

**Summary of Financial Results for
the Second Quarter of the Fiscal Year
Ending December 31, 2021**

August 3, 2021

KOKUYO Co., Ltd.



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* Each domain is described as follows:

Spatial Value domain: SV

Business Supplies domain: BS

Global Stationery domain: GS

* Unless otherwise indicated, monetary figures are rounded down to the nearest hundred million yen. As such, the sum of the figures in a breakdown may not match the stated total.

Executive Summary

Second Quarter FY2021 Results

- **Leaner business: Better corporate-group management, tighter control over SG&A expenses, reallocation of resources**
- **Captured new demand with existing value proposition**
 - SV domain: **Captured demand for office renovations to greater extent than expected**
 - GS domain's Chinese operations: **Growth restored after capturing buoyant demand for schoolgirl stationery**
- **Forecasts upgraded** in view of recent performance

Full-Year FY2021 Forecasts

- Performance: We should achieve targets with **continued focus on growth sectors** (office renovations for SV, schoolgirl stationery in China for GS), where demand is set to remain.
- Dividend: **Raised from initial forecast**—to meet benchmark of 40% payout ratio and payout that's higher than last year's
- More offloading of cross-held shares and more share buybacks to further boost capital efficiency

Medium- to Long-term Strategy

- **Coming this November: Third medium-term plan**, outlying roadmap for CCC 2030

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Changes to Performance Forecasts Announced at Q1 Results Briefing

As announced
on May 10

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Forecasts for net sales and operating income upgraded in view of demand for office renovations

Profit forecast kept at same level to account for non-operating losses

(Billions of yen)

	Jan–Jun			Jan–Dec		
	2020	2021		2020	2021	
	Result	Initial forecast	Q1 revised forecast	Result	Initial forecast	Q1 revised forecast
Net sales	155.8	162.0	167.0	300.6	311.0	321.0
Operating income	10.0	10.3	13.1	14.8	15.2	18.6
Ordinary income	9.4	10.7	8.5	14.1	16.0	14.2
Profit	6.2	7.4	7.3	8.2	11.8	11.8

Q1 revised forecast = The revised forecast released in Q1

Second Quarter FY2021 Results: Year on Year Comparisons

Earnings rebounded from Covid slump in same period last year

Shifted to leaner business with better corporate-group management, better SG&A spending choices, and better allocation of resources

Headway in **continuous improvement for profitability**

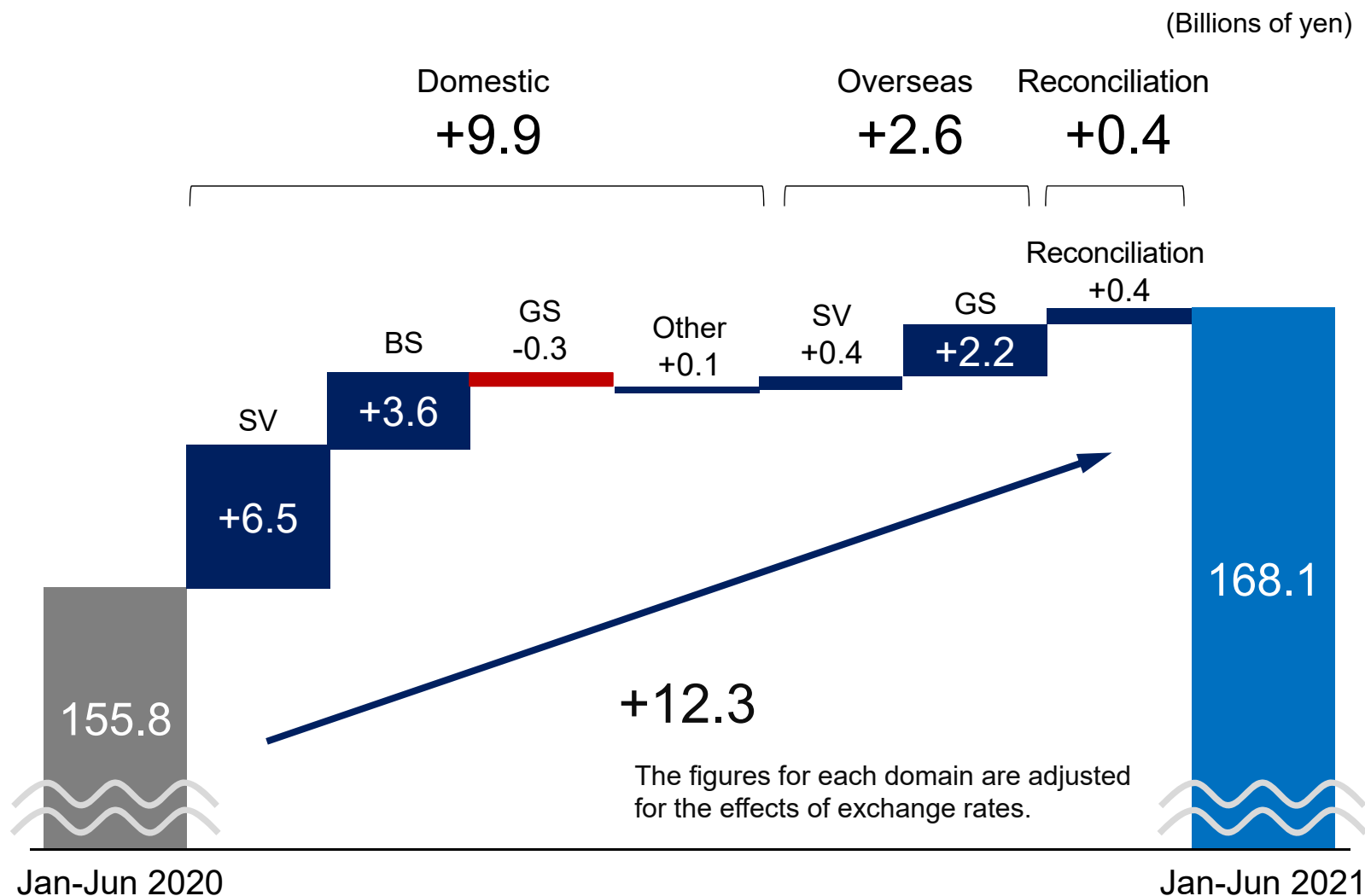
(Billions of yen)

	FY2020 H1 result	FY2021 H1 revised forecast	FY2021 H1 result	YoY change	% YoY change	Difference from forecast	% difference from forecast
Net sales	155.8	167.0	168.1	+12.3	+7.9%	+1.1	+0.7%
Gross profit	57.6	62.2	63.1	+5.4	+9.5%	+0.9	+1.5%
(ratio)	(37.0%)	(37.2%)	(37.5%)	(+0.5p)		(+0.3p)	
SG&A expenses	47.5	49.1	48.4	+0.8	+1.8%	-0.6	-1.4%
(ratio)	(30.5%)	(29.4%)	(28.8%)	(-1.7p)		(-0.6p)	
Operating income	10.0	13.1	14.7	+4.6	+45.8%	+1.6	+12.3%
(ratio)	(6.5%)	(7.8%)	(8.7%)	(+2.3p)		(+0.9p)	
Ordinary income	9.4	8.5	10.4	+0.9	+10.5%	+1.9	+23.1%
(ratio)	(6.1%)	(5.1%)	(6.2%)	(+0.1p)		(+1.1p)	
Profit	6.2	7.3	8.3	+2.0	+32.5%	+1.0	+14.1%
(ratio)	(4.0%)	(4.4%)	(5.0%)	(+0.9p)		(+0.6p)	

