

**Materiality 1**  
Contribution to enriched lifestyles by "offering the unexpected"

**Materiality 3**  
Promotion of environmentally conscious business



## Offering new value with products balancing comfort and environmental consciousness

### Recognition of issues and creation of shared value



### Spirit of "offering the unexpected" found in products that are good for both customers and the environment

NITORI will accurately analyze customers' needs and social background of the times and create products tailored to them. We believe that our endeavors as a corporation to resolve customers' frustrations and inconveniences will eventually result in reduced environmental impact and resolution of social issues. NITORI Group will achieve its objective of resolving customers' frustrations and inconveniences and enrich people's day-to-day lives, while at the same time promote the development of environmentally friendly functional products (green products), the use of which reduces electricity use and other types of environmental impact. Environmentally friendly functional products are developed based on designs that are both low priced and highly functional, while at the same time being environmentally friendly, and as a result, contribute to reduced environmental impact, such as lower CO2 emissions, as well as to making a positive contribution to customers' household finances by saving energy and resource usage.

### Visualize the level of environmental friendliness to show functions in an easy-to-understand way and enable easier product selection for customers

NITORI Group strives to communicate product functionality to customers in an easy way to understand. Showing the thermal insulation and heat retention effects of curtains, for which we won a Good Design Award 2020, is an example of such efforts. Specifically, in collaboration with Teijin's laboratory, we quantified the functions of each curtain by building a 10m2 laboratory in an all-weather type environment control chamber and measuring thermal insulation and heat retention effects under different conditions, including insulation levels. This enabled us to make clear specific functionality, energy-saving effects, etc. of curtains, which had been vague, and show them on POP displays for each product. Customers can see specific functions before purchasing, which enables them to purchase a product after picturing and comparing energy-saving effects and levels of contribution to the reduction of environmental impact, in addition to thermal insulation and heat retention effects from the use of the products. By correctly proposing and offering products customers really want, we will expand initiatives to reduce environmental impact, together with customers.

→Details: News release on winning a Good Design Award 2020



All-weather type environment control chamber

## Examples of NITORI Group's initiatives (linked to SDGs)

Environmentally friendly functional products

### Comfortable lifestyles for both summer and winter × Energy saving



"How can we get a comfortable night's sleep without using air-conditioning in the summer and the winter?" This question led to the development of the moisture-absorbing, heat-generating N Warm series (launched in 2011) and the N Cool series using materials that feel cool to the touch (launched in 2012), which started from bedding items. We were able to develop products that are sufficiently functional while also being low priced and of appropriate quality by managing the proportion of different thread materials at the raw material procurement stage. We took advantage of this, and as a result, the product was a major hit. In cumulative total, we have sold over 53 million units of N Cool series and approximately 34.8 million units of N Warm series.



Furthermore, using N Cool and N Warm reduces the use of air-conditioning at home and contributes to the reduction of energy use. In response to customer needs, we are expanding the product series beyond bedding items. We will further contribute to comfortable lifestyles of customers, including babies and pets, and to environmental impact reduction.

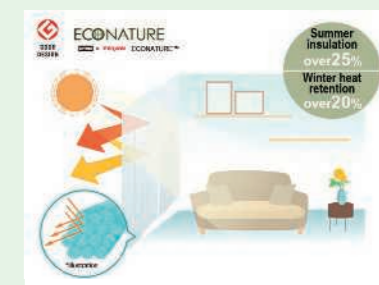
### Expansion of N Cool and N Warm product series

FY	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>N COOL</b>		Sales started (bedding only) N Cool and N Cool Super	Line expands to rugs and living room accessories	Line expands to kids products	Sales of N Cool Double Super launched	Line expands to loungewear	Line expands to pet products		Line expands to baby products	Sales of N Cool Cotton series made from 100% cotton launched (baby products)
<b>N WARM</b>	Sales started (bedding and rugs)	Sales of N Warm Super launched	Line expands to living room accessories		Line expands to kids products		Line expands to pet products	Line expands to baby products Sales of N Warm Moist launched	Sales of N Warm Double Moist launched	Sales of mattress toppers without anchor bands launched

### Take in sunlight but block vision and cut ultraviolet light and outside air × Energy saving



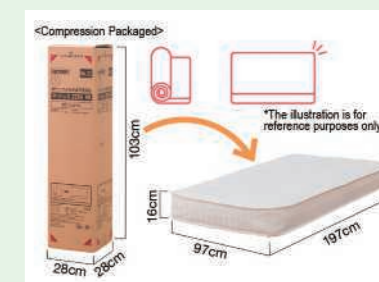
"I am concerned about privacy, ultraviolet light, and outside air, but I want to take in light in the room." Customers hope to ensure privacy protection, keep a comfortable room temperature, and take in sufficient sunlight. NITORI's ECONATURE™ functional lace curtains satisfy such needs. The curtains use new materials, thread that insulates heat but allows light to pass through, and keep the room light by taking in sunlight while making it difficult to see inside the room and keeping privacy. In addition, they cut outside heat in the summer and cold air in the winter. As the room temperature becomes less affected by outside air, air conditioning and heating efficiency at home increases, which leads to energy saving.



### Take home on the day of purchase × Reduce CO2 emissions



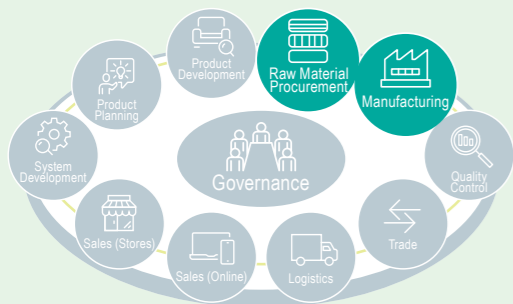
"Bed mattresses are too big to take home by ourselves." We wanted to change this common conception. The solution was to compress the mattresses. By adopting NITORI Group's unique compressing technology and reducing the packing size to 25%, we made it possible to take the products home on the day of purchase. Customers can start using them right away, without paying shipping fees or waiting until the product is delivered. Furthermore, reducing the packing size, in the best case, quadrupled the number of products that can be loaded in a container or a truck for transportation. The significant enhancement of product transportation efficiency has led to reduction in transportation costs and CO2 emissions associated with transportation.



