

Our Strategy for Value Creation

POINTS

- The CSO discusses the business activities and investments in the runup to 2027
- A special feature that offers a deep dive into Kokuyo's strengths and knowledge sharing
- The Division Manager of Finance & Accounting Division discusses how Kokuyo's financial strategy is designed to balance business growth with generous shareholder returns
- The Division Manager of Human & Culture Division discusses how our talent strategy will maximize Kokuyo creativity

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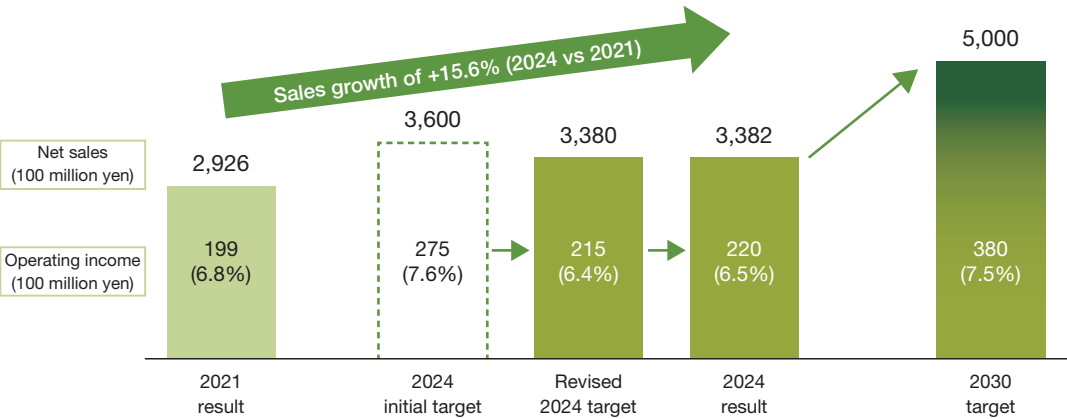
The 3rd Medium-Term Plan in Review

The 3rd medium-term plan, which ran from FY2022 to FY2024, was designed to help us realize our long-term vision set out in CCC 2030 and to establish the Forest-Like Management Model. To those ends, the plan set out larger strategic investments for bolstering our talent, driving innovation, and going further and faster in business field expansion. During the three years, we made our businesses more profitable and bolstered our strategic assets, creating a firm foothold for sustained growth.

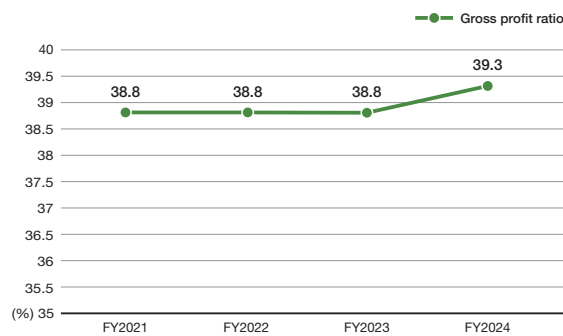
Quantitative results

In FY2024, the last of the three years, we experienced headwinds from the Chinese economic downturn and had to downgrade our initial three-year targets. Net sales and operating income were in line with downgraded targets. Year on year, net sales increased and operating income decreased. Net income (attributable to owners of parent) reached an all-time high after we brought forward the sale of cross-held shares, more than offsetting the recording of impairment loss in Kokuyo Hong Kong. ROE reached 8.5%, exceeding the three-year target of 8% or more. Gross profit ratio, we prioritize as a measure for monitoring added value, reached an all-time high of 39.3%.

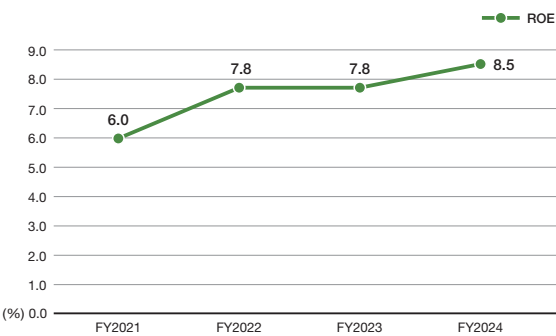
Ratio of operating income to net sales



Gross profit ratio by year



ROE



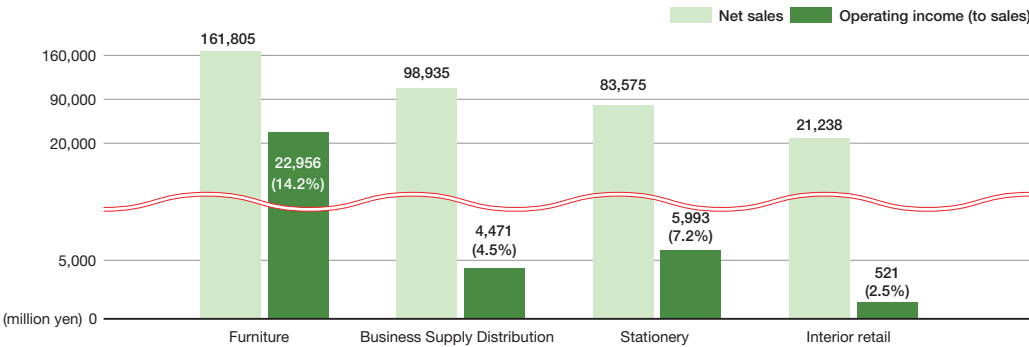
* ROE (Return on equity) = current net income / equity capital

Financial and capital strategies

| | Outcomes, outstanding tasks |
|---------------------|--|
| Investments | Maintenance CapEx: Approx ¥18 bn of ¥20 bn budget spent Growth investment Approx ¥11 bn of ¥30 bn budget spent Potential M&A deals considered: Approx 150 |
| Shareholder returns | Dividend: Maintained steadily increasing consolidated dividend with 40% payout ratio Share buybacks: Embarked on ¥5 bn buyback program in 2023. Treasury stock in excess of 5% of total issued shares to be cancelled |

Existing businesses: Tweak, expand reach of fields

Segment results: Net sales, operating income, operating margin



| | Results | Outcomes, outstanding tasks |
|------------------------------|--|--|
| Furniture | Net sales Up 18.9% from FY2021 level Operating margin 14.2%, up 1.2 pts from FY2021 level | Net sales and operating income increased, with strong business in Japan offsetting negative impact of Chinese downturn. Growth and profitability improved with our value-added interior design services. Overseas, Kokuyo Hong Kong (acquired in 2022) achieved improvements in productivity and sales operations following the relocation of global production. |
| Business Supply Distribution | Net sales Up 5.9% from FY 2021 level Operating margin 4.5%, up 1.8 pts from FY2021 level | Gross profit ratio improved with effects of price revisions and changes to delivery fees. Enhanced solutions for large-scale corporate clients. |
| Stationery | Net sales Up 14.9% from FY2021 level Operating margin: 7.2% | Performance was strong in Japan, but performance in China was affected by economic adversities. We optimized costs and expanded merchandise (especially for B2C). Overseas, we achieved growth by cultivating the student market in China and India. |
| Interior retail | Net sales Up 17.7% from FY2021 level Operating margin: 2.5% | While we faced headwinds from the low yen, we made progress in our sales promotion strategies. We opened new locations and improved e-commerce in response to interior demand. |
| Startups for new needs | 8 startups launched | Example: THE CAMPUS FLATS TOGOSHI (co-living rental housing) pandoor (side business support service) Hello! Family. (a new brand supporting next-generation family communication) |

Bolstering strategic assets

| | |
|---|---|
| Going further in integrating sustainability | We have publicly committed to targets for our material issues and embarked on a PDCA cycle of continuous improvement. As part of this, we reorganized the Environment Subcommittee to enhance its function in driving sustainability. |
| Materiality update | We updated our set of material issues. The previous set was aligned with the SDGs, but the updated set aligns closer with our long-term vision and better represents Kokuyo's distinctive values. |
| Establishing Sustainable Business Strategy | We updated our CSR Charter to better communicate our corporate philosophy and code of conduct to internal and external stakeholders. |
| A new talent management policy: Strengthening the talent strategy | We have established the Talent Management Policy to empower the talent we require for our long-term vision and business strategies. We have increased the hiring of fresh graduates, provided diverse opportunities, and established training organizations. |

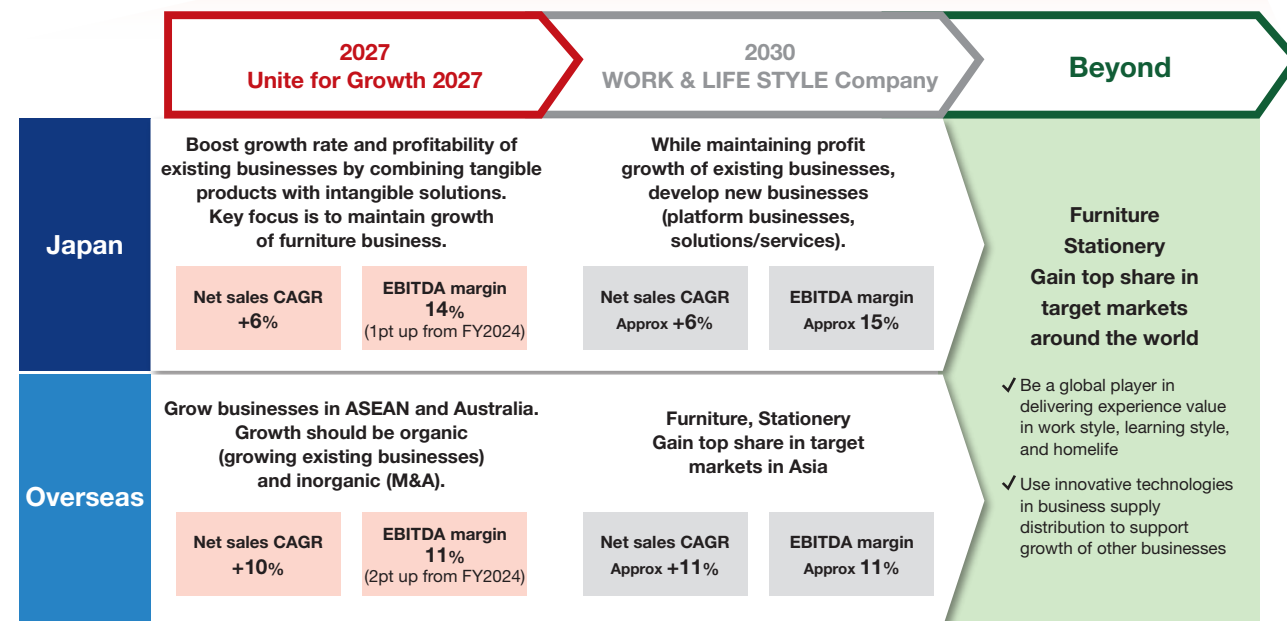
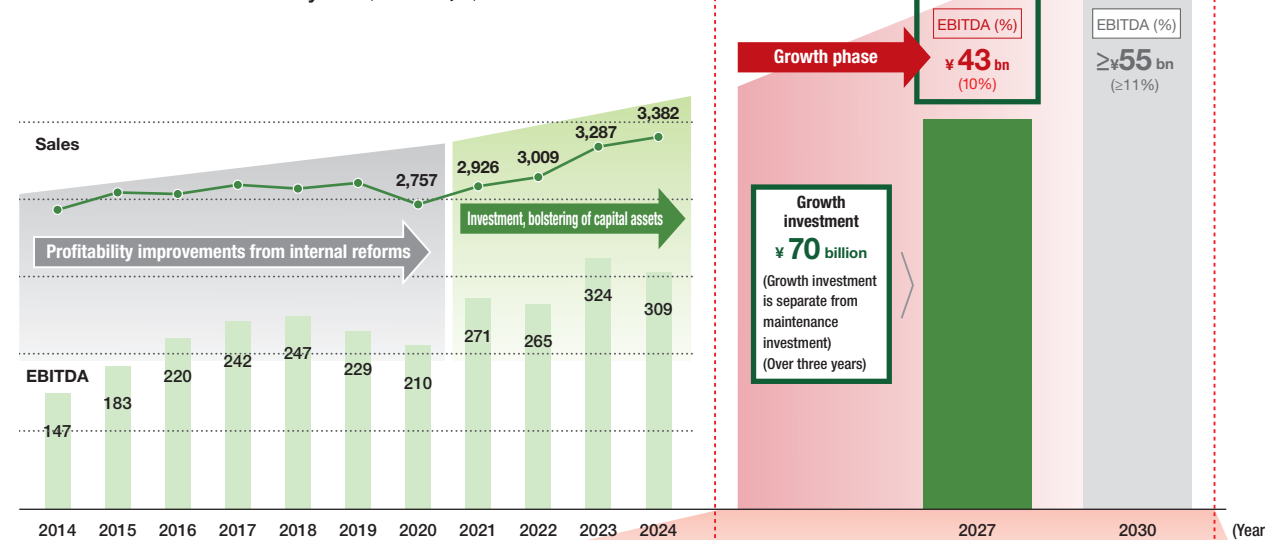
The 4th Medium-Term Plan: Unite for Growth 2027

Kokuyo has taken a new step in its journey toward CCC 2030. We have updated the Forest-Like Management Model and bolstered corporate group management to expand the reach of our experience value and accelerate a portfolio transition.

