



Enriching homes
of people all over the world

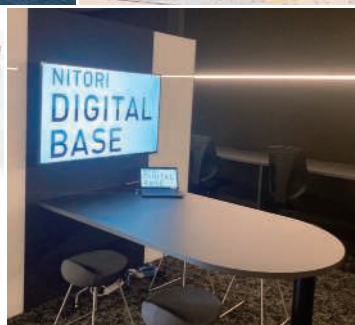
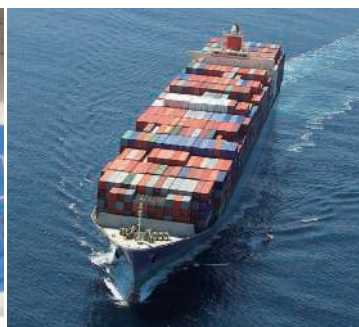
New Phase, New Growth.



NITORI HOLDINGS

Integrated Report 2022

2021.2.21 - 2022.2.20



Enriching homes of people all over the world

Vision 2032

3,000stores Net Sales ¥3trillion

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Editing Policy

We have issued the 2022 Integrated Report to aid investors, shareholders, and other stakeholders' understanding of our processes and potential for achieving a long-term, sustainable enhancement of our corporate value. In planning and structuring this Integrated Report, we have focused on communicating "expansion of our long-term sustainable growth and contribution to environmental, social, and economic sustainability," while also referring to the disclosure framework provided by the International Integrated Reporting Council (IIRC).

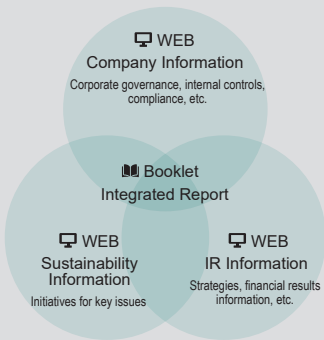
Target Scope

We set as many domestic and foreign NITORI Group companies subject to consolidated financial statements as possible as the target of our reporting. However, depending on the item, the reporting target may differ.

Target Period

February 21, 2021 to February 20, 2022
In this report, the fiscal year ended February 20, 2022, is referred to as fiscal 2021 or FY2021. The Activity Report also includes some recent content.

The significance of this report



Disclaimer Regarding
Forward-Looking Statements

This report contains plans, strategies and forecasts, and forward-looking statements regarding the business performance of NITORI Holdings and affiliated companies. These statements are not historical facts. These forward-looking statements are based on the current assumptions and beliefs of NITORI Holdings in light of currently available information. In addition, these statements contain risks and uncertainties related to economic trends, personal consumption, market demand and supply, taxation systems, and other systems. Therefore, please note that the actual business performance of NITORI Holdings and its group companies may differ from the forecasts.

NITORI Group's IT and DX

Accelerating Evolution to Achieve Our Mission and Vision

NITORI Group's business model, encompassing everything from product planning and manufacturing to distribution and sales, is built on IT systems that have been developed based on our philosophy of doing everything in-house. We plan, develop, implement, operate, and manage systems in-house, while incorporating the latest technologies from external parties. In addition, IT plays an important role in terms of offering a comfortable and convenient shopping experience to our customers by developing, introducing, and improving the functions of NITORI-net and the app. In line with the Group's growth strategy, responding to the ongoing development of operations in the countries and regions where we have a presence and the expansion of our business areas, we are building systems and mechanisms linked to our supply chain. We have been strengthening the development and education of IT human resources. To further accelerate IT and digital transformation (DX), we established Nitori Digital Base in April 2022. We will lead global and large-scale projects with unprecedented innovative technology to support business model innovation.



Nitori Digital Base's office



IT human resources support NITORI Group

Voice



IT evolution and promotion of DX are indispensable for accelerating NITORI Group's store openings and expanding its business areas. Our task is to develop new systems, services, and channels, while operating and managing systems safely and securely, to improve internal operational efficiency and to provide a wide-ranging and convenient shopping experience for our customers. We will continue to actively create value as the foundation of the Group's business model.

Yoshihisa Sato Senior Executive Officer
Chief Information Officer (CIO)

NITORI Group's Human Resources

Creating an Organization with a Wealth of Elites for Sustainable Growth

NITORI Group's growth is supported by a wealth of elite specialists who can think comprehensively and create new value. The pillar of human resources development is "job-rotation-based education" designed so that employees experience various occupations in the Group's extensive business areas every two to three years. This is an education system that forms the foundation of human resources development, designed to provide each employee with a wealth of knowledge and extensive experience. At the same time, in order to encourage the growth of each employee toward the fulfillment of his or her vision, we have introduced a talent management system to link personnel data and are working to design transfers and employee education tailored to each employee's career aspirations. This approach has produced a large number of NITORI-style specialists who can apply knowledge in a broad range of fields and combine expertise in several subjects to generate innovation. We continue to aim for sustainable growth by taking advantage of the potential presented by being an organization with a wealth of elites.

Job-rotation-based education



Unique job-rotation system in which employees are transferred to other departments every couple of years

4C Principle



A work ethic that takes root in NITORI Group



Focus on creating an organization in which each and every employee can work vigorously and fulfill an active role

Voice



NITORI Group has been emphasizing human resources development since its foundation, convinced that "individual growth leads to corporate growth." We need to grow dramatically to achieve our vision. The key to achieving our vision is how we can produce specialists by means of the 4Cs. Committed to creating an organization that values and nurtures people who continue to take on challenges, we encourage NITORI Group employees worldwide to make steady progress toward realizing the company's mission and their own vision.

Mitsuru Ohki Managing Executive Officer
General Manager, Organization Development
Office and Chief Information Security Officer (CISO)

NITORI Group is focused on opening stores in Eastern Asia, the U.S., Malaysia, and Singapore, and is promoting e-commerce in each of these countries and regions, as well as cross-border e-commerce and wholesale business in countries and regions where the Group has no stores. Having established the Global Business Development Office in January 2020 to enable our headquarters to take the lead in providing support to build foundations for overseas business, we are further accelerating the speed of new store openings overseas.

Initiatives for global business development	
Themes	Overview of initiatives
Support for overseas business by the Japan headquarters	Supporting issues related to developing business in all countries and regions outside Japan. Encompasses human resources development, development of educational tools, store creation, omni-channel development, store work standardization, product supply, and inventory management, etc.
Clarification of know-how and transfer of explicit documentation	Providing systems and manuals in local languages for using the know-how employed in Japan throughout every aspect of overseas operations, including the creation of sales floors that offer clear product suggestions, development of standards for product displays and placement of promotional materials, and faster and more efficient human resources development.
Product proposals based on lifestyle studies in new countries and regions	Using our understanding of lifestyles in each country and region to promote NITORI products that resolve frustrations and inconveniences of local people in a clear way using sales floors, and POP and promotional materials in local languages, as an alternative to conducting market research on best-selling lines.
Global omni-channel promotion (platform-building, global standardization)	Evolving from e-commerce deployed in each country and region to the development of a shared global platform. Pursuing cost reduction measures and faster expansion to respond promptly to rapid changes in customers' "purchase behavior."

Initiatives in fiscal 2021 in countries and regions where NITORI Group has stores	
Country / region	Overview of initiatives
NITORI (CHINA) HOLDINGS CO., LTD	Opened a store on TMall, an e-commerce site. Expansion of sales channels led to increases in the number of customers and the e-commerce conversion rate. Implemented standardization measures such as unifying the logo and catch copy to enhance NITORI's brand power. Opened a custom furniture sales floor and a showroom for corporate customers in Shanghai Xujiahui Store. 22 new store openings are planned for fiscal 2022 ending March 31, 2023.
NITORI TAIWAN CO., LTD	Opened N Sleep Shop, a specialty shop for bedding products, in fiscal 2021, to expand the customer base and number of customers by offering a new product lineup. Sales have been brisk. Opened a store on an external e-commerce site to strengthen the e-commerce business. Began airing TV commercials for N Cool, N Warm and other seasonal bedding products, that are basically the same as those in Japan. 12 new store openings are planned for fiscal 2022 ending March 31, 2023.
NITORI USA, INC.	Opened 11 pop-up stores to expand sales channels. Use of Amazon and Walmart Marketplace as well as our own e-commerce site contributed to increased sales. Began changing store signage to "NITORI" as in other countries and regions to improve brand recognition. 1 new store opening is planned for fiscal 2022 ending March 31, 2023.



Masanori Takeda
Director
General Manager of Global
Merchandising Division
General Manager of Global Sales
Promotion Office
In charge of Overseas Sales Business

Voice

NITORI Group's overseas operations took a major step forward in fiscal 2021, including the resumption of accelerated store openings in Eastern Asia and the opening of our first store in Southeast Asia. Homes and lifestyles vary around the world. In order to supply products and services that help to resolve customers' discontent, dissatisfactions and inconveniences, we intend to create systems that enable us to open stores anywhere in the world, making use of the know-how and strengths we cultivated in Japan. Moreover, we will use online sales channels in countries and regions where we do not have physical stores to enter the market faster and in a timely manner.

Opening of First Stores in Malaysia and Singapore and New Initiatives

TOPIC 1 | Opened the first store in Malaysia
Our first store in the Southeast Asian market

On January 20, 2022, we opened our first store in Malaysia, which was also our first store in Southeast Asia, in the Mitsui Shopping Park LaLaport BUKIT BINTANG CITY CENTRE, Kuala Lumpur. The store area is approximately 800 tsubo (2,600 square meters). The products are almost as wide-ranging as in Japan, with a large selection of N Cool products suitable for the warm climate. The store includes an N Sleep Shop specialized in bedding products. We also launched our own e-commerce site. In order to gain the support of many customers in Malaysia, we plan to open 20 stores over the next five years, with six new store openings planned for fiscal 2022 ending March 31, 2023.



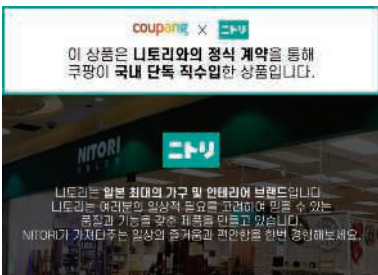
TOPIC 2 | Opened the first store in Singapore
Enhance brand power with a presence in the country with the strongest economy in ASEAN

On March 31, 2022, we opened our first Singapore store on Level 4 of COURTS Nojima The Heeren on Orchard Road. The store has a floor space of 760 tsubo (2,500 square meters) and handles almost the same products as in Malaysia. To meet unique storage needs in Singapore, the store has a sales floor for custom-made storage furniture, which is not available in Japan. We also launched our own e-commerce site. We plan to open 10 stores over the next five years, with two new store openings planned for fiscal 2022 ending March 31, 2023.



TOPIC 3 | Launched e-commerce in South Korea
Tie-up with Coupang, the largest e-commerce company in South Korea

On January 12, 2022, sales of NITORI products began on Coupang's e-commerce site. By supplying goods to Coupang, we entered the Korean market initially through e-commerce, prioritizing faster market entry in a timely manner. More than 120 products, including bedding, cushions, slippers, and kitchen mats, are available and plans call for the launch of the N Cool series tailored to Korean bed sizes in the summer of 2022. We will promote market analysis and acquisition of know-how in preparation for business expansion in South Korea.



Continuing to take on the challenge of achieving our mission, rejecting the status quo and engaging in innovation, to provide enrichment to our customers

Akio Nitori
Representative Director & Chairperson
(Chief Executive Officer)

似鳥昭雄



Respond to change and continue sustainable growth by leveraging a challenging business environment

Though the number of COVID-19 cases goes up and down with the passage of time, it cannot be said that the pandemic has been contained. Furthermore, inflation has become apparent worldwide due to soaring crude oil and raw material prices, supply chain disruptions, and labor shortages, and financial market and exchange rates are fluctuating markedly. The situation in Ukraine is another concern. Thus, the business environment in which we operate remains uncertain and challenging. We have been affected by this, to no small extent, but taking advantage of our business model that integrates manufacturing, logistics, IT, and retail, we are devising ways to reduce various costs in the supply chain in an effort to continue to “offer the unexpected” to our customers. NITORI Group faced several crises over the years. Each time, however, we overcame adversity by seizing it as an opportunity. The driving force behind that is our aspiration to accomplish our mission, “To enrich homes of people all over the world.” Going forward, NITORI Group will continue to grow by

flexibly responding to the changing times, rejecting the status quo and engaging in innovation.

For chain stores, the ever-increasing number of customers and the ever-expanding number of stores are the metrics of social contribution. In order to attract more customers, we have continued to increase the number of stores while developing new products, providing new services, and implementing various measures. It took 29 years from our founding for the number of stores to reach 30. In the next seven years, we achieved 100 stores. Subsequently, we shortened the time taken to open the next 100 stores to six years, to three years, and then to two years. We did not slacken the pace of new store openings in fiscal 2021, with a net increase of 79 stores in one year. We have become able to rapidly increase the number of stores because we now have a full complement of specialists to support each stage of our manufacturing-logistics-IT-retail business model. I think this is the result of our focus on employee development and the creation of a framework for fostering

human resources. I believe it indicates that human resources development is the source of our sustainable growth potential, and moreover, that the growth of employees is linked to enriching the homes of an ever-greater number of customers. NITORI Group plans active store openings in fiscal 2022. Plans call for a net increase of 143 stores, 100 in Japan and 43 overseas. This year, we plan to resume sending employees to observation study tour in the U.S. for the first time in three years. We intend to make fiscal 2022 a year of proactive investment in human resources development (see p.4 NITORI Group's Human Resources Development) and improvement of operational efficiency through IT and digital transformation (DX) (see p.3 NITORI Group's IT and DX). For the second 30-year plan, Vision 2032, targeting 3,000 stores and 3 trillion yen in net sales, 10 years remain. Achieving this grand vision will not be an easy task, but all employees will continue working as one to achieve it.

Message to Stakeholders

Fiscal 2021 marked 35 years of consecutive sales and profit growth for NITORI Group. In addition, we have achieved 32 consecutive years of increased sales and profit since our listing and are ranked first in the world in terms of the number of consecutive years of increased sales and profit among listed companies. This is due to the support of all our stakeholders, including the customers who have purchased our products, our shareholders, financial institutions, local residents who have cooperated with us concerning the opening and operation of our stores, our suppliers and many other business partners at every stage in the supply chain, and NITORI Group employees who are doing their utmost to achieve our mission and vision. I would like to express my wholehearted gratitude to all of you.

We will strive to continue enriching homes for many more people. I am grateful to all of our stakeholders for their continued support in our endeavors.

About NITORI Group -Our Value Creation Journey

Mission Statement

Enriching homes of people all over the world

The needs of the times and our value offered

“To bring America’s enriched lifestyles to Japan.”
—this was our starting point.

The observation tour of America in 1972, had a major influence on NITORI. The stores there supported a luxurious everyday lifestyle, offering customer-oriented products at overwhelmingly low prices that were in lineups unified in quality, color, and style—this was the starting point of NITORI Group.



Widely accepted “One-room coordinated interior design.”

We stopped displaying products by type, which is the conventional method, and set up room displays representing life scenes for each room of the house, such as the living/dining room, bedroom, and kid’s room. Before any other company, we created sales floors where customers could experience coordinated living spaces.



Achieving lower prices for expensive items with product development from the customer’s perspective.

Feather comforters once cost more than 100,000 yen. By reevaluating raw materials, NITORI Group was able to cut the price to under 10,000 yen while still maintaining its quality. In the same way, we have contributed to lower prices for furniture, such as sofas and beds, as well as randels (school bags).



NITORI Group’s philosophy of doing everything in-house, making it possible to offer the unexpected. We control everything, from product planning to manufacturing, logistics, and sales.

- Sourcing that expands across the globe to achieve low prices
- Achieving high quality by working closely with the suppliers, providing directions and management on the manufacturing process at overseas plants.
- Conducting trading operations in-house. Achieving cost reductions by creating our own logistics network from the import of products to the delivery to our customers.

Implementing price cuts even during recessions with an affordability that has value.

In 2008, when oil prices skyrocketed, many companies resorted to raising the prices of their products, but that is when NITORI made its Price Cut Declaration. It was our desire to give back to our customers when the economy was experiencing a recession. More than 5,000 items were cut in price by 20% on average by 2012, garnering great support from our customers.



Balancing economic and environmental value with more efficient manufacturing and logistics.

NITORI Group is making efforts to balance economic and environmental value by pursuing more efficient manufacturing and logistics with methods such as mattress compression technology which leads to smaller package sizes and better container loading efficiency.



Pursuing higher functionality in daily essentials extending to their materials.

We have rapidly expanded our lineup of N Warm products (launched in 2011), which use moisture-absorbing, heat-generating materials, and N Cool products (launched in 2012), which use materials that are cool to the touch, while also enhancing these products’ functions. The products are very well regarded by our customers.



Present-day onward~ Aspirations move to the global stage

Special Feature 1

Foundation of NITORI Group’s Value Creation
→ p.3

Special Feature 2

Global Business Development: Accelerating Store Openings
→ p.5

Establishment of a new business model that integrates manufacturing, distribution, IT, and retail

1967
NITORI Furniture Store established

Founding spirit
“To bring the comfortable and enriched living of the U.S. to Japan”

1973
Direct purchase from manufacturers started

Break through from being just a furniture store

Opened large stores which sold products that make daily life more enjoyable and convenient

Achievement of total coordination

1986
Started direct import of overseas products

Adding cost competitiveness that is one step ahead

1994
Began operating an overseas factory

Established factories overseas in order to achieve low prices for products with Japanese quality

2003
Achieved 100 stores and ¥100 billion in net sales

2004
Established NITORI-net

Launched the online sales business

Domestic nationwide development/Overseas expansion

2007
Opened Kaohsiung Dream Mall Store

2008
Price Cut Declaration

Price cuts on 1,000 items following the global financial crisis

2009
Achieved 200 stores and ¥200 billion in net sales

2013
Opened the first store in the U.S.

Aki-Home Globalization and expansion of business areas

2014
Opened Wuhan Star City Store

Launched NITORI app service

Globalization and expansion of business areas

2015
Opened Printemps Ginza Store as the first store inside a department store

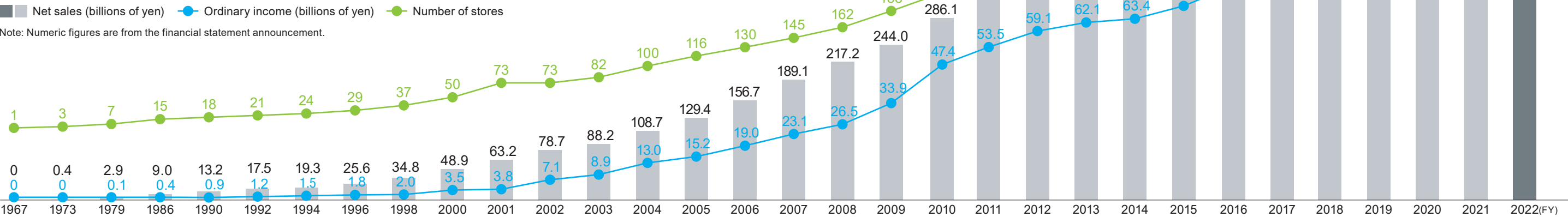
2017
The new factory in Ba Ria-Vung Tau, Vietnam, began operation

2021
Management integration with SHIMACHU CO., LTD.

2022
Opened the first store in Malaysia

Opened the first store in Singapore

Nitori Digital Base established





Promoting acceleration of global business development and expansion of business areas to achieve Vision 2032

Toshiyuki Shirai
Representative Director & President
(Chief Operating Officer)

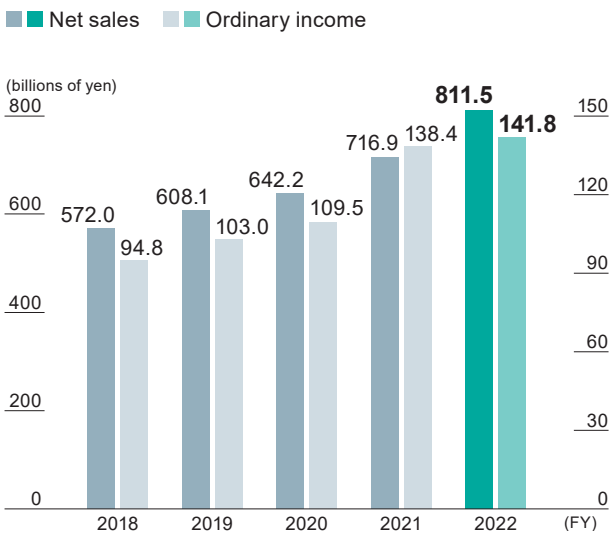
Summary of fiscal 2021 ended February 20, 2022

NITORI Group achieved sales and profit growth for the 35th consecutive year and for the 32nd consecutive year since listing

Economic conditions remained unpredictable in fiscal 2021, as challenging circumstances persisted amid the COVID-19 pandemic. In the furniture and interior home furnishing industry, the business environment remained challenging due to intensifying sales competition across industries and business formats, soaring labor costs caused by labor shortages, container shortages, rising logistics costs resulting from soaring ocean freight rates, etc. NITORI Group's operating results were as follows: net sales were 811.5 billion yen, a 13.2% increase year on year, ordinary income was 141.8 billion yen, a 2.5% increase year on year, and net income attributable to owners of parent was 96.7 billion yen, a 5.0% increase year on year. We achieved sales and profit growth for the 35th consecutive year and for the 32nd consecutive year

since our listing and ranked top in the world for the number of consecutive years of sales and profit growth as a listed company. This would not have been possible without our stakeholders, not least the customers who have purchased our products. I wish to express my heartfelt appreciation to all of you.

Net sales/Ordinary income



Strategy to Achieve Vision 2032

Direction of growth strategies and approach to corporate growth

At NITORI Group, every employee shares the mission of enriching homes of people all over the world, which is at the heart of everything they do. Aligned with our basic policies of offering products with stable quality at affordable prices and of proposing the pleasure of total coordination of living spaces to more customers around the world, the guiding principle of our corporate activities is to do our utmost to achieve our long-term vision of 3,000 stores and 3 trillion yen in net sales by 2032 by mobilizing the Group's strengths.

To achieve NITORI Group's grand mission and vision, we have formulated and are implementing five medium- to long-term management strategies.

For the first strategy, "Evolution toward comprehensive lifestyle suggestions," in order to respond to changes in the business environment and to consumers' changing demographic profile, behavior, and needs, we will pursue expansion and integration of business areas, including through development of new lifestyle-related categories and services, and evolve into a company that makes comprehensive lifestyle suggestions, also covering home improvement and apparel. By building ongoing relationships with individual customers so that they become repeat customers of NITORI Group stores and e-commerce, we hope to increase the number of customers. As interim targets, we have set KPIs for fiscal 2025, which are over 200 million purchasing customers, 25 million app members, and 150 billion yen in e-commerce sales. Regarding the second strategy, "Taking up a challenge to realize a global chain store," we intend to open stores in more regions around the world in an effort to enrich the homes of an ever-greater number of customers. Our goal is to achieve 1,400 stores across the globe by fiscal 2025. We also intend to expand geographical coverage of cross-border e-commerce, which we launched to enable customers in regions where there are no NITORI Group stores to purchase our products (see p.5: Global Business Development: Accelerating Store Openings). For the third strategy, "Business foundation reform through supply chain

management, IT, and organizational strategies," we will invest a total of 350 billion yen or so until 2025 to establish our own distribution centers of our own in Japan and promote strategic relocation to enhance operational efficiency. As for the fourth strategy, "Promotion of M&A and alliances to expand business fields," we will seek strategic alliances with a view to strengthening both our business and functions, including M&A, in order to evolve into a company that makes comprehensive lifestyle suggestions. Regarding the fifth strategy, "Sustainability management to both resolve social issues and achieve our mission," we aim for and pursue a better future for our customers and all our stakeholders as well as for the environment, and society.