→Related topic: p.40

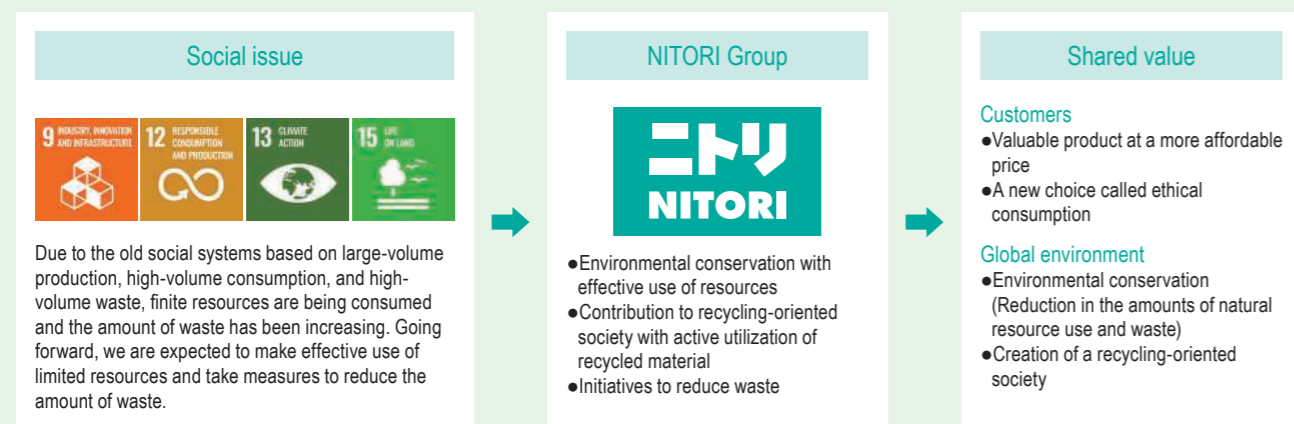
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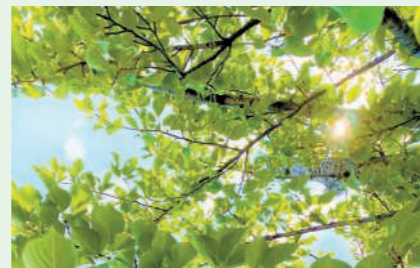
## Contribution to environmental preservation and recycling-oriented society with effective use of resources and recycling

### Recognition of issues and creation of shared value



### Making full use of finite resources, without wasting

We, a company involved in all processes from manufacturing to sales, consider it a corporate responsibility and an important mission to recognize the finite nature of resources, especially timber, and to be conscious of the sustainability of resources. Making full use of resources, without wasting, and promoting recycling are directly linked to reduction in the amounts of resource use and waste in the product life cycle, in addition to lower product prices from cutting manufacturing costs. In addition, we not only ensure comprehensive quality control in the product manufacturing process but also work to protect the environment by preventing and reducing air and water pollution, as well as thoroughly controlling chemical substances.



### NITORI's environmentally conscious manufacturing

Under the slogan of "Good for the future. Good for everyone," NITORI Group develops products that are made through environmentally friendly initiatives in each process of manufacturing, transportation, and use, positioning them as "Nitori's ecology." When manufacturing, we use recycled materials and protect finite resources. For transportation, we reduce packing size and cut CO2 emissions. We develop functions that link product use with energy saving. As NITORI Group is involved in all processes from the upstream to the downstream, the Group takes responsibility not only as the seller but also as the manufacturer and sets its own environmental standards. We will continue to expand environmentally friendly products that meet the "Nitori's ecology" standards.

未来にいいこと。  
みんなにいいこと。

—— ニトリが取り組む、環境を考えたものづくり ——

- 「つくる」ときにリサイクル材を活用し、限りある資源を守る
- 「はこぶ」ときの梱包サイズを小さくし、排出 CO<sub>2</sub> を減らす
- 「つかう」ことが省エネルギーにつながる機能を開発する

そうしてできた商品を、手こるな価格でお届けしたい。  
ニトリの想いを込めました。

**Nitori's ecology**  
ニトリの環境配慮

## Examples of NITORI Group's initiatives (linked to SDGs)

Recycling and effective use of resources

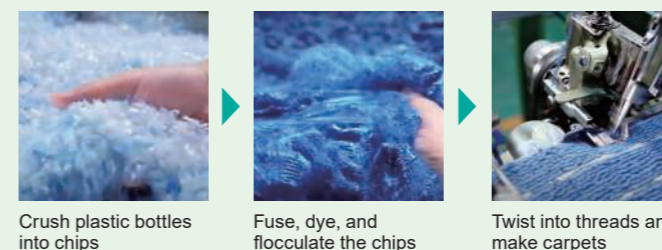
### Manufacturing carpets and rugs with recycled plastic bottles



SIAM NITORI, a Group company which runs its own factory in Thailand, is the sole factory using special technology to manufacture carpets and rugs with recycled polyester made from plastic bottles and supplying them to Japan. One carpet approximately 10m<sup>2</sup> in size, can be made with recycled polyester extracted from approximately a hundred 500ml plastic bottles. The factory recycles approximately 100 million plastic bottles a year. Approximately 3,750,000m<sup>2</sup> (equivalent to 80 Tokyo Domes) of carpets are manufactured from those plastic bottles. In the manufacturing process, a coloring method that does not produce sewage is adopted. The business is thus conducted in an environmentally conscious manner. This initiative also contributes to reduction in the use of finite resources, such as fossil fuels, because synthetic fiber derived from petroleum, which is typically needed in manufacturing carpets and rugs, is not used. While the use of recycled materials normally increases costs and selling prices, NITORI Group manufactures affordable, high-quality products with its unique technology, implementing radical cost reduction strategies. In the future, we will expand the use of recycled fiber in products other than carpets, and promote initiatives for further reduction in environmental impact toward a creation of a recycling-oriented society.

→ Related video: "We make carpets from plastic bottles" (NITORI's official YouTube channel)

#### Plastic bottle recycling process (Involved in the entire process)



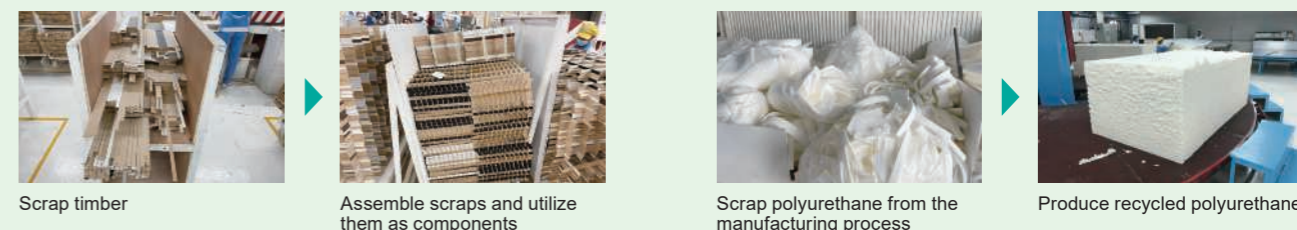
#### Utilization of recycled materials

Number of recycled plastic bottles at SIAM NITORI (From joining Group in May 2018 to fiscal 2020)	Approx. 300 million
Carpets and rugs shipped in fiscal 2020	Approx. 930 thousand units
Usage volume of recycled polyester in soft goods including those from SIAM NITORI (Fiscal 2020)	Over 12,000t in total
Composition ratio in above virgin materials (%)	31%

