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NAKAYAMAFUKU NEXT10

FYE Mar. 2023 – FYE Mar. 2025

Medium-Term Management Plan

Growing to Our 100th

— Medium-Term Management Plan Leading Up to Our 100th Anniversary —

May 23, 2023

Nakayamafuku Co., Ltd.



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Three-year Plan Leading Up to Our 100th Anniversary (FYE Mar. 2025)

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1. Business Strategy and Sustainability

Our Philosophy from Our Management Philosophy to Sustainability and Our Medium-Term Management Plan

Management Philosophy

Coexist with society, and use our business activities as a means of contributing to society by helping our shareholders, suppliers, customers, employees, and other parties we deal with to achieve happiness.

Management Vision

Nakayamafuku aims to develop markets, grow as a company, and enrich the environment in which people live through the home products we sell and the information we distribute.

“Basic Sustainability Policy”

Nakayamafuku considers responsibility for improving quality of stocked products and environmental conservation, securing diverse personnel, consideration for employee health and the workplace environment, enhancement of corporate governance, risk management in relation to natural disasters, etc., to be important issues, and our basic policy is to actively work to realize a sustainable society and increase corporate value.

1. Business Strategy and Sustainability

In response to the environment surrounding our company, and in order to lay the foundation for the development of Nakayamafuku and society from our 100th year and beyond, we have identified material issues under our management philosophy and will address them together with the SDGs.

Nine Material Issues

	Material Issues	Main Initiatives
E (Environment)	<ul style="list-style-type: none"> Protect limited resources while giving consideration to energy consumption and the environment 	<ul style="list-style-type: none"> Initiatives to tackle climate change
	<ul style="list-style-type: none"> Contribute to environmental improvement for social development 	<ul style="list-style-type: none"> Conserve resources Develop products that contribute to the environment Environmentally considerate product transport
S (Society)	<ul style="list-style-type: none"> Nurturing people to achieve happiness 	<ul style="list-style-type: none"> Engagement Health and productivity management
	<ul style="list-style-type: none"> Create an environment where individuals feel a sense of purpose and pride 	<ul style="list-style-type: none"> Work-style reforms and securing personnel
	<ul style="list-style-type: none"> Develop personnel that provide new value 	<ul style="list-style-type: none"> Diversity and inclusion
	<ul style="list-style-type: none"> Provide products that improve health and enrich the lives of consumers they are delivered to 	<ul style="list-style-type: none"> Strengthen manufacturing business (Business Strategy) Social contribution and collaboration
	<ul style="list-style-type: none"> Provide support and supply products so that people's lives are not interrupted 	<ul style="list-style-type: none"> Expand e-commerce business (Business Strategy) Strengthen logistics systems (Business Strategy) Enhance wholesale business (Business Strategy)
G (Governance)	<ul style="list-style-type: none"> Sustainably grow our company 	<ul style="list-style-type: none"> Governance, risk management
	<ul style="list-style-type: none"> Become a company that is trusted by society 	<ul style="list-style-type: none"> Dialog with shareholders and investors Compliance, measures to prevent harassment

1. Business Strategy and Sustainability

Business Strategy

Realize our four business strategies based on the business foundation of our three material issues.

**Strengthen
logistics
systems**

**Enhance
wholesale
business**

**Strengthen
manufacturing
business**

**Expand
e-commerce
business**

Enhance governance

Foster human capital

**Social contribution and
collaboration**

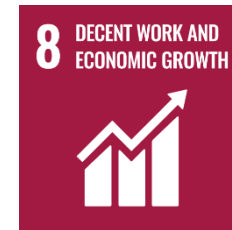
2. Business Strategies

Business Strategy

“Strengthen logistics systems” and “Enhance wholesale business”

We will maintain a stable logistics system by building and strengthening our logistics network and appropriately distributing human capital. At the same time, we will reduce our environmental burden by reviewing transportation and storage methods in the process of improving the sophistication and efficiency of our logistics system.

With the development of Direct to Consumer (DtoC) and Specialty store retailer of Private label Apparel (SPA), etc., we will accurately grasp changing consumer needs and strengthen our ability to disseminate information to customers and manufacturers. At the same time, we will enhance the existence value of our core wholesale business more than ever by thoroughly managing inventory and improving delivery rates. Further, we will enhance investment in human resource-related measures to foster human resources who generate new ideas and promote efficient work styles.



