



## Continuing to provide enrichment to our customers is the very reason the NITORI Group exists

### Akio Nitori

Representative Director & Chairperson (Chief Executive Officer)  
NITORI Holdings Co., Ltd.

I would like to offer my deepest condolences to all those who lost their loved ones due to COVID-19. I would also like to express my heartfelt sympathies to those fighting the virus, and people whose lives have been affected by the spread of the virus.

On a separate note, I would like to sincerely apologize for the considerable worry and inconvenience caused by the asbestos in excess of legal standards contained in some of the NITORI Group's diatomite products, which resulted in our customers being required to cooperate with a voluntary recall. Being a company that puts customers first, this is an unacceptable matter and once again, I deeply apologize for the tremendous trouble and inconvenience caused.

### The driving force behind our growth is the mission to enrich homes

Fiscal 2020 marked 34 years of consecutive sales and profit growth for NITORI Group. This would not have been possible without our stakeholders including customers who have purchased our products. I wish to express my heartfelt appreciation to all of you.

In fiscal 2020 we faced a once-in-a-century crisis as a result of the COVID-19 pandemic. Countermeasures such as staying at home and travel restrictions caused the stagnation of economic activity and sluggish personal consumption, leading to major changes in the structure of society and the consumption itself. At NITORI Group we were forced to take actions such as reducing opening hours and temporarily closing some stores in April 2020. However, we continued operating while implementing anti-infection measures to enable our customers to shop safely. Our business

environment remains as uncertain as ever, but I believe that it is the "ability to respond to changes" in such times of need that is indispensable to enable the growth that will empower us to achieve our mission and vision. It was a year of striving to respond to these changes by reassessing the way we had done things in the past, rejecting the status quo and engaging in innovation, and thinking anew about how we could grow in the future.

Ever since its founding, NITORI Group has grown by turning difficult situations into opportunities. Even in an unprecedented situation such as the one we face now, the Group's determination to overcome the challenges and achieve its mission remains unchanged. It is this mission that lies at the root of our business activities and is our driving force. We will continue to grow with the aim of achieving it.

### Continuing to evolve as we strive to achieve Vision 2032

NITORI Group has always upheld its mission of enriching homes around the world, united by the determination to improve customers' lifestyles as it has progressed. And when we examined our mission anew, we felt that the business of SHIMACHU, which runs a home improvement enterprise including exterior goods, could be regarded as an extension of the NITORI Group's furniture and interior home furnishing business. Determined that SHIMACHU would be indispensable in providing even greater enrichment to a large number of customers, we recently integrated our management with that of SHIMACHU (see p.3 Management Integration with SHIMACHU CO., LTD.). From now on, we will move forward together as we work to achieve our mission and vision.

NITORI Group is currently implementing its second 30-year plan, aiming to achieve its vision of 3,000 stores and 3 trillion yen in net sales by 2032. In doing so, the key issue is the expansion of our overseas business. We have pursued overseas expansion ever since we first made a start by opening an overseas store in 2007. However, in the past two years, instead of accelerating store openings, we launched the Japan-China Joint Project to Strengthen Global Business (lasting from December 2018 to February 2020). This was to strengthen our foundations, and rebuild our systems for promoting overseas businesses, in order to accelerate overseas store openings by refining our own unique business

model with a view to worldwide expansion (see p.5 Global Business Development: Accelerating Store Openings). In fiscal 2021, we are planning to enter the Southeast Asian market in addition to opening 21 stores in Eastern Asia, and one store in the U.S.

Human resources are the foundation supporting NITORI Group's growth. My aim is to create a company in which all employees can fulfill their potential. I want to increase the number of employees who work not for the sake of the Company, but for the sake of their own growth, and can extend the possibilities of their careers themselves. That is why we are cultivating curiosity through transfer-based education, among other initiatives, to create an environment in which employees can demonstrate their individual capabilities to the fullest, while also developing an educational framework and systems. If our employees grow as individuals in order to fulfill their potential, that will ultimately lead to sustainable growth for NITORI Group as well. We will therefore continue engaging actively in education as a form of investment in the future.

NITORI Group will continue working as one to realize its mission of enriching homes around the world, and to provide enriched lifestyles over the next 50 to 100 years. I wish to thank all of our stakeholders for their continued support in our endeavors.

Our Value Creation Journey

Mission Statement

# Enriching homes around the world

The needs of the times and our value offered

"To bring America's enriched lifestyles to Japan." —this was our starting point.

