

Financial Strategy

Overcoming Yen Depreciation and Declining Profits to Achieve Our Vision and Improve Capital Efficiency

Fumihide Kimura

Executive Officer and General
Manager of Finance &
Accounting Division

The Nitori Group has united its efforts to achieve the long-term vision of “3,000 stores and 3 trillion yen in sales.” In this section, we will share our views on themes frequently asked about by our stakeholders in terms of financial strategy.

Q What is the strategy for further expansion in light of concerns about slowing domestic growth?

Although top-line growth has slowed relatively as a result of the company’s significant expansion of its share of the domestic market, the domestic market remains crucial to securing profitability and driving top-line growth for achieving our vision. We have set “expanding our customer base” and “increasing the frequency of store visits” as our growth indicators for this and are implementing specific measures for each. (▶P13)

Product strength is essential for expanding customer

base and increasing the frequency of store visits. We have been developing private brand (PB) products that are “Offering the Unexpected” value. However, in recent years, responding to exchange rate fluctuation risks has taken priority due to the yen’s depreciation. As a result, we have not been able to develop products as aggressively as we would have liked. To address this issue, we have implemented exchange rate hedging for the fiscal year ending March 2026, establishing a stable development system that is unaffected by exchange rate fluctuations.

Q How will focusing on the home appliance business contribute to business performance?

In the home appliance business, we focus not only on contributing to non-consolidated profits, but also on building up the top line for the entire business and approaching new customer segments.

The consumer electronics retail market in Japan is estimated to be worth approximately 6.9 trillion yen. As a latecomer to this market, we place importance on positioning ourselves as offering necessary performance at affordable prices. This business

model allows us to set competitive prices compared to other companies. Additionally, the strategy aims to establish a position as “norm-changing home appliances” by leveraging the perspective gained from furniture manufacturing to address “Discontent, Dissatisfaction and Inconvenience.”

We will continue to expand our range of home appliances, allowing customers to purchase all the items they need for daily life from us.

Q When will investments in logistics, such as developing your own DCs, enter the payback phase?

Our company has set internal targets for the logistics expense ratio*. In anticipation of long-term business expansion, we have been promoting in-house operations because the current logistics system will become inefficient in the future. Until our new DCs are on track, we will have to bear the additional cost of renting space in operation on a short-term basis. Logistics costs have indeed been a significant part of our SG&A lately. However, logistics costs are expected to peak out in the fiscal year ending March 2026. Improvements are anticipated in various logistics expenses, including transportation and labor costs.

Furthermore, reducing logistics costs and downsizing product packaging will improve both loading and

storage efficiency. The amount of space required for DCs is decreasing due to the effects of inventory optimization and other factors. As a result, the eighth base that was planned for the Kinki region in the new DC plan will no longer be necessary. We expect that this change will save approximately 50 billion yen compared to the initial plan. Five years ago, the yen exchange rate was in the 100-yen range. However, it has depreciated by 10 yen each year since then. Although a depreciation of 1 yen has an impact of approximately 2 billion yen on operating income, we have managed to maintain profits thanks to the logistics system developed under our all-in-house spirit.

* The percentage of logistics expenses (all expenses related to logistics, such as DC management and furniture delivery) in net sales.

Q Overseas operations appear to be stagnating. But what is the actual situation?

The market environment remains harsh due to the recession in mainland China, where there are many stores. The structure of “houses not selling = furniture not selling” continues to create headwinds. First, we are focusing on net sales and gross profit margins to get our business on track and will explore models for achieving profitability.

We are considering closing and relocating a significant number of underperforming stores, particularly in mainland China, in order to reduce the number of overseas stores. For example, although the number of stores opening in mainland China during the fiscal year ending March 2026 will increase only slightly in terms of numbers, the plan is to close more than 20 underperforming stores. The company will then flexibly proceed with opening small stores, which are expected

to be more profitable. These relocations and sales floor renovations are expected to significantly improve profitability, resulting in a turnaround to the profitability in the fiscal year ending March 2027. Tenants in shopping centers account for nearly 90% of the total overseas stores, so the investment burden is light with an average cost per store of about 50 million yen. This makes it easy for us to relocate a store to a better location where we can expect higher profits. Until now, our focus has been on accelerating store expansion with an emphasis on expanding in size. However, for the fiscal year ending March 2026, we are shifting our focus first to improving profits and then to expanding in size again. Once our stores in each country and region reach a certain scale, we plan to promote further efficiency by in-house DC operations, depending on the situation.

A Message to Stakeholders

As requested by the Tokyo Stock Exchange to implement management that is conscious of cost of capital and stock price, we frequently receive inquiries from investors and shareholders regarding the disclosure and management of quantitative management indicators, including ROE. We take the two consecutive periods of declining profits seriously and consider the decline in capital efficiency to be an important issue. We recognize the fact that ROE and

ROA have been on a downward trend since 2020 due to the weakening of the yen. We are taking measures to maintain higher capital efficiency than our competitors and are working on setting directions and indicators for group expansion.

