



Summary of Financial Results for the Fiscal Year Ended December 31, 2023

February 14, 2024
KOKUYO Co., Ltd.

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1. Full-Year FY2023 Results
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¥500 billion in Net Sales
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* The business segments are as follows:

Furniture Businesses: FN
Business Supply Distribution: BS
Stationery Businesses: ST
Interior Retail Businesses: IR

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



Executive Summary

FY2023 Results

- Of the upgraded targets (disclosed with the H1 results), **we fell short of the target for net sales (as a result of the slower pace of economic recovery in China) but achieved the target for operating income (with progress in optimizing SG&A exp).**
- With operating income growth and the sale of cross-shareholdings, **net income reached an all-time high of ¥19.0 billion.**

Full-Year FY2024 Forecasts

- Despite economic uncertainties in China, **we expect YoY growth in revenue and profit with the Japan FN businesses continuing to enjoy brisk demand.**
- We're unlikely to meet the net sales and operating income targets for 2024 (2024 being the final year of the third medium-term plan) **given slow field expansion in the lifestyle field, economic uncertainties in China, and investments in talent and infrastructure. However, we're set to achieve the ROE goal of 8%, and we're preparing for a growth surge over the next medium-term period.**
- Net income in 2024 is **likely to break another record thanks to organic business growth and sale of cross-held shares.**

2030 Target in Long-Term Vision, CCC 2030: ¥500 billion in Net Sales

- **With a 2030 target of ¥500 billion in net sales,** we're working to expand the workstyle and lifestyle fields. This involves tweaking existing business, expanding existing fields, and nurturing new business ideas.
- As part of our long-term vision (CCC 2030), **the third medium-term plan has committed us to working on four priority tasks and strategies (medium and long term) for field expansion.**
- We've made progress in the four priority tasks, especially in the task of dynamic investment. For this task, the third medium-term plan set a growth CapEx budget of ¥30 bn. Of this, we've invested ¥11.1 bn in M&As and in a structure for developing M&A leads, raising the chances of success for our M&A strategy.
- Our field expansion strategy involves **building our global portfolio: To expand the workstyle field, we'll expand business overseas and expand the range of merchandise. To expand the lifestyle field, we'll replicate in other Asian markets our success in marketing stationery to female students in China.**
- Our capital policy emphasizes capital costs and share price and commits us to controlling capital costs and ensuring an effective equity spread. Our fourth medium-term plan will include an updated capital policy along with a new growth policy.

A photograph of a modern building's courtyard. The building has a prominent red balcony with a glass railing on the upper floor. The ground floor features a large, open space with a concrete pillar. The courtyard is filled with several trees, including a large one on the left and another on the right. In the background, there are wooden planters and steps leading up to a higher level. Outdoor furniture, including tables and chairs, is arranged in the courtyard. The overall atmosphere is bright and modern.

1. Full-Year FY2023 Results

FY2023 Results: Year on Year Comparisons

Operating income exceeded revised target with sizeable YoY growth.
With sale of cross-shareholdings, net income reached an all-time high of ¥19.0 billion.

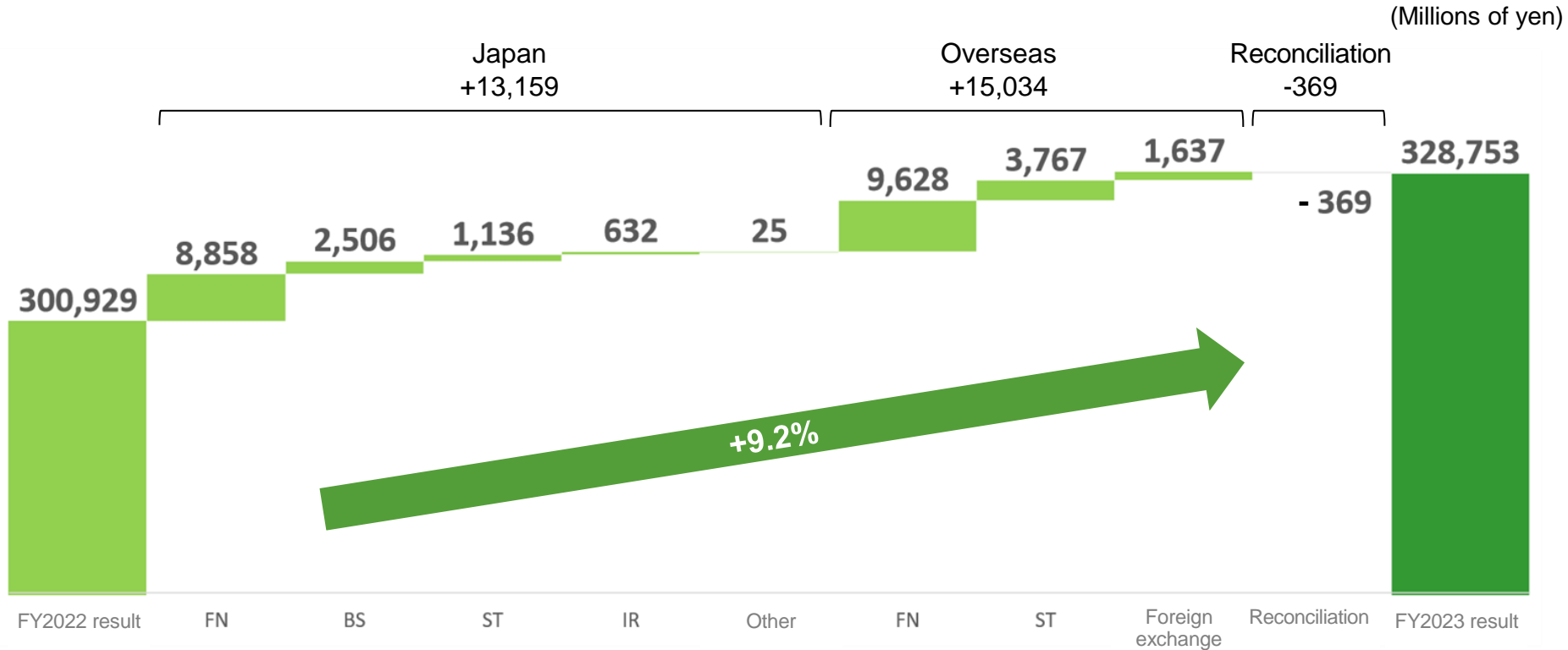
(Millions of yen)

	FY2022 result	Initial FY2023 target	Revised FY2023 target	FY2023 result	Change from FY2022 result	Deviation from initial FY2023 target	Deviation from revised FY2023 target
Net sales	300,929	337,000	337,000	328,753	+9.2%	-2.4%	-2.4%
Gross profit	116,671	130,200	130,500	127,392	+9.2%	-2.2%	-2.4%
(ratio)	38.8%	38.6%	38.7%	38.8%			
SG&A expenses	97,543	110,200	107,500	103,561	+6.2%	-6.0%	-3.7%
(ratio)	32.4%	32.7%	31.9%	31.5%			
Operating income	19,128	20,000	23,000	23,830	+24.6%	+19.2%	+3.6%
(ratio)	6.4%	5.9%	6.8%	7.2%			
Ordinary income	21,161	21,400	25,200	25,989	+22.8%	+21.4%	+3.1%
(ratio)	7.0%	6.4%	7.5%	7.9%			
Net income attributable to owners of parent	18,237	15,600	18,500	19,069	+4.6%	+22.2%	+3.1%
(ratio)	6.1%	4.6%	5.5%	5.8%			

FY2023 Results: Net Sales Breakdown

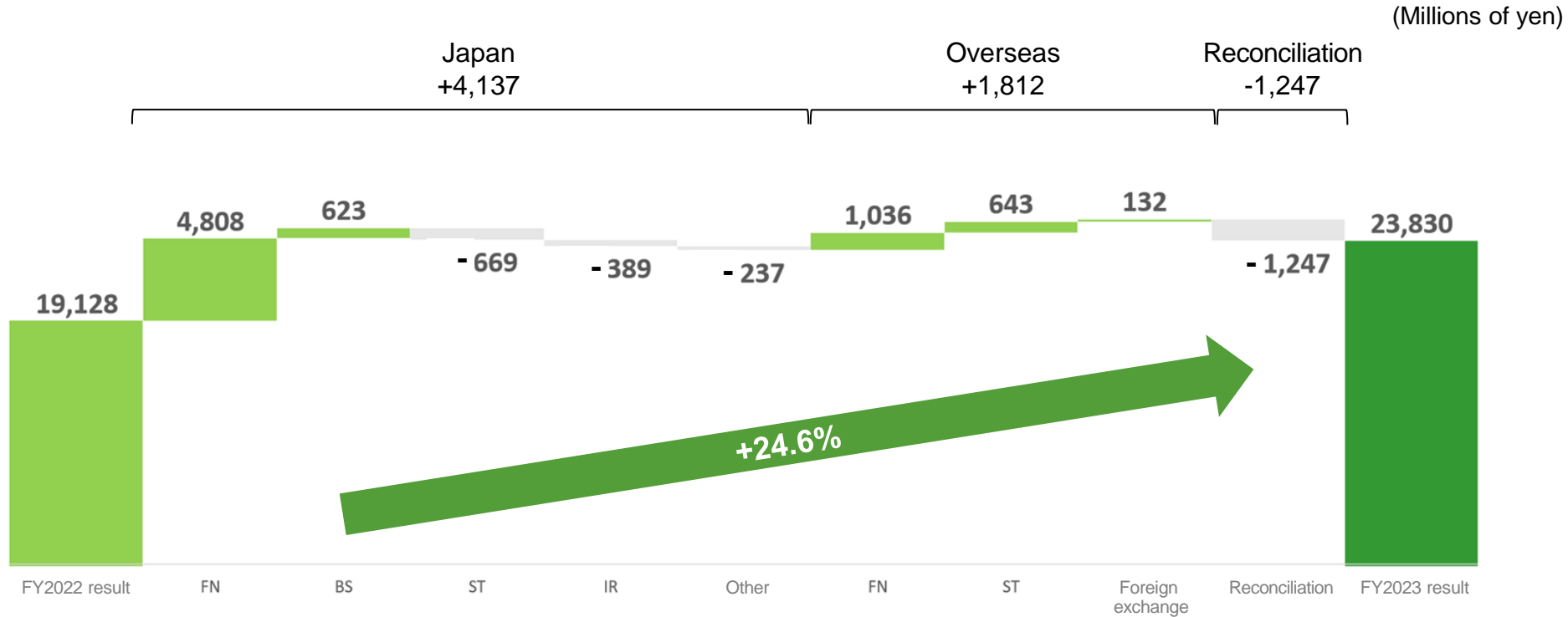
Japan: Sales growth led by strong performance in FN

