

Financial Results for the Fiscal Year Ended December 31, 2020, and Summary of Long-term Vision CCC 2030

February 19, 2021 KOKUYO Co., Ltd.



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- 2. Update on Second Medium-term Management Plan**
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* Each domain is described as follows:

Spatial Value domain: SV

Business Supplies domain: BS

Global Stationery domain: GS

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

Executive Summary

Full-Year Results for FY2020

- **Our efforts** over the years **to enhance value propositions bore fruit**.
- Performance recovered: SV domain captured demand for office renovations; GS's Chinese operations returned to growth.
- **Dividends: Last year's level maintained** to reward our shareholders for their long-standing trust and confidence in us.

Full-Year FY2021 Forecasts

- **We expect to post revenue & income growth** given our success in leveraging our strengths and capturing demand.
- **As part of project to boost capital efficiency**, we will offload cross-held shares and aim for a dividend payout ratio of 40% and an increased dividend.

Second Medium-term Plan (2019–2021)

- We missed initial targets, partly because of COVID-19.
- We have a **new vision of reform (Long-term Vision CCC 2030)**, under which we aim for **net sales of 500 billion yen** by 2030.

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Changes to Performance/Dividend Forecasts Announced at Q3 Results Briefing

As announced
on October 26

In Q2, we downgraded initial forecasts and announced a dividend at last year's level.

In Q3, we **upgraded forecasts** in view of recovery in all domains, reflecting economic normalization.

(Billions of yen)

	Jan - Dec				
	2019	2020			
	Result	Initial forecast	Q1 revised forecast	Q2 revised forecast	Q3 revised forecast
Net sales	320.2	334.0	TBD	290.0	296.0
Operating income	16.7	17.4	TBD	9.5	12.4
Ordinary income	18.1	18.5	TBD	9.1	12.2
Profit	15.3	15.4	TBD	5.0	6.9
Dividend per share (Yen)	39.00	45.00	TBD	39.00	39.00

* Forecasts are full-year forecasts for FY2020.

Full-Year Results for FY2020: Year-on-Year Comparisons

Gross profit **increased by promoting the sale of high-margin products and raising prices.**

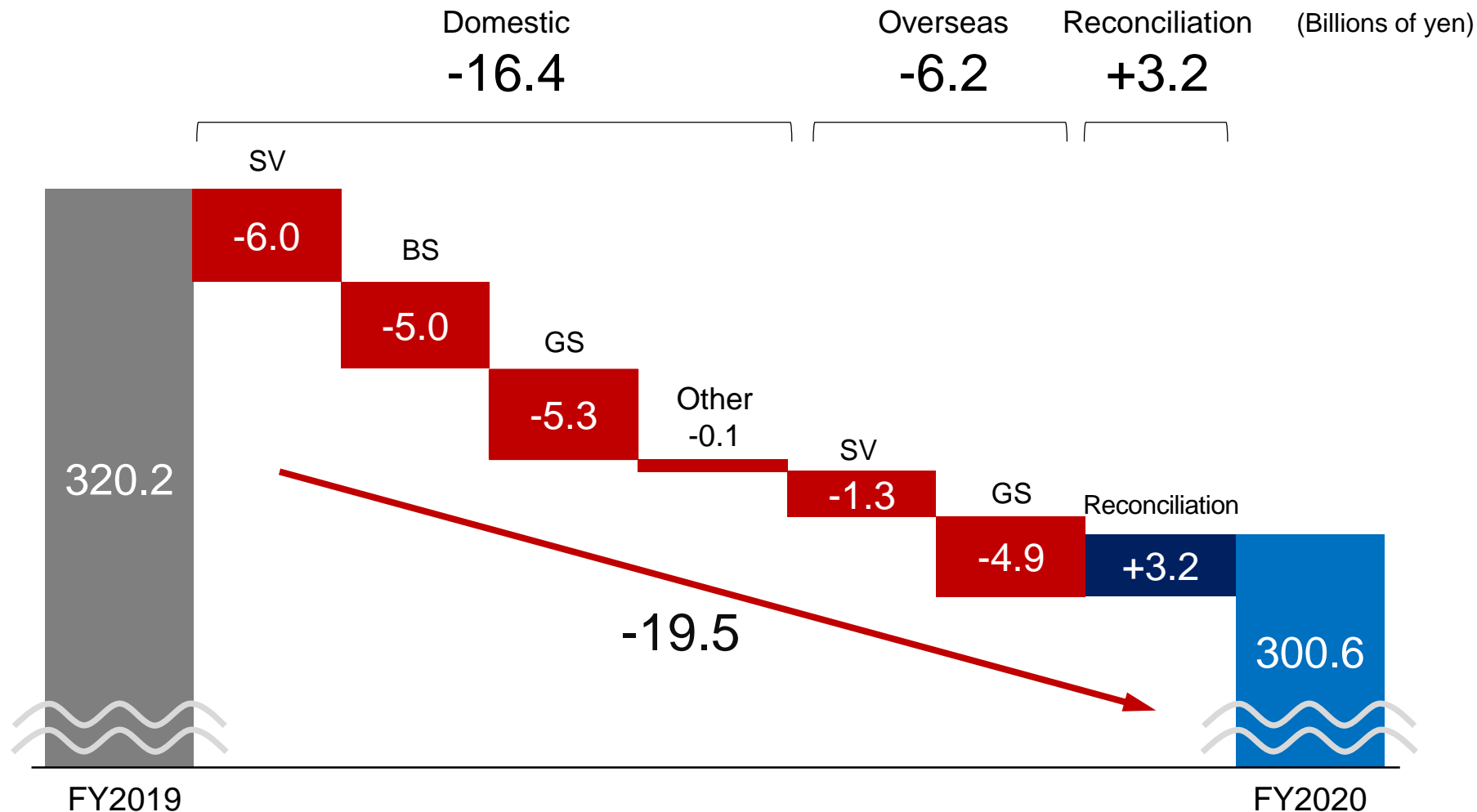
SG&A expenses decreased due to fewer sales and cuts in non-urgent spending.

	FY2019 Result	FY2020 Revised forecast	FY2020 Result	FY2019 Result (change)	FY2019 Result (% change)	FY2020 Revised forecast (change)	FY2020 Revised forecast (% change)
Net sales	320.2	296.0	300.6	-19.5	-6.1%	+4.6	+1.6%
Gross profit	113.9	105.6	107.3	-6.5	-5.7%	+1.7	+1.7%
(ratio)	(35.6%)	(35.7%)	(35.7%)	(+0.1p)		(+0.0p)	
SG&A expenses	97.1	93.2	92.5	- 4.6	-4.7%	-0.6	-0.7%
(ratio)	(30.4%)	(31.5%)	(30.8%)	(+0.4p)		(-0.7p)	
Operating income	16.7	12.4	14.8	-1.9	-11.6%	+2.4	+19.4%
(ratio)	(5.2%)	(4.3%)	(4.9%)	(-0.3p)		(+0.6p)	
Ordinary income	18.1	12.2	14.1	-4.0	-22.1%	+1.9	+16.2%
(ratio)	(5.7%)	(4.2%)	(4.7%)	(-1.0p)		(+0.5p)	
Profit	15.3	6.9	8.2	-7.0	-45.8%	+1.3	+20.3%
(ratio)	(4.8%)	(2.3%)	(2.8%)	(-2.0p)		(+0.5p)	

Full-Year Results for FY2020: Net Sales Breakdown

Domestic: Big sales drop in each domain.

