

Nitori Holdings Co., Ltd.

Financial Results Presentation for the Third Quarter of FY2017



NITORI

22 December 2017

TSE1st.&Sapporo Code : 9843

**[DISCLAIMER]
IN-HOUSE TRANSLATION**

Overview of Consolidated Financial Results



(Billions of Yen)

	Q1-Q3 FY2017		Q1-Q3 FY2016		Change	
	21 Feb-20 Nov 2017 (to sales)		21 Feb-20 Nov 2016 (to sales)		(YOY)	
Net sales	422.7	-	379.0	-	43.7	111.5%
Gross profit	230.2	54.5%	207.1	54.7%	23.1	111.2%
SG&A expenses	159.8	37.8%	136.9	36.1%	22.9	116.7%
Operating income	70.4	16.7%	70.2	18.5%	0.2	100.3%
Ordinary income	71.5	16.9%	71.1	18.8%	0.4	100.5%
Profit attributable to owners of parent	51.2	12.1%	47.5	12.6%	3.7	107.7%

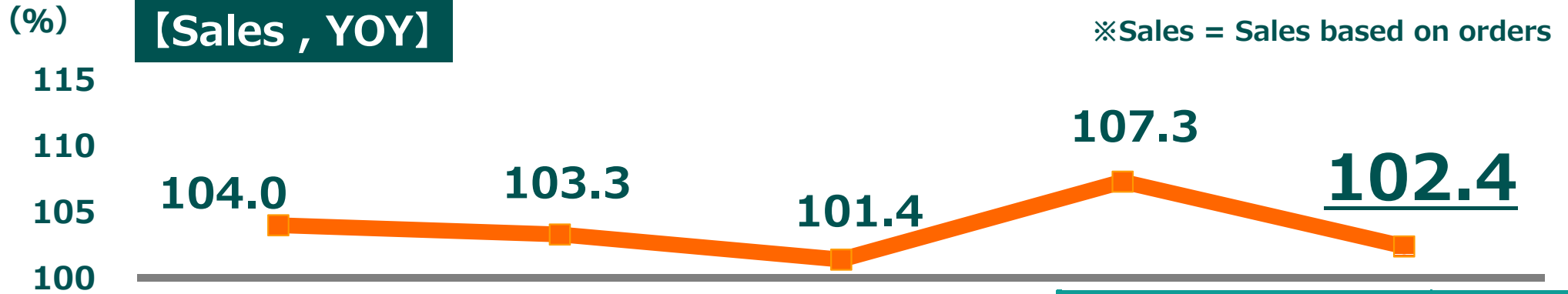
Consolidated Balance Sheets



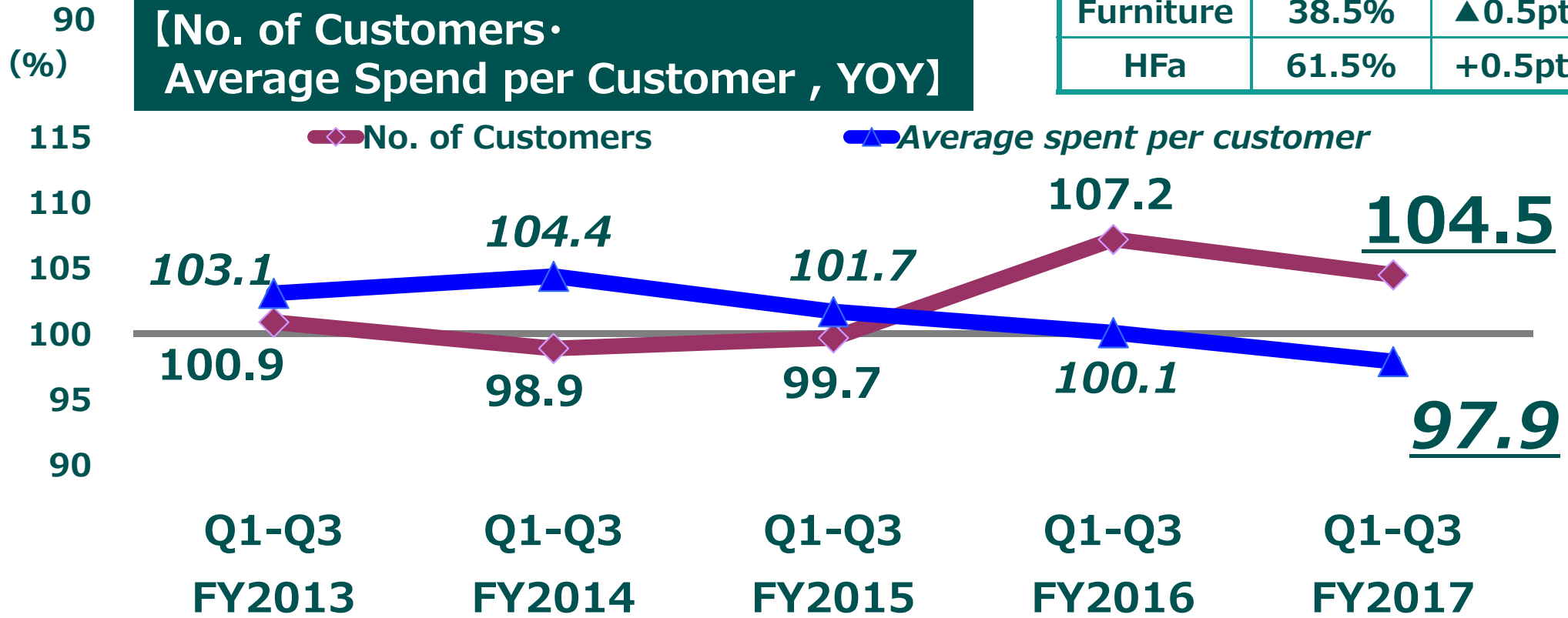
(Billions of Yen)