Overseas: Main contributors were acquisition of Kokuyo Hong Kong in FN and sales growth in ST



FY2023 Results: Operating Income Breakdown

Profit growth was led by revenue growth and better margins in Japanese furniture businesses

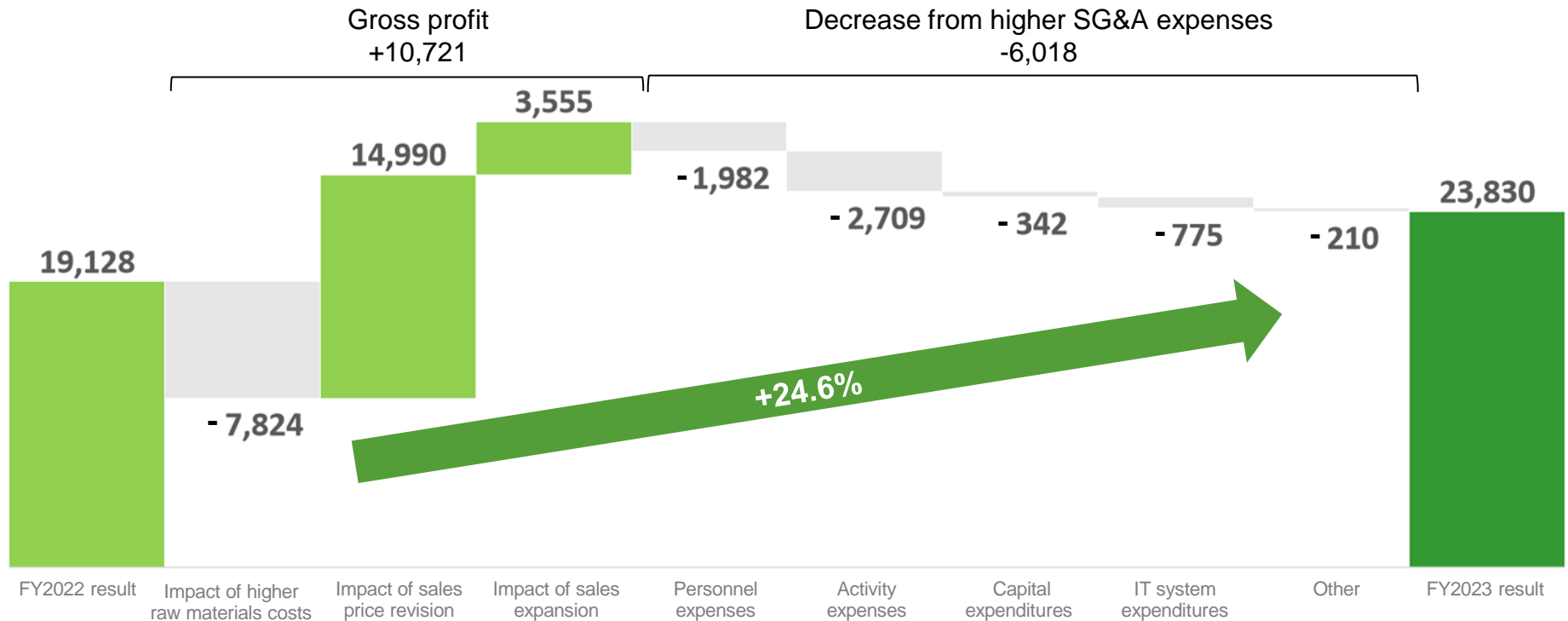



Contributors to YoY Change in Operating Income

The impact of cost increases (e.g. raw materials, labor) was again offset by the impact of sales price revisions in the previous year.

SG&A expenses rose as a result of integrating Kokuyo Hong Kong into group.

(Millions of yen)



A photograph of a modern building's courtyard. The building has a light-colored facade and a prominent red balcony with a glass railing. The courtyard is paved with light-colored tiles and features several large trees with green foliage. In the foreground, there are two black metal tables and several white plastic chairs. In the background, there are wooden planters and more white chairs. The overall atmosphere is bright and modern.

2. Full-Year FY2024 Forecasts

Full-Year FY2024 Forecasts: Year on Year Comparisons

Operating income ratio will decrease with investments ahead of the next medium-term plan, but we've targeted revenue and profit growth.

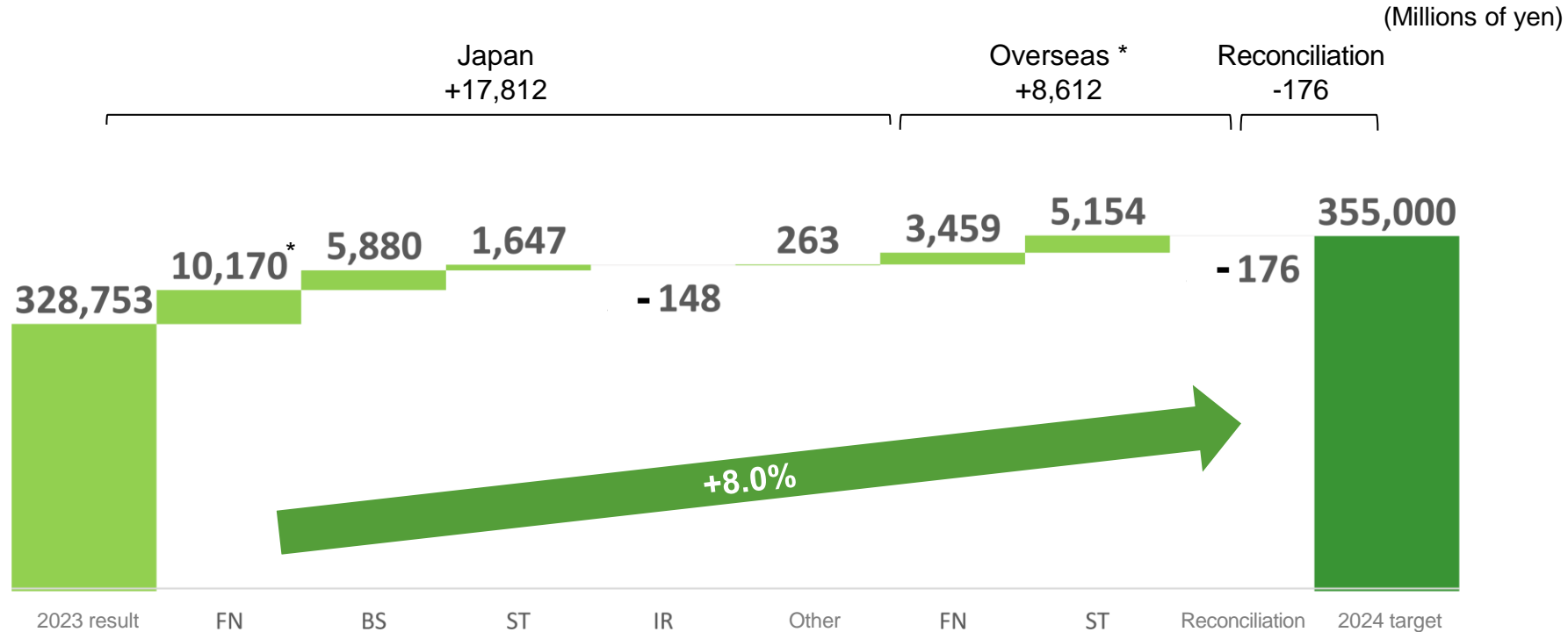
The net income target is at a record high level. The ROE target is, at over 8%, higher than the initial target set out in the medium-term plan.

	2023 result	2024 target	YoY change	% YoY change
Net sales	328,753	355,000	+ 26,247	+8.0%
Gross profit	127,392	140,100	+ 12,708	+10.0%
(ratio)	38.8%	39.5%		
SG&A expenses	103,561	115,600	+ 12,039	+11.6%
(ratio)	31.5%	32.6%		
Operating income	23,830	24,500	+ 670	+2.8%
(ratio)	7.2%	6.9%		
Ordinary income	25,989	25,500	- 486	-1.9%
(ratio)	7.9%	7.2%		
Net income attributable to owners of parent	19,069	21,400	+ 2,331	+12.2%
(ratio)	5.8%	6.0%		
ROE	7.8%	8.3%		

(Millions of yen)

Full-Year FY2023 Forecasts: Net Sales Breakdown

Japan: FN and BS will be biggest contributors.
Overseas: ST will lead sales growth.



