

Transition of Key Management Indicators

\*Fiscal years ended February 20

	(Million yen)										(Thousand USD)
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
<b>Income/Loss</b>											
Net sales	¥ 331,016	¥ 348,789	¥ 387,605	¥ 417,285	¥ 458,140	¥ 512,958	¥ 572,060	¥ 608,131	¥ 642,273	¥ 716,900	\$ 6,780,481
Gross profit	183,938	192,616	201,656	218,337	243,543	278,274	314,778	331,421	354,364	411,791	3,894,743
Selling, general and administrative expenses	125,987	131,066	138,583	152,029	170,503	192,497	221,400	230,642	246,886	274,104	2,592,491
Operating income	57,951	61,550	63,073	66,307	73,039	85,776	93,378	100,779	107,478	137,687	1,302,251
Ordinary income	59,151	62,195	63,474	67,929	75,007	87,563	94,860	103,053	109,522	138,426	1,309,240
Net income attribute to owners of parent	33,548	35,811	38,425	41,450	46,969	59,999	64,219	68,180	71,395	92,114	871,225
Cash flow from operating activities	43,908	41,989	46,154	52,923	57,343	77,930	76,840	81,664	99,337	150,879	1,427,022
Cash flows from investing activities	(22,925)	(21,937)	(32,376)	(43,023)	(35,899)	(42,047)	(82,751)	(30,424)	(44,486)	(195,985)	(1,853,643)
Cash flows from financing activities	(16,099)	(22,047)	(10,540)	(6,654)	(9,943)	(6,414)	655	(11,340)	(13,862)	30,309	286,672
Cash and cash equivalents at the end of the year	18,410	16,816	21,179	25,713	36,794	66,035	60,923	100,053	140,791	125,487	1,186,865
Depreciation and amortization	8,456	8,227	8,850	8,921	9,398	10,406	11,357	12,311	14,575	16,024	151,556
Capital expenditure	22,348	25,708	30,083	45,033	26,605	42,828	64,172	32,237	26,191	22,323	211,136
<b>Financial Position</b>											
Total assets	267,153	284,290	321,703	404,793	414,541	487,814	550,507	619,286	683,247	927,048	8,768,070
Net assets	174,949	209,764	247,898	310,531	330,968	394,778	441,668	500,192	560,861	681,857	6,449,045
Equity	174,527	209,125	247,099	309,413	329,695	393,693	440,991	499,721	560,571	642,096	6,072,984
<b>Key management Indicators</b>											
Gross profit to net sales ratio(%)	55.6	55.2	52.0	52.3	53.2	54.2	55.0	54.5	55.2	57.4	57.4
SG&A expenses to net sales ratio(%)	38.1	37.6	35.8	36.4	37.2	37.5	38.7	37.9	38.4	38.2	38.2
Operating income to net sales ratio(%)	17.5	17.6	16.3	15.9	15.9	16.7	16.3	16.6	16.7	19.2	19.2
Rate of return on equity (ROE)(%)	20.9	18.7	16.8	14.9	14.7	16.6	15.4	14.5	13.5	15.3	15.3
Equity ratio(%)	65.3	73.6	76.8	76.4	79.5	80.7	80.1	80.7	82.0	69.3	69.3
Ordinary income to total assets ratio (ROA)(%)	23.0	22.6	20.9	18.7	18.3	19.4	18.3	17.6	16.8	17.2	17.2
Payout ration (consolidated)(%)	13.1	13.8	14.3	14.6	15.3	15.2	16.0	16.0	17.0	15.1	15.1
Price earnings ratio (PER)	11.2	10.6	13.3	20.2	19.4	22.7	30.7	23.1	26.1	25.7	25.7
<b>Per Share Information</b>											
Net income per share (EPS)(Yen,USD)	305.95	325.83	350.27	376.14	425.10	540.93	574.49	608.05	635.42	817.01	7.73
Net assets oer share (BPS),(Yen,USD)	1,591.64	1,906.91	2,248.80	2,806.99	2,981.27	3,530.51	3,938.89	4,452.99	4,984.29	5,691.11	53.83
Dividend per share (Yen,USD)	40	45	50	55	65	82	92	97	108	123	1.16
<b>Other Data</b>											
Number of shares issued at the end of the year	57,221,748	57,221,748	57,221,748	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496	114,443,496
Stock price at the end of the year (Yen, USD)	6,850	6,890	9,340	7,600	8,260	12,250	17,625	14,050	16,560	20,970	198.34
Total market value	391,968	394,258	534,451	869,771	945,303	1,401,933	2,017,067	1,607,931	1,895,184	2,399,880	22,698,194
Number of stores in Japan	258	286	312	346	383	428	467	505	545	651	651
Number of stores overseas	10	14	19	27	37	43	56	71	66	71	71
Net increase in number of stores	24	32	31	42	47	51	52	53	31	111	111
Total sales floor area (㎡)	1,275,121	1,390,711	1,478,205	1,568,596	1,678,835	1,806,666	1,928,461	2,037,213	2,099,373	2,173,090	2,173,090
Total number of employees	14,358	15,272	16,884	19,092	20,759	22,111	24,816	27,506	29,936	36,669	36,669