2. Business Strategies

Business Strategy

“Strengthen manufacturing business”

Continuing from phases 1 and 2, we will invest management resources to bolster sales of our original brand “Bestco,” and focus on transforming our earnings structure. We will further leverage the manufacturing technology of GREENPAL CO., LTD., the design capabilities of INTERFORM INC., and the Internet sales capabilities of ENICY CO., LTD. and maximize Group’s synergistic effect.

At the same time, we will develop manufacturing bases overseas to ensure a stable supply of our original “Bestco” products.

As a company strengthening its manufacturing business, we will aim to provide safe and reliable products in Japan and abroad with consideration for the environment.



2. Business Strategies

Business Strategy

“Expand e-commerce business”

Taking advantage of the shift in consumer behavior from shopping at brick-and-mortar stores to shopping online due to the establishment of new lifestyles, our newly established e-commerce business department will act as a control tower to strengthen sales to customers with e-commerce businesses, enhance sales of our original brand “Bestco” at directly managed e-commerce stores, and promote collaboration with group companies, with sales of 2,000 million yen projected for the fiscal year ending March 2025.

At the same time, we will enhance our information gathering and marketing capabilities to develop appealing products that meet changing consumer needs.

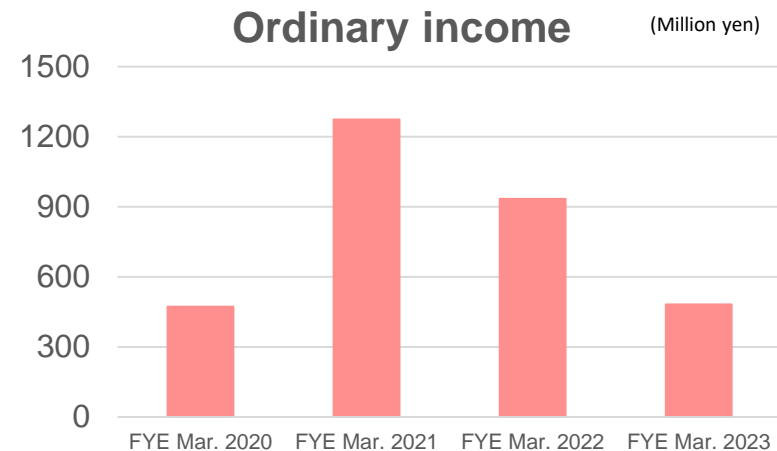
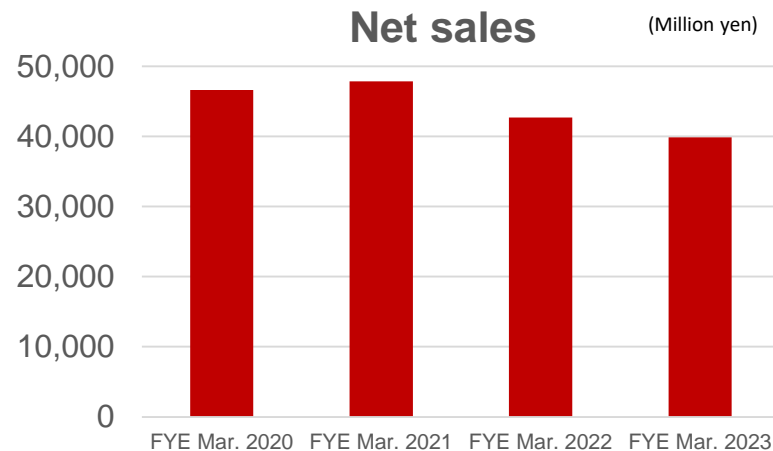
We will also help to improve the quality of life of consumers by actively handling environmentally friendly, high-quality products.



