

KOKUYO

4th Medium-Term Plan



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4th Medium-Term Plan

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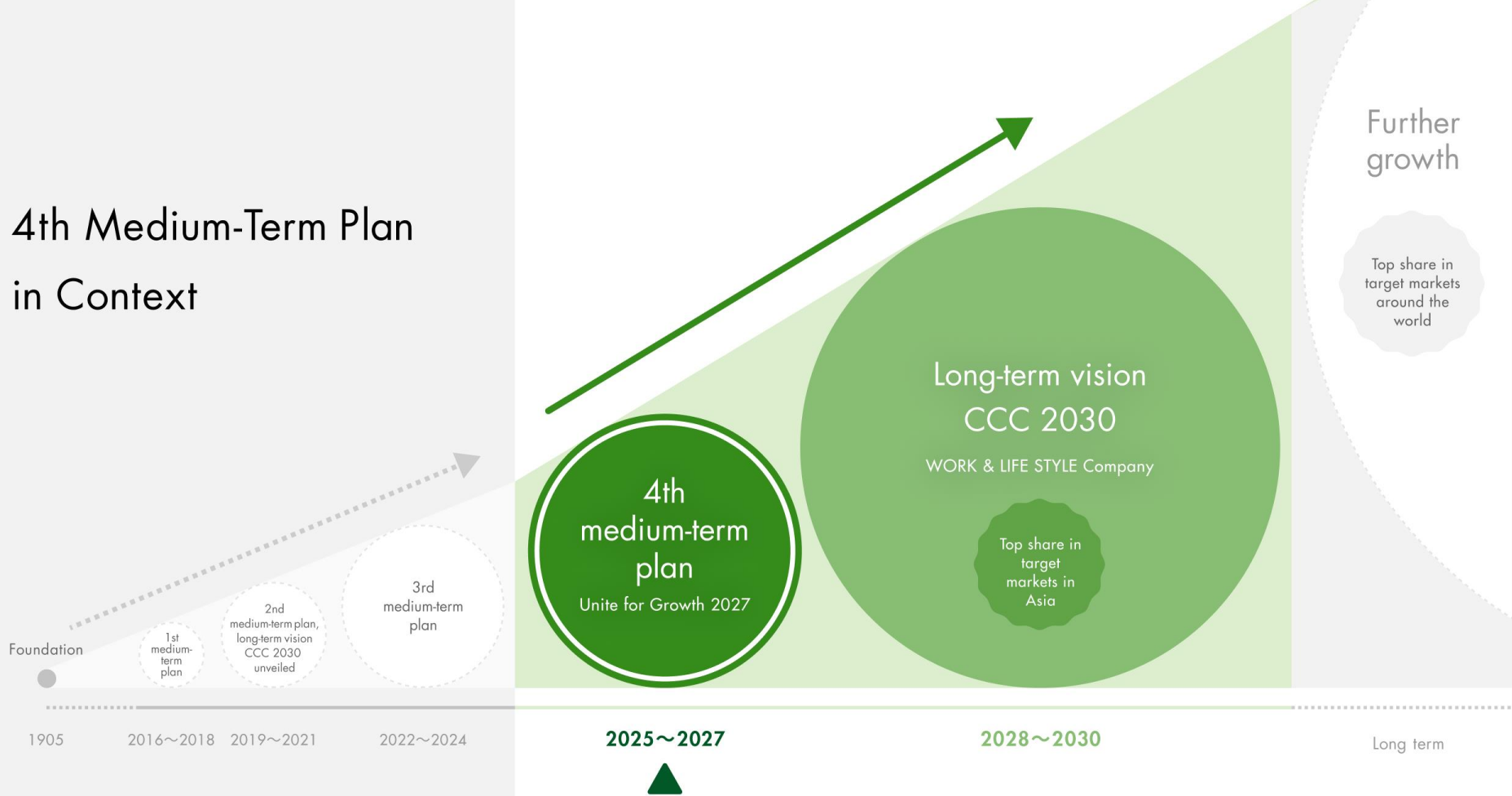
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to profitability and
on overseas.

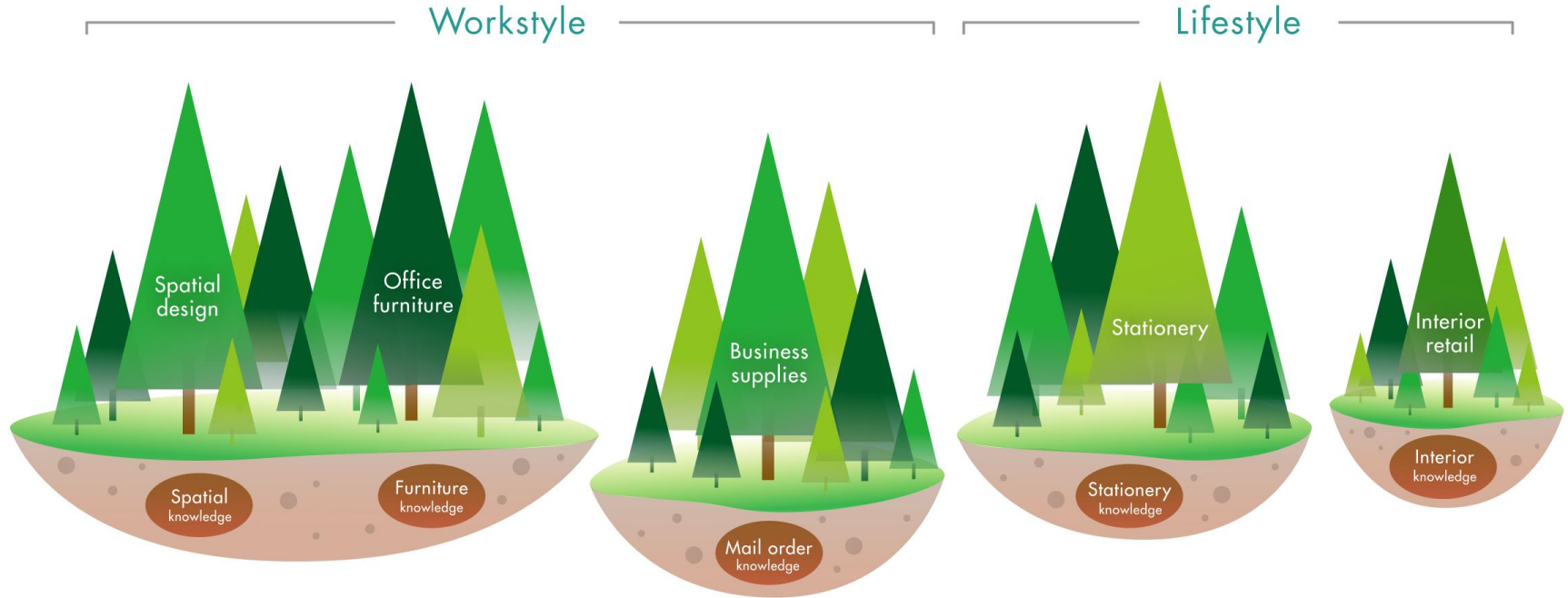
Value	% of total target
118.4%	83.9%
134.2%	82.7%
-4.7pt	
167.8%	
-2.7pt	
197.0%	78.2%
-2.5pt	
338.7%	
-4.2pt	
2,444pt	

1. Updating the Forest-Like Management Model

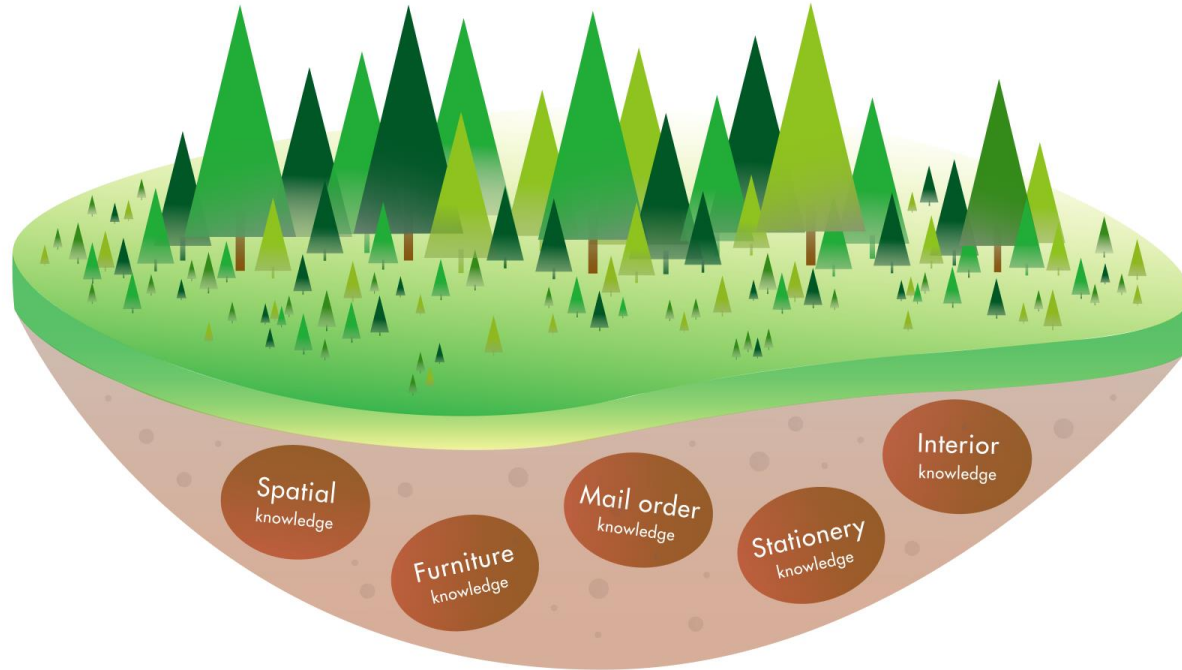
4th Medium-Term Plan in Context



Currently, we have two “work” forests and two “life” forests.
However, we are not fully leveraging the knowledge in each business.



We will merge the businesses into one group.



This will create inter-business synergy and expand the field.

WORK & LIFE STYLE Company

Spatial
design

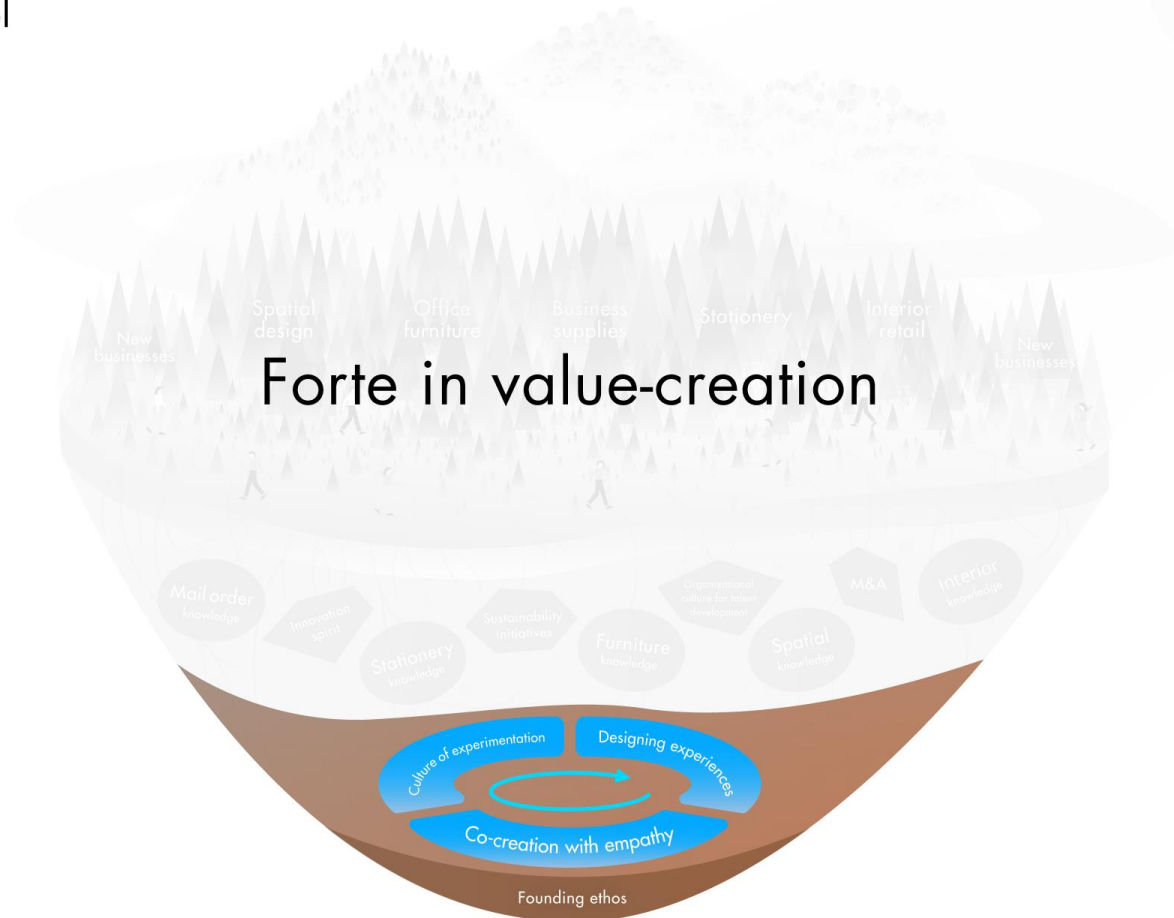
Office
furniture

Business
supplies

Stationery

Interior
retail

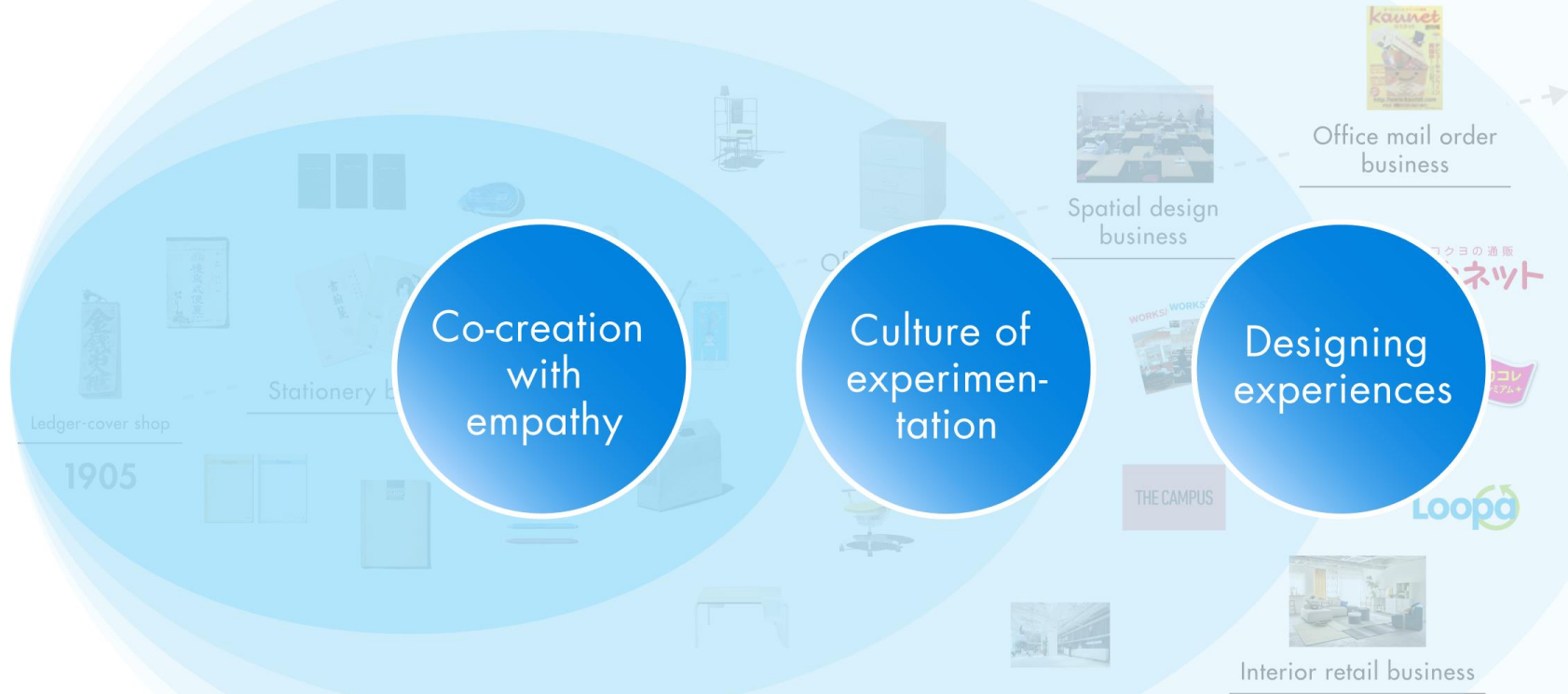
Updating the Forest-Like Management Model