(Notes)

1.The Company conducted a two-for-one stock split of its common shares effective February 21, 2014. The above per share information is calculated under the assumption that the stock split was conducted at the beginning of FY2011.

2.Translation into US dollars has been made at the exchange rate of 1 USD to 105.73 yen.

3.The total number of employees includes the average number of temporary employees (calculated on the basis that one day is eight hours).



## We will realize business growth and maximize corporate value through appropriate capital allocation

**Masaomi Zenji**  
General Manager  
Accounting & Finance Division

### 1.Results and financial policies in fiscal 2020



What are the factors that enabled you to achieve sales and profit growth for the 34th consecutive year despite the COVID-19 pandemic? In addition, you conducted a large-scale merger during fiscal 2020; has your financial policy remained the same since the merger?

During fiscal 2020, the COVID-19 pandemic (“the pandemic”) raging all over the world had a major impact on NITORI Group’s business. The declaration of the first state of emergency in Japan resulted in difficult business conditions that required us to temporarily close or reduce opening hours at some of our stores. Under such circumstances, we implemented a variety of anti-infection measures to combat the pandemic and continued operating, highly aware of our role as part of the social infrastructure responsible for reliably supplying daily essentials. As a result, we were able to capture increased demand for furniture and interior products resulting from so-called stay-at-home consumption and the establishment of the “new normal” way of life that involved spending more time at home than before, and our sales grew significantly. Sales in our e-commerce business also achieved substantial growth, increasing to 159.2% of the previous year’s figure as a result of our efforts to enhance services, aligning them more closely with customers’ needs. Existing store sales for the year as a whole were 110.4% of the previous year’s figure, while consolidated net sales for fiscal 2020 came to 716.9 billion yen. We therefore managed to exceed even the sales forecast that we had revised upward to 702.6 billion yen

in the second quarter. I believe that our achievement of sales and profit growth for the 34th consecutive year is the result of more widespread customer recognition of our stores as destination stores, and of the progress NITORI Group has made toward growth by working as one to achieve our long-term vision.

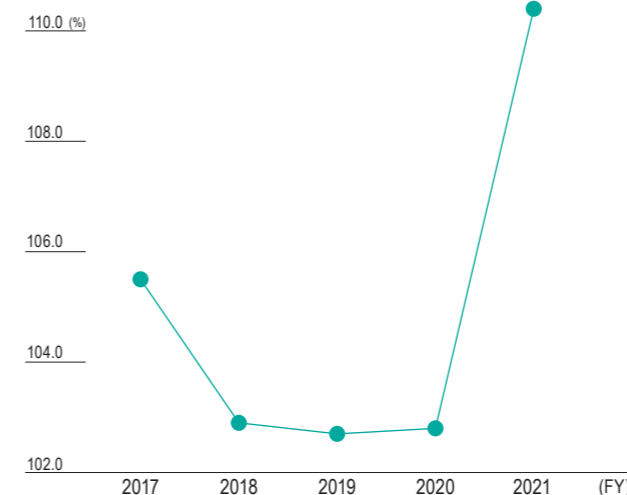
In terms of profits, our ordinary income margin improved by 2.2 percentage points to 19.3%. In addition to the higher sales, our continuous efforts to lower costs also contributed to this increase. Such efforts included standardization of raw materials and improvement of production processes through cooperation with overseas suppliers. Meanwhile, most of NITORI Group’s procurement comprises imports denominated in U.S. dollars, meaning that fluctuations in the dollar-yen exchange rate present the risk of variable profits. During fiscal 2020, however, our success in conducting adequate currency hedging using forward exchange contracts was another factor contributing to profit growth.