3. Reflecting on Year 1 (FYE Mar. 2023)

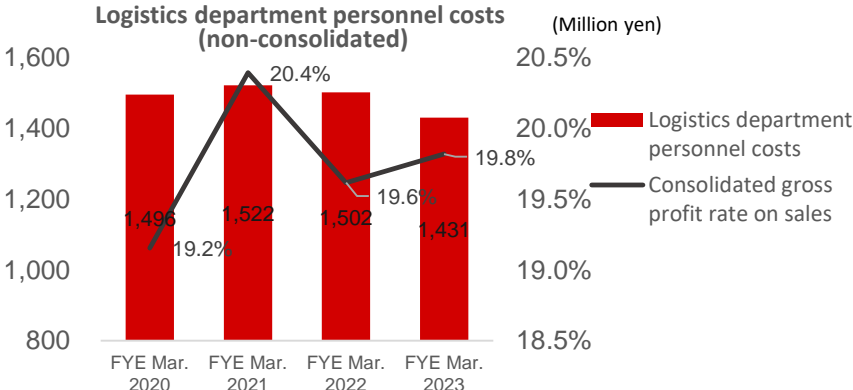
In year 1 of the final phase of NF10 (fiscal year ended March 31, 2023), the Group operated in harsh business conditions due to factors such as intensifying competition in the retail market, increasing purchase costs due to rising cost of resources and the ongoing downturn of the yen, and heightened budget awareness.

Under these business circumstances, we have promoted sales and created efficiency in our logistics systems, but recorded net sales of ¥39,887 million (6.6% decrease year on year). Although we maintained our gross margin ratio by responding to soaring purchase costs by passing them on to retail prices, we recorded ordinary income of ¥482 million (48.4% decrease year on year), primarily due to ongoing high personnel expenses and logistics expenses.



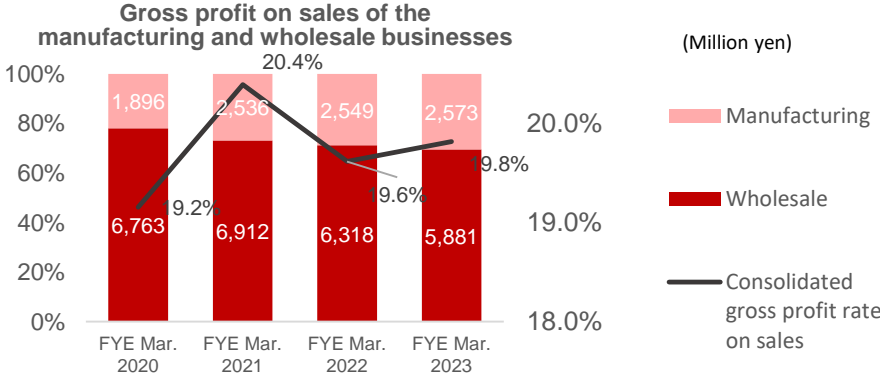
3. Reflecting on Year 1 (FYE Mar. 2023) and Future Initiatives

“Strengthen logistics systems” [efficiency strategy]

Initiatives in Year 1	Future Initiatives															
<p>[Main measures]</p> <p>① Full-scale operation of logistics systems in the Kanto/Tohoku area</p> <ul style="list-style-type: none"> • Appropriate allocation of personnel and efficient business operation to maximize usage of the East Kanto Branch Warehouse <p>② Pursuit of logistics cost efficiency</p> <ul style="list-style-type: none"> • Logistics cost efficiency: Optimal selection of logistics companies • Logistics personnel costs: Efficiency of in-warehouse tasks • Packing costs: Consideration of review of materials, etc. 	<p>[Concept]</p> <p>Proceeding with advancement and increased efficiency of domestic logistics sites, which are our strength, while pursuing improvements in logistics quality and cost reduction</p> <p>[Main measures]</p> <p>① Review of the system of domestic sites throughout Japan in line with environmental changes. Consideration of trial models of logistics systems that are optimized for the roles and tasks of each individual and for each region</p>															
 <p>Logistics department personnel costs (non-consolidated) (Million yen)</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Logistics department personnel costs (Million yen)</th> <th>Consolidated gross profit rate on sales (%)</th> </tr> </thead> <tbody> <tr> <td>FYE Mar. 2020</td> <td>1,496</td> <td>19.2%</td> </tr> <tr> <td>FYE Mar. 2021</td> <td>1,522</td> <td>20.4%</td> </tr> <tr> <td>FYE Mar. 2022</td> <td>1,502</td> <td>19.6%</td> </tr> <tr> <td>FYE Mar. 2023</td> <td>1,431</td> <td>19.8%</td> </tr> </tbody> </table>	Fiscal Year	Logistics department personnel costs (Million yen)	Consolidated gross profit rate on sales (%)	FYE Mar. 2020	1,496	19.2%	FYE Mar. 2021	1,522	20.4%	FYE Mar. 2022	1,502	19.6%	FYE Mar. 2023	1,431	19.8%	<p>② Consideration of advancement using IT (creating efficiency of in-warehouse tasks and anticipating digital demand at leading branches, etc.) for increased logistics efficiency</p> <p>③ Continuation of pursuit of efficiency in relation to transportation, logistics, and packing costs</p>
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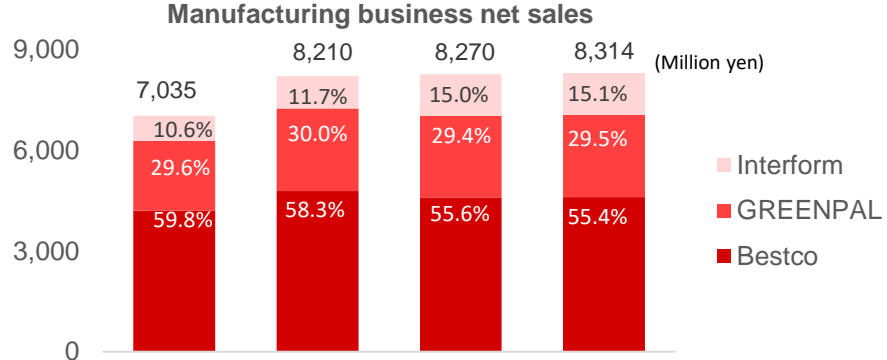
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“Enhance wholesale business” [efficiency strategy]