A Roadmap and Quantitative Goals for our Vision

Building on the strategic assets fortified under the 3rd medium-term plan, the 4th medium-term plan increases the growth investment budget to about ¥70 billion to facilitate the portfolio transition and put us into the growth phase. In Japan, we will boost the growth rate and profitability of existing businesses by combining tangible products with intangible solutions. In this strategy, we will focus on the furniture business. Overseas, we will focus on ASEAN and Australian markets and pursue organic growth while eyeing options for M&A-driven inorganic growth. In this overseas strategy, we commit to gaining a top share in added-value markets in Asia by 2030 and, in the long run, in such markets around the world.

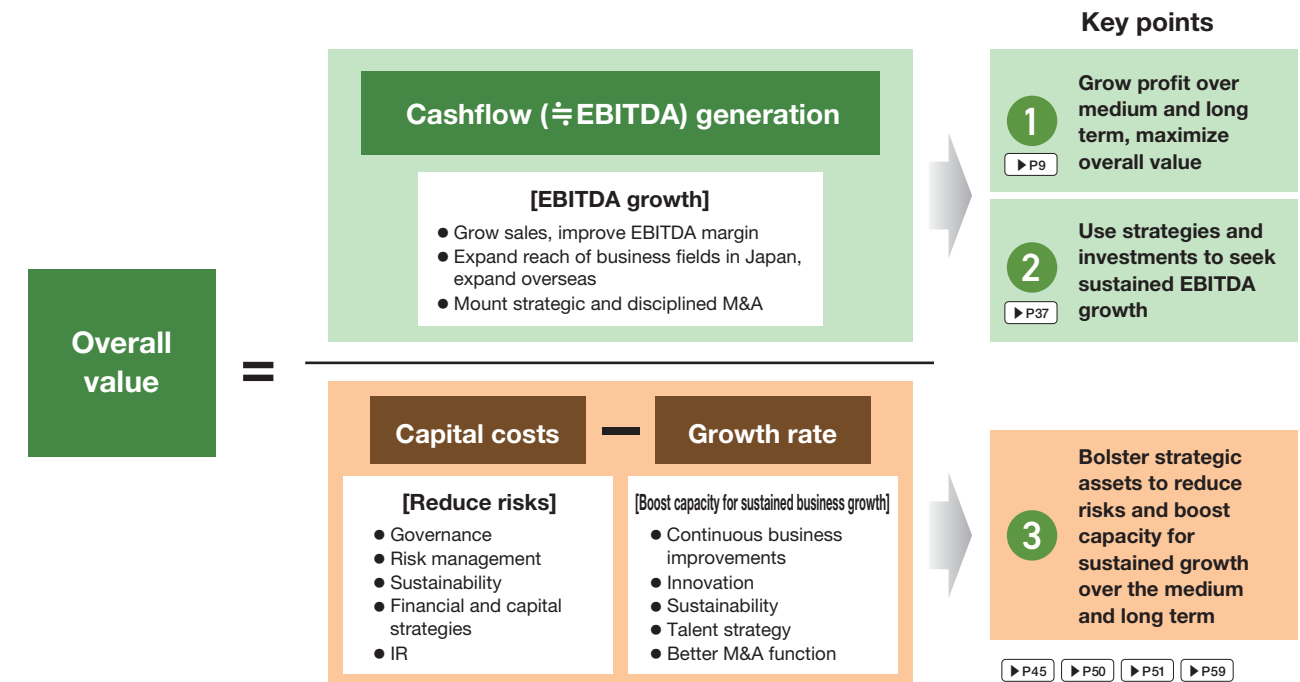
Sales and EBITDA over the years (100 million yen)



* CAGR: compound annual growth rate * CAGR and EBITDA margin discount M&A impact * EBITDA margins for Japan and overseas are figures before the allocation of corporate expenses

The 4th Medium-Term Plan's Approach to Improving Our Overall Value

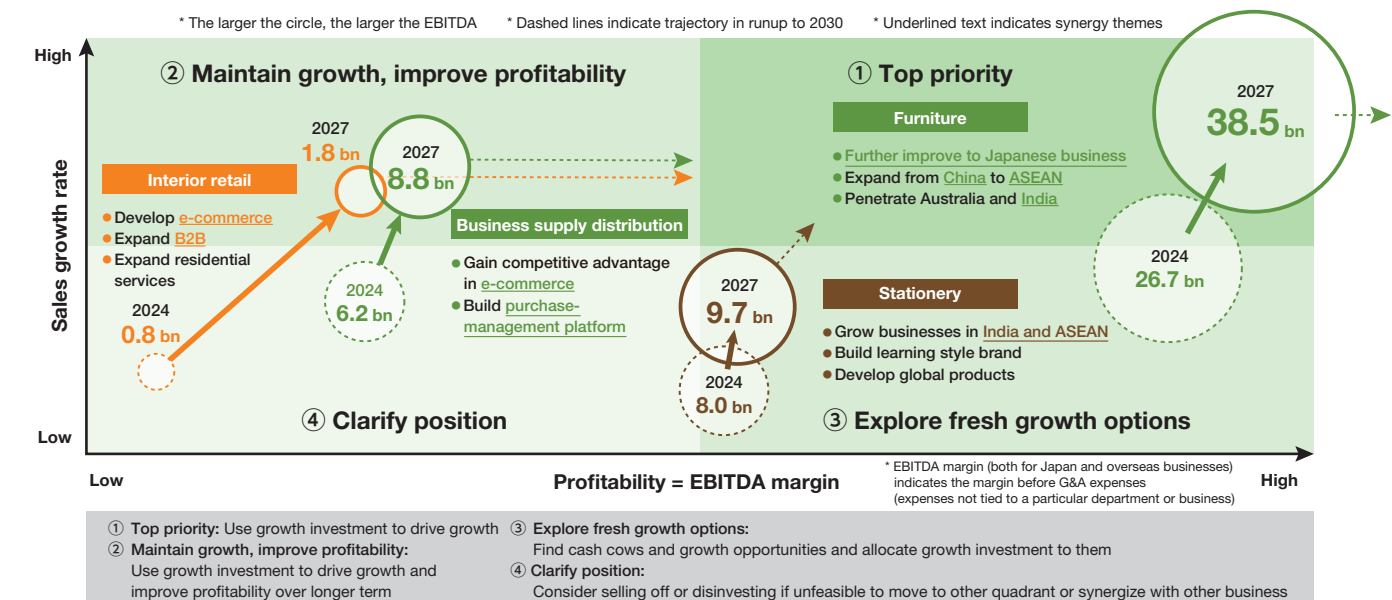
- Establish a framework that prioritizes the cashflow (≡ EBITDA) necessary to support profit growth and our overall value over the medium and long term. Guided by this framework and the Forest-Like Management Model, commit to maximizing our overall value.
- Expand the reach of our experience value by leveraging our forte in the wow-factor creation cycle. Use disciplined investment to drive organic growth (building up existing businesses) and inorganic growth (M&A) and build sustained EBITDA growth.
- Bolster strategic assets, including build up talent and knowledge, to reduce risks (capital costs).



* EBITDA is calculated as operating income + depreciation + amortization of goodwill + other amortization expenses

2027 EBITDA Portfolio and Trajectory in Runup to 2030

To achieve EBITDA growth, we have clarified the strategic positioning of each business in a matrix that combines growth rate with profitability. This clarity will help us refine our portfolio and allocate growth investment optimally. In allocating investment, we will prioritize existing businesses. By investing in furniture (the top-priority business) and stationery, we will generate cash flows that we can then use to develop new services and products, pursue overseas M&A opportunities, and other activities to generate the growth required to achieve our 2030 goal. As for business supply distribution and interior retail, investments will enhance the B to B and e-commerce operations, improving profitability over the medium term.



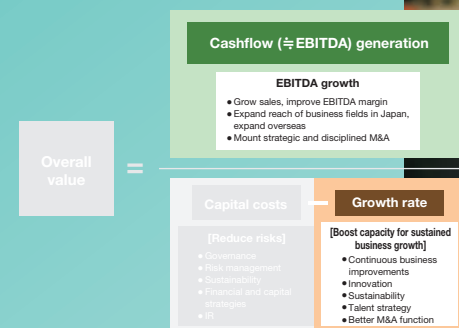
* EBITDA margin (both for Japan and overseas businesses) indicates the margin before G&A expenses (expenses not tied to a particular department or business)

Message from the

CSO

Toshio Naito

Director, Corporate Officer
Division Manager of the
Corporate Planning Division
CSO



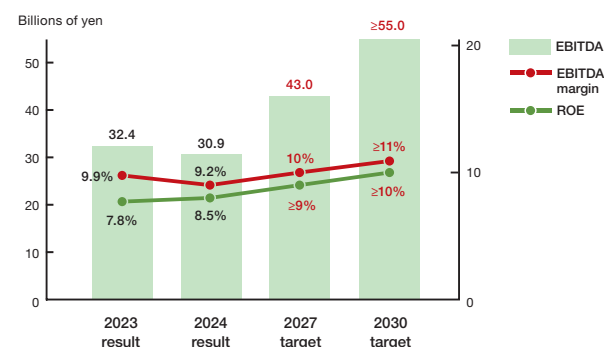
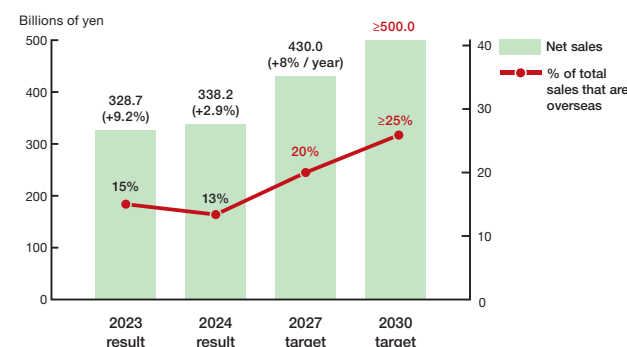
Bold Investment for Powerful Growth

3rd medium-term plan:
Effective in gearing up for growth

During the three years of our 3rd medium-term plan, Field Expansion 2024, our financial performance improved. We achieved growth in net sales, gross profit, and operating profit, and our gross margin, a measure of profitability, increased 0.5 percentage points over the three years. On the other hand, we struggled to grow sales in China, a market we were focusing on. Crucially, demand for value-added stationery diminished amid the economic downturn

China experienced in 2024. We also struggled to grow sales of office furniture amid the slumping real-estate market. With these headwinds, we fell short of the initial targets in Field Expansion 2024. We did, however, achieve strong results in other key indicators. ROE exceeded the initial target of 8.0%, reaching 8.5%. This accomplishment partly reflects the gain on sale of investment securities that we recorded after bringing forward the sale of cross shareholdings. Another indicator we performed well in was gross margin, which was particularly relevant to our strategy of focusing on added value. Gross margin reached 39.3%, an increase of 4.6 percentage points from

KPIs



the level in 2015 (34.7%). The results for ROE and gross margin suggest that our operations have become much more profitable.

On the qualitative side, we made palpable progress in our growth strategies aligned with our long-term vision, CCC 2030. We improved the profitability of our existing businesses and sowed seeds of new business growth. We also geared up our corporate-level assets (corporate functions, IT system, strategic investments) for the next stage of growth.

4th medium-term plan:
Committing to bolder growth

The 4th medium-term plan, Unite for Growth 2027, envisages three years of powerful growth, with a strategic investment budget for growth at least twice the size of that in the previous medium-term plan.