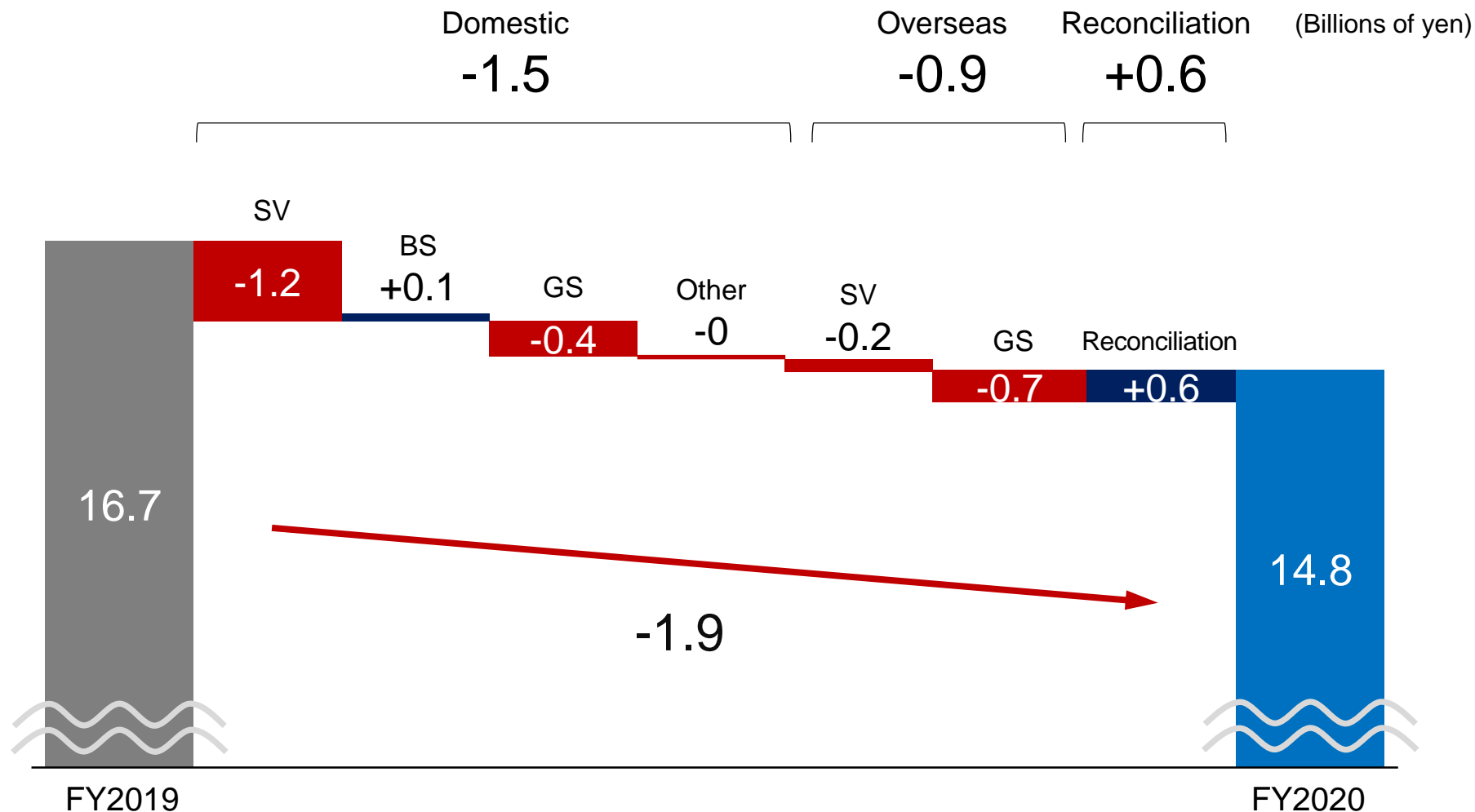
Overseas: Demand undercut by COVID-19 downturn.



Full-Year Results for FY2020: Operating Income Breakdown

Operating income decreased due to less gross profit and heavy SG&A expenses.

We worked to cut costs – including company-wide costs.

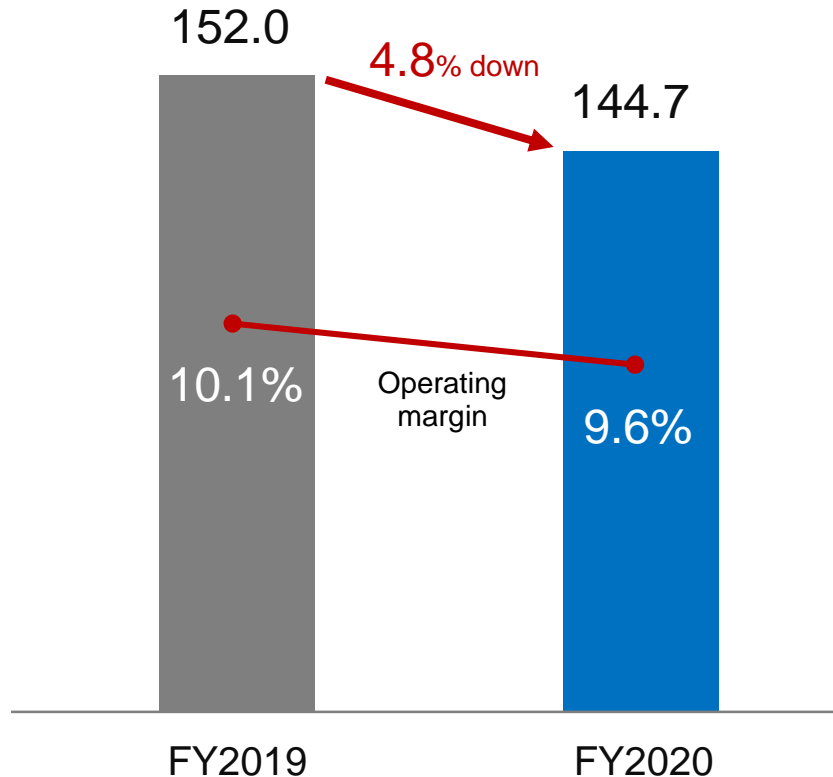


Spatial Value Domain

Focused on value-added proposals for growth

Efforts to enhance value proposition proved successful, yielding orders (including those for which we were sole procurer).

