

# KOKUYO

Third Medium-Term Plan

- Field Expansion 2024 -

November 29, 2021

# Field Expansion 2024

## 1. Long-Term Vision CCC 2030

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1-1. Toward the Forest Model

1-2. Growth Strategy

1-3. 2030 Goal: Net Sales of ¥500 billion

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## 2. Second Medium-Term Plan in Review

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## 3. Third Medium-Term Plan (2022–2024): Field Expansion 2024

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3-1. Corporate Management

3-2. Workstyle Field

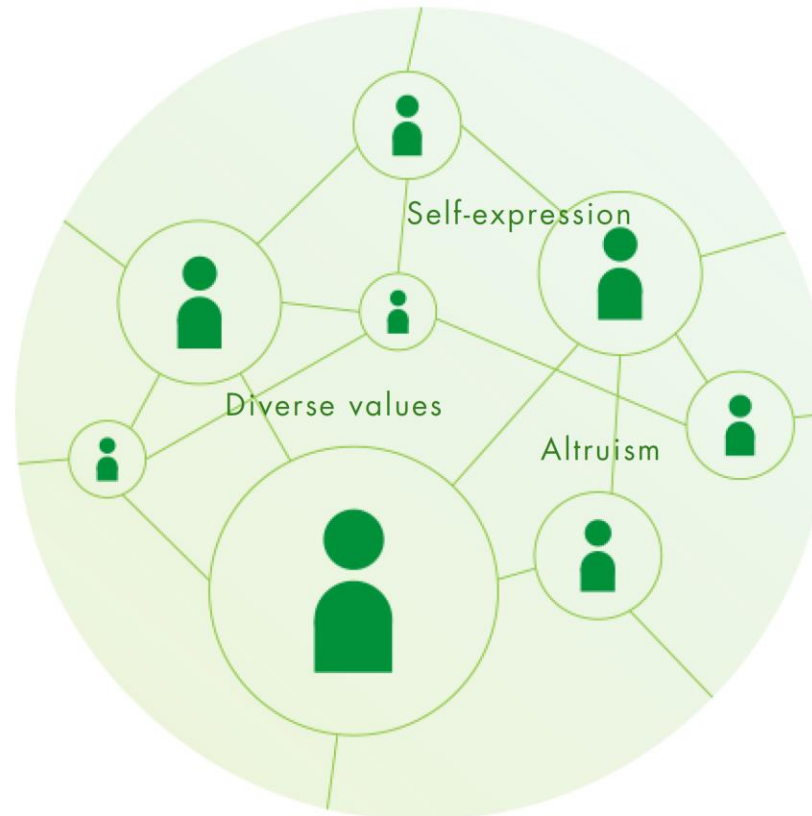
3-3. Lifestyle Field

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A low-angle photograph of a dense forest of tall, thin trees. The sun is shining from the upper left, creating a bright lens flare and illuminating the scene. The trees are mostly vertical, with their branches and leaves forming a complex network against the sky. The overall color palette is dominated by greens and blues, with the sunlight adding a warm, yellowish glow.

# Toward the Forest Model

We believe in a world of authentic and interdependent lives,  
in which everyone enjoys personal  
and social fulfilment in work and life.



Balancing social and environmental sustainability with economic growth

With a view to achieving such a world,  
we have redefined our role.

Our role from now on

# WORK & LIFE STYLE Company

Be an organization that creates new fulfilling lifestyles  
in the domain of work and the domain of learning and daily life,  
rather than one that just focuses on tangible stationery and furniture.

To be such an organization,  
we need a strategic transformation.

A sustainable and abundant society

## Toward the Forest Model

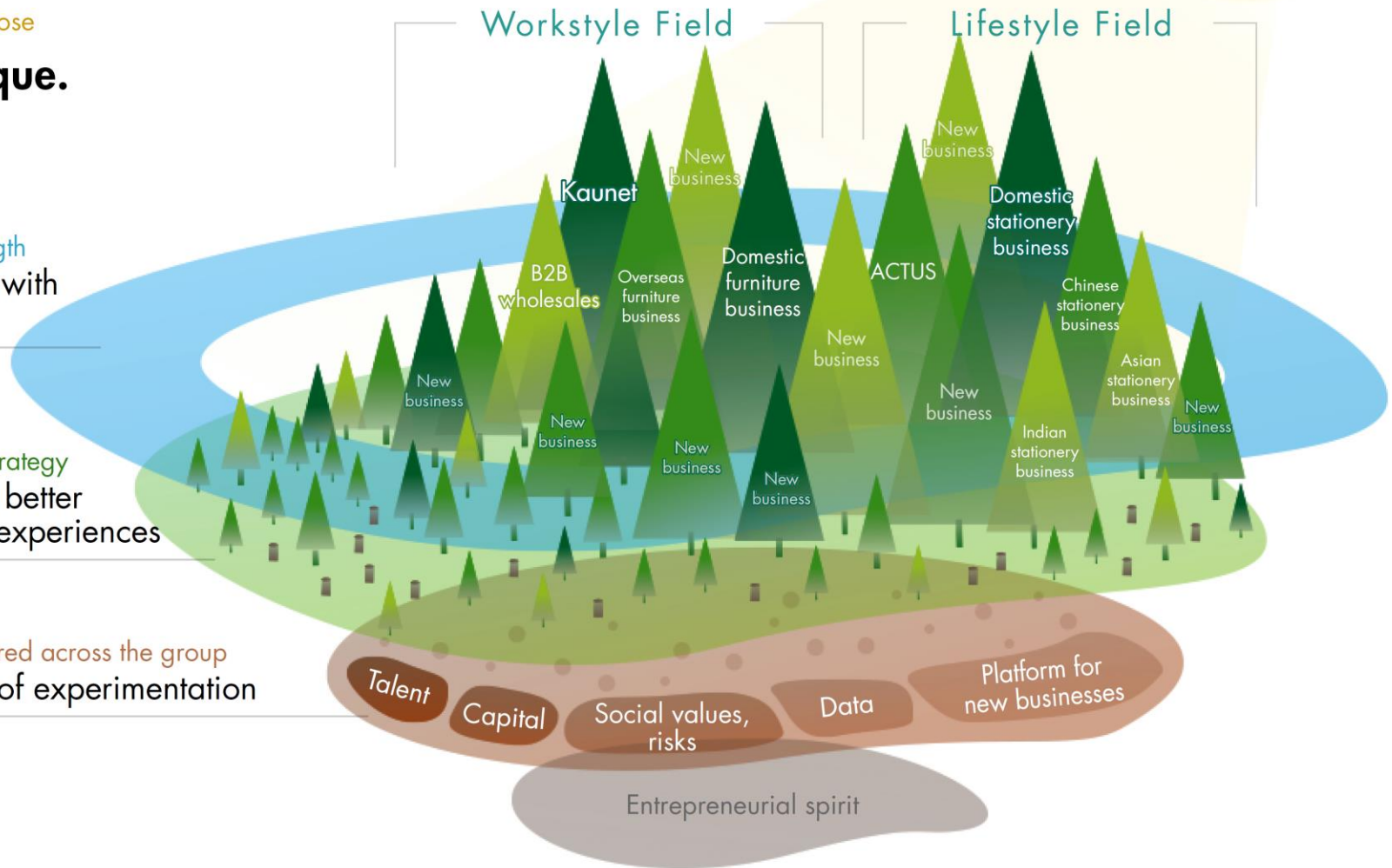
# WORK & LIFE STYLE Company

● 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





A photograph of a dense forest of tall, thin evergreen trees, likely spruce or fir. The trees are closely packed, and their green needles are vibrant. In the foreground, there is a stack of cut logs, showing the light-colored wood and dark bark. The ground is covered with ferns and other forest floor vegetation. The lighting is bright, suggesting a sunny day, with some shadows cast on the forest floor.

# Growth Strategy

Over the years, we have always adjusted to social changes.  
Leveraging our ability to design with empathy,  
we have always worked with customers and partners to design  
new experiences and develop them into successful businesses.