In our investment activities, we will focus on projects related to existing businesses with low risk and high return prospects. Such investments will generate stable cash flows. These cash flows will fund riskier investments such as M&A deals and new business ventures, which in turn will accelerate the shift in our business portfolio. Even in these comparatively riskier investments, we will minimize the risk by targeting investments into areas that are adjacent to, or are likely to generate synergies with, our existing businesses. We will also invest actively in digital innovations to develop a new service- or subscription-based model for recurring revenue, driving the transition to

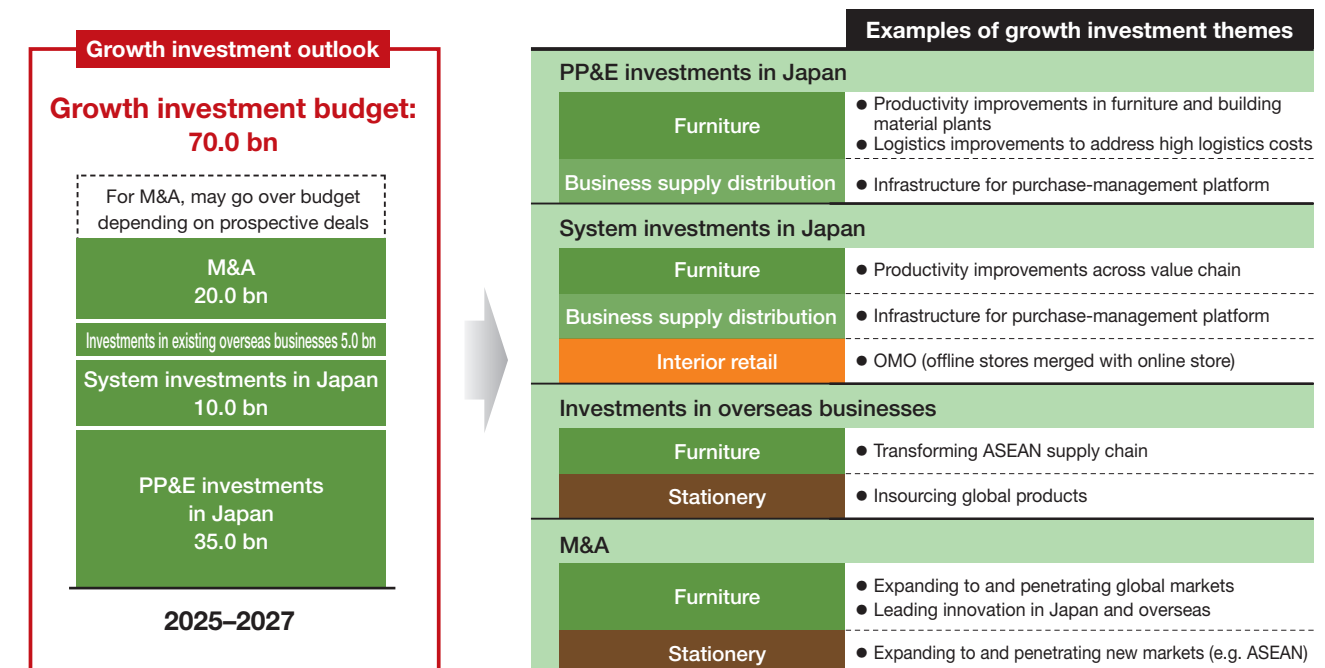
a new business model for the whole of Kokuyo Group by 2030.

In the Japanese furniture business, our investments in tangible production assets have mainly involved updating existing assets. This implies that we could do a lot more to improve productivity. We will therefore invest in a productivity transformation to further improve gross margin. We will then combine high added value with competitive pricing to create a clear differentiation from competitors. Logistics is another area where we will create more efficiencies. These areas will account for a large portion of our maintenance capital-expenditure budget of 19 billion yen and our growth capital-expenditure budget of 70 billion yen, and the fund allocations will improve our competitiveness.

In our M&A strategy, we will focus on penetrating or expanding in ASEAN markets and in India and Australia. To that end, we will acquire assets that will enable us to localize production and sales operations in these markets. We will accumulate potential M&A leads and consider a range of possibilities, including contributing to an industry shakeup in Japan and overseas markets.

After investing in a project related to an existing business, we will closely monitor the performance of the investment using our internal profit standards. When it comes to investing in IT systems, we will invest in projects for adapting to increasingly complex business flows and in projects for updating basic automatization platforms. Likewise, in our M&A activities, we will use rigorous valuation methods and assess strategic alignment in order to increase the odds of success.

Growth investment outlook



Message from the CSO

Greater experience value across our global operations

Furniture

For the Japanese furniture business, our medium-term targets are as follows: an average annual growth rate in net sales of 5% and an EBITDA margin of 19.3%, an increase of 1.9 percentage points from the 2024 level.

With more women in the workforce and higher retirement ages helping to curb the decline in Japan’s working population, we anticipate a higher supply of office spaces in the Tokyo Metropolitan Area and, commensurate with this, brisk demand for office relocations and office renovation. Kokuyo, ahead of its competitors, upgraded its operations to take on office interior design services. Consequently, we now have more than 300 experts in office interior design, one of the highest in the industry. This gives us a competitive

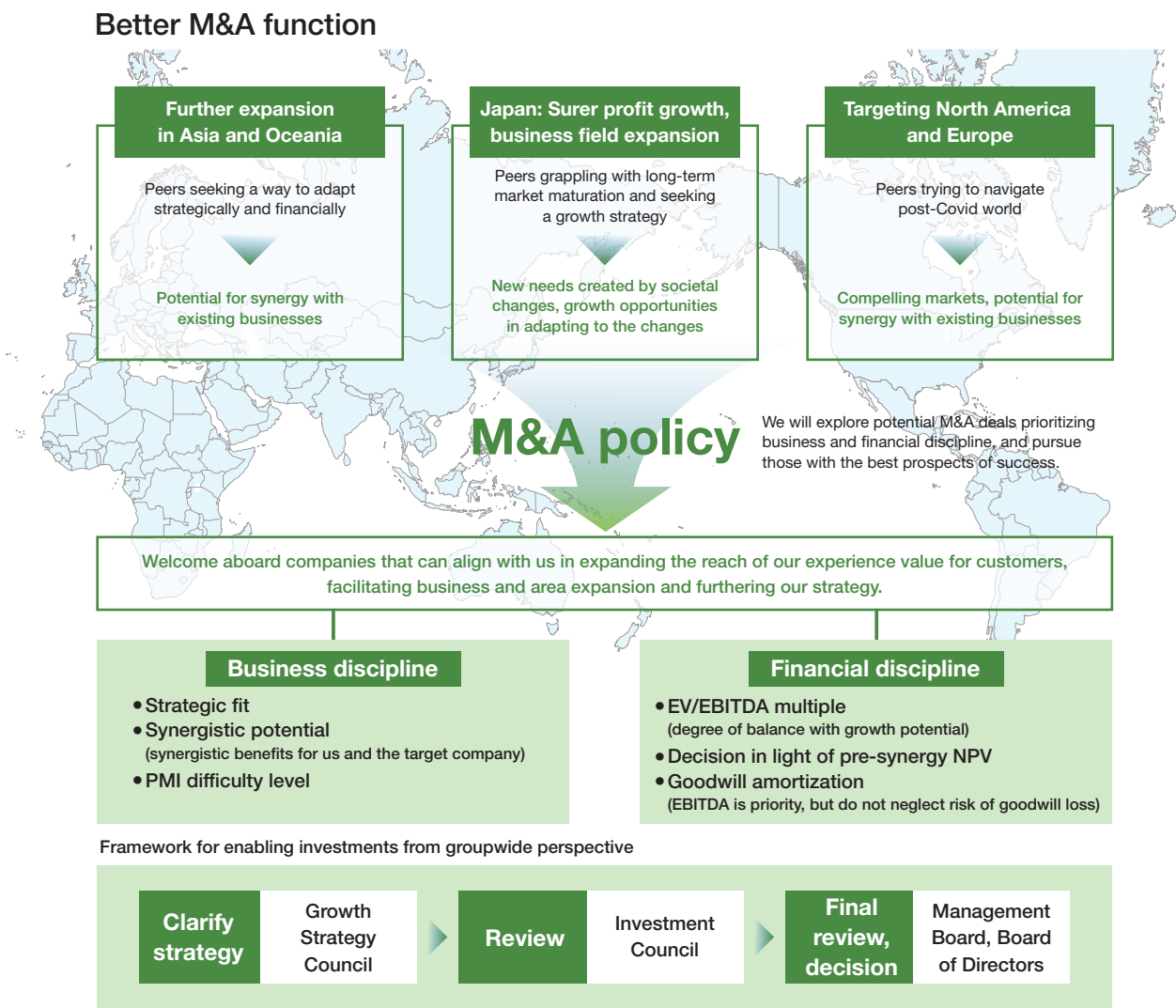
advantage that we can flex to the full to beat any competition in this area. Having forged a relationship with many large-size enterprises, we can leverage our interior design prowess to expand into office renovation services and meet the demand among these large enterprises for utilizing idle real-estate. We can also improve services we have already launched, including a service that evaluates the effects of office designs upon employee performance and an implementation-phase service that helps employers empower and deploy their talent effectively. Having integrating our operating companies in 2015, we now have much better coordination between sales, production, and development. After becoming less product-focused and more market-focused, we have optimized our products and services to market needs while also improving productivity, which has been a driving force behind the increase in gross margin. We will improve our gross profit margin further by continuing to invest in projects to transform productivity and by tightening

coordination across the value chain. We will also improve our capacity to take on contracts and develop global products to improve our competitiveness in Japan and overseas markets.

As for overseas markets, success here requires us to reduce lead times and improve cost competitiveness. To that end, we will transform our supply chain for ASEAN markets by localizing and concentrating production on a component basis and establishing localized sites dedicated to component assembly. We will also start taking orders from markets in the Asia-Oceania region. To differentiate our products, we will localize them to the demand landscape particular to the country or territory in question. In ASEAN markets, we will target middle and high market segments and offer experience value across the whole of the office cycle, from design to implementation, thereby building a business model that delivers recurring revenue. Through these measures, we can achieve the following medium-term targets for the overseas furniture business: an average annual growth rate in net sales of 16% and an EBITDA margin of 13.4%, an increase of 3.7 percentage points from the 2024 level.

10.6%, an increase of 0.9 percentage points from the 2024 level.

In the Indian and ASEAN markets, we will place weight on the B to C sector, leveraging the expertise we developed in the Chinese market. Part of this will involve building the global brand identity of Campus, which commands a strong brand identity in Japan. It will also involve differentiating our products by ensuring that they deliver experience value. In the writing and drawing tool category and in other stationery categories, we will insource global products to improve profitability and increase the ratio of global products to products for the Japanese market. Insofar as our B to C stationery operations target the student demographic, we will need localized branding and localized production. Likewise, our sales channels will need to consist of local retail partners as well as an online channel. Accordingly, we will invest to develop such assets.



Business supply distribution

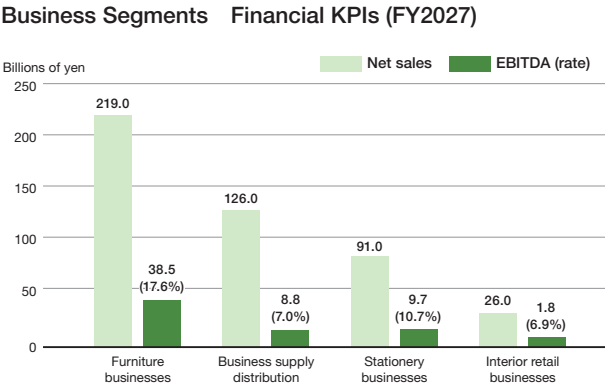
For business supply distribution, our medium-term targets are as follows: an average annual growth rate in net sales of 8% and an EBITDA margin of 7.0%, an increase of 0.7 percentage points from the 2024 level. The B to B e-commerce market is set to grow, and AI innovations will improve customer experience and productivity. To capitalize on the opportunities, we will develop platform-based services that are differentiated from the competition in how they deliver services optimized to the needs of individual users. We have two platform-based services for purchase management (Benri Net and With Kaunet) and we inherited part of Fujitsu Coworco Limited’s business in October 2024. These assets give us access to a clientele consisting of more than 6,000 large enterprises and links with some 700 e-commerce websites. Adding to these assets, we will link up with big-name e-commerce players, dedicated suppliers, and local suppliers to offer an overwhelming range of products and a smooth user experience. We will also use AI to provide customized recommendations, reducing the stress associated with purchase management, and deliver services for improving risk management. Leveraging a multi-business model that combines e-commerce with our nationwide network of offline retail stores, we will keep growing our clientele of large enterprises. Eventually, we will develop services that use data analytics to optimize supply chains.