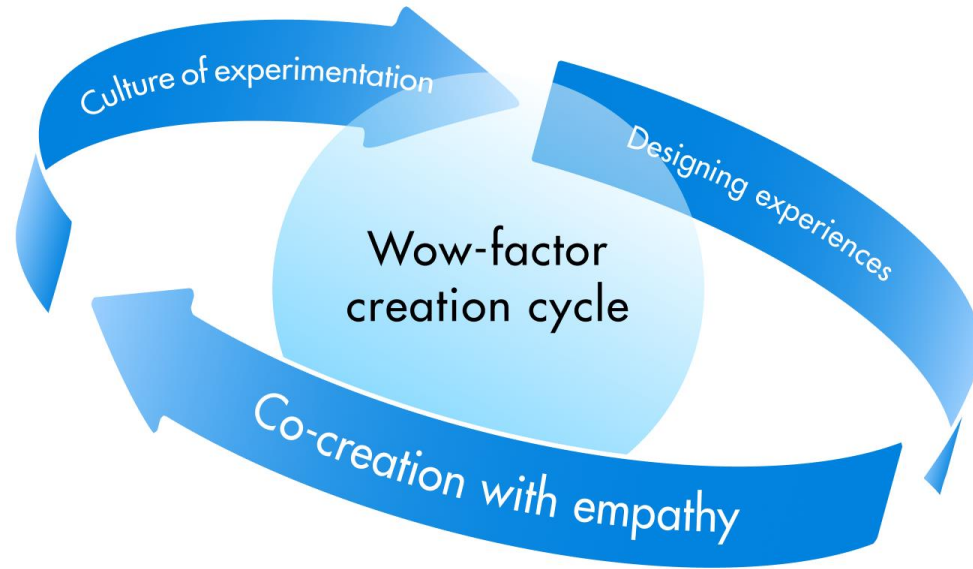
Beginning in 1905 as a maker of front covers of Japanese-style ledgers, Kokuyo has grown over the years by creating true value.



Empathizing with customers' needs and shifting from tangible products to intangible solutions, we have continued to realize the needs and delivered **three values**.



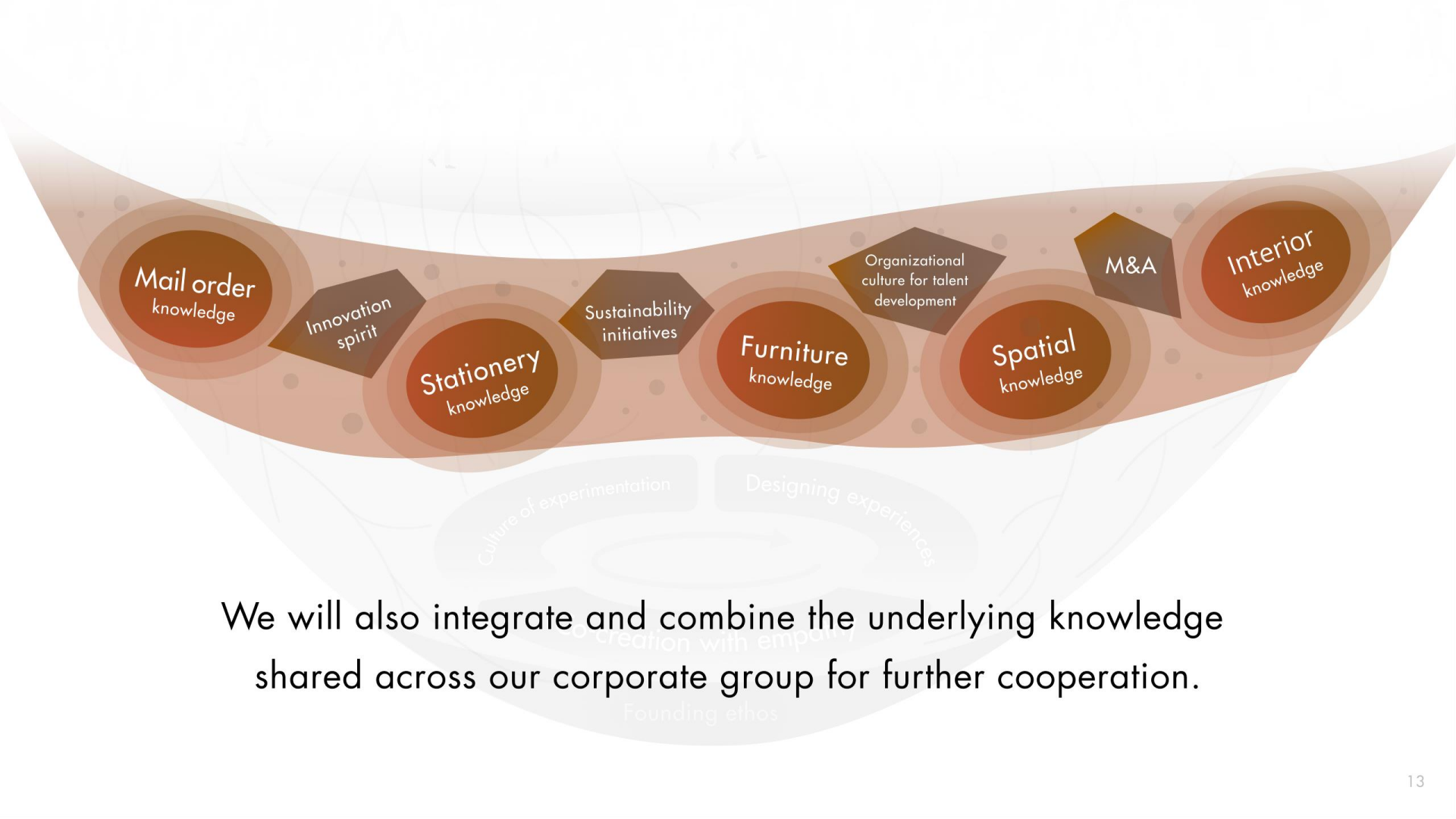
Setting these values at the core of the Kokuyo philosophy,
we have shifted to a wow-factor creation cycle,
where we excel in creating new products and services.



We have taken the wow-factor creation cycle in various directions to expand the range of new experiences.

This is Kokuyo's unique strength.





Mail order
knowledge

Innovation
spirit

Stationery
knowledge

Sustainability
initiatives

Furniture
knowledge

Organizational
culture for talent
development

M&A

Spatial
knowledge

Interior
knowledge

Culture of experimentation

Designing experiences

We will also integrate and combine the underlying knowledge shared across our corporate group for further cooperation.

Founding ethos

WORK & LIFE STYLE Company

A self-directed,
collaborative
society

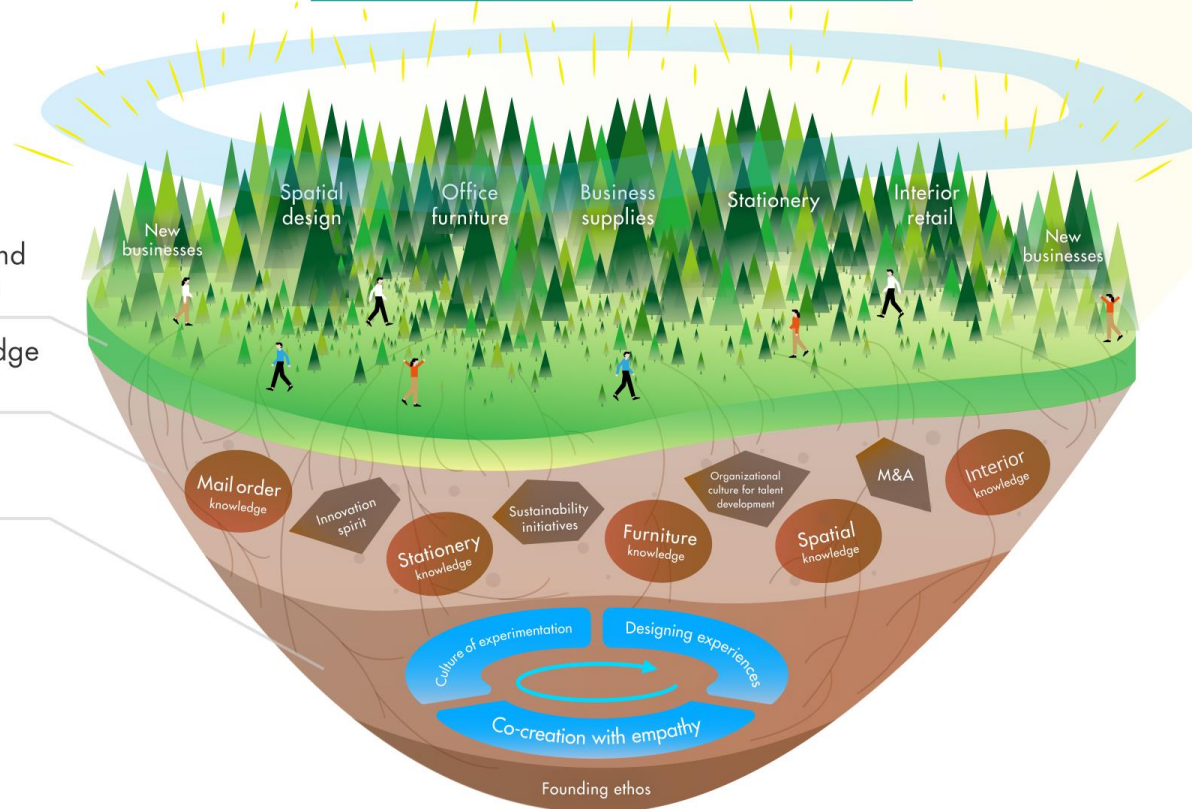
Updating the Forest-Like Management Model

Further field expansion and growth of
existing businesses in Japan

Purpose

Presenting
a tomorrow
you can't wait for.

- Strategy to expand experience value
- Stronger knowledge integration
- Forte in value-creation



Our philosophy

be Unique.

Updating the Forest-Like Management Model

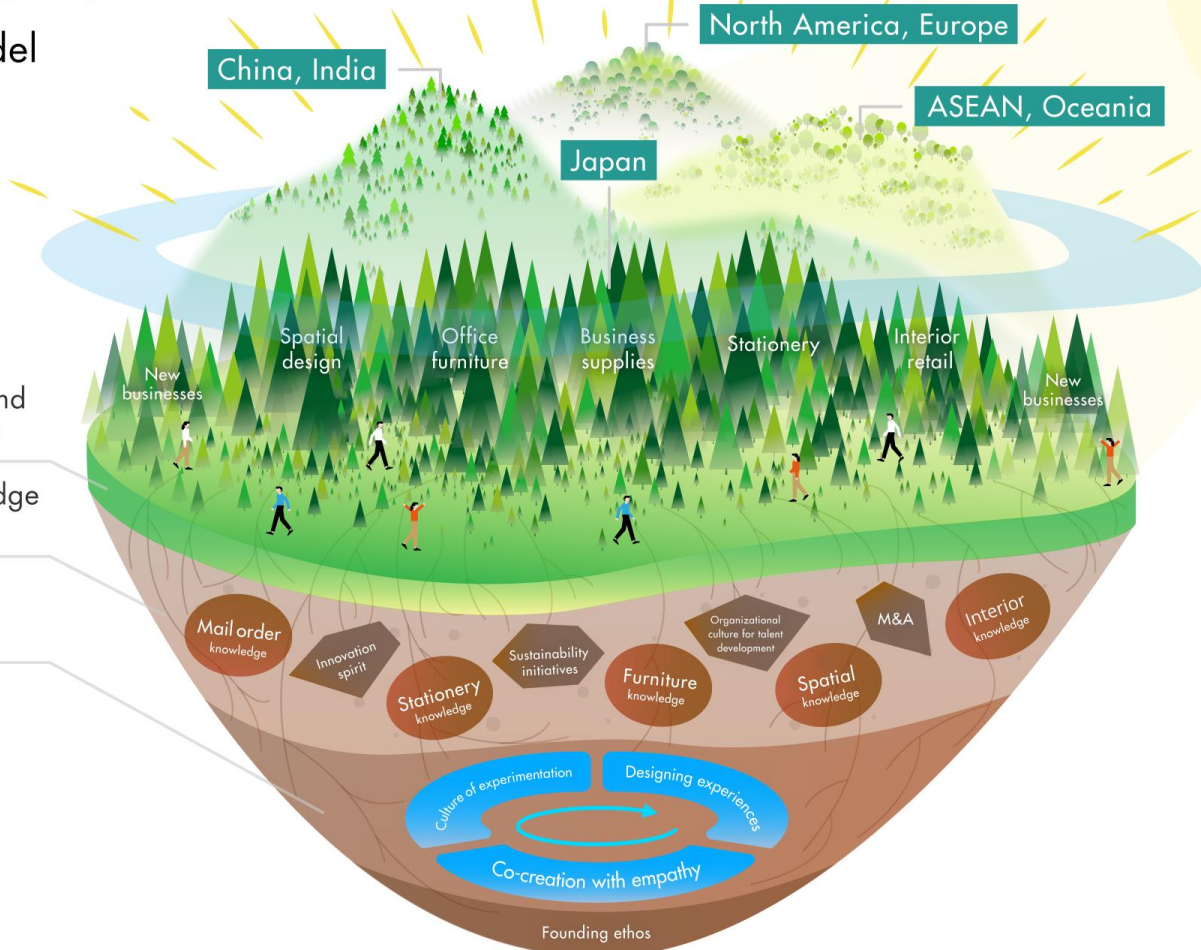
WORK & LIFE STYLE Company

A self-directed, collaborative society

Purpose

Presenting a tomorrow you can't wait for.

- Strategy to expand experience value
- Stronger knowledge integration
- Forte in value-creation



Our philosophy
be Unique.

Top share in Asia by 2030...Eventually, a top share globally



2. The 3rd Medium-Term Plan in Review

Quantitative Goals and Results

Through the first three medium-term plans, we achieved big improvements in metrics like profitability and efficiency. Results for 2024 are likely to fall short of initial targets amid the market situation overseas.

Amounts in ¥100 million	2015 result	1st MTP	2nd MTP	3rd MTP			
		2018 result	2021 result	2024 initial target	2024 forecast	% of 2015 result	% of initial target
Net sales	2,861	2,908	2,926	3,600	3,380	118.1%	93.9%
Gross profit	992	1,107	1,135	1,437	1,332	134.2%	92.7%
%	34.7%	38.1%	38.8%	39.9%	39.4%	+4.7pt	-
EBITDA	181	245	273	-	304	167.8%	-
%	6.3%	8.4%	9.3%	-	9.0%	+2.7pt	-
Operating income	109	181	199	275	215	197.0%	78.2%
%	3.8%	6.2%	6.8%	7.6%	6.4%	+2.5pt	-
Net income	63	142	137	-	214	339.7%	-
%	2.2%	4.9%	4.7%	-	6.3%	+4.2pt	-
ROE	3.6%	6.9%	6.0%	8%	≥8%	≥+4.4pt	-

The new revenue standard has been retroactively applied to the quantitative amounts for 2015, 2018, and 2021.
 In all instances, EBITDA = Operating income + Depreciation expense + Goodwill amortization + Other depreciation
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We have made headway in building the Forest-Like Management Model, both in our businesses and in our strategic assets, paving the way for sustained business growth.

Existing businesses: Tweak, expand reach of fields

Japan

- **Operating income from Japanese businesses:**
 - Furniture: **Better growth and profits, especially in furniture**
Growth and profitability improved with our value-added interior design services
 - Business-supplies distribution: Enhanced solutions for large-scale corporate clients
 - Stationery: Optimized costs, expanded merchandise (especially for B2C)
 - Interior retail: Opened new locations and improved e-commerce in response to interior demand

Overseas

- **Overseas share of total sales: 8% in 2021 ⇒ 14% forecasted for 2024**
- Furniture: Productivity and sales operations improved following purchase of Kokuyo Hong Kong
- Stationery: Business has grown in China and India

New needs: Nurture business ideas

- **8 startups have been launched so far**
- Business ideas are still being generated. Efforts will be accelerated to scale them up.