Table 1

Medium- to long-term management strategies

- 1 Evolution toward comprehensive lifestyle suggestions
- 2 Taking up a challenge to realize a global chain store
- 3 Business foundation reform through supply chain management, IT, and organizational strategies
- 4 Promotion of M&A and alliances to expand business fields
- 5 Sustainability management to both resolve social issues and achieve our mission

About NITORI Group -Message from the President

Key measures for fiscal 2022 ending March 31, 2023

Based on these medium- to long-term management strategies for achieving our medium- to long-term management plan, we set five key measures for fiscal 2022, as indicated below.

Table 2

Key measures for fiscal 2022	Specific initiatives
1 NITORI Business (domestic) Pursue low prices and increase the number of customers	●Proactive store openings in Japan ●Improving the ratio of operating income to net sales of the Corporate Sales and Interior Renovation Businesses and strengthening product development ●Expansion of the offering of online-exclusive products, addition of new features
2 NITORI Business (overseas) Build the foundation and accelerate growth to achieve Vision 2032 Establish a global supply chain and IT systems, accelerate store openings in countries and regions where NITORI Group has no stores yet.	●Accelerating store openings overseas (34 stores in Eastern Asia, 1 store in the U.S., 6 stores in Malaysia, 2 stores in Singapore) ●Improving profitability of the Eastern Asia business ●Expanding geographical coverage of overseas e-commerce to cover countries and regions where NITORI Group has no stores yet
3 SHIMACHU Business Realize a broader product range (home improvement business) than existing businesses and maximize synergies	●Rebuilding the range of home improvement products that earn the support of local customers ●Optimizing the product mix ●Accelerating development of private-brand products
4 Establishment of business infrastructure Establish the foundation that enables expansion of geographical coverage and business areas	●Promoting cost reduction by consolidating suppliers, shifting production areas, purchasing raw materials, etc. in response to rising costs ●Establishing systems and mechanisms in cooperation with the supply chain for store openings in countries and regions where NITORI Group has no stores yet and for expanding business areas ●Further utilizing IT and promoting DX to improve operational efficiency
5 SDGs Take steps toward achieving our mission while resolving the issues of the world, aiming for a better future	●Responding to climate change ●Reducing waste and expanding recycling ●Sustainable raw material procurement, building a supply chain free of human rights violations ●Promoting diversity ●Penetrating sustainability activities internally and externally

For the first measure, “NITORI Business (domestic): Pursue low prices and increase the number of customers,” to gain further support as destination stores for customers in Japan, we will scale the product mix and efficiently renovate NITORI and NITORI EXPRESS stores and we plan to expand the opening of small Deco Home stores of 100 tsubo (330 square meters) in size. In addition to strengthening the development of products that resolve customers’ frustrations and inconveniences, we will also expand Deco Home original products. For the third measure, “SHIMACHU Business: Realize a broader product range (home improvement business) than existing businesses and maximize synergies,” in order to maximize

synergies with SHIMACHU, with which NITORI Group integrated its management last year, in addition to rebuilding a product range that earns the support of local customers and development of SHIMACHU private-brand products, we will reform SHIMACHU’s structures and systems, including the organizational structure and the education system. For the fourth measure, “Establishment of business infrastructure: Establish the foundation that enables expansion of geographical coverage and business areas,” we will work to establish a supply chain, IT, collaboration among organizations, and backcasting mechanisms and systems for the achievement of our vision.

NITORI Group’s Sustainability

NITORI Group positions sustainability as a key management issue and promotes efforts to resolve environmental and social issues that are required of a company. Through our unique business model that integrates manufacturing, logistics, IT and retail, we will strive to promote the business that achieves both comfortable lifestyles for our customers and the resolution of environmental and social issues, with the aim of realizing a sustainable society. We are implementing initiatives based on the seven key sustainability issues (materiality) identified in fiscal 2021 (see p.31 Materiality and Principal Activities).

We promoted initiatives geared to a circular economy, such as an experimental project to collect curtains and down comforters at some stores for recycling and product development with an eye to recycling from the design phase onward. In addressing climate change, we have expressed our endorsement of the TCFD recommendations and implemented information disclosure based on them, including greenhouse gas reduction targets. We have set greenhouse gas emission reduction targets for fiscal 2030 and fiscal 2050. As well as striving to reduce greenhouse gas emissions, we will work to

contribute to CO2 reduction in our supply chain through the promotion of green logistics, such as joint transportation and modal shift. All of our employees in Japan and overseas—not only those in management or working at headquarters—are playing their part to enable the Group to work as one to achieve sustainable growth and the kind of sustainable management that suits NITORI Group.



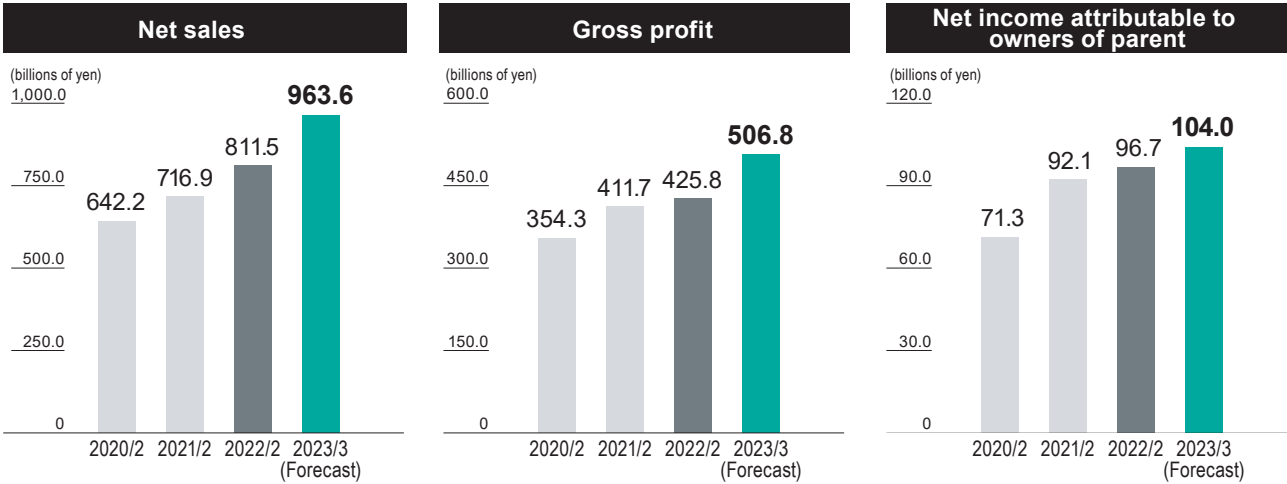
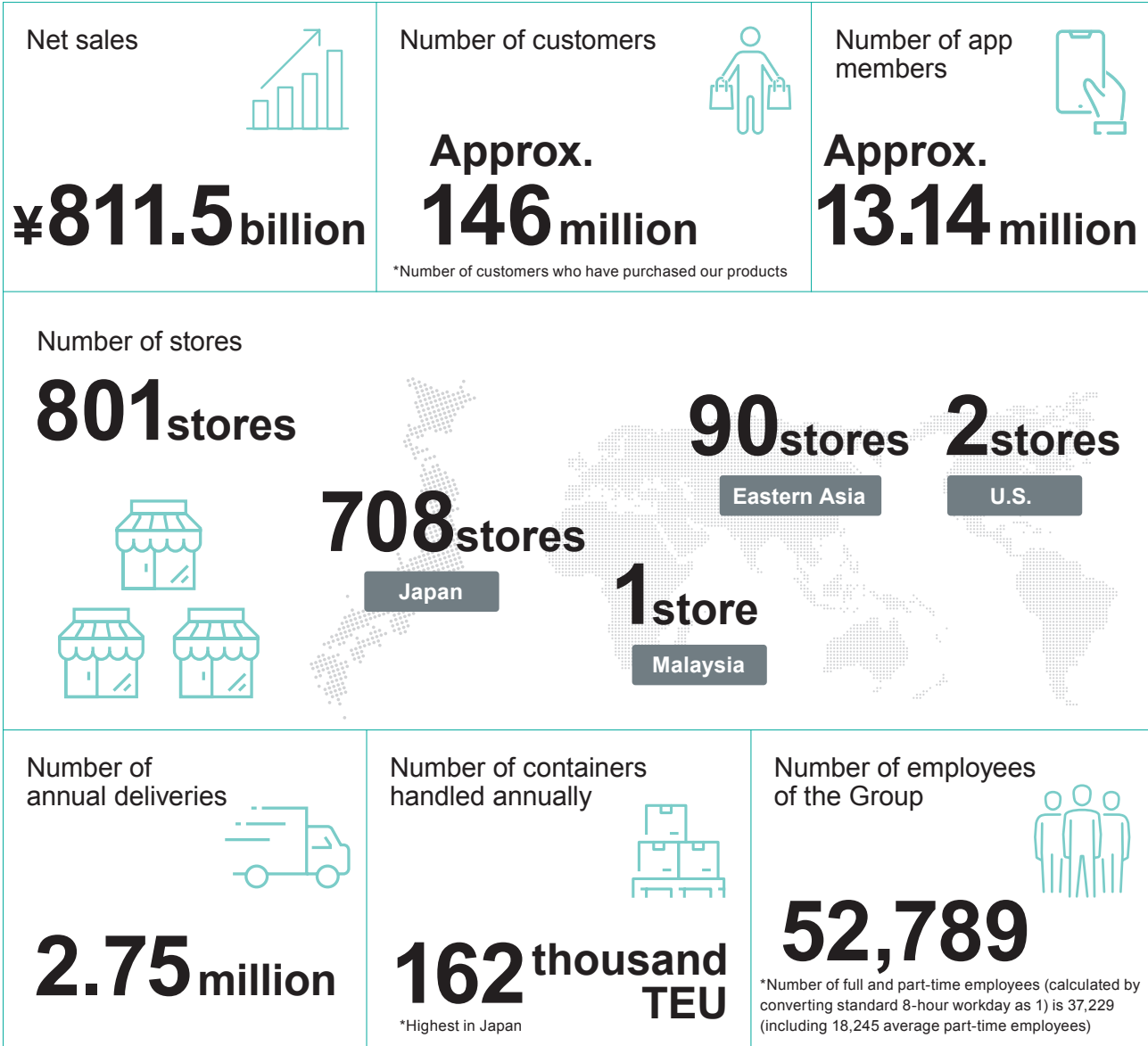
Message to Stakeholders

By steadily resolving the issues, capitalizing on NITORI Group’s unique business model that integrates manufacturing, logistics, IT, and retail, we will progress toward the achievement of Vision 2032 and our mission. NITORI Group will continue to meet the expectations of customers, shareholders and investors, employees, and all other stakeholders, and we look forward to your continued support.



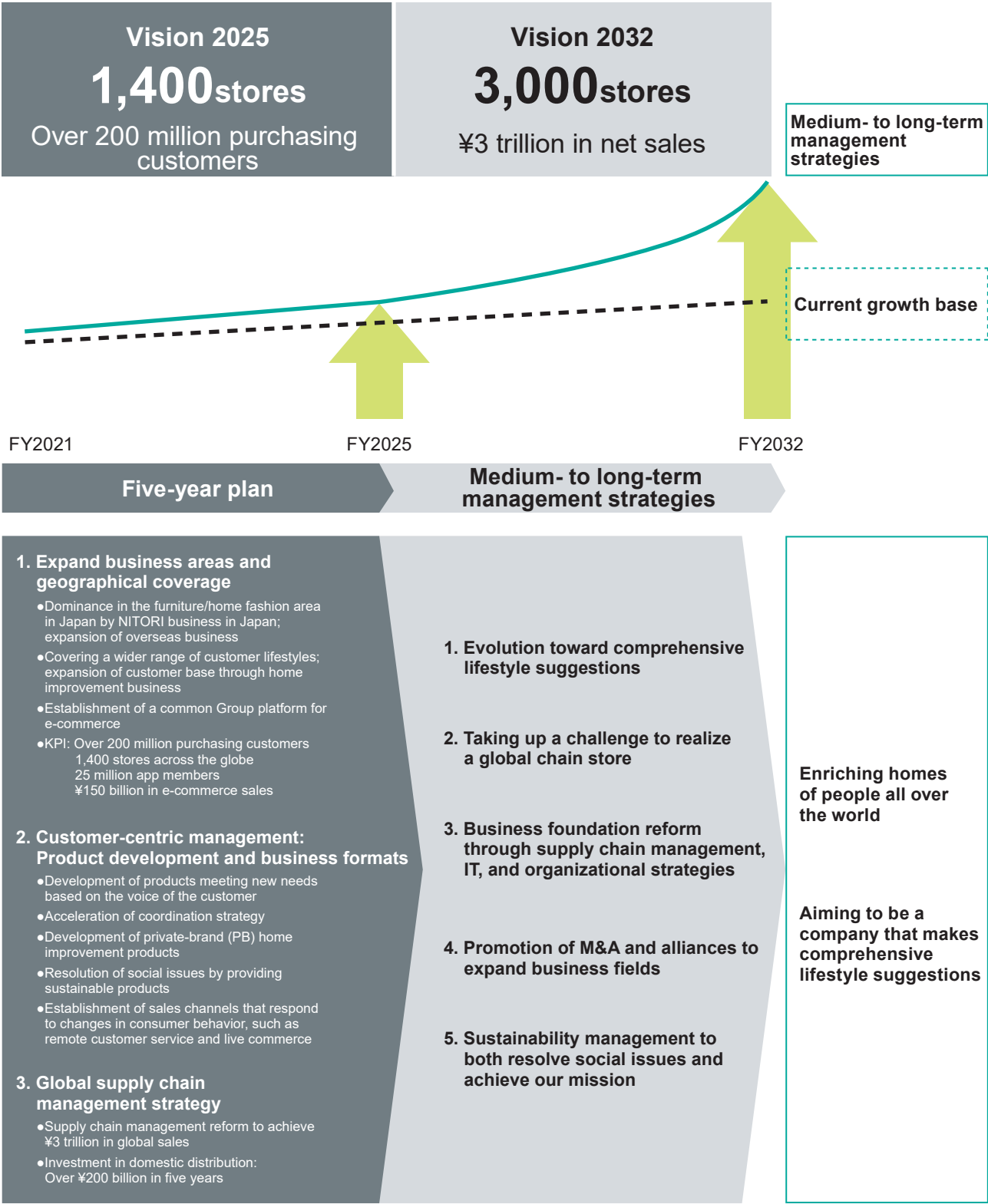
About NITORI Group -NITORI Group's Today

NITORI Group has continued to provide products tailored to customer needs, based on its concept, which has remained consistent since its founding – to bring the comfortable and enriched living of the U.S. to Japan. NITORI Group of “today” is a midway point on its journey into “tomorrow,” as it looks to achieve its vision.



About NITORI Group -To Achieve Our Mission and Vision

To achieve our mission “Enriching homes of people all over the world,” NITORI Group formulated the second 30-year plan in 2002 with a vision of 3,000 stores and 3 trillion yen in net sales by 2032. We have formulated a five-year plan and medium-term management strategies to achieve the vision.



A manufacturing-logistics-IT-retail business:
NITORI Group's unique business model provides value
by "offering the unexpected"

Leveraging our solid foundation of human resources and global network of partner companies, we have established all operational functions inside NITORI Group to create a manufacturing-logistics-IT-retail business. We are endeavoring to evolve our customer-oriented business model in order to continue creating value by "offering the unexpected."



1,400 stores
Over 200 million purchasing customers

3,000 stores
¥3 trillion in net sales

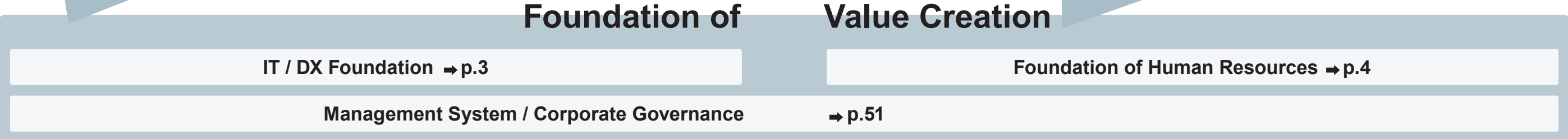
Vision 2025
Aiming to be a company that suggests enriched lifestyles to people around the world

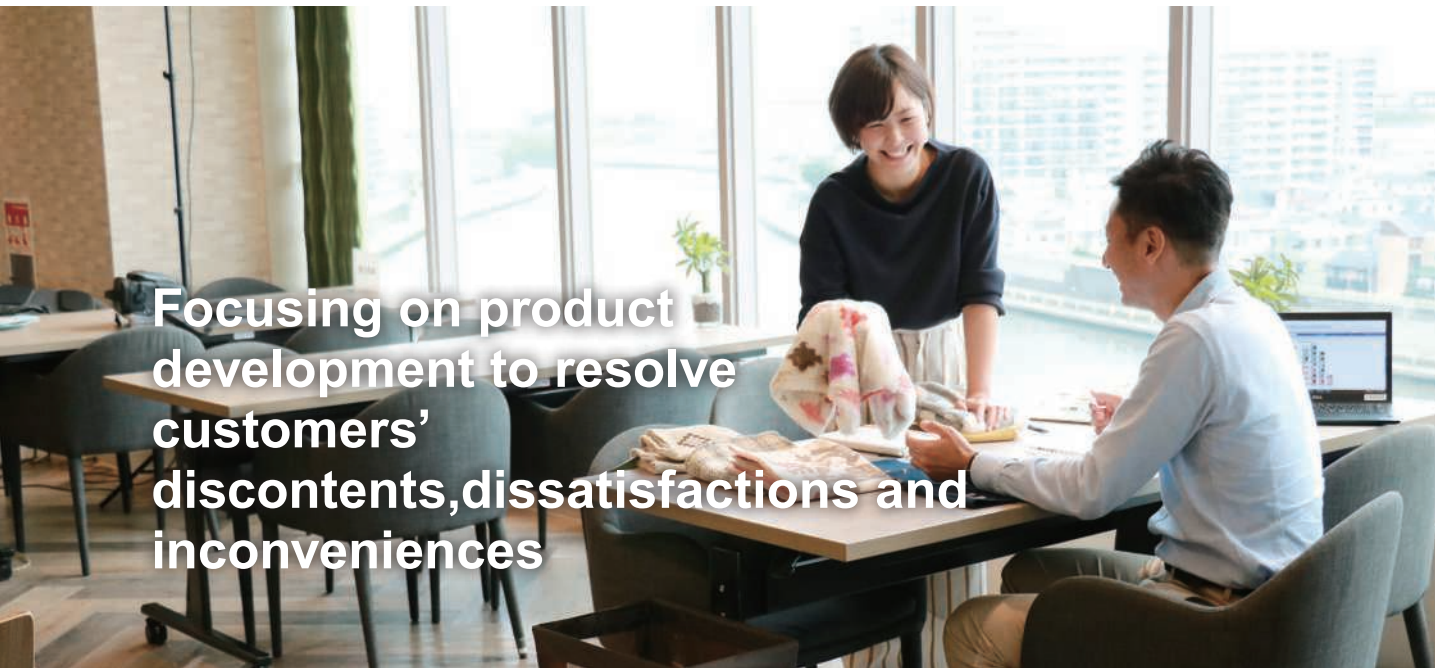
Vision 2032

Mission Statement
Enriching homes of people all over the world



Taking steps toward achieving our mission while resolving the issues of the world, aiming for a better future.





Focusing on product development to resolve customers' discontents, dissatisfactions and inconveniences



Developing new products based on thorough market research to offer an extended product lineup

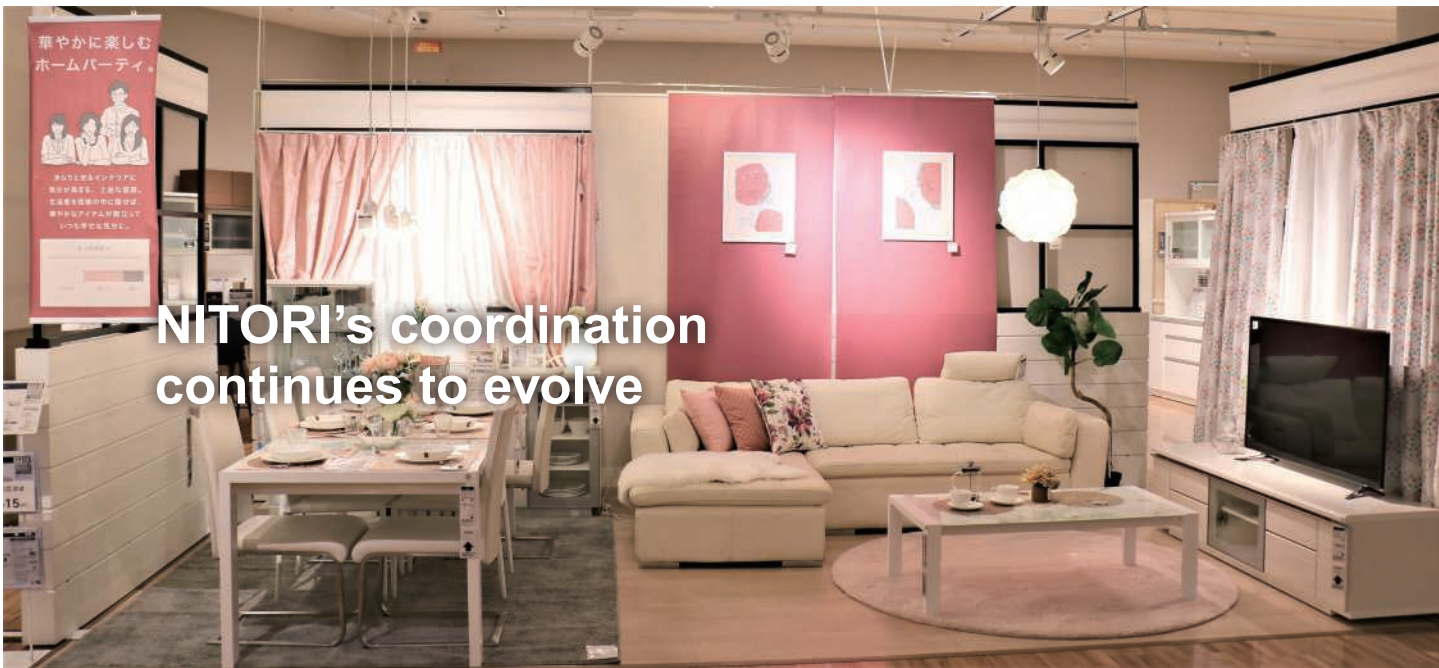
NITORI Group has been vigorously promoting development and extending the range of private-brand (PB) products. The home appliances we began rolling out in 2018 have been well received by our customers, and in response to their requests, we now offer more products for families in addition to those for single-person households. The lineup has been extended, including the launch of Wi-Fi air conditioners in 2020. We are also accelerating the shift to PB home improvement products for SHIMACHU customers. In November 2021, we launched PB toilet paper and boxed tissues. We will continue to emphasize the development of PB products to strengthen product appeal and contribute to the comfortable lifestyles of local customers.



