

Materiality 1 Contribution to enriched lifestyles by “offering the unexpected”

NITORI Group places the highest priority on resolving customers' frustrations and inconveniences, and continues to pursue what is useful, always from the perspective of our customers. Taking advantage of our business model that integrates manufacturing, distribution, IT, and retail, we will not only maintain affordability and appropriate quality but also offer products and services that live up to the concept of “offering the unexpected,” allowing everyone to enjoy coordination. As we work to be conducive to customers' convenience and comfortable lives through those products and services, we hope to further contribute to enriched lives of customers by creating and providing unprecedented, new value that also leads to solutions to environmental and social issues.

Materiality 2 Product safety and security through comprehensive quality control

NITORI Group always has the customer's perspective and recognizes its social responsibility to contribute to safe and secure lives of customers, not to mention offering products with stable quality at affordable prices. We work to improve quality and ensure safety at all times, so that customers can use our products safely and with peace of mind.

Materiality 3 Promotion of environmentally conscious business

To prevent its business expansion from increasing environmental impact not only within the Company but also throughout the entire supply chain including suppliers, NITORI Group strives to be environmentally conscious at all times by saving resources and energy. In addition, we aim to promote initiatives that conserve and improve the environment through business and to contribute to the creation of a better environment.

Response to climate change

We recognize a range of risks caused by the impact of climate change, and by taking advantage of our unique business model, work to optimize all stages of our supply chain to improve efficiency and the level of optimization. We thereby reduce CO2 emissions and mitigate the impact of climate change. Going forward, we will work to disclose information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

Energy use

We recognize the finite nature of energy essential for our business activities, and by taking advantage of our unique business model, work to improve efficiency of and reduce energy use throughout the entire supply chain. In addition, we contribute to the reduction of energy use in customers' everyday lives by developing and selling environmentally friendly functional products.

Effective use of resources

As a company that manufactures and sells a wide range of products from large furniture to fabric products (bedding, curtains, etc.), hard products using metal and plastic, and accessories (tableware, etc.), we regard it our corporate responsibility and an important mission to recognize the finite nature of resources, especially timber, and address the sustainability of resources. We strive to reduce the amounts of resource use and waste in the product life cycle by making full use of resources, without wasting, and promoting recycling through effective use of recycled materials.

Prevention of air and water pollution

Both our own factories and suppliers 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.

CO2 emissions from NITORI Group's domestic operations

Greenhouse gas emissions from domestic operations calculated based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain

Domestic operations: Stores (NITORI, Deco Home), Head Office (Sapporo Head Office (including Nitori Asabu store), Tokyo Headquarters (including Nitori Akabane store)), and distribution bases (distribution centers, sales offices)

		Unit: (t-CO2e)			
CO2 emissions from domestic operations		FY2018	FY2019	FY2020 ^{*3}	
Scope 1 (t-CO2e)		Total	50,605	50,192	57,567
Direct emissions from the use of gas, kerosene, and diesel oil (Amount of energy (gas, kerosene, and gasoline) use) × (CO2 emissions unit by type of energy)	Stores	49,341	48,807	56,294	
	Head Office, etc.	665	757	676	
	Distribution bases	599	628	597	
	Scope 2 (t-CO2e)*1	Total	107,651	101,858	110,336
Indirect emissions from electricity use (Amount of electricity use (kWh)) × (Emission factors by electricity supplier)	Stores	93,581	87,854	95,432	
	Head Office, etc.	3,232	3,241	3,144	
	Distribution bases	10,838	10,763	11,760	
	Total of CO2 emissions associated with energy use*2		158,256	152,051	167,903
CO2 emissions per 100 million yen of net sales in Japan			34.5	29.6	29.4

*1 Scope 2 emissions were calculated by multiplying CO2 emissions from electricity purchased from other companies by emission factors by electricity supplier (emission factors after adjustment), based on the Global Warming Countermeasures Act.

*2 CO2 emissions associated with energy use represents the total of Scopes 1 and 2.

*3 Energy use in summer and winter temporarily increased for FY2020 to maintain a comfortable room temperature while ventilating the stores to prevent COVID-19 infection.

