



Summaries of Financial Results for the Fiscal Year Ended December 31, 2021 and Third Medium-Term Plan -Field Expansion 2024

February 17, 2022
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.



FY2021 Results

- ❑ Net sales and operating income were largely in line with the upgraded targets (as announced in Q2 results presentation), **denoting that our strategies for each business are generally on track.**
- ❑ **We achieved success transforming management during the second medium term (2019–2021), resulting in much better profitability across group.**
- ❑ By hitting our initial target for operating margin, among other things, **we have laid the foundations for further enhancing our business portfolio.**

Full-Year FY2022 Forecasts

- ❑ Starting in 2022, we are applying the new revenue recognition standard. We forecast earnings growth in FY2022 with the standard retroactively applied to FY2021.
- ❑ In conjunction with the start of the third medium-term plan (which will contribute to achieving our long-term vision, CCC 2030), **we have reorganized reportable segments into the Workstyle Field and Lifestyle Field, with a view to unlocking further growth.**
- ❑ The furniture businesses will keep targeting the vibrant demand for office renovations, while the stationery businesses will expand in China and India.
- ❑ Capital policy: For shareholder returns, **we remain committed to a dividend payout ratio of 40% and a stable dividend increase. To achieve 8% ROE (a medium-term goal), we will reduce non-business assets to improve the efficiency of our business assets, enabling more effective capital spending.**



1. Full-Year FY2021 Results

FY2021 Results: Year on Year Comparisons

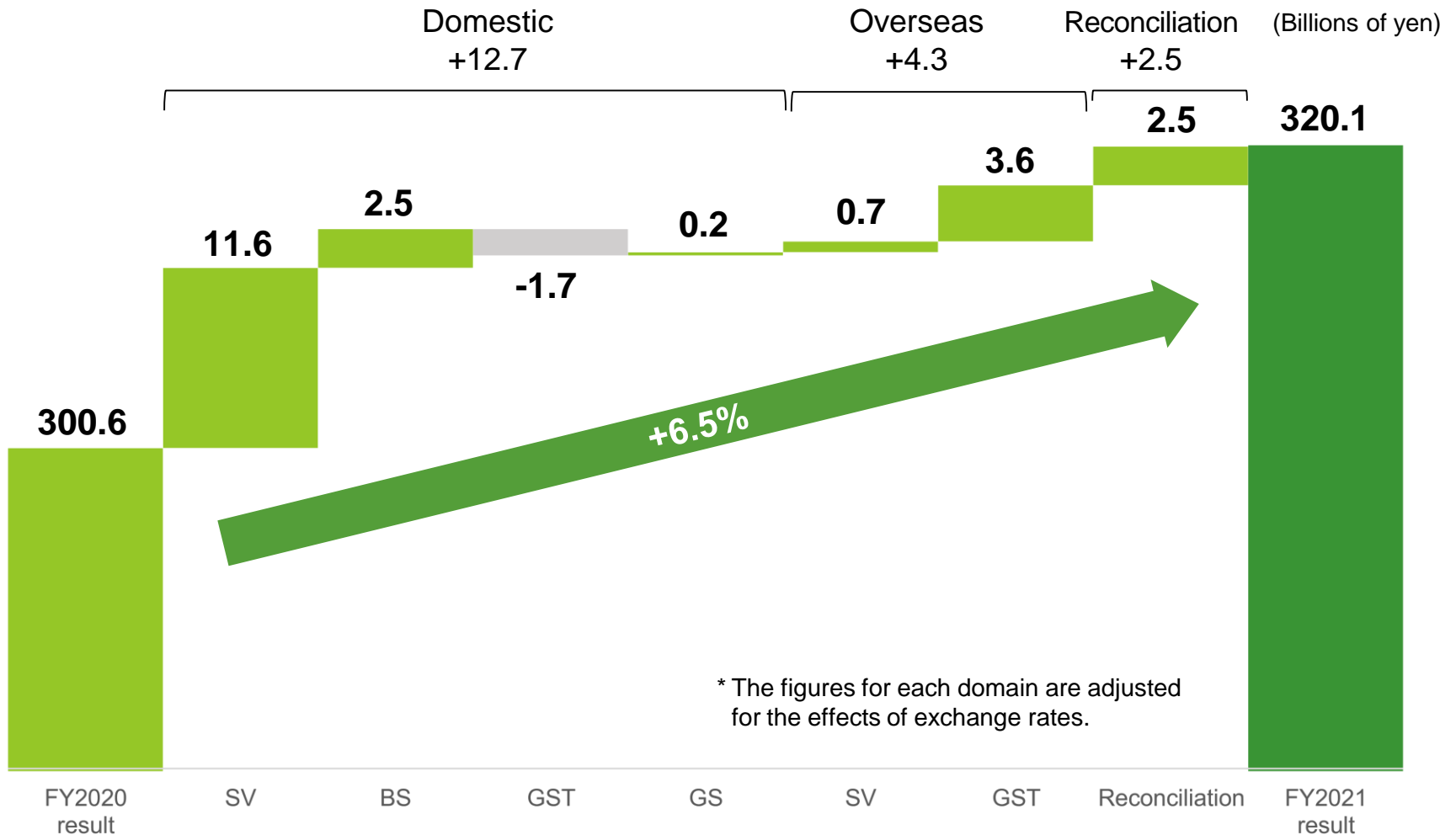
Earnings rebounded significantly from last year's Covid slump
 With better corporate-group management,
 we improved organizational efficiency and profitability

(Billions of yen)

	FY2021				FY2020
	Result	Difference from forecast	YoY change	H2 revised forecast	Result
Net sales	320.1	-1.8	+19.5	322.0	300.6
Gross profit	115.7	-0.9	+8.3	116.7	107.3
(ratio)	36.1%	-0.1pt	+0.4pt	36.2%	35.7%
SG&A expenses	95.7	-0.7	+3.1	96.5	92.5
(ratio)	29.9%	-0.1pt	-0.9pt	30.0%	30.8%
Operating income	20.0	-0.1	+5.1	20.2	14.8
(ratio)	6.2%	-0.0pt	+1.3pt	6.3%	4.9%
Ordinary income	16.4	+0.3	+2.2	16.1	14.1
(ratio)	5.1%	+0.1pt	+0.4pt	5.0%	4.7%
Profit	13.7	+1.4	+5.4	12.3	8.2
(ratio)	4.3%	+0.5pt	+1.5pt	3.8%	2.8%

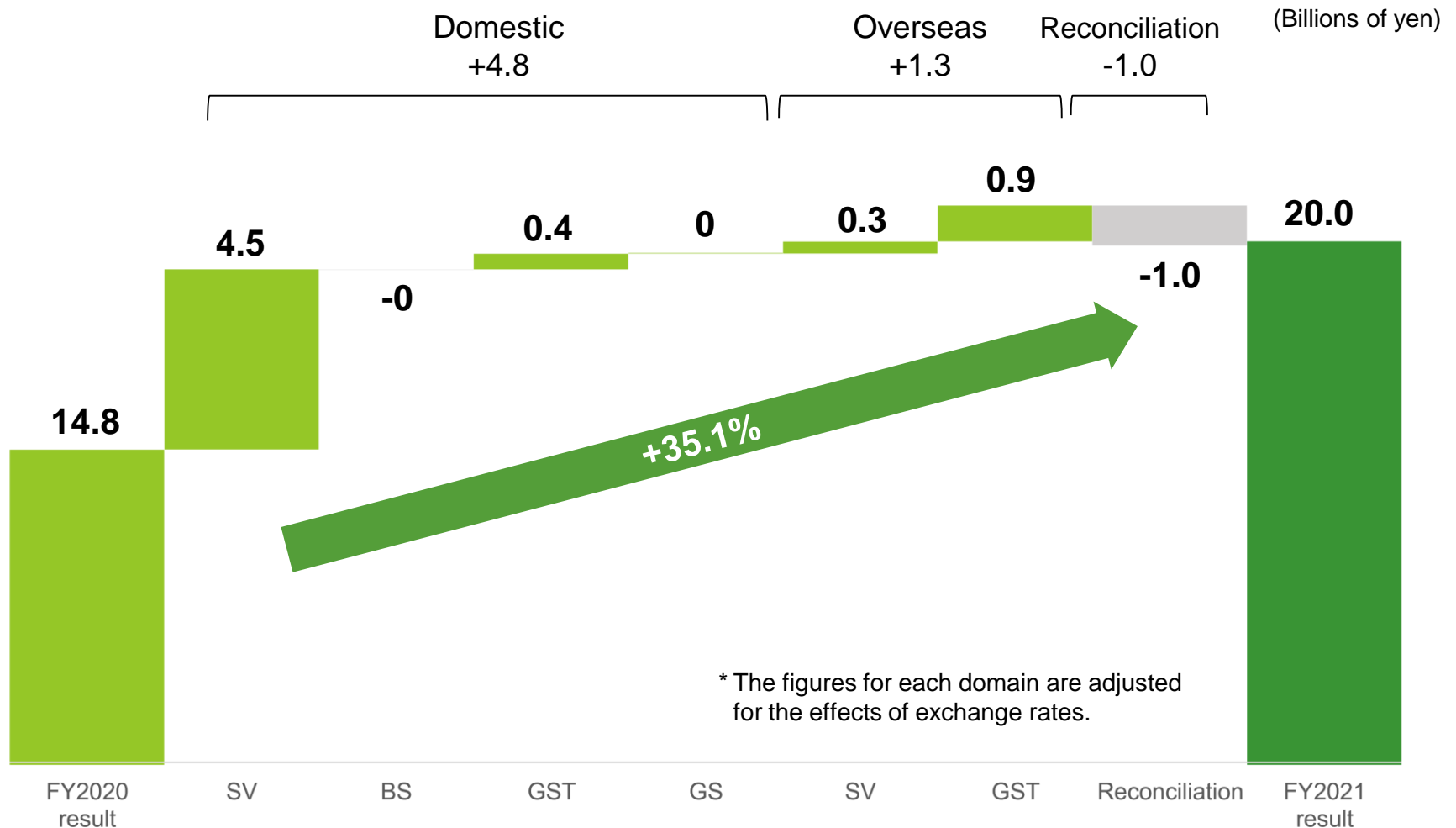
FY2021 Results: Net Sales Breakdown

Domestic: Big YoY increase, with SV bringing lion's share
 Overseas: GS's Chinese operations made positive contribution



FY2021 Results: Operating Income Breakdown

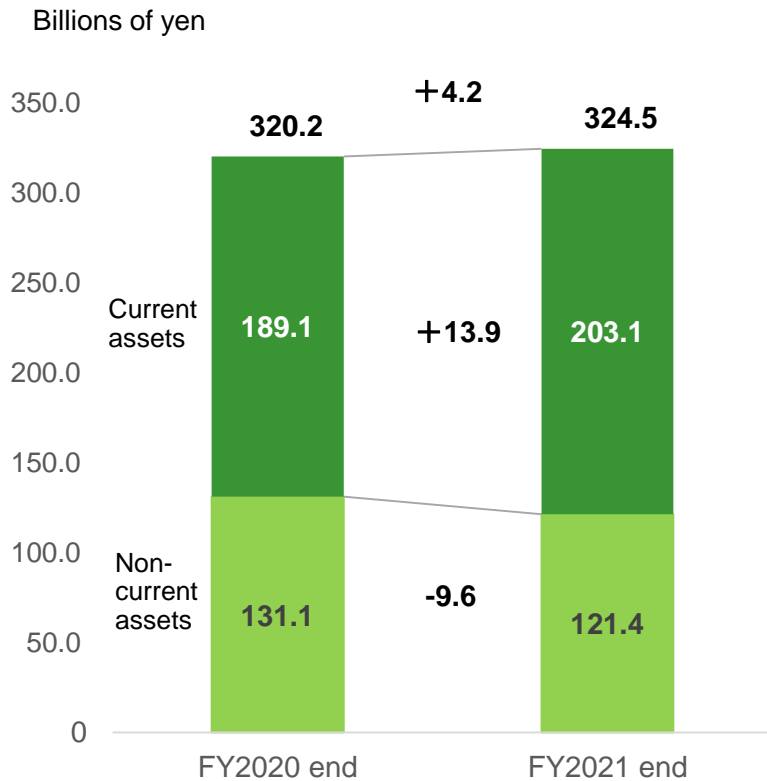
Domestic: Benefitted from higher revenue and better profitability, especially in SV
 Overseas: GS benefitted from higher revenue, especially in China