Interior retail

As in other markets, e-commerce is accounting for an ever-larger share of the residential furniture market. Our growth strategy for this market will involve linking offline stores with the online store in our existing business. It will also involve Kokuyo and Actus working closer with external partners to extend our reach into the B2B sector. We can market Actus’s upmarket European furniture to owners of high-class apartment blocks and hotels to expand our reach to the residence sector, as part of our portfolio transition.

Driving further transformation

I joined Kokuyo in 1985. Over the years, I have seen Kokuyo adapt to the changing times by shifting from a model of mass-producing high-quality goods at low cost to a model that targets more precisely a range of unmet needs. Kokuyo now has a more diverse range of individualist employees and a flatter organizational structure. Staying true to the founder’s belief in providing something useful, we will uphold our organizational culture and values while embarking on bold reforms. I look forward to helping President Hidekuni Kuroda drive this agenda of transformation.



Special topic Generating Synergy

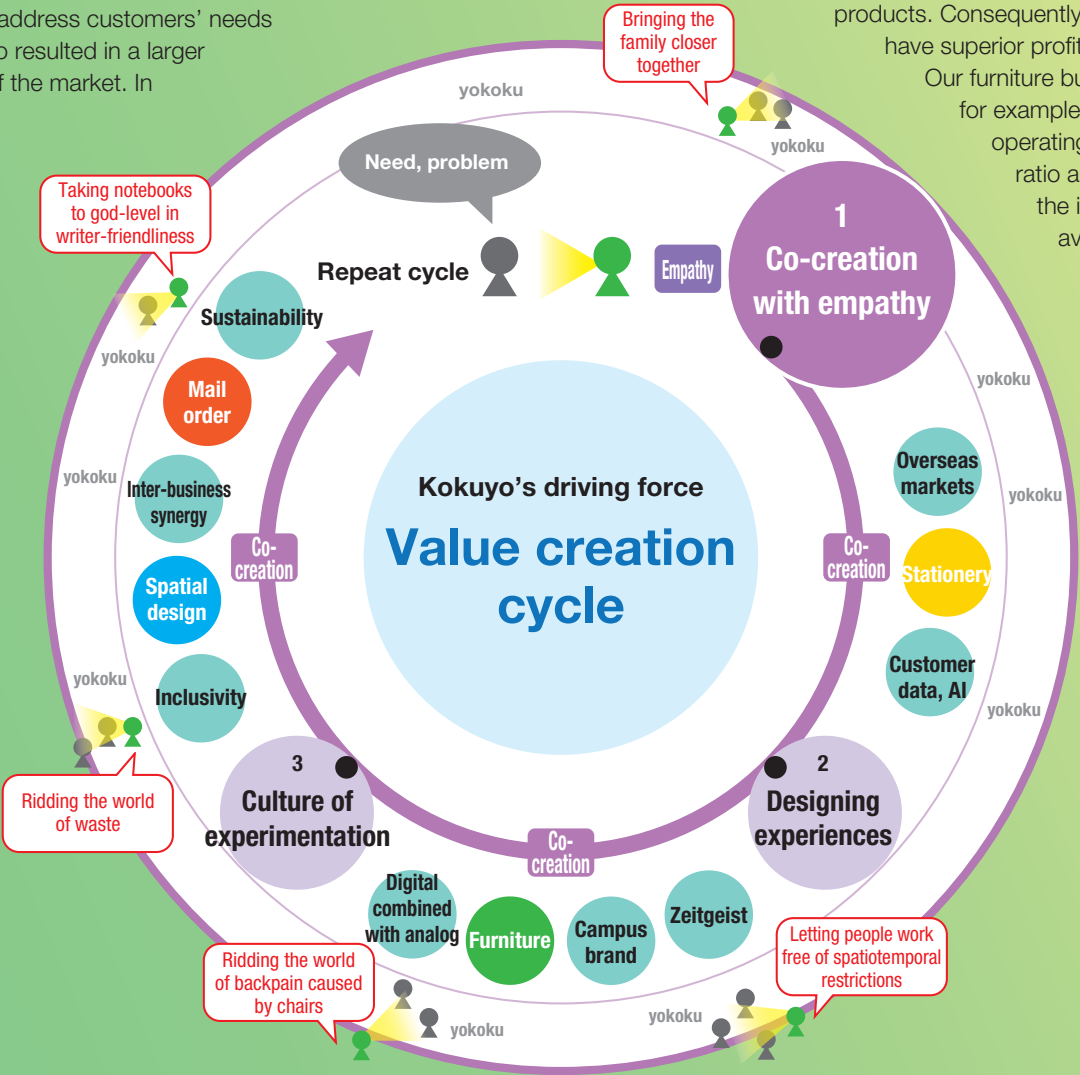
This special feature presents past examples of knowledge-sharing and organizational reforms that facilitated Kokuyo’s efforts to expand the reach of its experience value through the wow-factor creation cycle, the company’s forte. It also presents Kokuyo’s future approach.

Kokuyo’s History of Supplying Unmet Needs

Kokuyo’s history begins in 1905, with the launch of a business producing binders for Japanese-style ledges (wacho). For more than a century, Kokuyo expanded, focusing on stationery and office furniture. Throughout these long years of growth, Kokuyo committed itself to uncovering customers’ unmet needs and creating the products and services to meet these needs. Engaging closely with customers, Kokuyo underwent several phases of business growth, going from stationery to furniture and then to interior design. For example, during the 1960s, Kokuyo launched a line of steel furniture, and it did so because of a rising demand for office filing systems. Rather than just selling the steel furniture, Kokuyo combined the products with its expertise in efficient filing approaches. This approach helped address customers’ needs and also resulted in a larger share of the market. In

another example, Kokuyo noticed a rising demand for spatial design services to achieve optimal layout and use of furniture, and used this as an opportunity to expand into interior design. More recently, we use our live offices to test out and pitch ideas for new ways of working. In all these initiatives, we draw upon vast data reserves, including data obtained from interacting with customers and data obtained from pitching products and services. We also coordinate our workstyle research and consulting functions in an ongoing process of exploring ideas for more efficient workstyles.

In this way, we have created customer touchpoints in work and study settings, enabling us to keep offering added value superior to that of peer companies that limit themselves to a single category of products. Consequently, we also have superior profitability. Our furniture business, for example, post an operating income ratio above the industry average.



Creating a Foothold for Global Growth and Applying Our Overseas Assets

Case 1: Building a Base of Operations in India

With its huge youth population, India has bright growth prospects. We started penetrating this market back in 2011 with the acquisition of local stationery producer Camlin. The main users of stationery in India are students in primary education (aged 6–14) and secondary education (aged 14–18), and they have similar tastes to Japanese students. However, high-end stationery products are much less common than they are in Japan. Because stationery is something people of all income groups need, the bulk of the stationery market is taken up by low-end stationery affordable to all.

Many of Kokuyo’s stationery products are high-function, high-end products (the Campus notebooks being an

example), ill-suited to the Indian market. However, relying on low-end products could plunge us into a price war, undercutting profit. We have therefore targeted the mid-market segment, fully leveraging the strength of Camlin brand and its Camel brand. These brands consist predominantly of painting equipment such as crayons, paintbrushes, paints, and sketchbooks. The brands have a strong identity, with many people being fans of them since childhood. Using this competitive advantage, we have marketed drawing instruments for school lessons to mid-market students and have marketed paintbrushes, paints and sketchbooks to budding young artists and art hobbyists.



In our sales and marketing operations, we had used Camlin’s distribution network and functions, but the supply chain was proving too inefficient, with its diffuse production and distribution hubs. After entering the Indian market, we seconded Kokuyo staff to India to supervise production and quality, leading to improvements in quality and a more efficient supply chain. One action taken was to radically overhaul the production system, which consisted largely of newly built plants. This action resulted in greater production efficiency. Most noteworthy was the improvement in the production of writing instruments. The production system shifted from a diffuse network of sites to a fully integrated system encompassing ink production, parts production (injection molding), assembly, and packaging. We also channeled the injection-molding

expertise of KOKUYO-IK (THAILAND) Co., Ltd. to achieve an improvement in quality. With household incomes rising in India, an increasing number of consumers seek high-quality Japanese products and value-added products, creating new market opportunities. In 2024, we organized an initiative to capitalize on this market change. Specifically, we opened a pop-up shop selling goods under the Campus brand. In this initiative, we replicated in the Indian market what we had achieved in ASEAN markets, opening up new market avenues and inspiring local employees. In these respects, the pop-up shop serves a crucial role in driving forward our Indian strategy in the months and years ahead. The success of the pop-up shop also testifies to the potential of marketing value-added products.

Case 2: Applying the “co-creation with empathy” and “designing experiences” principles to meet needs in China

We entered China in 2005 by establishing a local subsidiary there. Over the 20 years that followed, we built up a stationery business in China. We initially focused on single product categories such as notebooks and writing instruments, but this strategy proved ill-suited to identifying precisely the needs of each customer segment. We have since adopted a more customer-oriented approach in our product development activities. The catalyst behind this shift was the success of our loose-leaf binder. The product became a hit with students because it allowed free customization, something novel for the Chinese market at the time. The popularity of the product inspired us to shift from a product-oriented to a customer-oriented approach, in which we start by exploring students’ needs



Photography Shinya Rachi

and then develop products to meet these needs. Currently, our mainstay products are stationery items such as notebooks and loose-leaf notebooks, but we have expanded our lineup to include products that support student life in general, including schoolbags and water bottles. The strength of our products lies in the way they are localized to the needs of the market. They are also popular with students because of their quality and function. A prominent example is the Campus notebook series for the Chinese market. In these notebooks, the line spacing is 1 millimeter wider than the Campus notebooks in Japan. This feature takes into account how Chinese people use plenty of Chinese characters in their writing. Such localization has helped us win favorable critical reception in the market. In fact, more than 90% of the products we sell in China were developed locally from scratch. By combining Kokuyo’s high quality standards with such intricate adaptations, we are differentiating ourselves from the competition in China, resulting in a 20% share of the middle-market segment. In our marketing activities, we are also applying our marketing experience in Japan to great effect. For example, Kokuyo Haku Shanghai and other director-to-consumer initiatives draw on our success with Kokuyo Haku in Japan. Similarly, in our operations in Japan, we gained plenty of expertise in solving distribution problems, and we have applied this expertise effectively in the first stage of building distribution networks in China. For example, we have applied Kaunet’s warehousing innovations. As these examples illustrate, we take the knowledge we have gained in the Japanese market and adapt it to the needs of the Chinese market to achieve steady growth.

Sharing Knowledge to Drive Global Growth

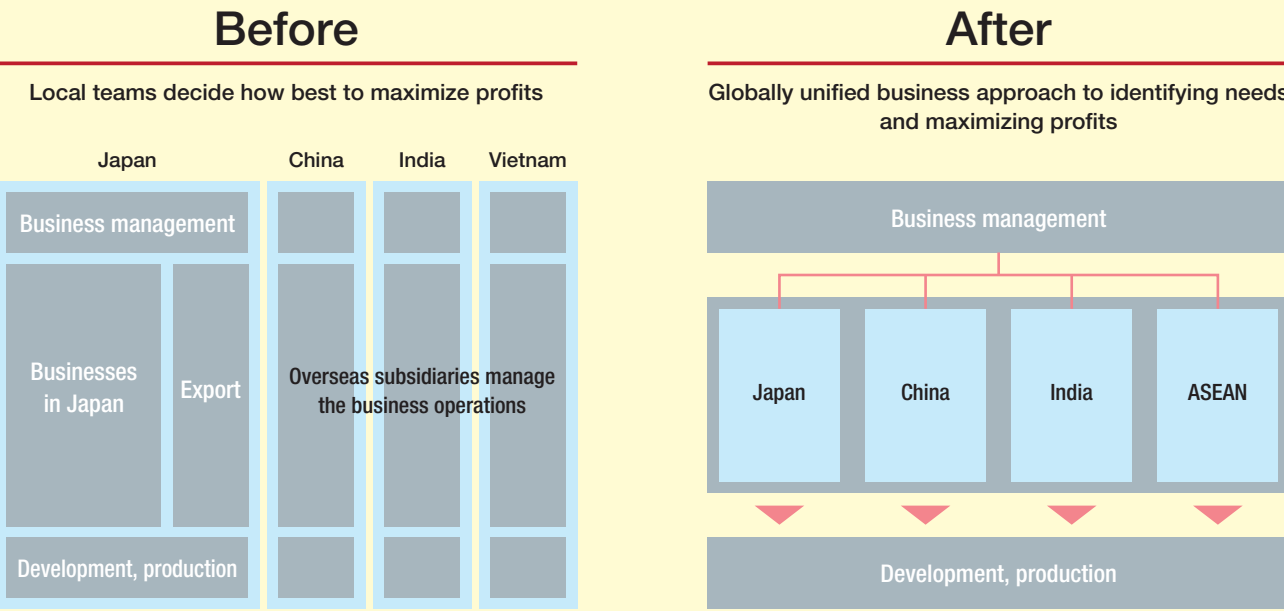
Global growth, one of the goals set out in the 4th medium-term plan, requires the sharing and integration of knowledge assets accumulated in each business and territory, including knowledge related to supply chain building and marketing. We are currently working on knowledge-sharing initiatives in two stages. The first stage involves sharing inter-regional knowledge sharing within a given business division. The second stage involves inter-divisional knowledge sharing (sharing knowledge between the stationery and furniture divisions).