	20 Nov 2017	20 Feb 2017	Change	Major factors on changes
Current assets	152.8	170.1	(17.3)	
(Cash and deposits)	48.5	70.5	(22.0)	
(Inventory)	46.4	48.9	(2.5)	
Non-Current assets	378.3	317.6	60.7	
(Property, plant and equipment)	284.5	248.0	36.5	Land +34.5
(Investments and other assets)	79.3	55.8	23.5	Investment securities +23.3
Total assets	531.2	487.8	43.4	
Current liabilities	73.5	75.7	(2.2)	Income taxes payable (4.6)
(Accounts payable - trade)	18.2	16.0	2.2	
(Short-term loans payable)	2.0	0.6	1.4	
Non-Current liabilities	25.4	17.3	8.1	
(Long-term loans payable)	8.0	-	8.0	
Total liabilities	98.9	93.0	5.9	
Total net assets	432.3	394.7	37.6	Net income +51.2
Total liabilities and net assets	531.2	487.8	43.4	

Trend in YOY changes in comparable stores [1Q-3Q]



Q1-Q3 FY2017 Sales comp. by product		Change
Furniture	38.5%	▲0.5pt
HFa	61.5%	+0.5pt





Original mattress N-sleep

Offer various type of sleeping comfortability with expansion in variety

Appeal the quality and the comfortability continually through TVCM

Approx. 60% of sales volume of N-sleep are compressed-roll style

- ⇒ • Easy to take home
- Efficient shipment, improvement in stock storage





Living storage

TV commercial shows a good combination of furniture and basket

Basket sizes are modularized to fit perfectly into Nitori's furniture

Contributes to the increase in the number of customers since most customers purchase repeatedly





