

nf10

NAKAYAMAFUKU NEXT10

**A 10-year growth strategy
leading up to our 100th anniversary
Progress Report**

May 12, 2017
Nakayamafuku Co., Ltd.

In May 2016, we announced “Nakayamafuku NEXT10,” a growth strategy for the years leading up to the 100th anniversary of our founding. Having reached our 90th anniversary in March 2015, we adopted Nakayamafuku NEXT10 as our strategy for thriving in our second century. Here is a progress report.

Although our Management Philosophy and Management Vision remain untouched, we have amended our Business Strategy to reflect changes in the business environment.

nf10 A Look Back on the 71st Term, and Our Way Forward

During the 71st Term, net sales declined year on year as inbound demand waned and personal consumption was sluggish. At the same time, online shopping has grown in popularity, and more competitors have entered the market from other fields, pushing down the prices and, in regards to our major customers, making it more competitive. Moreover, rising shipping costs and growing personnel expenses caused by a labor shortage made it inevitable that earnings would drop sharply.

Given the business environment, we plan to continue following our Nakayamafuku NEXT10 Business Strategy in the 72nd Term while pursuing an Action Strategy with the primary goal of securing adequate earnings.

■ Management Vision

Aims of Nakayamafuku as we approach our 100th anniversary

Nakayamafuku aims to achieve powerful marketing backed by the capacity to procure a wide range of products meeting consumer needs, and the talent to plan solutions for customers. We aim to have an efficient logistics network built on an advanced system platform. We aim to establish ourselves as a home products trading company that is an industry leader in Japan, and who also has a firm foundation in markets abroad.

■ Business Strategy

Four strategies for achieving our Business Vision

● Expand shares in existing markets

As Japan's birthrate falls and our population ages, existing markets are forecast to shrink. Our goal under these circumstances is to win a war of attrition and thereby expand our market share.

● Develop new sales channels

We will work to expand sales channels that include our Group companies. For example, we will expand trade with Internet sales companies both in Japan and overseas, and develop markets run by Royal Tsuhan Co., Ltd. and Interform Inc.

- Expand sales channels to markets abroad

With more foreigners visiting Japan, Japanese products are becoming better known overseas, which will help sales. We plan to ride this wave and expand our exports, particularly to China and Southeast Asia.

- Strengthen original products

We will work to further enhance our function as a manufacturer.

For example, we will strengthen the Bestco brand of our original products and develop new products using Interform's design expertise.

■ **NF10** Medium-term management plan philosophy

For the last nine years leading up to our 100th anniversary, we will pursue a growth strategy in three phases (medium-term plans).

	Phase 1 (Medium-Term Plan)			Phase 2 (Medium-Term Plan)			Phase 3 (Medium-Term Plan)		
70th Term ended March 2016	71st Term ended March 2017	72nd Term ending March 2018	73rd Term ending March 2019	74th Term ending March 2020	75th Term ending March 2021	76th Term ending March 2022	77th Term ending March 2023	78th Term ending March 2024	79th Term ending March 2025
¥48.5 billion	¥48 billion	¥50 billion	¥52 billion	Net sales target assuming ¥70 billion			Net sales target assuming ¥100 billion		

In light of the rapidly changing business environment during the 71st Term, we plan to pivot to an Action Strategy with the primary goal of securing adequate earnings in Phase 1, building a foundation for growth in Phase 2 and beyond.

Major terms used in Nakayamafuku NEXT10, as well as in other reports and documents, are defined as follows:

“Management Philosophy”

A mindset that Nakayamafuku adopts to define our value and significance as an enterprise and which we thus use as the grounds for all our business decisions.

“Management Policy”

A statement that defines our Management Philosophy as it plays out in specific business activities. The Management Policy sets the basic pattern for Nakayamafuku’s business activities and provides action guidelines for directors and employees.

“Management Vision”

A vision of Nakayamafuku some five to ten years in the future, describing what we will become if we sustain our business activities based on the Management Philosophy.

“Business Strategy”

Medium to long-term measures to be implemented to achieve the Management Vision. Our Business Strategy determines where we will focus management resources, such as approach to new markets or building of control systems.

“Action Strategy”

Concrete measures and policies to be implemented in each fiscal year, based on the Business Strategy.

“Management Plan”

Numerical targets set for each fiscal year, or for periods of three to five years, based on the Business Strategy.



**As we approach our 100th anniversary, becoming
a company fit to survive the next 100 years**

Precaution on future outlooks

Forecasts of business results contained herein were based on economic conditions, market trends, and plans foreseen at the time of writing. We cannot guarantee the accuracy of this material or whether planned figures and/or policies will be achieved in future. Actual business results may vary because of a wide range of factors going forward.