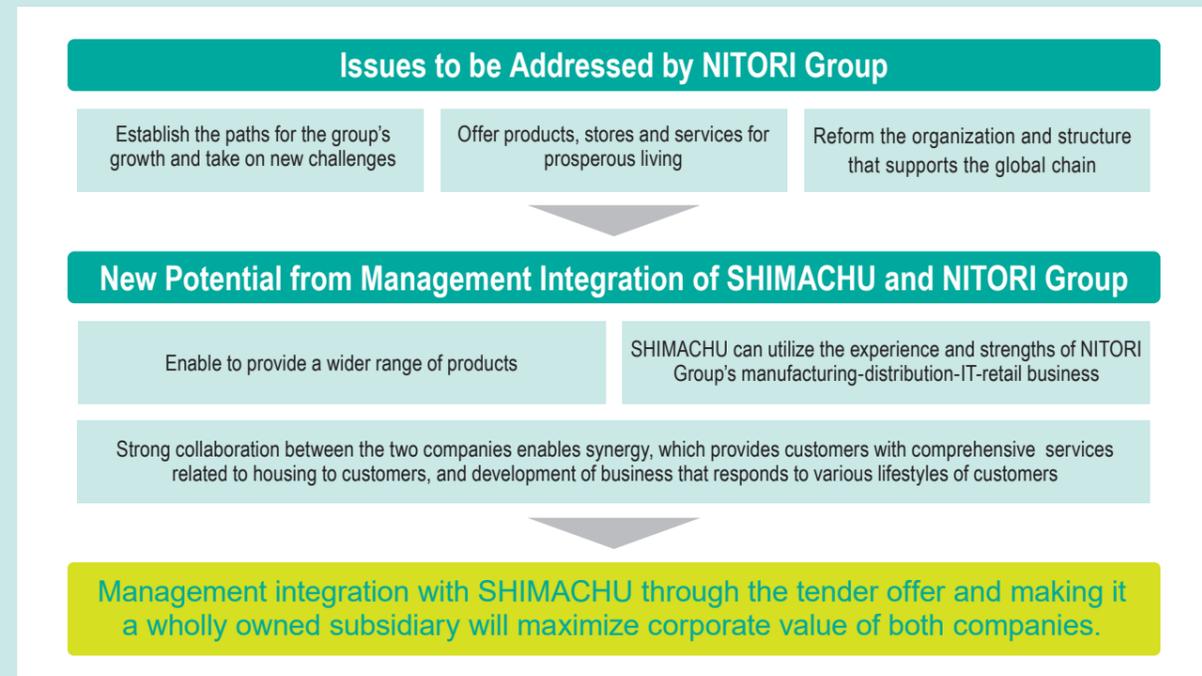


Special Feature 1

Management Integration with SHIMACHU CO., LTD.

It came to our attention that SHIMACHU had decided to embark on management integration, aiming to create stores that meet its customers' needs and return to a growth trajectory as an enterprise. SHIMACHU was ready to accept and seriously consider proposals of all kinds in order to select the partner that would be best for all its stakeholders. We were certain that both companies' corporate value could be maximized by taking leveraging of its own strengths as a manufacturing-distribution-IT-retail business, and decided to make a tender offer. As a result, the two parties reached agreement and successfully achieved an amicable management integration.



About SHIMACHU CO., LTD.

SHIMACHU was established in Kasukabe City in 1890, as SHIMAMURA CABINET FACTORY. In 1969, it was incorporated as a limited company with the name SHIMACHU FURNITURE CO., LTD. In 1978, SHIMACHU moved into the home improvement business. Guided by the business philosophy of aiming to build stores that are full of satisfaction, surprise, and smiles to provide customers a "special everyday," SHIMACHU's fundamental policy is to offer customer satisfaction by fulfilling customers' needs concerning their homes and lifestyles. SHIMACHU is a long-established company that has developed its business through stores that follow the principle of selling home improvement items on the first floor and selling furniture and home fashion items on the second floor.