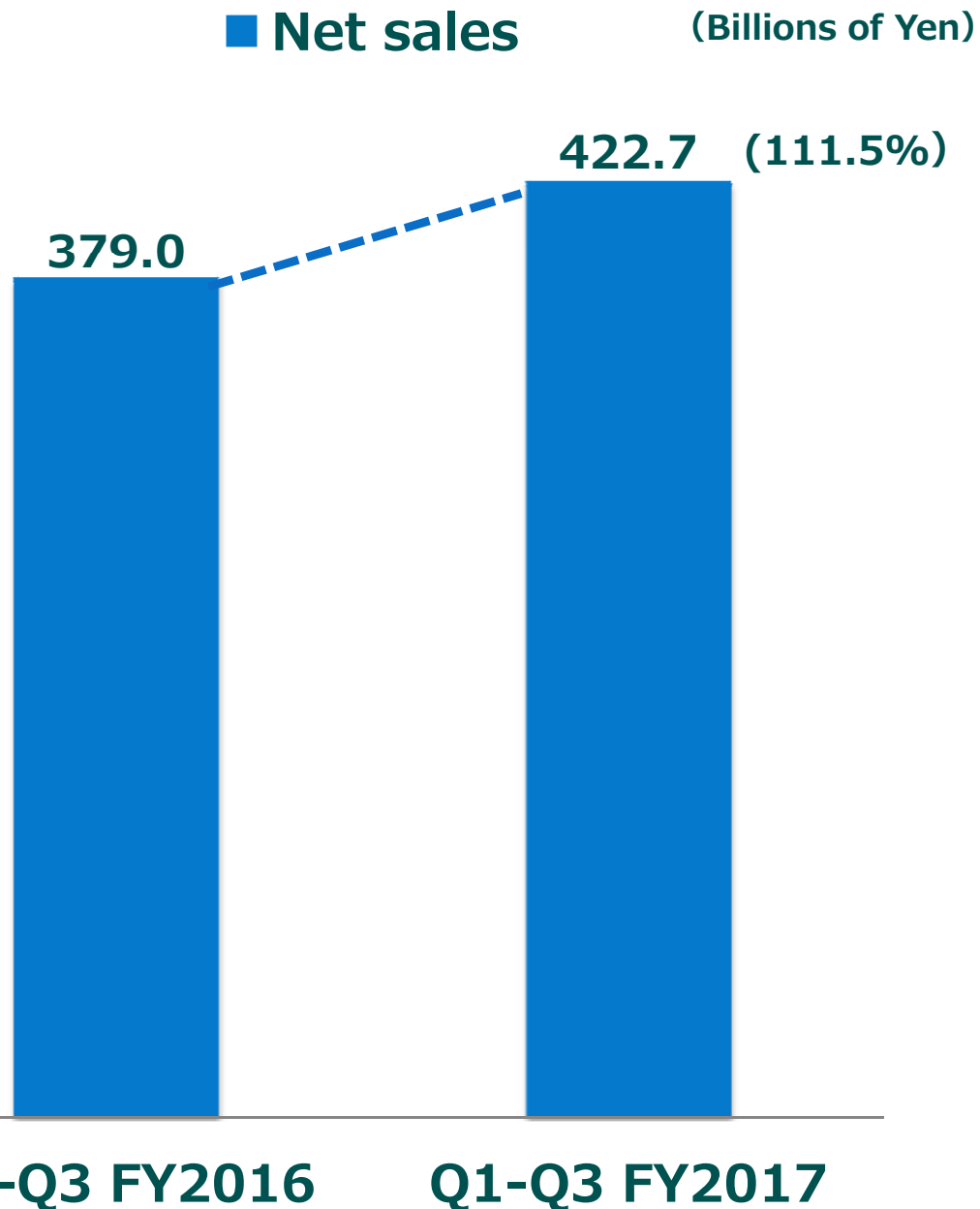
Fall/Winter products

Fall/Winter products, mainly “N-warm” series, have shown strong sales because of the temperature drop

The sales of seasonal coordination series has exceeded that of the previous year

The sales of kotatsu-related products increased in consequence of suggestion coordination plans on TVCM and in stores

Consolidated Sales



【Net sales】	Amount	YOY
Store sales(Global)	¥383.7bil.	110.2%
E-commerce	¥22.0bil.	133.2%
B to B	¥2.8bil.	116.8%
Renovation sales	¥4.1bil.	104.0%
Rent income	¥5.2bil.	115.1%
Others	¥4.7bil.	140.0%
Total	¥422.7bil.	111.5%

Sales comp. by region					
Hokkaido	4.7%	△0.3pt	Kinki	15.2%	△0.4pt
Tohoku	5.6%	△0.5pt	Chugoku & Shikoku	7.4%	△0.4pt
Kanto	31.3%	+1.2pt	Kyusyu & Okinawa	8.6%	△0.4pt
Hokuriku & Koshinetsu	5.4%	△0.3pt	EC	5.2%	+0.9pt
Chubu & Tokai	10.2%	△0.3pt	Others	6.4%	+0.5pt

Eastern	47.2%	+0.0pt	Western	41.2%	△1.4pt
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Good sales to mainly offices and hotels





*before tax/ installation, assembly, delivery fee is not included

8/21~10/1 System Kitchen Campaign

By providing products with affordable price line (¥159,000*), the sales steadily increased

The sales of system kitchen during the campaign was over 200% in comparison to that of the previous year

