

## Progress of the 10th Medium-Term Management Plan

As new work styles and lifestyles are becoming common, and paperless and digitization is progressing, in July 2021, we formulated the 10th Medium-Term Management Plan (from the fiscal year ended June 20, 2022 to the fiscal year ending June 20, 2024), to break away from our file-dependent earnings structure. The Group has put up “focus on growth fields” and “further strengthen core businesses” as policies under its Medium-Term Management Plan, whereby we will aim to materialize sustainable growth while firming up its management basis in the post-COVID-19 era, by driving the Group-based management fully utilizing the Group’s management resources such as a flexible product development structure, a wide array of original products, and extensive sales channels. We will also promote ESG initiatives with realization of a sustainable society as a priority goal.

### Basic Policy

#### Focus on growth fields and further strengthen core businesses

- 1 Expand the business domain
- 2 Enhance the competitiveness of three overseas factories
- 3 Sustainability initiatives

### Strategy by Business

Business	Policy	Item	Measures
Stationery and office supply business	Focus on growth fields	Hygiene and health products	Actively engage in planning and development of products that adapt to the new lifestyle after drastic changes enforced through the COVID-19 epidemic.
		Office and living environment products	Provide new product line-up focused on telework and hours spent at home, taking advantage of our brand strength, selling power, and development/procurement capabilities.
		Digital stationery	Aim to acquire new users while creating new markets through adapting to changes in work style and enhancing new product range based on our original product concept.
	Further strengthen core businesses	Feminine stationery	Strengthen our appeal to the targeted user segments through more extensive range of products including general merchandise outside stationery.
Interior lifestyle business	Focus on growth fields	TEPRA	Develop new markets and distribution channels for acquiring the customer segments that have hitherto been stranger to TEPRA, by uncovering labeling-related demand.
		Stationery	Drive reinforcement of existing product categories and participation in new product categories in parallel. Introduce production technologies for merchandise other than stationery at overseas manufacturing subsidiaries to diversify product portfolio.
Common to both businesses	Focus on growth fields	Overseas business	Work still harder for developing business in the European and American markets in addition to the Asian markets. Drive global marketing of kitchen appliances supported by the Japanese quality standards as well as feminine stationery.
		E-commerce business	Aim to drastically expand sales through effective marketing and by enlarging scope of merchandise handled.
		M&A	Enhance business portfolio through active investment in this area as an essential means to expand our business domain.

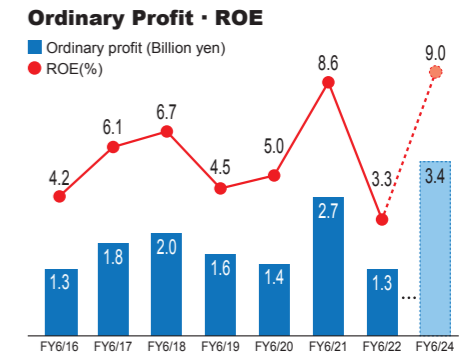
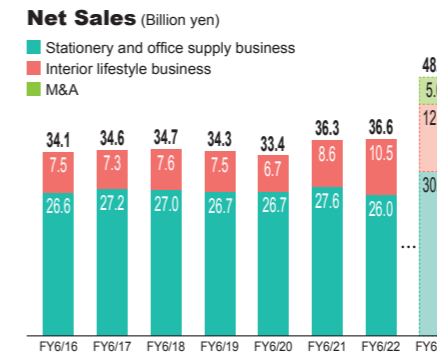
### Management Targets

Net Sales **¥48.0 billion**

Ordinary Profit **¥3.4 billion**

Ordinary Profit Ratio **7%**

ROE **9%**



### Initiative Status (Results of the First Year)

#### M&A

In November 2021, we acquired all shares of Life on Products, Inc. and made it a subsidiary. Life on Products, Inc. is engaged in the planning and sale of various products, including household appliances, everyday goods, and room fragrances. By adding it to the Group, we aim to realize a dramatic expansion of our interior lifestyle business.



#### New product launches

In the growth field of “office and living environment products,” we launched the “Microphone with Speaker,” a loudspeaker that combines a speaker and microphone, so it does not require audio equipment. It has been well received as equipment for schools and public facilities. In “hygiene and health products,” we launched the new CO<sub>2</sub> Monitor, which can display the CO<sub>2</sub> concentration in a room as a countermeasure against COVID-19 infection. In the “interior lifestyle business,” we achieved strong performance with our mainstay products, such as LADONNA CO., LTD.’s kitchen appliances and ASCA CO., LTD.’s artificial flowers. To further strengthen our core business, we launched the SR-R980, the new highest-end model of TEPRA.

