

Nitori Holdings Co., Ltd.

Financial Results Presentation

for the Second Quarter of FY2017



27 September 2017
TSE1st.&Sapporo Code : 9843

[DISCLAIMER]
IN-HOUSE TRANSLATION

Overview of Consolidated Financial Results



(Billions of Yen)

	1H FY2017 21 Feb-20 Aug 2017 (to sales)		1H FY2016 21 Feb-20 Aug 2016 (to sales)		Change (YOY)		Plan
Net sales	283.9	-	254.7	-	29.2	111.5%	282.0
Gross profit	152.8	53.8%	139.5	54.8%	13.3	109.6%	151.0
SG&A expenses	104.7	36.9%	90.3	35.5%	14.4	115.9%	102.5
Operating income	48.1	17.0%	49.1	19.3%	(1.0)	97.9%	48.5
Ordinary income	48.6	17.1%	49.8	19.6%	(1.2)	97.6%	49.0
Profit attributable to owners of parent	35.0	12.3%	32.8	12.9%	2.2	106.7%	33.0

Consolidated Balance Sheets



(Billions of Yen)

	20 Aug 2017	20 Feb 2017	Change	Major factors on changes
Current assets	153.6	170.1	(16.5)	
(Cash and deposits)	58.3	70.5	(12.2)	
(Inventory)	42.0	48.9	(6.9)	
Non-Current assets	357.8	317.6	40.2	
(Property, plant and equipment)	264.5	248.0	16.5	Land +16.0
(Investments and other assets)	79.1	55.8	23.3	Investment securities +23.3
Total assets	511.4	487.8	23.6	
Current liabilities	72.5	75.7	(3.2)	Accounts payable - other (4.4)
(Accounts payable - trade)	15.6	16.0	(0.4)	
(Short-term loans payable)	-	0.6	(0.6)	Repayment
Non-Current liabilities	17.2	17.3	(0.1)	
(Long-term loans payable)	-	-	-	
Total liabilities	89.7	93.0	(3.3)	
Total net assets	421.6	394.7	26.9	Net income +35.0
Total liabilities and net assets	511.4	487.8	23.6	