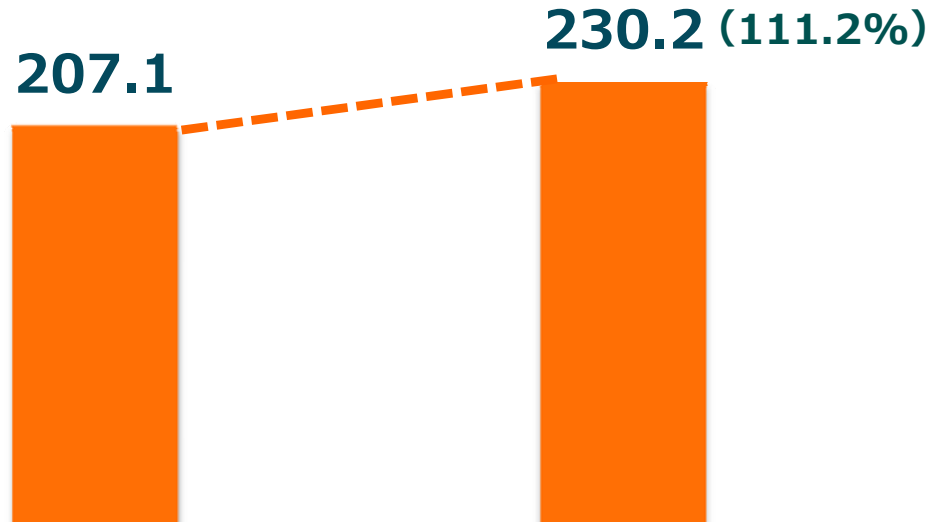
Operating income and labor productivity improved significantly by dividing the work between sales and construction and by reviewing the past sales methods

Gross profit · SG&A expenses



【Gross profit】

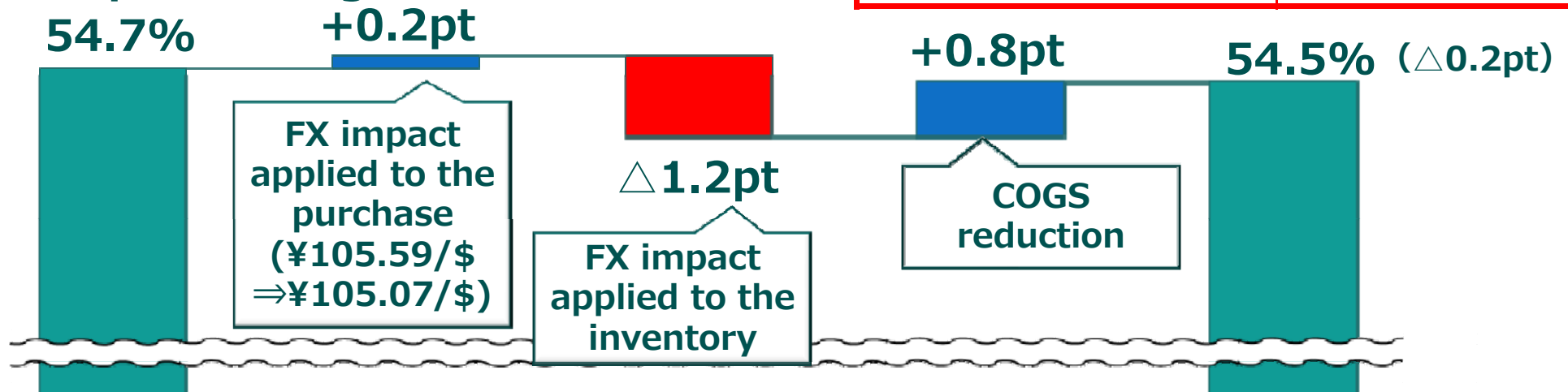
(Billions of Yen)



Q1-Q3 FY2016

Q1-Q3 FY2017

【Gross profit margin】



Q1-Q3 FY2016

Q1-Q3 FY2017

【SG&A】	Amount	YOY	Ratio to sales	Change
Personnel	¥46.6bil.	110.6%	11.0%	Δ0.1pt
Rents	¥24.7bil.	121.2%	5.9%	+0.5pt
Delivery charge	¥19.9bil.	112.9%	4.7%	+0.1pt
Advertising	¥11.7bil.	109.6%	2.8%	Δ0.1Pt
Outsourcing	¥10.0bil.	130.2%	2.4%	+0.3Pt
Store fixtures expense	¥6.3bil.	296.8%	1.5%	+0.9Pt