The basic policy underlying NITORI Group’s financial strategy is to strive to ensure stable liquidity on hand, while considering the balance between investment for growth and shareholder returns. In fiscal 2020, cash flows from investing

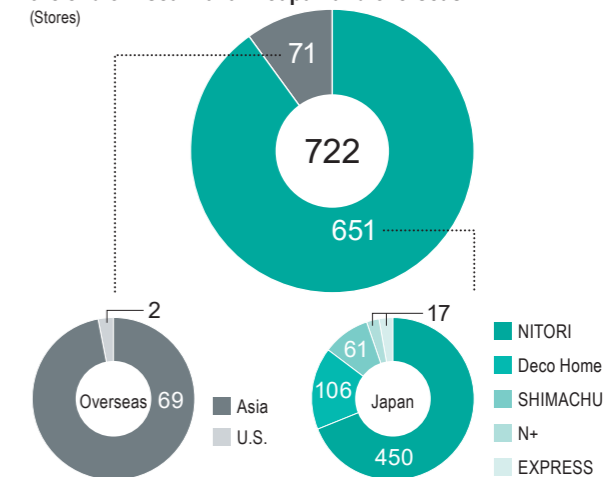
activities came to (195.9) billion yen as a result of undertaking the large M&A with SHIMACHU. However, we achieved a stable cash position, with cash and cash equivalents at the end of the year at 125.4 billion yen, thereby maintaining the optimum level of two- to three-times monthly sales, which serves as a guideline. Interest-bearing debt increased by

43.9 billion yen, but the equity ratio was 69.3%, maintaining a level exceeding our target of 60%. I believe it is important to continue paying attention to ensuring stable liquidity on hand as we build and maintain solid financial foundations to enable us to invest for growth in a flexible manner.

Year-on-year change in existing store sales



Store openings in fiscal 2020 and number of stores as of the end of fiscal 2020 in Japan and overseas



### 2.Store opening plans for achieving Vision 2022 and Vision 2032



Please tell us about your store opening plans and the role of finance in achieving a store network of 1,000 stores and net sales of 1 trillion yen by 2022 and 3,000 stores and net sales of 3 trillion yen by 2032.

In fiscal 2020, we added 50 more stores in total, comprising 20 NITORI stores, 12 Deco Home stores, 13 N+ stores and 5 stores in Asia. And as a result of adding SHIMACHU to the Group as a consolidated subsidiary, the number of stores for NITORI Group as a whole increased by 111 to 722 stores.

With regard to our plans for opening new stores within Japan, for the past few years we have curbed store openings in light of rising construction costs, but in fiscal 2021 we will accelerate our store openings again. We are planning a total of 85 new stores, comprising NITORI, Deco Home, and N+ stores. Meanwhile, NITORI (CHINA) HOLDINGS CO.,LTD, during the past two years of strengthening our foundations, we rebuilt our systems, while bolstering our organization and human resources. Currently, the business is performing well and we are planning 14 store openings for fiscal 2021. As of NITORI TAIWAN CO.,LTD, we are planning seven store openings, the most ever, and we are also planning to open two stores in new areas in Southeast Asia. We are planning a total of 110 new store openings in fiscal 2021, including locations in the U.S., and SHIMACHU outlets. We will continue actively opening stores, targeting 1,400 stores in 2025.

We also plan to continue using internal funds for the funds

required to open these stores, both in Japan and overseas, in fiscal 2021. Based on fiscal 2020 results we have approximately 150.0 billion yen of annual operating cash flow; we are able to finance the cash conversion cycle using funds in hand, as our business model is based on a relatively short cycle.

As we work toward our target of 3,000 stores in 2032, we will continue to consider M&A in the clothing, food, and home-related domains as an option. When undertaking such M&A, it may be necessary to procure external funds, depending on the scale. We will consider a range of fundraising methods that enable us to respond flexibly to changes in the interest-rate environment. Whilst striking a balance between ensuring stable fund procurement and keeping procurement costs down, we will also take into account compatibility with our overall capital structure to balance long-term funding with short-term funding, and indirect fund procurement with direct fund procurement. I think that, depending on the situation, it may be necessary to develop a financial strategy involving greater financial leverage, while also taking our capital structure into account.

### 3. Investment for growth

**Q** Please tell us about the financial impact of turning SHIMACHU into a consolidated subsidiary and the post-merger integration that will enable SHIMACHU to contribute to profits.

As a result of this business combination, the Company incurred approximately 165.0 billion yen in outgoings for fiscal 2020, but as the Company held more than 140.0 billion yen in cash at the end of fiscal 2019, it has been able to maintain solid financial foundations, having ensured stable liquidity on hand by borrowing only 46.0 billion yen in short-term funds from a financial institution. In fiscal 2021 we are planning approximately 50.0 billion yen in outgoings for the procedures necessary to make SHIMACHU a wholly owned subsidiary. However, in a situation where the end of the pandemic defies prediction, we plan to raise around 100.0 billion yen in funds in order to strengthen our financial foundations further to guard against sudden changes in the business environment.