Performance (Net sales) (Billions of yen)



Growing demand for anti-infection solutions

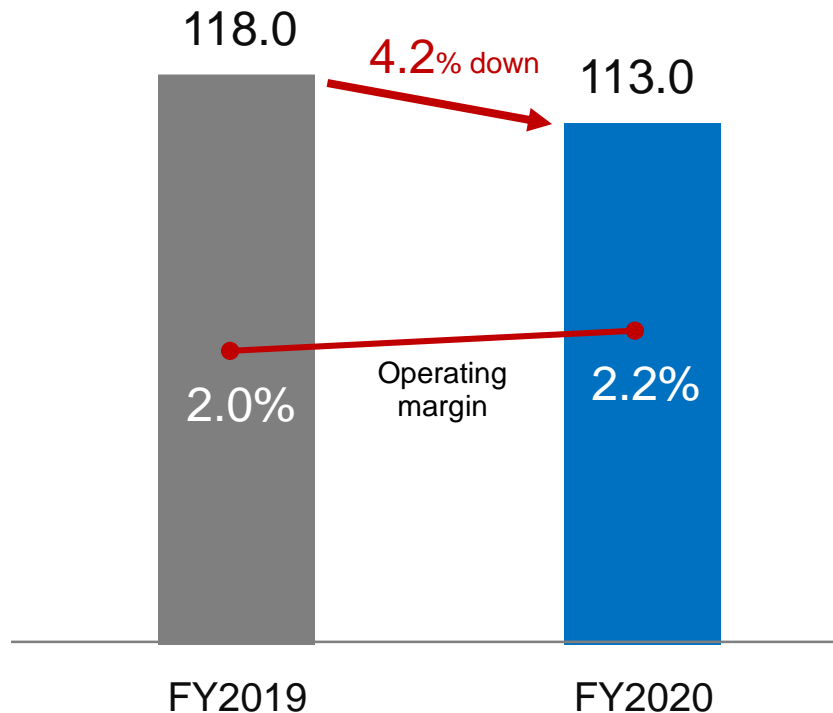


Business Supplies Domain

Conducted structural reform and strengthened customer base for greater business sustainability.

Achieved recovery by enhancing web products and by promoting sanitary goods.

Performance (Net sales) (Billions of yen)



Growing demand for sanitary goods 27% up

カウコレ+プレミアム+
マスクをつけても
会話しやすいから、
うれしい。

easy to talk!!!

長時間つけるからこそ、快適に過ごしたい。
口にはりつきにくく、耳が痛くなりにくいマスクがあればうれしいですね。
そこで、「カウコレ」プレミアムの「会話しやすい口元ゆったりマスク」をご紹介します。
つけ心地や手軽さにもこだわったマスクで備えませんか。

Facemask for easy talk

指先に触れずに
取り出せる!

Latex gloves: can be pulled out of box hygienically

手指の消毒を
しましょう!

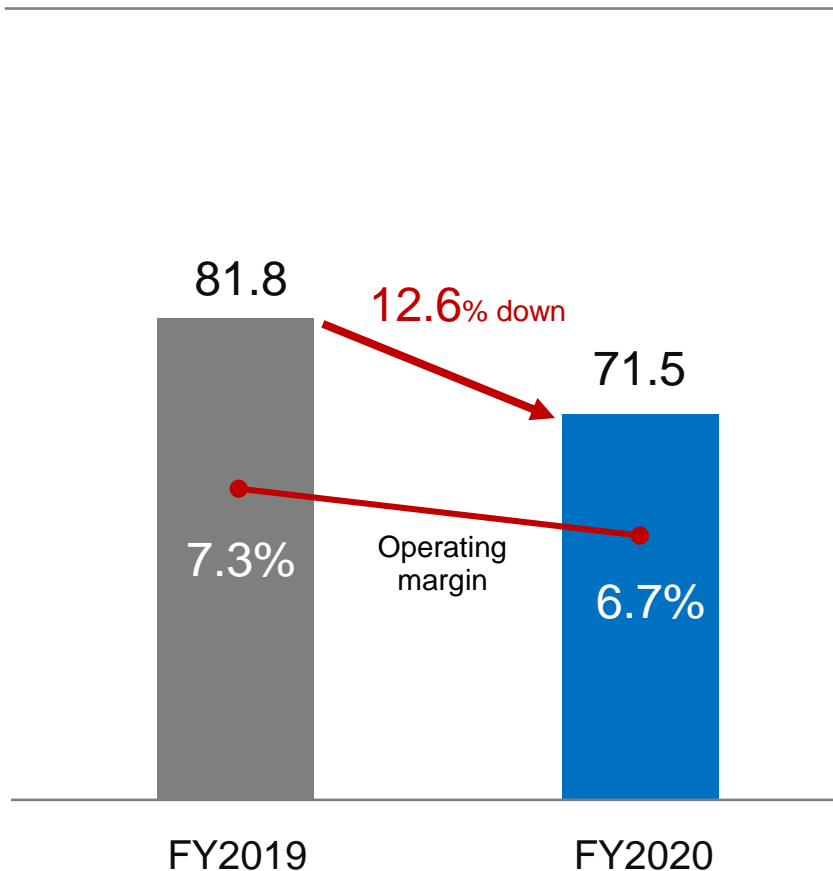
Hand sanitizer for reception spaces

Global Stationery Domain

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

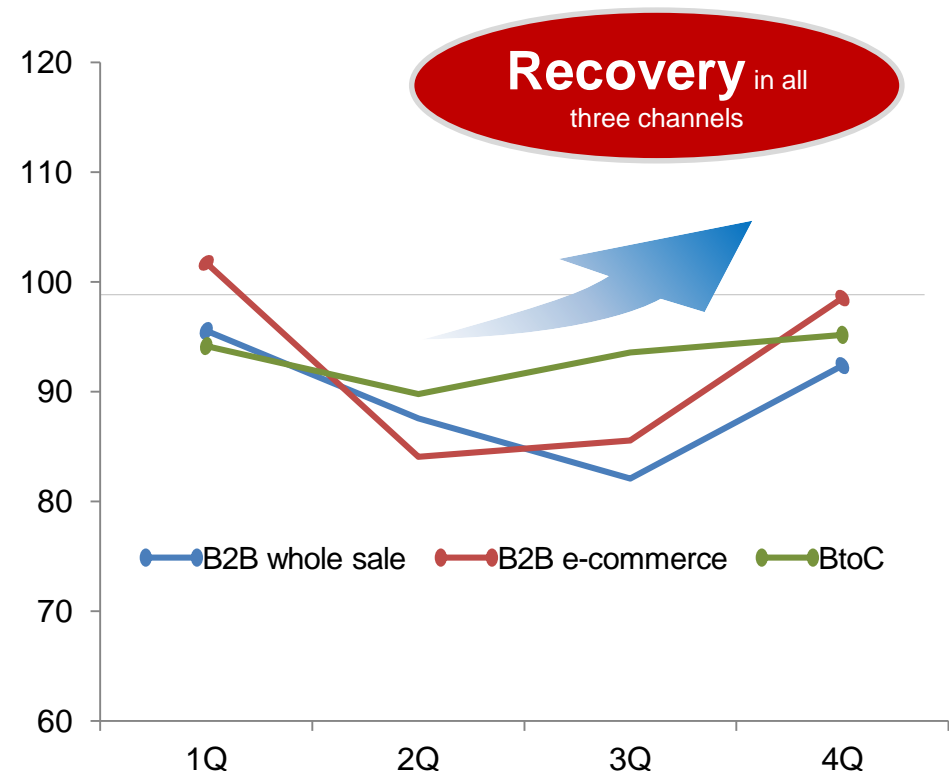
Profitability worsened in Japan and overseas. Demand recovered after offices and schools reopened in Japan.