The observation tour of America in 1972, had a major influence on NITORI. The stores there supported a luxurious everyday lifestyle, offering customer-oriented products at overwhelmingly low prices that were in lineups unified in quality, color, and style—this was the starting point of NITORI Group.



widely accepted "One-room coordinated interior design."

We stopped displaying products by type, which is the conventional method, and set up room displays representing life scenes for each room of the house, such as the living/dining room, bedroom, and kid's room. Before any other company, we created sales floors where customers could experience coordinated living spaces.



Achieving lower prices for expensive items with product development from the customer's perspective.

Feather comforters once cost more than 100,000 yen. By reevaluating raw materials, NITORI Group was able to cut the price to under 10,000 yen while still maintaining its quality. In the same way, we have contributed to lower prices for furniture, such as sofas and beds, as well as randsels (school bags).



NITORI Group's philosophy of doing everything in-house, making it possible to offer the unexpected. We control everything, from product planning to manufacturing, logistics, and sales.

- Sourcing that expands across the globe to achieve low prices
- Achieving high quality by working closely with the suppliers providing directions and management on the manufacturing process at overseas plants.
- Conducting trading operations in-house. Achieving cost reductions by creating our own distribution network from the import of products to the delivery to our customers.

Implementing price cuts even during recessions with an affordability that has value.

In 2008, when oil prices skyrocketed, many companies also resorted to raising the prices of their products, but that is when NITORI made its Price Cut Declaration. It was our desire to give back to our customers when the economy was experiencing a recession. More than 5,000 items were cut in price by 20% on average by 2012, garnering great support from our customers.



Balancing economic and environmental value with more efficient manufacturing and logistics.

NITORI Group is making efforts to balance economic and environmental value by pursuing more efficient manufacturing and logistics with methods such as mattress compression technology which leads to smaller package sizes and better container loading efficiency.



Pursuing higher functionality in daily essentials extending to their materials.

We have rapidly expanded our lineup of N Warm products (launched in 2011), which use moisture-absorbing, heat-generating materials, and N Cool products (launched in 2012), which use materials that are cool to the touch, while also enhancing these products functions. The products are very well regarded by our customers.



Present-day onward- Aspirations move to the global stage

Special Feature 1

Management Integration with SHIMACHU CO., LTD. → p.3

Special Feature 2

Global Business Development: Accelerating Store Openings → p.5

Establishment of a new business model that integrates manufacturing, distribution, IT, and retail

1967

NITORI Furniture Store established

Founding spirit

"To bring the comfortable and enriched living of the U.S. to Japan"

1973

Direct purchase from manufacturers started

Break through from being just a furniture store

- Opened large stores which sold products that make daily life more enjoyable and convenient
- Achievement of total coordination

1986

Started direct import of overseas products

Adding cost competitiveness that is one step ahead

1994 Overseas

Began operating an overseas factory

Established factories overseas in order to achieve low prices on products with Japanese quality

2003

Achieved 100 stores and ¥100 billion in net sales

2004

Established NITORI-net

Implemented the online sales business

Domestic nationwide development/ Overseas expansion

2007 Overseas

Opened Kaohsiung Dream Mall Store

2008

Price Cut Declaration

Price cuts on 1,000 items following the global financial crisis

2009

Achieved 200 stores and ¥200 billion in net sales

2013 Overseas

Opened the first store in the U.S.

