

# Nitori Holdings Co., Ltd. Financial Results Presentation for the Second Quarter of FY2018



26 September 2018  
TSE1st.&Sapporo Code : 9843

# Overview of Consolidated Financial Results



(Billions of Yen)

	1H FY2018 21 Feb-20 Aug 2018 (to sales)		1H FY2017 21 Feb-20 Aug 2017 (to sales)		Change (YOY)	
Net sales	301.6	-	283.9	-	17.7	106.3%
Gross profit	165.6	54.9%	152.8	53.8%	12.8	108.4%
SG&A expenses	109.7	36.4%	104.7	36.9%	5.0	104.8%
Operating income	55.8	18.5%	48.1	17.0%	7.7	116.1%
Ordinary income	56.7	18.8%	48.6	17.1%	8.1	116.7%
Profit attributable to owners of parent	37.9	12.6%	35.0	12.3%	2.9	108.3%

# Consolidated Balance Sheets



(Billions of Yen)

	20 Aug 2018	20 Feb 2018	Change	Major factors on changes
<b>Current assets</b>	<b>183.1</b>	<b>164.0</b>	<b>19.1</b>	
(Cash and deposits)	86.3	63.3	22.9	
(Inventory)	48.4	52.7	(4.2)	
<b>Non-Current assets</b>	<b>394.6</b>	<b>386.4</b>	<b>8.2</b>	
(Property, plant and equipment)	297.2	291.3	5.8	
(Investments and other assets)	16.3	13.8	2.4	
<b>Total assets</b>	<b>577.8</b>	<b>550.5</b>	<b>27.3</b>	
<b>Current liabilities</b>	<b>77.5</b>	<b>83.4</b>	<b>(5.9)</b>	
(Accounts payable - trade)	16.4	19.6	(3.1)	
(Short-term loans payable)	2.6	2.0	0.6	
<b>Non-Current liabilities</b>	<b>24.6</b>	<b>25.4</b>	<b>(0.7)</b>	
(Long-term loans payable)	7.0	8.0	(0.9)	
<b>Total liabilities</b>	<b>102.1</b>	<b>108.8</b>	<b>(6.6)</b>	
<b>Total net assets</b>	<b>475.7</b>	<b>441.6</b>	<b>34.0</b>	Net income +37.9
<b>Total liabilities and net assets</b>	<b>577.8</b>	<b>550.5</b>	<b>27.3</b>	