Financial strategy, investments

Investments

- Regular CapEx (2022–2024 forecast): **¥18 bn of ¥20 bn budget spent**
- Growth CapEx (2022–2024 forecast): **¥11 bn of ¥30 bn budget spent, 150 potential M&A deals considered**

Shareholder returns

- Dividends: Maintained steadily-increasing dividend with **40% payout ratio**
- Share buybacks: Embarked on **¥50 bn buyback program** in 2023
Treasury stock in excess of 5% of total issued shares to be cancelled

Talent strategy

Hiring

- More hiring of fresh graduates to bolster capital assets for driving medium- and long-term growth

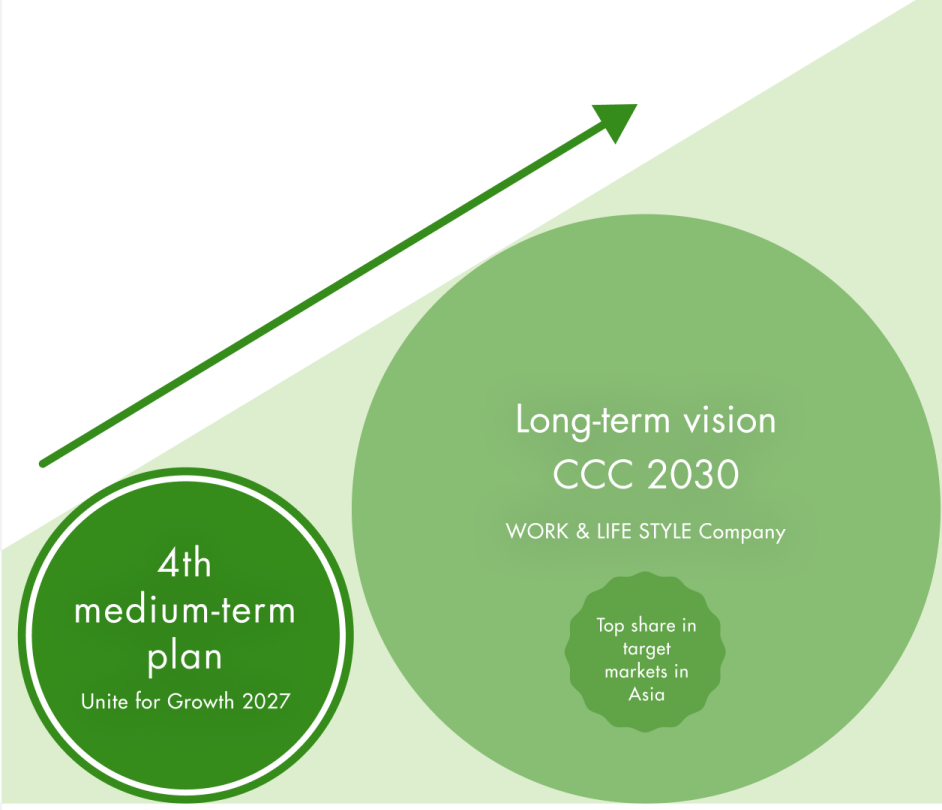
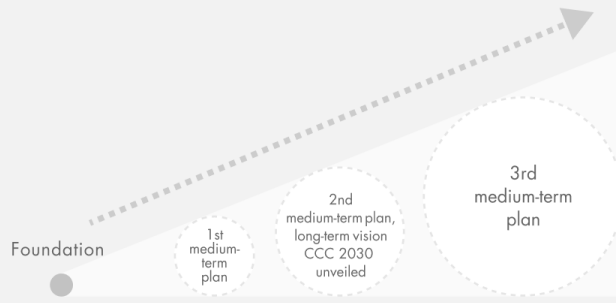
Talent management

- Give diverse opportunities for career growth
- Reform systems, establish training body
- Transform employee management

3. The 4th Medium-Term Plan in the Runup to 2030

3-1. General Policies and Strategies

4th Medium-Term Plan in Context



Further growth

Top share in target markets around the world

1905	2016~2018	2019~2021	2022~2024
	Internal transformation Gross profit improvement		Net sales: ¥338 billion Overseas sales share of total sales: 14% EBITDA margin: 9% ROE: 8%

2025~2027
Net sales: ¥430 billion Overseas sales share of total sales: 20% EBITDA margin: 10% ROE: ≥9%

2028~2030
Net sales: ¥500 billion Overseas sales share of total sales: ≥25% EBITDA margin: ≥11% ROE: ≥10%

Long term

1

Establish a framework that prioritizes the cashflow (\approx EBITDA) necessary to support profit growth and our overall value over the medium and long term. Guided by this framework and the Forest-Like Management Model, commit to gaining top share in our target markets in Asia and, in the long run, in our target markets around the world, and to maximizing our overall value.

2

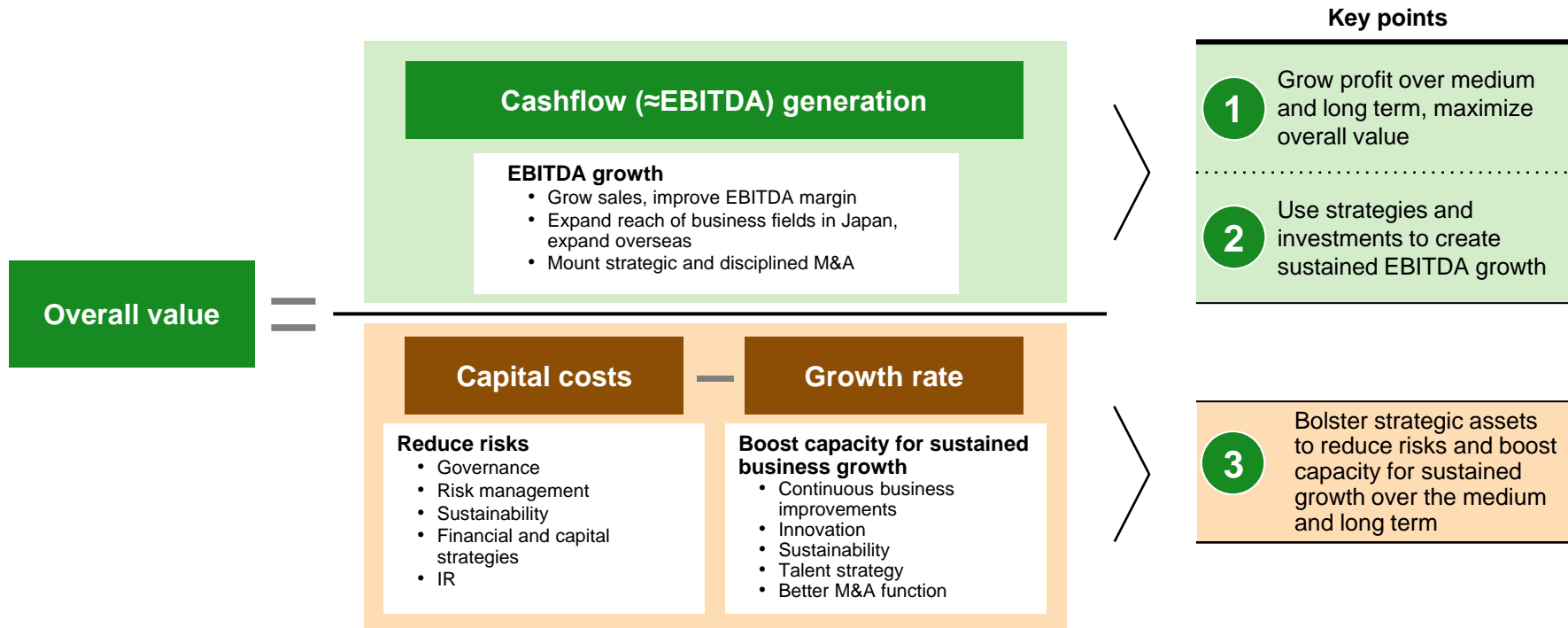
Mount a strategy to expand the reach of our experience value by leveraging our forte in the wow-factor creation cycle. Use strategic and disciplined investment to drive organic growth (building up existing businesses) and inorganic growth (M&A) in Japan and overseas and build sustained EBITDA growth.

3

Build up talent and knowledge to increase replicability of business success. Bolster strategic assets to reduce risks (capital costs) and facilitate sustained growth over the medium and long term.

1 Framework for building our organization's value

Use dynamic and aggressive growth-CapEx (PP&E investments, M&As) to maximize cash flows in the medium and long term. Strike optimal balance between cashflow generation, risks, and sustainable growth to further boost overall value.



The following megatrends present great growth opportunities.

Shifts in consumers' values



Covid prompted a lifestyle shift around the world.

People increasingly prize personalization in their work, studies, and homelife. Offices are no longer just places to work, and digitalization is creating new and varied lifestyles. This trend is accelerating on a global scale, transcending national and regional boundaries.

Great growth opportunity in pitching new work- and life-style solutions in which we leverage our forte in the wow-factor creation cycle to create experience value

Global market growth



Asian economies are growing. Demand for added value is rising

Economic growth, cultural maturation, and digitalization (including social media) are driving demand for added value around the world. China's economy has slowed following a period of rapid growth, but demand for added value continues to rise across ASEAN, India, and Oceania.

Great growth opportunity in renewed business growth in India, expansion in ASEAN, and penetration of Oceania. This will also help correct the disproportionate emphasis on China

Technological innovations

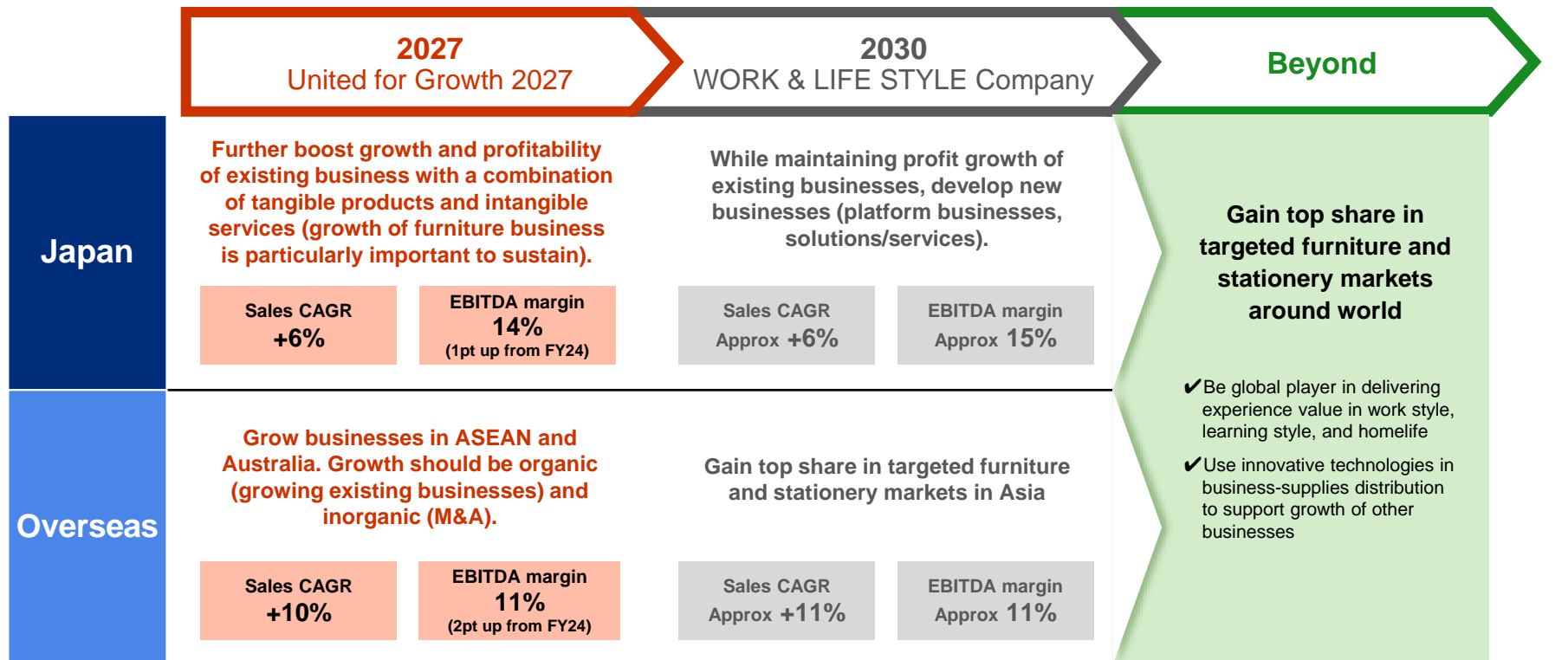


AI and other innovations are enabling a new business model.

AI and other technological innovations have prompted a shift in the business model for mass merchandising. Mass merchandisers increasingly sell to consumers directly or via a platform. This approach creates opportunities for non-scale business growth.

Great growth opportunity in further streamlining and adding value to B2B distribution in Japan, while digitizing manufacturing model and shifting to a more service-oriented and direct sales approach

The 4th medium-term plan sets out major stepping stones: top share in target Asian markets by 2030, a top share in target markets around the world in the longer run, and maximum overall value.



*CAGR and EBITDA margin discount M&A impact

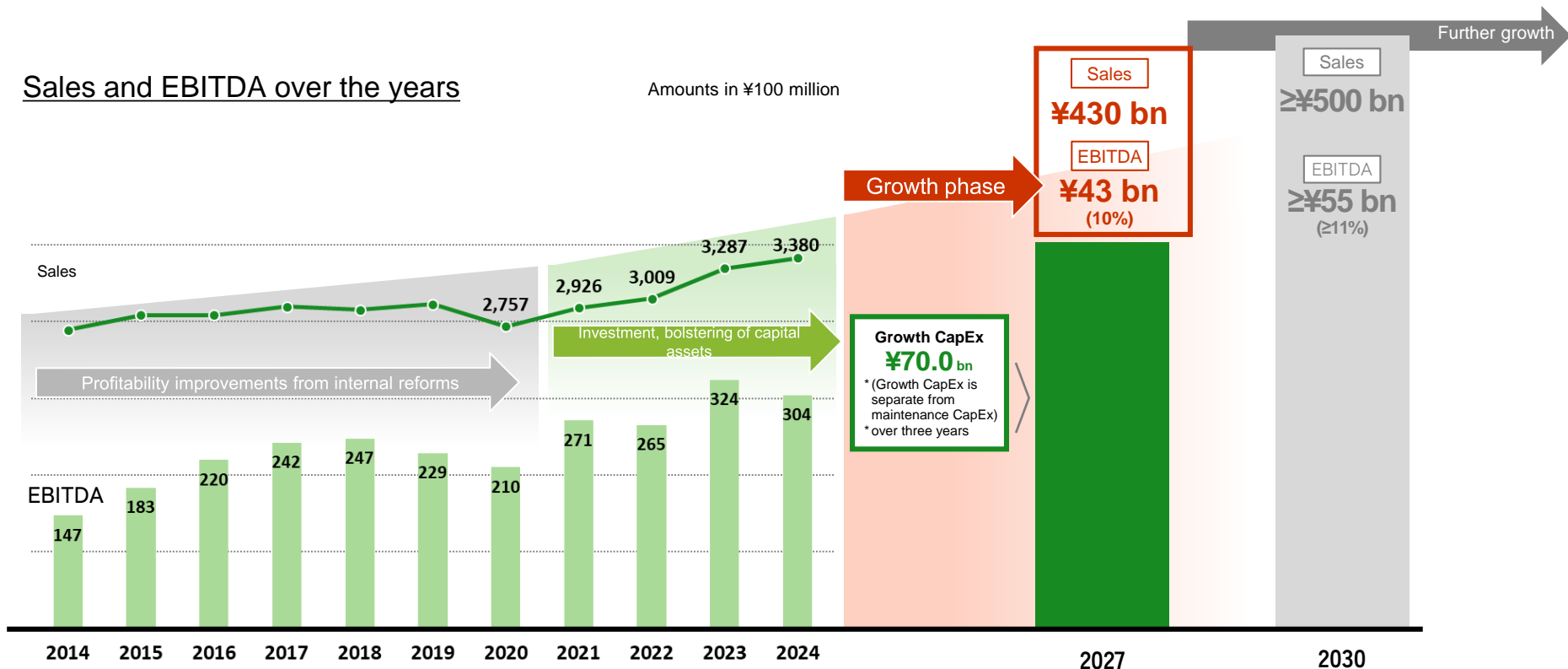
*EBITDA margin (both for Japan and overseas businesses) indicates the margin before G&A expenses (expenses not tied to a particular department or business)

1 Growing EBITDA to Improve Our Overall Value

Between now and 2027, we will allocate growth CapEx to drive sustained growth in EBITDA, contributing to our vision for 2030 and beyond.

