



INTEGRATED REPORT

# 2022



What future  
does Kokuyo  
envisage?

## A self-directed, collaborative society—a world that respects personal values and cherishes social bonds

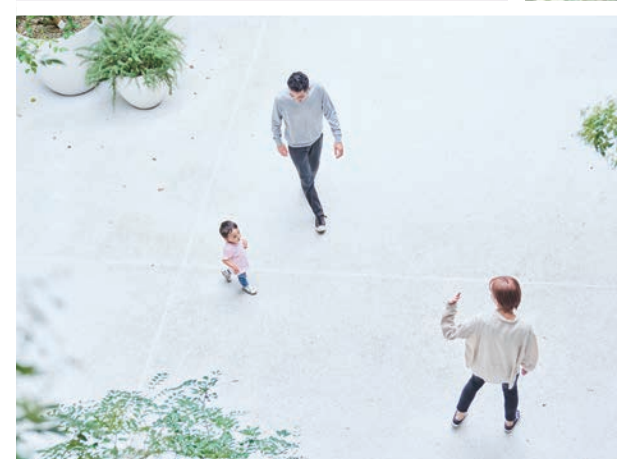
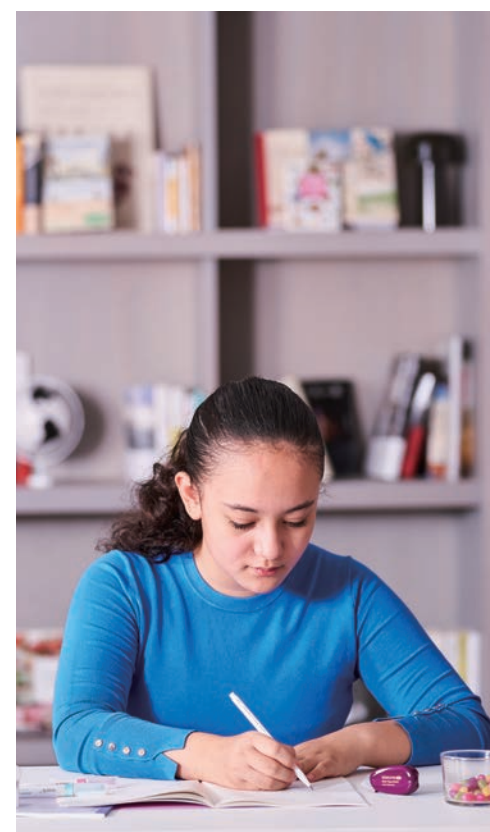
A society that works for everyone is one in which personal freedom goes hand in hand with social cohesion.

This means that people can be themselves and explore their own ideas freely.

At the same time, people act empathetically, respecting one another's values and developing value together.

Horizontal connections between people, tools, and environments will provide new opportunities to collaborate for a better world.

This is the self-directed, collaborative society we envisage.





What is  
Kokuyo's  
purpose?

## Presenting a tomorrow you can't wait for.

We recognize that our vision of a self-directed, collaborative society is very ambitious.

The world is growing more complex than ever. The future might always remain unclear and precarious.

But we believe in the power of creativity and diversity to create a better tomorrow.

We can help foster creativity and diversity by offering new workstyles and new lifestyles.

People should be free, creative, and true to themselves, not bound by past practices.

We will always help people to express their authentic selves.





What is the source of the value Kokuyo creates?

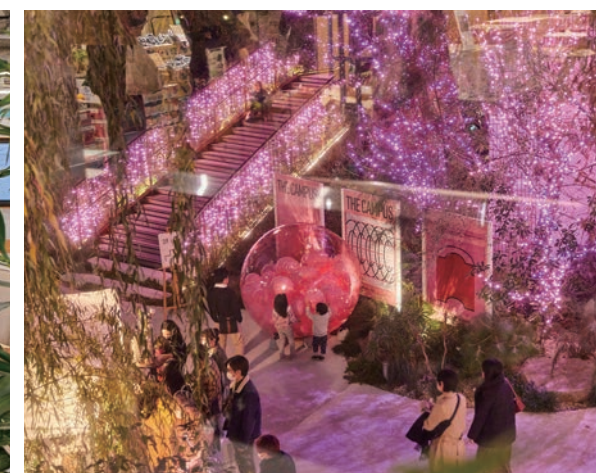
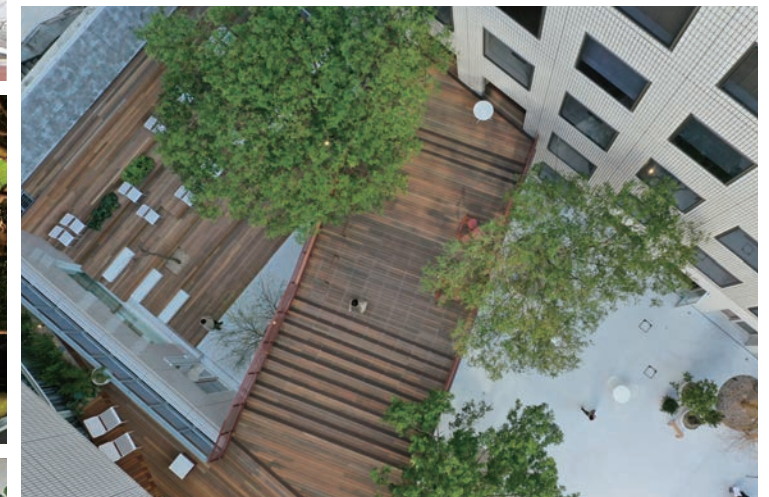
## Co-creation with empathy underpinned by a practice of designing experiences and experimenting

The source of the value we create lies in co-creation with empathy—our ability to empathize with customers' needs and work together with customers to create new value.

Underpinning our empathic design is our practice of designing experiences, in which we visualize experiences, and our culture of experimentation, in which we keep experimenting without fear of failure.

All these activities are inspired and guided by our philosophy: be Unique. The experiences our products and services deliver stimulate creativity, helping people express their authentic selves.

We will work with our partners in society to create new value together for a better tomorrow.







Foreword

Last year (ended December 2021), we restated our philosophy and embarked on a program of transformation to achieve our next growth goal. For this year, we decided to publish an integrated report to give our shareholders and other stakeholders a better idea of our new strategic direction and how we aim to achieve sustainable corporate development and create value on the road to 2030 and beyond.

By reading this integrated report, you will discover how we derived our purpose from the future we envisage (a self-directed, collaborative society), how we defined our value-creation story and material issues (the issues that matter most to us and our stakeholders), and how we have aligned these issues with our business strategies.

You can also read the following messages from the members of the management team:

- **Hidekuni Kuroda (President and CEO): Our long-term vision, purpose, and sustainable business strategy**
- **Toshio Naito (Corporate Planning, CSO): Our third medium-term plan**
- **Naotaka Umeda (Financial Administration): Our medium-term financial strategy**
- **Hidekuni Kuroda and Yukio Ida (Head of Sustainability): Dialogue on sustainable business strategy**

This report also includes non-financial information describing our climate-related strategies and activities. This information is consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which we recently endorsed.

In compiling this report, we adhered to the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) along with the Guidance for

Collaborative Value Creation provided by Japan's Ministry of Economy, Trade and Industry.

**Period to which this report pertains**  
This report pertains to the fiscal year ended December 31, 2021, but it also includes information that predates or postdates that fiscal year.

**Disclaimer on forward-looking statements**  
This report contains performance forecasts and other forward-looking statements. Such statements are based on information available and on assumptions considered reasonable at the time of compilation. They should NOT be taken as assurances that the forward-looking statements will prove accurate. Actual results or future events could diverge markedly from forecasts for a variety of reasons.

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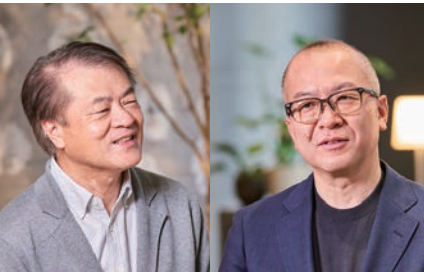
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# Path of Business Growth

## An evolving business portfolio that creates new value

### Early years, groundwork for growth

Kokuyo traces its history back to 1905. In that year, our founder opened a shop in Osaka, believing that any business will succeed as long as it provides something useful. Initially, he produced binders for Japanese-style ledgers (wacho) under contract. He then started producing his own wacho with built-in binders.

From 1913, the business increasingly solidified its position as a manufacturer of paper goods. Kokuyo, as the business became known, was now producing Western-style ledgers too, along with payment slips and various other paper goods. During the Second World War, Kokuyo endured the adversities of the conflict. Remarkably, however, its Osaka head office and plant both survived the allied bombing unscathed, which helped the company recover in the postwar years. By 1954, which marked the company's 50th anniversary, Kokuyo had far surpassed its prewar highs and become a leader in the paper goods industry. In 1960, Kokuyo ventured into steelware, launching its first range of steel filing cabinets.



### Business expansion, rapid growth

The launch of filing cabinets provided an impetus for change, resulting eventually in Kokuyo's current growth strategy of shifting from tangibles to intangibles. That is, in the process of selling and marketing office products, Kokuyo gained increasing insight into customers' office layout needs, culminating in the strategy of offering all-encompassing spatial solutions.

Kokuyo entered the 1970s with a fresh vision: As expressed in the new slogan "KOKUYO, for all your office needs," the company would expand from ledgers and start offering a wide range of office supplies, including stationery and furniture. By the late 1970s, Kokuyo had shed its image as a traditional ledger purveyor and rebranded itself as the most cutting-edge producer of office supplies.

The 1990s saw a powerful wave of globalization. Responding to this trend, Kokuyo established a succession of representative offices, joint ventures, and local subsidiaries, through which it developed global supply chains and distribution channels.



### Reform, expansion in Asia

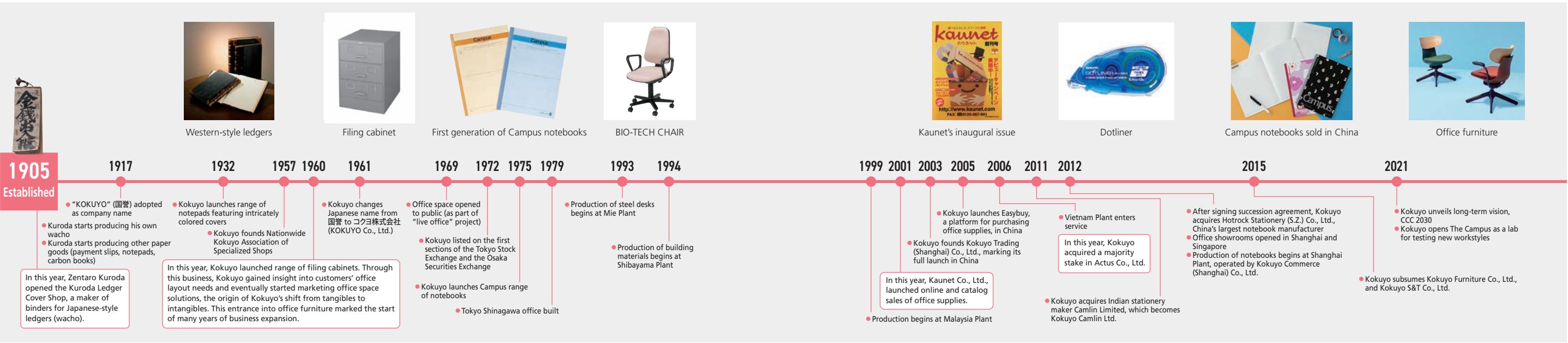
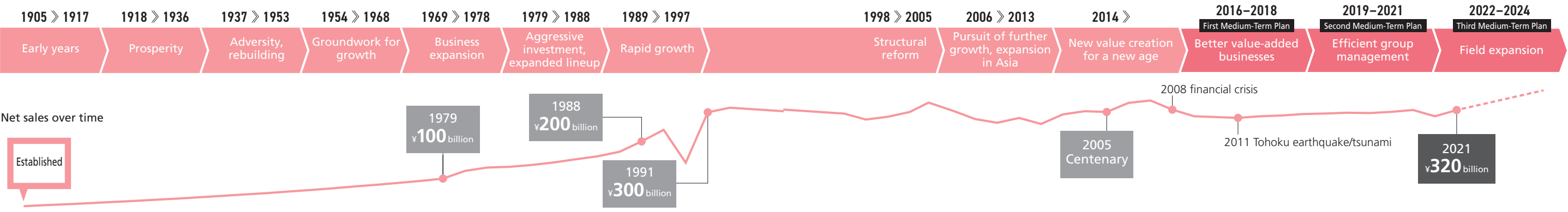
After Japan's asset price bubble burst, economic stagnation ensued and persisted into the new millennium. Responding to these conditions, Kokuyo launched a bold program of reform, including an overhaul of distribution channels and organizational restructuring. In 2004, Kokuyo formed a corporate group by spinning off its businesses and establishing a holdings company. In 2011, the business climate changed dramatically. Aiming to adapt to the changes, Kokuyo reacquired the spun-off businesses and reorganized its businesses into two core segments: stationery and furniture. It also started targeting Asian markets outside Japan to create further opportunities for growth. While the company's name means "pride of Japan," Kokuyo was now aiming to be the pride of Asia.



### Embracing sustainability

In 2015, Kokuyo consolidated corporate assets by merging its business and corporate divisions. It also consolidated group companies to boost the group's earning potential. Over the next six years, Kokuyo worked on two medium-term plans (the first for 2016–2018 and the second for 2019–2021) designed to bolster its business foundation.

In 2021, Kokuyo adopted a new long-term vision, CCC 2030. CCC 2030 updates Kokuyo's purpose/mission and commits the organization to becoming a diverse "forest" of businesses capable of achieving 500 billion yen in net sales in the target year of 2030. In 2022, Kokuyo embarked on a new medium-term plan (2022–2024) that focuses on both tweaking existing businesses and expanding the business fields. In May 2022, Kokuyo produced a purpose statement, present visionary ideas for work and life, and conducted a fresh materiality assessment, heralding a new direction in sustainable management.

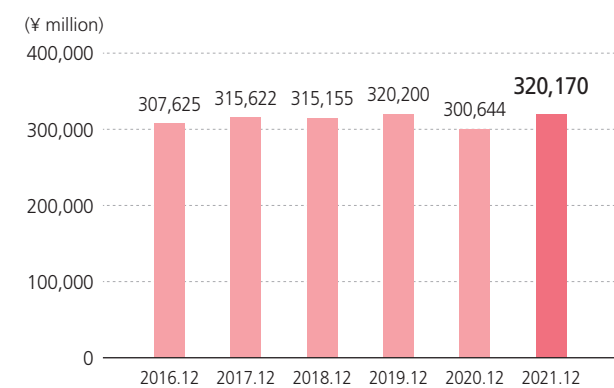




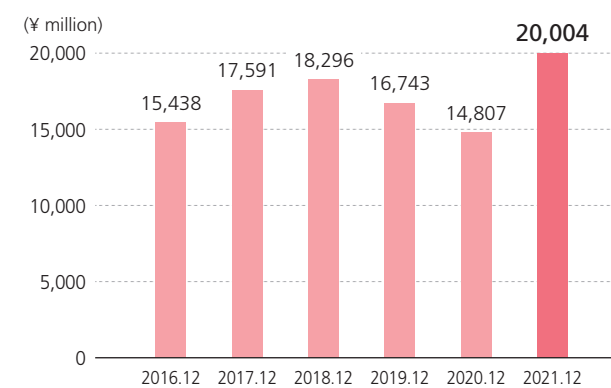
# Financial and Non-Financial Highlights

## Financial Highlights (Consolidated)

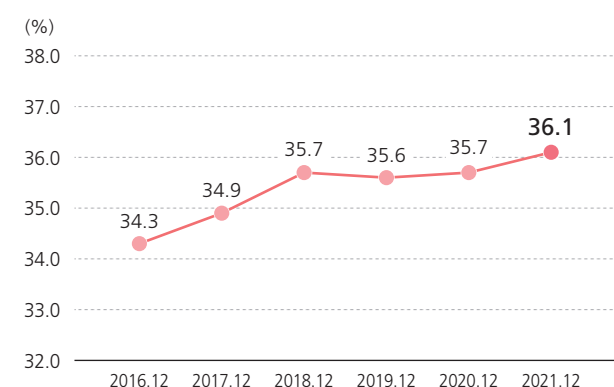
### Net sales



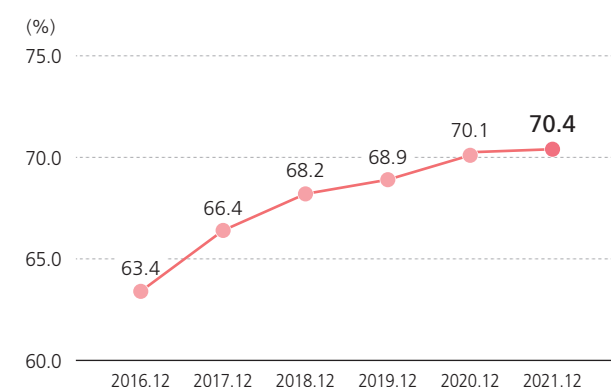
### Operating income



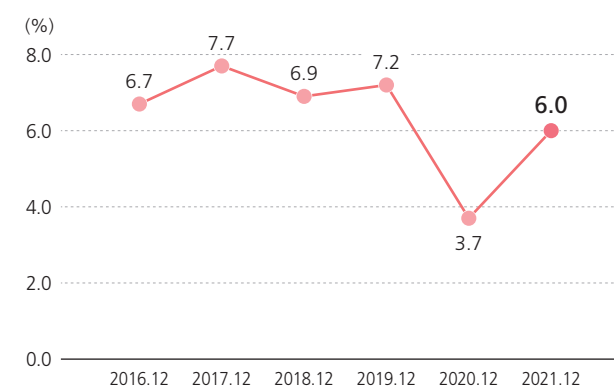
### Ratio of gross profit to net sales



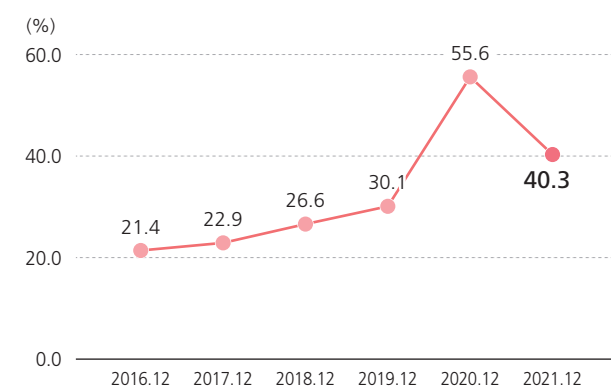
### Equity ratio



### Return on equity

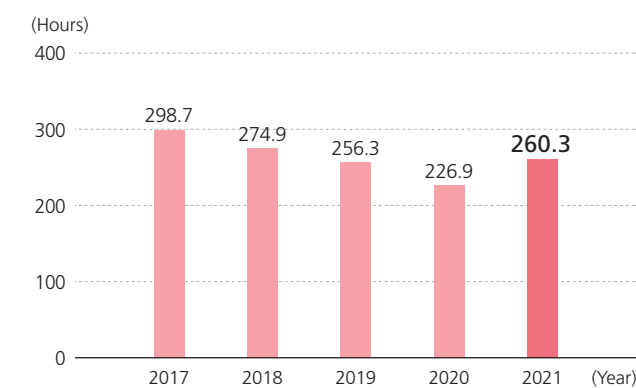


### Payout ratio



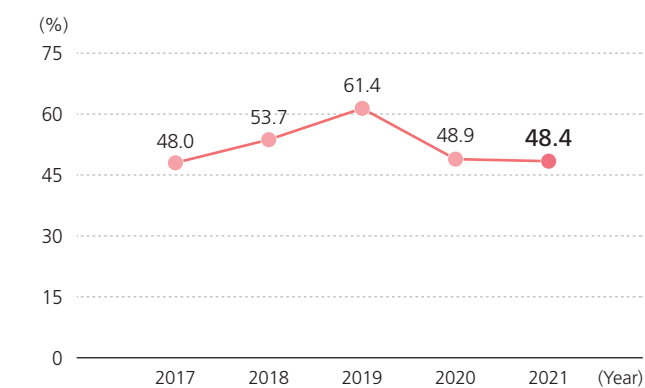
## Non-Financial Highlights (Consolidated)

### Overtime



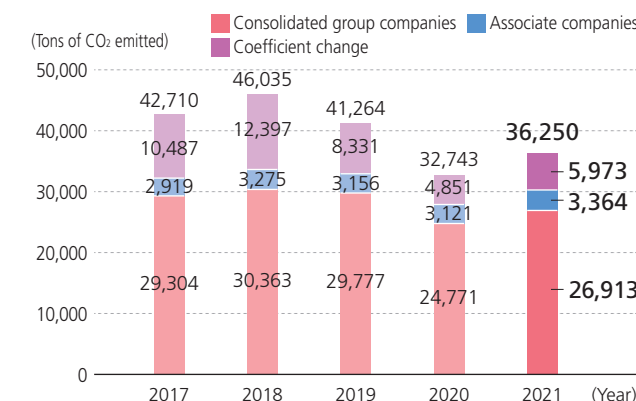
The five main group companies are: KOKUYO Co., Ltd., Kaunet Co., Ltd., KOKUYO Marketing Co., Ltd., KOKUYO Supply Logistics Co., Ltd., and KOKUYO Logitem Co., Ltd.

### Paid leave uptake rate



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.

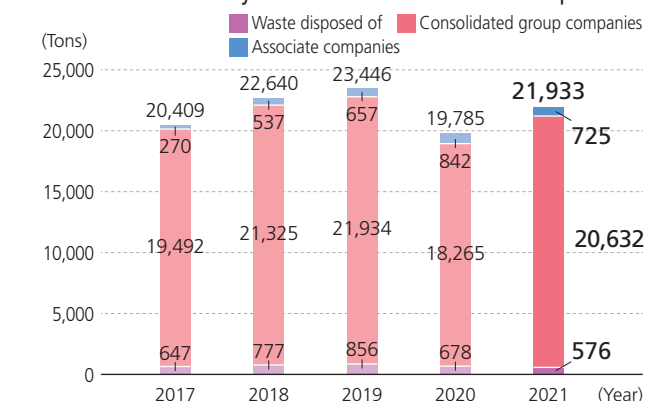
### CO<sub>2</sub> emissions



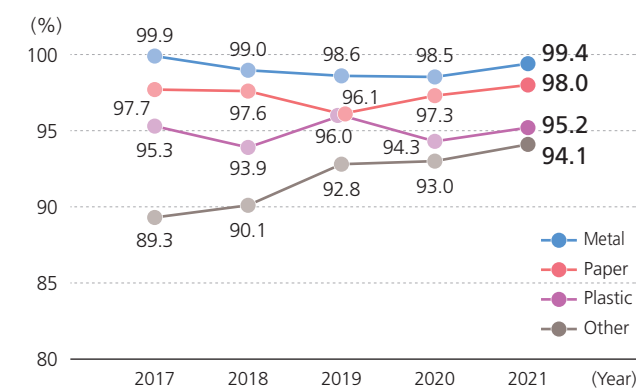
\* In accordance with GHG Protocol Scope 2 Guidance, we calculate total scope 2 emissions by multiplying activity data by each electricity supplier's specific emission factor.

\* The difference due to change in coefficients is the difference with the emissions calculated based on the average of all electricity sources for 2000 (0.378 kg-CO<sub>2</sub>/kWh).  
<https://www.kokuyo.co.jp/csr/data/performance.html>

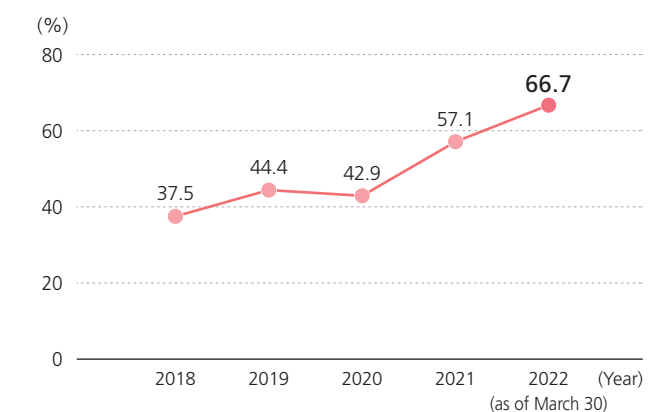
### Amount of waste recycled versus amount of waste disposed of



### Recycling percentage by waste category



### Percentage of board members who are outside directors





# 01

## Message From The President

### Hidekuni Kuroda

Representative Director of the Board  
President and CEO



## To achieve sustainable growth by 2030, we will provide value to suit the changes in workstyles and lifestyles

Kokuyo boasts over a century of sustained growth. The secret to this growth lies in our passion for resolving customers' issues, which have always changed over time. Although customers' needs change with the times, our passion for resolving these issues remains unchanged. This unchanging spirit continues to drive us to innovate and create new value for the needs of tomorrow.

While remaining true to our founding ethos, we must sharpen our foresight and develop products and services embodying our unique approach to value creation and problem-solving so that we can make customers' experiences in work and their experiences in learning and living more creative and fulfilling. Let me tell you our strategy for the years ahead.

### be Unique.: Workforce diversity as our engine for growth

Our organization was founded on the belief that it can contribute to the common good through its products. Over the years, we have instilled this idea into the workforce and used it as a guide in our strategy for business growth. This founding philosophy will continue to guide our strategic decisions in the years to come. However, in the process of formulating CCC 2030, our new vision for 2030 for achieving growth along the road to 2030, we came to a realization: we needed to communicate a clearer vision of growth. It became clear that unless we updated our vision for how our organization can still play a positive role in society 10 years and 20 years ahead, we could scarcely expect our frontline employees to face the coming changes with confidence.

With this in mind, we decided to change our mission statement on the premise that we would reimagine our future growth trajectory and how we will contribute to the common good. In 2021, we unveiled a new slogan encapsulating our philosophy: be Unique. In the year since then, I honestly feel that this statement has given everyone in our organization a clearer idea of what they

are doing. I feel all the more assured that through all the change and growth our organization has experienced across the years, we have already cultivated a corporate culture that promotes diversity and embraces individuality. The past year has given me the assurance that Kokuyo is full of unique individuals and that this is a source of our strength.

### A vision for becoming an organization that keeps producing value in step with the changing times

We have unveiled CCC 2030, a vision in which we aim to achieve 500 billion yen in net sales by 2030 by shifting to the Forest-Type Management Model. The main theme of this vision is to become a diverse "forest" of businesses that grows sustainably. This vision requires radical organizational reform, including a change in corporate culture, organizational processes, how we allocate talent, and how we unleash the potential of every employee. Committing to such change, we held a yearlong process of discussions, involving both management and staff. During this process, we reaffirmed where our strength lies. We have



coined a slogan to express this strength: Co-creation with Empathy. We also clarified a growth strategy that draws on this strength: create new and better customer experiences. As part of CCC 2030, we have reorganized our business segments. Our business domains have been consolidated into two business fields, Lifestyle and Workstyle, and our stationery, furniture, and mail-order sales operations have been reorganized to better reflect the needs of our customers. The purpose of this reorganization is to ensure that we can adapt to future changes in society. We always knew that lifestyles and workstyles would change over time, but the Covid pandemic has accelerated these changes. Moreover, we can expect that lifestyles and workstyles will change further in the years ahead with digitalization and other technological advances. As the world continues to change, we must keep empathizing with the new needs of our customers and deliver effective solutions for them.

