



# Nitori Holdings Co., Ltd.

## Financial Results Presentation for the Third Quarter of FY2016



**NITORI**

**December 22 , 2016**  
**TSE Ticker Code : 9843**

# Overview of Consolidated Financial Results



(Billions of Yen)

	1Q-3Q FY2016 21 Feb. -20 Nov. 2016 (to sales)		1Q-3Q FY2015 21 Feb. -20 Nov. 2015 (to sales)		Change (YOY)	
Net sales	379.0	-	334.7	-	44.3	113.2%
Gross profit	207.1	54.7%	176.8	52.8%	30.3	117.2%
SG&A expenses	136.9	36.1%	122.0	36.5%	14.9	112.2%
Operating income	70.2	18.5%	54.7	16.4%	15.5	128.3%
Ordinary income	71.1	18.8%	56.4	16.9%	14.7	126.1%
Net income	47.5	12.6%	35.0	10.5%	12.5	135.7%

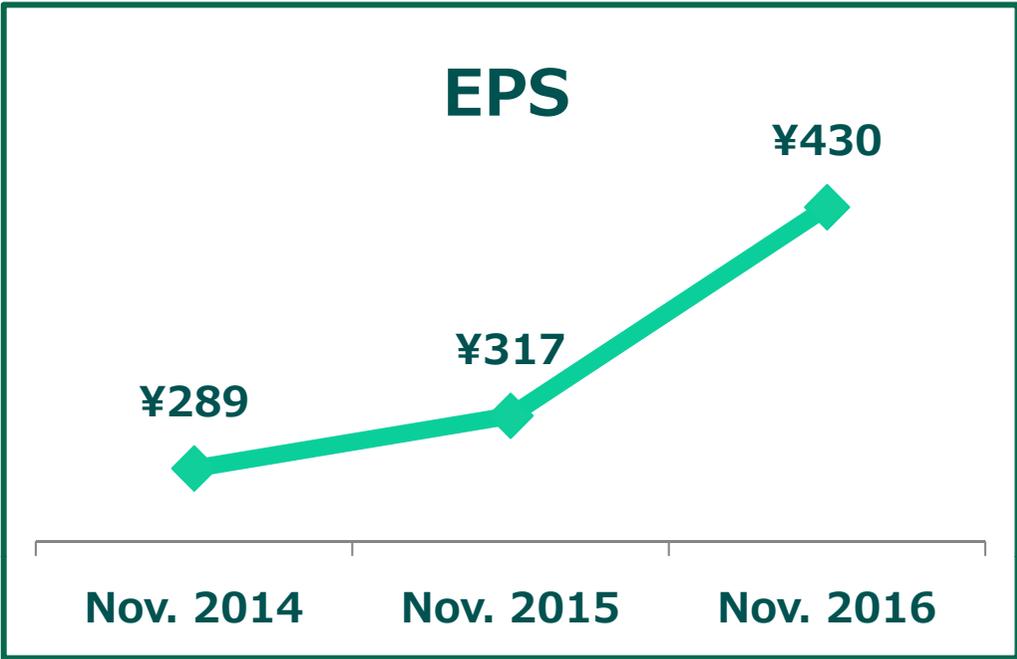
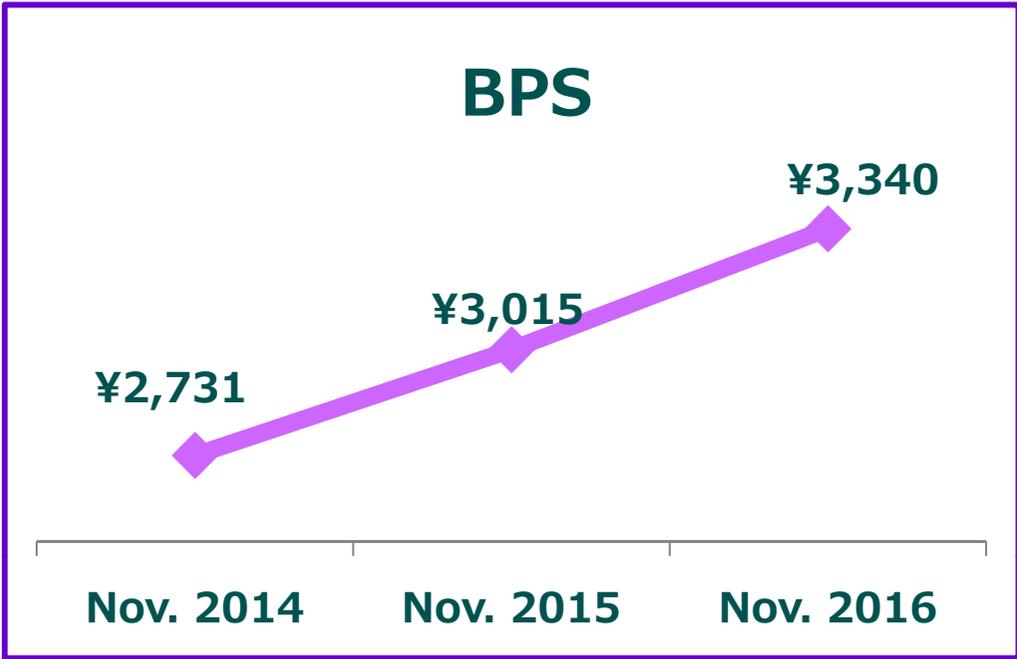
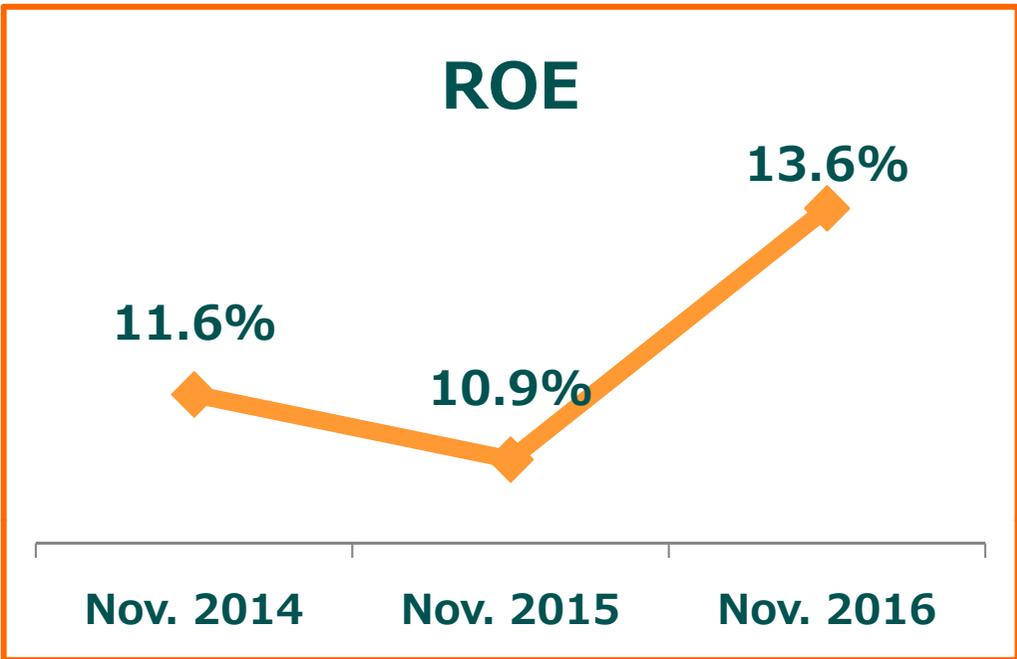
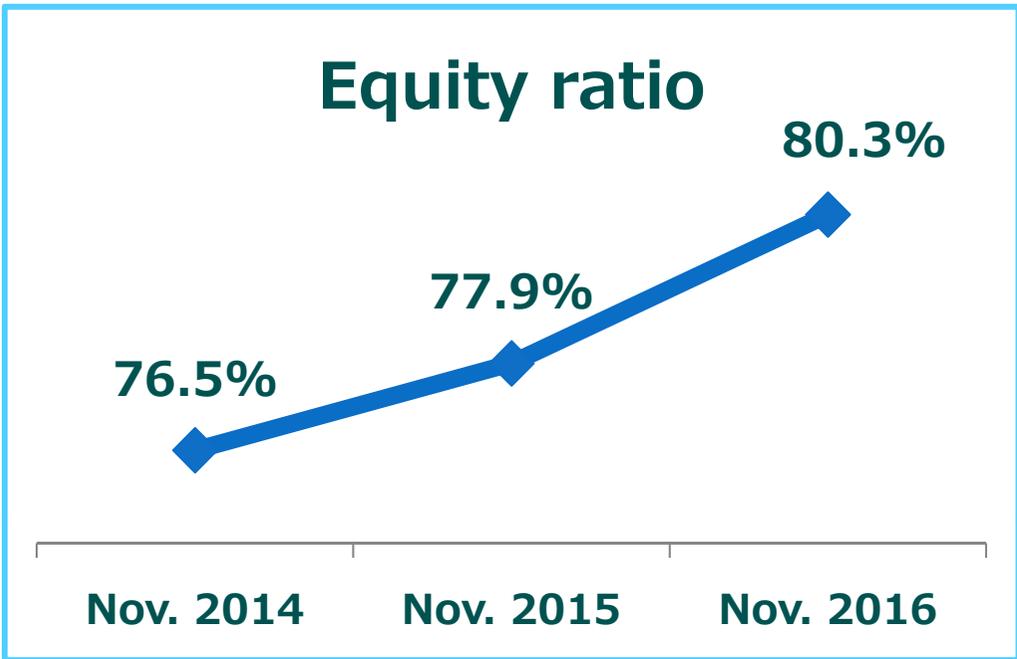
# Consolidated Balance Sheets



