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Nitori Holdings

Integrated Report 2024

To enrich the homes of people all over the world.

New Phase, New Growth.

Nitori Holdings
Integrated Report 2024

2023.4.1 - 2024.3.31

Nitori Group’s Mission Statement & Vision

To enrich the homes of people all over the world.

New Phase, New Growth.

The Vision 2032

3,000 Stores

Net Sales ¥3 trillion

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Editing Policy

We have issued the Integrated Report 2024 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).

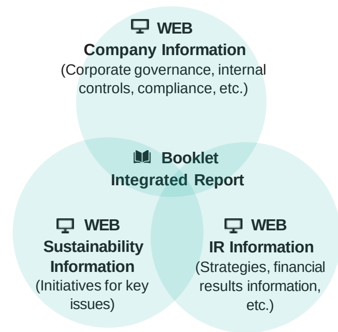
Target Scope

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

April 1, 2023 to March 31, 2024.
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.

Top Message

Message from the Chairperson

With the milestone of reaching 1,000 stores, we will continue to pursue our mission (aspiration) as we expand our store openings globally.

Representative Director & Chairperson
(Chief Executive Officer)

Akio Nitori

Aiming to Provide Further Enrichment

The fiscal year ending March 31, 2024, marked the milestone of reaching 1,000 stores worldwide.
I believe that reaching 1,000 stores despite the recent COVID-19 pandemic, soaring prices of resources and transportation costs, yen depreciation, rising geopolitical risks, and other unprecedented compounding adversities is the result of all employees who share our mission and vision and continued to take on challenges with the spirit of "turning adversity into opportunity". The company is being reborn as a leaner organization by using adversity to eliminate waste, inconsistencies, and overburden, and to curb unnecessary costs. I believe this transformation has provided us with significant momentum for the future growth of the Nitori Group.

In our pursuit to enrich our customers' lives, we are expanding our offerings beyond home furnishings to include apparel and dining services. (▶P37-38)
As we aim to achieve our mission, we will continue to expand and strengthen our unique business model of "Manufacturing-Logistics-IT-Retail Business," striving to turn our mission into reality.

"Global Expansion" as the Key to Achieving the Vision 2032

There are 8 years left until the deadline for achieving our vision of "3,000 stores and 3 trillion yen in sales by 2032." This vision aims to expand the number of stores and customers, which are barometers of our contribution to society. Achieving the Vision 2032 requires not moderate growth but rather "discontinuous" growth. One of the major keys is business expansion in the rapidly growing Asian markets. For over 30 years, we have established trading offices and other bases in Asia, built relationships with numerous manufacturing partners, and set up our own factories, thereby building and strengthening our group's supply chain. By effectively leveraging these bases and supply chain networks, we aim to scale up our sales business quickly through rapid store openings in Asia.

We plan to open a total of 100 overseas stores in the fiscal year ending March 2025. Our goal is to establish a system and structure that will enable us to open more than 200 stores annually at an early stage.

In Japan, we will also vigorously promote initiatives to enhance the richness of our customers' lives. To improve convenience, we will continue to actively open stores in urban areas, suburbs, and regions with smaller market populations, as well as various businesses within the group. Additionally, to make our customers' shopping experience more comfortable, we will revamp our apps and e-commerce sites to enable the organic integration of our store network and e-commerce. Regarding the products we handle, we will further strengthen our development framework to ensure expansion and enhancement.

Training Top-Tier Specialists Over 20 Years

In April 2024, approximately 1,000 new employees, the largest number in our history, joined our group. We are delighted to see an increase in colleagues who resonate with our mission and vision and aim to grow together.

We have long invested more than five times the average amount spent by listed companies on education, with the goal of training individuals who possess their own mission and vision, and who think and act independently to achieve them, rather than merely working for the company or their superiors. As a Manufacturing-Logistics-IT-Retail Business, we encompass a wide range of business fields. Each field requires specialists with the highest level of knowledge and experience in the industry. I often tell my employees, "three years on a stone, five years in the wind and snow, ten years of struggle, and twenty years to become a specialist," meaning that perseverance pays dividends. Under our unique educational systems, such as job rotation and Nitori College, more than 700 specialists with over 20 years of experience, who have developed their mission and vision within their respective areas of expertise, now support our entire group.

To achieve the growth we aspire to, we need even more specialists across a broader range of fields.
In particular, we believe that the depth of our global talent responsible for overseas expansion (▶P13-20) and our IT personnel supporting growth through our unique in-house IT infrastructure (▶P21-22) will become increasingly important. Nitori Digital Base CO., LTD. established in April 2022 to accelerate IT and DX, continues to expand steadily, and we plan to further bolster our IT workforce to a system of 1,000 IT personnel. We will continue to invest in human resource education to strengthen our team of numerous elite specialists.

Expect Further Growth of the Nitori Group Across Industry Boundaries

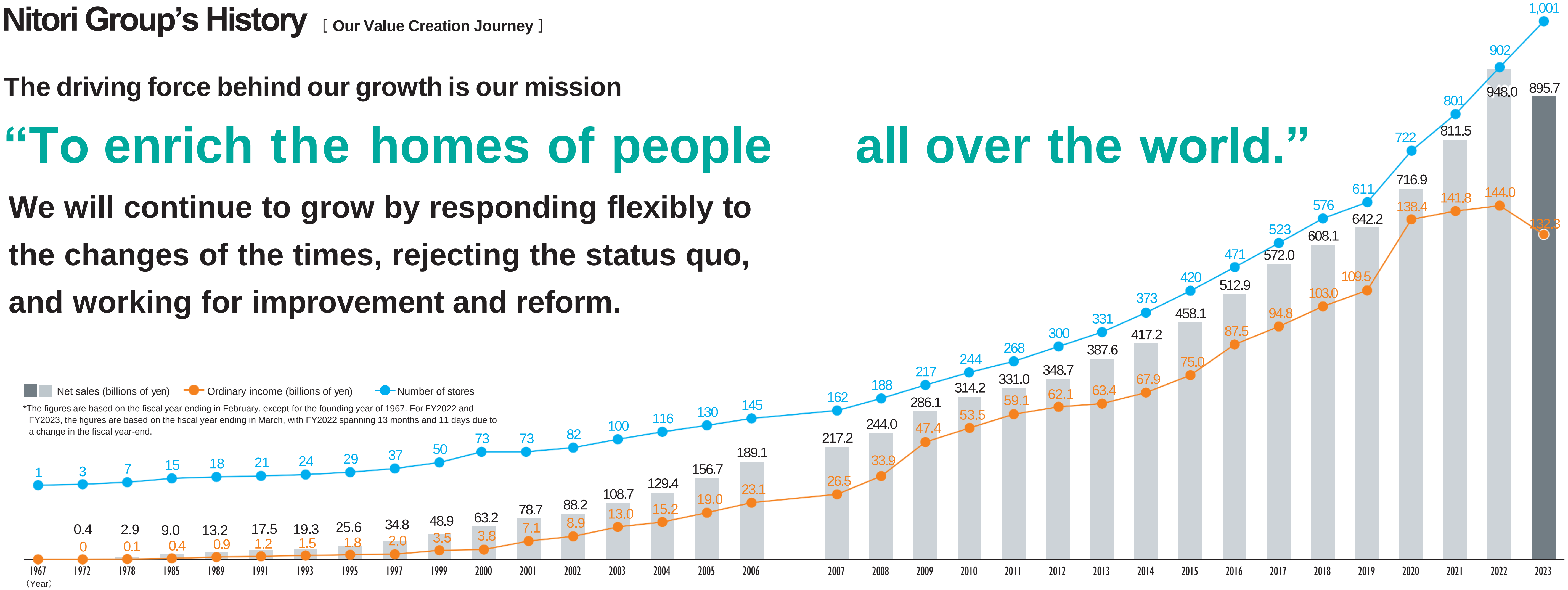
As we move forward, we are entering a new phase of global expansion. Aiming to realize our grand mission and vision, we will unite as a group and take on new challenges. We sincerely ask all of our stakeholders, including customers who purchase our products, as well as our shareholders, business partners, and group employees, for their continued support and encouragement. We also invite you to look forward to the future development of the Nitori Group.

Nitori Group's History [Our Value Creation Journey]

The driving force behind our growth is our mission

"To enrich the homes of people all over the world."

We will continue to grow by responding flexibly to the changes of the times, rejecting the status quo, and working for improvement and reform.



*The figures are based on the fiscal year ending in February, except for the founding year of 1967. For FY2022 and FY2023, the figures are based on the fiscal year ending in March, with FY2022 spanning 13 months and 11 days due to a change in the fiscal year-end.

Creation of Management Policy

1967
Nitori Furniture Store established

Founding Spirit
"To bring the comfortable and enriched living of the U.S. to Japan"

Establish a Business Model that Will Revolutionize the Furniture Industry

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
- Proposal of total coordination

1986
Started direct import of overseas products
Adding cost competitiveness that is one step ahead

1995
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

2005
Hanoi factory in Vietnam began operating

2007
Opened Kaohsiung Dream Mall Store

2008
Price Cut Declaration
Price cuts on 1,000 items following the global financial crisis

2013
Opened the first store in the U.S.
Full-scale global business development

2014
Opened Wuhan Star City Store
Launched Nitori app service

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

Globalization and expansion of business fields

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

2018
Siam Nitori, a Carpet Manufacturing Plant becomes wholly owned subsidiary

2019
Started apparel brand N+

2020
Management integration with SHIMACHU CO., LTD.

2021
Opened the first store in Malaysia

2022
Opened the first store in Singapore
Nitori Digital Base CO., LTD. established

2023
Opened stores in Thailand, Hong Kong, South Korea and Vietnam
Reached 1,000 group stores worldwide.

Current Status of Nitori Group

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.

Net sales

895.7 billion

Number of customers

Approx. **285.3 million**

*The number of customer visited to our stores in the main domestic sales business
*Approximately 142 million customers shopped in our major global sales business

Number of Nitori members

Approx. **44.64 million**

*Of which, 19.33 million are app members, 25.31 million card members (domestic)

Number of stores

1,001 stores

Number of annual domestic deliveries

917 million

Number of containers handled annually

13.4 thousand TEU

*TEU: Unit of measure equivalent to a 20-foot container

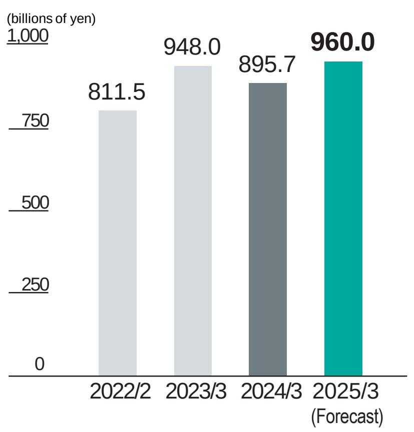
Number of employees of the Group

56,934

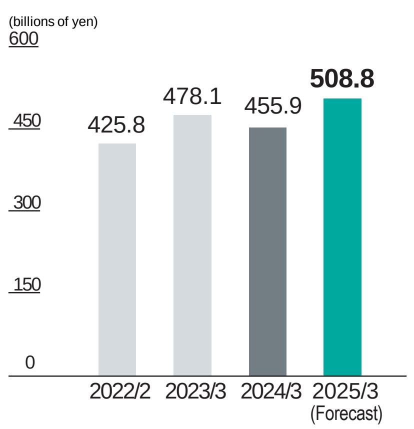
* Number of non-regular employees converted to 8-hour equivalents is 38,540 (Of these, the average annual number of non-regular employees is 19,606)

*Numeric figures are from fiscal year ended March 31, 2024

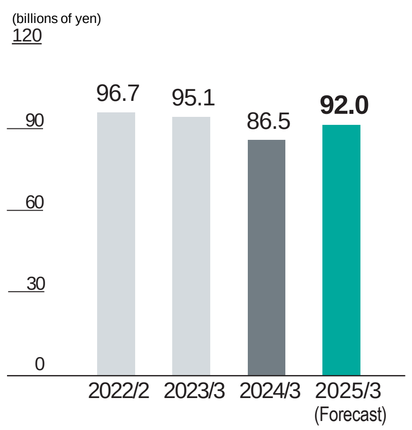
Net Sales



Gross Profit



Net Income Attributable to Owners of Parent



*Due to a change in the fiscal year, the fiscal period ending March 2023 is an irregular accounting period of 13 months and 11 days

Top Message

Message from the President

Evolving the established business model to achieve the Vision 2032

Toshiyuki Shirai

Representative Director & President
(Chief Operating Officer)

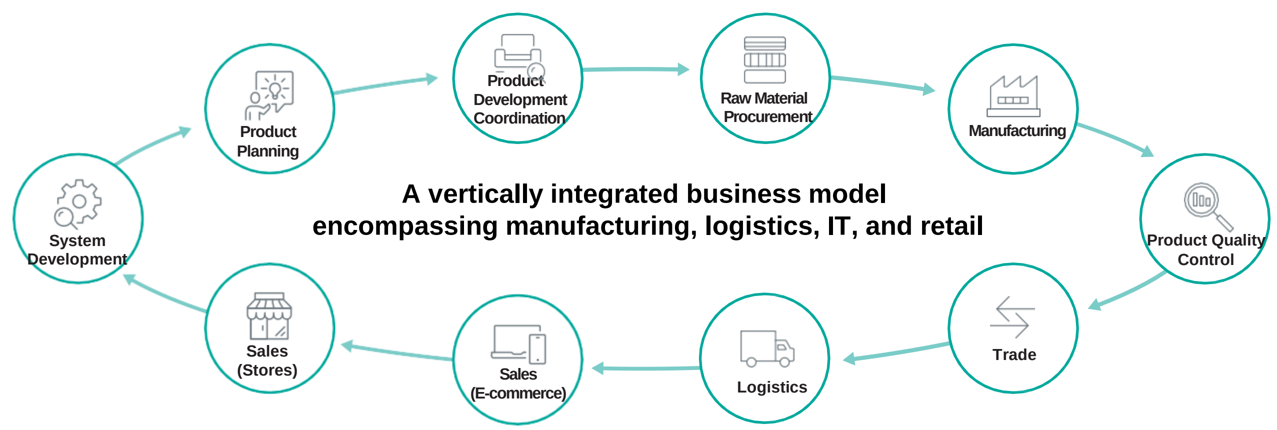
Our Unique "Manufacturing-Logistics-IT-Retail" Business Model

At Nitori Group, every employee shares the mission, "to enrich the homes of people all over the world," which is at the heart of everything we do. The guiding principle of our activities is to do our utmost to achieve our long-term vision of "3,000 stores, 3 trillion yen in sales by 2032," by mobilizing the Group's strengths.

To realize this mission, it is essential to balance affordable pricing with high quality and functionality.

Through rigorous efficiency improvements and cost reductions, aimed at total optimization, we have established all necessary functions within the group — from planning and manufacturing to sales.

This has led to the creation of our unique, integrated business model known as "Manufacturing-Logistics-IT-Retail Business." The business model we have built since our founding will continue to evolve and expand into new business fields, always striving to realize our mission.



Message from the President

Towards the Realization of Our Mission, We Continue to Take on Challenges.

Summary of the Fiscal Year Ending March 2024

While the impact of global financial tightening and concerns about the future of the Chinese economy pose risks to our country's economic outlook, the effects of various policies are raising expectations for an economic recovery. However, the furniture and interior industry continues to face a challenging environment due to intensifying competition across different sectors and business types, rising raw material prices, and soaring labor costs driven by labor shortages. Although the previous consolidated fiscal year was an irregular period of 13 months and 11 days due to a change in the fiscal year end, making it incomparable to the current fiscal year, the Group's operating results for the current fiscal year recorded sales of 895.7 billion yen, a 5.5% decrease year-over-year (YOY), ordinary income of 132.3 billion yen, an 8.1% decrease YOY, and net income of 86.5 billion yen, a 9.0% decrease YOY. We will continue to earnestly provide products and services that "Offering the Unexpected" value and contribute to the enrichment of our customers' lives.

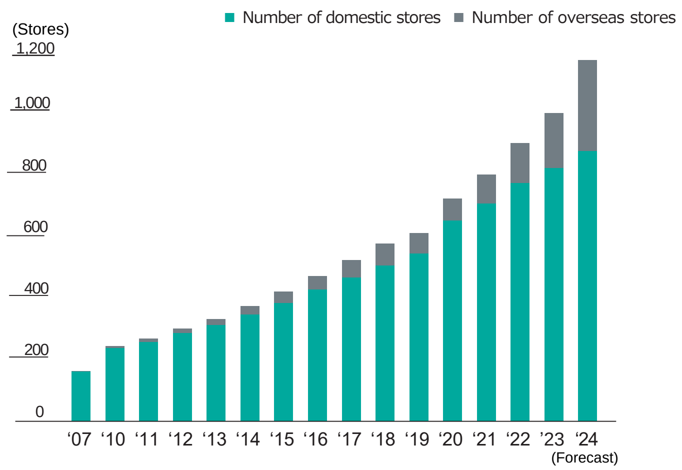
Toward the Realization of a Global Chain Store

Despite compounding adversities, the fiscal year ending March 2024 became a year of significant leaps in terms of store openings. With the belief that the number of stores and customers serves as a barometer of our contribution to society, we have set an interim goal of achieving "200 million or more customers by the fiscal year ending March 2026" as a milestone towards realizing our mission and vision.
To provide a richer lifestyle for more customers, we are expanding our store network both domestically and globally, working towards establishing a global chain.
In the current consolidated fiscal year, we achieved a net increase of 99 stores both domestically and internationally. Domestically, we opened 33 Nitori EXPRESS stores, seven Deco Home stores, eight N+ stores, and one Shimachu store, totaling 49 new stores. Internationally, we opened a total of 50 new stores. As a result, with the opening of the Nitori Tsuruga Store on March 29, 2024, we reached the milestone of 1,000 stores for the group.

Additionally, for the first time this fiscal year, the number of overseas store openings surpassed that of domestic openings. We believe this year marked a significant step forward towards realizing a global chain store.

Nitori Tsuruga Store

Transition of the Number of Domestic and Overseas Stores



Initiatives to Improve the Shopping Experience

To satisfy more customers, we have been able to gain support by offering our most recommended products at special prices during various campaigns, including the "Life Support Campaign," "Founding Anniversary Sale," and the "Nitori Group 1,000 Stores Milestone Celebration Sale." Additionally, in response to customer requests for mobile payment options, we introduced mobile payment services in our "Nitori," "Deco Home," and "N+" stores in February 2024. Since the introduction, the increased payment options have made shopping more convenient, and we have received positive feedback from our customers.

Held a press conference for the "Nitori Group 1,000 Stores Milestone Celebration Sale"

Direction of Growth Strategies and Approach to Corporate Growth

As we establish a global chain, we have formulated five medium- and long-term management strategies based on two basic policies: "providing high-quality products at affordable prices to more customers worldwide" and "proposing the joy of fully coordinated living spaces."

Five Medium- and Long-Term Management Strategies

1. **Expanding business fields and gaining customer support**
2. **Accelerating expansion of global chain store operation**
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**

Message from the President

1. Expanding Business Fields and Gaining Customer Support

We are facing significant changes in the business environment due to increasing global uncertainties, changes in Japan's social environment, such as population decline, an aging society, and the rise of single-person and dual-income households, as well as rapid technological advancements, which is beginning to alter consumer values.

In our existing businesses, we aim to achieve even more attractive pricing, assortment, quality, and coordination proposals to expand our customer base and increase the number of customers. In our home improvement store business, which sees high customer usage, we will leverage our group strengths to increase the number of customers while further promoting low-cost operations to enhance profitability. Additionally, to continue receiving support from our customers, we will strengthen product development and coordination proposals, and adapt our sales methods to changes in shopping behaviors.

2. Accelerating Expansion of Global Chain Store Operation

In the fiscal year ending March 2024, we opened our first stores in four countries and regions: Thailand, Hong Kong, South Korea, and Vietnam. Additionally, we opened 28 stores in Mainland China, 8 stores in Taiwan, and 4 stores in Malaysia, accelerating our expansion in the Asian region. In April 2024, we will enter the Philippines, followed by Indonesia in July. Additionally, we are also considering expanding into India. Moving forward, we will actively expand our store network, focusing on countries and regions in Asia where the middle-income class is rapidly growing due to economic development.

3. Business Foundation Reform through Supply Chain Management, IT and Organizational Strategies

The "Manufacturing-Logistics-Retail Business" model that we have cultivated since our founding, in which we control the entire supply chain through our own network, has evolved into a "Manufacturing-Logistics-IT-Retail Business" through the use of digital technology, which has become increasingly important in recent years. We will further develop this as a business foundation to support the realization of our long-term vision. (▶P21-22) We aim to make the growth of each employee the driving force behind the company's growth through organizational strategies aligned with our medium-and long-term management strategy and HR systems that balance career advancement and life events for our employees. As a group, we aspire to fulfill our mission and contribute to society. By doing so, we will build a business foundation that maximizes the strengths of our diverse channels, including our network of stores, logistics network, and proprietary e-commerce, thereby accelerating our growth.

4. Promotion of M&A and Alliances to Expand Business Fields

We will explore strategic alliances and consider M&A opportunities that are expected to create synergies for both parties, with the aim of expanding our business fields and enhancing vertical functions.

5. Sustainability Management to Both Resolve Social Issues and Achieve Our Mission

We will pursue the realization of a better future for our customers, all stakeholders, the environment and society.

Supporting Sustainable Corporate Growth through "Organization, Talent, and Education"

Since its founding, the Nitori Group repeatedly rejected the status quo and has continued to take on unprecedented challenges. The driving force behind this is our employees. Based on the belief that "individual growth leads to corporate growth," we have focused on the development of numerous elite specialists. (▶ P4, P51-58)

For the future expansion of our business fields, we consider the recruitment of outstanding talent and the development of individuals capable of driving improvement and reform to be of utmost importance. Additionally, to accelerate our global chain expansion, we will promote local hiring and education overseas (▶ P14) and continue to actively invest in human capital to achieve our vision.

Nitori Group's Sustainability

Leveraging Nitori Group's unique circular business model, we strive to promote business that balances our customers' comfortable living with the resolution of environmental and social issues. Guided by seven key sustainability challenges (Materiality Issues), we aim to achieve a sustainable society.

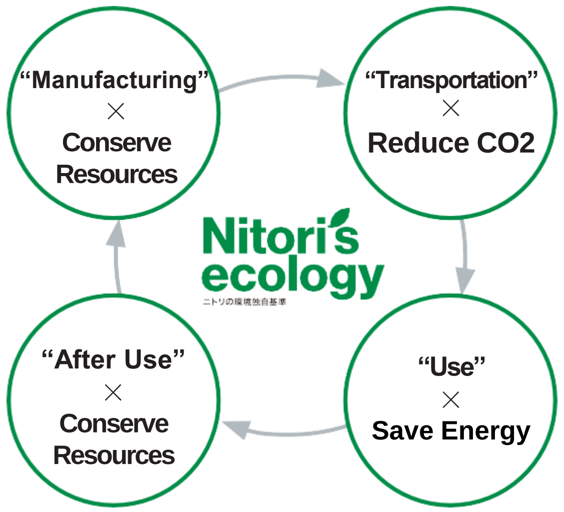
In our resource recycling efforts, we promote environmentally friendly manufacturing and initiatives at each stage of "manufacturing," "transportation," "use," and "after use." Notably, in our "after use" stage, we focus on recycling collection. For curtains, we began continuous collection in June 2023, and from October to December of the same year, we conducted nationwide collection and resale of recycled down feather quilts. From January to March 2024, we initiated our first-ever towel collection at select stores.

In addressing climate change, we have begun operating solar power generation at some of our stores. This initiative is the first of its kind in Japan, where stores with installed solar panels generate more electricity than they consume, supplying the surplus to other stores within the group. This system will be gradually expanded, including to our logistics centers.

By promoting circular business practices that encompass not only product and waste resource circulation but also energy resource circulation, Nitori Group aims to achieve carbon neutrality by the FY2050.

As an example of our community initiatives, following the Noto Peninsula Earthquake in January 2024, we immediately collaborated with affected municipalities to donate essential living items such as bedding, pillows, and slippers. We continue to support essential living needs for temporary housing in the affected areas. Additionally, we are providing living and employment support to Ukrainian refugees displaced by war to help them lead independent lives in Japan.

Moving forward, we will continue to position sustainability as a key management issue and promote initiatives to address environmental and social challenges required of us as a corporation.




The solar panels on the rooftop of the Nitori Fujieda Store

Message to Stakeholders

Nitori Group will further strengthen and evolve its business model to realize its mission and vision. We will strive to meet the expectations of our stakeholders, and we ask for your continued support.

Special Feature

Global Strategy

Executive Vice President & Director,
General Manager of Global Merchandising Division &
General Manager of Global Sales Promotion Office, and
In Charge of Overseas Sales Business

Masanori Takeda

Strengthening and dramatically growing the global business is one of Nitori Group's most important tasks in achieving the Vision 2032. Among our priorities is accelerating the expansion of stores in rapidly growing Asian countries and regions. In the fiscal year ending March 2024, we successfully introduced Nitori's products and services to new customers in four additional countries and regions: Thailand, Hong Kong, South Korea, and Vietnam. Utilizing our established frameworks, expertise, and systems, we are committed to further expanding our global business.

Delivering Enriched Living to Customers Worldwide

The fiscal year ending March 2024 marked a significant milestone in our long-declared goal of accelerating global store openings. Beyond expanding our store networks in Mainland China, Taiwan, Malaysia, and Singapore, we have also entered Thailand, Hong Kong, South Korea, and Vietnam. Additionally, we opened our first store in the Philippines in mid-April 2024 and in Indonesia in late July 2024. We are delighted that customers in ten countries and regions in Asia, excluding Japan, can now enjoy Nitori's products. Looking ahead, we are considering further expansion into India and other countries.