Depreciation **¥8.2bil.**

Capital investment **¥48.8bil.**

No. of stores as of 20 Nov 2017



509
Stores
(+38)



(Taiwan)

390
(+17)

27
(±0)



8
(+4)

5



DECO HOME



(China)

61
(+10)

18
(+7)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Hokkaido	20 (±0)	Yamanashi	3	Shimane	2
Hokkaido	20 (±0)	Ishikawa	5	Hiroshima	12
Aomori	6 (±0)	Toyama	4	Yamaguchi	5
Akita	4	Fukui	2	Kagawa	4
Iwate	3	Hokuriku & Koshinetsu	31	Tokushima	2
Yamagata	4	Shizuoka	12 (+1)	Kochi	3
Miyagi	7	Aichi	25 (+1)	Ehime	6
Fukushima	5	Mie	7	Chugoku & Shikoku	42
Tohoku	29 (±0)	Gifu	10 (+3)	Fukuoka	19 (+1)
Tokyo	47 (+9)	Chubu & Tokai	54 (+5)	Oita	5
Kanagawa	26 (+3)	Osaka	31 (+3)	Miyazaki	3
Saitama	28 (+4)	Kyoto	12 (+1)	Saga	3 (+1)
Chiba	22 (+1)	Nara	5	Nagasaki	3
Gunma	6	Hyogo	23 (+1)	Kumamoto	6 (+1)
Tochigi	8 (±0)	Shiga	7	Kagoshima	7 (+1)
Ibaraki	13	Wakayama	5	Okinawa	4
Kanto	150(+17)	Kinki	83 (+5)	Kyushu & Okinawa	50 (+4)
Niigata	8	Tottori	2	Japan	459 (+31)
Nagano	9	Okayama	6		

Store openings in Japan



Urban area



Small population area



Deco Home



Nitori Express



Store openings in China



First store openings in North & South China

Tianjin



Shenzhen





Launch online furniture sales

Start of online furniture sales through Nitori China's own website



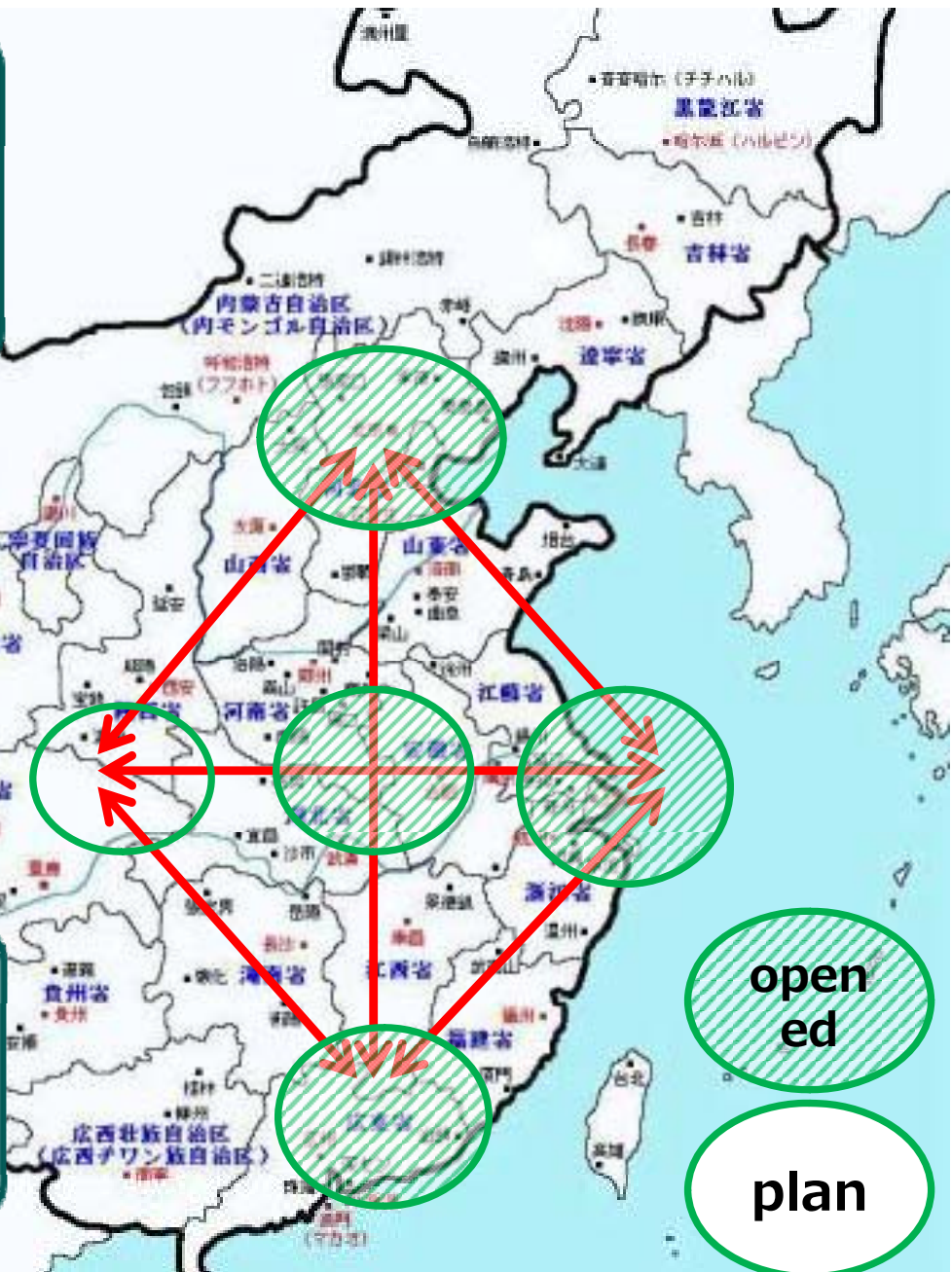
Providing after-sales service efficiently by limiting the online sales area to that with real stores