Case: Organizational reform and knowledge sharing in the stationery business

In the stationery business, we are horizontally integrating knowledge related to localization in China and marketing. In the Chinese market, we discovered that students are very dedicated to their studies. Taking this market attribute into account, we set high school students as our main

target demographic and started marketing value-added stationery to them. Drawing on this successful experience, we started searching for similar market attributes in other territories and discovered potential for replicating the success in ASEAN and India. We learned that parents

The organizational structure targeted by the stationery business



in these regions tend to place great importance on their children’s education and to not hold back in investing in high-quality stationery. We also noticed that college students in North America tend to be diligent in their studies. In our efforts to market to such college students, we found that a marketing strategy that focuses on this diligent quality suits the market well. In this way, our Japanese marketing team has accumulated a body of success stories and market knowledge related to the overseas territories where we operate, and the team analyzes the knowledge to examine the potential for applying it in new territories. Guided by the findings of this analysis, the team has started the first stage of penetrating new markets. This first stage involves using pop-up shops to conduct market testing. The reason we use pop-up shops is because our experience in China and Vietnam suggests that they are effective for gaining customer touchpoints and understanding the market needs. In China, the staff who manage the pop-up shop have shared their practical knowledge with other teams, which has helped in selecting products for the lineup, for example. The 4th medium-term plan sets out the goal of sharing knowledge between territories and optimizing our whole set of business operations. To that end, we are transitioning into a matrix-like organization, with operations organized by function and territory. Previously, the trend

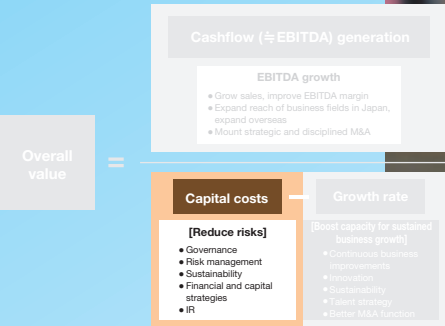
was for each territorial team to decide how best to optimize their operations. The problem with this approach was that we lacked global consistency. In the case of the Campus brand, for example, the design and specifications of the Campus notebooks varied by territory. Another issue was that we often had a diffuse series of production sites for a single product, resulting in inefficient production and overlapping components. To address these issues, we have started integrating our territorial operations horizontally by function (such as marketing and development). Specifically, under the new system, all functions (such as marketing, development, and production) are horizontally integrated for all four main regions (Japan, China, India, and ASEAN). This integration is designed to ensure a coherent strategy from global needs identification to product development and production optimization. We are also building a global marketing databank so that local market information and success stories can be shared and applied efficiently. One of the key priorities set out in the 4th medium-term plan is to cultivate a culture of knowledge sharing. To that end, we will build a cross-functional system whereby different business locations and functions collaborate to drive global expansion. To encourage further global expansion as well as expansion in Japan, we will create a platform for archiving successful and unsuccessful cases and sharing such cases between different divisions.

Message from the
Division Manager of

F&A

Hitoshi Honda

Managing Officer
Division Manager of Finance & Accounting
Division



Wow-Factor-Led Business Growth Balanced with Generous Shareholder Returns

The roles I serve

I joined Kokuyo in April 2024. Let me first share my career background. After graduating from university, I joined a big-name electronics company. I then worked for a major real-estate company and then a clothing manufacturer that was going global. In these corporations, I served a role in finance and accounting, in financial strategy, and in corporate planning and administration. I then joined other companies as chief financial officer. One of them was a large tech firm offering BPO and digital marketing services. Another was a major logistics firm. During my career, I learned directly from founding presidents about the importance of generating cash flows for funding large-scale investments in fixed assets. As a result, I have become something of a stickler for cash flow.

In November 2024, Kokuyo embarked on a new step toward its long-term vision, CCC 2030, by unveiling its 4th medium-term plan, Unite for Growth 2027. In Kokuyo, I serve three roles: that of a cash “guardian,” “prophet,” and “evangelist.” Rigorous management of cash flows helps the company attain the targets in its plan and, over the

longer term, achieve sustained growth in its overall value.

For the 4th medium-term plan to succeed, the company must unleash the “animal spirits” of each division to take on risks and challenges. That being the case, Kokuyo also requires a system of restraints to prevent reckless actions. Being a cash guardian means ensuring tight cash governance. Accurate bookkeeping is part of this, but it also involves acting as a watchdog that guards the company from the threat of impropriety in cash flows, including improper accounts and investments. Naturally, I will guard against irresponsible, reckless risk-taking, ensuring that all risk-taking is calculated and carefully considered, with decent prospects of success. Being a cash prophet means considering return on investment, forecasting future cash flow scenarios (both positive and negative), and presenting the management with a set of options for cash management. This role is particularly important in anticipating the acceptable risks that Kokuyo will need to take in its strategy of aggressive investment. I can only serve my roles as guardian and prophet effectively if the organization understands the importance of cash flows. That is why I also act as a cash evangelist.

3rd medium-term plan: A solid launch pad

Between 2022 and 2024, we proceeded with our 3rd medium-term plan, Field Expansion 2024. With the Chinese economic downturn affecting our furniture and stationery businesses, we downgraded our forecasts for the last of the three years, the year ended December 2024, and fell short of our initially announced targets for net sales, gross profit margin, and operating income margin. On the other hand, profit attributable to owners of parent exceeded the target and reached an all-time high. This result reflected the recording of extraordinary income from gain on sale of investment securities as a result of bringing forward the sale of cross-shareholdings. The extraordinary income more than offset impairment loss in Kokuyo Hong Kong. Consequently, ROE exceeded the 8% target, reaching 8.5%. As for growth capital expenditure, we spent just 11 billion yen of the total budget, which was 30 billion yen. We were considering investments that would have put us over the budget of 30 billion yen, but we ultimately decided against the deals following a rigorous valuation process of corporate value based on our own investment standards. Overall, the 3rd medium-term plan proved a successful in sowing seeds of growth that will sprout in the 4th medium-term plan. We have laid groundwork for growth, including making HNI Hong Kong Limited (now Kokuyo Hong Kong) a consolidated subsidiary. We have also bolstered our corporate functions by hiring external talent. In this way, we prepared a solid platform for launching into growth during the 4th medium-term plan.

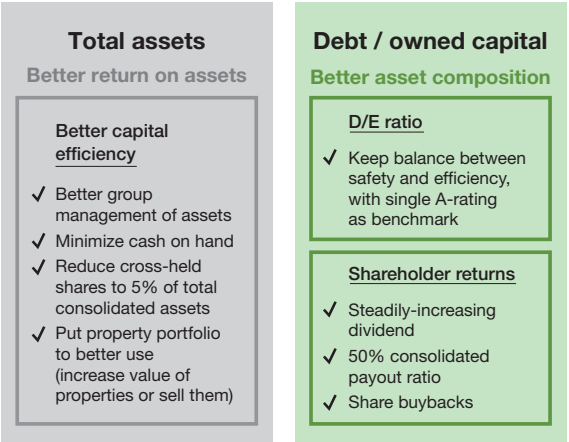
4th medium-term plan: Balancing business growth and shareholder returns

In the industry where Kokuyo operates, we have seen workstyles, learning, and homelife diversify at breakneck

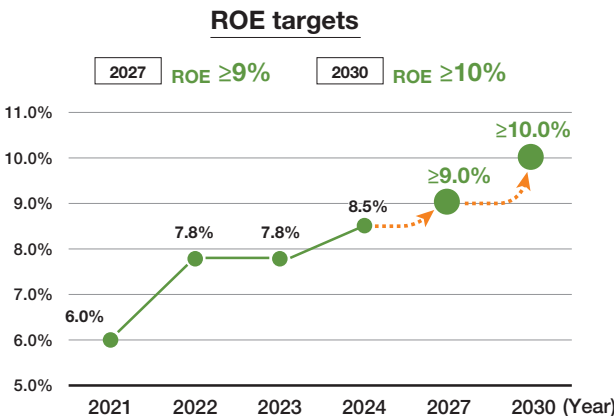
speed since the pandemic. As such, it is one of the most opportune industries for going beyond tangible products to offer intangible value. We have a huge opportunity for growth as an organization with solid finances and high-quality assets. The time has come to invest in these opportunities, using our abundant cash flows and, where necessary, using leveraged finance. Of course, we also need robust investment governance. We need to strike a balance between medium- to long-term returns in the stock market and short-term returns. That is why the financial and capital strategies set out in the 4th medium-term plan focus on balancing the need for reinvesting in business growth with the need for returning profits to shareholders.

The 4th medium-term plan sets out a framework for building the value of our organization by generating cash flows, reducing capital costs, and increasing the rate of growth. The numerator in this framework is not general free cash flow. Instead, we use EBITDA as a stand-in for cash on the believe that EBITDA is a relevant variable for an organization in the stage of proactive investment. Another advantage of using EBITDA is that it is easy for business units to apply as a measure in their business-level activities. While it may be hard for business units to fully understand the meaning of “value of our organization”, EBITDA offers a simple formula (the EV/EBITDA multiple) for measuring the value of a business, making it a convenient yardstick to apply to business-level activities. The Finance & Accounting Division has already been monitoring return on invested capital (ROIC) and weighted average cost of capital (WACC) levels at an organization level, but have now started incorporating EBITDA at a business level, from the perspective of ease of penetration. During the employee briefing about the 4th medium-term plan, I impressed upon employees the need for everyone to be mindful of return on investment. If business units want to increase their EBITDA, they will unavoidably start focusing on investment performance. Therefore, use of EBITDA will naturally encourage workable ROIC management.

Balance Sheet Management



* D/E Ratio = Interest-bearing debt ÷ Equity



* ROE = Net income ÷ Equity

Message from the Division Manager of Finance & Accounting Division

Balance sheet management

This approach of balancing EBITDA growth with capital efficiency is also the basic approach in balance sheet management as set out in the 4th medium-term plan. In line with the plan, we will reduce cross-shareholdings and other non-business assets to increase our capital efficiency. We will deliver generous shareholder returns, with a steadily increasing consolidated dividend and a payout ratio of 50%. We will also commit us to maintaining a single A credit rating and to managing the debt-to-equity ratio, with an emphasis on safety and efficiency. Through these actions, we will increase ROE to at least 9% by 2027 and to at least 10% by 2030.

We have continued to reduce cross-shareholdings. We committed to reducing our cross-shareholdings from 12.3% of consolidated net assets, as they were at the end of 2023, to less than 10% by the end of 2024. Delivering on this commitment, we ultimately reduced the 2024-end

balance to as low as 5.6% of consolidated net assets. Our cross-shareholding target for the end of 2027, the final year of the 4th medium-term plan, is less than 5% of consolidated net assets. We will further reduce non-business assets alongside our policy of increasing the value of, or selling off, our real-estate holdings. Knowing full well that cash does nothing to increase the value of our organization if it just sits in our coffers, I believe we must be more efficient in putting the cash to work across Kokuyo Group. As part of the program in the 4th medium-term plan to enhance administration of the corporate group, we will improve structures and processes managing Kokuyo Group’s assets to ensure that capital allocations contribute to a positive cycle whereby cash is generated and then reinvested in business growth and returned to shareholders.

Capital allocations

The 4th medium-term plan assumes operating cash flows of 73 billion yen. This comes to approximately 220 billion yen when we add the cash and cash equivalents and the gain on sale of non-business assets as of the start of the plan period. In allocating this capital, we will strike a balance between investing in projects to sustain our growth and returning the profits to shareholders.

