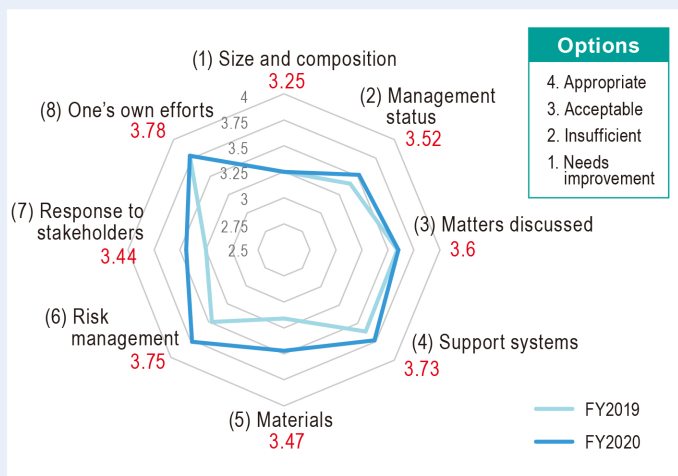


Corporate Governance

NITORI Holdings Co., Ltd. ("the Company") places top priority on sustainable growth and the medium- to long- term improvement of corporate value in its management. The Company believes that enhancing its corporate governance system is necessary for achieving these goals. To enhance corporate governance, the Company aims to build an organizational structure to respond promptly to any changes in the business environment, practice fair and transparent management as a listed company, and disclose accurate information to all stakeholders in a timely manner. Meanwhile, the Company will develop an internal system to establish its corporate social responsibility and corporate ethics.

Board of Directors' effectiveness evaluation



In analyzing and evaluating the effectiveness of fiscal 2020 Board of Directors, we confirmed the status of improvements and progress of the issues identified in the effectiveness evaluation conducted in the previous fiscal year. Based on the questionnaire-style evaluation given by each Director, individual interviews were conducted. The results were discussed by the Board of Directors to improve its functions.

Evaluation categories of the questionnaire

- (1) Size and composition of the Board of Directors
- (2) Management status of the Board of Directors
- (3) Matters discussed by the Board of Directors
- (4) Support systems for the Board of Directors
- (5) Materials for the Board of Directors meetings
- (6) Risk management
- (7) Response to stakeholders
- (8) One's own efforts

Initiatives in fiscal 2020



Priority issues for fiscal 2021 Board of Directors



Based on the results of the effectiveness evaluation, we interviewed our outside directors about the current state and the future of the Board of Directors.

Discussion with Outside Directors 1 (Non-Audit and Supervisory Committee Members)



We held a conversation with three outside directors who are non-Audit and Supervisory Committee Members: Mr. Sadayuki Sakakibara, Mr. Yoshihiko Miyauchi, and Ms. Naoko Yoshizawa (newly appointed). The themes discussed included the distinguishing characteristics of the NITORI Group's Board of Directors and the sustainable growth of the NITORI Group. The conversation was led by Kenichiro Aoya, Executive Officer and General Manager of the Legal Office.

*To avoid spreading COVID-19, those present wore face masks during the discussion and removed their masks only to have their photographs taken.

Enhancing the Effectiveness of the Board of Directors

Could you tell us what you regard as the distinguishing characteristics of the Company's Board of Directors, having attended its meetings?

Sakakibara: It's been exactly two years since I assumed the position of outside director. During that time, the outward characteristic that struck me most was that NITORI Group's Board of Directors is an extremely objective and progressive. The percentage of members who are independent outside directors is over 40%, and as the skills matrix shows, the mix of outside directors' skills is extremely well-balanced. In terms of the way meetings are run too, the outside directors lead a lively exchange of opinions, and for that reason, I feel that it really is a Board of Directors in the true sense. The board chairperson, Akio Nitori, is an owner-manager, but he always listens to the outside directors' opinions and comments and reflects them in his business management faithfully and with a sense of urgency. I feel that this is a distinguishing characteristic lacking in other companies managed by their founders. As outside directors are in the position of monitoring the executive directors, I try to comment from the perspective of shareholders and society at large. I can see that the executive directors take our comments very seriously, and instigate actions and improvements accordingly. When I first assumed this position, numerous detailed business execution-related matters would be selected for discussion by the Board of Directors, but recently, matters relating to management strategy and business

strategy have become the main topics of discussion. I have a real sense that this Board of Directors has evolved into a forum that can engage in enthusiastic discussion while emphasizing a strategic approach, considering practical management strategy from a long-term perspective, and incorporating the shareholder perspective.

Miyauchi: In my case, a year has passed since I became an outside director, so I am now in my second year. To address the question from a corporate governance perspective, I believe that the essential purpose of governance is to help a company continue generating value over the medium to long term. The responsibility for generating value lies with the executive directors, and it's the role of the Board of Directors to monitor whether they are on the right track toward their purpose and goals. That being the case, my own focus is on monitoring from an external perspective as a representative of the market. In fact, the Company's Board of Directors is moving in the right direction faster than I imagined it would. It may still be developing in some respects, but in light of my own experiences as an outside director at more than ten companies, I think the Company's Board of Directors is on course to be top class, so to speak. I've also been extremely impressed by how the Board's chairperson, Akio Nitori, who is also the Company's founder, listens with humility to the outside directors' opinions, and in no time at all, carefully considers them and incorporates them into the business. Mr. Sakakibara and I both have experience of running companies ourselves, and in our view

the Company's Board of Directors is making progress in discussing major themes such as management strategy and we're looking forward to future discussions.