(Billions of Yen)

	20 Nov. 2016	20 Feb 2016	Change	Major factors on changes
<b>Current assets</b>	<b>151.3</b>	<b>129.9</b>	<b>21.4</b>	
(Cash and deposits)	56.8	42.3	14.5	
(Inventory)	42.8	45.4	(2.6)	Merchandise and finished goods (2.2)
<b>Non-Current assets</b>	<b>310.4</b>	<b>284.5</b>	<b>25.9</b>	
(Property, plant and equipment)	241.5	224.8	16.7	Land +6.5 , Buildings +13.2
(Investments and other assets)	55.8	48.4	7.4	Forward exchange contracts assets +4.5
<b>Total assets</b>	<b>461.8</b>	<b>414.5</b>	<b>47.3</b>	
<b>Current liabilities</b>	<b>73.2</b>	<b>67.5</b>	<b>5.7</b>	Accrued consumption taxes +2.7
(Accounts payable)	16.8	15.3	1.5	
(Short-term loans payable)	0.7	1.5	(0.8)	
<b>Non-Current liabilities</b>	<b>16.5</b>	<b>15.9</b>	<b>0.6</b>	
(Long-term loans payable)	0	0.6	(0.6)	Repayment
<b>Total liabilities</b>	<b>89.7</b>	<b>83.5</b>	<b>6.2</b>	
<b>Total net assets</b>	<b>372.1</b>	<b>330.9</b>	<b>41.2</b>	Net income +47.5
<b>Total liabilities and net assets</b>	<b>461.8</b>	<b>414.5</b>	<b>47.3</b>	