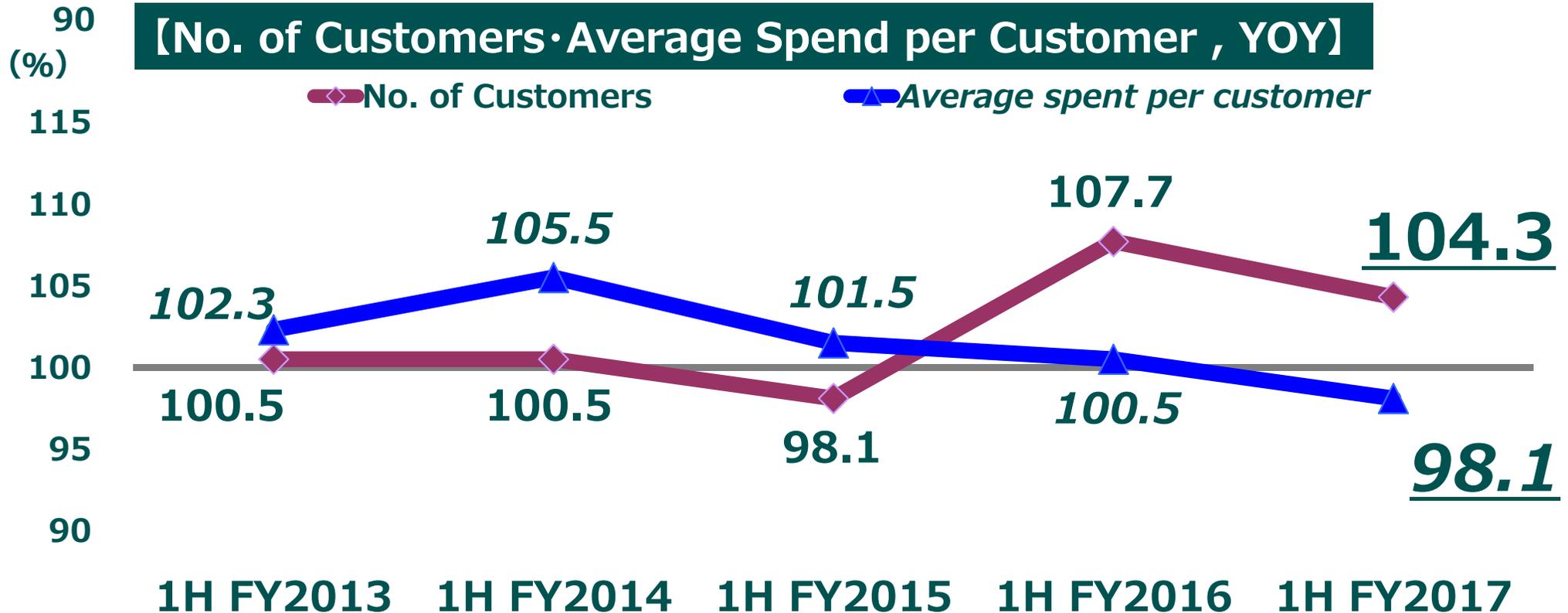
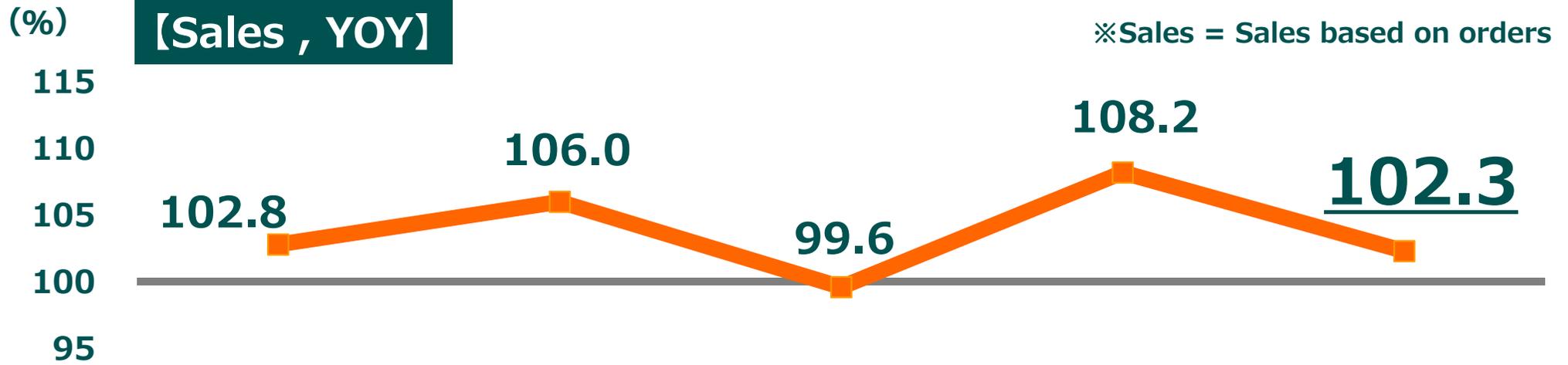
Consolidated Cash Flows



(Billions of Yen)

	1H FY2017	1H FY2016	Change	Major factors on changes
Operating activities	38.6	49.4	(10.8)	<ul style="list-style-type: none"> • Income before income taxes +51.6 • Income taxes paid (15.0)
Investing activities	(44.1)	(21.9)	(22.2)	<ul style="list-style-type: none"> • Purchase of property, plant and equipment (24.4) • Purchase of investment securities (23.3)
Financing activities	(4.8)	(4.9)	0.1	<ul style="list-style-type: none"> • Cash dividends paid (5.1)
Net increase in cash & cash equivalents	(10.6)	21.5	(32.1)	
Cash & cash equivalents at end of the year	55.3	58.3	(3.0)	
Free cash flow	(5.5)	27.5	(33.0)	(CF from Operating activities + CF from Investing activities)

