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Press release

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Announcement of Changes to Second Medium-Term Management Plan

KOKUYO hereby announces changes to its second medium-term management plan, which it originally released on November 28, 2018.

1 Changes to second medium-term management plan

1.1 Targets

(Billions of yen)

	FY2019	FY2020	FY2021		
	Result	Forecast	Initial target	New target	% 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%)
Gross profit ratio	35.6%	35.7%	37.0% +	35.8% +	(1.2pt)
Operating income	16.7	12.4	21.5 +	13.0 +	(39.5%)
Operating margin	5.2%	4.2%	6.2% +	4.3% +	(1.9pt)

The targets for FY2020 represent the forecasts included in the announcement of the results for the nine months ended September 30, 2020.

For reference, the domain-specific targets are as follows:

(Billions of yen)

		FY2021		
		Initial target	New target	% change
Spatial domain	Net sales	162.0 +	139.0 +	(14.2%)
	Operating income	19.0 +	12.5 +	(34.2%)
	Operating margin	11.7% +	9.0% +	(2.7pt)
Business supplies domain	Net sales	124.0 +	117.0 +	(5.6%)
	Operating income	3.5 +	2.6 +	(25.7%)
	Operating margin	2.9% +	2.2% +	(0.7pt)
Global stationery domain	Net sales	94.0 +	75.0 +	(20.2%)
	Operating income	9.0 +	5.3 +	(41.1%)
	Operating margin	9.6% +	7.1% +	(2.5pt)

1.2 Reason for changes

With the spread of COVID-19, the business outlook for Japan and the world remains uncertain.

Today, we announced new forecasts for the consolidated results for FY2020 (see Announcement of Upward Revision to Forecasts for Consolidated Results for the Fiscal Period Ending December 31, 2020). The spread of COVID-19 continues to harm business, but signs of a recovery are steadily emerging.

We are currently midway in our second medium-term management plan (fiscal years 2019 to 2021). In view of recent circumstances, we have amended targets outlined in the plan. The targets have been revised downward, but this does not imply that we are lowering the bar. On the contrary, we are accelerating efforts in each domain to seize new business opportunities amid signs of change. In the spatial domain, for example, we will capitalize on the shift toward new work practices that reflect the new normal.

The original plan outlined a capital policy consisting of generous shareholder returns and aggressive capital expenditure and strategic investment. Regarding shareholder returns, on August 3, 2020, we announced an updated policy on dividends to reward shareholders for their long-term commitment and confidence in our growth (see Announcement of Changes to Forecasts for Consolidated Results and Dividends for the Fiscal Period Ending December 31, 2020, and announcement of First-Half

Dividend). Regarding capital expenditure, we remain committed to investing toward further growth, but we are suspending strategic investment for the time being. A future plan for strategic investment will be disclosed with the upcoming release of our long-term strategy (Vision 2030) and third medium-term management plan.

The impact of COVID-19 is likely to persist, but we see the accompanying business risks as opportunities for testing new business ideas and launching new products to realize further growth.