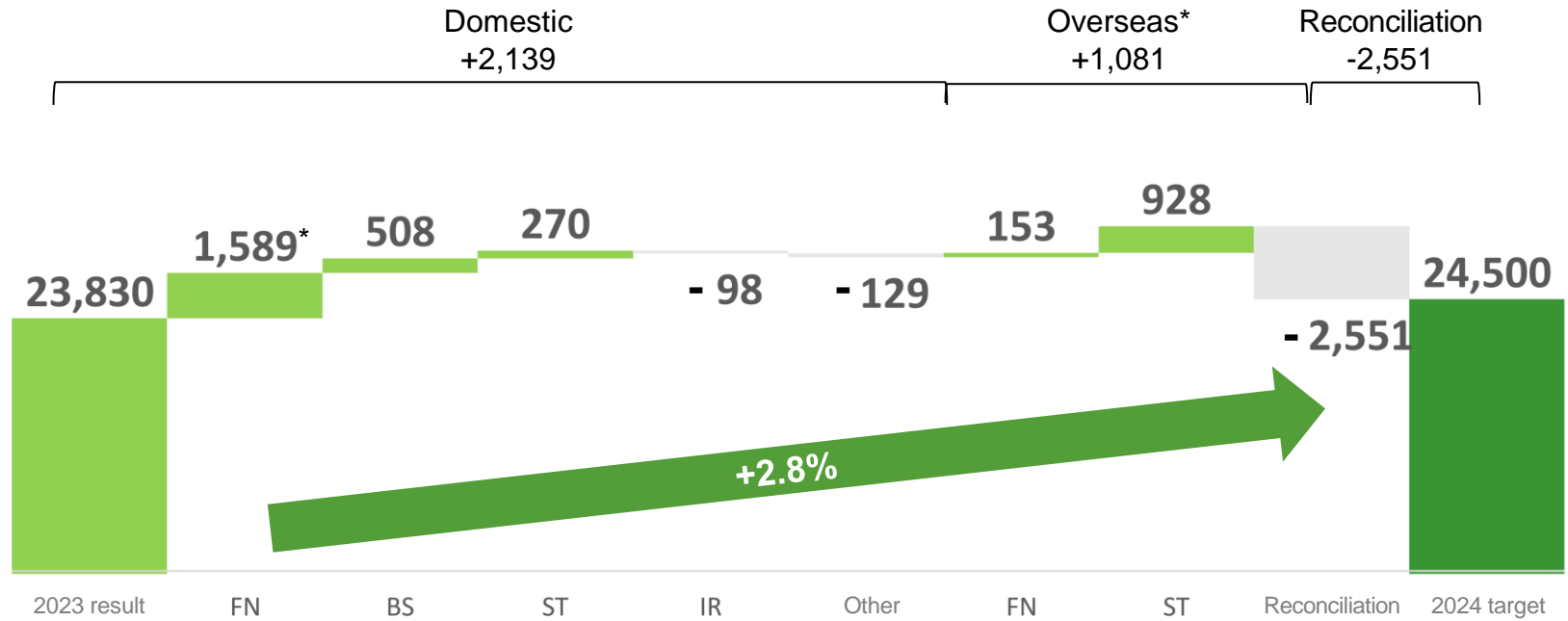
* Includes impact of making domestic company a consolidated origin

* Includes impact of making overseas company a consolidated subsidiary

Full-Year FY2023 Forecasts: Operating Income Breakdown

Main contributors to profit growth will be sales growth and better margins in Japanese FN and BS and overseas ST.

(Millions of yen)

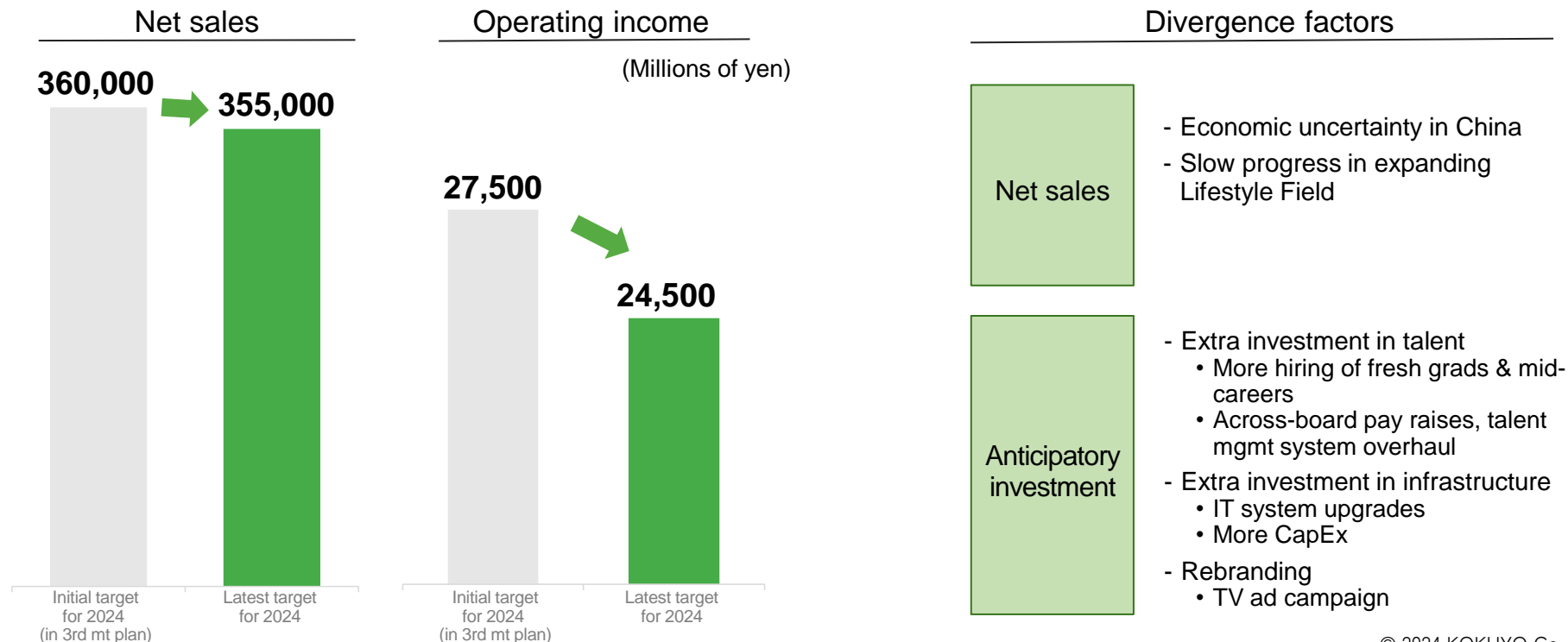


* Includes impact of making domestic company a consolidated origin

* Includes impact of making overseas company a consolidated subsidiary

Factors Behind Divergence from Third Medium-Term Plan

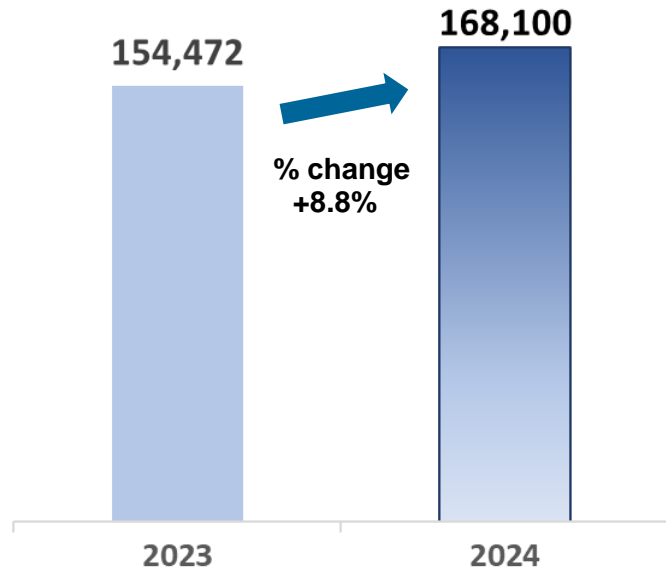
Performance is generally in line with the third medium-term plan; net sales are generally in line with initial expectations. We're investing in growth projects (talent and infrastructure) ahead of the fourth medium-term plan to improve prospects for further growth.



Net sales will grow 8.8% (to ¥168,100 mn). Operating income will grow 7.8% (to ¥24,200 mn).

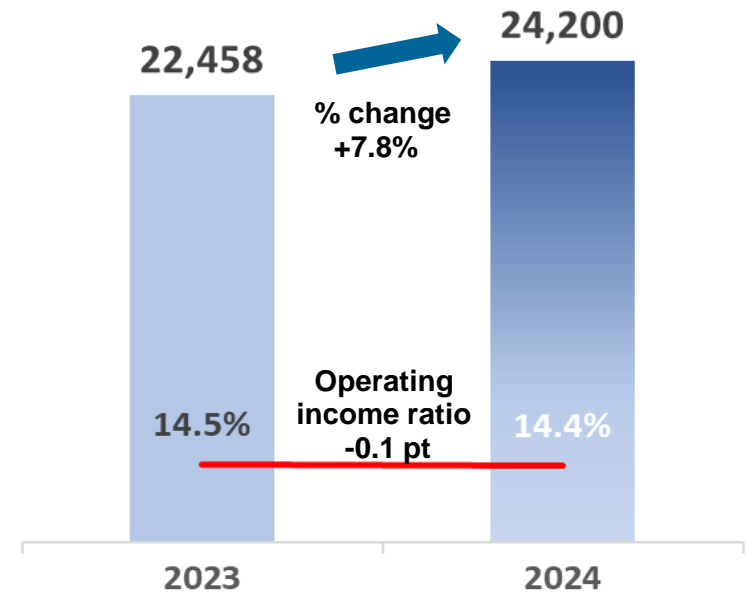
Net sales

(Millions of yen)



Operating income

(Millions of yen)



Japan: We'll capitalize on brisk demand to increase share and efficiency.

Overseas, Kokuyo Hong Kong will lead efforts to improve production and strengthen sales/marketing.