Second Quarter FY2021 Results: Net Sales Breakdown

Domestic: Big YoY increase, with SV bringing lion's share

Overseas: GS's Chinese operations made positive contribution

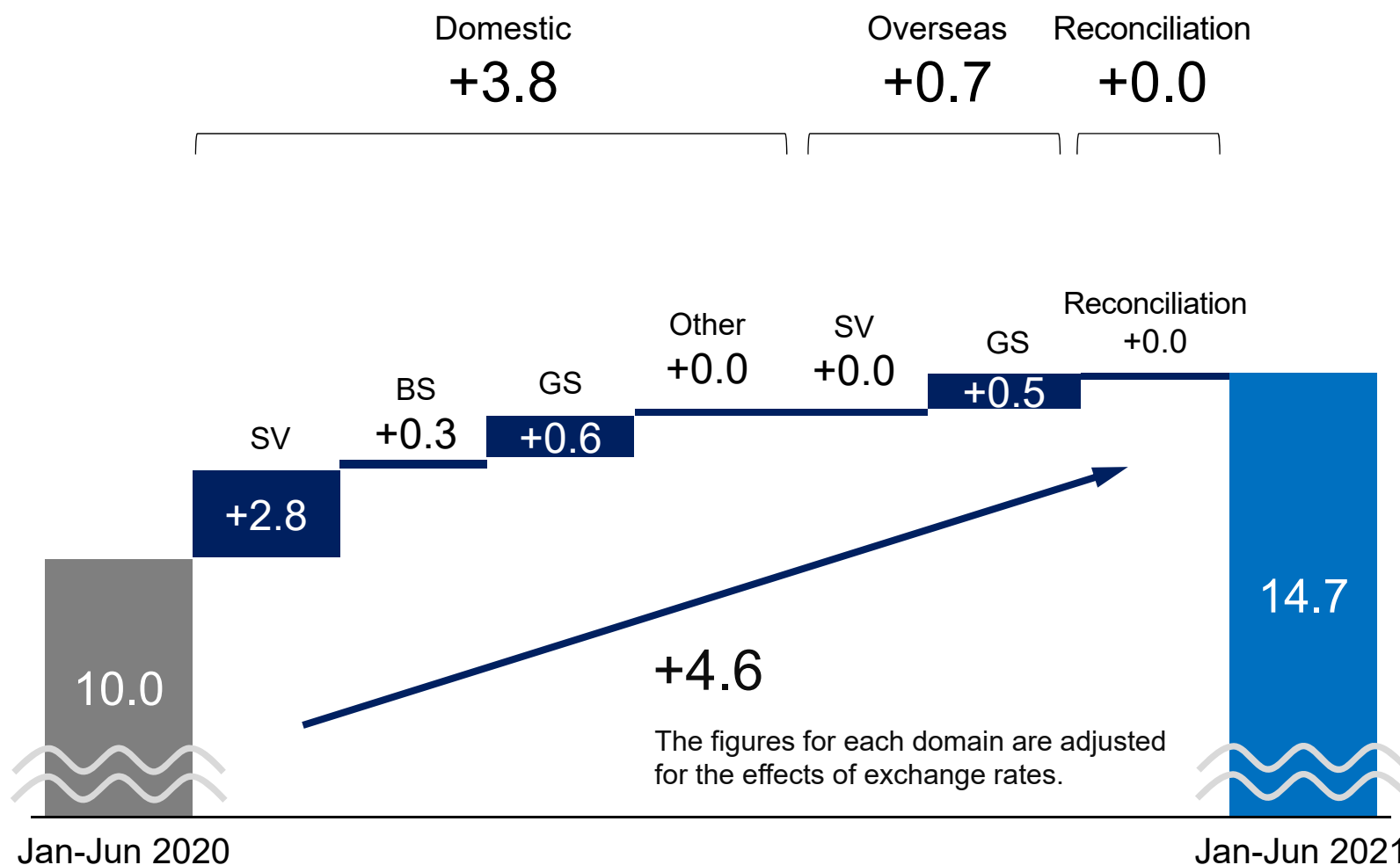


Second Quarter FY2021 Results: Operating Income Breakdown

Domestic: Higher gross profit, better margins, especially in SV

Overseas: Top-line growth led by GS's Chinese operations

(Billions of yen)

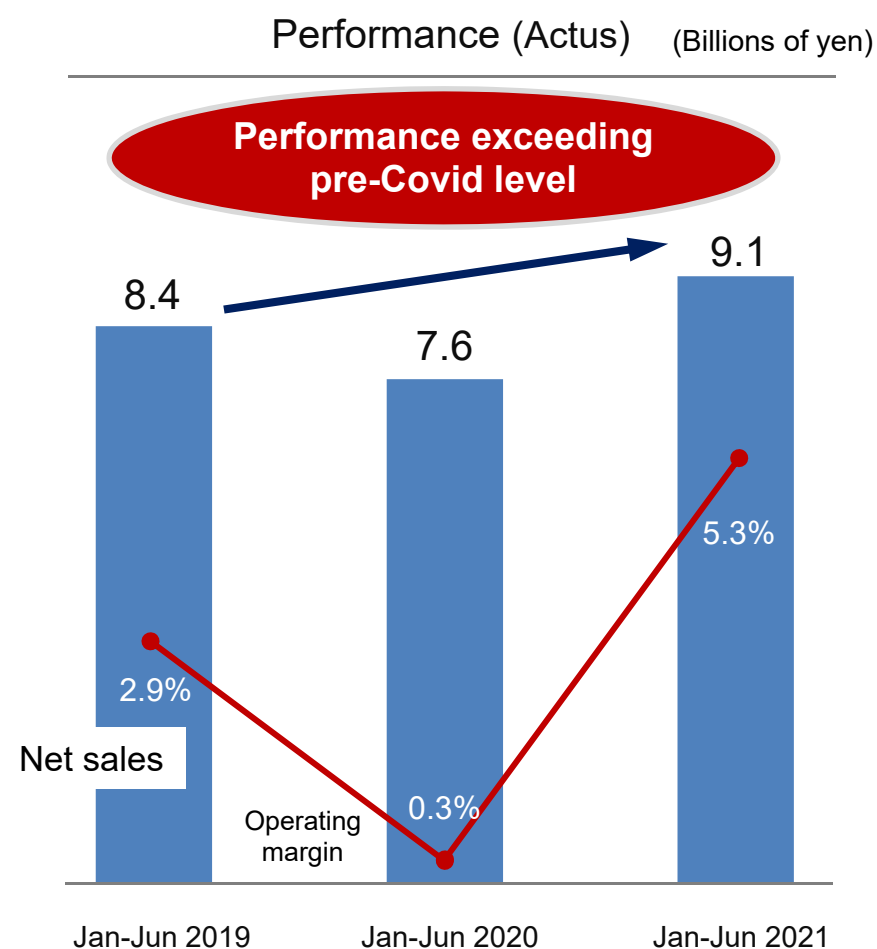
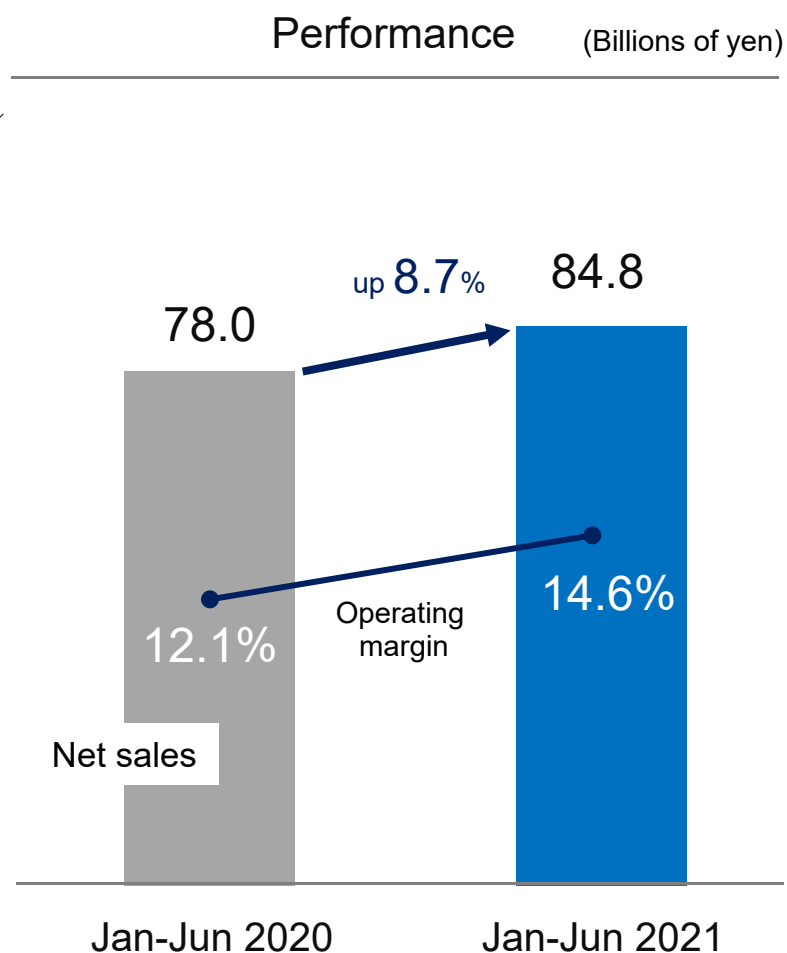