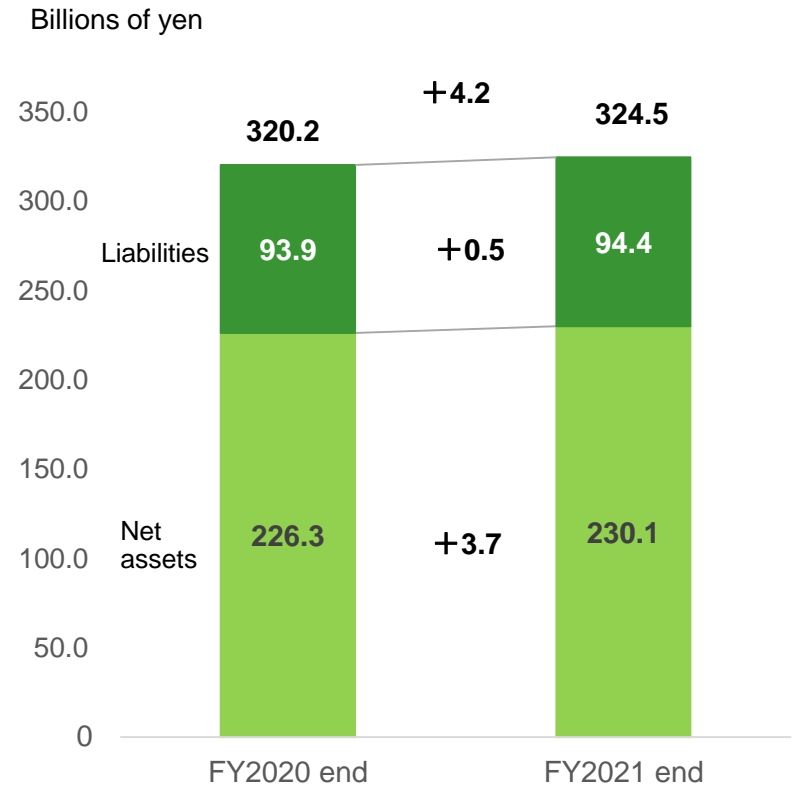
Balance Sheet Analysis

Offloaded non-business assets such as cross-held shares and land
Improved asset efficiency with more active growth CapEx

Change in assets



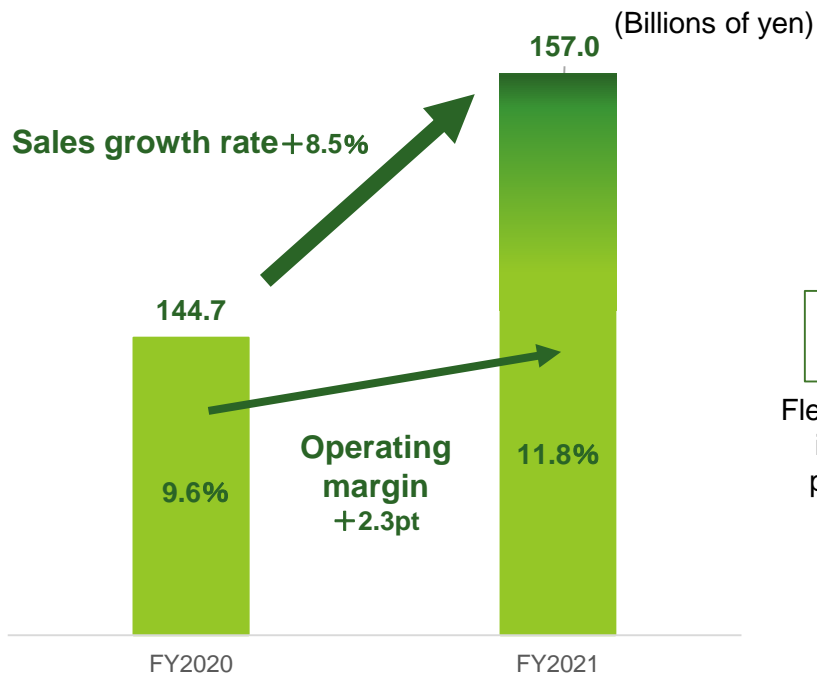
Change in liabilities and net assets



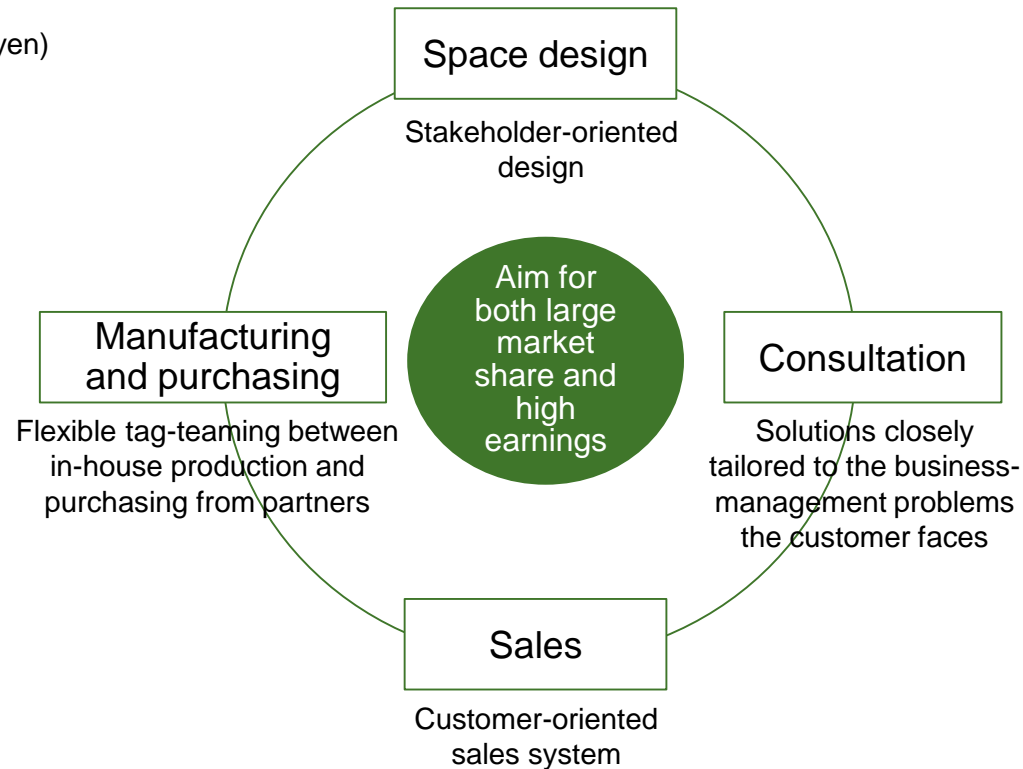
Focused on value-added proposals for growth

Further improvements in value chain helped us capture demand for office renovations

Performance

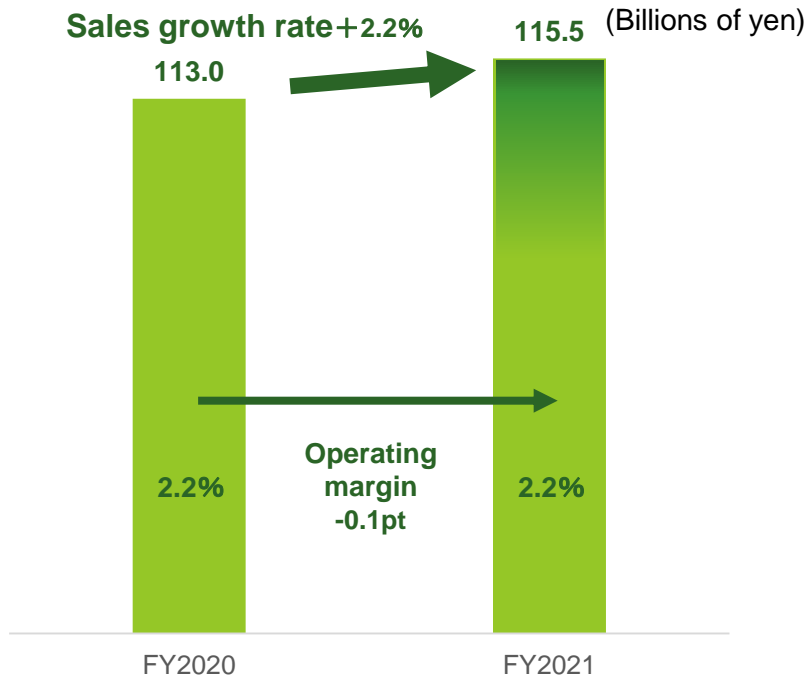


Value chain improvements (Furniture business)

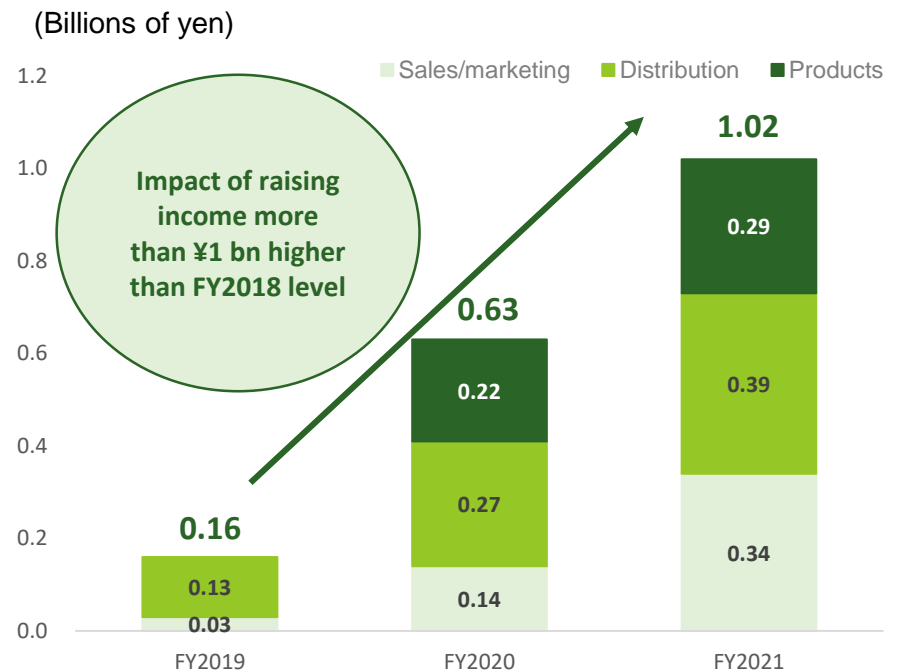


Conducted structural reform and strengthened customer base
for greater business sustainability
Made headway in migration strategy across supply chains