Trend in YOY changes in comparable stores 【1H】





N-Cool

Exceeded last year's volume by adjusting the product stock level depending on the temperature

Seasonal coordination



Achieved strong sales through coordination that meet the fashion



Expanding the enjoyment of color coordination through the development of stackable, colorful tablewares and storage supplies



Multifunctional sofa

Couch sofa bed

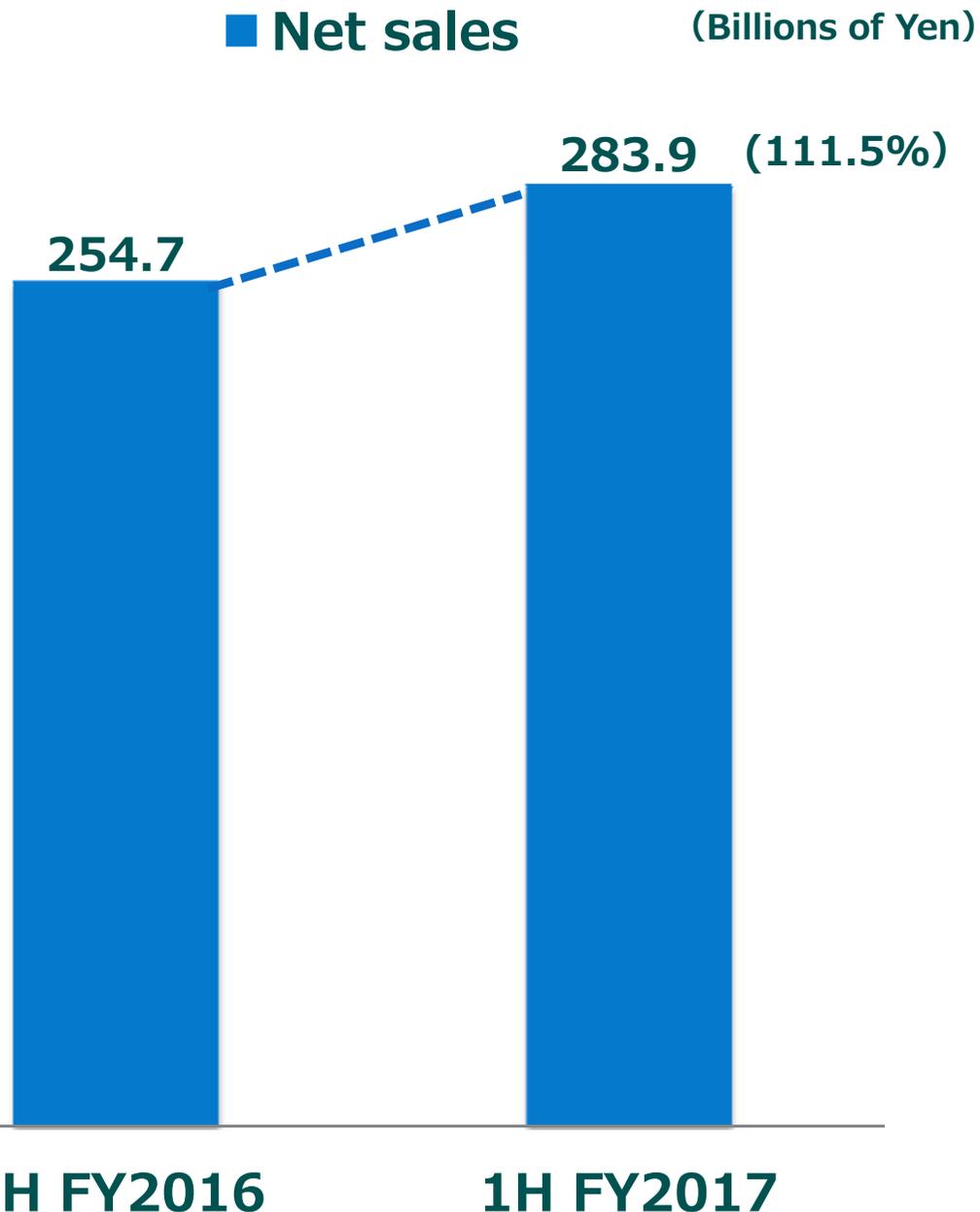


Living sofa bed



Multifunctional sofa such as couch sofa bed with high storage capacity and living sofa bed with N-Sleep mattress that provide comfortable sleep and seating have recorded strong sales

Consolidated Sales



[Net sales]	Amount	YOY
Store sales(Global)	¥258.3bil.	110.4%
E-commerce	¥14.4bil.	130.1%
B to B	¥1.8bil.	114.4%
Renovation sales	¥2.7bil.	100.8%
Rent income	¥3.4bil.	113.5%