Performance (Net sales) (Billions of yen)



Channel-specific sales trends in domestic stationery

(FY2019 is scaled at 100)



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Enabling Sustainable Growth

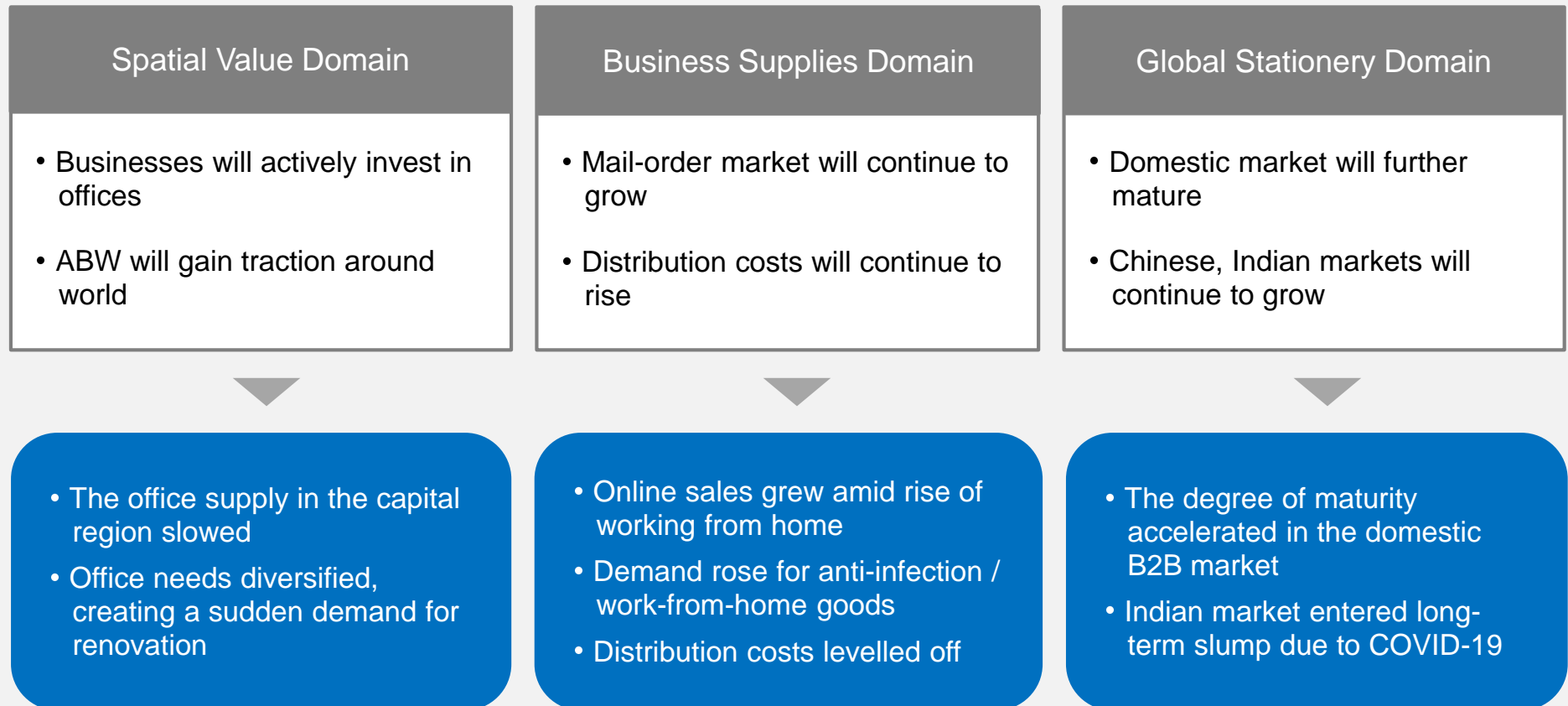
Smart & Sustainable Transformation 2021

Strategic focus for 2019–2021 period

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

Business Landscape

We had initially expected that each domain would see a generally favorable business landscape. Each domain continued to enhance value propositions, but circumstances forced us to change tack.



*ABW = Activity-based working (letting workers choose when and where they work)

New Performance Forecasts for Second Medium-term Management Plan

As announced
on Oct 26

KOKUYO

Performance forecasts were downgraded in view of economic uncertainties.

We have withdrawn related KPI.

(Billions of yen)

	FY2019	FY2020	FY2021		
	Result	Forecast	Initial forecast	Revised forecast	% change
Net sales	320.2	296.0	346.0+	305.0+	-11.8%
Gross profit	113.9	105.6	127.8+	109.3+	-14.5%
(ratio)	(35.6%)	(35.7%)	(37.0%+)	(35.8%+)	(-1.2pt)
Operating income	16.7	12.4	21.5+	13.0+	-39.5%
(ratio)	(5.2%)	(4.2%)	(6.2%+)	(4.3%+)	(-1.9pt)
Strategic investment	-	5.0	10.0	Withdrawn	-

*Revised forecast: The forecasts announced on October 26.

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Full-Year FY2021 Forecasts

We are aiming for an increase in revenue and income through an improvement in gross profit by dealing with “new normal” demand. We expect an especially significant increase in profit – including a gain on the sale of investment securities.

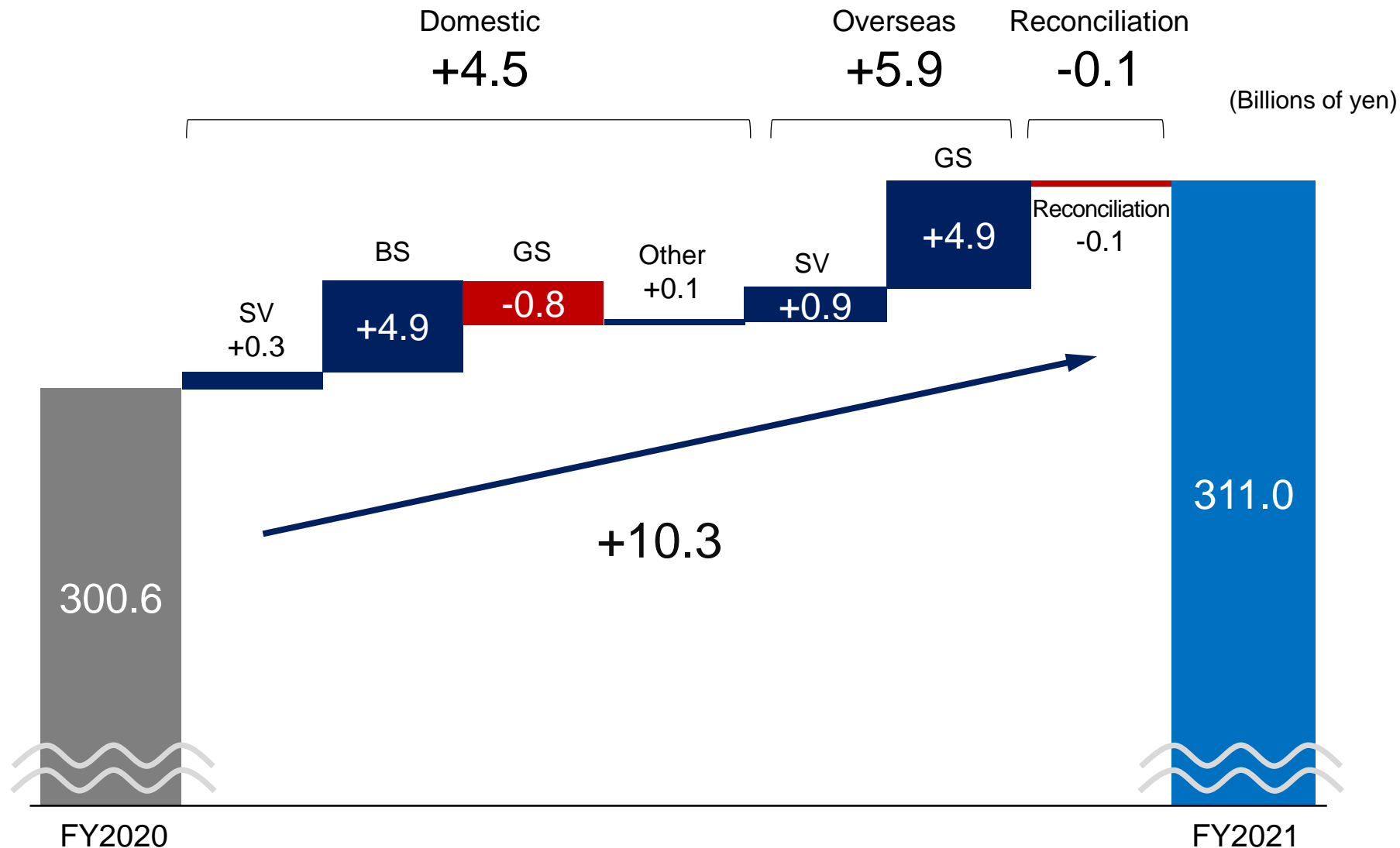
(Billions of yen)