### Effective use of resources



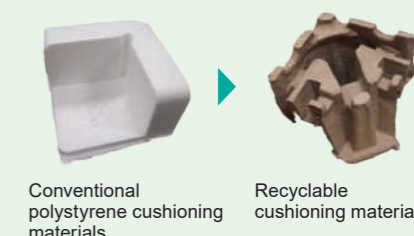
As a manufacturer and seller of a variety of products that use timber and other kinds of natural resources, it is essential for us to reduce the use of those resources and work on cost reduction and environmental conservation. NITORI FURNITURE, an overseas factory that mainly manufactures furniture, recycles almost all scrap timber, which is normally disposed of, and use it as raw materials for products. Also, in polyurethane manufacturing, almost all scraps from the sofa and mattress manufacturing process are recycled, and made into recycled polyurethane. By making full use of limited resources and reducing waste to the minimum, we not only cut raw material costs but also the amount of waste incinerated and contribute to the reduction in CO<sub>2</sub> emissions.



### Reducing plastic waste by changing cushioning materials for packaging



Cushioning materials for packaging protect products from impact during transportation and delivery and maintain the quality. By replacing polystyrene (plastic) cushioning materials, used mainly for furniture, with recyclable cushioning materials made from paper, NITORI Group reduced the amount of annual polystyrene (plastic) waste from stores and delivery centers by approximately 78%. This also leads to reduction in plastic waste after purchase.





**Materiality 2**

Product safety and security through comprehensive quality control

**Materiality 3**

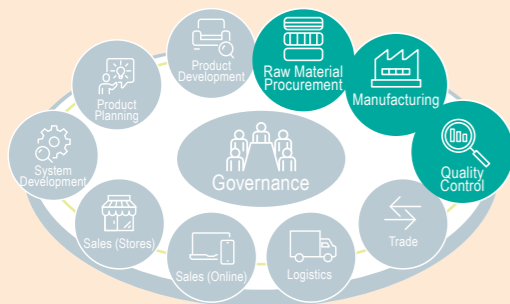
Promotion of environmentally conscious business

**Materiality 4**

Fair and honest trade and respect for human rights in the supply chain

**Materiality 5**

Contribution to local communities



Offering safety and security and achieving sustainable growth with suppliers through correct manufacturing and responsible procurement

Recognition of issues and creation of shared value



Pursuing correct manufacturing and responsible procurement

NITORI Group considers affordability, quality, and coordination as the most important factors in manufacturing. Quality means that measures are taken to ensure appropriate functions and product safety, and that products are made through the correct manufacturing process (in terms of sincerity, respect for human rights, compliance, occupational safety, environmental protection, etc.). We aim for sustainable growth throughout the entire supply chain by explaining to and sharing with not only our own factories but also suppliers, who are our partners in achieving the mission, the importance of being environmentally conscious and fulfilling social responsibilities, as well as our ideas to create a culture of product safety.

Initiatives to ensure comprehensive quality control and improve work environment in the Group's own factories

NITORI Group is a manufacturer that has its own factories at one domestic and three overseas locations, where total of over 10,000 employees work. Each factory commits to quality control in the manufacturing process. For example, the factory in Vietnam (NITORI FURNITURE) conducts voluntary audits mainly on quality control, led by an independent local department that specializes in quality control. Employees also participate in "Product Safety and After\* Sales Service Reduction Meetings," where employees gather customer's voice to make improvements and reforms, and Nitori World Circle (NWC) activities (NITORI Group's unique small group activities where employees identify issues from everyday tasks and make improvements and reforms). To improve quality and productivity, they carry out tasks every day with high motivation. In addition, departments specialized in factory control monitor occupational safety and attendance, based on NITORI Group's belief that creation and improvement of work environment leads to stable quality. The purpose of their strict checks includes ensuring that there are no risks that may lead to accidents and that employees are taking sufficient break times. Furthermore, free meals are served in the factory cafeterias, and the filling, tasty meals are well received by our employees. Our own factories create employment in local areas and contribute to the development of local communities. The factories' initiatives to ensure comprehensive quality control and improvement of work environment are and taken advantage of, as precious know-how, in building partnerships with overseas suppliers.

\*Troubles raised by customers



Product check by the quality control division before packing



Our employees enjoying meals at the NITORI FURNITURE cafeteria

Examples of NITORI Group's initiatives (linked to SDGs)

Responsible Procurement

Comprehensive quality control through the United Collaboration System with overseas suppliers



NITORI Group currently does business with approximately 770 overseas suppliers. We not only ensure compliance in relation to suppliers, who are our partners in achieving the mission, but also share with them ideas and management methods to build a culture of product safety. In the following processes, strict standards have been set and PDCA cycles implemented. We establish true partnerships with suppliers and aim for sustainable growth together.

Investigations and contracts / Product development and quality activities

Selection of new suppliers, on-site investigations, and conclusion of contracts

We set our own strict standards, select suppliers after carrying out on-site investigations, and conclude contracts that include quality assurance.

Development Technology Evaluation Meetings

When developing products, we evaluate products based on the Failure, Mode, Effect, Analysis (FMEA) method using the Risk Priority Number (RPN), with the aim of preventing accidents, defects, risk due to misuse, and other problems before they occur.



Development Technology Evaluation Meetings

Checking laws and regulations

We check hazardous substances content, the Household Goods Quality Labeling Act, the Food Sanitation Act, the Electrical Appliances and Materials Safety Act, etc.

Constant plant audits and emergency audits in response to accidents (compliance audits)

Constant plant audits

To reduce defective products, we check whether the supplier's quality control system meets NITORI Group's requirements based on the Sengen Principle of visiting the actual site, observing the actual parts, products or item, determining the actual situation, and propose improvements. (In fiscal 2020, we proposed improvements 426 times in total.)

For each incident, an audit is carried out from a wide range of perspectives, including human factors; underlying 5S issues, such as inspection systems, tools, and other arrangements; and response to social issues (child labor and forced labor issues, etc.)