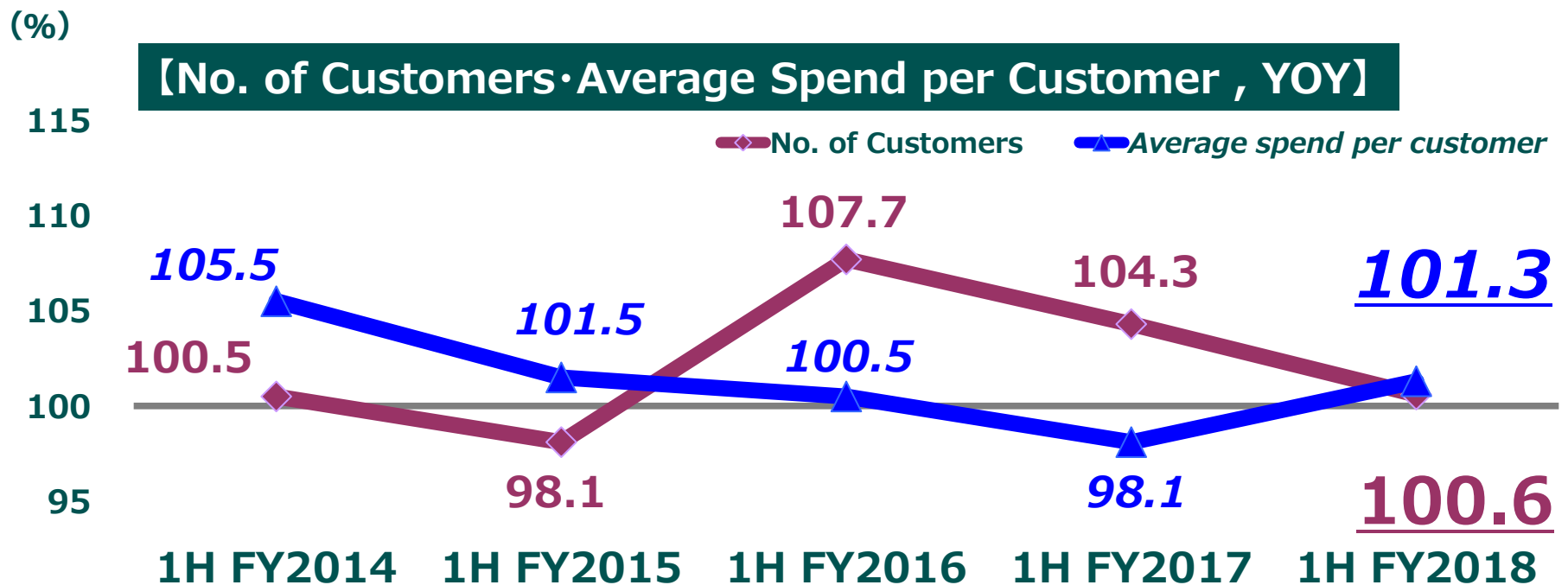
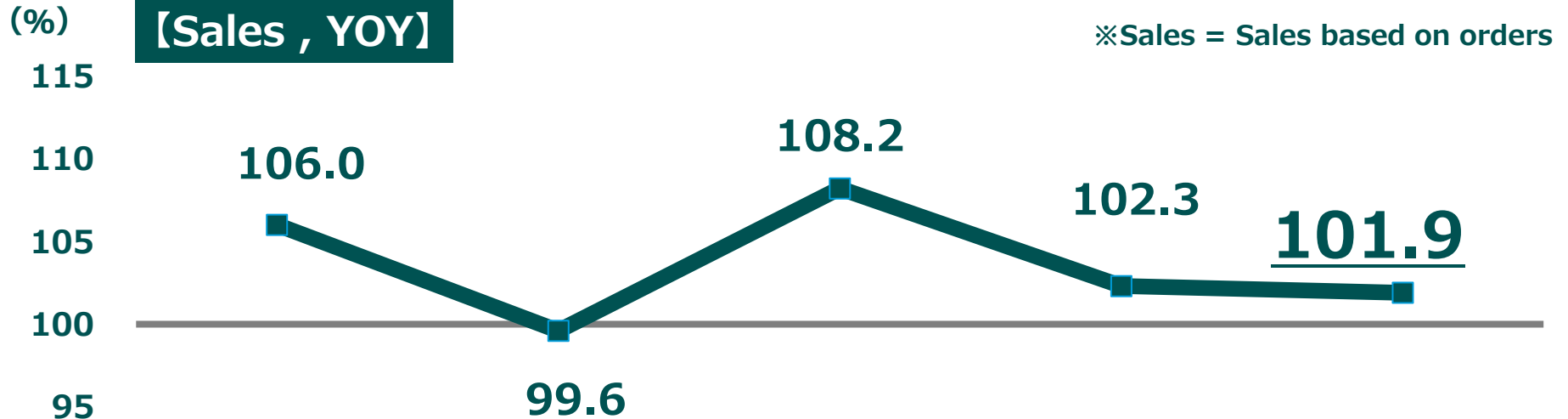
# Consolidated Cash Flows



(単位：億円)

	1H FY2018	1H FY2017	Change	Major factors on changes
Operating activities	45.8	38.6	7.2	<ul style="list-style-type: none"> <li>Income before income taxes +56.6</li> <li>Income taxes paid (15.7)</li> </ul>
Investing Activities	(15.7)	(44.1)	28.3	<ul style="list-style-type: none"> <li>Purchase of property, plant and equipment (12.8)</li> <li>Purchase of intangible assets (3.3)</li> </ul>
Financing activities	(5.3)	(4.8)	(0.4)	<ul style="list-style-type: none"> <li>Cash dividends paid (5.2)</li> </ul>
Net increase in cash & cash equivalents	24.3	(10.6)	35.0	
Cash & cash equivalents at end of the year	85.3	55.3	29.9	
Free cash flow	30.1	(5.4)	35.5	(CF from Operating activities + CF from Investing activities)