For further enhancement

Promote product development targeting coexistence with the environment and society

Fully utilizing the business model that integrates manufacturing, logistics, IT, and retail, we are also emphasizing the development of products with functions that lead to reduction of environmental impacts, such as reduced power consumption, as well as "Nitori's ecology" products. → p.33



NITORI's coordination continues to evolve



Accelerating global business development to provide enriched lifestyles to people around the world by suggesting coordination

NITORI Group offers a variety of suggestions so that customers around the world feel familiar with coordination and will be inspired to shop at NITORI. Suggestions to improve lifestyles by meeting customers' needs and resolving their frustrations and inconveniences. Suggestions to link interior colors and patterns to make a room more enjoyable and comfortable. If customers feel that their rooms are naturally arranged in a beautiful way as a result of shopping, this is the realization of the joy of coordination and the first step toward enriched lifestyles. We will continue to expand coordination suggestions both at physical stores and by e-commerce to help customers realize their ideal lifestyles.



For further enhancement

Promoting coordination suggestions through in-store displays that convey the concept:
Expand room-type presentations corresponding to lifestyle scenes

A room-type presentation comprises furniture, curtains, rugs, and other large interior products, as well as small interior items and lighting, in a way that simulates actual lifestyle scene. We offer proposals that coordinate color tones and textures.

NITORI Group's Strengths -Manufacturing



Deploying vertically integrated merchandising on a worldwide scale



NITORI Group's own overseas factories contribute to stable supply of products in any circumstances

NITORI Group pursues vertically integrated merchandising covering all processes from raw material procurement to the point where products reach customers for use. Among the Group's own manufacturing sites overseas, two factories in Vietnam (Hanoi and Ba Ria-Vung Tau) and a factory in Thailand underpin a stable supply of products and are among the Group's strengths. The Hanoi Factory mainly produces furniture such as cupboards and chests, beds, and sofas, while the Ba Ria-Vung Tau Factory produces curtains, N Cool and other bedding products in addition to dining table sets. In July 2021, a curtain factory with a floor area of 22,000 tsubo (73,000 square meters) started full-scale operations. The factory produces 5,000 sets of curtains per day. Those curtains have been sold at stores since the end of September 2021.



For further enhancement

Expanding factories in Vietnam and Thailand:
Strengthen the production system and enhance productivity in readiness for increasing the number of stores in Japan and overseas

In 2022, we acquired land for a third factory in the vicinity of the Hanoi Factory in Vietnam. The new factory will respond to the need for increased production of furniture. Construction of a new building with a total floor area of 1,960 tsubo (6,500 square meters) as the second factory of SIAM NITORI in Thailand is scheduled for completion in June 2022. Production and development of carpets and rugs will be further strengthened.

NITORI Group's Strengths -Quality



Product safety and quality control with our sights set on the world



Strengthening the system to supply safer and more secure products with appropriate quality

Having reflected on the recall of diatomite products in 2020, we expanded the restricted substances list to include 108 substances and enforced bans on use, or restrictions on the amounts, of the relevant substances in products. In February 2021, a Planning & Design Evaluation Meeting was established to jointly check the 3 items of "confirmation of raw material safety," "compliance with regulations and standards," and "monitoring and guidance of factory management systems" with the departments involved in product development. We have introduced a system whereby products featuring new materials or new functions must pass through a confirmation process overseen by this evaluation meeting before commercialization. This system leads to the identification of substances restricted by laws and regulations, prevention of the use and mixing of unregulated hazardous substances, examination and verification of inspection and management processes required for new materials, and accumulation of know-how. We have put in place a double-checking system whereby Planning & Design Evaluation Meetings function in parallel with the Development Technology Evaluation Meetings, which confirm the safety of use of new products.



For further enhancement

Digital transformation (DX) of quality control:
Introduce a quality control platform system to seamlessly manage quality operations by country/region

Plans call for the introduction of centralized management of reports and data from product development through to supply in a database by 2025. We will promote the localization of Technology Evaluation Meetings and quality audits, which have been led by Japanese Headquarters aiming to establish a global quality control system and localization of product evaluation.



A logistics network to optimize transportation efficiency

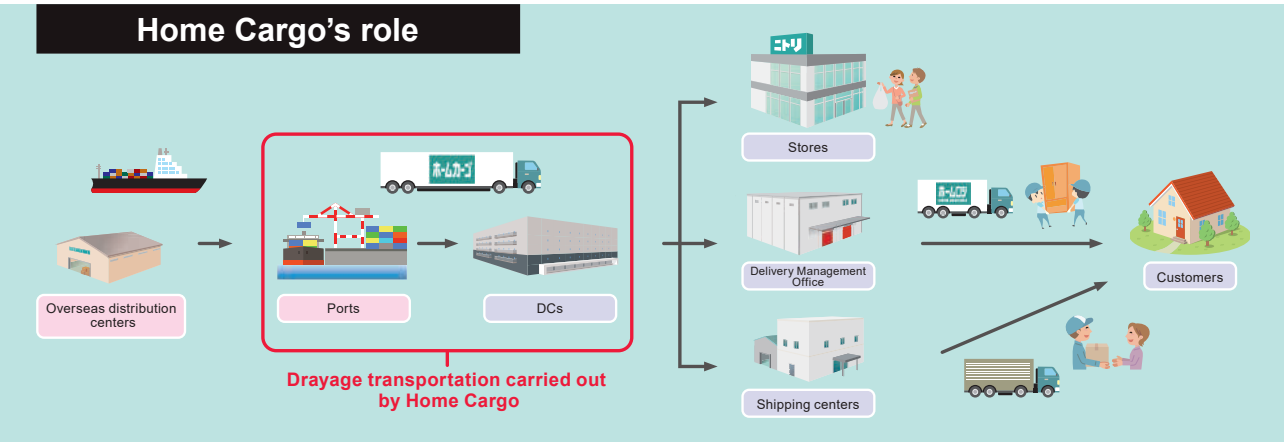


Establishment of a logistics network:
Managing container transportation from ports to distribution centers in-house

Home Cargo Co., Ltd. was established in February 2021 to realize integrated logistics services from container transportation to last mile delivery by taking advantage of NITORI Group's economies of scale. The objective is to play a role in domestic drayage transportation, transporting containers arriving at major ports around Japan from factories overseas to each distribution center (DC)*. The greatest characteristic of Home Cargo is that cargo transportation is done in-house, using its own vehicles and drivers. In response to issues such as driver shortages, rising transportation costs due to soaring fuel prices, and the need for driver workstyle reform, we will promote visualization and streamlining of transportation costs, and vigorously work to create a working environment in which female and elderly drivers can also work with peace of mind.



*Distribution center (DC): A hub for stocking inventories



Rebuilding domestic distribution centers:
Total optimization based on optimal location and concentration of functions

NITORI Group is rebuilding its domestic distribution centers not only to expand receiving and shipping functions in response to the increase in the volume of goods, resulting from accelerated store openings and increased demand for e-commerce, but also to curb CO2 emissions and reduce costs. We are planning to invest a total of around 350 billion yen by 2025, to set up eight of our own new distribution centers, ranging in scale from around 25,000 to 120,000 tsubo (83,000 to 400,000 square meters). As the first step, Ishikari Distribution Center (DC) in Hokkaido will begin operation in August 2022. Ishikari DC is equipped with new material handling equipment and an in-house refueling facility (in-tank), and can also handle disaster stockpiling by taking advantage of economies of scale. Subsequently, plans call for opening Kobe DC (Hyogo Prefecture), Nagoya DC (Aichi Prefecture), and Satte DC (Saitama Prefecture). Among them, Nagoya DC will be NITORI Group's first distribution center in this part of Japan, covering the Tokai and Hokuriku regions.



For further enhancement

Improvement of warehousing efficiency by introducing Automatic Guided Vehicles (AGVs)

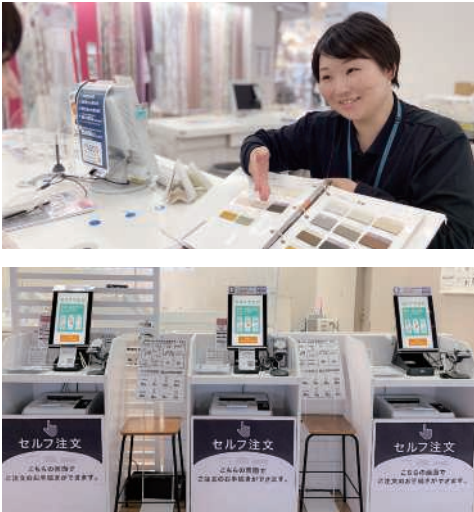
The new distribution centers will be equipped with AGVs for unmanned transportation tasks that were previously performed by forklifts and people. We will increase productivity and safety by creating an environment where employees can focus on work with added value.

Making more people's lives comfortable and convenient by expanding our store network



Safe and secure stores offering a convenient enjoyable shopping experience where customers want to shop again

Stores are crucial contact points that directly connect customers with NITORI Group. Going forward, we will accelerate the opening of new stores in Japan and overseas so as to increase opportunities for more customers to visit our stores and physically touch and try our products. We are creating clearly laid-out sales floors that make shopping easy so that customers visiting our stores can have an enjoyable shopping experience that is only available at physical stores, which offer new products and various coordination suggestions. Furthermore, to improve customer convenience, we have introduced Touch de Concierge and increased the number of self-service ordering devices and self-service cash registers. We will continue to offer an enjoyable and convenient shopping experience as part of the “new normal” way of life.



Store Openings during Fiscal 2021

801 stores
By 2032
3,000 stores

708 stores in Japan				
472 stores	22 stores	140 stores	18 stores	56 stores

Accelerating store openings overseas

Eastern Asia:	90 stores
US:	2 stores
Malaysia:	1 store



NITORI HOME'S Miyahara Store, an integrated store featuring almost all the products of NITORI and SHIMACHU, opened in June 2021

The first floor of NITORI HOME'S Miyahara Store is a home improvement center that handles exterior items and daily necessities and consumables as well as staple NITORI products, while the second floor offers furniture and other products of both NITORI and SHIMACHU. The store is notable for sales floors offering coordination suggestions combining these products. In addition to NITORI products in low- and mid-price ranges, SHIMACHU products in mid- and high-price ranges are also available on the furniture sales floor. We are able to offer our customers an unprecedented range of products. Offering a wide range of products for the home, both for the interior and the exterior, NITORI HOME'S is NITORI Group's first store format for “new total coordination” and will enable more customers in more communities to enjoy enriched lifestyles.

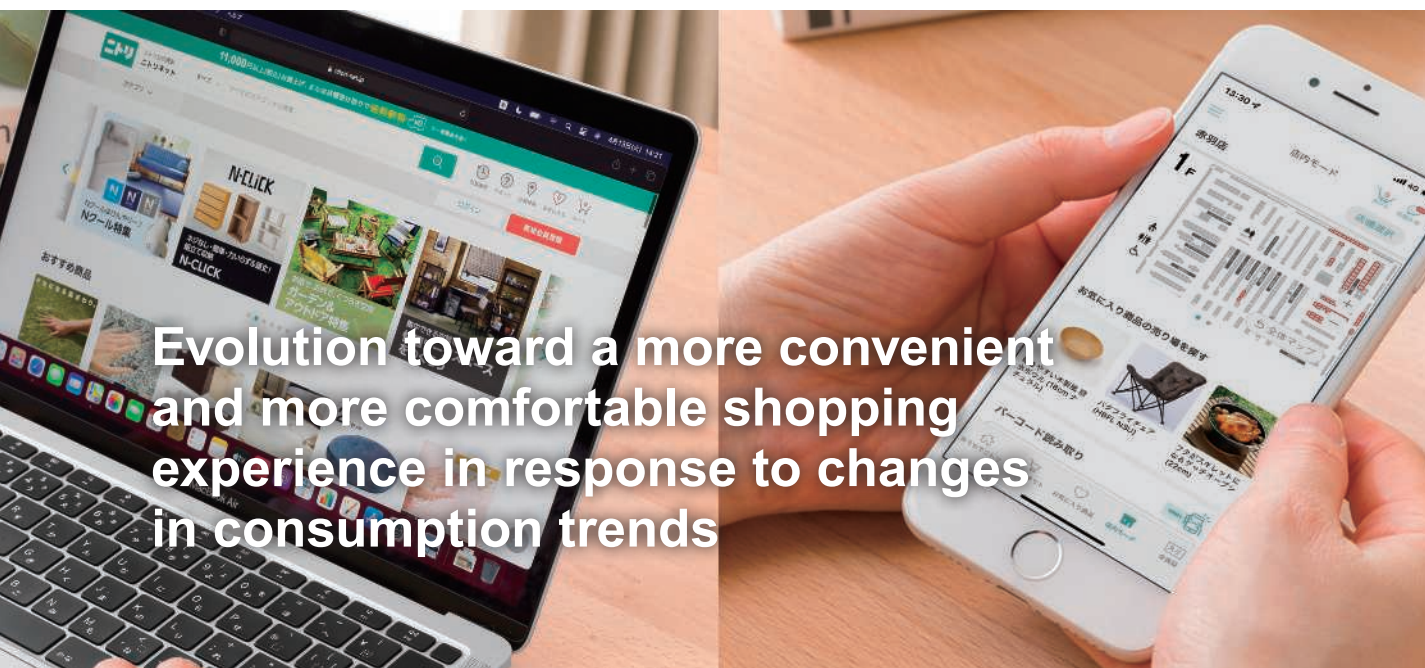


For further enhancement

Become destination stores by accelerating NITORI Group store openings in Japan and overseas and renewing product lineups

NITORI Group is accelerating store openings. Plans call for net increases of 100 stores in Japan and 43 stores overseas in fiscal 2022. As well as offering coordinating suggestions and proposing products that can resolve customers' frustrations and inconveniences, and strengthening our sales floor presentation skills with those objectives in mind, we will focus on product development from the customer's perspective.

NITORI Group's Strengths - E-commerce



Evolution toward a more convenient and more comfortable shopping experience in response to changes in consumption trends



Strengthening customer contact points with a focus on the NITORI app. Seamlessly connect stores and e-commerce to offer a new shopping experience.

The NITORI app was launched in March 2014. It plays an important role as a hub providing customers with a more convenient and more comfortable shopping experience by leveraging the advantages of both online and offline shopping. In December 2021, the "in-store mode" was released for greater convenience in shopping at a physical store. Customers can easily check product location, inventory information, and pickup and delivery dates on the app without having to ask sales staff. The coordination menu and other new functions have also been added to the app. Other new initiatives include live commerce. We are expanding new services that allow customers to view NITORI products and easily purchase them on NITORI-net from their homes.

Number of NITORI app members
Reached 13.14 million members →
Target for fiscal 2022: 16 million members



For further enhancement

New functions of the NITORI app to offer a more convenient and more comfortable shopping experience

"App de order," a new function of the "in-store mode," is to be released in June 2022. Customers can use the app to create a list of products selected in the store that they wish to order. After selecting the pickup date, customers can proceed to the checkout counter just with their smartphone to pay for the products they ordered.

NITORI Group's Strengths - A Wide Range of Business Fields

N+

Launched in 2019, N+ is NITORI Group's apparel brand for women. Inspired by the concept of "total coordinated clothing for adults," the brand proposes fashion at affordable prices that is comfortable to wear and can be easily coordinated. Looking ahead, we will increase the number of N+ stores and further extend the range of PB (private brand) products to provide our customers with attractive products at even more affordable prices.



Corporate Sales and Interior Renovation Businesses

NITORI has cultivated strengths in developing products and suggesting coordination through its residential furniture and home fashion businesses. The Corporate Sales and Interior Renovation Businesses draw on these strengths to propose interior design of business spaces for corporate customers and total renovation services for households, respectively. We will continue to take on the challenges of the rapidly advancing digital age, such as online consultation for home renovation, in pursuit of solutions to customer inconvenience.

NITORI MALL Business

To enable our customers to fully appreciate the NITORI MALL concept of "an abundance of products and affordable prices," we created a mix of shops focused on large specialty stores in each category with the ability to pull in a broad spectrum of customers, including popular stores selling apparel or household items, and restaurants. By developing the NITORI MALL business, we will keep on contributing to enriched lifestyles for local customers.

Nitori Facility Co., Ltd

Nitori Facility is responsible for waste disposal, cleaning, and security, as well as for insurance services as an insurance agency for NITORI Group. Our aim is not only to maintain and manage facilities, but also to realize optimization for the Group as a whole, by reducing costs and improve efficiency, as well as enhance provision of benefits for employees.

Nitori Public Co., Ltd.

Nitori Public is an integrated advertising agency. In addition to conducting advertising and sales promotion for NITORI Group companies, it also offers services to clients outside NITORI Group in a wide range of business. Also emphasizing food and tourism, Nitori Public is engaged in the restaurant business and the travel business, including the management of Ginrinsou, a Japanese-style hotel in Otaru, Hokkaido, and museum stores. The company also has an export business utilizing NITORI Group's manufacturing and logistics network. Nitori Public plays its part in enhancing corporate value.

NITORI Dining Everyone's Grill

NITORI Dining Everyone's Grill is NITORI Group's restaurant business, which Nitori Public started in March 2021. The guiding concept is "to provide service that offers the unexpected and ensuring customer satisfaction in terms of both flavor and price." It procures only carefully selected ingredients, and by ensuring operational efficiency it has succeeded in developing menus that combine high quality with reasonable prices. The business will continue to develop new menu items and upgrade menu items to achieve NITORI Group's mission and vision.



Establishing second and third pillars to support medium- to long-term growth

NITORI Group operates a range of businesses to enable customers to experience enriched lifestyles. Having supplemented its established business by launching the N+ apparel brand and the NITORI Dining restaurant business, the Group is now able to offer proposals to customers in all areas of clothing, food, and the home. We will continue extending the strengths cultivated within the Group into new business areas as we endeavor to achieve our mission and vision.

NITORI Group's Sustainability

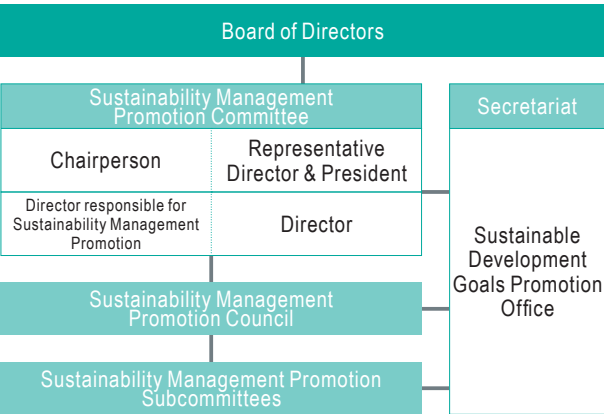
Sustainability Policy

Taking steps toward achieving our mission while resolving the issues of the world, aiming for a better future.

NITORI Group has been advancing to accomplish its mission of enriching homes of people all over the world. The Group's unique business model that integrates manufacturing, logistics, IT, and retail was developed in the course of this process. By allowing us to achieve thorough efficiency enhancement and cost reductions, this business model makes it possible for us to offer customers products and services that live up to the concept of "offering the unexpected." Furthermore, this business model enables us to take actions for total optimization from the perspective of sustainability, leading to the creation of new value that contributes to resolving environmental and social issues. By repeating the process of rejecting the status quo and promoting innovation, we will sincerely address each issue of the ever-changing world. Aiming for and pursuing a "better future" for our customers and all other stakeholders, the environment, and society, we are committed to sustainability management, to be befitting NITORI Group.

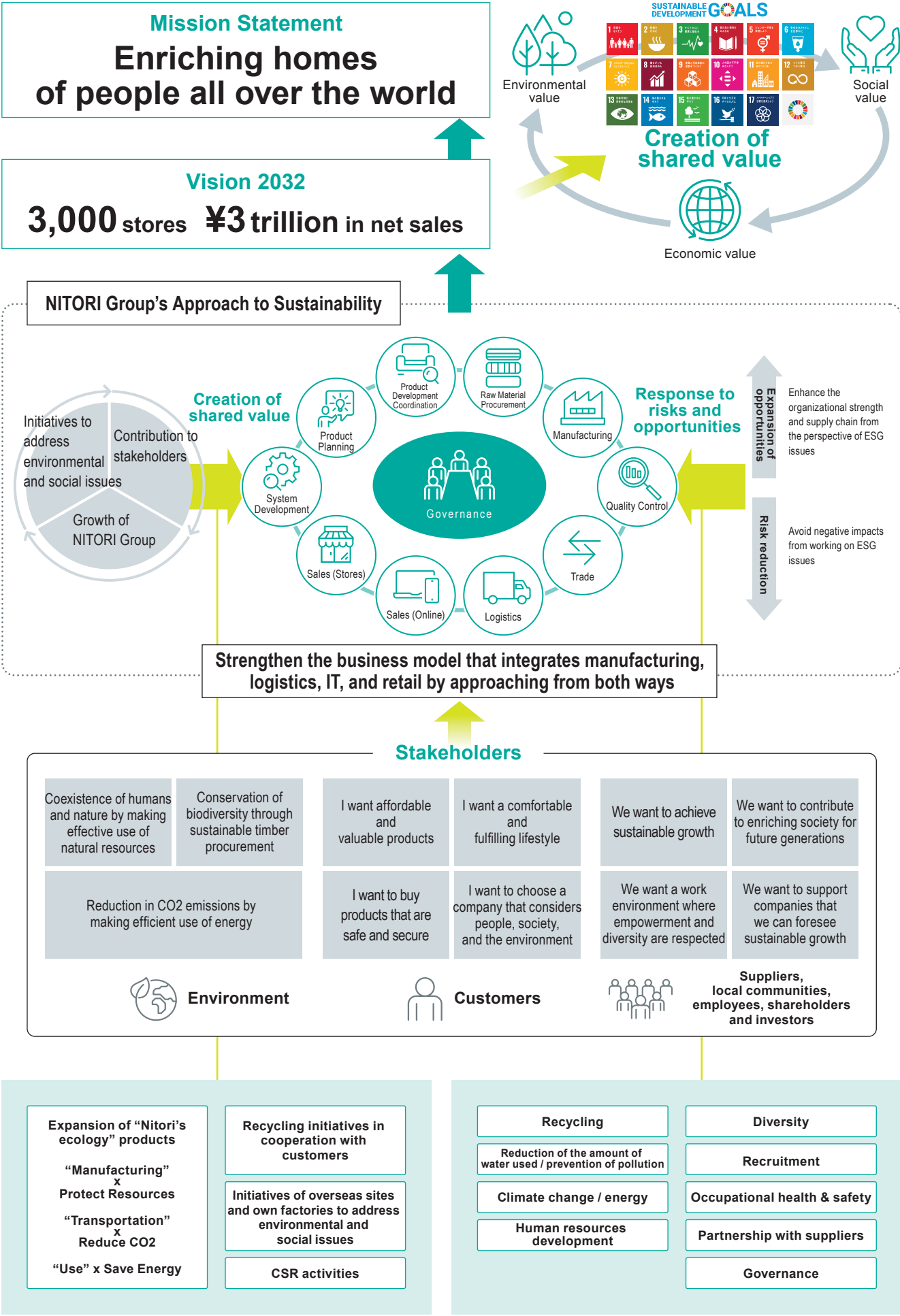
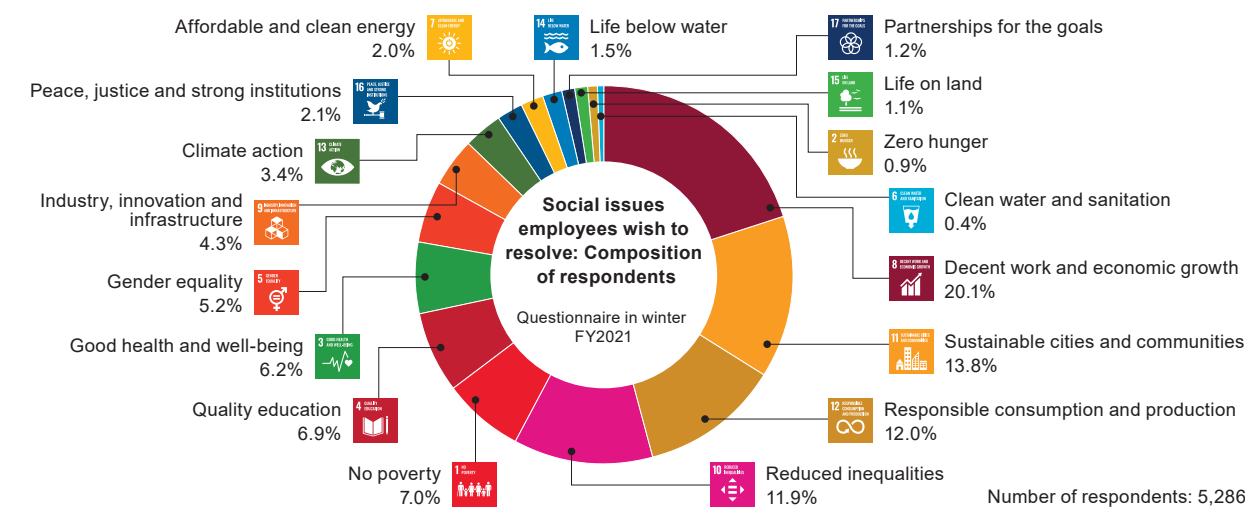
Sustainability Management Promotion System

The Sustainability Management Promotion Council consisting of managers of operating companies whose functions relate to sustainability issues sets specific sustainability targets and formulates measures to address them. The Sustainability Management Promotion Committee, chaired by the Representative Director & President of NITORI Holdings, Co., Ltd., discusses general sustainability matters relating to NITORI Group as a whole. Based on these discussions, the Board of Directors provides advice on the progress of the initiatives and determines the direction to be taken and the measures to be implemented by NITORI Group.