# Consolidated Financial Ratios [1Q-3Q]



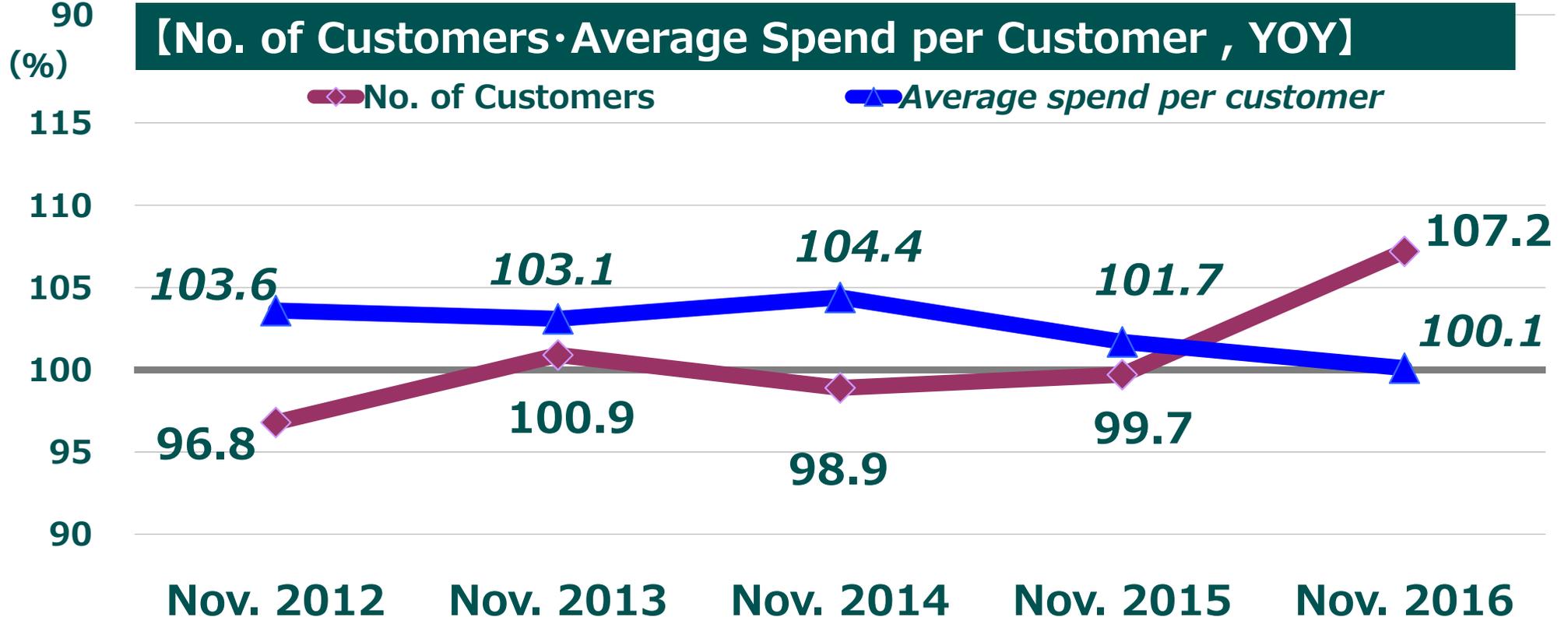
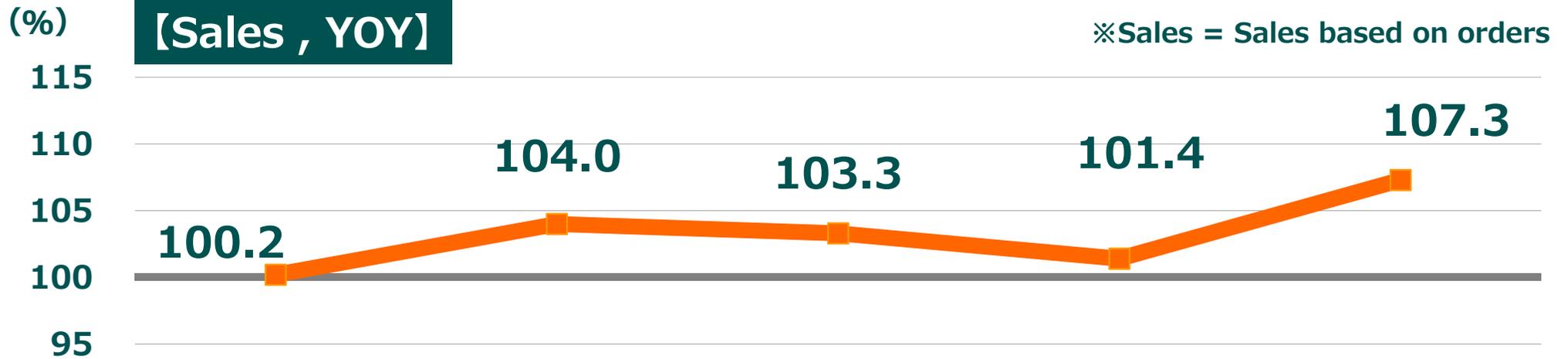
# Comparable stores , YOY[1Q-3Q]