We will also continue to work actively on investor relations and shareholder relations activities. We would appreciate it if you, our stakeholders, could give us your honest feedback and requests.

Transition of Key Management Indicators

		Japanese GAAP									IFRS		
											(Million yen)	(Thousand USD)	
Japanese GAAP	IFRS	FY2015 (February 2016)	FY2016 (February 2017)	FY2017 (February 2018)	FY2018 (February 2019)	FY2019 (February 2020)	FY2020 (February 2021)	FY2021 (February 2022)	FY2022 (February 2023)	FY2023 (February 2024)	FY2024 (February 2025)	FY2024 (February 2025)	
Operating Results, Cash Flows, and Capital Expenditure													
Net sales	Revenue	¥ 458,140	¥ 512,958	¥ 572,060	¥ 608,131	¥ 642,273	¥ 716,900	¥ 811,581	¥ 948,094	¥ 896,667	¥ 928,828	\$ 6,212,898	
Gross profit		243,543	278,274	314,778	331,421	354,364	411,791	425,897	478,106	457,403	473,923	3,170,056	
Selling, general and administrative expenses		170,503	192,497	221,400	230,642	246,886	274,104	287,627	338,029	322,760	348,576	2,331,614	
Operating income		73,039	85,776	93,378	100,779	107,478	137,687	138,270	140,076	124,274	117,665	787,057	
Ordinary income	Profit before tax	75,007	87,563	94,860	103,053	109,522	138,426	141,847	144,085	124,838	117,448	785,605	
Net income attributable to owners of parent	Profit attributable to owners of parent	46,969	59,999	64,219	68,180	71,395	92,114	96,724	95,129	90,158	82,546	552,148	
Cash flows from operating activities		57,343	77,930	76,840	81,664	99,337	150,879	85,565	91,398	181,164	144,384	965,780	
Cash flows from investing activities		(35,899)	(42,047)	(82,751)	(30,424)	(44,486)	(195,985)	(119,980)	(132,538)	(133,107)	(127,856)	(855,228)	
Cash flows from financing activities		(9,943)	(6,414)	655	(11,340)	(13,862)	30,309	17,729	36,903	(55,378)	1,295	8,665	
Cash/cash equivalents at the end of the year		36,794	66,035	60,923	100,053	140,791	125,487	127,076	125,115	117,978	136,001	909,708	
Depreciation and amortization		9,398	10,406	11,357	12,311	14,575	16,024	20,407	22,272	61,082	66,143	442,430	
Capital expenditure		26,605	42,828	64,172	32,237	26,191	22,323	101,454	117,328	137,525	123,885	828,665	
Financial Position													
Total assets	Total assets	414,541	487,814	550,507	619,286	683,247	930,884	983,840	1,133,771	1,411,292	1,529,421	10,230,241	
Net assets	Total equity	330,968	394,778	441,668	500,192	560,861	685,392	732,813	818,096	840,704	905,736	6,058,440	
Equity	Equity attributable to owners of parent	329,695	393,693	440,991	499,721	560,571	642,096	732,813	818,096	840,700	905,729	6,058,393	
Key Management Indicators													
Gross profit to net sales ratio (%)	Gross profit to revenue ratio (%)	53.2	54.2	55.0	54.5	55.2	57.4	52.5	50.4	51.0	51.0	51.0	
SG&A expenses to net sales ratio (%)	SG&A expenses to revenue ratio (%)	37.2	37.5	38.7	37.9	38.4	38.2	35.4	35.7	36.0	37.5	37.5	
Operating income to net sales ratio (%)	Operating income to revenue ratio (%)	15.9	16.7	16.3	16.6	16.7	19.2	17.0	14.8	13.9	12.7	12.7	
Rate of return on equity (ROE) (%)	Ratio of revenue to equity attributable to owners of parent (ROE) (%)	14.7	16.6	15.4	14.5	13.5	15.3	14.1	12.3	11.3	9.5	9.5	
Equity ratio (%)	Equity attributable to owners of parent to total assets ratio (%)	79.5	80.7	80.1	80.7	82.0	69.0	74.5	72.2	59.6	59.2	59.2	
Ordinary income to total assets ratio (ROA) (%)	Profit before tax to total assets ratio (ROA) (%)	18.3	19.4	18.3	17.6	16.8	17.2	14.8	13.6	9.1	8.0	8.0	
Payout ratio (consolidated) (%)		15.3	15.2	16.0	16.0	17.0	15.1	16.3	17.3	18.4	20.8	20.8	
Price earnings ratio (PER)		19.4	22.7	30.7	23.1	26.1	25.7	19.1	18.9	29.6	20.3	20.3	
Per Share Information													
Net income (EPS) (Yen, USD)	Profit (EPS) (Yen, USD)	425.10	540.93	574.49	608.05	635.42	817.01	856.71	841.90	797.78	730.42	4.89	
Net assets (BPS) (Yen, USD)	Equity attributable to owners of parent (BPS) (Yen, USD)	2,981.27	3,530.51	3,938.89	4,452.99	4,984.29	5,691.11	6,489.57	7,239.04	7,439.05	8,014.49	53.61	
Dividend (Yen, USD)		65	82	92	97	108	123	140	146	147	152	1.02	
Other Data													
Number of shares issued at the end of the year		114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	
Stock price at the end of the year (Yen, USD)		8,260	12,250	17,625	14,050	16,560	20,970	16,350	15,930	23,600	14,830	99.20	
Total market value		945,303	1,401,933	2,017,067	1,607,931	1,895,184	2,399,880	1,871,151	1,823,084	2,700,866	1,697,197	11,352,488	
Number of stores in Japan		383	428	467	505	545	651	708	773	822	835	835	
Number of stores overseas		37	43	56	71	66	71	93	129	179	213	213	
Net increase in number of stores		47	51	52	53	31	111	79	101	99	47	47	
Total sales floor area (m ²)		1,678,835	1,806,666	1,928,461	2,037,213	2,099,997	2,726,935	2,828,992	2,961,391	3,148,905	3,199,915	3,199,915	
Total number of employees		20,759	22,111	24,816	27,506	29,936	36,669	37,229	37,329	38,811	42,421	42,421	