Globalization and expansion of business areas

2014 Overseas

Opened Wuhan Star City Store 2015

Opened Printemps Ginza Store as the first store inside a department store

2017 Overseas

The new factory in Ba Ria-Vung Tau, Vietnam began operation





## Promoting acceleration of global business development and expansion of business areas to achieve Vision 2032

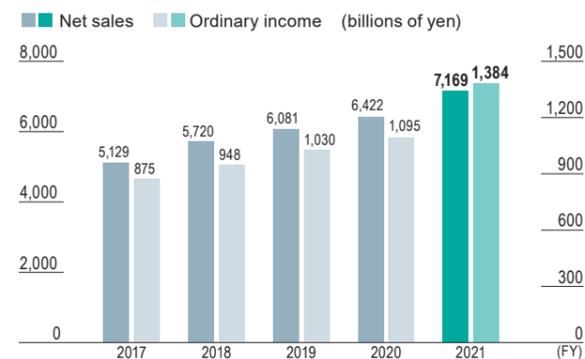
### Summary of Fiscal 2020

#### Despite the difficult environment, NITORI Group achieved sales and profit growth for the 34th consecutive year

The social environment in fiscal 2020 was challenging due to the COVID-19 pandemic. With the establishment of a “new normal” way of life that involved spending more time at home than before, along with widespread teleworking, the so-called stay-at-home consumption grew. Sales increased for organization and storage products, kitchen and dining products, and home office furniture such as PC desks and desk chairs. In terms of channels, the growth in e-commerce business was particularly remarkable. We at NITORI Group were highly aware of our role as part of the social infrastructure responsible for reliably supplying daily essentials, and we continued operating our stores, while implementing anti-infection measures to ensure peace of mind and safety for our customers and employees. I believe that our customers supported and appreciated this approach.

Due to the factors above, our results for fiscal 2020 on a consolidated basis were: 716.9 billion yen in net sales (an 11.6% increase year on year); 137,687 million yen in operating income (a 28.1% increase year on year); and 138,426 million yen in ordinary income (a 26.4% increase year on year). We therefore achieved sales and profit growth for the 34th consecutive year. Compared with fiscal 1987, when our sales and profit growth started, we have 45-times more stores, our net sales are 69-times higher, and our ordinary income became 276-times higher. We also achieved higher net sales per store and profitability.

#### Net sales/Ordinary income



**Toshiyuki Shirai**  
Representative Director & President (COO)

### Strategy to Achieve Vision 2032

#### Direction of growth strategies and approach to corporate growth

We now have around 10 years left to realize Vision 2032, which requires us to achieve 3,000 stores and 3 trillion yen in net sales in order to fulfill our mission of enriching homes around the world. We have strived to achieve these goals by dramatically accelerating the growth of our overseas business and further developing our existing domestic business through creation of destination stores. These efforts have been supplemented by another growth driver in the form of the home improvement business derived from a new format created by rapidly achieving synergies with SHIMACHU, the company in which NITORI Group integrated its management during fiscal 2020. As a result, I believe that the path to achieving our vision is now clear. While each of these is an independent strategy, in combination they form an even stronger growth strategy by generating a multiplier effect. In addition to NITORI's existing furniture/home fashion format, it will also become possible to offer a home improvement format, and a combined furniture/home fashion/home improvement format. Thus, the options available to meet customers' needs will increase not only in Japan, but also in other countries in which we operate as we pursue further store openings overseas. Moreover, our integration and fusion with SHIMACHU has also augmented the experience and know-how of the NITORI Group's human resources, who underpin and implement these strategies. Believing that human resources are the key to corporate growth, NITORI Group has invested effort in creating an organization that boasts a wealth of elite employees, and in educating its employees. We will make the most of both our human resources and our organization as we forge ahead to achieve Vision 2032.

#### Working to achieve our vision in a post-coronavirus world

The worldwide spread of COVID-19 had a severe impact on economic activity in Japan and elsewhere. At the same time, the latent risks inherent in a range of situations became apparent.

Such risks are too numerous to mention, but they include the risk of sudden changes in overall demand following stagnation of economic activity or rapid recovery, the risks caused by rapid changes in customers' needs as a result of altered behavioral patterns, and the risks that could arise from disruption to supply chains, including overseas procurement and production activities, or distribution.

Of all these risks, the one that would have the greatest impact on NITORI Group's business activities is the risk relating to overseas procurement and production activities. PB (Private

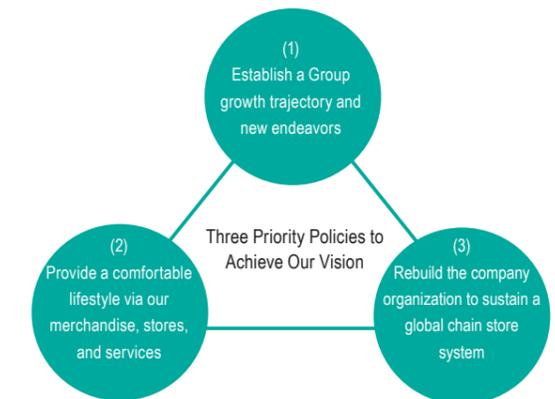
Brand) products planned in-house account for 90% of NITORI Group's products, and we procure these products overseas. The manufacturing process is handled by a combination of our own factories and collaborating factories located primarily in other Asian countries. To address risks that threaten reliable supplies, NITORI Group is reconsidering the countries where its production takes place and decentralizing production locations for each of its products, aiming to build a production system that will allow it to procure products from multiple suppliers. We will continue to reinforce our system for supplying products reliably in order to provide customers with environments where they can shop safely and buy as much as they want of whatever they want whenever they want, regardless of the situation.