Constant plant audits

Mass production quality check activities

Check before mass production / On-site witness for mass production

Final check on products that are to be mass produced (specifications, laws and regulations, and quality)  
Supervision of important points in the process  
Share and take measures against defects in the production process  
Check and follow up improvements on issues pointed out



Check before mass production / On-site witness for mass production

Analysis of defective products

Collect defective products from the market and conduct analysis in the Quality Improvement Meeting (QIM). Determine the cause and countermeasures, and submit an improvement request to the manufacturing factory  
Review the effectiveness of the countermeasures and keep requesting improvement until the quality reaches the required level

Market quality analysis activities

Inspection of incoming products (minor tasks)

Prevent defective product release into the market by thoroughly inspecting incoming products  
Return products with major defects to containers (Total number of inspections: Approx. 750 thousand)



Inspection of incoming products

Double check various laws and regulations, etc.

To strengthen measures to prevent release of products exceeding guidelines values of hazardous substances (formaldehyde, etc.), install facilities with the function to check the safety of imported products (Two constant temperature and humidity chambers are available to measure the emission amount of formaldehyde at the product stage)



Constant temperature and humidity chamber

Building a culture of product safety



NITORI Group considers it important to build fair, honest, highly transparent, and open relationships with suppliers and grow together. We take thorough measures to prevent "silent change," where changes made by the suppliers in material or parts are not notified to the clients, and make sure that each supplier factory files an application when there is a change to the 4Ms (Man, Machine, Material, Method). We also work to raise suppliers' motivation by sharing product safety information and giving awards in the Overseas Management Policy Briefings and the Annual Awards Ceremony. In addition, product safety and quality meetings are held twice a year. We aim to establish true partnerships with suppliers by signing the NITORI Group's Business Partner Charter and the Fair Trade Declaration, not to mention agreeing on terms and conditions concerning products and quality. Other matters we emphasize in our communication with suppliers include the importance of environmental considerations, respect for human rights, and compliance.

Improvement and reform proposals from suppliers



Every year, NITORI Group holds Nitori World Circle (NWC), which is based on small group activities and aims to identify issues from everyday tasks and make improvements and reforms. In fiscal 2020, a total of 415 teams participated from Japan and overseas, of which 91 teams were from overseas suppliers. The activity topics included quality improvement by involving the secondary supplier, improvement of production efficiency by leveling out process capability, and approaches to defective products that reduce waste rate. In many cases that were presented, suppliers led improvements and reforms.

Related topic: p.45



NWC (Held remotely for FY 2020 due to the COVID-19 pandemic)



**Materiality 3**

Promotion of environmentally friendly business

**Materiality 6**

Creation of rewarding work environment and promotion of diversity



Reduction of CO2 emissions and realization of comfortable workplace by improving business productivity, such as transportation efficiency

**Recognition of issues and creation of shared value**



**NITORI Group's promotion of environmentally friendly business to mitigate climate change**

Climate change due to global warming may cause enormous damage to the manufacturing and logistics operations. Abnormal weather, such as heavy rainfalls and large typhoons, has a serious impact on the management resources that are essential for a company to carry out business activities, and its influence extends throughout the entire supply chain. We recognize a range of business continuity risks caused by climate change and strive to improve efficiency and consider total optimization at all stages of our supply chain, thereby reducing CO2 emissions and mitigating the impact of climate change. We also recognize the finite nature of energy essential for our business activities, and work to improve efficiency of and reduce energy use, throughout the entire supply chain.

→Related data: p.60, 61



→Details: Official website of Home

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Large ceiling fan installed in the distribution center

**Examples of NITORI Group's initiatives (linked to SDGs)**

Environmental impact reduction with enhanced transportation efficiency

**CO2 reduction with downsizing of product packaging**



By eliminating waste and improving efficiency in all scenes of the distribution process, including trade, transportation, and shipping, we work to achieve environmentally friendly "Green Logistics." We proceed with downsizing of product packaging and expansion of the product composition ratio of assembled furniture to increase the number of products that can be loaded per container and per truck, which leads to reduction of CO2 emissions in the distribution process. For example, compressing the packing size of mattresses to approximately 25% enhances container and truck loading efficiency and reduces the number of containers and trucks necessary for the transportation of products. As a result of the expansion of types of mattresses to which NITORI Group's unique compressing technology is applied, as well as the increase in their unit sales, CO2 emissions in fiscal 2020 decreased by approximately 3,087t. The Group works to create further economic and environmental value by integrating manufacturing and logistics and pursue overall optimization.



→Related topic: p.34

**Improvement of work environment and reduction of CO2 emissions with introduction of swap body containers**



In recent years, long working hours, as well as driver shortages due to aging population, has been a social issue. We recognize that this as an important business continuity issue for Home Logistics Co., Ltd., which is in charge of NITORI Group's logistics. As a solution to the issue, we introduced swap body containers, which make it possible to separate the truck bed from the body. Warehouse workers, instead of drivers, being able to load and unload trucks has reduced the burden of loading and unloading, which had been the most burdensome part of work for drivers. In addition, the initiative has improved work environments and workstyles by shortening the distance and hours one driver runs continually in long-distance truck transportation. Taking advantage of swap body containers, three companies from different industries launched a joint transportation project, thereby reducing, throughout the domestic logistics business, air transportation and burden on drivers. The project reduced the number of trucks operated by 50%, annual CO2 emissions by approximately 880t, and the time drivers spent on loading and unloading by 12,450 hours annually. In recognition of the achievement, the MLIT Minister's Award was given jointly to the three companies in the Green Logistics Partnership Conference commendation ceremony, held in December 2020.

**Optimization of domestic distribution center network**



We are planning to set up eight of our own new distribution centers across Japan by 2025. We are expecting to reduce the number of times and the distance products travel between distribution centers and facilitate smooth flow of goods. It contributes not only to speedy delivery of products to customers, but also to reduction in logistics costs, improvement in employee work environment, and reduction in environmental impact (CO2 emissions).



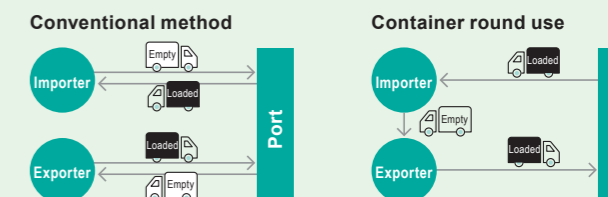
The new distribution center in Ishikari City, Hokkaido, the construction of which started in May 2021

→Related topic: p.24

**Expansion of container round use**



By expanding container round use, which is an initiative to use imported containers after packages are unloaded in exports thereafter, an annual total of more than 3,200 containers were used more effectively throughout fiscal 2020. Through this, the annual volume of CO2 emissions was reduced by 103t.