	FY2020 result	FY2021 forecast announced in Q3	New FY2021 forecast	FY2020 result (change)	FY2020 result (% change)	FY2021 Forecast announced in Q3 (change)	FY2021 forecast announced in Q3 (% change)
Net sales	300.6	305.0	311.0	+10.3	+3.4%	+6.0	+2.0%
Gross profit	107.3	109.3	112.3	+4.9	+4.6%	+3.0	+2.7%
(ratio)	(35.7%)	(35.8%)	(36.1%)	(+0.4p)		(+0.3p)	
SG&A expenses	92.5	-	97.1	+4.5	+4.9%	-	-
(ratio)	(30.8%)		(31.2%)	(+0.5p)			
Operating income	14.8	13.0	15.2	+0.3	+2.7%	+2.2	+16.9%
(ratio)	(4.9%)	(4.3%)	(4.9%)	(-0.0p)		(+0.6p)	
Ordinary income	14.1	-	16.0	+1.8	+12.9%	-	-
(ratio)	(4.7%)		(5.1%)	(+0.4p)			
Profit	8.2	-	11.8	+3.5	+42.2%	-	-
(ratio)	(2.8%)		(3.8%)	(+1.0p)			

* We have not shown the initial FY2021 forecasts for SG&A expenses, ordinary income, or profit.

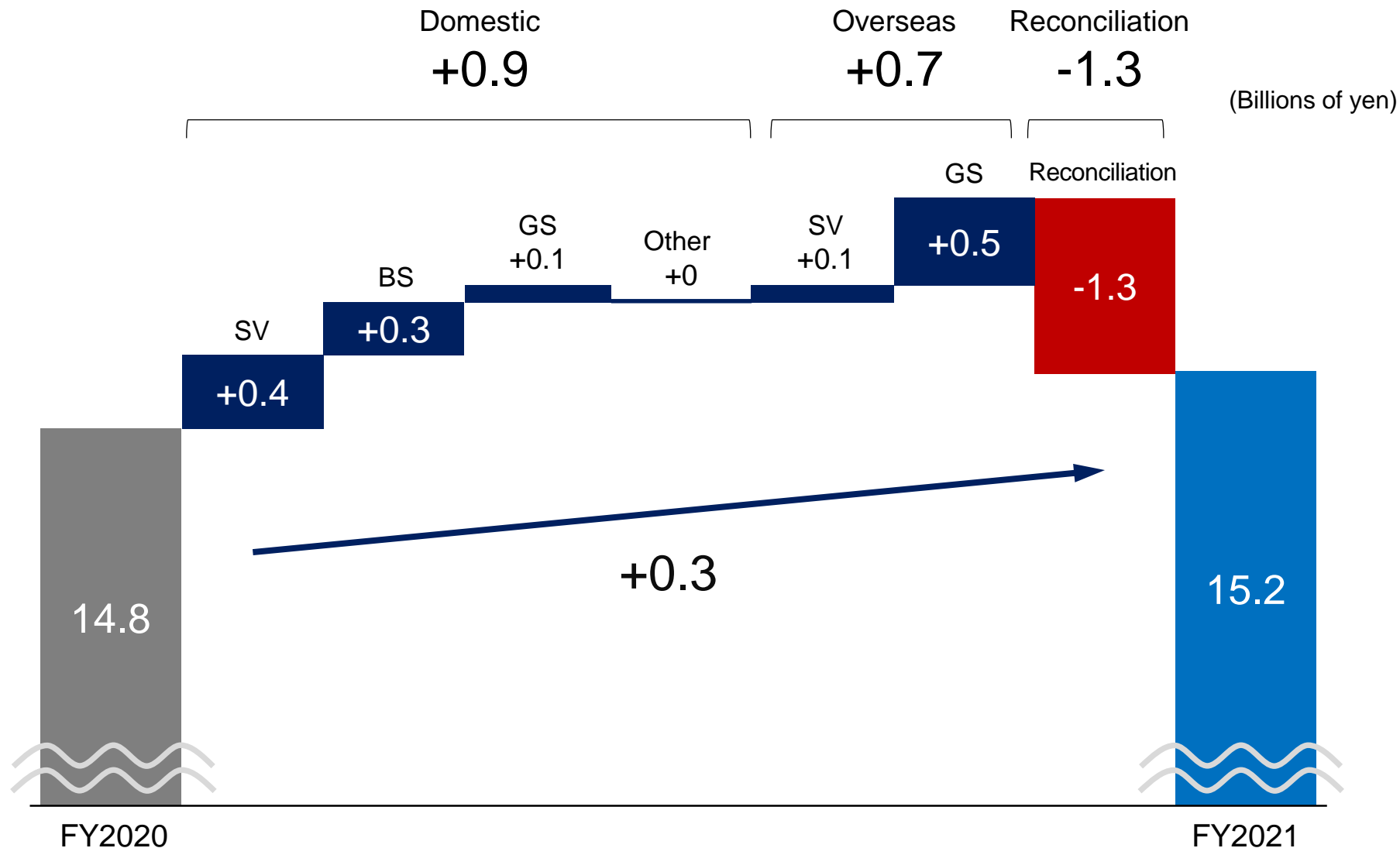
Full-Year FY2021 Forecasts: Net Sales Breakdown

We aim for growth in all domains.



Full-Year FY2021 Forecasts: Operating Income Breakdown

We aim for growth in all domains, **absorbing the SG&A spending** on growth projects.