I believe that economies in general, and customers' consumer behavior and attitudes in particular, have been transformed due to the experience of enduring COVID-19 countermeasures for so long, and they will not return to how they were pre-pandemic. Setting our sights on the post-coronavirus world, NITORI Group will respond to such changes in the economic environment and continue working as one to achieve our mission and our medium- to long-term vision.

#### Looking back on fiscal 2020

To achieve its mission of enriching homes around the world, NITORI Group set three priority policies for realizing its medium- to long-term vision of 1,000 stores and net sales of 1 trillion yen in 2022, followed by 3,000 stores and net sales of 3 trillion yen in 2032.

- (1) Establish a Group growth trajectory and new endeavors
- (2) Provide a comfortable lifestyle via our merchandise, stores, and services
- (3) Rebuild the company organization to sustain a global chain store system



Based on these policies, we determine priority issues every year, as we make steady progress toward the achievement of our vision.

Message from the President

[Table 1]

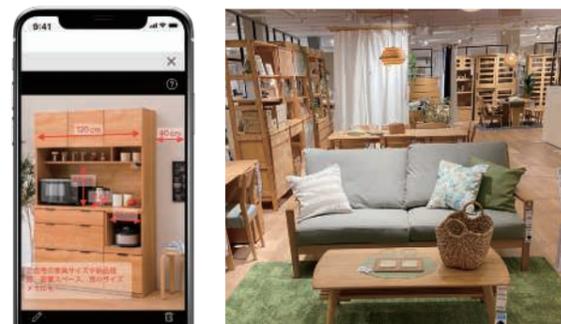
Priority issues for fiscal 2020	
1	Promoting coordination suggestions and O2O
2	Global business development and expansion of business areas
3	Enhancement of product development, production system, and quality control system
4	Rebuilding domestic distribution centers
5	Improvement of operational productivity for the entire company
6	Promoting human resources development toward the future

With regard to the first priority issue of promoting coordination suggestions and O2O, we promoted coordination suggestions by reorganizing product categories and composition to make suggestions specific to individual coordination series. We applied this approach in the Narimasu and Soka NITORI stores, which we positioned as new prototype (standard) stores, as well as in other stores in the Kanto region. We also focused on creating sales floors that are more enjoyable for customers in terms of total coordination, in particular by strengthening presentation. As a result of these efforts, the percentage of sales floors displaying coordination grew dramatically, from 25% in fiscal 2019 to 60% in fiscal 2020. As initiatives to promote O2O, we offered customers an even more convenient shopping experience by, for instance, awarding additional points to NITORI app members when they bought products, and adding the “Size with Memo”, a room-size measurement tool, as a new app function. The number of NITORI app members as of the end of fiscal 2020 was

9.08 million. We will maintain our focus on improving the app’s functions, and services for app members, to reach 25 million members by fiscal 2025.

With regard to the second priority issue—global business development and expansion of business areas—this was a year in which we took on many challenges. They included initiatives to accelerate store openings overseas, the management integration with SHIMACHU, and increasing the number of in-store shops of the N+, apparel brand for women. The number of N+ shops increased from 4 as of February 29, 2020, to 17, as a result of opening shops inside NITORI stores, and in the Kansai area. During fiscal 2021, we will also open NITORI HOME’S, an integrated store of NITORI and SHIMACHU HOME’S, as well as NITORI’s own restaurant chain, NITORI Dining Everyone’s Grill. I believe that NITORI Group’s attitude and DNA, which inspire us to continue striving to achieve our mission and vision, will remain indispensable to the sustainable growth of the Group, and will continue to be handed down from generation to generation well into the future.