(Notes) 1. For convenience, translation into US dollars has been made at the exchange rate of 1 USD to 149.5 yen as of March 31, 2025.

2. The total number of employees includes the average number of temporary employees (calculated on the basis that one day is eight hours).

3. The fiscal year ending March 31, 2023 is 13 months and 11 days from February 21, 2022 to March 31, 2023 due to a change in the fiscal year-end.

4. Our company has adopted the International Financial Reporting Standards (IFRS Accounting Standards) from the Annual Securities Report for the fiscal year ended March 2025, which was disclosed in June 2025. Due to this change, the results for the fiscal years ended March 2024 and March 2025 under IFRS Accounting Standards are provided only on this page. Information on other pages in this report is disclosed under Japanese GAAP.

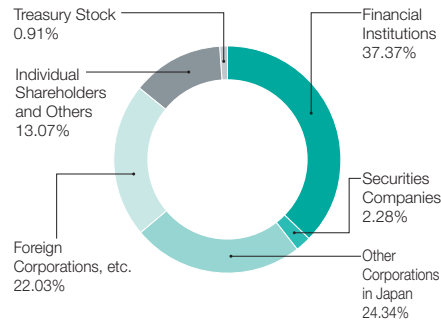
Financial & Company Data

Company Stock Information (As of March 31, 2025)

Outline of Shares

Total number of authorized shares: 288,000,000
 Total number of issued shares: 114,443,496
 Number of shareholders: 44,496
 Listed markets: Prime of the Tokyo Stock Exchange
 Sapporo Securities Exchange
 Securities code: 9843
 Fiscal Year: April 1st of every year to March 31st of the following year
 Annual General Meeting of Shareholders: within 3 months from the day after the last day of the fiscal year
 Administrator of shareholder registry: Sumitomo Mitsui Trust Bank, Limited

Distribution of Shares by Type of Shareholder

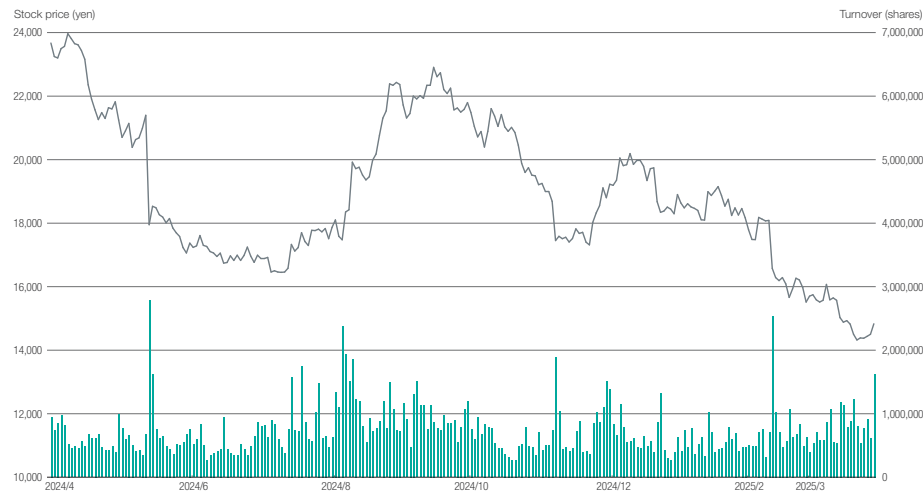


Major Shareholders (As of March 31, 2025)