Group-wide Initiatives to Promote Sustainability

At NITORI Group, each employee considers his or her career plan for the next 30 years and submits it to the company every six months. In considering their career plans, employees link their plans to the social issues (SDGs) they wish to resolve and consider solutions.



Materiality and Principal Activities

Materiality	Shared value	NITORI Group's approach	Principal activities (from FY2021 onward)	Targets	Relevant pages
Contribution to enriched lifestyles by “offering the unexpected” 	Value creation for providing enriched lifestyles to customers	- Pursue affordability, appropriate quality (functionality) and coordination - Resolve customers' discontents, dissatisfactions and inconveniences - Offer new value that further enriches lifestyles (products and services that can lead to solutions to environmental and social issues)	- Expansion of the range of products that satisfy the criteria of “Nitori's ecology” under the slogan of “Good for the future. Good for everyone” - Development of a sales floor of lifestyle ideas to solve customers' frustrations and inconveniences	- Development of products meeting new needs based on the voice of the customer - Development of a sales floor of lifestyle ideas to solve customers' discontents, dissatisfactions and inconveniences - Resolution of environmental and social issues by providing sustainable products → P16	P33 - 35
Product safety and security through comprehensive quality control 		- Quality control and product safety measures as a manufacturer - Share with suppliers ideas and initiatives to build culture of product safety	Expansion of the restricted substances list to include 108 substances. Enforced bans on use, or restrictions on the amounts, of the relevant substances in products → P22	Establish a global quality control system and localization of product evaluation. (Introduction of centralized management of reports and data from product development through to supply in a database)	P45 - 48
Promotion of environmentally friendly business 	Simultaneous expansion of economic value and environmental and social value	- Carry out all tasks more efficiently throughout the entire supply chain - Make effective use of raw materials - Make effective use of recycled materials through innovation - Disclose and reduce greenhouse gas emissions from business activities	- Resource circulation initiatives - Execution of a “down comforter recycling campaign” and a “curtain collection campaign” (for limited time at certain stores) - Development of “easy-to-sort” pocket coil mattresses that are easy to disassemble for disposal - Climate change initiatives - Endorsement of TCFD recommendations and information disclosure in accordance with TCFD - Rebuilding domestic distribution centers → P24	- Response to climate change (TCFD metrics and targets) - Greenhouse gas emissions reduction targets (global, Scopes 1 and 2) - FY2030: 50% reduction compared with FY2013 (emissions per 100 million yen of net sales) - FY2050: Become carbon neutral. (net zero emissions) - Waste reduction and recycling (domestic operations) - FY2030: Amount of waste discharged (general waste and industrial waste) 30% reduction compared with FY2018 (Amount of waste per 100 million yen of net sales in Japan)	P36 - 40
Fair and honest trade and respect for human rights in the supply chain 		- Supplier contracts based on strict standards and on-site investigations - Establish true partnerships with suppliers - Fair and honest trade, respect for human rights, work environment creation, etc.	- All suppliers signed and endorsed the Supplier Code of Conduct. - Encouraged suppliers to obtain environmental certifications so that the same targets are shared throughout manufacturing and sales. - At the management policy briefing for overseas suppliers, clearly stated the orientation toward promoting sustainability management that takes environmental and social issues into consideration.	- Promotion of sustainable procurement - First, establish a traceability system together with suppliers to achieve “sustainable timber procurement.”	P45 - 48
Contribution to local communities 	Creation of social value through store openings and support in terms of human resources, environment, and culture	- As a company that provide enriched lifestyles, expand the store network and create stores supported by customers - Expand into global business (open stores and create employment) - Disaster assistance and social action programs in fields other than the main lines of business	- Expansion of store openings and sales → P5-6, 25-28 - Development of “Future IT Human Resources” through industry-government-academia collaboration - Provision of learning opportunities through “LEARN with NITORI” support project	Achieve 3,000 stores in FY2032, becoming a destination store in the community, based on the conviction that the ever-increasing number of customers is the metric of social contribution	P49 - 50
Creation of a rewarding work environment and promotion of diversity 	Simultaneously achieve employees' job satisfaction and enhancement of corporate value	- Education system that allows employees to realize self-growth - Job-rotation to a variety of occupations in a wide range of business fields - Create a comfortable environment where everyone can work in good health with peace of mind	- Revision of the NITORI Group Code of Conduct* - Encouraging male employees to take childcare leave - Establishment of rules to prevent harassment - Revision of education systems and training - Production and periodic distribution of content for internal PR and awareness raising *Penetration of the SDGs in NITORI Group (“Take ownership of sustainability”) *Improvement of employees' health literacy and awareness, etc.	- Increase the percentage of women in management positions of 5 key Group companies in Japan to around 40% in the 2030s. - Increase the percentage of non-Japanese employees in management positions by promoting assignment of non-Japanese employees to management positions - Increase the percentage of mid-career hires in management positions by continuing recruitment of specialists.	P41 - 44
Effective corporate governance 	Ensuring transparency and soundness of management Speedy decision-making and business execution	- Build a foundation that supports medium- to long-term corporate growth and create decision-making systems and a basis for active discussions - Ensure compliance - Build a robust risk management system	- Securing of diversity of the Board of Directors by appointing two female directors - Strengthening of the monitoring functions of the Board of Directors by greater delegation of authority to representative directors	Continue to strengthen the corporate governance system based on the belief that corporate governance is the indispensable foundation for achieving the above sustainability management targets.	P51 - 58

*The NITORI Group Code of Conduct is linked with materiality to facilitate employees' action.



Nitori's ecology

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

未来にいいこと。 みんなにいいこと。

—— ニトリが取り組む、環境を考えたものづくり ——

- 「つくる」ときにリサイクル材を活用し、限りある資源を守る
- 「はこぶ」ときの梱包サイズを小さくし、排出 CO2 を減らす
- 「つかう」ことが省エネルギーにつながる機能を開発する

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

Nitori's ecology "Manufacturing" × Conserve Resources



Carpets and rugs made from recycled plastic bottles

SIAM NITORI, our own factory in Thailand, is the sole factory using special technology to manufacture carpets and rugs with recycled polyester made from plastic bottles, etc. and supplying them to Japan. One carpet approximately 10m2 in size, can be made with recycled polyester extracted from approximately a hundred 500ml plastic bottles. The factory manufactures approximately 3,750,000m2 (equivalent to 80 Tokyo Domes) of carpet from recycled plastic bottles amounting to as many as 100 million bottles a year. This initiative also contributes to the reduction in the use of finite resources, such as fossil fuels, because synthetic fiber derived from petroleum, which is typically needed in manufacturing carpets and rugs, is not used. While the use of recycled materials generally increases costs thus selling prices, NITORI Group manufactures affordable, high-quality products with its unique technology, implementing radical cost reduction strategies.



→ Related page: p.38 (Reduction of the Amount of Water Used / Prevention of Pollution)



Plastic bottles



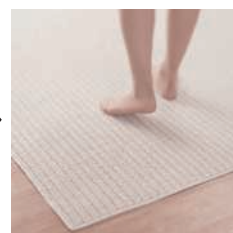
Polyethylene terephthalate (PET) chips



Polyester fluff



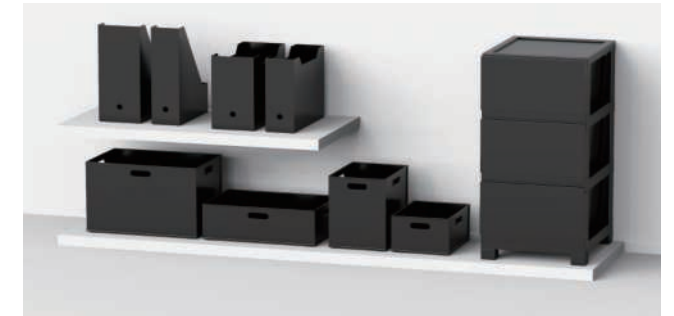
Polyester spun yarn



Carpets/rugs

Environmentally friendly storage series

Popular storage products (N-inbox, A4 file storage, DECONY chests of drawers) are now available in environmentally friendly black color. Recycled raw materials account for more than 20% of the raw materials used in the manufacture of the new black product lines, which were created in response to feedback from customers.



Stack Series
Neatly stackable and easy to store in drawers or on shelves.



Multi Series
Different sizes (S, M, L) can be nested.



Slim Series
Slim width allows neat storage on shelves.

Soup bowls made of recycled plastic

For Stack Series, Multi Series, and Slim Series soup bowls, recycled raw materials account for more than 10% of the raw materials used in their manufacture.

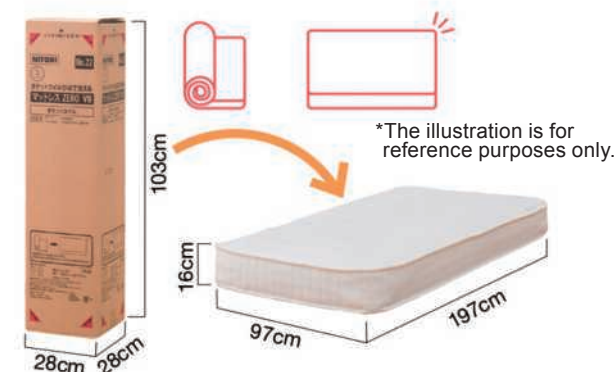
Nitori's ecology "Logistics" × Reduce CO2



NITORI Group sells various products in compressed packagings, such as bed mattresses, futons, comforters, and nude cushions. By adopting the unique compressing technology, the packing size of bed mattresses is reduced to 25%. Reduced packing size means an increase in the number of products that can be loaded in a container or a truck, resulting in significant enhancement of product transportation efficiency and reduction in CO2 emissions associated with logistics.

A reduction in the packing size has made it possible for customers to take the products home on the day of purchase, eliminating the need to pay shipping fees. Customers can start using the products right away, without waiting for their delivery.

<Compression Packaged>



Nitori's ecology "Use" × Save Energy

Contributing to the reduction of energy use in customers' everyday lives by developing and selling products with environmentally friendly functions



N Cool / N Warm

"I want to sleep comfortably without using air-conditioning in the summer or the winter." This voice of the customer led to the development of the moisture-absorbing, heat-generating N Warm series (launched in 2011) and the N Cool series using materials that feel cool to the touch (launched in 2012). We were able to develop products that are sufficiently functional while also being affordably priced and of appropriate quality by managing the proportions of different thread materials. We took advantage of this, and as a result, the product was a major hit.

Using N Cool and N Warm reduces the use of air-conditioning at home and also contributes to the reduction of energy use.

We are expanding the range of products and enhancing functions of the series to meet various needs of customers, including those of babies and pets, and to contribute to more comfortable lifestyles and environmental impact reduction.

ニトリの接触冷感



Cumulative total sales*

*From FY2012 to FY2021

61million units

ニトリの吸湿発熱



Cumulative total sales*

*From FY2012 to FY2021

42million units

ECONATURE functional lace curtains

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



Resource Circulation



Policy

NITORI Group recognizes the finite nature of resources and strives to reduce the amounts of resources used and the amounts of waste discharged by making effective use of resources and promoting resource circulation, not only within the Group but also throughout the entire supply chain, including suppliers. Specifically, aiming to be an enterprise that reduces waste, ideally generating no waste, and recycles waste as resources, we strive to reduce the amounts of waste discharged while at the same time reducing the amount of waste that is not recycled but discharged by means of landfill or simple incineration. We will promote activities both before and after discharge of waste.

Targets

- By FY2030,
- ① 30% reduction* in the amount of waste discharged (general waste and industrial waste) compared with FY2018 (per 100 million yen of net sales in Japan)
 - ② At least 95%* recycling of industrial waste
 - ③ Promote "conversion of waste into resources" as an initiative to eliminate waste in the first place.
 - Expand product development with a view to recycling from the planning and design stages (circular economy)
 - Promote recycling of products and packaging materials (collection and recycling)

* ① and ② are for domestic operations.

Development of "easy-to-sort" pocket coil mattresses that are easy to disassemble for disposal

Designed to resolve social issues and to make effective use of resources after use

With pocket coil mattresses, independent coils support the body while conforming to its contours, dispersing body pressure and maintaining a comfortable sleeping position. On the other hand, regarding disposal or sorting, they are not easy to carry due to their size and weight, and some local governments designate them as items that are difficult to dispose of properly because the coils must be removed one by one. This has become a social issue as some waste management companies state that they cannot keep up with the need for processing. The newly developed "easy-to-sort pocket coil mattresses" greatly reduce disassembly time, from approximately 55 minutes to approximately 6 minutes, compared to our conventional product (*1). Customers themselves can now disassemble pocket coil mattresses for sorting. After disassembly and sorting, it is easy to take the disassembled and sorted parts to disposal/collection points, thus greatly reducing the burden not only on customers but also on waste management companies and local governments (*2).

For the effective utilization and circulation of finite resources, sorting at the time of disposal plays an important role. We believe that as more products become easy to disassemble and sort by anyone, the effective use of resources will be promoted. NITORI Group will continue to contribute to a sustainable future by developing and designing products with their end-of-use in mind.

*1 Based on our own research (two-person operation)

*2 Disposal guideline after sorting differ according to local governments. Even after disassembly and sorting, some items may need to be collected as oversize garbage, or may not be collected by local governments. Please check with your local government for details.



Compressed roll packaging improves transportation efficiency. It also contributes to the reduction of CO2 emissions.

Initiatives to reduce waste

NITORI Group wishes to utilize finite resources as effectively as possible by promoting the sorting of waste at the disposal stage. In cooperation with stores and distribution centers, we are currently conducting various verifications for the conversion of waste into resources. Going forward, we aim to establish a disposal flow that makes the most of NITORI Group's unique business model integrating manufacturing, logistics, IT, and retail.

- **Sorting of metal and wood scraps from waste items**

Waste items are dismantled at delivery management offices* and metal and wood scraps are sorted manually (at some sales offices). Metal and wood scraps are then collected by waste management companies and recycled as resources and solid fuel, respectively.

*Delivery management offices: Sites that are responsible for the "last mile" of delivery of products (mainly large furniture) from the distribution center to customers

- **Sorting of used stretch film (packing wrap)**

Stretch film used at distribution centers is sorted. The sorted stretch film is collected by waste management companies and recycled as garbage bags. NITORI Group purchases the garbage bags as supplies for in-house use and contributes to resource circulation.

Sorting of metal



Separate metal parts from waste
→ Recycle as resources

Sorting of scraps



Separate wood scraps used as cushioning material → Recycle as solid fuel

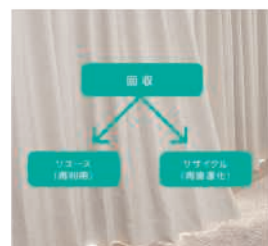
Resource Circulation Together with Customers



In keeping with its aspirations, NITORI Group is an enterprise that considers options for end-of-use products, instead of disposing of the end-of-use products they had used, customers can bring them to NITORI for recycling and reuse. For a sustainable future, we wish to work together with our customers to create alternatives to disposal. The first step in this approach is a "down comforter recycling campaign" and a "curtain collection campaign." We will continue to increase the number of materials that can be collected, recycled and reused step by step, expanding our initiatives that are friendly to both customers and the environment.

Curtain collection campaign

限りある資源だから
捨てる。より、
リユース・リサイクルという選択。



We executed a curtain collection campaign at 43 stores in the Tokyo metropolitan area from May 17 to June 13, 2021.

In this campaign, curtains that customers no longer need are collected free of charge at stores regardless of the seller, and recycled as sound-absorbing materials for automobiles. As a result of the campaign, we collected some 5 tons of curtains thanks to the participation of 1,936 customers.

In 2022, NITORI will expand the curtain collection campaign to 556 stores nationwide. Collected curtains will be used as products and fabrics overseas or recycled as sound-absorbing materials for automobiles in Japan.

Down comforter recycling campaign

As the first step to promote resource circulation for recycling and reprocessing, a down comforter recycling campaign was held from November 1 to November 28, 2021, at 15 stores in the Tokyo metropolitan area.

Based on the concept, "Resources are finite. So choose reuse and recycle rather than disposal," down comforters that customers no longer need in their homes are collected free of charge at stores, regardless of the seller, and disassembled, cleaned, and reprocessed as new down comforters. As a result of the campaign, we collected some 750 down comforters. (Equivalent to about 75,000 ducks. *One single-size comforter contains down from approximately 100 ducks.)

The reprocessed down comforters are scheduled to be released around the fall of 2022. Through this initiative, we have established a circular system from collection to reprocessing and sales. By continuing these initiatives, we will promote the reuse of resources.



Reduction of the Amount of Water Used / Prevention of Pollution



→ Policy on reduction of the amount of water used

Recognizing the finite nature of water resources and the risk that water shortages pose to our business, we will strive to reduce the amount of water used throughout our supply chain.

→ Policy on prevention of pollution

Recognizing the risk that air and water pollution poses to our business, we will safely manage chemical substances potentially hazardous to the environment throughout our supply chain.

Manufacturing carpets and rugs using a waterless coloring process

SIAM NITORI, our own factory in Thailand, is working to reduce the amount of water it uses, which is a finite resource, and to prevent pollution in the carpet and rug coloring process. Generally, large amounts of water and heat are used in the dyeing process. In addition, subsequent effluent processing is essential. On the other hand, SIAM NITORI colors carpets and rugs by kneading pigments directly into recycled raw materials (polyethylene terephthalate (PET) chips). Therefore, no water is used in the coloring process, and there is no need for effluent processing after coloring. In recognition of this environmentally friendly manufacturing, SIAM NITORI was selected as the first Green Label company by the Tourism Association of Thailand.

Polyethylene terephthalate (PET) chips



Plastic bottles

Pigments



PET chips made from crushed plastic bottles are mixed with pigments and dissolved for coloring (no water used, no effluent generated)



Colored raw materials are flocculated and made into threads and processed into carpets and rugs

→ Related page: p.33 ("Manufacturing" x Conserve Resources)



Climate Change / Energy

Policy

NITORI Group recognizes a range of risks caused by the impact of climate change, and by taking advantage of our unique business model, we pursue total optimization of all stages of our supply chain to improve efficiency and the level of optimization, thereby reducing greenhouse gas emissions and mitigating the impact of climate change.

In fiscal 2021, to further improve the effectiveness of our response to the important management issue of climate change, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and participated in the TCFD Consortium, a forum for discussion among supporting companies and financial institutions. We will continue to disclose information on "Governance," "Strategy (analysis of risks and opportunities)," "Risk Management," and "Metrics and Targets" in accordance with the TCFD recommendations. Moreover, we recognize the finite nature of the energy resources essential for our business activities, and by taking advantage of our unique business model, work to reduce energy consumption by enhancing the efficiency of energy use throughout the supply chain.



→ Details: NITORI Holdings website > Sustainability > Climate-related Initiatives (Disclosure based on TCFD Recommendations)



Targets

We aim to reduce Scope 1+2 greenhouse gas emissions (including overseas sites) as follows.

Fiscal 2030: **50% reduction** compared with fiscal 2013 (emissions per 100 million yen of net sales)

Fiscal 2050: **Become carbon neutral** (net zero emissions)

Going forward, we will promote the development of products with environmentally friendly functions, including reduction of greenhouse gas emissions during the customer's use of the product, and initiatives for waste reduction and recycling. We will also consider disclosing information on reductions of Scope 3 greenhouse gas emissions.

Measures

To achieve the above targets, we will pursue several measures, including the use of renewable energy, replacement of electricity and gas facilities with energy-efficient ones, and adoption of construction methods and building materials with high thermal insulation properties for NITORI Group facilities. To promote capital investment leading to reductions in greenhouse gas emissions, we are preparing to introduce "Internal Carbon Pricing (ICP)" as a tool for making investment decisions based on the expected future carbon costs (carbon tax, emissions trading, etc.) in fiscal 2023. As for the use of renewable energy, we plan to start solar power generation on the roofs of NITORI Group stores and distribution centers where it is practicable to install systems. The wider introduction of solar power generation systems is expected to make a significant contribution to the achievement of the above targets.