To achieve rapid business growth, we are focusing on establishing a robust supply chain network, pursuing economies of scale through product standardization, tailoring marketing strategies to each country and region, and developing human resources. Since February 2024, I have dedicated myself exclusively to overseeing our overseas business to address these challenges promptly.

Drawing on the strengths and expertise cultivated through our operations in Japan, Mainland China, and Taiwan, the Nitori Group is united in its commitment to "Offering the Unexpected" value through our products and services, thereby enriching the lives of even more customers.

Key Measures for Overseas Business

- Accelerating store openings in prime locations to enhance early recognition among customers.
- Ensuring attractive pricing, quality, and services to solidify the "Offering the Unexpected" value of the Nitori brand.
- Using positive feedback from customers and developers to improve store conditions and accelerate the pace of openings.
- Quickly forming dominant areas to improve customer convenience.
- Rapidly launching full-scale e-commerce operations in each country and region.
- Reducing various costs through early realization of economies of scale to enhance profitability.
- Enhancing and optimizing manufacturing, logistics, and IT functions to support the expanded sales network.
- Establishing a robust system for human resource development and backend support as soon as possible.

"Nitori Hong Kong Kowloon Wan MegaBox Store," the first store in Hong Kong.

Increasing the Number of Stores and Accelerating Human Resource Development for Global Expansion

To achieve our Vision 2032 goal of having 2,000 stores overseas, it is imperative to establish a rapid store opening system and accelerate the development of globally capable talent. Our strategy includes not only educating domestic employees (training expatriates) but also training locally hired national staff and actively recruiting new graduates in each region to speed up talent development.

We are committed to developing domestic talent with operational skills and a passion for working overseas, who can also speak English. These trained expatriates will then educate the national staff, accelerating local human resource development.

Furthermore, following Taiwan and Mainland China, we have begun hiring new graduates in Malaysia and Thailand. Just as we do at Nitori in Japan, we will educate these new graduates from the start and help them improve their skills.

→ Related page: P54, Focusing on Developing Human Resources Capable of Working Globally to Achieve the Vision 2032

Participants in Japan Training for national staff

Image of Accelerated Overseas Store Openings

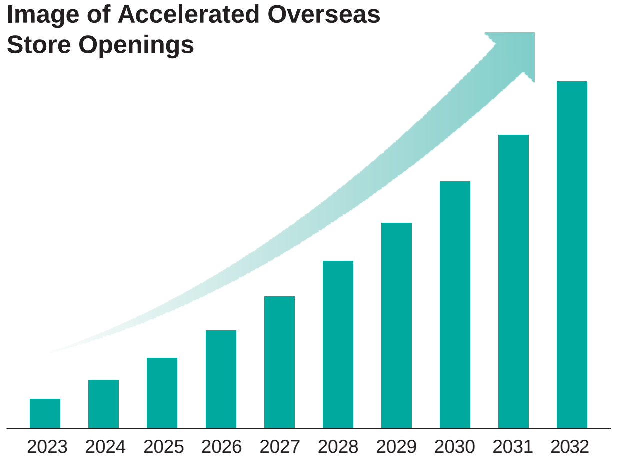
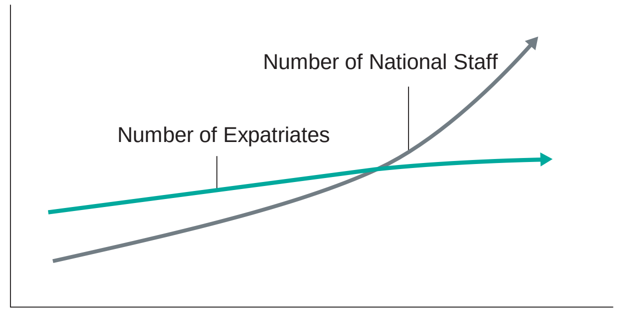


Image of the Transition in Numbers of Expatriates and National Staff (Example of Opening a Store in a Specific Country)



By having expatriates convey and educate on the Nitori Group's mission and vision, we accelerate the development of national staff.

PICK UP!

Mainland China and Taiwan

In both Mainland China and Taiwan, we have continued to open new stores, and we are now receiving numerous requests for further store openings. We will continue to expand our store network.

In Mainland China, which marks its 10th anniversary since our first store opening, we achieved rapid store openings in existing areas such as Shanghai and Shenzhen and expanded into new areas like Chongqing and Xiamen in the fiscal year ending March 2024. As of the end of June 2024, the number of stores surpassed 100. For the fiscal year ending March 2025, we plan to further expand into major cities like Shanghai, Beijing, Shenzhen, and Guangzhou. To support this expansion, we are continuously strengthening our aggressive recruitment efforts, having hired approximately 400 new graduates last year. We were honored to receive the Popular Employer Award, given to only 140 companies out of 400,000 in Mainland China.

With the aim of enhancing the recognition of the Nitori brand, we renovated and expanded the "Taipei Dunbei Store," which opened in 2010 in Taiwan, our first overseas market. We more than tripled the store's sales floor area to 1,197 tsubo (previously 360 tsubo) to serve as a flagship store. In the fiscal year ending March 2025, we also plan to open Deco Home stores, further expanding the Nitori Group's store network.

Supporting Global Expansion

Discussion with National Staff

Growing together as a group to open up the future

A major key to achieving our mission and vision is the acceleration of store openings and business expansion in Asian countries and regions. national staff active in mainland China, Taiwan, and Vietnam discussed their thoughts and challenges, as well as human resource development, aimed at achieving our mission and vision.

Please tell us about your current responsibilities and what you find rewarding about your job.

K: I belong to NTL*, which is responsible for the group's trading and logistics functions. Currently, as a Senior Manager in the Product Development Division, I work with the Global Merchandising Division and NTL members to develop products that satisfy our customers. The products we develop are supplied to all the countries and regions where Nitori has stores. It is truly rewarding to see **our products being loved by many customers across Asia**.

C: As the Task Improvement Section Manager in the Store Operations Division at Nitori Taiwan, I mainly focus on improving the efficiency of store operations. Task improvement can only be achieved through the cooperation and collaboration of various divisions. Sometimes, it requires making significant changes to the existing methods, which can be challenging. The most rewarding moments for me are **when we see changes in efficiency metrics as a result of our efforts and when members who participated in the reforms express their gratitude**.

R: I belong to Nitori Taiwan, just like C. Currently, as the Manager of Education and Training in the Organization Development Office, I focus on educating Taiwanese employees in chain store theory, leadership, and communication skills, which are the foundation of our group. I also draft personnel transfers as part of our job rotation. I joined the company shortly after Nitori opened its first store in Taiwan, during the first regular recruitment. Although OFF-JT was conducted at that time, the Organization Development Office was established as a specialized department in 2022 to respond to the acceleration of globalization. As the first member of this department, I referred to the training materials used in Japan to learn the theories and received training from the HR Education Division in Japan to become a trainer. It was a continuous learning process for me as I built the educational foundation from scratch. Although it was a period of trial and error, I find it rewarding to **see my Taiwanese colleagues understand and apply chain store theory in their work and witness their growth through the training programs**.

M: I am the manufacturing chief of the Dining Department at the Ba Ria-Vung Tau factory in Vietnam, where approximately 600 employees work. With the mission of delivering better products to our customers, our employees unite to pursue daily improvements and reforms. Knowing that our efforts contribute to enriching our customers' homes through the products we manufacture at the factory gives me a great sense of fulfillment. **The factory plays a crucial role in providing our customers with affordable and high-quality products, and I am very proud to be part of this environment.**

*Abbreviation for Nitori Taicang Trading & Logistics Co.,Ltd.

Nitori Taiwan
Store Operations Division
Task Improvement Section MGR

C
Joined in 2010

Nitori Taiwan
Organization Development Office
Education and Training MGR

R
Joined in 2008

NTL
Product Development Division
Senior MGR

K
Joined in 2008

Nitori Furniture
Ba Ria - Vung Tau Factory
Dining Dpt. Chief

M
Joined in 2017

Special Feature

Discussion with National Staff

Please tell us about the challenges you face in your work.

M: The first store in Vietnam opened in 2023. There are many companies in Vietnam that compete with Nitori. Therefore, it is crucial to further advance our commitment to providing products with "Offering the Unexpected" value to establish a competitive advantage. In the manufacturing process, we are making efforts to thoroughly eliminate waste, inconsistency, and overburden. Additionally, I feel that it is a challenge to **create a standardized system where anyone can achieve the same quality and results, thereby improving work efficiency.**

R: "Standardization" is also an important issue in education. We are working to expand the training system of "Nitori College"* that we have established in Japan to Taiwan as well. While the translation of various training materials is progressing and the foundation is being laid, the duty of our division is to build an educational system that supports the growth of employees towards realizing their own mission. Since we aim to **create an education system that supports the further success of employees in five to ten years, I believe there are still many educational and training tasks that need to be done. It is also necessary to develop talent who are responsible for education**.

*A term referring to Nitori's unique educational framework.

C: I was assigned to my current division, which was newly established, about three years ago. **The biggest challenge is improving and reforming store operations to continuously enhance various efficiency indicators of the stores.** To achieve this, it was necessary to build a lot of data and work processes from scratch, but we were greatly affected by the COVID-19 pandemic before we had a solid foundation. Customers could not visit the stores, and employees were not able to work with peace of mind. While being fully occupied with building my own work, I had to support the stores in dealing with the pandemic. It was really difficult to promote reforms in an environment where face-to-face communication was challenging. So, I shifted my mindset to see the crisis as an opportunity and started with what could be done. What I valued was dialogue to help everyone understand "why change is necessary." Through persistent communication and gaining understanding and cooperation from store members, we were able to significantly improve efficiency indicators. This is the result of the efforts of all Nitori staff in Taiwan.

To flexibly respond to rapidly changing markets and environments, past experience alone is not enough. I have learned that **it is essential to continuously study, acquire new knowledge and skills, and take action by gaining everyone's understanding through communication**. Currently, we are also working on new reforms to address future concerns about labor shortages.

K: The situation continues to be truly challenging. Not only are we facing the COVID-19 pandemic, but we are also dealing with compounded adversities such as the soaring costs of procurement due to the strong dollar, increased prices of resources and materials, and rising transportation expenses. **Maintaining prices that are affordable for our customers while ensuring gross profit is a challenge not only for my division but for the entire group**. From the standpoint of NTL, a trading company responsible for exports and imports, the challenge lies in **complying with various regulations that differ by country and region, such as trade and product labeling with the destination countries, and providing products in a stable and low-cost manner**. SDGs are also a challenge for the entire group, but I believe each department and location is tackling them with a sense of responsibility.

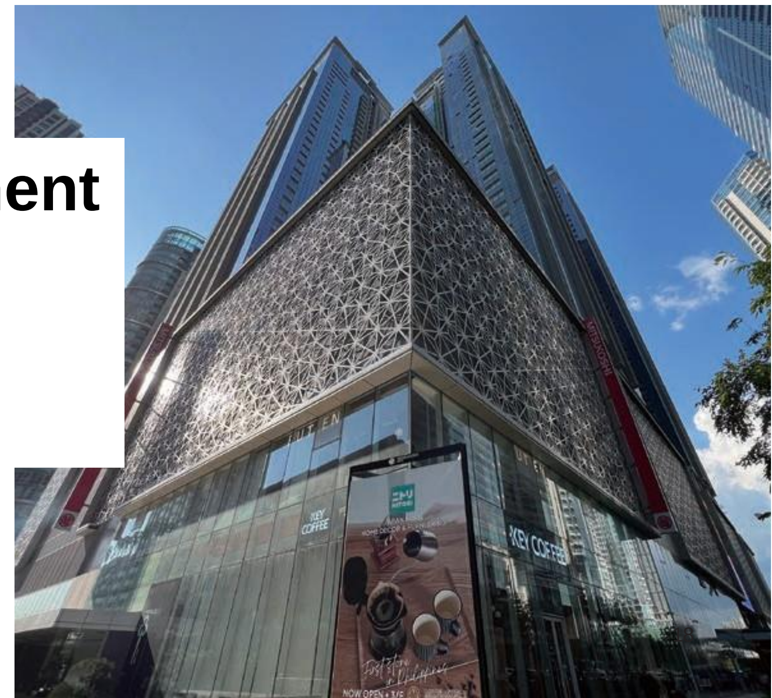
M: Every position has its own challenges. At Nitori, we often say, "The problem is that there is no problem." The joy of finding problems, taking action and solving them is huge, isn't it?

What kind of training programs do you believe are necessary for developing talent to drive the expansion of global business?

R: In 2018, I was the first Taiwanese employee to participate in the Pegasus Mid-Level Development Seminar* in Japan. I discovered both the difficulty and the fascination of "theory." I remember feeling the urgency to establish an environment in Taiwan where such training could be conducted. What I want to continue to value is the **annual training in the United States. Now I participate as an educater, but it is a valuable opportunity to interact with colleagues from other countries and regions**. The number of participants increases year by year, and I feel the speed of globalization and the growth of the company.

*A seminar conducted by the Pegasus Club, a joint research organization for chain store management.

Continuous improvement and reform through persistent problem identification.



Discussion with National Staff

C: In my eighth year with the company, when I was working at a store, I participated in MR training*1. It was my first training related to the Merchandising Division, and at the same time, **it was very impressive because I was able to relearn and truly understand the basics of "Observation, Analysis, and Judgment," which are frequently used within the group.** In particular, I was shocked by the training on the insight to "observe details and discover differences." I realized that there are various angles and perspectives when observing things, and I became interested in exploring the differences between our company and competing stores. I use the insight I gained from the training to apply it to my current wok, such as getting new inspiration for staffing, work tools, and service content.

K: "Observation, Analysis, and Judgment" are very helpful in problem-solving, so I incorporate them into my daily work and encourage NTL members to actively participate in NWC activities*2, which are also a place for practicing these skills. NWC is a very good activity that is rooted in the group. To become specialists who can lead the group to further growth, it is important to have a perspective that views tasks from multiple angles. I think **it would be beneficial to incorporate various training programs, such as not only job rotation but also temporary experiences in different job roles.**

*1 Abbreviation for Market Research. Training to learn market research methods.
*2 Abbreviation for Nitori Group World Circle.
Activities where members with the same aspirations form a circle to identify issues from daily work and work on improvement and reform (▶ P52).

M: I also practice "Observation, Analysis, and Judgment" daily. It is an important thought process to improve work efficiency. The training that left a strong impression on me was the Japan Training. I visited Nitori stores in Japan and learned about leadership. Until then, I had few opportunities to see anything other than factories, so it was a significant learning experience. I think it would be great to **increase the training opportunities in Japan for overseas staff so that they can see a new world with their own eyes.** Additionally, I think inter-company factory training would also be valuable. By adopting and standardizing the good practices and facilities of each factory, it could lead to improved productivity for the group.

The presentation of achievements from the Japan Training

As a member of the Nitori Group, what role do you envision for yourself?

R: As we continue to expand rapidly in Asia, I am seeing more and more new colleagues joining us. Taiwan was the first region where Nitori opened stores overseas. **As pioneers compared to other Asian countries and regions**, I believe **we should set a common goal for Nitori Taiwan to lead and continue evolving.** Additionally, **I see my responsibility as creating programs to help my colleagues in Taiwan grow into global talents and sharing and expanding these programs through active exchanges with members from other countries and regions.**

C: When I joined the company, there were only a few stores in Taiwan, and when I told people I joined Nitori, the reaction was often, "What company is that?" However, by the time I had been with the company for 10 years, the speed of store openings had increased to the point where we were opening 10 stores a year, and our name recognition had improved. Hearing my family and friends say, "I like Nitori products and frequently visit the stores," brings me indescribable joy. It excites me to think that I am part of Nitori's growth. **I will continue to lead more employees using my experience and knowledge, working together to realize the group's mission.**

Curtain manufacturing at the Ba Ria-Vung Tau factory in Vietnam

K: The rapid store expansion in Asia is just a step towards realizing our mission.
The group's mission is to enrich the homes of people all over the world. I strongly feel that I want to be part of that mission. Currently, I am in the Product Development Division, and **my mission is to support new businesses such as home appliances and apparel from the product development perspective**. I want more customers to enjoy our products and services.

M: Indeed, I share the same sentiments as everyone else. Additionally, from my position in the manufacturing department, **I want to become someone who leads reforms such as revising warranty systems to ensure safer and more secure product usage, working on cost reduction, and increasing the range of manufacturable products.**

K: With the feeling that we are supporting the future of the Nitori Group, we would like to continue our efforts moving forward.

Special Feature

A View Towards Global Expansion

Business Foundation Reform through IT and DX

Managing Executive Officer,
Chief Information Officer (CIO) &
President of Nitori Digital Base CO., LTD.

Naoshi Takei

Our unique business model, "Manufacturing-Logistics-IT-Retail Business," is fundamentally based on IT. For about 30 years, we have been committed to in-house development, covering everything from planning, development, and implementation to operation and management of our systems. Today, we have also built systems such as Nitori-net and the Nitori app in-house to further enhance the convenience of our customers' shopping experience. Moving forward, we will focus on building IT systems and frameworks to accelerate our global expansion.

Creating Simple Systems that Everyone Can Use

There are three main benefits of advancing in-house development within the IT department. First, it allows us to respond more quickly to the rapidly evolving IT landscape. Second, it helps us reduce costs. Finally, it enables us to accumulate expertise within the company, enhancing our ability to handle a wide range of projects. Under the 4C principle*, the Nitori Group continuously pursues improvement and reform through ongoing challenges to the status quo, creating an environment where "change" is the norm. Therefore, the benefits of in-house development are even more significant.

I assumed the role of CIO in February 2024. Drawing on my total optimization perspective gained from various departments such as stores, logistics, and products, I see my mission as expanding "simple systems that everyone can use." This is equally important as we accelerate our global store openings. We are working towards building systems that are understandable and usable by everyone, regardless of language, country, or region. We will continue to pursue improvements and reforms to make things more convenient for our employees, customers, and business partners, and to solve their problems.

*At Nitori Group, we guide our employees with the principles of change (those who are never satisfied with the status quo and continually seek better solutions), challenge (those who think positively and take on unprecedented challenges), competition (those who always seek self-improvement), and communication (those who value dialogue with customers and colleagues).

DX Case Study 1: Strengthening Global Supply Chain Management

To achieve our vision of 3 trillion yen in net sales by 2032, we will evolve our current Japan-centric ordering and production system into an automated system that can handle ordering, production, and import/export for each country and region with a small team. With the acceleration of global store openings, the number of shipping lanes connecting export ports and import areas is expected to exceed 1,000 by 2032. To connect production bases and markets around the world and supply products to the right place at the right time with the optimal lead time and cost, we need advanced inventory management systems and demand forecasting tools using digital technologies. By strengthening global supply chain management (SCM), we aim to reduce costs, manage risks, and respond more quickly to the global market.

DX Case Study 2: Upgrading to Next-Generation E-Commerce and Apps

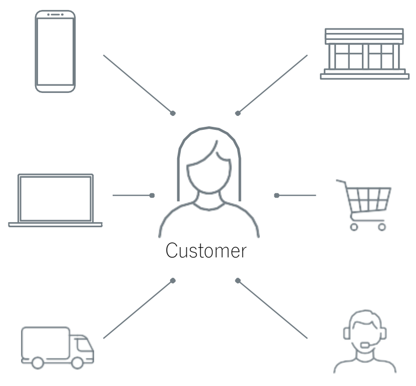
In 2024, Nitori-net and the Nitori app are undergoing a significant evolution. Our goal is to create a world where people can easily purchase a wide range of products for their daily lives, anytime, anywhere, seamlessly across the physical and digital realms. Beyond expanding our product lineup, we aim to enhance the shopping experience by implementing advanced search engines and AI-powered personalized recommendations tailored to each customer. Furthermore, we will strengthen the integration between physical stores and e-commerce, offering convenient pickup options, delivery times, shipping costs, and real-time store inventory information. We will also establish a community platform to co-create a richer lifestyle with our customers and the Nitori Group.

Overview of the Next-Generation E-Commerce and Apps

1 App (Mobile-First):
A media platform that connects directly with customers, enabling two-way communication and allowing for easy mobile purchases anytime, anywhere.

2 E-Commerce Platform
Centralizes data and content from all touchpoints. Standardizes and modularizes services and functions to facilitate global and store brand expansion.

3 Logistics (BOPIS)
Allows customers to pick up their purchases at any of our nationwide stores, fully utilizing our store network.



4 Sales Channels (Physical & E-commerce Stores)
Customers can purchase items such as clothing and daily necessities that were not previously available under a single store brand. By promoting cross-referrals between store brands, we aim to expand our customer base and increase purchase frequency.

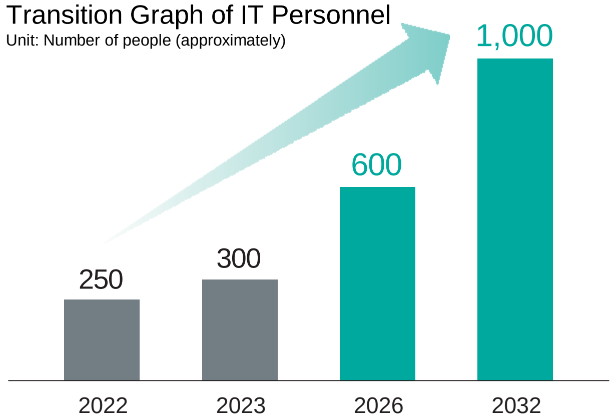
5 Evolution of Store Roles
Stores will not only be places to see, touch, and buy products but also serve as pickup points. Customers will have the option to receive in-person service from staff, as well as online customer service or self-service modes through the app while in-store.

6 New Services
Continuously introduce new services within the e-commerce site. Exploring the development of "lifestyle support" services that that have strong synergy with Nitori products.

Development of IT Personnel

In April 2022, we established "Nitori Digital Base CO., LTD." as a "hub" to bring together talented IT professionals from Japan and abroad. We are focusing on recruitment and training to increase our in-house IT personnel to approximately 1,000 by 2032. IT personnel at Nitori Group need not only specialized skills but also on-site knowledge and problem-solving abilities from an on-site perspective. Therefore, all employees, in principle, all IT employees gain experience working in stores or logistics departments. We are also promoting the development of IT personnel from non-IT backgrounds, offering a phased educational program covering everything from basic IT knowledge to cutting-edge technologies. By fully leveraging IT and AI technologies, we will support growth, from building systems to enhance customer shopping convenience and accelerate overseas expansion to driving business reforms.

Transition Graph of IT Personnel
Unit: Number of people (approximately)



Value Creation Model of Nitori Group

Value Creation Story (1)

Investment in the Future for Improvement and Further Strengthening of Each Value Chain Challenge

Characteristics and Strengths of the Manufacturing-Logistics-IT-Retail Business Model

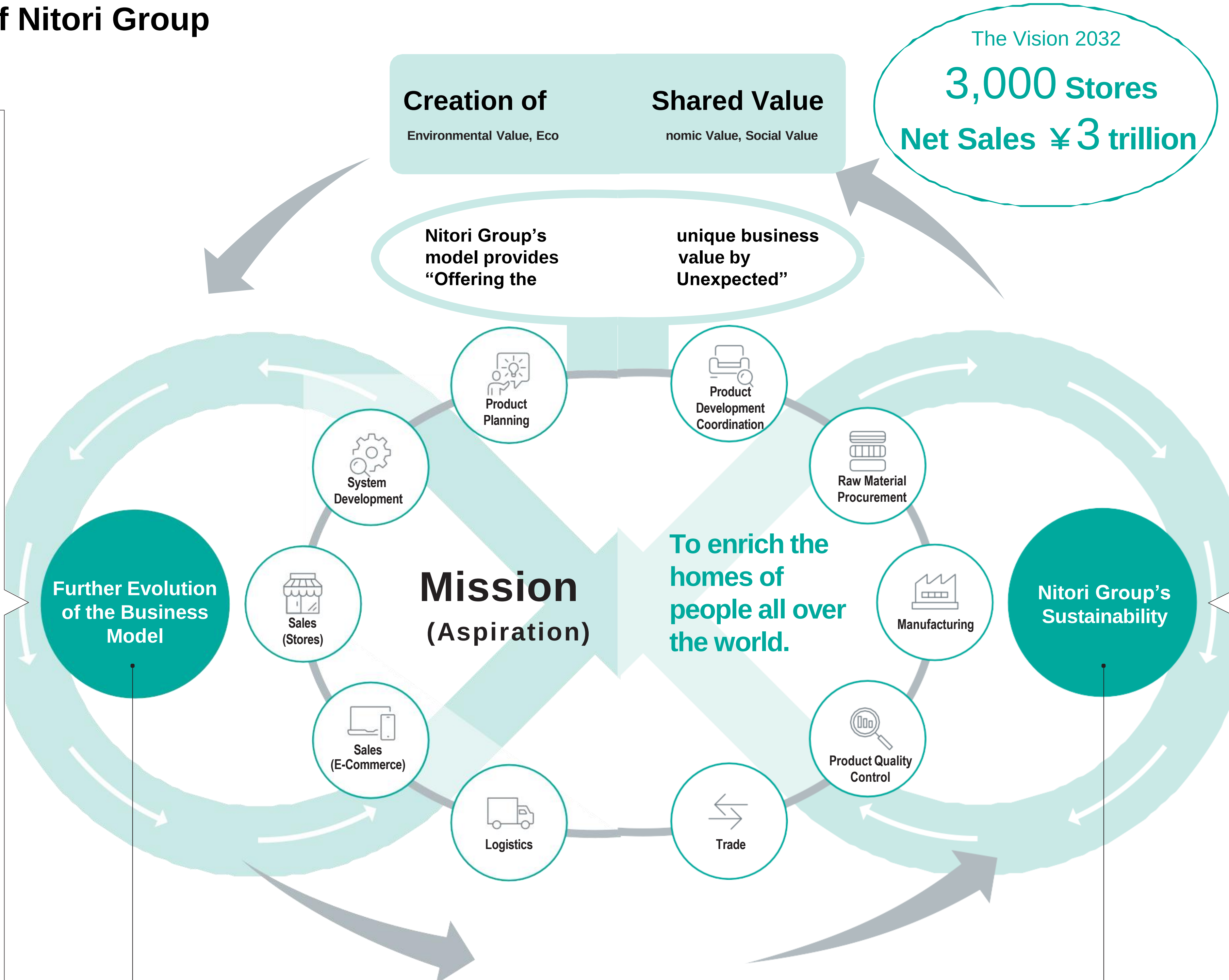
By managing the entire process from product planning and procurement of raw materials to sales, we have achieved significant cost reductions and built expertise within the company, leading to the conversion of "all operations into competitive strength." This enables us to offer both high quality and functionality at prices that are easily affordable for everyone.

