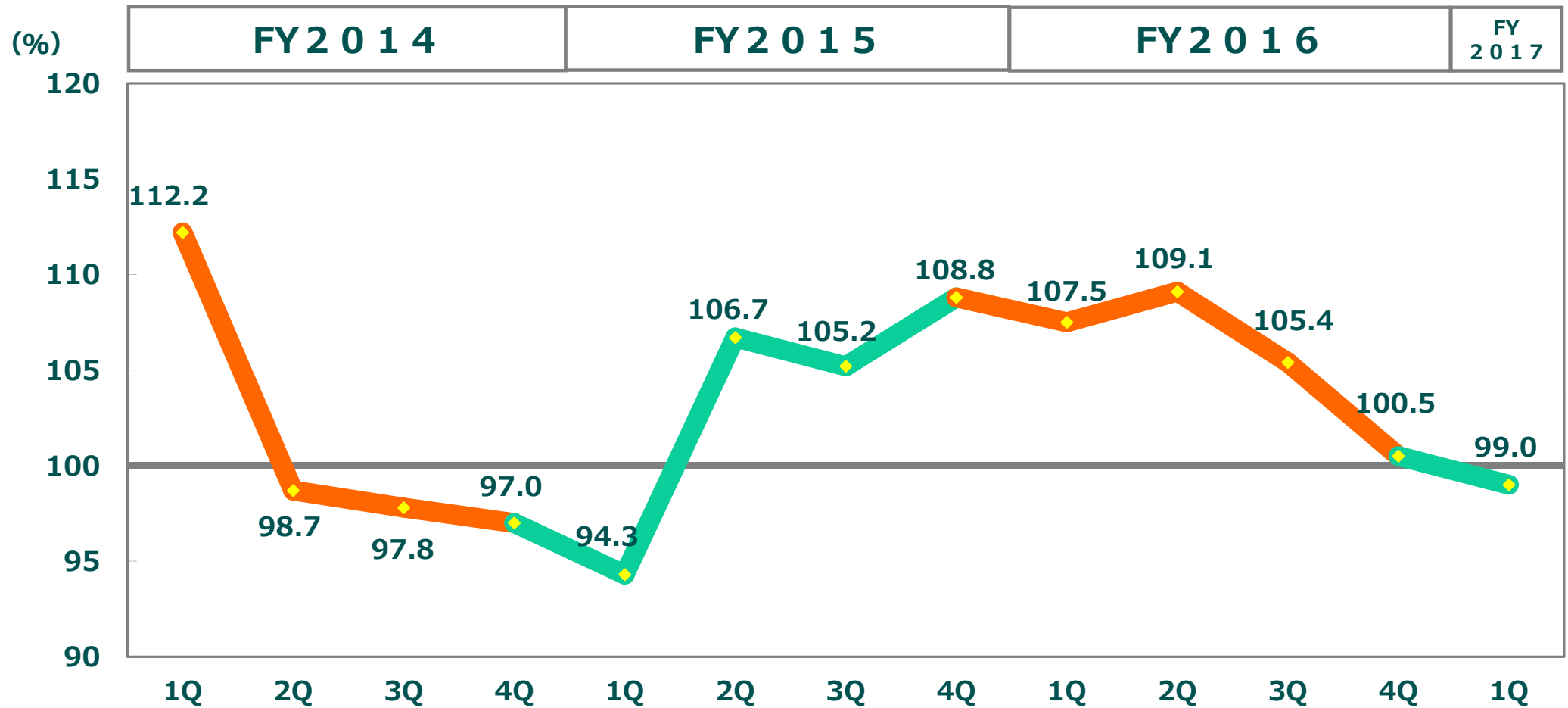
Average Spend per Customer	99.1%
(All stores	95.5%)