Performance



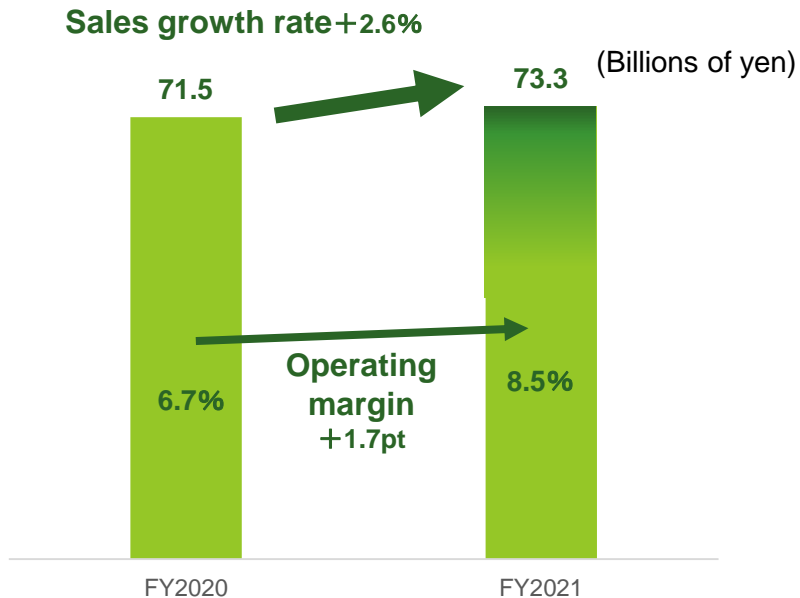
Migration effect



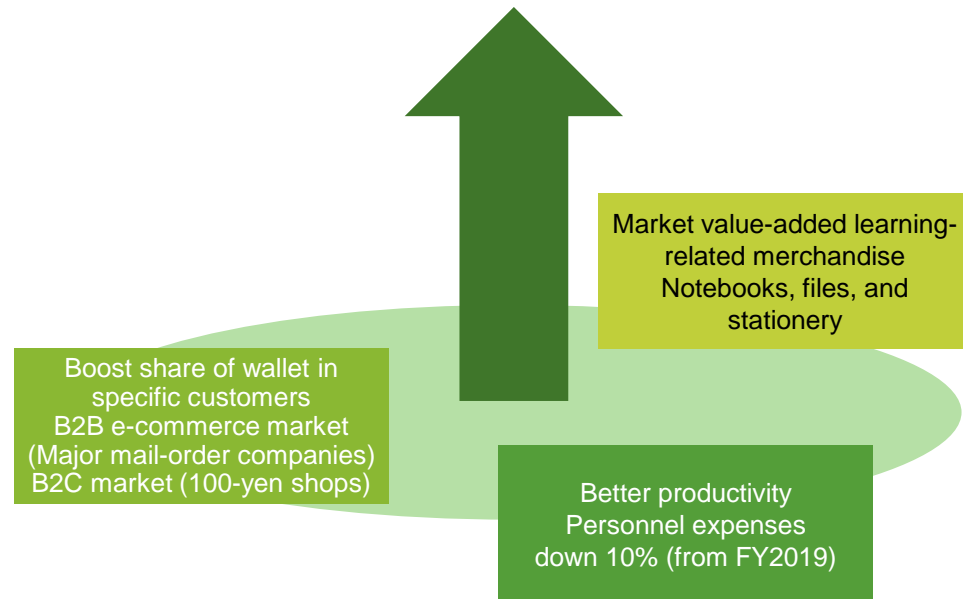
Gained foothold in new-growth areas to increase share in global stationery market
Profitability improved with greater operational efficiency in domestic stationery business


Performance

Efforts to improve business sustainability (Domestic stationery business)



Better operating margin
7.3% (FY2019) → 8.5% (FY2021)





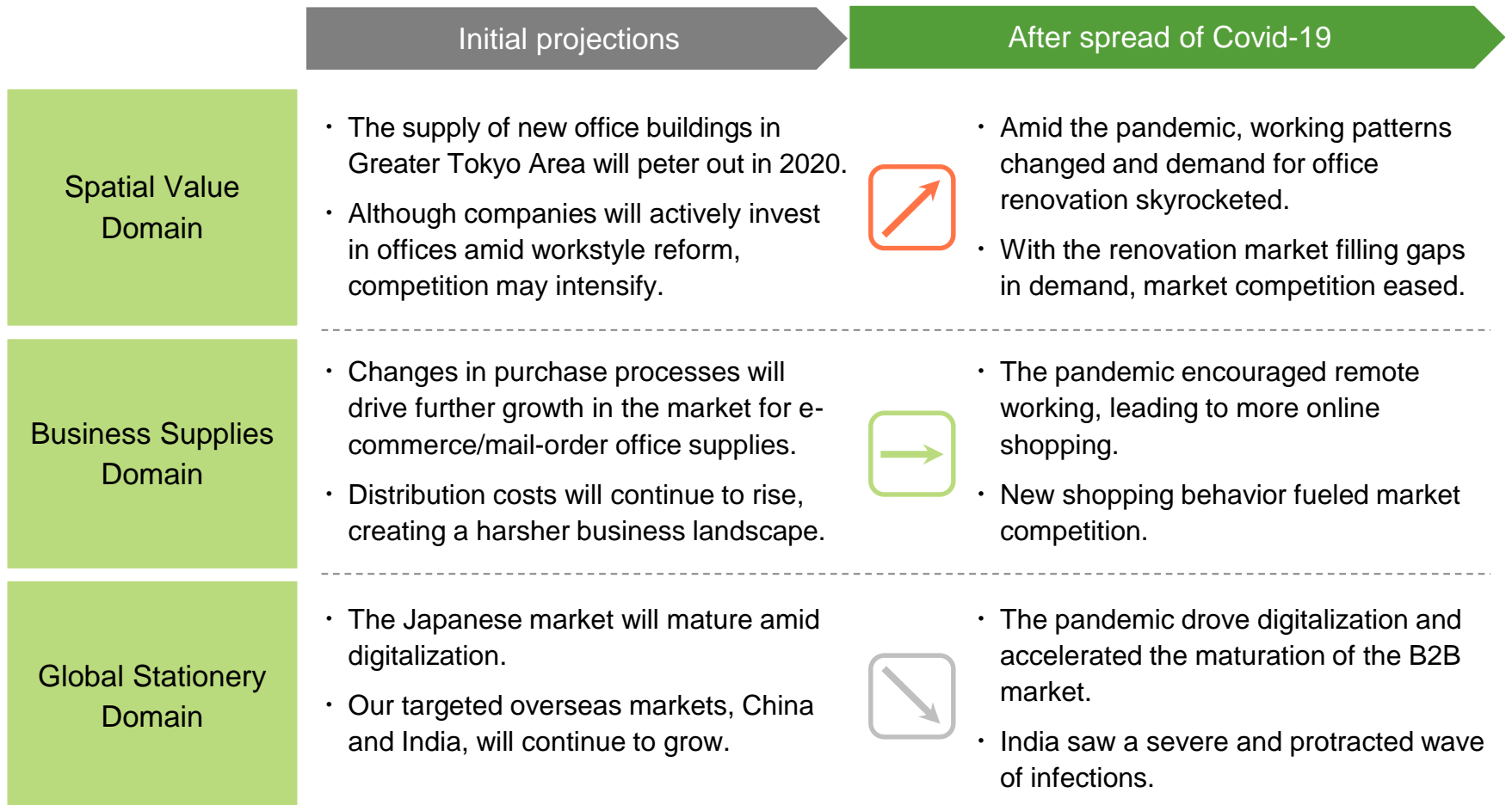
2. Second Medium-Term Plan in Review

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

Workstyle reform and digitalization are transforming ways of working and learning



Quantitative Targets and Results

Although the effects of the pandemic meant we missed our initial targets, we managed to stabilize earnings by improving profitability and efficiency





Initial/revised 2021 targets, latest forecasts

(Billions of yen)

	FY2021				
	Initial target	Revised target (announced Q3/20)	Full-year result	Change from initial target	Change from revised target
Net sales	>346.0	>305.0	320.1	-25.9	+15.1
Gross profit	>127.8	>109.3	115.7	-12.1	+6.4
(ratio)	>37.0%	>35.8%	36.1%	-0.9pt	+0.3pt
Operating income	>21.5	>13.0	20.0	-1.5	+7.0
(ratio)	6.2%	>4.3%	6.2%	+0.0pt	+1.9pt

Evaluating the Performance of each Domain

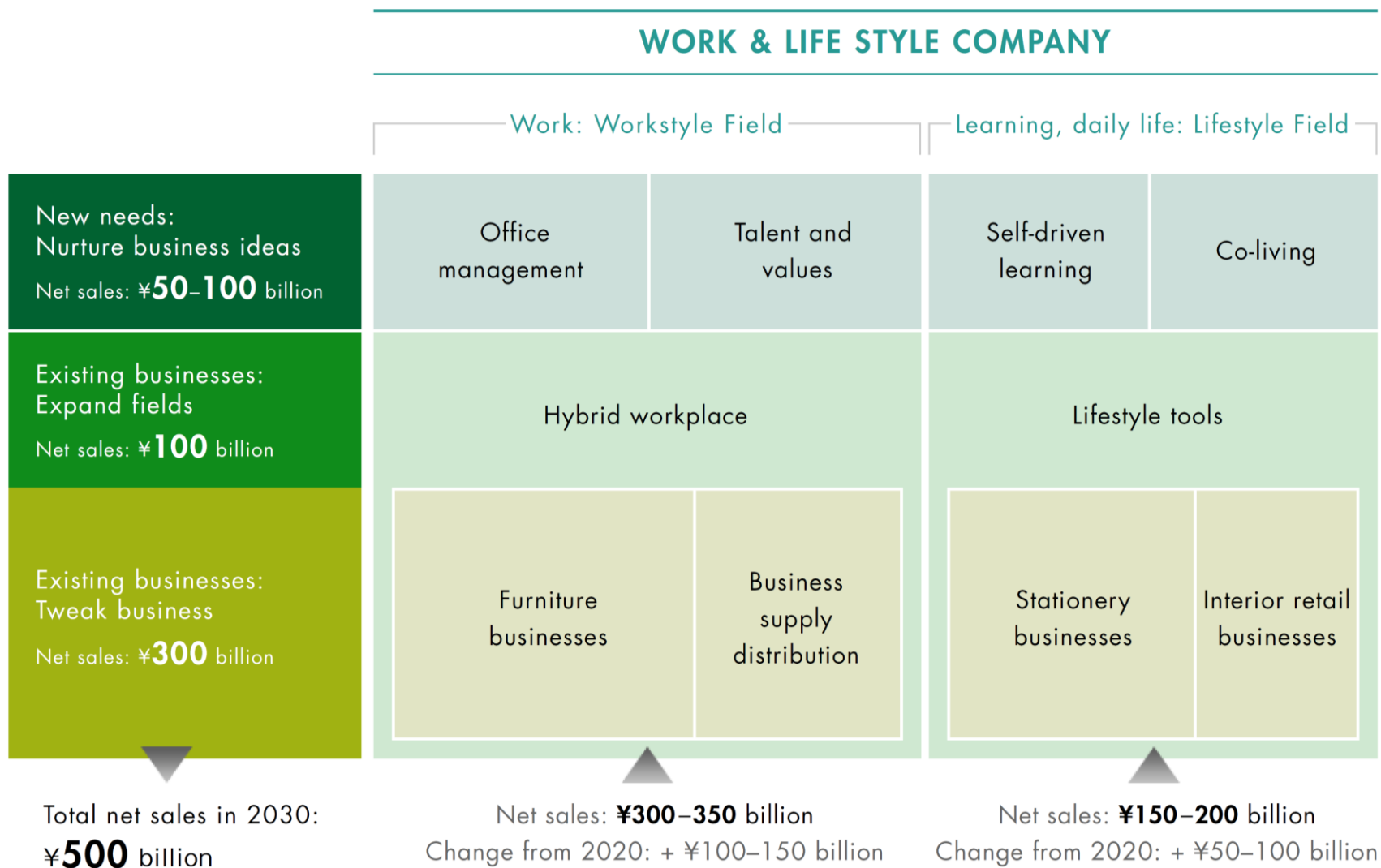
Despite the impact of the business environment,
each domain performed fairly consistently with initial expectations