Medium- and Long-Term Management Strategy for Further Evolution

- Expanding business fields and gaining customer support
- Accelerating expansion of global chain store operation
- Business foundation reform through supply chain management, IT and organizational strategies
- Promotion of M&A and alliances to expand business fields
- Sustainability management to both resolve social issues and achieve our mission

Focus Topic

- Expansion of Business Fields and Regions
- Customer-Oriented Management (Development of Products and Business Operation)
- Global Supply Chain Management Strategy



IT/DX Foundation | Foundation of Human Resources
Management System | Corporate Governance

Value Creation Story (3)

Initiatives to Strengthen Management Foundation

With the acceleration of our global expansion, each value chain is becoming more complex and sophisticated. Securing IT and DX foundation to realize this update, and the human capital to support it, is a critical issue.

Focus Topic

P13-20 Global Strategy

P21-22 Business Foundation Reform through IT and DX

Value Creation Story (2)

Pursuit of Total Optimization and Sustainability

Characteristics and Strengths of Nitori Group's Sustainability

By leveraging Nitori Group's unique "Circular Business Model," we promote environmentally friendly practices at each stage of "manufacturing," "transportation," "use," and "after use," while also aligning closely with our customers' lifestyles. Focused on maintaining "Offering the Unexpected" value, we also prioritize providing more sustainable products and services.

Medium- and Long-Term Management Strategy for Further Evolution

- Sustainability management that balances the resolution of social issues with the realization of mission.

Focus Topic

P41-44 Nitori Group Green Vision 2050

Product Development

Strength

Through thorough market research and analysis, we develop private brand (PB) products that address customers' "Discontent, Dissatisfaction and Inconvenience." By utilizing vertical merchandising*, which traces back to raw materials, we achieve high quality and profitability, offering products with "Offering the Unexpected" value.

***Vertical merchandising refers to the design and management of all stages of the supply chain, from raw materials to the final product in the hands of the customer, by the company itself.**

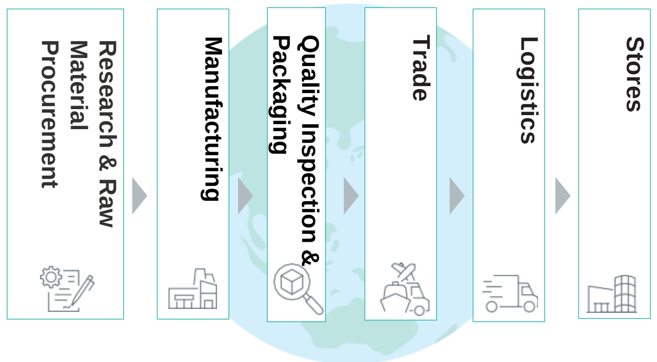
Initiatives for Medium- and Long-Term Strategies

Nitori, whose core business originated with furniture, has gradually expanded its product categories to contribute to richer living experiences for customers in broader living scenes. This includes the development of curtains, lighting, interior goods, and storage products. In recent years, we have particularly focused on home appliances, offering not only convenient features and price competitiveness but also developing and expanding products that can be enjoyed in coordination with furniture and interior decor.

Global Initiatives

Building a Global Development System

By strengthening our overseas production bases, we aim to accelerate product development. Additionally, we are working to improve gross profit margins by reducing procurement costs through direct purchase of raw materials and consolidation of factories, as well as by reducing logistics costs through the development of production sites closer to consumption areas.



Building a Global Vertical Merchandising System

Coordination

Strength

With the philosophy of "Interior Design for Every Home," we aim to create products and store layouts that allow customers to naturally organize their rooms and enrich their lives simply by choosing "colors, shapes, and styles" that match their preferences. Our products combine affordable prices with convenient features, and we strive to offer coordination proposals that enhance the overall shopping experience.

Initiatives for Medium- and Long-Term Strategies

To help more customers experience "Coordinated Living with Nitori," we are enhancing our product selection and proposal capabilities. The Living in Comfort series, introduced last year, offers a wide range of related products that can be coordinated to suit individual preferences. We are also establishing a product lineup that allows customers to enjoy coordination by simply matching colors and materials, including newly introduced home appliances that transcend traditional category boundaries. Additionally, in response to customer requests to see how furniture would look in their rooms at actual size, we have launched the AR service "Easy 3D Placement with Your Smartphone!"

Global Initiatives

Expanding Total Coordination Worldwide

To allow customers around the world to experience Nitori's unique total coordination, we are promoting the expansion of our products and store concepts. The "Living in Comfort" series, which has been well-received in Japan, is already available in 10 countries and regions overseas. Moving forward, we plan to expand its scale and enhance its presentation while continuously reviewing and improving its offerings.

Manufacturing

Strength

As part of our vertical merchandising, we are expanding manufacturing at our overseas company-owned factories. The core of this effort is Nitori Furniture, which began producing storage furniture called Hakomono in 1995. Alongside Nitori's business expansion, our production range has grown to include beds, mattresses, and, more recently, curtains and bedding.
In addition to our existing factory in Hanoi, Vietnam, we have been operating the Ba Ria-Vung Tau Factory since 2017, with both factories together producing 40% of our furniture. In 2018, we fully acquired Siam Nitori, our factory in Thailand, and began manufacturing rugs and carpets. Through product quality control, cost reduction, and optimization of supply quantities, we support a stable supply to our globally expanding network of stores and e-commerce channels.

Initiatives for Medium- and Long-Term Strategies

In addition to expanding the range of products we manufacture, we are promoting in-house production of materials and the development and implementation of new technologies. We are also committed to simultaneously achieving high quality, further cost reductions, environmentally friendly manufacturing, and safe and secure working environments.

Global Initiatives

Enhancing Production Capacity and Productivity through Expansion of Our Company-Owned Factories

To meet the demands of our expanding sales network, we are enhancing the production capacity of our company-owned factories and securing warehouse space to accommodate seasonal fluctuations in demand. We are advancing the development and production of products that can contribute to supply in Southeast Asian stores, and we are enhancing our raw material sourcing by leveraging the capabilities of our group companies.


Ba Ria-Vung Tau Factory (mattress manufacturing)

NITORI FURNITURE Ba Ria-Vung Tau Factory (Curtains, Dining Furniture, Bedding)

Curtain Manufacturing

Nitori produces approximately 12.5 million sets of curtains annually. The Ba Ria-Vung Tau factory, which produces about 2.5 million sets (20% of the total), is not just a sewing factory. It is a large-scale curtain factory that is rare even globally, handling all processes from purchasing yarn, weaving, knitting, dyeing, and sewing to final shipment. By utilizing state-of-the-art machinery, we have established a manufacturing system that delivers high-quality products to many customers. Additionally, we are expanding our product lineup by developing functional curtains that address customer needs.


Ba Ria-Vung Tau Factory (curtain manufacturing - weaving)


Ba Ria-Vung Tau Factory (curtain manufacturing - sewing)

Dining Furniture Manufacturing

Our popular dining series, "N Collection," features tables and chairs made from gently textured natural wood, offering choices in table size, seating comfort, and design to suit various lifestyles. In the fiscal year ending March 2024, sales of dining chairs surpassed 290,000 units, and tables exceeded 60,000 units. The comfortable backrests of the chairs are made using a bentwood technique that requires advanced skills. The Ba Ria-Vung Tau Factory has produced chairs that would typically cost more than 50,000 yen each in the high-end furniture market at a reasonable price of around 20,000 yen, supporting our commitment to "Offering the Unexpected."


Ba Ria-Vung Tau Factory (dining furniture manufacturing)

Nitori Furniture Hanoi Factory (Bed frames, Sofas, Mattresses)

The Hanoi factory manufactures Nitori's flagship products, including the "NITORI STUDIO" series of bed frames and sofas, as well as the "Ligare" kitchen cabinets, which offer over 20,000 combination possibilities. In terms of mattress production, the factory boasts one of the largest shipment volumes in Japan. To accommodate further increases in production, AGVs* were fully introduced in January 2024, enabling the unmanned transport of sofa frames.
The continuous introduction of new equipment and jigs to automate and streamline operations also contributes to creating a more comfortable working environment. In line with our expanding global operations, we have developed internationally compatible plugs for general furniture. Additionally, as the first overseas base of the group, we have formally decided to install a solar power generation system, with construction currently underway and power generation expected to start next year.

*AGV: Automated Guided Vehicle

Hanoi Factory (sofa manufacturing)

Siam Nitori (Carpets, Rugs, Mats)

Siam Nitori is an integrated production factory for carpets, rugs, and mats. The factory was awarded the Good Design Award in 2021 for its comprehensive recycling process, which involves manufacturing and selling products made from recycled raw materials such as PET bottles. The coloring process employs an environmentally friendly method that does not use water. In 2023, our efforts to promote recycling activities, as featured in a morning edition of the Nikkei, were honored with the Grand Prize and the Environment Minister's Award in the Environmental Category of the 72nd Nikkei Advertising Awards. Currently, three factories are in operation, with the third factory, which began operations in 2024, is planning to further expand its production facilities. With the introduction of new equipment, we plan to produce not only long-pile rugs and tile carpets, which we could not manufacture before, but also new products such as pillows and cushions.

Siam Nitori (carpet manufacturing)

Product Quality Control

Strength

Based on the official standards of the countries and regions where we operate, we have established our own strict global quality standards. We conduct various tests from the product development stage. We audit quality assurance systems for new suppliers and conduct quality improvement audits for existing suppliers. Together with our suppliers, we are building a system to provide safer and more reliable products.

Initiatives for Medium- and Long-Term Strategies

When opening stores in new countries and regions, we conduct preliminary research on quality-related regulations. In countries and regions where we are already established, we continuously collect information on quality-related regulations and reflect this in our global quality standards. Additionally, through the digital transformation of product quality control, starting with the introduction of a quality management platform system, we are executing quality management activities in conjunction with global supply chain management. (▶ P21-22) We are also focused on building an agile organizational structure to respond to changes in market trends and customer needs both domestically and internationally.

Global Initiatives

Building a Global Quality Assurance System

By conducting development technology evaluations to ensure product safety and quality audits of suppliers at overseas bases close to production sites, we are accelerating quality improvement activities and shortening product development lead times. We are also striving to make our operations seamless by globally standardizing quality criteria and coordinating quality activities among countries and regions.

Logistics

Strength

Nitori Group provides integrated logistics services from drayage transportation*, operation and management, within its own distribution centers to last-mile delivery. By promoting digital transformation, we achieve shorter lead times and cost reductions. Additionally, Nitori Group will develop overseas logistics infrastructure by spreading its knowledge and expertise in order to expand its global business.

*Drayage Transportation: It refers to transporting containers from major ports in Japan to logistics centers after they arrive from overseas production factories.

Initiatives for Medium- and Long-Term Strategies

We are investing approximately 350 billion yen to reconstruct our domestic logistics network, with plans to establish new DCs*1 in 8 locations nationwide (Ishikari, Kobe, Nagoya, Satte, Sendai, Fukuoka, South Kanto, and Kinki). Reforms are being promoted with the development of a logistics network, digital transformation of operations and standardization of operations, centered on the optimal placement of bases and the consolidation of functions. The Ishikari DC and Kobe DC are already operational, and the Nagoya DC and Satte DC will be completed and partially operational in the fiscal year ending March 2024. Construction of material handling*2 equipment is also underway. Other DCs, such as Sendai DC and Fukuoka DC, will be completed and become operational sequentially. By promoting overall optimization, we aim to streamline lead times for delivering products to stores and customers, improve transport efficiency, address the logistics challenges of 2024, and reduce CO_2 emissions.

*1 DC stands for Distribution Center (inventory storage-type logistics center).
*2 Material handling refers to the machinery used to streamline logistics operations.

Initiatives for Digital Transformation

Actively Introducing Material Handling Equipment and Gigs to Ease On-Site Work

We are introducing high-performance material handling (MH) equipment and logistics jigs to improve work efficiency and reduce labor requirements. Last year, we introduced MH equipment capable of handling various orders, such as sorting by customer order, at our Ishikari DC and Kobe DC. This allows workers to collect items at fixed points within the warehouse, reducing the need for employees to walk around the sales floor to restock shelves within the store. Additionally, we plan to continue experimenting with and implementing various MH solutions, including new automated warehouses and robots. Moving forward, we aim to achieve logistics reforms that make store operations easier from a total optimization perspective.

Initiatives for Environmental and Social Issues

Thanks to our integrated business model, which handles logistics internally, we are able to think in terms of total optimization, yielding numerous benefits. For example, improving load efficiency by reducing the packaging size of products not only cuts transportation costs but also addresses environmental and social issues such as “reducing CO_2 emissions” and “enhancing the productivity of drivers and warehouse workers.” Moreover, this initiative contributes to the efficiency of store operations by “reducing the frequency of restocking and preventing stockouts,” and improves shopping convenience by making products “easier for customers to carry home.” These efforts are beneficial for customers, the environment, society, and the Nitori Group.

Sales
(E-Commerce & OMO)

Strength

Nitori app plays a crucial role as a hub to provide a more convenient and seamless shopping experience, combining our nationwide store network in Japan and our e-commerce capabilities that cater to diverse customer needs. The number of app members has steadily increased, surpassing 20 million*. Additionally, the share of e-commerce sales in our domestic home furnishing business reached approximately 12% for the fiscal year ending March 2024. By further enhancing our services and content to accelerate OMO, we aim to establish a competitive advantage.

*As of June 11, 2024.

Initiatives for Medium- and Long-Term Strategies

We are expanding our range of online-exclusive products and strengthening our ability to provide personalized information to each customer. Leveraging our store network, we promote synergies between our physical stores and e-commerce, such as “online order pickup at stores.” As the number of Nitori app members continues to grow, our opportunities to connect with customers also increase year by year. We strive to provide an environment where customers can enjoy more convenient and seamless shopping experiences, regardless of whether they shop in-store or online. Simultaneously, we aim to create opportunities for customers to exchange information and interact with each other, enriching their lives in collaboration with Nitori.

➔ See P21-22 about IT and DX.

Global Initiatives

Building an E-Commerce Network Tailored to Each Country and Region

As we expand our global store network, we are also developing and enhancing e-commerce sites in new countries and regions. We will strengthen our product lineups to reflect the characteristics of each country and region, provide a seamless shopping experience similar to that in Japan, and establish a system to offer personalized information and suggestions to each customer.

Live Commerce

Launched in 2022, our live commerce platform has grown into a medium that reaches over 6.33 million viewers annually as of the fiscal year ending March 2024, with three live broadcasts per week and archived content. We actively expand our content, offering regular broadcasts like “Let’s Learn Together! #NitoriCoordination” for storage and coordination lessons, and live streaming events such as “GO OUT JAMBOREE 2023” and “Tokyo Game Show 2023.” Additionally, real-time comments from our viewers are valuable feedback that we use to improve our products and services. Our live commerce videos, produced entirely in-house from casting and filming to operations, are also utilized on Nitori-net and various domestic and international social media platforms.

Community Website

We are developing a website aimed at launching by the end of March 2025, where customers and Nitori can interact with each other in a two-way communication. With the theme “Creating Style and Comfort Together,” the website will serve as a platform for exchanging ideas and solutions to everyday challenges, fostering a space where users can share their knowledge and experiences.

Sales
(Domestic stores: Nitori / Deco Home)

Strength

Nitori is expanding its store network nationwide to make life more comfortable and convenient for more customers. We seek to create stores that makes it easy for customers to try out products and make purchases in a short period of time to ensure a pleasant shopping experience. Additionally, we are expanding the use of our stores as pickup locations for e-commerce orders. Customer feedback and needs gathered in stores are utilized to develop and improve our products and services.

Initiatives for Medium- and Long-Term Strategies

In the fiscal year ending March 2024, we held campaigns such as the “Founding Anniversary Sale” to commemorate our 56th anniversary and the “Nitori Group 1,000 Stores Milestone Celebration Sale,” offering many products at great prices to show our appreciation to our customers. We continue to maintain and enhance our motto, “Offering the Unexpected,” through various campaigns. We are also renovating stores to expand display areas for key products and make them easier to see and try. Additionally, we are implementing systems to quickly resolve issues in the on-site, aiming to improve store operation efficiency.

Deco Home

Deco Home offers a range of products targeted at women, from daily necessities to items that add a touch of charm to any room. Our original products featuring muted colors and our seasonal variety of accessories and small items are particularly well-received. We are focusing on increasing the proportion of original products, aiming for 80% by the fiscal year ending March 2025, and currently achieving about 75%. We are actively opening stores near train stations and in shopping centers, positioning ourselves as a store “customers can visit every day.”

Sales
(Domestic Stores: Shimachu Home’s)

Strength

With numerous stores located in densely populated areas of the Tokyo metropolitan and Kansai regions, Shimachu offers a wide range of products, including daily consumables, DIY supplies, gardening materials, and furniture and home decor that differ from Nitori’s lineup, catering to professionals as well. As a “comprehensive store for all things housing,” we are expanding our product range to better meet customer demands, including the introduction of affordable, functional relaxation wear under the “N easy” brand.

Initiatives for Medium- and Long-Term Strategies

In addition to our traditional extensive product lineup, which includes national brand (NB) products, we are focusing on developing Shimachu private brand (PB) products that are significantly cheaper yet reliable in quality. In December last year, we opened “Homes Yokohama Tsurumi,” the first new store launched solely by Shimachu since the management integration. This store features areas that showcase Shimachu PB products in the corporate color and sections that offer coordination suggestions, embodying the current vision of Shimachu. We are not only committed to making our stores easier to shop in for customers but also to enhancing the Shimachu-Homes app, including the integration of points with the Nitori app, and improving logistics efficiency with a new logistics center dedicated to shipping Shimachu PB products. These initiatives leverage group synergies to drive reform and efficiency.

A Wide Range of Business Fields

Expanding Business Fields to Realize Nitori Group's Mission and Vision

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 fields as we endeavor to achieve our mission and vision.

N+

Launched in March 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 private brand (PB) products to provide our customers with attractive products at even more affordable prices.

Nitori Dining

Launched in March 2021 by Nitori Public, Nitori Dining is the Nitori Group's foray into the dining business. With the concept of "proper meals for busy people," we carefully select ingredients and suppliers to offer freshly prepared, delicious meals at prices "Offering the Unexpected" value. We will continue to develop new menu items and strive to create restaurants that delight our local customers.

Corporate Sales & Interior Renovation Business Division

In our corporate business, we address the various needs and challenges of corporate clients, including offices, commercial facilities, medical and welfare facilities, and lodging facilities. In our renovation business, we offer comprehensive, well-coordinated renovation solutions that include Nitori's furniture and home fashion products, providing renovations with "Offering the Unexpected" value.

We are also enhancing our online sales of office supplies and online consultation services for renovations, aiming to resolve more customer inconveniences and propose comfortable living spaces.

Nitori Facility

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

As a comprehensive advertising company, Nitori Public manages the advertising and promotional activities for the Nitori Group internally and offers a wide range of services to external client companies. Additionally, we engage in the dining business, travel industry, operate the traditional Japanese inn "Ginrinso" in Otaru, Hokkaido, manage the retail operations of the Western Art Museum within the Otaru Art Base, and conduct export businesses leveraging the Group's logistics network, contributing to the enhancement of corporate value.

Shopping Mall Business Division

We are developing a mall business that caters to the diverse lifestyles of our customers. This involves researching and attracting tenants that meet the needs of the local community. By working closely with our tenant stores, we aim to provide a safe and enjoyable shopping experience, contributing to the enriched lives of our local customers.

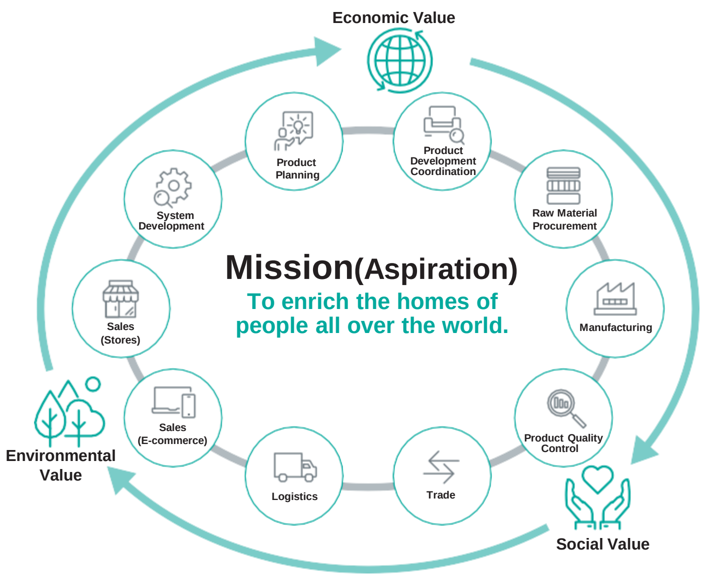
Sustainability

Nitori Group Sustainability

Sustainability Policies

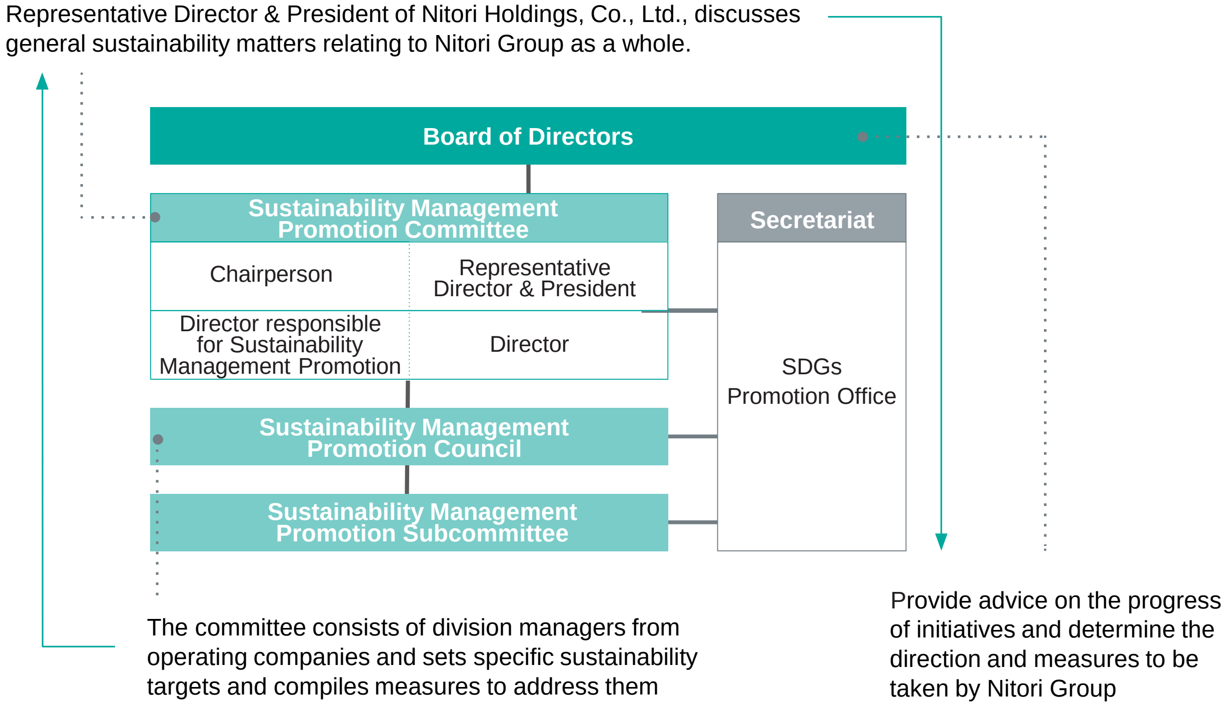
Along with Our Steps Toward the Realization of Our Mission, We Aim to Solve the World's Problems and Create a Better Future

Nitori Group has been advancing towards the realization of its mission "to enrich the homes of people all over the world." The result is a vertically integrated business model of "Manufacturing-Logistics-IT-Retail Business." This business model enables us to provide customers with products and services that are "Offering the Unexpected," while achieving thorough efficiency and cost reductions. Furthermore, this business model will enable us to take actions from a sustainable perspective, considering total optimization, and will lead to the creation of "shared value" that contributes to solving environmental and social issues. We will not be satisfied with the status quo, but rather will continue to reform and faithfully face the ever-changing challenges of the world. Together with our customers and all other stakeholders, we will strive for a "better future" for the environment and society and realize sustainability management that is unique to the Nitori Group.