- p.3 Management Integration with SHIMACHU CO., LTD.
- p.5 Global Business Development: Accelerating Store Openings



[Table 2]

Priority issues for fiscal 2021	Specific initiatives
1 Establishing market dominance within Japan and accelerating creation of destination stores	<ul style="list-style-type: none"> <li>● Setting targets higher than the previous fiscal year for NITORI, Deco Home, and the online sales business</li> <li>● Proactively opening NITORI and Deco Home stores</li> </ul>
2 Reaccelerating growth with a view to expanding business scale overseas after strengthening our foundations	<ul style="list-style-type: none"> <li>● Opening 21 stores in Eastern Asia</li> <li>● Opening a store in the Southeast Asian market</li> <li>● Focusing on e-commerce in the U.S.</li> </ul>
3 Transforming the NITORI business foundation with a focus on distribution, IT, and the organization	<ul style="list-style-type: none"> <li>● Developing and rebuilding optimal distribution centers</li> <li>● Improving operational processes and productivity</li> <li>● Pursuing DX (digitalization) to transition to a new business model as a strategy for the future by developing an e-commerce mall, taking steps to merge online with offline, etc.</li> </ul>
4 Undertaking sustainability activities and propagating such activities inside and outside the Company, taking advantage of NITORI’S strengths as a manufacturing-distribution-IT-retail business	<ul style="list-style-type: none"> <li>● Achieving the kind of sustainable management that suits NITORI Group by creating sustainable growth as a company, as well as environmental, social, and economic value</li> </ul>
5 Rapidly achieving synergies through the management integration with SHIMACHU	<ul style="list-style-type: none"> <li>● Developing SHIMACHU toward chain store management and aiming to improve its figures</li> <li>● Establishing the Integration Promotion Committee</li> <li>● Developing PB for SHIMACHU products</li> <li>● Opening an integrated SHIMACHU-NITORI store</li> </ul>

Our priority issues for fiscal 2022

In fiscal 2021 we set five priority issues (see table 2) based on the three priority policies for achieving our medium- to long-term vision. To address the second priority issue—reaccelerating growth with a view to expanding business scale overseas after strengthening our foundations—we are taking measures such as accelerating our store openings in Eastern Asia (see p.5 Global Business Development: Accelerating Store Openings). Meanwhile, the third priority issue—transforming the NITORI business foundation with a focus on distribution, IT, and the organization—entails developing an optimal network of distribution centers and improving logistics to advance low-cost operations in stores. We are planning to invest a total of around 200 billion yen by 2025, to set up eight of our own new distribution centers across Japan. As the first step in rebuilding our network of distribution centers, we started construction of a new center in Ishikari City, Hokkaido, in May 2021. We are also enacting measures to cut actual distribution costs, aiming to further reduce the distribution expense ratio. We are addressing the fifth priority issue—rapidly achieving synergies through the management integration with SHIMACHU—by taking advantage of NITORI Group’s strengths as a manufacturing-distribution-IT-retail business to improve operational efficiency. We operate our business with the aim of providing comprehensive home-related products and services by making the most of the two companies’ experience and strengths to offer a wider range of products to customers (see p.3 Management Integration with SHIMACHU CO., LTD.)

NITORI Group’s Sustainability

NITORI Group places the highest priority on resolving customers’ frustrations and inconveniences, and acts accordingly. This attitude also applies to our initiatives relating to ESG and the SDGs. We believe that leveraging our unique business model that integrates manufacturing, distribution, IT, and retail in creating environmental, social and economic value to address environmental and social issues in the world is exactly the kind of sustainable management that suits NITORI Group.

In February 2021, we newly set up the Sustainable Development Goals Promotion Office to further strengthen NITORI Group’s system for promoting sustainable management. We are pursuing initiatives to augment our disclosure of information appropriately in line with the changing times and to resolve the social issues we are expected to address as a company. In doing so, we are guided by our sustainability policy of aiming for a better future by resolving the issues of the world while taking steps toward achieving our mission. As the first step toward undertaking these initiatives, we identified seven key sustainability issues (materiality) regarding the sustainable management we are targeting (see p.29 NITORI Group’s Sustainability). These issues were



identified following discussions by the Internal Board of Directors and the Board of Directors, considering the opinions of external experts, and they are of crucial importance for NITORI Group’s sustainable growth.

The relevant departments come together to hold regular meetings of the Sustainability Management Promotion Committee as a forum for discussion of the seven key sustainability issues (materiality). The committee’s objectives are to share information and facilitate related activities. Information is shared not only with employees at headquarters, but also with employees working in stores. To encourage participation in the activities, we are investing effort in building awareness within the Company through measures such as delivering information about NITORI Group’s ESG and SDGs initiatives via the display screens in each store. Young employees in particular have been very interested in these environmental and social issues in recent years, and they now ask numerous questions at the monthly dialogues between store employees and the management and executives. I am very pleased and heartened that our young employees who will be playing an important role for our future growth as a company demonstrate awareness of sustainability, ESG, and the SDGs. All of our employees—not only those in management or working at headquarters, but also young employees working in stores in Japan and overseas—are playing their part to enable the Group to work as one to tackle these issues in order to achieve sustainable growth and the kind of sustainable management that suits NITORI Group.