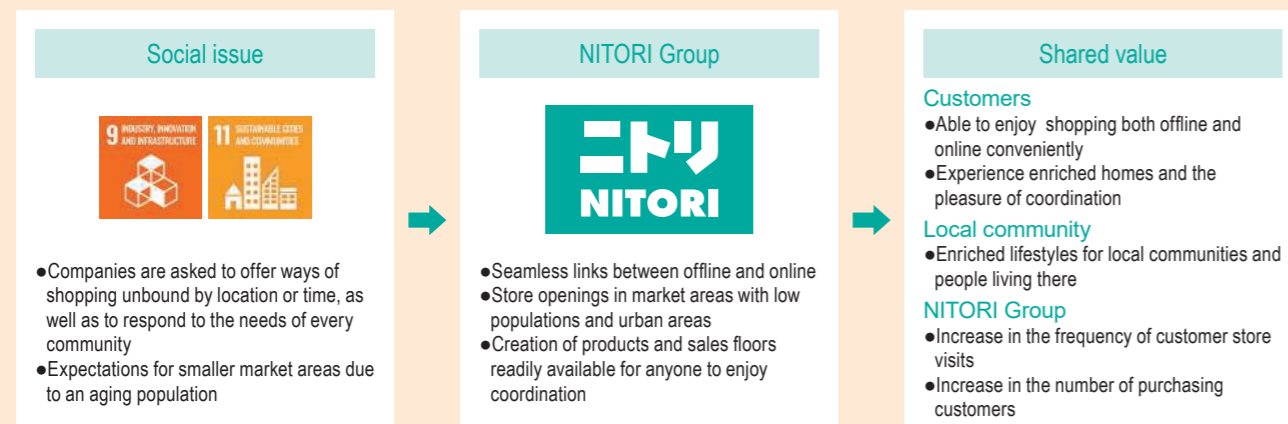






Contribution to convenient and enjoyable shopping experiences for customers through expansion of store network and promotion of O2O

Recognition of issues and creation of shared value



Examples of NITORI Group's initiatives (linked to SDGs)

Enriching homes for many more people

We aim to make available products necessary for everyday life anytime, anywhere, and for anyone. We consider the increasing number of customers as an indicator of social contribution. The number of domestic and overseas stores totaled 722 as of the end of fiscal 2020. We are opening stores in unconventional places that have market areas with populations of 100 thousand or less, as well as in urban areas, thereby increasing accessibility to brick-and-mortar stores. In the meantime, our e-commerce site NITORI-net proposes more convenient ways to shop by expanding the range of available products and introducing new services, including virtual showrooms, where customers can enjoy 360-degree views of NITORI's coordination. Creation of stores and enhancement of services that are supported by customers resulted in an increase in the number of purchasing customers in the pandemic-struck fiscal 2020 to 112.8% of the number in the previous year. We thus contributed to enriched homes of a larger number of customers. As a destination store in the area (a store where customers can buy everything they are looking for at one place), we will continue to expand the contribution to convenient and enjoyable shopping experience for customers by further expanding our store network and seamlessly linking offline and online.



Virtual showroom

Coordination for everyone

We aim to offer readily available, easy coordination for everyone. Customers can choose products in preferred styles of coordination. A wide range of colors, patterns, and shapes enable anyone to find natural coordination. In addition, customers can enjoy choosing a number of products at affordable prices. NITORI's stores and e-commerce site thus have a lot of elements that can upgrade customers' daily lives. We will continue to be attentive to the precious time customers spend at home.



New Initiatives Following the Expansion of Business Fields

NITORI Group aims to be a company that makes comprehensive lifestyle suggestions, catering to a range of customer lifestyles and offering comprehensive home-related services.

家に価値タスカチタス Offering homes that more people want to purchase and live in



Capital and business alliance with KATITAS Co., Ltd., the No.1 seller in the used home purchase and reselling market

KATITAS has more than 100 local outlets across Japan. The company offers quality homes at low prices by integrating research, purchase, renovation, and sales and taking charge of all processes. With virtual home staging, which introduces computer graphics NITORI furniture to panoramic images that offer easy online viewing experience, we help customers choose homes by adding ambience and a sense of reality. It not only makes it easier for customers to imagine how it would be after moving in but also supports a smooth start after purchasing the house. Facilitating the distribution of used homes offers solutions to vacant houses and other social issues, as well as revitalizes local areas. It also contributes to the reduction in environmental impact. Compared with newly built homes, used homes can reduce CO2 emissions to a quarter and timber use to one seventh. We will keep contributing to sustainable urban planning through the revitalization of the used home market.

Details: KATITAS' ESG Report



<sup>1)</sup> Source: "Estimation of CO2 Emission from Construction, Renovation and Demolition of Residential Buildings up to 2050," Table 4 CO2 emissions per floor area, wooden detached house  
<sup>2)</sup> Source: Forestry Agency, "Current State of Issues of Forest, Forestry, and the Timber Industry (March 2021)" 3. Current State and Issues of the Timber Industry  
<sup>3)</sup> Source: Standard properties renovated by the company in December 2018

Home's 勇忠 Recycling soil to contribute to society through business



SHIMACHU considers it important that all employees work at their best and contribute to society through business. To work toward the harmonization among society, people, and the environment and the realization of a sustainable society, as well as to be a company trusted by stakeholders, the company engages in business activities that attach importance to sincerity, honesty, and sustainability, not to mention compliance. In addition, SHIMACHU contributes to resolving ESG issues and achieving SDGs in various ways. For example, SHIMACHU collects used soil, fires and sterilizes the soil with dedicated machinery at the manufacturer, and turns it into new, recycled soil. This initiative not only contributes to waste reduction and creation of a recycling-oriented society but also resolves frustrations and inconveniences of customers who wish to grow plants in new soil but do not know how they should dispose of used soil.

\*This service is available only for customers who purchased certain products.

Details: SHIMACHU's sustainability

Human Resources Development

NITORI Group aims to train true specialists who can contribute to society, enhances human resources through transfer-based education that covers an extensive range of fields, and creates an organization with a wealth of elites.

Transfer-based education

NITORI-style specialists build the foundation for sustainable growth



NITORI Group's unique business model that integrates manufacturing, distribution, IT, and retail is supported by specialists who can think comprehensively and create new value. In order to train them, a transfer-based education in which they can experience a variety of occupations every two to three years is essential. It is an education system that forms the foundation of human resource development, designed to provide each employee with a wealth of knowledge and extensive experience. In recent years in which personnel are forced to solve problems that transcend the boundaries of industries and occupations, we require human resources who can apply knowledge on a broad range of fields and combine expertise in several subjects to generate innovation. Through transfer-based education, NITORI Group has increased the number of pillars of expertise each employee has and produced a large number of "NITORI-style specialists" who are able to solve problems from a broad perspective. We continue to aim for sustainable growth by taking advantage of the potential presented by being an organization with a wealth of elites.