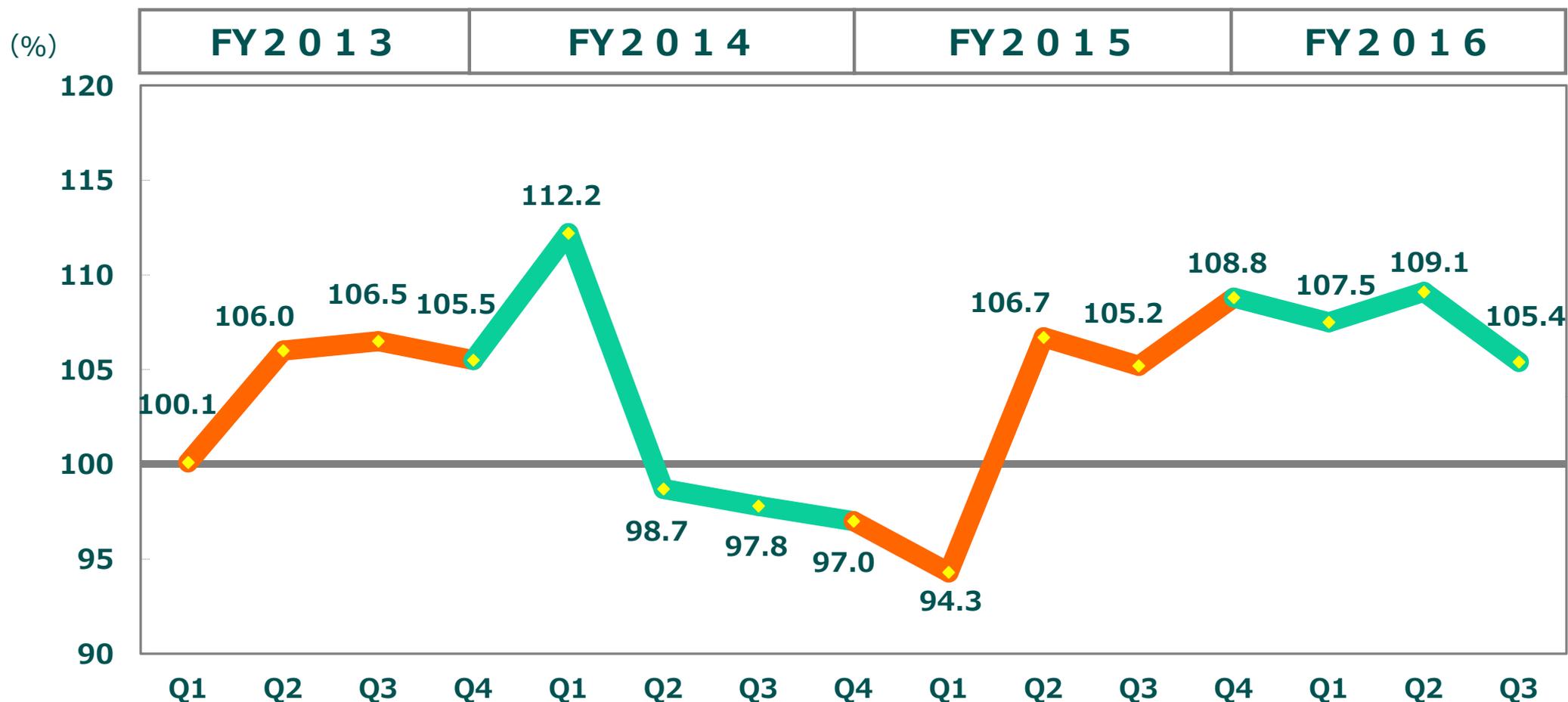
<b>Sales※</b>	<b>1 0 7 . 3 %</b>
<b>No. of Customers</b>	<b>1 0 7 . 2 %</b>
<b>Average Spend per Customer</b>	<b>1 0 0 . 1 %</b>
<b>Average Exchange Rate</b>	<b>¥ 1 0 5 . 5 9 / \$</b>
<b>Depreciation</b>	<b>¥ 7 . 5 bil.</b>
<b>Capital Investment</b>	<b>¥ 3 1 . 3 bil.</b>