Spatial Value Domain

Focused on value-added proposals for growth

Domestic: Captured demand for office renovations

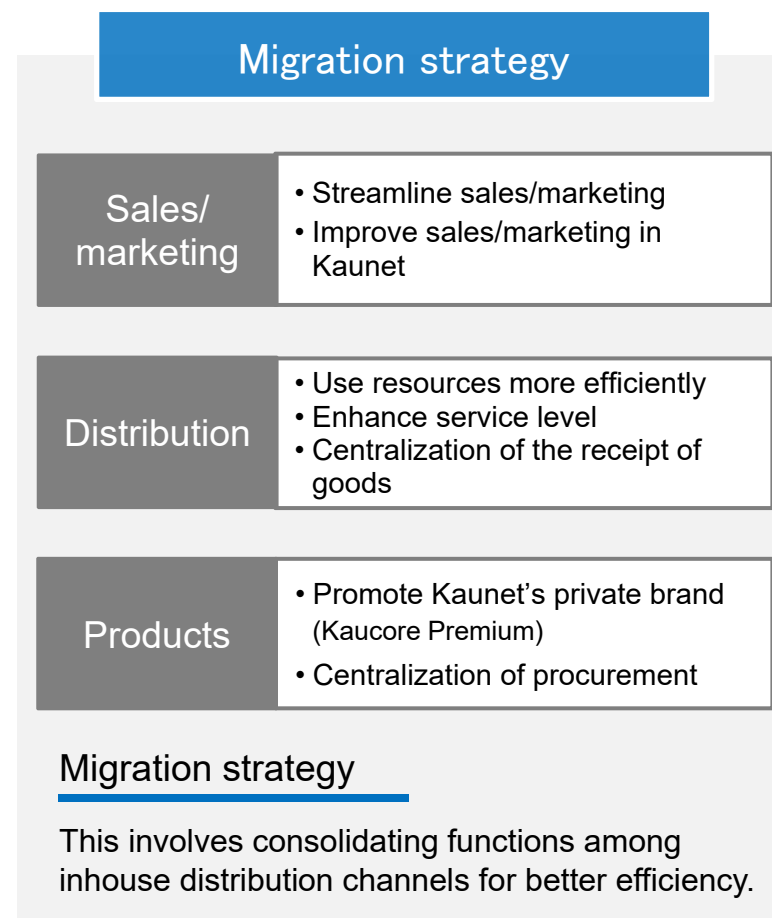
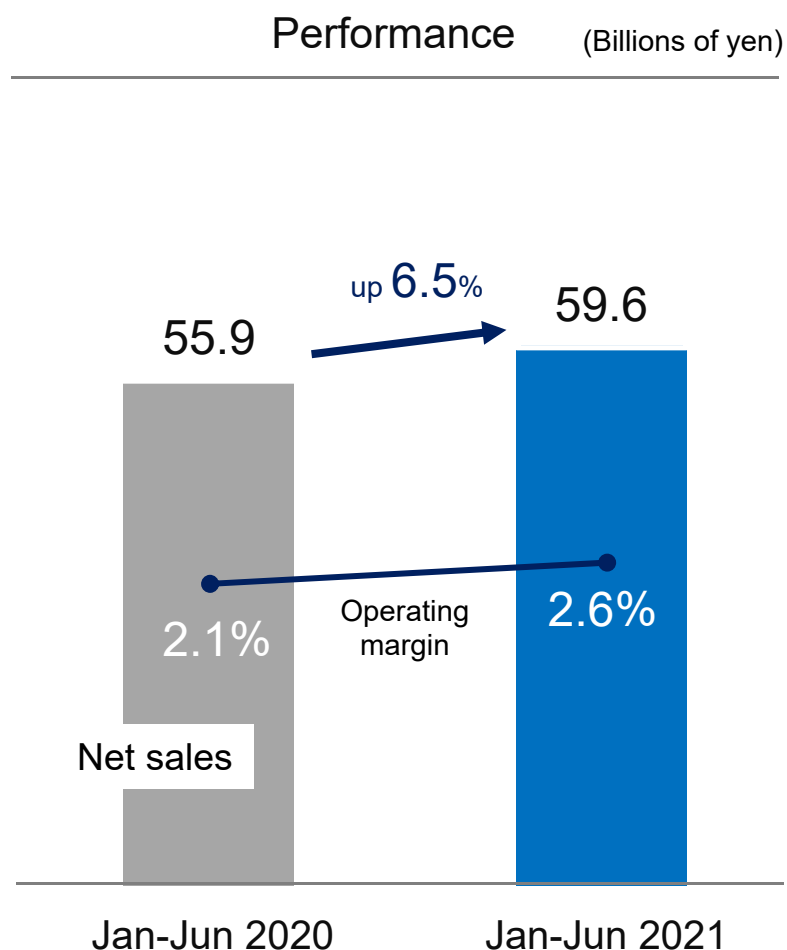
Actus: Captured demand for interior goods



Business Supplies Domain

Conducted structural reform and strengthened customer base for greater business sustainability

Domain impacted by lower office attendance, but **making headway with migration strategy**

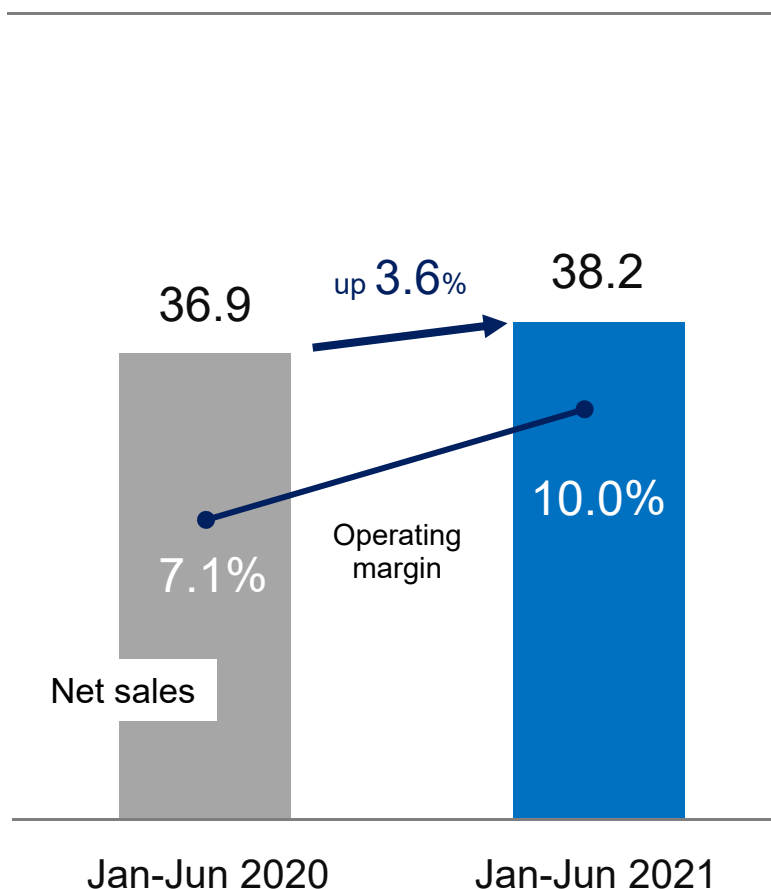


Global Stationery Domain

Gained foothold in new-growth areas to increase share in global stationery market