An example of what we are doing is Live Office, a program that showcases business solutions in a living, breathing workplace. As this example illustrates, one of our approaches to value creation is co-create value with customers and partners using products and services that are relevant to people's everyday life. If we follow this approach and keep adapting to the continual changes in workstyles and lifestyles, then we can create new growth-driving products, services, and businesses, without being constrained to our traditional business domains of stationery, furniture, and mail-order sales.

On this belief, we set 500 billion yen in net sales as an

endpoint goal for CCC 2030. Regarding the breakdown of this figure, we expect to raise 300 billion yen by tweaking our existing businesses, 100 billion yen by expanding the fields of our existing businesses, and between 50 billion and 100 billion yen by nurturing new business ideas. As for the segment breakdown, in the Workstyle field we will need to grow net sales to between 300 billion and 350 billion yen, an increase of between 100 billion and 150 billion compared to the level in FY2020. In the Lifestyle field, we aim to grow net sales to between 150 billion and 200 billion yen, an increase of between 50 billion and 100 billion from the FY2020 level. We are determined to expand our business portfolio in both fields with new products, services, and businesses. In this way, we aim to build a model of sustained growth.

How does this differ from what we were doing before? Until now, we were rather analogue-oriented, selling physical stationery, furniture, and so on. In view of today's technological shift, we will now to add digital solutions to what we offer. I am confident that we can offer value beyond the markets we have targeted so far. Creating and delivering such value will give us opportunities to expand our businesses in new directions.

We will also develop digital solutions at the same time. Our business models have traditionally focused on providing hardware to customers, but we need to shift the weight a little more to services. By providing more services on a subscription licensing basis, we can further enhance customers' experience value. We can turn a one-off purchase of hardware into a source of recurring revenue by developing services to go along with the hardware.

Amid the pandemic, we built more organizational muscle

During the year under review, employees experienced hardship working under the pandemic conditions. As well as keeping business running, we worked to build organizational muscle. Previously, we had focused on cutting waste by ridding the corporate group of overlapping costs. Amid the pandemic, these muscle-building efforts progressed even faster than we had expected. As a result, we now have better organizational resilience, meaning that we are better prepared to adapt to changes in the business climate. For example, previously, our business units each had a vertical organizational structure. By transitioning to a cross-organizational approach, we eliminated overlapping costs, and that was the most crucial outcome.

Let me give an example of the transition. For two years now, executive officers have been holding PDCA meetings to review progress in our overarching strategy. Previously, the meetings placed priority on optimizing each business unit. However, the members now take a longer view and the focus of discussions now spans organizational boundaries. Consequently, the management now considers the big picture—the interests of the corporate group as a whole, rather than those of individual business units—when making strategic decisions and assigning strategic priorities. This change in approach is reflected in our financial performance: we achieved our highest ever result for gross profit ratio, 36.1%. Moreover, operating income was in the 20 billion yen range, our seventh best result in this indicator since we were listed in 1971.

Another positive outcome in 2021 was that we managed to swiftly reallocate capital into areas where sales were set to surge as a result of the Covid-driven market changes. A prominent example of this is our investment in office renovations in the domestic furniture businesses. Demand for office relocation was down, but new needs were emerging among employers, including a need to make existing offices Covid-safe, a need to accommodate new-normal working practices like working from home, and a need for office layouts predicated on working from home. We quickly provided solutions to fit these untapped needs, and that contributed to our excellent results. Covid-19 brought

many negative impacts, but from an early stage we managed to follow up opportunities.

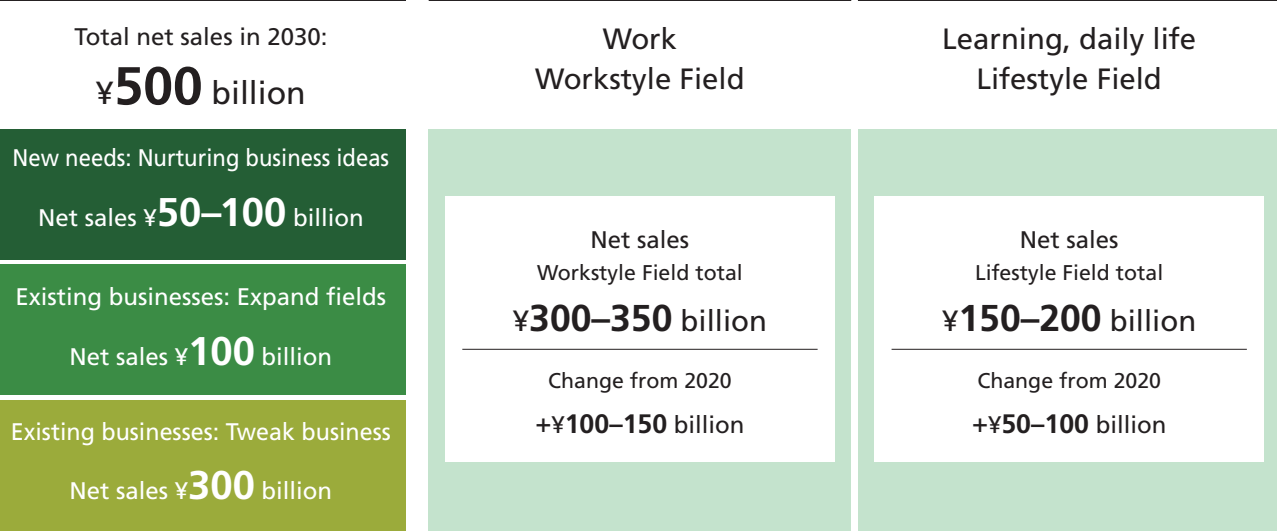
Dynamic investment and other priority tasks to be addressed over three years

In November 2021, we unveiled our third medium-term plan, Field Expansion 2024 (FE 2024). As the name suggests, the plan essentially involves expanding the fields of our existing businesses. In other words, we future-proof our longstanding businesses by expanding their boundaries to adjacent business and product territories. As I mentioned earlier, we will launch startups targeting emerging needs. The three-year term will be a time for accelerating this entrepreneurial process.

FE 2024 defines a number of priority tasks essential for achieving the goal of CCC 2030. These include dynamic investment, empowered talent, active innovation, and social value and business value. For the dynamic investment task, we will increase the research and development spend, as a percentage of total spending, from 0.6 to 1.0 percent to nurture new business ideas. To expand existing business fields, we will allocate a growth capital expenditure budget of 30 billion yen. To tweak the existing businesses, we will provide a regular capital expenditure budget of 20 billion yen. Such proactive investment will provide the momentum necessary for achieving CCC 2030.

Alongside dynamic investment, we need empowered talent. To give employees opportunities for professional development, we run a practical entrepreneurial training program called the Kokuyo Marketing University and Kokuyo Marketing Graduate School. In FY2021, 189 employees participated in the program. Our target for FY2024 is 340.

The next thing we need is active innovation, and this is something we are working on too. One step we have taken is to turn our Shinagawa office into The Campus, a lab for open innovation. At The Campus, we pilot office solutions that use cutting-edge digital technology and showcase our ideas for future workstyles.





An internal prototyping process combined with open innovation

FE 2024 has three key points. The first is to tweak existing businesses. For this task, we will focus on digital transformation. We have started digitizing existing businesses already, but over the three years we will transform these businesses at multiple levels. Instead of just digitizing the back-office processes as we have done so far, we want to transition to digital services to drive growth in the furniture, stationery, and e-commerce/mail-order businesses.

The second thing is to expand the fields. I mentioned already that we must adapt to changes in workstyles and lifestyles in the years ahead. In the Workstyle field, we will focus more on hybrid work and identify the optimal formula of hybrid work. In other words, we will take a more foresightful approach by identifying the best balance between digital and analogue work—should employees be working either remotely or entirely in the office, or should there be a balance between the two? By demoing optimal hybrid work patterns of the future, we will expand our range of products and services. As for the Lifestyle field, here too, the key lies in adapting to changes driven by digitalization. To expand the fields of our lifestyle businesses, we will target the growing demand for self-expression and self-exploration in people’s learning activities and private life. That is how we will expand the fields.

The third point is to nurture new business ideas. To give an example of a new business idea in the area of learning, we want to provide value through digital notebooks. As part of this, we recently acquired note-sharing platform Clear (now CLEARNOTE Inc.). To nurture this and other business ideas over the next three years, we will monitor emerging needs and actively prototype potential products and services for these needs. For this

experimentation process, we will adopt an open-innovation approach and invite customers and partners to engage in the process so that they will share ideas for product and service designs that meet the emerging needs.

During FE 2024, our main growth driver will remain our furniture businesses. The domestic furniture business, in particular, still has room for growth. We can generate more demand for furniture and building materials by marketing solutions linking workstyles with spatial design. Spatial changes in workstyles present an excellent business opportunity for us.

Delivering new values in line with our purpose: Presenting a tomorrow you can’t wait for.

CCC 2030 emphasizes the importance of sustainable, long-term corporate development. Over the past year, we held many discussions about the long-term landscape, including about what world we want to see tomorrow and how we can ensure the perpetuity of our organization and our planet. The starting point for all these discussions was twofold: what kind of future do we aim for, and what is our purpose as an organization? We concluded that the world we envisage is a self-directed, collaborative society, one that is diverse and embraces individuality. We also settled on a purpose statement, both a Japanese and English version. The English version reads: “Presenting a tomorrow you can’t wait for.” This conveys the role we serve in society, which is to facilitate diversity and individuality. True, our products and services are the inherent sources of the value we provide. However, in an age of turbulent change and uncertainty, we ultimately make the world a brighter place by presenting workstyle and lifestyle solutions that empower

customers to face the future with confidence. That is where we find our higher purpose, our ultimate mission. It was upon such a conviction that we opened The Campus in 2021. From now on, we will design new experiences in working and learning that will address long-term social challenges.

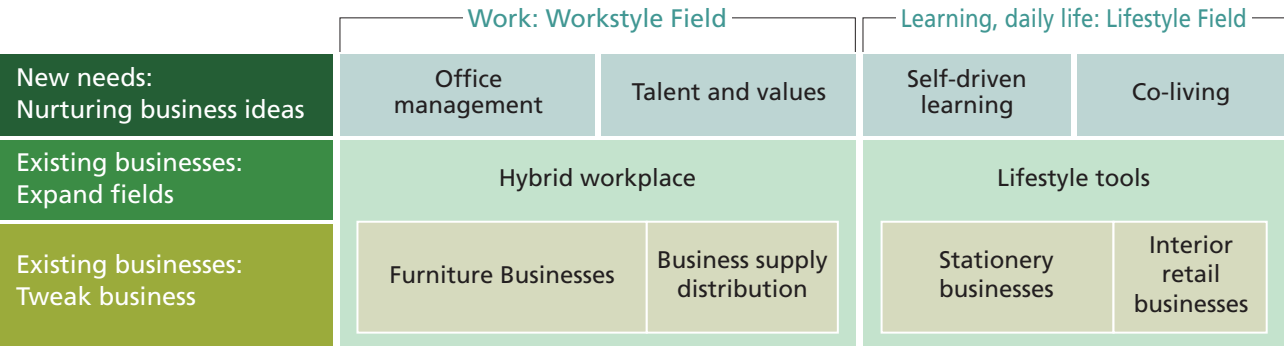
Having defined our vision for 2030 in CCC 2030, we conducted another materiality analysis to align our material issues with our goal of contributing toward a self-directed, collaborative society. Our updated set of material issues is as follows: improve wellbeing, transition to a management system that creates social value, respond to the climate crisis, contribute toward a circular economy, and contribute toward a society that coexists with nature.

In line with our freshly clarified purpose, we must switch to a more sustainable approach to business management. For this transition to succeed, the change must come from within each and every member of Kokuyo. How we change as individuals will determine whether we make a positive impact toward sustainability among customers and society. The extent to which each and every employee engages in sustainability efforts will determine whether we can accomplish the tasks necessary for our envisaged society, such as improving wellbeing inside and outside

the company and expanding business fields through the Forest-Type Management Model.

For our materiality commitments, we have set “commitment goals” for 2024. It is important to reach these goals, but for us the journey there is no less important. Moreover, what matters most of all is that, in the process of reaching the goals, we develop a best-practice model for contributing to a self-directed, collaborative society. The commitment goals are quantitative, but our real goal goes beyond numbers. I want our efforts to inspire individuals and corporations engage in the same process.

Kokuyo’s history began over a century ago, when our founder opened a little shop selling binders for Japanese-style ledgers known called wacho. Kokuyo grew into the prosperous organization it is today by maintaining a passion for resolving the issues customers face. Although times change, our passion remains unchanged. Today, we are looking ahead to see what new value we can create in order to enrich customers’ experiences in work and their experiences in learning and living. Let me close by thanking all our investors and our other stakeholders for their continued support and confidence in us.





## 02

## Value Creation Story: Overview

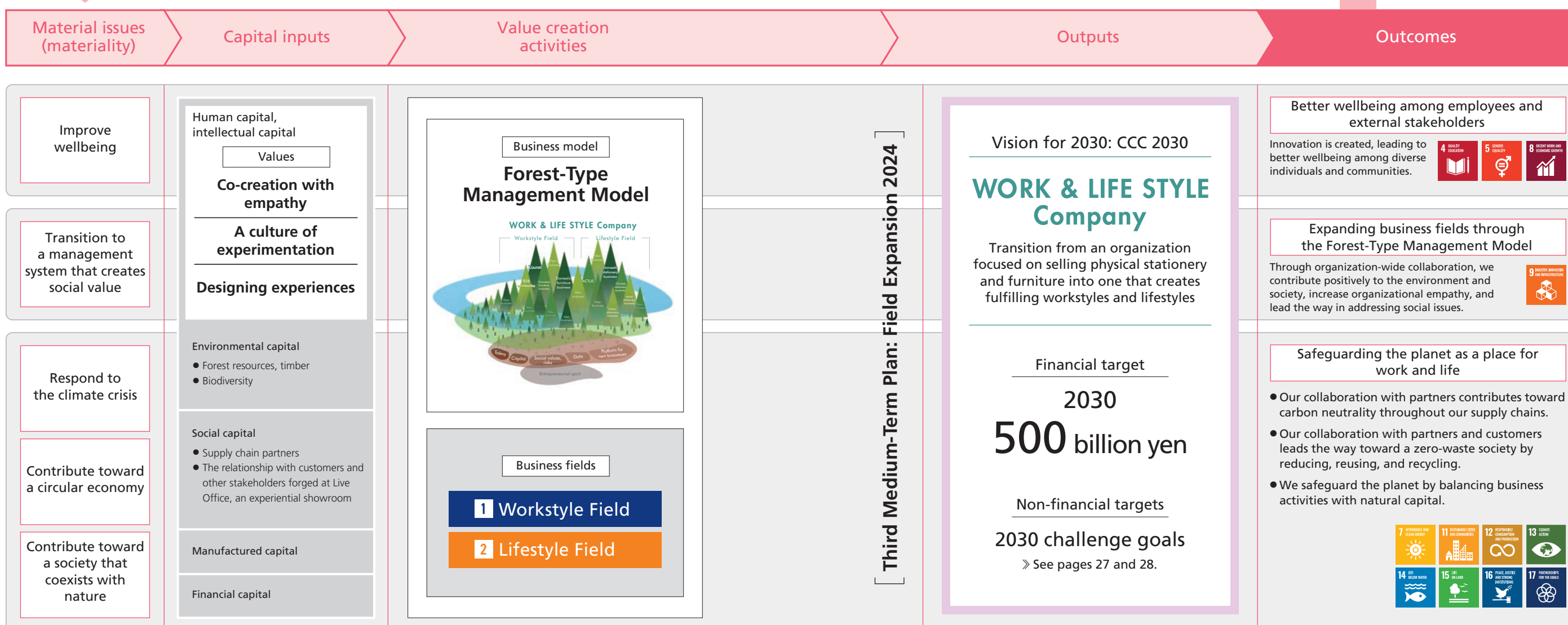
Value Creation  
Story

The future we imagine

A self-directed,  
collaborative society

A world that respects diverse values and combines individuality with social cohesion. In this world, everyone feels connected and finds fulfilment in work, learning, and everyday life.

Purpose

Presenting a tomorrow  
you can't wait for.

Third Medium-Term Plan: Field Expansion 2024

Our  
philosophy

be Unique.

Sustainability  
strategy

To build a self-directed, collaborative society, we will present a tomorrow you can't wait for and lead the way in sustainable business practices.



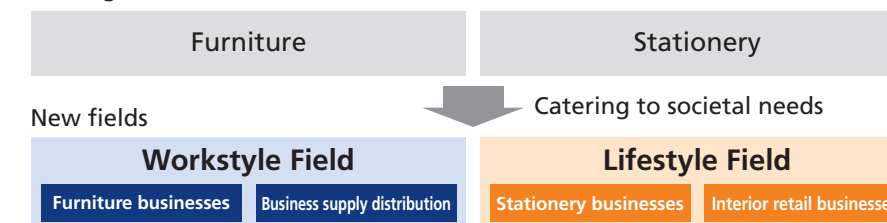
## Outline of the Two Fields

To achieve our vision for 2030 (CCC 2030), we have redefined our role as that of a work and lifestyle company. This means that we will now transcend our traditional categories of furniture and stationery and create solutions for a more abundant life. To reflect this redefined role, we have reorganized our four business segments into two “fields”: the Workstyle Field and the Lifestyle Field.

## WORK & LIFE STYLE Company



Existing businesses



We consolidated our three domains into two fields (Workstyle Field and Lifestyle Field) with four businesses in order to transcend our traditional categories of furniture and stationery and view our existing business domains from a broader perspective.





## Vision for 2030: CCC 2030

In February 2021, we unveiled CCC 2030, a long-term vision in which we aim to achieve 500 billion yen in net sales by 2030 by shifting to the Forest-Type Management Model. The main theme of this vision is to become a diverse “forest” of businesses that grows sustainably. We also unveiled a new purpose statement, “Presenting a tomorrow you can’t wait for,” which expresses our role in building a self-directed, collaborative society. This vision requires radical organizational reform, including a change in corporate culture, organizational processes, how we allocate talent, and how we unleash the potential of every employee. Committing to such change, we held a yearlong process of discussions. During this process, we reaffirmed our values upon which we will expand our business fields: Co-creation with empathy, a culture of experimentation, and designing experiences.

### Kokuyo’s new business model: The Forest-Type Management Model

#### ● Our philosophy **be Unique.**

#### ● Purpose **Presenting a tomorrow you can’t wait for.**

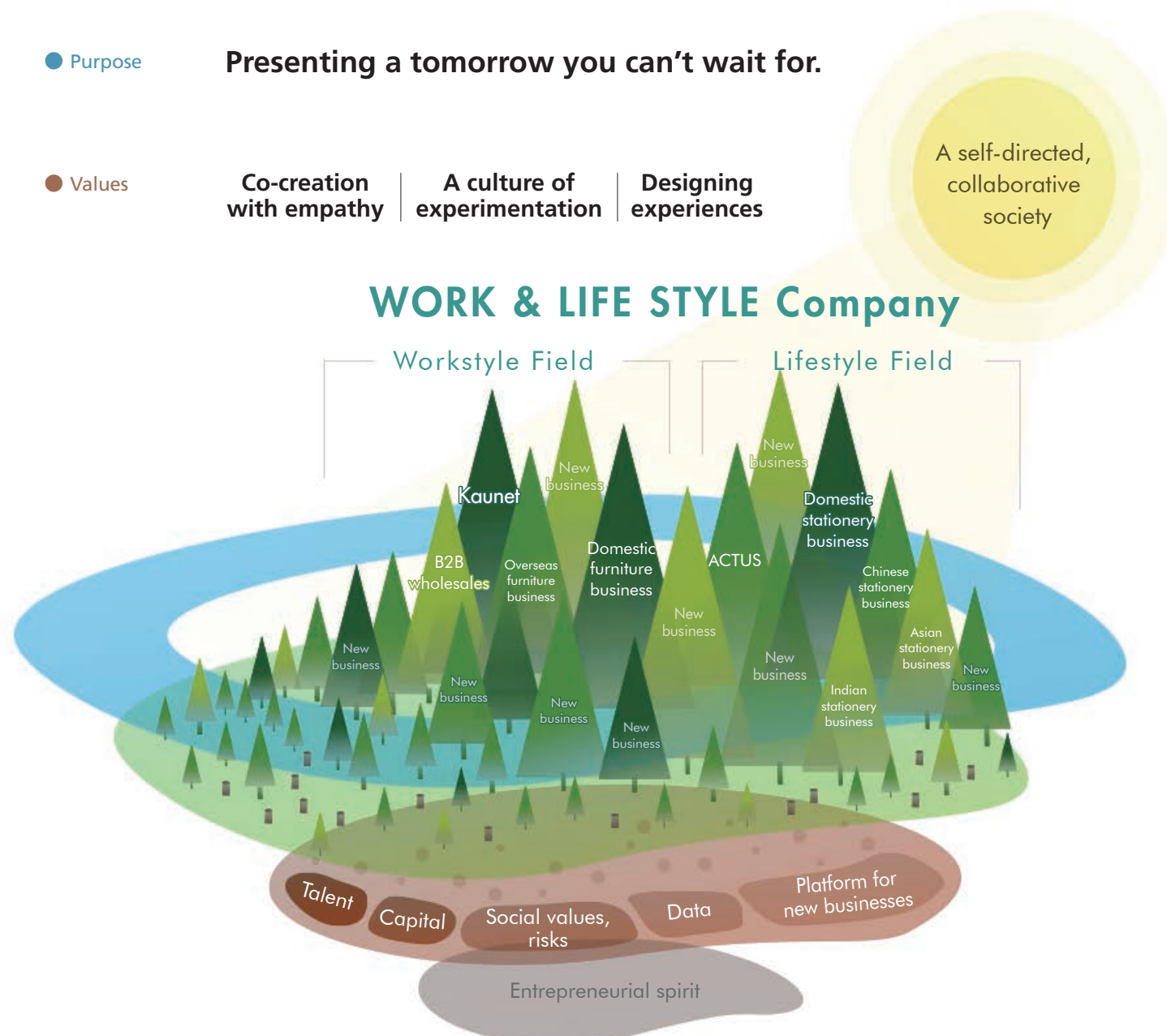
#### ● Values **Co-creation with empathy | A culture of experimentation | Designing experiences**

A self-directed,  
collaborative  
society

### WORK & LIFE STYLE Company

#### Workstyle Field

#### Lifestyle Field



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

## WORK & LIFE STYLE Company

### Work: Workstyle Field

In this field, we primarily target corporate clients and market products and services that cater to new ways of working.

### Learning, daily life: Lifestyle Field

In this field, we primarily target individual consumers and market products and services that cater to new learnings styles and lifestyles.

<b>New needs: Nurturing business ideas</b> <b>Net sales:</b> <b>¥50–100 billion</b>	<b>Office management</b> This sub-field focuses on office needs, including facility management and purchasing management.	<b>Talent and values</b> This sub-field focuses on solutions for increasing the productivity and performance of individuals and teams.	<b>Self-driven learning</b> This sub-field focuses on the growing demand for self-expression and authenticity in life and learning.	<b>Co-living</b> This sub-field focuses on people's desire to be true to themselves while living interconnectedly with others.
<b>Existing businesses: Expand fields</b> <b>Net sales:</b> <b>¥100 billion</b>	<b>Hybrid workplace</b> Amid the Covid-driven shift to hybrid work (a combination of remote and office work), this sub-field supports this shift by providing solutions for office-space design and purchasing management.		<b>Lifestyle tools</b> Amid the growing desire for personalized living spaces and furniture, this sub-field manufactures interior and learning tools that deliver added value.	
<b>Existing businesses: Tweak business</b> <b>Net sales:</b> <b>¥300 billion</b>	<b>Furniture businesses</b>	<b>Business supply distribution</b>	<b>Stationery businesses</b>	<b>Interior retail businesses</b>
<b>Total net sales in 2030:</b> <b>¥500 billion</b>	<b>Net sales: ¥300–350 billion</b> <b>Change from 2020:</b> <b>+¥100–150 billion</b>		<b>Net sales: ¥150–200 billion</b> <b>Change from 2020:</b> <b>+¥50–100 billion</b>	



## Materiality: Key Sustainability Issues

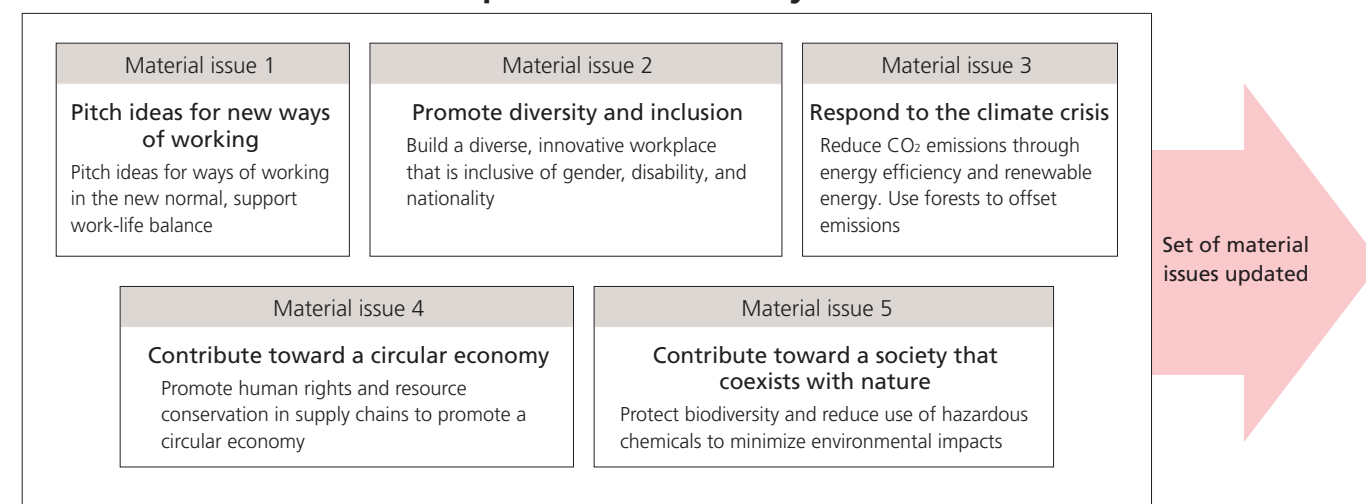
We recently decided to conduct another materiality assessment (a process for identifying the sustainability issues that matter the most to us and our stakeholders) with a focus on the Sustainable Development Goals (SDGs).

Before conducting the main assessment, we clarified the social and economic impacts of our two business fields (the Workstyle Field and the Lifestyle Field), which we had delineated as part of our vision for 2030 (CCC 2030) and third medium-term plan (Field Expansion 2024). Next, we performed a gap analysis in which we compared the current impacts of these segments with the potential of these segments to contribute toward the kind of society we envisage for 2030. From the results, we derived the most important issues to address, dividing them into financial and non-financial issues.