Others	¥3.0bil.	139.1%
Total	¥283.9bil.	111.5%

Sales comp. by region					
Hokkaido	4.8%	△0.2pt	Kinki	15.2%	△0.3pt
Tohoku	5.6%	△0.5pt	Chugoku &Shikoku	7.5%	△0.4pt
Kanto	31.2%	+1.3pt	Kyusyu& Okinawa	8.8%	△0.5pt
Hokuriku &Koshin etsu	5.4%	△0.3pt	EC	5.1%	+0.8pt
Chubu& Tokai	10.2%	△0.3pt	Others	6.2%	+0.4pt

Eastern	47.2%	+0.3pt	Western	41.5%	△1.5pt
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Gross profit · SG&A expenses



【Gross profit】

(Billions of Yen)

139.5

152.8 (109.6%)

1H FY2016

1H FY2017

【SG&A】	Amount	YOY	Ratio to sales	Change
Personnel	¥30.8bil.	110.2%	10.9%	△0.1pt
Rents	¥16.3bil.	120.8%	5.8%	+0.4pt
Delivery charge	¥13.5bil.	112.2%	4.8%	+0.0pt
Advertising	¥7.4bil.	114.4%	2.6%	+0.1Pt
Outsourcing	¥6.6bil.	128.8%	2.4%	+0.3Pt

Depreciation

¥5.3bil.

Capital investment

¥24.8bil.

【Gross profit margin】

54.8%

COGS reduction

+1.0pt

53.8% (△1.0pt)