(Billions of yen)		FY2021			Evaluation
		Initial target	Revised target	Full-year result	
Spatial Value Domain	Net sales	>162.0	>139.0	157.0	 • Riding the business tailwinds, the domain increased its competitiveness and achieved business growth.
	Operating income	>19.0	>12.5	18.6	
	(ratio)	>11.7%	>9.0%	11.8%	
Business Supplies Domain	Net sales	>124.0	>117.0	115.5	 • The domain made headway in its migration strategy, boosting efficiency and enhancing business sustainability.
	Operating income	>3.5	>2.6	2.4	
	(ratio)	>2.9%	>2.2%	2.2%	
Global Stationery Domain	Net sales	>94.0	>75.0	73.3	 • In Japan: Market shrunk amid pandemic, but the domain offset this by improving profitability.  • Overseas: The domain grew a new audience for stationery (schoolgirls in China). Progress surpassed expectations.
	Operating income	>9.0	>5.3	6.2	
	(ratio)	>9.6%	>7.1%	8.5%	



**3. Summary of Third Medium-Term Plan
(2022-2024):
Field Expansion 2024**

By expanding the two fields, we aim to achieve net sales of ¥500 billion in 2030



A sustainable and abundant society

Toward the Forest Model

WORK & LIFE STYLE Company

● Our purpose

be Unique.

● Our strength

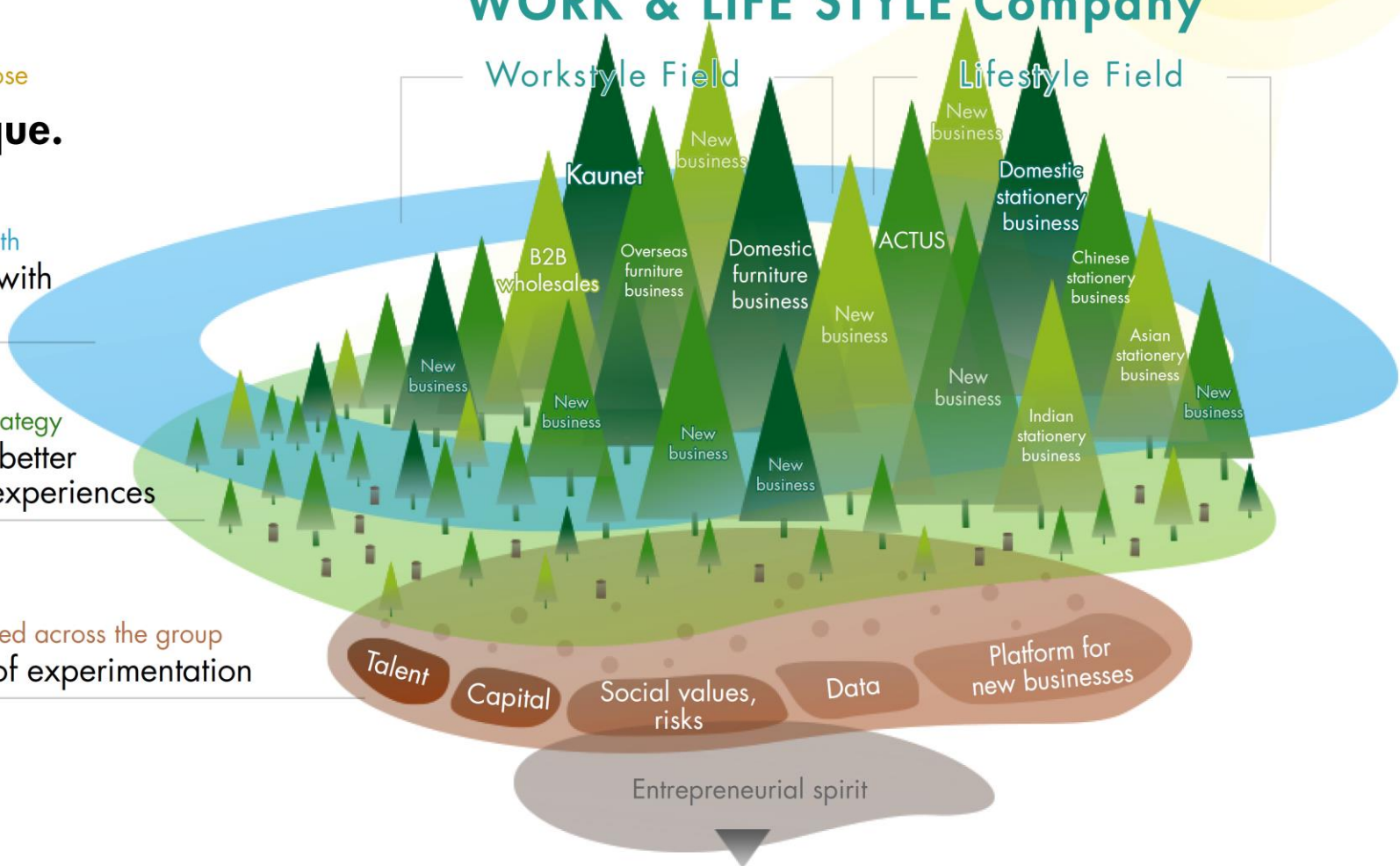
Designed with Empathy

● Growth strategy

New and better customer experiences

● Asset shared across the group

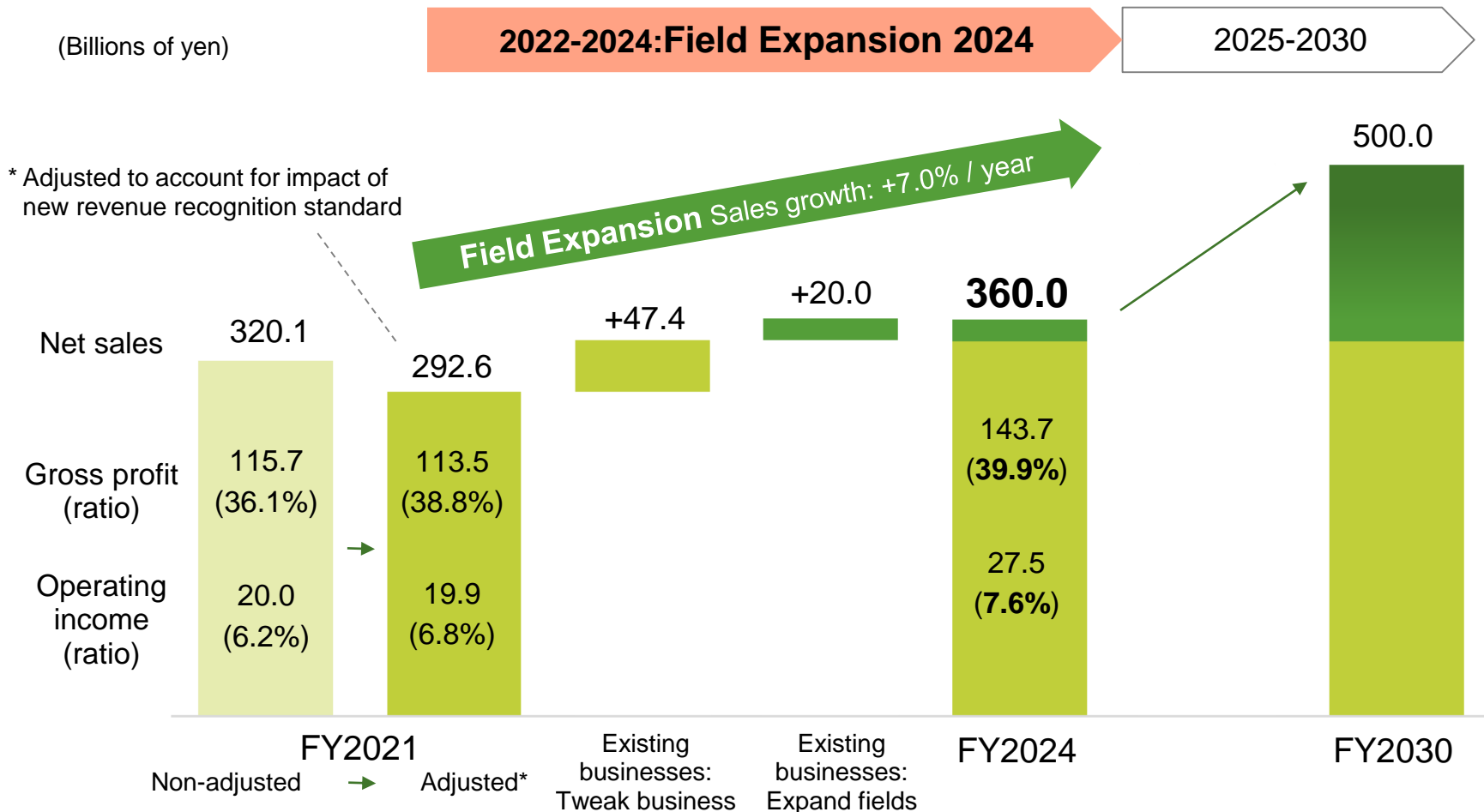
A culture of experimentation



Net sales up from ¥300 billion to ¥500 billion in 2030.