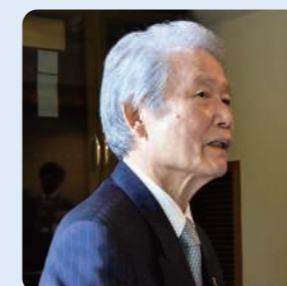
Yoshizawa: This is the first time I've ever been a member of the Board of Directors at a listed company. I've learned a great deal personally from attending the Company's Board meetings. At other companies' Board meetings that I experienced in Japan, there was often very little opportunity to discuss business strategy. On the other hand, my impression is that Board meetings at venture companies overseas are very strategic and discussions are guided by the directors' skills, drawing on their various perspectives as specialist professionals. To be honest, before attending the meetings of the Company's Board of Directors, I thought the atmosphere might be similar to the first group of companies I'd experienced, but once I attended meetings here, I gained the definite impression that this Board belongs to the second group. I'm very impressed by how the Board of Directors discusses strategy properly.

At the shareholders' meeting two female directors were appointed. Could you tell us what changes you're expecting with the addition of a female perspective?

Sakakibara: I regard the addition of two female directors as a major reform. With women's participation, the atmosphere at Board meetings will change completely and both the content and quality of comments will naturally differ from before, especially as opinions from a new perspective are voiced. And when you consider that, in the case of consumer goods such as the products the Company handles, the authority for purchasing decisions often lies with women, a management strategy focused on women's perspective is indispensable. In terms of diversity too, we could perhaps add another female member. And I also think it would be a good idea to have non-Japanese directors in future from a diversity standpoint.

Miyauchi: I think of diversity as meaning variety. But it's not a case of a woman speaking on behalf of women or a man speaking on behalf of men. What will be important as the next step, I think, will be to avoid categorizing people in terms of separate genders or nationalities in the name of "diversity," and instead, to ensure that people with an array of different backgrounds and skills can bring variety into debates.

Could you tell us what perspectives you yourselves adopt when commenting or expressing opinions at Board meetings?



Sadayuki Sakakibara
Outside Director, NITORI Group

Sakakibara: As I mentioned earlier, I monitor and comment from the perspective of shareholders and society at large. There are three generations of outside director arrangements: Generation 1.0, Generation 2.0, and Generation 3.0. The

Generation 1.0 arrangement was what we might call an extension of relationships between friends. Generation 2.0 could be described as an arrangement whereby outside directors keep corporate governance and compliance in mind as they monitor management. I think Japan is currently in Generation 2.0, and Generation 3.0 is an arrangement whereby, in addition to the role outside directors play in Generation 2.0, they not only advise on management strategy, but also become involved in its formulation. Based on my own experience of running a company, my comments are intended to enable discussion of management strategy from a Generation 3.0 perspective. As an outside director, I try to probe deeply, primarily as a means of helping to formulate better management strategy.

Miyauchi: I think the current executive directors are a great team: they're extremely passionate about their work, they work quickly, and they thoroughly understand the relevant issues. It's important that this continues to be the case. And this is the perspective from which I intend to approach monitoring.

Have there been any occasions when you felt that your comments at a Board meeting changed the result of a discussion, or led to improvements in how duties are executed or how the Board of Directors is run?

Sakakibara: Although the Company's Board of Directors is still developing, I think it has evolved significantly even in just these last two years. The opinions of outside directors including myself are taken seriously; for example, the suggestion that we should allow more time to discuss medium- to long-term strategy was properly addressed. I feel that the executive directors are very quick to act.

Miyauchi: When the outside directors offer their opinions, the executive directors give those opinions serious thought and come up with plans. Even if the plans don't come to fruition, the outside directors have fulfilled their duty by expressing their opinions. When I give my opinions to the Company's executive directors, I feel confident that they will always seriously discuss the issues I raise. From that point of view, I feel that my role as an outside director at the Company is meaningful.

Achieving Sustainable Growth and Enhancing Corporate Value for the Company

Could you tell us the potential issues to be aware of when implementing digital transformation (DX) in NITORI Group over the medium to long term?

Sakakibara: DX has become a key shared concept, not only throughout Japan, but throughout the entire world. Yet, it seems to me that many companies in Japan are taking an over-simplistic approach by directly equating DX to IT. IT and AI are merely tools; the real objective lies elsewhere. That's to reform businesses and operations. In addition to reforming the Company's actual businesses for the DX era, therefore, we will also need to reform all the operations that make up each business, including store operations and the product mix. I think we should treat DX as our actual management strategy and create a specialized internal



Yoshihiko Miyauchi
Outside Director, NITORI Group

organization to promote it. This organization should not only develop the physical infrastructure necessary for DX, but should also deliberate on how to create a new NITORI Group, drawing on the opinions of the outside directors.

Miyauchi: We should think about how DX could be

incorporated into, or combined with, the Company's main business model. Effective use of DX might enable us to change NITORI Group's business formats in positive ways. However, doing so will require human resources with the business management skills to determine the changes to be made; I therefore think we should develop such human resources.