With regard to the management integration with SHIMACHU, we set up the Integration Promotion Committee to rapidly achieve synergies. We are undertaking numerous specific tasks in this regard, including revising our organizational structure, introducing NITORI products in SHIMACHU stores, developing a PB for SHIMACHU products, unifying operations by integrating the two companies' distribution functions, creating systems for product supply and store operations, and opening a combined SHIMACHU-NITORI store. We already achieved some of these tasks, and we will continue working on them with a sense of urgency.

In other investment plans unrelated to store openings, we are also implementing plans such as the following:

#### Increasing production sites (Vietnam)

In addition to the existing furniture business, we also expanded our factory capacity ahead of the launch of the fabric business. Over fiscal 2019 and fiscal 2020 we invested approximately 5.0 billion yen, and we expect our final total investment to amount to approximately 6.0 billion yen. Our new factory has already started operating, and we plan to be able to ship products in fiscal 2021. Through investments of this kind we are pursuing vertically integrated merchandising in order to provide low prices and appropriate quality.

#### Building an optimal distribution center network (Japan)

As of February 2021, NITORI Group is using 20 distribution centers. However, these are not optimally located, requiring distribution between centers which leads to increased costs. Therefore, by relocating these distribution facilities to optimal locations, we will be able to reduce distribution expenses. In addition, we are currently renting most of our distribution centers, making it impossible to install large materials handling equipment. However, by managing these centers ourselves it will make it possible for us to install the necessary materials handling equipment, which will lead to reduced distribution expenses and a higher ratio of operating income to net sales as a result of improved operational efficiency. We already started making plans in this regard and we expect to bring the plans to fruition by investing approximately 200.0 billion yen in total by 2025. Our basic assumption is that we will cover this amount with internal funds.

### 4. Capital efficiency

**Q** Could you tell us how you were able to undertake investment for growth and improve capital efficiency at the same time?

NITORI Group is still growing and we are focusing our cash allocation on investment for growth. I think it is important to actively invest in a growth strategy that will contribute to sustainable enhancement of corporate value as we work toward our targets of 3,000 stores and 3 trillion yen in net sales in 2032.

As one of the KPIs used to gauge capital efficiency, ROE is a comprehensive indicator covering profitability, asset efficiency, and financial leverage. We analyze ROE as one of our management indicators, bearing in mind the cost of capital. NITORI Group has maintained a constant ROE target of 15% or higher. We have achieved this target, since our ROE

reached 15.3% in fiscal 2020, and averaged 15.1% over the past five years. One reason why we have managed to keep ROE at a high level is that we continuously strive to increase our gross profit margin. Gross profit is the highest level of profit, and our continuous improvements and reforms with regard to gross profit are a factor helping us to achieve a high level of capital efficiency on a stable basis. Furthermore, we regard NITORI Group's capital cost, which is at the 4%-5%

level, as stable. I believe that keeping our profit volatility low, achieving sales and profit growth for 34 consecutive years, and maintaining continuous business growth, have all contributed to keeping our risk premium down. We will continue to undertake continuous improvement and reform to keep capital cost at this level.

### 5. Shareholder returns

**Q** With regard to shareholder returns, does your basic policy of paying a stable dividend, while also balancing this with investment for growth, remain unchanged?

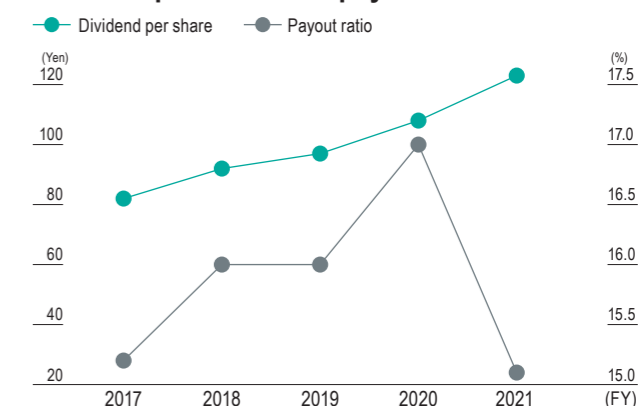
Our basic policy for shareholder returns will be to maintain stable dividends while taking into account factors such as the future growth potential and profitability of our business, financial soundness (i.e., cash generated, cash and deposits held, and the level of our equity ratio), investments undertaken, and capital efficiency. As part of our efforts to return profits to shareholders, we increased the annual dividend per share for fiscal 2020 to 123 yen, 8 yen higher than the most recent dividend forecast of 115 yen. This means we increased our dividend by 15 yen from the previous year, marking 17 consecutive years of increased dividends. For fiscal 2021 we are planning to pay an annual dividend of 140 yen per share; if we achieve this, it will be our 18th consecutive year of increased dividends.

