Growth Strategy

Progress of the 10th Medium-Term Management Plan

The business environment surrounding the Group is changing due to the effects of the COVID-19 pandemic. With the progression of paperless operations and digitalization, we are working to break away from our file-dependent earnings structure, while also viewing new work styles and lifestyles, as well as the expansion of the E-commerce market, as opportunities for business growth.

In the 10th Medium-Term Management Plan, which will end in the fiscal year ending June 20, 2024, we aim to materialize sustainable growth while firming up our management basis 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 uphold "focus on growth fields" and "further strengthen core businesses" as policies, and we will implement the following measures. 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 → Build a foundation for the post-COVID-19 era

1. Expand the business domain

- Develop products for new work styles and ways of working.
- Shift from paper storage to stuff storage. Expand sundry and household goods.
- Further develop the Group through mergers and acquisitions.

2. Enhance the competitiveness of three overseas factories

- Bring in production technologies for products other than stationery.
- Expand the variety of production items.

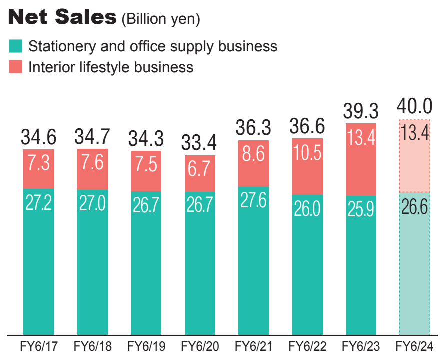
3. Sustainability initiatives

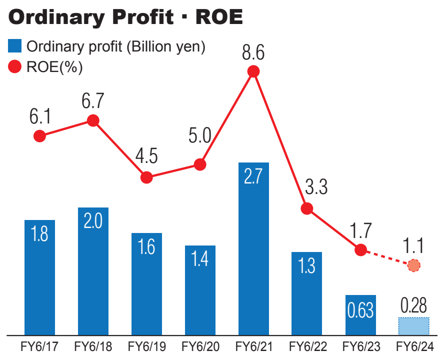
- Contribute to society through products that make life and business convenient and comfortable.
- Environmentally conscious procurement, design, and development. Respond to climate change.
- Promote diversity and realize diverse working styles.

Management Targets

Net Sales	¥40.0 billion
Ordinary Profit	¥0.28 billion
Ordinary Profit Ratio	0.7%
ROE	1.1%