### Environmental and social impacts of the two business fields

Businesses	Key positive impacts	Key negative impacts
<b>Work: Workstyle Field</b> <b>Furniture Business</b> Provides spatial designs (design and construction services) and manufactures and sells furniture for offices and retail stores <b>Business Supply Distribution</b> Sells wholesale office-related products (e.g., stationery, furniture) on a retail basis (online or through mail order) and wholesale basis	<b>Enhancing working, learning, and living spaces</b> We have enhanced people's working, living, and learning spaces by providing inexpensive, high-quality furniture and stationery.  <b>Sparkling people's inner creativity</b> We have helped people unleash their inner creativity by providing tools and spaces that cultivate autonomy and creativity.	<b>Risk of abetting climate change</b> Because our manufacturing and distribution processes produce carbon dioxide, they could potentially abet global warming and climate change.  <b>Risks associated with waste</b> Mass-production and mass-consumption of furniture and stationery produce vast volumes of waste, which could potentially deplete the Earth's resources or pollute the planet.
<b>Learning, living: Lifestyle Field</b> <b>Stationery Business</b> Manufactures and sells stationery and office supplies <b>Interior Retail Business</b> Manufactures and sells furniture for the home	<b>Disseminating ideas for new ways of working</b> We have promoted better ways of working by marketing office space solutions suited to the new age.	<b>Risk of causing biodiversity loss</b> Timber accounts for roughly 80% of the raw materials used in our products. Our use of timber could potentially cause deforestation, leading to biodiversity loss.

### Material issues identified in previous materiality assessment



### Set of material issues updated following gap analysis

The most notable change is the addition of the second material issue: the need to transition to a management system that creates social value. The purpose of this task is to integrate social value-creating activities into our business activities.

### Our new set of material issues and strategic priorities

#### Improve wellbeing among employees and external stakeholders

1. Pitch ideas for new ways of working
2. Promote diversity, inclusion, and innovation



#### Expand business fields through the Forest-Type Management Model




















#### Safeguard the planet as a place for work and life





## Challenge goals, commitment goals, current progress

We have set KPIs for our new set of material issues guided by our vision for 2030. There are two types of goals: challenge goals and commitment goals. Challenge goals are ambitious goals for 2030. Commitment goals are targets for 2024, the endpoint of our medium-term plan.

Material issue	Outcome	2030	challenge goal		2024 commitment goal	Linked SDG
				KPI		
<b>Improve wellbeing among employees and external stakeholders</b>	<b>Material Issue 1</b>  Improve wellbeing	Innovation is created, leading to better wellbeing among diverse individuals and communities.	We promote personalized, authentic employee experiences by marketing life-based work (an approach that tailors work around people, rather than expecting people to tailor themselves around their jobs).	Challenge goals for flexible work options (flextime, empowering women) 27 challenge goals (three per year for nine years)	100% of managers have shifted to mindset that values employees' disposable time 100% takeup rate for paid leave among managers and general staff	  
			We have removed social barriers, encouraging more people to engage actively in work and learning.	At least 50% of new products (stock-keeping units) have incorporated inclusive design	Women account for 12% of leadership roles  At least 20% of new products incorporating inclusive design	
<b>Expand business fields through the Forest-Type Management Model</b>	<b>Material Issue 2</b>  Transition to a management system that creates social value	Organization-wide collaboration contributes positively to the environment and society, increasing organizational empathy and leading the way in addressing social issues.	Our new and existing businesses address the problems society faces.	100% of sales have balanced social value and economic value	30 future Mirai Yokoku experiments	
			Our employees make the world a better place in many ways.	100% of employees are addressing social issues	100% participation in sustainability initiatives	
<b>Safeguard the planet as a place for work and life</b>	<b>Material Issue 3</b>  Respond to the climate crisis	Our collaboration with partners contributes toward carbon neutrality throughout our supply chains.	With our partners support, we have achieved our carbon emissions reductions targets based on the Science Based Targets initiative (SBTI).	SBTI-based emissions reduction target: Target set and achieved (target to be determined)	Emissions reductions target: 50% reduction from 2013 level	 
				Carbon sequestration: At least 6,000 tons of CO <sub>2</sub> sequestered a year		
	<b>Material Issue 4</b>  Contribute toward a circular economy	Our collaboration with partners and customers leads the way toward a zero-waste society by reducing, reusing, and recycling.	Over 16% of the Japanese population participates in our programs for building a circular economy, creating positive behavioral changes in society.	At least 80% of products sold by group (including overseas companies) support a transition to a circular economy	100% of new products incorporate circular-economy design principles	 
				100% of waste (office, construction services, inventory) recycled		
	<b>Material Issue 5</b>  Contribute toward a society that coexists with nature	We safeguard the planet by balancing business activities with natural capital.	We conduct numerous experiments for a circular economy, encouraging more companies to commit.	100% of suppliers endorse our circular-economy design principles	100% of key suppliers (some 400 companies) responding to supplier evaluation survey	 
				Carbon footprint of business activities visualized and carbon neutrality achieved		
				Forest conservation: Forests thinned at 150 hectares a year  Reedbed conservation: Reeds trimmed at 1.5 hectares a year		
					—	 



CSO  
MESSAGE

Toshio Naito

Director, Executive Officer,  
Managing Officer of the Corporate  
Planning Division, CSO

We will proceed with  
our new medium-term plan  
based on our vision for 2030,  
CCC 2030

### Second medium-term plan (FY2019–FY2021): Revised targets achieved, with improvements in profitability and efficiency

Unveiled in FY2021, our vision for 2030, CCC 2030, provides a compass for the next ten years, guiding us to greater growth. We embarked on CCC 2030 in FY2021, which was the final year of our second medium-term plan (FY2019–FY2021). During the three years of that plan, workstyle reform and digitalization proceeded as we had projected. On the other hand, because of the pandemic, workstyles and learning styles transformed much earlier and quicker than expectations.

In response to these drastic changes in the business climate, we implemented a set of actions with a sense of urgency. Thanks to the swift response, we strengthened earnings. Gross profit ratio and operating income ratio increased, and operating income reached around 20 billion yen. We met our medium-term targets for net sales, gross profit, and operating income, which we had revised to account for the Covid impact.

How about the segment-specific targets? During the three years of the second medium-term plan, we had three reportable segments: the Spatial Value Domain, Business Supplies Domain, and the Global Stationery Domain. In the Spatial Value Domain, net sales and operating income increased because we managed to strengthen competitiveness by adapting swiftly to the changes

in workstyles. We received strong orders related to new office blocks, our forte, and we also benefitted from rising demand for office renovations. Capitalizing on the demand, we increased our share in both markets. In the Business Supplies Domain, we maintained profitability thanks to a migration strategy in our retailer Kaunet. Shifting from a wholesale model to an e-commerce retail model, Kaunet implemented the migration strategy to integrate and streamline its wholesale and e-commerce/mail-order functions. In the Global Stationery Domain, revenue from operations in Japan declined with the pandemic hastening digitalization and the maturation of the B2B market. However, we managed to increase operating income by streamlining SG&A expenses and reallocating staff across the corporate group.

Overall, by establishing cohesive portfolio management, we made significant progress in improving our profitability and efficiency.

### Third medium-term plan (FY2022–FY2024): A work and lifestyle company targeting the field of work and the field of learning and living

At the start of FY2022, we embarked on our third medium-term plan, Field Expansion 2024 (FE 2024). This three-year period (FY2022–FY2024) will be a phase for expanding our business fields so that we can achieve the sustained

growth envisaged in CCC 2030. Specifically, we will tweak existing businesses and expand their fields, invest dynamically in new business ideas, and improve profitability by creating more efficiencies. Through these efforts we aim to achieve by the endpoint year of FY2024 360 billion yen in net sales with an operating income ratio of 7.6% and an ROE of 8%.

CCC 2030 outlines a growth strategy in which we shift from tangible products to intangible experience to provide customers more experience value. In this way, we aim to hit net sales of 500 billion yen in 2030. We realized that as long as we kept the three-domain structure, we could only expand and improve the profitability of our existing businesses. Accordingly, we reorganized our segments into two broad fields, Workstyle (work) and Lifestyle (learning and living), so that we could adapt more dynamically to needs in each field. During this transition, we redefined our role in contributing to a self-directed, collaborative society. That is, we decided that our role was to be a work and lifestyle company. This means that instead of just selling physical products like stationery and furniture, we now create ideas for fulfilling workstyles and lifestyles. To that end, we will transition to become a diverse “forest” of businesses.

### Driving forward the strategy of delivering new and better customer experiences

#### A ten-year growth budget of 180 billion yen

A key theme of our growth strategy is to deliver new and better customer experiences. In the Workstyle Field, we are already making progress in this. This progress is occurring in The Campus, which we opened in 2021. The Campus is a place for showcasing new workstyles. Our employees use The Campus to experiment with workstyles for the new normal and open up their activities to the public under the concept of an open space to encourage public engagement and community building. An example is Live Office, where customers can see workstyles ideas in a living, breathing office space. As for the Lifestyle Field, our strategy of delivering new and better customer value can be applied in overseas markets too, unlocking growth in these overseas markets. A good example of this is the success of our stationery businesses in cultivating an audience among Chinese schoolgirls. By expanding the strategy overseas, we believe we can raise the net sales of overseas businesses from the present level of 20 billion yen to 50 billion yen, the level of domestic businesses.

CCC 2030 commits us to reaching 500 billion yen in net sales by 2030. We can raise the level of net sales by 100 billion yen by tweaking existing businesses and raise it by another 100 billion yen by expanding the business fields and cultivating new business ideas. To that end, we will invest 180 billion yen in growth projects over the next ten years. Of this total budget, we will continue to spend 6 billion yen a year (60 billion over ten years) on tweaking existing businesses. The remaining 120 billion yen will be spent on

projects to further growth prospects, including those related to expanding the fields and cultivating new business ideas.

### Medium-term priorities: Tweaking existing business and expanding their fields

FE 2024 places priority on tweaking existing businesses and expanding the business fields. For the Workstyle Field, FE 2024 commits us to the goal of 275 billion yen in net sales with an operating income ratio of 9.9%. For the Lifestyle Field, the goal is 116 billion in net sales with an operating income ratio of 8.8%.

In the Workstyle Field, the tweaking will involve a radical streamlining program aimed at boosting capacity to grow orders for renovation projects and other labor-intensive projects that require a combination of furniture, building materials, and construction work. In this streamlining program, we will undertake a digital transformation to standardize the lead management process and synchronize lead information.

To expanding the fields in the Workstyle Field, we will target needs that have emerged with the shift to hybrid work—the shift to dispersed workplaces and diverse workstyle. For these needs, we will market workstyle solutions and workplace (office-space) solutions for raising productivity and creativity while maintaining employee wellbeing. We will also target the increasingly important digital area by offering office tools for managing access/security and facilitating communication. We will also pilot systems for monitoring office activity and maximizing performance.

In the Lifestyle Field, tweaking existing businesses will involve shifting the value chain of our domestic stationery businesses from a B2B to B2C model. We will use digital marketing to create direct customer touchpoints and expand our lineup of value-added products that cater to customers’ needs.

As for expanding the fields, as people increasingly want to express authenticity in their lifestyles and to feel more socially connected, we will target the need for value-added living spaces and lifestyle tools. Our interior retailer Actus is already supplying this need and has seen its earnings grow as a result. Following its example, our stationery businesses will expand the focus from traditional stationery and capture opportunities in the market for lifestyle tools.

Following the reorganization of the Tokyo Stock Exchange’s markets, Kokuyo was listed on the Prime Market. As a constituent of the TSE’s most prestigious index, we will pursue a growth strategy that gives equal weight to business value and social value. We will contribute to a happier future by resolving the issues faced by customers and society at large. Our strength lies in our ability to create products, services, and spaces that solve problems. To all our stakeholders, I look forward to our continued journey together as we create new and better customer experiences in a way that combines business value and social value and paves the way to sustainable growth.





MESSAGE

Naotaka Umeda  
Managing Officer,  
Financial Administration Division

We aim for sustainable growth,  
balancing economic value and  
social value

Following our medium-term plans, we achieved  
our best ever result for gross profit ratio

To begin with our financial results, we largely hit our targets for FY2021 despite the challenges of the pandemic. Best of all, gross profit ratio hit an all-time high of 36.1%. Over the last six years, we underwent two medium-term plans. During that time, we kept an especially tight watch on gross profit ratio. On top of that, we undertook organizational transformation through which we managed to increase market share and income margin. In other words, we succeeded in shifting the focus to a value-added model.

More specifically, during the six years, we overhauled businesses that had taken a large-scale approach of stocking a large inventory with low sales prices and tight turnaround times. Conversely, we focused more on products and services that are tailored more precisely to customers’ needs and that only we can provide. This strategy produced our highest ever gross profit ratio.

As for operating income, at over 20 billion yen, it was our seventh best result since our listing. While some way short of our

all-time record of 28.5 billion yen, it still represents an excellent result and testifies to success of everyone’s efforts over the past year to shift to a value-added model. In summary, I am delighted to report that we achieved 36.1% in gross profit ratio, over 20 billion yen in operating income, and 6.2% in operating income ratio. The results vindicate President Kuroda’s policy of enhancing our existing businesses.

We boast fiscal health, but capital efficiency  
must be improved

Of our financial priorities, the most urgent is to improve our capital efficiency. We have always boasted excellent fiscal health, and this has provided a stable foundation for our business activities. Throughout our long history, we would prioritize stability, aiming for steady growth by engaging closely with customers. Anything that might upset or inconvenience customers would be avoided. It also goes without saying that we would always provide stable salaries to our employees. For investors and shareholders, we have always worked to provide stable dividends. On the matter of dividends, our third

medium-term plan commits us to providing a steadily increasing dividend with a consolidated payout ratio of 40%.

In this way, we have built a robust fiscal constitution. However, we need to do something about the sheer amount of capital on the balance sheet. How to raise the efficiency of all this capital is a critical issue in the new medium-term plan.

The medium-term plan commits us to capital-related targets. One is the FY2022 dividend I mentioned earlier (a rising dividend with a consolidated payout ratio of 40%). Another is an ROE of 8%. To meet these goals, we will adopt a more aggressive capital policy in which we reduce non-operating capital to increase capital efficiency.

Our non-operating capital has swollen to 100 billion yen. We must put this capital to work by reinvesting it into projects that will further our growth prospects.

Raising ROE to 8% and beyond during the new  
medium-term plan

The shift from a very conservative to a very aggressive capital policy will not happen overnight. It will take some time to change the capital on the balance sheet. That said, we must commit to rectifying the balance sheet situation if we are to meet the expectations that investors place in us. The unveiling last year of our new vision and third medium-term should provide a strong impetus to make the change.

For the previous medium-term plan, we had focused on tweaking existing businesses. By doing so, we significantly improved profitability across the corporate group and laid a foundation for portfolio management, something we can take further in the years ahead. For the new medium-term plan, we will continue to tweak existing businesses, but we will also focus on expanding the businesses and nurturing new business ideas. This means plenty more opportunities for investing.

Currently, ROE trends at the 6% level. As I mentioned earlier, the new medium-term plan commits us to an ROE of 8% over the three years, and we have targeted this level in our full-year targets for FY2022. Meeting this goal is essential to gaining the confidence of investors. Mind you, 8% is not the endpoint. I hope to see us enter double digits in the future. In the process of improving our ROE, we will increase the economic value of our organization over the medium and long term, giving investors greater assurance that our stocks are worth holding onto for the long run.

During the three years of the medium-term plan we will be investing much more capital as we expand the business fields. Through these investing activities, we will shift away from having a balance sheet that is, if anything, a little too clean and safe, and put our organization on more of a war footing.

For our investments, we have set an ROI benchmark of 6–7%. However, this is not a hard-and-fast rule. We will follow a case-by-case approach. As with the overseas businesses, for example, some of investments will offer little hope of a quick return but will deliver growth over a longer timespan. Conversely, for growing sectors like furniture, we will expect a return above the benchmark of 6–7%.

Aiming to command a conglomerate premium

Guided by our long-term vision, we will aim for sustainable growth by balancing economic value with social value. As part of this, we will pursue a sustainability strategy that embodies our unique values and we will achieve our ESG goals. In this way, we will build stakeholder confidence.

Some of our investors have applied a conglomerate discount, rating our value lower because of our diversified group of businesses. However, we have no intention of pursuing only economic value. Remaining true to our founding principle of fully meeting customers’ expectations, we will aim for a form of business growth that addresses social issues. By maintaining this stance, we hope that investors will see us as an organization that commands a conglomerate premium.

We will also lead with purpose. Specifically, we will embrace sustainability challenges where we feel duty-bound as an organization to make a positive difference, thereby sending a clear message about what we are here for and how we contribute to the common good. In closing, let me thank all our stakeholders for their continued confidence in us.



# Third Medium-Term Plan: Field Expansion 2024

Our third medium-term plan covers a three-year phase in the road toward our long-term vision, CCC 2030. We have named the plan Field Expansion 2024 to emphasize that we will expand our field of vision and expand our business fields. During the three years, we will tweak our existing businesses while also expanding our businesses to cover new needs. By accelerating efforts to expand the fields, we aim to achieve ¥360 billion in net sales with an operating margin of 7.6% in the endpoint year of 2024.

## Field Expansion 2024

Expand our field of vision

×

Expand the business fields

Basic policy

Tweak existing business and expand their fields

Time period

Three years: FY2022–FY2024

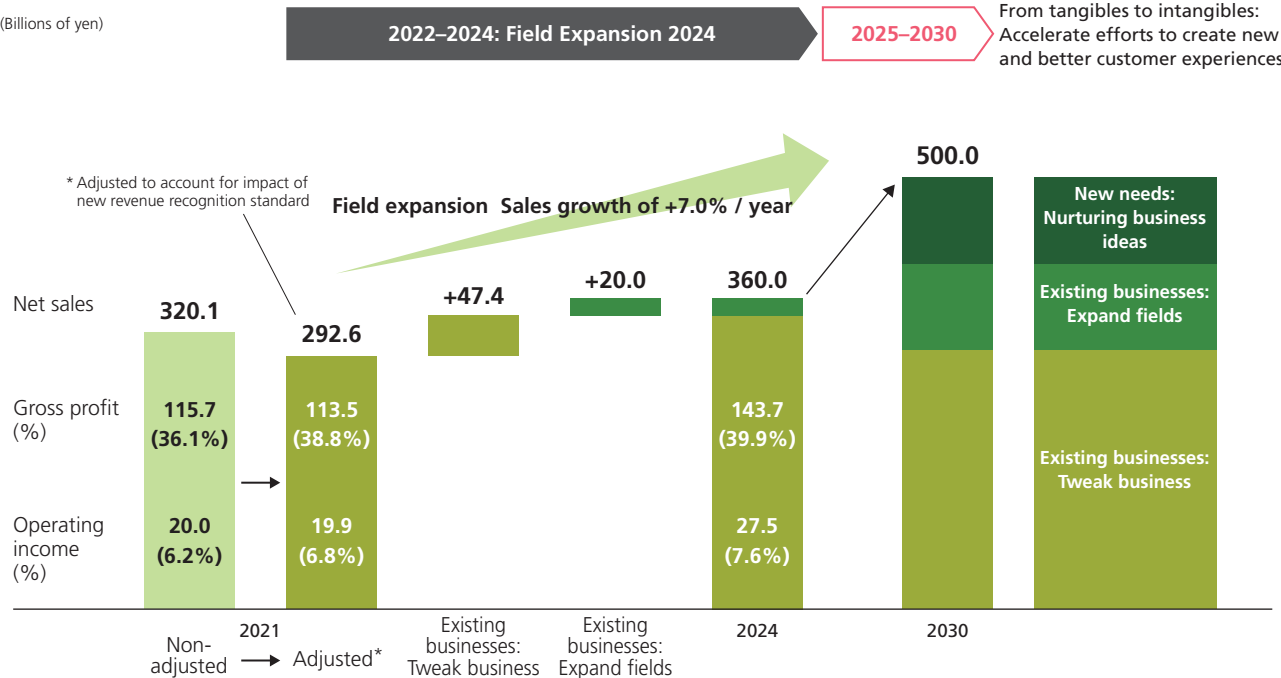
Numerical target

¥360 billion in net sales

Operating margin of 7.6%

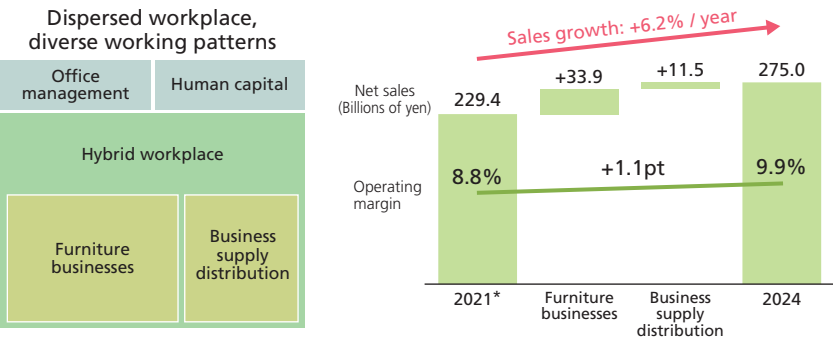
+7.0% sales growth

### Goals of Third Medium-Term Plan: Field Expansion 2024



### Workstyle Field: Growth Strategy, 2024 Goal

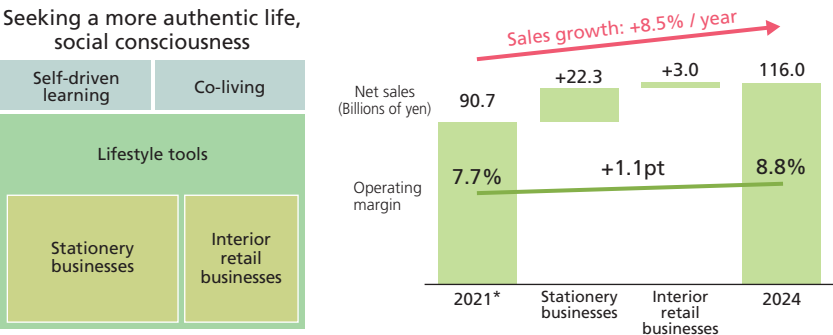
To expand this field, we will capture growth opportunities in the shifting needs for office spaces and office goods associated with the rise of hybrid work.



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

### Lifestyle Field: Growth Strategy, 2024 Goal

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.



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

### Four priority tasks for achieving the growth model

Field Expansion 2024 defines four priority tasks: dynamic investment, empowered talent, active innovation, and social value and business value.

	FY2022–FY2024	FY2025–FY2027	FY2028–FY2030
1 Dynamic investment	● R&D share: Increased from 0.6% to 1.0% ● Growth CapEx: ¥30 billion ● Regular/maintenance CapEx: ¥20 billion ¥180 billion budget up to 2030 (including amount budgeted in third medium-term plan)		
2 Empowered talent	Improve employee mobility and provide more opportunities for employee growth ● Make core posts more fluid ● Appoint 30 leaders	Improve workplace diversity	Export our talent
3 Active innovation	Establish business prototyping processes and infrastructure ● Launch 15 startups ● Build 500-member team with experience in innovation process	Accelerate innovation	Market our process
4 Social value and business value	● Provide fund for building social value (c. 1% ordinary income: ¥0.2 billion) ● Provide fund for ESG initiatives		

## 1 Dynamic investment

Dynamically invest in projects with bright growth prospects to achieve growth

### 2022–2024 investment budget

Over the 2022–2024 period, we will invest dynamically in businesses with bright prospects. To turn new needs into viable businesses, we are increasing the percentage spent on R&D from 0.6% to 1.0%. We have earmarked ¥30 billion as growth CapEx and ¥20 billion as maintenance CapEx. The latter includes the investments in maintenance and renewal of existing infrastructure necessary for tweaking existing businesses.

	Investment projects (2022–2024)	Who is responsible?
New Needs: Nurturing business ideas	<b>R&amp;D share: Increased from 0.6% to 1.0%</b> (¥1.7 billion to ¥3.6 billion / year)	The Chief Strategy Officer
Existing businesses: Expand fields	<b>Growth CapEx: ¥30 billion</b> <div><div><b>Workstyle Field: ¥20 billion</b><ul style="list-style-type: none"><li>Expand office space lineup Woodcraft items, digital, interior design, green, art</li><li>Higher growth in overseas business Functions, brands</li></ul></div><div><b>Lifestyle Field: ¥10 billion</b><ul style="list-style-type: none"><li>Larger lineup of lifestyle products Value-added products, daily necessities</li><li>Higher growth in overseas business Functions, brands</li><li>Stronger e-commerce</li></ul></div></div>	The executive in charge of the business
Existing businesses: Tweak business	<b>Regular/maintenance CapEx: ¥20 billion</b> <ul style="list-style-type: none"><li>IT systems: Customer relations management (CRM), data/analytics infrastructure</li><li>PP&amp;E: Production assets</li></ul>	The executive in charge of the business

### Projects are underway to turn new needs into viable businesses.

We have enlarged the R&D budget to turn new needs into viable businesses. We are working several projects that will potentially become money-spinning businesses. One involves online media for people working from home. Another involves an app for secondary school students. Students use the app to photograph study notes and manage the notes together with their exam schedule.



Online media (Zaitaku Hyakka)



Study app (Carry Campus)

## 2 Empowered talent

We will empower diverse employees, enabling business growth and employee growth.

### Improve employee mobility and provide more opportunities for employee growth

We must provide a diverse, empowered workplace that enables business growth and employee growth. To that end, we must increase employee mobility and cultivate business leaders. By 2030, we hope to be exporting exceptional talent so that we can foster closer ties with societal stakeholders. Accordingly, over the next three years, we will improve employee mobility and provide more opportunities for employee to grow.



### A program in practical entrepreneurialism at the Marketing University / Graduate School

One initiative to encourage opportunities and growth is Kokuyo Marketing University and Kokuyo Marketing Graduate School, a practical entrepreneurial training program. In this program, attendees work on a group project for a new business idea. They work on the project for about nine months and then present the idea to senior management.

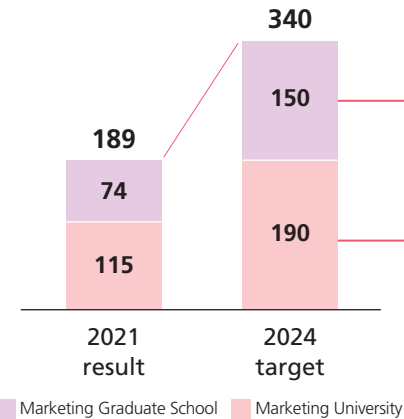
Marketing Graduate School is for mid-level leaders, meaning employees aged 30 to 50. It is designed to equip these employees with the ability to identify social problems and needs and to lead entrepreneurial or transformational initiatives. Marketing University is for employees who have been with us for three to 12 years. It is designed to foster entrepreneurialism. The program helps employees improve their skills so that they can broaden their career options and gain more opportunities to fulfill their potential at Kokuyo.

By 2024, we aim to have enrolled 150 employees in Marketing Graduate School and 190 in Marketing University. This will help us become an organization of empowered talent.



Group work. The program improves employees' skills, giving them broader career options and more opportunities to fulfill their potential.

Changes in number of attendees



Kokuyo Marketing Graduate School	
For whom?	Mid-level leaders (employees aged 30–49)
Design	Attendees master a skill to objectively predict the future business environment and set a business strategy. Purpose is to foster ability to identify social problems and to lead entrepreneurial or transformational initiatives.

Kokuyo Marketing University	
For whom?	Junior-level employees (with 3–12 years' experience at Kokuyo)
Design	Attendees learn marketing skills to develop a new business idea and formulate a marketing strategy. Purpose is to foster entrepreneurial talent—the ability to develop business ideas for unmet needs from a customer-oriented perspective.