△1.1pt

FX impact applied to the purchase

△0.9pt

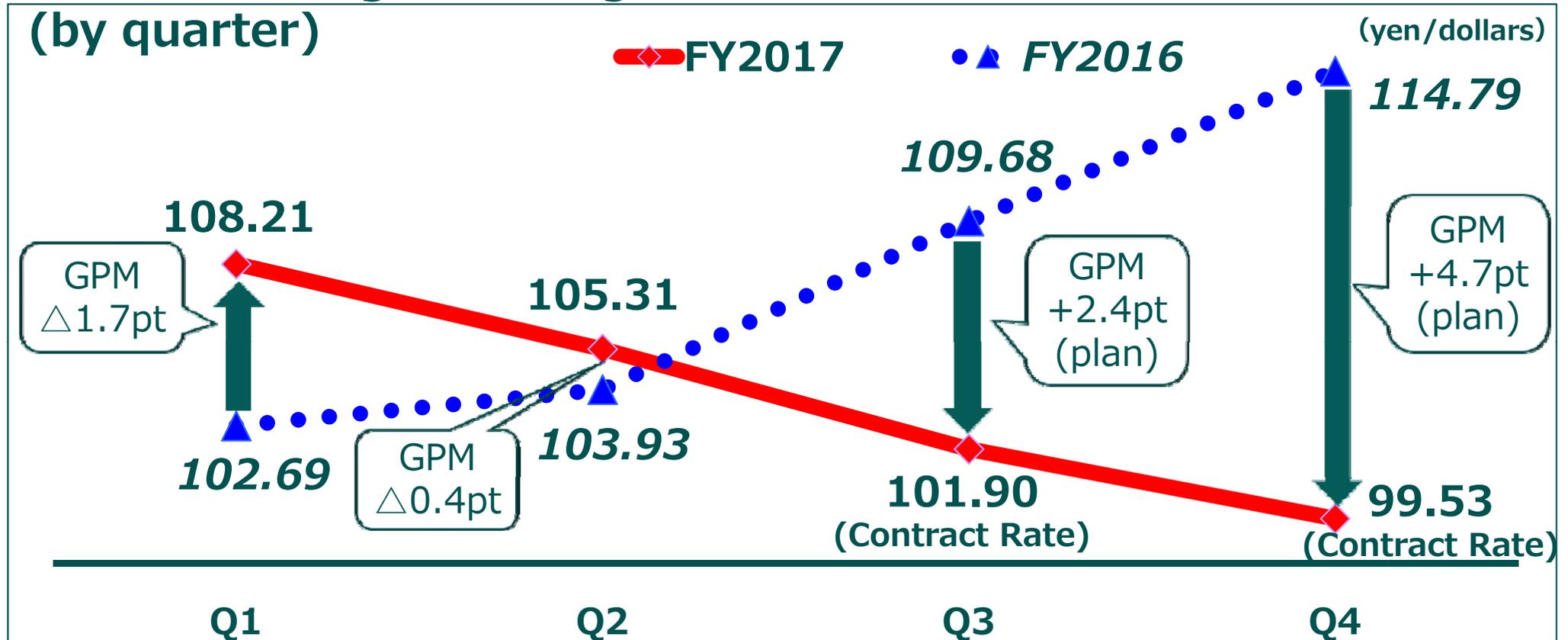
FX impact applied to the inventory

1H FY2016

1H FY2017

FX impact applied to the purchase

【Trend in average exchange rate】



	Q1	1H	Q1 - Q3	Fiscal year
FY2017	¥108.21/\$	¥106.88/\$	Lower 105-yen range	Higher 103-yen range
FY2016	¥102.69/\$	¥103.26/\$	¥105.59/\$	¥108.12/\$
FX impact on GPM	Δ 1.7pt	Δ 1.1pt	+0.1pt	+1.4pt

No. of stores as of 20 Aug 2017



494

Stores

(+23)



(Taiwan)

385

(+12)



7

(+3)



DECO HOME

56

(+5)



(USA)

5



(China)

14

(+3)

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	19 (+1)
Tokyo	45 (+7)	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	6 (+1)
Tochigi	7 (-1)	Shiga	7	Kagoshima	7 (+1)
Ibaraki	13	Wakayama	5	Okinawa	4
Kanto	144(+11)	Kinki	81 (+3)	Kyushu & Okinawa	50 (+4)
Niigata	8	Tottori	2	Japan	448 (+20)
Nagano	9	Okayama	6		

Opening store at central Tokyo



Shibuya Koen-Dori store opened 30th June



Opening store at central Tokyo



Creating a sales floor that takes advantage of having a “real store”.