Domestic furniture business

(1) External environment

- Demand remains brisk for new office builds (newly built offices or office relocations) and office refurbishments

(2) Strategy

- Capitalize on brisk demand to increase share and efficiency.
 - Pursue new office leads more effectively
 - Streamline processes (e.g. design processes, sales processes)
 - Invest in efforts to bolster talent and improve business efficiency

Overseas furniture business

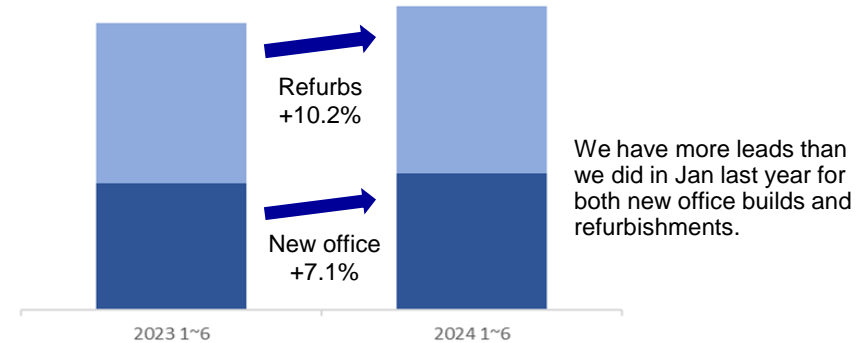
(1) External environment

- Situation in China remains tough, with economic uncertainty still high

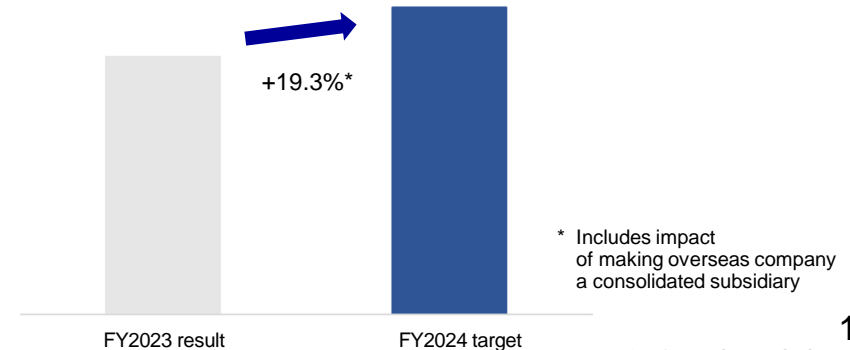
(2) Strategy

- Kokuyo Hong Kong to lead efforts to improve production and sales/marketing in China and ASEAN
 - Consolidate product groups, transfer production
 - Clarify target markets, optimize pricing, improve cross-selling

YoY growth in lead conversion rate for new office builds and refurbishments



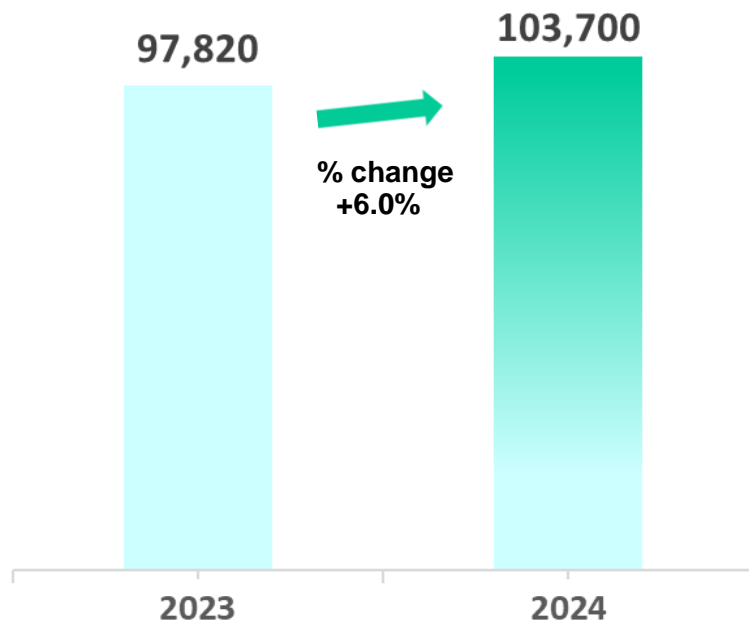
Overseas FN net sales



Net sales will grow 6.0% (to ¥103,700 mn). Operating income will grow 13.1% (to ¥4,400 mn).

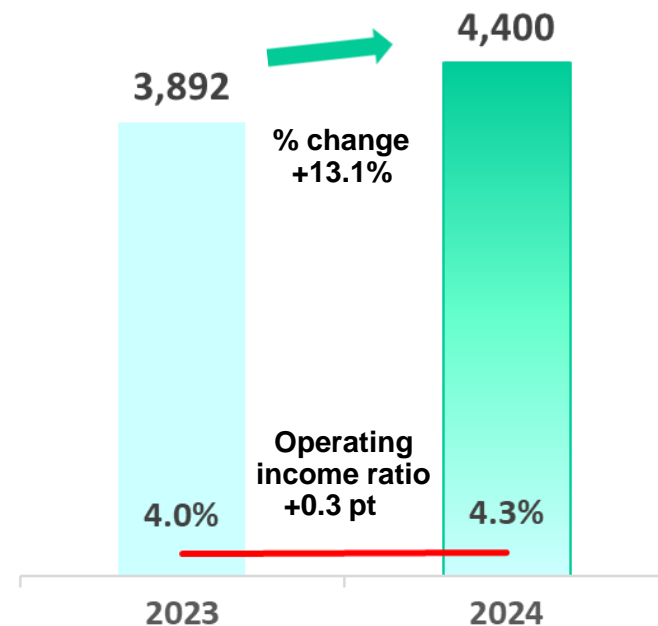
Net sales

(Millions of yen)



Operating income

(Millions of yen)



The market continues to grow at a steady pace and competition remains tough.
To increase our market share, we'll market IT system solutions more effectively to large-scale clients
and further improve e-commerce.

Business Supplies

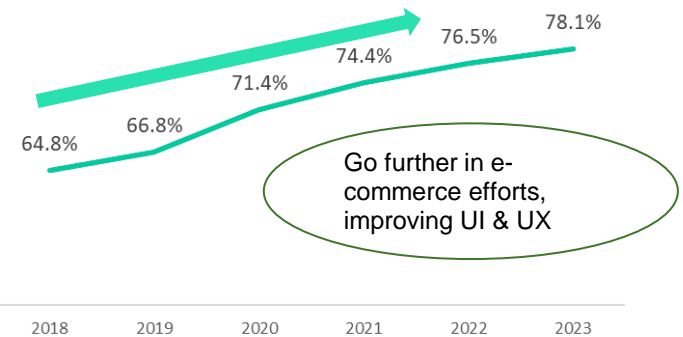
(1) External environment

- Market growth continues at steady pace amid increasing economic normalization
- Market remains crowded, with intense competition between players

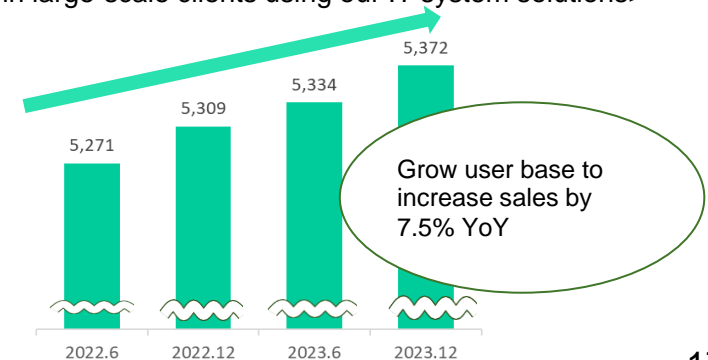
(2) Strategy

- Market IT system solutions more effectively to large-scale clients to expand customer base
- Accelerate e-commerce efforts to enhance customer experience value and expand business
 - Improve online store's UI & UX to draw more traffic to site and win new customers
- Pursue vision for marketing engine
 - Harness Kaunet's vast marketing data

<Percentage of sales from e-commerce (Kaunet)>

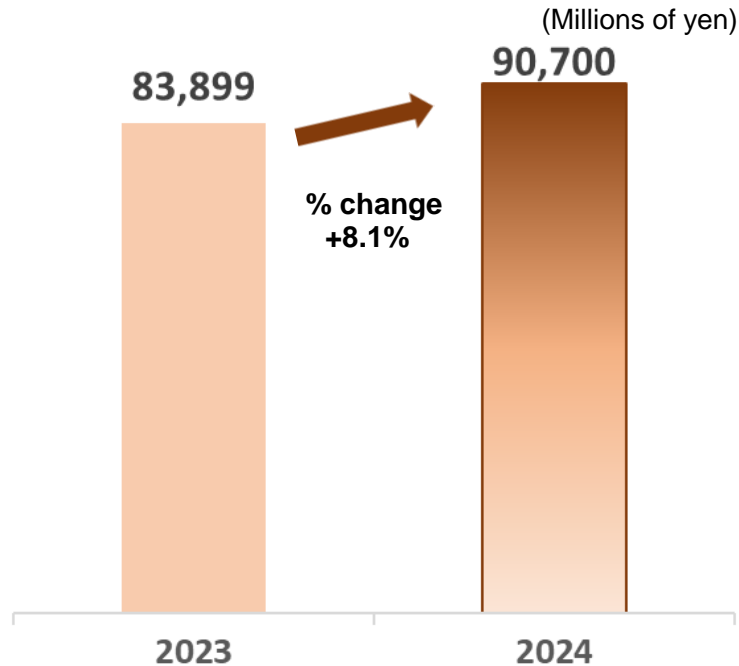


<Growth in large-scale clients using our IT system solutions>

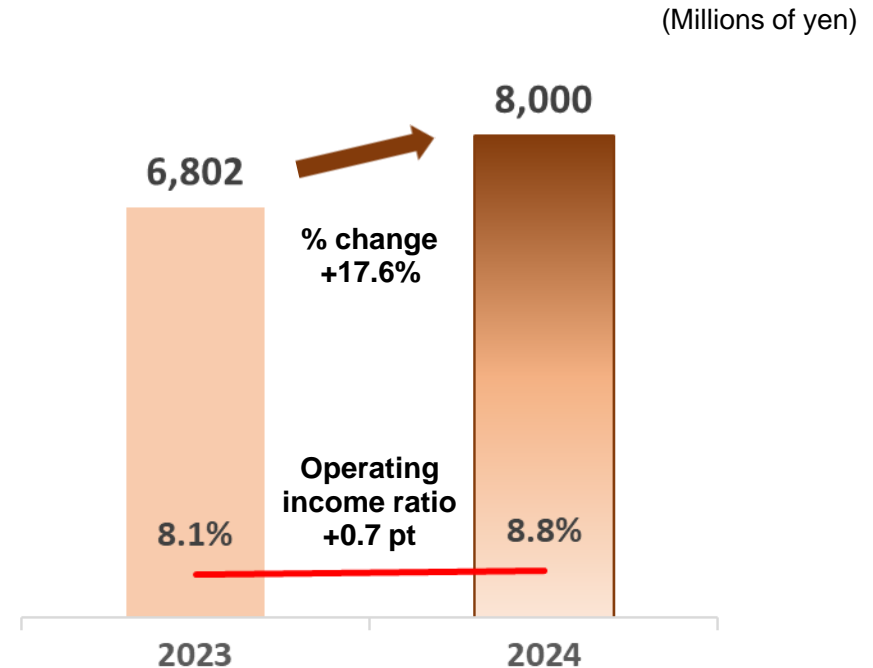


Net sales will grow 8.1% (to ¥90,700 mn). Operating income will grow 17.6% (to ¥8,100 mn).