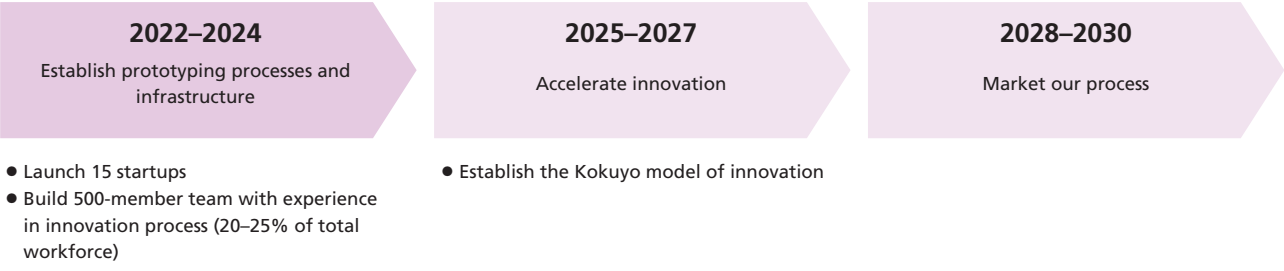


3 Active innovation

Establish business prototyping processes and infrastructure

Create an innovation process in phases, beginning with creation of a space for incubation

We must harness our longstanding culture of experimentation to accelerate the business incubation necessary for expanding the field. During the FY2022–FY2024 period, we will establish prototyping processes to provide an infrastructure for facilitating business incubation. In this way, we will establish our own model of innovation. Then, over the next three-year period, we will accelerate innovation. By 2030, we will start marketing our innovation model to other companies.



Examples of projects The Campus: A lab for open innovation in Shinagawa

Companies engage with us in experimenting with new ways of working



Kokuyo + Sony Business Solutions Corporation

POC test with Xperia Pro  
The stand was specially designed for the test  
The visuals in the screen are fictive.

Conducted proof-of-concept test for a 5G-powered new office solution

Kokuyo + Toppan

Kokuyo's Work Pod + Digital devices = IoA Pod

Built digital twin office that combines 5G with "IoA-driven virtual teleportation"

4 Social value and business value

Encourage more individuals and more corporations to engage in the creation of social value

Have employees experience social and environmental issues first-hand so that they will create products and services that resonate

We want employees to experience social and environmental issues first-hand so that they will create products and services that resonate. This in turn will encourage more individuals and more corporations to engage in the creation of social value. We will achieve this in two ways: through Kamiyama Marugoto Technical College (tentative name) and through our sponsorship of Expo 2025, in which we contribute financially to Kansai.

Examples of projects Sponsorship of Expo 2025 Osaka, Kansai

Expo 2025 (Osaka, Kansai)

Design

Designing Future Society for Our Lives

Purpose

Achieve SDGs, achieve Society 5.0 (Japan's national strategy)

Source: Japan Association for the 2025 World Exposition

Our sponsorship (we are a Signature Pavilion Sponsor of Expo 2025)

Purpose of sponsorship

- Contribute financially to Kansai as an organization with deep roots in the region
- Expand business and achieve our long-term vision by exploring future designs for society and by positively addressing issues through business

How we contribute

- Respond to requests for private funding for site construction
- Sponsor the signature pavilions, the core undertaking

Examples of projects Contribution to Kamiyama Marugoto Technical College (tentative name)

Kamiyama Marugoto Technical College (tentative name)

To be opened on April 1, 2023—the first private technical college in 20 years

Vision

Build the next silicon valley in Kamiyama

Concept

Transform human destiny with a combination of technology and design

Learning goal

Ability to generate intangible value from tangible manufacturing

How we will contribute

Build learning space

Provide curriculum

Help regenerate region

What we will learn

Marketing

Human resource training

Ways to enhance brand value

Ways to attract talent



1

Workstyle Field

Furniture businesses

Business description

To make our furniture businesses a growth driver, we will capitalize on the demand for office renovations amid the rise of new ways of working and expand into areas like digital solutions and interior design.

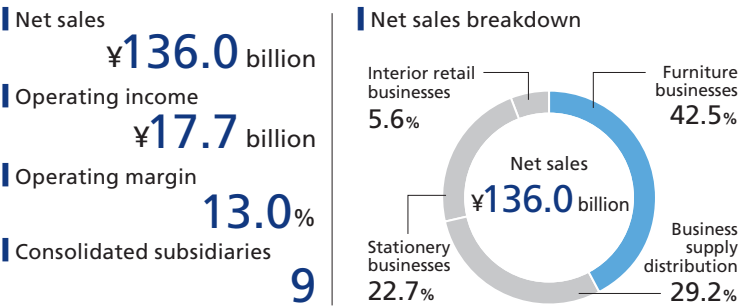
The furniture businesses constitute a sub-segment of the Workstyle Field, which targets the demand for hybrid work driven by dispersed workplaces and greater diversity in ways of working. They are broadly divided into domestic and overseas furniture businesses, both of which target the demand for office renewal.

Performance in FY2021

Demand for office renovation soared amid the Covid-driven changes in ways of working. The soaring demand grew the market pie, easing the competition that we feared would intensify under Covid. Consequently, results were pleasing. We recorded ¥136 billion in net sales and ¥17 billion in operating income with an operating margin of 13.0%.

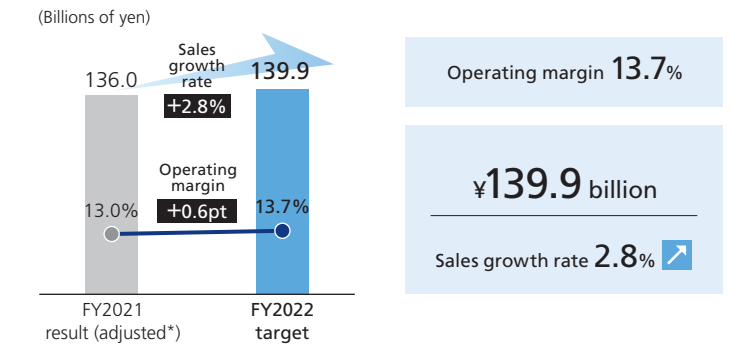
Companies are still exploring new ways of working for the new normal. Many have approached us with inquiries about office renovations. With this demand for office renovations set to continue, we will work to increase our share in the market.

FY2021 result



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

FY2022 forecast



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Key strategies in medium-term plan

Medium-term trends

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 the 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 2023.

Medium-term plan (–2024)

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



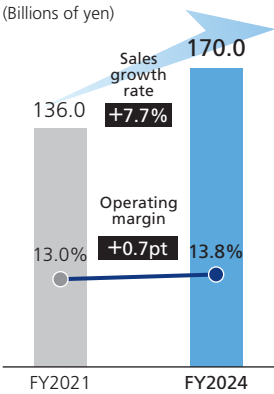
Workpod: A private booth for videoconferencing

Expand fields

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

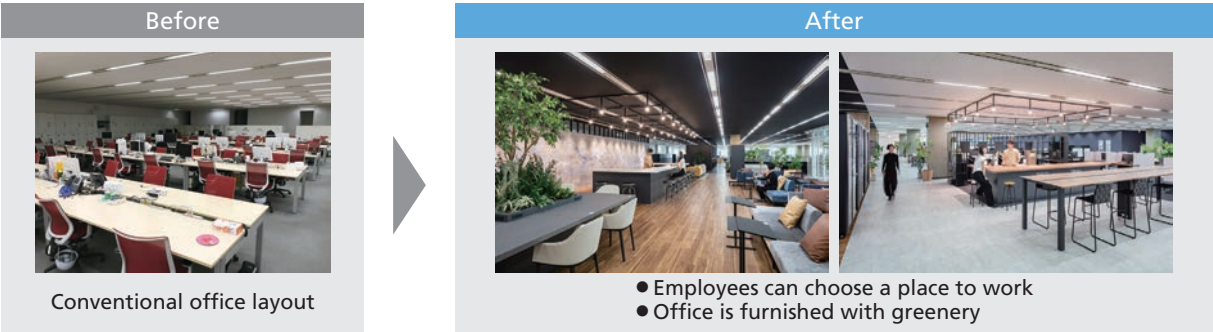


X-Studio: Adjustable furniture



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Capture brisk demand for office renovations and expand share



Fujitsu  
Office renovation for Work Life Shift, new working practices for the new normal





Business description

Business supply distribution (a sub-segment of the Workstyle Field) consists of an e-commerce and mail-order business and a wholesaling business. Kaunet, launched in 2001, is a mail-order and e-commerce business that offers a wide range of products produced by Kokuyo and other first-rate manufacturers. The lineup includes office supplies, stationery, office automation tools, daily necessities, and office furniture.

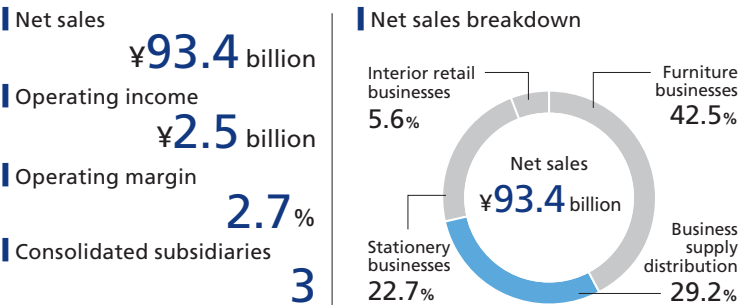
Capitalizing on the Covid-driven growth in e-commerce, Kaunet has stepped up e-commerce marketing to grow its customer base and improve its earnings.

Performance in FY2021

Covid did drive remote working and online shopping, but the shift in shopping behavior also fueled competition. Despite this challenge, Kaunet managed to improve its business resilience thanks to a migration strategy that created efficiencies. Consequently, the segment largely achieved its initial target. In FY2021, we recorded ¥93.4 billion in net sales and ¥2.5 billion in operating income with an operating margin of 2.7%.

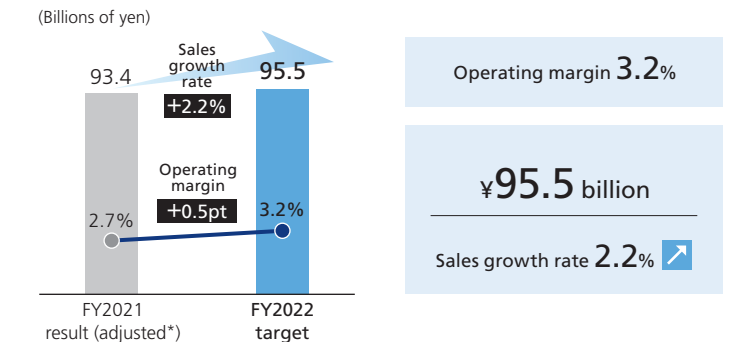
Over the medium term, the segment will adapt to the shift from traditional catalogue sales to online shopping.

FY2021 result



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

FY2022 forecast



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Key strategies in medium-term plan

**Medium-term trends** With the rise of hybrid working, the market for e-commerce and mail-order shopping should continue to grow, creating new needs to target.

Demand outlook

- The rise of remote working will accelerate the shift to e-commerce, creating a larger e-commerce/mail-order market.
- The shift to e-commerce will continue for commercial-use products other than office products.

Changing needs

- The rise of remote work will create more opportunities for pitching solutions for increasingly complex purchasing management.
- Changes in ways of working are creating new demand for products and services.

**Medium-term plan (~2024)** To capitalize on the growth in the e-commerce market, we will strengthen e-commerce marketing so that we can adapt to the changes in purchasing management and user needs driven by hybrid working.

Existing businesses: E-commerce / mail order, Kaunet

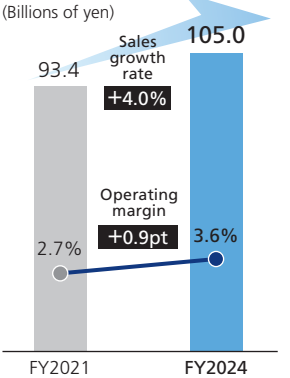
- Strategy for large customers
  - Pitch digital solutions for purchasing management
  - Coordinate better with sales and marketing teams in furniture businesses
- Strategy for small and medium customers
  - Improve customer relations management
  - Cultivate non-office markets



Foldable furniture for remote workspaces (living room / workspace desk)



Simple partition for offices (foldable booth for quiet concentration)



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Respond to clients' needs shifting from mail-order catalogue to online shopping



Mail-order catalogs (Kaunet and KiSPA)



Kaunet website





2 Lifestyle Field

Stationery businesses

Business description

The domestic and overseas stationery businesses play a critical role in the Lifestyle Field, which covers operations related to learning and daily life. Demand for value-added products continues to grow with people wanting to express their personality on social media. To capitalize on this demand and grow earnings, we are tweaking the existing domestic stationery business and strengthening digital marketing in Japan and overseas.

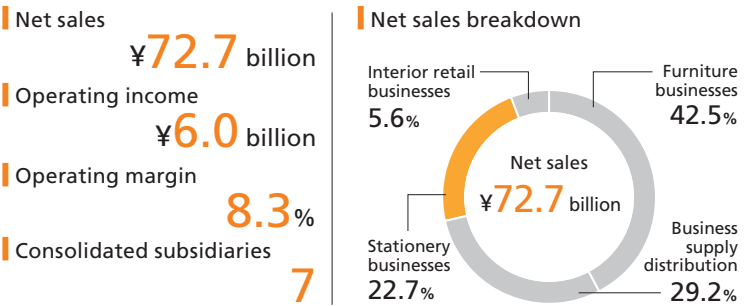
As for overseas markets, the Chinese stationery businesses continue to enjoy rapid growth. This growth is driven by stationery products localized for Chinese schoolgirls. In July 2021, we held a real-world event in Shanghai called Kokuyo Haku. The event attracted scores of Chinese schoolgirls and won us new core fans.

Performance in FY2021

Covid drove digitalization and accelerated the maturation of the corporate clientele. In India, the Covid impact was severe and protracted. In Japan, Covid caused the market to shrink, but we still managed to improve profitability. In China, demand for stationery among schoolgirls exceeded expectations. We expect continued growth in this market.

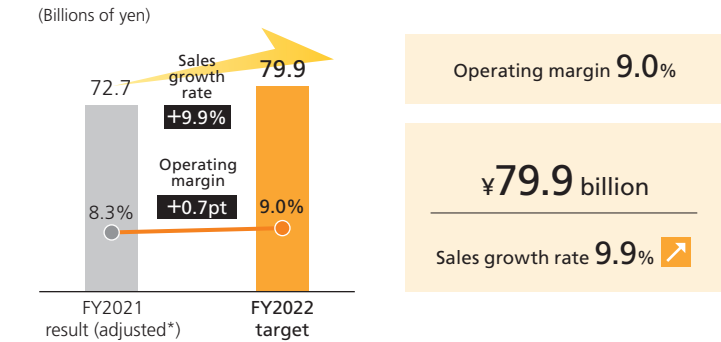
In FY2021, we recorded ¥72.7 billion in net sales and ¥6.0 billion in operating income with an operating margin of 8.3%.

FY2021 result



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

FY2022 forecast



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Key strategies in medium-term plan

Medium-term trends

Demand for value-added products continues to grow amid economic growth in emerging powers and the growing desire for self-expression on social media.

Demand outlook

- Japan -1.8%: The market will continue to shrink post Covid.
- India +5.8%: The market will recover from the Covid slump in mid-2022.
- China +5.5%: 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.

Medium-term plan (–2024)

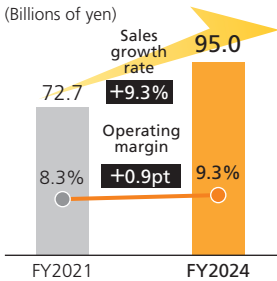
To capture the global demand for added-value products, we will improve digital marketing so that we connect better with customers, and expand our product/services lineup.

Existing businesses

- Japan: Develop and market global products Shorten development cycle, strengthen small lot production
- India: Improve profitability, cultivate markets for value-added products
- China: Expand lineup and regional coverage of products for Chinese schoolgirls

Expand fields

- Expand lineup of lifestyle products: Value-added products, daily necessities
- Higher growth in overseas business: Functions, brands
- Stronger e-commerce



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Building a loyal audience with stationery localized for Chinese schoolgirls

Differentiated value chain



Kokuyo Haku Shanghai

Campus notebooks



Pastel Cookie



Examples of stationery localized for the Chinese market



Online (social media)





2 Lifestyle Field

Interior retail businesses

Business description

The interior retail businesses include Actus. Actus is a B2C retailer of imported furniture and interior goods featuring Scandinavian designs. It was founded in 1969 and became a subsidiary of ours in 2006. The retailer has a wide range of sales channels for selling clothing, food, and interior goods and services that emphasize elegance and delicacy.

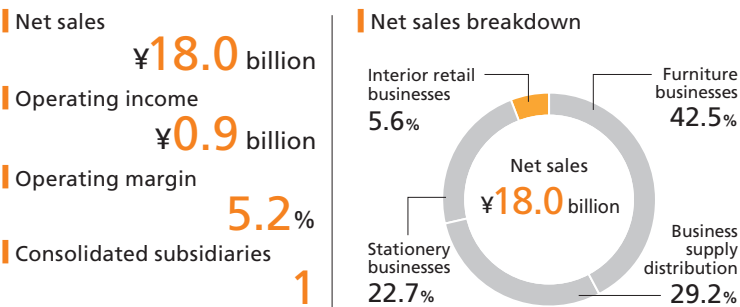
To grow its earnings, Actus is marketing itself as a lifestyle store that covers people's need to live authentic lives and feel part of society, and targeting new needs related to the living space (instead of targeting only stay-at-home demand). It is also working on an online-merged-with-offline strategy in which it merges its brick-and-mortar stores with its online store.

Performance in FY2021

Performance has benefitted from current consumers' increasing discernment in lifestyles. In FY2021, we recorded ¥18.0 billion in net sales and ¥0.9 billion in operating income with an operating margin of 5.2%.

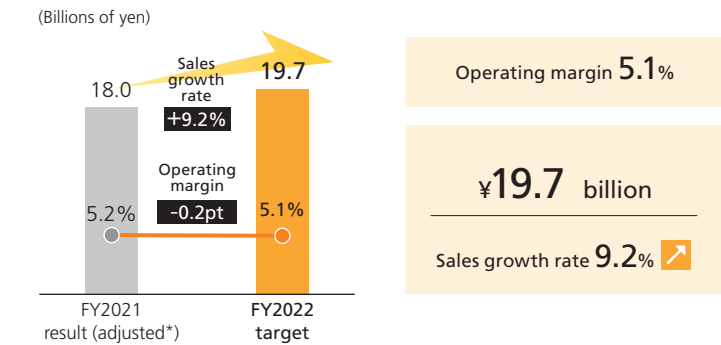
Actus will continue tapping demand for interior goods by creating synergy between brick-and-mortar stores and the online store (Actus Online) whereby the online store attracts online customers to offline stores and vice-versa.

FY2021 result



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

FY2022 forecast



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Key strategies in medium-term plan

Medium-term trends

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.

Source: Teikoku Databank survey, METI survey, and our own estimates

Changes in shopping behavior

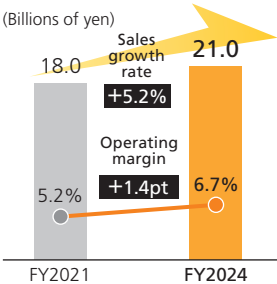
- In 2020, online sales accounted for 26% of all furniture and interior sales. The e-commerce share will continue to rise.
- The proliferation of social media is exposing latent demand for value-added products.

Medium-term plan (–2024)

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

- OMO strategy
  - 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.



\* Adjusted: For the FY2021 result, the new revenue recognition standard has been retroactively applied.

Merge the online store with offline stores (OMO: Online-Merged-with-Offline).

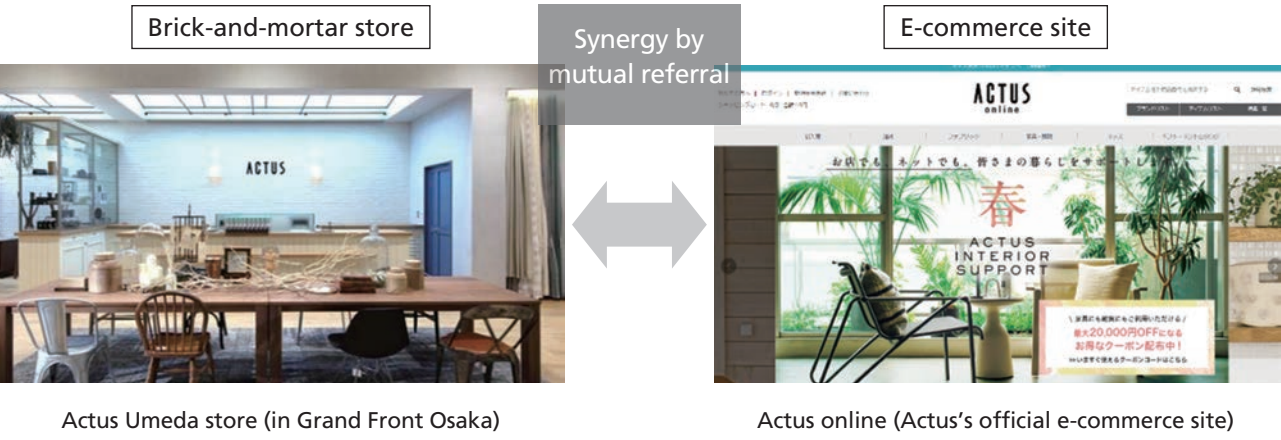




PHOTO FUMITO SUZUKI

Special  
feature

## THE CAMPUS

Where we enact three core values: co-creation with empathy,  
a culture of experimentation, and designing experiences

In February 2021, our Shinagawa office, which had served as our main base of operations in Tokyo for 40 years, was reborn as The Campus, a space for open innovation in workstyles and lifestyles. We channeled our resource into The Campus to make it a place for experimenting and demoing ideas for addressing social issues over the medium and long term.

## INFORMATION

<b>The building</b>	Address: 1-8-35 Konan, Minato-ku, Tokyo Floors: South wing has 11 above-ground floors, north wing has 5 above-ground floors
<b>Website</b>	<a href="https://the-campus.net/">https://the-campus.net/</a> (Japanese only)
<b>Background</b>	In 2017, we started exploring ideas for the Shinagawa office building (built in 1979). Employees aged 20–39 suggested to the management that the building be used as a space for experiencing and experimenting. The management took up the idea, culminating in the opening of The Campus on February 15, 2021.

Experimenting,  
experiencing

1

### The office as a place to mingle and bond

Over the years, we have pitched new ideas for working and presented specific designs for next-generation offices. From now on, offices will no longer be bound by the traditional office concept. They will be places where people of all backgrounds gather and have experiences that transcend work, creating new knowledge. At The Campus, we experiment with designs for the offices of tomorrow.

Experimenting,  
experiencing

2

### The Campus Shop

Directly managed, The Campus Shop provides a new shopping experience. It experiments with new shopping experiences that combine digital and analogue shopping. It also encourages longer shopping times so that shoppers have more opportunity to encounter Kokuyo.

Experimenting,  
experiencing

3

### Open innovation

The Campus is a place for open innovation. We work with external partners on projects to expand business. Anyone can visit The Campus and see what we're doing. This open-innovation approach encourages even more partnerships for co-creating value.

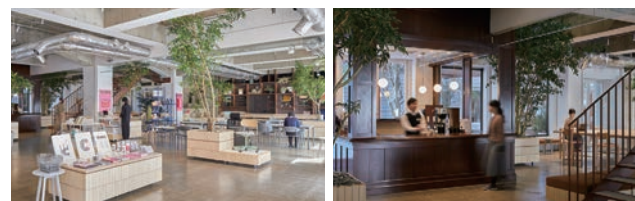
Experimenting,  
experiencing

1

## The office as a place to mingle and bond

We want the office to be a place where people actively mingle and form deeper bonds. Accordingly, the office includes a floor for fostering quality communication, uses plenty of artwork to stimulate the senses and imagination, and provides opportunities for playful experimentation.

Such creative collaboration—whether successful or unsuccessful—yields valuable findings for building and sharing workstyles of the future.



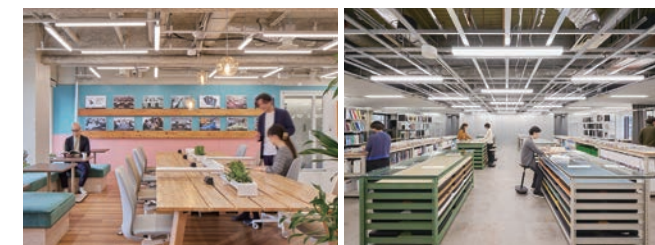
Part of the office is opened to the public. The open section has a shop and café. Local residents and workers are welcome drop in and use the amenities.

?

Experiment 1

### What kind of office do employees want to work in?

We have adopted an office design that emphasizes authentic communication and creative stimulation. It includes a “growth floor” (floor 6 of the south wing) for encouraging employees to interact and communicate with colleagues in other divisions. It also includes a “testing floor” (floor 7 of the south wing), which serves as a studio workshop for testing out new ideas for tangible products or intangible services.



Employees are encouraged to interact across divisional lines, fostering individual and organizational growth.

Employees experience the product first-hand as they engage in specialized tasks and in prototyping, examining, and proof-of-concept testing.



**An office that provides a space for free and authentic interaction, where employees can engage in creative collaboration and seize growth opportunities. An office that lets employees express their individuality through their workstyle, dress, and behavior.**

?

Experiment 2

### What happens when you install artworks and greenery?

The Campus features a landscape design with plenty of greenery, creating a feeling of continuity with the greenery outside. As well as flora, The Campus has plenty of artworks, including paintings, photos, sculptures, street furniture, and robots.



Flowers and fruit-bearing trees add seasonality to the indoor premises.

The Campus displays the works of artists, including commissioned artworks.



**The artworks and greenery spark inspiration and encourage respect for diverse values and ideas.**

?

Experiment 3

### What happens when you let employees have fun in the office?

The Campus includes a “commons” area (first floor of the north wing), which serves as a lounge and event space. The area functions like a university campus: Employees use it as a venue for their seminars and leisure activities. In this way, they express their individuality in learning and work, leading to personal growth.



Various programs are organized, including official seminars and club activities.

This is the table tennis club. The club dispenses with workplace hierarchy and focuses on the thrill of the game.



**By giving employees space to do their own thing, you foster understanding and tolerance between diverse employees.**



COLUMN

All-gender restroom, part of our culture of experimentation

The reception area for The Campus (floor 2 of the north wing) has an all-gender restroom, which can be used by people of any sex or gender identity. This amenity is consistent with The Campus's role as an experimental place where diverse values are mixed together. The entrance uses a transparent panel for peace of mind. The signage is inclusive.



A display at the entrance reveals which stalls are occupied. The signage clearly indicates that the restroom is gender neutral and also accessible to people with disabilities.



The washbasins are in a central island to avoid congestion and encourage communication between users.

Experimenting, experiencing

2 The Campus Shop

The Campus Shop (on floor 1 of the south wing) is a marketplace-like shop featuring a range of products in the workstyle and lifestyle field. Targeting employees who are open to change and self-improvement, The Campus Shop promotes our products by giving visitors a chance to try out new products and experience the product development story. The shop provides trial sheets for testing products and a concierge counter for product inquiries. The shop serves as a point of contact between Kokuyo and public, and will keep changing in line with the theme we want to communicate.

Piloting AR content to enhance customer experience value

In August 2021, we started piloting a scheme that uses augmented reality (AR) content on a tablet to enhance customer value. The high-performance AR app delivers an immersive experience, giving users the feel of a pen stroke and showing examples of how products can be used together. In this way, visitors get a richer sense of the product's aesthetic and functional value than they would in an un-augmented retail space.



Directly incorporating customer feedback

As well as serving as an "antenna shop" (by displaying our products to see shoppers' reactions), The Campus Shop is also notable for its openness. It is a space where Kokuyo employees mingle with other office workers and with local residents of all ages. We use the space to directly gauge people's reactions and to communicate directly what we're doing.