※Sales = Sales based on orders

# Trend in YOY changes in comparable stores 【1Q-3Q】



# Quarterly trend in YOY changes in comparable stores



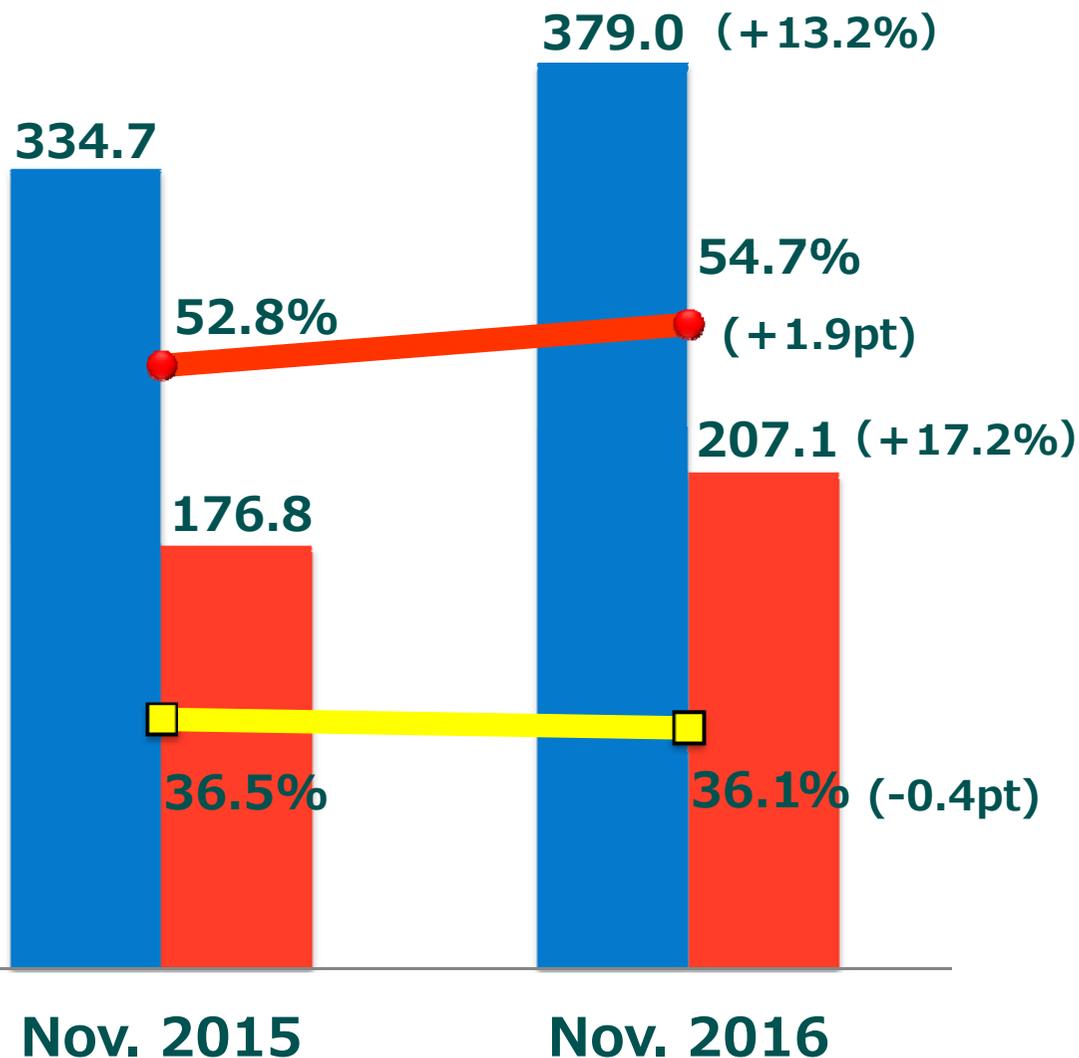
Sales		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Furniture	%	98.1	101.9	105.0	105.3	116.1	94.5	98.4	94.2	89.3	108.0	105.4	107.7	104.0	104.7	101.2
Home Furnishing	%	101.9	109.5	107.6	105.8	109.2	102.2	97.6	99.2	98.7	105.8	105.0	109.2	109.8	111.6	107.7
Comparable stores(Total)	%	100.1	106.0	106.5	105.5	112.2	98.7	97.8	97.0	94.3	106.7	105.2	108.8	107.5	109.1	105.4
Furniture	%	104.8	108.6	110.9	109.6	120.4	97.7	100.7	98.1	92.9	113.6	111.1	112.4	108.8	109.4	106.5
Home Furnishing	%	109.2	116.8	114.8	111.1	114.5	107.2	100.9	104.8	104.6	113.4	112.5	115.7	115.9	117.8	114.6
All(Total)	%	107.1	113.0	113.1	110.4	117.0	102.9	100.7	101.9	99.2	113.5	111.9	114.5	113.0	114.8	111.7

# Major factors on YOY changes



- Net sales
- Gross profit
- Gross profit margins
- SG&A ratio

(Billions of Yen)



【Net sales】	Amount	YOY
Store sales	¥348.1 bil.	112.3%
E-commerce	¥16.5 bil.	133.1%
Corporate business sales	¥6.3 bil.	105.0%
Rent income	¥4.5 bil.	138.2%
Other	¥3.3 bil.	114.9%
<b>Total</b>	<b>¥379.0 bil.</b>	<b>113.2%</b>

【SG&A】	Amount	YOY	Ratio to sales	YOY
Personnel	¥42.1 bil.	112.0%	11.1%	(0.1)pt
Rents	¥20.3 bil.	108.5%	5.4%	(0.2)pt
Delivery charge	¥17.6 bil.	108.2%	4.7%	(0.2)pt
Advertising	¥10.7 bil.	110.3%	2.8%	(0.1)Pt

【Gross profit margins】	
FX impact	( 1 . 1 ) p t
COGS reduction	+ 3 . 0 p t

# Results of Opening Stores (Q3 FY2016)



**Nakameguro**



**DECO HOME Shibuya Tokyu Toyoko**



 <b>NITORI</b> 12 stores		 <b>DECO HOME</b> 7 stores	
Hokkaido	1	Miyagi	1
Tokyo	2	Saitama	1
Kanagawa	1	Tokyo	3
Shiga	1	Hyogo	1
Osaka	3	Fukuoka	1
Nara	2	 <b>NITORI</b> 宜得利家居 Taiwan 2 stores	
Okayama	1	Taipei	1
Kochi	1	Kaohsiung	1
		 <b>NITORI</b> 家具 & 家居 China 2 stores	
		Nanjing	1
		Shanghai	1

**23 stores open**

# No. of stores as of Nov. 20, 2016



**4 5 9**  
**Stores**



DECO HOME

**3 6 7**  
(+23)

**5 1**  
(+14)



(Taiwan)