* Revised in October 2023





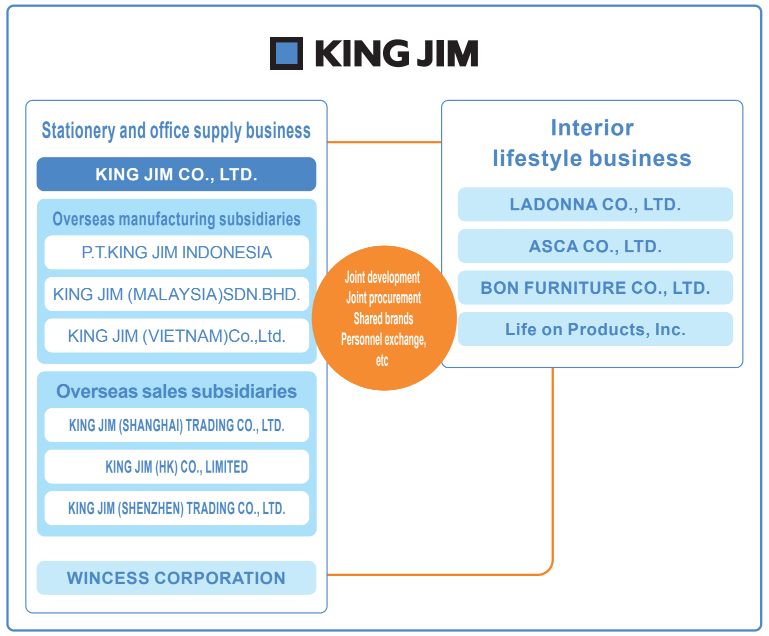
Strategy by Business

Business	Policy	Item	Measures
Stationery and office supply business	Focus on growth fields	Office and living environment products	Provide a new product line-up that leverages our brand strength, selling power, and development/procurement capabilities in response to changes in office and personal environments.
		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.
		Style stationery	Strengthen our appeal to the targeted user segments through more extensive range of products including general merchandise outside stationery.
		Hygiene and health products	Actively engage in planning and development of products that adapt to the new lifestyle in the post-COVID-19 era.
	Further strengthen core businesses	TEPRA	Develop new markets and distribution channels for acquiring the customer segments that have hitherto been stranger to TEPRA, by uncovering labeling-related demand. Implement sales promotion and advertising measures aimed at increasing awareness of TEPRA and demonstrating its uses.
		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.
Interior lifestyle business	Focus on growth fields	Demonstrate further Group synergies and accelerate business growth.	
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 stylish stationery.
		E-commerce business	Aim to drastically expand sales through effective marketing and by enlarging scope of merchandise handled. Develop the E-commerce store "Latuna" through an absorption-type merger with HIM Co.,Ltd.
		M&A	Enhance business portfolio through active investment in this area as an essential means to expand our business domain.

Business Domain Expansion and Group Management Promotion

KING JIM has welcomed new companies into the Group and worked to expand its business domain through the process of M&As. Currently, we have five Group companies in Japan. Moving forward, we will earnestly consider M&A proposals, focusing on projects that can contribute to the Group's growth strategy and projects that can be expected to produce synergies with the Company's current businesses.

The KING JIM Group aims to achieve sustainable growth by promoting Group management that makes maximum use of our management resources, such as joint development and procurement, brand strategy development, and personnel exchanges.



Strategy by Business

Stationery and Office Supply Business

Message

Continuing to develop products and services that provide comfort and surprise.

I believe that our typical products since the founding of the Company have been KING FILE and TEPRA. Many people were surprised when these original products were introduced, but the products earned the trust of our customers by making their work and lives more comfortable.

Over the years, we have strived to evolve these products and meet the needs of our customers. However, work styles and the business environment surrounding us are changing dramatically. As a result, the products and services needed by customers have also changed.

However, while the tools and styles have changed, our "work" and "lives" have not disappeared. In order to provide new products and services that are suitable for "work" and "life" in this new era, we have been developing and selling products that are compatible with telework, etc., as well as products that are more environmentally friendly than ever before.

We will continue to change, create new value, and contribute to society so that our products and services may continue to provide comfort and surprise to customers.

Takanobu Kameda
Director and Managing Executive Officer
In Charge of Corporate Planning Department, E-commerce Department, Public Relations & Advertising Section

Summary of the Fiscal Year Ended June 20, 2023

In the stationery and office supply business which is our core business, we strived to expand sales by proposing new uses and renewing products to stimulate demand. As measures to expand sales, while continuing to develop new channels, we also focused on utilizing TV shopping and proposing hygiene and health products to educational institutions and the construction sector. The E-commerce business grew due in part to the addition of sales resulting from the absorption-type merger of HIM Co., Ltd.

As new products, we launched a TEPRA model that allows users to easily create labels from smartphones, and in the stationery category, we launched the "favluv" binder series which is available in a wide variety of colors for those who enjoy cheering on their favorite anime characters and idols. In the field of digital stationery, we launched a new model of digital memo POMERA. In hygiene and health products, we released DROPLET CATCHER that collects droplets in the air generated during conversations. In office and living environment products, we launched Alcohol Checker that detects alcohol in breath, ahead of the revision of the Regulations for Enforcement of the Road Traffic Act that require also general business operators to conduct alcohol breath tests.

However, due to such factors as the reactionary decline in the sales of "tette," a hand sanitizer dispenser that sold strongly in the previous fiscal year, net sales remained almost flat. Combined with sustained high raw material prices in addition to the sharp depreciation of the yen and soaring distribution costs, an operating loss was recorded in the period.