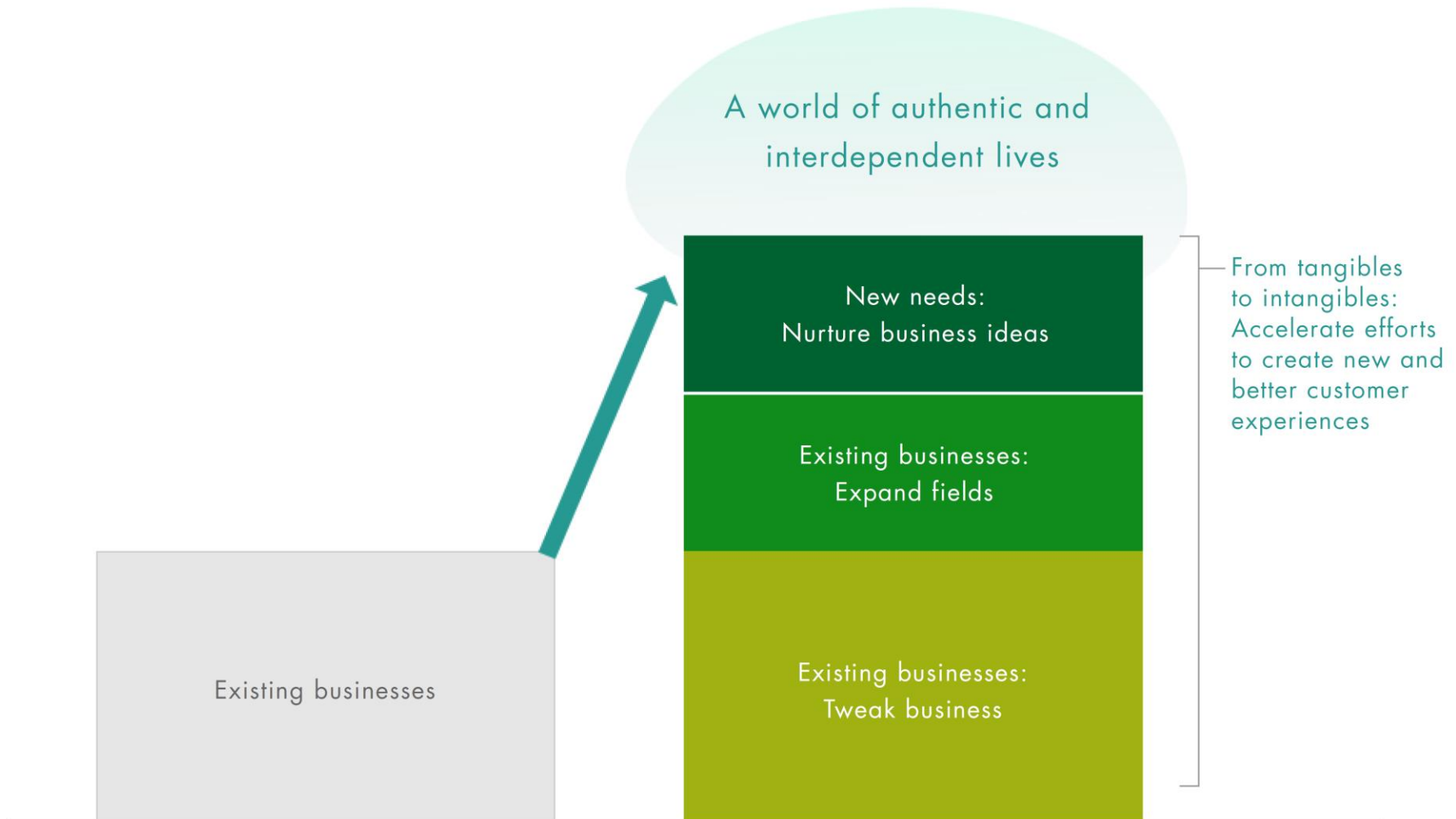
Crucially, we have shifted our focus from tangibles to intangibles.

For example, we have moved from producing furniture to providing office space solutions that support diverse working patterns.

Likewise, we have moved from producing stationery to providing innovative tools that support people in their learning and daily routines.

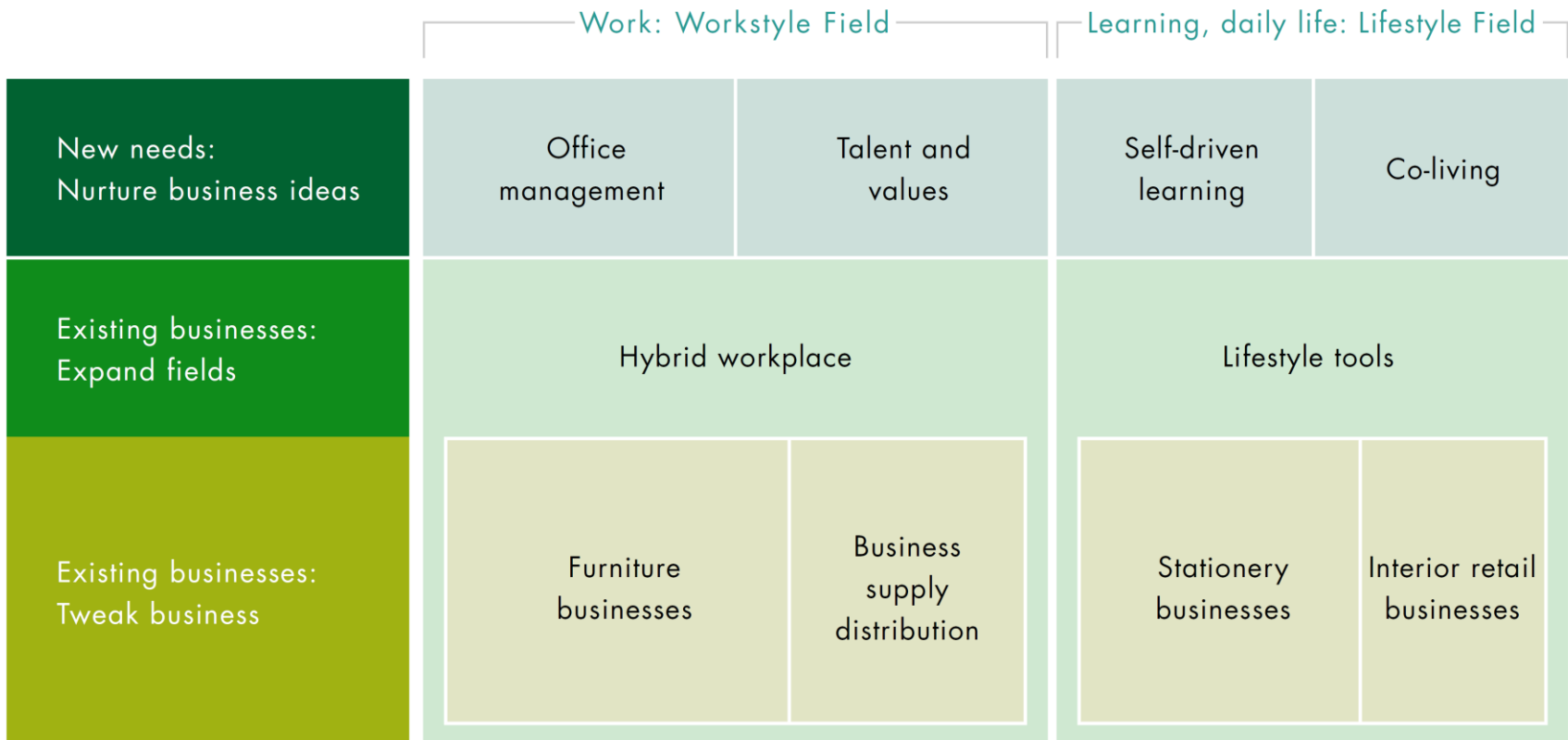


Continuing this shift from tangibles to intangibles, we will accelerate efforts to create new and better customer experiences, thereby expanding and growing the businesses in each field.



We will reorganize our businesses into the two broad fields of workstyles (work) and lifestyles (learning, daily life) as part of our transition into an ecosystem of diverse businesses that meet the needs of customers in their respective fields.

## WORK & LIFE STYLE Company



We have already started creating new and better customer value in the domain of work and the domain of learning and daily life.

This is thanks to our **culture of experimentation**, which underpins our design-with-empathy values.

We will further facilitate this culture to expedite the process of turning new ideas into reality.



# THE CAMPUS

The Campus is a lab where a melting pot of values produces a continuous succession of chemical reactions.

Thinking up and experimenting with new ideas for work, learning, and daily life.

Thinking up and testing

How could we make the workplace even more open?

Experiment:  
Open-air office

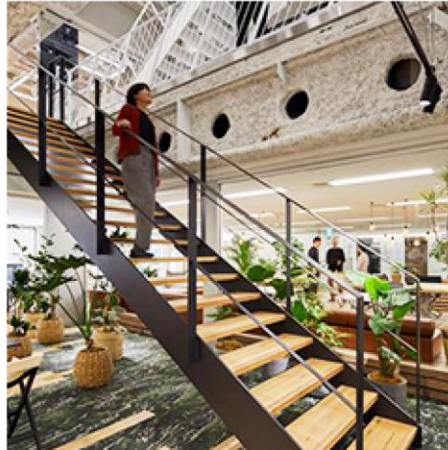


Open-air office experiment

Thinking up and testing

What office setting encourages diverse social interaction and creativity?

Experiment:  
Where flow lines intersect, create a social interaction space for brainstorming.



Experimenting in different ways of working

Thinking up and testing

How can we blend digital tech with the goodness of the real world?