Here, visitors can try out seats and desks recommended for working from home.



Not everything is a regular product. We also provide a kids space with picture books and crayons.

Experimenting, experiencing

3 Open innovation

The Campus is a space for open innovation, whereby new businesses are developed. We want to involve our employees in the process of creatively collaborating with other companies in developing and finding applications for new technology, so we designed the office as a place for business expansion and as a place to mingle and bond.

CASE 1

Kokuyo + Suntory: "Boss's treat" vending machine

Developed by Suntory Beverage & Food Limited, the "boss's treat" is a special vending machine. When two employees press their ID cards against the touch panel simultaneously, they get two beverages for free. In this way, the vending machine encourages casual conversation between colleagues, which can generate new ideas. This idea chimes with the goals of The Campus, so we decided to install and demo the machine. In a questionnaire, 97.8% of respondents said that the vending machine prompted a conversation.



"Boss's treat" (*shachō no ogori*) vending machine

CASE 2

Pass-the-Baton Market

A real-life flea market we regularly hold, Pass-the-Baton Market features dead stock (unsold inventory gathering dust in storage) and rejects (products that didn't meet certain standards or specifications), prompting visitors to consider an alternative consumer behavior.



CASE 3

Kokuyo + Toppan: Digital twin office

We teamed up with Toppan Inc. to provide a digital twin office that combines 5G with IoA-driven virtual teleportation.

Kokuyo's Work Pod + Digital devices = IoA Pod

3D audio effects



Curved display (creating realism)

Five-senses device (includes smell-o-vision, vibration)

VOICE

Experimenting with the workstyles and lifestyles of tomorrow

What happens when you open up the office to the outside?

This question marked the starting point for The Campus, a once-in-a-lifetime experimental project. With values growing ever more diverse, there is growing demand for diversity in workstyles too, yet offices remain insular, stifling places. Work should be empowering and fulfilling. We thought about the kind of workplace that unleashes individuality, and decided to reimagine the office as a place open to the outside world. The result was The Campus. Since it opened in February 2021, The Campus has been visited by numerous local workers and families. We've also conducted over 30 projects here in collaboration with other companies. It's also been great for employees, as they now interact with many different people during their working day, giving them greater insight into social issues. We will keep developing The Campus as a place for expanding the scope of our business activities to cover social issues.



Nozomu Arai

Has 24 years' experience at Kokuyo (having joined in 1998). Heads workstyle reform taskforce at the Human Talent & Culture Division. Was involved in creating The Campus from the start.



## 04

## Sustainability

## Special Dialogue

Yukio Ida

Head of Sustainability Office,  
CSV Management Division

Hidekuni Kuroda

Representative Director of the Board  
President and CEOA sustainability strategy that resonates  
with a wide audienceEvery employee to actively contribute ideas for  
a self-directed, collaborative society

**Ida** In 2022, we clarified our corporate purpose. Now, we're steaming forward into a new stage of growth. I feel that our purpose statement has prompted our workforce to think again about the relationship of our organization with society and with the employees themselves.

**Kuroda** Our be Unique. mission statement emphasizes our belief in a diverse future. With that principle in mind, we held many long discussions about exactly how we should contribute to diversity and individuality in society. We ultimately concluded that we should create a clear statement to codify our corporate purpose. The statement encapsulating our purpose is: Presenting a tomorrow you can't wait for.

**Ida** During our dialogues with employees, a crucial question was raised: Although we have provided considerable value to society over the years, given that the values of society have changed so significantly, how can we ensure that our values still resonate with society? The management discussed the question and decided, unanimously, that the answer is to present visionary ideas for a self-directed, collaborative society. I believe that this has given

employees confidence so that each employee can give an account of our purpose to anyone in society.

Whether we succeed in contributing to a self-directed, collaborative society will depend on sustainability strategy. What do you think about that, President Kuroda?

**Kuroda** As part of our sustainability strategy, each and every one of us must apprehend the needs of customers and society at large and then think up and implement ideas for how our business activities can address these needs and lead society in a new direction to a brighter future.

The idea is to lead with purpose. By sharing visionary ideas, we can inspire customers to engage with our purpose and guide society toward more fulfilling workstyles and lifestyles. In this way, we can create momentum, driving society toward new workstyles and lifestyles, toward a self-directed, collaborative society, interdependent future.

Whether we can make this a reality will depend on how much resources we can devote to this mission and whether we can incentivize and motivate our workforce to engage in it. The first step is to set a budget for ESG activities and charitable contributions to provide a financial framework for developing visionary ideas to lead society into a brighter future.

Over the three years, we will spread the word  
about our experiments with visionary ideas

**Ida** In the discussions for the medium-term plan, I was impressed by the approach to setting outcomes. We started with the question of how outcomes differ from outputs. After some discussion, someone came up with an example that brilliantly illustrates the difference. They suggested that when we produced "Color Note," a non-white paper notebook for people with visual hypersensitivity, that would be an output. Then, if the product helps people with visual hypersensitivity experience joy in learning, that would be an outcome. Setting an outcome category is meaningful because it shows how all the hard work everyone does makes a real difference in the world.

In that respect, President Kuroda, what concrete goals do you have in mind for our sustainability strategy?

**Kuroda** I suggest that the number of experiments we conduct for visionary ideas can serve as an indicator of our efforts to create business value alongside social value. I envisage about 10 such experiments a year. The point of such activities is to reinforce the message that we have transitioned from an organization that makes things—physical stationery, furniture, and so on—into one that presents ideas for tomorrow's workstyles and lifestyles.

If we publicize one experiment a month, we can attract attention from the major media outlets and spread the message about our transition far and wide. Over the three years of the medium-term plan, ten experiments a year will come to 30 experiments in total. Through all these experiments, our dedication to building a self-directed, collaborative society will increasingly shape our role in society as that of an organization that leads society with visionary ideas. On top of this, by spreading the word about our efforts to engage in social issues, we can encourage large numbers of people to identify with our purpose.

**Ida** You talked about getting the word out. I get the sense that disclosure has become a major issue in the corporate world today. This is the first integrated report we have published, and it should mark a new direction for disclosure. From now on, we should disclose information that gives people a real idea of what we have been discussing internally, what kind of future society we envisage, and how we will work toward that vision.

**Kuroda** The primary audience of the integrated report is our investors. Communicating with investors is of paramount importance, and over the years we have explored different ways of engaging with these stakeholders. We should continue to issue

reports disclosing how we are contributing to sustainability and what our vision for our businesses is.

In particular, we should emphasize the alignment between the two. Our newly defined role in society is to share visionary ideas for workstyles and lifestyles, and on the business side we work toward this goal by expanding into new fields. In this respect, the future society we envisage dovetails with our own desires as a business. By emphasizing this alignment, our integrated report will give stakeholders a strong idea of how we pursue both business value and social value.

The resolve to exist as a company that provides  
workstyles and lifestyles

**Ida** The value narrative we have built with our corporate purpose and materiality analysis is really the overarching story of Kokuyo's value creation. I am confident that we have clarified the interactive relationship between our purpose and the goal of a self-directed, collaborative society. Do you have any other thoughts on this, President Kuroda?

**Kuroda** We've had a number of internal discussions about how, in communicating our newly defined purpose, we should distinguish between its significance for business value and its significance for social value. This process was hard going at times, but I'm happy to say that the end result is an output distinctive to Kokuyo. Most crucially, we have succeeded in redefining what our organization is here for, and that is to provide ideas for workstyles and lifestyles. With this newly clarified purpose, I trust that we can command the understanding and confidence of stakeholders. I also hope that the integrated report will be read by our employees and supply chain partners, who will be working alongside us to build a new Kokuyo.

**Ida** As for me, I hope we have given employees confidence about our purpose, so that when they meet customers, supply chain partners, or any undergraduates thinking about working for us, they can testify of how Kokuyo makes a positive difference.

**Kuroda** Right, it is essential to communicate effectively with various stakeholders, including investors. I hope that we can use integrated report to communicate to even wider audience the kind of society we want to help build and what value we offer to customers. In this way, we can build a larger following of stakeholders or fans who will embrace and support our growth and business activities.



# Sustainable Business Strategy

## Background to Sustainable Business Strategy

In 2022, we established the Sustainable Business Strategy. For many years, our CSR Charter had served as basic set of principles guiding our efforts to fulfill our corporate social responsibility (CSR). However, we decided to reformulate the charter as a sustainable business strategy that would bridge our long-term vision (the overarching concept) with our policy on stakeholder engagement (a subconcept).

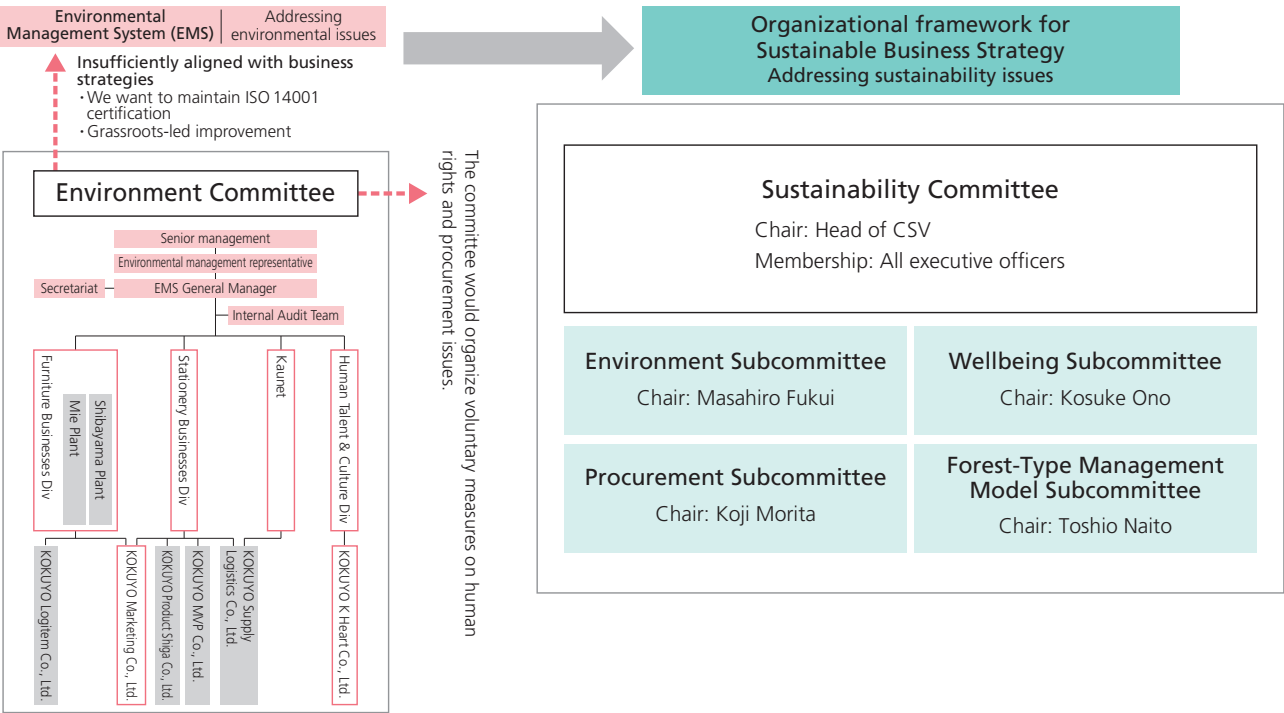
Sustainable Business Strategy

To build a self-directed, collaborative society, we will present a tomorrow you can't wait for and lead the way in sustainable business practices.

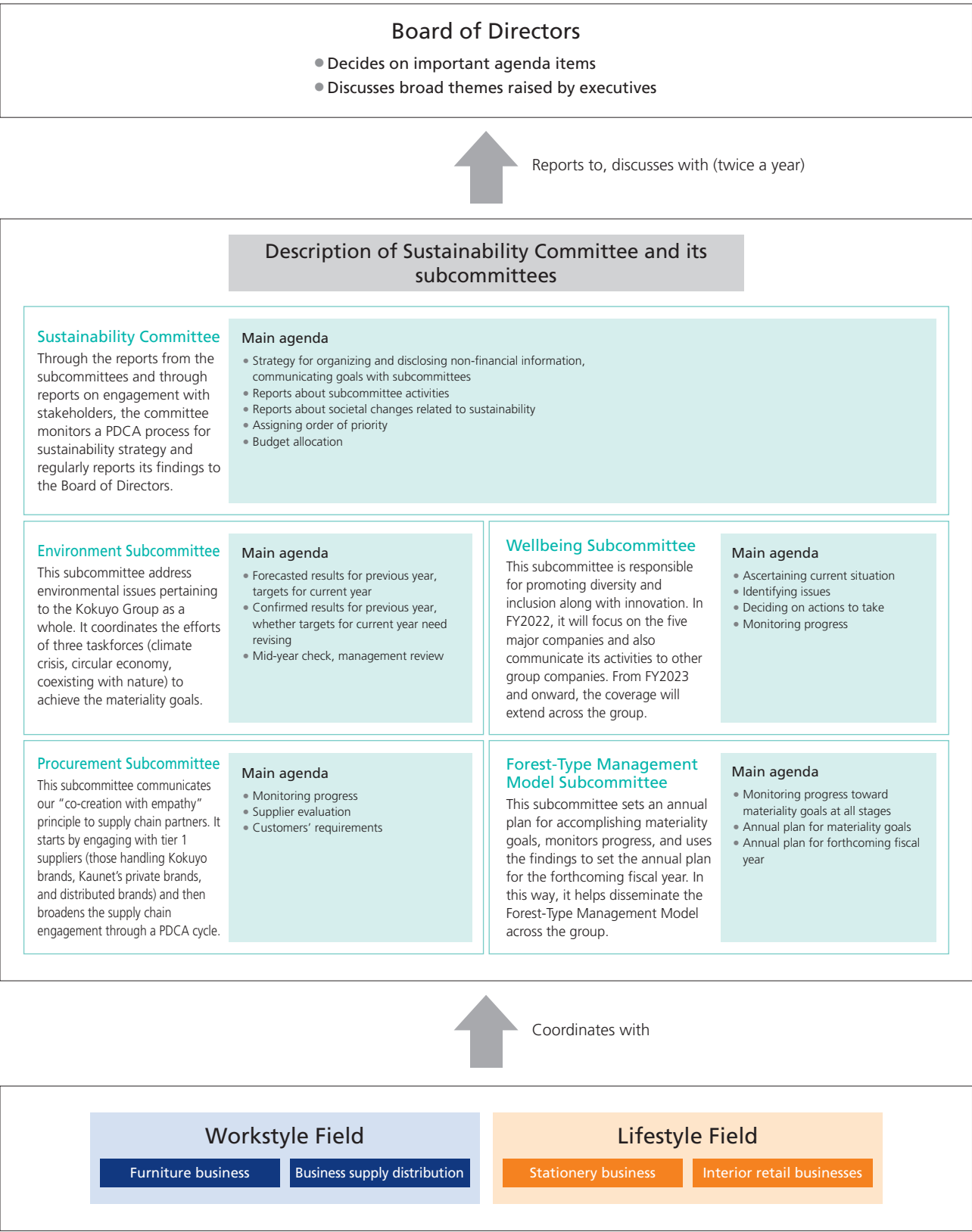
To balance social value and economic value, we will address social and environmental challenges and offer inspiration in work, learning, and living

## Organizational Framework for Sustainable Business Strategy

The Environment Committee, which has until now led efforts to address environmental issues and monitor social trends and issues, will be reorganized. Under the new framework, we publicly commit to accomplishing goals for our upgraded set of material issues, and senior management, acting through the Sustainability Committee, take the lead in integrating sustainability through a PDCA cycle. Chaired by the head of CSV, the Sustainability Committee will consist of four subcommittees: the Environment Subcommittee (the present Environment Committee will be reorganized into this), Wellbeing Subcommittee, Procurement Subcommittee, and Forest-Type Management Model Subcommittee.



## Decision-making process in Sustainable Business Strategy



# Improve Wellbeing among Employees and External Stakeholders

KOKUYO Materiality

Material issue

1

Improve wellbeing

Wellbeing is the experience of happiness and health. To help improve wellbeing, we will promote work-life balance, new workstyles, and a diverse workplace (inclusive of gender, disability, nationality) that produces innovation. For this, we have two challenge goals: pitch ideas for new ways of working, and promote diversity, inclusion, and innovation.

## Materiality taskforce activity

### Taskforce for Improving Wellbeing Among Employees

This taskforce was launched to lead efforts to achieve two commitment goals for FY2024: 100% takeup rate for paid leave among managers and general staff, and women accounting for 12% of leadership roles.

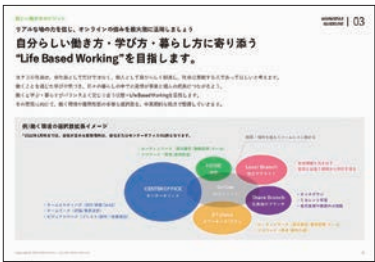
In FY2022, the taskforce will ascertain the current situation, identify issues, and determine the order of priority. At the same time, it will execute actions for mitigating unconscious biases.

### Taskforce for Improving Wellbeing Among External Stakeholders

This taskforce was launched to lead efforts to achieve a commitment goal for FY2024: At least 20% of new products incorporating inclusive design. In FY2022, the taskforce will develop a strategy for incorporating inclusive designs into product development so that our products contribute to a barrier-free society in which people can find greater fulfilment in work, daily life, and in study.

## Pitch ideas for new ways of working

In April 2021, the Shinagawa office was reborn as The Campus, a space for open innovation in workstyles and lifestyles. The Campus is open to the community and serves as an experimental place where diverse values are mixed together—a melting pot of ideas that keeps producing new chemical reactions. In January 2022, we prepared guidelines for transitioning to “Kokuyo-style hybrid work,” a new approach to work for the post-Covid world, as part of an effort to promote life-based working, which emphasizes individuality in workstyles, learning styles, and lifestyles.



The workstyle guidelines we published for the period of the 3rd medium-term plan.

## Promote diversity and inclusion along with innovation

To encourage further inclusion of employees of Kokuyo K Heart (a special subsidiary, i.e., a disability-friendly employer) while also promoting better wellbeing in society, we used the renovation of the head office as an opportunity to invite Kokuyo K Heart’s employees to tour the premises and discussed issues related to inclusion.

In an example of joint value creation, Hartland (another special subsidiary) and salad chain High Five Salad developed and marketed a collaborative menu item.

We will continue promoting inclusion of diverse employees and engage in joint value creation for a barrier-free society in line with our concept of diversity, inclusion, and innovation.



A menu item in salad chain High Five Salad developed jointly between the chain and Hartland

# Expand Business Fields through the Forest-Type Management Model

KOKUYO Materiality

Material issue

2

Transition to a management system that creates social value

Over the years, we’ve offered solutions for new ways of working, learning, and living through a process of first-hand experimentation in which we design experiences for customers through products and services.

Amid today’s mounting environmental and social issues, many people are unsure of how to take the next step. We want to transform management systems to lead the way to a sustainable future with the support of all employees and businesses. As more partners and customers engage with us, the circle of empathy will expand, sparking more innovation and solve more social issues.

## Internal sustainability communication

### Sustainability Academy

As part of our transition to sustainable business, we hold regular webinars to improve the awareness and motivation of management and staff. The webinars involve talks sessions with the management and eternal experts. These sessions encourage management and staff to engage together in addressing the same issues.

Two webinars have been held so far, with a total of nearly 300 people applying to attend. Both webinars created a big impact. For example, on the day after, executives called on their business divisions launch a taskforce to consider ways of contributing to the SDGs.

### 3C News

To encourage a personal interest in sustainability, we publish 3C News, an email newsletter containing SDG-related news relevant to the three C’s: the Company (Kokuyo’s sustainability actions), the Competition (our competitors’ sustainability actions), and the Customers (what customers expect from us). In FY2021, the newsletter was mainly circulated among the management. In FY2022, we decided to reach a wider audience and started sending the newsletter to employees who expressed an interest.

## Strengthening group management framework

We strengthened the group management framework to better enable us to engage in strategic planning for the medium and long term and run a strategic PDCA cycle.

We established the PDCA Committee to provide an opportunity for the executive officers to fully discuss a vision and strategy for the medium and long term. In this committee, the members determine business and operational strategies in which we translate our vision into concrete actions for balancing economic and social value over the medium and long term.

## Contribution to Kamiyama Marugoto Technical College (tentative name)

Through a partnership agreement, we plan to endow a prospective private technical college that will explore with us new ways of learning. The college, tentatively named Kamiyama Marugoto, will be opened in Kamiyama, Tokushima, in April 2023.

By endowing Kamiyama Marugoto and working with the college to explore new ways of learning, we will provide opportunities to directly experience social issues such as the task of regenerating regional communities. This in turn will create opportunities for entrepreneurship and business expansion in the field of learning.

## Pass-the-Baton Market

Pass-the-Baton Market is flea market that features dead stock (unsold inventory gathering dust in storage) and rejects (products that didn’t meet certain standards or specifications), prompting visitors to consider an alternative consumer behavior. This purpose resonated with us, so we co-host the event at The Campus. At the event, we sell some of our own stationery products that had become unsellable through regular channels. We also run a workshop for upcycling discarded articles.

The event encourages greater engagement with sustainability among employees and businesses.



Pass-the-Baton Market (Vol. 6) in progress



# Safeguard the Planet as a Place for Work and Life

KOKUYO Materiality

Material issue

3

Respond to the climate crisis

Over 90% of our emissions are from our value chain (scope 3), meaning that we can’t contribute to carbon neutrality just by reducing emissions from our own businesses.

We rely on numerous production and distribution partners. To contribute to carbon neutrality, we work with these supply chain partners on initiatives such as switching to more sustainable raw materials and delivery methods.

## Materiality taskforce activity

A taskforce was launched to lead efforts to achieve a commitment goal for FY2024: 50% reduction in CO<sub>2</sub> emissions among our Japanese workplaces compared to the 2013 level. Given that around 75% of our CO<sub>2</sub> emissions come from our Japanese workplaces, and given that electricity accounts for 75% of their total emissions, we will introduce renewable energy into the main workplaces in Japan.

## Global Warming Preventive Measures: In Japan, Scope 1 and 2

We will step up efforts to reduce CO<sub>2</sub> emissions and increase carbon absorption to mitigate climate change and contribute to a net-zero transition.

### Overall emissions results in 2021

In 2021, a total of 23,720 tons of CO<sub>2</sub> was emitted by our consolidated subsidiaries in Japan<sup>1</sup> and by our disability-friendly subsidiaries, Kokuyo K Heart and Hartland. This is 1,386 more tons, or a 6.2% increase, compared to the previous year’s figure. Because of a change in emission coefficients,<sup>2</sup> the increase was 242 tons less than it otherwise would have been. According to our estimates, the actual increase was 1,628 and the breakdown was as follows: Consolidating manufacturing operations increased emissions by 2,140 tons, more than offsetting a decrease of 341 tons from operational improvements and a decrease of 171 tons improvements in facilities and equipment. Disclosed below are the results by sector (offices, plants, distribution).

### Efforts among offices

Offices emitted 493 more tons than they did last year (470 more tons if we discount the impact of the emission coefficient). They would have emitted 568 more tons than they did last year, when many offices were closed due to Covid, but the increase was partially offset by a reduction of 36 tons caused by remote working, and a reduction of 62 tons caused by the upgrading air conditioning systems and installing LED lighting.

### Efforts among plants

Plants emitted 1,135 more tons than they did last year (1,261 more tons if we discount the impact of the emission coefficient). They would have emitted 1,601 more tons than they did in last year, when production was scaled back due to Covid, but the increase was partially offset by a reduction of 293 tons caused by quicker assembly line changes and stricter enforcement of machinery operation rules, and a reduction of 47 tons caused by adoption of more energy-efficient technology (use of inverters, LED lighting).

### Efforts in distribution (storage, shipment)

Distribution operations emitted 242 less tons than they did last year (103 less tons if we discount the impact of the emission coefficient). Of the amount reduced, 29 tons was attributable to consolidating distribution centers, 12 tons was attributable to the adoption of more energy-efficient practices and adjustments of lighting levels in distribution centers, and 62 tons was attributable to the installation of LED lighting.

\*1 Kokuyo, Kokuyo Product Shiga, Kokuyo MVP, Kokuyo Logitem, Kokuyo Supply Logistics, Kokuyo Marketing, Kaunet, Actus, Kokuyo Finance, Kokuyo & Partners, LmD International

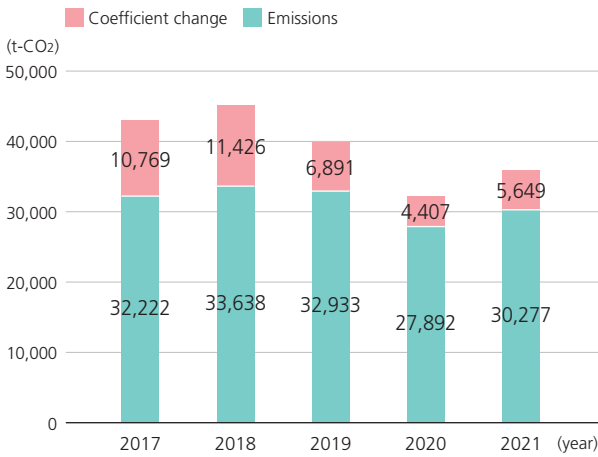
\*2 As to CO<sub>2</sub> emission coefficients for electricity, we adopt the coefficients based on Japan’s Act on Promotion of Global Warming Countermeasures (base emission coefficients for each electricity company based on actual performance for FY2019 and FY2020).

## Global Warming Preventive Measures: Groupwide, Scopes 1, 2, 3

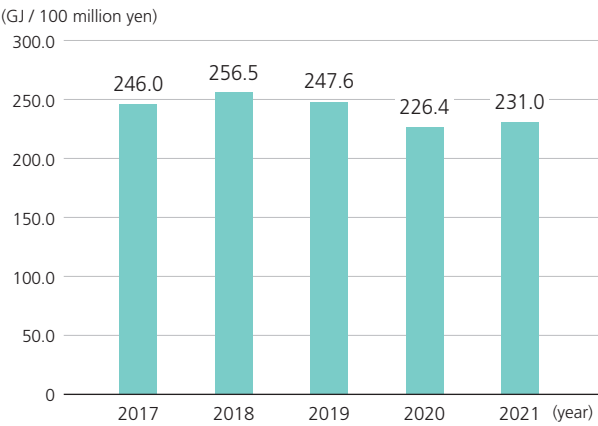
### Total CO<sub>2</sub> Emissions by Kokuyo Group

Total emissions for all 31 organizations in the corporate group (which includes Iwami Paper Industry since 2018)<sup>1</sup> amounted to 35,926 tons,<sup>2</sup> an increase of 3,627 tons from the 2020 level. Around 1,200 tons of the increase was attributable to a change in emissions factor data among energy providers. The remaining 2,400 tons was attributable to the resumption of energy consumption following a period of scaled-back operations amid the pandemic conditions in 2020.

### Kokuyo Group total CO<sub>2</sub> emissions over five years



### Energy consumption per unit of sales over five years



\*1 See Databank.