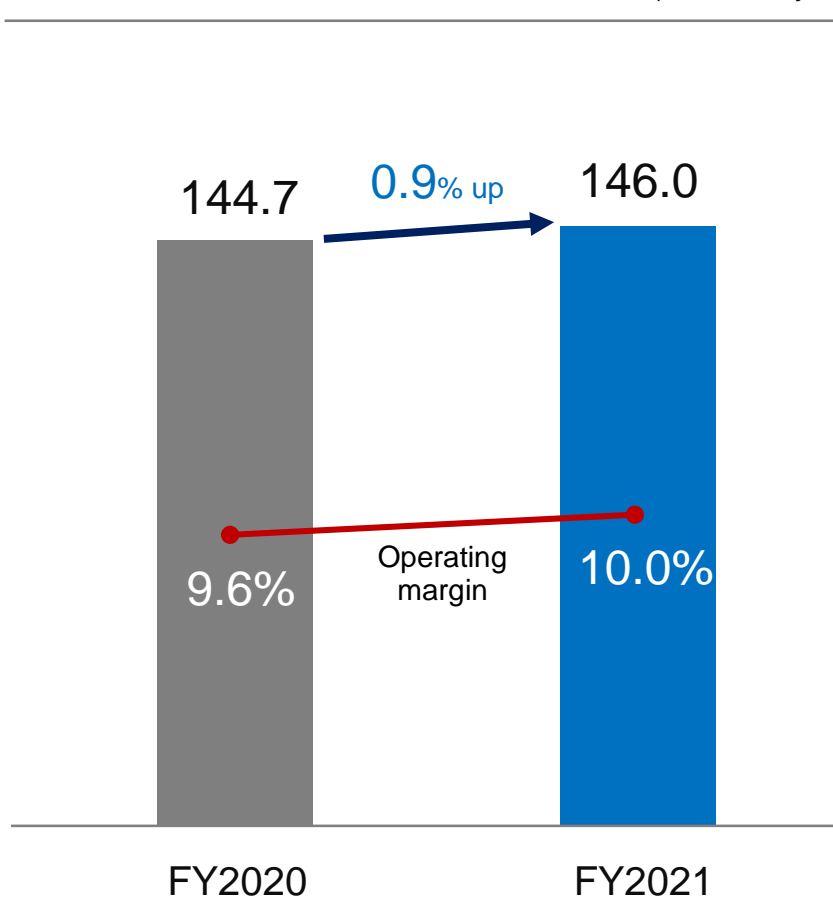


Spatial Value Domain

We expect growth in domestic and overseas furniture businesses, as well as in Actus.

We are targeting a dispersed workforce market.

Performance (Net sales) (Billions of yen)



Efforts to target a dispersed workforce market



KOKUYO
Workstyle
Shop
ONもOFFも自分らしく

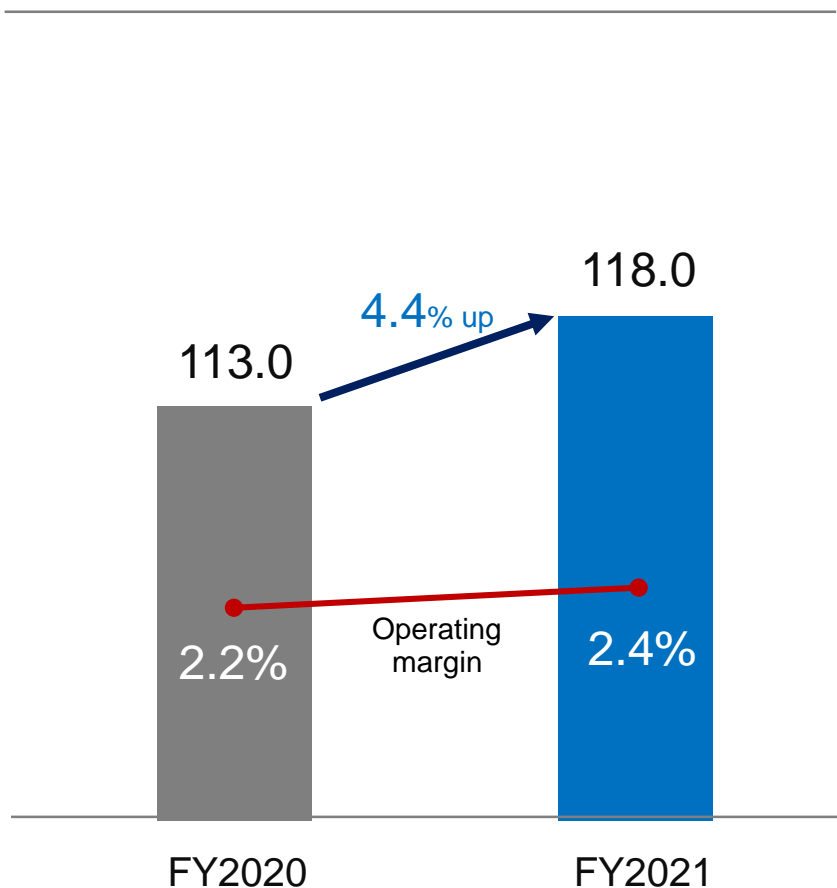
E-commerce website

Business Supplies Domain

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

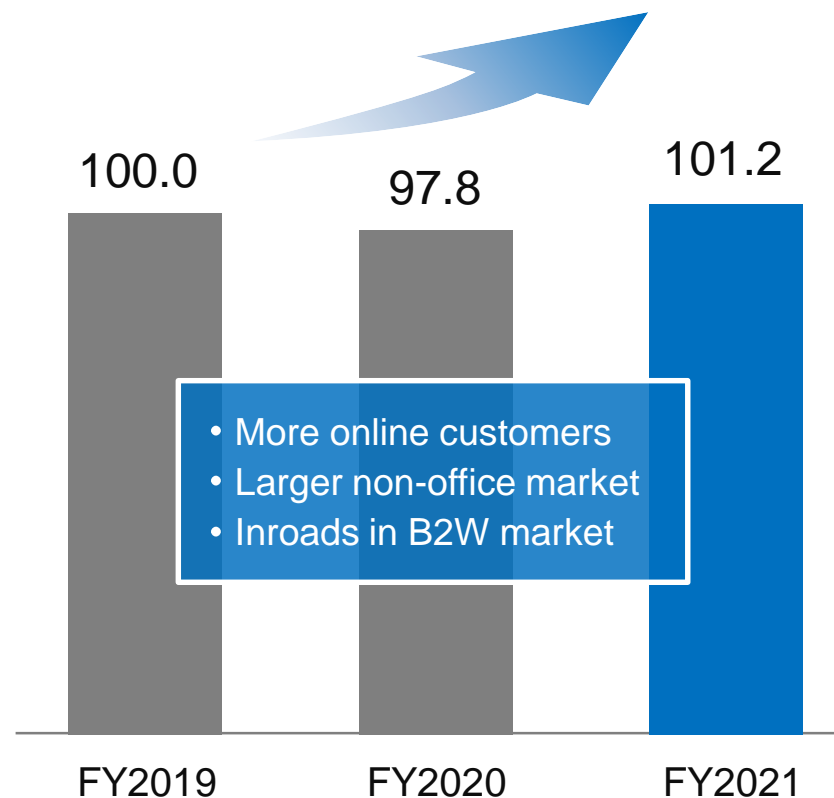
We expect a larger customer base and for migration to bear fruit.

Performance (Net sales) (Billions of yen)



No. of Excellent Clients

(FY2019 is scaled at 100)



* BtoW - Business To Worker

Progress of the Business Supplies Domain's Migration Strategy

Migration strategy has seen progress in terms of sales/marketing, distribution, and products.

We expect **it will raise annual operating income by ¥1.1 billion** (compared to 2018 level).