Experiment:  
AR-driven communications



Experimenting with customer value

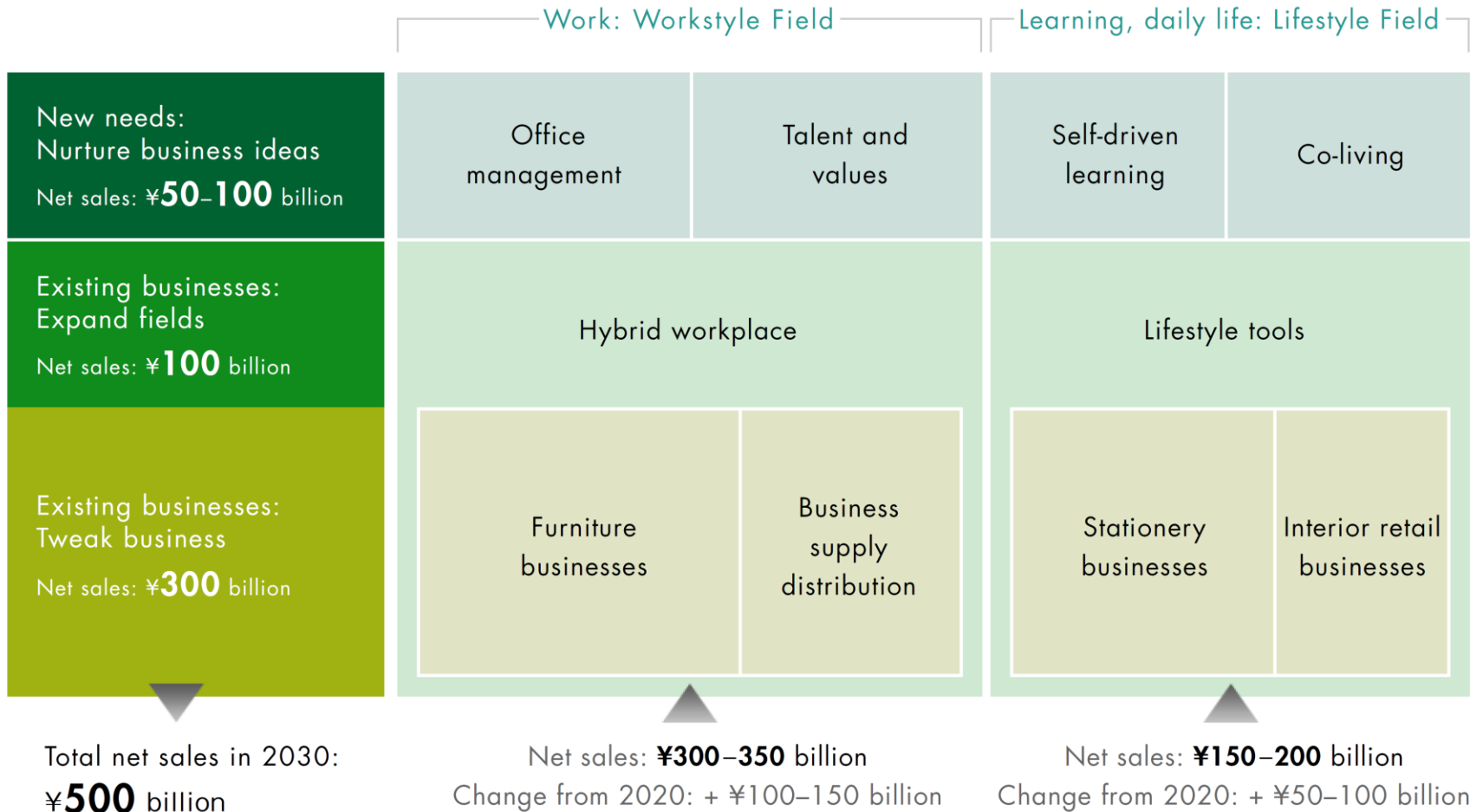




2030 Goal: Net Sales of ¥500 billion

By expanding the two fields,  
we aim to achieve net sales of **¥500 billion** in 2030.

## WORK & LIFE STYLE COMPANY



A sustainable and abundant society

## Toward the Forest Model

# WORK & LIFE STYLE Company

● Our purpose

**be Unique.**

● Our strength

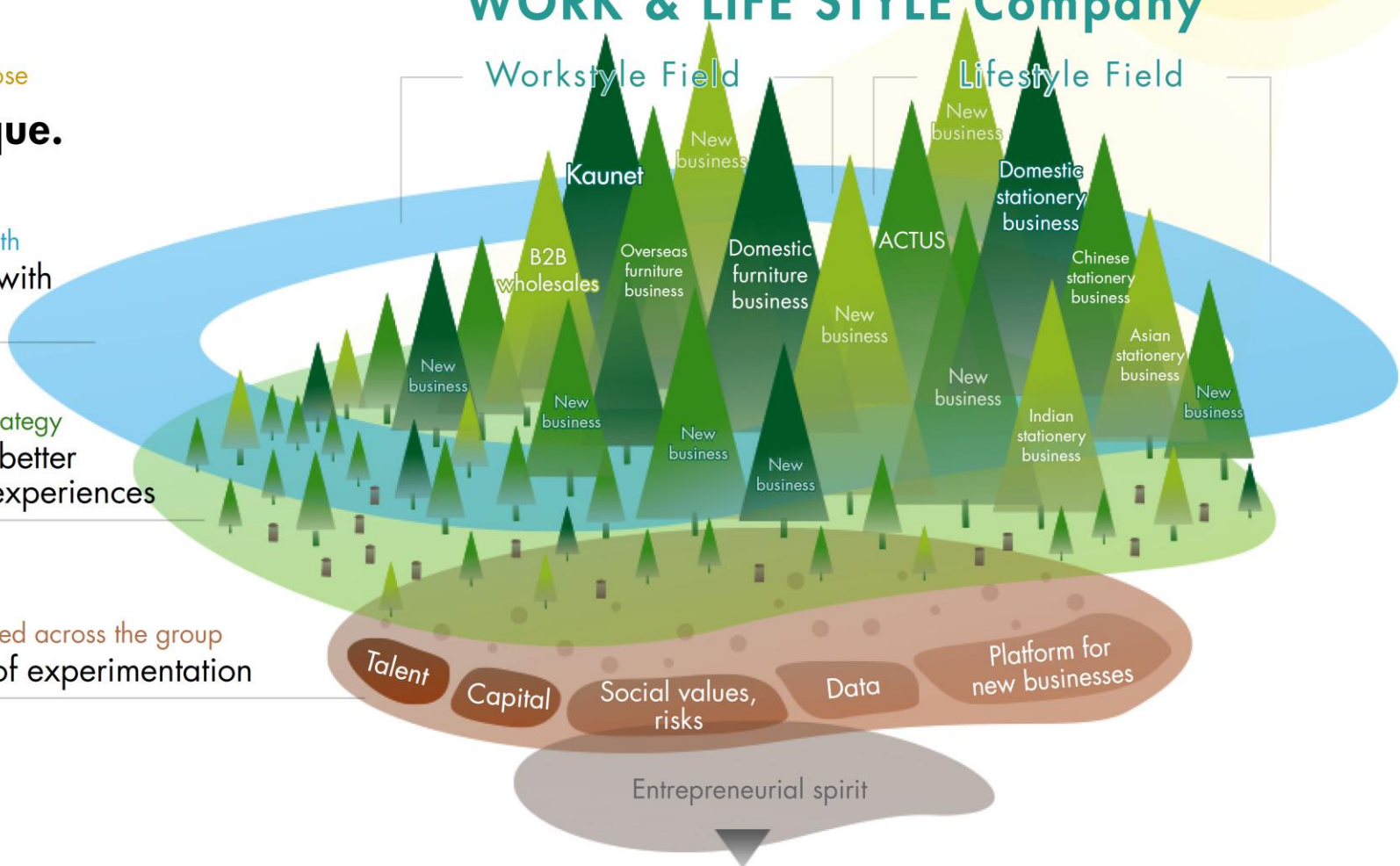
Designed with Empathy

● 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.**



## Second Medium-Term Plan in Review

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.

## Workstyle reform and digitalization are transforming ways of working and learning.

	Initial projections	After spread of Covid-19
<b>Spatial Value Domain</b>	<ul style="list-style-type: none"><li>• The supply of new office buildings in Greater Tokyo Area will peter out in 2020.</li><li>• Although companies will actively invest in offices amid workstyle reform, competition may intensify.</li></ul>	 <ul style="list-style-type: none"><li>• Amid the pandemic, working patterns changed and demand for office renovation skyrocketed.</li><li>• With the renovation market filling gaps in demand, market competition eased.</li></ul>
<b>Business Supplies Domain</b>	<ul style="list-style-type: none"><li>• Changes in purchase processes will drive further growth in the market for e-commerce/mail-order office supplies.</li><li>• Distribution costs will continue to rise, creating a harsher business landscape.</li></ul>	 <ul style="list-style-type: none"><li>• The pandemic encouraged remote working, leading to more online shopping.</li><li>• New shopping behavior fueled market competition.</li></ul>
<b>Global Stationery Domain</b>	<ul style="list-style-type: none"><li>• The Japanese market will mature amid digitalization.</li><li>• Our targeted overseas markets, China and India, will continue to grow.</li></ul>	 <ul style="list-style-type: none"><li>• The pandemic drove digitalization and accelerated the maturation of the B2B market.</li><li>• India saw a severe and protracted wave of infections.</li></ul>

## Quantitative Targets and Results

Although the effects of the pandemic meant we missed our initial targets, we managed to stabilize earnings by improving profitability and efficiency.