Net sales



Operating income



Japan: Amid the tough environment, we'll ensure profitability by reallocating resources and optimizing costs.

Overseas: With economic uncertainty continuing in China, we'll expand business by targeting a wider area.

Japan Stationery

(1) External environment

- Conditions remain tough in both B2B and B2C markets

(2) Strategy

- Expand e-commerce, strengthen digital marketing, expand range of merchandise
- To accelerate overseas growth, work with local subsidiary to generate value and penetrate new areas for export sales growth
- Ensure profitability by reallocating resources and optimizing costs

Overseas Stationery

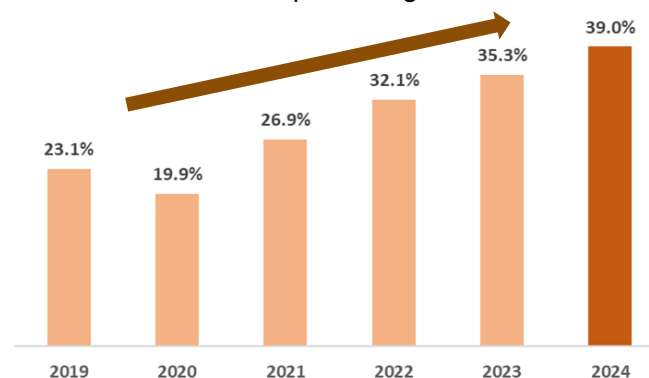
(1) External environment

- Economic uncertainty remains in China, while the Indian market remains brisk

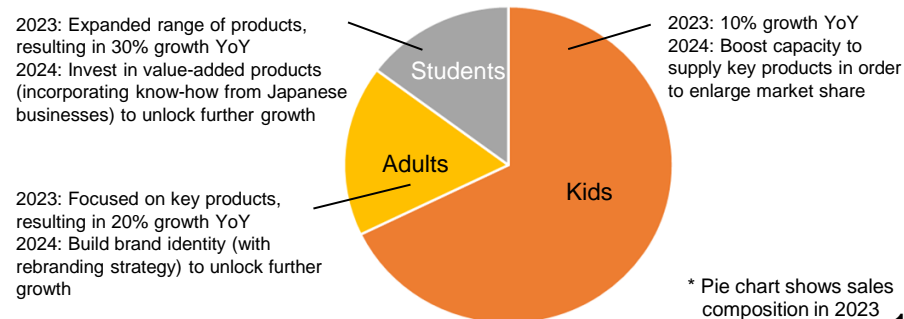
(2) Strategy

- China: Maintain growth by monitoring customers' shopping behavior and expanding network of outlets
- India: Unlock profit growth by enlarging capacity to supply mainstay products and investing in value-added products.
- Expand further in other Asian markets

Overseas sales as percentage of total sales



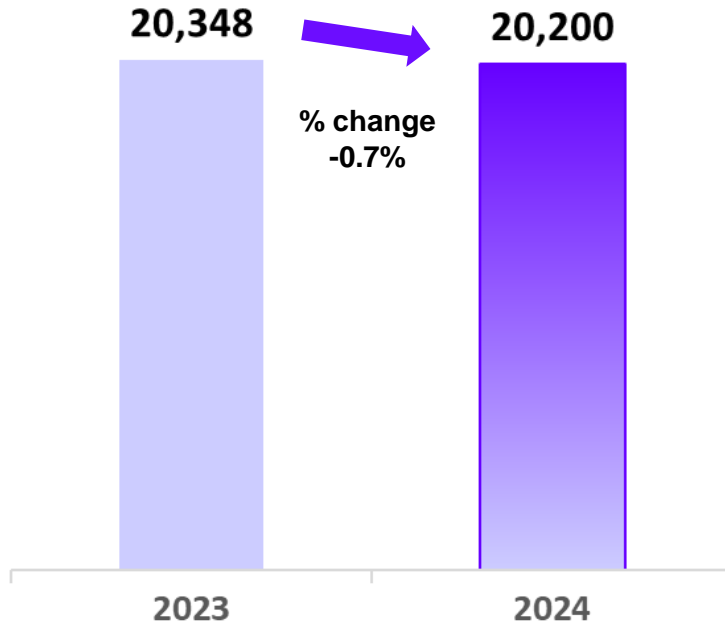
India ST: Sales composition by product category



In 2024, net sales will decrease (0.7%, to 20,200 mn) as will operating income (14.0%, to 600 mn).

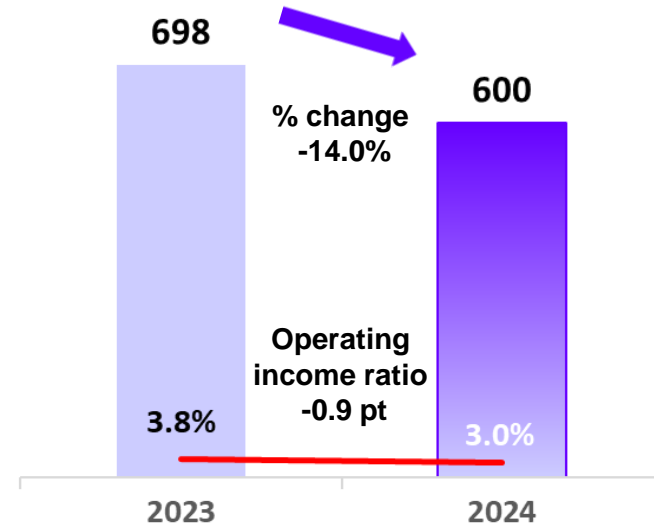
Net sales

(Millions of yen)



Operating income

(Millions of yen)



Conditions are tough (with stay-at-home demand petering out and a comedown from last year's large B2B contract), but we'll expand business by opening new locations, enhancing e-commerce, and gaining more B2B contracts.

Interior Retail Businesses

(1) External environment:

- We face a tough demand landscape, with stay-at-home (pandemic-related) demand have petered out
- 2024 will see a comedown from last year's large B2B contract (a residential project).

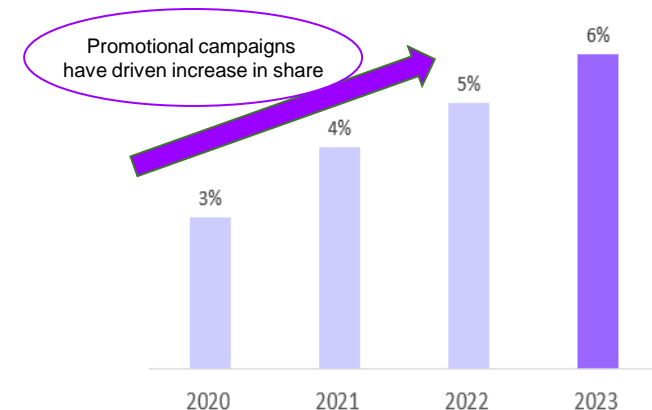
(2) Strategy:

- Open new locations, enhance e-commerce, and win more B2B contracts to offset comedown from last year's large B2B contract (a residential project)
- Use pricing controls to improve gross margin

Opening a new store(ACTUS • Marunouchi store)



Growth in e-commerce share of total sales



A photograph of a modern building's courtyard. The building has a light-colored facade and a prominent red balcony with a glass railing. The courtyard is paved with light-colored tiles and features several trees, including a large one on the left and another on the right. In the center, there are wooden planters with white chairs and tables. A white pillar stands in the middle of the courtyard. The text "3. 2030 Target in Long-Term Vision, CCC 2030: ¥500 billion in Net Sales" is overlaid in the center of the image.

**3. 2030 Target in Long-Term Vision, CCC 2030:
¥500 billion in Net Sales**

Increase annual net sales to ¥500 billion through Forest Model.
Become a group of diverse businesses that deliver sustainable growth.

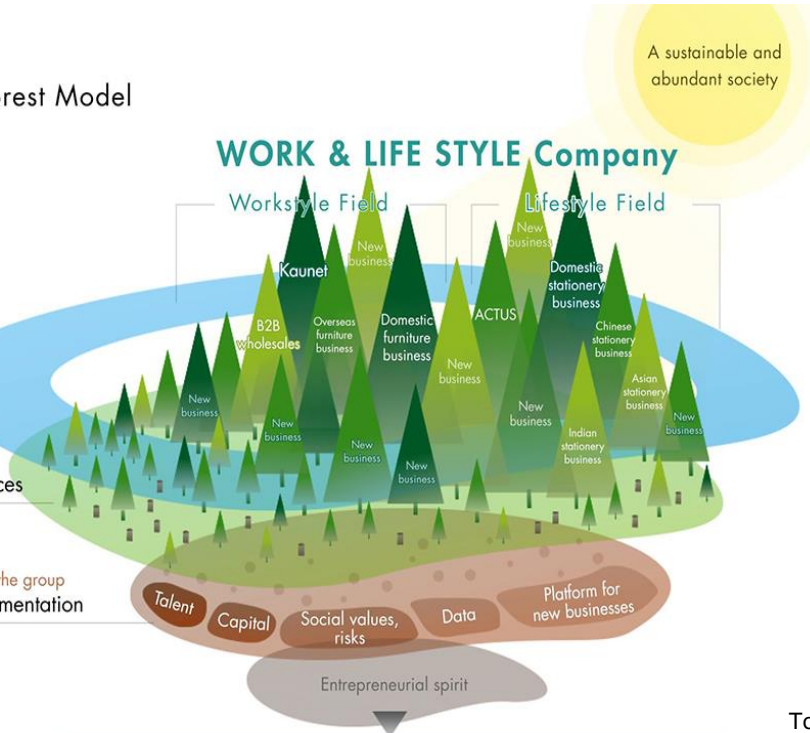
Toward the Forest Model

● Our purpose
be Unique.