Name	Number of shares owned (thousands)	Ratio to the total number of issued shares (%)
Nitori Trading Ltd.	20,799	18.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,219	17.83
Custody Bank of Japan, Ltd. (Trust Account)	8,745	7.71
Nitori International Scholarship Foundation	5,000	4.41
North Pacific Bank, Ltd.	3,860	3.40
Akio Nitori	3,410	3.00
National Mutual Insurance Federation of Agricultural Cooperatives	2,561	2.26
Momoyo Nitori	2,078	1.83
Nippon Life Insurance Company	2,056	1.81
STATE STREET BANK WEST CLIENT - TREATY 505234	1,623	1.43

Notes: 1. The numbers presented in "Number of shares held" above are calculated based on the list of shareholders.
 2. The Company's 1,044,496 shares of treasury stock are excluded from the above list of major shareholders.
 3. Calculations of equity positions exclude holdings of treasury stock.
 4. The number of shares owned by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are shares held in securities investment trusts and retirement benefit trusts.

Stock Price and Turnover



Company Information (As of March 31, 2025)

Company Name	Nitori Holdings Co., Ltd.
Representative	Akio Nitori, Representative Director & Chairperson (Chief Executive Officer) Toshiyuki Shirai, Representative Director & President (Chief Operating Officer)
Address	Sapporo Head Office: 1-2-39 Shinkotoni7-jo, Kita-ku, Sapporo, Hokkaido 001-0907; TEL: +81-11-330-6200 Tokyo Headquarters: 3 6 20, Kamiya, Kita-ku, Tokyo 115 0043; TEL: +81 3 6741 1235
Establishment	December 1967
Incorporated	March 1972
Capital Stock	13,370 million yen
Number of Employees (Consolidated)	58,799 (including 22,336 average part-time employees)

Nitori Group List

Nitori Holdings Co., Ltd. [Holding company]

Trading, Planning & Development, and Logistics Functions

Import Agent Companies
 NITORI (China) Co., Ltd.
 HUIZHOU SHINIAO LOGISTICS CO., LTD.
 Nitori Taicang Trading & Logistics Co., Ltd.
 NITORI TRADING VIETNAM COMPANY LIMITED
 NITORI (MALAYSIA) SDN.BHD.
 NITORI TRADING (THAILAND) CO., LTD.
 NITORI LOGISTICS (THAILAND) CO., LTD.
 NITORI INDIA PRIVATE LIMITED
 P.T. NITORI TRADING INDONESIA
Logistics Companies
 Home Logistics Co., Ltd.
 HOME CARGO Co., Ltd.

Manufacturing Functions

Curtain Manufacturing Factory
 HOME DECO Co., Ltd.
 IKEN CO., LTD.
Overseas Manufacturing Companies
 NITORI FURNITURE
 NITORI FURNITURE
 VIETNAM EPE
Carpet and Rug Manufacturing Company
 SIAM NITORI CO., LTD.

Advertising and Publicity Functions

Advertising Agency
 Nitori Public Co., Ltd.

Facility Management Functions

Facility Management Insurance Agent Business
 Nitori Facility Co., Ltd.

IT Functions

IT/Digital Company
 Nitori Digital Base CO., LTD.
 NITORI DIGITAL BASE (VIETNAM) CO., LTD.

Sales Functions

Store Management Companies

NITORI CO., LTD.
 -Home Furnishing Store -Home Fashion Store
 -Nitori Mall -Deco Home -Online Shopping Business
 -Renovation Business -Corporate Sales Business, etc.
 Shimachu CO., LTD.
 -Shimachu -Shimachu Home's -Nitori Home's

Apparel Sales Company

N Plus Co., Ltd

Overseas Sales Companies

NITORI TAIWAN CO., LTD.
 NITORI HONG KONG CO., LIMITED
 NITORI China Holdings Co., Ltd.
 NITORI Taicang Trading & Logistics Co., Ltd.
 Deco Home China Co., Ltd.
 NITORI (SHANGHAI) HOME FURNISHING CO., LTD
 NITORI (SHANGHAI) HOME FURNISHING SALES CO., LTD

NITORI USA, INC.
 NITORI RETAIL (MALAYSIA) SDN.BHD.
 NITORI RETAIL SINGAPORE PTE.LTD.
 NITORI PHILIPPINES INC.
 NITORI RETAIL (THAILAND) CO., LTD.
 P.T. NITORI RETAIL INDONESIA
 NITORI KOREA CO., LTD.

Endorsement Initiatives



External Evaluation