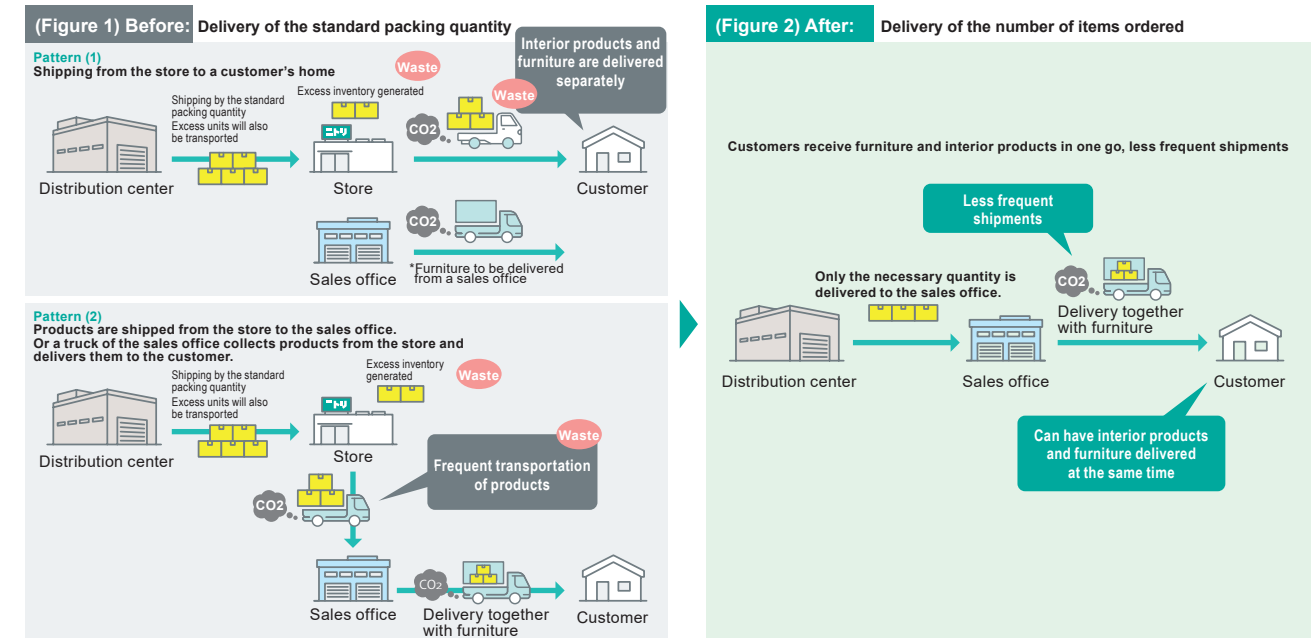
→ Details: Press release > Japan's first feed-in premium solar power generation project on the roof of NITORI Group's own buildings, one of the largest such projects (as of July 2022)



Revision of internal operational procedures for "combined delivery to the customer's home" x Reduction of CO2 emissions

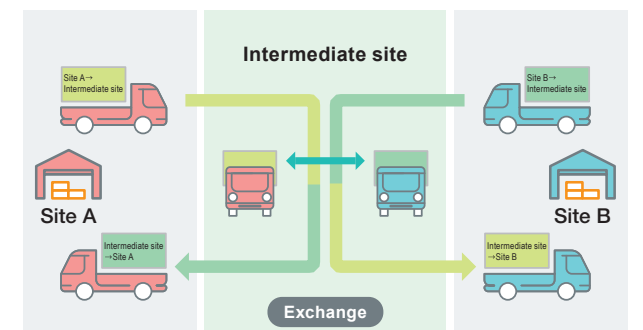
Minimizing the frequency of deliveries to the customer's home as much as possible by combining deliveries, meets customers' desire to receive multiple products in a single delivery, and also leads to a reduction of CO2 emissions associated with deliveries. For customers who order interior products at the same time as furniture at stores, NITORI offers a "combined delivery service to the customer's home" so that all the goods ordered will be delivered at the same time. However, this service had drawbacks: it imposed a heavy burden on stores and was also affected by inefficient transportation (Figure 1). We revised internal operational procedures for "combined delivery to the customer's home" in fiscal 2021 (Figure 2). Not only has the burden of conventional store operations been reduced, but the number of trucks operated has also been reduced, contributing to a reduction in CO2 emissions.

Revision of internal operational procedures for "combined delivery to the customer's home" (if customers order interior products at the same time as furniture)



Introduction of swap body containers x Reduction of CO2 emissions

Improving the efficiency and loading rate of truck transportation is an important issue for reducing CO2 emissions. NITORI Group has introduced swap body containers as a measure to address this issue. Swap body containers can be separated from trucks. After separating the container from the truck at the destination, unloading is performed by warehouse workers, while another container that is already loaded can be placed on the truck and transported. In addition, in the case of long-distance transportation between sites, drivers can exchange containers with each other at an intermediate point. (*Figure on the right). As a result, the total transportation distance and transportation of empty containers after unloading at the destination are reduced, leading to more efficient transportation and a higher loading rate. By utilizing these swap-body containers, NITORI and 2 other companies from different industries launched a joint transportation project, where we have reduced the number of empty transports throughout domestic logistics, thereby reducing the number of trucks in operation and CO2 emissions.



In the case of long-distance transportation between sites, it is possible to exchange containers at an intermediate point.

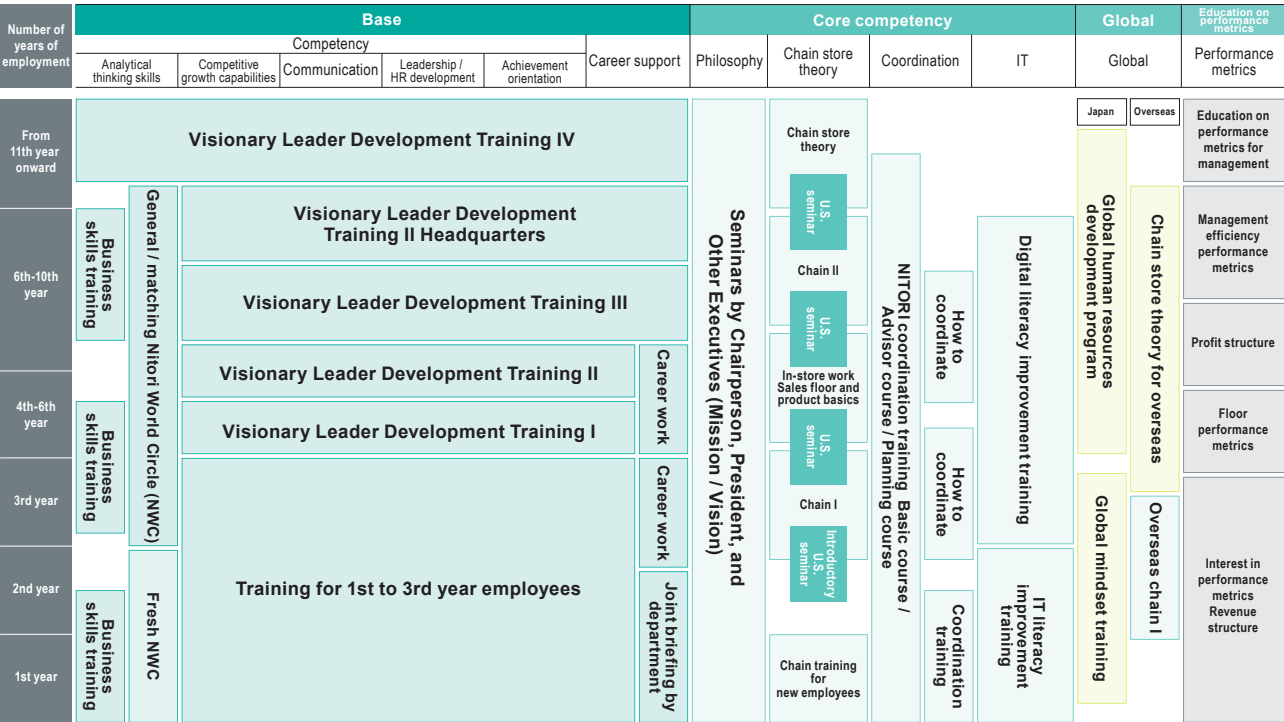
Human Resources Development

Policy

NITORI Group is committed to human resources development by offering education tailored to individuals' needs, with transfer-based education that covers an extensive range of fields constituting its core, aiming to create an organization with a wealth of elites. To develop true specialists who can contribute to society, education for learning core competencies and specialized skills is provided according to employees' roles and positions. We have an education system in place that allows each employee to explore his or her own potential through various educational opportunities and to move forward with a clear vision of where he or she wants to be.

→ Related page: p.4 (NITORI Group's Human Resources Development)

Education system



List of training programs (excerpt)

Job shadowing training *Part of training for employees in their first year to third year

A form of career education in which participants accompany employees of various departments and experience the work and think about their future workstyles. In fiscal 2021, 15 departments/teams accepted the participants. This training helps employees formulate career plans by experiencing the work they wish to do and the tasks at departments they wish to be assigned to.

Visionary Leader Development Training

For employees in their fourth year and beyond, training is provided according to rank and role. Programs include training for current store managers nationwide on planning and proposal skills and counseling skills and training for employees assigned to headquarters on logical thinking and presentation skills.

IT training

A new training program has been introduced for improving IT literacy in order to promote reform focused on future needs. By equipping all employees with the knowledge and skills to use IT to solve business problems, we will strengthen the skills of “observation, analysis, and judgment” and promote reform utilizing IT. By incorporating IT in the education system, we intend to invigorate reform proposals from the field, leading to service improvement and corporate growth.



Compliance training

Training led by the Legal Office. Online training is provided each month for all employees on basic compliance knowledge to raise the level of knowledge and compliance awareness. In addition, department-specific training on laws and regulations is also provided, with curricula reflecting the requests of each department. Employees involved in the legal field in each department take this course to acquire the knowledge of compliance necessary for their work.

Training for part-time employees

We have enhanced online training programs for part-time employees working at stores across Japan. This initiative was led by the Store Operations Division, and the intention was to keep offering education opportunities during the COVID-19 pandemic. Dedicated trainers serve as instructors of the training program, which is offered live. The program lays emphasis on interactive communication, thereby bringing out the participants' eagerness to learn.



Introduction of digital signage to break rooms at stores

To create a work environment where employees can work with peace of mind, we put a great effort into facilitating communication between the company and our employees. As part of the effort, monitors are installed at each store, which stream the latest information on the company, to increase the amount of knowledge full-time and part-time employees have and the level of their satisfaction. By soliciting information from each department, we have a system in place to deliver balanced, up-to-date information.

Diversity

Policy

NITORI Group promotes diversity & inclusion, considering that fostering a corporate culture where employees in different circumstances and with different backgrounds, in terms of childbirth, childcare, nursing care, nationality, sexual orientation, etc., acknowledge and respect each other creates an empowered work environment and leads to the company's growth.

→ Related page: p.61 (Sustainability Data Book “Diversity & Inclusion”)

Promoting women's participation and advancement in the workplace

We have been holding career support seminars since 2014 to encourage women to fully demonstrate their individual ability in carrying out their tasks. Female employees of all ages and positions participate in these seminars, where they exchange opinions on work-life balance and careers. In fiscal 2021, we held an exchange meeting with female employees of other companies. Issues raised in these seminars often lead to our future policies. We aim to be a company where each female employee enjoys her work and, with that in mind, we strive to be attentive to the voice of employees.



Encouraging male employees to take childcare leave

We believe that in order to realize an organization that allows diverse work styles, it is important to vigorously support employees in taking childcare leave so that all employees can participate in childcare regardless of gender. As part of this initiative, we are redoubling our efforts to encourage male employees to take childcare leave, disseminating information on the in-house portal site, providing education for supervisors, and distributing materials that concisely explain how to take childcare leave.



Job return system

We have established the job return system to rehire retired employees and enable them to once again put their accumulated knowledge and skills to good use. This system is available not only for employees who left the company for reasons such as marriage, childcare, and family care, but also for employees who left the company for career advancement reasons such as changing jobs or studying abroad, enabling them to take on new challenges while accommodating their personal circumstances.



Occupational Health & Safety

Policy

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

At NITORI Group, convinced that creating a comfortable work environment and ensuring the physical and mental health of our employees are essential for corporate growth, we are promoting health and productivity management. The company, labor union, and health insurance society work together to support the health of employees and their families by proactively promoting the improvement of the work environment, diversity, and employees' health.

Mitsuru Ohki
Managing Executive Officer, President
NITORI Health Insurance Society



Training on occupational health & safety

We established the Health Management Declaration in 2016 to vigorously promote the improvement of employees' health. To improve employees' health literacy and awareness, we hold various in-house events such as health checkup challenges* and walking campaigns. In addition, to create a safe work environment, we conduct training on occupational health and safety management four times a year mainly for on-site managers. At monthly meetings attended by store managers from across Japan, the Human Resources & Labor Division provides information on cases of occupational accidents and countermeasures. At Home Logistics, the Safety and Environment Division is spearheading the creation of an environment in which accident prevention is pursued with the utmost rigor. For example, to prevent accidents due to insufficient forklift operation skills, the company provides in-house driving training.

*An event in which employees pursue further improvement of health checkup results based on the previous year's results. All employees are eligible to participate in this challenge.

→ Related page: P61 (Sustainability Data Book "Occupational Health & Safety")



Measures to prevent harassment



Harassment denies the personality and diversity of employees and undermines the work environment. NITORI Group has been and will continue to do its utmost to eliminate harassment. In fiscal 2021, in order to raise employee awareness of harassment prevention, we established harassment prevention rules that define harassment and prohibited conduct. We are putting in place a whistleblowing system, including the establishment of harassment helplines, which are publicized through internal newsletters and posters. With the aim of creating a workplace where harassment is neither tolerated nor allowed to occur, we are pursuing various initiatives, including practical communication training for managers and designation of a month in which harassment prevention is emphasized.

Promotion of work-life balance

We believe that enhancing the lives of employees can improve work performance, and aim to be a family-friendly company for both employees and their families. A half-day paid leave system was introduced in 2016, and a work interval system in 2017. We take a strict attitude against unpaid overtime. Employees who continually work overtime, as well as their managers, are notified by the Human Resources & Labor Division. If the monthly overtime hours of subordinates are significant, an improvement plan needs to be submitted to the management. We thus promote the reduction of overtime hours across the company. In addition, to further promote work-life balance, we have started a campaign to simultaneously turn off all lights at the head office and headquarters. In recognition of these ongoing initiatives to create a comfortable work environment, we received the White Company Award for the second consecutive year.



Recruitment

New graduate recruitment

The recruitment philosophy of NITORI Group is, "Your dream shapes who you are." To support students to think carefully about their purpose for working and their future goals before deciding to join NITORI Group, our third- to sixth-year employees, who work as the recruitment staff, take care of each student and offer support until they make the decision to join the company. Since fiscal 2020, we have conducted online recruitment activities amid the COVID-19 pandemic. In fiscal 2021, more than 19,000 students attended our briefings in total, and we were able to speak to a large number of students and complete our recruitment activities.



Recruitment from overseas

For NITORI Group's global business development, global-minded human resources are essential. We used to send our own employees to overseas job fairs to find talent, but such events were cancelled due to the COVID-19 pandemic. In the face of the cancellations, we participate in online job fairs and continue with our recruitment activities by directly negotiating with overseas universities and student organizations. In addition, we actively participate in events at universities specializing in foreign languages to recruit global-minded human resources in Japan.



Internship

NITORI Group's internship program aims for "zero stranded job-hunting students." The purpose of the program is to help students face job hunting in a positive mindset, by letting them think about their purpose of working, as well as learn how to self-analyze themselves and analyze different companies. In fiscal 2021, 31,000 students participated in NITORI Group's internship program. We hope to support students with their first step in job-seeking. With this in mind, in fiscal 2022, we also launched an internship program for first- and second-year university students as an opportunity to think about what "working" entails.





Partnership with Suppliers

→ Policy

We ask suppliers, who are our partners in achieving NITORI Group's mission, to not only comply with laws and regulations but also establish what we consider to be true partnerships with us. Together, we will achieve sustainable growth throughout the entire supply chain. In fiscal 2021, we reiterated the Supplier Code of Conduct to all suppliers and obtained their signatures and endorsements.

True partnership

→ Related link: Supplier Code of Conduct (PDF)



- 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.

*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 the statutory minimum wage, ensuring workplace safety, maintaining a comfortable workplace environment where employees work in good health, etc.

→ Targets

Based on this policy, NITORI Group is promoting "sustainable procurement." First, we will establish a traceability system together with suppliers to achieve "sustainable timber procurement."

Audit of potential new suppliers

In order to deliver safe and secure products to customers, NITORI Group audits potential new suppliers to determine whether to use them. We conclude contracts only with suppliers that have passed a rigorous on-site investigation covering a total of 244 items, including quality assurance items and responses to environmental and social issues.

→ Related page: p.62 (Sustainability Data Book "Status of Performance of Audits of New Overseas Suppliers")

Sharing with suppliers (addressing environmental and social issues)

NITORI Group aims for sustainable growth together with suppliers by explaining and sharing not only its approach to building a culture of product safety, but also the importance of addressing environmental and social issues. At the management policy briefing for overseas suppliers for fiscal 2021, the Merchandising Division explained NITORI Group's orientation toward sustainable product development that takes environmental and social issues into consideration (recycling, environmental certification, sustainable raw material use, etc.). The Sustainable Development Goals Promotion Office explained the need for "sustainable timber procurement" to protect biodiversity.

→ Related page: p.62 (Sustainability Data Book "Number of Management Policy Briefings for Overseas Suppliers")



Management Policy Briefing for Overseas Suppliers (in 2019)

*Online briefing in fiscal 2020, dispersed to various locations in FY2021

NITORI Group procures or manufactures approximately 90% of its products overseas. NITORI Group's manufacturing is supported by many suppliers in 12 countries and regions. For NITORI Group, suppliers are "partners" with whom we can grow together and fulfill our mission. On the following pages, we introduce the history of NITORI Group's partnership with suppliers, with comments from the suppliers.

Supplier Interview (1)



This supplier manufactures N Cool and N Warm bedding products, which are NITORI Group's mainstay products, other bedding products, bedding accessories, and interior products and has had a business relationship for over 20 years. They actively participate in Nitori World Circle (NWC) activities held by NITORI Group and has proposed "module production and improvement of production efficiency through equipment modification" and so on. It is one of the few companies in the industry that continues to improve and reform.

Please tell us how your company has grown through the relationship with NITORI Group.

We started out as a small OEM manufacturer. We have grown together with NITORI to be a manufacturer with several factories underpinned by production, and management systems. With NITORI as a source of knowledge and a role model for us, we have learned much—everything from turning crises into opportunities, business models, and human resources development to social responsibility and mission fulfillment. We are delighted that NITORI has guided us in our development, production, and quality control for more than 20 years.

What do you emphasize in manufacturing?

It is crucially important to anticipate and prepare in advance for the various problems that may arise in manufacturing. We emphasize stable quality through improved manufacturing technology and on-time delivery through overall personnel and equipment management. And we constantly review, improve, and reform manufacturing processes to reduce costs. In addition, as part of our initiatives to address environmental and social issues, we propose products made from organic materials and recycled materials (polyester fiber), and focus on employee welfare, human rights, and education. We feel that our initiatives in the sustainability-related area are already an integrated part of our corporate culture.

What prompted you to participate in NWC?

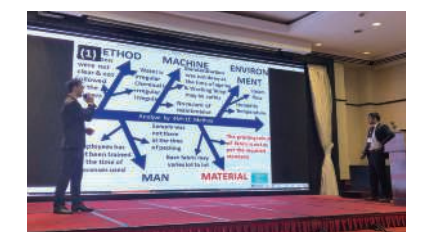
As the company grew, the number of factories increased, but the experience and abilities of managers were not standardized, resulting in uneven management methods and quality levels among factories. In order to achieve our creed of "improving manufacturing capabilities and providing value-added products to our customers," we had to establish standardized management methods throughout the company and operate factories in a manner that would ensure quality, cost, and delivery schedule. So, we participated in NWC activities for the first time in 2013. The company participated in NWC every year through fiscal 2021 (nine times in total), becoming one of the few companies in the industry that continue improvements and reforms, such as "module production and improvement of production efficiency through equipment modification."

What were the benefits of participating in NWC? How did your company grow or change?

At first, some employees were reluctant to embrace changes to work procedures and methods to which they were accustomed, but we continued training and took steps to motivate participation, including commendation of outstanding efforts. As a result, each employee has become aware of the need to identify issues and make improvements and this awareness has gradually become pervasive. Now, I feel that the involvement of all employees in identifying issues and making improvements and reforms has taken root in our corporate culture, leading to human resources development and corporate growth. NWC not only contributed to the improvement of factories but led to the reform of the entire corporate culture. We will continue making improvements and doing our utmost as a supplier to achieve NITORI's Vision 2032 together with NITORI.

Nitori World Circle (NWC) activities

NWC activities are long-standing initiatives where like-minded employees form a team, identify issues from day-to-day tasks, and promote improvements and reforms. This year marked the 16th year since the launch. The activities take place at NITORI Group sites across the world and play an important role as a platform to directly deliver the voice of frontline employees to the management. In fiscal 2021, a total of 374 teams, both domestic and international, participated, of which 30 teams were from overseas suppliers. Many examples of supplier-led improvements and reforms were presented.



Overseas NWC (held in 2019)
*Online NWC in fiscal 2020 and 2021

Supplier Interview (2)



This supplier manufactures NITORI Group's sofas, office chairs, and seating, and has had a business relationship since 2004. NITORI Group established a specialized technical support team for this supplier in 2016 and provided monthly on-site guidance (compensated technical support) until 2019.

Please tell us how your company has grown through the relationship with NITORI Group.

We have achieved rapid growth through our relationship with NITORI. From 2010 to 2017, the scale of our manufacturing facilities increased approximately fivefold. In addition, operating revenue increased by approximately RMB 900 million over the same period, and in 2017 the company was able to list on the Shanghai Stock Exchange. We believe that the first prerequisite for a sustainable future is for the company to generate solid profits. In 2020, we established our vision with a development strategy through to 2045. We share this vision with NITORI, with the aim of further increasing sales and shipments. NITORI is a very important partner for us.

What do you emphasize in manufacturing?

We emphasize providing our customers with the best quality, innovation in R&D, and improving production efficiency. In the field, our employees have a "customer first" mindset and strive to identify and solve problems based on "customer needs." Furthermore, as part of initiatives to address environmental and social issues, we are promoting the use of certified timber and recycled resources. We help reduce the use of finite resources such as oil and water. As a manufacturer, we regard such sustainability-related initiatives as an important element of corporate responsibility, and we communicate its importance in our training programs for employees.

What were the benefits of receiving compensated technical support? How did your company grow or change?

There have been many changes and much growth, including "qualitative improvement of planning management and field management," "improvement of work processes," "increased production efficiency," and "visualization of KPIs." It is apparent that employees' awareness of safety and security has been raised, leading to fewer accidents and injuries on site. Moreover, changes in production and management systems directly lead to a reduction in production costs. A portion of the cost savings achieved through efficiency improvements is used to increase employee salaries. This contributes to further enhancement of motivation.

How would you like to apply what your company gained through compensated technical support in the future?

As well as utilizing what we learned through NITORI's compensated technical support in terms of technology and quality, we would also like to utilize the "work ethic," "responsibility as a manufacturer," and "importance of innovation" that we learned in the course of technical support in our human resources development. We very much agree with what Chairperson Nitori stated in his book Five Principles of Success, "We were able to succeed because we have a mission." Our mission is to provide people with healthy and comfortable lifestyles. Our mission shares values with NITORI Group's mission. I sincerely hope that our company and NITORI will continue to grow together and that our partnership will flourish for many years to come.

Compensated technical support

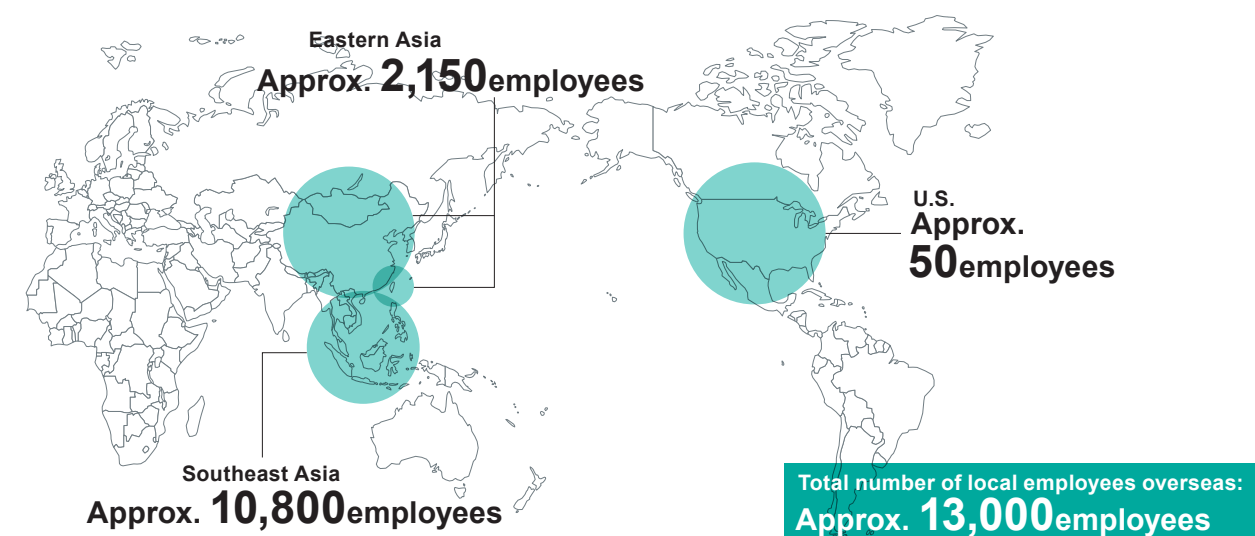
NITORI Group provides compensated technical support at suppliers' manufacturing sites in order to create better products together with suppliers. In addition to guidance on establishing a traceability system through visualization of in-process jig and tool management and modular production (zero intermediate inventory), training and lectures are provided by instructors with practical experience in world-class methods and technologies. We will work together with our suppliers to improve quality and develop human resources. Through tours that NITORI Group organizes in which representatives of suppliers visit the factories of outstanding suppliers, we create a learning environment and foster improvement in manufacturing technology throughout the supply chain.