Promotion System

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.



Materiality

Materiality	E	S	G	Shared Value	The Nitori Group's Approach
Contributing to Prosperous Home Living by "Offering the Unexpected" Products and Services	●	●		Value creation for providing enriched lifestyles to customers	(1)Pursue affordability, appropriate quality (functionality), and coordination (2)Resolve customers' "Discontent , Dissatisfaction and Inconvenience" (3)Offer new value that further enrich lifestyles (products and services that can lead to solutions to environmental and social issues)
Product Safety and Security through Comprehensive Quality Control		●			(1)Product quality control and product safety measures as a manufacturer (2)Share ideas and initiatives to build a culture of product safety with suppliers
Promotion of Environmentally Friendly Business	●			Simultaneous expansion of economic value and environmental and social value	(1)Carry out all tasks more efficiently throughout the entire supply chain (2)Make effective use of all raw materials (3)Make effective use of recycled materials through innovation (4)Disclose and reduce greenhouse gas emissions from business activities
Fair and Honest Trade and Respect for Human Rights in the Supply Chain	●	●			(1)Supplier contracts based on strict standards and on-site investigations (2)Establish "true partnerships" with suppliers Fair and honest trade, respect for human rights, work environment creation, etc.
Contribution to Local Communities		●		Creation of social value through store openings and support in terms of human resources, the environment, and culture	(1)As a company that offers lifestyle infrastructure, expand the store network and create stores supported by customers (2)Expand into global business (open stores and create employment) (3)Disaster assistance and social action programs in fields other than the main lines of business
Creation of a Rewarding Work Environment and Promotion of Diversity		●		Simultaneously achieve employees' job satisfaction and enhancement of corporate value	(1)Education system that allows employees to realize self-growth (2)Transfer to a variety of job category in a wide range of business fields (3)Create a comfortable environment where everyone can work in good health with peace of mind
Effective Corporate Governance			●	Ensuring transparency and soundness of management Speedy decision-making and business execution	(1)Build a foundation that supports medium- and Long-Term corporate growth Create decision-making systems and a basis for active discussions (2)Ensure compliance (3)Build a robust risk management system

Nitori Group Green Vision 2050

The "Nitori Group Green Vision 2050," formulated and disclosed in August 2024, is a set of goals for 2050 that aim to realize environmental friendliness and sustainable "enriched homes" by making the most of the Nitori Group's unique circular business model. This vision is based on three themes: 1) Promotion of Circular Business, 2) Sustainable Procurement, and 3) Response to Climate Change. The entire Nitori Group will work together to promote efforts to achieve these goals.

Nitori Group Green Vision 2050

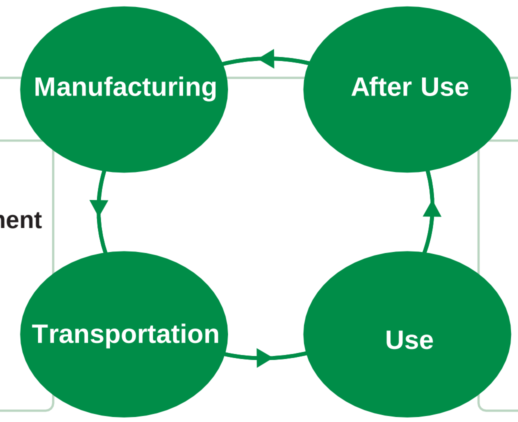
Promotion of Circular Business

- Aim to achieve **100%** **product development** designed for resource recycling after use while still "Offering the Unexpected."
- Aim to switch **100%** of product **packaging** to materials with reduced environmental impact while maintaining "Offering the Unexpected."

Think about how not to dispose of waste at the "after use" stage during the "manufacturing" stage.

Utilize "after use" recycling expertise in "manufacturing" process.

- Aim to **reduce waste emissions by 50% or more**. (Emissions per 100 million yen in sales compared to FY2018)
- Aim to achieve **100% recycling rate of** collected **products**.
- Aim to achieve **100% recycling rate of waste**.



Sustainable Procurement

- **Sustainable timber procurement**
Aim to achieve **100%** environmentally and socially responsible timber procurement.

Response to Climate Change

Carbon Neutrality

The Nitori Group Aims to Realize Sustainable "Enriched Homes."

The Nitori Group aims to achieve the "Nitori Group Green Vision 2050" to realize sustainable "enriched homes." Because we are engaged in business using limited resources, we promote circular business by considering even "after use." We also strive to enable our customers to experience a reduction in their environmental impact through shopping at the Nitori Group. At the same time, we will maintain the "Offering the Unexpected" price and quality that everyone can easily afford.

We are committed to ensuring that the next generation can enjoy an affluent lifestyle, and that this lifestyle is sustainable. The Nitori Group is earnestly working to realize the "Nitori Group Green Vision 2050" in the hope that the "enriched homes" will continue not only for our generation but for future generations as well.

Overview of the Nitori Group Green Vision 2050 (Medium- and Long-Term Vision)

The Nitori Group Green Vision 2050 is the Nitori Group's medium-and long-term environmental goals.
For each theme, we have set medium-term goals for FY2030 and long-term goals for FY2050.

Theme	Item		Goal for FY2030 (Mid-Term Goal)	Goal for FY2050 (Long-Term Goal)
Promotion of Circular Business	Recycling of products		● To the extent that "Offering the Unexpected" can be maintained, promote the development of products that consider resource recycling.	● Aim to achieve 100% product development designed for resource recycling after use while still "Offering the Unexpected."
	Recycling of packages		● To the extent that "Offering the Unexpected" can be maintained, promote switching to materials with reduced environmental impact for product packaging.	● Aim to switch 100% of product packaging to materials with reduced environmental impact while maintaining "Offering the Unexpected."
	Reduction and Recycling of Waste	Before discharge (sorted for resources)	● Aim to reduce waste emissions by 50% or more. (Emissions per 100 million yen in sales compared to FY2018) (Japan)	● Aim to reduce waste emissions by 50% or more. (Emissions per 100 million yen in sales compared to FY2018) (Global)
			● Aim to achieve 100% recycling rate of collected products. (Japan)	● Aim to achieve 100% recycling rate of collected products. (Global)
		After discharge (recycled instead of sent to landfill)	● Aim to achieve a recycling rate of at least 95% for industrial waste. (Japan)	● Aim to achieve 100% recycling rate of waste. (Global)
Sustainable Procurement	Procurement of raw materials that do not involve deforestation and human rights violations.		● Sustainable timber procurement Aim to achieve 100% environmentally and socially responsible timber procurement.	● Sustainable timber procurement Aim to achieve 100% environmentally and socially responsible timber procurement. (Ongoing)
Response to Climate Change	Reduction of greenhouse gas emissions and positive contribution to climate change.		● Aim to reduce greenhouse gas emissions by 50%. (Emissions per 100 million yen in sales compared to FY2013)(Scope 1 and 2)	● Carbon Neutrality (Scope 1 and 2)

Promotion of Circular Business

Manufacturing

	FY2050 Quantitative Goal
Recycling of Products	Aiming to achieve 100% product development designed for resource recycling after use while still "Offering the Unexpected."
Recycling of Packages	Aim to switch 100% of product packaging to materials with reduced environmental impact while maintaining "Offering the Unexpected."

Think about how not to dispose of waste at the "after use" stage during the "manufacturing" stage.

Utilize "after use" recycling expertise in "manufacturing" process.

After Use

		FY2050 Quantitative Goal
Reduction and Recycling of Waste	**Before Discharge** (Sorted for Resources)	Aim to reduce waste emissions by 50% or more. ※Emissions per 100 million yen in sales compared to FY2018
		Aim to achieve 100% recycling rate of collected products.
	After Discharge (recycled instead of sent to landfill)	Aim to achieve 100% recycling rate of waste.

Utilize for Manufacturing

- Products designed from the outset for collection and recycling
- Products designed from the outset for logistics efficiency

Ex)

Products that are easy to sort and recycle

Compressed package products for logistics efficiency

Significant contribution to carbon neutrality in the future

Accumulation of Expertise

- What kind of structure can be "sorted"?
- What kind of materials can be "recycled"?

Ex)

Collecting and recycling products

Self-sorting and recycling (in the future)

In the "Promotion of Circular Business," we aim to achieve 100% product development based on the premise of resource recycling, while maintaining "Offering the Unexpected" price and quality that anyone can easily afford. We also aim to reduce waste emissions by 50% or more by recycling 100% of the products collected from our customers, and by sorting waste before it is discharged and reusing it as a resource. Even for items that must be disposed of, we aim to achieve a 100% recycling rate by not sending them to landfill. The expertise we have accumulated in this way will be used again in the "manufacturing" stage to develop products that are recyclable. In this way, we aim to establish a recycling system that can only be realized by the Nitori Group. We also aim to switch 100% of our product packaging to materials with reduced environmental impact while maintaining the quality of "Offering the Unexpected."

Product and Package Recycling

Nitori Group Green Vision 2050

Item	Goal for FY2030 (Mid-Term Goal)	Goal for FY2050 (Long-Term Goal)
Recycling of Products	To the extent that "Offering the Unexpected" can be maintained, promote the development of products that consider resource recycling*1.	Aim to achieve **100%** product development designed for resource recycling after use while still "Offering the Unexpected."
Recycling of Packages	To the extent that "Offering the Unexpected" can be maintained, promote switching to materials with reduced environmental impact*2 for product packaging.	Aim to switch **100%** of product packaging to materials with reduced environmental impact while maintaining "Offering the Unexpected."

*1 The Nitori Group's concept of recycling involves considering ways to avoid turning materials into waste from the "manufacturing" stage through to the "after use" stage, achieving one of the following: Connecting to resources that are useful for the next stage, Reproducing into new products, and Using recycled raw materials.
If the above options are challenging, utilizing as heat energy

*2 Recycled materials, renewable materials, biodegradable materials, fossil fuel-free materials, etc.

Recycling of Products

We are promoting efforts to develop products based on the premise of resource recycling, such as "Easy to Sort Mattress," and reproducing collected products into new items, such as "Recycled Down Quilt." In addition, we continue our efforts to conserve limited resources by using recycled raw materials.

Examples of Major Initiatives


Easy to Sort Mattress


Recycled Down Quilt

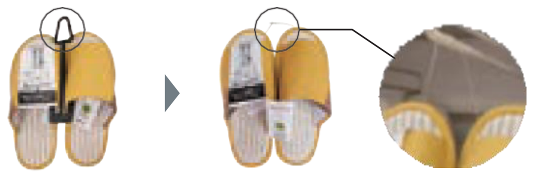

Rugs and carpets made from recycled raw materials


Custom-made curtains made from recycled raw materials


Storage series made from recycled raw materials

Recycling of Packages

We are reviewing plastic-based packaging materials (cushioning materials, packages, etc.), which have a high environmental impact, under the policy of "eliminate, reduce, or change." In addition, we are labeling materials with their names and material symbols, aiming to make them easily reusable as resources rather than waste.

Goal for FY2030	Major Initiatives	Examples of Major Initiatives
To the extent that "Offering the Unexpected" can be maintained, promote switching to materials with reduced environmental impact for product packaging	・Reduction of petroleum-derived materials such as polypropylene (PP) ・Elimination of packaging itself ・Elimination and simplification of excessively high-performance packages ・Reduction of package size, thickness, and weight ・Use of new materials instead of plastics (bamboo, paper, plant-derived materials, eggshells, etc.)	About plastic materials (1) Eliminate  Plastic individual package  Changed to paper header only (2) Reduce  Slipper hangers replaced with plastic codes to reduce use of petroleum-derived materials (3) Change  Plastic packaging for bedding  Switched to paper mounts

Waste Reduction and Reuse Improvement

Nitori Group Green Vision 2050

Item		Goal for FY2030 (Mid-Term Goal)	Goal for FY2050 (Long-Term Goal)
Reduction and Recycling of Waste	**Before discharge (sorted for resources)**	●Aim to reduce waste emissions by **50%** or more. (Emissions per 100 million yen in sales compared to FY2018)(Japan) ▶FY2023 result: 34.5%*	●Aim to reduce waste emissions by **50%** or more. (Emissions per 100 million yen in sales compared to FY2018)(Global)
		●Aim to achieve **100%** recycling rate of collected products. (Japan)	●Aim to achieve **100%** recycling rate of collected products. (Global)
	After discharge (recycling instead of sent to landfill)	●Aim to achieve a recycling rate of at least **95%** for industrial waste. (Japan) ▶FY2023 result: 89.6%	●Aim to achieve **100%** recycling rate of waste. (Global)

*We had set a goal of reducing waste by 30% by FY2030, and we achieved this goal for two consecutive years in FY2022 and FY2023. We have therefore revised our goal to a 50% reduction starting in FY2024 with the aim of further reducing our environmental impact.

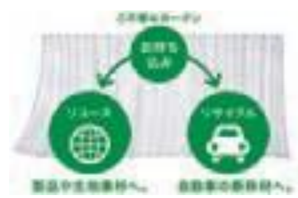
Reduction and Recycling of Waste ~Promoting Sorting of Waste at Disposal~

The Nitori Group hopes to reduce waste volume and costs and make effective use of limited resources by promoting waste sorting and reusing waste as resources rather than garbage. At our stores and distribution centers, we are implementing a variety of initiatives to convert waste into resources. For example, at some of our distribution centers, we dismantle bed mattresses and sofas, which are difficult to dispose of, on our own and thoroughly sort them. As a result, recyclable materials such as metals are collected and utilized as resources, while some waste is recovered by processors and recycled as resources or solid fuel. Currently, we are further expanding the number of distribution centers where this sorting process is carried out to make more effective use of resources. We will continue to make the most of the Nitori Group's integrated business model to establish a disposal flow.

Recycling of Collected Products

The Nitori Group promotes recycling collection efforts regardless of the source of sale to address our customers' problems and at the same time conserve limited resources.

Curtain Collection



- **Number of participating customers: Approx. 318,000**
- **Weight collected: Approx. 1,170t**

*Total from FY2022 to FY2023 (all stores)

In FY2023, all Nitori and Shimachu stores began always collecting curtains in June. This has created a system whereby customers can bring in their curtains at any time. Collected curtains are recycled as insulation material for automobiles and reused as products and fabric materials.

Down Quilt Collection

- **Number of participating customers: Approx. 60,000**
- **Number of quilts collected: Approx. 86,000**

*Total from FY2022 to FY2023 (all stores)

In FY2023, we collected down quilts from October to December. Down quilts made of "recycled down" taken from the collected down quilts led to efforts to further conserve limited resources by significantly increasing the amount of recycled down used per quilt this fiscal year.

Towel Collection

- **Number of participating customers: 237**
- **Number of towels collected: Approx. 4,200**

*Results from January 29, 2024, to March 3, 2024（Few stores）

Nitori started collecting used towels at some of its stores for a limited period from January 2024. This is Nitori's first attempt to collect towels. The towels brought in by customers will be recycled as cleaning cloths (cloth products used to wipe off oil and dirt) and reused at the company's distribution centers and other facilities.

Respose to Climate Change

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, thereby reducing greenhouse gas emissions and mitigating the impact of climate change.

We also recognize the finite nature of energy essential to our business activities, and by leveraging our unique business model, we will work to reduce our use of energy through more efficient energy use throughout our supply chain.

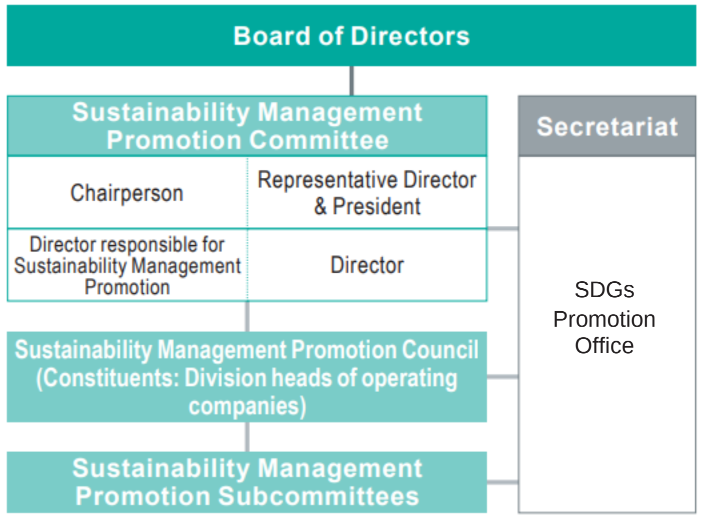
Endorsement Initiative

In order to further effectively address climate change, which is an important management issue, Nitori Group has endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure) and is participating in the TCFD Consortium, a forum for discussion among companies and financial institutions that support the TCFD.

Governance

Our approach to addressing climate change is part of our “Promotion of environmentally friendly business” activities, which is one of our materiality Issues.

The Sustainability Management Promotion Council sets specific targets for sustainability and compiles countermeasures. The Sustainability Management Promotion Committee discusses overall sustainability matters for the entire group. Based on these discussions, the Board of Directors provides advice on the progress of the initiatives and determines the direction and measures to be taken by the Nitori Group. The progress of Nitori Group’s sustainability initiatives, including those related to climate change, are reported to the Board of Directors at least once a year.



Risk Management

The Nitori Group collects and analyzes information on a wide range of risk factors, including climate change-related regulations and their effects and consequences on our business. Significant opportunities and risks that require attention are evaluated and identified by the Sustainability Management Promotion Council, which is attended by the division heads of each business unit.

The evaluated and identified risks and opportunities are supervised and monitored under the Sustainability Management Promotion System, and issues are shared with the Risk Compliance Committee to integrate the organization’s comprehensive risk management.

Strategy (Risk and Opportunity Analysis)

Among various possible climate change scenarios, depending on the state of global warming prevention, Nitori Group examined the 4°C scenario and the 2°C scenario, which are considered representative, under the Sustainability Management Promotion System. In the 4°C scenario, we focused on the impact of physical risks, since extreme heat and severe storms may occur with no adequate countermeasures. In the 2°C scenario, the study focused on the impact of transition risks, because society is expected to change as technological innovation progress and regulations are strengthened to curb global warming.

+4°C Scenario : Large Impact of “Physical Risk”

Significant Changes		Major Risks and Opportunities	Major Initiatives
• Intensification of extreme weather events such as typhoons and floods (acute risk) • Increase in average temperature (chronic risk)	Risk	• Production suspension and increased restoration costs due to plant damage • Disruption of the supply chain of products and raw materials • Decrease in the value of seasonal products due to the unusual seasonal changes of weather • Business continuity risk and rising insurance premiums and operating costs • Opportunity losses due to store closures caused by the disaster	• Sourcing from multiple suppliers • Diversification of production areas and global merchandising • Optimization of product sales timing and improvement of digestion rate • Review safety confirmation system, conduct periodic drills, secure disaster supplies
	Opportu-nities	• Ensure resilience of product supply system • Establishment of an early business resumption system for stores during disasters	• Decentralization of production areas and global merchandising • Establishment of supply chain management • Review of Business Continuity Plan (BCP)

Less than +2°C Scenario : Large Impact of “Transition Risk”

Significant Changes		Major Risks and Opportunities	Major Initiatives
• Decarbonization • Policies • Legal and Regulatory Enforcement • Technological Innovation	Risk	• Rising energy costs • Increased capital investments for renewable energy and energy conservation • Increased operating costs due to the introduction of a “carbon tax” and “carbon pricing”	• Expand use of renewable energy sources • Increase efficiency of energy use and use of low emission expertise • Promote green logistics (joint transportation, modal shift) • Decarbonization of raw materials • Utilization of recycled raw materials
	Opportunities	• Responding to new and growing customer needs such as changing values (ethical consumption, energy and resource conservation needs, etc.) • Improvement and differentiation of production capacity and asset value • Use of public support (tax breaks, etc.)	• Promotion of environmentally friendly functional products • Promotion of recycling-oriented products (circular economy) • Expansion of original business models and business fields • Commercialization of expertise that solve social issues

*Business domain: Main sectors of the Nitori Group (manufacturing, logistics, retail), including overseas bases *Timeline: 2050 *Analysis of impact on existing business portfolio

Indicators and Goals Nitori Group Green Vision 2050

As our green house gas emission reduction goal, we aim to reduce Scope 1+2 emissions (including overseas) as follows

Goal for FY2030
Reduce by 50% compared to FY2013
(Emissions per 100 million yen in sales)

→

Goal for FY2050
Carbon Neutrality
(Practically zero emissions)

Measures

To achieve the above goals, the Nitori Group is pursuing multiple measures. These include the use of renewable energy sources, the replacement of facilities with energy-efficient electric and gas facilities, and the use of building methods and materials with high thermal insulation properties. In addition, to promote capital investment that leads to the reduction of greenhouse gas emissions, “Internal Carbon Pricing (ICP)” was introduced in FY2023, and investment decisions are made based on the expected future carbon costs (carbon tax, emissions trading, etc.).

Regarding the use of renewable energy, we have begun operating solar power generation systems at some Nitori stores. Stores equipped with solar panels generate more electricity than they use in their own stores, and the surplus power is supplied to other Nitori Group stores in a Group’s unique circular system. We plan to gradually expand this initiative to include distribution bases. In addition, we will gradually build charging infrastructure for electric vehicles powered by virtually 100% renewable energy at approximately 300 Nitori and Shimachu stores in our group, thereby contributing to improved convenience for customers and reduction of greenhouse gas emissions.

→ Press Release: Realization of a Renewable Energy Cycle Based on Solar Power Generation and Use of Surplus Electricity (as of June 2024)

Sustainable Timber Procurement

Nitori Group promotes "sustainable procurement" throughout its supply chain, with the aim of procuring products with consideration for environmental and social issues. In particular, in the area of sustainable timber procurement, we aim to build a supply chain that is free from deforestation, illegal logging and human rights violations and we are working on biodiversity-conscious traceability with our suppliers. In January 2024, we established the Nitori Group Timber Procurement Policy and began live operation of timber procurement traceability.

Sustainable Procurement

Nitori Group Green Vision 2050

Item	Goal for FY2030 (mid-term goal)	Goal for FY2050 (long-term goal)
Procurement of raw materials that do not involve deforestation and human rights violations.	Sustainable timber procurement Aim to achieve **100%** environmentally and socially responsible timber procurement. ▶FY2023 result:73.1%	Sustainable timber procurement Aim to achieve **100%** environmentally and socially responsible timber procurement. (Ongoing)

*"Wood certified by FSC®, PEFC, etc. or "timber other than certified wood that has been verified for traceability and appropriate forest management in consideration of the environment and society."

Timber Procurement Policy (Excerpt from the Nitori Group Procurement Policy)

Based on our procurement policy, we aim to build a supply chain that is unrelated to forest destruction, illegal logging, or human rights violations.

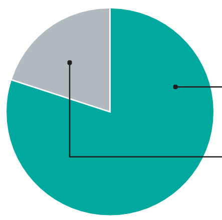
1.We comply with the laws and regulations of the logging countries and regions.
2.We strive to procure raw materials (certified wood or non-certified wood proven to be environmentally friendly) with assured traceability to their origin.
3.We do not contribute to the damage of high conservation value forests (HCV). ※1
4.In the process of logging and trading, we verify that the human rights of indigenous peoples are not violated and that customary rights of local residents are adequately considered.
5.In the process of logging and trading, we verify that environmental impacts at the place of origin are considered.
6.For fiberboards (MDF, particleboard, etc.), we consider the environment by effectively utilizing normally discarded scraps, etc. ※2. Furthermore, by actively using uniformly sized fiberboards, we aim to reduce material loss and achieve both affordable prices and reduced environmental impact.

※1 HCV：High Conservation Value
A concept to identify places of social, cultural, and environmental importance and to maintain their ecological and social value while producing sustainable raw materials.
Reference：FSC Japan / High Conservation Value（HCV）https://jp.fsc.org/jp-ja/HCVs
※2 Branches and wood pieces that are not turned into products or lumber
Ex. branches and wood pieces left in the forest when plantation trees are harvested, scraps generated during the manufacturing process, etc.

Timber Procurement Traceability

Subject of a Research

Among the suppliers of the Nitori group's private brand furniture products, suppliers that account for 80% or more of the total amount (volume) of timber procured are selected as "Priority Research Targets" and examined.



Nitori Group Furniture Private Brand Products Timber Procurement Supplier
<Subject to traceability>
Suppliers that supply more than 80% of the total amount of timber procured
<Not subject to traceability>
Suppliers that account for 20% or less of total procurement volume
(Not subject to the priority research, but country-specific risks, etc. are researched)

Subject of a Research

To ensure objectivity, we used the "Responsible Procurement Checklist for Forest Products" published by WWF Japan, a global environmental NGO, in place of the Nitori Group standards. Using this checklist, we confirmed and evaluated "traceability to the origin" and "appropriateness of forest management" in consideration of the environment and society.

Evaluation Criteria and Results

"Traceability to the place of origin" and "appropriateness of forest management" are evaluated at the following three levels.

Level	Condition	FY 2023 Research Results
Level A	Environmentally and socially responsible timber in addition to traceability	73.1%
Level B	Timber with traceability ensured	21.1%
Level C	Timber with insufficient traceability	5.8%

Level A： Wood certified by FSC®, PEFC, etc. or non-certified wood that has been verified for traceability and appropriate forest management in consideration of the environment and society

We will continue to promote sustainable timber procurement together with our suppliers to achieve our goal of 100% environmentally and socially conscious timber procurement (Level A) by FY2030.