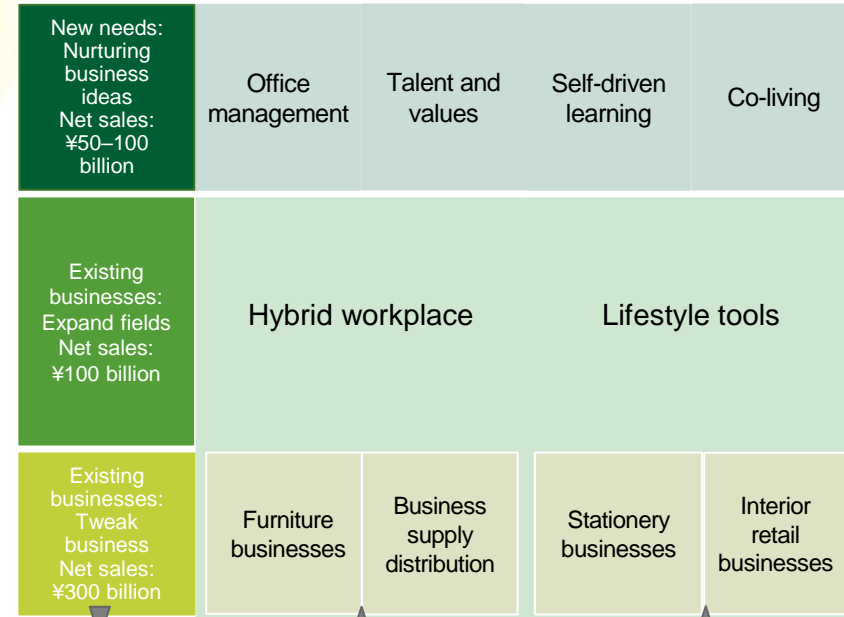
● Our strength
Designed with Empathy

● 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.



Total net sales in 2030:
¥500 billion

Net sales: ¥300–350 billion
Change from 2020:
+¥100–150 billion

Net sales: ¥150–200 billion
Change from 2020:
+¥50–100 billion

Field expanded to capitalize on workplace changes/diversification

Workstyle Field	Furniture businesses	<p>Designed office spaces and workstyles for the new normal</p> <ul style="list-style-type: none"> - Expand product range, enhance interior design and construction expertise - Conduct R&D in office management and talent value
2030 ¥300 bn to ¥350 bn	Business supply distribution	<p>Streamlined corporate purchasing and expanded range of products to capitalize on workplace changes</p> <ul style="list-style-type: none"> - Introduce solutions system for large corporate clients - Expand product range, drawing on direct marketing function

Fujifilm Creative Village

- This was our first contract that covered the whole office-building process, from location selection onward.
- We also engaged in the basic planning process and handled the interior design and construction.



Kokuyo HibiFull

- Kaunet serves as marketing engine for Kokuyo Group
- Field expanded into new category—household goods for offices



Field expanded to capitalize on changes/diversification in lifestyles and learning styles

Lifestyle Field	Stationery businesses	Delivered value-added stationery that resonates with desire for self-expression - Successfully marketed stationery as lifestyle tools in China - Started expanding the strategy to other Asian markets
2030 ¥150 bn to ¥200 bn	Interior retail businesses	Capitalized on the pandemic-driven surge in demand for e-commerce - Worked to increase percentage of sales from e-commerce, followed a marketing strategy that integrates physical stores with the online store

Capitalizing on stationery demand among young women in China

- Launched strategy that targeted learning needs among female students
- Gained a presence in a short space of time by using e-marketing to pinpoint needs



Pastel Cookie Sora series

Extensive demand for stationery among female students

- China: Increased presence by expanding network of directly run outlets
- Expand strategy to other Asian markets to build bigger audience



Directly run store: Campus Style

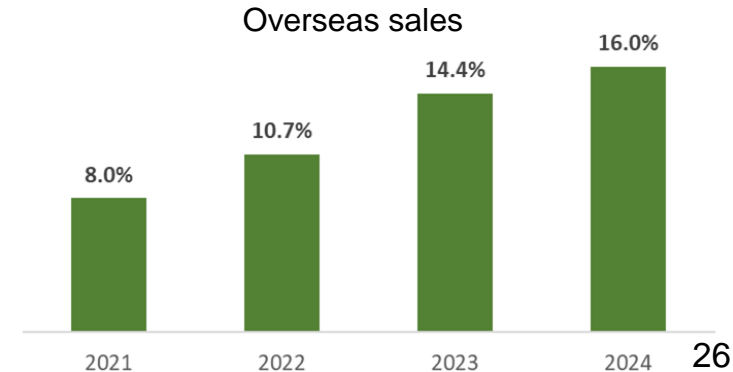
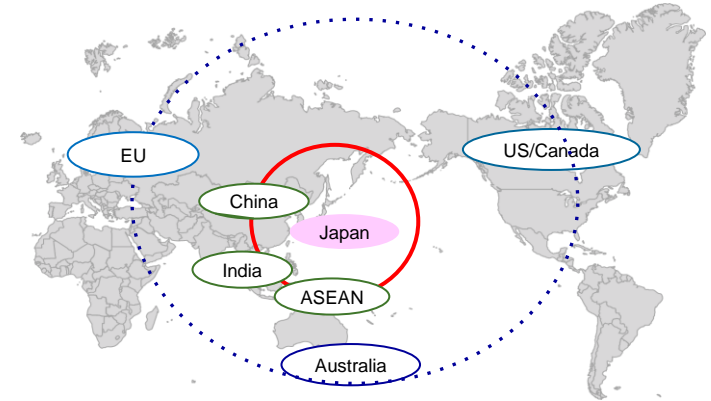


Pop-up shop in Thailand

For field expansion, we are thinking globally.

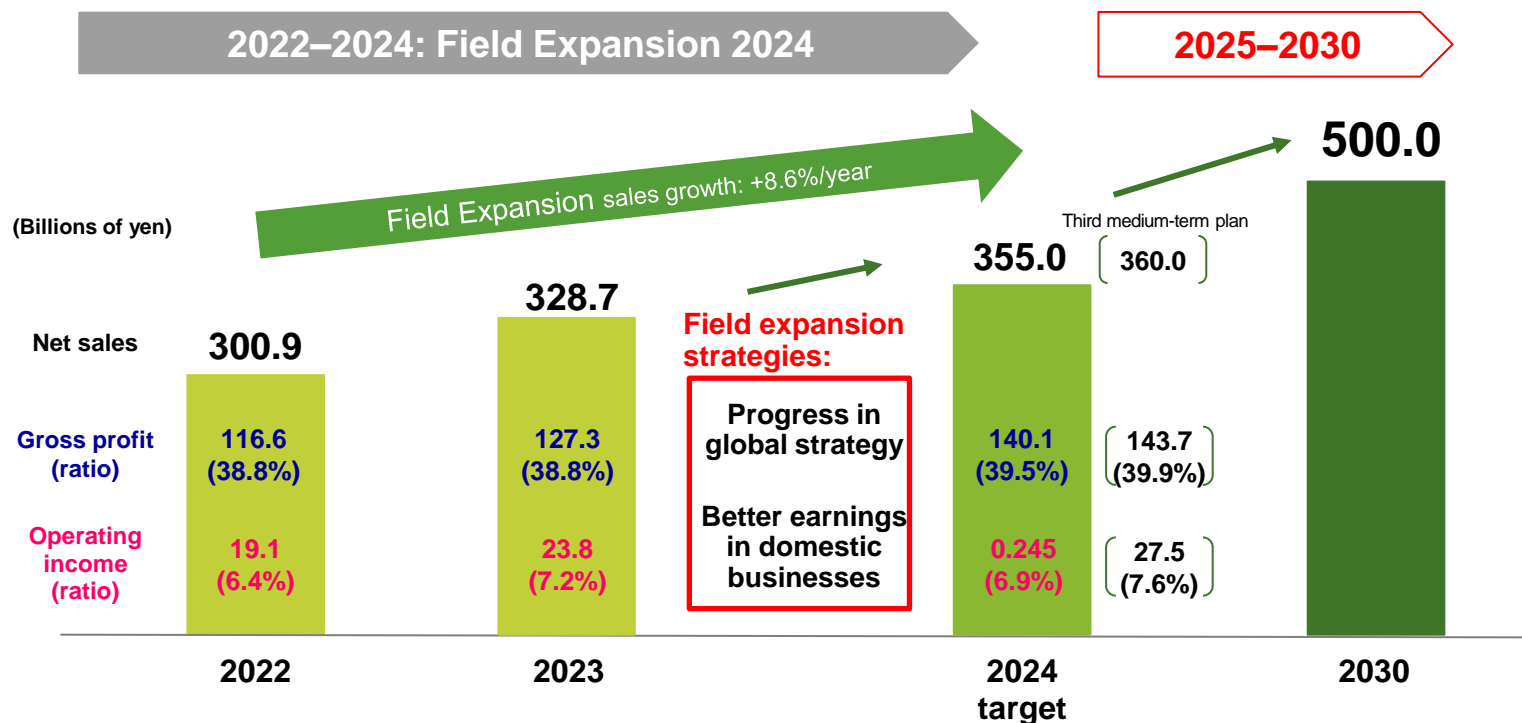
We will build global partnerships to fully leverage our group's assets, thereby increasing efficiency and accelerating growth.

Region	Strategy
Mainland China, Hong Kong	<p>FN</p> <ul style="list-style-type: none"> Place Kokuyo Hong Kong at heart of strategy for China and ASEAN to develop unified strategy for entire region Drive PMI to create group synergies ASAP Integrate and leverage Kokuyo Hong Kong's sales network and production functions to expand sales across whole region and improve profit growth <p>ST</p> <ul style="list-style-type: none"> Develop lifestyle tools for students, prepare to expand into other areas. Engage on social media to build brand identity, build sales channels (directly run outlets)
India	<p>ST</p> <ul style="list-style-type: none"> Develop value-added stationery (for the categories of kids, students, and hobby) to improve profit growth
ASEAN	<p><FN></p> <ul style="list-style-type: none"> Leverage Kokuyo Hong Kong to develop cross-selling <p><ST></p> <ul style="list-style-type: none"> To replicate the success we had in China, start test marketing in other Asian markets
Other	<ul style="list-style-type: none"> Prepare for expansion into markets outside Asia (e.g. Australia and North America)




Third medium-term plan

We proceeded with the third medium-term plan to make progress toward our long-term vision (CCC 2030).
The plan's theme is to achieve field expansion with progress in our global strategy and better earnings in domestic businesses.