Overseas Sites / Own Factories

Local employees overseas

NITORI Group has 93 stores, 12 offices, and 3 own factories overseas, with approximately 13,000 local employees working there (*as of February 2022). These local employees are working at NITORI Group's overseas operations that not only support a stable supply of products but also contribute to the enrichment of lifestyles in the countries where they operate. Having stores, our own factories overseas, etc., we create local employment and contribute to the development of local communities.



Initiatives of our own factories overseas to address environmental and social issues

	Initiatives to address environmental issues	Initiatives to address social issues (comfortable workplace / benefits)
Vietnam NITORI FURNITURE Hanoi NITORI FURNITURE Ba Ria-Vung Tau	- Effective use of scraps (timber, urethane, fabric) - Manufacturing of "easy-to-sort" pocket coil mattresses that are easy to disassemble for disposal → P36 - Contribution to energy saving through manufacturing of N Cool products → P35	- Factory cafeterias (Free meals are served.) - Dormitory (free of charge, to support employees who otherwise need to commute long distances.) - Creation of a safe and secure work environment *Monitoring of safety management (for prevention of accidents, etc.), attendance management (securing of breaks), etc. - Widely recruiting and actively hiring Vietnamese who used to work in Japan (including those who can speak Japanese and technical intern trainees)
Thailand SIAM NITORI	- Manufacturing carpets and rugs from recycled plastic bottles → P33 - Manufacturing carpets and rugs using waterless coloring process → P38 - Use of plastic bags made of recycled materials (for product packaging)	- Factory cafeterias (Free meals are served.) - Review of labor environment and education system



Scrap timber



Assemble scraps and utilize them as components



Scrap polyurethane from the manufacturing process



Produce recycled polyurethane



CSR Activities



→ Policy

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

Development of “Future IT Human Resources”



Having concluded a partnership agreement with Hokkaido, Sapporo City, and Hokkaido University, NITORI Holdings is developing “Future IT Human Resources” who can leverage the power of digital technology and data to resolve local issues and create a society of the future. We are promoting initiatives so that Hokkaido, the place where NITORI was founded, will generate many talented people who will forge the future, and so that those people will generate vitality throughout the entire community by playing an active role in the region, and moreover become a bridge to the world.

[Examples of initiatives]

IT human resources development for each level of education, including elementary, junior high school, high school, university and graduate school students

●Hokkaido University “NITORI Future Society Design Course”

- Invitation of public applications for research using data and assignments provided by NITORI
 - Cutting-edge research making use of actual stores
- Research outcomes are published in journals. Patent applications are filed for certain research outcomes.

●Research activities by high school students (Hokkaido Board of Education's project)

- NITORI offers insights into practical IT utilization through classes, etc.



LEARN with NITORI



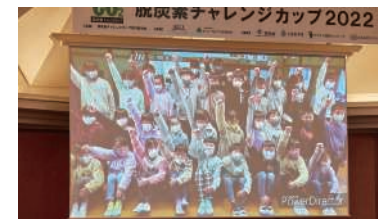
The Research Center for Advanced Science and Technology of the University of Tokyo and NITORI Group jointly launched LEARN with NITORI, a new education support project, in 2021. LEARN, a program giving children the opportunity to discover the joy of learning while demonstrating their individuality through various activities and experiences, is run by Senior Research Fellow Kenryu Nakamura of the Research on Individually Optimal Learning as part of Corporate Sponsored Research Programs.

Making use of NITORI Group facilities as well as other facilities, NITORI Group provides a “learning” program that only the Group can offer. 10 sessions of LEARN with NITORI were held in eight cities in Japan in 2021, with 362 children participating. Chairperson Akio Nitori, took part in the program and shared his own experiences in a lecture and Q&A session, interacting with the children and their parents.

[Examples of programs]

- “Glass art lovers, come and join us!” Nitori Museum of Art, OTARU ART BASE (Hokkaido)
- “Scientific Investigation of the Secret of Cherries” NITORI Sightseeing Orchard (Hokkaido)
- “What's it like working part time? Let's think about various things through working” NITORI store (Osaka)
- “2 days to think about Japanese architecture, gardens, culture and history” Tairyu Sanso NITORI Recreational House (Kyoto)
- “How many of these sofas can be placed in a gymnasium?” Junior high schools (Hiroshima Prefecture)

Zero Carbon Challenge Cup



NITORI Group has been supporting the Zero Carbon Challenge Cup since 2015. In the main event, finalists from diverse organizations (schools, companies, local governments, NPOs, etc.) and of all ages from around Japan present their activities that are leading to the creation of a zero carbon society. The Zero Carbon Challenge Cup is a venue for sharing and disseminating know-how and information on initiatives and for facilitating further collaboration and motivation, all with the ultimate aim of achieving a zero carbon society that delivers a prosperous future for everyone.

From among some 30 finalists, NITORI Group selects a winner of the NITORI Best Dream for the Future Award. This award reflects our desire to join with others in building a bright future, filled with dreams and hopes, through decarbonization initiatives.

→ Related link: <https://www.zenkoku-net.org/datsutanso/>

Supporting sports

NITORI Group is committed to contributing to local communities and society by encouraging healthy and fulfilling lifestyles, both physically and mentally, through various sports.

●NITORI Ladies Golf Tournament

We have been organizing a women's professional golf tournament in Hokkaido since 2010 to vitalize Hokkaido through sports. Moreover, we support female professional golfers. At present, NITORI has sponsorship agreements with nine players.

→ Related link: <http://www.nitori-ladies.jp/>

●NITORI Women's Running Team

Established in April 2015, the team began its activities with the ambition to win medals in the Olympics. Since 2020, the team's target has been to come within the top eight teams in the All Japan Industrial Teams Women's Ekiden (relay race) in addition to training for marathons.

→ Related link: <https://www.nitorihd.co.jp/nitorun/>



Supporting human resources development / Supporting culture, arts, and tradition

NITORI Group is supporting the following two foundations.

●NITORI International Scholarship Foundation

The NITORI International Scholarship Foundation, launched in March 2005, is a way of expressing our appreciation to people in Asian countries for their tremendous support that is contributing so much to NITORI Group's accomplishment of its mission. So far, the foundation has supported a total of 7,999 students in 46 countries and regions by offering non-repayable benefit-type scholarships. In order to help foster friendships and human resources development in countries around the world, the foundation will expand support for the younger generation on whom the future depends.

→ Related link: <https://www.nitori-shougakuzaidan.com/>

●NITORI Culture Foundation

The NITORI Culture Foundation was founded in April 2011, to support the development and succession of culture, arts, and tradition and to be a bridge for the formation of a new culture. As the latest addition to OTARU ART BASE, a collection of museums in Otaru City, Hokkaido, managed by the foundation, the House of Western Art opened in April 2022 in a historic building in Otaru.

→ Related link: <http://www.nitori-bunkazaidan.com/>

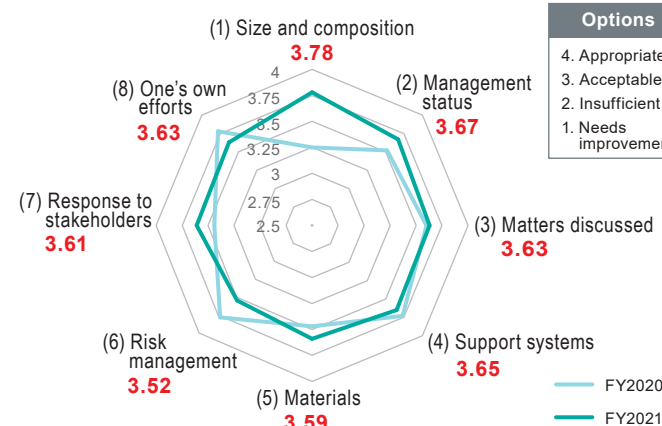


Governance

Basic Policy on Corporate Governance

NITORI Group places top priority on sustainable growth and the medium- to long- term improvement of corporate value in its management. The Group believes that enhancing its corporate governance system is necessary for achieving these goals. To enhance corporate governance, the Group 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 Group will develop an internal system to establish its corporate social responsibility and corporate ethics.

Board of Directors' effectiveness evaluation

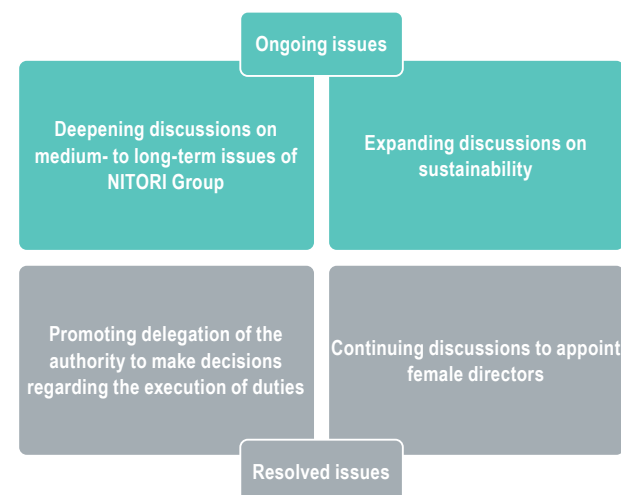


In analyzing and evaluating the effectiveness of fiscal 2021 Board of Directors, we confirmed the status of improvements and progress of the issues identified in the effectiveness evaluation conducted in the previous fiscal year. Based on the questionnaire-style evaluation given by each Director, individual interviews were conducted. The results were reported to and discussed by the Board of Directors to improve its functions.

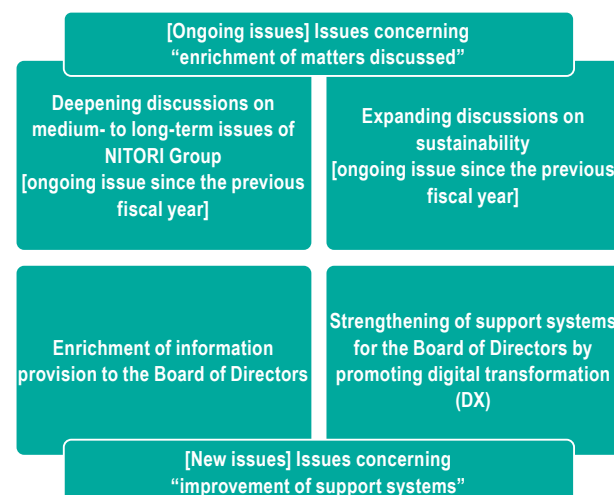
Evaluation categories of the questionnaire

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

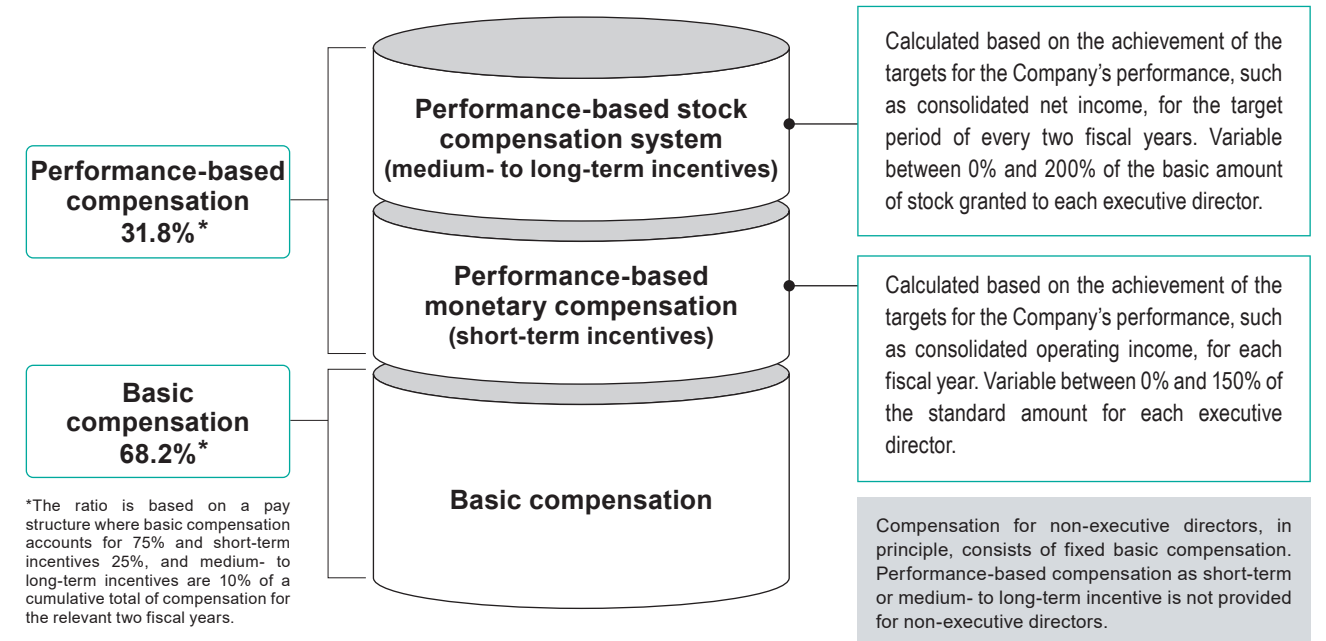
Initiatives in fiscal 2021



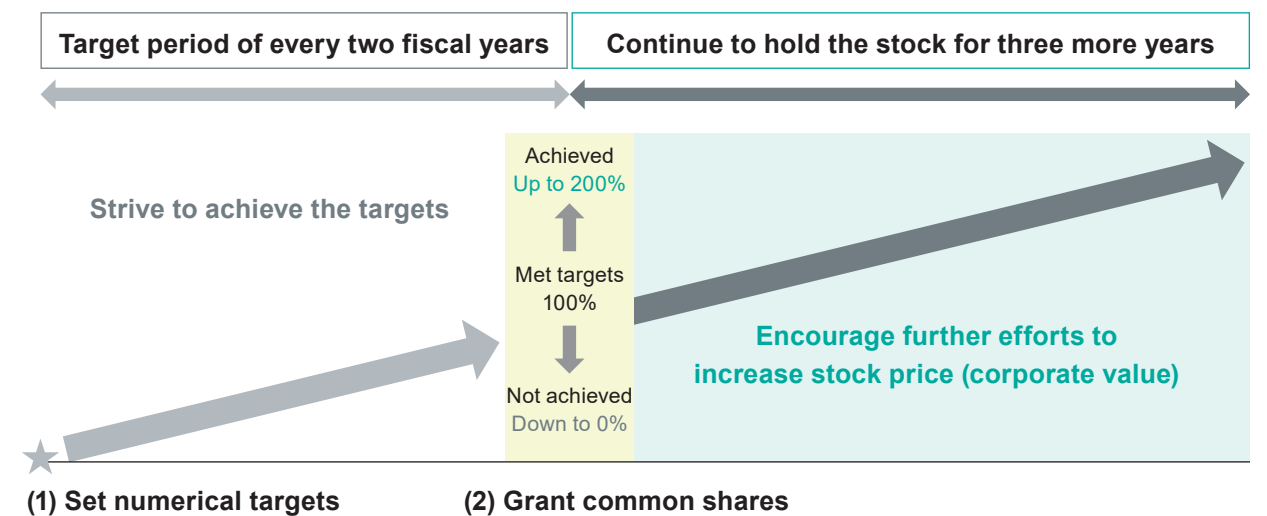
Priority issues for fiscal 2022 Board of Directors



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 consolidated performance targets for every two fiscal years.

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.

Discussion with Female Directors



In this dialogue, Outside Director Naoko Yoshizawa and Director Hiromi Abiko, who took office last year as the first female directors of NITORI Holdings, discuss the work of the NITORI Holdings Board of Directors, sustainable growth of NITORI Group, and women's active participation.

*Masks were removed only when photographs were taken.

It's been one year since your appointment as directors of NITORI Holdings. At the outset, please share your frank opinions and impressions of the Board of Directors.

Yoshizawa: To start with the fundamentals, frankly speaking, my impression is that essential and important discussions on management are taking place. I believe that the board meetings are almost ideal, with outside directors actively expressing their opinions and executive directors sincerely responding to those opinions. On the other hand, I would like to hear more opinions from the inside directors. Even though there has been sufficient internal discussion, not all proposals are submitted to the Board of Directors unanimously. I would also be interested to hear the dissenting voices. Taking human resources development as an example, I would like to hear the opinions of directors other than the director responsible for human resources development. I believe that bidirectional exchange of opinions between outside and inside directors will further stimulate discussion at Board meetings. Nevertheless, as I mentioned at the beginning, I believe that our Board of Directors engages in in-depth discussion from the perspective of how best to keep the company moving in the right direction. I feel this is why NITORI has achieved 35

consecutive years of sales and profit growth. Over and above that, NITORI is oriented toward further advancement, eager to identify what should be the focus of our efforts.

Abiko: On becoming a director, I soon appreciated the vantage point from which directors do their work. My efforts to attain a similar perspective have enabled me to broaden my horizon considerably. In addition, I always learn from the outside directors whose views have developed in the course of careers not only in management but also as professionals in specialist fields. We, inside directors, always discuss themes such as the cost-effectiveness of new businesses and store openings. Outside directors are more focused on fundamental issues. Their questions and opinions tend to reflect a medium- to long-term perspective, such as the kind of company NITORI should strive to be and how we can most effectively contribute to the community. I think this is all very positive for NITORI. Through fruitful exchanges with outside directors, I became aware that excessive preoccupation with short-term tasks can impede our ability to grapple with fundamental issues. In fact, I take notes on every question asked by outside directors. I have been trying to write down every single word and I am already on my fifth notebook. It's been a year of great change for me. I am grateful.

What is the perspective informing your contributions at Board meetings? Is there anything in particular that you keep in mind?

Yoshizawa: I believe that the proposals explained at Board meetings have already been fully discussed internally from the company's perspective. So, as much as possible, I look at them with a critical eye. For example, I try to comment from the diverse perspectives of stakeholders such as customers, employees, investors, and shareholders. I am not especially conscious of adopting a female perspective. But the perspectives of female customers and employees are naturally woven into my opinions, which I hope will lead to insights during discussion. When the topic of N+ apparel first came up at a Board meeting, my knowledge of N+ was sketchy. But I am among the main target customers of N+. So, if I don't know much about N+, it means there is a need to strengthen the marketing of N+. I was able to naturally point out an issue from a woman's perspective.

Abiko: Likewise, I am not particularly conscious of being a woman when expressing my opinions. Among the members of the Board of Directors, I see myself as someone who shares the viewpoints of customers and employees. I try to imagine their lifestyles and if I feel something isn't right from a commonsensical point of view, I don't hesitate to say so. When we discuss business and how to make a profit, I like to express my views from a different perspective, looking at things as if I were a customer or an employee.

In terms of NITORI Group's sustainable growth, what do you think is the biggest challenge?

Yoshizawa: I believe business expansion strategies such as M&A will become essential for sustainable growth. And to make M&A successful, we need to think specifically about how to achieve synergies. How should we proceed with integration in terms of not only product strategy but also manufacturing, logistics, and IT systems? I have heard of cases where the attempt to integrate different IT systems ended up costing more than the acquisition itself, and the acquisition eventually failed. It's important to detect such problems in advance while still being able to achieve synergies. You ask about challenges and this may not be one, but what I find most impressive about NITORI Group is that it has a clear mission and vision that are unwavering and quantifiable. Since its stance is crystal clear, NITORI

Group can accurately communicate what kind of synergies it wants to achieve through M&A or when forming alliances. This is great.

Abiko: On the issue of sustainable growth, I think the SDGs merit the most serious attention. This view partly reflects my responsibility for the promotion of the SDGs. Since we handle furniture, the setting of standards for timber procurement, treatment of collected post-use furniture, and various other matters are important issues for us. Nevertheless, I believe the development of recycling-oriented products can be a source of strength for NITORI, enabling us to make a valuable contribution to society. The problem is that initial costs are high, but we hope to apply NITORI's signature approach to the SDGs—start small, accumulate results, and then expand rapidly.

Yoshizawa: Revision of the Corporate Governance Code last year has transformed sustainability issues, previously viewed simply as risks, into major management issues that should be addressed as profit opportunities. This is already happening at NITORI. For example, last year NITORI developed easy-to-sort pocket coil mattresses, which not only alleviated risk related to sustainability issues but also led to a profit opportunity because of the launch of products with features attractive to consumers. I feel that NITORI should do more to publicize such initiatives.



Naoko Yoshizawa
Outside Director



Hiromi Abiko
Director

In promoting digital transformation (DX) from now on, what are the challenges for NITORI Group?

Yoshizawa: My impression is that NITORI Group is taking action in terms of mechanisms to promote DX, such as by establishing a new company to secure IT professionals. I feel that we should deepen the discussion on the substance of the issue. DX refers to a thoroughgoing transformation that fundamentally changes the entire business. In fact, I think NITORI has achieved transformations of this order several times in the past. Whether digital or not, NITORI has implemented these transformations. At present, I feel that we are at the stage of discussing the introduction of mechanisms to realize the goals of the medium- to long-term strategies. If we consider these medium- to long-term strategies synonymous with NITORI's transformation, then I believe the discussion on NITORI's DX is moving in the right direction. However, while NITORI is vigorously tackling DX, it is not publicizing its DX initiatives to the world. It is similar to the situation concerning NITORI's SDG initiatives. I get the impression that NITORI has yet to clearly communicate its DX strategy. I think that NITORI should publicize its DX strategy by emphasizing the specific value it intends to create through the achievement of medium- to long-term strategies by capitalizing on digital technology.

What challenges do you see for NITORI Group's human resources development?

Abiko: A source of dissatisfaction and anxiety for employees, especially the younger generation, people in their 20s and 30s, is the lack of a clear view as to where their careers are headed. On the other hand, they think about where they want to be in 10 years and are eager to make

efforts to approach their goals. Recognizing their aspirations, I would like to put in place an educational system that will help them achieve their goals. I am in charge of education common to the entire company, mass education in other words. I am endeavoring to clarify possible career paths in terms of how employees who have received mass education apply their skills in specialized roles at departments and link their experience to the achievement of their career goals. I would like to show our employees concrete career options by creating career role models. What kind of systems will our employees create who have received mass education and advanced into specialized fields? I want our employees to be able to create systems that change the way we work at the frontline, reducing their burden, making work more enjoyable, and facilitating problem-solving through an initiative at the frontline. Education does not end with deciding on the content of training, gathering participants, and conducting the training. We need to envision how employees who have received training will make use of what they have learned through the training when they return to their jobs on the frontline. It is a difficult aspect of human resources development.