Yoshizawa: I believe there are three hurdles to overcome in implementing DX. The first is the "ideas hurdle," the second is the "investment decision hurdle," and the third is the "execution hurdle." I myself often talk to companies about DX, and the most common cause of failure for DX initiatives is the poor quality of the initial ideas on which they're based. The first requirement when implementing DX is usually to conduct a POC (Proof of Concept), but POCs generally achieve only a 20% success rate. Or it might be even less than that. Accordingly, the reality is that, unless a DX-related idea proves to be at least five times more successful than usual at the POC stage, it won't be a worthwhile investment. So, the number of high-quality ideas that can be generated at the beginning is important. The next most common pattern of failure is an inability to get others involved. Within a company, individual people and departments have their own differing opinions and aims. But, when implementing DX, it's essential for the entire company to proceed based on a shared understanding. DX is a business reform aimed at providing added value to customers. As it entails creating an organization and corporate culture that can provide added value continuously, I believe it's necessary to involve the entire company. And next we come to the third pattern of failure, which is employing low-quality solutions to issues. For example, if one takes a tools-based approach to dealing with a certain issue, and decides from the start to solve the issue using AI, that mindset is in itself misguided. AI is just a means to an end; there are many other factors and choices to be considered when solving an issue. Failing to think about those other elements is a mistake. The keys to avoiding failures such as these are commitment to DX on the part of the management, and a shared understanding among employees. And, when coming up with ideas, it's important to ensure diversity by, for instance, introducing a variety of opinions from outside the company. This is because people inside a company sometimes regard things as normal when they're actually not.

Could you tell us how the sustainable growth of NITORI Group should be combined and balanced with ESG and SDGs?

Sakakibara: In the last year or two, ESG and SDGs have come to be recognized as the top priority in business management worldwide. However, instead of undertaking related initiatives for nebulous reasons, as in the past, we should engage with ESG and SDGs as key issues for the company, acknowledging that our business depends on doing so to remain viable. Amid major worldwide trends including efforts to achieve net-zero carbon emissions by 2050, and to address human rights issues, NITORI Group cannot survive as an enterprise unless it sets out its policy and priorities. At this very moment we're at a fork in the road, and as a company it will be crucial to have guiding principles.

Miyauchi: I too sense rapid change. With regard to assessments by organizations such as ESG assessment bodies, for the time being I think we have no choice but to aim for just a "pass mark," but in future we must earn better assessments in a way that is workable from a business perspective. This is because corporate activities are set to come under increasing pressure from outside, both socially and politically. In future, we should aim to be among the top companies that lead the way in terms of ESG and SDGs, as well as in other areas. I see this as the path we must follow.

Yoshizawa: Given that shareholders provide the capital that funds sustainable growth, I think it's essential to focus action on the issues that are currently of greatest concern among institutional investors and other shareholders—namely, the environment, and climate change in particular. As the Company's Integrated Report shows, its initiatives to tackle environmental issues have made great progress. However, when business expands, distribution centers and stores, for example, increase, and this results in a vast number of route permutations. It may therefore become impossible to improve the efficiency of distribution routes from within the existing system. For that reason, NITORI Group always needs to be taking action focused on the next step ahead, such as considering new technologies now.

Could you tell us your thoughts regarding the challenges of globalization?

Sakakibara: My perception is that the Company's global business development is still far from adequate. Growth in the Group's global business will be crucial to achieve its mission and vision, but simply persisting with the current way of doing things won't be enough. In terms of the organization, for instance, the Group should create an internal organization dedicated exclusively to global business development. Overseas strategy is a specialist field that requires sophisticated skills; an organization and overseas



Naoko Yoshizawa
Outside Director, NITORI Group
(newly appointed)

operating sites need to be put in place to focus on this strategic area. There can be no doubt that overseas expansion is challenging. Accordingly, I believe that, rather than trying to control overseas operations from Japan, it's only once human resources totally committed to a certain country are living and working there that the first signs of success will emerge. The Company has only just made it to the start line in terms of global business development. I think it should develop specialist human resources who can formulate overseas strategy, and undertake upfront investment, while holding more discussions including exchanges of opinions with outside directors.

Miyauchi: It's fantastic that the entire company is heading in the same direction, guided by a vision for the next ten years. Looking back at the Company's business model to date, it hasn't branched out into new products or services, but has instead concentrated on its original furniture and home fashion businesses as a means of building a wide network of stores and achieving success. And now that it's become a leading company in the domestic arena, the Company's taken on the ambitious task of trying to do two difficult things at the same time: enter the markets for new formats and services, and advance into new geographical areas overseas. Both of these endeavors require knowledge, but if the Company is to make progress on these fronts, what it lacks above all are human resources. The Company needs to engage in serious, probing discussions to determine how to develop the human resources that will be central to its plans. The fact is that it's trying to do something unprecedented that no other retail or services business has ever done. Japan boasts numerous outstanding retail and services businesses, but few of them have been successful outside this country. So, I'm really looking forward to seeing the Company make inroads overseas according to the NITORI Way, and my expectations are high. That's another reason for the Company to hold repeated discussions as a matter of urgency and put its plans into action.

Yoshizawa: In my own experience, growth in the size of overseas operating sites gives rise to the issue of how to ensure effective governance over them. It's important to delegate certain aspects of governance to local operating sites that fully understand their own markets, but in cases where it's necessary for the NITORI Group

as a whole to move in a single direction globally, this issue becomes very difficult to deal with. To cite some specific examples, the Company needs to consider how to implement employee appraisals and management accounting. It will be important to design systems that take local approaches into account. Meanwhile, another issue is, of course, human resources. A company can't just start managing overseas operations overnight if experience hasn't been accumulated well in advance. I'm well aware that the Company's investing effort in developing human resources, but it's important to tackle the issue of how to cultivate individuals capable of management suited to different countries and regions from a young age.

Could you tell us your thoughts on further strengthening the Company's corporate governance?