Key figures relating to synergies

| | SHIMACHU | NITORI | Additional remarks |
|---|---|--|--|
| Number of stores in Japan (room for expansion) | 61 stores | 590 stores | Integration enables sales growth at existing stores for both companies |
| PB strategy (source of growth driver) | Started PB development | Approx. 90% of products handled are PB products | |
| Ratio of operating income to net sales (cost reduction) | 6.3% | 19.2% | TSE 1st Section retail sector average: 5.0% |
| ROA (asset efficiency improvement) | 2.5% | 17.2% | TSE 1st Section retail sector average: 2.5% |
| Membership base No. of e-commerce platform members | No. of SHIMAHO-net members Approx. 57,000 No. of SHIMAHO app members Approx. 151,000 | Total no. of members Approx. 42 million No. of app members 9.08 million Target for fiscal 2021 13 million | |
| Overseas Expansion | - | 71 stores | |

(As of February 28, 2021)

Nine Expected Synergies

- Expanding sales opportunities for high-quality furniture and contributing to realization of enriched lifestyles for a wider range of customers by the expansion of SHIMACHU's stores nationwide
- Expansion of sales by mutual supplementation between SHIMACHU's home improvement products with NITORI's home fashion (HFa) products, and improvement of profit margin by the sharing of knowhow on the development of private brand (PB) products
- Reduction of costs and improvement of asset efficiency through joint use of logistics functions
- Acceleration of cost reduction and improvement by the provision of function and knowhow pertaining to the various supply chains possessed by NITORI Group in its capacity as a "Manufacturing, Logistics, IT and Retail Sales"
- Pursuit of synergy with the NITORI MALL business and Deco Home businesses
- Mutual opening of "shop in shop" stores in the Tokyo metropolitan and central areas, and strategic opening of stores in wider areas
- Bolstering of e-commerce sales structure
- Acquisition of mutual and new customers through the adoption of a shared reward points system
- Sale of the SHIMACHU's products in overseas stores and realization of future overseas store openings

Voice



Fumihiko Sudo
Representative Director & Chairperson
SHIMACHU CO., LTD.

Aiming to devise specific scenarios for achieving the nine synergies and formulate a medium-term business plan, SHIMACHU and NITORI Group launched the Integration Promotion Committee, setting up nine sub-committees within it, and we are now identifying issues and seeking solutions. The key will be to transition from a focus on individual stores and branch-oriented management to figures-based management according to chain store management theory. Alongside offering education and training to enable employees to learn about this form of management, we are also forging a new organizational structure and conducting personnel exchanges to facilitate integrated operations in our headquarters organizations, including merchandising and store development divisions. We have also made plans to stock NITORI products at SHIMACHU stores, and in June we opened an integrated store that brings together the best of both companies. At the same time, we are instituting management accounting, which is prompting an increasing number of store managers and others to actively engage in their own analysis, aiming to use figures as the basis for creating their sales floors. I therefore believe that we are now making steady progress toward realizing synergies.

Special Feature 2

Global Business Development: Accelerating Store Openings

NITORI Group is currently focused on opening stores overseas. Having launched the Japan-China Joint Project to Strengthen Global Business in December 2018, in January 2020, we created the Global Business Development Office to extend the scope of this project worldwide and enable our headquarters to take the lead in providing support to build foundations for overseas business.

Activities Undertaken

The Japan-China Joint Project to Strengthen Global Business (December 2018 to February 2020)

| Four priority issues | Overview of initiatives |
|--------------------------------|---|
| Human Resources Development | The Japan headquarters took the lead in developing a system for education, including a shared set of teaching materials, to quickly and efficiently develop the human resources required as store staff. |
| Product development promotion | Promoted sharing of products and manufacturing subcontractors on a global basis. Transitioned to a structure making maximum use of the Group's combined strengths. |
| Supply system establishment | Having previously supplied products for sale in China separately from those for Japan, an efficient supply system was developed by making use of NTL (Nitori Taicang Trading & Logistics Co. Ltd.), which is responsible for supplying products to Japan. |
| Improving store attractiveness | Standardized and clarified criteria for making decisions on selection of new store locations. Developed a system for ensuring that stores are opened in optimal locations. Standardized the placement of easy-to-understand POP (point-of-purchase) and promotional materials, easily navigable sales floor layouts, and proposals for attractive displays. |