### Initial/revised 2021 targets, latest forecasts




(Billion yen)

	2021				
	Initial target	Revised target (target in revised medium-term plan, announced Q3/20)	Full-year forecast	Change from initial target	Change from revised target
Net sales	> 346.0	> 305.0	322.0	-24.0	+17.0
Gross profit	> 127.8	> 109.3	116.7	-11.1	+7.4
(%)	37.0%	> 35.8%	36.2%	-0.8pt	+0.4pt
Operating income	> 21.5	> 13.0	20.2	-1.3	+7.2
(%)	> 6.2%	> 4.3%	6.3%	+0.1pt	+2.0pt

\* The full-year forecasts are those we announced when disclosing the results for the cumulative second quarter (first half).

## Evaluating the Performance of each Domain

Despite the impact of the business environment, each domain performed fairly consistently with initial expectations.

	(Billion yen)	2021			Evaluation
		Initial target	Revised target	Full-year forecast	
Spatial Value Domain	Net sales	> 162.0	> 139.0	<b>157.0</b>	 <ul style="list-style-type: none"> <li>• Riding the business tailwinds, the domain increased its competitiveness and achieved business growth.</li> </ul>
	Operating income	> 19.0	> 12.5	<b>18.2</b>	
	(%)	> 11.7%	> 9.0%	<b>11.6%</b>	
Business Supplies Domain	Net sales	> 124.0	> 117.0	<b>117.9</b>	 <ul style="list-style-type: none"> <li>• The domain made headway in its migration strategy, boosting efficiency and enhancing business sustainability.</li> </ul>
	Operating income	> 3.5	> 2.6	<b>2.9</b>	
	(%)	> 2.9%	> 2.2%	<b>2.5%</b>	
Global Stationery Domain	Net sales	> 94.0	> 75.0	<b>74.6</b>	 <ul style="list-style-type: none"> <li>• In Japan: The domain improved its profitability, but not enough to offset the Covid-driven changes in the business landscape.</li> <li>• Overseas: The domain grew a new audience for stationery (schoolgirls in China). Progress surpassed expectations.</li> </ul>
	Operating income	> 9.0	> 5.3	<b>6.1</b>	
	(%)	> 9.6%	> 7.1%	<b>8.2%</b>	

An aerial photograph of a lush, green forest. A river flows through the lower-left portion of the image, surrounded by dense trees. The text is overlaid in the center of the image.

## Third Medium-Term Plan (2022–2024): Field Expansion 2024

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.



# Goal of the Third Medium-Term Plan

By expanding each field, we will achieve in 2024  
 ¥360 billion in net sales with an operating margin of 7.6%.  
 This will put us on course for sustainable growth by 2030.

(Billion yen)

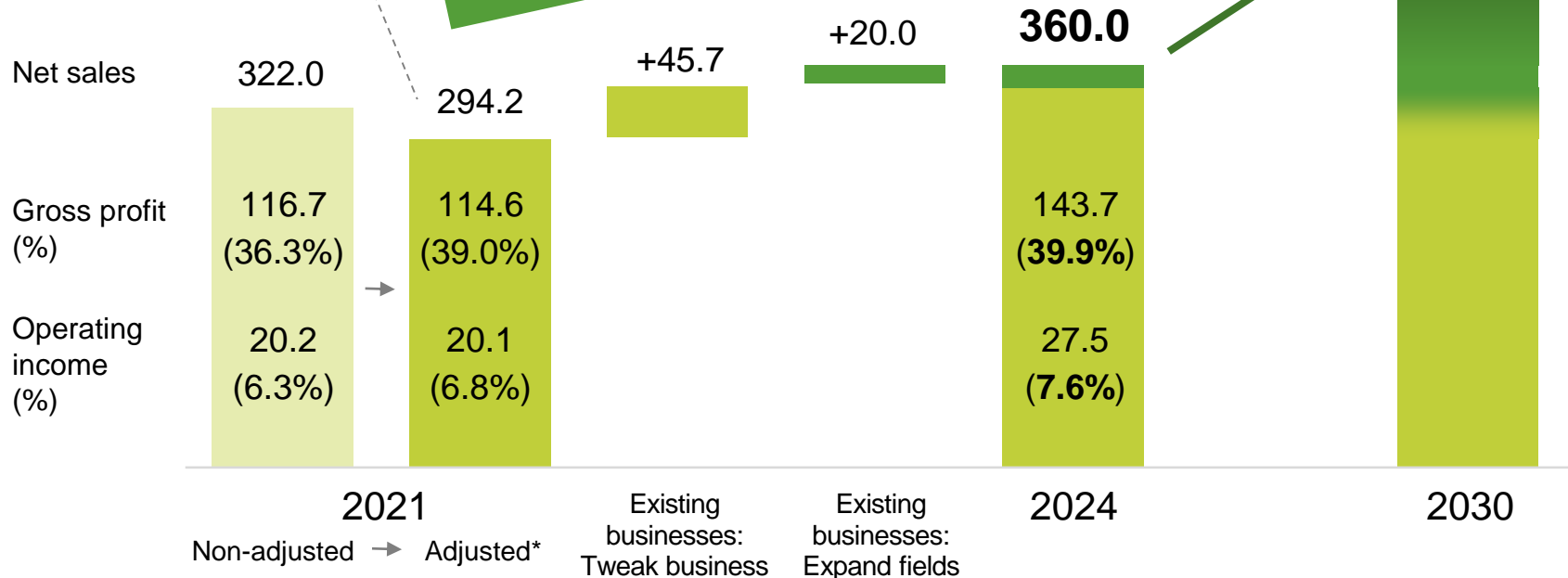
Growth rate: Average annual growth rate (2021-2024)

**2022 - 2024: Field Expansion 2024**

2025 - 2030

\* Adjusted to account for impact of new revenue recognition standard

Sales growth: +7.0% / year



To expand the fields,  
we need a fresh growth model, with the following elements:

- Dynamic investment
- Empowered talent
- Active innovation
- Social value and business value

# Dynamic Investment

Over the 2022–2024 period,  
we will invest dynamically in businesses with bright growth prospects.

Capex budget, investment categories

Who is  
responsible?

New needs:  
Nurture  
business  
ideas

**R&D share: Increased from 0.6% to 1.0%**  
(¥1.7 bn to ¥3.6 bn / year)

The chief  
Strategy Officer

Existing  
businesses:  
Expand fields

**Growth CapEx: ¥30 bn**

**Workstyle Field: ¥20 bn**

- Expand office space lineup
  - Woodcraft items, digital, interior design, green, art
- Higher growth in overseas businesses - Functions, brands

**Lifestyle Field: ¥10 bn**

- Larger lineup of lifestyle products
  - Value-added products, daily necessities
- Higher growth in overseas businesses - Functions, brands
- Stronger e-commerce

The executive in  
charge of the  
business

Existing  
businesses:  
Tweak  
business

**Regular/maintenance CapEx: ¥20 bn**

- IT systems: Customer relations management (CRM), data/analytics infrastructure
- PP&E: Production assets

The executive in  
charge of the  
business

Business growth and employee growth require a diverse, empowered workplace. Accordingly, we will increase employee mobility and cultivate business leaders.



<テーマ>  
リアルとバーチャルをつなぐ  
コミュニケーション空間の研究開発  
職種：研究開発



CS  
イノベーションセンター

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<テーマ>  
顧客接点の新たな価値訴求手法の探求  
職種：販売戦略・販売企画



ST  
D2C戦略本部  
D2C戦略部

※詳細はこちらをクリック



<テーマ>  
ファニチャー事業における業務改革  
業務DXプロジェクト企画  
職種：事業戦略・事業企画・事業統括



FN  
事業推進室  
DP推進部

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<テーマ>  
カウネット BtoW（個人ワーカー向け通販）の  
販売戦略の策定と実践  
職種：販売戦略・販売企画



カウネット  
ベースカウネット本部  
ECマーケティング部

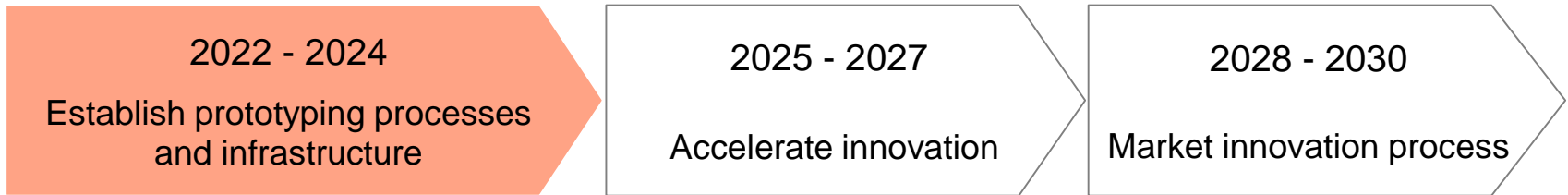
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Internal moonlighting  
based on the 20% Challenge

A program in practical entrepreneurialism  
at the Marketing University

Harnessing our culture of experimentation,  
we will accelerate business incubation to expand each of our target fields.