Yoshizawa: In order to grow, people have to step out of their comfort zones. The company needs to cultivate an environment that encourages them to do so. Let me mention a training program that was a turning point in my career. In this program, which lasted about 10 months, as a trainee, I was allowed to go anywhere in the world to any number of places to collect data to achieve the strategic goal I had set myself. It was up to me where I went. To talk to people, such as people of other companies or executives of competitors, I made appointments through a network of contacts that extended to very distant acquaintances. Until then, I had never had the opportunity to do such a thing, never thought of doing it, and never felt the need to do so in the first place. But when I actually did it, it was so exciting. I thought it would be difficult to make appointments because they were not for actual business meetings, but surprisingly, I was able to make appointments. Companies overseas have training programs of this nature and they are accustomed to such things. I discovered so much and was so inspired by the experience. For example, I was fascinated by the different perspectives of people on the other side of the world. Most importantly, I realized that I enjoyed talking to people far beyond the confines of my own company. I think it would be beneficial for NITORI Group to offer educational programs that inspire employees.

What are your thoughts on women playing more active roles?

Yoshizawa: I think there are two aspects to the promotion of women's participation and advancement in workplaces. One is from the women's perspective and the other is from the organizational perspective. From the women's perspective, the first step is for individual women to gain confidence. This is the heart of the matter. Secondly, if there are issues that prevent individual women from playing active roles, such as childcare or nursing care, the obstacles should be removed. On the other hand, from the organizational perspective, it is necessary to think about the treatment of men, who obviously are outside the scope of women's empowerment. Promoting the advancement of women can create psychological tensions among men. They may think, "Why only women?" Next, the values and attitudes of supervisors are important. This is of course also true for male employees, but without a boss who gives women opportunities to demonstrate their capabilities, there will be no catalyst propelling them to play active roles. Lastly, we need mechanisms and systems that support women in their efforts to play active roles. But firstly, over and above everything else, women should be encouraged to gain confidence. The key is how to do that. Clearly, it means offering women opportunities to take on challenges and supporting them in the workplace so that they persevere and succeed. I believe that the only way to gain confidence is to experience success. I think the key is to cultivate an environment and a culture that encourage women and support them so that they can experience success.

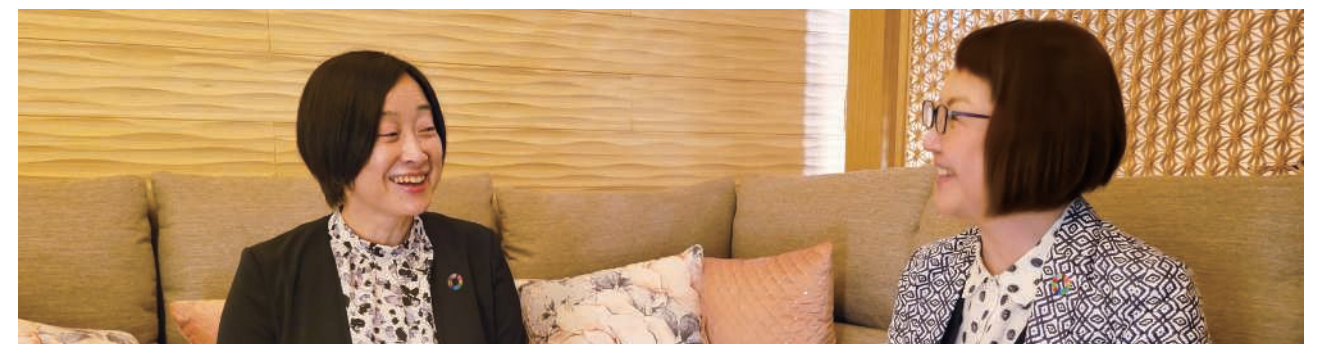
Abiko: I agree. Regardless of gender, successful experiences on the job lead to personal growth. We can facilitate personal growth by providing equal opportunities regardless of gender and in the way we design and allocate tasks and in the metrics used to evaluate performance. Unfortunately, in Japan, women's lives change drastically from the moment they have children. However, much they want to continue pursuing personal growth, there will inevitably come a point where they have to put their desire to one side. That is why companies, instead of expecting 120%

results all the time, need to be patient and understand that women are, at least for a while, at a disadvantage. During the past year or so, NITORI has been deliberating on workstyle reform for women, based on the recognition that it is important to have workstyle options corresponding to each stage of a woman's life. We eventually concluded that we need to reform how both men and women work. We are in an era in which it is necessary to reform not only women's workstyles but also men's so that both men and women can enrich their lifestyles and enjoy a good life-work balance. We need to consider approaches and systems that would enhance operational efficiency in various aspects so that everyone can make better use of their time. I would love to see more men take childcare leave as well. NITORI is a company dealing with interior products. So, involvement in childcare at home would inspire men to come up with ideas for great products. That would be wonderful.

What's your message for women who want to advance their careers

Yoshizawa: It is often said that women do not have many role models, but perhaps we don't need to be too concerned about role models, which necessarily differ from one person to another. To reiterate, you need to step outside your comfort zone. Look beyond the group of people with whom you usually spend your time. Talk with people in other sections. Don't stay within the borders of the company. Seek opportunities to interact with people in other walks of life or who work for competitors. If you are in Japan, talk to people overseas. Go out into the big wide world, talk to all sorts of people, broaden your horizons, expand your network, and take on new challenges. I think your personal development will surprise you. As directors, we relish the opportunity to contribute to the creation of a culture, a climate, and systems at NITORI that will encourage you to take on new challenges.

Abiko: I would like to issue a rousing call to action. Since you only live once, you should enjoy not only your career but also your private life, including time with your family, as much as you possibly can. Follow your inclination and have fun!



Directors and Executive Officers

(As of May 19, 2022)

Directors



Akio Nitori
Representative Director & Chairperson (CEO)



Toshiyuki Shirai
Representative Director & President (COO)



Fumihiro 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



Yoshiyuki Izawa
Director
* Independent Outside Director
Member of Audit & Supervisory Committee



Hisayoshi Ando
Director
* Independent Outside Director
Member of Audit & Supervisory Committee

Executive Officers

Executive Vice Presidents
Fumihiro Sudo /
Fumiaki Matsumoto

Senior Executive Officers
Isao Arai / Tsuyoshi Okamura /
Hiroki Murabayashi /
Yoshihisa Sato / Kenichiro Aoya

Executive Officers
Tadashi Kudo / Soichi Oda /Akio Igarashi / Eri Ablet /
Toshinao Matsushima / Ei Sugiura / Harumi Sawai /
Akihiro Kushida /Koichiro Oshima / Tadahiro Hosokawa /
Kazuya Orimoto / Toshinori Arai / Masaomi Zenji /
Kazuya Tsukada

The Aspirations of Newly Appointed Directors



Yoshiyuki Izawa
Director
*Independent Outside Director
Member of Audit & Supervisory Committee

I am very pleased to have recently assumed the position of outside director at NITORI Holdings. In my early career at Mitsui & Co., I gained experience and learned many of the basics of business. Having spent 11 years in the U.S. and Europe as an expatriate, I deepened my hands-on experience as a global businessperson. In particular, as a Representative Director, Executive Vice President, I served as Chairman of the Investment and Loan Committee and deliberated and made decisions on various matters. This experience enabled me to develop my ability to make decisions and execute them. I also served as president of JAPAN POST BANK for five and a half years during the period shortly after the privatization of Japan Post. I strove to change the system, organization, and mindset of JAPAN POST BANK, which were very bureaucratic, to those of a private company so that JAPAN POST BANK could constantly generate profits as a commercial bank. I gained valuable experience as an executive. Subsequently, I spent seven years as the head of BlackRock Japan, the world's largest asset management company and investor and gained experience and knowledge of the behavior of global companies and how institutional investors see things. I have developed my experience and knowledge about the mentality of global companies and the perspectives of investors. In serving as a member of the Board of Directors, I would like to utilize the experience and knowledge I have gained at these three companies. I look forward to serving the NITORI Holdings.



Hisayoshi Ando
Director
*Independent Outside Director
Member of Audit & Supervisory Committee

I am delighted to have this opportunity to serve NITORI Holdings as an outside director. For more than 30 years, I was involved in the planning, formulation, and implementation of important national policies at the Ministry of Economy, Trade and Industry (the former Ministry of International Trade and Industry). From 2019 to last year, I served as the Vice-Minister of Economy, Trade and Industry and contributed to Japan's economic and industrial development. In the course of promoting numerous measures, I have gained experience and deepened my knowledge, especially with regard to energy issues and measures for small and medium-sized enterprises. Although I have never been involved in corporate management as a manager, by capitalizing on my experience and the knowledge I have gained so far, I wish to contribute to NITORI Holdings as an outside director in its efforts to resolve issues confronting society, such as climate change and the need for regional revitalization. As a member of the Board of Directors, I will do my utmost to contribute to the sustainable enhancement of NITORI Group's corporate value. I look forward to serving NITORI Holdings.

Skills Matrix

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

Name	Title	Independent	Nominating and Compensation Committee	Knowledge and experience the Company expects of Directors													
				Corporate Management Strategy	Product/Development Coordination	Production Quality Control	Logistics & Trading Procurement	DX Promotion, IT & Information Communications	Sales Planning, Store-opening Policy	Macroeconomic & International Situation	Overseas Business Strategy	Reporting Status Quo, Changes & Challenges	Organization & HR, HR Development	Legal Affairs, Litigation	Finance & Accounting, Taxation	Internal Control Governance	Sustainability, SDGs
Akio Nitori	Representative Director & Chairperson (CEO)		● (Chairperson)	●	●				●			●	●	●			●
Toshiyuki Shirai	Representative Representative Director & President (COO)		●	●	●		●	●					●	●			●
Fumihiro Sudo	Director Executive Officer & Vice President			●	●			●	●				●				●
Fumiaki Matsumoto	Representative Director & Chairperson (CEO)			●			●	●	●			●	●				
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			●					●				●		●	●	
Yoshiyuki Izawa	Outside Director Member of Audit & Supervisory Committee	●	●	●			●	●		●	●				●	●	
Hisayoshi Ando	Outside Director Member of Audit & Supervisory Committee	●	●					●		●				●	●	●	●

Environment

Greenhouse gas emissions from NITORI Group

•Interim target: 50% reduction in FY2030 compared with FY2013 (emissions per 100 million yen of net sales)
•Progress in FY2021: 10.8% reduction compared with FY2013 (emissions per 100 million yen of net sales: 33.60 t-CO2)

Greenhouse gas emissions			Unit	FY2018	FY2019	FY2020	FY2021
NITORI Group			t-CO2	245,664	247,680	263,371	243,306
	Scope 1	Japan	t-CO2	56,900	56,591	64,863	32,517
		Overseas	t-CO2	3,780	2,783	2,102	2,783
	Scope 2	Japan	t-CO2	151,347	149,736	154,000	159,577
		Overseas	t-CO2	33,637	38,570	42,406	48,428
per unit			t-CO2 per 100 million yen	32.56	31.41	30.26	29.98

*Japan: Stores (NITORI, Deco Home, N+, SHIMACHU, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya), and HOME DECO

*Overseas: Stores (Eastern Asia, USA), Offices (NTI, NTL), warehouses, and factories (NITORI FURNITURE, SIAM NITORI)

*SHIMACHU's results are reflected from FY2021. (Results before management integration are also retrospectively reflected.)

*Results of overseas operations are reflected from FY2021. (Retrospectively reflected)

*Errors in gas types (city gas, LPG, LNG) are corrected in FY2021.

*NITORI Group's greenhouse gas emissions: Total of Scope 1 + Scope 2 emissions (including overseas operations)

*Greenhouse gas emissions associated with electricity consumption in Japan are calculated using the adjusted emission factor for each electric utility as stipulated in the Act on Promotion of Global Warming Countermeasures.

*Greenhouse gas emissions in FY2021 from overseas electricity use are calculated using the latest (2019) emission factors for each country in IEA Emission Factors 2021 published by the International Energy Agency (IEA).

*Conversion figures for gas and fuels are calculated using the Ministry of the Environment's "List of Calculation Methods and Emission Factors for the Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System."

Energy use (gas, kerosene, gasoline, diesel oil, and electricity) by NITORI Group

Energy use		Unit	FY2018	FY2019	FY2020	FY2021
NITORI Group		(Crude oil equivalent) TJ	4,692.5	4,742.1	5,088.9	4,615.6
	Japan	(Crude oil equivalent) TJ	3,951.5	3,986.3	4,321.5	3,729.3
		Electricity Mwh	303,004	307,138	327,597	314,627
		Gas 1,000m ³	11,750	11,583	13,063	10,495
		Gasoline / diesel oil kℓ	575	588	552	523
		Fuel oil (kerosene, etc.) kℓ	139	170	211	205
	Overseas	(Crude oil equivalent) TJ	741.0	755.8	767.4	886.3
per unit	(Crude oil equivalent) TJ per 100 million yen	0.62	0.60	0.58	0.57	

*Japan: Stores (NITORI, Deco Home, N+, SHIMACHU, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya), and HOME DECO

*Overseas: Stores (Eastern Asia, USA), Offices (NTI, NTL), warehouses, and factories (NITORI FURNITURE, SIAM NITORI)

*SHIMACHU's results are reflected from FY2021. (Results before management integration are also retrospectively reflected.)

*Results of overseas operations are reflected from FY2021. (Retrospectively reflected)

Amount of waste from NITORI Group's domestic operations

•Target (1): FY2030 Amount of waste discharged (general waste and industrial waste)
30% reduction compared with FY2018
(Amount of waste per 100 million yen of net sales in Japan)

•Target (2): FY2030 At least 95% recycling of industrial waste

•Progress in FY2021: Target (1) 20.7% reduction compared with FY2018 (Amount of waste per 100 million yen of net sales: 7.6 t)

Amount of waste discharged		Unit	FY2018	FY2019	FY2020	FY2021
NITORI Group		t	103,061	106,686	107,826	94,194
	Waste with value and other	t	47,090	48,063	49,859	46,665
	Total amount of general waste and industrial waste	t	55,971	58,623	57,966	47,529
	General waste	t	4,110	4,213	4,139	4,333
	Industrial waste	t	51,860	54,410	53,827	43,195
	*Simple incineration and landfill disposal	t	-	-	-	5,010
	*Recycling rate	%	-	-	-	88.4
General waste and industrial waste per unit		t per 100 million yen	7.60	7.62	6.81	6.03

*Japan: Stores (NITORI, Deco Home, N+, SHIMACHU, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya), and HOME DECO

*Waste for which the Company is a waste generator is covered.

*Industrial waste includes mixed waste including sofas, chests of drawers, cabinets, etc., waste plastics, and Styrofoam.

*Waste with value and other includes corrugated cardboard, metals (with value), mixed paper, etc. Corrugated cardboard is 100% recycled.

* SHIMACHU's results are reflected from FY2021. (Results before management integration are also retrospectively reflected.)

Amount of water used

Amount of water used		Unit	FY2019	FY2020	FY2021
NITORI Group		m ³	1,369,647	1,341,571	1,399,167
	Japan	m ³	911,642	923,444	857,824
	Overseas	m ³	458,005	418,127	541,343
per unit		m ³ /per 100 million yen	173.67	154.13	172.40

*Disclosed from FY2021

*SHIMACHU's results are reflected from FY2021. (Results before management integration are also retrospectively reflected.)

*Results of overseas operations are reflected from FY2021. (Retrospectively reflected)

Social

Employee data

	FY2021	Target scope
Total number of employees	37,229	NITORI Group as a whole
Number of regular employees	18,984	
Number of non-regular employees *Annual average (calculated on the basis that one day is eight hours)	18,245	

Diversity & Inclusion

	FY2021	Target scope
Percentage of female employees (%)	65.3	NITORI Holdings, NITORI, Home Logistics, Nitori Facility, N+, and SHIMACHU
Number of new graduates hired	635	Full-time employees of NITORI, Home Logistics, Nitori Public, and SHIMACHU
Percentage of female new graduates hired	47.7	
Percentage of employment of persons with disabilities (%)	2.75	
Number of women in management positions	394	Full-time employees of NITORI Holdings, NITORI, Home Logistics, Nitori Facility, N+, and SHIMACHU
Percentage of women in management positions (%)	15.0	
Number of non-Japanese nationals in management positions	41	
Number of employees taking childcare leave	162	
Number of male employees taking childcare leave	43	
Number of employees taking spousal maternity leave	78	
Number of employees taking nursing care leave	16	
Number of employees working shorter working hours (pregnancy, childcare, nursing care)	275	
Average days of paid leave taken	9.8	
Average percentage of paid leave taken	58.8	
Average overtime hours (hours per month)	11.42	

Human Resources Development

	FY2021	Target scope
Total training hours	348,508	Full-time employees only of NITORI Holdings, NITORI, Home Logistics, Nitori Facility, N+, and SHIMACHU
Average hours of education per employee	50.7	
Average days of education per employee	6.3	

Occupational Health & Safety

	FY2021	Target scope
Number of qualified health managers	1,656	NITORI Holdings, NITORI, Home Logistics, Nitori Facility, N+, and SHIMACHU
Number of staff trained in health and safety standards during the previous year	420	

	FY2019	FY2020	FY2021	Target scope
Frequency rate of lost time injuries (%) *Absence from work for 4 days or more	2.10	2.20	2.65	NITORI Holdings, NITORI, Home Logistics, Nitori Facility, N+, and SHIMACHU

Status of Performance of Audits of New Overseas Suppliers (*Including quality assurance items and response to environmental and social issues)

	Number of audits performed	Accepted	Accepted with conditions	Rejected (no transactions permitted)
FY2021	99	12	76	11
Composition	100.0%	12.1%	76.8%	11.1%

Audit items for potential new overseas suppliers (*excerpts)

- Pollution prevention measures (including compliance with laws and regulations concerning air, water, and soil pollution)
- Compliance with laws and regulations concerning the disposal of hazardous substances ●Promotion of resource recycling
- Periodic implementation of safety training stipulated by laws and regulations ●Installation of fire extinguishing equipment
- Implementation of training for handling hazardous materials ●Safety measures for hazardous work
- Emergency response system in the event of accidents ●Improvement of working environment ●Overtime hours within specified hours/payment of overtime as stipulated by laws and regulations ●Installation, maintenance, and management of cafeteria/restroom facilities ●Ensuring leave/breaks exceeding legal requirements ●Ensuring minimum wages stipulated by laws and regulations ●Participation in legally mandated benefit schemes
- Establishment of labor union
- Prohibition of child labor/forced labor/discrimination ●Status of environmental and labor certifications

Status of Performance of Audits of Existing Overseas Suppliers

	FY2019	FY2019	FY2019
Number of audits performed	545	426	590

Number of audits performed

Date	Briefing content	Countries covered	Number of suppliers participating	Number of suppliers	Participation rate
Apr. 2021	Management policy briefing for suppliers	Vietnam, Thailand, Malaysia, Indonesia, India, and Bangladesh	104	104	100%
Jun. 2021	Quality meeting for suppliers	Eastern Asia	294	322	91%
Jul. 2021	Management policy briefing for suppliers	Eastern Asia	402	438	92%
Nov. 2021	Quality meeting for suppliers	Vietnam, Thailand, Malaysia, Indonesia, India, and Bangladesh	86	88	98%
Jan. 2022	Quality meeting for suppliers	Eastern Asia	284	305	93%

*Attended mainly by management executives of each supplier

Governance

→ Corporate Governance Information: NITORI Holdings website > Investor Relations > Corporate Governance > Basic Policy > Corporate governance report

→ Anti-corruption Policy: NITORI Holdings website > Investor Relations > Compliance > Anti-corruption Policy

→ Global Tax Policy: NITORI Holdings website > Investor Relations > Compliance > Global Tax Policy

External Evaluation

The Company has been selected for inclusion in the FTSE Blossom Japan Sector Relative Index, an investment index composed of Japanese companies that excel in ESG (Environmental, Social and Governance) initiatives.



FTSE Blossom Japan Sector Relative Index

The Company received an “A” rating in the MSCI ESG Rating Assessment as of December 2021.

MSCI ESG RATINGS

CCC B BB BBB A AA AAA



Financial & Company Data -Transition of Key Management Indicators

Fiscal years ended February 20 (Million yen) (Thousand USD)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021
Income/Loss											
Net sales	¥ 348,789	¥ 387,605	¥ 417,285	¥ 458,140	¥ 512,958	¥ 572,060	¥ 608,131	¥ 642,273	¥ 716,900	¥ 811,581	\$ 7,059,684
Gross profit	192,616	201,656	218,337	243,543	278,274	314,778	331,421	354,364	411,791	425,897	3,704,743
Selling, general and administrative expenses	131,066	138,583	152,029	170,503	192,497	221,400	230,642	246,886	274,104	287,627	2,501,976
Operating income	61,550	63,073	66,307	73,039	85,776	93,378	100,779	107,478	137,687	138,270	1,202,766
Ordinary income	62,195	63,474	67,929	75,007	87,563	94,860	103,053	109,522	138,426	141,847	1,233,884
Net income attributable to owners of parent	35,811	38,425	41,450	46,969	59,999	64,219	68,180	71,395	92,114	96,724	841,372
Cash flow from operating activities	41,989	46,154	52,923	57,343	77,930	76,840	81,664	99,337	150,879	85,565	744,308
Cash flows from investing activities	(21,937)	(32,376)	(43,023)	(35,899)	(42,047)	(82,751)	(30,424)	(44,486)	(195,985)	(119,980)	(1,043,674)
Cash flows from financing activities	(22,047)	(10,540)	(6,654)	(9,943)	(6,414)	655	(11,340)	(13,862)	30,309	17,729	154,221
Cash and cash equivalents at the end of the year	16,816	21,179	25,713	36,794	66,035	60,923	100,053	140,791	125,487	127,076	1,105,394
Depreciation and amortization	8,227	8,850	8,921	9,398	10,406	11,357	12,311	14,575	16,024	20,407	177,518
Capital expenditure	25,708	30,083	45,033	26,605	42,828	64,172	32,237	26,191	22,323	101,454	882,517
Financial Position											
Total assets	284,290	321,703	404,793	414,541	487,814	550,507	619,286	683,247	930,884	983,840	8,558,110
Net assets	209,764	247,898	310,531	330,968	394,778	441,668	500,192	560,861	685,392	732,813	6,374,505
Equity	209,125	247,099	309,413	329,695	393,693	440,991	499,721	560,571	642,096	732,813	6,374,505
Key Management Indicators											
Gross profit to net sales ratio (%)	55.2	52.0	52.3	53.2	54.2	55.0	54.5	55.2	57.4	52.5	52.5
SG&A expenses to net sales ratio (%)	37.6	35.8	36.4	37.2	37.5	38.7	37.9	38.4	38.2	35.4	35.4
Operating income to net sales ratio (%)	17.6	16.3	15.9	15.9	16.7	16.3	16.6	16.7	19.2	17.0	17.0
Rate of return on equity (ROE) (%)	18.7	16.8	14.9	14.7	16.6	15.4	14.5	13.5	15.3	14.1	14.1
Equity ratio (%)	73.6	76.8	76.4	79.5	80.7	80.1	80.7	82.0	69.3	74.5	74.5
Ordinary income to total assets ratio (ROA) (%)	22.6	20.9	18.7	18.3	19.4	18.3	17.6	16.8	17.2	14.8	14.8
Payout ratio (consolidated) (%)	13.8	14.3	14.6	15.3	15.2	16.0	16.0	17.0	15.1	16.3	16.3
Price earnings ratio (PER)	10.6	13.3	20.2	19.4	22.7	30.7	23.1	26.1	25.7	19.1	19.1
Per Share Information											
Net income per share (EPS) (Yen, USD)	325.83	350.27	376.14	425.10	540.93	574.49	608.05	635.42	817.01	856.71	7.45
Net assets per share (BPS) (Yen, USD)	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	6,489.57	56.45
Dividend per share (Yen, USD)	45	50	55	65	82	92	97	108	123	140	1.22
Other Data											
Number of shares issued at the end of the year	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	114,443,496
Stock price at the end of the year (Yen, USD)	6,890	9,340	7,600	8,260	12,250	17,625	14,050	16,560	20,970	16,350	142.22
Total market value	394,258	534,451	869,771	945,303	1,401,933	2,017,067	1,607,931	1,895,184	2,399,880	1,871,151	16,276,541
Number of stores in Japan	286	312	346	383	428	467	505	545	651	708	708
Number of stores overseas	14	19	27	37	43	56	71	66	71	93	93
Net increase in number of stores	32	31	42	47	51	52	53	31	111	79	79
Total sales floor area (㎡)	1,390,711	1,478,205	1,568,596	1,678,835	1,806,666	1,928,461	2,037,213	2,099,997	2,726,935	2,828,992	2,828,992
Total number of employees	15,272	16,884	19,092	20,759	22,111	24,816	27,506	29,936	36,669	37,229	37,229

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



Building and maintaining a strong financial base will support sustainable corporate growth and value enhancement

Masaomi Zenji

Executive Officer
General Manager
Accounting & Finance Division

1. 35th consecutive year of sales and profit growth and review of fiscal 2021 (achievements and challenges)



Uncertainty continued in fiscal 2021. Amid the COVID-19 pandemic, the “new normal” way of life became established and the Tokyo Olympics were held without audience. In these circumstances, NITORI achieved its 35th consecutive year of sales and profit growth. What was the year like from the perspective of business management?