Sales and EBITDA over the years

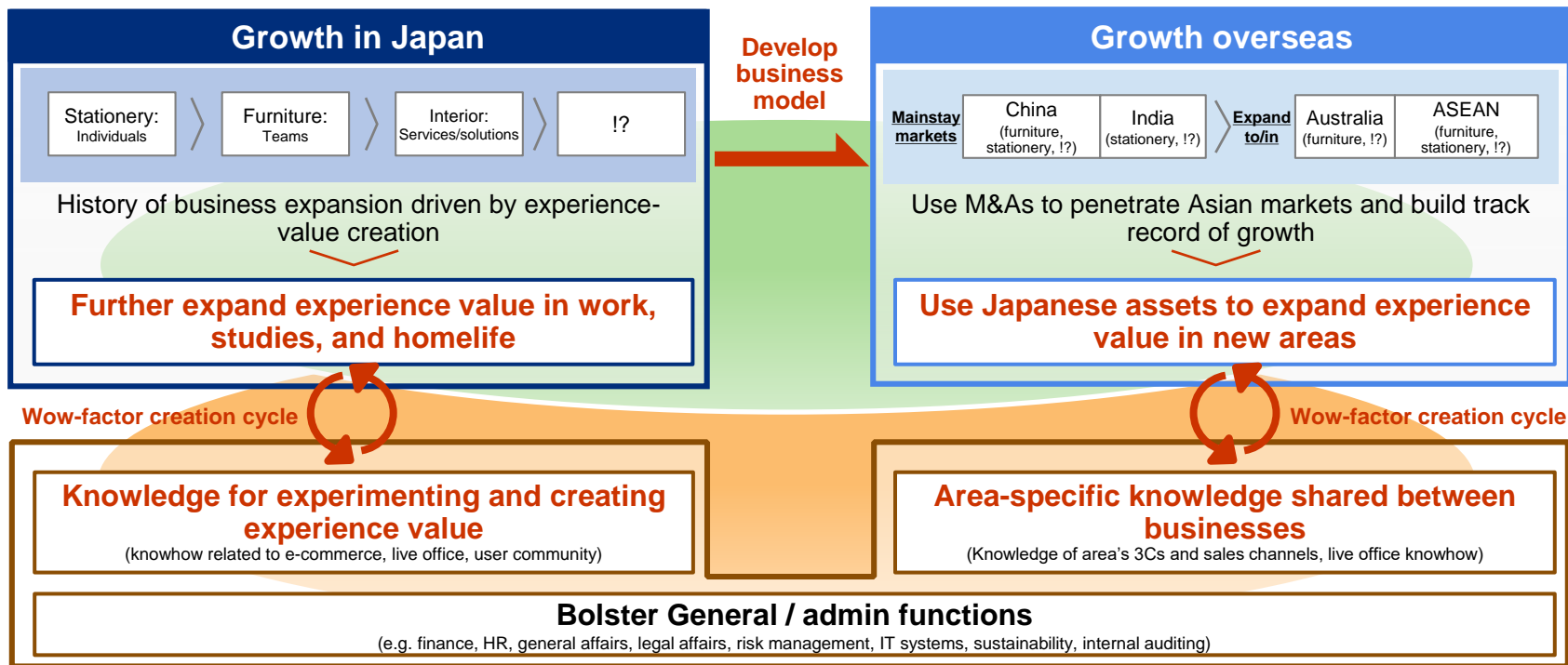
Amounts in ¥100 million



The new revenue standard has been retroactively applied to the net sales amount.




2 Strategy to Expand the Reach of Our Experience Value

We will expand the reach of our experience value in Japan and overseas, leveraging our forte (wow-factor creation cycle).

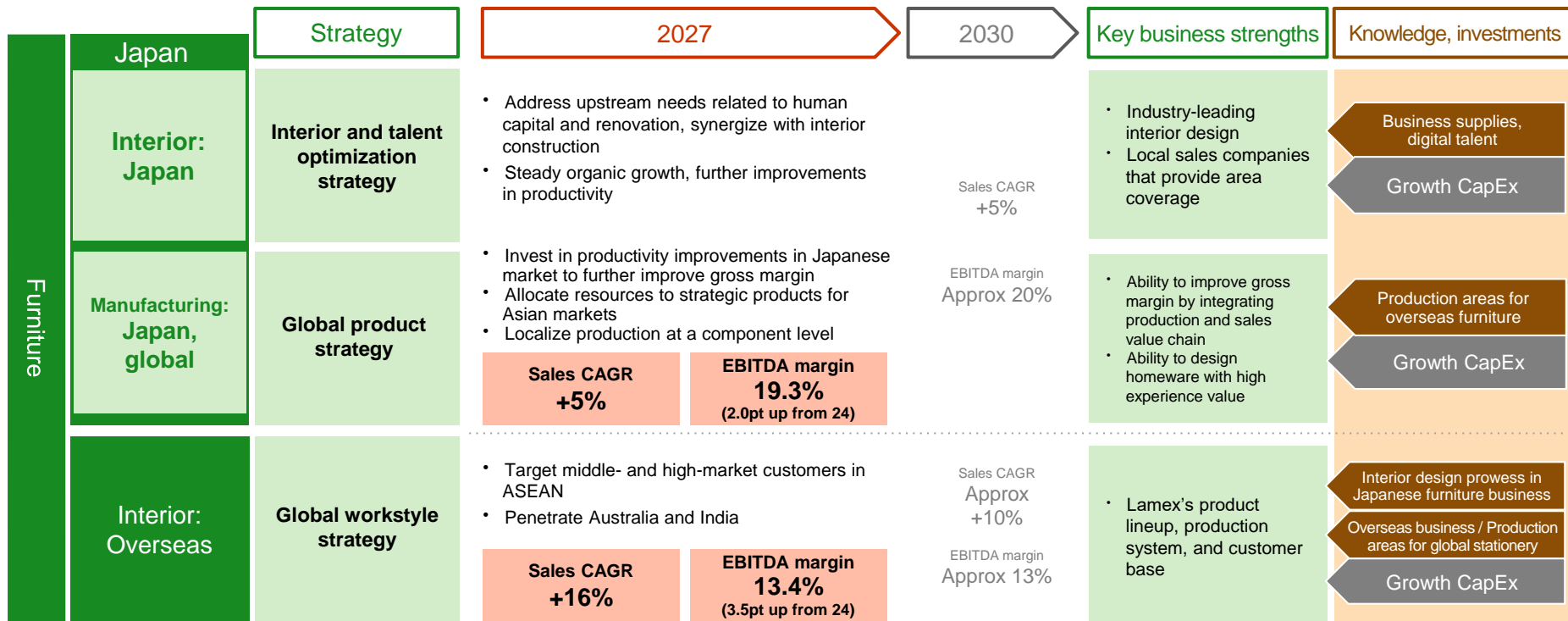


2 Strategy to Expand the Reach of Our Experience Value

Over the years, we have used our business knowledge to expand the reach of our experience value, driving business growth and profitability.

	Business knowledge deployed	Expanding the reach of our experience value	Progress
 <p>Expanding from furniture to interior design</p>	<ul style="list-style-type: none"> • Experience of running live offices across Japan since 1969 • Ability to improve gross profit (sales price / COGS) 	<ul style="list-style-type: none"> • Expanding from manufacturing and selling furniture to services/solutions-based interior design 	<ul style="list-style-type: none"> • Top-level share in industry, better profitability • Sales CAGR of +3% (13–23) • 23 gross margin up 12 pt from 13 level
 <p>Chinese notebook business acquired</p>	<ul style="list-style-type: none"> • Ability to develop value-added stationery • Ability to improve gross profit (sales price / COGS) • Ability to build channel partnerships 	<ul style="list-style-type: none"> • Expanding from high-value notebooks to schoolgirl stationery with compelling brand story 	<ul style="list-style-type: none"> • Huge lead over competitors in growth rate and profitability • Sales CAGR of +15% (17–23) • 23 gross margin up 10 pt from 17 level
 <p>Indian paint tool and stationery maker acquired</p>	<ul style="list-style-type: none"> • Ability to develop value-added notebooks and other value-added stationery • Ability to build channel partnerships 	<ul style="list-style-type: none"> • Expanding from paint tools to value-added stationery for students 	<ul style="list-style-type: none"> • Steady growth and profitability improvements following acquisition • Sales CAGR of +5% (14–23) • Continuous improvement in sales productivity (sales per person)

Furniture business: We will further improve market share and profitability in Japan and use Japanese assets/knowledge to expand overseas.



CAGR and EBITDA margin discount M&A impact
 EBITDA margin (both for Japan and overseas businesses) indicates the margin before G&A expenses (expenses not tied to a particular department or business)

Business-supplies distribution: We will strengthen the purchase management system.

Stationery: We will expand the stationery business overseas.

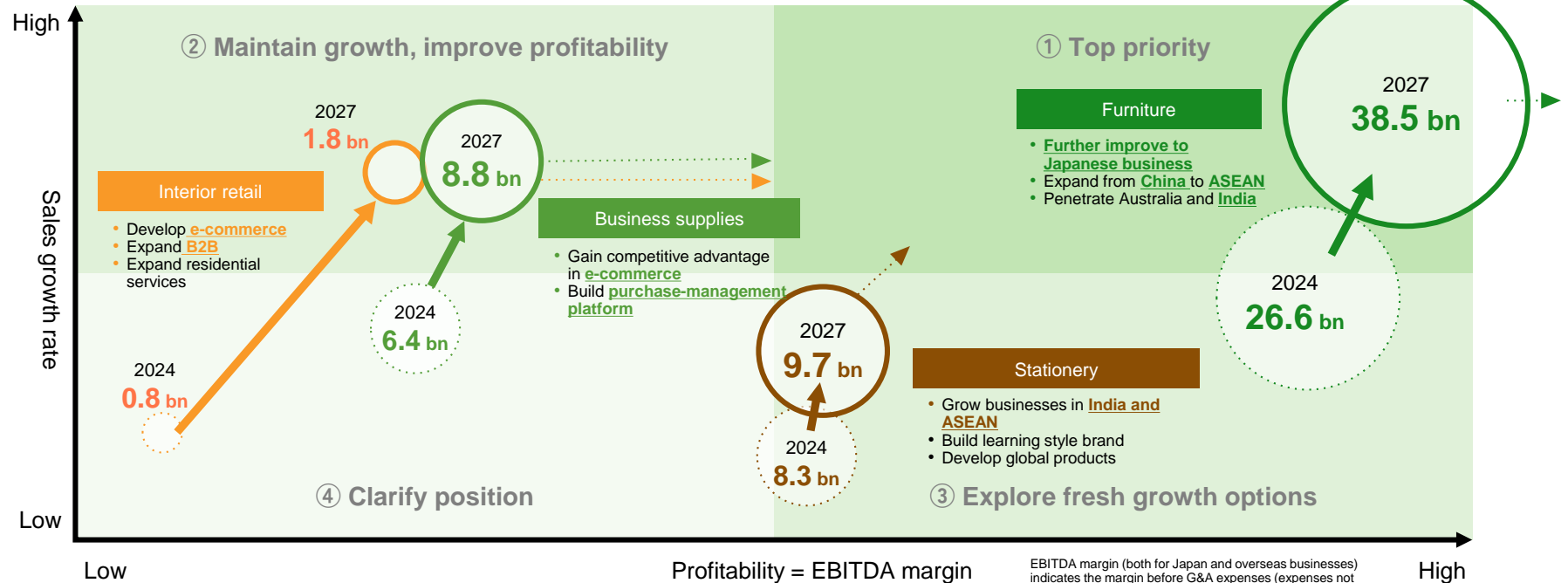
Interior retail: We will build the customer base.

	Strategy	2027	2030	Key business strengths	Knowledge, investments
Business-supplies distribution	Purchase management platform strategy	<ul style="list-style-type: none"> Strengthening the purchase management system (Benrinet) and further growth of EC (Kaunet) through it 	Sales CAGR Approx +8% EBITDA margin Approx 8%	<ul style="list-style-type: none"> Purchase management system linkable with panoply of e-commerce sites Multi-business model comprising e-commerce and wholesaling 	Group's B2B customer base Growth CapEx
Stationery	Campus brand strategy	<ul style="list-style-type: none"> Grow business in India and ASEAN Use branding strategy focused on learning style Create and develop global products 	Sales CAGR Approx +9% EBITDA margin Approx 11%	<ul style="list-style-type: none"> Strong identity of Campus brand in Japan and overseas Ability to identify needs and develop products that satisfy the needs to a high degree 	Business-supplies digital talent Overseas business / Production areas for furniture Growth CapEx
Interior retail	Expand customer base	<ul style="list-style-type: none"> Expand to growing areas outside offline retail (e-commerce, B2B, residential) 	Sales CAGR Approx +5% EBITDA margin Approx 8%	<ul style="list-style-type: none"> Brand identity underpinned by design prowess, quality, overseas high-market brand, and customer service 	Furniture sales/marketing prowess in Japan Growth CapEx

CAGR and EBITDA margin discount M&A impact
 EBITDA margin (both for Japan and overseas businesses) indicates the margin before G&A expenses (expenses not tied to a particular department or business)

We will refine our portfolio and allocate growth CapEx to create the growth capacity and profitability necessary to grow EBITDA.

- The larger the circle, the larger the EBITDA
- Dashed lines indicate trajectory in runup to 2030
- Underlined text indicates synergy themes



① **Top priority:** Use growth CapEx to drive growth

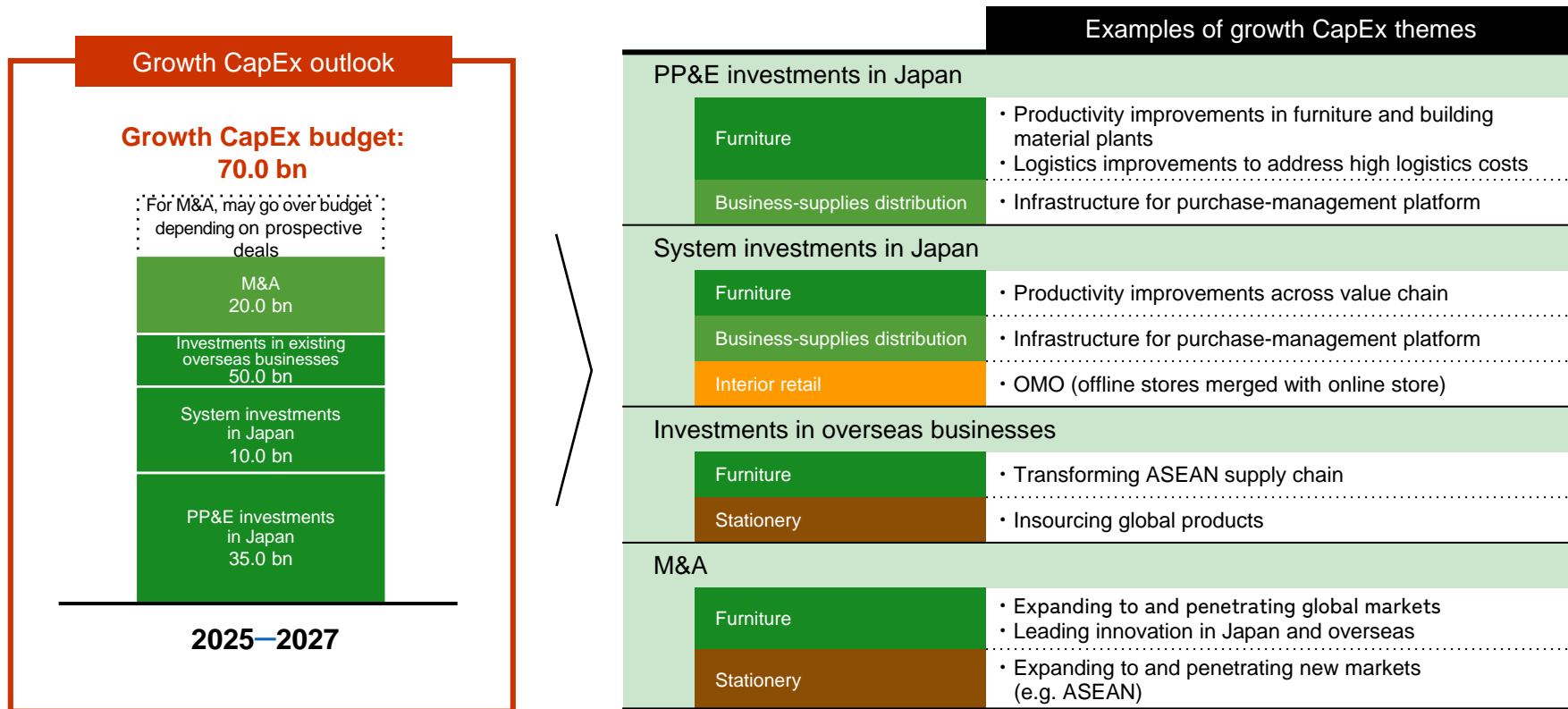
② **Maintain growth, improve profitability:** Use growth CapEx to drive growth and improve profitability over longer term

③ **Explore fresh growth options:** Find cash cows and growth opportunities and allocate growth CapEx to them

④ **Clarify position:** Consider selling off or disinvesting if unfeasible to move to other quadrant or synergize with other business

EBITDA margin (both for Japan and overseas businesses) indicates the margin before G&A expenses (expenses not tied to a particular department or business)

We will focus growth CapEx on projects to drive growth and improve profitability of Japanese furniture and other existing businesses. We may go over M&A budget depending on prospective deals.