- Launch 15 startups
- Build 500-strong team of innovation experts (20–25% of total workforce)

- Establish the Kokuyo model of innovation



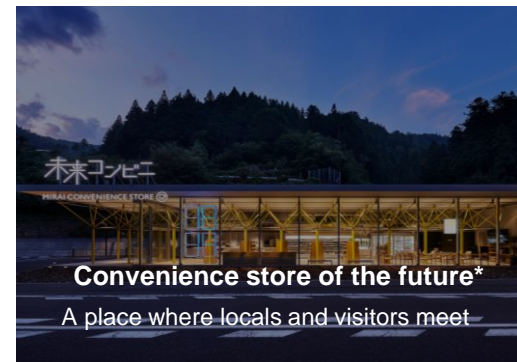
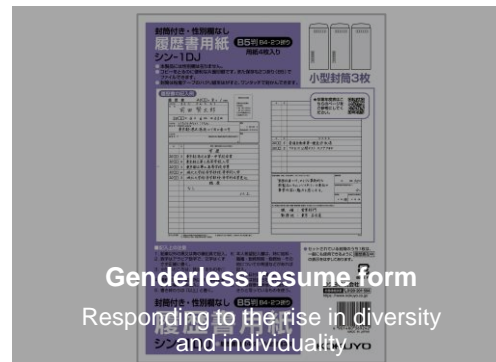
A space for open innovation  
The Campus at Shinagawa office serves as an open lab



A “secret product-planning conference” for Shukudai Yaruki Pen—using crowdfunding to call for public participation in the product-planning process

# Social Value and Business Value

Employees will experience social/environmental issues first-hand and develop ideas for products and services that resonate. In this way, we will encourage greater individual and corporate engagement in the creation of social value.



Provide fund for building social value (1% of ordinary income, c. ¥200 mn) and fund for ESG initiatives

\* Production, creative direction: Kito Design Holdings. Construction, interior design: Kokuyo, Gen Architects



Workstyle Field

The pandemic has hastened the shift to the dispersed workplace and diverse working patterns, generating new needs.



### Providing for hybrid work

Employers want to make their offices more attractive to employees, with decent amenities and digital tools.

**Growth in remote work market (2020–2030)<sup>\*1</sup>**

**+13.5% / year**

### Managing a dispersed workplace

The rise of office-as-a-service is reshaping facility management and purchasing operations.

**Growth in CAGR in shared office space (2011-2021)<sup>\*2</sup>**

**+25.5% / year**

### Providing attractive working options

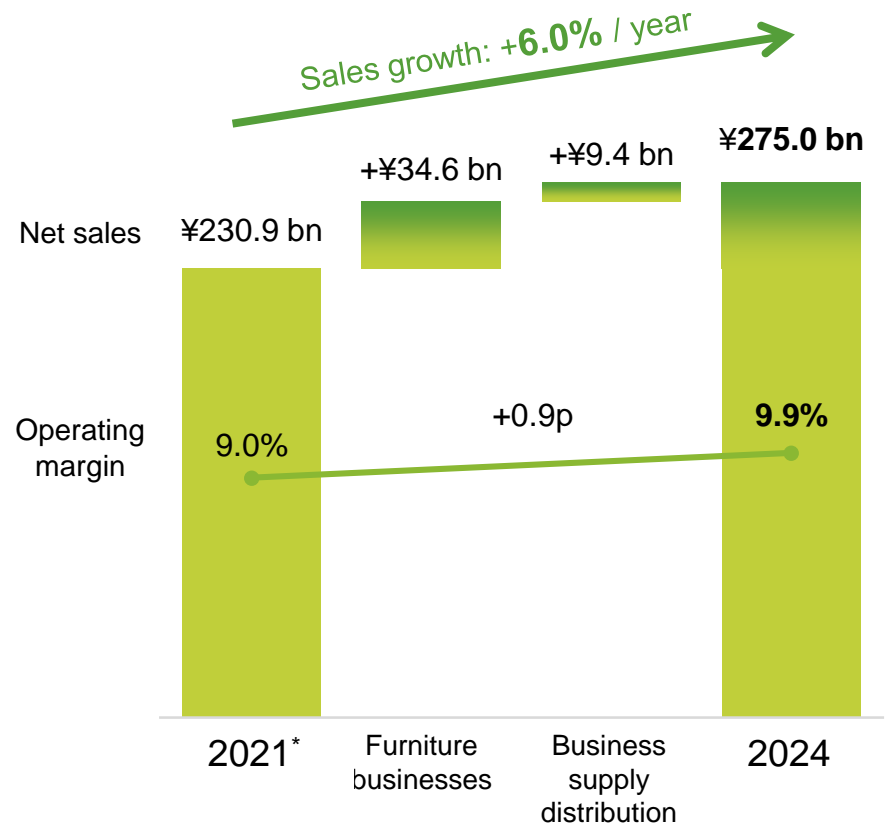
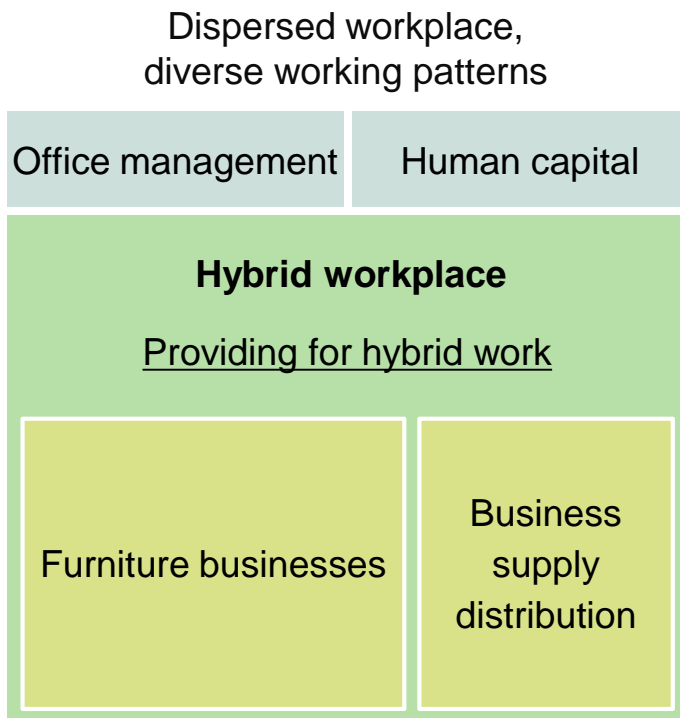
Employers need to provide personal and team growth and employee wellbeing.

**Growth in HR-Tech Cloud market (2019–2025)<sup>\*3</sup>**

**+30.8% / year**



To expand this field, we will capture growth opportunities in the shifting needs for office spaces and office goods associated with the rise of hybrid work.



\*The 2021 forecast is adjusted to account for the impact of the new revenue standard.

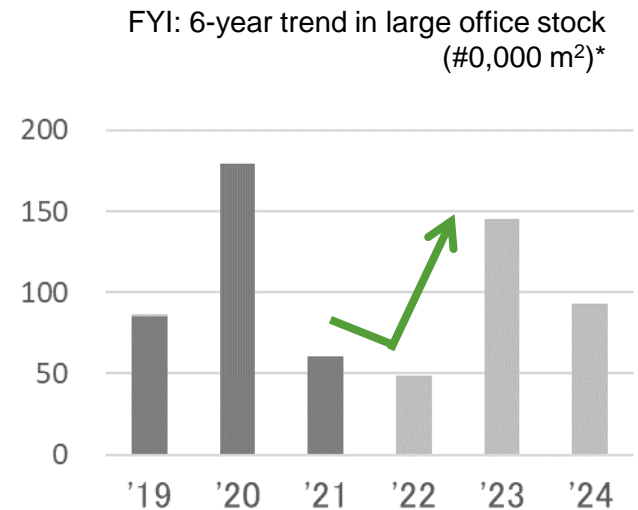
While the outlook is ambiguous given the unstable supply of new office stock, it is likely that office renovation demand will remain brisk amid changing working patterns.

### Outlook for office relocation demand

- Supply of new office stock in Tokyo has dipped following Olympics.
- The supply will dip further in 2022 but should pick up in 2023, driving demand for office relocation.

### Outlook for office renovation demand

- Renovation demand is on the rise in anticipation of the post-Covid landscape.
- Demand should remain brisk until the end of 2023.