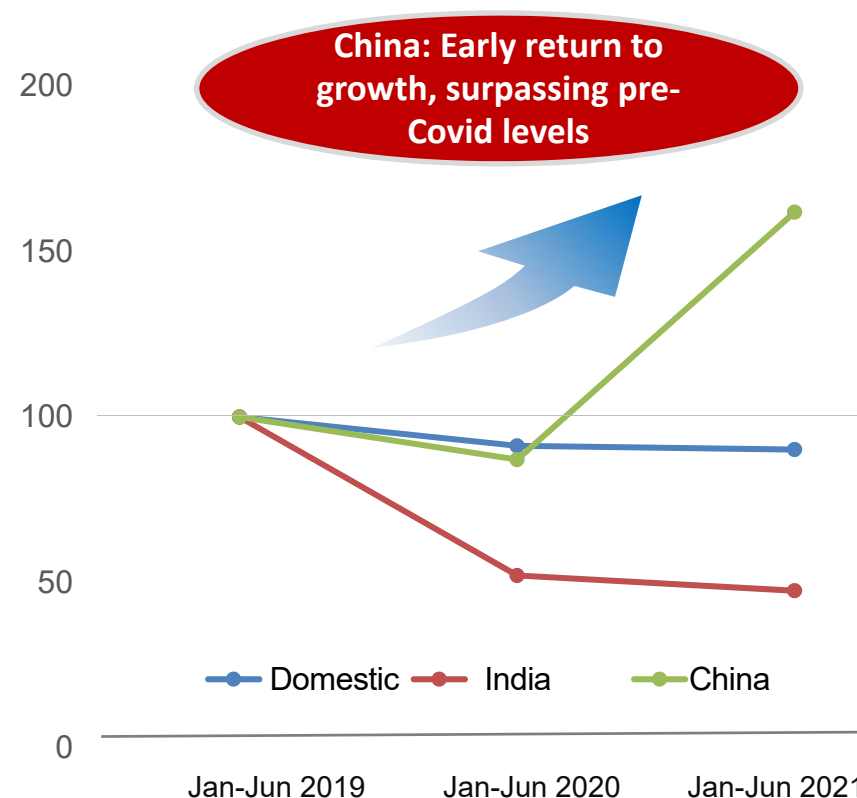
Covid continued to harm business in Japan, India. In China, growth restored by focusing on schoolgirl stationery market.

Performance (Billions of yen)



Net sales by region

* FY2019 is scaled at 100

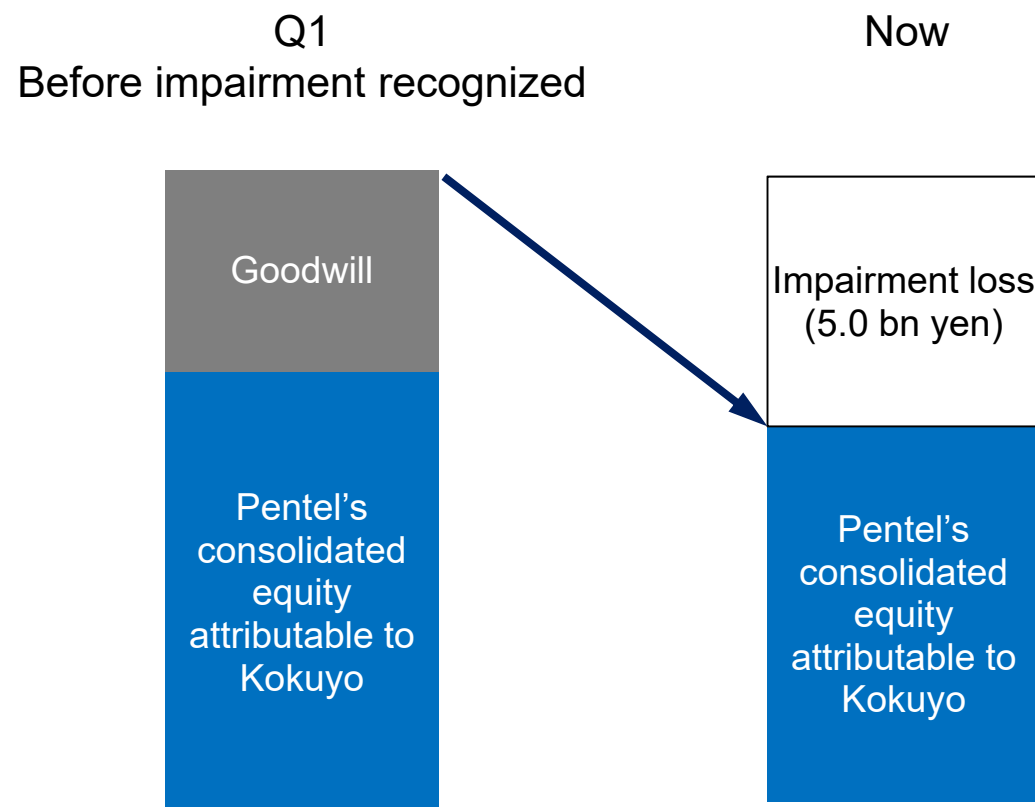


Policy for Pentel

We recognized impairment in equity in Pentel after overseas Covid impact forced Pentel to shelve its medium-term plan.

We support Pentel's new medium-term plan: to undertake a business transformation to improve the company's enterprise value and achieve a V-shaped recovery.

Value of Pentel's shares



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Full-Year FY2021 Forecasts

Full-year performance forecasts upgraded to reflect upturn in H1

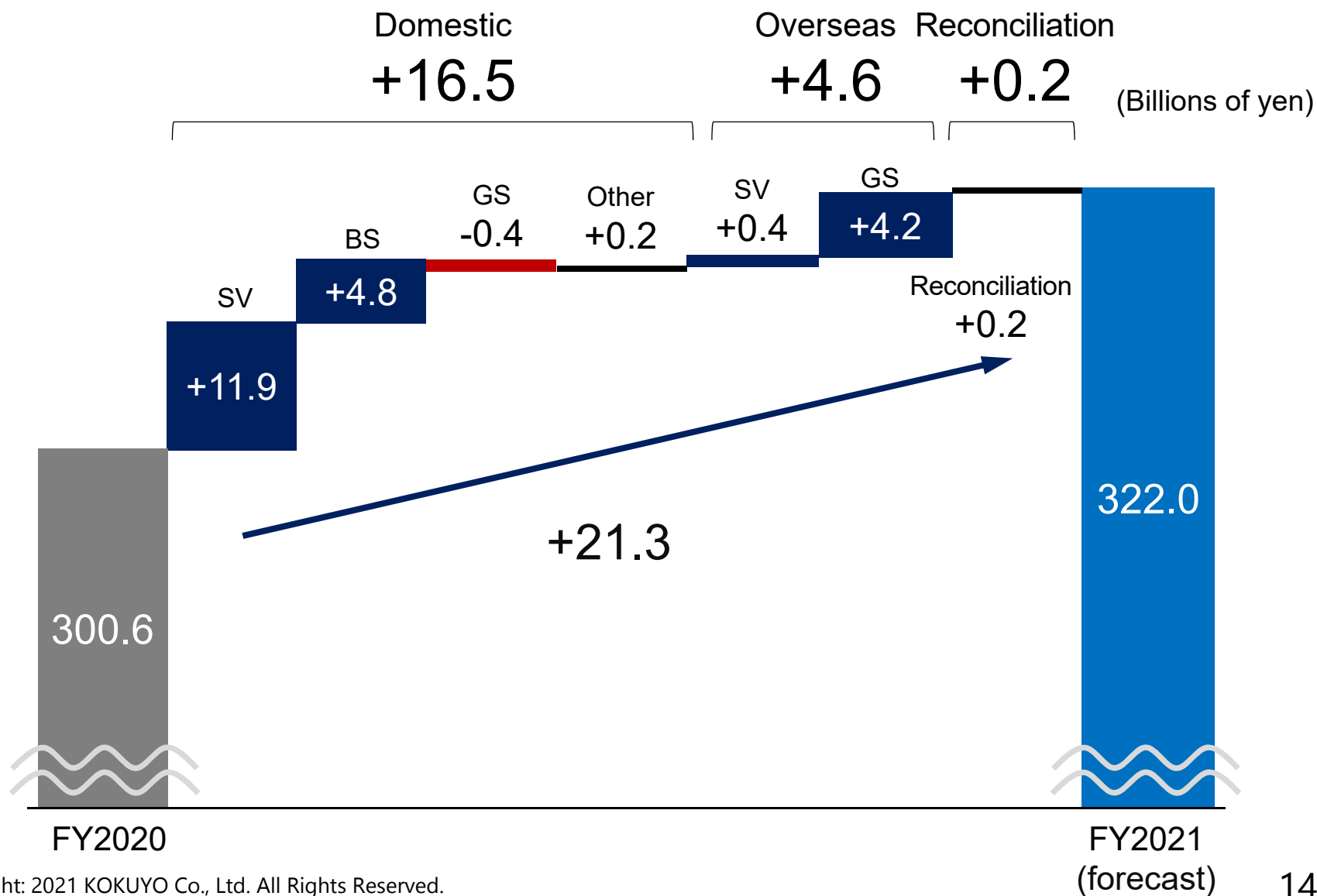
Larger strategic budget amid business normalization