Sakakibara: An important role of the Board of Directors is choosing the next generation of senior managers. In fact, one could even say that taking the lead in the replacement of senior management is another one of our key functions as outside directors. The Company has set up a discretionary Nominating and Compensation Committee, so the Board of Directors needs to be kept fully informed of the types of discussions that take place at this committee. I also believe that key issues and strategies shouldn't be discussed only at meetings of the Board of Directors. I think it would be a good idea to also have something like a separate discussion forum made up entirely of outside directors.

Miyauchi: The Company shouldn't aim merely to be a corporate governance high-flier by Japanese standards, within the framework of the Japanese Companies Act; it should aim to lead the way overseas as well. And surely it should also consider the future possibility of changing its corporate governance structure to become a Company with a Nominating Committee, etc. Progress is being made in delegating business execution-related matters to the executive directors, but I also think it would be great if we could create a setup whereby even more authority for reporting, such as monthly reporting, is delegated to executive directors to enable more dynamic discussion of medium- to long-term topics.



Discussion with Outside Directors 2

(Audit and Supervisory
Committee Members)

We held a discussion with three outside directors who are Audit and Supervisory Committee Members: Mr. Takaharu Ando, Mr. Kazuhiro Suzuki, and Mr. Tsuneyoshi Tatsuoka. The themes discussed included evaluation of the effectiveness of NITORI Group's Board of Directors and the sustainable growth of the NITORI Group. The conversation was led by Kenichiro Aoya, Executive Officer and General Manager of the Legal Office.

*To avoid spreading COVID-19, those present wore face masks during the discussion and removed their masks only to have their photographs taken.

Enhancing the Effectiveness of the Board of Directors

In evaluating the effectiveness of the Company's Board of Directors, we have aimed to delegate a greater number of decisions on business execution-related matters to the executive directors, while shifting the matters to be discussed by the Board of Directors to medium- to long-term strategy. Could you tell us if you feel that this has been successful, and if you think that the themes to be addressed as agenda items by the Board of Directors are appropriate?

Ando: My impression is that increased delegation to the executive directors and the shift toward discussion of medium- to long-term strategy are progressing incrementally; I think things are heading in the right direction. As one point to be aware of, however, I'd suggest that minor changes or issues that occur at stores or other frontline locations sometimes presage larger medium- to long-term issues, so I feel that, rather than narrowing down the number of themes too much, I'd like such frontline changes or issues to be addressed as a theme within the discussion of medium- to long-term strategy as well. And I'd like us to keep that perspective in mind in future.

Suzuki: I feel that increased delegation to the executive directors has brought about a shift from discussion of detailed matters to discussion of medium- to long-term themes.

Tatsuoka: I have the impression that we've steadily transitioned from "management-style" discussion of individual store openings and similar matters to "monitoring-style" discussion of cross-cutting issues. Looking ahead, as the Company works toward achieving its targets for 2032, there's a limit to what can be achieved simply through organic growth of the furniture and Hfa businesses. I therefore think it will be necessary to discuss medium- to long-term strategy, taking into account changes in the operating environment.

Could you tell us which themes you think should be addressed as agenda items (or should be extended in scope) going forward?

Ando: Overseas regions such as the U.S. and Eastern Asia are far ahead of Japan in terms of integrating online and offline services, and even within Japan itself the barriers to entering other business spheres or industries are lower than they were previously. What's more, companies trying out a variety of different formats have appeared, so there is more competition. In such circumstances, I think that Board of Directors meetings should include descriptions of the latest trends among progressive retail businesses in Japan and overseas, and discuss the theme of potential risks to the Company as a result of taking no countermeasures. And, with regard to SHIMACHU CO., LTD., which became a member of NITORI Group, the theme of how the two companies should merge and generate synergies over the mid to long term should be incorporated into discussions.

Suzuki: We need to discuss the course the Company should take in developing its business in order to achieve its mission and vision. I believe that, in addition to discussing the Company's existing formats, we need to discuss its entry into the new formats of apparel, including the business of N Plus Co., Ltd., and restaurants, in the form of the NITORI Dining business. We also need to talk about business development overseas, and in particular the course to be followed when expanding business elsewhere in Asia, including the ASEAN nations.

Tatsuoka: I believe there are four themes that should be discussed within a larger framework. The first is overseas strategy. NITORI

(CHINA) HOLDINGS CO., LTD. is in the process of moving on from the current situation, in which it purposely decelerated store openings and paused for a while. In light of what's been learned there, we should discuss the Company's future strategy for other regions as well. The second theme is strengthening existing formats and expanding business areas. In this regard, we should discuss how to approach new business areas such as SHIMACHU CO., LTD.'s home center business and the apparel business of N Plus Co., Ltd., while leveraging the Company's strengths. The third theme requiring discussion is digital transformation (DX). Pursuing more seamless O2O is essential as the next phase for the Company, so we need to discuss what type of measures should be taken to ensure proper CRM (Customer Relationship Management) as a means of enhancing customer satisfaction. The fourth theme is financial strategy; I think that, as the Company undertakes M&A and major investments, it will be necessary to discuss medium- to long-term cash flow.

At the shareholders' meeting two female directors were appointed. Could you tell us how you think the Board of Directors will change with the addition of a female perspective?

Ando: Precisely because women account for a large proportion of the Company's customer demographic, I have high expectations that adding a female perspective to the management of the business and hearing their opinions during Board discussions will have a positive effect. What's more, the fact that we now have a female inside director (Hiromi Abiko), will serve as encouragement to many female employees.