**One day (Sunday) less than Q1 FY2016
because of the leap year**

Trend in YOY changes in comparable stores 【Q1】

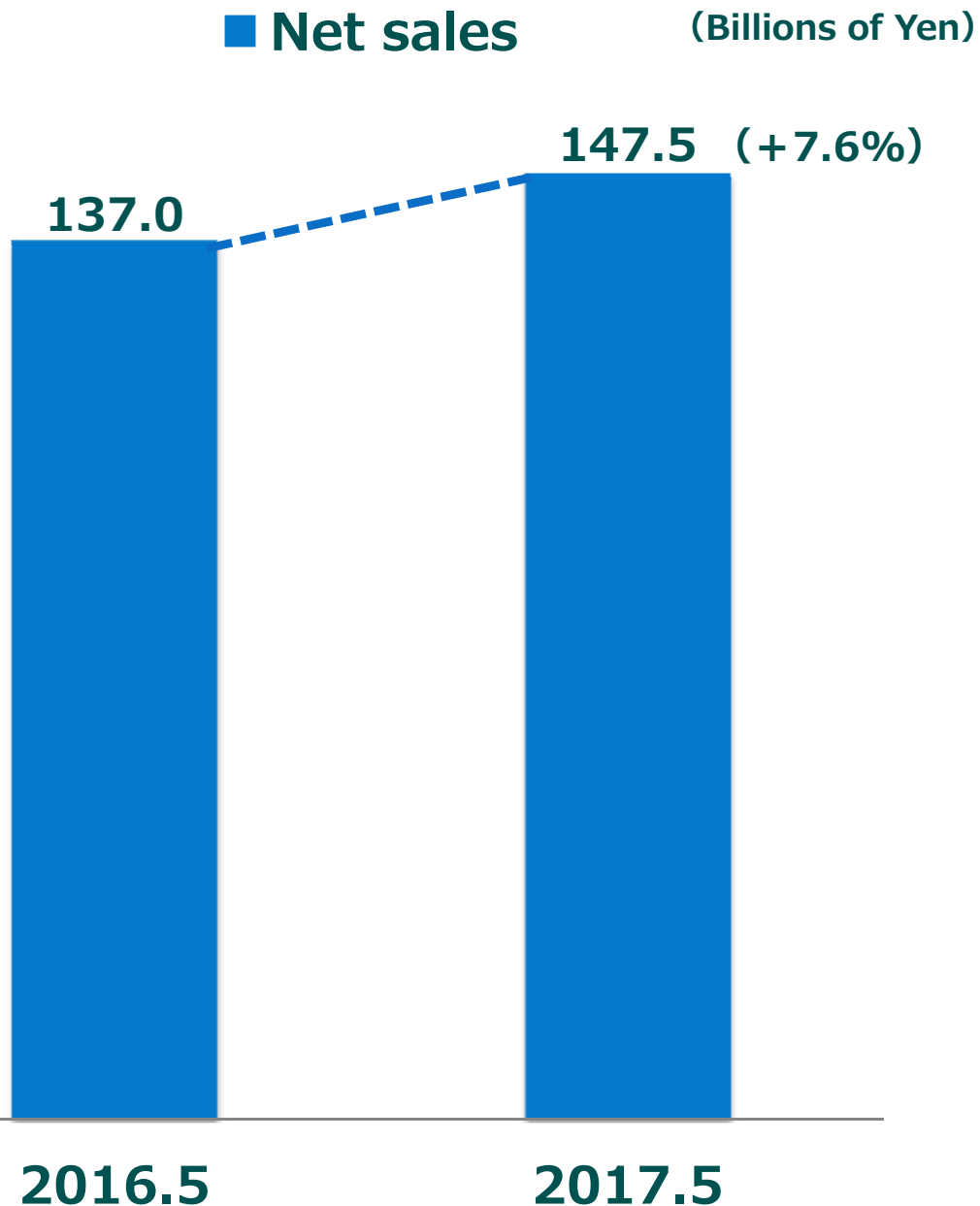


Quarterly trend in QOQ changes in comparable store sales



Sales		2014.1Q	2014.2Q	2014.3Q	2014.4Q	2015.1Q	2015.2Q	2015.3Q	2015.4Q	2016.1Q	2016.2Q	2016.3Q	2016.4Q	2017.1Q
Furniture	%	116.1	94.5	98.4	94.2	89.3	108.0	105.4	107.7	104.0	104.7	101.2	98.9	98.5
HFa	%	109.2	102.2	97.6	99.2	98.7	105.8	105.0	109.2	109.8	111.6	107.7	100.9	98.6
Comparable Stores (Total)	%	112.2	98.7	97.8	97.0	94.3	106.7	105.2	108.8	107.5	109.1	105.4	100.5	99.0