Energy use (gas, kerosene, gasoline, diesel oil, and electricity) in NITORI Group's domestic operations

Energy use in domestic operations		FY2018	FY2019	FY2020*
Gas use (m3)	Total	10,798,550	10,425,022	14,614,443
	Stores	10,407,555	10,083,236	14,258,976
	Head Office, etc.	220,929	182,575	203,780
	Distribution bases	170,066	159,211	151,687
Gas use per 100 million yen of net sales in Japan (m3)		2,357	2,075	2,120
Use of kerosene, gasoline, and diesel oil (ℓ)	Total	612,514	616,443	571,443
	Stores	493,570	491,646	436,212
	Head Office, etc.	19,276	20,952	32,514
	Distribution bases	99,668	103,845	102,717
Use of kerosene, gasoline, and diesel oil per 100 million yen of net sales in Japan (ℓ)		134	120	100
Electricity use (kWh)	Total	223,576,423	227,178,208	248,878,442
	Stores	194,765,535	196,247,241	215,045,734
	Head Office, etc.	6,505,895	6,912,682	6,807,994
	Distribution bases	22,304,993	24,018,285	27,024,714
Electricity use per 100 million yen of net sales in Japan (kWh)		48,805	44,293	43,510

Past initiatives to reduce CO2 emissions and energy use at domestic sites

FY2013: Introduced LED lighting for new stores. Started replacing lighting of existing stores with LED lighting and reducing electricity use by demand control.

FY2015: Completed the introduction of LED lighting at four distribution centers.

FY2018: Introduced smaller company cars for stores (energy saving by improving safety, fuel efficiency, and store operation)

*Energy use in summer and winter temporarily increased for FY2020 to maintain a comfortable room temperature while ventilating the stores to prevent COVID-19 infection.

Amount of waste from NITORI Group's domestic operations

Amount of waste disposed of from domestic operations		FY2018	FY2019	FY2020
Amount of waste (t)	Total	85,099	88,823	90,028
	Plastic	4,945	5,248	5,119
	Polystyrene	605	522	350
	Cardboard*	39,720	40,835	42,648
	General waste, etc.	39,829	42,218	41,911
Amount of waste per 100 million yen of net sales in Japan (t)		18.6	17.3	15.7

Past initiatives to reduce the amount of waste at domestic sites

FY2013: Reduced the use of packaging materials by downsizing product packaging.

FY2017: Reduced the use of polystyrene by changing product packaging materials.

FY2020: Used stretch film, left after transportation, was recycled into garbage bags by a subcontractor and utilized at some of our sites.

*We recycle cardboard into secondary materials in collaboration with subcontractors.

Materiality 4 Fair and honest trade and respect for human rights in the supply chain

Affordability, quality, and coordination are considered most important in NITORI Group's manufacturing. Quality means that thorough measures are taken to ensure, from the customer's perspective, 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 ask suppliers, who are our partners in achieving the mission, to not only comply with laws and regulations but also establish what we consider as true partnerships with us. Together, we will achieve sustainable growth throughout the entire supply chain.

True partnership

(1) A relationship where both sides learn about the latest topics, including those relevant to corporate management, share the knowledge and work hard together.

(2) A fair, honest, highly transparent, and open relationship where both sides can engage in active exchange of opinions.

(3) A relationship where both sides share not only ideas and management methods for the creation of a culture of product safety but also the importance of fulfilling social responsibilities, such as being environmentally conscious*1, respecting human rights*2, and maintaining an appropriate work environment*3 and grow together to achieve the mission. To share such information, we conclude contracts that comply with our "Basic Entrustment Contract for Product Manufacturing" and "Quality Assurance Manual."

*1 Being environmentally conscious in accordance with NITORI Group's Environmental Policy

*2 Prohibition of forced labor, child labor, and discrimination, etc.

*3 Preventing overwork, ensuring more leave than statutory requirements, paying statutory minimum wage, ensuring workplace safety, maintaining a comfortable workplace environment where employees work in good health, etc.

Suppliers' rights to organize

We respect basic rights, including the right to establish a labor union, and strive to resolve issues through consultation and dialogue.

➔**Related link: Business Partner Charter (NITORI Holdings website)**

Materiality 5 Contribution to local communities

NITORI Group takes action to be indispensable to local customers by contributing to local communities as a mission of chain stores, such as ensuring stable supply of affordable products essential in daily life, creating local employment, and being environmentally conscious.