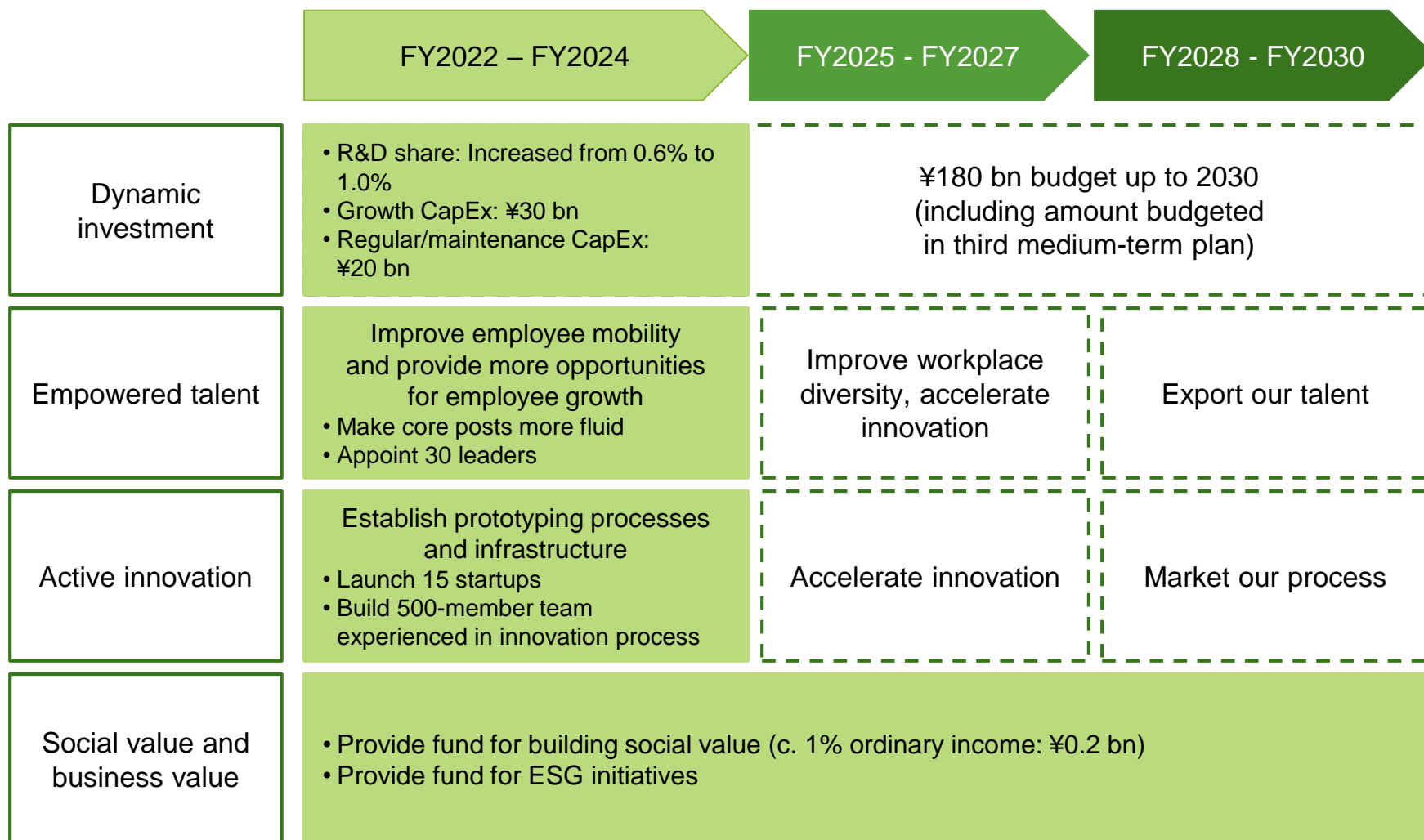
Goal of the Third Medium-Term Plan

By expanding each field, we will achieve in 2024 ¥360 billion in net sales
with an operating margin of 7.6%
This will put us on course for sustainable growth by 2030

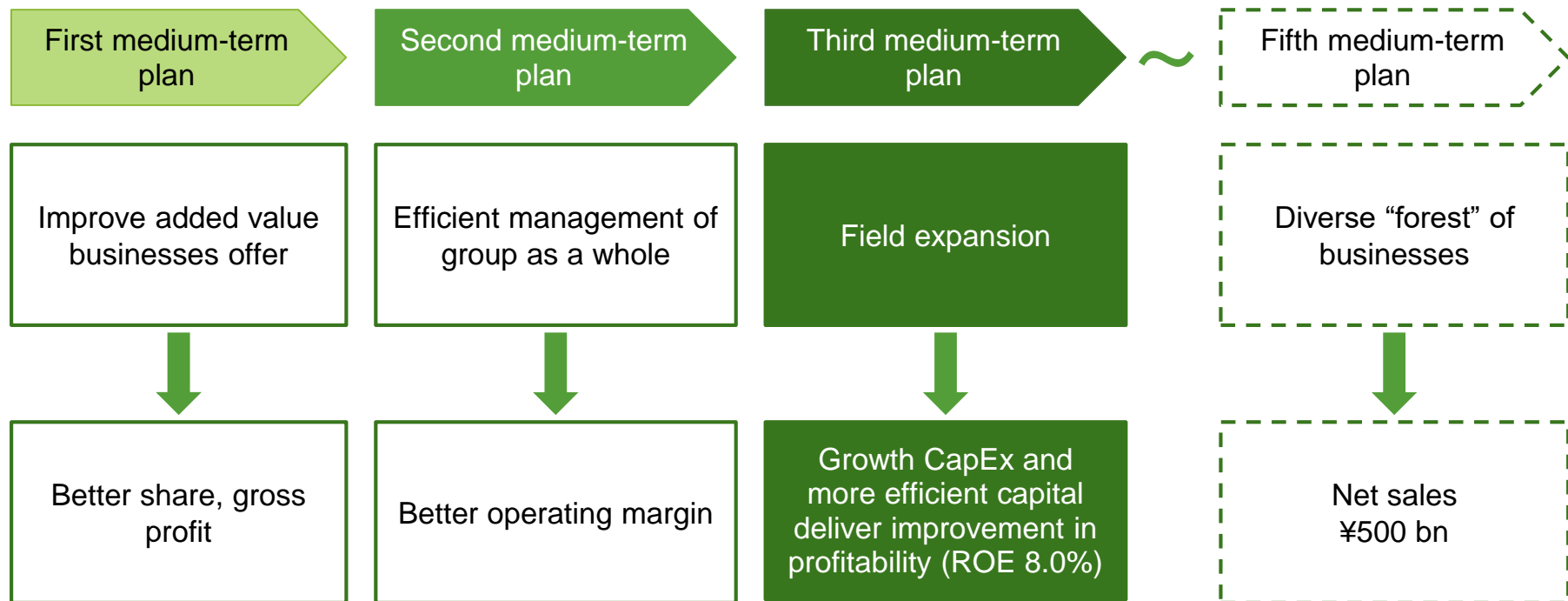


Requirements for Expanding the Fields

To expand the fields, we need a completely new growth model

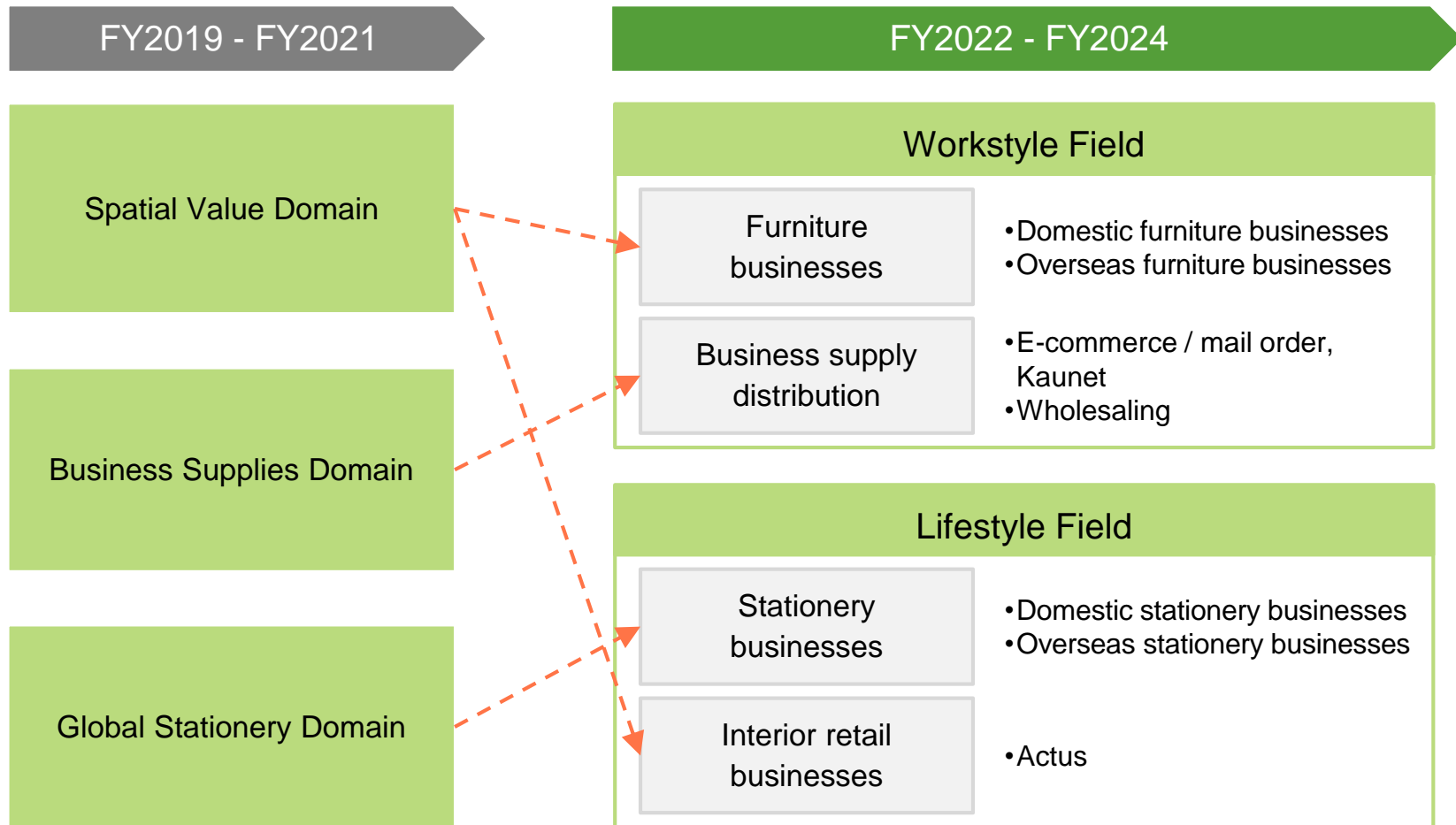


Building on management transformation (aimed at improving business portfolio), we will advance to field expansion phase which will contribute to achieving CCC 2030

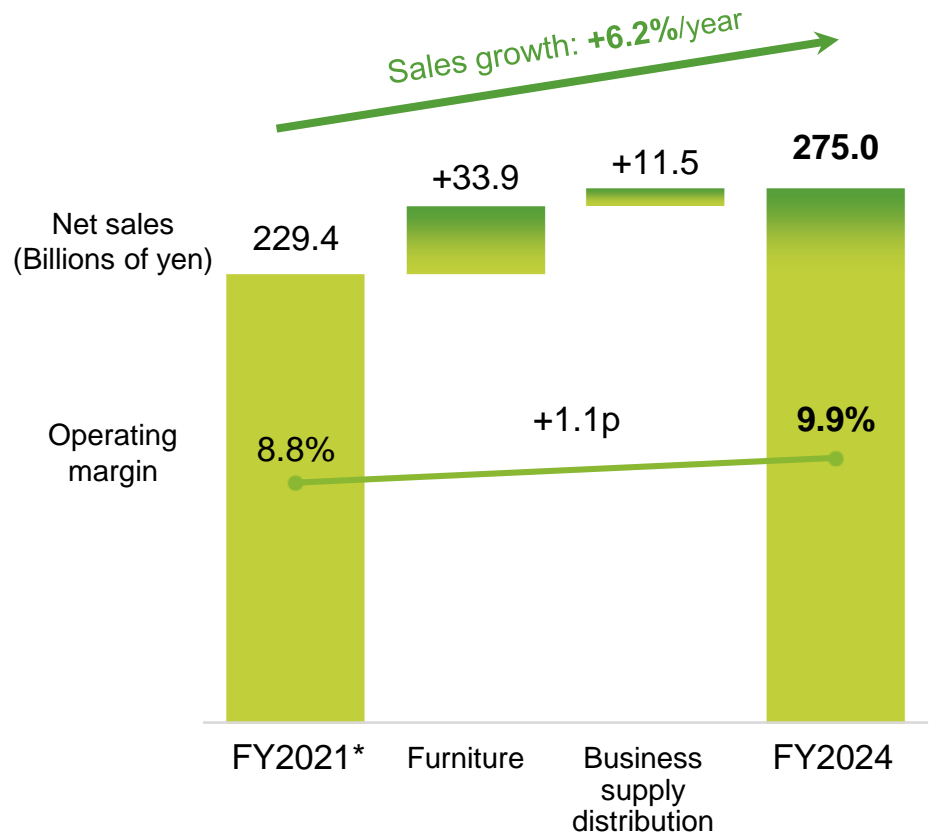
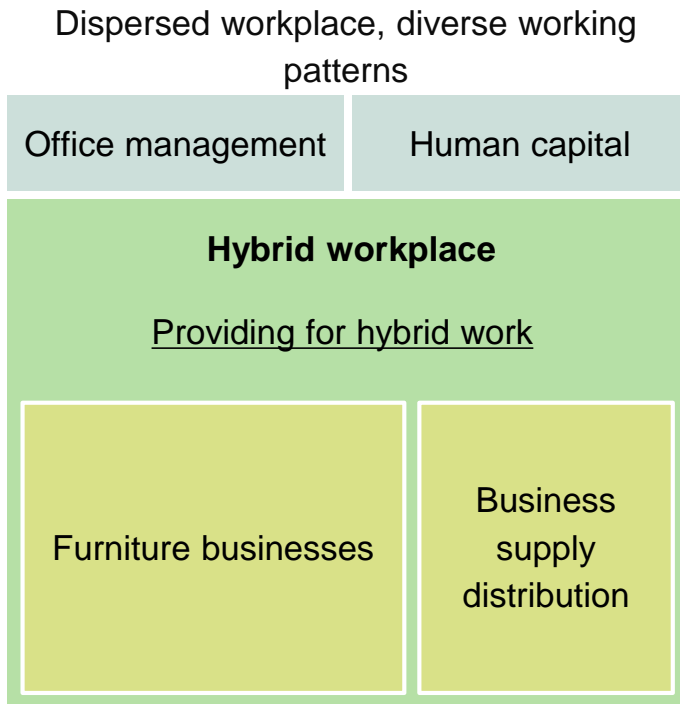