Furniture	%	120.4	97.7	100.7	98.1	92.9	113.6	111.1	112.4	108.8	109.4	106.5	105.6	106.0
HFa	%	114.5	107.2	100.9	104.8	104.6	113.4	112.5	115.7	115.9	117.8	114.6	109.4	108.1
All (Total)	%	117.0	102.9	100.7	101.9	99.2	113.5	111.9	114.5	113.0	114.8	111.7	108.3	107.7

Consolidated Sales



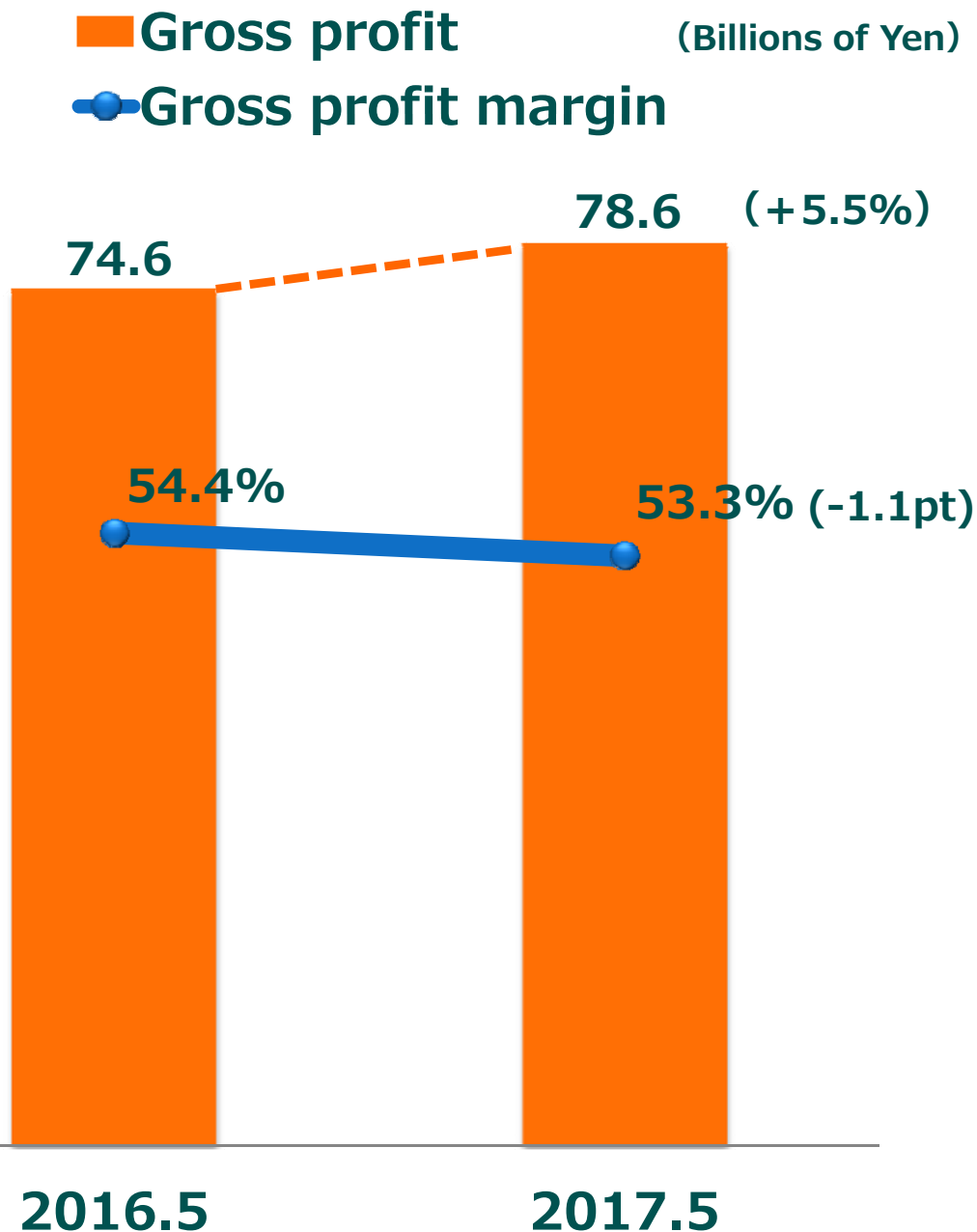
[Net sales]	Amount	YOY
Store sales	¥134.0 bil.	106.3%
E-commerce	¥7.5 bil.	125.0%
B to B	¥1.1 bil.	103.8%
Renovation Sales	¥1.4 bil.	102.8%
Rent income	¥1.7 bil.	128.4%
Others	¥1.6 bil.	150.7%
Total	¥147.5 bil.	107.6%