Suzuki: The appointment of a female employee who started her career at the Company as an inside director is a very significant development. I think it will raise motivation for the Company's female employees. And, as the Company's products comprise numerous household items including furniture, I think that opinions from a female perspective represented in meetings of the Board of Directors certainly will have a positive effect. Not only does Ms. Abiko's appointment increase diversity, I also think it's an appropriate appointment in terms of contributing to the Company's strategy with regard to business formats.

Tatsuoka: In addition to benefitting from the perspective of the Company's female customer base, as pointed out by my two colleagues, I expect the Board of Directors' discussions to be enlivened by the addition of the younger generation's perspective. Looking ahead to potential changes in the post-coronavirus world,



Takaharu Ando
Outside Director and Audit and Supervisory Committee Member, NITORI Group

this younger generation (the generation closest to the Company's customer base) will be highly attuned to shifts in consumer preferences. Newly appointed inside director, Ms. Hiromi Abiko is highly insightful and perceptive with regard to human resources development, training, and coordination, while outside

director, Ms. Naoko Yoshizawa offers the same degree of insight and perceptiveness with regard to DX and IT. I therefore expect that these two directors will not only provide a female perspective, but will also bring their respective specialist skills into play.

Could you tell us what perspectives you yourselves adopt when commenting or expressing opinions at Board meetings?

Ando: The first perspective I adopt is that of consumers. I'm always trying to ascertain whether the Company is managing to provide products that enable a large number of customers to experience enriched homes. My criterion is whether the Company is continuously providing products that offer new forms of appeal, and when I have time, I go to look at competitors' stores to find out what they are doing with new formats. My second perspective is whether the Company can continue growing into the future, so I'm checking that the Company isn't relying too much on its past successes and showing reluctance to reform. The third is crisis management. Obviously, this involves commenting from a crisis-management perspective when a scandal or something similar occurs, but it also involves constantly thinking about risk across all aspects of corporate management and looking ahead to the future to offer comments intended to prevent risks arising from issues that have not yet become apparent.

Suzuki: I believe the Company's lineup of directors is diverse, and I have a high opinion of the Board of Directors, which holds lively discussions and is highly effective. Each individual director provides objective opinions based on his or her own experience and perspectives, and I myself intend to express my opinions from a compliance and governance perspective. The Company is managed by its founder and chairperson, Akio Nitori, and it's his charisma that's enabled it to continue growing. This could potentially create an atmosphere that makes it difficult for inside directors to express disagreement freely. In such circumstances, it's crucial that outside directors can speak freely, and I myself am doing so. In fact, the atmosphere is such that everyone can fully express their opinions to the chairperson as well, and I therefore feel that this is a genuinely effective Board of Directors.

Tatsuoka: As my own distinguishing characteristic within the Board of Directors is my experience of working at an economics-related governmental ministry, my contributions to discussions are informed by my past involvement with matters including structural changes in the Japanese economy and industry, corporate governance reform, issues relating to energy and the environment, and trade policy including geopolitical issues relating to Eastern Asian countries. At the same time, I believe that the key to continuously enhancing corporate value—the most important mission for directors—is sustainability. To describe sustainability in my own words, it would be "the capacity to always continue being regarded as essential by consumers, even when the external environment is changing dramatically." I make a point of constantly keeping this perspective in mind. During discussions, I strive for a combination of understanding and vigilance. In addition to trying to fully comprehend the Company's corporate culture and its unique



Kazuhiro Suzuki
Outside Director and Audit and Supervisory Committee Member, NITORI Group

business model integrating manufacturing, distribution, IT, and retail, I pay attention when my own common sense makes me feel uncomfortable about certain matters or developments. I approach my role with the attitude that it's important to maintain a balance between deepening my understanding of the Company and retaining

a degree of vigilance with regard to its management.

Achieving Sustainable Growth and Enhancing Corporate Value for the Company

Could you tell us your thoughts regarding the risks associated with globalization and entry into markets overseas?

Ando: In addition to the time it takes for forays into overseas markets to turn a profit, companies are reluctant to waste the investments they've already made, so many find it difficult to withdraw. To avoid that from happening, I think it would be better to decide in advance the timing for reviews of Company's policies on withdrawing or temporarily pausing. The Company should also make strategic preparations to develop human resources who can work effectively in the global arena, in line with its future plans for entering new markets. And another important thing is to conduct exhaustive local marketing in advance.

Suzuki: Although the Company still has scope for growth within Japan, future expansion overseas is unavoidable, and I believe that making inroads in Eastern Asia and the ASEAN nations is particularly important. In Eastern Asia, the Company already has experience of opening stores, so it has accumulated know-how, but in new regions such as the ASEAN nations and Europe, where it hasn't yet opened any stores, it will be important to take full stock of local circumstances, and work out how to deal with them. Such circumstances could include internal affairs, politics and economics, living conditions, and feelings toward Japan. The Company should then devise comprehensive plans for entering each market, including development of distribution networks and IT infrastructure. For example, the key to accelerating store openings in Eastern Asia is human resources development targeting middle-ranking executives, and when opening stores in Europe and the ASEAN nations, it will be difficult to achieve adequate results without first establishing a system for educating human resources, which should include identifying the skills required and developing local employees. When doing business with local suppliers as well, I think the Company needs to gather information about the conditions in each country or region, whilst also taking the SDGs into account.