Usage of advanced IT



Opening store in China



**Shanghai 3rd store
Opening on July 11th**

Spreading through SNS, the store exceeded the number of customers recorded at Nitori Shinjuku-Takashimaya Times Square store during its opening sales



Major indicators of management efficiency (1)



Scope	Number	Indicator	Unit	Target		2017.8	2016.8	2015.8	2014.8	2013.8
Group (Six months)	1	Return on assets	%	Over 7.5%	○	9.7	11.6	9.1	11.5	10.5
	2	Total asset turnover	Times	Over 1.0	×	0.57	0.59	0.54	0.64	0.64
	3	Ordinary income margin	%	Over 10%	○	17.1	19.6	17.0	18.1	16.5
	4	Earnings per share	¥	Over ¥50	○	313.7	296.4	207.5	201.0	162.5
	5	Return on equity	%	Over 7.5%	○	8.6	9.8	7.1	8.6	8.2
	6	Equity ratio	%	Over 60%	○	82.3	76.8	78.9	78.6	74.9
	7	Interest coverage	Times	Over 20	○	1,982	1,476	945	818	449
	8	Sales growth rate	%	Over 10%	○	11.5	14.7	5.4	12.9	9.8
	9	Ordinary income growth rate	%	Over 10%	×	(2.4)	32.0	(1.1)	24.0	0.1
	10	Ratio of gross profit to sales	%	Over 48%	○	53.8	54.8	52.6	51.9	52.8
	11	Ratio of break-even point to sales	%	Under 80%	○	64.4	60.2	63.7	61.0	64.9

Major indicators of management efficiency (2)



Scope	Number	Indicator	Unit	Target		2017.8	2016.8	2015.8	2014.8	2013.8
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	1,025	998	926	940	886
	13	Stock turnover	Times	Over 9	×	6.4	6.3	6.1	6.8	6.8
	14	Operating assets turnover	Times	Over 2.9	○	4.4	4.5	4.4	4.8	4.9
	15	Ratio of profit distribution	%	Over 20%	○	31.7	35.7	31.1	33.9	31.7
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	21.3	20.3	22.1	21.5	22.1
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	5.5	5.3	5.9	5.9	6.2
	18	Labor productivity	M	Over ¥10M	○	18.28	19.70	17.98	18.90	19.31
	19	Sales floor per labor	Tsubo	Over 60	×	34.1	37.1	38.2	39.8	42.8
	20	Operating income per tsubo	K	Over 150K	○	159	177	135	149	133
	21	Stock per tsubo	K	Under 90K	○	75	72	73	67	61
	22	Average age of labor		30~35	○	32.9	32.9	32.4	32.3	32.2
Results (○won/×lost)						○18×4	○19×3	○14×8	○17×5	○14×8

TOPICS





& Style

“Vintage” and “Feminine” style series are expected to debut in Fall 2017.



These styles offer new lifestyle through real texture, high quality, and high design

2017 Winter/Fall coordination series



『A special space surrounded by the items you love』

The theme of “trip” was represented through the usage of trending motifs such as maps and bicycles

『A cottage-like space surrounded by nature』

The theme of “nature” was represented through the usage of trending motifs such as ethnical kilim patterns and animals