**2 6**  
(+ 2)



(USA)

**5**

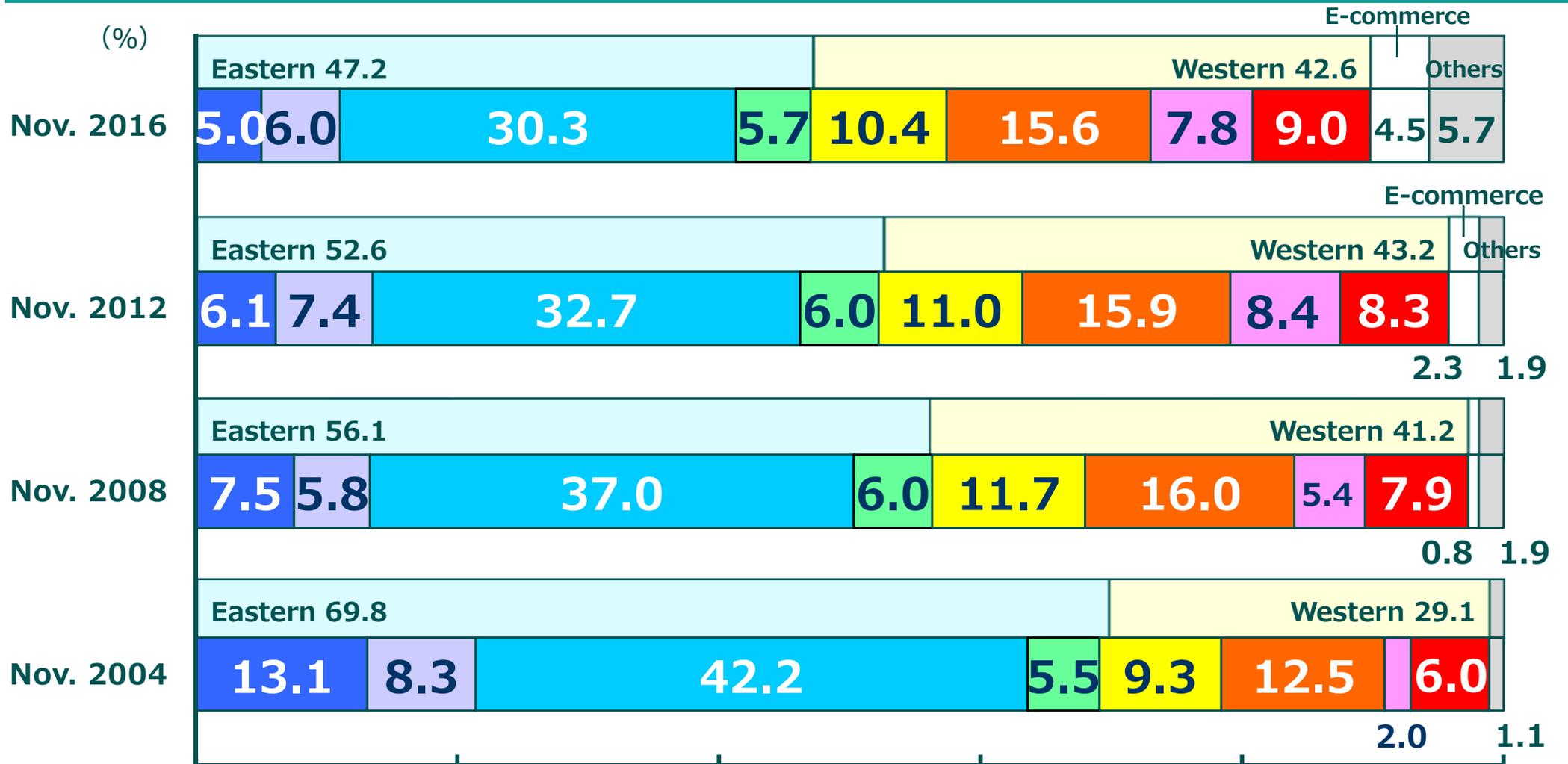


(China)

**1 0**  
(+ 2)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Hokkaido	20 (+1)	Yamanashi	3	Shimane	2
Hokkaido	20 (+1)	Ishikawa	5	Hiroshima	12
Aomori	6	Toyama	4	Yamaguchi	5
Akita	4	Fukui	2	Kagawa	4 (+1)
Iwate	3	Hokuriku & Koshinetsu	31 (+1)	Tokushima	2
Yamagata	4	Shizuoka	11	Kochi	3 (+1)
Miyagi	7 (+1)	Aichi	23 (+1)	Ehime	6
Fukushima	5	Mie	7	Chugoku & Shikoku	43 (+3)
Tohoku	29 (+1)	Gifu	7	Fukuoka	18 (+2)
Tokyo	33 (+9)	Chubu & Tokai	48 (+1)	Oita	5
Kanagawa	23 (+2)	Osaka	27 (+5)	Miyazaki	3
Saitama	24 (+4)	Kyoto	11	Saga	2
Chiba	21 (+1)	Nara	5 (+2)	Nagasaki	3
Gunma	6 (+1)	Hyogo	21 (+1)	Kumamoto	5
Tochigi	8	Shiga	6 (+1)	Kagoshima	6
Ibaraki	11	Wakayama	5	Okinawa	4
Kanto	126(+17)	Kinki	75 (+9)	Kyushu & Okinawa	46 (+2)
Niigata	8 (+1)	Tottori	2	<b>Japan</b>	<b>418</b> <b>(+35)</b>
Nagano	9	Okayama	7 (+1)		