Tatsuoka: When expanding overseas, alongside discussing the policy regarding which regions should be targeted, it's also necessary to consider how to build the Company's brand image

and corporate identity. As long as the Company stays within Asia, it may be enough to simply stick with the current way of doing things, but entry into the European and U.S. markets, where values differ significantly, will necessitate discussion. In addition, standardization and sharing of products leads to increased efficiency, but preferences and markets differ from one region to another, so localization will also be required to some extent. Therefore, it will be necessary to find the right balance between standardization and localization through trial and error. Meanwhile, as everybody's pointing out, the biggest issue is human resources. In particular, as we learned through the Company's experience in Eastern Asia, when embarking on a phase of accelerated store openings, a system is required to prevent a mismatch between the capabilities of the human resources and the store opening plans. And, when expanding into new regions, it's important to have the necessary operating foundation, including standardized infrastructure for IT and operations, so a proper strategy needs to be worked out alongside opening stores. When developing supply chains in each region, it's important to ensure their resilience in light of the risks in each country and region. The Company must make arrangements to monitor supply chains' sensitivity to geopolitical risks and situations systematically and continuously.

Could you tell us your thoughts on creating empowered work environments and promoting diversity from the ESG and SDG perspectives?

Ando: To create empowered work environments, the Company needs to implement tangible measures, such as expanding telework by pursuing DX and creating an environment in which employees can use satellite offices, although in essence it's the intangible aspect—people—that's more important. I think that further enhancing the education provided to executives to cultivate respected individuals who can raise the morale of their teams will do more to empower employees than providing the right physical environment.

Suzuki: I feel that ESG and SDGs related initiatives initially had a strong air of being responses to external pressure from Europe and the U.S., rather than being something inherently Japanese. Recently, however, the idea that it's normal for companies to engage with ESG and SDGs has become more prevalent. Awareness of ESG and SDGs has grown at the Company too: for instance, it established the Sustainable Development Goals Promotion Office as a new department to play a role within the wider society as a means of contributing as a company. To produce results, however, it's necessary for not only senior management, but all employees, to be ESG and SDGs aware. Moving on to the issue of creating empowered workplaces, the Company's employment of a very large number of part-time



Tsuneyoshi Tatsuoka
Outside Director and Audit and Supervisory Committee Member, NITORI Group

employees requires it to think about their terms of employment and ensure that those terms have been set properly. I think it's important to conduct accurate employee surveys to establish whether part-time employees really do feel empowered, and to follow up by bringing any issues to light and resolving them.

Tatsuoka: Ultimately, the Company's greatest asset is its people. What's struck me about the Company's corporate culture is its ethos of striving to achieve targets—even those that appear ambitious—by starting with the target itself and backcasting from there to identify the required actions. I've realized that this ethos is not just empty words, but an approach that has permeated through to every single employee. Meanwhile, the Company, for its part, appears to value its human resources because it invests a considerable amount in people, including sending them to seminars in the U.S. On the issue of creating empowered environments, I believe that employees can maintain their motivation and work energetically if they experience three feelings simultaneously. These are: (1) the feeling of achieving self-fulfillment and personal growth, (2) the feeling of being connected to the Company's business performance and growth, and (3) the feeling of being connected to social contribution by providing enriched lifestyles to people around the world. As the underlying infrastructure is already in place, including the corporate culture and provision for training, I think the Company should seek to make further progress in this regard. Moving on to diversity, it seems to me that the point is not to hold discussions within formalized frames of reference defined by gender and nationality. Instead, surely, what changes the status quo and leads to innovation is the process whereby contact between human beings of various types triggers a chemical reaction. As implied by the saying "two heads are better than one," it's important for people with a variety of attributes and backgrounds to come into contact and react against each other. The Company already appears to have the foundations of a corporate culture that allows employees to constantly interact and produce an effect that was not expected and clash over their approaches, so it just needs to do more to cultivate this culture.

Could you tell us your thoughts on further strengthening the Company's corporate governance?

Ando: I have a high opinion of the Company's Board of Directors, which holds very lively discussions, even in comparison with other

companies. To strengthen corporate governance even more, I'd like the standard of the documents provided to the Board of Directors to be further improved. Discussions would be enlivened by eliminating differences in the standard of documents produced by individual departments and concisely summarizing issues for discussion in terms of where they arose, their background, how they were handled, and the efficacy of the measures taken. With regard to important topics for discussion, when there are matters over which opinions are divided at the Internal Board of Directors (the body that deliberates on matters for discussion prior to meetings of the Board of Directors), if the points of contention could be clearly set out for the Board of Directors, the decision-making process up until that point would be easier to understand. Meanwhile, from a risk management perspective, if reports could be made to the Board of Directors not only after incidents have occurred, but whenever there are risks, or signs of risk, relating to any aspect of the company's management over the mid to long term, I think such risks could be averted by receiving useful opinions and comments from outside directors with abundant experience in a wide array of fields.

Suzuki: The documents provided to the Board of Directors have improved, and the volume of documents is now at the right level, but I would like even more to be done in this regard. As Mr. Ando said, it's probably necessary to share information about the process of internal decision-making, such as the points of contention when there's disagreement at the Internal Board of Directors. And I'd suggest that topics discussed at Audit and Supervisory Committee meetings should also be reported to the Board of Directors, although not necessarily every time.

Tatsuoka: While it's a plus that the skills and perspectives offered by the directors are becoming more diverse, I also see a need to review how deliberations are conducted in future so that discussions don't lose focus as a result of the increased number of Board members compared with a few years ago. For complicated matters, it would be advisable to provide fuller explanations prior to Board meetings, reducing the time spent explaining agenda items during meetings as much as possible, to ensure more time to engage in actual discussion. In order to maximize the benefits of greater diversity, I think we need to avoid running meetings the same way we've always done, and instead embrace further reforms.