Planning to expand on the online sales area by linking with upcoming new store openings

**Vision
in 2022
200 stores**

**Construction of nationwide
product collection and
supply system**



Major indicators of management efficiency (1)



Scope	Number	Indicator	Unit	Target		2017.11	2016.11	2015.11	2014.11	2013.11
Group (Nine months)	1	Return on assets	%	Over 11.25%	○	14.0	16.2	13.6	15.0	15.4
	2	Total asset turnover	Times	Over 1.5	×	0.83	0.86	0.80	0.87	0.93
	3	Ordinary income margin	%	Over 10%	○	16.9	18.8	16.9	17.3	16.5
	4	Earnings per share	¥	Over ¥75	○	458.6	429.6	317.5	289.2	256.6
	5	Return on equity	%	Over 11.25%	○	12.4	13.6	10.9	11.6	12.7
	6	Equity ratio	%	Over 60%	○	81.2	80.3	77.9	76.5	73.0
	7	Interest coverage	Times	Over 20	○	1,676	1,689	918	750	455
	8	Sales growth rate	%	Over 10%	○	11.5	13.2	7.8	9.5	11.2
	9	Ordinary income growth rate	%	Over 10%	×	0.5	26.1	5.2	14.7	1.1
	10	Ratio of gross profit to sales	%	Over 48%	○	54.5	54.7	52.8	52.2	52.3
	11	Ratio of break-even point to sales	%	Under 80%	○	65.4	61.8	64.2	63.1	64.7

Major indicators of management efficiency (2)



Scope	Number	Indicator	Unit	Target		2017.11	2016.11	2015.11	2014.11	2013.11
Sale of furniture and home furnishing	12	Sales per tsubo	K	Over ¥950K	○	1,011	980	922	918	888
	13	Stock turnover	Times	Over 9	×	5.9	5.8	5.4	5.7	6.0
	14	Operating assets turnover	Times	Over 2.9	○	3.9	3.9	3.9	4.1	4.2
	15	Ratio of profit distribution	%	Over 20%	○	31.0	34.2	31.0	32.3	31.7
	16	Ratio of real estate cost to gross profit	%	Under 25%	○	22.0	20.6	22.1	22.0	22.5
	17	Ratio of sales promotion cost to gross profit	%	Under 6%	○	5.7	5.8	6.2	6.2	6.2
	18	Labor productivity	M	Over ¥10M	○	18.30	19.25	18.03	18.55	19.04
	19	Sales floor per labor	Tsubo	Over 60	×	34.2	37.0	38.3	39.8	42.4
	20	Operating income per tsubo	K	Over 150K	○	155	167	135	139	132
	21	Stock per tsubo	K	Under 90K	○	78	77	81	77	71
	22	Average age of labor		30~35	○	33.1	33.2	33.0	32.6	32.3
Results (○won/×lost)						○18×4	○19×3	○13×9	○15×7	○15×7

TOPICS



Unattended/intelligent transport
robotic system

Butler



Launched for the first time in Japan, Butler brings product storage shelves to workers. AI empowered robots significantly improved the working efficiency.