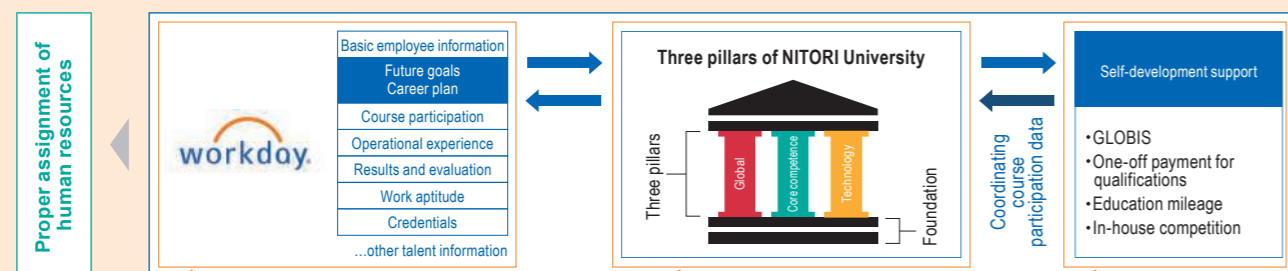
Education system

Development of autonomous human resources that support the future of NITORI Group



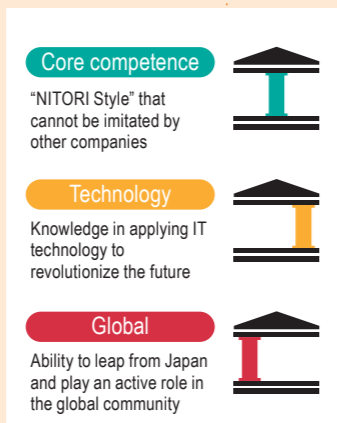
NITORI University, an in-house educational institution, is at the center of NITORI Group's employee education. Placing the idea of "training 'innovation creators' through 'deepening of knowledge' and 'search for knowledge'" as the core, it offers a variety of learning opportunities for our employees.

In "deepening of knowledge," we deepen studies of the philosophy, knowledge, and experience that NITORI Group values. In "search for knowledge," we have prepared curriculums that reflect the latest technology, values, and knowledge of the modern era in order to accommodate the insatiable intellectual curiosity of employees.



Realizing the best assignment for each employee by introducing Workday

NITORI Group employees submit future career plans to the company twice a year, based on social issues they wish to resolve and where they see themselves in 30 years. Such career aspirations of each employee, as well as all other information on them including learning history, backgrounds, and skills, are compiled in Workday, a human resource platform. By taking advantage of technology and centrally managing a large amount of information, we realize the best, optimal assignment for each employee.



Backing up the growth of each employee for the company's growth

As our business fields expand, business skills, such as management theories and digital knowledge, have become increasingly important, in addition to conventional in-house learning centered around the chain store management theory. Since 2019, NITORI Group provides all employees with a long-term plan of Globis' study-all-you-want program. We back up the growth of each employee by creating an environment where they can gain knowledge guided by their intellectual curiosity. In fiscal 2020, a total of approximately 5,000 hours were spent on learning each month, indicating that our employees are increasingly taking advantage of Globis' study-all-you-want program.

Training system

Toward an organization where employees learn from and inspire each other's growth



Seminars in the U.S. is a major training program in NITORI Group, with curriculums prepared for each training stage, from the introductory course in which second-year employees participate, to the selective advanced courses. Approximately 1,200 people attend the seminars each year. The purpose of these long-standing seminars is to experience an "enriched lifestyle" with all five senses and to reaffirm the Company's mission. We visit the U.S., where NITORI Group's mission has its roots, to tour the chain stores that support the lifestyles of the general public and observe the latest initiatives, sales floors, and products, and through the seminars, our employees realize and learn a lot from the experience. In fiscal 2020, all of the seminars in the U.S. were cancelled due to the COVID-19 pandemic. Long-term, ongoing initiatives are essential for human resource development, and to keep offering education, we immediately replaced the seminars with programs that take place in Japan and launched various new training programs.



Leaders' course of seminars in the U.S. in fiscal 2019

Training programs and initiatives that give employees learning opportunities and back up their growth

Job shadowing training

Job shadowing is a form of career education where participants think about their future workstyles and lifestyles by accompanying employees of various companies and organizations, as if they were shadows, and experiencing the work. In fiscal 2020, 70 of our fourth-year employees participated in the program, and 10 departments\* accepted the participants. Experiencing the tasks at the headquarters made the participants realize how rewarding and enjoyable the tasks are. In addition, being close to the actual employees helped the participants understand the difficulty and significance of the tasks, which encourages our young employees to draw clearer career plans.



\*Merchandizing Division, Organization Development Office, Product Quality Control & Improvement Office, Internal Regulation Office, etc.

NITORI Color Coordination School (NCCS)

NCCS is a one-year in-house program where our employees study interior coordination to be coordination professionals. All of our employees, including part-time employees, are eligible to take the program. Based on the belief that coordination is not about tastes but about rules, participants gain proper knowledge on coordination and apply the knowledge through practical assignments, thereby acquiring skills to propose coordination in response to our customer needs. The program consists of four courses, designed for employees at different skill levels, including the beginner course to gain a basic knowledge and the adviser course teaching how to propose coordination plans based on customer needs. The program constitutes an important education opportunity that helps employees' career building, since taking the NCCS program often leads to a transfer to the Merchandizing Division or the Corporate Sales Business Division.

Introduction of digital signages to our stores

To create a work environment where employees can work with peace of mind and increase the level of employee engagement, we put in a great effort in facilitating communication between the company and our employees. As part of the effort, we installed monitors at each store, which stream the latest information on the company. To increase the amount of knowledge full-time and part-time employees have and the level of their satisfaction, the monitors are installed at locations convenient for the employees to see. We call for information from each department at all times, so that the information that is seen on the screen is always up-to-date and fresh. We hear from our employees that contents such as the new product introduction videos are very helpful.