Directors (As of May 13, 2021)

Directors

 Akio Nitori Representative Director & Chairperson (CEO)	 Toshiyuki Shirai Representative Director & President (COO)	 Fumihiko Sudo Director, Executive Officer & Vice President
 Fumiaki Matsumoto Director, Executive Officer & Vice President	 Masanori Takeda Director General Manager of Global Merchandising Division General Manager of Global Sales Promotion Office In charge of Overseas Sales Business	 Hiromi Abiko Director General Manager of HR Education Division
 Takaaki Okano Director	 Takao Kubo Director Member of Audit & Supervisory Committee (Full-time)	




Independent Outside Directors

 Sadayuki Sakakibara Director * Independent Outside Director	 Yoshihiko Miyauchi Director * Independent Outside Director	 Naoko Yoshizawa Director * Independent Outside Director
 Takaharu Ando Director * Independent Outside Director Member of Audit & Supervisory Committee	 Kazuhiro Suzuki Director * Independent Outside Director Member of Audit & Supervisory Committee	 Tsuneyoshi Tatsuoka Director * Independent Outside Director Member of Audit & Supervisory Committee

Executive Officers

Executive Vice Presidents Fumihiko Sudo / Fumiaki Matsumoto	Senior Executive Officers Naoshi Takei / Manabu Nakamura / Hiroshi Nagai / Kazuyuki Hashimoto / Isao Arai / Tsuyoshi Okamura / Junichi Yoshima	Executive Officers Akio Igarashi / Hidetoshi Kobayashi / Tadashi Kudo / Soichi Oda / Eri Ablet / Hiroki Murabayashi / Kunihiko Takahashi / Yoshihisa Sato / Nobuyuki Tomii / Toshinao Matsushima / Ei Sugiura / Harumi Sawai / Akihiro Kushida / Kenichiro Aoya / Shigeyuki Kushida / Koichiro Oshima / Tadahiro Hosokawa / Kazuya Orimoto
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The Aspirations of Newly Appointed Directors

 Hiromi Abiko Director General Manager of HR Education Division	 Takaaki Okano Director	 Naoko Yoshizawa Director * Independent Outside Director
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I am very pleased to have recently assumed the position of director at NITORI Holdings. For more than 30 years I have been involved in the development of coordinated products, as well as in creating systems for delivering coordination-related education and in-house training on chain store theory. Over the past five years I have been working within the field of coordinated product development on product branding, and I served as manager of the Planning Group Merchandising Division. This year, I was appointed as president of NITORI University and general manager of the HR Education Division. I intend to apply my knowledge and experience to the human resources development field in order to promote education that enables employees to become who they want to be, and to put NITORI's excellent corporate culture (the NITORI Way) into words as a means to educate employees. I will dedicate myself as a member of the Board of Directors to enable the Company to enhance its corporate value sustainably. I look forward to serving the Company.

I am very pleased to have recently assumed the position of director at NITORI Holdings. For the past 18 years I have worked in furniture and home improvement retail. During the last seven years I was a director at SHIMACHU responsible for the administrative divisions of Human Resources and General Affairs and following a stint as general manager of the Sales Division, I served as representative director. I intend to apply my knowledge and experience to promote NITORI Group's comprehensive lifestyle suggestions, including those in the home improvement field. I will dedicate myself as a member of the Board of Directors to enable the Company to enhance its corporate value sustainably. I look forward to serving the Company.

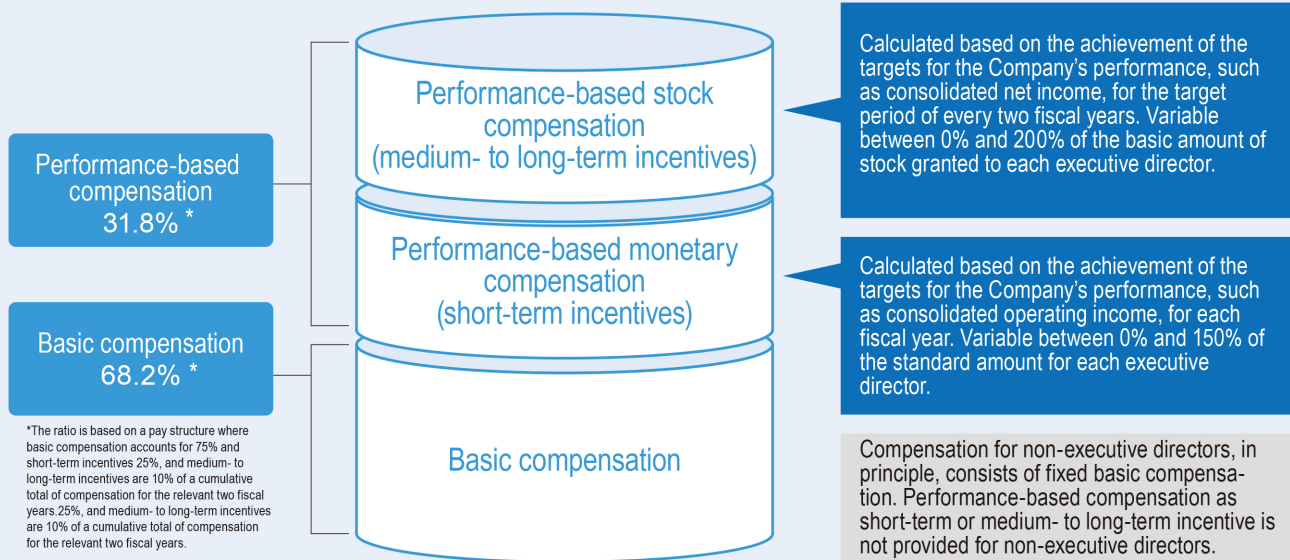
I am very pleased to have recently assumed the position of outside director at NITORI Holdings. For more than 30 years I have worked on projects with IT vendors inside and outside Japan in fields including development of databases, cell phones, smartphones and AI business. During the past few years in particular, I have challenged myself to broaden my horizons by starting up a new IT business overseas and providing advisory services to venture companies in Japan, among other endeavors. I intend to apply my knowledge and experience to help make digital transformation a reality at NITORI Group. I will dedicate myself as a member of the Board of Directors to enable the Company to enhance its corporate value sustainably. I look forward to serving the Company.