Devanning assist machine

EL-De/VAN



Joint development with Murata Machinery, Ltd. By using a conveyor with vertical and horizontal head swing function and a specific work bench, it allows for easy unloading.



Nitori US seminar

Nitori's the most investment in education.

Participants experience "prosperous home living" firsthand, and share Nitori's mission and vision.

Expanded the educational opportunity for national staffs by holding the seminar in Chinese for the first time.

1,097 Participants in 2017(from Nitori group)



【Change in business environment】

- Globalization
- Expansion of business area
- Change in products comp.

【Change in external environment】

- Competition with different industries
- Advancement in technology
- Problems in logistics and employment







2022
¥1 tril.
in net sales
1,000 stores

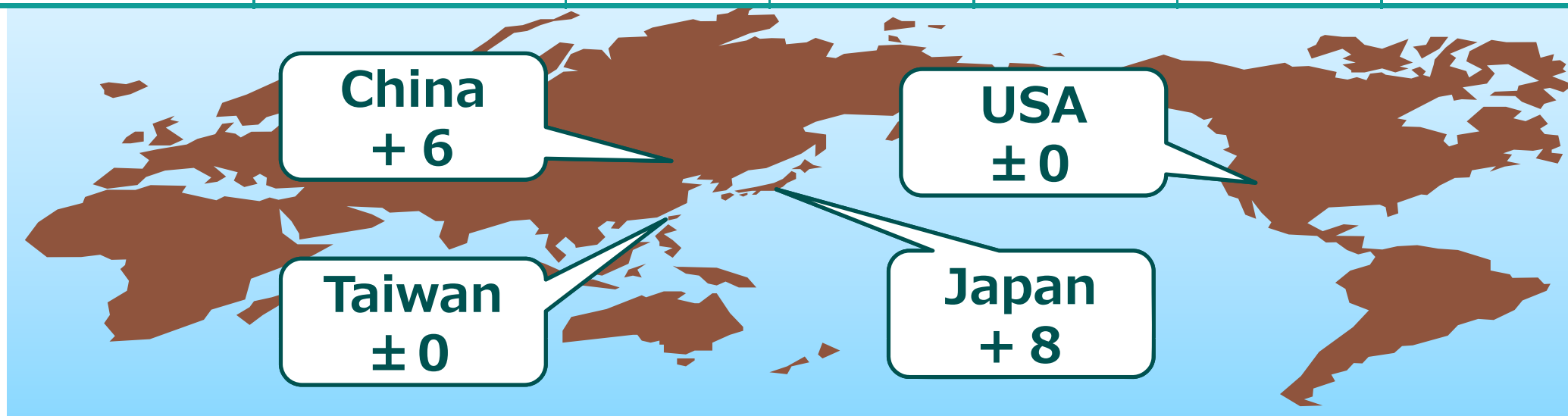
【Future measures】

- new core system
- new logistics system
- O2O(Online to Offline)

Store roll-out plan in FY 2017



Store	 		 Taiwan	 USA	 China	Total
End of Q3	3 9 8	6 1	2 7	5	1 8	5 0 9
Q4 Net increase	+ 6	+ 2	± 0	± 0	+ 6	+ 1 4
End of FY2017	4 0 4	6 3	2 7	5	2 4	5 2 3



Plan in FY 2017



(Billions of Yen)

	FY2017 Plan		FY2016		Change	
	(to sales)		(to sales)		(YOY)	
Net sales	568.0	–	512.9	–	55.1	110.7%
Gross profit	309.0	54.4%	278.2	54.2%	30.8	111.0%
SG&A expenses	210.0	37.0%	192.5	37.5%	17.5	109.1%
Operating income	99.0	17.4%	85.7	16.7%	13.3	115.4%
Ordinary income	100.0	17.6%	87.5	17.1%	12.5	114.2%
Profit attributable to owners of parent	68.5	12.1%	59.9	11.7%	8.6	114.2%

No change of plan



【DISCLAIMER】

The forecasts and projected operating results contained in this report are based on information available at the time of preparation, and thus involve inherent risks and uncertainties. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.