Initiatives in Year 1	Future Initiatives																				
<p>[Main measures]</p> <p>① Enhancement of ability to make proposals to customers</p> <ul style="list-style-type: none"> • Making optimal proposals to solve the issues of individual customers <p>② Increased profitability through product and price measures</p> <ul style="list-style-type: none"> • Promotion of optimal product and price measures in an environment of rising purchasing costs 	<p>[Concept]</p> <p>Pursuit of ongoing improvement in the existing value and profitability of our core businesses amidst harsh market conditions</p> <p>[Main measures]</p> <p>① Promotion of information dissemination and proposal capabilities at customer sites (invigoration of ability to cater to site requirements)</p>																				
<p>Gross profit on sales of the manufacturing and wholesale businesses (Million yen)</p>  <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Wholesale (Million yen)</th> <th>Manufacturing (Million yen)</th> <th>Consolidated gross profit rate on sales (%)</th> </tr> </thead> <tbody> <tr> <td>FYE Mar. 2020</td> <td>6,763</td> <td>1,896</td> <td>19.2%</td> </tr> <tr> <td>FYE Mar. 2021</td> <td>6,912</td> <td>2,536</td> <td>20.4%</td> </tr> <tr> <td>FYE Mar. 2022</td> <td>6,318</td> <td>2,549</td> <td>19.6%</td> </tr> <tr> <td>FYE Mar. 2023</td> <td>5,881</td> <td>2,573</td> <td>19.8%</td> </tr> </tbody> </table>	Fiscal Year	Wholesale (Million yen)	Manufacturing (Million yen)	Consolidated gross profit rate on sales (%)	FYE Mar. 2020	6,763	1,896	19.2%	FYE Mar. 2021	6,912	2,536	20.4%	FYE Mar. 2022	6,318	2,549	19.6%	FYE Mar. 2023	5,881	2,573	19.8%	<p>② Enhancement of overall capabilities, including the perspectives of enhancement of cooperation with suppliers and product strategy</p> <p>③ Productivity review of sales activities, improvement of business efficiency, thorough inventory management, and improvement of delivery efficiency for improved profitability</p>
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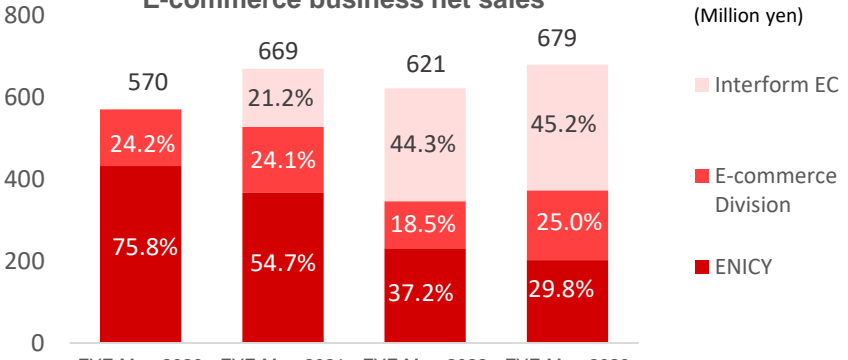
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“Strengthen manufacturing business” [growth strategy]