### Priority Measures for the Future

#### New products

We will continue to develop products that meet the needs of society, while further expanding sales of products such as the alcohol detector Alcohol Checker in “office and living environment products,” and the new DM250 digital memo POMERA in “digital stationery.” In the “interior lifestyle business,” we will also develop new products for the core product lines of each Group company and expand the range of products we handle.



#### Price revisions

In response to soaring prices of raw materials and other materials, we have endeavored to maintain our prices by reducing costs and improving productivity. However, it has become extremely difficult to maintain the existing prices through our own efforts, so we will revise the prices of some products with the aim of improving profitability.

#### Group synergy

We will strive to create group synergies, including our new Group company Life on Products, Inc., by improving efficiency through joint product procurement and quality control among Group companies, as well as sales growth through mutual utilization of sales channels both in Japan and overseas.

#### M&A

As an essential means to expand our business domain, we will enhance our business portfolio by actively considering M&As that can be expected to create group synergy.

# Message from the CFO

Working from a stable financial base, we will promote growth investment, and aim to improve our performance with an “offensive” and “defensive” financial strategy.

## Shinichi Harada

Director and Managing Executive Officer, General Manager, Administration Division



### Expanding business performance driven by advancement in growth fields through M&As

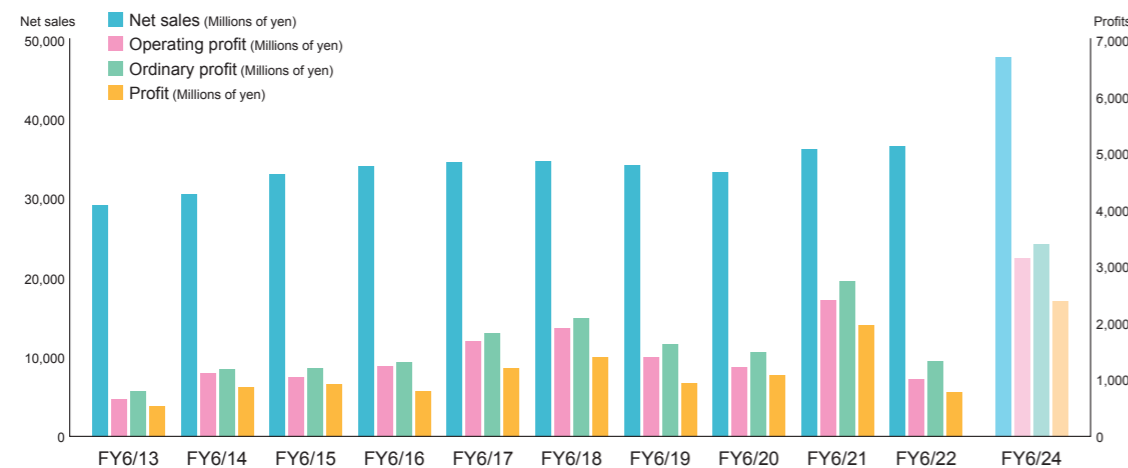
We are working to develop original products in our stationery and office supply business, which is our core business. Since the 2000s, we have been actively implementing growth investment, including M&As, and promoting the expansion of our business domains. After the January 2014 M&A of BON FURNITURE CO., LTD., which handles E-commerce sale of interior furniture and everyday goods, sales and ordinary profit increased for five consecutive years from 2014 to 2018, riding the upward trend brought about by expansion of the interior lifestyle business, which is positioned as a growth field.

In the fiscal year ended June 20, 2021, sales of hand sanitizer dispensers such as “tette” increased due to the COVID-19 pandemic. In addition, due to stay-at-home demand, Group companies that were engaged in the interior lifestyle business performed well. Profit reached a record high thanks

to the addition of WINCESS CORPORATION to the Group, as well as the effects of various cost reductions.

The consolidated results for the fiscal year ended June 20, 2022 were affected by TEPR A running out of stock due to the shortage of semiconductors, as well as files running out of stock due to lockdowns in producing countries. Despite a decrease in sales in the stationery and office supplies business, overall sales increased by 0.9% year-on-year, due to the sales contribution from Life on Products, Inc., which became a subsidiary in November 2021. Profits decreased due to the sudden depreciation of the yen and soaring raw material prices, distribution costs, and other factors.

In the fiscal year ending June 20, 2023, we anticipate a recovery in sales of some of our core products, which suffered supply shortages in the previous fiscal year. Life on Products, Inc. is expected to make a full-year contribution to our business performance, and the performance of each Group company is expected to remain strong. We are also revising the prices of some products, with the aim of improving profitability.