Net sales	¥25,933 million (down 0.5% YoY ↘)	Operating loss	△¥20 million

Interior Lifestyle Business

Message

Utilizing mobility to respond to changes in the world. Further developing business.

KING JIM entered the interior lifestyle business 20 years ago after a company joined the Group through an M&A. Currently, four Group companies are involved, and sales have grown from approximately ¥0.7 billion when we first entered the business to approximately ¥13.5 billion. The business domains of each company have expanded from photo frames to include watches, kitchen goods/kitchen appliances, artificial flowers, seasonal home appliances, and room fragrances. The sales channels have expanded accordingly.

This business is easily influenced by global trends and seasonality, making it unstable. Depending on the products handled by each company, the situation can change significantly even within one short year. For example, demand at stores decreased due to the impact of COVID-19, but then recovered due to demand from people staying at home. Moreover, while summer home appliances may do well due to hot temperatures, sales of winter home appliances might decrease due to a warm winter. Mobility is extremely important in order to respond quickly to such changes. We will continue to develop our business by sharing the sales channels and knowledge of each company within the Group and using these synergies to develop new products and expand sales channels.

Makoto Takano
Director and Managing Executive Officer
General Manager, Procurement Division, In Charge of Quality Management, Domestic Subsidiaries Coordination Department, and Overseas Manufacturing Subsidiaries

Summary of the Fiscal Year Ended June 20, 2023

BON FURNITURE CO., LTD. posted increased sales, mainly in storage products. In addition to its mainstay knockdown furniture, it launched new products including new categories of lighting fixtures such as pendant lights and storage products for children, which recorded strong sales. In addition, its flagship store GEKIKAGU received the "Rakuten SHOP OF THE YEAR 2022 Furniture & Storage Category Prize." Life on Products, Inc.'s new summer products, such as Collar Air Fan and 3WAY Aroma Handy Fan, performed well. We also launched a new product brand bearing the company name "Life on Products" and held a presentation event. LADONNA CO., LTD. saw the growth of sales of its mainstay kitchen appliances slow slightly to remain at the same level as the previous year. With the growing awareness of the Toffy brand, its media exposure and novelty projects have been increasing. Orders for photo frames, specifically the mainstay products for camera mass retailers, remained stable. ASCA CO., LTD. saw strong sales of its mainstay flower materials due to a recovery in the demand for photo studio decoration and the bridal business. Greenery and foliage plants continued to perform well, due to the uptake of the demand for office decorations.

As a result, net sales increased thanks not only to robust sales recorded by BON FURNITURE CO., LTD. and ASCA CO., LTD., but also to the addition of sales of Life on Products, Inc., which became a subsidiary of the Group in November 2021. However, operating profit decreased due to an increase in the cost of sales ratio caused by sharp yen depreciation.

Net sales	¥13,460 million (up 27.3% YoY ↗)	Operating profit	¥370 million (down 19.9% YoY ↘)

Growth Strategy

Message from the CFO

We will aim to expand the business domain and improve profitability with growth investment through "offensive" and "defensive" financial strategy.

Shinichi Harada

Director and Senior Managing Executive Officer
General Manager, Administration Division & CFO & General Manager, Overseas Division & In Charge of Overseas Sales Subsidiaries