Developing True Partnerships with Suppliers

Nitori Group calls upon our suppliers to not only comply with laws and regulations, but also to build what Nitori Group calls "true partnerships" with suppliers.

In January 2024, we established the "Nitori Group Procurement Policy" in order to sustainably build a supply chain that eliminates environmental destruction and human rights violations, together with our suppliers.

Nitori Group Procurement Policy

1. Scope of Application
2. Compliance with Laws and Respect for International Norms
3. Consideration for Human Rights, Labor Environment, and Safety and Health
4. Response to Environmental Issues
5. Fair Trade and Respect for Ethics
6. Assurance of Quality and Safety
7. Appropriate Information Management
8. Response to Traceability
9. Category-Specific Policies
(Timber* · Other Naturally Derived Materials)
***Timber Procurement Policy (▶P47)**

→ Nitori Group Procurement Policy

Initiatives for Building True Partnerships

Audit of Potential New Suppliers

In order to deliver safe and secure products to customers, Nitori Group audits potential new suppliers to check eligibility requirements. 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: P76 "Status of Performance of Audits of New Overseas Suppliers"

Pledge to Nitori Group Procurement Policy

This policy is required to be understood and observed by all suppliers as well as employees of the Nitori Group. We are currently asking all suppliers with whom we do business to clearly state and pledge to abide by this policy. In the event that a violation of this policy is identified, we encourage our suppliers to improve their performance and, if necessary, provide them with guidance to remedy the situation.

Communication and Dialogue with Suppliers

We shared the current situation and future challenges as well as the direction of product development that takes into account environmental and social issues* at the Management Policy Briefing for Overseas Suppliers for FY2023.

* ● Promotion of compression packaging
●Product development based on the premise of sorting and recycling after use
・Use of raw materials that are easily recyclable
・Encourage use of recycled raw material
・Continuation of production methods that reduce environmental impact, etc.

Supplier Evaluation

We conduct audits of existing suppliers twice a year to understand the actual status of existing suppliers and to identify risks. The audit items are reviewed on a case-by-case basis and are mainly in the five categories of "development," "quality," "logistics and trade," "corporate stance" and "sustainability (items addressing social issues, including environmental issues and human rights violations)." In FY2023, seven new items were added to the "Sustainability" category of evaluation items, for a total of 53 items. 443 suppliers were audited in the second half of FY2023.

→ Related Page: P76 "Status of Evaluation of Existing Overseas Suppliers"

Supplier Interview

The overseas suppliers responsible for manufacturing bedding products, including “recycled down quilts” made from down quilts collected by the Nitori Group and reproduced into finished products, uphold “integrity, trust, and quality,” “providing eco-friendly products,” and “organizational and human resource development” as their management principles. Thus, they are highly conscious of sustainability and have acquired many international certifications.

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

A I believe that we have grown in many ways since we started dealing directly with the Nitori Group. We used to think of ourselves as having a “manufacturer/seller’s perspective,” but after participating in the Nitori Group’s training program, I learned about the “user/buyer’s perspective” concept. I think this is a very good term. Now, I have started to act from the customer’s perspective in all my operations, not to mention product planning and development, so that I can solve customers’ problems.

Q What do you emphasize in manufacturing?

A We strive to improve efficiency by setting and achieving specific production goals. We also strive to improve quality by analyzing and improving the causes of defective products. Furthermore, we aim to contribute to a sustainable society by setting goals for energy conservation, CO2 reduction, and waste reduction, and by regularly monitoring and improving our progress.

In our involvement with the Nitori Group, we have also reaffirmed the importance of human resource development and the creation of a comfortable work environment, and we regularly conduct on-the-job training and job rotation. We also strive to improve employee satisfaction by enhancing provision of benefits for employees.

Q What were some of the innovations in manufacturing “recycled down quilt” with the Nitori Group?

A Since the Nitori Group’s down quilt collection includes products from other companies, the types of down and down ratios vary. However, in order to achieve the same quality as virgin down, we have studied and experimented with the entire process of “collection ⇒ dismantling ⇒ cleaning ⇒ sorting ⇒ reprocessing.” As a result, a safe and comfortable “recycled down quilt” was born.

Even after the start of production, we have been striving to further improve quality and efficiency, and by reforming the trade flow, we have been able to shorten the lead time to reprocessing, improve operational efficiency, and reduce manufacturing costs.

Q What is your vision for the future as you work with the Nitori Group to promote sustainable initiatives?

A We believe that corporate recycling and other sustainability initiatives will continue to expand globally. At present, the Nitori Group conducts recycling collection in Japan, but there is a possibility that in the near future the target regions will be expanded to overseas. In preparation for that time, we are working to develop products that will always please our customers by working to improve our systems and continuing to refine our expertise.

The Nitori Group started out with a small store in Hokkaido, and I think it is a very wonderful company that acts with the same mission and vision that it has had since its founding. We will continue to grow and do our best to become the No. 1 company in the world by following the same mission and vision.

Promoting Initiatives to Address Environmental and Social Issues at Overseas Locations and Nitori’s Own Factories

Local Employees Overseas

Nitori Group has stores, offices and its own factories overseas, where 13,662 local employees work (*as of March, 2024). Many of these local employees not only support the stable supply of products as Nitori Group’s overseas bases, but also contribute to the enrichment of local homes. The presence of stores and our own factories, etc. in those areas also creates local employment and contributes to the development of local communities.

Initiatives of Company-Owned Factories Overseas to Address Environmental Issues

Nitori Furniture’s Ba Ria - Vung Tau Factory in Vietnam focuses on the effective use of resources. Local employees themselves propose and take the initiative in promoting initiatives that help solve environmental and social issues. For example, initiatives are being implemented from various perspectives, including the reuse of timber scraps and curtain fabric scraps generated in the manufacturing process, and the appropriate management and efficient use of water resources.

In preparation for accelerated global expansion, the Nitori Group will continue to work as one to realize both “solutions to environmental and social issues” and “provision of products that “Offering the Unexpected” value.

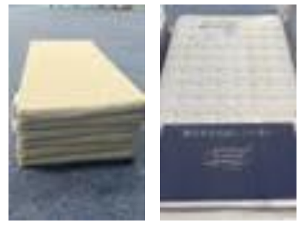
Reuse of Timber Scraps

Scrap timber that would normally be thrown away is processed and reused as dowels to hold the timbers together.

Reuse of Curtain Fabric

Curtain fabrics that could not be turned into products due to flaws or uneven colors during the manufacturing stage were reused as fabrics for some folding mattresses and as foot covers for trial mattresses in stores.

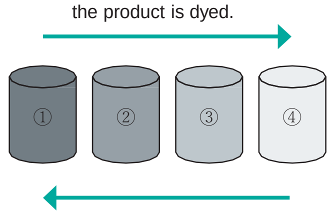
Processing curtain fabrics that cannot be turned into products



Reuse of Washing Water

Alkaline treatment is performed on the washing water generated in the washing process before dyeing to dissolve impurities. The water is then reused in the washing process, reducing the total amount of water used.

After four washing cycles, the product is dyed.



The fourth washing water, which is less polluted, is subjected to an alkaline treatment and reused for the first washing water.

Improving Wastewater Treatment Methods

By changing the recipe of chemicals used for dyeing, the time required for wastewater treatment after dyeing can be reduced. Since the motors used for wastewater treatment consume a lot of energy, reducing the operating time will help reduce CO2 emissions and energy use.

Motor used in wastewater treatment

Nitori Group's Human Capital

The Nitori Group's emphasis on human capital management is based on the concept of "ensuring that the employees who will lead the future can continue to work for a long time, and that this will lead to the growth of the company." As a foundation for this, we invest more than five times the average of listed companies in human resource education. In addition, through job rotation, we develop human resources who can be active in a wide range of business fields from the perspective of total optimization. This not only improves labor productivity, but also contributes to future global business development and the development of human resources who can play an active role on a global scale. Furthermore, the Nitori Group promotes a comfortable working environment for all employees, regardless of gender, and strives to ensure that the people who will create the future can continue working for a long time. We also focus on recruitment activities to recruit comrades who share the Nitori Group's mission and vision, and who will lead us into a new future. These series of human capital management efforts have helped us to improve our employee engagement.

Human Resource Education, the Foundation of the Nitori Group's Human Capital

STEP 1 Develop Human Resources Capable of Identifying and Solving Problems Through Both OFF-JT and OJT

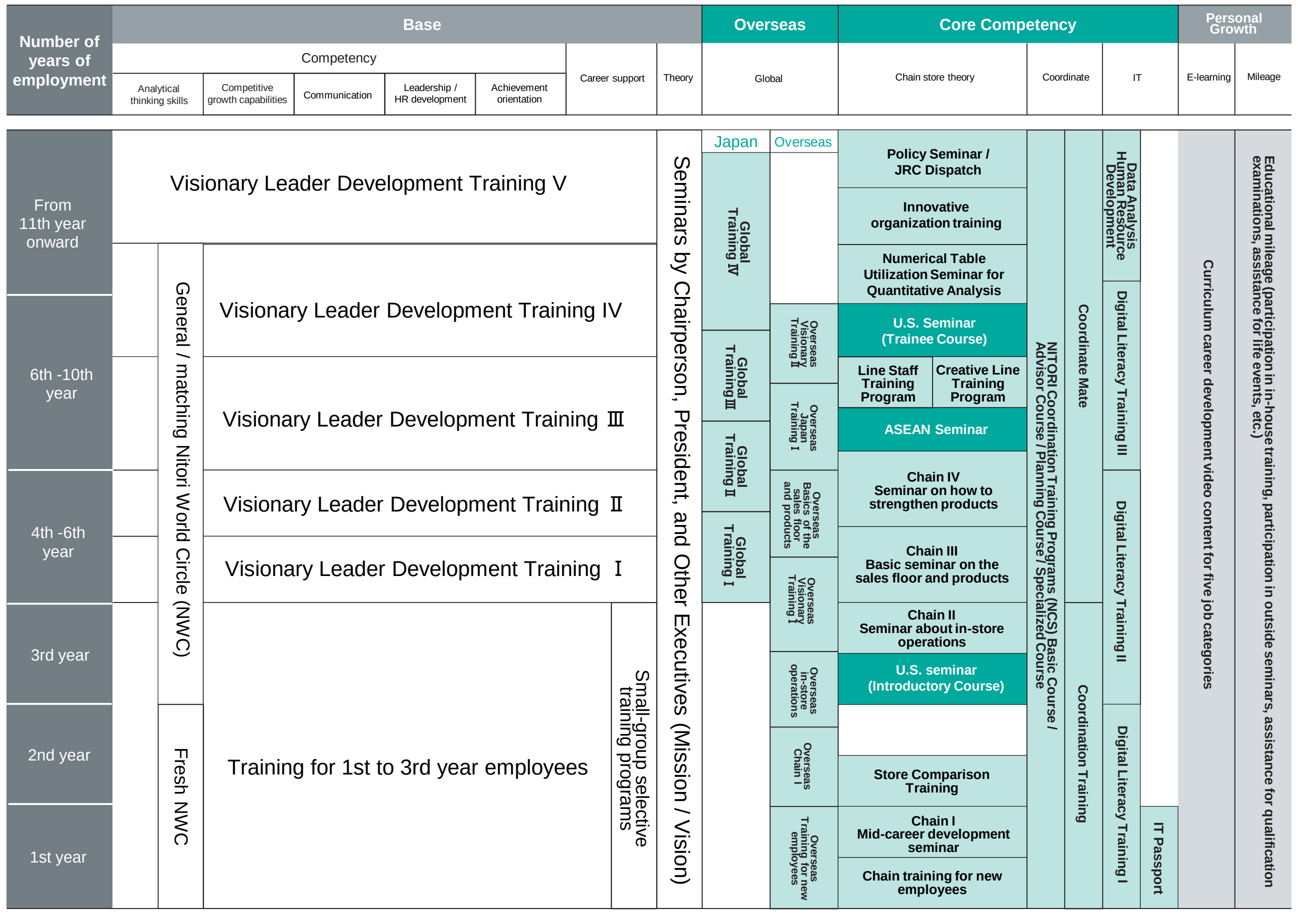
The Nitori Group's investment in education is more than five times the average for listed companies. The annual investment in education per employee is approximately 310,000 yen. In education, we thoroughly cultivate the ability to discover problems, repeatedly ask "why," and actually make improvements and reforms through both theory and on-site.

Annual Education Investment per Employee

Approx. 310,000yen

*More than 5 times the average of listed companies

Education System



An Example of Human Resources Education

U.S. Seminar

The U.S. seminar, started in 1981, is one of the Nitori Group's unique educational curriculums. A total of more than 14,000 employees have participated in the seminar through FY2023. All employees in their third year of employment participate in the introductory course, where they experience the "joy of shopping" and the "enriched life" in the United States, the starting point of Nitori Group's mission. In order to maximize the learning experience, we have established an education system whereby employees are exposed to chain store theory through various training programs from their first year, and after gaining knowledge, they participate in the U.S. seminar in which they establish a structure where they continue to learn even after returning from the U.S. seminar.

Weekly Report

The Nitori Group manages budgets and results on a "weekly" basis. The progress of operations, issues, and areas for improvement are shared with the entire division in a "Weekly Report" to encourage learning and growth. This weekly report utilizes Nitori's corporate culture of "Observation, Analysis, and Judgment," a framework for problem solving, improvement, and reform. Furthermore, in FY2022, the Store Operations Division began a new initiative called the "Best Weekly Report." All store weekly reports are submitted to a centralized location, and a "Best Weekly Report" is selected each week from each zone. By viewing the weekly reports of other stores, employees can learn from each other's good weekly reports and feedback to learn the skills of "Observation, Analysis, and Judgment."

1-on-1

To motivate employees, we encourage regular 1-on-1 meetings between managers and their subordinates. Through these meetings, employees can build a relationship with their direct managers, which will help them take the initiative and relieve their concerns and worries. Furthermore, it is an opportunity for the managers to grow as well. We are creating an environment where each employee can learn and thrive through organizational and team relationships.

Educational Mileage

The Educational Mileage System is a self-development support system that helps every employee envision their "ideal self" and move closer to that ideal. Employees are awarded points called "Mileage" for their achievements in taking on challenges and taking action on their own initiative. Mileage points can be used to participate in in-house training, attend seminars outside the company, receive support for certification exams, and receive assistance for life events.

STEP 2 Repeating Improvement and Reform in the On-Site

NWC (Nitori Group World Circle)

NWC is an initiative that is part of small group activities. Problems are identified in daily operations, causes are estimated, countermeasure plans are devised, and results are achieved through repeated experimentation and verification. This activity is conducted company-wide, including overseas, and plays an important role as an opportunity to directly propose on-site-led improvements and reforms to the management.

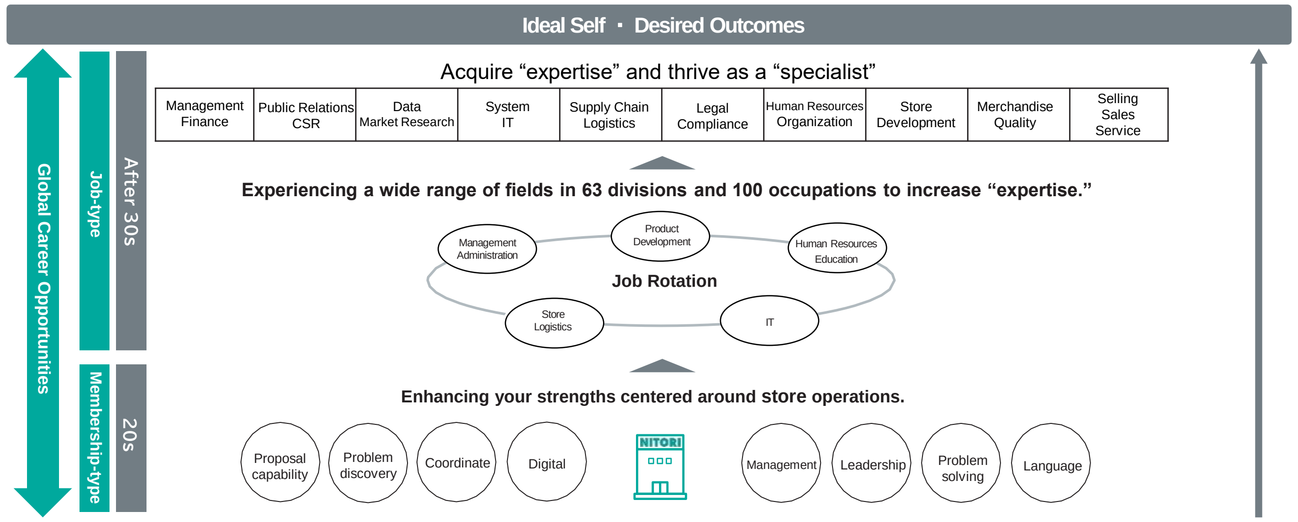
In FY2019, the Fresh NWC was launched, in which all new employees participate. In addition, from FY2020, the "Matching NWC," in which individuals enter and form circles for each activity theme, was also launched to promote cross-divisional improvement activities. These activities provide an opportunity to change the company for the better through the power of every employee.

Presentation at NWC activities

STEP 3 Thriving by Considering Total Optimization across a Wide Range of Business Fields ~Job Rotation × Wide Range of Business Fields~

The “job rotation” is an educational system in which employees are transferred to various divisions and positions every few years. This system is designed to keep the organization active by allowing each employee to gain a wide range of experience and diverse knowledge within the Nitori Group’s unique “Manufacturing-Logistics-IT-Retail Business” model. As the Nitori Group continues to expand its business, there are opportunities to be involved in a wide variety of businesses, and the range of career choices available to employees is expanding every year. We have established an educational system that allows each employee to explore his or her own potential through a variety of educational opportunities, discover strengths and what he or she wants to achieve, and move forward with a focus on “ideal self.”

Nitori Group’s Job Rotation



Career-Accompanied-Type

Educational Investment
We anticipate their success as specialist personnel and will conduct long-term education and training to help them approach the ideal specialist image.

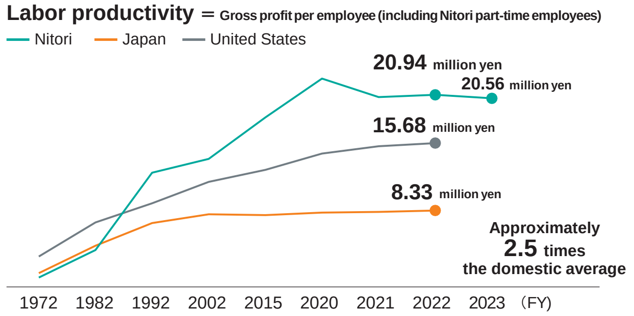
Job Rotation
Every six months, all employees submit their career plans. Every employee envisions their “ideal self” from a variety of options and takes on challenges to achieve it. Additionally, education and training are provided to enhance their expertise.

Career Interviews
Through 1-on-1 meetings and counseling, we clarify together what kind of person they want to become, what they want to achieve, and their dreams for the future. We also identify each individual’s specialty.

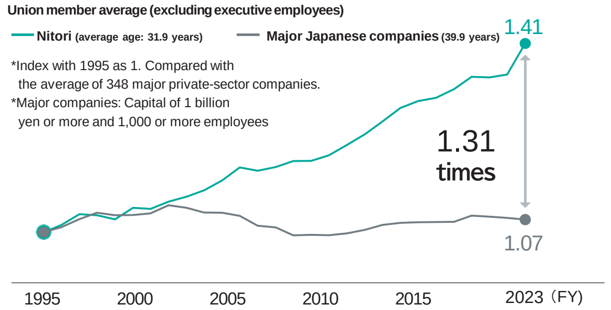
Achieved 21 Consecutive Years of Base Pay Increases Through Improved Labor Productivity

The Nitori Group’s human capital management initiatives have produced results in the form of higher labor productivity: in FY2022, Nitori’s labor productivity reached 20.94 million yen, approximately 2.5 times the national average. In addition, base pay increases for 21 consecutive years have resulted in a high wage index of 1.31 times the average of major Japanese companies in FY2023. Furthermore, the average age of Nitori Group employees is approximately 8 years younger than that of major Japanese companies, which is inferred to be even more advantageous when compared with employees in the same age group. We view these indicators as one of the positive examples of improved labor productivity.

Labor productivity = Gross profit per employee (including Nitori part-time employees)



Wage index change (monthly salary)
Union member average (excluding executive employees)



Focusing on Developing Human Resources Capable of Working Globally to Achieve the Vision 2032

In order to quickly establish a structure that will enable us to open new stores at high speed toward achieving our vision of 2,000 stores overseas by 2032, we urgently need to develop human resources who can play an active role on a global scale. In particular, the development of locally hired national staff is critical.

The most important issue in developing national staff is to share the “mission” that is the Nitori Group’s characteristic and greatest strength, and to ensure that each national staffs are aligned with it. One of the most important initiatives to share this “mission” is the “U.S. seminar,” in which all employees experience the excitement and impact in the U.S. that the Chairman felt when he first founded the company. By conducting this seminar for our national staff and establishing a unique education system, we are producing many human resources with the same “mission” who can be active globally.

National Staff Education System

<table>
<tr><th></th><th>Chain Store Theory Education</th><th colspan="2">Core Competence Education (Nitori Identity)</th><th>Coordinate Education</th><th>Language Education</th></tr>
<tr><td rowspan="2">10th year</td><td>U.S. seminar</td><td colspan="2" rowspan="2">Visionary Leader Training IV
[Followership, logical thinking, planning skills]</td><td rowspan="4">NCS*
Advanced</td><td>Japanese Language Proficiency Test N1</td></tr>
<tr><td>Chain Store Theory IV
[Strengthening Merchandise]</td><td>Japanese advanced course
Target: Equivalent to N2
Contents: Reading comprehension / Preparation for N1</td></tr>
<tr><td rowspan="2">4th year
(Store Manager)</td><td>Japan training
[Store Comparison]</td><td colspan="2" rowspan="2">Visionary Leader Training III
[Time management, planning and proposal skills]</td><td>In-house made mock test
➡ Weak point countermeasure
Equivalent to N3</td></tr>
<tr><td>Chain Store Theory III
[Sales floor and product basics]</td><td>Japanese intermediate course
Target: Equivalent to N3-N4
Contents: Grammar, daily conversation</td></tr>
<tr><td rowspan="3">2nd year
(Floor Manager)</td><td rowspan="3">Chain Store Theory II
[In-store operations]</td><td>Observation, analysis and judgment</td><td rowspan="2">Visionary Leader Training II
[Internal Motivation and Feedback]</td><td rowspan="3">NCS
Intermediate</td><td rowspan="3">In-house made mock test
➡ Weak point countermeasure
Equivalent to N5</td></tr>
<tr><td>Time Management</td></tr>
<tr><td>Followership</td><td rowspan="2">Visionary Leader Training I
[Self (and others) analysis and time management]</td></tr>
<tr><td rowspan="3">1st year</td><td>Chain Store Theory I
[Mid-level employee training]</td><td>Career plan building</td><td rowspan="3">NCS
Basics</td><td rowspan="3">Japanese beginner’s course
Target: beginning learners
Contents: Characters, Greetings, Time</td></tr>
<tr><td rowspan="2">Outline of Chain Store Theory
[Training for new employees]</td><td>Communication (assertion)</td><td rowspan="2">Visionary Leader Training Basics
[Problem Solving and Leadership]</td></tr>
<tr><td>Corporate Philosophy</td></tr>
</table>

※Nitori Coordinate School

Training for Employees Wishing to be Transferred Overseas (Overseas Practical Training)

This is an overseas training program for young employees who wish to work globally. In this training program, participants are dispatched to setting up new stores overseas for approximately one month. Participants work with local staff to create sales floors and conduct sales operations. They will also be involved in the training of local staff using their knowledge and skills, while gaining experience in setting up stores overseas. Through this training, participants will be able to experience the Nitori Group’s corporate philosophy, “To enrich the homes of people all over the world.” In addition, through the unique overseas environment and issues that arise locally, young employees will become aware of their own issues and aim to improve their work level in the future.

Training for National Staff (Japan Training)

In this training program, local national staff visit stores and logistics bases in Japan to deepen their understanding of the Nitori Group. Participants learn how the Nitori Group provides enrichment to the daily lives of its customers. By repeating the Nitori Group’s corporate culture of “Observation, Analysis, and Judgment,” participants learn the differences between overseas and Japan, and grow into human resources capable of making improvements and reforms back in their home countries.

Training for employees wishing to be transferred overseas.
They are working on the sales floor for the opening.

Training for National Staff　Group work

Creating an Environment where Employees Can Continue to Work for a Long Term ~Promoting 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, LGBTQ etc., acknowledge and respect each other creates an empowered work environment and leads to the company's growth.

Goals

- By the 2030s, we aim to increase the ratio of female managers to approximately 40%.
- We will promote the appointment of foreign employees to management positions, aiming to increase the ratio of foreign managers.
- We will continue to scout for specialists and aim to increase the ratio of mid-career hires in management positions.

Promotion of Work-Life Balance

We are creating an environment in which employees can build their careers while balancing work and childbirth, childcare, nursing care and injury or illness.

Self-Assessment System

The "self-assessment system" is a system to promote a comfortable working environment. Twice a year, all employees report to the company on their future career plans, desired work areas, and ease of working. We also operate a monthly "Motibell" system in which employees report their motivation for the working environment. Through this system, we regularly collect employees' opinions and reflect them in the design of various systems to create a comfortable working environment.