Sales comp. by region ※Sales based on orders

Hokkaido	5.0%	Kinki	15.1%
Tohoku	5.7%	Chugoku&Shikoku	7.7%
Kanto	30.7%	Kyushu&Okinawa	8.9%
Hokuriku&Koshinetsu	5.5%	EC	5.2%
Chubu&Tokai	10.1%	Others	6.1%

Eastern	47.1%	Western	41.6%
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Gross profit · SG&A expenses



【Average Exchange Rate】

¥ 1 0 8 . 2 1 / \$

【Gross profit margin】

FX impact	¥5.52/\$ Weak yen	(1.7)pt
	Inventory	(0.8)pt

COGS reduction +1.4pt

【SG&A】	Amount	YOY	Ratio to sales	Change
Personnel	¥15.6 bil.	108.8%	10.6%	+0.1pt
Rents	¥8.1 bil.	118.7%	5.5%	+0.5pt
Delivery charge	¥7.3 bil.	108.6%	5.0%	+0.0pt
Advertising	¥4.1 bil.	107.1%	2.8%	(0.0)Pt
Outsourcing	¥3.6 bil.	125.5%	2.5%	+0.4Pt

Depreciation ¥2.6 bil.

Capital investment ¥14.8 bil.

New Stores & Closing Stores (Q1 FY2017)



Nitori New Store (Kanagawa)



DECOHOME New Store (Osaka)



ニトリ
NITORI

Open 12
Close 4

Aomori	1
Saitama	1
Tokyo	3
Kanagawa	2
Gifu	1
Osaka	1
Hyogo	1
Saga	1
Kagoshima	1

【Expansion】Tokyo 1

【Rebuild】Hokkaido	1
Aomori	1
【Close】Tochigi	1
Osaka	1

ニトリ
EXPRESS

Open 3

Hokkaido	1
Saitama	1
Osaka	1

24 Stores Open

デコホーム
NITORI

Open 6
Close 2

Saitama	2
Tokyo	1
Shizuoka	1
Osaka	1
Hyogo	1

【Close】Kanagawa 1
Hyogo 1

ニトリ
宜得利家居

Open 1
Close 1

Taoyuan 1

【Close】Taichung 1

NITORI
家具 & 家居

Open 2

Wuhan 2

No. of stores as of 20 May 2017



488

Stores

(+17)



(Taiwan)

381

(+8)



7

(+3)



DECO HOME

55

(+4)

27

(±0)



(USA)

5



(China)