# Sales by region



# Major indexes of management efficiency (1)

Scope	Number	Index	Unit	Target		2016.11	2015.11	2014.11	2013.11	2012.11
Group (Nine months)	1	Return on assets	%	Over 11.25%	○	16.2	13.6	15.0	15.4	16.7
	2	Total asset turnover	Times	Over 1.5	×	0.86	0.80	0.87	0.93	0.92
	3	Ordinary income margin	%	Over 10%	○	18.8	16.9	17.3	16.5	18.1
	4	Earnings per share	¥	Over ¥75	○	429.6	317.5	289.2	256.6	247.9
	5	Return on equity	%	Over 11.25%	○	13.6	10.9	11.6	12.7	14.6
	6	Equity ratio	%	Over 60%	○	80.3	77.9	76.5	73.0	69.7
	7	Interest coverage	Times	Over 20	○	1,689.8	918.8	750.6	455.8	319.6
	8	Sales growth rate	%	Over 10%	○	13.2	7.8	9.5	11.2	5.5
	9	Ordinary income growth rate	%	Over 10%	○	26.1	5.2	14.7	1.1	11.9
	10	Ratio of gross profit to sales	%	Over 48%	○	54.7	52.8	52.2	52.3	55.2
	11	Ratio of break-even point to sales	%	Under 80%	○	61.8	64.2	63.1	64.7	67.0

# Major indexes of management efficiency (2)



Scope	Number	Index	Unit	Target		2016.11	2015.11	2014.11	2013.11	2012.11
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	980	922	918	888	871
	13	Stock turnover	Times	Over 9	×	5.8	5.4	5.7	6.0	6.1
	14	Operating assets turnover	Times	Over 2.9	○	3.9	3.9	4.1	4.2	4.3
	15	Ratio of profit distribution	%	Over 20%	○	35.6	34.8	33.3	34.4	32.1
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	20.6	22.1	22.0	22.5	22.5
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	5.8	6.2	6.2	6.2	6.7
	18	Labor productivity	M	Over ¥10M	○	19.25	18.03	18.55	19.04	19.52
	19	Sales floor per labor	Tsubo	Over 60	×	37.0	38.3	39.8	42.4	42.1
	20	Operating income per tsubo	K	Over 150K	○	167	135	139	132	139
	21	Stock per tsubo	K	Under 90K	○	77	81	77	71	64
	22	Average age of labor		30~35	○	33.2	33.0	32.6	32.3	32.0
<b>Results (○win/×lose)</b>						<b>○19×3</b>	<b>○13×9</b>	<b>○15×7</b>	<b>○15×7</b>	<b>○15×7</b>

# TOPICS Q3





## N-Warm Sales Expansion



## Sales Quantity (YOY)

# 141%

- Increased the volume of the moisture-absorbing-heat-releasing filling, resulting in increased heat-retention property
- More variety of kids products and other Home Furnishing goods with N-warm feature
- Added N-Warm series to the autumn winter coordination series line-up



## System Kitchen

# ¥159,000

(before tax/ installation, assembly, delivery fee is not included)

- System kitchen with a high price-appeal on sale starting October
- Comes standard with a non-filter-type range hood that realizes filter-maintenance-free



- 3 different worktop heights are available, which provides the users better usability



# Merchandise Branding Strategy



DAY  Value

Launched and on sale



# Good Design Award

## Awarded in 2 categories



### Light Karusara Bathrobe

~Household goods & Daily necessities category~



- Good at absorbing moisture and dry fast, and soft to the touch
- A comfortable bath robe that weighs less than half of a normal robe

### Robot Warehouse

~Space & Interior for business use category~



- Automatic warehouse system that has 3 times better storage capacity and 4 times faster picking compared to normal shelves installation
- Easy-to-work environment for everyone



## Pre-production technical evaluation meeting

- Assign a risk rating to the structural vulnerability
- Disassemble prototype to review the structure of the actual product
- Check the durability through a testing equipment
- Ask business partners' engineers to attend technical evaluation meeting



## Instructions to Business Partners

- Manufacturing/Quality Instructors Qualification System for business partners
- Invite overseas business partners to "Open House" (Model factories which achieve great improvement)



# The FY2016 10<sup>th</sup> Best Contributor to Product Safety Award



Awarded with 「The METI Minister's Award」  
for the first time



## Award Criteria

- Commitment to ensuring safety as an integrated cooperative industry
- Commitment to technical evaluation and accident prevention strategy
- Commitment to training and factory inspection in all supply chain to promote product safety



# Corporate Business Sales, Products Development

## – Examples of delivered goods



Combining our specialties in product development and total coordination solution, we expand our service to healthcare providers

### Healthcare Providers Example①



### Healthcare Providers Example②



## New large-scaled distribution center in Osaka

ProLogis Park (Rental)

Area : Approx. 130,000 m<sup>2</sup>

Start operating on Jan 2017 (plan)



Increase of stores in Kinki area and expansion of the online business



Centralization of distribution centers in Osaka, in order to improve logistics efficiency and stability

## New Delivery System



Introducing a new delivery system developed for urban type store that utilizes the automated storage system

Before: On-site packing and shipment to customers for products purchased in-store

↓ Change

After: Online stock utilization and straight shipment from delivery center

- **Not using In-store stock**
  - ⇒ **Minimize the risk of running out of stock in-store**
  - **Reduce the amount of goods being shipped to the store (reduce logistics cost)**
- **Reduction of in-store packing and shipment , as well as the required space**