Reorganization of Reportable Segments

To expand our fields as a WORK & LIFE STYLE Company, we have reorganized our three reportable segments into two “fields.” Additionally, for more granular disclosures, we have defined four business categories (two in each field)



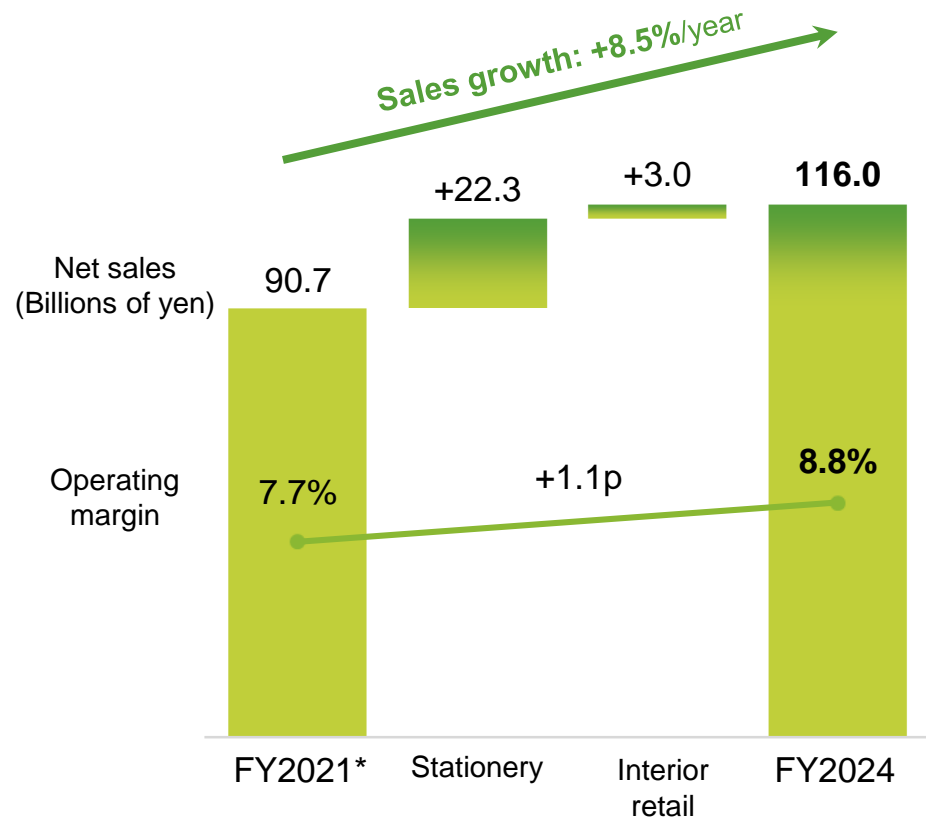
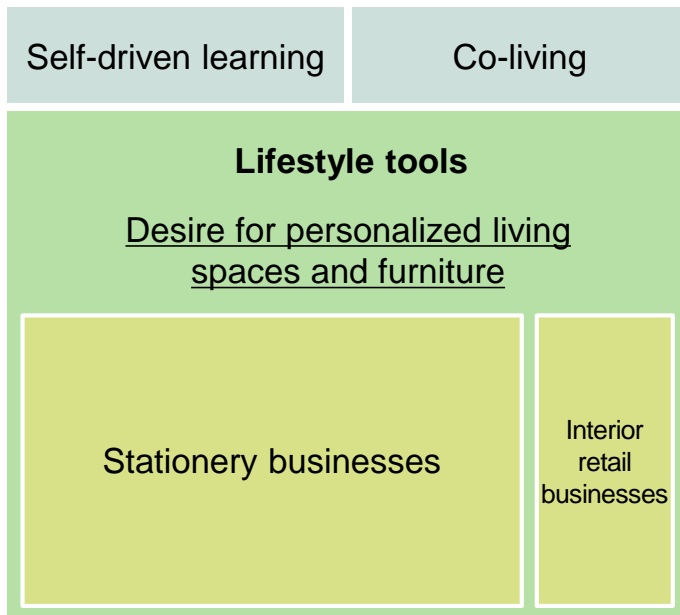
To expand this field, we will capture growth opportunities in the shifting needs for office spaces and office goods associated with the rise of hybrid work




*The 2021 result is adjusted to account for the impact of the new revenue standard.

To expand this field, we will target the growing demand for value-added living space and furniture solutions and enhance the customer interface to expand into the lifestyle market

Seeking a more authentic life, social consciousness



*The 2021 result is adjusted to account for the impact of the new revenue standard.



4. Full-Year FY2022 Forecasts

Full-Year FY2022 Forecasts

We forecast earnings growth, with furniture businesses benefitting from vibrant demand for office renovation and stationery businesses enjoying growth prospects overseas

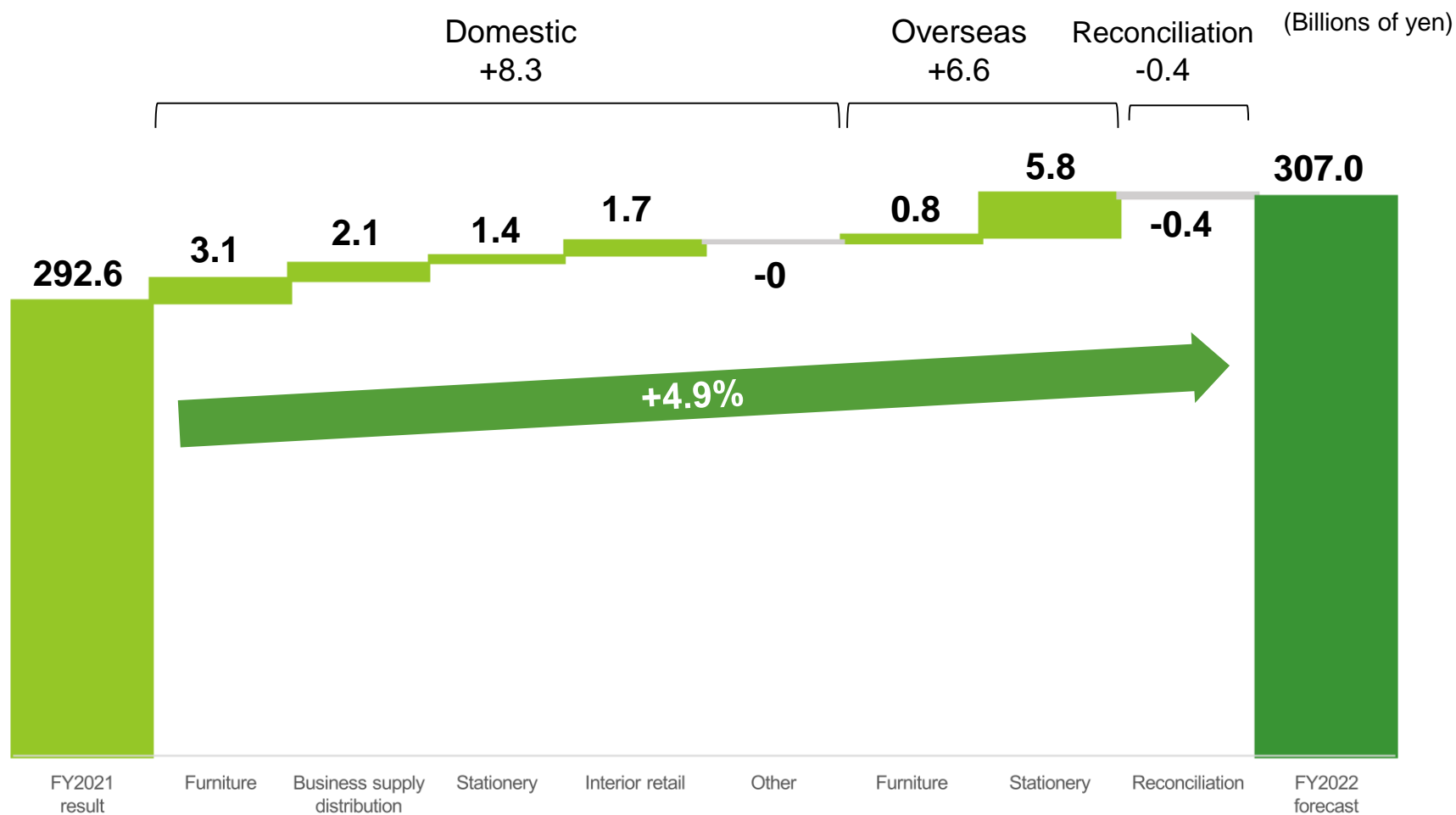
(Billions of yen)

	FY2022	FY2021		YoY change(% change)	
	Forecast	Non-adjusted	Adjusted	Non-adjusted	Adjusted
Net sales	307.0	320.1	292.6	-4.1	+4.9
Gross profit	119.9	115.7	113.5	+3.6	+5.6
(ratio)	39.1%	36.1%	38.8%	-	-
SG&A expenses	99.1	95.7	93.6	+3.5	+5.9
(ratio)	32.3%	29.9%	32.0%	-	-
Operating income	20.8	20.0	19.9	+4.0	+4.5
(ratio)	6.8%	6.2%	6.8%	-	-
Ordinary income	22.2	16.4	16.4	+35.2	+35.2
(ratio)	7.2%	5.1%	5.6%	-	-
Profit	15.9	13.7	13.7	+16.0	+16.0
(ratio)	5.2%	4.3%	4.7%	-	-

The new revenue recognition standard applies from FY2022. For the FY2021 results, we have included the figures with the new standard applied retroactively.