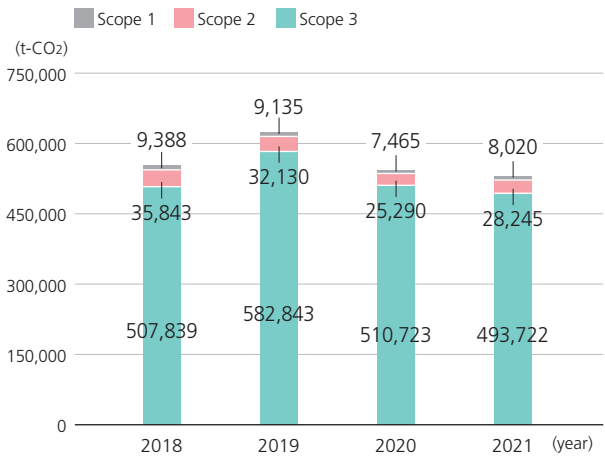
\*2 As to CO<sub>2</sub> emission coefficients for electricity in Japan, we adopt the coefficients based on the Act on Promotion of Global Warming Countermeasures (base emission coefficients for each electricity company based on actual performance for FY2019 and FY2020). As to CO<sub>2</sub> emission coefficients for overseas electricity, we adopt the country-specific factors cited in Emissions Factors 2021 published by the International Energy Agency (IEA). The difference due to change in coefficients is the difference with the emissions calculated based on the average of all electricity sources for 2000 (0.378 kg-CO<sub>2</sub>/kWh).

### Improving the Accuracy of Scope 3 Data

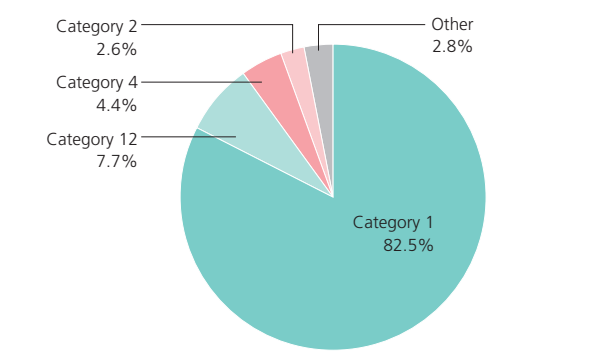
In response to the growing expectations on companies to do so, we undertake groupwide initiatives to manage and disclose scope 3 emissions (indirect emissions throughout the value chain, including in production, distribution, consumption, and disposal). In 2021, our value chain produced a total of 529,988 tons of GHG emissions. Scope 3 emissions accounted for approximately 93% of this total, with 82.5% coming from purchased goods and services (Category 1).

The reliability of our environmental data was confirmed in an independent assessment conducted by Bureau Veritas Japan.

### Emission by Scope



### Scope 3 breakdown



# Endorsement of TCFD

## Governance

We regard climate change as a major strategic concern and have established an organizational framework for managing climate-related risks. Under the supervision of the Board of Directors, the Sustainability Committee identifies climate-related risks so that the management can incorporate the information into strategic planning and take the decisions and actions necessary to mitigate the risks. To supervise this process effectively, the Board of Directors hears reports from the committee twice a year and then deliberates on climate-related risks and other sustainability issues. The board also decides on matters of strategic importance.

The Sustainability Committee’s membership consists entirely of executives and the committee is chaired by the head of the CSV Division. The committee monitors social and environmental trends to identify strategic concerns related to sustainability. It then formulates actions plans and allocates budgetary resources for addressing these concerns. The Environment Subcommittee (a subcommittee of the Sustainability Committee) collaborates with the executive officers responsible for each business division to identify climate-related risks, incorporate the findings into strategic planning, and spearhead organization-wide efforts to mitigate the risks.

## Strategy

We use scenario analysis to identify the climate-related risks and opportunities and their financial implications so that the necessary measures can be taken. Since 2030 is the endpoint for our long-term vision, our scenario analysis projects climate-related shifts in society and among stakeholders between now and that endpoint.

The scenario analysis conducted in FY2021 covered the furniture businesses and the business supply distribution business, which belong to our hybrid workplace segment. We will extend the coverage to our lifestyle tools segment. We will also conduct repeated scenario analysis for the hybrid workplace at regular intervals.

Scenario	Description of scenario	References
Within 1.5 °C	Sustainable Development / Net-zero Scenarios: Committing to a net-zero transition by 2050, the world acts to keep global warming below 1.5 °C relative to pre-industrial times. Government regulation is tougher compared to that in the 2 °C scenario, and people take a greater interest than they do at present in climate change and other environmental issues.	<ul style="list-style-type: none"><li>IEO World Energy Outlook 2021; Sustainable Development Scenario; Net Zero Emissions by 2050 Scenario</li><li>IPCC SSP1-1.9</li></ul>
2 °C	Announced Pledges Scenario: Governments tighten regulation to keep global warming below 2 °C relative to pre-industrial times. People take a greater interest in climate change and other environmental issues.	<ul style="list-style-type: none"><li>IEO World Energy Outlook 2021; Announced pledges Scenario</li><li>IPCC SSP1-2.6</li></ul>
4 °C	Stated Policies Scenario: Government regulation is weak compared to the other two scenarios. There are no further measures or further policy intentions beyond what governments have already implemented or stated. GHG emissions may increase for a time, and people's interest in climate change and the environment remain as it is now.	<ul style="list-style-type: none"><li>IEO World Energy Outlook 2021; Stated Policies Scenario</li><li>IPCC SSP5-8.5</li></ul>

### Furniture businesses

With growing pressure around the world for a net-zero transition, our customers, suppliers, and other social stakeholders will take more action to contribute to the net-zero transition and to reduce waste.

The financial/business risks include higher CO<sub>2</sub> emissions costs, the need for more capital spending, higher raw material costs, and a decline in sales revenue following changes in customers’ needs. The opportunities include the potential for developing goods and services to cover shifting customer needs and behavior,

and the potential to expand business domains by developing low-emissions businesses.

Accordingly, while working to reduce emissions and minimize costs, we will seize the opportunity to developing new products and services so that we can increase our climate resilience and create value suited to the changes among customers and in society.

Website<https://www.kokuyo.co.jp/sustainability/materiality/climatechange/>

### Business supply distribution

With governments around the world strengthening policy commitments for a net-zero transition, customers, distributors, and other social stakeholders take more action to contribute to the net-zero transition and to reduce waste.

The financial/business risks include the costs of carbon taxes, higher transport costs, and a decline in sales revenue following changes in customers’ needs. The opportunities include the

potential to increase sales revenue with a lineup suited to the shifting customer needs.

Accordingly, while working to reduce emissions, we will seize the opportunity to developing new products and services so that we can increase our climate resilience and create value suited to the changes among customers and in society.

Website<https://www.kokuyo.co.jp/sustainability/materiality/climatechange/>

## Risk Management

Climate-related risks are managed by the Environment Subcommittee (a subcommittee of the Sustainability Committee). Guided by the findings of regular internal and third-party audits, this subcommittee identifies and evaluates the risks with attendance of executive officers responsible for each business division. Once the risks are identified and evaluated, they are communicated to business divisions concerned. The strategic implications of the risks are incorporated into strategic planning by the Environment Subcommittee, while business-specific implications are addressed by the relevant business divisions.

Under the existing system for groupwide risk management, the Risk Management Committee has steered efforts across the corporate group to manage groupwide risks. To integrate climate-related risk management into this existing system for groupwide risk management, the Risk Management Committee will now coordinate with the Sustainability Committee’s Environment Subcommittee.

Specifically, the Environment Subcommittee will inform the Risk Management Committee about important matters concerning risk management on an as-and-when basis, and about the state of compliance with environmental regulations on a regular basis.

## Metrics and Targets

We will step up efforts to reduce CO<sub>2</sub> emissions and increase carbon absorption to mitigate climate change and contribute to a net-zero transition.

We will reduce CO<sub>2</sub> emissions by saving energy and shifting to renewable energy, and we will help carbon sequestration through forestry initiatives.

The following metrics and targets represent our commitment to reducing CO<sub>2</sub> emissions and increasing carbon absorption by the target year of 2030.

Metric	2030 target	2021 result
Greenhouse emissions	SBTI-based emissions reduction target: Target set and achieved (target to be determined)	23,720 t-CO <sub>2</sub> emitted 22.7% down from 2013 level
Carbon absorption	Offset CO <sub>2</sub> emissions: Forests absorbing at least 6,000 tons of CO <sub>2</sub> a year	88.55 hectares thinned 5,368 t-CO <sub>2</sub> absorbed



# Safeguard the Planet as a Place for Work and Life

KOKUYO Materiality

Material issue

4

Contribute toward a circular economy

We want to use the planet’s limited resources efficiently in delivering value to customers. Accordingly, we’ve been working to recycle more of our waste and to develop ecologically sustainable products and services. As an organization that provides products that are as accessible to as many people as possible, we also aim to promote individuated zero-waste lifestyles. We’ll engage partners and customers in our efforts to help build a circular economy, one that recycles and reuses rather than wasting.

## Materiality taskforce activity

A taskforce was launched to lead efforts to achieve a commitment goal for FY2024: 100% of new products incorporate circular-economy design principles.

We will start by forming a circular design policy. Going beyond recycling or upcycling materials, the policy will provide positive value to people who engage in the circularity agenda so that we get more people involved, creating more momentum and accelerating the transition to a circular economy.

## Resource-saving and Recycling Measures

The volume of waste materials generated by the group’s 31 business offices\* in 2021 was 21,933 tons with a recycling rate of 97.4%. Our construction sites generated 4,863 tons of waste materials with a recycling rate of 80.7%.

Group-owned plants in Japan have maintained net-zero waste since 2009. However, Mie Plant produced some waste residues as a result of switching from thermal recycling to material recycling for particle boards in an effort to contribute to a circular economy. We will continue exploring effective circularity strategies in each sector (offices, construction services, inventory) and minimizing waste output with a view to achieving a 100% recycling rate.

\* Kokuyo, 20 consolidated subsidiaries, and 10 associate companies



Desk being disassembled and sorted

## Establishing guidelines for sustainable procurement

We reformulated our procurement guidelines into sustainable procurement guidelines. For a sustainable planet and society, we communicate our belief in co-creation with empathy to our supply chain partners, work to build mutual trust with them, and continue working with them to fulfill our collective social responsibility to support development of society.

In FY2022, we conducted a fact-finding questionnaire survey among 400 critical suppliers as a first step to working together toward a circular economy.

## Experimenting with ideas for a waste-free society

We have begun a number of experiments in an effort to help build a waste free society. Kokuyo MVP is testing a scheme to upcycle waste plastics produced during manufacturing as wood-plastic composite. It has also started reusing box binding strips used in packaging. In a collaborative collect-and-recycle scheme (called “beverage carton recycling service”), Kaunet provides its own brand of box for collecting Ito En’s beverage cartons. The collected cartons are then recycled into toilet paper by Corelex Shinei. Additionally, a team of volunteers known as “stnb.” holds workshops for generating ideas together with customers for how we can upscale our waste materials. By involving stakeholders and sharing ideas for effective uses of materials, we creative more opportunities inside and outside the company for learning about how to avoid waste.

KOKUYO Materiality

Material issue

5

Contribute toward a society that coexists with nature

Conservation of forests is a major imperative for us since we use plenty of timber (not least in our mainstay products of notebooks and office furniture). Over the years, we have worked to conserve biodiversity and reduce our use of hazardous materials in order to minimize our impact on the environment. From this year, we’ll monitor and take steps to improve our impact on the environment so that we can balance business activities with natural capital for a healthier planet.

## Materiality taskforce activity

A taskforce was launched to lead efforts to achieve a challenge goal for FY2030: Carbon footprint of business activities visualized and carbon neutrality achieved. Guided by the TNFD framework, we will monitor our current impact on nature, visualize the data, and establish a plan to achieve nature-positive outcomes.

## Yui-no-Mori Project

### Conserving the forest through effective use of timber harvested from thinning

In 2006, we launched a project to conserve a private forest in the Taisho district of Shimanto, Kochi Prefecture, which we named Yui-no-Mori (“linkage forest”). In this project, we thin the forest and make effective use of the resulting timber. Our purpose is to lead the way in reviving manmade forests and restoring the link between the natural environment and local livelihoods. In 2007, the project was certified by the Forest Stewardship Council® (FSC®).

Today, Yui-no-Mori has a surface area of 5,425 hectares, and a cumulative area of 1,989 hectares has been thinned. Kochi Prefecture has awarded us the “CO<sub>2</sub> absorption certificate” since 2007. In FY2020, the forest absorbed 5,368 tons of CO<sub>2</sub> in that year. The cumulative total for April 2006 to March 2021 stands at 67,390 tons.

Since 2000, we have marketed products that use timber harvested from thinning operations at Yui-no-Mori. Similarly, in 2007, mail-order retailer Kaunet launched a line of stationery under the Yui-no-Mori brand. As of 2021, Kaunet has 12 items that use the harvested timber. (FSC® C004748) (FSC C007763)



Yui-no-Mori products sold by Kaunet



Vegetation survey team

## ReEDEN Project

### Lake Biwa’s reeds: Education and conservation

In 2007, Kokuyo Product Shiga Co., Ltd., launched a project for conserving Lake Biwa’s ecosystem that combines activism with utilization. In 2009, the company launched a network of companies committed to protecting the reeds in Lake Biwa. Now encompassing 131 companies, the network has for over ten years worked with universities and local government to undertake the winter reed cutting. In 2017, we started inviting researchers to conduct a biomass survey during the winter cutting. This research culminated in a methodology for showing the extent to which ReEDEN offsets CO<sub>2</sub> emissions, leading to scientific validation of the long years of reed cutting. While ReEDEN makes a small-scale, local contribution to sustainability, it is one that we value and intend to continue.

## Promote timber legality compliance

### Kokuyo Group’s Policy on Timber Procurement

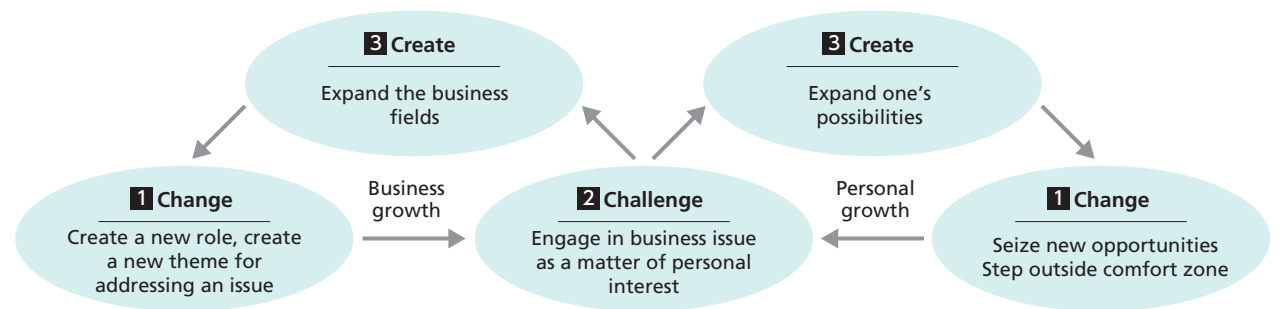
We established the Policy on Timber Procurement in 2011 to clarify our commitment to sustainable timber procurement. Since our foundation, paper and other wood-derived products have played a central role in our history of corporate development. Reaffirming the vital role forests play in mitigating global warming and protecting biodiversity, we commit to legal compliance, transparency, and sustainability in our procurement of timber so that our businesses grow in harmony with forests.

# Other Initiatives

## Human resources management

### Creating a cyclical process of employee growth and business growth

We aim for a cyclical process of employee growth and business growth. This approach balances two goals: expanding our business portfolio to cultivate a diverse ecosystem of businesses, and allowing individuals to expand their career opportunities.



### 20% Challenge: Internal moonlighting

To promote an empowered workplace in which employees actively pursue opportunities for professional development, we launched 20% Challenge, a program of internal moonlighting in which participants spend 20% of their working time engaging in a job for another organizational division. Organizational divisions issue recruitment notices for a certain jobs (“challenges”), employees apply for them, and the head of the division in question works with the HR team to find the right candidate. The program runs for three to 12 months, and participants’ achievements and efforts count toward their individual personnel evaluation. In the two years since the program began, around 120 employees have participated. These participants stepped across organizational boundaries to engage in challenges such as market research for overseas businesses, strategy support, R&Ding solutions for digital learning, and raising employees’ eco-awareness. The idea is that employees, by dividing their time 80–20 between their normal work and the new assignment, will raise workplace productivity without compromising their normal work. The program is helping us to visualize workplace activity and identify aspects to rectify or recalibrate through dialogues between the employees concerned and their managers and HR.

### Kokuyo Marketing University, Kokuyo Marketing Graduate School

Kokuyo Marketing University is a practical training program for young employees (employees who have been in the workforce for three to 12 years). The program gives attendees a basic grounding in entrepreneurship and business strategy so that they have the confidence to engage in customer-oriented projects in which they identify a need and develop a solution from the customer’s perspective. After studying marketing strategies, attendees immerse themselves in a team-based business project, in which they apply their knowledge with guidance from an external marketing professional. The project lasts about half a year, the teams present their ideas to the management. The program started in 2017 and more than 110 young employees

have attended and challenged themselves. These attendees came from all parts of the organization, not just from development and planning. Now over five years’ old, the program continues to provide a starting point for employee development and action. For example, attendees can enhance their learning by making use of the program’s mentorship system, in which they receive support from graduates of the program. Additionally, attending the program leads to positive changes in workplace outputs and encourages the employees to accept an offer of redeployment and the fresh challenges it brings.

Kokuyo Marketing Graduate School is a program designed to equip managers in their 30s or 40s with the skill and confidence to engage in strategic planning, including the process of objectively projecting future business trends. During the program, attendees are presented with 10-year business themes determined by the management. Under the guidance of external management professionals, they spend around nine months engaging in team work to perfect their strategy and then present it to the management. As of 2021, the third year of the program, a cumulative total of 70 employees have attended. Of the 12 strategies presented, three were adopted after that year of the program ended. They are now in the commercialization planning phase. Of the 44 employees who attended the first or second year of the program, around 65% have challenged themselves and pushed their boundaries by taking on a larger role such as a role in an organization-wide project.



Kokuyo Marketing University: Final presentations delivered by employees who joined the program on its fifth year



Marketing Graduate School: Group discussion

## Employee communication

### Employee satisfaction survey

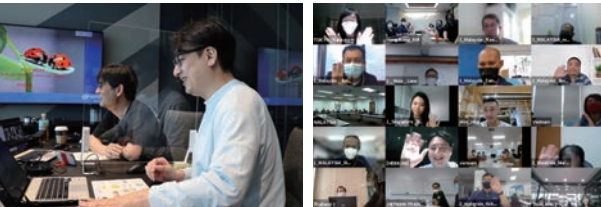
We conduct an annual employee satisfaction survey with a view to providing an employee-friendly workplace.

Based on the responses, we interview employees to identify their concerns and provide guidance to help them resolve issues themselves. For example, we use instructional videos showing examples of how other employees resolved similar issues.

Together with Kaunet, we have launched employee pulse surveys as part of a short, monthly PDCA cycle for improving employee satisfaction. The pulse surveys measure the pulse of employee teams and workplace conditions, providing quick feedback that can then be applied in horizontal (peer-to-peer) and vertical (between an employee and a manager) dialogues. Another purpose is to give senior managers quicker, more timely updates about workplaces as they roll out new workstyle initiatives and other actions aligned with the long-term vision. By serving as a means of continuous, routine feedback, the pulse surveys help cultivate a culture of open communication, in which employees share their ideas and concerns on a level playing field, uninhibited by rank.

### Employee town meetings

In February 2021, we unveiled CCC 2030, our long-term vision, and updated our philosophy into the phrase “be Unique.” To ensure that the new long-term vision and philosophy connect with employees, we held a series of employee town meetings for discussing why we updated the philosophy and what the phrase “be Unique.” expresses. Over six months, we held 30 of these meetings and a total of 2,100 employees attended.



Online town meeting. Around 30 sessions were held for group companies in and outside Japan, and a total of 2,100 employees attended.

### President’s Award

In FY2020, we launched the President’s Award to honor initiatives that help build Kokuyo’s value. In the first year, the prestigious award went to Starbucks Campus Ring Notebook.

Starbucks Campus Ring Notebook started in 2019 as a collaboration with Starbucks. Impressed by how Starbucks had, since 2010, recycled its milk cartons as part of its commitment to a circular economy, we decided to support the effort by producing a line of notebooks with covers that are made primarily from the

recycled milk cartons. From over 1,400 Starbucks outlets across Japan, over 1,000 tons of milk cartons are collected a year, with each carton being individually washed and dried. Numerous challenges were undertaken in the process leading up to the pulping, printing, and mass production of the finished product. Soon after the notebook went on sale a succession of outlets sold out of the notebook. Since then, we have launched a limited color edition, which has helped keep the brand in the public eye.

The award ceremony, delayed because of Covid, was finally held, albeit online. President Hidekuni Kuroda and the other attendees all had a great time, as their smiling faces attest.



Online ceremony for President’s Award

### Dynamism Challenge

A strategic priority in our previous medium-term plan (2019–2021) was to turbo-charge workplace productivity (“doubling the speed of operations through variety”). In 2019, we launched an initiative to help cultivate a workplace culture that rewards employees for thinking independently and taking the initiative. The initiative is titled Bottom Up, Top Pull (“bottom up” means frontline employees raising concerns or suggesting ideas, and “top pull” means the management taking up these ideas).

In FY2021, the third year of the program, two prizes were offered:

- **Top-Pull Prize** This prize honors leaders who helped their team achieve growth or improve their performance. Entries are nominated by others.
- **Dynamism Prize** This prize honors individuals and teams who push the envelope with bold initiatives for turbo-charging workplace productivity. Entries are self-nominated or nominated by others.

Prizes were awarded at a business unit and regional level. For the top prize, the corporate officers then picked one individual (or team) from among the organization as a whole. The winners of the two prizes were then announced to employees in the company newsletter.



Measures to promote workplace diversity

We exceed regulatory requirements in our effort to support the careers of diverse employees and accommodate their needs associated with each life stage. Underlined text indicates a measure that exceeds regulatory requirements.

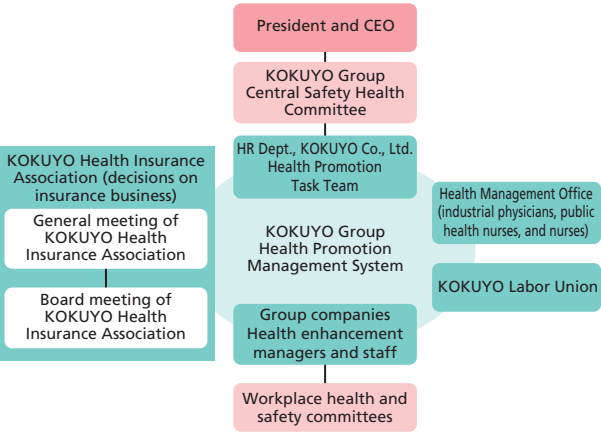
Maternity leave	Pregnant employees are entitled to a leave of absence for a period lasting from six weeks before the due date (14 weeks if a multiple pregnancy) to eight weeks after.
Spouse’s leave	Employees whose spouse is pregnant are entitled to <u>two days leave around the due date</u> .
Parental leave	Employees are entitled to a leave of absence to <u>care for their children until the child’s 2nd birthday (if the child’s second birthday falls in April, until the end of that April)</u> .
Sick child leave	Employees with children who are yet to enroll at elementary school are entitled to five days of leave a year or, if they have multiple applicable children, 10 days of leave a year (the leave can be taken on an hourly basis).
Nursing care leave	Employees are entitled to take, for each care dependent, up to three periods of leave totaling no more than 183 days.
Short nursing care leave	Employees are entitled to take, for each care dependent, five days of leave a year or, if they have multiple elderly dependents, 10 days of leave a year (the leave can be taken on an hourly basis).
Shorter hours	Childcare: Employees with <u>children are entitled to take shorter work schedules until the children complete grade 3 of elementary school</u> . Nursing care: Employees with dependents are entitled to take shorter work schedules for up to three years for each dependent.
Work from home	We promote a mixture of home and office working.
Complete flexitime (with no predetermined core period)	We encourage employee productivity with flexible work hours.
Re-employment system for employees who voluntarily resigned	We run a returnship program to help <u>reintegrate into the workplace regular employees who resigned because of marriage, childbirth, childcare, nursing care, spouse relocation, overseas study, charity work, a career change, or other valid personal reasons</u> . We believe that bringing in outside experience and insight further increases the diversity of our organization.
Re-employing mandatory retirees	We have in place a system which, in principle, allows employees who wish to work at the Kokuyo Group after retiring at the mandatory age of 60 to continue work as senior employees. Through this initiative, we offer opportunities for employees to continue applying themselves in society after mandatory retirement. At the same time, we can expect them to use their experience and knowledge developed so far in their work to contribute toward developing younger employees.

The above measures apply to Kokuyo and its five major subsidiaries.  
Related information: Childcare and nursing care leave uptake

Employees health

Health promotion management system

To promote health and productivity management, Kokuyo has in place a health promotion management system for the entire Group based on the Kokuyo Group Occupational Safety and Health Basic Policy by the KOKUYO Group Central Safety Health Committee. Health enhancement managers and staff are appointed in each Group company, and initiatives to improve health within the entire Group are undertaken as one by human resource departments, labor unions, health insurance associations, and health management staff.



Recognition as Employee-Friendly Organization

Kokuyo and Kaunet have been listed among the 500 whitelisted companies in an award program run by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, earning the official designation “2021 Certified Health & Productivity Management Outstanding Organization (White 500).” Kokuyo Marketing has earned a separate accolade under the same program (“Health and productivity Management Outstanding Organization”).



Using The Campus to showcase our approach to employee Health

At The Campus, we showcase ideas that support the mental and physical wellbeing of employees and visitors and help them feel safe. These include ideas for office space, furniture, equipment, and stationery that help ease workplace stress or keep the workplace infection free. These efforts have earned a number of our facilities in Japan the WELL Health-Safety Rated seal.

The WELL Health-Safety Rating for Facility Operations and Management provides third-party verification that the certified building is clean and safe. The rating was launched by the International WELL Building Institute in June 2020 in response to the spread of Covid. The criteria for the rating includes anti-Covid measures, emergency preparedness programs, cleaning and sanitization procedures, and air and water quality management.

Employee safety

Kokuyo believes that creation of a safe, secure and pleasant working environment, safety measures in times of disaster and other measures are the foundations for employees to work vigorously and demonstrate their full abilities. Therefore, the KOKUYO Group Central Safety Health Committee—which has the function of overseeing safety and health within the Kokuyo Group—takes the lead to link the health and safety committees of our offices to establish mechanisms and systems while actively exchanging opinions with our employees.

Kokuyo Group Safety and Health Basic Policy

**Basic policy:**  
We take a safety-first approach on the belief that the cornerstone of all our business is the mental and physical wellness of every employee.

**Code of conduct:**

1. Comply with all relevant laws and regulations (such as the Industrial Safety and Health Law) as well as internal guidelines and standards.
2. Encourage continuous and autonomous workplace improvement, and strive to prevent occupational accidents and health problems.
3. To ensure the health and safety of everyone involved in the Group's business, we promote the creation of a transparent culture in which everyone participates.

Health and safety conferences in production and construction Sites

The first week of every July is National Safety Week, a week for the entire country to reaffirm the importance of occupational safety\*. For this week, we organize health-and-safety conferences to enhance safety-consciousness across the corporate group.  
For the 2021 event, anti-infection measures were taken.

\* Run by the Ministry of Health, Labour and Welfare and the Japan Industrial Safety & Health Association, National Safety Week is a campaign that calls upon employers to take voluntary actions to prevent workplace injuries. It also aims to raise awareness about health and safety and entrench workplace safety.