Global Business Development Office (started in January 2020)

| Themes | Overview of initiatives |
|---|--|
| Support for overseas business by the Japan headquarters | Supporting issues related to developing business in all countries and regions outside Japan. Encompasses human resources development, product development, product supply, store creation, omni-channel development, store work standardization, product supply, and inventory management, etc. |
| Clarification of know-how and transfer of explicit documentation | Providing systems and standards for using the know-how employed in Japan throughout every aspect of overseas operations, including creation of sales floors that offer clear product suggestions, development of standards for product displays and for placement of POP and promotional materials, and faster and more efficient human resources development. |
| Product proposals based on lifestyle studies in new countries | Using our understanding of lifestyles in each country and region to promote NITORI products that resolve frustrations and inconveniences to local citizens in a clear way using sales floors, and POP and promotional materials, as an alternative to conducting market research on best-selling lines. |
| Global omni-channel promotion (platform-building, global standardization) | Evolving from e-commerce deployed in each country to the development of a shared global platform. Pursuing cost reduction measures and faster expansion to respond promptly to rapid changes in customers' "purchase behavior." |

Voice



Masanori Takeda
 Director
 General Manager of Global Merchandising Division
 General Manager of Global Sales Promotion Office
 In charge of Overseas Sales Business

NITORI Group aims to enrich the lives of people around the world by supplying products and services that help to resolve the frustrations and inconveniences affecting people's lives in the countries and regions where we conduct business. In order to do so, it is important to create systems that enable us to make use of the know-how and strengths we cultivated in Japan throughout other countries and regions worldwide. The Global Business Development Office is accelerating NITORI Group's overseas expansion through its role of creating systems in all areas including human resources development, store operations, and distribution, and transferring these systems to our overseas operations.

CLOSE UP

CASE 1

NITORI (CHINA) HOLDINGS CO., LTD

Rebuilding systems, while bolstering the organization and human resources

We positioned the two years up to and including fiscal 2020, as a time to refrain from new store openings and strengthen our foundations with a view to future expansion of business scale. During this time, we focused on sharing resources, and the NITORI brand, to rebuild our systems, while bolstering the organization and human resources. Having designated the Shanghai Xujiahui Store as our flagship store, and the Shanghai Qibao Store as the standard store, we progressed with standardization in such areas as store creation, shelf allocation, and operational methods. We also undertook expansion, and scaled sales floors, in other standard stores. We now plan to make use of the systems we developed and the pool of human resources we are cultivating to resume active store openings. We are planning 14 store openings for fiscal 2021.



CASE 2

NITORI TAIWAN CO., LTD

Introducing the prototype sales floor employed in Japan

As one element in the process of introducing systems focused on shared resources and the NITORI brand, we introduced the prototype sales floor allocation employed in Japan, installing the prototype entrance display throughout all our stores. Moreover, in our Taoyuan Taimao Store we increased the coordinated display ratio to 30%. In conjunction with this, we made progress with scaling and renovation of sales floors and product categories, thereby improving the balance of income and expenditure. We will continue to make use of such initiatives as we proactively open new stores. We are planning seven store openings for fiscal 2021.



CASE 3

NITORI USA, INC.

Focusing on e-commerce initiatives

In the U.S., during the COVID-19 pandemic we have focused on e-commerce initiatives. We are pursuing our omni-channel strategy, which includes expanding the regions where Hfa products are available and developing prospective core products, as well as extending the e-commerce platforms and channels with which we have ties. We are actively backing up these efforts by, for instance, sending to the U.S. human resources specialized in supporting such e-commerce expansion. We are planning one store opening for fiscal 2021.