Materiality 6 Creation of a rewarding work environment and promotion of diversity

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 business fields, and creates an organization with a wealth of elites. In addition, we aim for a comfortable workplace environment where all Group employees feel empowered and respect each other's personalities. To this end, we strive to respect human rights (prohibit forced labor, child labor, and discrimination, etc.) and maintain an appropriate work environment (prevent overwork, ensure more leave than statutory requirements, pay statutory minimum wage, ensure workplace safety, create a comfortable workplace environment where employees work in good health, etc.).

Anti-discrimination

NITORI Group respects basic human rights and diversity of all people concerned and neither engages in nor encourages any discriminatory evaluation or human rights violations based on race, ethnicity, skin color, faith, religion, sexual orientation, gender, pregnancy, nationality, social status, age, birthplace, lineage, mental or physical disability, military service record, or other characteristics protected by laws and regulations or rules of each country and region.

Employees' freedom of association and right to collective bargaining

In accordance with international standards, NITORI Group respects employees' basic rights, including freedom of association and right to collective bargaining.

Personnel Data

Employee data		FY2018	FY2019	FY2020
Number of full-time employees		4,688	4,965	5,300
Percentage of women (%)		27.2	31.8	29.5
Number of employees		31,031	33,055	34,564
Percentage of women (%)		63.1	63.4	64.1
Type	Regular employment	4,688	4,965	5,300
	Non-regular employment	26,343	28,090	29,264

Global human resources strategy

	FY2018	FY2019	FY2020	
Number of participants in U.S. seminars	1,169	1,134	-	
Gender	Male	740	728	-
	Female	429	406	-

*Cancelled for fiscal 2020 due to the COVID-19 pandemic

Training Hours Data

	FY2020
Total training hours	59,124

*Calculated by multiplying training hours per session by the number of times training sessions were held

Diversity & Inclusion

	FY2018	FY2019	FY2020	
Childcare leave, childcare leave for partners	139	152	152	
Shorter working hours (pregnancy, childcare, nursing care)	145	144	190	
Nursing care leave	8	10	7	
Percentage of paid leave taken (%)	85.1	87.5	84.3	
Average overtime hours (hours per month)	20.4	16.7	16.2	
Women in management positions	Percentage (%)	12.8	13.4	13.7
	Number	286	305	344
New graduate women hired	Percentage (%)	42.2	47.8	45.1
	Number	227	277	233
Percentage of employment of persons with disabilities (%)	2.52	2.85	2.7	

*Total numerical values of NITORI Holdings, NITORI, Home Logistics, Nitori Facility, and N+

Materiality 7 Effective corporate governance

To achieve its grand mission and vision, NITORI Group works to respond to requests from all people involved in the Group's business activities, builds trust-based relationships with them, enhances compliance systems, and aims for mutual prosperity.

Trust-based relationship

Shareholders and investor relations: To meet the expectations and trust of our shareholders and investors, we aim for stable growth and increase in corporate value. We will strive to promote understanding about corporate management and business activities through appropriate investor relations activities. Furthermore, our Board of Outside Directors will actively exercise its monitoring function for sound management. In addition to fulfilling statutory requirements for the disclosure of company information, we will actively publish accurate information in a way easy to understand to familiarize people with NITORI Group.

Business partners

In rolling out our global sales strategy with the support of customers, we always maintain equal relationships with all business partners and strive for fair trade, thereby building relationships based on mutual trust and working together as trusted partners for the business development on both sides.

Local communities and next generations

We not only comply with local laws in all countries and regions around the world but also respect local customs and cultures to gain trust. As the world faces a range of social issues, including those concerning health, healthcare, food, the environment and climate change, energy, safety, disaster prevention, and equality between people and genders, we strive for sustainable economic growth and resolution of social issues to achieve SDGs as a member of international society.

- We take action to be indispensable to local customers by contributing to local communities as a mission of chain stores, such as creating local employment and being environmentally conscious.
- The environment, as well as local cultures and customs, will be taken into consideration in global business development. We thus contribute to each country and region's development.
- We will achieve our corporate philosophy of enriching homes around the world, while not only complying with laws of each country and region but also taking into consideration the environment, local cultures and customs, and the benefit of all people involved in NITORI Group's business activities.

➔**Related links: Anti-corruption Policy, Global Tax Policy (NITORI Holdings website)**