My Area System

To improve employee engagement and create a comfortable work environment, we introduced the "My Area System" in March 2023. Under this system, employees can limit the area in which they work and commute to work without having to relocate, and there are no deadlines for use or reductions in compensation. Furthermore, in April 2024, the "My Zone System" was also established for Home Logistics general employees. We are also implementing measures to increase incentives for relocation, such as expanding allowances for employees who do not use the system. In this way, we are working to ensure that each employee can make choices that suit his or her career path and life stage.

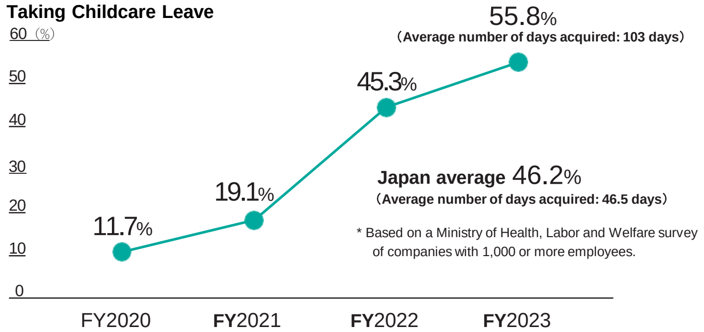
Key points of My Area/Zone System

- Areas covered: Tokyo metropolitan area and Kansai area
  *expansion planned in the future
- Term of use: Unlimited
  (can be applied for or cancelled at any time)
- Compensation: No reduction
- Position: Unlimited

Other Support Systems for Balancing Life and Work

We are working to foster a culture that allows both men and women to take childcare leave without distinction, and the number of male employees, including store employees, who have taken childcare leave has been increasing every year. To further enable flexible work styles, in September 2023 we lowered the minimum daily working hours from six hours to four hours for all employees. As a result, employees are able to adjust their working hours without having to take time off work when unexpected circumstances arise, for example, when raising children, making it easier than ever to balance family and work.

Nitori Group Rate of Male Employees Taking Childcare Leave



* 6 company figures: Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, and N+

Post-Retirement Rehiring System

To achieve our mission "To enrich the homes of people all over the world," the Nitori Group believes it is essential to have senior talent with a wealth of experience and knowledge. Therefore, we have expanded the rehiring system and revised the compensation system. In expanding the rehiring system, we have extended the period of continuous employment from 65 years of age to 70 years of age if the rehired employee meets our criteria. Additionally, in reviewing the compensation level for rehired employees, we have revised the compensation level to maintain up to 90% of the pre-retirement level, with base salary and some allowances remaining the same as before retirement in certain positions above a certain age.

→Press Release: Expansion of Rehiring System and Review of Compensation (As of May 2024)

Creating an Environment where Employees Can Continue to Work for a Long Term ~Healthy and Safe Work Environment~

Policy

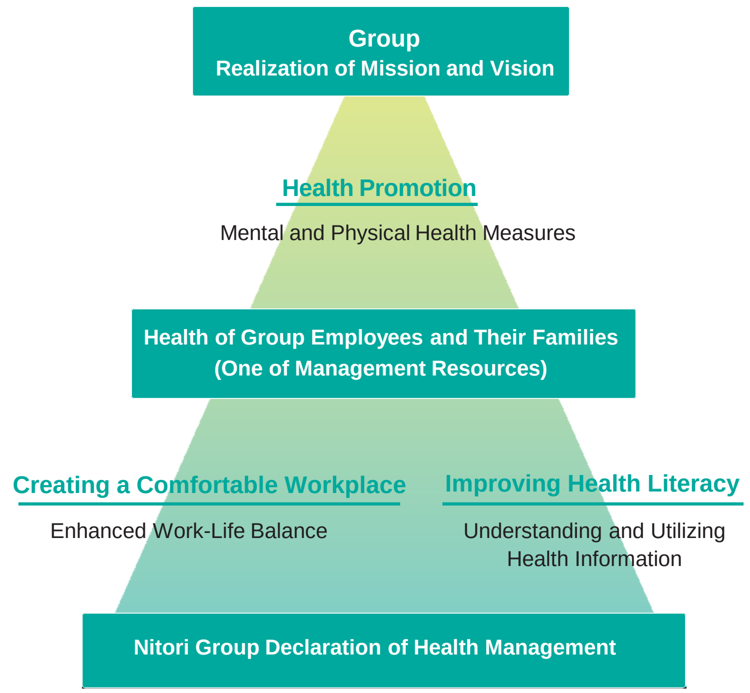
Nitori Group strives to ensure workplace safety and aims to create a comfortable work environment where all our employees work in good health.

Nitori Group Health Management System

We believe that the health of Nitori Group employees is essential to the realization of our mission and vision.

On April 1st, 2016, we made a declaration of health management, and we are taking actions to promote health management in cooperation with the company, labor union, health insurance association, and each division. In particular, the Nitori Group Wellness Report 2023, newly prepared for FY2023, introduces our efforts to promote health management and includes goals and achievements for improving the lifestyle of our employees.

We will continue to support our employees and their families to lead healthy and happy lives.



→ Nitori Group Wellness Report 2023

ニトリグループ 健康経営宣言

Zone Counselor System

The Nitori Group has introduced a “Zone Counselor System” to support career development so that every employee can play an active role in a healthy way. Under this system, a dedicated counselor is assigned to each region to provide detailed support for individual concerns. We have also created an environment where employees can feel free to consult with the counselors using their personal iPhones, which are loaned to them. This prevents individual concerns from being buried, as is often the case in large companies, and leads to improvements in the working environment through prompt hearings.

Measures to Prevent Harassment

To ensure proper understanding and prevention of any kind of harassment, Nitori Group is promoting the creation of workplaces where harassment is neither tolerated nor allowed to occur, through such measures as the establishment of a month to strengthen the understanding of harassment and the implementation of practical training programs in communications and dialogue for managers*. In addition, we have established an internal reporting environment by setting up a harassment consultation desk and making it known through internal newsletters and posters.

*During company-wide compliance training programs for all employees, including managers, a video on “Harassment Prevention” is distributed and a confirmation test is administered. Individuals can also learn through an original video “Is this or could this be an abuse of authority?”, with specific examples and careful explanations to help individuals correctly understand harassment and preventative measures.

Ensuring Appropriate Working Hours

Nitori Group promotes work-life balance and has created a system to prevent employees from working long hours. For example, we aim to ensure employee health, enhance work-life balance and improve productivity through time-conscious work by introducing a work interval system between work hours and turning off all lights at the head office and headquarters simultaneously. In recognition of these efforts, we have been certified as a “White Company” since 2018, and have been awarded the highest level, Platinum, since 2021. In addition, in FY2023, we received the White Company Award in the health management category.

Recruiting for the Future

New Graduate Recruitment

Ranked No. 1 for Liberal Arts Major Students in the “MyNavi/Nikkei Ranking of the Most Popular Companies for University Students” (Consecutively for 2024 and 2025 Graduates)

Based on our recruiting philosophy of “Your dream creates who you are,” Nitori Group provides support from the standpoint of each student. Based on this philosophy, our recruiters provide support from the student’s perspective by working closely with each student so that the student can make a decision to join our company after carefully considering his or her own career objectives and dreams.

Recruitment from Overseas

In order to further accelerate our overseas business development, we are actively recruiting global human resources. In addition to recruiting by participating in the Boston Career Forum, a job-hunting event for Japanese students studying abroad, in recent years we have been strengthening our efforts to recruit overseas students in Japan, thereby promoting the globalization of our company.

Internship

Ranked No. 1 in the Overall Category in the “Rakuten Minshu Internship Ranking of the Most Popular Companies” (5 Consecutive Years Since 2019)

The Nitori Group’s internship program aims for “zero stranded job-hunting students” and supports students to think about their own “purpose of work” and make a positive start in their job-hunting activities. In FY2023, approximately 30,000 students participated in the program. Internships for first- and second-year university students were also successful, with more than 700 students discussed about what it is to “work” together.

Employee Engagement Survey

We aim to revitalize and grow the entire Nitori Group by having every employee share the mission and vision of the Nitori Group and voluntarily exert their abilities. Accordingly, we conduct an “Employee Engagement Survey” of all employees once every six months.

The survey results for the second half of FY2023 show an overall satisfaction rate of 81.4% (5,398 respondents, 98.3% response rate). This result is an improvement of 1.6 points compared to the survey conducted during the same period last year. The reason for this is analyzed to be that the “My Area System*,” introduced last year, improved satisfaction in the item of “flexibility in working style.”

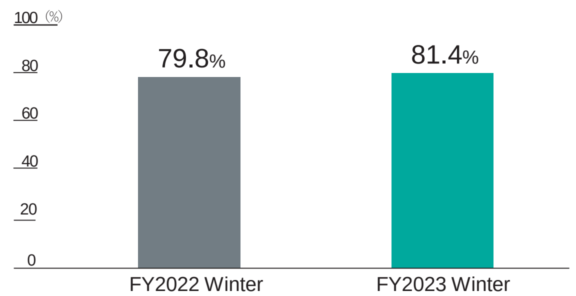
We will continue to discover and analyze issues from the viewpoint of engagement based on the survey results, as well as promote improvements and reforms.

*System that allows employees to work only in certain areas and commute to work without having to relocate (details on p55)

Survey Items

1. Sense of accomplishment at work
2. Appropriate discretion
3. Challenges and growth opportunities
4. A sense of personal growth
5. Diversity of voices and opinions
6. Feedback on Performance
7. Flexibility in working style
8. Empathy with mission and vision
9. Pride in our business and services
10. Work environment that encourages change and challenge
11. Openness among divisions

Overall Satisfaction in Employee Engagement Survey



Promotion of 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.

Support for the “2024 Noto Peninsula Earthquake”

The Nitori Group is engaged in ongoing support activities to help those affected by the Noto Peninsula Earthquake of 2024 to quickly recover from the disaster. We are committed to responding quickly while listening to the needs of the disaster victims.

In collaboration with Credit Saison Co., Ltd., we have established a framework for disaster relief support worth a total of 120 million yen, transcending industry boundaries. We provide support by offering Nitori products, which are closely aligned with daily living needs, to evacuation centers and temporary housing. This initiative focuses on essential items that are not covered by national or prefectural disaster relief laws, in cooperation with affected municipalities.

Support Contents (As of June 2024)

January 2024
- Donated 1,000 each of pillows and pillowcases to the Okunoto region.
- Donated 1,000 pieces of laundry rope to Ishikawa Prefecture.
- Donated 16,000 towels and slippers and other items to Suzu City.

February 2024
- Donated 360 futon mattresses and futon sets to Anamizu Town, Nanao City, and Suzu City.

March 2024
- Donated 850 kitchen utensils and utensils to Nanao City.

April 2024
- Donated 223 items including bunk beds, futon sets, and tableware to Anamizu Town. Donated 57 school bags and other items to Nanao City.

May 2024
- Donated 302 futon sets and 72 microwave ovens to four temporary housing facilities in Wajima City.

June 2024
- Donated 1,087 futon sets and 113 microwave ovens to eight temporary housing facilities in Wajima City.
- Donated 35 refrigerators, 43 vacuum cleaners, and 1,000 each of mattress pads and quilts to 15 evacuation centers in Wajima City.
- Donated 141 pieces of furniture and appliances for meeting rooms to 2 temporary housing facilities in Suzu City.

Ongoing support since then

Support for Living Expenses and Employment for Ukrainian Refugees in Japan

A monthly living expense support grant is provided to Ukrainian refugees who entered Japan on or after March 1st, 2023. The amount of the support is 80,000 yen per adult per month and 40,000 yen for those under 20 years of age is provided through the Nitori International Scholarship Foundation.

We also provide employment support at our stores and distribution bases nationwide, except for a few locations. We have established a system that enables work to be performed even by those who do not speak Japanese and provide an environment in which refugees can work. Through these support services for living expenses and employment, we are helping Ukrainian refugees to become independent and lead a stable life in Japan.

Results of Support (As of June 30, 2024)

- Living Expense Support: 114 individuals
- Employment Support: 118 individuals

Zero Carbon Challenge Cup

Nitori Group has been supporting the Zero Carbon Challenge Cup since 2015. The contest brings together schools, companies, NPOs, and other organizations that are implementing activities for a decarbonized society. The contest aims to become a “platform” for sharing expertise and information on initiatives and creating the future of a decarbonized society. The Nitori Group established the “Nitori Best Dream for the Future Award” with the hope that through this initiative we can all build a bright future filled with dreams and hopes. This award is presented to selected initiatives that are appropriate to the purpose of the award.

In FY2023, we focused on the “infinite loop of nature” and evaluated initiatives that also lead to resource recycling and biodiversity, based on our desire to “start small and build on them.” The award was then presented to Nishida Elementary School in Suginami Ward, Tokyo, for its efforts in “worm composting to reduce food loss and realize a decarbonized society.”

Development of “Future IT Human Resources”

From 2021, We have signed a partnership agreement with Hokkaido, Sapporo City and Hokkaido University, and are working to develop “Future IT Human Resources” who can use the power of digital technology and data to solve problems in local communities and create the society of the future. In March 2024, the four parties reaffirmed their commitment to further accelerate this effort and re-signed a collaboration agreement. We will continue our efforts with the aim of producing many future leaders from Hokkaido, the place of our founding, who will play an active role in the local community, thereby creating vitality for the entire town and furthermore, becoming a bridge to the world.

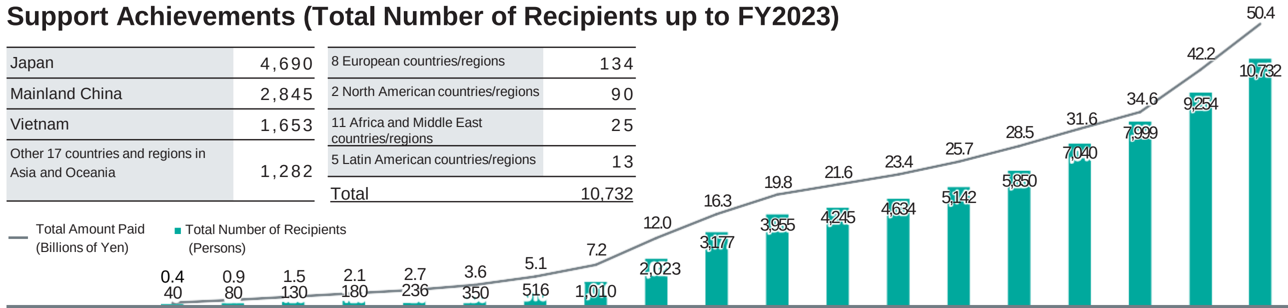
Supporting Human Resources Development / Supporting Culture, Arts, and Tradition

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 the Nitori Group’s accomplishment of its mission. In addition to providing support to students through non-repayable benefit-type scholarships, from FY2023 we began operating a student dormitory for scholarship recipients and aiding disaster victims, etc. So far, the foundation has supported a total of 10,732 people in 47 countries and regions in Japan and overseas. In order to contribute to friendship and human resource development in countries around the world, we will expand our support to the young generation that bears the future.

Support Achievements (Total Number of Recipients up to FY2023)

Japan	4,690	8 European countries/regions	134
Mainland China	2,845	2 North American countries/regions	90
Vietnam	1,653	11 Africa and Middle East countries/regions	25
Other 17 countries and regions in Asia and Oceania	1,282	5 Latin American countries/regions	13
		Total	10,732



Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Recipients	40	40	50	50	56	114	166	494	1,013	1,154	778	290	389	508	708	1,190	959	1,255	1,478

Nitori Culture Foundation

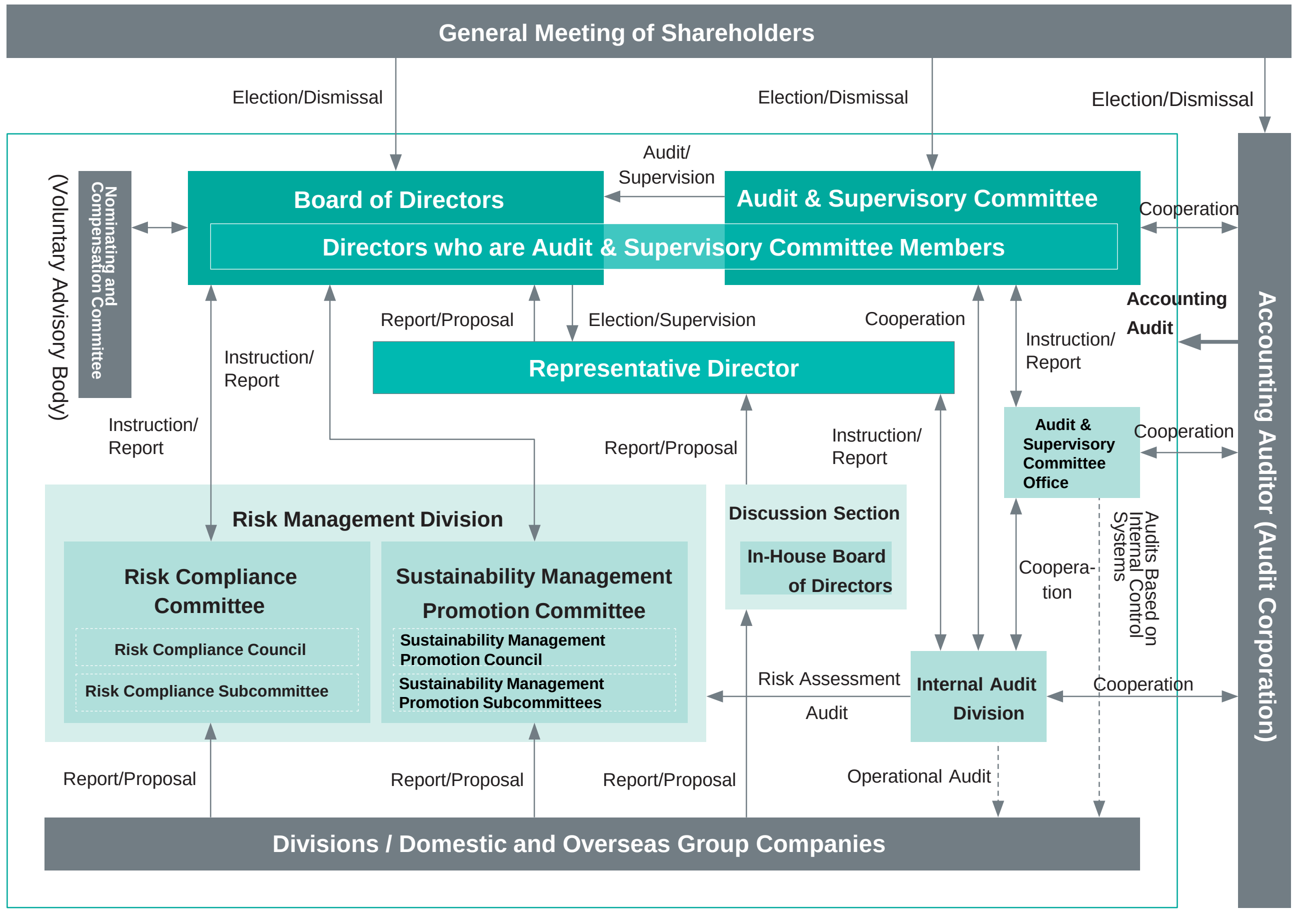
The Nitori Culture Foundation was founded in April 2011, to support the development and succession of culture, arts, and tradition and to be a bridge for the formation of a new culture. Otaru Art Village, a group of museums in Otaru City, Hokkaido, operated by the foundation, opened its fourth museum, the Museum of Western Art, in 2022. With more than 850,000 annual visitors in FY2023, it is attracting attention as a tourist attraction in Otaru.

Strengthening Corporate Governance Structure

Policy

Nitori Group places top priority on sustainable growth and the medium- and 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.

Corporate Governance Structure



Board of Directors

In order to facilitate constructive and open discussions at Board of Directors meetings in an efficient manner, Nitori has set the number of directors at 17 or less. In addition, by appointing several independent outside directors with a wealth of experience and high-level insight, the Company aims to invigorate the Board of Directors' discussions and strengthen its supervisory function for appropriate decision-making and business execution. In principle, our policy is to have at least one-third of the Board of Directors be independent outside directors.

Currently, we have 12 directors, five of whom are outside directors. By doing so, we aim to develop and strengthen the supervisory and restraining functions over management and business execution.

In addition, we have established an internal board of directors to discuss important matters related to business execution in advance. Furthermore, in order to respond quickly and accurately to changes in the business environment, we have introduced an executive officer system to facilitate prompt decision making and business execution.

Audit & Supervisory Committee

The Audit & Supervisory Committee monitors management from a fair and independent standpoint in accordance with the Audit & Supervisory Committee Auditing Standards. Nitori has set the number of directors who are members of the Audit & Supervisory Committee at five or less.

Currently, the Audit & Supervisory Committee consists of four directors, three of whom are outside directors. The outside directors audit and supervise the directors' execution of duties by attending Board of Directors meetings and utilizing the internal control system. Full-time Audit & Supervisory Board Members audit and supervise business execution by attending Board of Directors meetings and internal executive board meetings, inspecting important approval documents, and receiving reports from the internal audit division and interviewing related parties.

In addition, the Board of Directors and the Audit & Supervisory Committee work closely with each other by hearing audit policies and audit plans from the accounting auditors and receiving reports on audit results as needed.

Furthermore, the Audit & Supervisory Committee Office has been established to assist the Audit & Supervisory Committee.

Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor and receives advice and guidance from a third-party perspective on the appropriateness and legality of its accounting and accounting-related internal controls.

Nomination and Compensation Committee

The Nomination and Compensation Committee is a voluntary advisory body to the Board of Directors to ensure objectivity and transparency in determining policies and procedures regarding the nomination of candidates for directors and their compensation, and to further enhance the corporate governance structure of the Company.

The Nomination and Compensation Committee consists of three independent outside directors and two representative directors, and the majority of the committee members must be independent outside directors.

Internal Audit Division

The Company has established the Internal Control Office as its internal audit division.

The Internal Control Office audits whether the operations of each divisions are properly and efficiently conducted in accordance with laws, the Articles of Incorporation, and internal regulations based on an annual audit plan, and reports audit findings and related information to the Audit & Supervisory Committee on a regular basis. In addition to the Audit & Supervisory Committee, the Internal Control Office reports to the Board of Directors and the accounting auditor when important matters arise, thereby maintaining organizational cooperation.

Risk Management Division

In order to minimize losses and disadvantages incurred by the Group, we have formulated Risk Management Regulations and a Business Continuity Plan (BCP) and have established a risk management system led by the Risk and Compliance Committee. Various drills are conducted based on the Business Continuity Plan (BCP).At the "Risk and Compliance Council," which is held monthly, subcommittee activities are promoted for important risks determined by the Board of Directors, and the risk prevention system is reviewed, the education system is strengthened, and measures are taken to address new issues. In this way, we are strengthening the Group's risk management system.

In addition, the Sustainability Management Promotion Committee discusses Group-wide sustainability matters and provides advice to the Board of Directors on the progress of initiatives. Through this process, the Nitori Group determines its direction and measures for sustainability.

Directors and Executive Officers

Directors (As of June 20,2024)

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

Name	Title	(1) Corporate Management	(2) Rejecting Status Quo	(3) Product Development	(4) Supply chain Management	(5) IT/DX	(6) Global	(7) HR Development	(8) Legal Affairs Risk Management	(9) Internal Control Governance	(10) Finance	(11) Sustainability
		Knowledge and Experience the Company Expects of Directors										
Akio Nitori	Representative Director & Chairperson (CEO) Nominating and Compensation Committee Member	●	●	●	●		●	●				
Toshiyuki Shirai	Representative Director & President (COO) Nominating and Compensation Committee Member	●	●		●	●		●				●
Fumihiro Sudo	Executive Vice President & Director	●	●	●	●	●			●			
Masanori Takeda	Executive Vice President & Director, General Manager of Global Merchandising Division & General Manager of Global Sales Promotion Office, and In Charge of Overseas Sales Business	●	●	●	●		●		●			
Hiromi Abiko	Director and General Manager of HR Education Division		●	●				●		●		●
Takaaki Okano	Director	●	●		●			●				
Yoshihiko Miyauchi	Independent Outside Director	●			●		●		●		●	●
Naoko Yoshizawa	Independent Outside Director Nominating and Compensation Committee Member	●				●	●	●	●			
Takao Kubo	Director Full-time Audit & Supervisory Committee Member		●		●				●	●	●	
Yoshiyuki Izawa	Independent Outside Director Audit & Supervisory Committee Member Nominating and Compensation Committee Member	●				●	●		●	●	●	
Hisayoshi Ando	Independent Outside Director Audit & Supervisory Committee Member Nominating and Compensation Committee Member					●	●		●	●	●	●
Masahito Kanetaka	Independent Outside Director Audit & Supervisory Committee Member						●	●	●	●		●

See the table below for a summary of the skills possessed by each director.

(1) Corporate Management	Has had experience in managing companies as a business owner.
(2) Rejecting Status Quo	Equipped with a mindset essential for Nitori Group's management team, which constantly rejects the status quo and repeatedly observes, analyzes, and judges in order to make improvements and reforms.
(3) Product Development	Skilled in developing attractive products "Offering the Unexpected" to achieve total coordination.
(4) Supply Chain Management	Skilled in evolving our unique business model that integrates Manufacturing - Logistics - IT - Retail Business, and in optimizing the structure from procurement to sales.
(5) IT/DX	Skilled in driving company-wide business process improvements through IT utilization and DX.
(6) Global	Skilled in driving overseas business with a macroeconomic perspective and knowledge of global business.
(7) HR Development	Skilled in enhancing human capital, with extensive experience in human resource training and development.
(8) Legal Affairs Risk Management	Skilled in identifying and controlling potential risks to the business, with knowledge of legal affairs, compliance, etc.
(9) Internal Control/Governance	Has experience in managing large organizations and knowledge of internal controls and has the skills to optimize the organization's management and oversight structure.
(10) Finance	Skills to support corporate management from a financial perspective, with knowledge of accounting, finance, taxation, etc.
(11) Sustainability	Equipped with a sustainability management perspective, which is essential for the sustainable development and growth of a company.