Amid an increasingly uncertain and turbulent business environment, a growing number of industry peers are struggling to adapt to the changes. This presents a great opportunity to join with high-potential partners in a quest for a top global spot

Further expansion in Asia and Oceania

- Peers seeking a way to adapt strategically and financially
- Potential for synergy with existing businesses

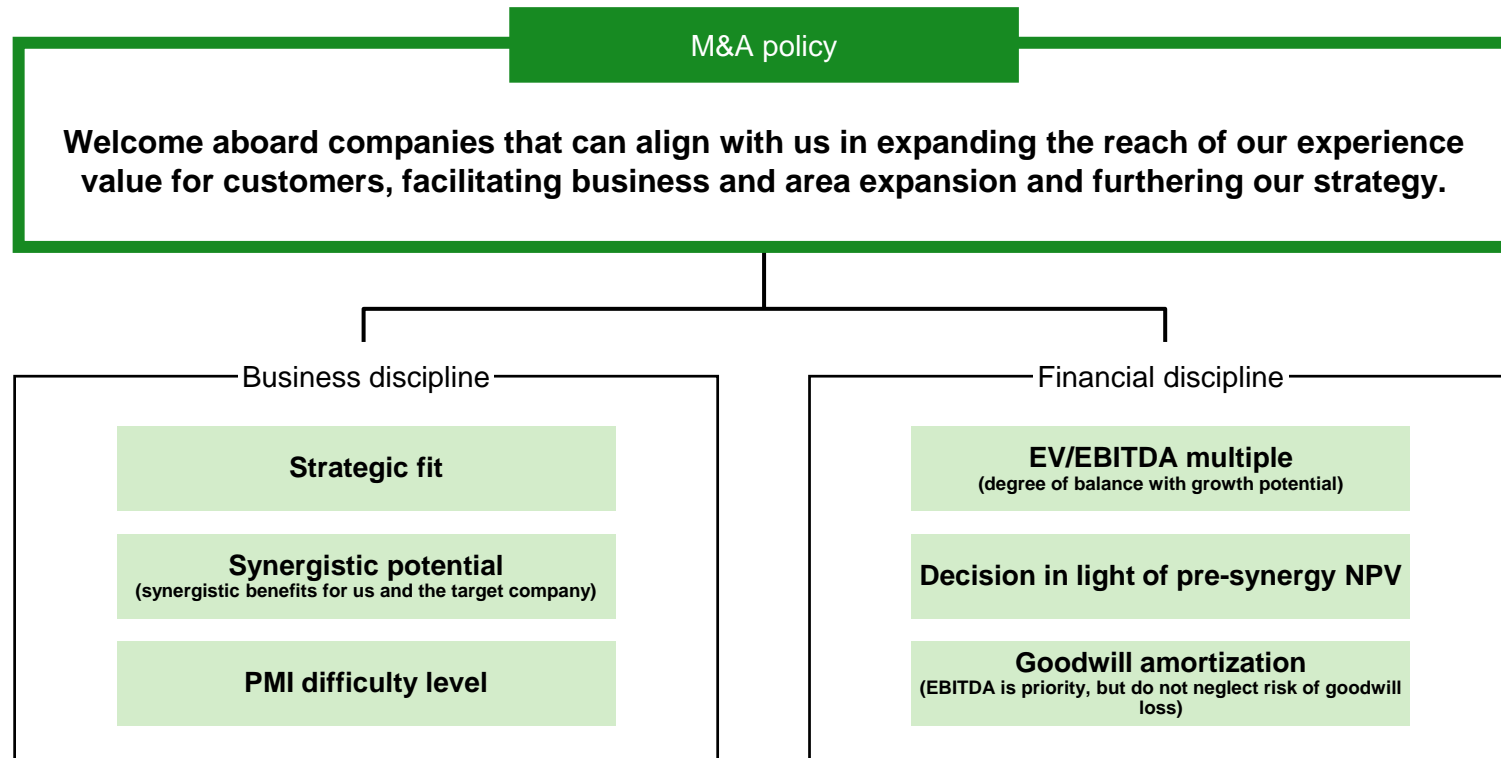
Japan: Surer profit growth, business field expansion

- Peers grappling with long-term market maturation and seeking a growth strategy
- New needs created by societal changes, growth opportunities in adapting to the changes

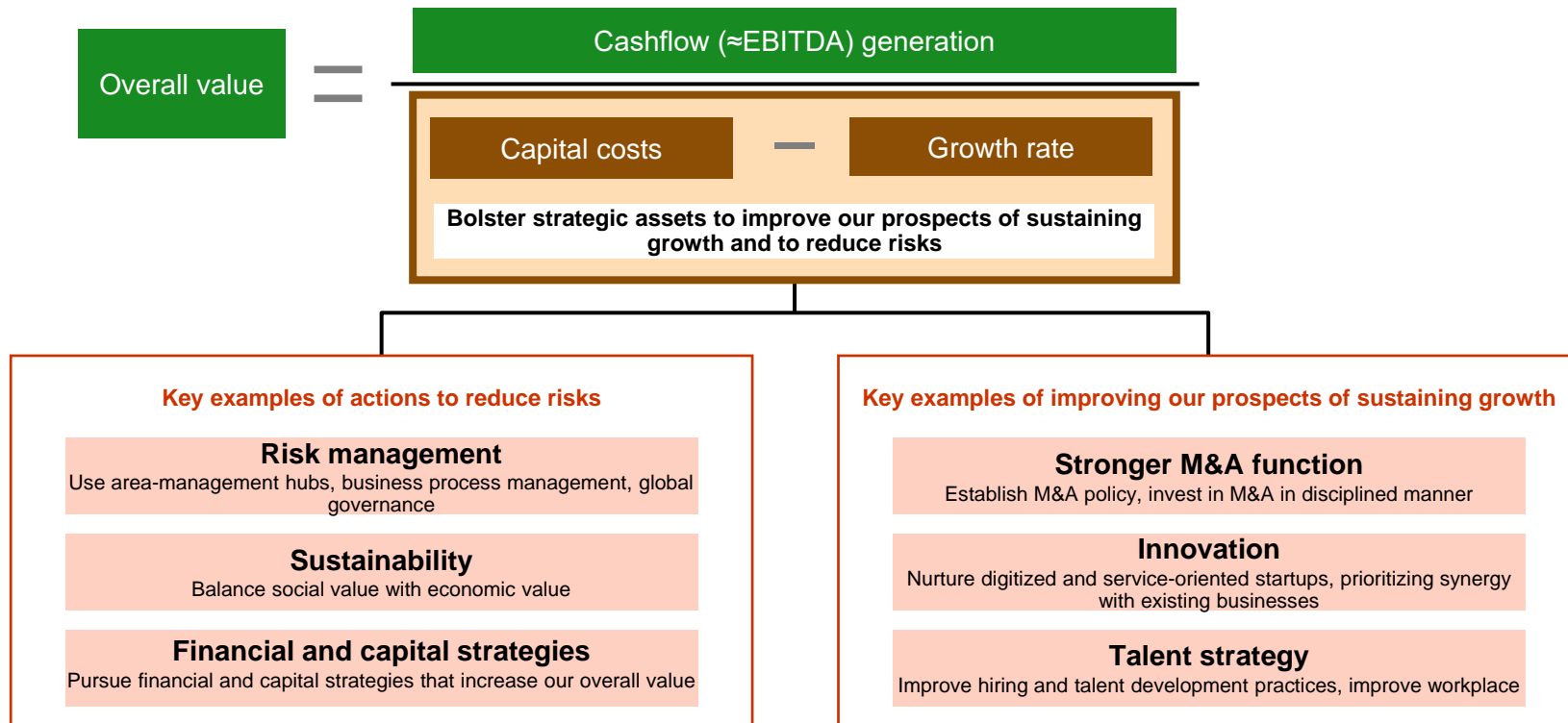
Targeting North America and Europe

- Peers trying to navigate post-Covid world
- Compelling markets, potential for synergy with existing businesses

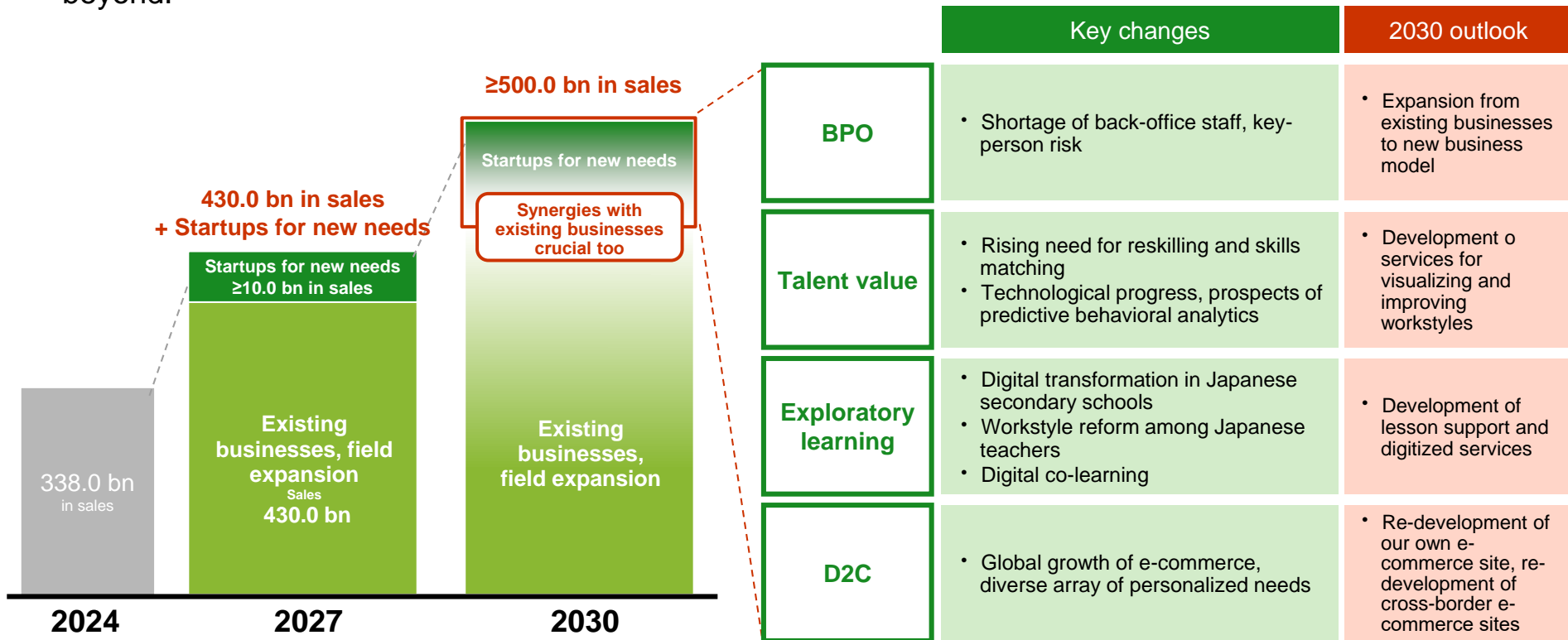
We will explore potential M&A deals prioritizing business and financial discipline, and pursue those with the best prospects of success.



We will bolster strategic assets to reduce risks and improve our prospects of sustaining growth over the medium and long term.

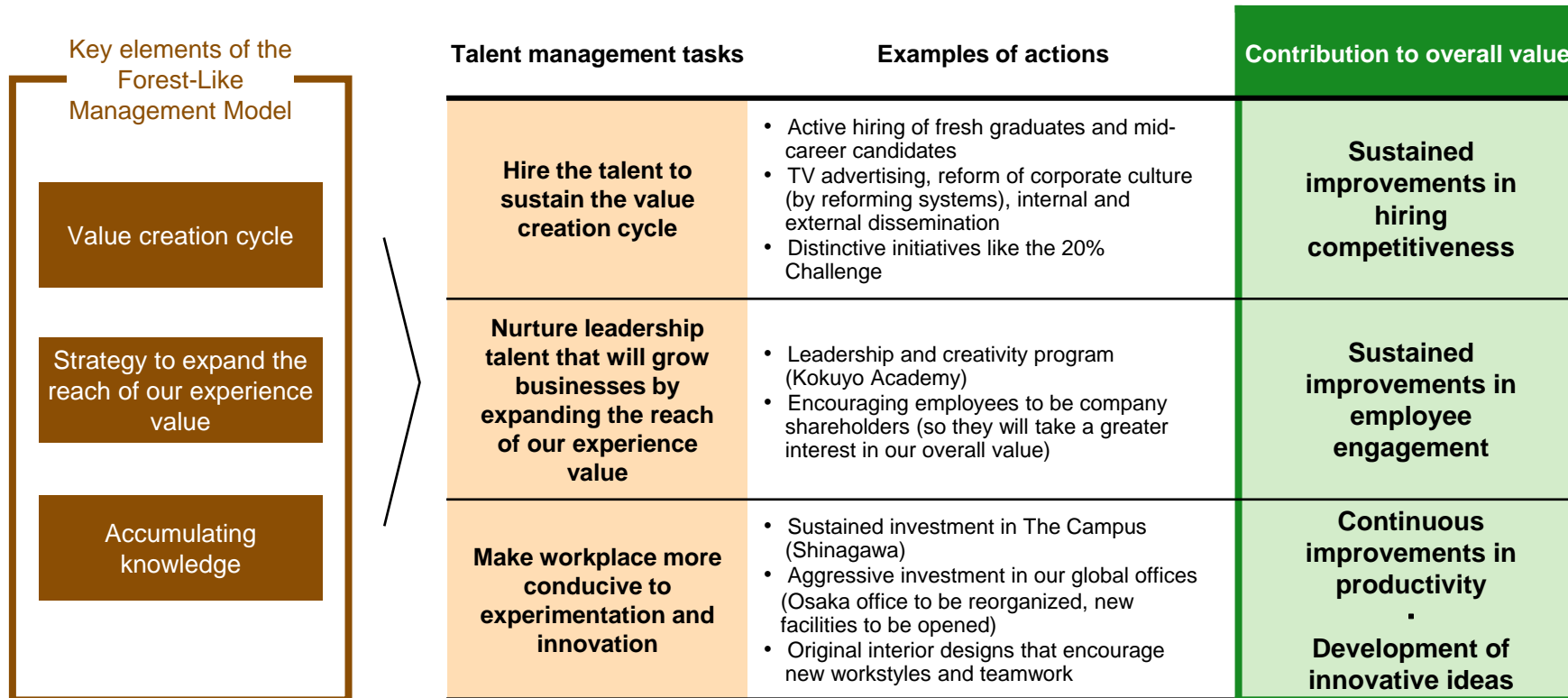


We will make our existing businesses more digitized and service-oriented regarding startups for new needs. Prioritizing synergy with existing businesses, we will drive innovation to sustain growth toward 2030 and beyond.