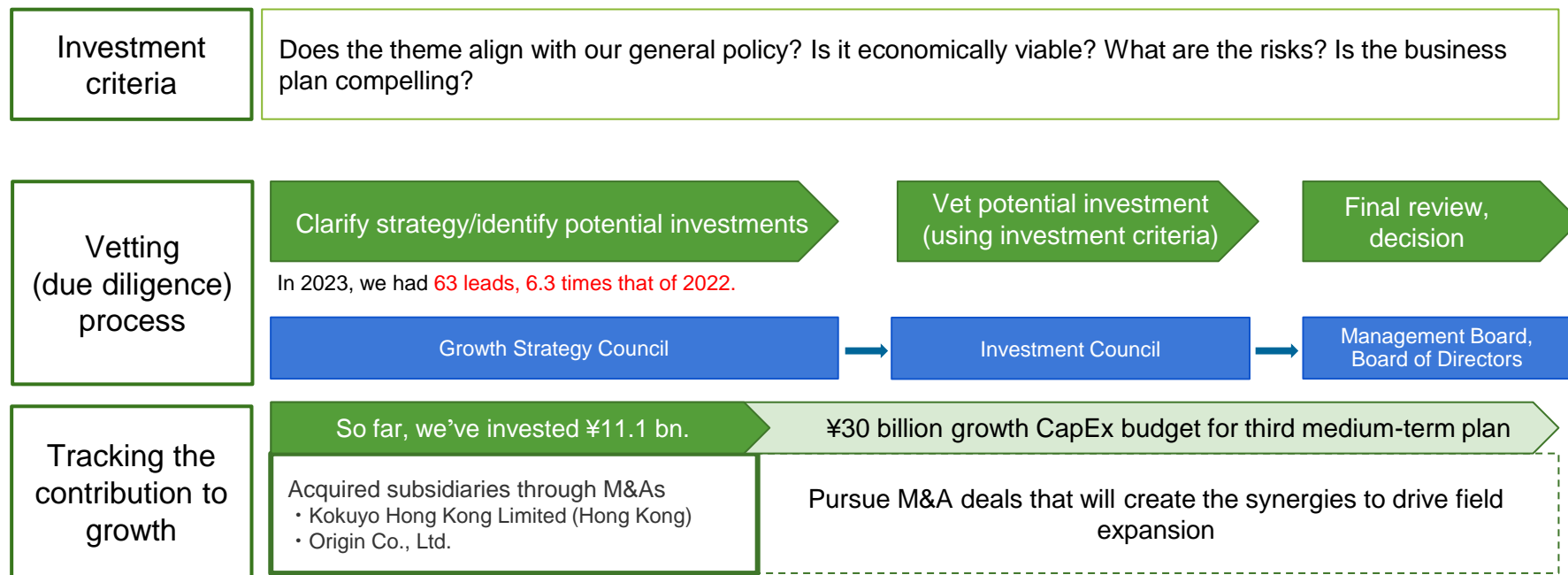


Our efforts in the four tasks have started to contribute to field expansion. We'll step up these efforts to take field expansion further.

	2022–2024		Progress as of 2023 end	
Dynamic investment	<ul style="list-style-type: none">• R&D share: Increased from 0.6% to 1.0%• Growth CapEx: >¥30 bn• Regular/maintenance CapEx: ¥20 bn		<ul style="list-style-type: none">• Dynamic investments yielded acquisitions of Kokuyo Hong Kong and Origin and many M&A leads currently under review.	◎
Empowered talent	<p>Improve employee mobility and provide more opportunities for employee growth</p> <ul style="list-style-type: none">• Make core posts more fluid• Appoint 30 leaders		<ul style="list-style-type: none">• Changed function of talent devt council• Reformed employee promotion system• Reformed employee management	○
Active innovation	<p>Establish prototyping processes and infrastructure</p> <ul style="list-style-type: none">• Launch 15 startups• Build 500-member team experienced in innovation process		<ul style="list-style-type: none">• Eight projects underway, some of which have been turned into businesses. These will be scaled up further.	△
Social value and business value	<ul style="list-style-type: none">• Provide fund for building social value (c. 1% ordinary income: ¥0.2 bn)• Provide fund for ESG initiatives		<ul style="list-style-type: none">• The fund has been put to good use (Kamiyama Marugoto technical college, Osaka Expo). Business teams have worked with the sustainability team on ESG initiatives.	○

For M&A opportunities, we've built a stronger structure underpinned by robust governance. With this structure, we have many more M&A leads, raising the chances of success for our M&A strategy.

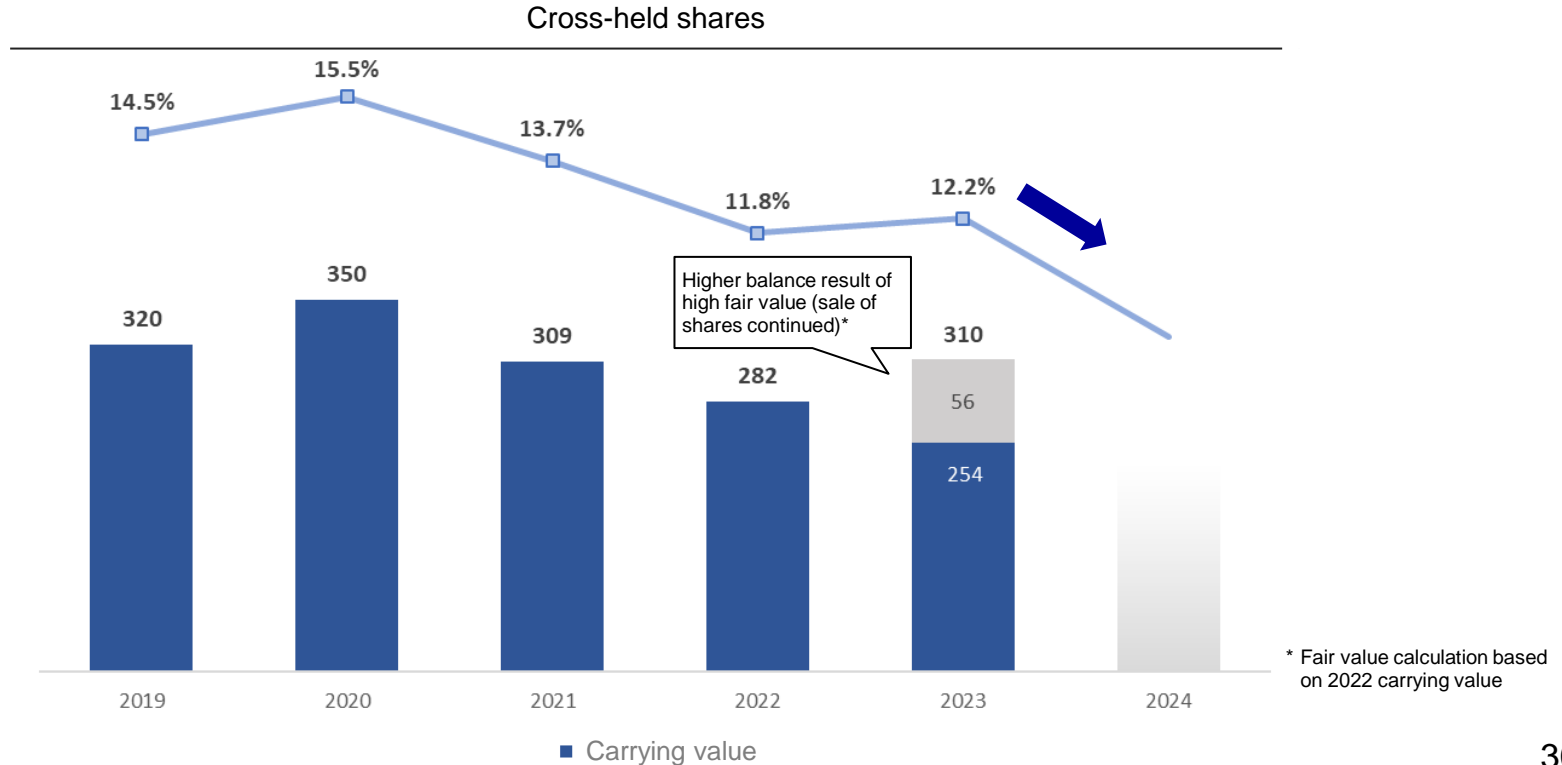
Kokuyo investment governance



Capital Policy: Reduce Cross-Held Shares

By the end of 2024, we'll have reduced our cross-held shares to an amount equal to less than 10% of consolidated assets.

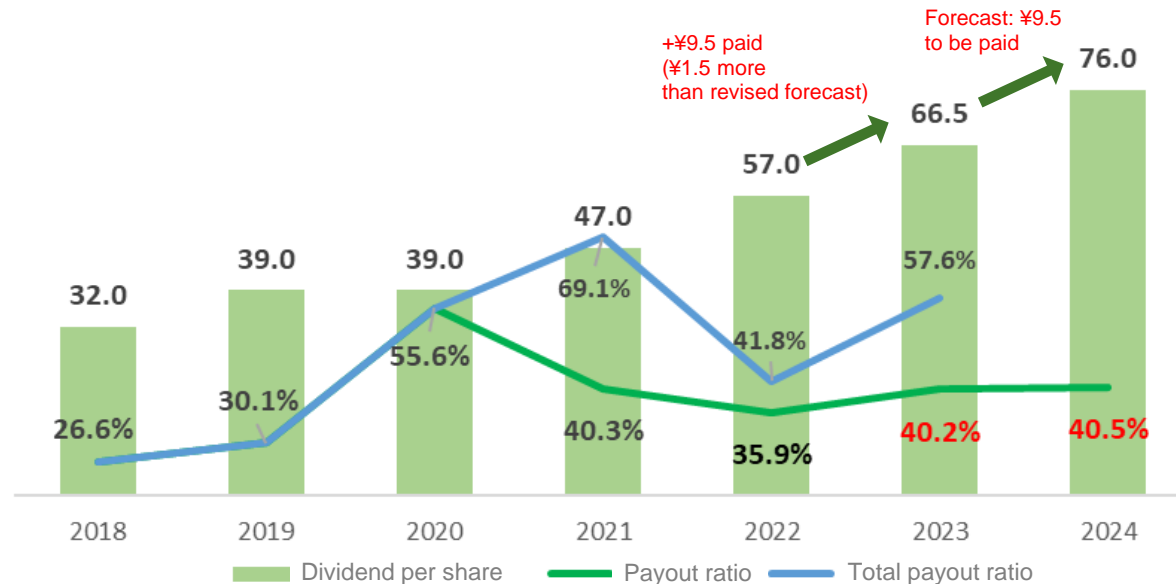
The graph shows an increase in 2023, but this reflects a rise in fair value—the reduction continues.