Full-Year FY2022 Forecasts: Net Sales Breakdown

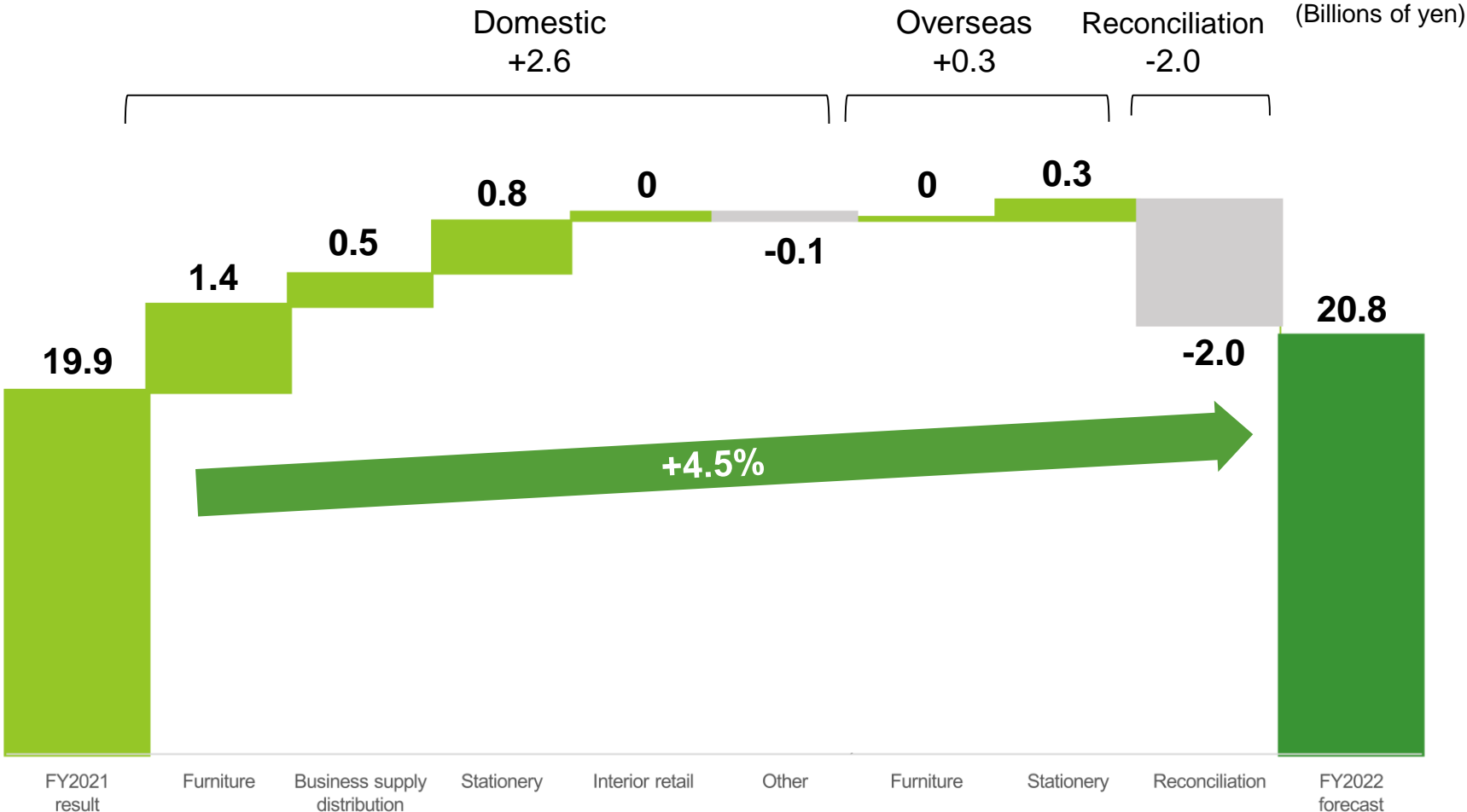
We aim for growth across board, but particularly in domestic furniture businesses and overseas stationery businesses



The new revenue standard has been retroactively applied to the FY2021 result.

Full-Year FY2022 Forecasts: Operating Income Breakdown

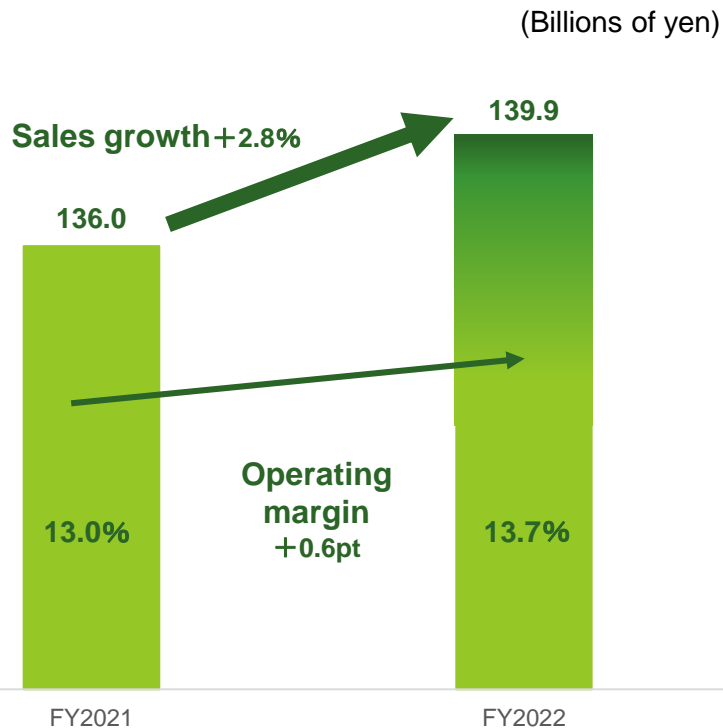
Earnings growth expected with higher revenue and improvements in profitability
(higher sales prices, lower sales costs)



The new revenue standard has been retroactively applied to the FY2021 result.

We will continue targeting demand for office renovations
To expand the field, we will expand our office space lineup

Performance



Future strategies

Category

Strategy

Existing businesses: Tweak business	Target office renovations
Existing businesses: Expand fields	Expand office space lineup
Sustainable	Launch sustainable goods



THE CAMPUS

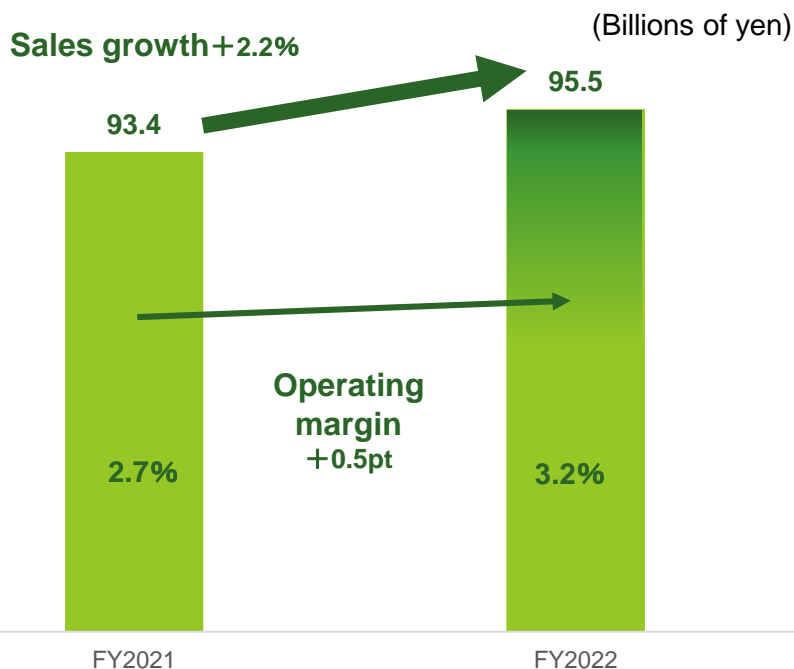


MAXHUB

We will improve purchasing system solutions for large-scale clients
To expand the field, we will cultivate new markets

Performance

Future strategies



Category

Strategies

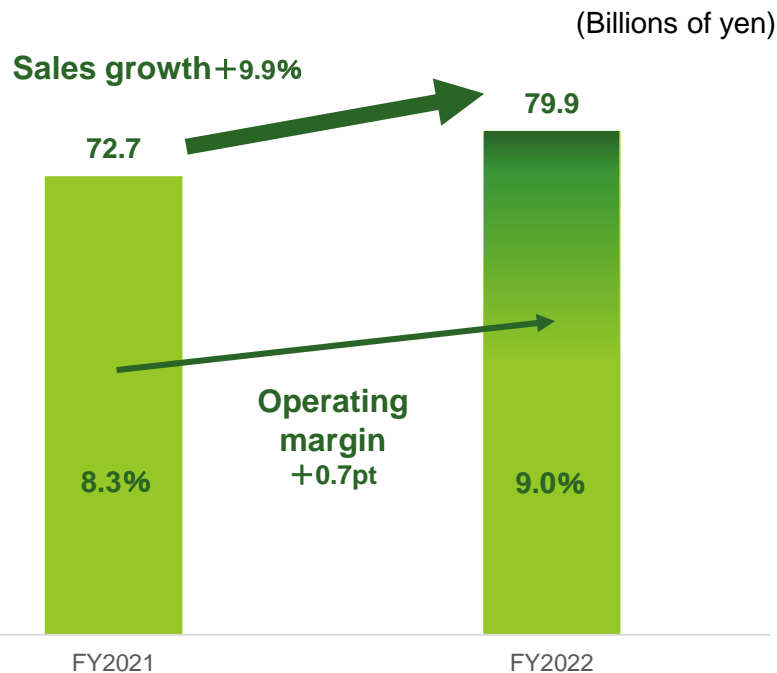
Existing businesses: Tweak business	Improve purchasing system solutions for large-scale clients
Existing businesses: Expand fields	Cultivate non-office markets
Sustainable	Launch recycling scheme for paper containers



Better intra-group coordination in marketing

We will maintain the high growth rate of the Chinese business by expanding its regional coverage. To expand the field, we will provide more value-added products

Performance

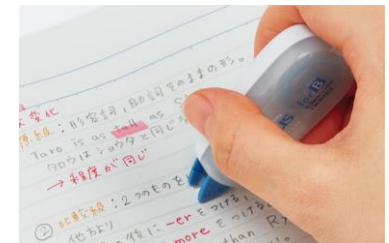


Future strategies

Category	Strategies
Existing businesses: Tweak business	Expand regional coverage of Chinese stationery business
Existing businesses: Expand fields	Provide more value-added products
Sustainable	Establish new procurement guidelines



More agents in provincial cities



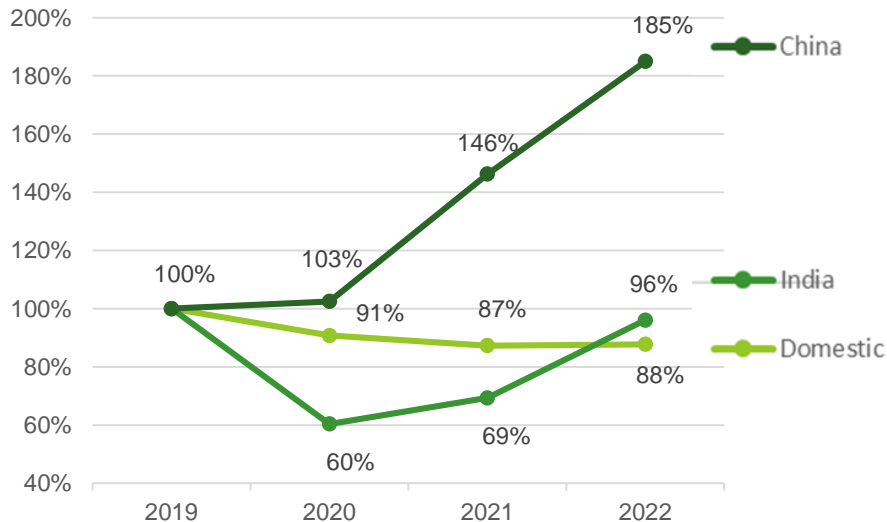
Correction tape designed for Campus notebooks