* The above content will be progressively updated in light of the results of PoC and trial and error processes

We will improve hiring practices, talent development practices, and the workplace environment to help increase our overall value in accordance with the Forest-Like Management Model.



We will take actions to manage the growing array of risks associated with business expansion and global expansion.

Area-management hubs

Business process management

Global governance

Examples of key actions



- Establish more area hubs for area-specific governance, risk management, and some shared services.
- Establish area-management hub in ASEAN like the one in China (Kokuyo Management). Consider establishing one in India too.



- Use IT to monitor whole range of business processes.
- Use analytics to streamline workflows and identify ways to reduce risks.



- Improve organizational framework and procedures for accounts, tax affairs, and internal controls to enable business expansion in Japan and overseas.
- Prepare infrastructure to enable Japan head office, overseas business sites, and vendors to mitigate overseas IT risks and respond promptly when the risks occur.

Contribution to overall value

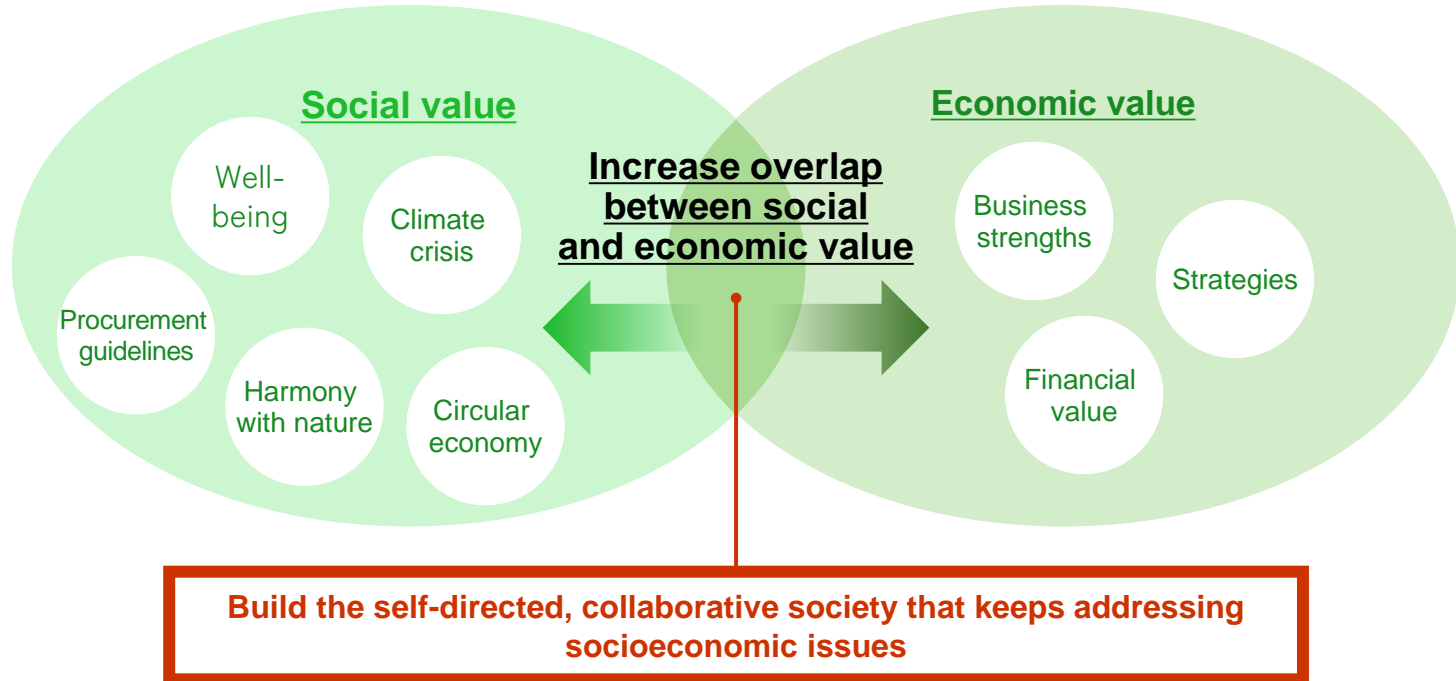
- ✓ The actions will reduce area-specific risks and, in the longer run, enhance functions to generate greater synergy.

- ✓ The actions will reduce the business-process risks associated with business expansion and global expansion, and improve productivity.

- ✓ The actions will further reduce probability of severe risks in Japan and overseas.

Integrated risk management will reduce risks (≈reduce capital costs)

We will balance social value with economic value to build the self-directed, collaborative society that keeps addressing socioeconomic issues.



The 2025 integrated report will include an update on our actions to balance social value with economic value.

We will address the material issues, generating social value and generate greater synergy with economic value.

Material issue	KPI	2027 goal	2023 result
Improve Wellbeing among Employees and External Stakeholders	% of management positions (in five main Japanese companies) held by women	16%	9.3%
	Take-up rate for paid leave in five main Japanese companies	100%	61.7%
	% of new products that have inclusive design	35%	3 such products
Transition to a management system that creates social value	Number of visionary idea (Mirai Yokoku) experiments (between 2024 and 2027)	30	22 (between 2022 and 2023)
	% of employees addressing socioeconomic issues through their job	100%	50.4% of employees participating in sustainability initiatives
Respond to the climate crisis	Scope 1 & 2: Reduction in CO ₂ emissions from 2022 level	35% reduction	38.9% reduction from 2013 level
	Scope 3: Amount of suppliers with SBTs	An amount of suppliers representing 125 kt	In progress
	Scope3: Status of action plan for 2030 goals	Status: Completed	In progress
Contribute toward a circular economy	% of all products that incorporate circular-business guidelines	40%	100% of new products
	% of general business (including dead stock) waste recycled	97%	93.8%
	% of plastic waste recycled	100%	92.9%
	Reduction in mixed construction waste from 2023 level	75% reduction	81.8% of construction waste recycled
Contribute toward a society that coexists with nature	% of all products that satisfy Kokuyo Group Paper and Timber Procurement Standards	75%	Established Kokuyo Group Paper and Timber Procurement Standards
	Degree to which environmental impacts are visualized	Fully visualized in main companies	Started identifying risks from our raw materials and from our business sites and the surrounding areas
	No. of nature conservation projects	3	2
Sustainable procurement	% of products that sourced from suppliers of at least B rank	At least 75%	482 of our key suppliers responded to our sustainability survey

Financial KPIs

Our financial KPIs are: net sales, % of total sales that are overseas, EBITDA, and ROE. We will work on these KPIs to create sustained EBITDA growth and maximize our overall value.

		2023 result	2024 forecast	2027 target	2030 target
KPIs	Net sales (growth rate)	328.7 bn (+9.2 %)	338.0 bn (+2.8 %)	430.0 bn (+8% / year)	≥500.0 bn
	% of total sales that are overseas	15 %	14 %	20 %	≥25 %
	EBITDA EBITDA margin	32.4 bn 9.9 %	30.4 bn 9 %	43.0 bn 10 %	55.0 bn ≥11 %
	ROE	7.8 %	8 %	≥9 %	≥10 %
Other metrics for comparison	Operating income Operating margin	23.8 bn 7.2 %	21.5 bn 6.4 %	Approx 30.0 bn 7 %	≥38.0 bn ≥7.5 %

Segment Results in Financial KPIs

Amounts in ¥100 million

		2023 result	2024 forecast	2027 target	3-year change	3-year CAGR
Furniture	Net sales	1,544	1,618	2,190	+572	11%
	EBITDA	262	266	385	+119	
	%	17.0%	16.4%	17.6%	+1.1p	
Business-supplies	Net sales	978	997	1,260	+263	8%
	EBITDA	56	64	88	+24	
	%	5.7%	6.4%	7.0%	+0.6p	
Stationery	Net sales	838	835	910	+75	3%
	EBITDA	86	83	97	+14	
	%	10.3%	9.9%	10.7%	+0.7p	
Interior retail	Net sales	203	210	260	+50	7%
	EBITDA	10	8	18	+10	
	%	4.9%	3.8%	6.9%	+3.1p	
Other, inter-segment adjustment	Net sales	(276)	(280)	(320)	(40)	-
	EBITDA	(90)	(117)	(158)	(41)	
Total	Net sales	3,287	3,380	4,300	+920	8%
	EBITDA	324	304	430	+126	
	%	9.9%	9.0%	10.0%	+1.0p	

2-2. Financial and Capital Strategies

A Balance sheet management

We will strike a balance between EBITDA growth and capital efficiency to achieve ROE targets ($\geq 9\%$ in 2027, $\geq 10\%$ in 2030). We will offload cross-held shares and other non-business assets and improve our capital structure.

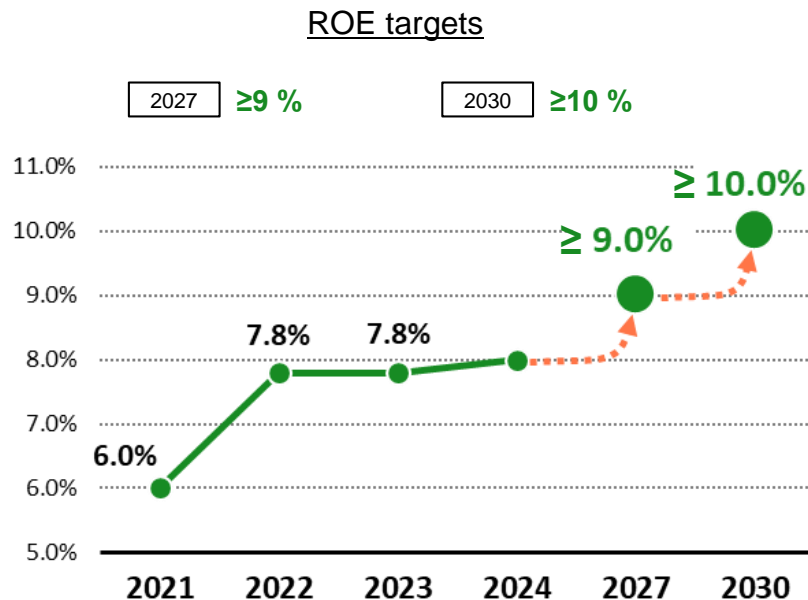
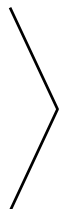
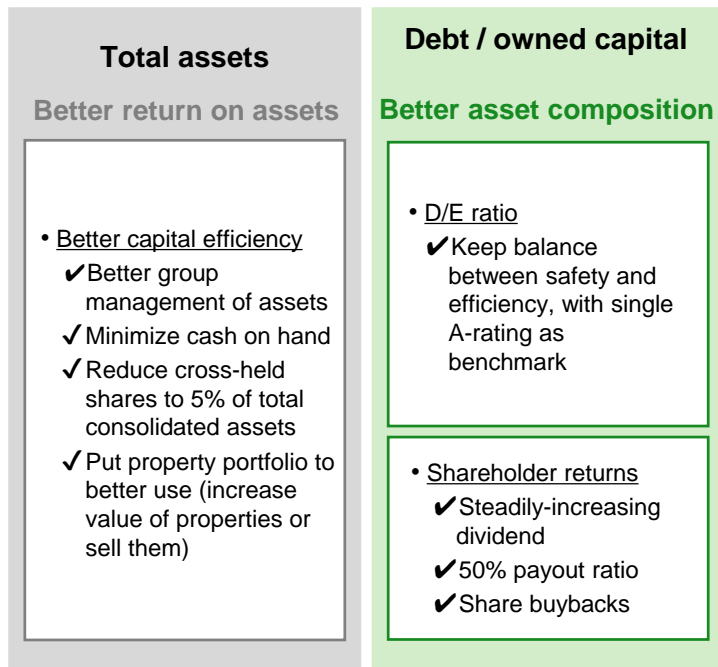
B Capital allocations

From among the cash flows, cash on hand, and proceeds from sale of non-business assets recorded during the 4th medium-term plan, ¥89 billion will be reinvested in our businesses (¥70 billion as growth CapEx and ¥19 billion as maintenance CapEx) while ¥64 billion will be returned to shareholders (through dividends with a payout ratio of 50% and through a ¥35 billion buyback program).

C Shareholder returns

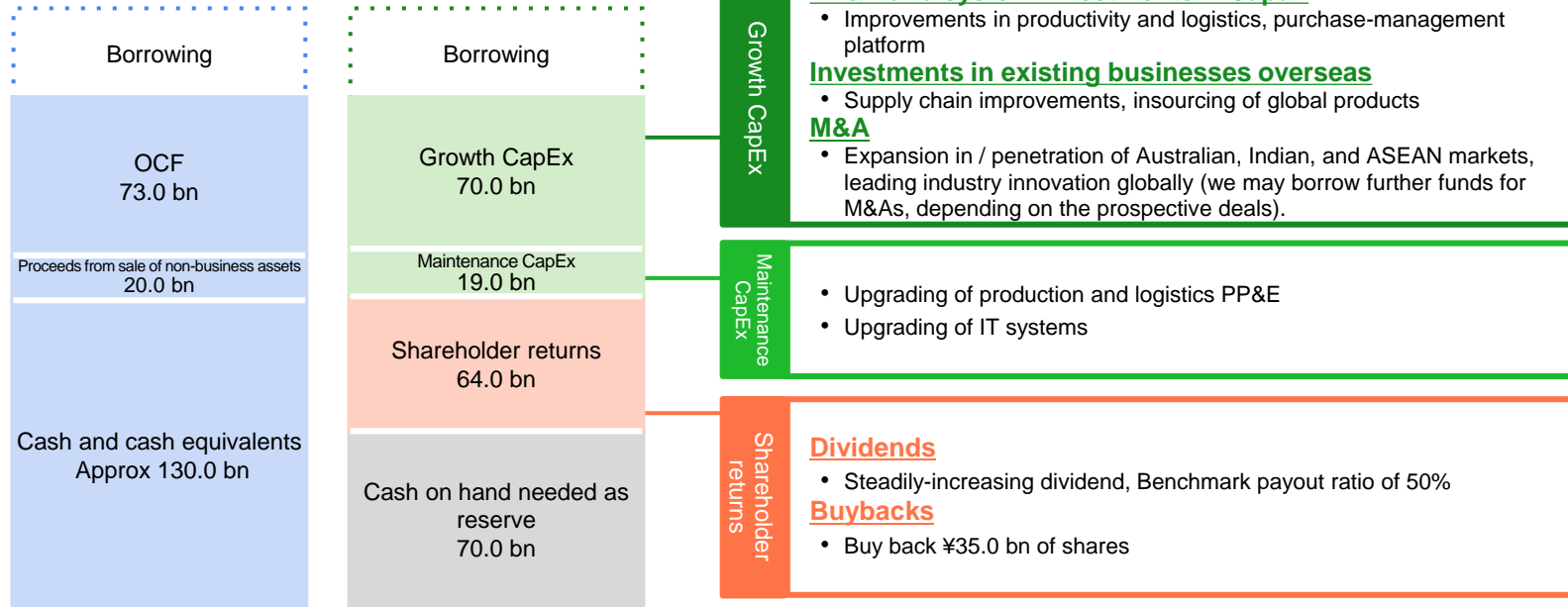
We will deliver a steadily-increasing dividend. We will cap our treasury stock at 2% of total issued shares. Our treasury stock currently exceeds this cap, at 5.8 million (4.8%). The excess treasury stock will be retired soon.

Our strategy to manage the balance sheet is designed to facilitate sustained growth. We will strike a balance between EBITDA growth and capital efficiency to achieve ROE targets ($\geq 9\%$ in 2027, $\geq 10\%$ in 2030).



