



November 28, 2018

Press release

Company name: KOKUYO Co., Ltd.
Stock listings: Tokyo (First Section),
Stock code: 7984

Representative: Hidekuni Kuroda, President and CEO

For further information, please contact:
Naotaka Umeda, Managing Officer, Finance & Accounting Division
Telephone: +81-6-6976-1221

Notice Regarding Formulation of Second Medium-Term Management Plan

KOKUYO Co., Ltd. passed a resolution during a meeting of the board of directors convened on November 28, 2018 concerning the Second Medium-Term Management Plan (FY2019 – FY2021). Details follow below.

1. Review of the First Medium-Term Management Plan (FY2016 – FY2018)

At KOKUYO, our medium- to long-term management issue is breaking free from low growth and achieving sustainable growth. We implement medium-term management plans to become a Life & Work Style Company. In the First Medium-Term Management Plan, "Self-reform focusing on value creation - Value Transformation 2018," we endeavored to improve low profitability characterized by a stagnant operating margin of 2% to 3%. The result is that we have improved our ability to sustain profitability with a focus on share and gross income margin in all our businesses, thus achieving our highest gross profit margin ever. We expect to satisfy all the management indicators provided in the medium-term management plan: 1) at least 15 billion yen in domestic operating income as a source of growth, 2) an operating margin of at least 5% as a goal for streamlined management, and 3) making regularly unprofitable overseas businesses profitable.

(Reference)

(Unit: billion yen)

	FY2015	FY2018	
	Actual results	Initial target (released Oct. 2015)	Projection (released July 2018)*
Net sales	304.2	310.0+	318.0
Gross profit (ratio)	101.0 (33.2%)	(35%+)	113.6 (35.7%)
Operating income (ratio)	11.1 (3.6%)	15.5+ (5%+)	18.0 (5.7%)

* Figures for the fiscal year ending December 2018 are estimates made when the Financial Results for the Six Months Ended June 30, 2018 were released.

2. Medium- to long-term efforts

The next theme to tackle medium- to long-term management issues and to achieve our goals is growth with a sustainable scale of business. It is precisely now as we improve profitability that we shall seek to expand the scale of our business by engaging new areas of promising growth and customer needs as our medium- to long-term efforts.

In addition to sustaining and strengthening the profitability of existing business, by expanding in growth domains and new domains (150-200 billion yen), by 2030 we shall achieve our vision for the medium- to long-term with companywide net sales of 450 to 500 billion yen and operating margin of 8% to 9%. Long-term Vision 2030, laying out KOKUYO's goals for 2030, will be formulated and announced in 2020.

3. Overview of the Second Medium-Term Management Plan

(1) Essentials of the Second Medium-Term Management Plan

In the Second Medium-Term Management Plan, "Enabling sustainable growth – Smart & Sustainable Transformation 2021," we shall improve our smart revenue-earning capabilities with an eye toward variety, and we shall implement streamlined business operations premised on rapid growth over the medium- to long-term.

(2) Business domain operation

To take on the challenge of reaching beyond business divisions for more dynamic improvement and bolder growth than ever before, we have identified three business domains based on our observations about customers' changing needs in the future: spatial value, business supplies and global stationery. We will thus engage in more diverse investment and resource allocations by clarifying strategic policy in each business domain with net sales growth ratios, business profitability and efficiency, among other factors.

- Spatial value domain

In this domain, which includes ACTUS as well as our furniture businesses in Japan and overseas, there is worldwide growth in the need for activity-based working (ABW) where the space and approach are suited to the worker's purpose and way of working. In response, we shall establish sustainable growth for our domestic furniture business as we explore growth areas (global, living, etc.) for the medium- to long-term. We will thereby lay the foundation for a revenue base and improved share in the domestic furniture business with the aim of expanding net sales and operating income.

- Business supplies domain

This domain includes office supply wholesaling and the office supply mail-order business. In response to business issues that have become prominent due to changes in the distribution business' environment, we will conduct structural reform and strengthen our customer base for greater sustainability by streamlining the wholesale and mail-order models as a single business model. We will thereby sustain operating margin with an efficient use of working capital, the aim being to improve the efficiency of our business.

- Global stationery domain

This domain includes our stationery business in Japan and abroad. We will take advantage of our top share as a stationery maker in Japan to continue growing in each market as we formulate and review growth strategies with new growth areas in mind. We will thus select areas to concentrate on in Japan and overseas, grow net sales overseas, and sustain market share and improve gross profit margin in Japan, with the goal of expanding our market share in the global stationery market.

(3) Stronger strategic investment

In addition to streamlining existing business, we will enter promising new areas and categories for growth and work on research and development to address new customer needs. Over the coming three years, we will set aside approximately 15 billion yen for strategic investments, which will be separate from our regular investments in updating existing equipment and so on.

(4) Numerical targets

(Unit: billion yen)

	FY2018	FY2021	
	Projection (released July 2018)*	Target	Compared to FY2018
Net sales	318.0	346.0+	+8.8%
Gross profit (ratio)	113.6 (35.7%)	127.8+ (37.0%+)	+12.5% (+1.3pt)
Operating income (ratio)	18.0 (5.7%)	21.5+ (6.2%+)	+19.4% (+0.5pt)

* Figures for the fiscal year ending December 2018 are estimates made when the Financial Results for the Six Months Ended June 30, 2018 were released.

(5) Return to shareholders

For our policy on return to shareholders, we aim for a dividend payout ratio of 40% by 2021 as we continue to steadily increase the payout in our efforts to return profit to shareholders. At the same time, we will augment retained earnings for the necessary capital for the capital spending, R&D, M&A deals and so on needed for medium- to long-term growth as we endeavor to enable sustainable growth and lift corporate value.

(Reference) Numerical targets by domain

(Unit: billion yen)

		FY2018	FY2021	
		Projection (released July 2018)*	Target	Compared to FY2018
Spatial value domain	Net sales	149.1	162.0+	+8.7%
	Operating income (ratio)	14.8 (9.9%)	19.0+ (11.7%+)	+28.4% (+1.8pt)
Business supplies domain	Net sales	116.9	124.0+	+6.1%
	Operating income (ratio)	3.3 (2.9%)	3.5+ (2.9%+)	+6.1% (0.0pt)
Global stationery domain	Net sales	84.1	94.0+	+11.8%
	Operating income (ratio)	6.8 (8.1%)	9.0+ (9.6%+)	+32.4% (+1.5pt)

* Figures for the fiscal year ending December 2018 are estimates made when the Financial Results for the Six Months Ended June 30, 2018 were released.

Note:

Forecasts of future KOKUYO earnings included in this press release contain various inherent risks and uncertainties. Actual earnings may differ substantially from these forecasts.