Sales/marketing

- Streamline sales/marketing
- Improve sales/marketing in Kaunet

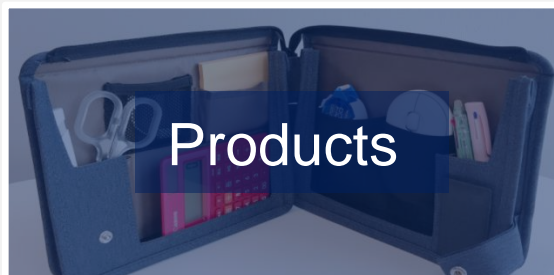
▶▶▶ ¥380 million



Distribution

- Use resources more efficiently
- Enhance service level
- Centralization of the receipt of goods

▶▶▶ ¥450 million



Products

- Promote Kaunet's private brand (Kaucore Premium)
- Centralization of procurement

▶▶▶ ¥260 million

* Migration strategy: This involves consolidating functions among inhouse distribution channels for better efficiency.

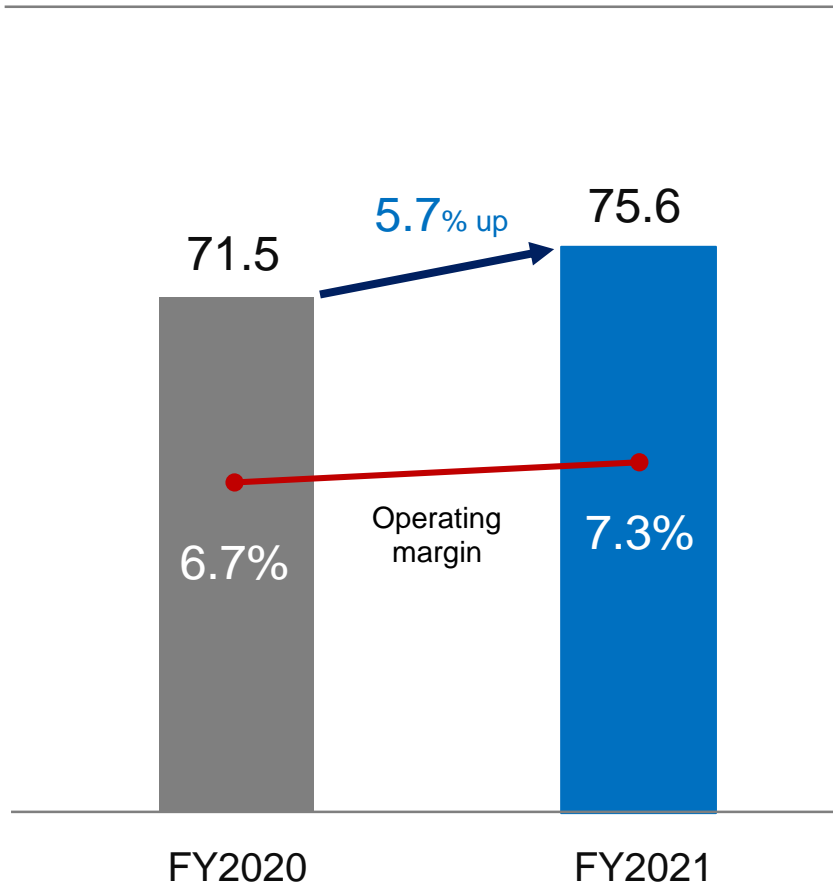
Global Stationery Domain

Japan: We will reallocate resources.

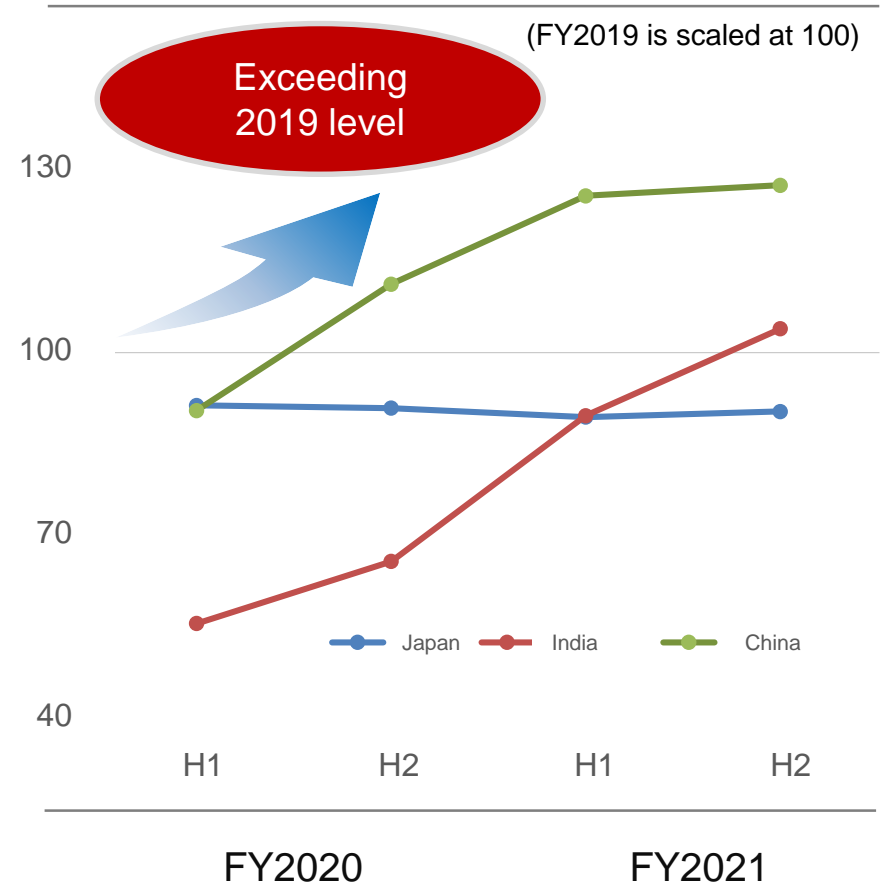
Overseas: We will aim to restore the growth trend.

We will work with external partners as part of our growth strategy.

Performance (Net sales) (Billions of yen)



Sales by territory



Global Stationery Domain: External Collaboration

We are working to enlarge our share in the global stationery market.

We will continue to **innovate with external partners under the following themes.**