Results

Medium-Term Management Plan

## Our growth strategy and financial strategy are inextricably linked with each other Making active investments based on a strong financial base

As CFO (Chief Financial Officer), I believe that the growth strategy that is responsible for improving corporate value and the financial strategy that supports it should be inextricably linked with each other. Accordingly, we will continue to actively implement growth investment under the 10th Medium-Term Management Plan. We are planning strategic investment of ¥12.0 billion in growth fields, of which ¥2.0 billion will mainly be for new product development and production facilities investment to strengthen our competitiveness in existing businesses. We are investing ¥10.0 billion to expand our business domains including M&As, and have already acquired shares in Life on Products, Inc., and in HIM Co., Ltd. in September 2022. M&As have contributed to our performance, as one of the important growth drivers over the past 10 years. We will work to break away from the file-dependent earnings structure that is currently troubling us, and move beyond stationery and office supplies, to include manufacturers and E-commerce businesses that handle kitchen goods, home appliances, and daily necessities as important target sectors.

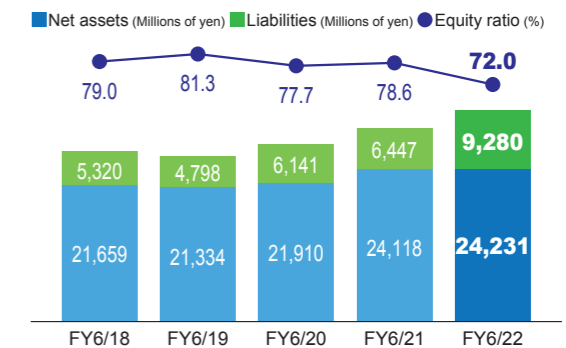
In order to buy time for growth through M&As and ensure the effects of integration, it is crucial for us to carefully scrutinize the transfer price, conduct detailed due diligence regarding financial, tax-related, and legal matters, and perform post merger integration (PMI) processes after companies join the Group. Based on the knowledge we have gained from many M&As, we are supporting the strengthening of their management system, as well as the establishment of settlement, internal control, internal regulations,

and information security, and aim to improve our performance by maximizing synergistic effects.

Maintaining a sound and strong financial base is a prerequisite for promoting an aggressive financial strategy that contributes to our performance. Our equity ratio has been around 80%. However, due to the acquisition of all shares of Life on Products, Inc., which joined our Group in November 2021, it stood at 72.0% as of the end of June 2022.

Even considering this development, the debt/equity ratio remains at 0.18. With regard to fund procurement, we will further strengthen our financial structure and improve the efficiency of funding while focusing on conventional bank loans. To that end, in addition to precisely controlling our inventories, we would like to consider various methods such as the introduction of a cash management system, syndicated loans, and securitization of receivables.

As for measures to strengthen our earnings structure, in addition to our ongoing cost reduction activities, we set a theme every few years, and organize cost reduction projects across departments and Group companies. We are striving to create excellent results by laterally deploying cost reduction measures.



### Broad dissemination of non-financial information, in addition to financial information

#### Holding deeper dialogue with stakeholders

By maintaining our strong financial base, we have positioned shareholder returns as one of our most important management issues, and aim to provide stable dividends, with a dividend payout ratio of 40% as our basis. For the fiscal year ending June 20, 2023, we plan to pay a dividend of ¥22 per share, which is the same amount as for the fiscal year ended June 20, 2022. Furthermore, we have reviewed the target and amount of shareholder benefits, and have improved the system so that shareholders can choose their favorite products as gifts for themselves from the KING JIM official online store.

With regard to the risk of yen depreciation, which has become a concern in recent years, we hedge roughly half of the actual demand for foreign currency purchases with forward exchange contracts. In the fiscal year ended June 20, 2022, we were able to reduce the extent of the decline to a certain degree, although we were affected by the

precipitous depreciation of the yen. Moving forward, we will proceed with appropriate risk hedging, while paying close attention to unpredictable exchange rate trends.

In order to facilitate an understanding of our management strategy and business activities, and improve our corporate value, it is essential that we improve engagement with all of our stakeholders, including shareholders and investors. Taking advantage of the transition to the Prime Market, we established the Investor Relations Committee in April 2022, and the Investor Relations Section in June of the same year. We are already working on new measures, such as renovating our IR website, posting videos of earnings presentations, and holding company briefings for individual investors.

Furthermore, we would like to promote company-wide initiatives for sustainability, which is a precondition for sustainable corporate growth. As CFO, I would like to broadly disseminate non-financial information, in addition to conventional financial information. Going forward, we will continue to focus on changes in the business environment and aim for steady growth, while maintaining a balance between offense and defense, and promoting dialogue with all of our stakeholders. As such, we ask for your continued understanding, support, and hopeful expectations.