(Billions of yen)

	FY2020 result	FY2021 forecast	YoY change	% YoY change	FY2020 H2 result	FY2021 H2 forecast	YoY change	% YoY change
Net sales	300.6	322.0	+21.3	+7.1%	144.8	153.8	+9.0	+6.2%
Gross profit	107.3	116.7	+9.3	+8.7%	49.7	53.5	+3.8	+7.8%
(ratio)	(35.7%)	(36.2%)	(+0.5P)		(34.3%)	(34.8%)	(+0.5P)	
SG&A expenses	92.5	96.5	+3.9	+4.2%	45.0	48.0	+3.0	+6.8%
(ratio)	(30.8%)	(30.0%)	(-0.8P)		(31.1%)	(31.3%)	(+0.2P)	
Operating income	14.8	20.2	+5.3	+36.4%	4.7	5.4	+0.7	+16.4%
(ratio)	(4.9%)	(6.3%)	(+1.3P)		(3.3%)	(3.6%)	(+0.3P)	
Ordinary income	14.1	16.1	+1.9	+13.6%	4.7	5.6	+0.9	+19.8%
(ratio)	(4.7%)	(5.0%)	(+0.3P)		(3.2%)	(3.7%)	(+0.4P)	
Profit	8.2	12.3	+4.0	+48.2%	2.0	3.9	+1.9	+97.5%
(ratio)	(2.8%)	(3.8%)	(+1.1P)		(1.4%)	(2.6%)	(+1.2P)	

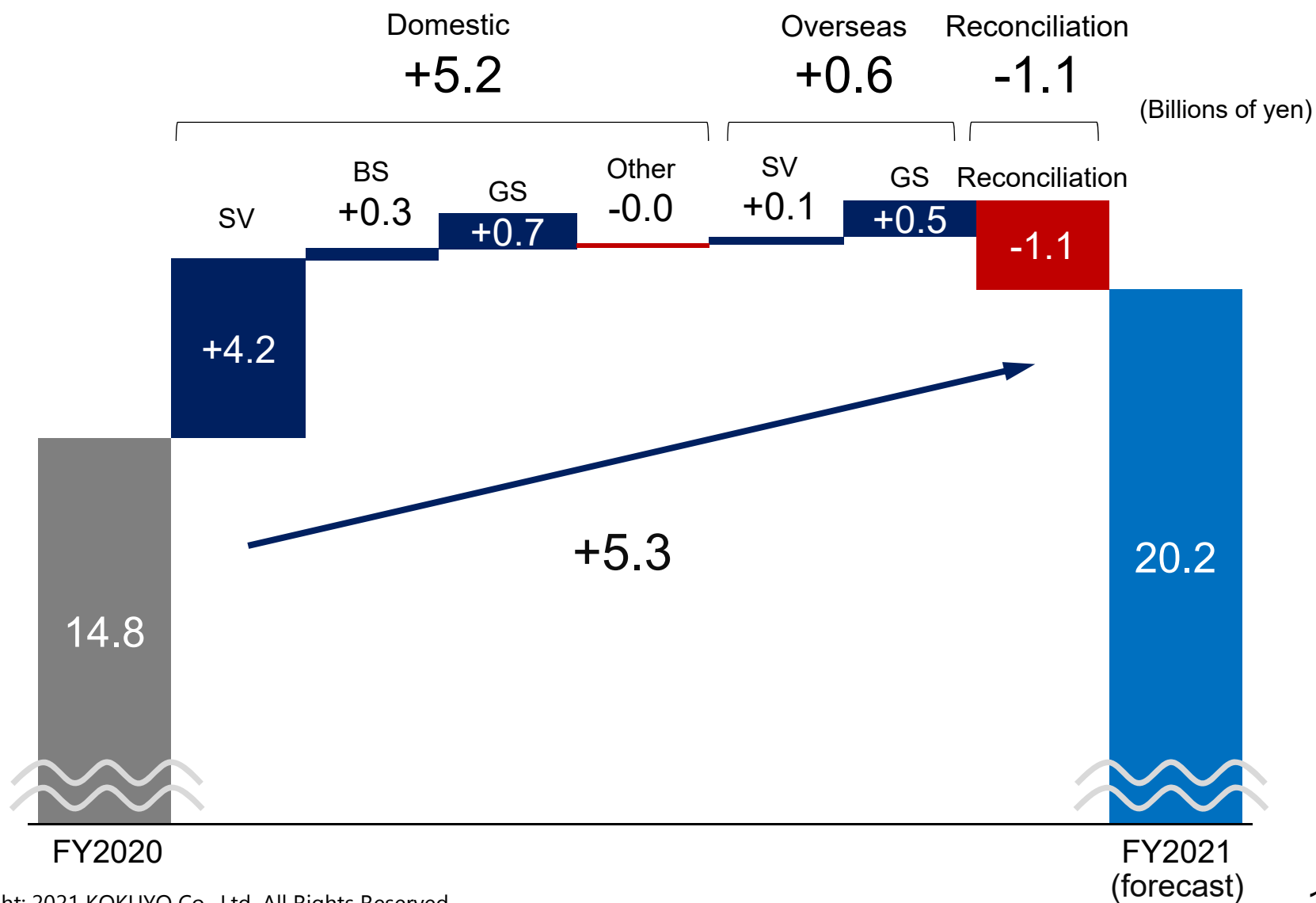
Full-Year FY2021 Forecasts: Net Sales Breakdown

Large increase overall. SV contributes lion's share.