Under the third medium-term plan, we've committed to a payout ratio of at least 40% and a total payout ratio of at least 50%.

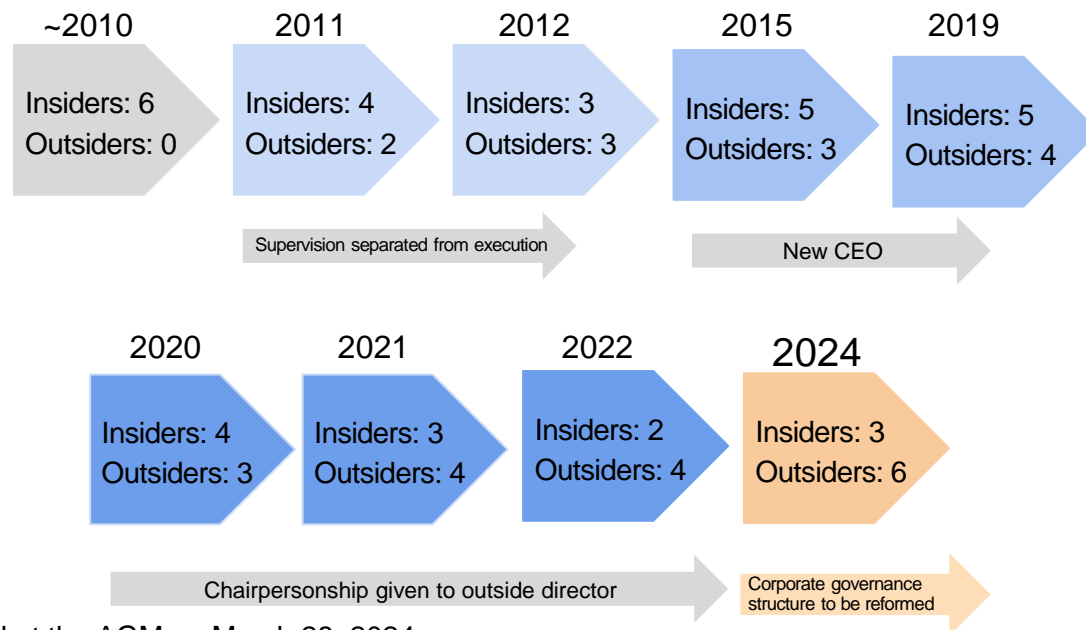
The fourth medium-term plan will include an updated capital policy aligned with our growth strategy.

Dividend, payout ratio



We'll adopt the governance structure of a "company with a nominating committee," strengthen supervision, and expand executive authority to enable slicker decision-making and a world-class corporate structure.

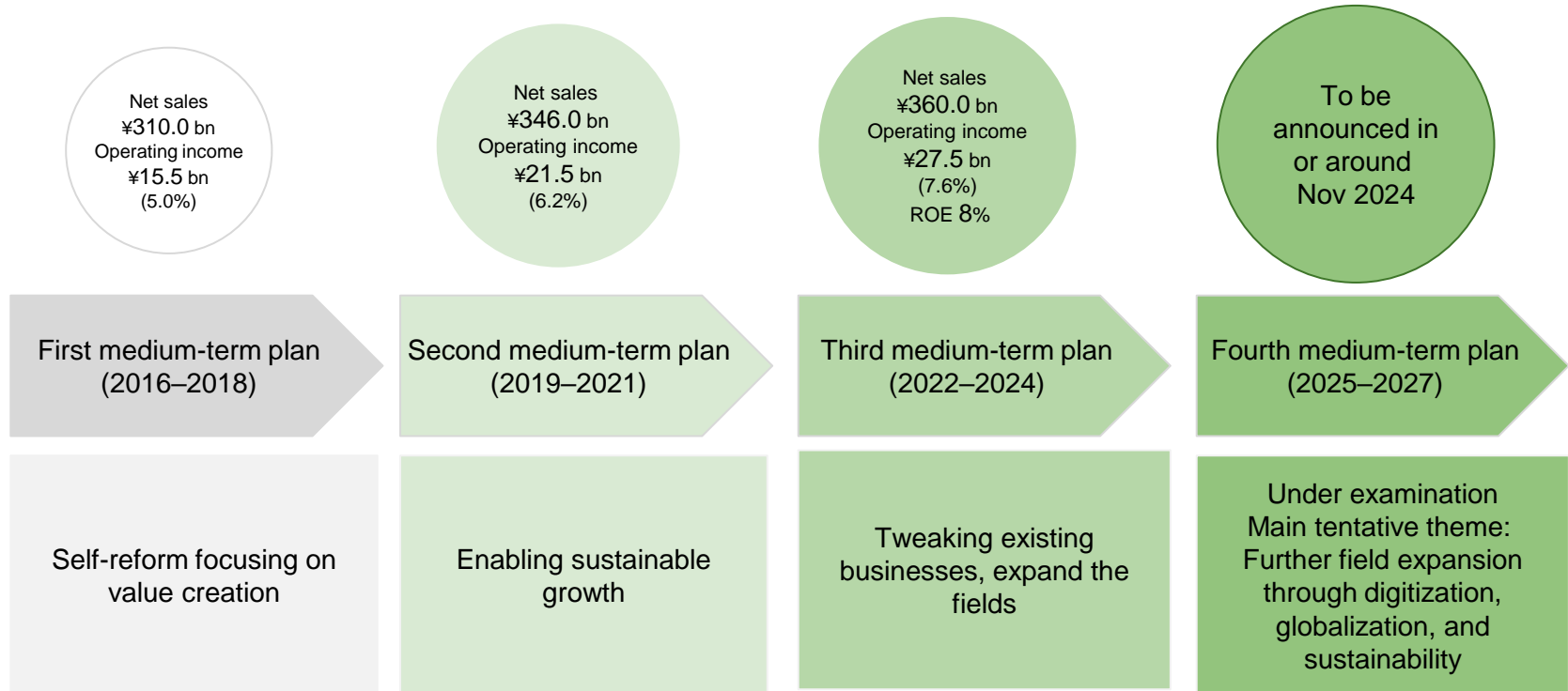
Changes to Board of Directors




Pending shareholder approval at the AGM on March 28, 2024.

New Medium-Term Plan

We're developing the fourth medium-term plan, which will begin in 2025. The new plan will involve further field expansion for greater business growth.



1. KPIs are as initially set out in the relevant plan.
2. For the first medium-term plan, the numerical targets predate the adoption of the new revenue standard.

The image shows a modern architectural courtyard. A prominent feature is a red metal balcony or walkway that curves around the upper level of the building. Below this, a concrete pillar supports a flat roof structure. The ground is paved with light-colored tiles. In the center, there are several wooden planters or steps, some of which are filled with greenery. White plastic chairs and small tables are arranged in the courtyard. Large trees with green foliage are planted around the perimeter, and a small tree is in the center. The overall design is clean and modern, with a focus on natural elements and open space.

4. Reference Materials

Annual Performance

	FY2021 result	FY2022 result	FY2023 result	2024 target
Net sales	292,617	300,929	328,753	355,000
Gross profit	113,526	116,671	127,392	140,100
(ratio)	38.8%	38.8%	38.8%	39.5%
SG&A expenses	93,618	97,543	103,561	115,600
(ratio)	32.0%	32.4%	31.5%	32.6%
Operating income	19,907	19,128	23,830	24,500
(ratio)	6.8%	6.4%	7.2%	6.9%
Ordinary income	16,415	21,161	25,989	25,500
(ratio)	5.6%	7.0%	7.9%	7.2%
Net income attributable to owners of parent	13,703	18,237	19,069	21,400
(ratio)	4.7%	6.1%	5.8%	6.0%
ROE	6.0%	7.9%	7.8%	8.3%

Annual Performance by Segment

		FY2021 result	FY2022 result	FY2023 result	2024 target
Workstyle Field	Net sales	229,463	230,200	252,293	271,800
	Operating income	20,302	19,792	26,351	28,600
	(ratio)	8.8%	8.6%	10.4%	10.5%
Furniture businesses	Net sales	136,058	134,886	154,472	168,100
	Operating income	17,744	16,523	22,458	24,200
	(ratio)	13.0%	12.2%	14.5%	14.4%
Business supply distribution	Net sales	93,405	95,314	97,820	103,700
	Operating income	2,557	3,269	3,892	4,400
	(ratio)	2.7%	3.4%	4.0%	4.2%
Lifestyle Field	Net sales	90,745	98,173	104,248	110,900
	Operating income	7,014	7,873	7,501	8,600
	(ratio)	7.7%	8.0%	7.2%	7.8%
Stationery businesses	Net sales	72,702	78,457	83,899	90,700
	Operating income	6,069	6,786	6,802	8,000
	(ratio)	8.3%	8.6%	8.1%	8.8%
Interior retail businesses	Net sales	18,043	19,716	20,348	20,200
	Operating income	944	1,087	698	600
	(ratio)	5.2%	5.5%	3.4%	3.0%
Other	Net sales	441	413	438	700
	Operating income	10	-133	-370	-500
	(ratio)	2.3%	-	-	-
Reconciliation	Net sales	- 28,034	- 27,857	- 28,226	- 28,400
	Operating income	- 7,418	- 8,404	- 9,651	- 12,200
Total	Net sales	292,617	300,929	328,753	355,000
	Operating income	19,907	19,128	23,830	24,500
	(ratio)	6.8%	6.4%	7.2%	6.9%

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* 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.