The growth investment budget is 70 billion yen, more than twice the budget provided in the 3rd medium-term plan (which was 30 billion). Of the 70 billion yen, 50 billion yen is set aside for investing in existing businesses to drive organic growth. In Japan, the furniture business and other businesses have a favorable demand outlook. To capitalize on the growing demand, we will invest in productivity improvements and logistics innovations. For business-supply distribution, we will invest in our purchasing platform services.

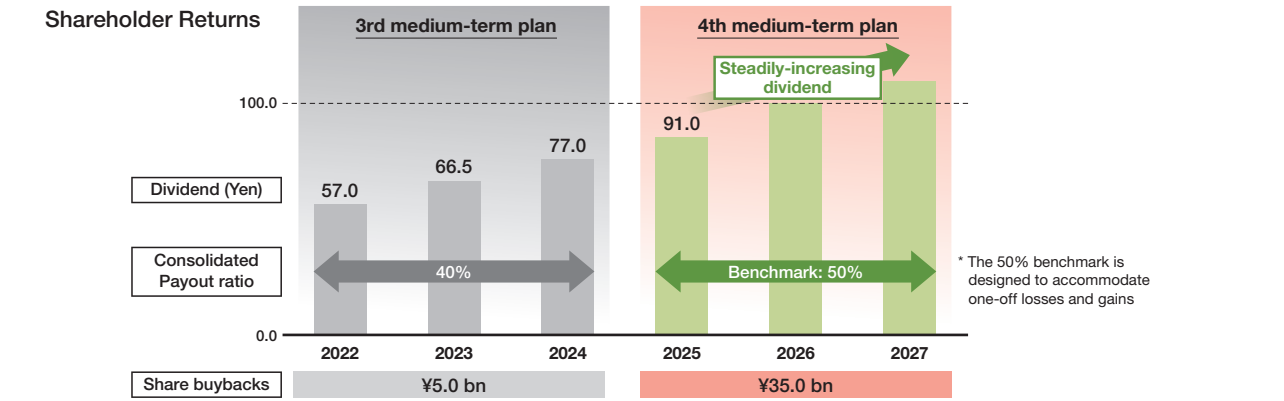
As for our M&A investments, we will focus on expanding our business assets in Australia, India, and Asian markets and contributing to an industry shakeup in Japan and overseas markets (see Message from the CSO on page 37 for more on Kokuyo’s approach to growth investments). The current M&A portion of the growth investment budget is 20 billion yen, but we are prepared to borrow extra funds depending on the prospective deals. I mentioned the importance of safety earlier, and safety will also be paramount in our M&A activities. We have a history of business in overseas markets. In Malaysia, we have operated for over 20 years (since 1999) via our subsidiary Kokuyo International (Malaysia). In India, we have operated through Kokuyo Camlin, which we acquired back in 2011. These operations have given us a body of local knowledge, which will help us minimize investment risks and maximize the chance of success.

Shareholder returns

We have committed to steadily increasing consolidated dividend with a 40% payout ratio over the period of the 3rd medium-term plan. This commitment was delivered in the annual dividend for the year ended December 2024, which was 77 yen per share, 10.5 yen higher than the previous year’s dividend.

In 2023 and 2024, we bought back shares, resulting in total payout ratio for those two years averaging at above 50%. The 4th medium-term plan retains the commitment to an increasing consolidated dividend and sets a payout ratio benchmark of 50%, taking into account one-off gains

and losses in each period. We will also buy back up to 35 billion yen in shares during the period of the plan. With this buyback program, total payout ratio will exceed 100%. To dispel concerns about share dilution, we will retire treasury shares to the extent that they account for no more than 2% of total issued stock. In February 2025, we announced that, during 2025, we would buy back up to 20 billion yen in shares, or up to 8.5 million shares, representing 7.5% of outstanding stock. We made this announcement to ease uncertainty among shareholders and other investors and to communicate our level of commitment.



Quantifying the wow-factor

We have seen the emergence of impacting accounting, which applies monetary values to environmental and social factors so that these factors are tied to financial information and can be used to measure the value of the organization. The impact investing market has grown (as measured by assets under management), while more companies are integrating social impacts into their business strategies and engaging in impact management. Kokuyo is doing so too. We have started disclosing the social and environmental impacts of our business activities, not just because that is the trend, but because it aligns with our principles.

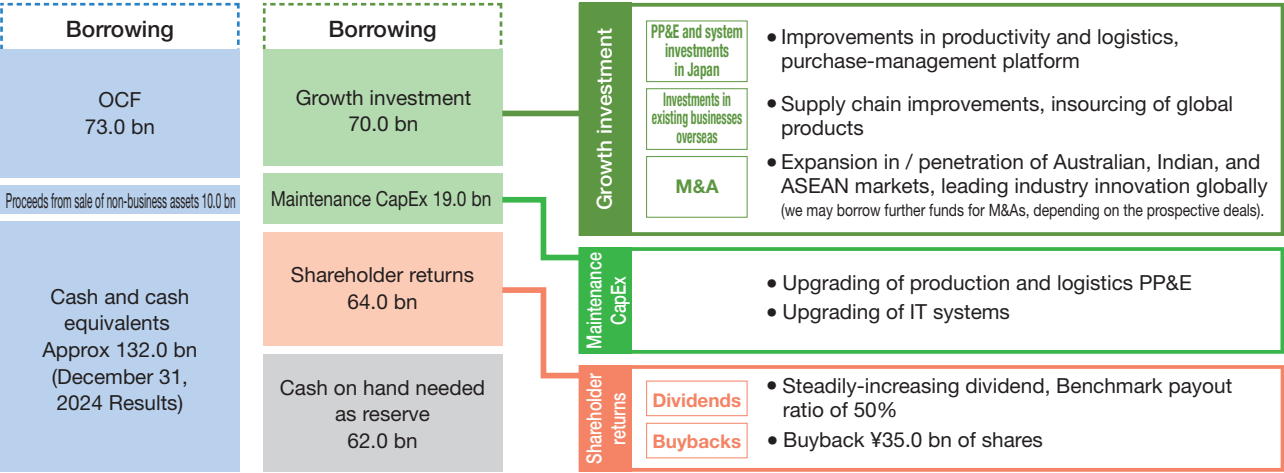
The 4th medium-term plan declares that our forte lies in a wow-factor creation cycle. It also sets out an update to our Forest-Like Management Model. Based on the idea of John Kotter, a leading authority on leadership theory, an organizational structure can consist of a tightly managed pyramid hierarchy and a network structure like

that of a startup. Sharing the wow-factor—inspiration and excitement—is essential in ensuring that people in this network structure interact freely, making trees of experience value blossom. If we can quantify the resonant power of our wow-factor, employees will have a clearer idea of the social impact they are making and have greater pride and confidence in the work they do. In turn, if the feeling of inspiration will then radiate outside our organization, attracting new talent and encouraging new partnerships. If we could apply monetary value to it, the wow-factor will be a compelling value proposition that will set our organization apart and instill even greater market confidence.

I, for one, feel the wow factor when I think about Kokuyo’s future. A host of growth opportunities lie before us, and President Kuroda has an almost palpable passion for growth.

I will discharge my responsibilities to ensure that Kokuyo, which celebrates its 120th anniversary this year, will continue in the years ahead to create new experience value with a wow factor, driving the organization’s value over the long term.

Capital allocations over the 3-year period



Engaging with the Stock Market

Dialogue with Investors



Investor Q&As

General strategy

| Theme | Investor comments | Our response |
|--|---|---|
| Long-term vision, Forest-Like Management Model | In the Forest-Like Management Model, your portfolio matrix indicates that some businesses could be sold off or withdrawn from, suggesting that you are committed to improving profitability rather than just pursuing further conglomeration. It will then be a question of whether you will put your policies into action. | Our plan is to invest in existing businesses so that they generate more cash and then monitor the investment performance against our internal profit criteria. Regarding M&A, we plan to focus on local production and sales in ASEAN, India, and Australia. We will be rigorous in assessing strategic alignment and in valuating the companies in question. |
| Financial and capital strategies | Kokuyo has shifted strategic focus from profit and loss to overall capital allocation, demonstrating the company's commitment to balancing business growth with shareholder returns and improving capital efficiency. We look forward to Kokuyo actively disclosing how it is integrating this focus on capital efficiency into business management, including its ongoing initiatives. | Our basic approach to balance-sheet management is to balance EBITDA growth with actions to improve capital efficiency, such as offloading non-business assets, delivering a steadily increasing dividend, and utilizing liabilities. While the Finance & Accounting Division monitors organization-wide ROIC/WACC, we currently apply EBITDA to each business unit because it is easy to penetrate. |

Business strategies

| Theme | Investor comments | Our response |
|------------|---|--|
| Furniture | The Japanese furniture business enjoys burgeoning demand. Do you expect this demand to continue? | In Japan, demand for office layouts will remain brisk until at least 2030, given that the decline in the working population is being mitigated by more women entering the workforce and a later retirement age. During the three years of the 4th medium-term plan, we will increase order volume to deliver solid organic growth while improving productivity to boost profitability. |
| | The overseas furniture business declined in 2024. What is the market outlook? | While economic adversities will persist in Mainland China and Hong Kong, we expect ASEAN markets to grow on the back of rising investment from Western firms. We expect growth in other office-furniture markets too: a CAGR of +6% in the Indian office-furniture market, a CAGR of at least +2.9% in the Australian office-furniture market, and a CAGR of +14% in the Australian serviced office market. During the three years of the 4th medium-term plan, we will expand in India and Australia, as well as in ASEAN, to offset the risk of a maturing Japanese market and expand our revenue streams. |
| Stationery | What is the present situation in China, India, and other overseas markets, and what strategy will you take in the future? | As the Japanese market continues to mature, we are targeting new markets that are growing. India and ASEAN have bright growth prospects despite the ongoing consumer slump caused by recession. The 4th medium-term plan includes a Campus brand strategy that positions Campus at the fulcrum of our unique value proposition for learning styles. To give examples of our strategies, in India, we will expand our product categories and launch products under the Campus brand. In ASEAN markets, we will use the Campus brand to win new customers, establish the brand in the target markets, and increase our market share. |

Message from the Division Manager of Risk Management Division

Successful Risk-Taking Requires Effective Risk Management

Takashi Onoda
Managing Officer
Division Manager of Risk Management Division



Robust risk management to support sustained business growth

The 4th medium-term plan, Unite for Growth 2027, commits us to expanding our businesses and their geographic coverage. These new challenges inevitably entail risks. While we do need to take risks, reckless risk-taking would threaten our continuity. We therefore require a robust process of risk management to control the key risks and support growth. To achieve global expansion, we must become better able to anticipate risks and better able to handle those risks that were unforeseeable.

On this belief, Kokuyo established the Risk Management Division in 2023. The division works through the Risk Management Office and Legal Affairs Division to develop and apply risk management structures across Kokuyo Group and facilitate compliance. The Risk Management Committee, a body that advises the CEO on risk management, holds quarterly meetings to monitor the risk landscape across Kokuyo Group. Alongside this organization-wide committee, business units and group companies have their own risk management committees, which hold semiannual meetings to monitor and manage business-level risks. Processes are also in place to deal with major risk events. We have delineated four incident levels (representing different degrees of severity and scale), defining for each level the primary reporting lines and the protocols to follow thereafter. The Risk Management Division and managing officers take a unified approach to risk management, enabling swift and effective risk responses.

The risks we face include market risks, but they also

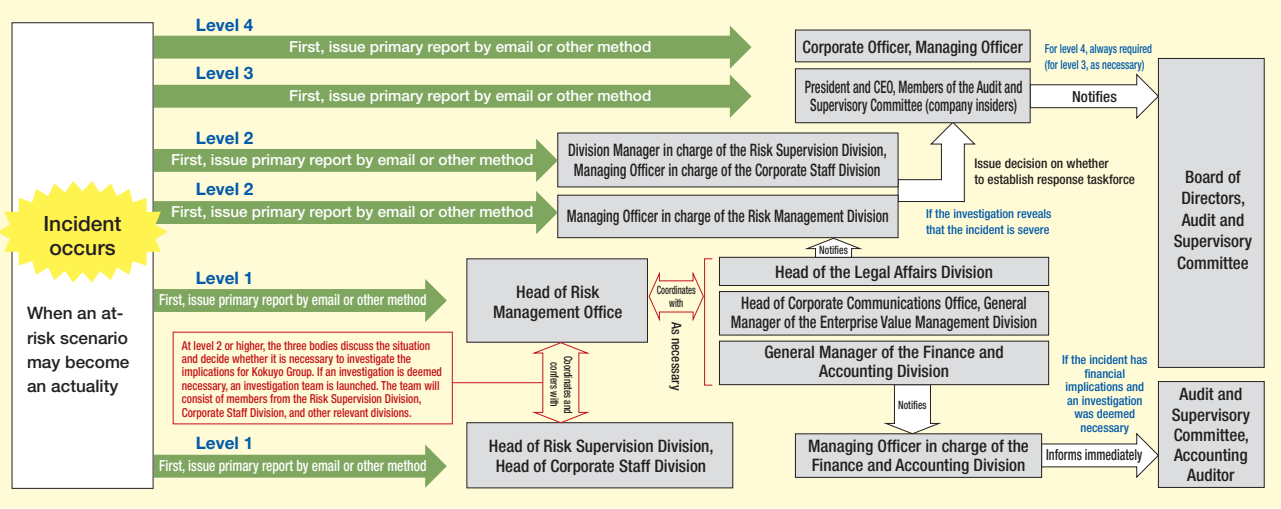
include supply-chain risks, sustainability risks, and investment risks. Such a diverse risk landscape requires effective risk management. The Risk Management Division, as the central body in Kokuyo's risk management architecture, works closely with divisions and business units in managing risk. For example, to manage investment risks, our division will engage with the CSO's team in making investment decisions.