Global Communication Online at Nitori (GCON)

GCON is an online business conversation program for the enhancement of employees' foreign language skills. We aim to enhance global literacy in the company by equipping employees with the ability to have business conversations expected in actual work at NITORI Group. To ensure that the program is practical, all contents and textbooks are prepared by the HR Education Division from scratch. The program develops human resources who can immediately play an active role on a global stage. Employees with high levels of language proficiency serve as instructors. Twenty-six employees have been instructors so far, and by creating a platform where individuals can take advantage of their skills, we create a culture where our employees learn from and inspire each other's growth.

Training for part-time employees

Part-time employees, who account for approximately 90% of NITORI Group employees, are the important human resources which support the Group. We have various training programs for them, so that they can find their tasks rewarding and contributing to their growth. For instance, we have enhanced online training programs for part-time employees working at stores across Japan. This initiative was led by the Store Operations Division, and the intention was to keep offering education opportunities under the COVID-19 pandemic. Dedicated trainers serve as instructors of the training program, which is offered live instead of via recordings. The program lays emphasis on interactive communication, thereby bringing out the participants' eagerness to learn. The headquarters take charge of all education programs to eliminate the unevenness of quality and opportunity. We thus help all NITORI Group employees work at sales floors with peace of mind, as they feel the joy of growth and find the tasks rewarding.

Examples of the training programs: Education for new employees, how to operate cash registers, knowledge on sofa products, knowledge on curtain products, etc.



**Internal commendation system** **Systems for fair assessment of results create reforms**

We have various internal commendation systems and competitions to increase employee motivation and create innovation. Initiatives and results that are launched and produced by each individual, group, and department are acknowledged and recognized across the company. These commendation systems and competitions not only revitalize the company but also play a significant role in the development of the organization by uncovering hidden abilities and identifying talented human resources.

**NITORI Group's internal commendation systems and competitions**

**President's Award (annual/quarterly)**

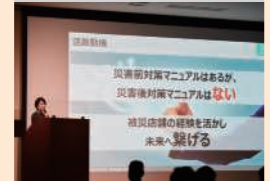
The award commends groups that achieved cost reduction, profit increase, etc. by making improvements to resolve groupwide or each department's issues. Depending on the details of the initiatives and the scale of the achievement, the groups are given the Gold Prize, Silver Prize, Bronze Prize, or Special Prize and monetary rewards for each prize. Winners are announced in quarterly commendation ceremonies. Annual awards are given at the ceremony held in the management policy briefing, and the results are shared in the company.



FY2020 annual awards: A total of 70 entries/30 awards

**Nitori World Circle (NWC)**

NWC activities are long-standing initiatives where like-minded employees form a team, identify issues from day-to-day tasks, and promote improvements. This year marked the 15th year since the launch. The activities take place at NITORI Group sites across the world and play an important role as a platform to directly deliver the voice of frontline employees to the management. The team that wins the first prize gets to participate in a seven-day seminar in Vietnam, so many young employees aspiring to grow take part in the activities.



\*Seminars in Vietnam for 2020 were cancelled due to the COVID-19 pandemic.  
NWC in 2019: 341 entries  
NWC in 2020: 415 entries

➔Related topics: p.37, 38

**Coordination contest**

All employees of NITORI Group participate in the contest, where they take pictures of their proud home and compete for the best coordination. NITORI Group aims to convey coordinated, enriched ways of living to customers. We launched this annual contest in 2019, to first have our employees express and enjoy coordination in their home. There were 470 entries in 2020, and award winners made presentations at the commendation ceremony and received NITORI gift certificates as incentives.



FY2020 first prize for total coordination

**Customer service contest**

The contest started in 2017 as a platform to improve the levels of our employees' skills and motivation. It is held every year since then, as we aim to be a company where employees support and inspire each other's growths. The key purpose of the contest is to have our employees feel the importance of hospitality, as well as gain and polish customer service skills to express gratitude to our customers. Both full-time and part-time employees across Japan compete their customer service and communication skills on a level playing field, through which the winner is decided. All employees, regardless of position or circumstances, are given equal opportunities and are able to grow, which makes NITORI Group strong.



Participants in 2020: A total of approx.18,000

**New graduate recruitment** **Being close to students and helping them take a step toward their dreams**

The recruitment philosophy of NITORI Group is, "Your dream shapes who you are." To support students to think carefully about their purpose for working and their future goals before deciding to join NITORI Group, our third- to sixth-year employees, who work as the recruitment staff, take care of each student and offer support until they make the decision to join the company. In fiscal 2020, we carried out online recruitment activities even under the COVID-19 pandemic. More than 19,000 students attended our briefings in total, and we were able to speak to a large number of students and end the recruitment season without reducing the number of new recruits.

➔Ranked 5th (humanities and social science students) and 13th (natural science students) in the most popular companies among 2022 university graduates, compiled by Mynavi and The Nikkei



President Shirai attending an online briefing

**Recruitment from overseas**

For NITORI Group's global business development, global-minded human resources are essential. In search of human resources who can play an active role on the global stage, we also put in an effort in recruitment from overseas. We used to send our own employees to overseas job fairs to find talent, but such events were cancelled in 2020 due to the COVID-19 pandemic. In the face of the cancellations, we participated in online job fairs and continued with our recruitment activities by directly negotiating with overseas universities and student organizations. In addition, we actively participate in events at universities specializing in foreign languages to recruit global-minded human resources in Japan.

**Internship**

NITORI Group's internship program aims for "zero stranded job-hunting students." The purpose of the program is to help students face job hunting in a positive mindset, by letting them think about their purpose of working, as well as learn how to self-analyze themselves and analyze different companies. In fiscal 2020, 29,000 students participated in NITORI Group's internship program. We hope to offer a program useful as a first step of students' job hunting.

➔Ranked 1st in companies that offer best internship programs for 2022 graduates, compiled by Rakuten Minshu

**Work Environment**

NITORI Group strives to ensure workplace safety and aims for a comfortable work environment where all our employees work in good health.

**Health management creates the future**

At NITORI Group, we believe that the physical and mental health of each and every employee is essential to the growth of our company, and we are actively working to maintain and improve the health of employees and their families. In 2013, we instated the Company's exclusive NITORI health insurance society, and in 2016, established the Health Management Declaration. We work with our labor union and health insurance society to achieve our Group mission and vision and ensure that all employees fulfill their potential. Our efforts resulted in the accreditation in the Certified Health and Productivity Management Organization Recognition Program (White 500) for the fifth time in 2021.



**NITORI Group's key initiatives**

**Measures to prevent harassment**

- Establishment of rules to prevent harassment
- Introduction of various helplines, development of a self-reporting system
- Creation of content for personnel management
- Practical communication training for managers



**Wellness promotion**

- Health education program in in-house training
- Education to prevent mental illnesses, creation and distribution of books for self-care
- Created our own women's health booklets in collaboration with six companies in different industries and the health insurance society. Distributed them to approximately 7,100 female employees.



