



Consumer Goods & Services



Evolving with society to deliver convenience and prosperity

Executive Officer
General Manager of Consumer Goods & Services Division

Hiroshi Fujii

Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	17,000	18,685	17,500	16,802	(698)	↘	20,700	22,000
Operating income	1,100	1,410	1,250	953	(297)	↘	1,550	1,200
Operating margin	6.5%	7.6%	7.2%	5.7%	(1.5 points)	↘	7.5%	5.5%

*Announced in January 2023

Performance by business segment for the fiscal year ended November 2022

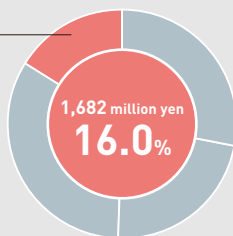
Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).

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Breakdown

Bedding and business supplies	23%
Household goods	49%
Hobby and craft	18%
Others	9%

Sales distribution

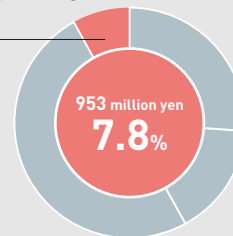


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Breakdown

Bedding and business supplies	14%
Household goods	37%
Hobby and craft	20%
Others	29%

Operating income distribution



Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	5.1%	7.1%	6.8%	10.1%	5.5%

Main products and services

- Bedding and business supplies: Bedding, airline blankets, disaster supply blankets
- Household goods: Lifestyle appliances and miscellaneous goods, goods for 100-yen shops, furniture, film for tablets and computers
- Hobby and craft: Stamping ink and stamps, horse riding goods, knitting yarn
- Others: Container sales, insurance agency



Business overview

- Development of products and services without fixation on existing business fields; pioneering of new businesses
- Maximizing our trading company functions to propose and realize strengthened foundations for sales, e-commerce, and logistics both inside and outside Nikke Group

Key policies

- Discover and develop new businesses with an open mindset, and actively enter into different industry fields without being restricted by existing business frameworks
- Strive for business with high future potential and social impact in all areas, from upstream to downstream

Sustainable management-focused medium-term management plan and strategy

Business advantage

The mission of the Consumer Goods & Services Division is to deliver the products and services that customers need in their daily lives, and to do so in the most optimal way. We work every day to develop, innovate, and improve products and services that will meet this standard. In recent years, our focus has been on increasing the rate of e-commerce in bedding and business supplies, household goods and infection control supplies, hobby and craft, and other fields, centered on the two Group companies of Miyako and AQUA.* In addition, through Thanko, which joined Nikke Group last year, we will advance further upstream while acquiring and expanding sales channels.

*On October 1, 2022, the e-commerce-focused AQUA Inc. absorbed and merged with Niceday Inc. in order to further expand and grow business.

Risks and opportunities

We recognize that the global increase in the cost of raw materials and crude oil, along with rapid depreciation of the yen, represents a business risk by inviting an increase in product procurement costs. Additionally, we view the supply chain disruptions caused by the pandemic and international conflicts to be major risks. At the same time, however, we believe that by fully leveraging our trading company functions, and by adapting quickly and flexibly to current conditions, unconstrained by the existing business framework, we can develop new markets while securing sales opportunities.

Business strategy

The focus of our division is on increasing the rate of e-commerce in our business, prioritizing both B2B and B2C and pursuing greater sharing of know-how and structures within the Group. With regard to logistics, we will work on stronger coordination with logistics companies that can provide efficient, effective, and environmentally friendly services. In overseas business, we will utilize Nikke Group's trading company functions and collaborate with overseas mail order and e-commerce companies to create a system to deliver the best products at the right time. To this end, we will also actively pursue M&A of companies possessing functions that will augment and supplement our existing business.

Products brimming with originality

In November 2022, we acquired 80% of all issued shares of Thanko, Inc., a company which, under the motto of "interesting and useful," manufactures and sells products brimming with originality. By welcoming Thanko into Nikke Group, we aim to further expand our e-commerce business.