Globalization

- Expand sales channels in the Chinese market

**Alibaba
JD.com**

Better product appeal

- Reciprocal use of brands
- Complementary product categories

Showa Note

Better efficiency

- Shared distribution network

Japanese stationery makers

Sustainability

- Shared narrative

Starbucks Coffee Japan

R&D

- R&D for a larger portfolio

Clear

Shareholder Returns

Shareholder returns policy

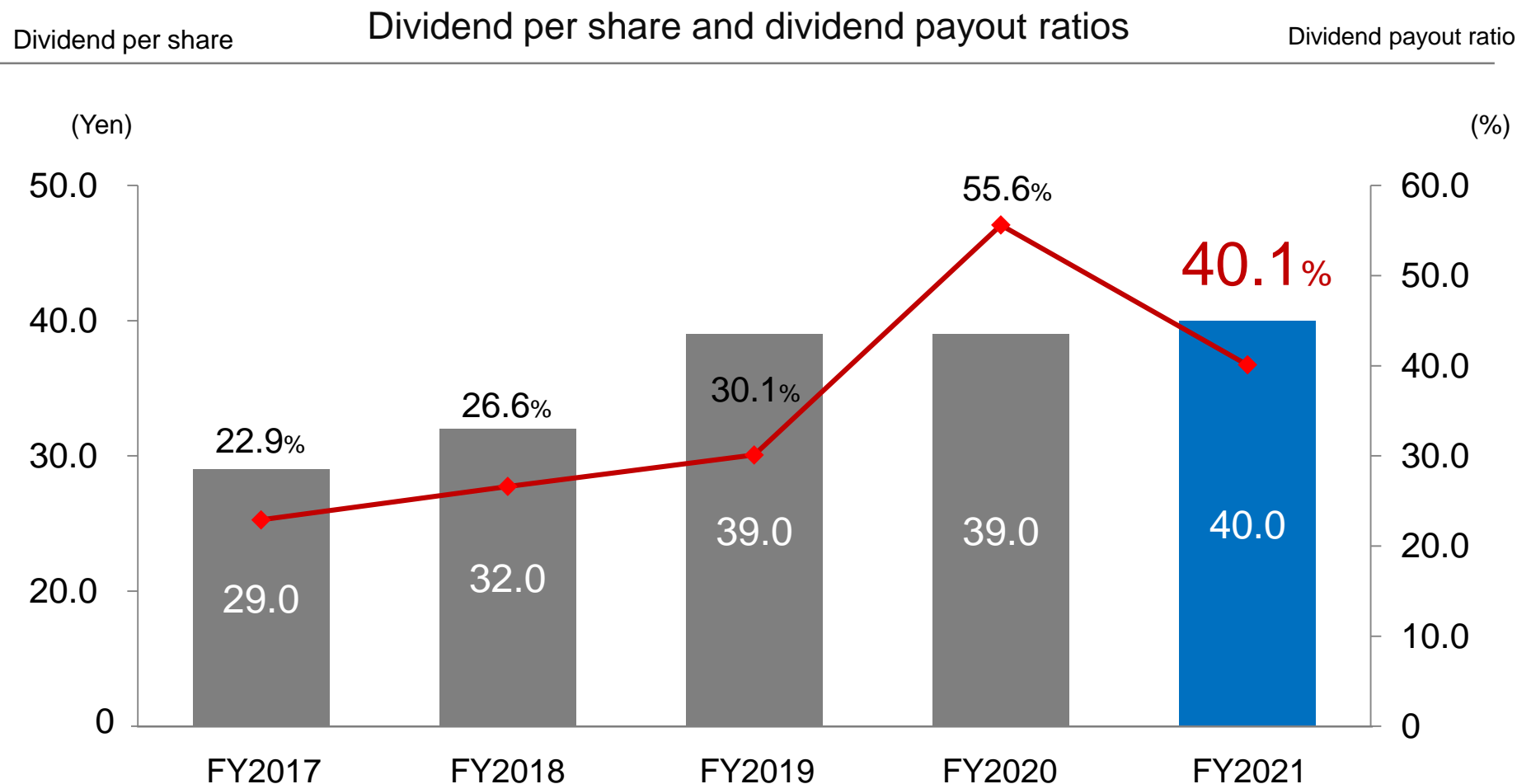
- Disclose long-term vision to convince loyal shareholders of our **commitment to growth**.
- To enable vision, **kick start efforts to improve capital efficiency**.

Dividend

- Revenue and income declined in FY2020, but **last year's level will be maintained** to reward shareholders for their long-standing trust.
- For FY2021, we will pay a **dividend per share of ¥40, matching the initially planned payout ratio of 40%** and **exceeding the FY2020 level**.

Dividend, Dividend Payout Ratio

We will maintain the upward trend and deliver a dividend payout ratio of 40%



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FY2020 Results by Half (year-on-year)

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(Billions of yen)

	H1 FY2019	H1 FY2020	H1 FY2019 (change)	H1 FY2019 (% change)	H2 FY2019	H2 FY2020	H2 FY2019 (change)	H2 FY2019 (% change)
Net sales	167.6	155.8	-11.8	-7.1%	152.5	144.8	- 7.7	-5.1%
Gross profit	61.3	57.6	-3.7	-6.1%	52.5	49.7	- 2.8	-5.4%
(ratio)	(36.6%)	(37.0%)	(+0.4p)		(34.4%)	(34.3%)	(-0.1p)	
SG&A expenses	49.7	47.5	-2.2	-4.4%	47.4	45.0	- 2.4	-5.1%
(ratio)	(29.7%)	(30.5%)	(+0.8p)		(31.1%)	(31.1%)	(-0.0p)	
Operating income	11.6	10.0	-1.5	-13.2%	5.1	4.7	-0.4	-8.0%
(ratio)	(6.9%)	(6.5%)	(-0.5p)		(3.4%)	(3.3%)	(-0.1p)	
Ordinary income	12.6	9.4	-3.1	-25.0%	5.5	4.7	- 0.8	-15.6%
(ratio)	(7.5%)	(6.1%)	(-1.5p)		(3.7%)	(3.2%)	(-0.4p)	
Profit	9.6	6.2	-3.3	-35.0%	5.6	2.0	- 3.6	-64.4%
(ratio)	(5.8%)	(4.0%)	(-1.7p)		(3.7%)	(1.4%)	(-2.3p)	

Full-Year Results for FY2020: Year-on-Year Change in Segment Performance

(Billions of yen)

	FY2019	FY2020	Change	% change
Net sales	320.2	300.6	-19.5	-6.1%
Spatial Value	152.0	144.7	-7.3	-4.8%
Business Supplies	118.0	113.0	-5.0	-4.2%
Global Stationery	81.8	71.5	-10.3	-12.6%
Other	2.6	2.5	-0.1	-4.5%
Reconciliation	-34.4	-31.1	+3.2	-
Operating income	16.7	14.8	-1.9	-11.6%
(ratio)	(5.2%)	(4.9%)	(-0.3p)	
Spatial Value	15.3	13.8	-1.5	-9.8%
(ratio)	(10.1%)	(9.6%)	(-0.5p)	
Business Supplies	2.3	2.5	+0.1	+7.9%
(ratio)	(2.0%)	(2.2%)	(+0.2p)	
Global Stationery	6.0	4.8	-1.2	-20.1%
(ratio)	(7.3%)	(6.7%)	(-0.6p)	
Other	0.1	0	-0	-61.0%
(ratio)	(5.3%)	(2.1%)	(-3.1p)	
Reconciliation	-7.0	-6.4	+0.6	-

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

(Billions of yen)

	FY2020 full-year result	FY2021 target	Change	% change
Net sales	300.6	311.0	+10.3	+3.4%
Spatial Value	144.7	146.0	+1.3	+0.9%
Business Supplies	113.0	118.0	+4.9	+4.4%
Global Stationery	71.5	75.6	+4.0	+5.7%
Other	2.5	2.7	+0.1	+7.1%
Reconciliation	-31.1	-31.3	-0.1	-
Operating income	14.8	15.2	+0.3	+2.7%
(ratio)	(4.9%)	(4.9%)	(-0.0p)	
Spatial Value	13.8	14.5	+0.6	+5.0%
(ratio)	(9.6%)	(10.0%)	(+0.4p)	
Business Supplies	2.5	2.8	+0.3	+13.9%
(ratio)	(2.2%)	(2.4%)	(+0.2p)	
Global Stationery	4.8	5.5	+0.6	+14.3%
(ratio)	(6.7%)	(7.3%)	(+0.6p)	
Other	0	0.1	+0	+85.2%
(ratio)	(2.1%)	(3.7%)	(+1.6p)	
Reconciliation	-6.4	-7.8	-1.3	-

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