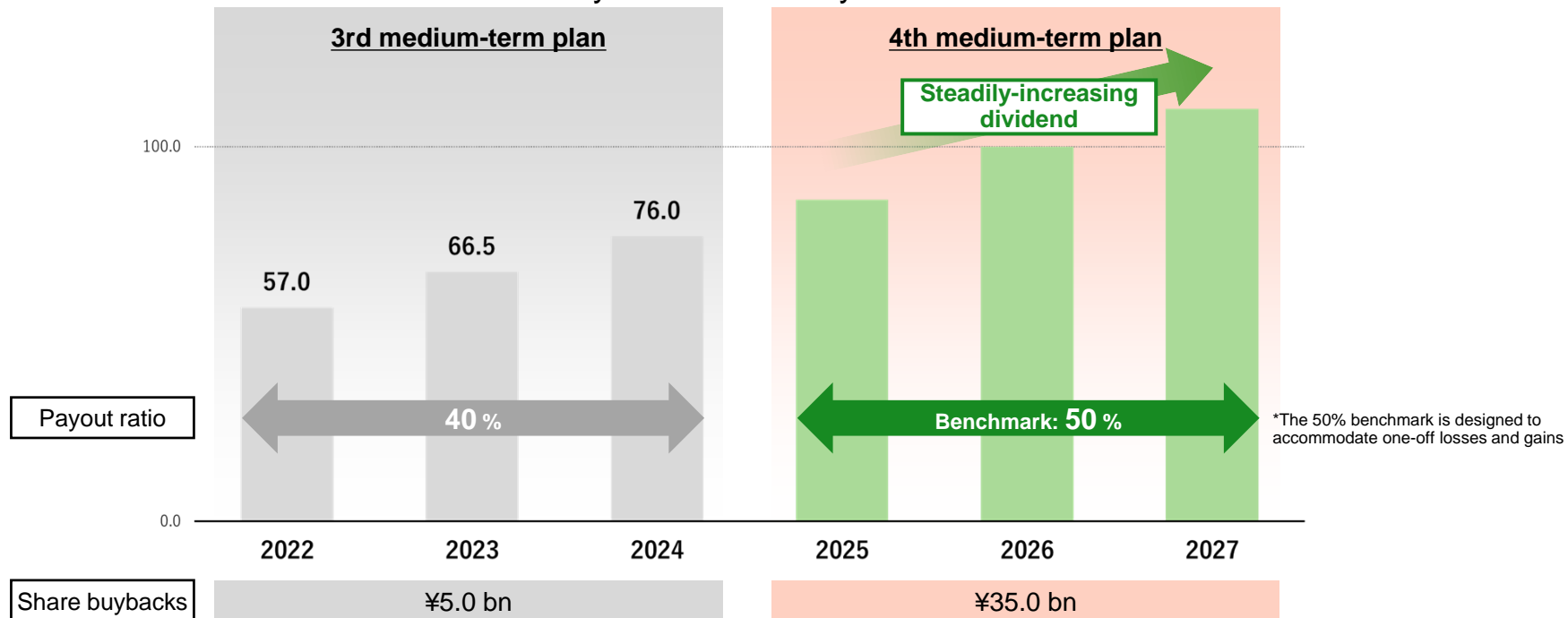
In our capital allocations, we will strike a balance between reinvesting toward sustained growth and returning profits to shareholder. In Japan, we will solidify our earnings. Globally, we may take an industry approach that will deliver further business growth and lead innovation in the industry. We may borrow further funds for M&As, depending on the prospective deals.

Capital allocations over the 3-year period of the 4th medium-term plan



We will deliver a steadily-rising dividend with a benchmark payout ratio of 50%*.

During the 3-year period, we will buy back ¥35 billion in shares. To dispel dilution concerns, we will also reduce our treasury shares by selling them off to the extent that they represent less than 2% of total issued shares. We will soon retire 5.8 million treasury shares currently hold.



3. Summary

4th Medium-Term Plan: United for Next Growth 2027

- ✓ Establish a framework that prioritizes the cashflow (\approx EBITDA) necessary to support profit growth and our overall value over the medium and long term.
- ✓ Guided by this framework and the Forest-Like Management Model, achieve a top share in our target markets in Asia in 2023 and, in the long run, in our target markets around the world, and maximize our overall value.
- ✓ Mount a strategy to expand the reach of our experience value and bolster our strategic assets to enable organic growth and inorganic growth (M&A) in Japan and overseas and sustained EBITDA growth.
- ✓ Allocate capital in a way that strikes a balance between sustained growth and shareholder returns and continuously improves capital efficiency.
- ✓ Deliver a steadily-increasing dividend, retire treasury stock to dispel dilution concerns, and offload more cross-held shares.

Appendix: Business-Specific Strategies

Furniture Business: Market Outlook, Changing needs

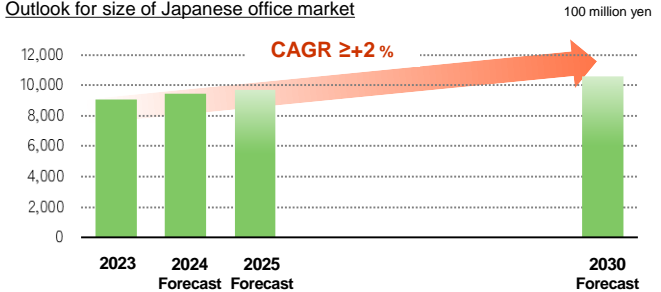
Market outlook

- ✓ Japan: Demand for office layouts will remain brisk with the decline in the working population mitigated by more women entering the workforce and a later retirement age.
- ✓ Overseas: While economic adversities will persist in Mainland China and Hong Kong, ASEAN markets will grow on the back of rising investment from Western firms.

Needs, opportunities

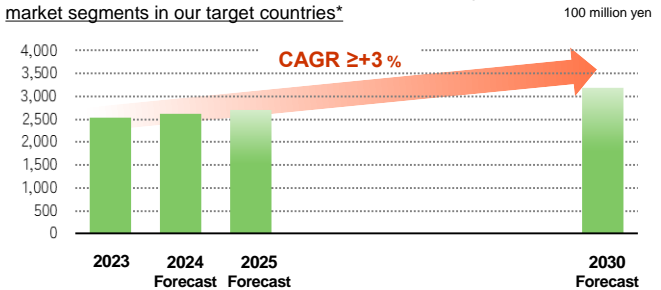
- ✓ Japan: Growing number of new office builds and office relocations. Price per job will increase with high appetite for office spending as an investment in human capital.
- ✓ Overseas: Middle-market and high-market segments in ASEAN will grow with a rise in multinationals prioritizing workstyle improvements.

Outlook for size of Japanese office market



Sources: Our own analysis derived from working population forecast (September 2023) by Mitsubishi UFJ Research and Consulting, projections for growth rate in consumer price index (January 2024) by the Cabinet Office, and data on new office supply in principal cities

Outlook for size of office market in middle-market and high-market segments in our target countries*



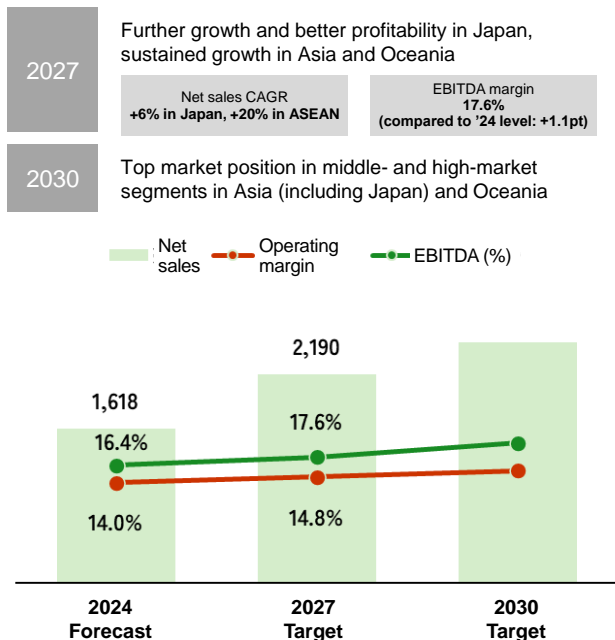
* Singapore, Malaysia, Thailand, Indonesia, Vietnam, Philippines, Australia, India

Source: Our own analysis derived from ILOSTAT (ILO statistics on population and labor force) and other sources

Furniture Business: Growth Strategy

To further improve market share and profitability in Japan, we will leverage our strengths to expand the business fields and generate synergies with existing businesses. We will also channel our strengths in Japan into overseas business to deliver the experience value that aligns with needs in the target countries.

Milestones for 2027, goal for 2030



Our strengths

With an industry-leading designer team, we have **spatial design excellence**

- Size of spatial design team: At least 300 members
- Design awards won in past 5 years: 191

With an integrated manufacturing-sales value chain, we have **ability to improve profitability**

- Japan: Change in key products' share of total sales in past 10 years: 40%→73% (+33pt)
- Japan: Improvement in gross profit over past 10 years: +12pt

Lamex has
a product lineup, production system, customer base

- Products: 125 series
- Target territories: At least 20 countries

* Key products: The products we focus on selling the most. These mainly include high-value furniture product series and new products (products launched in past three years).

Aspects to strengthen

Field expansion:
Develop strategy to leverage spatial design excellence and talent

- Start offering building renovation services, strengthen construction functions
- Develop office services (e.g. team performance evaluations)

Develop globally standard products
Invest in largescale PP&E to **strengthen capacity to take on contracts**

- Transform productivity in furniture and building-material plants
- Localize production of components

Build growth model for **ASEAN markets**

- Transform ASEAN supply chain
- Use Lamex's resources to strengthen pitching process and merchandise

Furniture Business: Growth Strategy

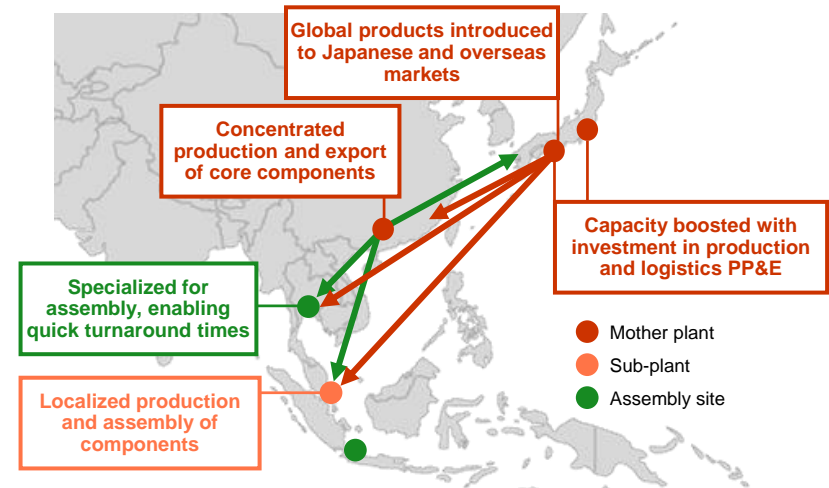
Strategy to leverage spatial design excellence and talent, global workstyle strategy

- We will build a business model whereby we expand the business field to deliver customer experience value across the whole of the office life cycle (upstream to downstream), thereby forging lasting relationships with customers.



Global product strategy

- We will bolster our system for developing designer's-choice global products for the Japanese market and Asian markets.
- In Japan, we will invest in production and logistics PP&E to boost capacity. We will also overhaul our global production network to achieve the QCD performance necessary to expand in ASEAN.



Furniture Business: Growth Strategy—Penetrating Australia and India

We will capture growth opportunities in Australia and India, where the economy and population continue to grow. Combining our strengths with local partners, we will pursue a market strategy aligned with local needs.

Australia

India

Market conditions

- ✓ Office market is worth ¥140 billion, with a CAGR of +2.9%.
- ✓ A frontrunner in workstyles, Australia has a relatively high percentage of high-segment offices.

- ✓ Office market is worth ¥600 billion, with a CAGR of at least +6%.
- ✓ Many companies have tight purse strings, but tier 1 cities and service offices are increasingly home to companies that are willing to pay more for high quality.
- ✓ Serviced offices have shown striking growth, with a CAGR of +14%.

Opportunities for Kokuyo

- While many companies are seeking new, post-pandemic lifestyles, few players are offering solutions that integrate workstyle with workplace and furniture.
- By leveraging the customer touchpoints of local partners, we have excellent prospects to market our Japanese solutions and products.

- While the market has been bifurcated between expensive Western furniture and low-price local furniture, middle- and high- market segments are now emerging.
- It is likely that local companies will desire Chinese- and ASEAN-produced furniture that offers a good balance between design and price.
- We can gain insights into the Indian market by tapping into the local knowledge and experience of Kokuyo Camlin (local stationery subsidiary).



Photo: Robert Walsh

Business Supplies Distribution: Market Outlook, Changing needs

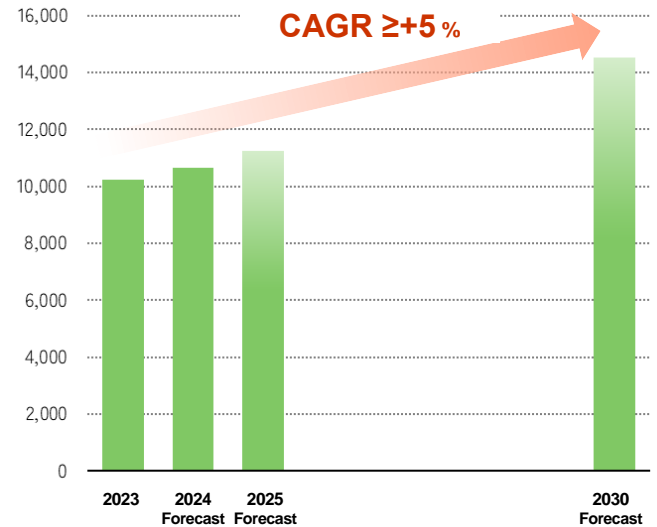
Market outlook

- ✓ B2B e-commerce market will grow steadily with a broader range of categories of goods on offer.
- ✓ Pricing will remain crucial, but it seems increasingly likely that the B2B e-commerce market will change dramatically with the rise in tech-driven solutions for business-process productivity.

Needs, opportunities

- ✓ Understaffing has become a major problem for clients of all sizes and industrial categories. There is a growing need for streamlining of purchasing and for purchasing controls to prevent malpractice.
- ✓ Purchasing management needs are diversifying. Technological advances are making it possible to deliver personalized customer experiences.

Outlook for size of B2B e-commerce market 100 million yen

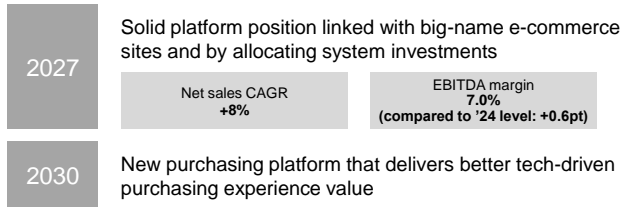


Source: Our own analysis derived from sales stats for big-name companies in B2B e-commerce

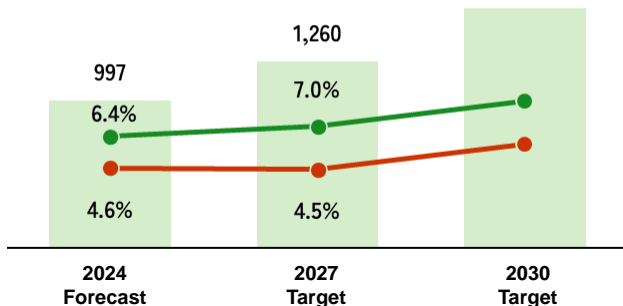
Business Supplies Distribution: Purchasing Platform Strategy

With Benri Net as the core service for platform-based purchase management, we will deliver tech-driven personalized/optimized purchasing experience. We will allocate system investments for 2027 to build a customer base in runup to 2030.