In fiscal 2021, the challenging business environment persisted and the outlook remained unclear owing to the impact of the COVID-19 pandemic, intensifying sales competition across industries and business formats, soaring labor costs caused by labor shortages, and rising logistics costs resulting from a global shortage of containers and rising ocean freight rates.

Regarding the NITORI Business, the price reduction campaign to support people's daily lives, which we implemented twice, was well received by our customers, and sales were brisk during the campaign period. However, existing store sales for fiscal 2021 were below the previous year's level. This was because repeated declarations of a state of emergency and quasi-state of emergency required some stores to close and consumers refrained from going out during the Olympic Games and it was also a natural reaction following robust sales in the previous year, which were boosted by demand associated with stay-at-home consumption.

In the e-commerce Business, efforts to broaden the customer base by responding to customer needs that real stores alone cannot cover and to improve customer

convenience resulted in a 1.5% year-on-year increase in sales, surpassing the previous year's sales, which grew significantly owing to demand associated with stay-at-home consumption.

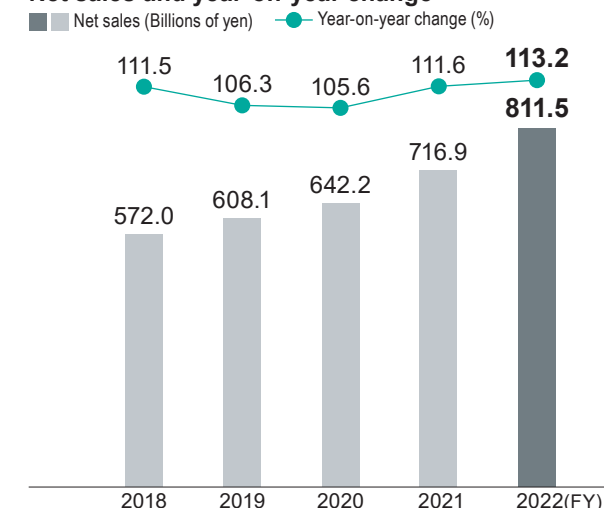
For the SHIMACHU Business, we implemented various Group-wide measures to achieve synergies, including reviewing the range of products, developing private-brand products for home improvement merchandise, reducing general expenses by integrating purchasing functions, and opening NITORI HOME'S Miyahara Store, an integrated store of NITORI and SHIMACHU.

In terms of costs and expenses, the impact of the exchange rate on purchases due to the weakening of the average settlement rate by 7.21 yen against the dollar compared to the previous year and higher import costs due to high crude oil prices led to a significant increase in costs. Meanwhile, we focused on cost reduction, such as consolidation of suppliers, and also worked to curb expenses by streamlining logistics to reduce shipping and delivery costs and performing tasks in-house to reduce outsourcing costs.

As a result, consolidated net sales and ordinary income

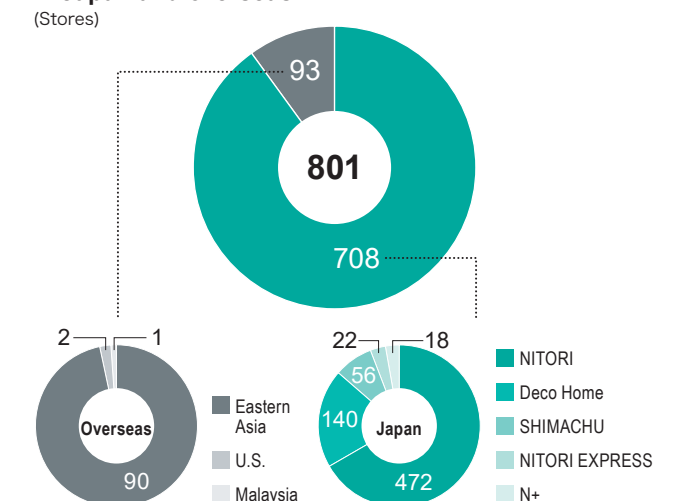
for fiscal 2021 were 811.5 billion yen and 141.8 billion yen, respectively, marking the 35th consecutive year of growth in both sales and profit. Compared with fiscal 1991, which was 30 years ago, we have 38-times more stores, our net

Net sales and year-on-year change



sales are 46-times higher, and our ordinary income is 118-times higher. I believe that we were able to achieve these results by taking on various challenges since our founding and establishing a business model that integrates manufacturing, distribution, IT, and retail.

Number of stores as of the end of fiscal 2021 in Japan and overseas



2. Store opening plans for fiscal 2022 ending March 31, 2023 and consolidated results forecast



NITORI Group is accelerating evolution into a company that makes comprehensive lifestyle suggestions. Following the management integration with SHIMACHU, you have formed a capital and business alliance with EDION, a major consumer electronics retailer. Please tell us about specific measures NITORI Group will implement in the next fiscal year to expand and integrate business areas.

Toward achievement of our mission of enriching homes of people all over the world, in fiscal 2021 the number of stores of NITORI Group as a whole increased by 79, net, to 801 stores as of February 20, 2022, comprising an increase of 57 stores in Japan, 21 in Eastern Asia, and 1 in Malaysia. Of these, the first store in Malaysia, opened in Kuala Lumpur on January 20, 2022, which is our first store in Southeast Asia.

Based on the conviction that the number of stores and the number of customers who purchase our products are metrics indicative of our contribution to society, we are expanding our store network in Japan and around the world to develop a global chain of stores so that more customers can conveniently purchase our products.

In fiscal 2022, NITORI Group plans a net increase of 100 stores in Japan, 34 in Eastern Asia, 1 in the U.S., 6 in Malaysia, and 2 in Singapore, without any slackening in the pace of new store openings.

With regard to store openings in Japan, by further differentiating Deco Home, which is a small-store format, and the NITORI brand, we aim to build a business format

that can coexist with NITORI. We will also accelerate store openings of the N+ women's apparel brand. Regarding store openings overseas, we plan to open more stores than ever before in Eastern Asia. We will also accelerate the opening of new stores in Southeast Asia, promoting store openings in Malaysia and Singapore. We will continue to proactively open new stores, with a target of 1,400 stores globally by 2025.

We are also entering markets in countries and regions where we do not have physical stores through e-commerce and cross-border e-commerce. For example, we began offering products through Coupang, the largest e-commerce website in South Korea.

By continuing to expand our business areas and store network, we will increase the number of customers and improve shopping convenience for them.

In the next fiscal year, the business environment is expected to remain challenging owing to the impact of the resurgence of COVID-19 in Eastern Asia and concerns about the prolonged crisis in Ukraine, as well as soaring prices of timber and other raw materials worldwide, yen

Financial & Company Data -NITORI Group's Financial Strategy

depreciation, and rising marine transportation costs. In these circumstances, NITORI Group will continue to engage in cost reduction initiatives, such as consolidating suppliers and considering the possibility of switching procurement to different parts of the world.

To establish a fully-fledged global chain, through the evolution of our unique business model that integrates manufacturing, distribution, IT, and retail, we will further expand our store and delivery networks attuned to customers' purchasing behavior. At the same time, while developing business overseas, we will pursue expansion and integration of business areas, including through the development of new lifestyle-related categories and services so as to evolve into a company that makes comprehensive lifestyle suggestions, also covering home improvement and apparel.

For the next fiscal year onward, we have changed the

fiscal year-end from February 20 to March 31 to facilitate efficient execution of the Group's business administration, etc. and for the convenience of monthly comparison with other companies in the same industry. Fiscal 2022 will be a period of 13 months and 11 days from February 21, 2022 to March 31, 2023, as it is a transitional period for the change of the fiscal year-end.

Regarding the forecast of consolidated results, we forecast net sales of 963.6 billion yen, an 18.7% increase year on year, and ordinary income of 153.0 billion yen, a 7.9% increase year on year. The assumptions for the results forecast are a year-on-year increase in existing store sales of 2.6% and a capital expenditure of 89.0 billion yen. As for the foreign exchange rate, we have already entered into forward exchange contracts for half at a rate of approximately 114.90 yen to the dollar. The assumed exchange rate for the full year is 115.00 yen to the dollar.

environment. As a result, the Group has been able to maintain a sound financial position with an equity ratio of 74.5% for fiscal 2021. Toward our vision of 3,000 stores and 3 trillion yen in net sales by 2032, while maintaining a

solid financial foundation, we will continue flexible financing and proactive investment, with the aim of achieving stable and sustainable growth.

3. Five key measures and financial strategy

Capital investment for strengthening the supply chain and reinforcing IT systems to overcome the unstable business environment, such as the COVID-19 pandemic and the situation in Ukraine, must be a major issue. What is NITORI Group's financial strategy in relation to the five key measures?

For fiscal 2022, we set five key measures for achieving our medium- to long- term vision.

While strengthening product development from the customer's perspective and pursuing lower prices to gain further customer support as destination stores, we will proactively expand our store network and e-commerce business in Japan and overseas, including in countries and regions where we have no stores yet.

Moreover, we will promote the establishment of a foundation for a global chain store, including the establishment of systems and mechanisms common throughout NITORI Group, design of personnel systems, and human resources development, as well as working to shorten product supply lead times and curb cost increases due to soaring raw material and transportation costs.

Regarding the IT field, we established a new IT company, Nitori Digital Base, on April 1, 2022, to further accelerate the Group's digital transformation. Nitori Digital Base will lead global and large-scale projects from a digital perspective and aim to innovate through the application of unprecedented technology.

For the distribution network in Japan, our focus is on the optimal location of distribution centers and the concentration of functions. With the improvement of operations, shipping and the home delivery network, and

business processes as reform themes, we plan to make major investments totaling more than 350 billion yen over the five years from 2021 to 2025.

In the SHIMACHU Business, we will continue strengthening the home improvement business by expanding the range of products covered by the development of private-brand products and enhancing product appeal to benefit local customers seeking more comfortable lifestyles. We signed the capital and business alliance agreement with EDION Corporation in April 2022. The two groups will mutually utilize their management resources and know-how to expand their businesses and enhance their corporate value.

In terms of sustainability management, we aim to contribute to a sustainable society by promoting business that will lead to both resolutions of social issues and the accomplishment of our mission. We will continue our pursuit of authentic sustainability management by considering environmental, social, and governance issues within the framework of the entire supply chain and implementing improvements and reforms at every stage, taking advantage of NITORI Group's unique business model integrating manufacturing, distribution, IT, and retail.

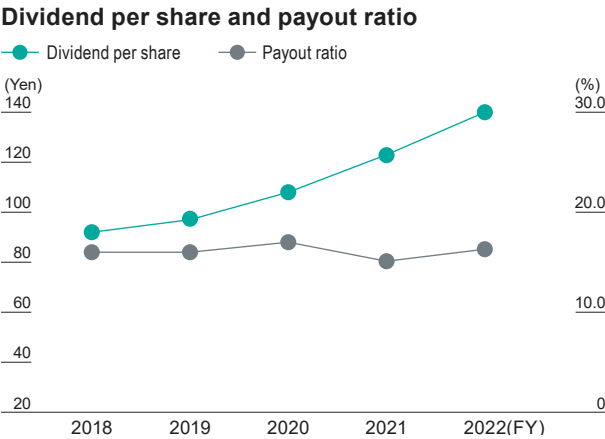
NITORI Group has been securing retained earnings required for responding to changes in the business

4. Shareholder returns

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. The annual dividend per share for fiscal 2021 was 140 yen, an increase of 17 yen from the previous year. This marks 18 consecutive years of increased dividends. For fiscal 2022 we are planning to pay an annual dividend of 147 yen per share; if we achieve this, it will be our 19th consecutive year of increased dividends. As NITORI Group is in a growth phase, as indicated by 35 consecutive years of sales and profit growth, we believe it is important to link profit growth through investment for growth to the enhancement of corporate value, which will lead to higher total shareholder return, including not only dividends and share buybacks but also indirect returns through a higher stock price. 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.



5. Dialogue with capital markets

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

We recognize that constructive dialogue with shareholders and investors is important for NITORI Group's sustainable growth and enhancement of corporate value over the medium to long term. In order to promote constructive dialogue, our basic IR policy is to disclose important information about the Group accurately, clearly, fairly, and promptly, in a timely and appropriate manner. We disclose information in accordance with the Companies Act, the Financial Instruments and Exchange Act, the rules of the stock exchanges, and other applicable laws and

regulations. Moreover, to help stakeholders deepen their understanding of NITORI Group, we proactively disclose information beyond what laws and regulations require by publishing the integrated report, holding results briefings and small meetings, conducting store tours, etc. In addition, we will promote information disclosure in English to the extent reasonable in order to gain recognition in global capital markets.

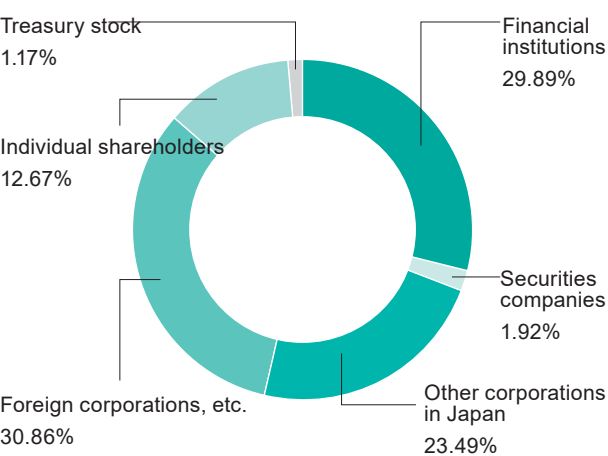
Financial & Company Data -Company Stock Information / Company Information

Company Stock Information (As of February 20, 2022)

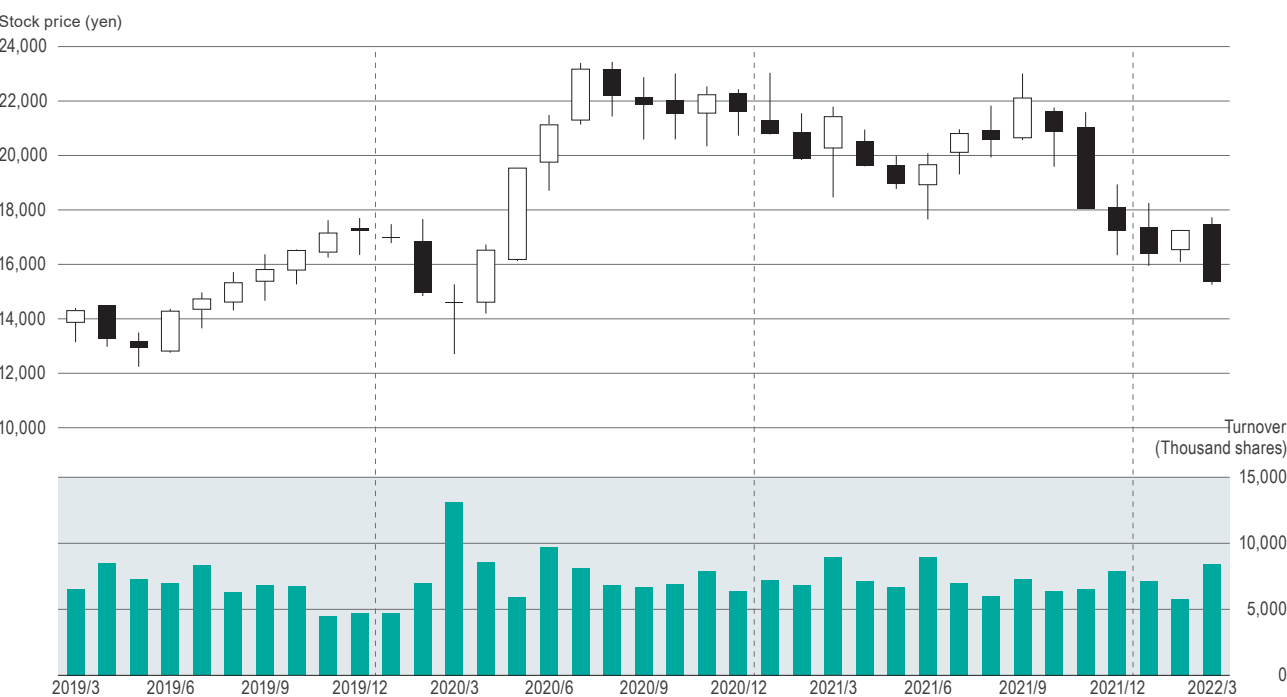
■Outline of Shares

Total number of authorized shares: 288,000,000
Total number of issued shares: 114,443,496
Number of shareholders: 27,914
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
Annual General Meeting of Shareholders: May
Administrator of shareholder registry: Sumitomo Mitsui Trust Bank, Limited

■Distribution of Shares by Type of Shareholder



■Stock Price and Turnover



■Major Shareholders (As of February 20, 2022)

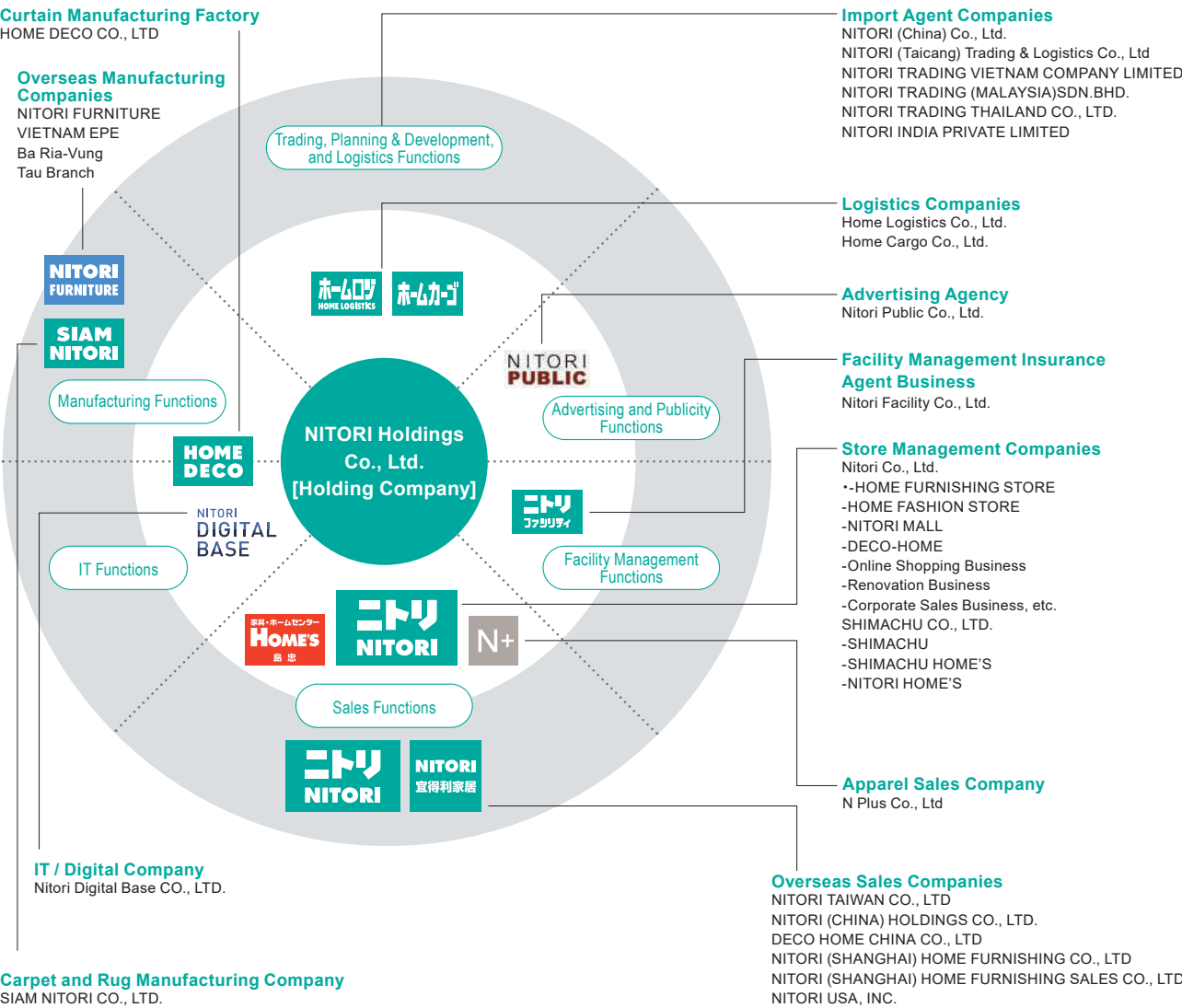
Name	Number of shares owned	Ratio to the total number of issued shares (%)
NITORI Trading Ltd.	20,799	18.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,661	11.19
Custody Bank of Japan, Ltd. (Trust Account)	5,003	4.42
NITORI International Scholarship Foundation	4,000	3.54
North Pacific Bank, Ltd.	3,860	3.41
Akio Nitori	3,410	3.02
Momoyo Nitori	3,078	2.72
National Mutual Insurance Federation of Agricultural Cooperatives	2,411	2.13
Nippon Life Insurance Company	2,056	1.82
CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	1,832	1.62

Notes:
1. The numbers presented in "Number of shares held" above are calculated based on the list of shareholders.
2. The Company's 1,344,143 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.

Company Information (As of February 20, 2022)

Company Name	NITORI Holdings Co., Ltd.
Representative	Akio Nitori, Representative Director & Chairperson (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: +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)	¥811,581 million
Ordinary Income (Consolidated)	¥141,847 million
Capital Stock	¥13,370 million
Number of Employees (Consolidated)	37,229 (including 18,245 average part-time employees)

NITORI Group List



NITORI Holdings Co., Ltd.

Sapporo Head Office

1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo,
Hokkaido 001-0907

Tokyo Headquarters

3-6-20, Kamiya, Kita-ku, Tokyo 115-0043

Osaka Headquarters

1-1, Kamisu-cho, Toyonaka, Osaka 561-0823

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