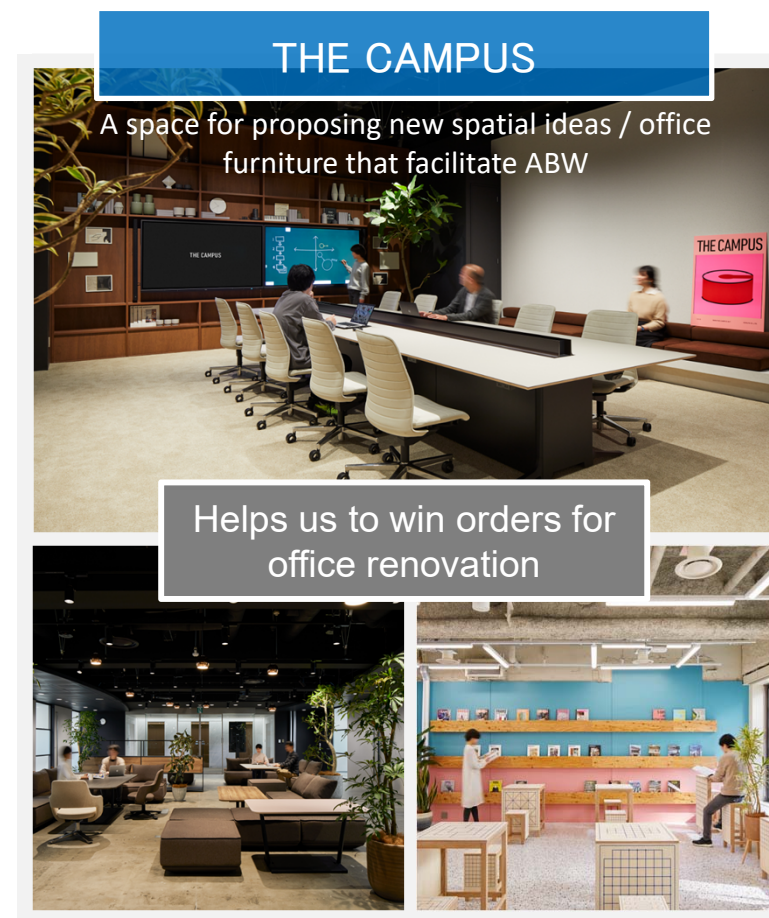
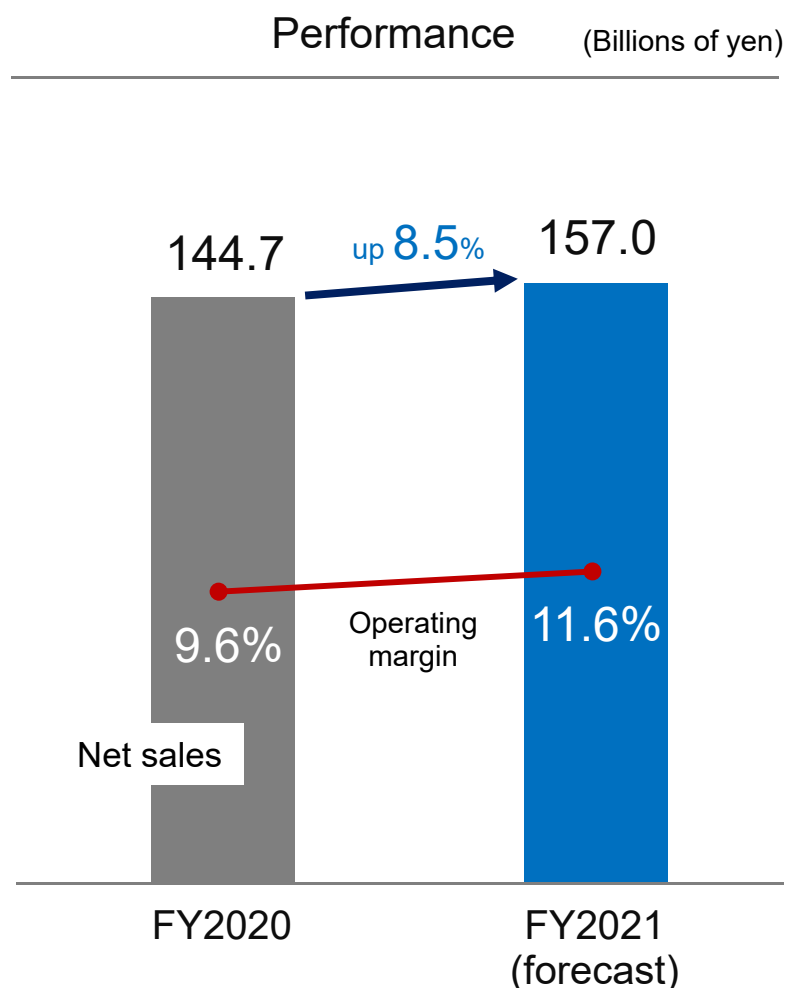
Full-Year FY2021 Forecasts: Operating Income Breakdown

Large increase overall, even with large strategic budget. SV contributes lion's share.



Spatial Value Domain

We expect growth in domestic and overseas furniture businesses, as well as in Actus. Segment will keep targeting demand for office renovations. It will also focus on emerging needs in dispersed workforces.

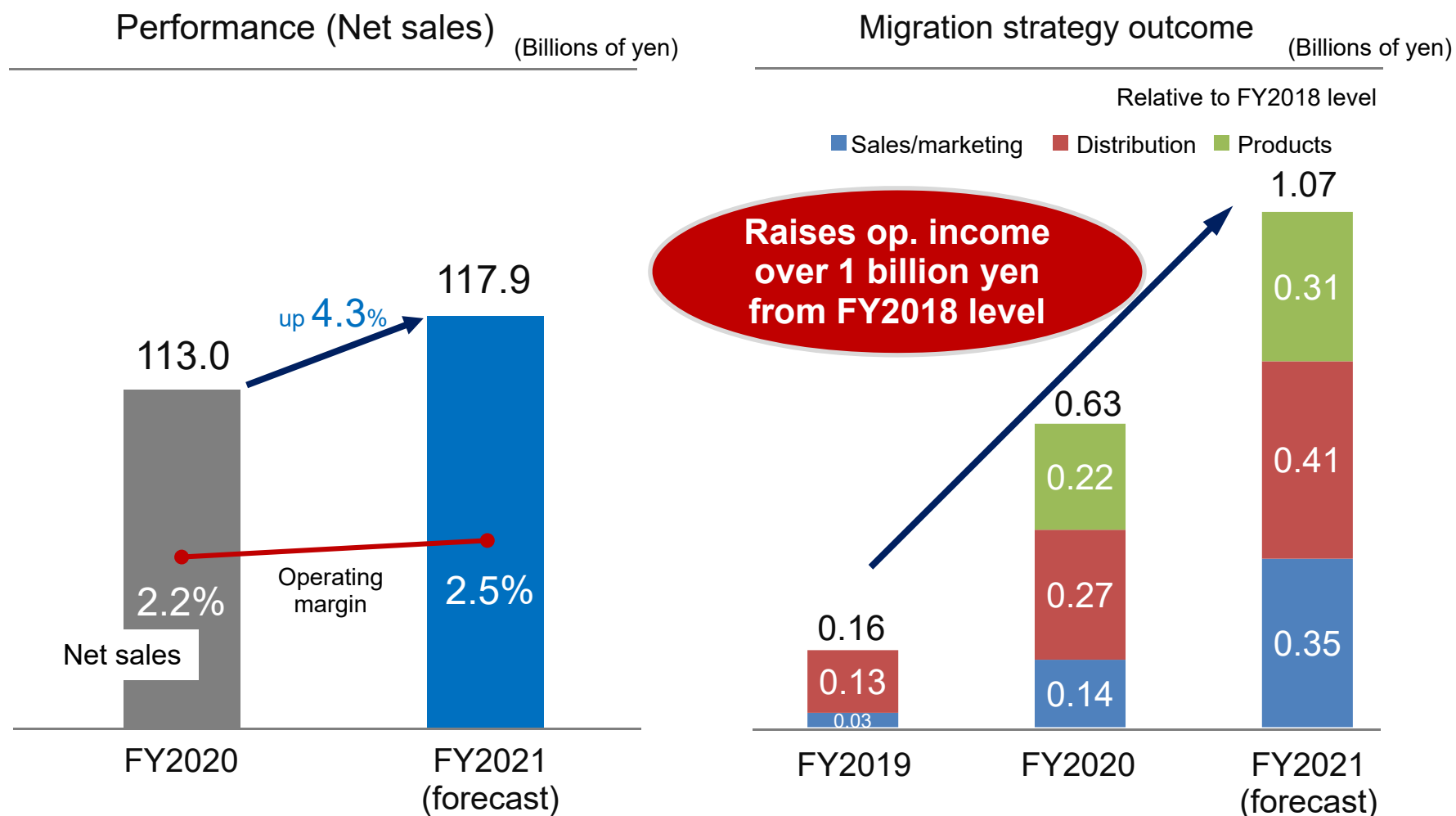


ABW: Activity-based working, a flexible approach to work that lets employees choose when and where they work.

Business Supplies Domain

We expect growth in Kaunet and in agency-sales business.