Expanding business by leveraging the strengths of Group management through M&As

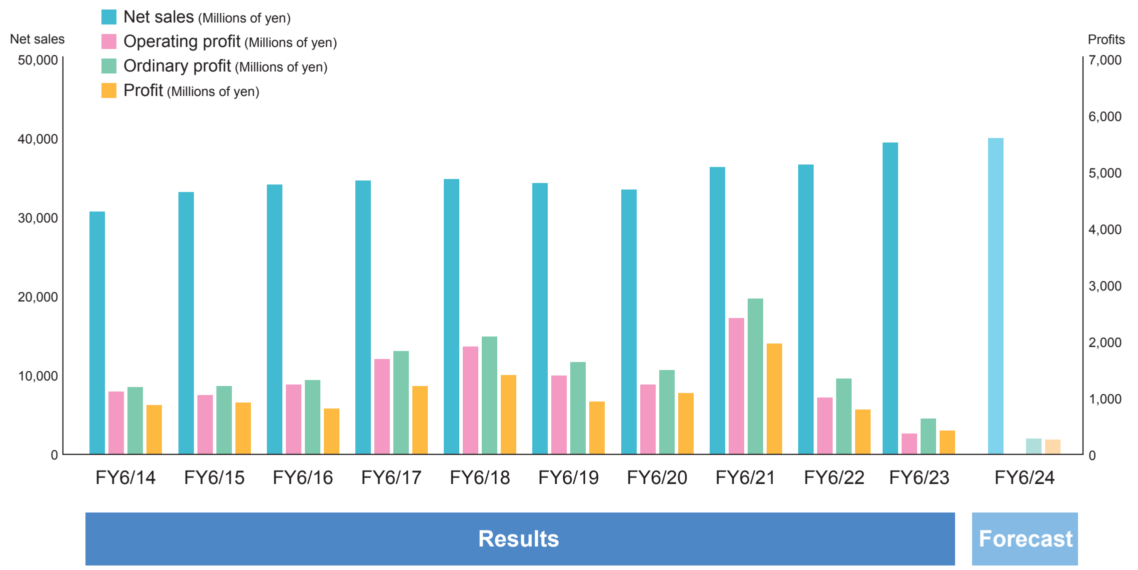
In our stationery and office supply business, which is our core business, we have continued to develop new markets as a pioneer, and have grown as a Group through active growth investment, including M&As.

Since January 2014, when we made BON FURNITURE CO., LTD., which handles E-commerce sale of interior furniture and everyday goods, into a subsidiary, sales and ordinary profit increased for five consecutive years up until the fiscal year ended June 20, 2018. Moreover, profit for the fiscal year ended June 20, 2021 reached a record high thanks to the strong performance of Group companies operating the interior lifestyle business, which was positioned as a growth field, even during the COVID-19 pandemic, as well as various cost reduction effects.

The consolidated results for the fiscal year ended June 20, 2022 and the fiscal year ended June 20, 2023 saw year-on-year increases in sales due to sales contributions caused by Life on Products, Inc. which became a subsidiary in November 2021 and the absorption-type merger with HIM Co., Ltd. in February 2023. On the other hand, despite efforts to secure profits by revising product prices, all levels of profits decreased due to an increase in the cost of sales ratio caused by the sudden depreciation of the yen, soaring raw material prices and distribution costs, and other factors, as well as an increase in the selling, general and administrative expense ratio.

As of the announcement of the financial results for the fiscal year ended June 20, 2023, our financial forecast for the fiscal year ending June 20, 2024 foresaw an increase in sales and profit as we expected HIM Co., Ltd.'s sales to contribute throughout the year, sales promotion and advertising measures aimed at expanding awareness of TEPRA and demonstrating its uses to have an effect, price revisions that have been implemented so far to take effect, and the performance of each Group company to be strong. However, at the time of the subsequent announcement of financial results for the first quarter of the fiscal year ending June 20, 2024, demand for both the stationery and office supply business and the interior lifestyle business was lower than expected and costs were expected to rise due to the continued depreciation of the yen. In light of these factors, we made a downward revision to the initial forecasts for net sales and each level of profits.