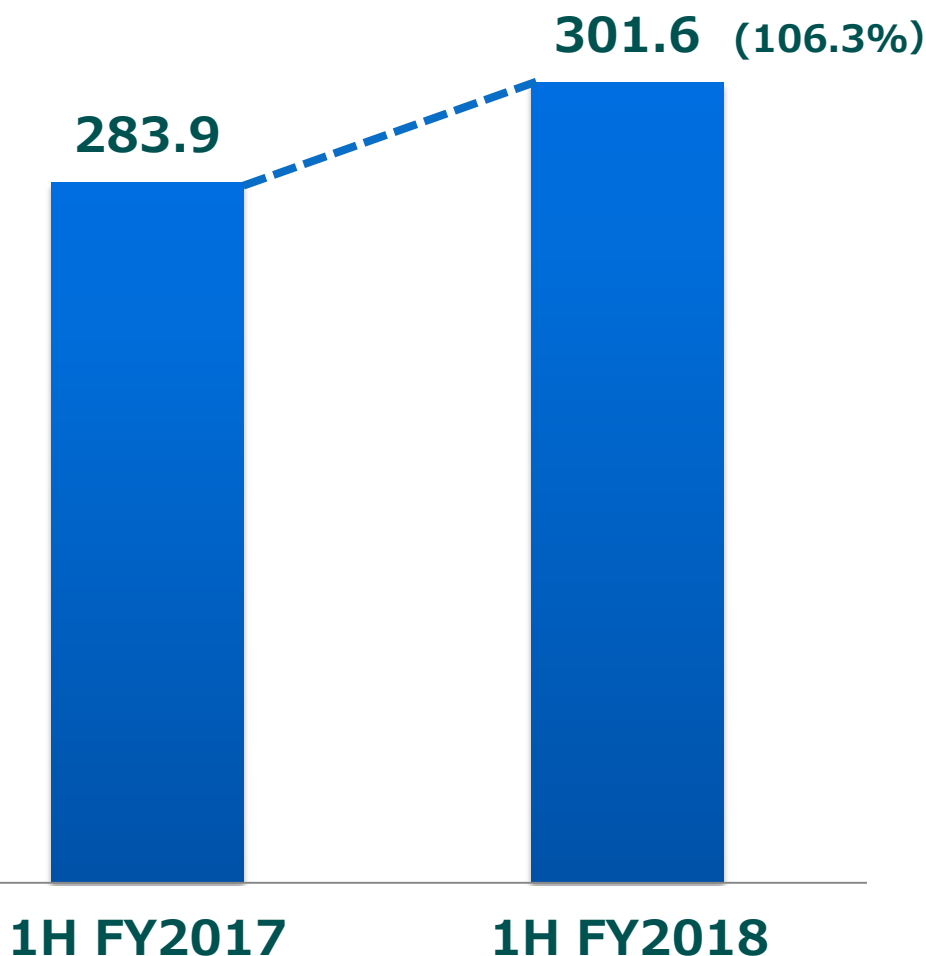
# Trend in YOY changes in comparable stores 【1H】



# Consolidated Sales



■ Net sales (Billions of Yen)



【Net sales】	Amount	YOY
Store sales(Global)	¥271.0bil.	104.9%
E-commerce	¥18.8bil.	130.4%
B to B	¥2.4bil.	131.8%
Renovation sales	¥2.5bil.	93.8%
Rent income	¥3.6bil.	104.9%
Others	¥3.1bil.	102.8%
<b>Total</b>	<b>¥301.6bil.</b>	<b>106.3%</b>

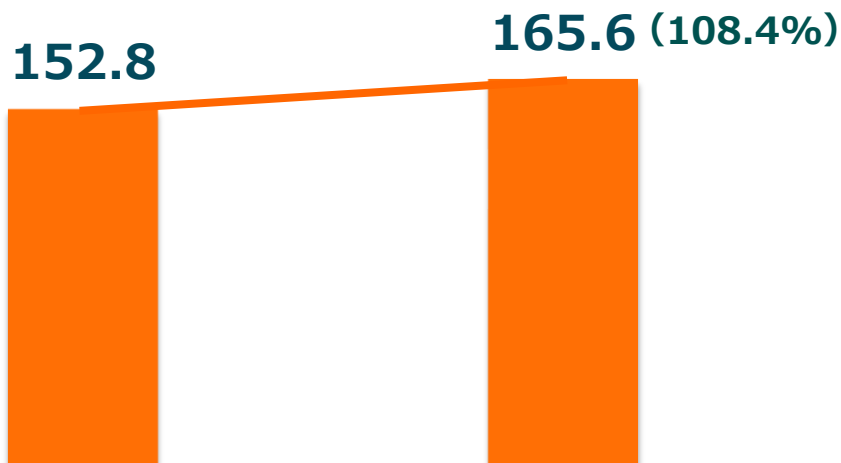
Sales comp. by region					
Hokkaido	4.5%	(0.3)pt	Chugoku & Shikoku	7.5%	(0.0)pt
Tohoku	5.5%	(0.1)pt	Kyusyu & Okinawa	8.6%	(0.2)pt
Kanto	30.7%	(0.5)pt	EC	6.3%	+1.2pt
Hokuriku & Koshinetsu	5.3%	(0.1)pt	B to B & Renovation	1.7%	+0.1pt
Chubu & Tokai	10.1%	(0.1)pt	Overseas	2.7%	+0.4pt
Kinki	14.8%	(0.3)pt	Others	2.3%	(0.1)pt