Working with Supply Chain Partners

Renaming the Procurement Policy the Sustainability Policy

The Kokuyo Group creates new value with our business partners to pursue customer satisfaction. In FY2013, we formulated the Kokuyo Group Procurement Policy to guide our efforts to build trusting relationships with supply chain partners and achieve growth together. In FY2022, we renamed the policy the Sustainability Policy. We communicate our belief in co-creation with empathy to our supply chain partners so that we can continue together to fulfill our collective social responsibility to support development of society.

Read the full text of the policy here:  
<https://www.kokuyo.co.jp/sustainability/esg/society/rights/supply-chain/>

First offline conference with furniture suppliers in two years

In the furniture business, we hold biannual conferences with the managers of our critical furniture suppliers. At the conferences in FY2021 (the first offline conferences in two years), we awarded the Power Supplier prize to furniture suppliers who made an

outstanding contribution. We also used the conferences to review of the fiscal period, brief on strategy for the upcoming peak season, and brief on the third medium-term plan. During latter half of the conferences, we gave attendees a tour of The Campus, giving them an idea of how the furniture they supply supports diverse workstyles. Such engagement encourages our furniture suppliers to cooperate with us in enhancing the value we offer customers and ensuring that we always meet the customer's needs.

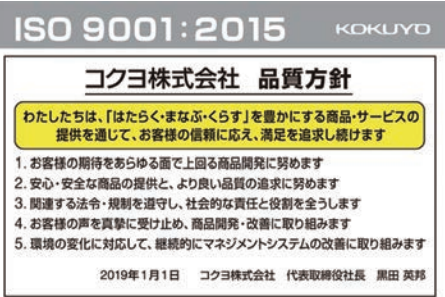


Conference with furniture suppliers

Providing peace of mind and safety to customers

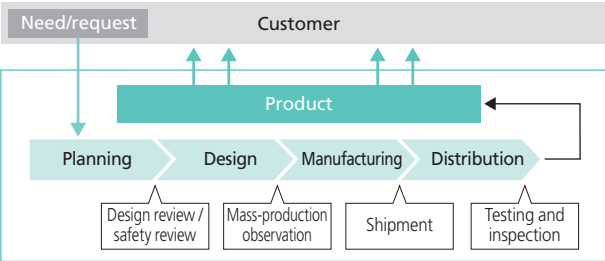
We always develop new products and services from the perspectives of customers, and, without being satisfied with the present conditions, we continue to improve the safety and quality of our entire product line and services.

These efforts have earned our organization ISO 9001 (Quality Management System) certification.



Quality assurance for stationery

In order to deliver quality that our customers can trust, we have taken steps to systematically build, operate and improve our systems for quality assurance, covering planning, design, manufacturing, and distribution.



Quality assurance for furniture

Our furniture businesses attained ISO 9001 certification in 1997. Since then, we have standardized the marketing, planning,

design, production, and installation processes for furniture. We use a PDCA cycle to ensure that we always provide products and services that are tailored to the changing ways in which people work, study, and live. We continually strive to improve our manufacturing, delivery, and installation. We listen to feedback from customers and use this feedback to inform and guide our continual-improvement activities.

Quality assurance for Kaunet's products

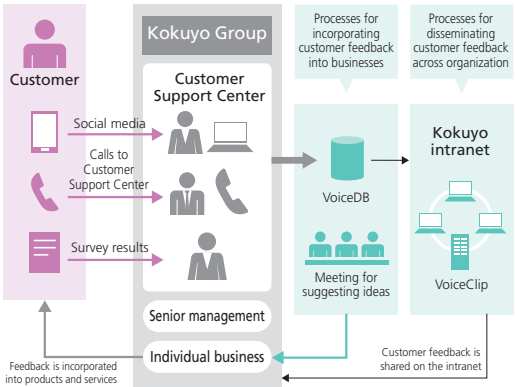
Kaunet sells stationery and many other kinds of products, and it has around a thousand suppliers. It also has its own premium brand, Kaukore, which includes at least 5,200 products. To ensure that its products are safe and command confidence, Kaunet works together in the value chain to improve not only the quality of its goods but also the customer service at call centers and delivery.

Dialogue with our customers

A system for utilizing feedback from customers

Our Customer Support Center handles more than 400 inquiries a day—reportedly the highest capacity for the industry. All customer feedback—positive and negative—is shared within the company to identify improvements to make in product planning and development and in customer service.

To help disseminate customer feedback throughout the organization, we use VoiceClip, an internal website that shares customer feedback, revealing to employees what customers expect of us. The content on VoiceClip is updated weekly and accessible to all employees throughout the corporate group. Another tool we use is VoiceDB, a database of past customer inquiries. This data is shared throughout the organization (after removing all personally identifiable data), allowing employees to identify ways to improve products and services at the planning and development stages.



Revamped inquiry webpage

The Customer Support Center revamped the inquiry webpage on our corporate website. The new webpage design makes it easier for customers to identify the problem and it presents a better list of frequently asked questions, enabling customers to resolve the issue themselves in many cases. We will keep monitoring customer inquiries and providing customers useful information in a timely fashion.

Social contribution

Kokuyo Design Award 2021: Post-Normal

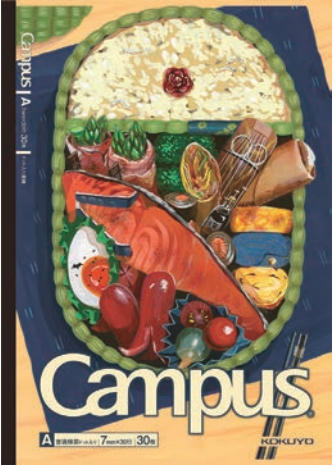
The Kokuyo Design Award is designed to gather ideas for products that will create new value in the field of work and the field of learning and living. Since it began in 2002, the award program has sought product ideas that add value to Kokuyo and the wider society.

The theme for 2021 (the 18th year of the awards) was “post-normal.” The theme focused on how the pandemic has prompted a transitional state across the world, and it was intended to inspire people to reevaluate their possessions and consider the quality of a product and whether the product offers universal value for the future.

Campus Art Awards 2021: A painting competition for junior high and high school students

We hold the Campus Art Awards in partnership with The Yomiuri Chukosei Shimbun. Campus Art Awards is a drawing competition for students at junior high school and high school. The award program began in 2015. In 2021, 2,476 works were showcased.

The theme for 2021 was titled “my sweet hometown.” This theme focused on the landscapes, customs, traditions, events, cuisine, confectionery, and other motifs associated with the students’ hometowns. The purpose was to give students an opportunity to take an interest in their hometown, discover its charms, and express them.



The winning picture: Ajiwaitsukuse! Fukunoyama (Fully Experience the Mountains of Fukuyama)  
Chihiro Iida  
Hiroshima University High School, Fukuyama

For the top individual prize, the winner received 50 Campus notebooks featuring the person’s winning picture, and the winner’s school received 1,000 of these notebooks.

Michinoku Future Fund: A scholarship for students left orphaned by the March 2011 disaster

Since the year after the Tohoku disaster of March 11, 2011, we have acted as a corporate sponsor of Michinoku Future Fund\*, a scholarship program for students who lost their parents in the disaster.

In 2021, the foundation awarded its 10th annual set of scholarship. Scholarships were awarded this year to 73 students, securing them a place in a higher or further education institution, where they can start their journey towards a bright

career. We will continue to support the good work of the foundation.

\* Founded by Rohto Pharmaceutical, Calbee, and Kagome, Michinoku Future Fund provides higher or further education scholarships to students who lost their parents in the March 2011 disaster, on the belief that future generations are the foundation for the recovery. Since it began, Michinoku Future Fund has awarded scholarships to 974 students.



A sendoff event held in March in a typical year (the sendoff was cancelled in 2020 and 2021 because of the pandemic)

Wholeheartedly supporting children with disabilities: Kokuyo Painting Contest in China

In February 2021, we held Kokuyo Painting Contest for children with disabilities in China with extensive backing from the Shanghai Municipal Government and local schools. The winning drawing, selected from 158 entries, was used as the cover for a specially designed Kokuyo notebook. We produced a total of 50 thousand notebooks featuring this design. Aside from selling this notebook, we also donated a number of copies to a rural district of China to help add color to the children there.

The sales proceeds from the notebooks, totaling over 139 thousand CNY (2.3 million JPY), was donated to a charity for children with disabilities in Fengxian, a suburban district of Shanghai. The municipal government thanked us for our contribution and showed the delighted reaction of the winning entrant. As part of our ongoing efforts to promote diversity and inclusion throughout the group, our Chinese subsidiary, Kokuyo Commerce (Shanghai), will step up initiatives to address social issues through its business activities.



The winner holds a notebook featuring her prize drawing



# Corporate Governance

## Corporate governance

Efficiency, transparency, and fairness are essential to continuous and long-term increase in corporate value. We will engage in efforts to continuously enhance these elements in constructing and operating our management system.

## Corporate governance system

In Japan, companies can choose one of three systems of corporate governance. Of these, we have chosen that of a “company with a kansayaku (audit and supervisory) board.” Under this system, corporate governance is the responsibility of the Board of Directors and the Audit & Supervisory Board. The Board of Directors monitors the execution of business, while the Audit & Supervisory Board, acting independently of the Board of Directors, monitors whether directors are duly discharging their fiduciary obligations. We recognize that we can only command trust among our stakeholders with a robust system of oversight, clearly delineated roles and responsibilities among the layers of management, efficient business operations, and transparent and impartial processes.

### 1. The Board of Directors (monitoring) and the HQ Management Board (business execution)

The Board of Directors has six members. Four of the members are outside directors.

All directors serve one-year renewable terms. This practice helps ensure a dynamic board membership, capable of responding swiftly to changing business conditions.

The Board of Directors holds regular monthly meetings, as well as ad-hoc meetings when necessary. We have adopted a corporate officer system, in which the board delegates authority for day-to-day operations to a group of managers known as “corporate executive officers” (shikko yakuin). This practice helps to keep monitoring separate from execution. It also streamlines board decision-making, enabling slicker operation. The board focuses on the bigger picture, such as the company’s broad strategic direction, its capital structure policy, and its key business policies, leaving other matters to corporate executive officers (see below). This setup also enables the board to focus on its role of monitoring the execution of business.

The body responsible for executing business is the HQ Management Board.

The members of the HQ Management Board, including the President & CEO, are selected by the Board of Directors. Their primary role is to decide on important matters affecting Kokuyo Group as a whole.

### 2. Bodies advising the Board of Directors

As an advisory body to the Board of Directors, the Nominating & Compensation Committee advises the Board of Directors on nominations and compensation. The majority of its members are outside directors. The committee vets the potential candidates to be nominated for election to the Board of Directors or to the Audit & Supervisory Board, as well as the potential candidates to be appointed as a corporate executive officer. It also advises the Board on the system of compensation for directors and corporate executive officers, and how each director and corporate executive officer should be evaluated and compensated under the system. The membership consists of three outside directors, one outside Audit & Supervisory Board member, and the President & CEO. The committee is chaired by the outside Audit & Supervisory Board member. The committee holds regular monthly meetings.

### 3. Auditing and supervision

The Audit & Supervisory Board has three members. One serves on the board full time, and two are company outsiders. The members attend meetings of the Board of Directors, as well as other important company meetings, in order to monitor whether directors are duly discharging their fiduciary obligations. As well as scrutinizing the directors’ actions, the members interface regularly with operating staff and managers of business units, and work closely with the company’s Internal Audit Division as well as with their counterparts in the main group companies.

The Audit & Supervisory Board holds regular monthly meetings, as well as ad-hoc meetings when necessary.

### 4. Internal auditing

We have the Internal Audit Division, which audits Kokuyo and its affiliates. It reports its findings to the President & CEO via the HQ Management Board and occasionally reports to the Board of Directors too.

Members of the Internal Audit Division attend regular tripartite audit meetings with members of the Audit & Supervisory Board

and the accounting auditor in order to exchange information and opinions and coordinate their activities. When the HQ Management Board convenes to hear the results of an audit, the full-time member of the Audit & Supervisory Board attends the meeting. Members of the Audit & Supervisory Board regularly liaise with their counterparts in group companies to exchange information and opinions.

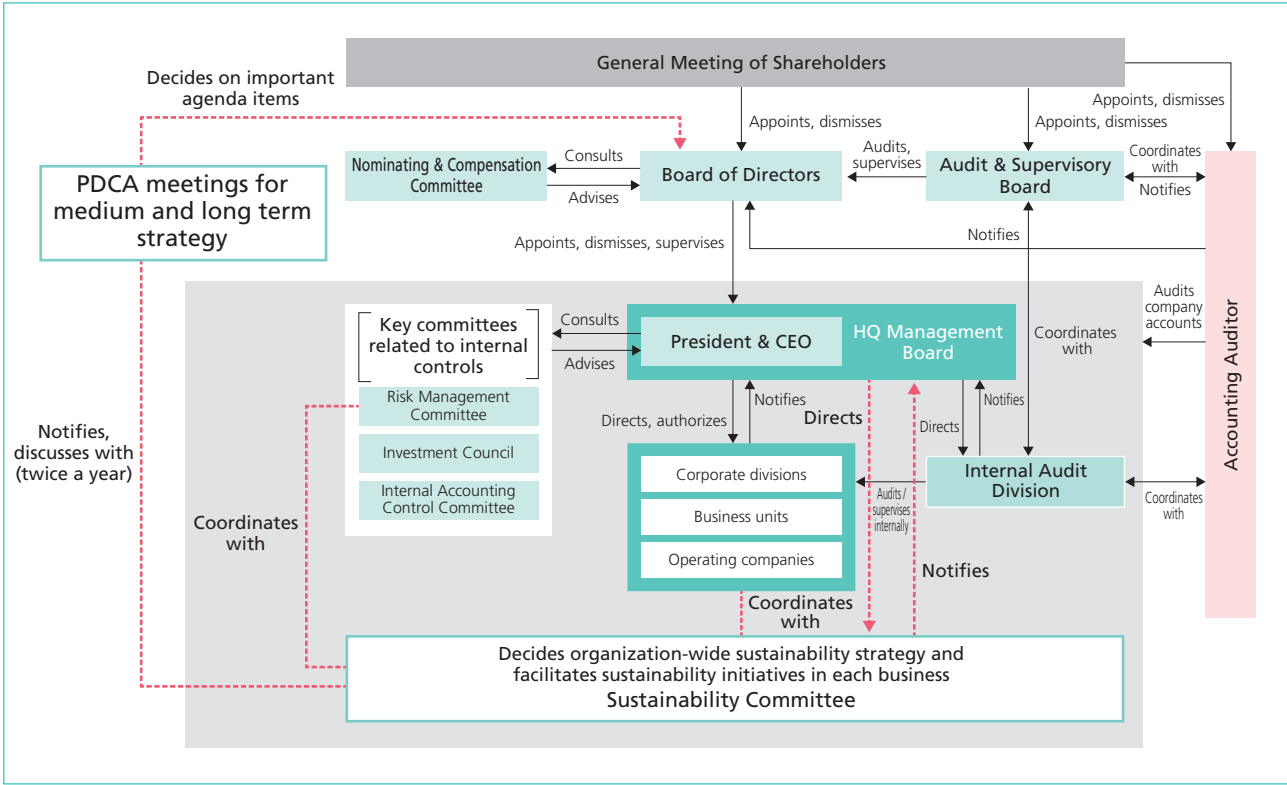
### Third medium-term plan (FY2022–2024)

Establish organizational infrastructure on the execution side, strengthen coordination with Board of Directors

Sustainability Committee

### Fourth medium-term plan (FY2024–2026)

Explore organizational infrastructure (e.g. committees) for enhancing governance



Risk management

In conjunction with an integration of management bodies in 2015, we launched a groupwide system of risk management to create a risk management cycle from a groupwide perspective. First, we started with recognizing what kind of risk exists in the entire Group, and considered policies for prioritization and measures from a perspective of what is best for the Group as a whole, and then promoted these measures.

We will now clarify the particularly important themes or themes related to the entire organization, and aim to improve the effectiveness and efficiency of risk management by advancing the activity across the entire Group.

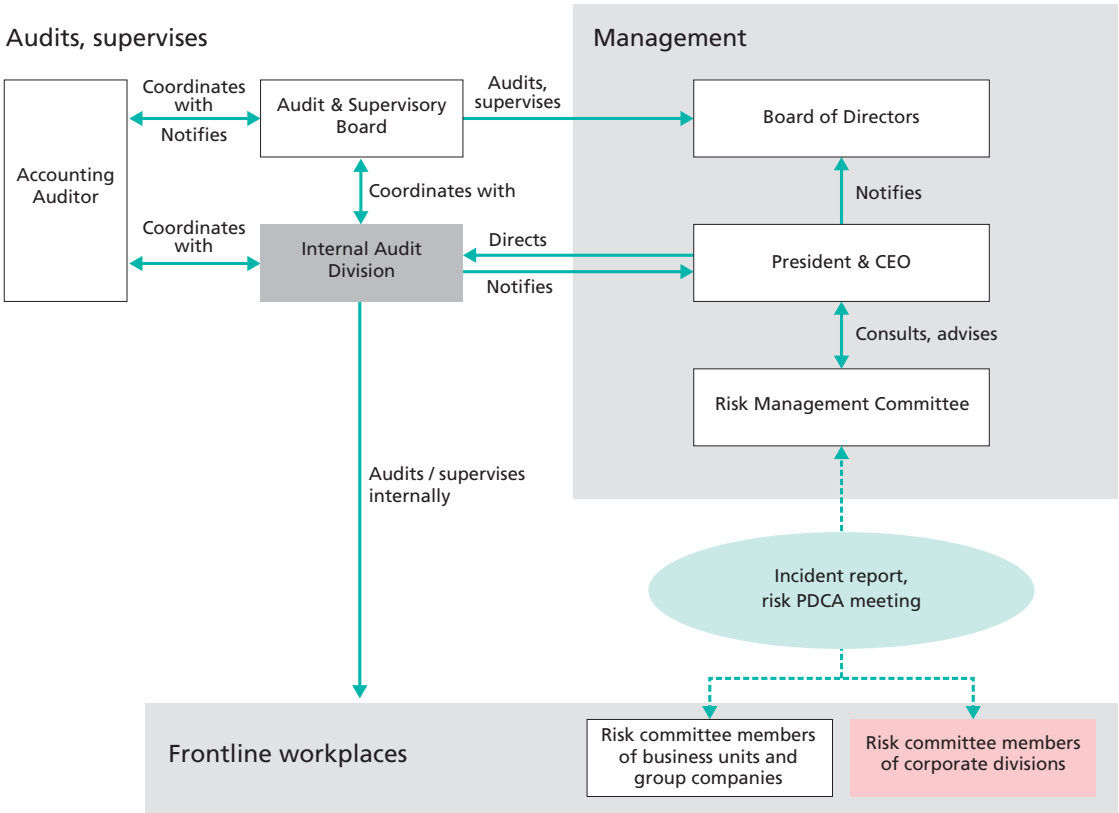
Organizational framework for risk management

We established the Risk Management Committee as a body that advises the President & CEO on risk management. The committee ascertains and assesses a broad set of risks that could potentially impact Kokuyo Group and then spearheads efforts to control (avoid, mitigate, transfer, accommodate) these risks.

As the nexus of risk management, the Risk Management Committee coordinates efforts between management and

frontline workplaces to minimize the risk of an unforeseen crisis causing us to miss performance goals or damaging our reputation, or the risk of an employee perpetrating or getting embroiled in malpractice.

The committee holds regular quarterly meetings to provide unified management of risks that have occurred in Kokuyo Group and to undertake a PDCA cycle in which it monitors corrective/preventive action and risk response planning.



Business continuity planning (BCP)

We have developed a business continuity plan, which we continually review and revise as part of a business continuity planning lifecycle. The plan includes measures for maintaining a stable supply of goods when an emergency disrupts operations in our plants or offices. Mindful of how severely businesses can be affected by the increasingly prevalent catastrophic events such as earthquakes, extreme storms, flooding, fires, and infectious disease, we have reaffirmed the importance of getting the initial responses right and minimizing the damage from such calamities. Our plan outlines what initial responses to take, and how to follow them up, in different kinds of disaster/emergency scenarios (including a state of emergency). Through such planning, we aim to go further in ensuring that every employee will act swiftly and safely in an emergency to safeguard human life.

Stationery businesses: 2021 Workshop on business continuity planning

Employees involved in the stationery operations attend an annual workshop on business continuity planning. The workshop is organized by the BCP Promotion Committee, which has members from seven business units under the Stationery Business Division. For the FY2021 workshop, the attendees were joined by 11 observers, some from group companies, adding a cross-organizational element to the workshop. The workshop had two parts. The first part consisted of a refresher on the basics of business continuity planning and a review of incidents that had occurred in the past year. The second part focused on delivery alternatives. Delivery alternatives are warehouses that substitute a warehouse where delivery operations have been suspended. During this part of the workshop, the attendees did a walk-through of the process for organizing a delivery alternative to refresh their knowledge of the basics. This walk-through proved useful for identifying issues and getting everyone on the same page. The insights were incorporated into the business continuity plan.

Promoting compliance

Operations across our group are governed by a range of regulatory standards, including those related to quality, business transactions, environmental impact, labor, health & safety, accounting, and tax. To ensure that we always comply with these regulations and uphold high ethical standards in all our business activities, we have established the Kokuyo Group Code of Conduct, which all employees are expected to follow. By educating employees in these standards and ensuring that they uphold them, we are building a compliance culture.

Organizational framework for promoting compliance

Whistleblowing hotline

We have a group-wide hotline (the Kokuyo Group Hotline). Employees can use the hotline to raise concerns about compliance or business ethics when they feel uncomfortable raising such concerns through the usual channels, or if they doubt that the usual channels would resolve the issue satisfactorily. The hotline is global and accessible to all employees of the global Kokuyo Group, whether they work in Japan or an overseas location.

Compliance training

- Training and e-learning modules on general compliance
- E-learning modules and discussions on preventing bid-rigging
- E-learning modules on the construction industry

Compliance magazine launched to improve risk awareness

In 2020, we launched a compliance magazine (Konpura-magajin) to promote an accurate understanding of corporate compliance and improve employees' awareness of the risks around them. The magazine is published monthly on our internal portal site and emailed to employees. Each issue contains illustrated articles about incidents and media stories related to compliance. By raising employees' sensitivity to risk, the publication serves as a first step for building a workplace in which employees always uphold compliance.



Meet our Officers

Directors



**Hidekuni Kuroda**

Representative Director and President


April 2001 Joined the Company  
July 2005 Director and Executive Officer, KOKUYO Office System Co., Ltd.  
June 2007 Director and Managing Executive Officer, KOKUYO Office System Co., Ltd.  
March 2009 Director, the Company  
Representative Director and President, KOKUYO Furniture Co., Ltd.  
March 2011 Managing Executive Officer, the Company  
March 2014 Director and Senior Managing Executive Officer, the Company  
March 2015 Representative Director and President and CEO, the Company  
January 2019 Representative Director and President, the Company (incumbent)



**Toshio Naito**

Director  
Executive Officer  
Managing Officer of the Corporate Planning Division, CSO

April 1985 Joined the Company  
August 2011 Manager of the Planning Department, Corporate Management Division, KOKUYO Furniture Co., Ltd.  
January 2014 Deputy General Manager of the Corporate Management Division, KOKUYO Furniture Co., Ltd.  
October 2016 General Manager of the Business Administration Department, Furniture Business Division, the Company  
April 2017 General Manager of the Business Administration & Strategy Department, Furniture Business Division, the Company  
January 2018 General Manager of the Corporate Development Office, the Company  
January 2019 Executive Officer and General Manager of the Corporate Development Office, the Company  
January 2021 Executive Officer and Managing Officer of the Corporate Planning Division, the Company  
March 2021 Director, Executive Officer and Managing Officer of the Corporate Planning Division, CSO, the Company (incumbent)



**Taketsugu Fujiwara**

Outside Director\*<sup>1</sup>


April 1969 Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation)  
June 2000 Director, Asahi Kasei Corporation  
June 2003 Senior Executive Officer, Asahi Kasei Corporation  
October 2003 Presidential Executive Officer, Asahi Kasei Chemicals Corporation  
June 2009 Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation  
April 2010 President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation  
June 2014 Vice Chairman, Asahi Kasei Corporation  
March 2015 Outside Director, the Company (incumbent)  
June 2018 Counsellor, Asahi Kasei Corporation  
Outside Director, Konica Minolta, Inc. (incumbent)  
June 2020 Special Advisor, Asahi Kasei Corporation (incumbent)



**Mika Masuyama**

Outside Director\*<sup>1</sup>


April 1985 Joined the Bank of Japan  
September 1991 International Marketing Director, Cap Gemini Sogeti  
November 1992 Senior Consultant, Gemini Consulting Japan  
June 1997 Joined Egon Zehnder  
January 2004 Partner, Egon Zehnder  
October 2016 President and Representative Partner, Masuyama & Company LLC. (incumbent)  
March 2017 Outside Director (Audit and Supervisory Committee Member), Suntory Beverage & Food Limited (incumbent)  
March 2019 Outside Director, the Company (incumbent)  
June 2019 Outside Director, Konoike Transport Co., Ltd. (incumbent)



**Takehiro Kamigama**

Outside Director\*<sup>1</sup>

April 1981 Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation)  
June 2002 Corporate Officer, TDK Corporation  
June 2003 Senior Vice President, TDK Corporation  
June 2004 Director, Executive Vice President, TDK Corporation  
June 2006 Representative Director, President and CEO, TDK Corporation  
June 2016 Chairman and Representative Director, TDK Corporation  
June 2017 Outside Director, OMRON Corporation (incumbent)  
March 2018 Outside Director, Yamaha Motor Co., Ltd. (incumbent)  
June 2018 Outside Director, SoftBank Corp. (incumbent)  
Mission Executive, TDK Corporation (incumbent)  
March 2021 Outside Director, the Company (incumbent)  
July 2021 Chief Consultant, Contemporary Amperex Technology Japan KK (incumbent)




**Shinichiro Omori**

Outside Director\*<sup>1</sup>

April 1978 Joined Hitachi, Ltd.  
April 2016 Senior Vice President and Executive Officer, CIO and CTrO, Hitachi Ltd.  
June 2017 Director, Hitachi Chemical Company, Ltd. (currently Showa Denko Materials Co., Ltd.)  
June 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.)  
June 2019 Chairperson of the Board, Hitachi Metals, Ltd.  
April 2020 Board Director, Chairperson, Hitachi Metals, Ltd.  
July 2020 Chairman of the Board, Hitachi High-Tech Corporation  
March 2022 Outside Director, the Company (incumbent)


Audit & Supervisory Board Members



**Katsuaki Tojo**

Audit & Supervisory Board Member (Full-time)


April 2000 Joined RICOH LEASING COMPANY, LTD.  
August 2006 Joined the Company  
April 2015 General Manager of the Board of Directors Office, the Company  
January 2019 Executive Officer and General Manager of the Domain Strategy Office, the Company  
January 2021 Executive Officer and General Manager of the Board of Directors Office, the Company (incumbent)  
March 2021 Audit & Supervisory Board Member (Full-time), the Company (incumbent)



**Yoko Toyoshi**

Outside Audit & Supervisory Board Member\*<sup>2</sup>

April 1981 Joined the Bank of Fukuoka, Ltd.  
October 1989 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)  
December 1990 Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
July 2008 Appointed partner, Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
July 2013 Appointed Chief Certified Public Accountant Audit Inspector, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency  
July 2016 Joined Deloitte Touche Tohmatsu LLC  
June 2018 Outside Director (Audit and Supervisory Committee Member), Alps Electric Co., Ltd. (currently ALPS ALPINE CO., LTD.) (incumbent)  
March 2020 Outside Audit & Supervisory Board Member, the Company (incumbent)  
March 2021 Outside Director (Audit and Supervisory Committee Member), Mabuchi Motor Co., Ltd. (incumbent)



**Fukutaka Hashimoto**

Outside Audit & Supervisory Board Member\*<sup>2</sup>

April 1979 Admitted as an attorney in Japan. Joined Shinya Takeru Law Office (currently Tokyo Hatchobori Law Office)  
April 2000 Vice President, Daini Tokyo Bar Association  
April 2006 Executive Governor, Japan Federation of Bar Associations  
January 2008 Representative Partner Attorney and Director, Tokyo Hatchobori Law Office (incumbent)  
April 2012 President, Daini Tokyo Bar Association, Vice-President, Japan Federation of Bar Associations  
March 2014 Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited  
June 2015 Outside Audit & Supervisory Board Member, Sampo Japan Nipponkoa Insurance Inc. (currently Sampo Japan Insurance Inc.) (incumbent)  
June 2020 Outside Director (Audit & Supervisory Board Member), Isetan Mitsukoshi Holdings Ltd. (incumbent)  
March 2021 Outside Audit & Supervisory Board Member, the Company (incumbent)

\*1: As defined in Article 2, Item 15, of the Companies Act  
\*2: As defined in Article 2, Item 16, of the Companies Act

Skills Matrix

Name		Fields of Knowledge and Experience							
		Corporate Management	Strategies	Global Business	Digital Transformation and IT	ESG	Risk Management	Financial Affairs and Accounting	Legal Affairs
Directors	Hidekuni Kuroda	●	●			●			
	Toshio Naito		●					●	
	Taketsugu Fujiwara	●		●		●			
	Mika Masuyama		●	●		●			
	Takehiro Kamigama	●		●	●				
	Shinichiro Omori	●				●	●		
Auditors	Katsuaki Tojo					●	●		●
	Yoko Toyoshi					●	●	●	
	Fukutaka Hashimoto					●	●		●

\*We have shown above a maximum of three main fields of knowledge and experience possessed by each person.  
\*The above skills matrix does not represent all the fields of knowledge and experience possessed by each person.