**Health improvement events**

- Health checkup challenge
- Walking campaign in which teams compete against each other

**Personnel management**

- Personnel management seminars by external lecturers (four times a year)
- Distribution of video learning content concerning personnel management

**Diversity**

NITORI Group respects human rights of each and every employee and harmonizes all workplace communication to maintain diversity.

**Creation of a culture that respects diversity and an environment where each person can shine**

NITORI Group promotes diversity and inclusion. We consider that fostering a corporate culture where employees in different circumstances and with different backgrounds, in terms of marriage, childbirth, childcare, nursing care, nationality, sexual orientation, etc., acknowledge and respect each other creates an empowered work environment and leads to the company's growth. In particular, we are focusing on supporting women's active roles. For example, we have been holding career support seminars since 2014 to encourage women to fully demonstrate their individual ability in carrying out their tasks. Female employees of all ages and positions participate in each of these seminars, where they discuss work-life balance and career plans, as well as exchange opinions on their workstyles. Issues raised in these seminars often lead to suggestions to the company and shape future policies. We aim to pay attention to employees' voice and be a company where each female employee enjoy their work.



Career support seminars

**Balancing work and private life is the key to improved productivity**

We have been enhancing systems that give employees diverse workstyle options, in accordance with their personal circumstances including marriage, childbirth, childcare, nursing care, and illness. To create a culture that facilitates the use of the systems, we distribute guidebooks to all employees to provide an overview of systems that support work-life balance and how to use them, and hold seminars for managers.

We believe that enhancing the lives of employees can improve work performance, and aim to be a family-friendly company for both employees and their families. A half-day paid leave system was introduced in 2016, and a work interval system in 2017. To reduce overtime hours, we take a firm stance against unpaid overtime. Employees whose overtime hours constantly exceed 30 hours per month, as well as their managers, are notified by the Human Resources & Labor Division. If the monthly overtime hours exceed 45 hours, an improvement plan needs to be submitted to the management. We thus promote the reduction of overtime hours across the company.

To accompany the change in workstyles, we also introduced a work-at-home system geared toward employees who work shorter hours to improve work productivity from 2016, and the telework system from 2018. These ongoing initiatives have been recognized, and we won the first prize in the 5th White Company Award.



Local Contribution Activities

Aiming to become a company that people will feel in need of, we implement a wide variety of local contribution activities, with particular focus on “personal development,” “measures against disasters” and “environmental support,” to give back to all of the countries, local communities, and society members that nurture and support NITORI Group.

Development of “Future IT Human Resources”



NITORI Holdings concluded a partnership agreement with Sapporo City and Hokkaido University in July 2019 for the development of “Future IT Human Resources”, who can leverage the power of digital technology and data to resolve local issues and create a society of the future. Hokkaido joined the partnership in March 2021 to expand and strengthen the initiative throughout the prefecture. The four dedicated parties are working together to roll out human resource development for each level of education, including elementary, junior high school, high school, university and graduate school students. “NITORI Future Society Design Course,” established in Hokkaido University, invites public applications for research using data and assignments provided by NITORI, as well as conducts cutting-edge research that make use of actual stores. Research outcomes are published in journals and presented in academic conferences, constituting practical human resource development initiatives. We are promoting initiatives so that Hokkaido, the place where NITORI was founded, will generate many talented people who will forge the future, and so that those people will generate vitality throughout the entire community by playing an active role in the region, and moreover become a bridge to the world.

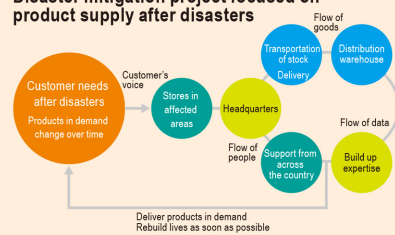


Disaster mitigation project and disaster assistance



As a social infrastructure company that deals with household items, NITORI Group consider it its mission to promptly deliver necessary products to customers in affected areas, when natural disasters occur. Based on multilateral analyses of issues found at the time of past disasters, we implement the “Future Disaster Mitigation Project,” which builds expertise to resume store operations in affected areas in the shortest possible time and simultaneously creates systems to supply products that are in high demand after disasters. The aim is to help customers restore their daily lives as soon as possible. When actual natural disasters, such as earthquakes and heavy rainfall, strike in various locations, the entire Group joins forces to procure and deliver emergency relief supplies to shelters and temporary housing at the request of the government and local municipalities. We will continue to offer assistance as necessary, both in Japan and overseas.

Disaster mitigation project focused on product supply after disasters



➔ Past disaster assistance: NITORI Holdings website

NITORI International Scholarship Foundation



NITORI's founder, Akio Nitori, donated his private funds to establish the NITORI International Scholarship Foundation in March 2005, hoping to give something back to people in the Asian countries, who have lent a tremendous support to the achievement of NITORI Group's mission. To expand friendship and support human resource development around the world, the foundation offers benefit-type scholarships and has supported a total of 7,040 students from 43 countries and regions. In addition, social events and study group sessions are held to provide opportunities for scholarship students from different countries and of different ages to interact with each other. These are precious opportunities where each scholarship student grows by finding inspiration from guests' and other alumni's advice and peers' speeches. We will continue to expand the circle of support in various ways, both in Japan and overseas.

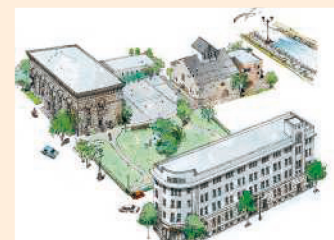


➔Details: Official website of NITORI International Scholarship Foundation

NITORI Culture Foundation



The NITORI Culture Foundation was founded in April 2011, to support the development and succession of culture, arts, and tradition and to be a bridge for the formation of a new culture. Taking up joint projects with NITORI, the foundation has supported activities that are for the public benefit and expected to contribute to local communities, as well as tree planting activities (supported the planting of a cumulative total of over 5 million trees). In October 2020, the foundation took over OTARU ART BASE, a collection of museums in Otaru City, Hokkaido that had been managed by NITORI, and started its management as a non-profit activity (the gallery attracted over 250 thousand visitors in fiscal 2019). Working with the foundation, we will promote and expand activities to contribute to tourism development, as well as to protect and use cultural resources such as historic structures and wonderful works of art.



\*In May 2021, a plan to promote cultural tourism in the Otaru Canal district, the center of which is OTARU ART BASE, was authorized as a project subsidized by the Agency for Cultural Affairs.