# Gross profit · SG&A expenses



## 【Gross profit】

(Billions of Yen)



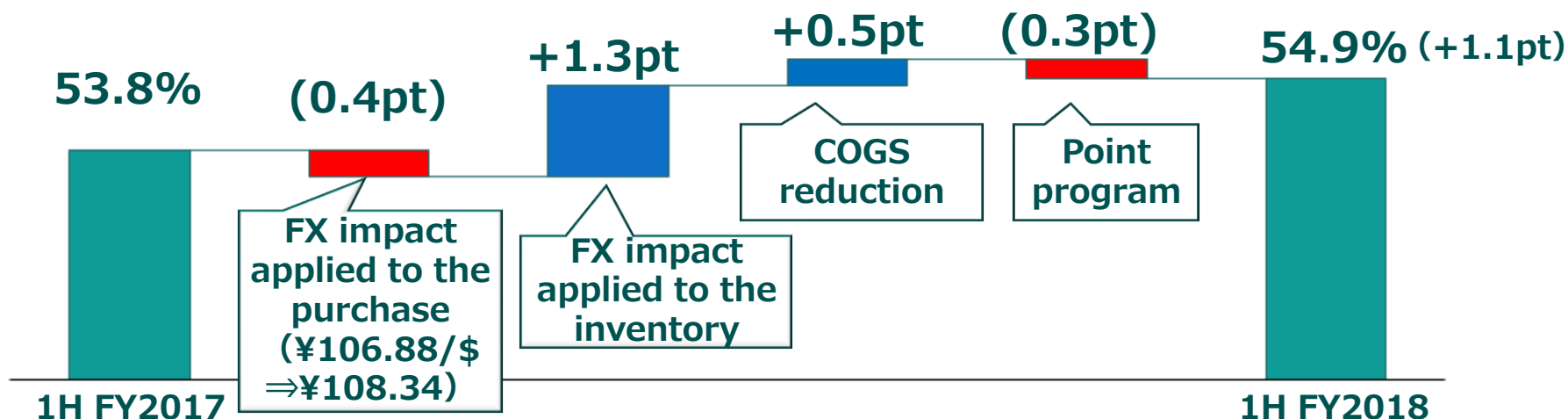
1H FY2017

1H FY2018

【SG&A】	Amount	YOY	Ratio to sales	Change
Personnel	¥33.2bil.	108.1%	11.0%	+0.2pt
Rents	¥17.8bil.	109.4%	5.9%	+0.2pt
Delivery charge	¥13.2bil.	98.0%	4.4%	(0.4)pt
Outsourcing	¥8.1bil.	122.1%	2.7%	+0.4pt
Advertising	¥7.5bil.	101.2%	2.5%	(0.1)pt
Store fixtures expense	¥0.7bil.	21.1%	0.3%	(0.1)pt

Depreciation	¥5.9bil.
Capital investment	¥16.1bil.

## 【Gross profit margin】



1H FY2017

1H FY2018

# No. of stores as of 20 Aug 2018



**5 4 5**  
Stores  
(+ 2 2)



**4 0 1**  
(+5)

**3 0**  
(+3)



**AKI-HOME**

**1 2**  
(+3)

**5**  
(± 0)



(DECO HOME)



(China)

**6 9**  
(+7)

**2 8**  
(+4)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Hokkaido	21	Yamanashi	3	Shimane	2
Hokkaido	21	Ishikawa	5	Hiroshima	13 (+1)
Aomori	6	Toyama	4	Yamaguchi	6
Akita	5	Fukui	2	Kagawa	4
Iwate	3	Hokuriku & Koshinetsu	32 (+ 1)	Tokushima	2
Yamagata	5	Shizuoka	13	Kochi	3
Miyagi	7	Aichi	26	Ehime	6
Fukushima	6 (+ 1)	Mie	7	Chugoku & Shikoku	45 (+ 2)
Tohoku	32 (+ 1)	Gifu	10 (± 0)	Fukuoka	19
Tokyo	48 (+ 2)	Chubu & Tokai	56 (± 0)	Oita	5
Kanagawa	28 (+ 2)	Osaka	33 (+ 2)	Miyazaki	3
Saitama	31 (+ 1)	Kyoto	12	Saga	3
Chiba	23	Nara	5	Nagasaki	4 (+1)
Gunma	6	Hyogo	25 (+ 2)	Kumamoto	7 (+1)
Tochigi	8	Shiga	7	Kagoshima	7
Ibaraki	13	Wakayama	5	Okinawa	4
Kanto	157 (+ 5)	Kinki	87 (+ 4)	Kyushu & Okinawa	52 (+ 2)
Niigata	8	Tottori	2	Japan	4 8 2 (+15)
Nagano	10 (+ 1)	Okayama	7 (+ 1)		