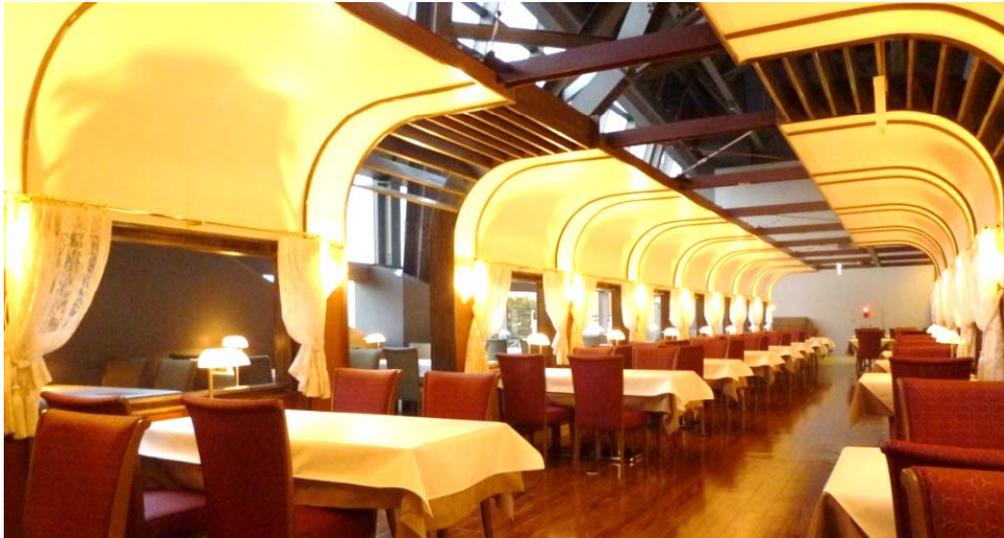


N-Warm now on sale

By using heat absorption materials not just in the batting but also on surface materials, this year's model provides improved warmth. In addition, patterned style mattress pads are being released this year



Taking advantage of its high coordinating abilities, Nitori produced to commercial facilities such as a cafe



Recipient of 3rd Retail Promotion Award

Nitori App “Hand-free Shopping”



Providing a new style of shopping through a seamless connection of real stores and EC sites

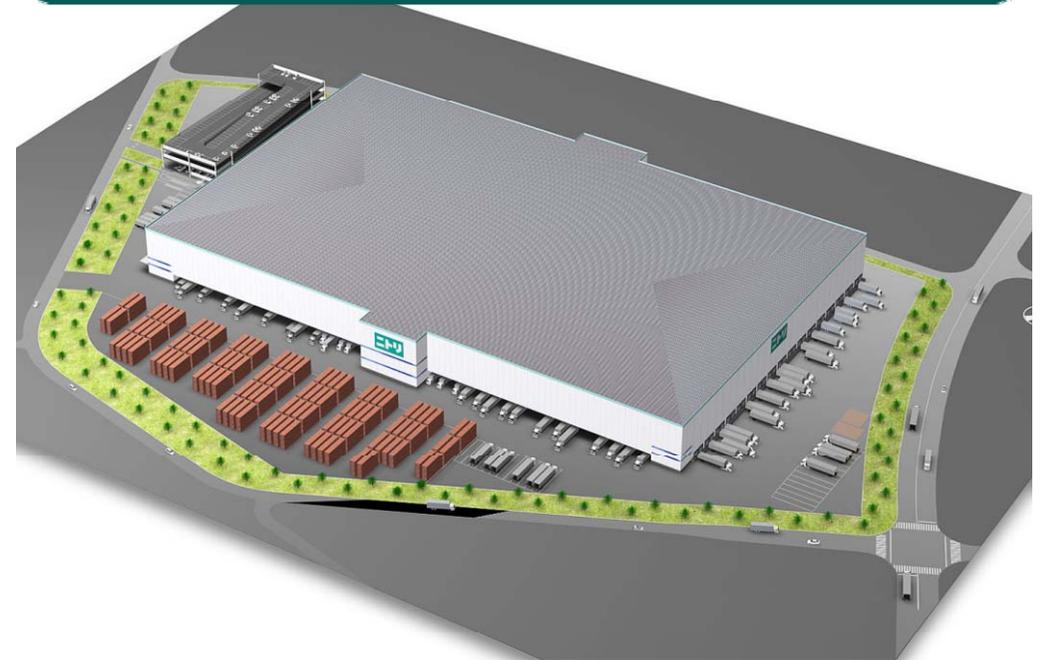
- Reduction of customer's purchased carrying goods
- Workload reduction of rearranging goods to sales floor
- Save store inventory

Recipient of “Logistics rationalization effort award” at the 2017 National Logistics Improvement Award ceremony



Nitori was awarded for the innovative introduction of the “Swap body container”, which allowed the loading platforms to be desorbed from the truck head. This system realize efficient high rotation which lead to the cost reduction of transportation and provided positive impact in labor environment

Satte Distribution Center



Expected to start its operation in 2022

Site area : approx. 105,600m²

More than doubling the warehouse production efficiency level by mechanization and automation.