Executive Officers (As of July 1, 2024)

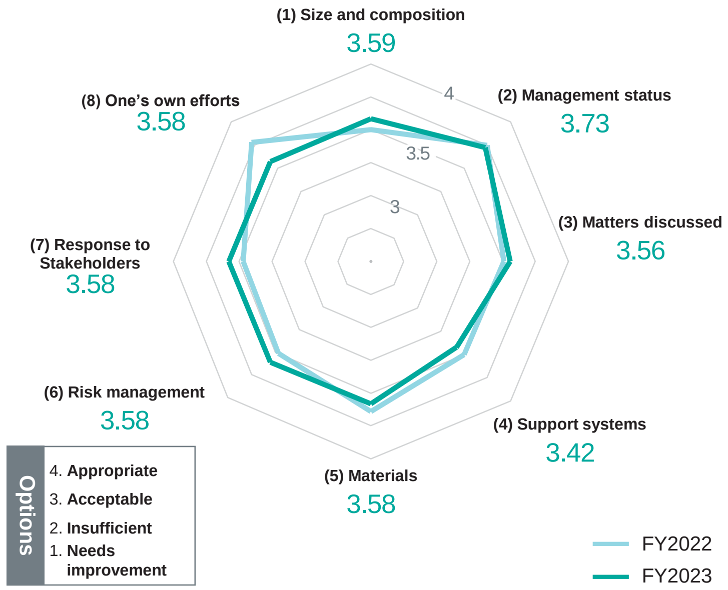
Executive Vice Presidents
Fumihiro Sudo / Masanori Takeda

Managing Executive Officers
Mitsuru Ohki / Naoshi Takei/ Manabu Nakamura / Hiroshi Nagai/ Kazuyuki Hashimoto / Junichi Yoshima/ Tadashi Kudo / Tsuyoshi Okamura

Senior Executive Officers
Isao Arai / Hiroki Murabayashi / Kenichiro Aoya/ Soichi Oda / Kazuya Tsukada

Executive Officers
Akio Igarashi/ Ei Sugiura/ Harumi Sawai / Akihiro Kushida / Toshinori Arai / Masaomi Zenji / Tetsuya Okuda / Takuya Ono / Tetsuo Yamamoto / Masatoshi Sano / Yuichi Maruhashi / Hiroyuki Tajiri / Noriaki Hase / Hideki Sasaki / Ryo Takahashi / Katsunori Kobayashi

Ensuring the Effectiveness of the Board of Directors



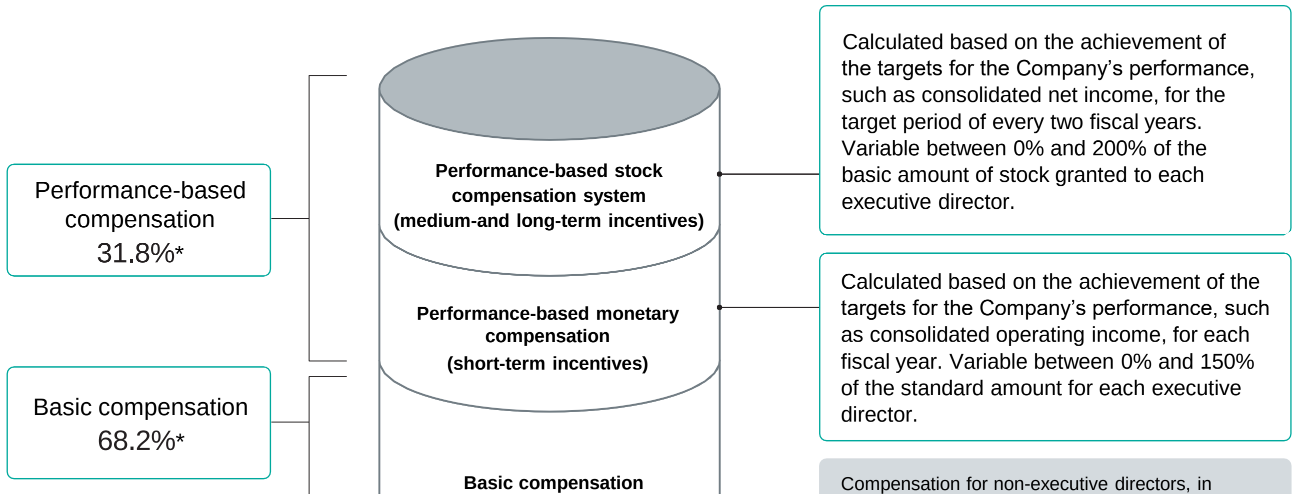
In analyzing and evaluating the effectiveness of the Board of Directors in FY2023, our Board of Directors reviewed the issues identified in the effectiveness evaluation conducted in FY2022, using a questionnaire to determine the status of improvement and progress.

Evaluation Categories of the Questionnaire

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

Based on the issues identified through the evaluation of the effectiveness of the Board of Directors and the open and honest opinions of each director freely responded to the questionnaire, our Board of Directors has decided that the most important issue is "deepening discussions on the Nitori Group's growth strategy." In addition, we decided to continue our efforts from the previous year to "ensure appropriate deliberation time for important proposals" and "enhance the provision of information to directors." In addition, we have decided to take on a new initiative to "promote smooth communication among directors."

Executive Compensation System



*The ratio is based on a pay structure where basic compensation accounts for 75% and short-term incentives 25%, and medium- and long-term incentives are 10% of a cumulative total of compensation for the relevant two fiscal years.

Compensation for non-executive directors, in principle, consists of fixed basic compensation. Performance-based compensation as short-term or medium-and long-term incentive is not provided for non-executive directors.

Performance Share Unit

To strengthen the link between the compensation structure and medium- and 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-and 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.

Special Discussion

IT-DX Strategy to Support the Nitori Group’s Business Model

Executive Officer and General Manager of Information System Improvement Office

Toshinori Arai

Joined Nitori in May 2001, after working in development, purchasing, and corporate planning for an office automation equipment sales company. After serving as a technology division leader and director of ICT infrastructure strategy, he has served as a division head of the information systems department since 2019. Since 2022, he has served as our Executive Officer and Director of Nitori Digital Base CO., LTD.

Independent Outside Director

Naoko Yoshizawa

Joined Fujitsu Limited in August 1988, and in September 2009, she was appointed as General Manager of the company’s Mobile Phone Business Group. In November 2019, she assumed the position of Executive Vice President and Digital Software and Solutions Business Group Evangelist for the company. She has served as an outside director of the Nitori since May 2021.

Managing Executive Officer, Chief Information Officer (CIO) & President of Nitori Digital Base CO., LTD.

Naoshi Takei

Joined Oracle Corporation Japan in 1993. He served as Executive Officer, General Manager of Business Planning Division and CIO, etc. Joined Nitori in 2006 and served as General Manager of Information System Improvement Office and Business System Improvement Office. In October 2022, he was appointed as Managing Executive Officer and General Manager of Digital Sales Business Promotion Office. He has been in his current position since February 2024.

More than 80% of our systems are produced in-house. We contribute to the achievement of our vision by securing excellent human resources in an attractive development environment.

In-House IT Development for Speedy Management of the Nitori Group

Takei: The Nitori Group currently has the mission “to enrich the homes of people all over the world” and has set a medium- and long-term vision of “3,000 stores, 3 trillion yen in sales by 2032.” To achieve this goal, we must achieve leapfrogging growth, not just extension growth as we have done in the past. I believe that IT is the key to achieve it. As the name of our business model “Manufacturing-Logistics-IT-Retail Business” suggests, IT is an extremely significant element in the management of the Nitori Group. The Nitori Group is committed to a “self-sufficiency principle,” and currently produces more than 80% of its systems in-house. This is to keep up with the speed of business and is the best way to increase the speed of development. The key to in-house production is to have the expertise to compare and judge the value of software, AI, and other technologies in-house. Outsourcing creates dependency and makes it difficult to choose the best quality at the lowest cost. In order to achieve the best at the lowest possible cost, it is important to have the ability to develop, research, and compare in-house.

Arai: The Nitori Group’s history of IT in-house production began in 1996, when the Information System Division developed a store inventory confirmation system. As the business scale expanded, the core system was developed in-house in 1999, and the product supply system was completed in 2009. In 2013, the overseas core system was standardized, and in 2015, Nitori-net was revamped. Subsequently, we integrated our in-house customer information management (CRM) into the system, and in 2022, we brought Nitori app, which is used by approximately 20 million customers, in-house. In this way, in-house production in many sectors is helping to speed up our business.

History of Nitori Group’s IT In-House Production

1996	Store inventory confirmation system development
1999	Server installation / business system operation
2002	Order slip system installation
2009	Product supply system installation
2011	Deco Home system installation
2014	Business system partially converted to Web
2015	Nitori-net renewal
2020	Product supply system renewal
2021	CRM system renewal
2022	Nitori app in-house production

*partial excerpt

New Base Company for Digital Promotion Increase IT Talent to 600 by 2026

Arai: The shortage of IT personnel is becoming more and more serious in various industries, and for many companies, securing excellent IT talent has become a major management issue. In this environment, Nitori Digital Base CO., LTD. was established in April 2022 for the purpose of attracting excellent human resources to the Nitori Group and promoting DX for the entire group. In addition to offering excellent compensation and system design, Nitori has been highly evaluated for its ability to work on development in unison with on-site and is attracting excellent human resources one after another.

Takei: The Nitori Group hires more than 50 new IT recruits each year. All new employees are assigned to stores and distribution centers for a total of one and a half years. This is because without understanding the details of the business, it is difficult to know how IT should improve operations. We also believe this method is important so that engineers do not become subcontractors to the operations division, but rather communicate equally and closely with the operations members.

Yoshizawa: In my previous job, I worked as a software developer for a general IT company; IT is a tool to realize customers' demands, and as an engineer, I have a strong desire to make the user happy. The Nitori Group environment is very attractive to engineers because they can be involved from development to actual use.

Takei: Currently, Nitori Digital Base has about 300 employees and about 700 including subcontractors and plans to hire more than 100 new employees over the three years from 2024 to 2026, and through mid-career hiring and reassignments, to double the current number of IT talent in the entire group to about 600. In this way, we will keep pace with the Group's growth.

Combining Surveillance and Innovation, and Preparing for a Variety of Risks

Takei: As Chief Information Officer (CIO), I am in charge of managing the healthy functioning of both surveillance and innovation. I report frequently and closely to the board members and provide detailed reports on major issues individually. The Board of Directors is briefed, as appropriate, on how to promote human resources and IT utilization policies throughout the organization.

We feel that our board members are highly IT literate and extremely interested in IT.

Yoshizawa: We feel that IT-related discussions at the Board of Directors are active, and that concrete consideration is being given to in-house production. However, cyber security needs to be discussed further, as the risks are expected to become more complex and significant with future overseas expansion. It is important to assume various risks in advance and prepare responses. In addition, the Nitori Group's IT is divided into three major areas: corporate IT, IT supporting actual business operations, and IT supporting EC. It is also important to clearly separate the priorities of each, and whether they are to be produced in-house or in cooperation with partners. We highly appreciate the company's efforts to join the Nippon CSIRT Association and work with other companies to establish a cyber security response system. I also think that the establishment of a CISO* and Information Security Office and the creation of a specialized unit to monitor security in cooperation with the Information System Improvement Office are also in the proper direction. It is an important issue for the future to ensure that these systems function properly and permeate all the way down to the end of the line.

*Chief Information Security Officer

Support for IT Utilization and DX Promotion at Overseas Branches

Takei: In order to increase the ratio of global employees, we plan to consider systems that will help simplify operations and expand overseas by revamping our EC application. In June 2024, we established Nitori Digital Base Vietnam. Since our factory is located in Vietnam, we will support IT utilization and DX promotion at our stores in Vietnam and throughout Asia. In overseas markets, the challenge is to control inventory by predicting which products might be sold. Accordingly, we are improving the core system for production management at our factories with the aim of optimizing the supply chain.

Arai: We call our IT-related initiatives for 2032 "medium- and long-term projects." We are currently working on 15 large-scale projects simultaneously. These include "reform" initiatives, such as using AI to advance communication with customers. And if we include smaller "improvement" projects, we work on more than 100 IT projects each year.

Takei: Securing human resources for this purpose is an important part of our strategy, and we are moving forward with plans to increase the number of IT talents in Nitori to more than 1,000 by 2032. We also believe that cooperation with the business divisions will result in excellent systems, and we are placing enormous emphasis on increasing the IT literacy of our general employees. In our ongoing projects, we use a variety of approaches to gather IT talents according to the characteristics of the project, including selection-based, voluntary-based, and all-inclusive. In this way, we take care to ensure that as many employees as possible are actively involved in IT and DX.

Yoshizawa: The Nitori Group has been working on DX from early on, and I feel that it is a rare company where DX is naturally integrated into corporate activities. Three years ago, when I became an outside director, I had an opportunity to talk with employees from the Information System Improvement Office. When I asked them about the status of development, I was very surprised at the scale and efficiency of the annual development.
The Nitori Group has embodied its mission and vision, and last year achieved 36 consecutive quarters of increased sales and profits. There is no doubt that the Nitori Group's IT plays a part in this. This is not so-called "reform-level DX," but Nitori that practices "true IT and DX," which has had a significant impact on management. I believe that this fact could be better publicized to investors.

Financial Strategy

Nitori Group's Growth Strategy and Possibility of Achieving the Vision 2032

Masaomi Zenji
Executive Officer and
General Manager of
Finance & Accounting Division

The Nitori Group's growth strategy is to achieve its vision by allocating ample cash generated by its domestic operations to overseas investments. Management feels that we are steadily approaching the vision, but we are sometimes asked questions and comments from shareholders and investors about the possibility of achieving the vision. In this section, we will address the themes frequently asked by our shareholders and investors.

Domestic Business

Q Some people believe that there is limited potential for domestic growth, what is your view?

Since a certain degree of store network has been established in Japan, the potential for store openings has become smaller than in overseas markets. However, we continue to aim for growth in Japan as well. Certainly, opportunities to open large stores, such as those exceeding 6,600 square meters, are declining, but there are many customers who seek the convenience of small stores that cater to small commercial areas, and these stores are highly supported in the areas where they have been opened.

In addition to the store network, there is also room for growth in annual purchases per capita. We use domestic sales divided by population as an indicator by region. The national average purchase amount has increased by approximately 1,200 yen compared to four years ago, reflecting measures such as the linkage of stores and e-commerce, and the expansion of product assortments and price ranges. By region, the highest region is about 7,000 yen, while the lowest region is only about 4,000 yen, a difference of about 3,000 yen. We believe there is tremendous potential for sales growth by increasing the amount in the lower regions to narrow the gap between regions and continuing efforts to raise the overall purchase amount. For example, by offering high-end products such as Jacquard curtains at prices that are "Offering the Unexpected," by opening Deco Home stores that promote a lower-priced product lineup than Nitori, and by expanding with Shimachu for mid- to high-end furniture, while differentiating the product lineup and price range across the group, we will ensure stable growth in our domestic business as well.

Overseas Business

Q What is the pricing strategy for overseas?

Compared to competing stores, we hope to offer products at prices and quality that are "Offering the Unexpected" to ensure support from local customers as a store where they can purchase products at affordable and convenient prices.

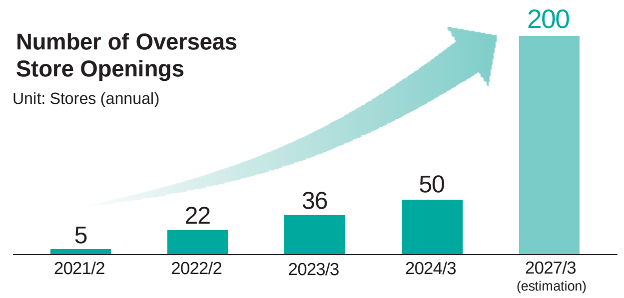
Q Is it possible to sustain a high-profit with low-cost business model?

With many partners and our own manufacturing plants, mainly in Asia, we are able to keep logistics costs low due to the close proximity between the production sites and the store network. As a result, we are able to sell our products at low prices. We will further develop and build our logistics network to achieve the same highly profitable model as in Japan.

In addition, it is essential to take advantage of economies of scale to improve profitability. We will not only accelerate the opening of new stores, but also focus on existing store sales, the number of customers visiting our stores, and the number of customers buying our products as KPIs, as we do in Japan, and work to achieve a stable increase in these numbers to achieve early business expansion.

Q How fast is Nitori opening new stores to overseas?

First, we open stores in favorable locations that attract customers, and then we create thriving stores with products, services, and prices that satisfy our customers. The accumulation of these steady actions will lead to a strong appeal to customers and developers and will lead to fast store openings with favorable conditions. We then open new stores in the vicinity of the thriving stores to form a dominant position. This will increase customer convenience, reduce distribution costs, and improve profitability. The plan is to expand the number of stores by repeating this cycle, and currently expects a net increase of approximately 200 stores each year after two to three years.



Q Will the scale of investment grow with the acceleration of store openings?

We have a policy of generously carrying out proactive investments aimed at future growth.

Currently, overseas stores are basically opened as tenants in shopping centers, and their floor space is smaller than that of stores in Japan. Therefore, even if we were to open 500 stores per year in the future, the amount of capital investment would not be that large.

We expect to make a large investment in the construction of a distribution center over the next few years, but we believe that the ample inflow of funds generated by our domestic business will be sufficient to cover this investment, and we do not foresee any problems with our financial strategy.

A Message to Shareholders and Investors

In Taiwan, where we made our first overseas expansion in 2007, we have already established sufficient earning power. As a result of continued improvements and reforms based on our past experience, we have found a path to success overseas. First, we will proceed with store openings in accordance with our plan and build up our store areas as quickly as possible.

We will also work diligently on investor relations and shareholder relations activities, more than ever before. We would appreciate it if you, our stakeholders, could give us your honest feedback, requests, and questions.

Transition of Key Management Indicators

(Million yen) (Thousand USD)

	FY2014 (February 2015)	FY2015 (February 2016)	FY2016 (February 2017)	FY2017 (February 2018)	FY2018 (February 2019)	FY2019 (February 2020)	FY2020 (February 2021)	FY2021 (February 2022)	FY2022 (March 2023)	FY2023 (March 2024)	FY2023 (March 2024)
Income/ Loss											
Net sales	¥ 417,285	¥ 458,140	¥ 512,958	¥ 572,060	¥ 608,131	¥ 642,273	¥ 716,900	¥ 811,581	¥ 948,094	¥ 895,799	$ 5,916,775
Gross profit	218,337	243,543	278,274	314,778	331,421	354,364	411,791	425,897	478,106	455,949	3,011,556
Selling, general and administrative expenses	152,029	170,503	192,497	221,400	230,642	246,886	274,104	287,627	338,029	328,223	2,167,923
Operating income	66,307	73,039	85,776	93,378	100,779	107,478	137,687	138,270	140,076	127,725	843,632
Ordinary income	67,929	75,007	87,563	94,860	103,053	109,522	138,426	141,847	144,085	132,377	874,354
Net income attributable to owners of parent	41,450	46,969	59,999	64,219	68,180	71,395	92,114	96,724	95,129	86,523	571,490
Cash flows from operating activities	52,923	57,343	77,930	76,840	81,664	99,337	150,879	85,565	91,398	143,593	948,437
Cash flows from investing activities	△ 43,023	△ 35,899	△ 42,047	△ 82,751	△ 30,424	△ 44,486	△ 195,985	△ 119,980	△ 132,538	△ 131,824	△ 870,700
Cash flows from financing activities	△ 6,654	△ 9,943	△ 6,414	655	△ 11,340	△ 13,862	30,309	17,729	36,903	△ 20,606	△ 136,106
Cash/cash equivalents at the end of the year	25,713	36,794	66,035	60,923	100,053	140,791	125,487	127,076	125,115	117,313	774,860
Depreciation and amortization	8,921	9,398	10,406	11,357	12,311	14,575	16,024	20,407	22,272	22,078	145,830
Capital expenditure	45,033	26,605	42,828	64,172	32,237	26,191	22,323	101,454	117,328	132,146	872,832
Financial Position											
Total assets	404,793	414,541	487,814	550,507	619,286	683,247	930,884	983,840	1,133,771	1,238,679	8,181,500
Net assets	310,531	330,968	394,778	441,668	500,192	560,861	685,392	732,813	818,096	896,308	5,920,136
Equity	309,413	329,695	393,693	440,991	499,721	560,571	642,096	732,813	818,096	896,308	5,920,136
Key Management Indicators											
Gross profit to net sales ratio (%)	52.3	53.2	54.2	55.0	54.5	55.2	57.4	52.5	50.4	50.9	50.9
SG&A expenses to net sales ratio (%)	36.4	37.2	37.5	38.7	37.9	38.4	38.2	35.4	35.7	36.6	36.6
Operating income to net sales ratio (%)	15.9	15.9	16.7	16.3	16.6	16.7	19.2	17.0	14.8	14.3	14.3
Rate of return on equity (ROE) (%)	14.9	14.7	16.6	15.4	14.5	13.5	15.3	14.1	12.3	10.1	10.1
Equity ratio (%)	76.4	79.5	80.7	80.1	80.7	82.0	69.0	74.5	72.2	72.4	72.4
Ordinary income to total assets ratio (ROA) (%)	18.7	18.3	19.4	18.3	17.6	16.8	17.2	14.8	13.6	11.2	11.2
Payout ratio (consolidated) (%)	14.6	15.3	15.2	16.0	16.0	17.0	15.1	16.3	17.3	19.2	19.2
Price earnings ratio (PER)	20.2	19.4	22.7	30.7	23.1	26.1	25.7	19.1	18.9	30.8	30.8
Per Share Information											
Net income per share (EPS) (Yen, USD)	376.14	425.10	540.93	574.49	608.05	635.42	817.01	856.71	841.90	765.62	5.06
Net assets per share (BPS) (Yen, USD)	2,806.99	2,981.27	3,530.51	3,938.89	4,452.99	4,984.29	5,691.11	6,489.57	7,239.04	7,931.07	52.39
Dividend per share (Yen, USD)	55	65	82	92	97	108	123	140	146	147	0.97
Other Data											
Number of shares issued at the end of the year	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	114,443,496	114,443,496
Stock price at the end of the year (Yen, USD)	7,600	8,260	12,250	17,625	14,050	16,560	20,970	16,350	15,930	23,600	155.88
Total market value	869,771	945,303	1,401,933	2,017,067	1,607,931	1,895,184	2,399,880	1,871,151	1,823,084	2,700,866	17,839,276
Number of stores in Japan	346	383	428	467	505	545	651	708	773	822	822
Number of stores overseas	27	37	43	56	71	66	71	93	129	179	179
Net increase in number of stores	42	47	51	52	53	31	111	79	101	99	99
Total sales floor area (㎡)	1,568,596	1,678,835	1,806,666	1,928,461	2,037,213	2,099,997	2,726,935	2,828,992	2,961,391	3,148,905	3,148,905
Total number of employees	19,092	20,759	22,111	24,816	27,506	29,936	36,669	37,229	37,329	38,540	38,540

(Notes) 1. Translation into US dollars has been made at the exchange rate of 1 USD to 151.4 yen.
2. The total number of employees includes the average number of temporary employees (calculated on the basis that one day is eight hours).
3. The fiscal year ending March 31, 2023 is 13 months and 11 days from February 21, 2022 to March 31, 2023 due to a change in the fiscal year-end.

Data Center

Sustainability Data Book Environment

Greenhouse Gas Emissions from Nitori Group

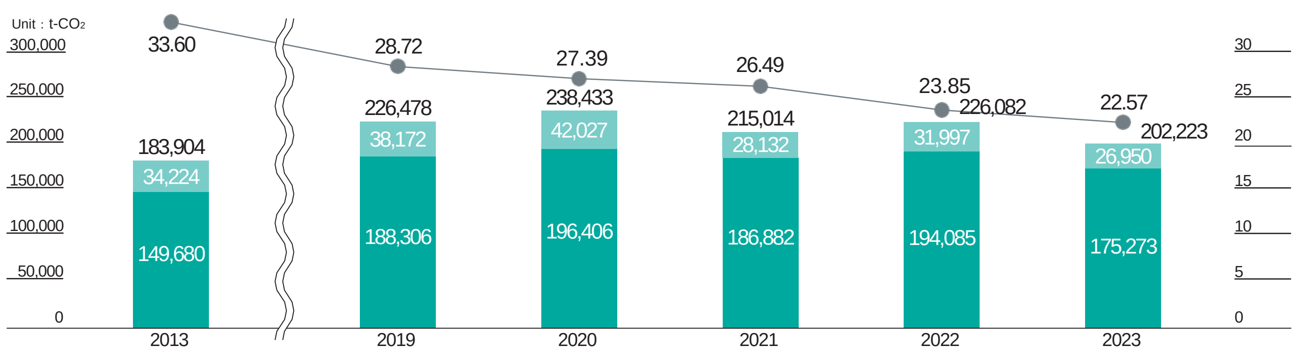
Nitori Group Green Vision 2050

Item	Goal for FY2030 (mid-term goal)	Goal for FY2050 (long-term goal)
Reduction of greenhouse gas emissions and positive contribution to climate change.	● Aim to reduce greenhouse gas emissions by 50%. (Emissions per 100 million yen in sales compared to FY2013) (Scope 1 and 2) ▶ Result of FY2023：32.8%	● Carbon Neutrality (Scope 1 and 2)

Greenhouse Gas Emissions			Unit	FY2013 (Reference year)	FY2019	FY2020	FY2021	FY2022	FY2023
Nitori Group			t-CO_2	183,904	226,478	238,433	215,014	226,082	202,223
	Scope1	Japan	t-CO_2	33,980	35,389	39,925	23,660	26,166	22,451
		Overseas	t-CO_2	244	2,783	2,102	4,472	5,831	4,499
	Scope2	Japan	t-CO_2	143,533	149,736	154,000	138,454	141,133	128,942
		Overseas	t-CO_2	6,147	38,570	42,406	48,428	52,952	46,331
Per unit			t-CO2per 100 million yen	33.60	28.72	27.39	26.49	23.85	22.57

*Nitori and its consolidated subsidiaries are in the scope of coverage.
Japan: Stores (Nitori, Deco Home, N+, Shimachu, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya, Meguro), and Home Deco, and other related entities
Overseas: Stores (Mainland China, Taiwan, South Korea, Hong Kong, Malaysia, Thailand, Singapore, Vietnam, U.S.A.), offices, warehouses, and factories (Nitori Furniture, Siam Nitori)
*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 FY2023 from overseas electricity use are calculated using the latest (2020) emission factors for each country in "IEA Emission Factors 2023" published by the International Energy Agency (IEA).