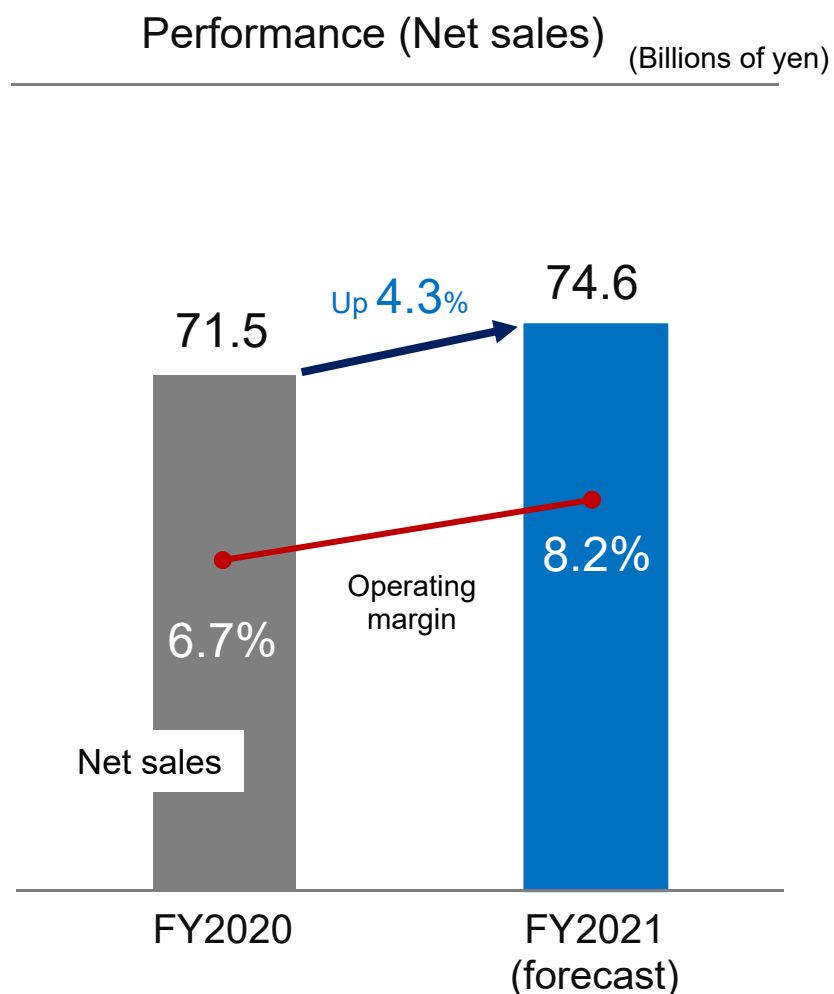
Migration strategy to proceed (in sales/marketing, distribution, and products), raising level of annual operating income to 1.07 billion yen compared to FY2018 level.



Global Stationery Domain

Domestic: We will reallocate resources.

Overseas: We will aim for further growth in China, while monitoring Covid impact in India and ASEAN.



Shareholder Returns

Shareholder returns policy

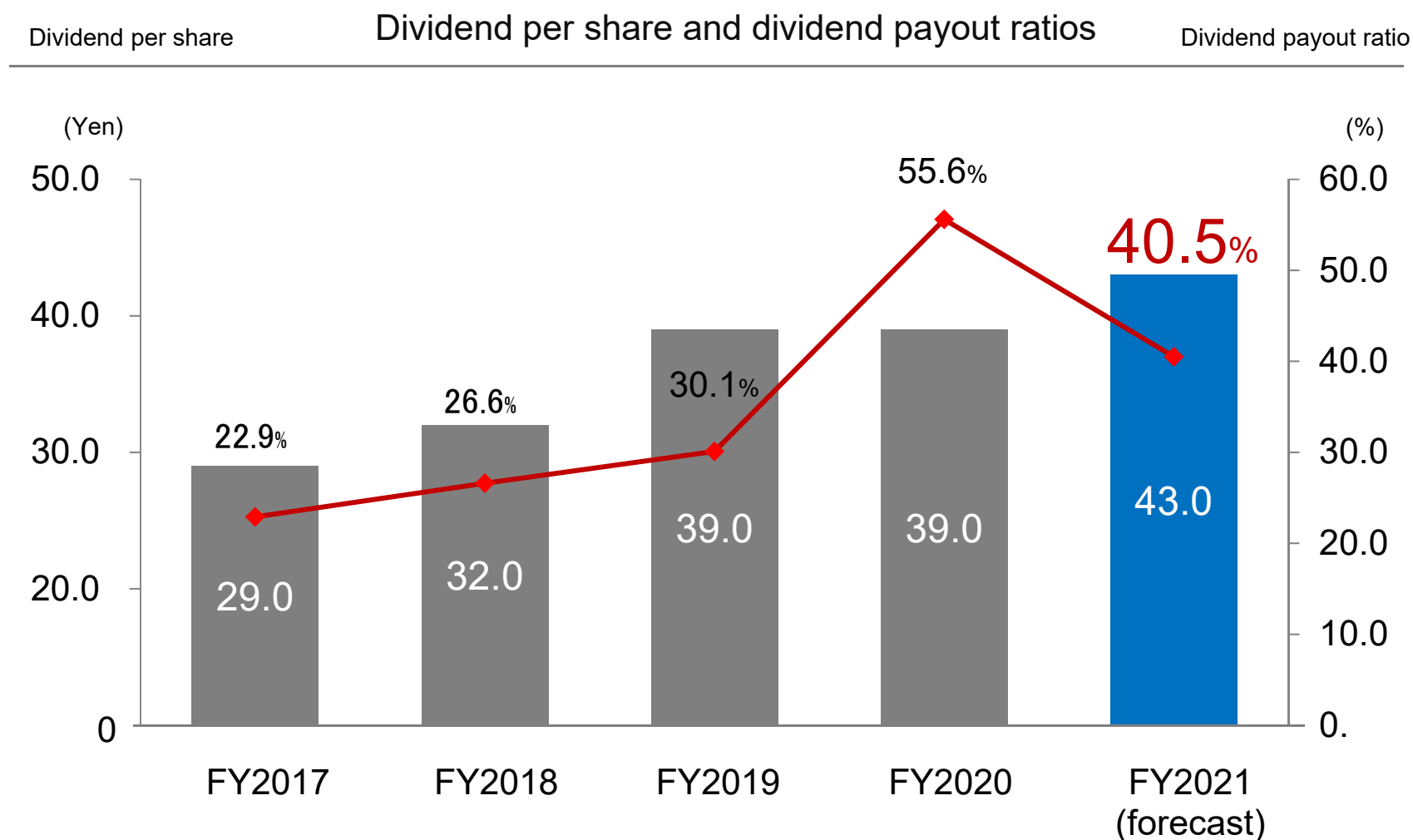
- Disclose long-term vision to convince loyal shareholders of our **commitment to growth**

Dividend

- To kick start efforts to improve capital efficiency as necessary to achieve our long-term vision, CCC 2030, **we have launched a program to buy back 5.0 billion yen of our stock by February 2022 (as of June 30, we have bought back 30% of the target amount).**
- For FY2021, we will pay a **dividend per share of 43 yen, matching the initially planned payout ratio of 40%** and **exceeding the FY2020 level.**

Dividend, Dividend Payout Ratio

We will maintain the upward trend and deliver a dividend payout ratio of 40%.
In view of brisk performance, we will raise the dividend per share from the initially forecasted level.



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Enabling Sustainable Growth

Smart & Sustainable Transformation 2021

Strategic focus for 2019-2021 period

- **Boost “smart” earning potential by diversifying revenue streams**
- **Streamline business processes to enable growth over the medium and long term**



Performance Forecasts for Second Medium-term Management Plan

KOKUYO

In October 2020, we downgraded performance forecasts in view of economic uncertainties. Performance subsequently recovered, and we now expect to significantly exceed the downgraded forecasts.

Changes to Performance Forecasts in Second Medium-term Plan

(Billions of yen)