Akio NITORI received
the “Corporate Public Relations Manager Award”



【Reason for award】

**Akio NITORI
contributed
significantly to the
recognition of the
company by directly
explaining his
business
perspectives,
products, and history**

Otaru Art Village September 1st grand opening

Former Mitsui Bank Otaru Branch open to public on August 1st

A historic building made from steel concrete that contributed to the guidance of earthquake resistant construction after the Great Kanto Earthquake in 1923



Nitori Art Museum Open to public on September 1st

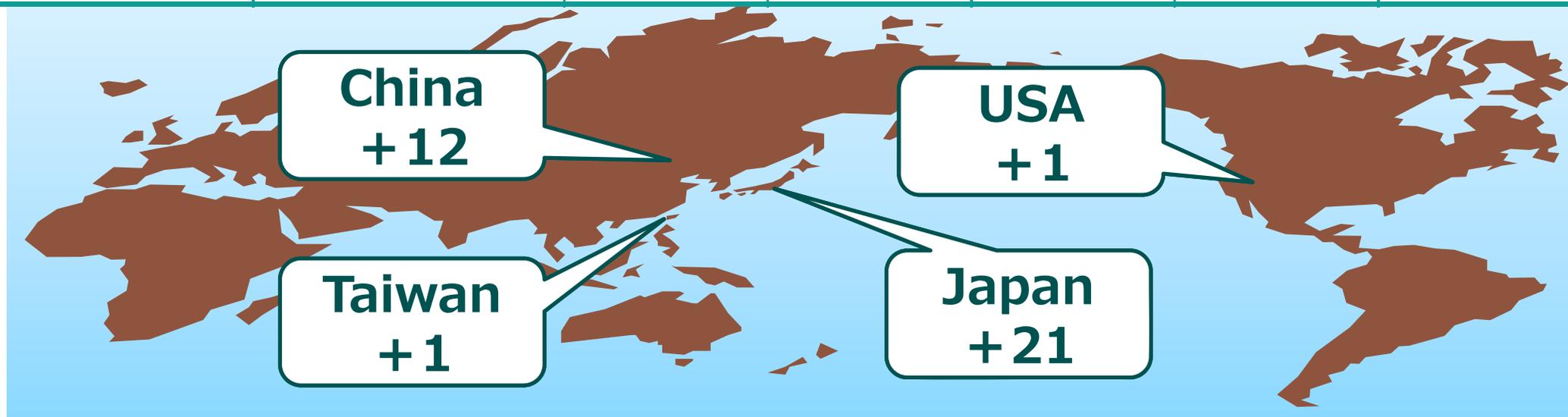
(Former Hokkaido Takushoku Bank Ltd. Otaru Branch)



Store roll-out plan in FY 2017



Store	 		 Taiwan	 USA	 China	Total
End of Q2	3 9 2	5 6	2 7	5	1 4	4 9 4
Q3~Q4 Net increase	+ 1 2	+ 9	+ 1	+ 1	+ 1 2	+ 3 5
End of FY2017	4 0 4	6 5	2 8	6	2 6	5 2 9



Plan in FY 2017



(Billions of Yen)

	FY2017 Plan		FY2016		Change	
	(to sales)		(to sales)		(YOY)	
Net sales	568.0	–	512.9	–	55.1	110.7%
Gross profit	309.0	54.4%	278.2	54.2%	30.8	111.0%
SG&A expenses	210.0	37.0%	192.5	37.5%	17.5	109.1%
Operating income	99.0	17.4%	85.7	16.7%	13.3	115.4%
Ordinary income	100.0	17.6%	87.5	17.1%	12.5	114.2%
Profit attributable to owners of parent	68.5	12.1%	59.9	11.7%	8.6	114.2%

No change of plan



【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.