Area management hubs combined with a unified global risk architecture

As we quicken the pace of global expansion, we will face increasing country-specific risks such as risks related to local regulation. To manage these risks, we need a unified global approach—an approach that applies uniformly wherever we operate. However, we also must balance this with country-specific approaches that take into account local circumstances. We already have a country-specific approach for China—an area management hub for legal compliance and risk management in a Chinese context. Drawing on this knowledge, we will establish a hub for coordinating risk management in other target markets, such as ASEAN markets and India.

We will also bolster our unified global structures and infrastructure for accounting (including tax accounting) and internal controls. Our Japan-centric business portfolio makes it hard to allocate enough resources to develop such structures and infrastructure in overseas markets. The 4th medium-term plan commits us to establishing a unified global infrastructure while simultaneously establishing area management hubs. That is how we will create the optimal risk management architecture for global expansion.

Incident response procedure

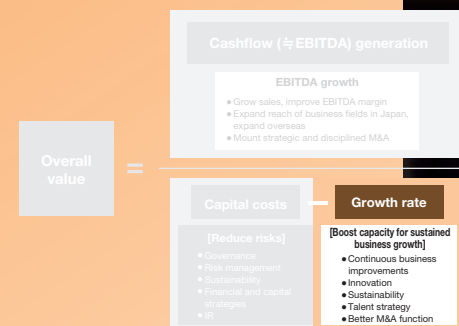


Message from the Division Manager of

H&C

Yasunari Koshikawa

Managing Officer
Division Manager of Human & Culture Division
Chair of Wellbeing Subcommittee



Unleashing Employees' Creativity to Take Kokuyo to the New Frontier

Empathy and humanistic creativity

Over the years, Kokuyo has expanded from stationery into office furniture and interior design, but one thing has remained constant ever since the organization was first founded: Kokuyo has always been sensitive to the needs of its customers and created solutions that make customers' study lives and work lives better. Alongside this tradition, we have a workforce that takes pride in honing their empathy and humanistic creativity. Kokuyo is an organization of people who are driven most of all by the desire to create something that will delight the customer. This body of people is the source of inimitable ideas that help differentiate our business. Our long-cherished corporate culture and unique approach to value creation constitute core competences that we will continue to cherish and hone.

As empathetic and creative as Kokuyo employees are, when I joined in 2022, I got the impression that the employees, individually and collectively, were enclosed in an invisible cage. As is often the case for companies with a long history, the business model was a little too rigid and

employees were limiting themselves and their potential to their particular business domains. It was also true, though, that everyone was passionate about delivering new value in whatever business domain they were in. Over the past 20 years, Kokuyo's consolidated net sales have trended at 300 billion yen. Kokuyo has potential to increase its revenue growth if it deploys its talent in new business domains and global markets. My role is to prepare the organizational structures that will unleash every employee's potential. To execute this task, Kokuyo needs an injection of fresh ideas. Drawing on my experience working for a growing company, I will channel my cumulative career experience into Kokuyo with a view to empowering employees and unlocking powerful business growth.

The 4th medium-term plan, Unite for Growth 2027, sets out a basic approach of updating the Forest-Like Management Model and expanding the delivery of experience value in Japan and overseas. This approach requires us to venture into new frontiers, and we cannot do so if we remain constrained by past practices. That is why, in our talent development strategy, we will develop actions for maximizing Kokuyo-style creativity.

(▶ To find out more, see p. 54 (Talent Strategy))

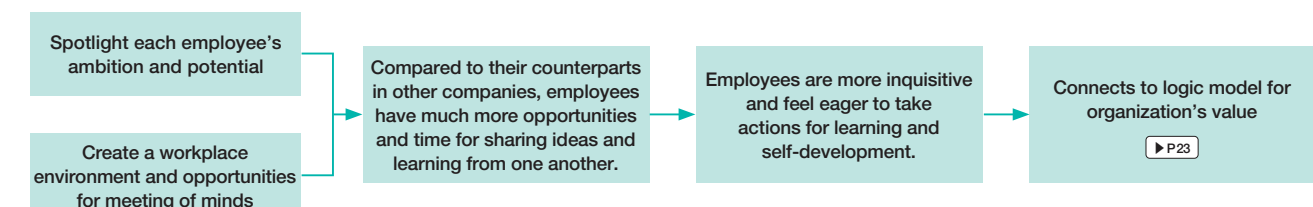
Uncovering and unleashing every employee's creativity

Our talent development strategy identifies creativity as the source of Kokuyo's value creation. It also identifies the need for stronger leadership to further empower this creativity.

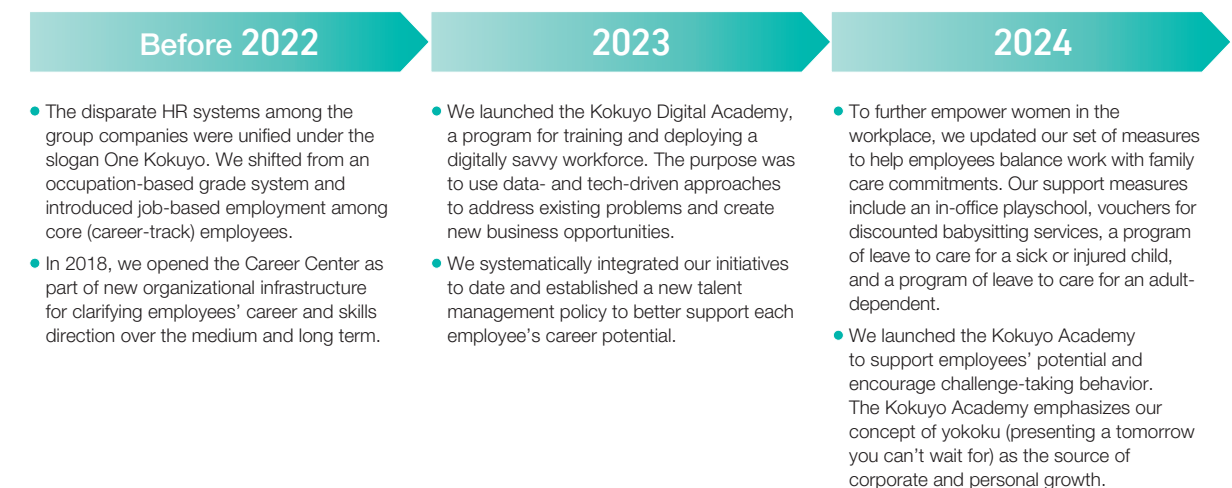
Aligned with Kokuyo's vision of a self-directed, collaborative society, the talent development strategy sets the goal of cultivating a workforce that has a singular passion for building a humanistic world. The first step is

to have a workforce that embodies the ideal of everyone acting autonomously but also interdependently with others. To that end, we take a range of actions to spotlight each employee, uncovering their hidden talents and inspiring them to excel. These actions include discussing individual employees' potential, from multiple perspectives, at the Talent Development Committee. They also include one-on-one consultations between an employee and the employee's supervisor for discussing the employee's creative ideas and future career. Such measures link Kokuyo's growth with employees' personal growth.

Talent strategy and talent investment story



Past programs introduced to enhance the talent strategy



At our company, we conduct the employee engagement survey "wevox" on a monthly basis to monitor changes.

As a result of our ongoing talent strategy measures, the engagement score has risen three points over the past two years. This is an impressive accomplishment. Alongside the improvement in engagement, the organizational culture has become more future-oriented. With the update to the Forest-Like Management Model, managers and other employees have started thinking more about the future of the business, rather than just the present situation or what happened in the past. Alongside

this change, Kokuyo has introduced performance-linked stock compensation. The stock compensation plan, initially for just "core employees" (career-track employees of a certain rank upward), will encourage the recipients to take an interest in building Kokuyo's value over the medium and long term. As with the use of EBITDA as a performance metric in the 4th medium-term plan, this measure is designed to instill confidence in the company's medium- and long-term growth prospects by linking part of the compensation to Kokuyo's value over the medium and long term.

The seeds of creativity in employees can only be nourished into mighty trees if Kokuyo has strong leadership. A clearer understanding of the need for leadership is now taking root among employees thanks to the updated Forest-Like Management Model. To drive Kokuyo's global expansion, we need leaders who can

brave the challenges of an uncertain future, who can take decisions at critical junctures, and who can work with a team of diverse cultural backgrounds. Kokuyo's leadership team increasingly understands that such leadership skills are essential for the company's strategy of expanding the delivery of experience value.

Requirements for acquiring the talent we need, actions to be taken

| Key elements of the Forest-Like Management Model | Talent management tasks | Examples of actions | Contribution to overall value |
|--|--|---|--|
| Value creation cycle | Hire the talent to sustain the value creation cycle | <ul style="list-style-type: none">Active hiring of fresh graduates and mid-career candidatesTV advertising, reform of corporate culture (by reforming systems), internal and external disseminationDistinctive initiatives like the 20% Challenge | Sustained improvements in hiring competitiveness |
| Strategy to expand the reach of our experience value | Nurture leadership talent that will grow businesses by expanding the reach of our experience value | <ul style="list-style-type: none">Leadership and creativity program (Kokuyo Academy)Encouraging employees to be company shareholders (so they will take a greater interest in our overall value) | Sustained improvements in employee engagement |
| Accumulating knowledge | Make workplace more conducive to experimentation and innovation | <ul style="list-style-type: none">Original interior designs that encourage new workstyles and teamworkNew workstyle ideas trialled at THE CAMPUS (Shinagawa)Opening of DIG, a family restaurant-style learning space where diverse activities intersectRelocation of head office to create new connections with people and companies | Continuous improvements in productivity Development of innovative ideas |

Further transformation in the organizational culture

Once an employee's creativity has been uncovered, it needs to be channeled into business activities. One way of doing that is through meaningful redeployments. Purposeful redeployments is a key task for this year. Last year, we attempted a number of redeployments with a view to unleashing employees' potential. The problem was that our organization had limited experience in redeploying staff for the purpose of upskilling. This year, we will take a more flexible approach and accumulate a body of best practices in redeployment. Meaningful redeployments will be an effective practical measure in disseminating business-level knowledge, as envisaged in the Forest-Like Management Model. By transcending boundaries between business units, and especially with redeployments among the leadership class, leaders will gain opportunities for encountering effective practices in other business

units. It will also increase the number of cases where employees, through a redeployment, walk a different path from the path they normally walk and gain successful experiences from such. This will create an appetite within the organization for more redeployments and challenge-taking behavior, which will be crucial in driving further transformation in our organizational culture.

A globally esteemed organization

The actions we have taken in our quest for a self-directed, collaborative society are starting to produce results. As more employees begin to discover their potential and take on challenges, we will start seeing palpable differences in business outcomes. I feel confident and excited about the limitless possibilities that Kokuyo's humanistic creativity can produce. With a talent strategy that focuses on each employee, I will continue to serve my role in forging a future in which Kokuyo is a globally esteemed organization.