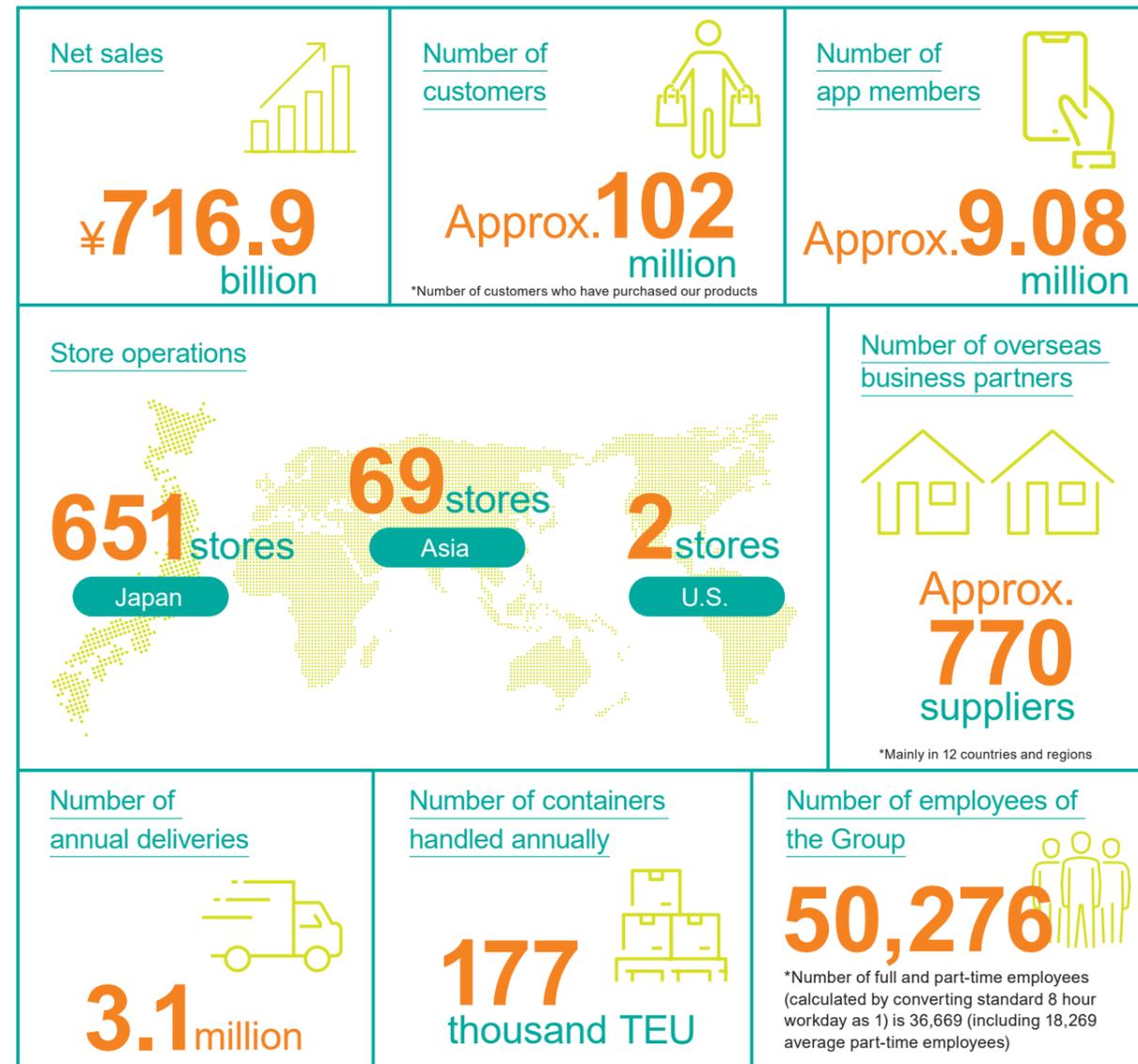
Message to Stakeholders

I would like to take this opportunity to reiterate our apologies for the considerable worry and inconvenience caused to our customers and many other stakeholders due to the asbestos in excess of legal standards contained in some of the NITORI Group’s diatomite products, which resulted in our customers being required to cooperate with a voluntary recall. Being a company that puts customers first, this is an unacceptable matter and once again, I deeply apologize for the tremendous trouble and inconvenience caused. We are now reinforcing our quality control system further and working to recover trust.