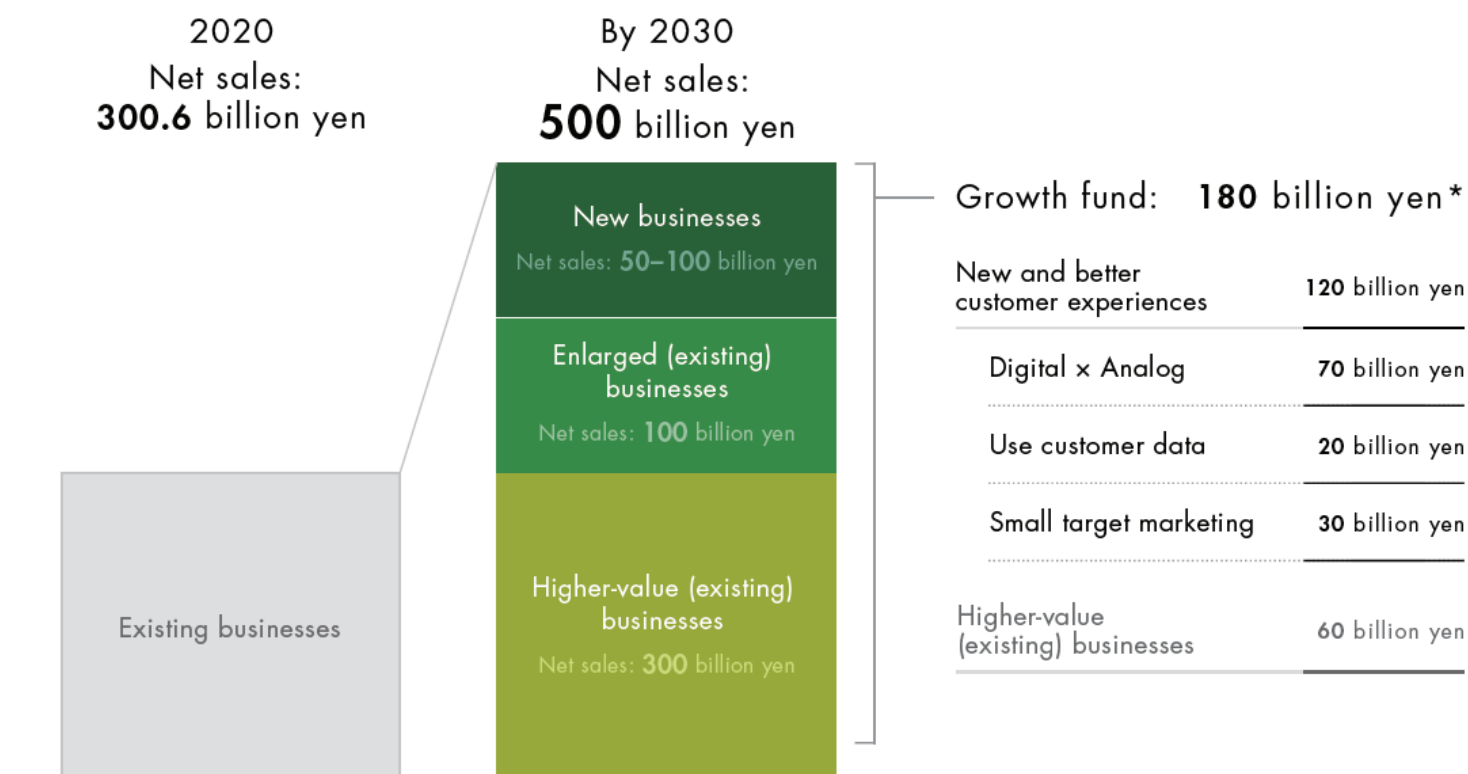
	FY2021						
	Initial forecast	Revised forecast (announced 2020.Q3)	Latest estimate	Change from initial forecast	% change from initial forecast	Change from revised forecast	% change from revised forecast
Net sales	346.0+	305.0+	322.0	-24.0	-6.9%	+17.0	+5.6%
Gross profit	127.8+	109.3+	116.7	-11.1	-8.7%	+7.4	+6.8%
(ratio)	(36.9%+)	(35.8%+)	(36.2%)	(-0.7pt)		(+0.4pt)	
Operating income	21.5+	13.0+	20.2	-1.3	-6.0%	+7.2	+55.4%
(ratio)	(6.2%+)	(4.3%+)	(6.3%)	(+0.1pt)		(+2.0pt)	

* Latest estimate: From the latest full-year forecasts, announced in Financial Results for the Six Months Ended June 30, 2021

Summary of Long-term Vision CCC 2030

We will grow new and existing businesses, aiming for 500 billion yen in net sales by 2030.

KPIs in Long-term Vision CCC 2030



* Around 50–100 billion yen of the fund will be earmarked as M&A fund / venture capital.

Investing toward Long-term Vision CCC 2030

We will work with outside partners to create new ventures and expand existing businesses.
Spending plans will be unveiled in the third medium-term plan, out this November.

	Description of business	Expected outcomes
CLEAR, Inc.	<ul style="list-style-type: none"> • Note-sharing platform (Clear) • Student enrolment service (Meets) 	<ul style="list-style-type: none"> • Clear's customer interfaces will help us pursue R&D opportunities aimed at expanding our business model
HOMMA, Inc.	<ul style="list-style-type: none"> • Design, development of homes • Development of related software 	<ul style="list-style-type: none"> • Joint R&D projects with Homma will help us make the smart, connected home an even better place to work and learn
Photosynth Inc.	<ul style="list-style-type: none"> • IoT device-related R&D • Development, provision of Akerun Access Control System 	<ul style="list-style-type: none"> • Will enable coordination of sales activities • Will enable joint research into office communication solutions for the new normal
amana inc.	<ul style="list-style-type: none"> • Visual communication 	<ul style="list-style-type: none"> • Will enable us to provide bespoke communication solutions • Will enable us to provide services that are optimized to working practices in the new normal

Materiality Assessment

Committed to the SDG agenda, we ran a materiality assessment to identify the most important ESG issues.

Issues identified in materiality assessment



Sustainability initiatives

Here are some examples of how we contribute toward social value.



Employing people with disabilities
Kokuyo K Heart & Hartland



A space for experimenting with new workstyles
THE CAMPUS



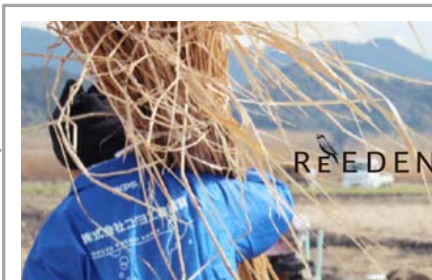
Milk pack recycling initiative
Starbucks + Campus Note



Aiming to conserve the environment and contribute to a circular economy
Yui-no-Mori Project in Shimanto



Eco-batsu initiative



Utilizing a Lake Biwa's reeds
ReEDEN Project

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H1 Results by Segment (Year-on-Year)

(Billions of yen)

	Jan–Jun 2020	Jan–Jun 2021	Change	% change
Net sales	155.8	168.1	+12.3	+7.9%
Spatial Value	78.0	84.8	+6.8	+8.7%
Business Supplies	55.9	59.6	+3.6	+6.5%
Global Stationery	36.9	38.2	+1.3	+3.6%
Other	1.2	1.3	+0.1	+8.4%
Reconciliation	-16.4	-15.9	+0.4	-
Operating income	10.0	14.7	+4.6	+45.8%
(ratio)	(6.5%)	(8.7%)	(+2.3p)	
Spatial Value	9.4	12.3	+2.9	+31.2%
(ratio)	(12.1%)	(14.6%)	(+2.5p)	
Business Supplies	1.1	1.5	+0.3	+30.3%
(ratio)	(2.1%)	(2.6%)	(+0.5p)	
Global Stationery	2.6	3.8	+1.2	+45.6%
(ratio)	(7.1%)	(10.0%)	(+2.9p)	
Other	0.0	0.0	+0.0	+7.1%
(ratio)	(4.9%)	(4.9%)	(+0.0p)	
Reconciliation	-3.2	-3.1	+0.1	-

Full-year Targets by Segment for FY2021 (Year-on-year)

(Billions of yen)

	FY2020 full-year result	FY2021 target	Change	% change
Net sales	300.6	322.0	+21.3	+7.1%
Spatial Value	144.7	157.0	+12.3	+8.5%
Business Supplies	113.0	117.9	+4.8	+4.3%
Global Stationery	71.5	74.6	+3.0	+4.3%
Other	2.5	2.7	+0.1	+7.1%
Reconciliation	-31.1	-30.2	+0.9	-
Operating income	14.8	20.2	+5.3	+36.4%
(ratio)	(4.9%)	(6.3%)	(+1.3p)	
Spatial Value	13.8	18.2	+4.3	+31.3%
(ratio)	(9.6%)	(11.6%)	(+2.0p)	
Business Supplies	2.5	2.9	+0.3	+15.9%
(ratio)	(2.2%)	(2.5%)	(+0.2p)	
Global Stationery	4.8	6.1	+1.2	+26.8%
(ratio)	(6.7%)	(8.2%)	(+1.5p)	
Other	0.0	0.1	+0.0	+85.2%
(ratio)	(2.1%)	(3.7%)	(+1.6p)	
Reconciliation	-6.4	-7.1	-0.6	-

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*Note: Forecasts of future KOKUYO earnings included in this presentation contain various inherent risks and uncertainties.
Actual earnings may differ substantially from these forecasts.