# Major indicators of management efficiency (1)



Scope	Number	Indicator	Unit	Target		2018.8	2017.8	2016.8	2015.8	2014.8
Group (Six months)	1	Return on assets	%	Over 7.5%	○	10.1	9.7	11.6	9.1	11.5
	2	Total asset turnover	Times	Over 1.0	×	0.53	0.57	0.59	0.54	0.64
	3	Ordinary income margin	%	Over 10%	○	18.8	17.1	19.6	17.0	18.1
	4	Earnings per share	¥	Over ¥50	○	338.7	313.7	296.4	207.5	201.0
	5	Return on equity	%	Over 7.5%	○	8.3	8.6	9.8	7.1	8.6
	6	Equity ratio	%	Over 60%	○	82.2	82.3	76.8	78.9	78.6
	7	Interest coverage	Times	Over 20	○	1,095	1,982	1,476	945	818
	8	Sales growth rate	%	Over 10%	×	6.3	11.5	14.7	5.4	12.9
	9	Ordinary income growth rate	%	Over 10%	○	16.7	(2.4)	32.0	(1.1)	24.0
	10	Ratio of gross profit to sales	%	Over 48%	○	54.9	53.8	54.8	52.6	51.9
	11	Ratio of break-even point to sales	%	Under 80%	○	62.1	64.4	60.2	63.7	61.0

# Major indicators of management efficiency (2)



Scope	Number	Indicator	Unit	Target		2018.8	2017.8	2016.8	2015.8	2014.8
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	1,040	1,025	998	926	940
	13	Stock turnover	Times	Over 9	×	6.0	6.4	6.3	6.1	6.8
	14	Operating assets turnover	Times	Over 2.9	○	4.0	4.4	4.5	4.4	4.8
	15	Ratio of profit distribution	%	Over 20%	○	34.2	31.7	35.7	31.1	33.9
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	21.3	21.3	20.3	22.1	21.5
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	5.1	5.5	5.3	5.9	5.9
	18	Labor productivity	M	Over ¥10M	○	19.32	18.27	19.70	17.98	18.90
	19	Sales floor per labor	Tsubo	Over 60	×	34.7	34.1	37.1	38.2	39.8
	20	Operating income per tsubo	K	Over 150K	○	179	159	177	135	149
	21	Stock per tsubo	K	Under 90K	○	78	75	72	73	67
	22	Average age of labor		30~35	○	32.9	32.8	32.9	32.4	32.3
	<b>Results (○won/×lost)</b>						○18×4	○18×4	○19×3	○14×8

# Plan to establish new DC



**Sendai DC at Miyagi (Plan)**



**Taicang DC in China**



**Goka DC at Ibaraki (Plan)**



# “Nitori Fun ! Week”



ニトリ  
Fun!ウィーク

ニトリメンバーズ会員限定

店舗・ニトリネット

6/22(金) ~ 7/23(月)

## Campaign

- Disposing furniture for free, good reputation particularly in urban area
- Disposing service brought synergy to reputation on sofa campaign