\*Source: Mori Building Co., Ltd. survey

By improving pitching and expanding products/services for hybrid work solutions, we will capture the demand for office renovations, driving earnings for the organization as a whole.

## Existing businesses

- Cultivate office renovation market to gain larger market share
- Improve productivity in the pitch process, overhaul supply chain management

## Expand fields

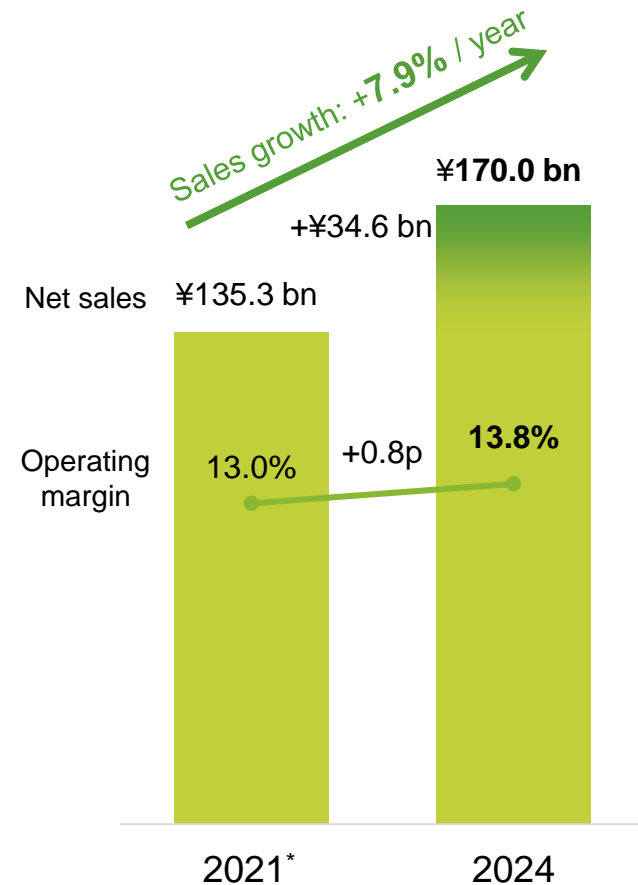
- Expand office space lineup  
Woodcraft items, digital, interior design, green, art
- Expand overseas businesses  
Functions, brands



Workpod: A private booth for videoconferencing



X-Stadium: Adjustable furniture



\*The 2021 forecast is adjusted to account for the impact of the new revenue standard. 35

The rise of hybrid working will drive further growth in e-commerce and mail-order markets and create more opportunities for pitching new purchasing solutions.

Projected market growth for  
e-commerce/mail-order business supplies



\*Source: Our own estimates.

### Demand outlook

- Remote work will hasten the growth of e-commerce, driving continued growth in the e-commerce/mail-order market.
- Business supplies outside office settings are increasingly purchased online; this trend will continue.

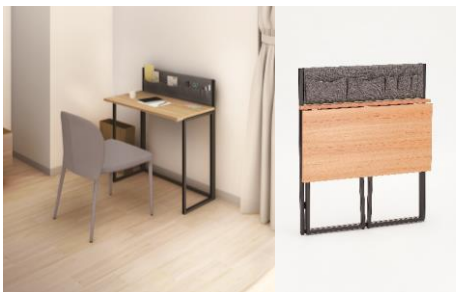
### Changes in needs

- The rise of remote work will create more opportunities for pitching solutions for increasingly complex purchasing management.
- We also expect new demand for products and services related to changing working patterns.

With more effective e-commerce marketing, we will target new forms of purchasing management and other changes associated with hybrid work to capitalize on growth opportunities in e-commerce.

## Existing business: E-commerce/mail-order, Kaunet

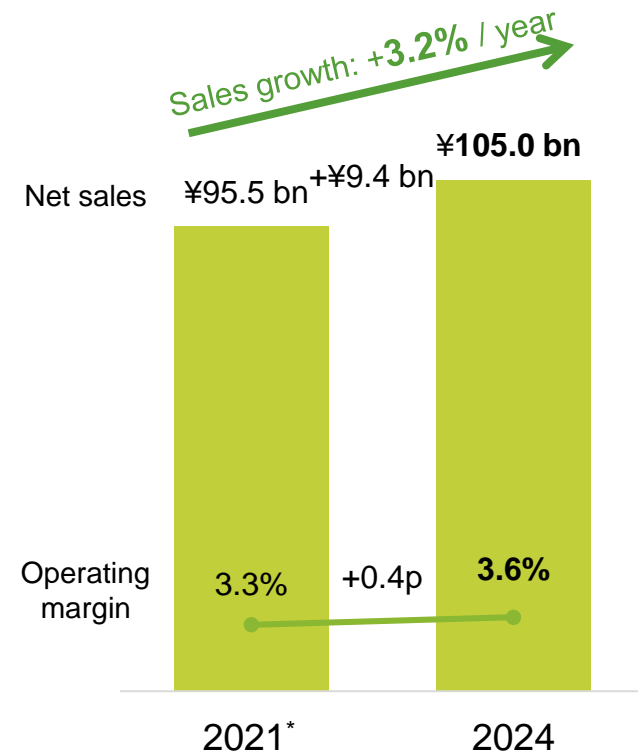
- Target large-scale clients
  - Pitch digital solutions for purchasing management
  - Coordinate better with sales and marketing teams in furniture businesses
  
- Target small- and medium-scale clients
  - Improve customer relationship management
  - Cultivate non-office markets



Foldable furniture for remote workspaces:  
Living room / workspace desk



Simple partition for offices:  
Foldable booth for quiet concentration



\* The 2021 forecast is adjusted to account for the impact of the new revenue standard. 37

A group of five children are sitting at a white table in a bright room, engaged in a painting activity. They are surrounded by various art supplies like paint boxes and brushes. Large windows in the background offer a view of green trees and a balcony railing. Potted plants are placed on the table and around the room, adding to the natural and artistic atmosphere. The children are focused on their work, with some looking at their progress and others at their materials.

## Lifestyle Field

Consumers want to live more authentic lives, and they are more socially conscious. As a result, learning styles and daily routines are growing more diverse, and new needs are emerging.



**Rising desire for personalized living spaces and furniture**

**Growth in Asian homeware market (2020–2025)<sup>\*1</sup>**

**+7.6% / year**

**Greater demand for promoting self-driven learning**

**Growth in EduTech market (2019–2025)<sup>\*2</sup>**

**+16.3% / year**

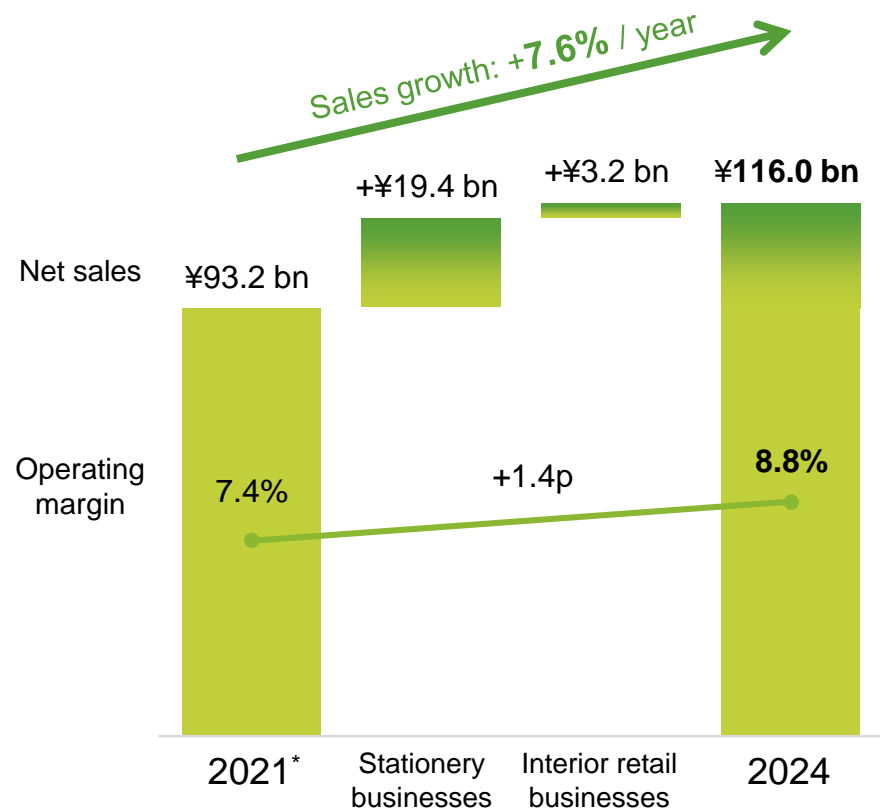
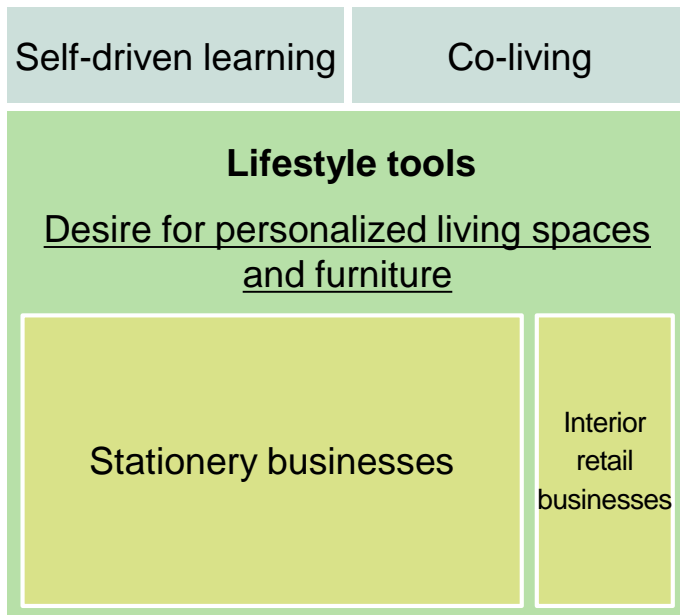
**Desire for a society that lets you decide where and how you live**