Talent Structure, Talent Strategy

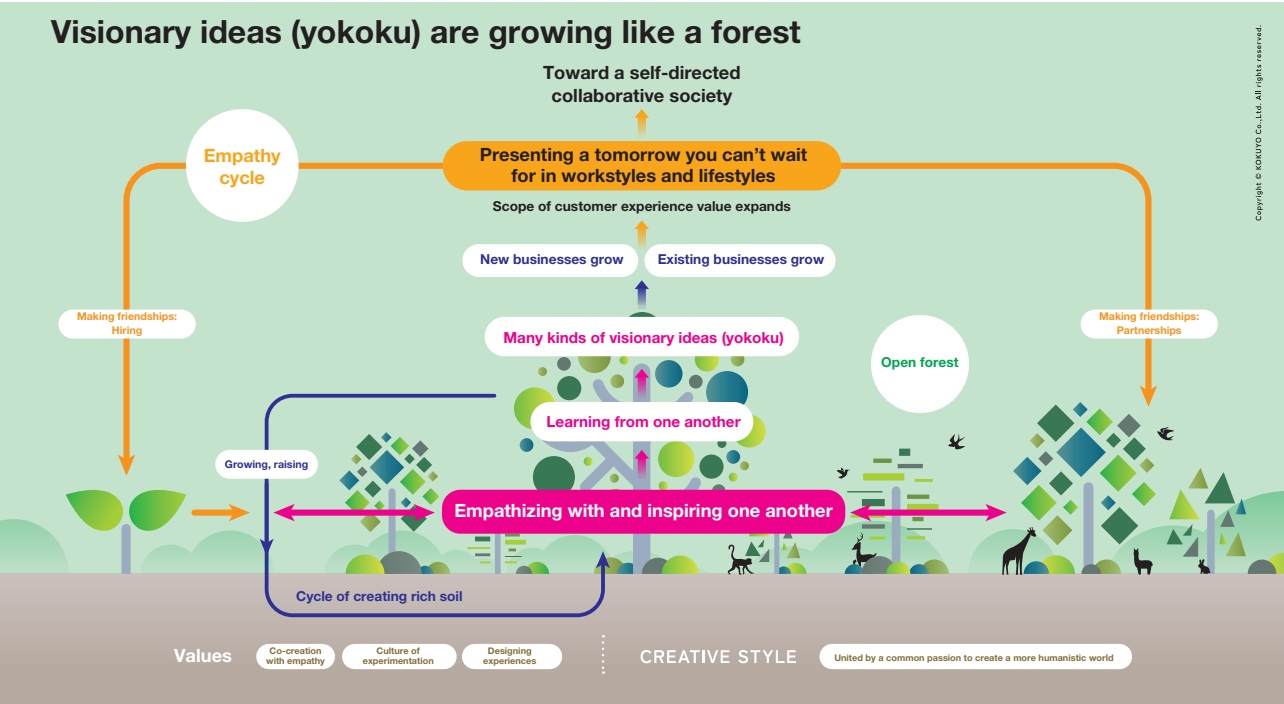
<https://www.kokuyo.co.jp/sustainability/society/human-resources/>

Maximizing the creativity of our talent is key to creating new value and addressing socio-environmental problems, which in turn will transform our business portfolio. We are fostering an open culture in which employees feel confident to express their individuality and apply their strengths. We are also cultivating leaders who will maximizing employees' creativity.

A story of a talent strategy for unleashing Kokuyo talent

What makes our organization strong is the way our employees are diligent about meeting the customer's needs and how, to that end, they will engage their creative thinking to such an extent that they appear nerdy and quirky. To maximize creativity, the driving force of our wow-factor creation cycle, we are motivating and empowering such

employees by spotlighting their potential. Such spotlighting works synergistically with an empathetic and comradely workplace culture, producing many kinds of experience value that contribute to business growth. That is the talent strategy story we are weaving.



Hiring strategy

Hiring the talent to sustain the wow-factor creation cycle

We are hiring more fresh graduates and mid-career candidates to ensure we have enough talent to drive business growth. With hiring becoming increasingly challenging, we are using corporate branding to increase our competitiveness in the hiring market. In FY2025, we managed to hire a little over 100 fresh graduates. In 2026 and later years, we plan to hire a similar number. When considering fresh graduates and mid-career candidates, we look for candidates who understand our corporate philosophy and have the potential to drive forward our Forest-like Management Model in the future. We also look for candidates who have developed entrepreneurial skills from experience of starting businesses and candidates who have gained digital skills or developed a global mindset from attending long-term study overseas programs or experiencing different culture.

We have also started hiring local candidates in overseas locations to drive forward our global business expansion. We are hiring candidates who personally identify with the Kokuyo workplace culture and who, through working at Kokuyo in Japan, will imbibe our corporate DNA and then disseminate it in overseas locations. In this way, we are building the foundations for globally propagating the creative ideas and added value that are distinctive to Kokuyo.

| Results for number of fresh graduates hired | | Target | |
|---|---------------------------|--------------|--------------|
| 2024 | 2025 | 2026 | 2027 |
| 113 (53 men, 60 women) | 105 (48 men, 57 women) | At least 100 | At least 100 |

Training strategy

Opportunities to gain discontinuous skills and experience

In 2023, we established the Talent Management Policy to guide us in empowering the talent that will drive forward strategies aligned with our long-term vision, CCC 2030. It includes the principle that Kokuyo’s workforce as an asset to society and that we should help every employee achieve their potential and cultivate talent that will drive business growth and contribute toward a better society. This principle is shared by the management and every employee. We have enshrined this principle and set it as a standard for helping employees bring forth their value and creating the environment and opportunities for putting values and ideas into practice.

The 4th medium-term plan commits us to enhancing strategic coordination across Kokuyo Group to further expanding experience value in the run-up to 2030. To that end, we are increasing talent fluidity as part of a ramping up of measures to further diversify our talent, acquire a broader range of skillsets, build interdivisional relationships. Part of this will involve meaningful redeployments, meaning redeployments that are desirable both to the management and the employees in question.

Among our initiatives to encourage employees to expand their horizons is Kokuyo’s 20% Challenge, in which employees volunteer to dedicate 20% of their working hours to working in another part of the company. The program is designed to encourage employees to take the initiative in pursuing their careers and developing their skills and to breathe new life into the organization. One priority in our talent strategy is to accelerate the training of junior employees. At the Talent Development Committee, managers consider from multiple perspectives how best to support the career of each employee and what job assignments would provide the best growth opportunities. The professional level of each employee is represented visually, and these visuals are used to determine optimum redeployments and job assignments.

Another priority is to foster the next generation of

top-level leaders. In 2025 and beyond, we will identify candidates for top leadership and, from a company-wide perspective, assign them challenging tasks, develop a skills development plan, and use strategic job rotations to give them experience in multiple fields to expand their skillset. We have a talent development institution called Kokuyo Academy, which is designed to give attendees an idea of *yokoku* as the source of corporate and personal growth and to help them refine the leadership and creative skills they need to make their *yokoku* a reality. The idea is also for attendees to gain confidence in their potential from what they have learned so that they will feel empowered to take on a new challenge. In this way, Kokuyo Academy helps foster a culture of continued learning and challenge-taking (*yokoku*). In tandem with Kokuyo Academy’s skills development program, we provide a business management program that equips employees with the business skills they require to manage a business and a deeper understanding of business profit structure.

We have also committed to cultivating a globally savvy workforce that will drive forward our global expansion. We will encourage employees to attend short-term study programs overseas and forge international personal networks, thereby creating a climate in which it is normal for employees to come and go between Japan and other countries. With a view to increasing the number of overseas deployments, we will identify employees with potential to excel overseas and train up their global skills.

To build digitally savvy talent, we will step up efforts to hire fresh graduates with excellent potential and mid-career candidates. These hires will be assigned to the business supply distribution business, which is centered in digital technology. By coordinating between the business divisions and IT division, they will gain experience in value creation. They can then be deployed in other business units. Through this process, we will bolster digitally savvy talent across Kokuyo Group.

| | KPI | Companies covered | 2021 | 2022 | 2023 | 2024 |
|--|---|---------------------------|---------|---------|---------|---------|
| Spotlight each employee's ambition and potential | | | | | | |
| Personalized career support | Cumulative total of employees who have participated in the 20% Challenge | Kokuyo, Kaunet | 129 | 189 | 266 | 378 |
| | Percentage of management posts held by women | Five main group companies | 7.75% | 8.14% | 9.41% | 10.9% |
| Cultivating leaders | Cumulative total of employees who have participated in the Kokuyo Marketing School | Kokuyo, Kaunet | 118 | 143 | 168 | 192 |
| | Cumulative total of employees who have participated in the Kokuyo Marketing Graduate School | Kokuyo, Kaunet | 73 | 93 | 113 | 133 |
| | Training expenditure per person | Five main group companies | ¥39,107 | ¥42,955 | ¥54,554 | ¥62,554 |

Creating an environment that supports wellbeing

An open culture that supports personal growth and productivity improvements

We will create an organizational culture that empowers diverse employees to take challenges and shift to an approach in which employees take the initiative and act across divisional boundaries. To that end, we will encourage mutually inspiring camaraderie in an effort to support both personal growth and productivity improvements. We will also create a workplace environment that is inclusive and supportive to employees with diverse circumstances.

Aspiring to have the most open organizational culture in the world, we are taking steps to facilitate communication within the organization. For example, we have started using a digital tool to enable smooth communication both vertically (between management and frontline workplaces) and horizontally (between different organizational structures divisions) and have established structures to encourage initiative taking.

We also have some unique programs for encouraging employees to take the initiative. One example is Manabi Share. Launched in 2020, Manabi Share helps employees engage in self-driven learning. The program is designed to encourage employees to inspire each other. In the program, employees organize workshops on a particular theme to share their experiences and knowledge across the organization and to exchange ideas with fellow attendees.

In 2025, we launched the Manabi Seminar so that employees can share with one another the experience and insights they gained from taking on challenges and the passionate mindset with which they overcame obstacles, and so that such knowledge can be applied. The employee acting as instructor interacts with the attendees like in a seminar. The idea is that the attendees will learn and gain inspiration from one another and then apply the knowledge in fresh challenges.

Another program is Kokuyo-Style Hybrid Work. This program honors diversity and individuality while encouraging employees to engage in workstyles that

improve the productivity and creativity of the team as a whole. In this program, employees choose an office attendance pattern. Every three months, they undergo the experience of reviewing how effective the pattern was in terms of team productivity and team creativity and take steps to refine their workstyle.

We are working to create a workplace environment in which employees with childcare or eldercare commitments, or with other challenging circumstances, feel empowered to be themselves. We provide organizational support to help employees maintain a high standard of work while meeting their childcare or eldercare commitments. These programs include a subsidy for babysitting, an in-office playschool available when schools break for spring and summer, and the option to bring children to the office. In our program of leave to care for a sick or injured child, we raised the child age limit to elementary grade 6 (ages 11–12). For leave to care for an adult-dependent, we have relaxed the dependency level threshold.

We have a longstanding commitment to inclusivity. We started employing people with disabilities as early as 1940. In 2003, we founded a special subsidiary (disability-friendly employer) called Kokuyo K Heart. In 2006, we founded Heartland as an employer of people with intellectual disabilities or psychiatric conditions. In 2023, we took a further step in promoting diversity and inclusion by launching Hows Park, a diversity office within our head office. It is a place where people with disabilities and people with none respect one another and where diverse employees stimulate each other’s personal growth in process for creating inclusive products and services. We use the experiences and insights gained in this process to present to society inclusive designs and design tech for diversity offices, thereby helping address socioenvironmental problems.

| | KPI | Companies covered | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|---|---------------------------------------|-------|-------|-------|-------|------|
| Create a workplace environment and opportunities for meeting of minds | | | | | | | |
| An open organizational culture that empowers diverse employees to take on challenges | Challenge-taking culture score | Kokuyo, Kaunet | 63 | 66 | 66 | 69 | 71 |
| | eNPS | Consolidated group companies in Japan | – | – | –65.8 | –62.4 | – |
| | Cumulative total of employees who have participated in Manabi Share | Kokuyo, Kaunet | 1,989 | 2,046 | 2,703 | 2,963 | – |
| Building a workplace that empowers diverse employees | Monthly overtime (hours) | Five main group companies | 21.7 | 22.4 | 19.8 | 21.0 | – |
| | Paid leave uptake rate | Five main group companies | 48.4% | 54.3% | 61.7% | 71.1% | – |
| | Paternity leave uptake rate | Kokuyo, Kaunet | – | 64.3% | 57.1% | 64.3% | – |
| | Percentage of employees who have a disability | Group companies implementing | 2.37% | 2.33% | 2.38% | 2.55% | – |

* The five main group companies are: KOKUYO CO., LTD. Kaunet Co., Ltd., KOKUYO Marketing Co., Ltd., KOKUYO Supply Logistics Co., Ltd., and KOKUYO Logitem Co., Ltd.
eNPS: Employee Net Promoter Score