特典  
1

対象の家具、合計金額  
30,000円(税別)以上お買い上げで  
家具の引取り  
サービス

0円\*

\*一部商品を除く。また、一部商品には別途送料がかかります。詳しくは店舗またはニトリネットでご確認ください。

特典  
2

1点46,204円(税別)以上の  
ソファ・ソファベッドをお買い上げで

1000ポイント  
プレゼント

1点92,500円(税別)以上の  
ソファ・ソファベッドをお買い上げで

2000ポイント  
プレゼント

\*ポイントの付与は、ニトリメンバーズ会員に限り適用となります。



## 【Changes in business environment】

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

## 【Changes in external environment】

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







2022 ¥1 tri. net sales  
1,000 stores

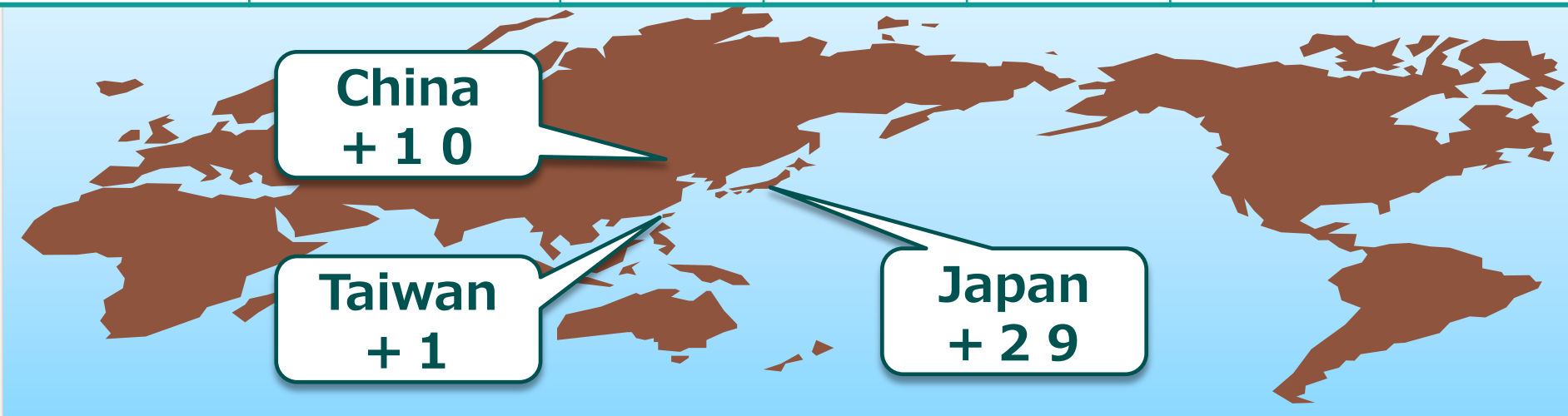
## 【Major Projects】

- New core system
- New ordering and inventory control system
- O2O(Online ⇔Offline)
- Development of products and supply chain management system

# Store roll-out plan in FY 2018



Store	 		 宜得利家居 Taiwan	 USA	 家具 & 家居 China	Total
End of Q2	4 1 3	6 9	3 0	5	2 8	5 4 5
Q3~Q4 Net increase	+ 1 7	+ 1 2	+ 1	-	+ 1 0	+ 4 0
End of FY2018	4 3 0	8 1	3 1	5	3 8	5 8 5



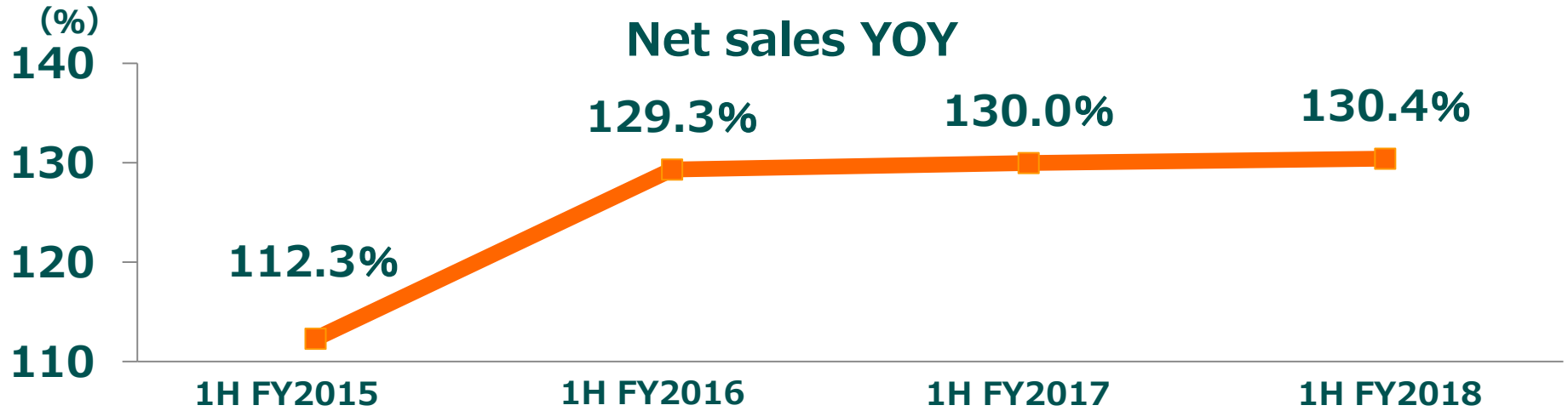
# Plan in FY 2018



(Billions of yen)

	FY2018 Plan		FY2017		Change	
	(to sales)		(to sales)		(YOY)	
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%

**No change of plan**



## Good reputation



Limited color  
("N-cool" series  
bedding pads)



Lower sofa

## Limited items(plan)



Custom size  
furniture



Beds





## Online⇔Offline

“Tebura de shopping”  
(no need to carry packages)



11,247 usages  
(January~August, 2018)

Mobile Application



Number of members :  
1.9 million  
(at August, 2018)