Skills Matrix

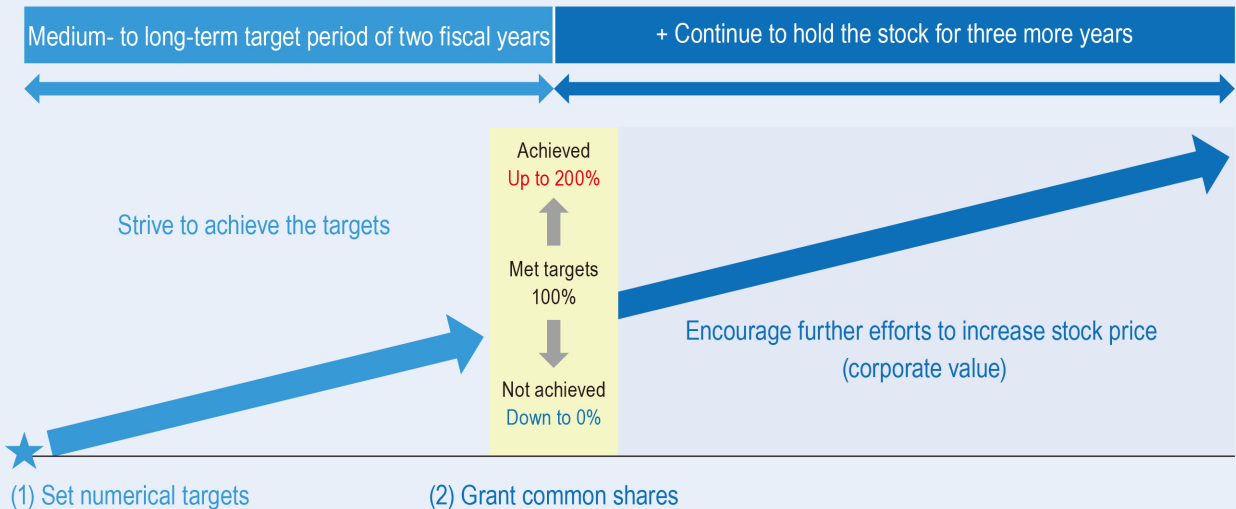
Of the skills, etc. held by each Director, maximum of seven main skills are marked with ●.

		Knowledge and experience the Company expects of Directors															
Name	Title	Independent	Nominating and Compensation Committee	Corporate Management Strategy	Product Development Coordination	Production Quality Control	Logistics & Trading Procurement	IT Promotion & Information Communications	Sales Planning Strategizing Policy	Macroeconomic & International Situation	Overseas Business Strategy	Rejecting Status Quo Changes & Challenges	Organization & HR Development	Legal Affairs Risk Management	Finance & Accounting Taxation	Internal Control Governance	Sustainability SIGs
Akio Nitori	Representative Director & Chairperson (CEO)		● (Chairperson)	●	●				●		●	●	●			●	
Toshiyuki Shirai	Representative Director & President (COO)		●	●	●		●	●				●	●				●
Fumihiko Sudo	Director, Executive Officer & Vice President			●	●			●	●			●					●
Fumiaki Matsumoto	Director, Executive Officer & Vice President			●		●	●	●			●	●					
Masanori Takeda	Director			●	●	●	●		●		●	●					
Hiromi Abiko	Director				●	●						●	●				●
Takaaki Okano	Director			●					●				●				
Sadayuki Sakakibara	Outside Director	●		●		●		●		●	●					●	●
Yoshihiko Miyauchi	Outside Director	●		●			●	●		●	●					●	●
Naoko Yoshizawa	Outside Director	●		●				●			●						
Takao Kubo	Director Full-time Member of Audit & Supervisory Committee			●					●			●			●	●	
Takaharu Ando	Outside Director Member of Audit & Supervisory Committee (Chairperson)	●	●							●			●	●		●	●
Kazuhiro Suzuki	Outside Director Member of Audit & Supervisory Committee	●	●										●	●		●	●
Tsuneyoshi Tatsuoka	Outside Director Member of Audit & Supervisory Committee	●	●					●		●				●	●	●	●

Executive compensation system



Performance-based stock compensation system



Performance Share Unit

To strengthen the link between the compensation structure and medium- to long-term increase in corporate value, the Company has adopted a performance-based compensation system (Performance Share Unit) in which compensation is provided in accordance with the achievement of medium- to long-term performance targets.

Restrictions on transfer after delivery

To promote medium- to long-term profit sharing with shareholders, the Company's shareholding guidelines set forth that a three-year restriction shall be imposed on the transfer of stock granted as performance-based stock compensation.

Clawback provisions

The Company's shareholding guidelines set forth that the Company may request an eligible director to **return the incentives (clawback)** if misconduct or illegal conduct causes a material breach regarding financial reports.