# Message from an Outside Director



## be Unique. encapsulates Kokuyo’s distinctive value creation and the shift to authenticity

### Increasing the company’s metabolism: Sharing insights for building a new portfolio

Kokuyo is currently in the middle of a project to build a portfolio for the future.

I developed my career at Asahi Kasei Corporation. Rising through the ranks, I became the company’s representative director in 2010. At Asahi Kasei, we faced a similar challenge to what Kokuyo is going through. Instead of just diversifying our businesses, we opted for a transition in those businesses that were no longer suited the times, such as our textiles and petrochemical businesses. The transition created an upward spiral effect, increasing the metabolic rate for change and growth.

Kokuyo’s most critical task is to work out how it will build a future-proof portfolio. I have shared my own insights to assist the company in this task.

In 2021, Kokuyo unveiled its vision for 2030, CCC 2030. The company’s third medium-term plan includes a new mission

statement, be Unique. CCC 2030 and this mission statement encapsulate President Kuroda’s leadership vision and the company’s commitment to the future. As an outside director, I participated in the discussions, contributing my own ideas.

For the past two medium-term plans, Kokuyo addressed issues of the time, traced a steady growth course, and created a firm foothold for the next stage of growth. The model for such growth is the “Forest-Type Management Model.” The idea is that, rather than relying on one or two huge trees, the company cultivates an entire forest of diverse trees for future generations. Under this model, Kokuyo does not focus only on its existing businesses. It also discovers new seedlings and helps them grow.

The question then becomes which seedlings to cultivate. I think the focus should not just be on revising the strategies for existing businesses like stationery and furniture. Kokuyo also needs to water the seedlings of ideas that will deliver distinctive value. That is what the be Unique. principle is all about.

### An interpretation of be Unique.: Doing what feels right to you

What with the pandemic and other global events, it feels as if the world underwent a decade of change in just three days. This upheaval has shattered many of the things we once held as certain and true. No one seems to know what’s right anymore. People’s worldview has been shaken to the core.

The challenge now is how to present a fresh set of values. There can be no return to the old, simple economic value, in which a company just tries to make as much money as possible. Companies are now expected to strike a balance between the pursuit of economic value and social value. Social value basically means ESG. But this is very broad and global. Different people will have different sets of values, making it hard to pinpoint the values of tomorrow. The point I’m making is that people no longer believe in the absolutes.

Increasingly, people place value on doing their own thing, acting according to their own rules. You do what feels right to you at the time. You then learn whether you were right or wrong from how others respond to your actions. These responses, in turn, shape your next actions. Through repeated iterations of this

process, your authentic self becomes ever clearer. That’s one way I interpret the phrase be Unique.

### Kokuyo can lead the way with its inimitable experimentalism

Kokuyo has redefined its corporate purpose as follows: Presenting a tomorrow you can’t wait for. The original Japanese features the phrase *wakuwaku-suru*, literally, to excite. This is a sublime choice of words, as growth itself excites anyone. An equally prominent phrase is a “self-directed, collaborative society.” The “self-directed” part may be a hard sell in Japan given the cultural emphasis on communality and group harmony. To surmount this hurdle, Kokuyo should start by practicing the principle itself as part of an experiment to see how the principle would reshape society.

Kokuyo stands at a critical juncture. Both be Unique. and CCC 2030 can be interpreted as a message from President Kuroda rise to the challenge. Kokuyo should cascade that message down to employees. Perhaps it will take a while to get everyone on board, but that’s no problem. The main thing is to get the ball rolling.

### Stakeholder dialogue

We hold dialogues with stakeholders to learn about the social and environmental impacts of its businesses and to gain feedback about our materiality assessments.

Through stakeholder dialogue, we inform stakeholders about the value we have provided and about our strategies and actions for building the organization’s value. We intend to use the insights gleaned from these dialogues to devise a strategy for further enhancing stakeholder communication in the future.

In FY2021, we provided opportunities for senior managers to engage directly with two categories of stakeholders, each representing a different set of interests. Category 1 consists of employees. Category 2 consists of institutional investors.

Category 1

Topic: The process of addressing social issues by building the organization’s value—how this relates to employees

- Date: June 23, 2021
- Stakeholders: Six employees
- Management: Three executive officers



Category 2

Topic: Information disclosures in connection with the long-term vision

- Date: October 6, 2021
- Stakeholders: ESG specialist from Tokio Marine Asset Management Co., Ltd.: Katsuya Kikuchi (Associate Director, Head of Responsible Investment Department)
- Management: Three executive officers





Eleven-Year Summary

	2011.12	2012.12	2013.12	2014.12	2015.12	2016.12	2017.12	2018.12	2019.12	2020.12	2021.12
For the year (¥ million):											
Net sales	260,004	275,821	288,083	293,054	304,276	307,625	315,622	315,155	320,200	300,644	320,170
Gross profit	86,659	89,219	93,408	96,450	101,009	105,465	110,126	112,630	113,934	107,386	115,707
Selling, general and administrative expenses	82,587	84,366	86,981	88,851	89,906	90,026	92,535	94,334	97,190	92,579	95,703
Operating income	4,072	4,852	6,426	7,598	11,102	15,438	17,591	18,296	16,743	14,807	20,004
Net income attributable to owners of parent	(5,460)	2,428	4,804	5,065	6,312	12,182	15,000	14,231	15,303	8,297	13,703
Capital expenditure	7,262	7,066	4,868	5,779	5,565	5,399	4,895	4,098	4,850	6,627	7,434
Depreciation	6,531	6,663	6,917	7,138	7,167	6,480	6,483	6,335	6,075	6,119	6,898
Net cash provided by operating activities	10,652	10,788	10,921	15,882	12,054	23,725	17,500	20,880	16,723	19,217	21,789
Net cash provided by (used in) investing activities	(10,818)	796	(2,190)	(702)	(3,186)	784	(1,660)	(2,427)	(9,693)	(6,111)	2,563
Net cash provided by (used in) financing activities	1,039	(2,837)	(7,560)	(9,106)	(5,616)	(3,919)	(14,636)	(4,585)	(5,829)	(5,946)	(15,059)
At year-end (¥ million):											
Total assets	252,794	258,461	270,738	273,772	286,313	293,971	305,147	303,700	318,416	320,296	324,576
Total liabilities	103,213	105,391	105,081	103,419	105,520	105,931	100,653	94,738	97,136	93,960	94,470
Interest-bearing debt	36,604	36,599	31,911	25,898	24,299	23,687	13,759	13,806	13,201	12,965	9,320
Net assets	149,581	153,069	165,656	170,352	180,793	188,040	204,493	208,962	221,279	226,335	230,105
Non-controlling interests	2,310	2,436	2,040	2,078	1,821	1,767	1,891	1,800	1,865	1,719	1,635
Equity	147,271	150,633	163,616	168,274	178,972	186,272	202,602	207,161	219,414	224,616	228,470
Per share data (yen):											
Basic net income (loss)	(46.16)	20.53	40.62	42.83	53.37	103.01	126.83	120.34	129.39	70.13	116.76
Cash dividends applicable to the year	15.00	15.00	15.00	15.00	17.50	22.00	29.00	32.00	39.00	39.00	47.00
Net assets	1,245.08	1,273.53	1,383.34	1,422.75	1,513.23	1,574.99	1,713.11	1,751.69	1,854.91	1,898.42	1,967.60
Ratios (%):											
Ratio of operating margin income to net sales	1.6	1.8	2.2	2.6	3.6	5.0	5.6	5.8	5.2	4.9	6.2
Ratio of gross profit to net sales	33.3	32.3	32.4	32.9	33.2	34.3	34.9	35.7	35.6	35.7	36.1
Ratio of selling, general and administrative expenses to net sales	31.8	30.6	30.2	30.3	29.5	29.3	29.3	29.9	30.4	30.8	29.9
Return on equity	(3.6)	1.6	3.1	3.1	3.6	6.7	7.7	6.9	7.2	3.7	6.0
Return on assets	(2.2)	0.9	1.8	1.9	2.3	4.2	5.0	4.7	4.9	2.6	4.3
Equity ratio	58.3	58.3	60.4	61.5	62.5	63.4	66.4	68.2	68.9	70.1	70.4
Debt-to-equity ratio	24.9	24.3	19.5	15.4	13.6	12.7	6.8	6.7	6.0	5.8	8.0
Consolidated payout ratio	—	73.1	36.9	35.0	32.8	21.4	22.9	26.6	30.1	55.6	40.3

Consolidated Balance Sheets

	2016.12	2017.12	2018.12	2019.12	2020.12	2021.12
Assets						
Current assets						
Cash and deposits	57,803	58,941	76,718	65,565	65,785	70,688
Notes and accounts receivable - trade	60,517	65,519	63,440	64,672	62,680	63,913
Securities	11,528	11,281	7,797	18,498	24,998	30,604
Merchandise and finished goods	26,147	26,638	26,183	28,949	26,246	27,362
Work in process	838	1,422	1,828	1,468	1,673	2,031
Raw materials and supplies	3,461	3,713	3,736	3,676	3,421	3,853
Deferred tax assets	1,359	1,846	—	—	—	—
Other	5,060	4,930	4,621	4,915	4,512	4,814
Allowance for doubtful accounts	(101)	(116)	(108)	(104)	(135)	(114)
Total current assets	166,615	174,177	184,216	187,640	189,182	203,154
Non-current assets						
Property, plant and equipment						
Buildings and structures, net	19,303	19,975	19,468	18,716	18,229	21,053
Machinery, equipment and vehicles, net	5,403	5,860	5,624	5,464	5,380	5,279
Land	31,724	31,743	31,731	31,595	29,997	28,814
Construction in progress	1,611	291	179	415	1,285	312
Other, net	3,603	3,820	4,010	3,735	3,654	4,117
Total property, plant and equipment	61,646	61,691	61,014	59,927	58,547	59,577
Intangible assets						
Goodwill	255	230	176	143	105	86
Software	6,870	5,398	4,538	4,841	5,530	5,372
Other	2,409	2,629	2,774	2,559	1,766	1,801
Total intangible assets	9,535	8,258	7,489	7,544	7,402	7,260
Investments and other assets						
Investment securities	49,264	52,675	43,486	54,670	55,533	45,040
Long-term loans receivable	193	185	100	91	191	305
Retirement benefit asset	2,734	3,763	2,968	4,218	4,749	4,766
Deferred tax assets	258	306	272	366	400	479
Other	4,341	4,586	4,660	4,043	4,364	4,166
Allowance for doubtful accounts	(618)	(496)	(509)	(85)	(75)	(173)
Total investments and other assets	56,174	61,019	50,979	63,303	65,164	54,584
Total non-current assets	127,356	130,969	119,483	130,776	131,114	121,421
Total assets	293,971	305,147	303,700	318,416	320,296	324,576

	2016.12	2017.12	2018.12	2019.12	2020.12	2021.12
Liabilities						
Current liabilities						
Notes and accounts payable - trade	48,443	52,567	51,594	53,792	51,469	52,475
Short-term loans payable	5,245	5,446	5,326	4,726	4,602	4,081
Current portion of long-term loans payable	121	89	87	86	3,148	120
Current portion of bonds	10,000	—	—	—	—	—
Income taxes payable	2,793	3,016	2,480	3,685	1,187	5,976
Provision for bonuses	702	745	770	780	740	807
Other	15,144	15,629	14,085	13,932	15,144	14,025
Total current liabilities	82,449	77,494	74,345	77,004	76,291	77,487
Non-current liabilities						
Bonds payable	—	—	—	—	—	—
Long-term loans payable	8,321	8,224	8,480	8,389	5,215	5,119
Long-term guarantee deposited	6,601	5,952	5,880	5,567	5,497	5,375
Retirement benefit liability	771	93	74	83	79	77
Provision for loss on guarantees	15	—	—	—	—	—
Provision for loss on dissolution of employees' pension fund	—	—	—	—	—	—
Provision for loss on product recalls	62	40	—	—	—	—
Deferred tax liabilities	5,270	6,306	3,128	3,520	4,764	3,865
Other	2,439	2,541	2,830	2,571	2,112	2,516
Total non-current liabilities	23,481	23,159	20,394	20,132	17,668	16,983
Total liabilities	105,931	100,653	94,738	97,136	93,960	94,470
Net assets						
Shareholders' equity						
Capital stock	15,847	15,847	15,847	15,847	15,847	15,847
Capital surplus	18,245	18,099	18,099	18,105	18,109	18,127
Retained earnings	149,903	161,582	172,090	183,313	186,877	195,747
Treasury shares	(14,345)	(14,350)	(14,355)	(14,322)	(14,282)	(18,204)
Total shareholders' equity	169,650	181,178	191,680	202,943	206,551	211,517
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	15,751	19,324	14,391	14,480	16,477	14,314
Deferred gains or losses on hedges	213	15	4	26	(13)	4
Foreign currency translation adjustment	1,143	1,250	866	789	176	1,314
Remeasurements of defined benefit plans	(486)	833	218	1,174	1,424	1,319
Total accumulated other comprehensive income	16,622	21,423	15,480	16,470	18,064	16,953
Non-controlling interests	1,767	1,891	1,800	1,865	1,719	1,635
Total net assets	188,040	204,493	208,962	221,279	226,335	230,105
Total liabilities and net assets	293,971	305,147	303,700	318,416	320,296	324,576



Consolidated Statements of Income

	2016.12	2017.12	2018.12	2019.12	2020.12	2021.12
Net sales	307,625	315,622	315,155	320,200	300,644	320,170
Cost of sales	202,159	205,495	202,524	206,265	193,257	204,462
Gross profit	105,465	110,126	112,630	113,934	107,386	115,707
Selling, general and administrative expenses	90,026	92,535	94,334	97,190	92,579	95,703
Operating income	15,438	17,591	18,296	16,743	14,807	20,004
Non-operating income						
Interest income	144	103	103	94	77	105
Dividend income	933	894	815	1,366	685	742
Real estate rent	1,271	1,147	972	961	959	926
Share of profit of entities accounted for using equity method	47	85	71	66	—	—
Foreign exchange gains	—	214	—	—	19	999
Other	391	320	332	221	209	272
Total non-operating income	2,787	2,765	2,295	2,711	1,950	3,045
Non-operating expenses						
Interest expenses	374	308	257	249	213	174
Sales discounts	196	179	149	125	111	97
Loss on sales of investment securities	128	2	0	—	—	114
Rent expenses on real estates	426	346	256	237	233	209
Loss on abandonment of non-current assets	88	120	42	44	77	301
Loss on investments in partnership	492	23	—	—	—	—
Foreign exchange losses	651	—	540	249	—	—
Loss from equity-method investments	—	—	—	—	1,604	5,202
Other	176	246	167	350	344	649
Total non-operating expenses	2,536	1,226	1,413	1,256	2,584	6,634
Ordinary income	15,690	19,130	19,178	18,198	14,173	16,415
Extraordinary income						
Gain on sales of non-current assets	1,659	—	—	1,133	525	2,856
Gain on sales of investment securities	387	—	—	2,980	—	3,597
Gain on sales of shares of subsidiaries and associates	—	—	—	—	163	—
Reversal of provision for loss on dissolution of employees' pension fund	33	—	—	—	—	—
Gain on transfer from business divestitures	—	—	820	—	—	—
Gain on liquidation of subsidiaries and associates	—	—	259	—	—	—
Total extraordinary income	2,080	—	1,080	4,114	688	6,467
Extraordinary losses						
Impairment loss	459	298	25	347	2,479	5
Loss on sales of investment securities	—	—	—	178	—	114
Provision for dismantling of non-current assets	—	—	—	160	14	—
Loss on liquidation of subsidiaries and associates	—	63	18	1	25	—
Loss on product recalls	—	—	—	—	—	—
M&A costs	—	—	—	—	—	—
Business structure reform expenses	78	12	—	—	—	—
Donation for disaster relief	13	—	—	—	—	—
Provision of allowance for doubtful accounts	—	53	—	—	—	100
Total extraordinary losses	552	427	44	689	2,519	1,082
Net income before income taxes	17,219	18,702	20,214	21,623	12,342	21,800
Income taxes - current	5,247	5,085	4,938	6,456	3,772	7,923
Income taxes - deferred	(216)	(1,460)	975	(220)	337	70
Total income taxes	5,030	3,625	5,913	6,235	4,109	7,993
Profit	12,188	15,077	14,301	15,387	8,233	13,806
Net income (loss) attributable to non-controlling interests	5	77	69	83	(64)	103
Net income attributable to owners of parent	12,182	15,000	14,231	15,303	8,297	13,703

Consolidated Statements of Cash Flows

	2016.12	2017.12	2018.12	2019.12	2020.12	2021.12
Cash flows from operating activities						
Net income before income taxes	17,219	18,702	20,214	21,623	12,342	21,800
Depreciation	6,480	6,483	6,335	6,075	6,119	6,898
Impairment loss	459	298	25	347	2,479	5
Amortization of goodwill	30	32	30	29	27	27
Increase (decrease) in allowance for doubtful accounts	(68)	(110)	13	(356)	25	64
Increase (decrease) in provision for bonuses	(164)	42	24	10	(39)	65
Increase (decrease) in provision for loss on product recalls	(223)	(21)	(40)	—	—	—
Increase (decrease) in retirement benefit asset	246	214	(90)	139	(82)	(335)
Increase (decrease) in provision for dismantling of non-current assets	—	—	—	160	14	(175)
Interest and dividend income	(1,077)	(997)	(919)	(1,461)	(762)	(847)
Interest expenses	374	308	257	249	213	174
Share of loss (profit) of entities accounted for using equity method	(47)	(85)	(71)	(66)	1,604	5,202
Loss (gain) on sales of non-current assets	(1,662)	13	(3)	(1,140)	(537)	(2,858)
Loss on abandonment of non-current assets	88	120	42	44	77	301
Gain on transfer from business divestitures	—	—	(820)	—	—	—
Loss (gain) on liquidation of subsidiaries and associates	—	—	(241)	1	25	—
Loss (gain) on sales of investment securities	(380)	1	(0)	(2,802)	(2)	(3,405)
Loss (gain) on sales of shares of subsidiaries and associates	—	—	—	—	(163)	—
Loss on valuation of shares of subsidiaries and associates	—	63	—	—	—	827
Decrease (increase) in notes and accounts receivable - trade	94	(4,683)	1,882	(889)	1,958	(790)
Decrease (increase) in inventories	1,266	(1,211)	(1,208)	(2,512)	2,494	(1,280)
Increase in notes and accounts payable - trade	1,354	4,054	(790)	2,285	(2,232)	686
Other, net	1,486	(1,853)	960	(1,029)	1,341	(2,149)
Subtotal	25,476	21,372	25,600	20,708	24,904	24,247
Interest and dividend income received	1,824	1,014	992	1,519	811	860
Interest expenses paid	(368)	(327)	(248)	(261)	(215)	(161)
Income taxes paid	(3,207)	(4,557)	(5,464)	(5,242)	(6,282)	(3,157)
Net cash provided by (used in) operating activities	23,725	17,500	20,880	16,723	19,217	21,789
Cash flows from investing activities						
Net decrease (increase) in time deposits	1,395	253	(79)	286	(107)	115
Purchase of property, plant and equipment	(2,608)	(3,273)	(2,406)	(2,496)	(4,315)	(3,988)
Proceeds from sales of property, plant and equipment	2,131	15	7	1,285	758	4,164
Purchase of intangible assets	(2,790)	(1,621)	(1,692)	(2,354)	(2,312)	(2,050)
Purchase of investment securities	(2,124)	(664)	(27)	(526)	(261)	(153)
Proceeds from sales of investment securities	4,714	2,264	1,593	6,882	514	5,646
Payments for acquisitions of subsidiaries resulting in change in scope of consolidation	—	—	—	(9,934)	—	(270)
Purchase of shares of subsidiaries and associates	—	—	—	(2,928)	(227)	(917)
Proceeds from sales of shares of subsidiaries and associates	—	—	—	—	211	—
Proceeds from transfer of business	—	1,681	—	—	—	—
Net decrease (increase) in short-term loans receivable	(78)	0	16	15	15	(50)
Payments of long-term loans receivable	—	—	—	—	—	—
Collection of long-term loans receivable	141	22	19	155	3	6
Proceeds from the liquidation of subsidiaries and associates	—	—	309	1	424	—
Other, net	3	(336)	(167)	(79)	(814)	(208)
Net cash provided by (used in) investing activities	784	(1,660)	(2,427)	(9,693)	(6,111)	2,563
Cash flows from financing activities						
Net increase (decrease) in short-term loans payable	56	151	85	(567)	(7)	(586)
Repayments of lease obligations	(1,266)	(1,153)	(1,213)	(1,100)	(1,138)	(1,254)
Proceeds from long-term loans payable	3,353	4	354	—	—	—
Repayments of long-term loans payable	(3,990)	(143)	(88)	(88)	(76)	(3,128)
Proceeds from issuance of bonds	—	(10,000)	—	—	—	—
Redemption of bonds	—	—	—	—	—	—
Purchase of treasury shares	(3)	(5)	(4)	(2)	(1)	(3,956)
Cash dividends paid	(2,068)	(3,309)	(3,717)	(4,070)	(4,722)	(4,820)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(180)	—	—	—	(270)
Net cash provided by (used in) financing activities	(3,919)	(14,636)	(4,585)	(5,829)	(5,946)	(15,059)
Effect of exchange rate change on cash and cash equivalents	(216)	88	(162)	(69)	(38)	703
Net increase (decrease) in cash and cash equivalents	20,374	1,292	13,704	1,131	7,121	9,997
Cash and cash equivalents at beginning of period	46,953	67,328	68,620	82,324	83,456	90,577
Cash and cash equivalents at end of period	67,328	68,620	82,324	83,456	90,577	100,575

# Stock Information

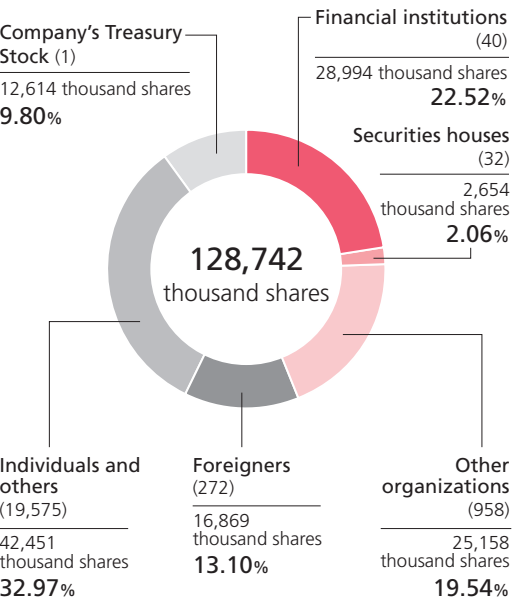
(As of December 31, 2021)

## Principal Shareholders

Name	Number of shares held (Thousands of shares)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	14,371	12.38
KOKUYO Kyoeikai Association	9,448	8.14
Kuroda & Sons Co., Ltd.	4,331	3.73
Kuroda Afforestation Promotion Corporation Donation	3,603	3.10
Custody Bank of Japan, Ltd. (Trust account)	3,126	2.69
KOKUYO Kyowa Association	3,031	2.61
Koji Kuroda	1,851	1.59
Akihiro Kuroda	1,753	1.51
Kokuyo Group Employee Investment Association	1,671	1.44
Bibi Co., Ltd.	1,580	1.36

\* The above list of principal shareholders excludes Kokuyo, which holds treasury shares.  
\* "Ratio of shareholding" indicates the percentage share of outstanding stock (which does not include treasury shares).

## Breakdown of Shareholders by Number of Shares Held



## Stock Price and Volume by Year



# Corporate Data

(As of December 31, 2021)

Company name	KOKUYO Co., Ltd.	
Representative	Hidekuni Kuroda	
Head office	6-1-1 Oimazato-minami, Higashinari-ku, Osaka-shi, Osaka 537-8686, Japan	
Established	October 1905	
Capital	JPY 15.8 billion	
Number of employees	6,825 (consolidated) / 2,207 (parent company)	
Business description	Stationery manufacturing, purchasing and sales; office furniture manufacturing, purchasing and sales; space design and consultation, etc.	
Business / production sites	Head office	6-1-1 Oimazato-minami, Higashinari-ku, Osaka-shi, Osaka 537-8686, Japan
	Osaka Umeda Office	Floor 12, Tower C, Knowledge Capital, Grand Front Osaka, 3-1 Ohfuka-cho, Kita-ku, Osaka-shi, Osaka 530-0011
	Tokyo Shinagawa SST Office	Floor 18, Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo, 108-8459
	Tokyo Shinagawa office (THE CAMPUS)	1-8-35 Konan, Minato-ku, Tokyo, 108-8710
	Tokyo Kasumigaseki Office	Floor 18, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo, 100-6018
	Nagoya Office	Floor 36, JP Tower Nagoya, Meieki, Nakamura-ku, Nagoya-shi, Aichi, 450-0002
	Mie Plant	2012 Nishitawara, Nabari-shi, Mie, 518-0609
	Shibayama Plant	Shibayama No.2 Industrial Estate, 3155-4 Ohdai, Shibayama-machi, Sanbu-gun, Chiba, 289-1605
	Business areas	Tokyo, Osaka
	Production areas	Mie, Chiba, Shiga, Tottori
Overseas business / production areas	China, Thailand, Malaysia, Vietnam, India, Indonesia	



**KOKUYO**

KOKUYO Co., Ltd.

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