Order on website and  
receive at shops

ニトリネット  
店舗受取りサービス  
ニトリネットから24時間いつでもご注文が可能。  
ニトリ店舗で送料無料でお受けれます。

75,782 orders  
(January~August, 2018)



## Testing robot receptionist

- Guidance of sales area at nine-floors building.
- Voice guidance and showing on display to customer's inquiry

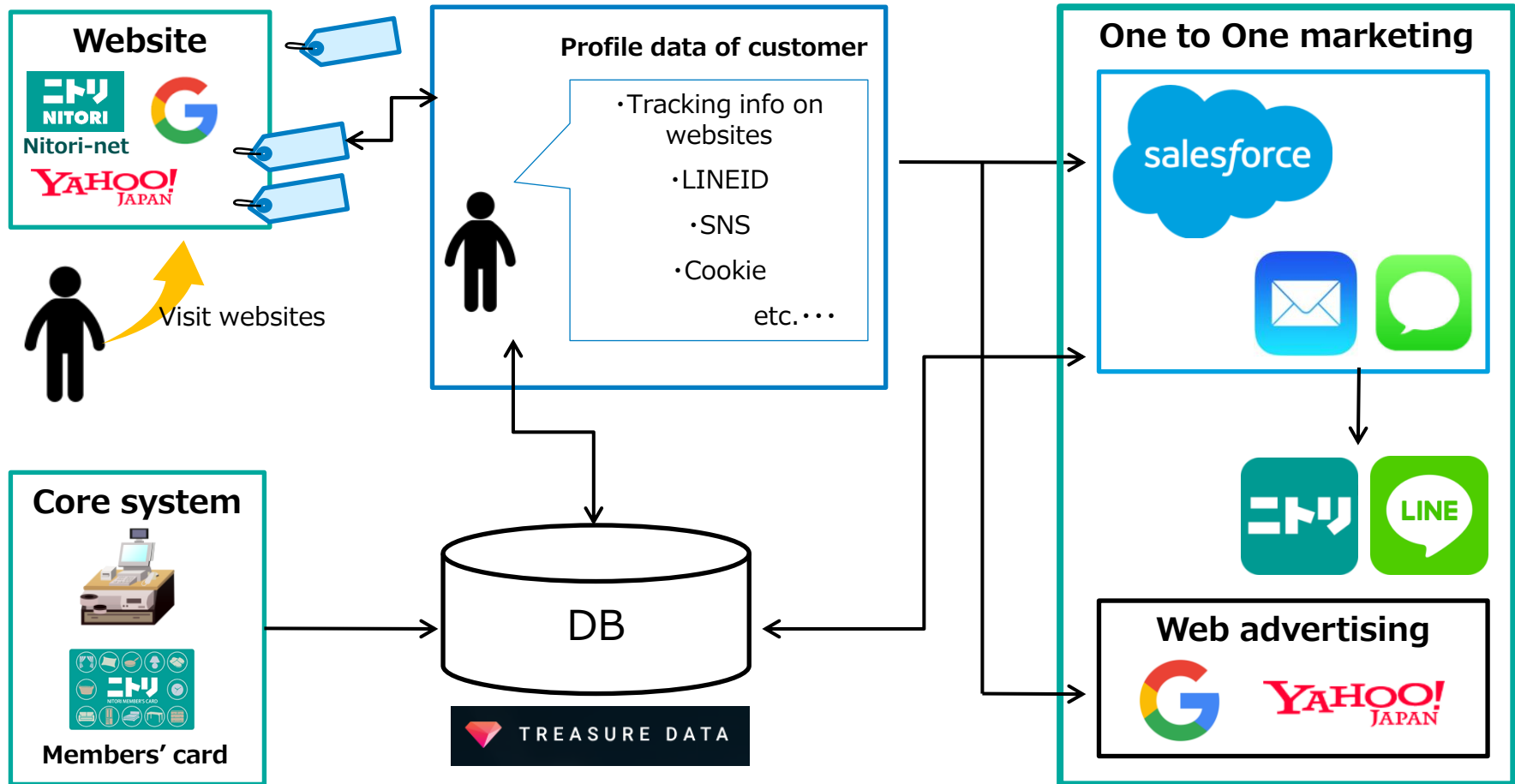
※Robot receptionist "Pepper" provided by SoftBank Robotics Corp.