# Opening Store at Central Tokyo



Shinjuku Takashimaya Times Square Store

12/1 OPEN



# Opening Store at Central Tokyo



Deco Home Shibuya Tokyū Toyoko Store 9/29



Ueno Marui Store 10/7



Ikebukuro Sunshine City Store(expansion) 12/8



# Opening Large-scale Store

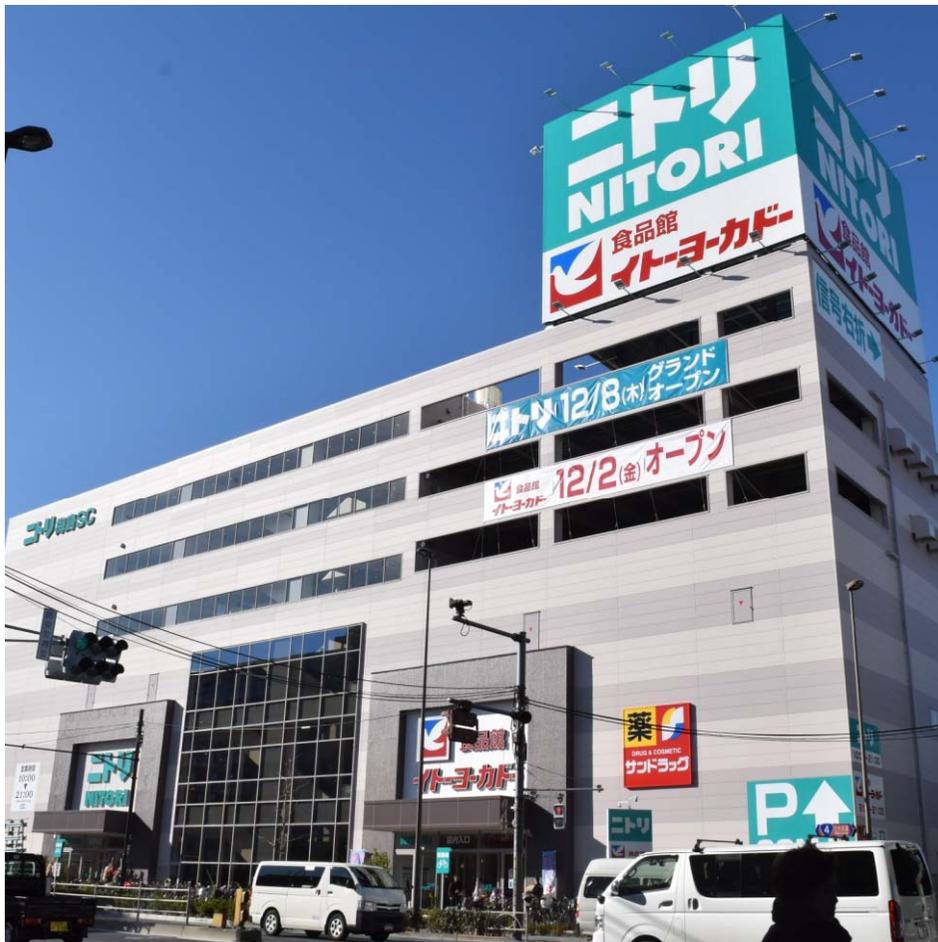


Kannana  
Umejima Store

12/8 (7,000 m<sup>2</sup>)

First shared commercial complex  
with Ito Yokado

「Umejima Shopping Center」



Kanpachi Yoga Store

12/8 (6,500 m<sup>2</sup>)



Suminoe Store

11/3 (5,400 m<sup>2</sup>)



# Opening Stores in Small Market Area



**AEON Nayoro Store (Hokkaido)**

**10/28 OPEN**



- Rich line-up of home furnishing products
- Emphasis on seasonal coordination products



Frequency increase of customers' store visit

**Seiyu Nagahama Rakuichi Store (Shiga)**

**11/3 OPEN**



**Be able to open stores even in small market area**

# Opening Stores in Taiwan



6<sup>th</sup> Taipei Store

10/7 OPEN

First urban type store in Taiwan



4<sup>th</sup> Kaohsiung Store

11/11 OPEN

5<sup>th</sup> Kaohsiung Store

12/9 OPEN



# Opening Stores in China



**1<sup>st</sup> Nanjing Store**

**9/28  
OPEN**



**2<sup>nd</sup> Shanghai Store**

**10/30  
OPEN**



# Store roll-out plan in FY 2016



Store	 NITORI	 デコホーム ニトリ	 宜得利家居 Taiwan	 AKI-HOME USA	 NITORI 家具 & 家居 China	Total
End of Q3	3 6 7	5 1	2 6	5	1 0	4 5 9
Q4 net increase	+ 1 0	—	+ 1	—	+ 1	+ 1 2
End of FY 2016	3 7 7	5 1	2 7	5	1 1	4 7 1



# Projection in FY 2016

(Billions of Yen)

	FY 2016 , Projection (to sales)		FY 2015 (to sales)		Change (YOY)	
Net sales	500.0	–	458.1	–	41.9	109.1%
Gross profit	263.0	52.6%	243.5	53.2%	19.5	108.0%
SG&A expenses	184.0	36.8%	170.5	37.2%	13.5	107.9%
Operating income	79.0	15.8%	73.0	15.9%	6.0	108.2%
Ordinary income	80.0	16.0%	75.0	16.4%	5.0	106.7%
Net income	51.4	10.3%	47.0	10.3%	4.4	109.4%

**No change of projection**



**【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.