**Growth in Japan's freelancer population (2015–2021)<sup>\*3</sup>**

**+9.1% / year**

To expand this field, we will target the growing demand for value-added living space and furniture solutions and enhance the customer interface to expand into the lifestyle market.

Seeking a more authentic life,  
social consciousness

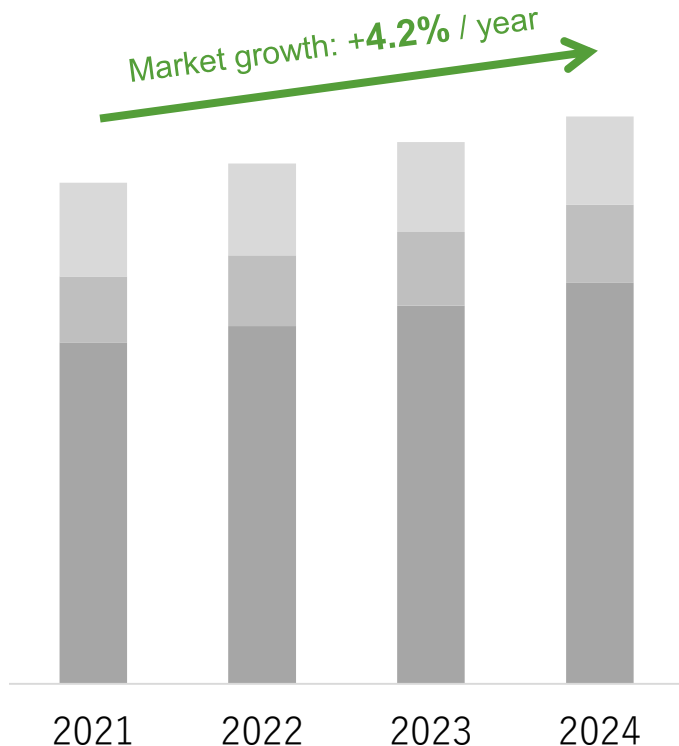


\*The 2021 forecast is adjusted to account for the impact of the new revenue standard.



The market for value-added stationery will expand amid the growth of emerging powers and the strong desire for self-expression on social-media.

Stationery market outlook  
in targeted countries



Sales growth

Japan	-1.8%
India	+5.8%
China	+5.5%

Demand outlook

- Japan: The market will continue to shrink post Covid
- India: The market will recover from the Covid slump in mid-2022
- China: Demand for value-added stationery will remain brisk

Changes in shopping behavior

- The global proliferation of social media will expose latent demand for value-added products.

\*Source: Our own estimates based on data from Euromonitor International.

To capture the global demand for added-value products, we will improve digital marketing so that we connect better with customers, and expand product/services lineup.

## Existing businesses

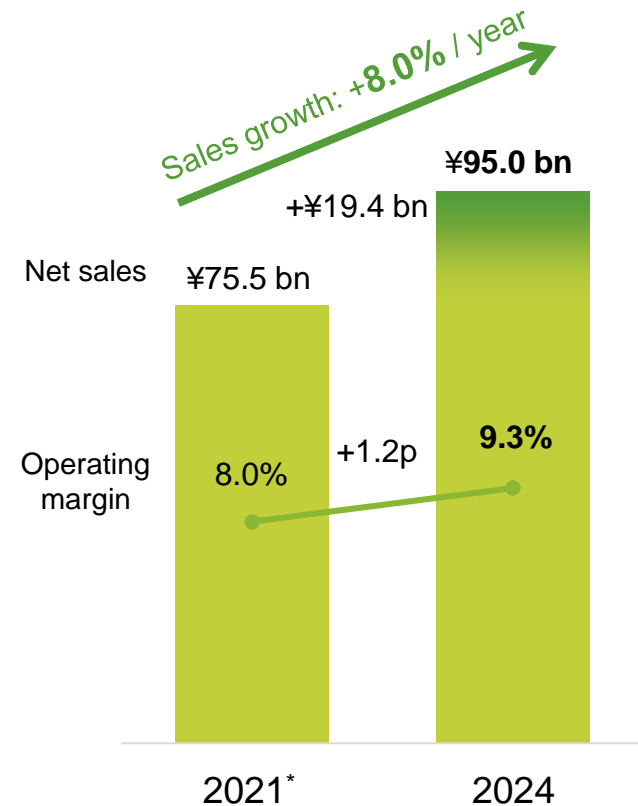
- Japan Develop more global products, expand sales  
Shorten development cycle, strengthen small-lot production
- India Improve productivity, cultivate markets for value-added products
- China Expand lineup and area for products marketed to schoolgirls

## Expand fields

- Expand lineup of lifestyle products  
value-added products, daily necessities
- Higher growth in overseas  
businesses  
Functions, brands
- Stronger e-commerce

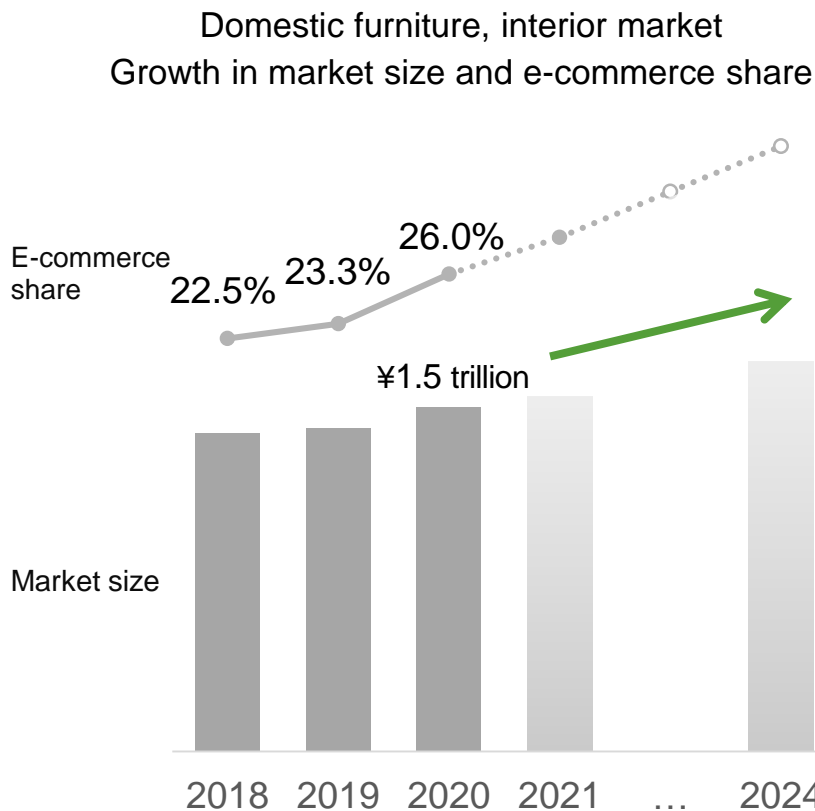


Live commerce streaming session (China)



\* The 2021 forecast is adjusted to account for the impact of the new revenue standard. 42

Demand for value-added solutions in the living space will continue to grow amid the Covid-driven diversification of lifestyles and the proliferation of e-commerce.



## Demand outlook

- In 2020, the market expanded to an all-time high of ¥1.5 trillion\* amid stay-at-home demand.
- The demand should remain brisk with new lifestyles (e.g. working from home) taking root.

## Changes in shopping behavior

- In 2020, online sales accounted for 26%\* of all furniture and interior sales. The e-commerce share will continue to rise.
- The proliferation of social media will expose latent demand for value-added products.

\*Source: Teikoku Databank estimates, METI survey, and our own estimates.