Trends in Net Sales, Operating Profit, Ordinary Profit, and Profit



Strengthening profitability, improving ROE, and implementing efficient management of Group funds

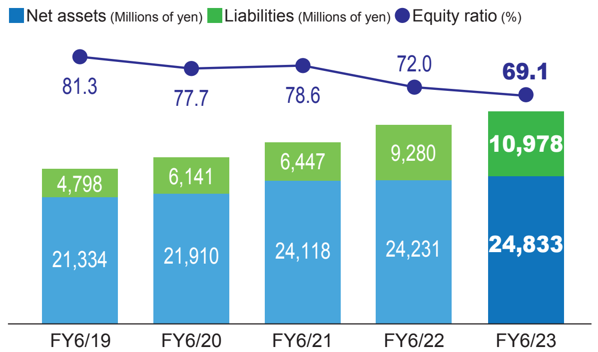
Regarding the 10th Medium-Term Management Plan, which will reach its final year in the fiscal year ending June 20, 2024, the planned values have been revised to match those in the full-year performance forecast for the fiscal year ending June 20, 2024. However, our business strategy and investment policy remain unchanged, and we are moving forward with efforts to break away from the file-dependent earnings structure, while also promoting the expansion of the business domain through M&As, the enhancement of the competitiveness of three overseas factories, and sustainability initiatives. In particular, M&As are one of the important growth drivers for the Company, as evidenced by our performance over the past 10 years. In order to further strengthen core businesses and focus on growth fields, we have identified manufacturers and E-commerce operators of kitchen goods, home appliances, everyday goods, knockdown furniture, storage products, interior goods, and other items as important target sectors. Going forward, we will consider companies with a high ratio of overseas sales, including exports, as important candidates, and aim to strengthen Group management as a countermeasure against the risk of yen depreciation.

In order to promote this growth strategy, it is also essential to strengthen the financial aspects that support the said strategy. In order to further strengthen profitability and improve ROE (return on equity) as pressing issues, in addition to ongoing price revisions, we also reduced inventory, which had been on the rise, and launched a cross-departmental "Distribution Cost Reduction Project" in August 2023. We are also implementing measures to address the 2024 problem and continuing to practice various cost reduction activities.

Moreover, while our equity ratio had trended around 80% up to the fiscal year ended June 20, 2021, it fell to 69.1% as of the end of the fiscal year ended June 20, 2023 due to stock acquisition through M&As. However, even considering this development, the debt/equity ratio remains at 0.24, and we have sufficient fund procurement capacity to actively engage in investments such as M&As.

As a new measure for efficient fund management that leverages the strengths of Group management, we have started pooling within the Group. While the Company borrows money from subsidiaries within the Group that have a surplus of funds, it lends money to subsidiaries with insufficient funds. Thus, the Group reduces borrowings on a consolidated basis.

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 previous fiscal year and the fiscal year before the previous one, although we were affected by the precipitous depreciation of the yen, we were able to reduce the extent of fluctuation to a certain degree. Going forward, as a fundamental solution, we will work across departments to consider measures such as expanding sales channels to increase our overseas sales ratio among total consolidated sales.



Aiming to maintain a stable PBR of 1x or more through appropriate capital policies, shareholder returns, and enhanced IR

The major precondition for implementing these measures is that the Company's mission be to meet the expectations of shareholders, investors, and other stakeholders, and to realize sustainable increases in corporate value that contribute to the sustainability of society.

Currently, a challenge within Japan is the improvement of PBR (price-to-book ratio), a measure of corporate growth and profitability, below 1x.

> PBR (price-to-book ratio) = PER (price earnings ratio) x ROE (return on equity)

In order to stably achieve PBR of 1x or more, it is necessary to improve both PER (price earnings ratio) and ROE (return on equity). In order to maintain PBR of 1x or more, we aim to sustainably improve ROE to exceed the cost of shareholders' equity, as mentioned earlier, while also working to improve PER (price earnings ratio) through appropriate capital policies, shareholder returns, and enhanced IR.

Moreover, with regard to shareholder returns, we aim to consistently provide stable dividends with a dividend payout ratio of 40% as our baseline by strengthening our financial base. Regarding shareholder benefits, we started issuing coupons that can be used on our official online store in September 2022, and we have improved the system so that shareholders can choose products of the Company and some products of Group companies as gifts for themselves.

Going forward, we will continue to 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.

Trends in PBR