13

(+2)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Hokkaido	20 (±0)	Yamanashi	3	Shimane	2
Hokkaido	20 (±0)	Ishikawa	5	Hiroshima	12
Aomori	6 (±0)	Toyama	4	Yamaguchi	5
Akita	4	Fukui	2	Kagawa	4
Iwate	3	Hokuriku & Koshinetsu	31	Tokushima	2
Yamagata	4	Shizuoka	12 (+1)	Kochi	3
Miyagi	7	Aichi	24	Ehime	6
Fukushima	5	Mie	7	Chugoku & Shikoku	42
Tohoku	29 (±0)	Gifu	8 (+1)	Fukuoka	18
Tokyo	42 (+4)	Chubu & Tokai	51 (+2)	Oita	5
Kanagawa	24 (+1)	Osaka	30 (+2)	Miyazaki	3
Saitama	28 (+4)	Kyoto	11	Saga	3 (+1)
Chiba	21	Nara	5	Nagasaki	3
Gunma	6	Hyogo	23 (+1)	Kumamoto	5
Tochigi	7 (-1)	Shiga	7	Kagoshima	7 (+1)
Ibaraki	13	Wakayama	5	Okinawa	4
Kanto	141(+8)	Kinki	81 (+3)	Kyushu & Okinawa	48 (+2)
Niigata	8	Tottori	2	Japan	443 (+15)
Nagano	9	Okayama	6		

Major indicators of management efficiency (1)

Scope	Number	Indicator	Unit	Target		2017.5	2016.5	2015.5	2014.5	2013.5
Group (Three months)	1	Return on assets	%	Over 3.75%	○	5.2	6.5	5.2	6.8	6.4
	2	Total asset turnover	Times	Over 0.5	×	0.30	0.32	0.29	0.36	0.35
	3	Ordinary income margin	%	Over 10%	○	17.6	20.2	17.9	19.1	18.3
	4	Earnings per share	¥	Over ¥25	○	170.9	152.9	107.3	109.0	90.8
	5	Return on equity	%	Over 3.75%	○	4.8	5.1	3.8	4.8	4.7
	6	Equity ratio	%	Over 60%	○	80.7	78.5	75.5	75.6	73.4
	7	Interest coverage	Times	Over 20	○	1,559	1,843	1,048	1,124	530
	8	Sales growth rate	%	Over 10%	×	7.6	14.9	1.7	15.9	7.2
	9	Ordinary income growth rate	%	Over 10%	×	(6.0)	29.4	(4.4)	20.8	(1.2)
	10	Ratio of gross profit to sales	%	Over 48%	○	53.3	54.4	52.4	51.1	53.3
	11	Ratio of break-even point to sales	%	Under 80%	○	62.8	58.5	61.3	58.1	61.2

Major indicators of management efficiency (2)



Scope	Number	Indicator	Unit	Target		2017.5	2016.5	2015.5	2014.5	2013.5
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	1,071	1,081	1,004	1,051	967
	13	Stock turnover	Times	Over 9	×	6.2	6.6	6.5	7.5	7.4
	14	Operating assets turnover	Times	Over 2.9	○	4.3	4.5	4.5	5.3	5.1
	15	Ratio of profit distribution	%	Over 20%	○	33.0	37.3	32.9	36.3	34.6
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	20.4	18.8	20.7	19.3	20.1
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	6.0	5.9	6.4	6.9	7.3
	18	Labor productivity	M	Over ¥10M	○	18.39	20.62	18.85	19.76	20.68
	19	Sales floor per labor	Tsubo	Over 60	×	33.3	36.1	37.2	37.8	41.8
	20	Operating income per tsubo	K	Over 150K	○	170	200	155	178	162
	21	Stock per tsubo	K	Under 90K	○	80	75	75	69	61
	22	Average age of labor		30~35	○	32.7	32.6	32.2	32.1	31.8
Results (○won/×lost)						○17×5	○19×3	○16×6	○18×4	○16×6

TOPICS





**Big hit series
N-Cool
now on sale**



- More colors and design variations
- Keep cool longer
- Lower price than last year
- Variety expansion

“Stain” series



- Comfortable space with vintage-taste furniture and sea motif

Scandinavian-taste dining set “Alnus”



- 8 table sizes and 4 seat cover colors
- Hand-washable seat cover



Outdoor Item Catalog Distributed 200k copies to stores

- Present many usage example, not easy to do in stores
- Introduce merchandise in small-size and urban-type Nitori stores
- “Dutch Oven” at lower price