NITORI Group is steadily executing the growth strategy for achieving our medium- to long-term vision. We sincerely hope that our customers, our shareholders and investors, and all our other stakeholders will continue to grant us their understanding and support.

NITORI Group Today

NITORI Group has continued to provide products tailored to customer needs, based on its concept, which has remained consistent since its founding – to bring the comfortable and enriched living of the U.S. to Japan. NITORI Group of “today” is a midway point on its journey into “tomorrow,” as it looks to achieve its vision.

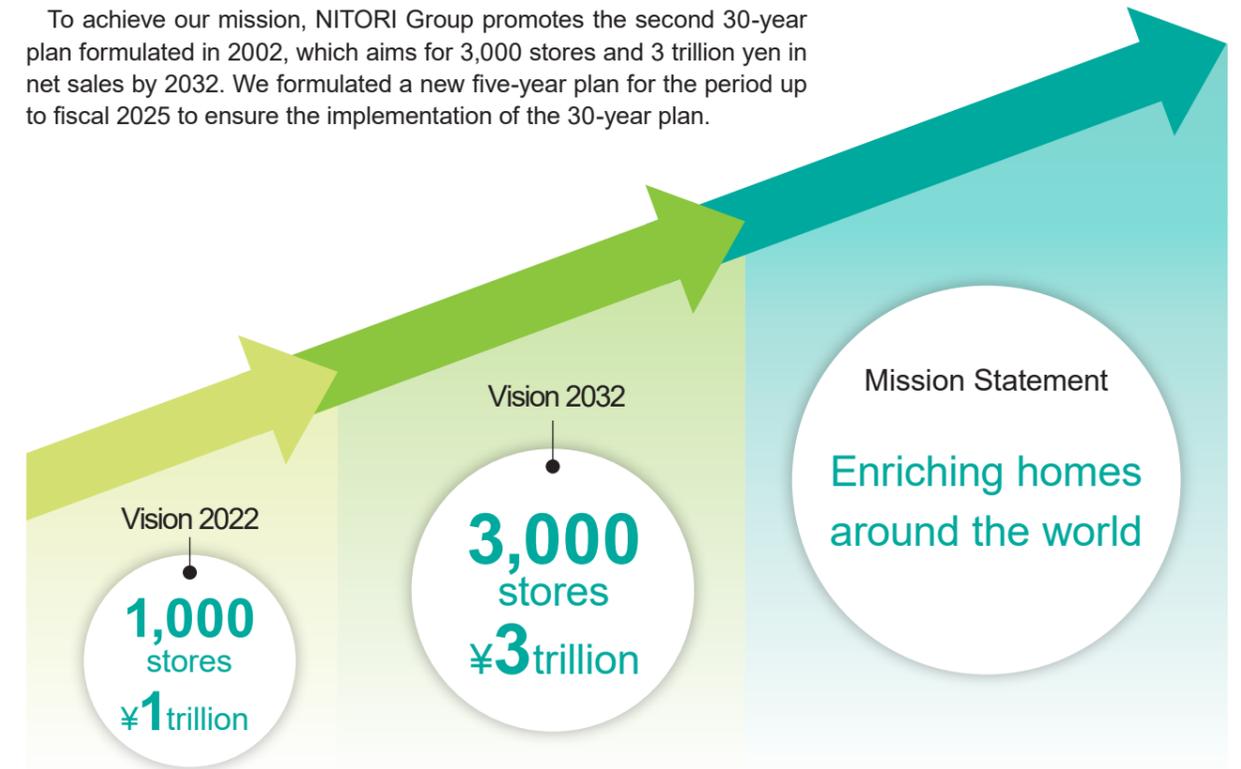


\*Numeric figures are from Fiscal 2021



## To Achieve Our Mission and Vision

To achieve our mission, NITORI Group promotes the second 30-year plan formulated in 2002, which aims for 3,000 stores and 3 trillion yen in net sales by 2032. We formulated a new five-year plan for the period up to fiscal 2025 to ensure the implementation of the 30-year plan.



## NITORI Group's five-year plan up to fiscal 2025