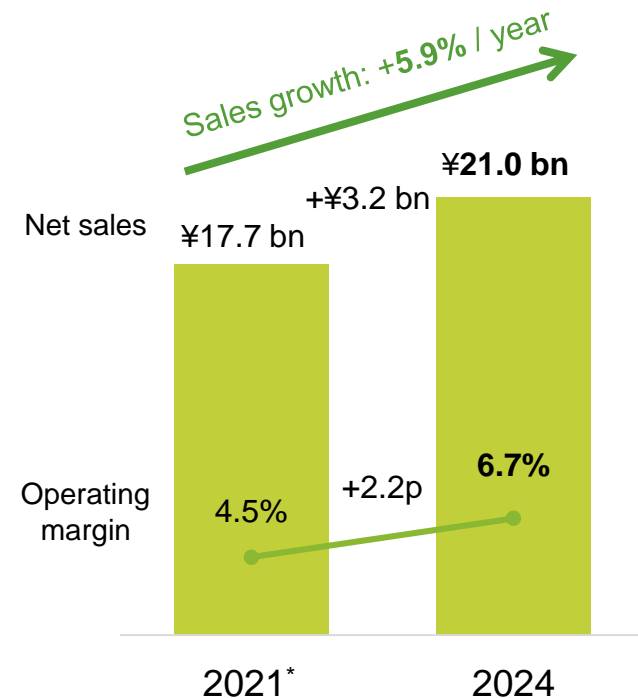
We will integrate online store with stores more effectively to improve customer experience and capture brisk demand for added-value solutions in the living space.

Existing businesses: Actus

- Merge online with offline (OMO: “online-merge-offline”)\*  
 Improve online store so that it attracts online customers to offline stores and vice-versa.  
 Communicate better with customers to win loyal customers for life.



\* Online-merge-offline (OMO) refers to the merging of online (online store) with offline (brick-and-mortar stores).



We will allocate capital effectively, investing actively toward the expansion of each field. We will work toward the goal of 8% ROE in 2024.

### Effective capital allocation, greater efficiency

- Strike **optimal balance** between reinvestment and shareholder returns
- **Enhance efficiency of business assets**
- Keep **capital cost** in mind when vetting prospective investments and evaluating existing investments.

### Shareholder returns

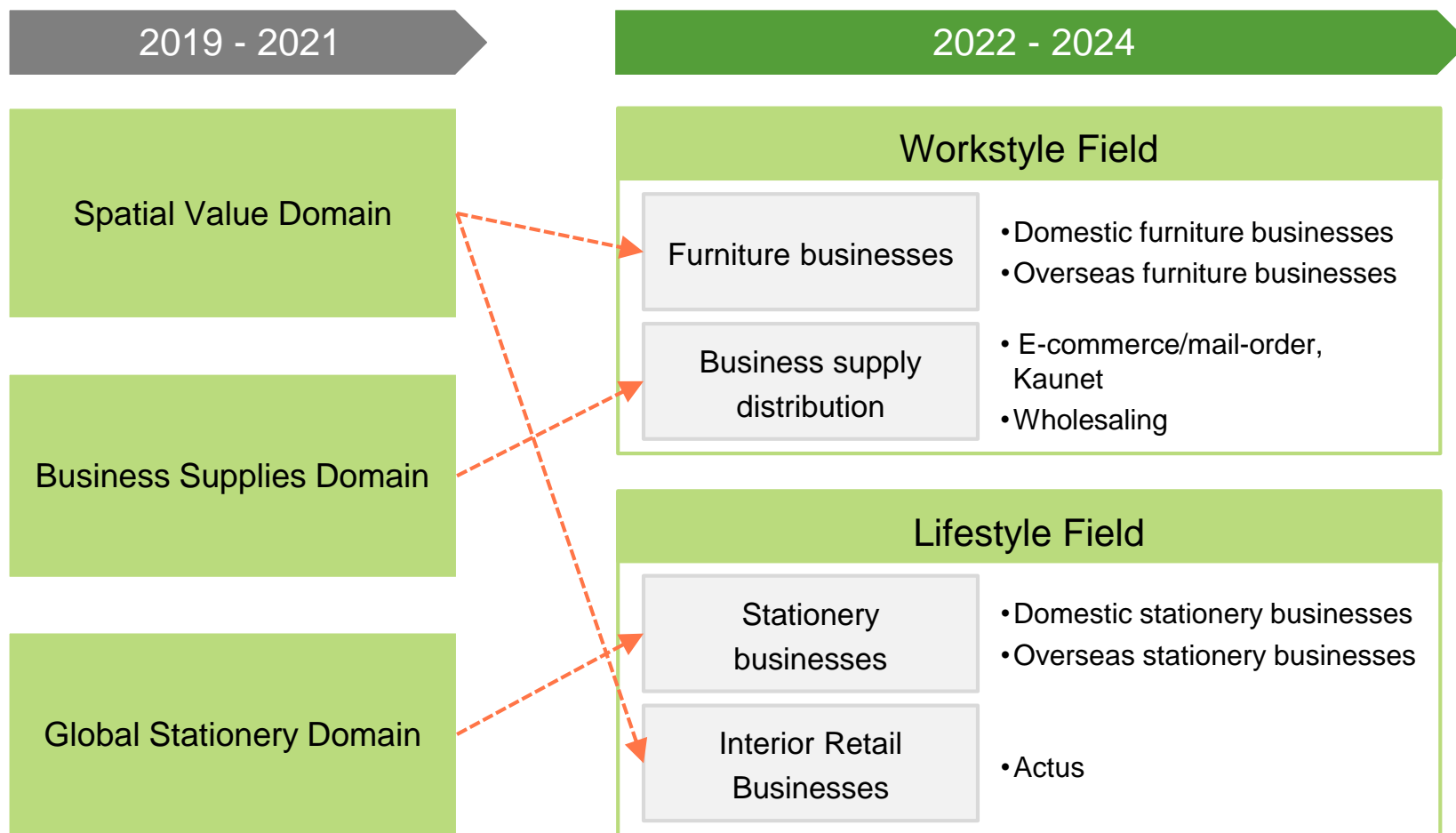
- Aim for a **stable dividend increase** with a **dividend payout ratio of 40%**
- Fulfill responsibility to explain our corporate growth story

Achieving  
**8%**  
ROE

### Investment strategy for building sustainable enterprise value

- **Growth CapEx of ¥30 bn** on top of regular/maintenance CapEx of ¥20 bn
- Provide **fund for building social value** (1% of ordinary income, c. ¥200 mn) and **fund for ESG initiatives**
- Investment department and sustainability department to coordinate efforts across organization

To expand our fields as a WORK & LIFE STYLE Company, we have reorganized our three reportable segments into two. We will also disclose information on four businesses.



## FYI: Targets/Forecasts for New Reportable Segments

For the fiscal year ending December 31, 2021, we included a set of forecasts adjusted to account for the impact of the new standard for recognizing revenue, which will take effect next year.

		FY2021/12 forecast		FY2024/12 (target)	Change	% change		
		(Billion yen)	Non-adjusted				Adjusted	
Workstyle Field	Net sales		260.5	230.9	275.0	+44.0	+19.1%	
	Operating income		20.7	20.6	27.2	+6.5	+31.6%	
	(%)		8.0%	9.0%	9.9%	+0.9pt	-	
	Furniture businesses	Net sales		138.8	135.3	170.0	+34.6	+25.6%
		Operating income		17.5	17.5	23.4	+5.8	+33.2%
		(%)		12.7%	13.0%	13.8%	+0.8pt	-
	Business supply distribution	Net sales		121.6	95.5	105.0	+9.4	+9.9%
		Operating income		3.1	3.1	3.8	+0.6	+22.3%
		(%)		2.6%	3.3%	3.6%	+0.4pt	-
Lifestyle Field	Net sales		94.2	93.2	116.0	+22.7	+24.4%	
	Operating income		6.9	6.8	10.2	+3.3	+48.5%	
	(%)		7.4%	7.4%	8.8%	+1.4pt	-	
	Stationery businesses	Net sales		76.1	75.5	95.0	+19.4	+25.8%
		Operating income		6.1	6.0	8.8	+2.7	+44.9%
		(%)		8.1%	8.0%	9.3%	+1.2pt	-
	Interior retail businesses	Net sales		18.0	17.7	21.0	+3.2	+18.2%
		Operating income		0.7	0.7	1.4	+0.6	+76.4%
		(%)		4.4%	4.5%	6.7%	+2.2pt	-
Other	Net sales		0.4	0.4	0.6	+0.1	+35.3%	
	Operating income		-0.0	-0.0	-0.0	+0.0	-	
	(%)		-	-	-	-	-	
Reconciliation	Net sales		-33.1	-30.3	-31.6	-1.3	-	
	Operating income		-7.3	-7.3	-9.8	-2.5	-	
	(%)		-	-	-	-	-	
Total	Net sales		322.0	294.2	360.0	+65.7	+22.3%	
	Operating income		20.2	20.1	27.5	+7.3	+36.5%	
	(%)		6.3%	6.8%	7.6%	+0.8pt	-	

**KOKUYO**

\* 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.