Seaside Villa
★★★★★



Summer theme

- Coordinate with N-cool series
- Improve effectiveness of advertisement by linking the images of the goods on TVCM and that in the real stores
- Increase sales than the last year

PARADISE



Trend theme

Hokkaido Country Club clubhouse



Hakodate-Onuma Price Village Furano Prince Village





Rich Selection

- 156 sizes with 10 colors, fit to high and wide windows
- Easier to purchase than custom made curtains
- Good sales of custom sized furniture, you may customize by 1cm





Renewal product images on Nitori-net

- Make new photo studio, be used on 2 sides at the same time in Kyusyu distribution center
- Provide pictures of products, which make you image usage scene
- Plan to renewal images of various product categories

WEB Survey

- Carry out survey by QR code on the receipt.
- System to collect customers' voices that aren't able to do from POS data.
- Collect over 1,500 customers' voices in one month after introduction.



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アンケート番号:99999999

Opening 3 Stores at Central Tokyo on 15th March 2017



Tobu-Ikebukuro Store



Approx. 180k
customers visit to 3
stores from 15th March
to 19th.

Atre Meguro Store



Marronnier Gate Ginza Store (Expansion)



Nitori EXPRESS Sapporo Esta Store



New Store Format of Home Fashion

- Provide same service of Nitori (Home Furnishing Format) to customers in small-size store
- Transfer customers to nearby large-size Nitori store and Nitori-net with each other by taking advantage of convenient store location



	Nitori EXPRESS	DECO HOME	Nitori
Display furniture	△	×	○
Order furniture	○	×	○
Order custom made curtain	○	×	○
Back order, Store pick-up	○	Only handling merchandise	○
Merchandise Delivery	○	○	○



Shibuya Koen-Dori Store Opened 30th June

Our largest-scale at Central Tokyo

- Sales floor : approx. 5,000m²
- 1~5 floor : Home Fashion
6~9 floor : Furniture
- 5 minutes' walk from Shibuya station

Our largest-scale multileveled store with rich product line-up being equal to suburb Nitori store.

Taoyuan 2nd



Wuhan 4th



Wuhan 5th



Alliance with Katitas Co., Ltd.

Alliance with a pioneer in the used homes remodeling industry

Name of the company	Katitas Co., Ltd.
Date of foundation	1st September 1978
Representative director	Mr. Katsutoshi Arai
Capital stock	¥3,778 million
Business description	Remodeling of used homes and real estate leasing

Date of a share transfer agreement	On 28th April 2017
Classify as an equity-method affiliate	From Q2, FY2017
Shareholder voting rights ration after acquisition	34.00% ※The shareholder voting rights ratio excludes treasury stock and includes potential voting rights

Example of remodeling homes

(Kuki, Saitama prefecture)



Alliance with Katitas Co., Ltd.