Milestones for 2027, goal for 2030



Net sales Operating margin EBITDA (%)



Our strengths

A purchase-management platform (Benri Net) linkable with any e-commerce site

- Linked e-commerce sites: Approx 700
- No. of largescale corporate customers (for Benri Net and With Kaunet): Approx 6,000

A huge data source

Purchase history + shopping behavior + customer feedback

- Excellence in data-driven marketing, using e-commerce purchasing data and community website (Kaunet Monika)

A multi-business model combining e-commerce and wholesale functions with robust national network of retail outlets

- Retail outlets driving Kaunet business: Approx 2,700
- We have retail support models (KiSPA, @Office)

Aspects to strengthen

Improve linkage with big-name e-commerce sites to develop huge lineup

- Strengthen links with product-specific suppliers and locally rooted suppliers

Use AI and other tech to personalize/optimize customer experience

- Offer bespoke shopping experiences

Insource engineer talent to speed up system development and respond to customer needs

- Focusing on customer experience, deliver optimal UI/UX and continually improve UI/UX

Train up digital talent to improve Kokuyo Group's digital excellence

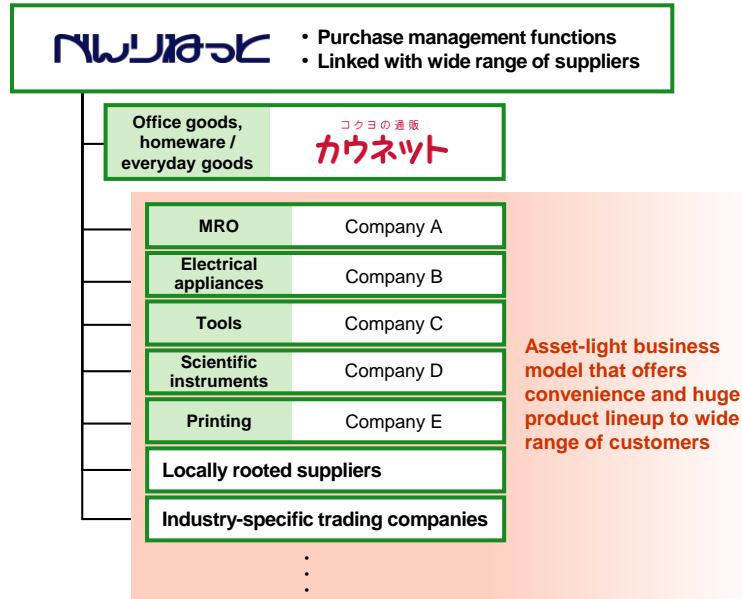
- Improve digital excellence through Kokuyo Digital Academy (cumulative total of 1,228 employees have completed the course)*

*As of end of October 2024

Business Supplies Distribution: Purchasing Platform Strategy

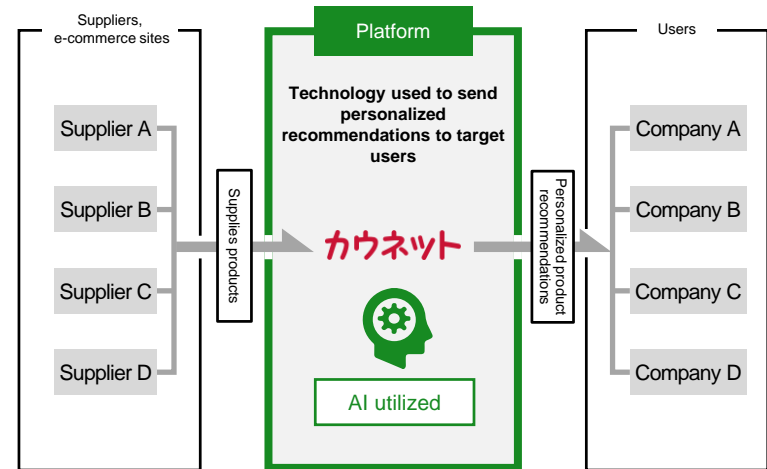
Enhancing platform functions by linking with big-name e-commerce sites

- We will enhance the core Benri Net platform's linkage with the following big-name e-commerce sites and trading companies.
- This platform strategy will create an upward spiral of continual growth in both linked suppliers and customers.



Using AI to enhance customer experience value

- We will use AI to derive industry- and customer-specific recommendations for products selected from the largest B2B merchandise lineup.
- Product recommendations will be sent at the necessary times based on purchase history, reducing purchasing time.



Stationery Business: Market Outlook, Changing needs

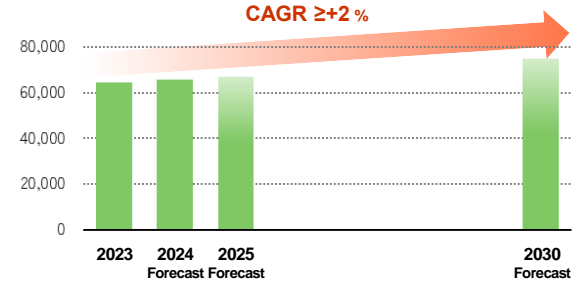
Market outlook

- ✓ The Japanese market will continue to shrink. The Chinese market will maintain its downward trend for the foreseeable future, while the Indian market will continue growing.
- ✓ ASEAN markets will be brisk with continued population growth and economic growth.

Needs, opportunities

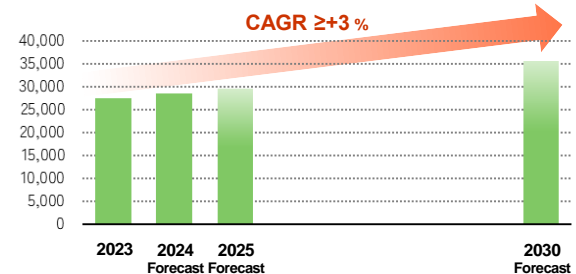
- ✓ Students' demand for stationery will remain unsaturated as learning/study settings diversify (from one-size-fits-all learning to exploratory learning, coactive learning and personalization).
- ✓ Student's interest in learning and stationery is burgeoning in newly rising countries. Students in ASEAN countries have similar needs to those in Japan and China, meaning there is a demand for value-added stationery.

Outlook for size of student stationery market: Global 100 million yen



Source: Our own analysis derived from Euromonitor International (2023) and data on Japan market size

Outlook for size of student stationery market: Asia 100 million yen

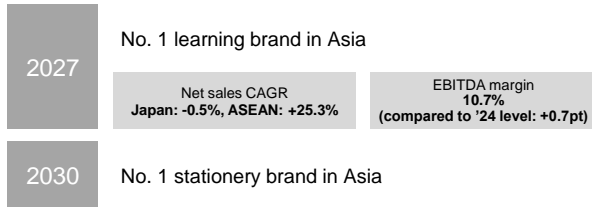


Source: Our own analysis derived from Euromonitor International (2023) and data on Japan market size

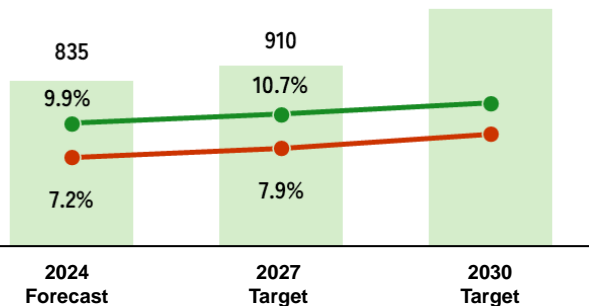
Stationery Business: Campus Brand Strategy

With Campus as a brand that delivers value related to study style, we will reorient the stationery business to boost global momentum for taking on learning challenges.

Milestones for 2027, goal for 2030



Net sales (light green bar) Operating margin (red dashed line) EBITDA (%) (green line with dots)



Our strengths

Strong brand recognition (90%*) in Japan as stationery for study

Campus®

A value chain that enables us to manage a wide range of merchandise as a general stationery maker

- Procurement capacity (approx. 380 transactions in 2023)
- Skilled at negotiating with sales agents
- Excellent quality management

Excellence in product development identifying needs and satisfying them at a high level

- Ability to create experience value by identifying and serving needs, standardized process and knowledge in product development

Aspects to strengthen

Insource writing instruments and other stationery products for developing globally

- Use insourcing to improve writing instruments category, increase insourcing rate in products for developing globally to reduce COGS

Grow sales in India and expand ASEAN share **to increase overseas share of total sales**

- Expand merchandise for Indian market to gain more customers and sales channels, forge sales partnerships in ASEAN for value-added products

Strengthen customer touchpoints, the fulcrum of experience value creation and area strategy

- Research global learning styles, improve retailing (e.g. shop-in-shop, direct-run stores) of Campus merchandise

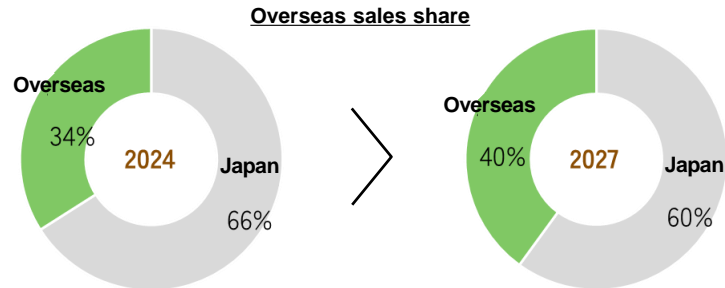
*Our own survey of Japanese secondary school students in 2023

Stationery Business: Campus Brand Strategy

We will accelerate business growth in India and expand our share in ASEAN markets to increase overseas sales share (percentage of total sales). We will also transition our existing business portfolio into a more profitable enterprise by reducing COGS in products for developing globally.

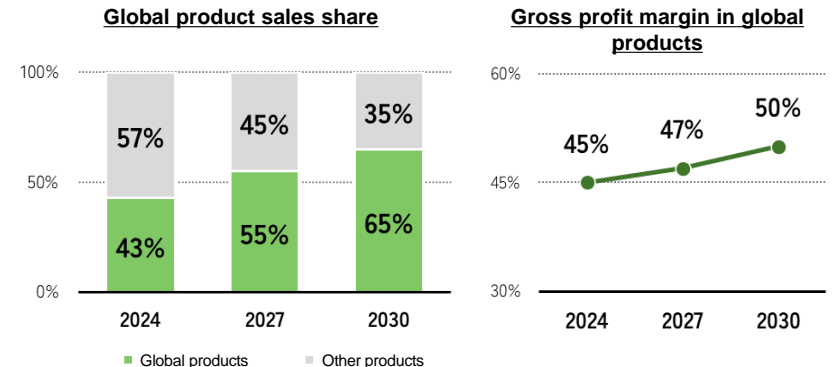
Area portfolio transition

- We will penetrate new areas and grow existing overseas businesses to raise overseas sales share from 34% to 40% and reduce our dependency on certain areas.
- In India, **we will create customer experiences** for older students, supplementing our existing target segments, which are schoolchildren (stationery) and adults (painting equipment).
- In ASEAN, we will build sales partnerships for Campus-brand products and use social media and events to build brand recognition and trust, with the goal of getting Campus products into more than 1,000 stores by end of 2027.



Product portfolio transition

- We will standardize global products (including writing instruments) across all areas and use insourcing to reduce COGS.
- We will transition to a more profitable structure by raising the share (of our overseas sales) of high-margin global products.
- To maintain or improve the competitiveness of the Campus brand, we will improve touchpoints with customers who research and verify experience value in learning styles.



Interior Retail Business: Market Outlook, Changing needs

Market outlook

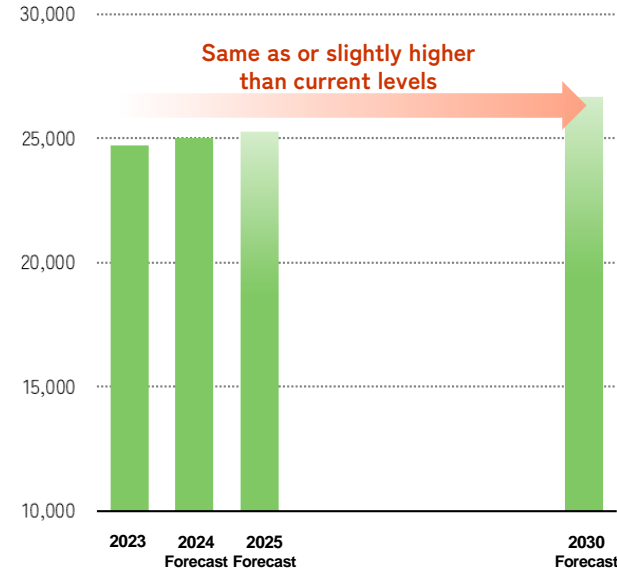
- ✓ E-commercification is gaining momentum year by year with technological advances such as augmented reality.
- ✓ In the household furniture industry, volume will trend at or slightly above current levels.

Needs, opportunities

- ✓ In the post-Covid world, people's values and corporate activities have changed significantly. People increasingly seek wealth in the true sense (not just consumption of tangible products).
- ✓ Shoppers increasingly favor forms of shopping that provide digitally driven personal communication and **optimized** experiences—this is becoming the standard way of shopping.

Outlook for size of homeware, furniture, and interior markets

100 million yen



Source: Our own analysis derived from "Report on FY2023 E-Commerce Market Survey" by the Ministry of Economy, Trade and Industry, and "Medium- to Long-Term Economic and Fiscal Projections" by the Cabinet Office

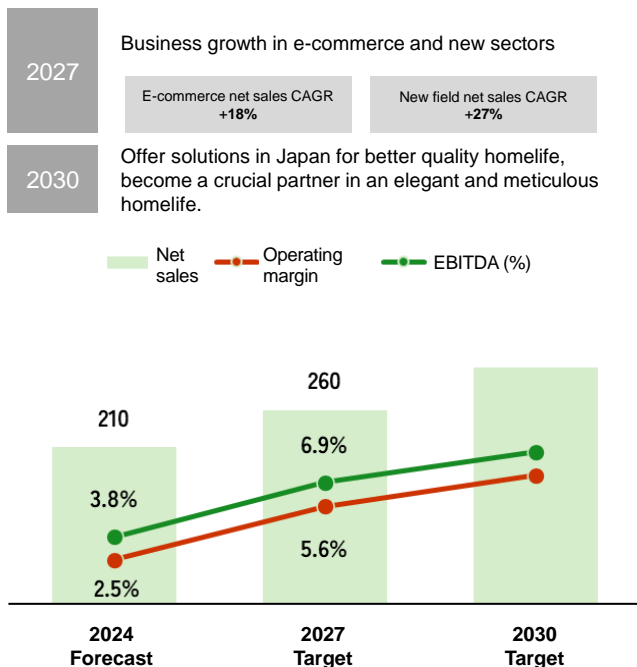
Interior Retail Business: Strategy to Expand Customer Base

To sustain growth, we will transform our business portfolio. For this, we will build on our existing businesses (channeling our longstanding customer touchpoints and marketing into offline retail and e-commerce) and strengthen our partnerships to expand into the B2B sector.

Milestones for 2027, goal for 2030

Our strengths

Aspects to strengthen



Longstanding experience in interior solutions

- Interior solutions pitched: Approx 7,000 / year
- % of employees with internal qualification:: 78.6%

Exclusive sales rights for premium European brands

- Brands for which we have exclusive sales rights: 8

Extensive lineup with excellent design and functionality enabling integrated/comprehensive interior solutions

- Items in lineup: Approx 50,000

Strengthen partnerships in B2B sector

- Increase B2B sales staff by 40% between 2024 and 2027

In residential business: Improve design office's accounts

- Increase residence sales staff by 80% between 2024 and 2027

Use digital transformation to merge offline stores with e-commerce and improve productivity

- Use digital transformation investments to drive OMO strategy

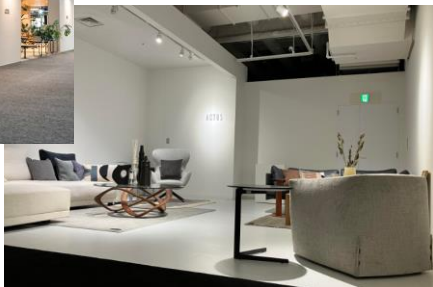
Interior Retail Business: Strategy to Expand Customer Base

Use partnerships to expand into office sector

- Kokuyo & Actus: We will strengthen our partnership in sales and product development, with a 2030 goal of a 7-fold increase (from 2024 level) in office-related sales.
- At Orgatec Tokyo 2024, Actus exhibited a booth that recreated a live office. We will start using this booth for sales promotion.
- In November, we opened an Actus exhibition space in our Tokyo showroom. We will use it to showcase our services to our corporate customers.



Actus booth at Orgatec Tokyo 2024



Actus exhibition space at Kokuyo's Tokyo showroom

Expand into residential sector with premium brands

- Actus is exclusive importer of Poliform, a top Italian brand that is a world leader in interior design
- Goal for 2030 is to win deals in approx. 60 premium apartment complexes (the target segment)
- We will grow the residential business by bolstering design office accounts.



2023:
Conceptual photograph of system delivered in Azabudai Hills Residence

Poliform



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