I believe it is important for NITORI Group, which is still growing, to prioritize investment for growth in order to boost its EPS and sustainably enhance its corporate value as a means of improving TSR (total shareholder return) from an all-round

perspective.

NITORI Group will continue aiming to be trusted by stakeholders as it combines continuous contribution to societal development with efforts to enhance its corporate value. We ask for shareholders' continued support as we pursue these endeavors.

#### Dividend per share and payout ratio



### 6. Dialogue with capital markets

**Q** Could you tell us about your approach and initiatives in terms of dialogue with stakeholders?

I believe it is essential to establish two-way communication with our shareholders and investors, and engage in constructive dialogue. This entails providing appropriate, timely information about management policies and measures to enhance corporate value over the medium to long term, as well as continuously offering clear explanations, and reporting or otherwise conveying the opinions of shareholders and investors to senior management. Our basic policy is to

disseminate information to all stakeholders fairly and equitably; we publish financial results and similar information promptly on our corporate website, including materials in English. We also seek to deepen stakeholders' understanding of NITORI Group's mission, vision, and business model by publishing this Integrated Report and actively disclosing information through such means as holding results briefings and small meetings.

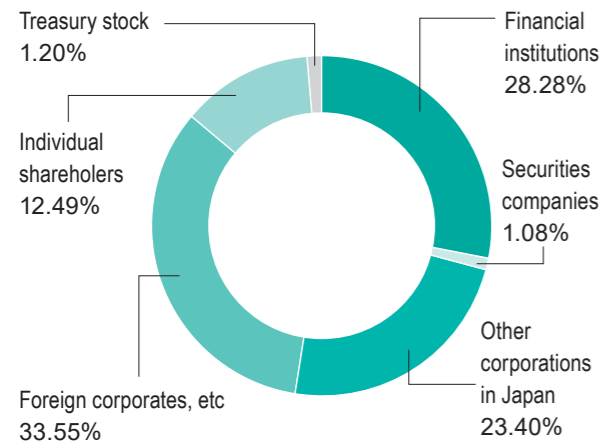


Company Stock Information (As of February 20,2021)

Outline of Shares

Total number of authorized shares: 288,000,000  
 Total number of issued shares: 114,443,496  
 Number of shareholders: 24,877  
 Listed markets: First Section of the Tokyo Stock Exchange and the Sapporo Securities Exchange  
 Securities code: 9843  
 Fiscal Year: February 21st of every year to February 20th of the following year  
 Administrator of shareholder registry: May  
 Administrator of shareholder registry: Sumitomo Mitsui Trust Bank, Limited

Distribution of Share by Type of Shareholder



Major Shareholders (As of February 20,2021)

Name	Number of shares owned (thousands)	Ratio to the total number of issued shares (%)
NITORI Trading Ltd.	20,799	18.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,020	6.21
Japan Trustee Services Bank, Ltd. (Trust Account)	4,857	4.30
NITORI International Scholarship Foundation	4,000	3.54
North Pacific Bank, Ltd.	3,860	3.41
Akio Nitori	3,410	3.02
Momoyo Nitori	3,078	2.72
Nippon Life Insurance Company	2,056	1.82
National Mutual Insurance Federation of Agricultural Cooperatives	2,007	1.78
JP Morgan Chase Bank 385632	1,897	1.68

Notes:  
 1.The numbers presented in "Number of shares held" above are calculated based on the list of shareholders.  
 2.The Company's 1,378,337 shares of treasury stock are excluded from the above list of major shareholders.  
 3.Calculations of equity positions exclude holdings of treasury stock.  
 4.The number of shares owned by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are shares held in securities investment trusts and retirement benefit trusts.

Stock Price and Turnover



Company Information (As of February 20,2021)

Company Name	Nitori Holdings Co., Ltd.
Representative	Akio Nitori, Representative Director & Chairman (Chief Executive Officer) Toshiyuki Shirai, Representative Director & President (Chief Operating Officer)
Address	Sapporo Head Office: 1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo, Hokkaido 001-0907; Tel: +08-81-11-330-6200 Tokyo Headquarters: 3-6-20, Kamiya, Kita-ku, Tokyo 115-0043; Tel: +81-3-6741-1235
Establishment	Established December 1967
Incorporated	March 1972
Revenues (Consolidated)	¥716,900 million
Ordinary Income (Consolidated)	¥138,426 million
Capital Stock	¥13,370 million
Number of Employees (Consolidated)	36,669(including 18,269 part-time employees)

NITORI Group List (As of February 20,2021)