Growth of Chinese Stationery Business

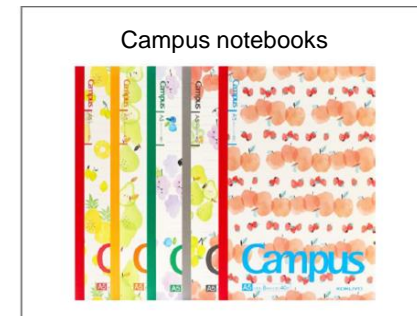
To sustain growth, we will build a differentiated value chain with localization and effective user communication

Sales by area

(FY2019 sales scaled at 100%)



Differentiated value chain
(localization, user communication)



Offline (Kokuyo Haku)

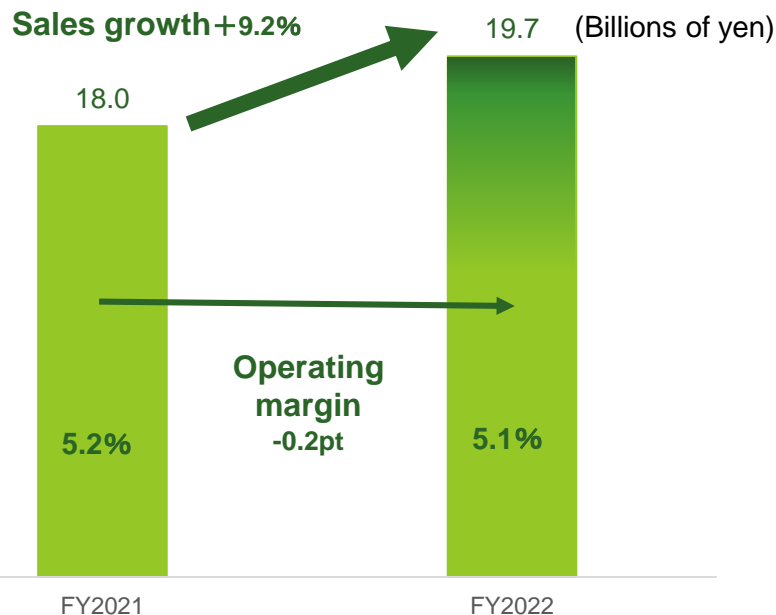


Online
(social media account)

Lifestyle Field: Interior Retail Businesses

We will invest in digital continuity so that we can continue to capture demand for interior goods. To expand the field, we will integrate the online store with offline stores more effectively (OMO)

Performance



Future strategies

Category	Strategies
Existing businesses: Tweak business	Invest in digital continuity
Existing businesses: Expand fields	OMO: Online (online store) merged with offline (brick-and-mortar stores)
Sustainable	Build three recycling schemes for reducing furniture waste



Brick-and-mortar stores

Online store

Strategy for Interior Retail Businesses

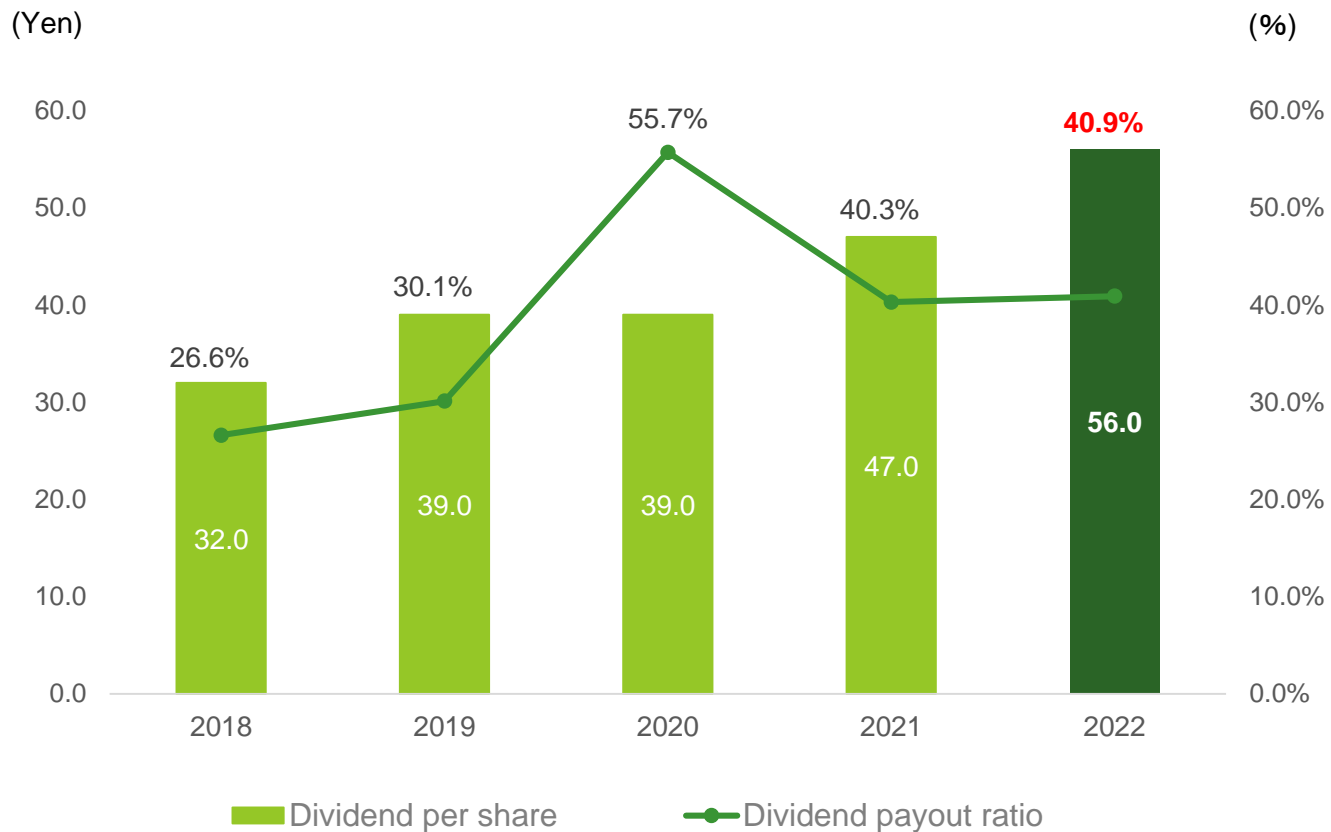
Given the strong demand for interior goods and for online shopping, we will focus on improving customer experience and solutions marketing in the Lifestyle Field



Shareholder Returns

In accordance with our shareholder returns policy for the third medium-term plan, we will deliver a stable dividend increase with a dividend payout ratio of 40%

Dividend per share and dividend payout ratios



We will improve our ESG performance and also prioritize stakeholder engagement so that our values resonate with investors and other stakeholders

Integrated reporting

In May this year, we will release an integrated report to show our commitment to sustainable business management and create resonance with investors and other stakeholders.

Organizational commitment to sustainable business

We will upgrade the present Environment Committee to the Sustainability Committee to help us deliver on our materiality commitments through a PDCA cycle.

Better materiality strategy


Our materiality strategy for contributing to the SDGs will be upgraded so that it better reflects our values and long-term vision.

Policy on sustainable business practices

We will upgrade our present CSR policy to communicate our values and practices throughout the organization and beyond.

We currently have the following ESG rankings:

MSCI: AA (2021.4)
Listed in MSCI Japan Empowering Women Index
FTSE: 2.4 [E2.8, S1.7, G2.9] (2021.3)
Nikkei SDGs survey: 56.0 (2021.11)



5. Reference Materials

FY2021 Results by Segment (Year-on-Year)

(Billions of yen)

	FY2021 result	FY2020 result	YoY change	% change
Net sales	320.1	300.6	+19.5	+6.5
Spatial Value	157.0	144.7	+12.3	+8.5
Business Supplies	115.5	113.0	+2.5	+2.2
Global Stationery	73.3	71.5	+1.8	+2.6
Other	2.7	2.5	+0.2	+11.0
Reconciliation	-28.6	-31.1	+2.5	-
Operating income	20.0	14.8	+5.1	+35.1
(ratio)	6.2%	4.9%	+1.3pt	
Spatial Value	18.6	13.8	+4.7	+34.2
(ratio)	11.8%	9.6%	+2.3pt	
Business Supplies	2.4	2.5	-0.0	-0.3
(ratio)	2.2%	2.2%	-0.1pt	
Global Stationery	6.2	4.8	+1.3	+29.0
(ratio)	8.5%	6.7%	+1.7pt	
Other	0.1	0.0	+0.0	+116.1
(ratio)	4.2%	2.1%	+2.0pt	
Reconciliation	-7.4	-6.4	-0.9	-

Full-Year Targets by Segment for FY2022 (Year-on-Year)

(Billions of yen)

		FY2022 (forecast)	FY2021 (result)		% change		
			Non-adjusted	Adjusted	Non-adjusted	Adjusted	
Total	Net sales	307.0	320.1	292.6	-4.1	+4.9	
	Operating income	20.8	20.0	19.9	+4.0	+4.5	
	(ratio)	6.8%	6.2%	6.8%			
Workstyle Field	Net sales	235.4	258.5	229.4	-8.9	+2.6	
	Operating income	22.1	20.3	20.3	+8.9	+9.1	
	(ratio)	9.4%	7.9%	8.8%			
	Furniture businesses	Net sales	139.9	139.1	136.0	+0.5	+2.8
		Operating income	19.1	17.7	17.7	+7.5	+7.6
		(ratio)	13.7%	12.8%	13.0%		
	Business supply distribution	Net sales	95.5	119.3	93.4	-20.0	+2.2
		Operating income	3.0	2.5	2.5	+18.8	+19.3
		(ratio)	3.2%	2.2%	2.7%		
Lifestyle Field	Net sales	99.6	91.7	90.7	+8.5	+9.8	
	Operating income	8.2	7.0	7.0	+15.9	+16.9	
	(ratio)	8.2%	7.7%	7.7%			
	Stationery businesses	Net sales	79.9	73.3	72.7	+8.9	+9.9
		Operating income	7.2	6.1	6.0	+17.4	+18.6
		(ratio)	9.0%	8.4%	8.3%		
	Interior retail businesses	Net sales	19.7	18.4	18.0	+7.0	+9.2
		Operating income	1.0	0.9	0.9	+5.9	+5.9
		(ratio)	5.1%	5.1%	5.2%		
Other	Net sales	0.4	0.4	0.4	-9.3	-9.3	
	Operating income	-0.1	0.0	0.0	-1,100.0	-1,100.0	
	(ratio)	-25%	2.3%	2.3%			
Reconciliation	Net sales	-28.4	-30.5	-28.0	-	-	
	Operating income	-9.4	-7.4	-7.4	-	-	
	(ratio)	-	-	-			

*The 2021 result is adjusted to account for the impact of the new revenue standard.

IR Unit, Financial Administration, KOKUYO Co., Ltd.

18F Shinagawa Season Terrace, 1-2-70 Konan, Minato ku, Tokyo, 108-8459

E-Mail: ir@kokuyo.com

KOKUYO

* Business forecasts and other forward-looking statements herein are based on expectations and judgments deemed reasonable in light of business information available as of the time of publication. They are not guarantees of future performance. Various uncertainties may cause actual results to differ from what these statements suggest.