Greenhouse Gas Emissions Transition



	FY2013	FY2019	FY2020	FY2021	FY2022	FY2023
Reduction rate per unit of sales (compared to FY2013)	–	**-14.5%**	**-18.5%**	**-21.2%**	**-29.0%**	**-32.8%**
Total emission reduction rate (compared to FY2013)	–	**+23.2%**	**+29.7%**	**+16.9%**	**+22.9%**	**+10.0%**

Energy Consumption in the Nitori Group

Energy Consumption				Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Nitori Group		(Crude oil equivalent)		TJ	4,742.1	5,088.9	4,404.8	4,727.6	3,782.9
	Japan	(Crude oil equivalent)		TJ	3,986.3	4,321.5	3,542.1	3,735.1	2,984.4
		Electricity		Mwh	307,138	327,597	310,297	325,640	300,509
		Gas		1,000㎥	11,583	13,063	7,876	8,383	7,259
		Gasoline / diesel oil		kℓ	588	552	507	623	516
		Fuel oil (kerosene, etc.)		kℓ	170	211	336	366	260
	Overseas	(Crude oil equivalent)		TJ	755.8	767.4	862.7	992.5	798.5
Per unit		(Crude oil equivalent)		TJ per 100 million yen	0.60	0.58	0.54	0.50	0.42

*Nitori and its consolidated subsidiaries are in the scope of coverage.
Japan: Stores (Nitori, Deco Home, N+, Shimachu, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya, Meguro), and Home Deco, and other related entities
Overseas: Stores (Mainland China, Taiwan, South Korea, Hong Kong, Malaysia, Thailand, Singapore, Vietnam, U.S.A.), offices, warehouses, and factories (Nitori Furniture, Siam Nitori)

Amount of Waste from Nitori Group's Domestic Operations

Nitori Group Green Vision 2050

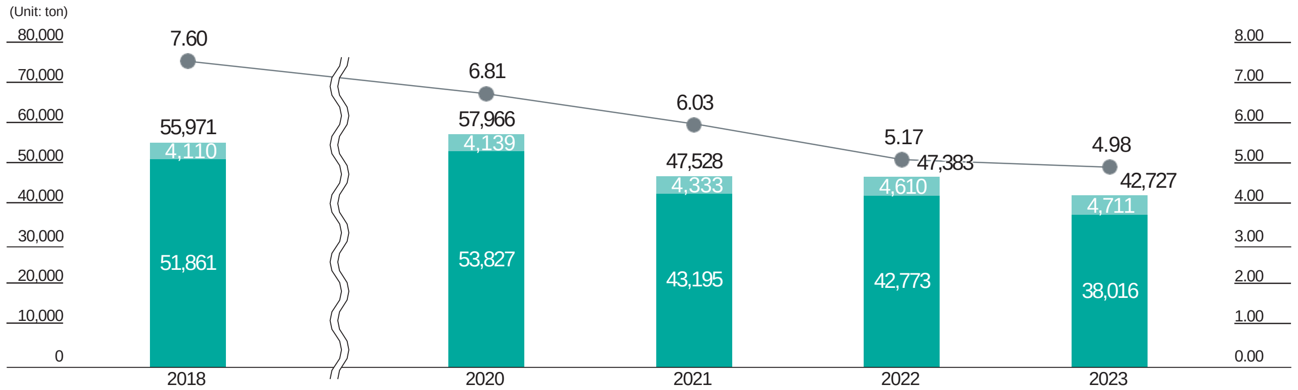
Item		Goal for FY2030 (mid-term goal)	Goal for FY2050 (long-term goal)
Reduction and Recycling of Waste	Before discharge (sorted for resources)	● Aim to reduce waste emissions by 50% or more. (Emissions per 100 million yen in sales compared to FY2018) (Japan) ▶ Result of FY2023：34.5%*	● Aim to reduce waste emissions by 50% or more. (Emissions per 100 million yen in sales compared to FY2018) (Global)
		● Aim to achieve 100% recycling rate of collected products. (Japan)	● Aim to achieve 100% recycling rate of collected products.(Global)
	After discharge (recycled instead of sent to landfill)	● Aim to achieve a recycling rate of at least 95% for industrial waste. (Japan) ▶ Result of FY2023: 89.6%	● Aim to achieve 100% recycling rate of waste. (Global)

*We had set a goal of reducing waste by 30% by FY2030, and we achieved this goal for two consecutive years in FY2022 and FY2023. We have therefore revised our goal to a 50% reduction starting in FY2024 with the aim of further reducing our environmental impact.

Amount of Waste Discharged			Unit	FY2018 (Reference year)	FY2020	FY2021	FY2022	FY2023
Nitori Group			t	103,061	107,825	94,193	96,599	85,852
	Waste with value and other		t	47,090	49,859	46,665	49,216	43,125
	Total amount of general waste and industrial waste			55,971	57,966	47,528	47,383	42,727
		General waste	t	4,110	4,139	4,333	4,610	4,711
		Industrial waste	t	51,861	53,827	43,195	42,773	38,016
		*Simple incineration and landfill disposal	t	–	–	5,010	4,778	3,966
		*Recycling rate	%	–	–	88.4	88.8	89.6
	General waste and industrial waste per unit		per 100 million yen	7.60	6.81	6.03	5.17	4.98

*Japan: Stores (Nitori, Deco Home, N+, Shimachu, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya, Meguro), and Home Deco, and other related entities
*The data covers wastes for which the company is the generator of the waste.
*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.

Waste Emissions Transition



	FY2018	FY2020	FY2021	FY2022	FY2023
Reduction rate per unit of sales (compared to FY2018)	–	**-10.4%**	**-20.7%**	**-32.0%**	**-34.5%**
Percentage of total waste reduced (compared to FY 2018)	–	**+3.6%**	**-15.1%**	**-15.3%**	**-23.7%**

Water Consumption in the Nitori Group

Amount of Water Used		Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Nitori Group		㎥	1,369,647	1,341,571	1,399,167	1,393,469	1,462,854
	Japan	㎥	911,642	923,444	857,824	712,861	816,674
	Overseas	㎥	458,005	418,127	541,343	680,608	646,180
Per unit		㎥ per 100 million yen	173.67	154.13	172.40	146.98	163.30

*Nitori and its consolidated subsidiaries are in the scope of coverage.
Japan: Stores (Nitori, Deco Home, N+, Shimachu, Everyone's Grill), Home Logistics, Head Office and Headquarters (Sapporo, Tokyo, Osaka, Omiya, Meguro), and Home Deco, and other related entities
Overseas: Stores (Mainland China, Taiwan, South Korea, Hong Kong, Malaysia, Thailand, Singapore, Vietnam, U.S.A.), offices, warehouses, and factories (Nitori Furniture, Siam Nitori)

Data Center

Sustainability Data Book Social

Employee Data

	FY2021	FY2022	FY2023	Target Scope
Total number of employees *Based on actual number of persons	52,695	53,400	56,934	Nitori Group as a whole
Total number of employees *Number of non-regular employees on an hourly basis	37,229	37,329	38,540	
Number of regular employees	18,984	18,909	18,934	
Number of non-regular employees *Annual average (calculated on the basis that one day is eight hours)	18,245	18,420	19,606	

Diversity & Inclusion

	FY2021	FY2022	FY2023	Target Scope
Percentage of female employees (%)	65.3	65.9	65.8	Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, N+, and Shimachu
Number of new graduates hired	635	461	1,045	Full-time employees of Nitori, Home Logistics, Nitori Public, and Shimachu
Percentage of female new graduates hired	47.7	46.2	41.1	
Percentage of employment of persons with disabilities (%)	2.75	2.99	2.95	Nitori Holdings, Nitori, Home Logistics, Nitori Facility, N+, and Shimachu
Number of women in management positions	395	481	534	Full-time employees of Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, N+, and Shimachu
Percentage of women in management positions (%) *1	15.0	16.8	17.5	
Number of non-Japanese nationals in management positions	41	58	70	
Number of employees taking childcare leave	165	226	191	
Number of male employees taking childcare leave	43	105	108	
Male childcare leave utilization rate*2*4*7	–	46.3	52.7	
Number of employees taking spousal maternity leave	50	105	89	
Number of employees taking nursing care leave	5	5	6	
Number of employees working shorter working hours (pregnancy, childcare, nursing care)	258	294	342	
Average days of paid leave taken	9.6	12.3	12.1	
Average percentage of paid leave taken	57.7	71.9	72.3	
Average overtime hours (hours per month)	9.5	12.4	11.0	
Difference in wages between male and female workers*1*3*7 Total*5	–	61.8	61.9	Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, and N+
Difference in wages between male and female workers*1*3*7 Regular employment*6	–	73.6	73.3	
Difference in wages between male and female workers*1*3*7 Part-time employment	–	93.3	94.2	
Difference in wages between male and female workers*1*3*7 Total*5	–	51.3	50.0	Shimachu
Difference in wages between male and female workers*1*3*7 Regular employment*6	–	73.0	69.6	
Difference in wages between male and female workers*1*3*7 Part-time employment	–	105.2	100.7	

*1 Calculated in accordance with the provisions of the "Law Concerning the Promotion of Active Roles for Women in Their Professional Lives" (Law No. 64, 2015).
*2 Based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (hereinafter referred to as "Child Care and Family Care Leave Law")" (Law No. 76, 1991), the percentage of employees who took child care leave, etc. as per Article 71-4-1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Ministry of Labor Ordinance No. 25, 1991)" was calculated.
*3 Number of workers is calculated based on working hours.
*4 Of the employees who confirmed their intention to take childcare leave in accordance with the revision of the Child Care and Family Care Leave Law in April 2022, all employees who wished to take such leave (excluding those who had not yet reached the desired time to take leave) have taken childcare leave.
*5 The percentage of non-regular workers is high among all workers, and the percentage of women among them is also high.
*6 The regular employees include employees who converted from fixed-term labor contracts to permanent contracts, and the percentage of women among them is high. The regular employees include those who chose various work styles such as shorter working hours, and a higher percentage of them are women.
*7 Disclosure began in FY2022.

Human Resources Development

	FY2021	FY2022	FY2023	Target Scope
Total training hours	348,508	745,802	889,971	Full-time employees of Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, N+, and Shimachu
Average hours of education per employee	50.7	115.4	162.0	
Average days of education per employee	6.3	14.4	20.2	

*Types of training programs applicable to the above hours: training programs for first to third year employees, training programs for visionary leaders, global training programs, U.S. seminar, chain store theory training programs, coordination training programs, digital literacy training programs, on-the-job training for each division, etc.

→ Details: P51 Education System

Occupational Health & Safety

	FY2021	FY2022	FY2023	Target Scope
Number of qualified health managers	1,656	1,768	1,823	Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, N+, and Shimachu
Number of staff trained in health and safety standards during the previous year	420	354	315	

	FY2021	FY2022	FY2023	Target Scope
Frequency rate of lost time injuries (%) *Absence from work for 4 days or more	2.62	3.18	2.77	Nitori Holdings, Nitori, Home Logistics, Home Cargo, Nitori Facility, N+, and Shimachu

*Calculation formula: Frequency rate = Cumulative number of births per year ÷ Total number of person-hours per year × 1,000,000

Status of Performance of Audits of New Overseas Suppliers (*Including Quality Assurance Items and Response to Environmental and Social Issues)

	Number of cases	Accepted	Conditional Acceptance (Improvement Request)	Rejected (no transactions permitted)
FY2021	99	12	76	11
Composition ratio	100.0%	12.1%	76.8%	11.1%
FY2022	234	18	189	27
Composition ratio	100.0%	7.7%	80.8%	11.5%
FY2023	297	26	206	65
Composition ratio	100.0%	9.0%	69.0%	22.0%

Audit Items for Potential New Overseas Suppliers (*Selected Items)

●Pollution prevention measures (including compliance with laws and regulations regarding air, water, and soil pollution) ● Compliance with Laws and Regulations for Hazardous Substance Disposal ● Promotion of resource reuse Periodic safety training as required by law ● Installation of fire extinguishing equipment ● Hazardous materials handling training ● Safety measures when working with hazards ● First Aid System for Accidents ● Improved working environment ● Leave/break time beyond what is required by law ● Ensure minimum wages as required by law ● Overtime hours within the stipulated hours / payment of overtime as stipulated by law ● Installation, maintenance and management of cafeteria/restroom facilities ● Enrollment in legally mandated benefits ● Establishment of labor unions ● Prohibit child labor/forced labor/discrimination ● Acquisition of Environmental/Labor Certifications

Status of Evaluation of Existing Overseas Suppliers

	First half of FY2021	Second half of FY2021	First half of FY2022	Second half of FY2022	First half of 2023	Second half of FY2023
Number of cases	441	460	415	431	451	443

Existing overseas suppliers evaluation factors (*Some in the five categories of "Development," "Quality," "Logistics/ Trade," "Corporate Stance," and "Sustainability (items addressing social issues, including environmental issues and human rights violations)" are excerpted from a total of 53 items.)

● Risk of factory shutdown ● Status of secondary supplier management ● Respect for Human Rights ● Creating a Safe Working Environment ● Compliance with international standards for assessment of working environment (prohibition of child labor, forced labor, and discrimination; assurance of health and safety; observance of appropriate working hours; fair compensation; freedom of association and possession of the right to collective bargaining, etc.) ● Sustainable forest utilization and conservation ● Understanding CO2 emissions(Scope1,2,3) ● Visualization of Chemical Substances ● Acquisition of Environmental Certifications ● Acquisition of other international certifications

Endorsement Initiatives

TCFD

TCFD Consortium

External Evaluation

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

MSCI ESG RATINGS

Data Center

Financial & Company Data

Company Stock Information (As of March 31, 2024)

Outline of Shares

Total number of authorized shares: 288,000,000
Total number of issued shares: 114,443,496
Number of shareholders: 25,899
Listed markets: Prime of the Tokyo Stock Exchange
Sapporo Securities Exchange

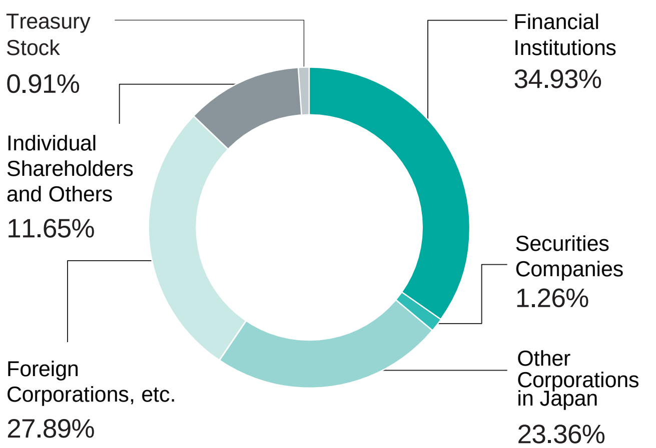
Securities code: 9843
Fiscal Year: April 1st of every year to March 31st of the following year
Annual General Meeting of Shareholders: within 3 months from the day after the last day of the fiscal year
Administrator of shareholder registry: Sumitomo Mitsui Trust Bank, Limited

Major Shareholders (As of March 31, 2024)

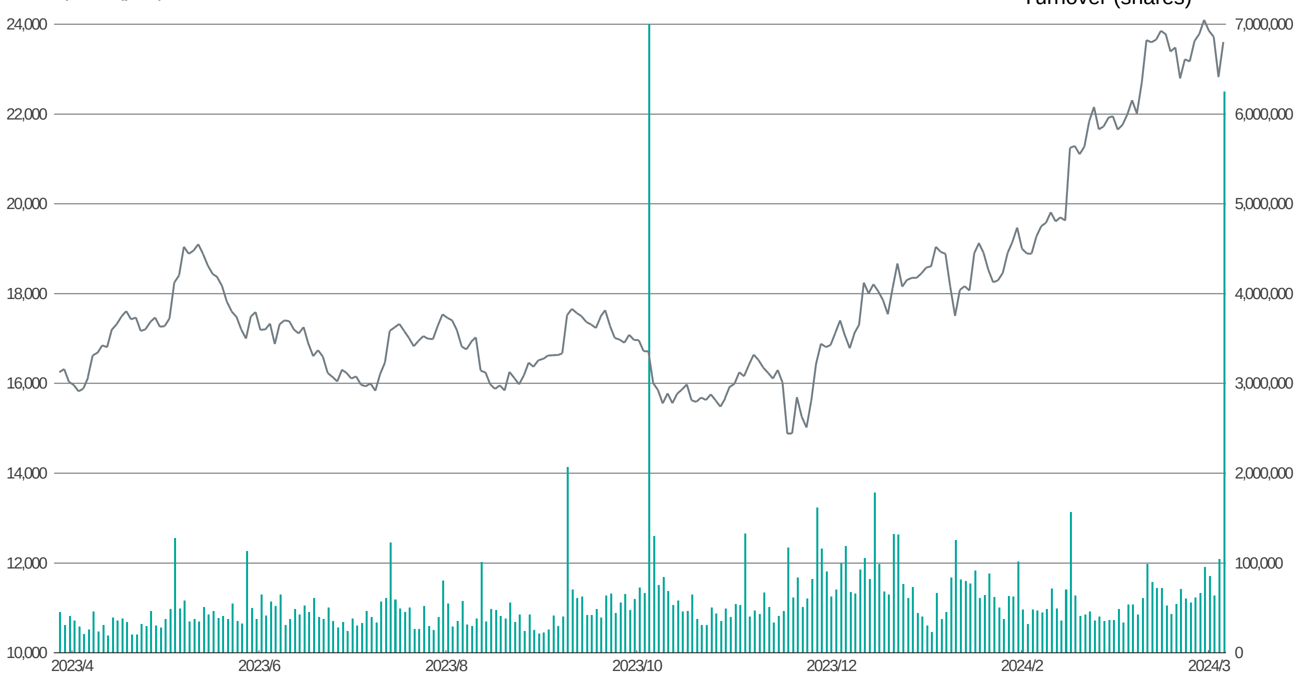
Name	Number of shares owned (thousands)	Ratio to the total number of issued shares (%)
Nitori Trading Ltd.	20,799	18.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,768	15.66
Custody Bank of Japan, Ltd. (Trust Account)	8,637	7.61
Nitori International Scholarship Foundation	4,000	3.52
North Pacific Bank, Ltd.	3,860	3.40
Akio Nitori	3,410	3.00
Momoyo Nitori	3,078	2.71
National Mutual Insurance Federation of Agricultural Cooperatives	2,411	2.12
JP MORGAN CHASE BANK 385632	2,351	2.07
Nippon Life Insurance Company	2,056	1.81

Notes:
1. The numbers presented in "Number of shares held" above are calculated based on the list of shareholders.
2. The Company's 1,044,184 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.

Distribution of Shares by Type of Shareholder



Stock Price and Turnover



Company Information (As of March 31,2024)

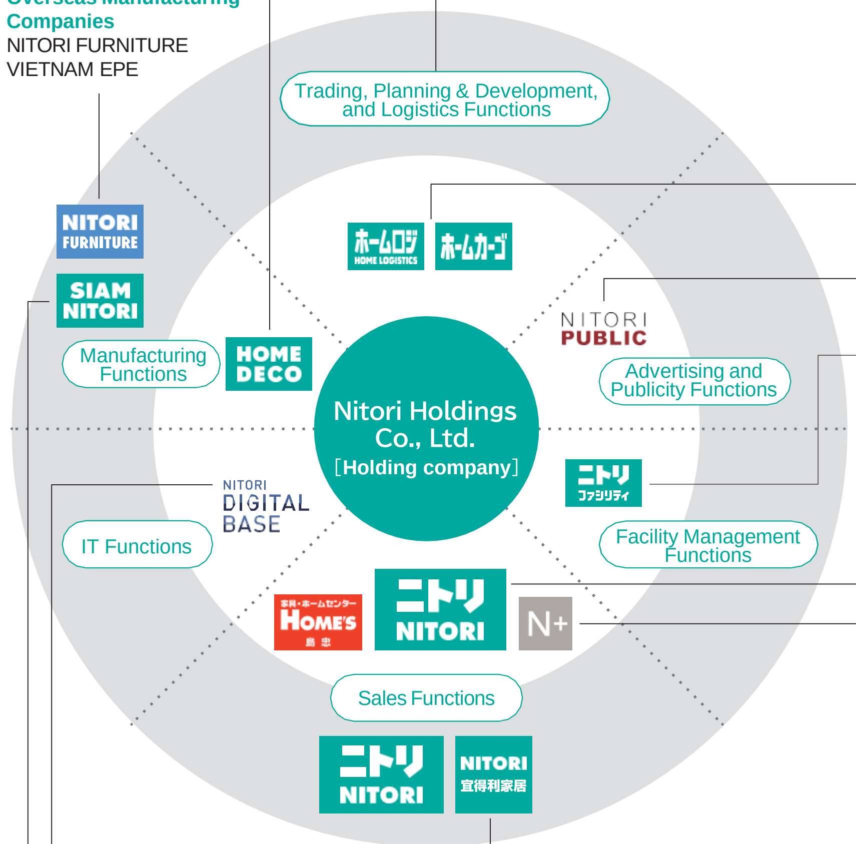
Company Name	Nitori Holdings Co., Ltd.
Representative	Akio Nitori, Representative Director & Chairperson (Chief Executive Officer) Toshiyuki Shirai, Representative Director & President (Chief Operating Officer)
Address	Sapporo Head Office: 1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo, Hokkaido 001-0907; TEL: +81-11-330-6200 Tokyo Headquarters: 3-6-20, Kamiya, Kita-ku, Tokyo 115-0043; TEL: +81-3-6741-1235
Establishment	December 1967
Incorporated	March 1972
Revenues (Consolidated)	895,799 million yen
Ordinary Income (Consolidated)	132,377 million yen
Capital Stock	13,370 million yen
Number of Employees (Consolidated)	38,540 (including 19,606 average part-time employees)

Nitori Group List

Curtain Manufacturing Factory
HOME DECO Co., Ltd.
IKEN CO.,LTD.

Overseas Manufacturing Companies
NITORI FURNITURE VIETNAM EPE

Import Agent Companies
NITORI (China) Co., Ltd.
HUIZHOU SHINIAO LOGISTICS CO.,LTD.
Nitori Taicang Trading & Logistics Co., Ltd.
NITORI TRADING VIETNAM COMPANY LIMITED
NITORI（MALAYSIA）SDN.BHD.
Nitori Trading (Thailand) Co., Ltd.
NITORI LOGISTICS（THAILAND）CO., LTD.
NITORI INDIA PRIVATE LIMITED
P.T. NITORI TRADING INDONESIA



Logistics Companies
Home Logistics Co., Ltd.
HOME CARGO Co., Ltd.

Advertising Agency
Nitori Public Co., Ltd.

Facility Management Insurance Agent Business
Nitori Facility Co., Ltd.

Store Management Companies
NITORI CO., LTD.
-Home Furnishing Store
-Home Fashion Store
-Nitori Mall
-Deco Home
-Online Shopping Business
-Renovation Business
-Corporate Sales Business, etc.
Shimachu CO., LTD.
-Shimachu
-Shimachu Home's
-Nitori Home's

Apparel Sales Company
N Plus Co., Ltd

IT / Digital Company
Nitori Digital Base CO., LTD.

Overseas Sales Companies
- NITORI TAIWAN CO., LTD.
- NITORI HONG KONG CO., LIMITED
- NITORI China Holdings Co., Ltd.
- NITORI Taicang Trading & Logistics Co., Ltd.
- Deco Home China Co.,Ltd.
- NITORI (SHANGHAI) HOME FURNISHING CO., LTD
- NITORI (SHANGHAI) HOME FURNISHING SALES CO., LTD
- NITORI USA, INC.
- NITORI RETAIL（MALAYSIA）SDN.BHD.
- NITORI RETAIL SINGAPORE PTE.LTD.
- NITORI PHILIPPINES INC.
- NITORI RETAIL（THAILAND）CO., Ltd.
- P.T. NITORI RETAIL INDONESIA
- NITORI KOREA CO., LTD.

Carpet and Rug Manufacturing Company
Siam Nitori Co.,Ltd.