Initiatives in Year 1	Future Initiatives																									
<p>[Main measures]</p> <p>① Development of new products based on consumer needs and new products aimed at group synergy e.g.) Joint development with Bestco Co., Ltd. and GREENPAL Co., Ltd.</p> <p>② Enhancement of the manufacturing businesses of each Group company</p> <ul style="list-style-type: none"> • INTERFORM INC. • GREENPAL CO., LTD. 	<p>[Concept]</p> <p>Pursuit of expansion of Group manufacturing businesses, including the Nakayamafuku original product, Bestco</p> <p>[Main measures]</p> <p>① Enhancement and review of new product development capabilities</p> <ul style="list-style-type: none"> • Thorough marketing activities • Productivity improvement for development tasks • Achievement of our growth strategy through M&A 																									
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3. Reflecting on Year 1 (FYE Mar. 2023) and Future Initiatives

“Expand e-commerce business” [growth strategy]

Initiatives in Year 1	Future Initiatives																									
<p>[Main measures]</p> <p>① Enhancement of business for e-commerce operators</p> <ul style="list-style-type: none"> • Full range of products for e-commerce operators <p>② Expansion of e-commerce channels</p> <ul style="list-style-type: none"> • Enhancement of sales through original products from Nakayamafuku and Group companies • Creation of e-commerce business efficiency 	<p>[Concept]</p> <p>Enhancement of Group-wide initiatives to expand e-commerce business in keeping with market conditions of increasing e-commerce. Expansion of sales channels through the combination of efficient and effective use of management resources</p> <p>[Main measures]</p> <p>① Enhancement of sales for e-commerce operators</p> <p>Implementation and continuation of product measures in accordance with the needs of individual operators</p> <p>② Promotion of e-commerce business as a Group, and Group-based promotion of measures for sales expansion and to advance and increase efficiency (insourcing of logistics tasks and sharing of knowhow)</p>																									
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3. Reflecting on Year 1 (FYE Mar. 2023) and Future Initiatives

“Strengthen the business foundation”

	Initiatives in Year 1	Future Initiatives
Strengthen governance	<ul style="list-style-type: none"> ① Operate committees to strengthen governance (Nomination & Remuneration Committee and Sustainability Promotion Committee) ② Increase employee awareness of governance 	<ul style="list-style-type: none"> ① Increase effectiveness of the Board of Directors ② Increase engagement with all stakeholders ③ Improve compliance ④ Increase risk management implementation capabilities ⑤ Progress to optimal systems for the Group
Foster human capital	<ul style="list-style-type: none"> ① Provide complete range of training for each level to encourage professional development ② Enhance health management for employees 	<ul style="list-style-type: none"> ① Comprehensive training based on an employee engagement survey and invigoration of personnel exchange ② Achievement of work-life balance through work efficiency
Social contribution and collaboration	<ul style="list-style-type: none"> ① Enhancement of initiatives with the UN WFP 	<ul style="list-style-type: none"> ① Support for the Private Schools of Japan Scholarship Fund for Young/Women Researchers ② Social contribution activities through donation of products

4. Three-year Plan Leading Up to Our 100th Anniversary (Medium-term Management Target)

Progress Toward Achievement of Medium-Term Management Targets

		Record of previous fiscal year	Plan for current fiscal year	Medium-term Management Target
		FYE Mar. 2023	FYE Mar. 2024	FYE Mar. 2025
Net sales	Wholesale business	29.7 billion yen	29.9 billion yen	30.0 billion yen
	Manufacturing business	8.3 billion yen	9.2 billion yen	11.0 billion yen
	E-commerce business	1.8 billion yen	1.9 billion yen	2.0 billion yen
	Group consolidated total	39.8 billion yen	41.0 billion yen	43.0 billion yen
Ordinary income	Group consolidated total	0.48 billion yen	0.68 billion yen	0.73 billion yen

Precaution on future outlooks

Forecasts of business results contained herein are 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 due to a wide range of factors going forward.