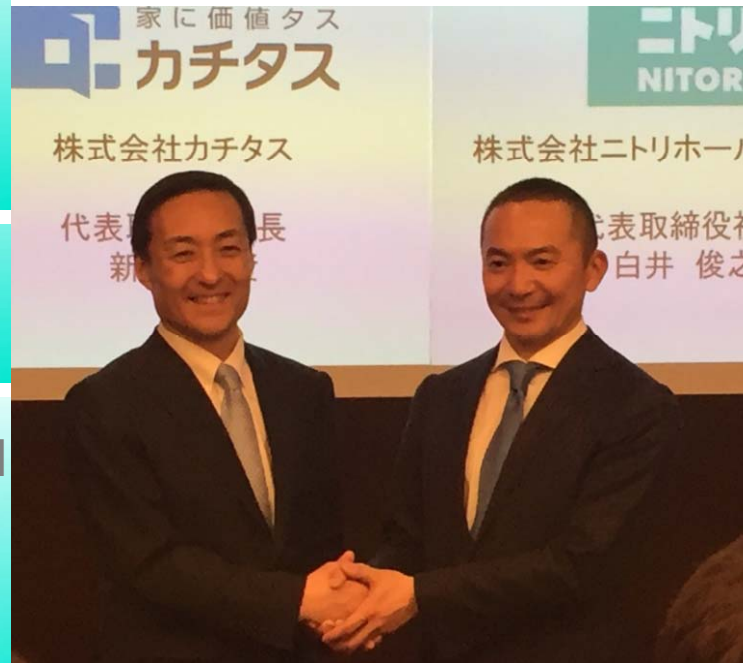


Furniture·kitchen systems etc
Original products

Sales channel
443 Stores

For coordination proposal and construction work
Personnel training curriculum

98%, population coverage ratio
Distribution network



Over 4,000 buildings per year
Sales result

Sales channel
108 business sites

Streamlined service
**Research·Purchasing
~Renovation
~Sales know-how**

Over 600 companies
Building contractors network

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









Expand Customer base and service

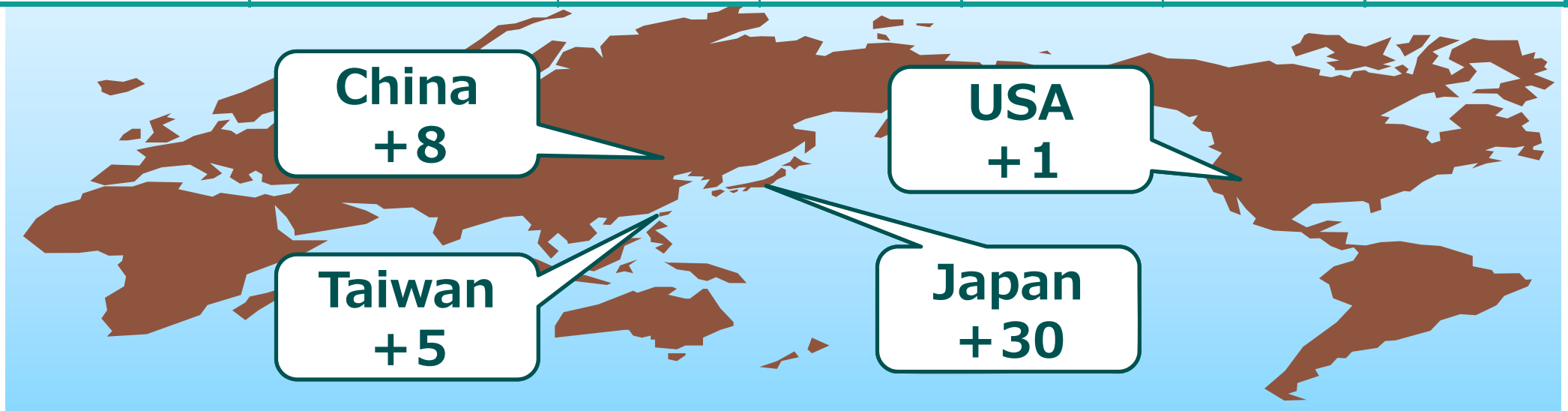


Plan to develop “enhancing value of home living” product

Store roll-out plan in FY 2017



Store	 		 Taiwan	 USA	 China	Total
End of Q1	3 8 8	5 5	2 7	5	1 3	4 8 8
Q2~Q4 Net increase	+ 1 9	+ 1 1	+ 5	+ 1	+ 8	+ 4 4
End of FY2017	4 0 7	6 6	3 2	6	2 1	5 3 2



Plan in FY 2017

No change of plan

(Billions of Yen)

	1H FY2017 Plan			FY2017 Plan		
		(to sales)	(YOY)		(to sales)	(YOY)
Net sales	282.0	—	110.7%	568.0	—	110.7%
Gross profit	151.0	53.5%	108.2%	309.0	54.4%	111.0%
SG&A expenses	102.5	36.3%	113.4%	210.0	37.0%	109.1%
Operating income	48.5	17.2%	98.6%	99.0	17.4%	115.4%
Ordinary income	49.0	17.4%	98.3%	100.0	17.6%	114.2%
Profit attributable to owners of parent	33.0	11.7%	100.5%	68.5	12.1%	114.2%



【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.