## Digital catalog



- Installed at all stores in Japan
- Able to check stock status including nearby stores' and products review

## One to One marketing



● Managing various information unitedly,  
and use effectively for web advertising

**Focus on hot item only**  
→ **products and customers data**

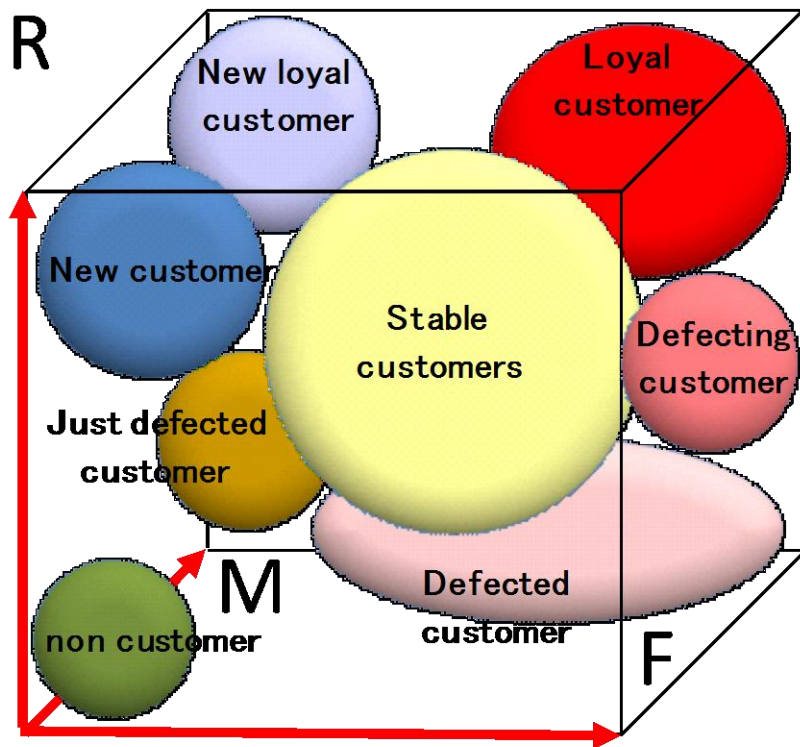


Image of RFM analysis

R (recency)  
F (frequency)  
M (monetary)

- Utilize customer and purchase data analysis for publicity and marketing

- RFM analysis, Cluster analysis, Market basket analysis

# Seasonal coordination series

**HARBOR**  
meets  
DAY△Value



*Patio*  
meets  
DAY△Value



**THE  
LAND**  
meets  
DAY△Value



**Winter  
Holiday**  
meets  
DAY△Value



# Product development



**Kitchen board in combination**



**“N- Cool” series & “N-Warm” series**



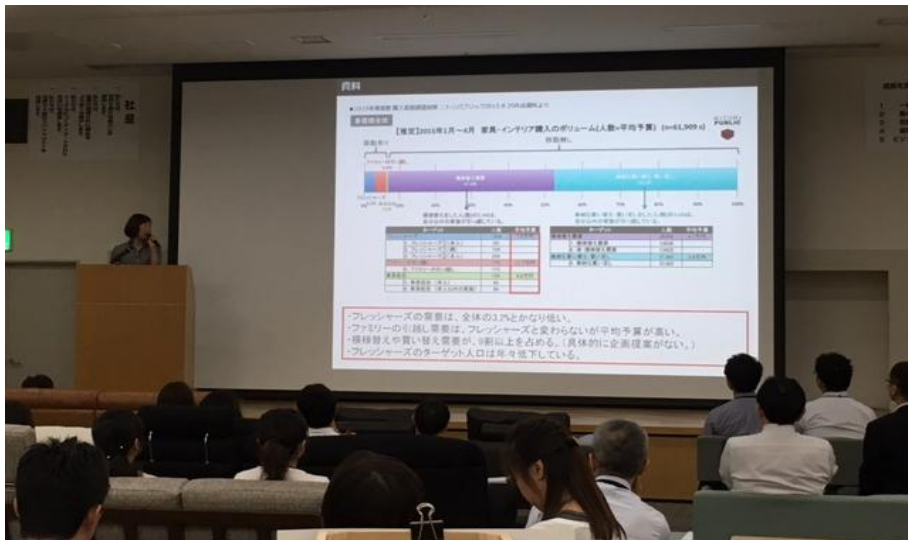
**“Deco Home” limited items**



**Digital clock**



## Global private viewing in Tokyo



## Private viewing of furniture in Shanghai



# Reduction of cost & expense



## Reduction of cost

- Vertical merchandising to reduce costs and improve quality

## Reduction of expense

- Increase transport efficiency by reducing package size





## Ba Ria-Vung Tau plant



- Start manufacturing of the dining set in addition to mattress

## Thailand plant



- Manufacturing carpet with recycled polyester fiber, making from pet bottles by original technology



**【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.