

## Chapter

# Governance

71	Risk Management
73	Message from an Independent Director
75	Corporate Governance
81	Meet Our Officers

## POINT

- Senior management and frontline employees working together in risk management
- Further upgrades to the corporate governance system
- An independent outside director's outlook for the management

## COMMONS

The Commons is a work lounge and event space. It serves as a highly versatile venue for many kinds of activities. Fitted with a library and bar counter seating, the Commons is a scene of various gatherings and encounters throughout the day. It is designed to be a place that employees, regardless of their job, use for organizing study and work events such as learning programs and club activities.

# Risk Management

## Basic approach

Our third medium-term plan, Field Expansion 2024, commits us to tweaking existing businesses and expanding into new business fields. We must therefore detect risks that could disrupt these efforts and then actively develop measures to address these risks. To that end, we are enhancing our risk sensitivity and developing a risk management program involving both management and frontline staff.

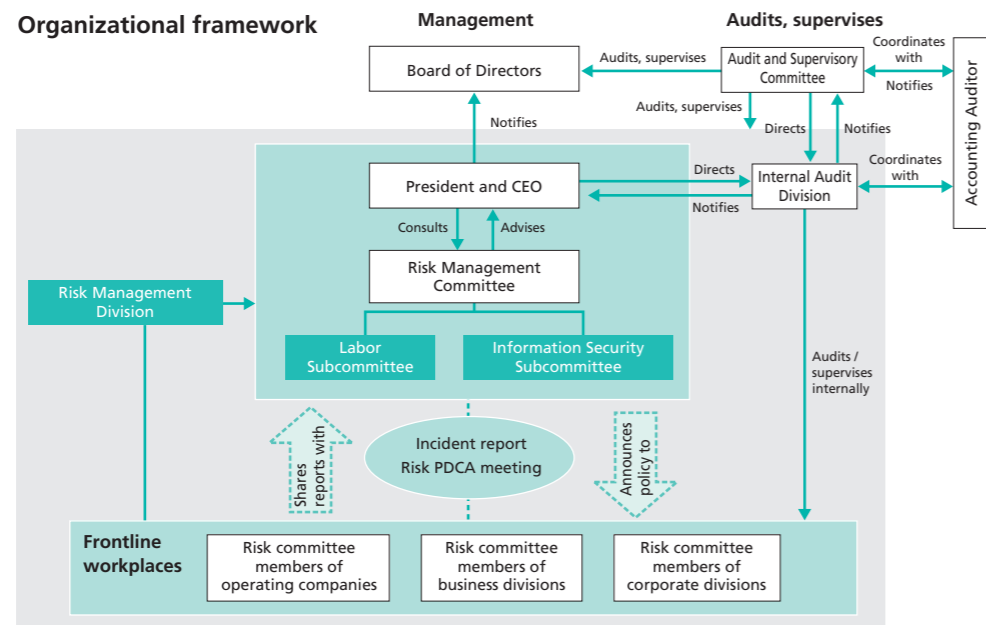
## Risk management structure

We have the Risk Management Committee, a body that advises the 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, and reports its findings to the CEO. If the committee determines that a risk has a high level of threat or urgency, it informs the Board of Directors and Audit and Supervisory Committee.

Our risk management structure is designed to enable an integrated approach in which the management of risks affecting Kokuyo Group as a whole is integrated with business strategy, with the right balance between risk and return. It is also designed so that risk management frameworks and processes are coordinated with governance and internal controls. To that end, in

non-emergency times, the committee holds regular quarterly meetings to provide unified management of risks that have occurred in the Kokuyo Group and to monitor corrective/preventive action and risk response planning as part of an ongoing PDCA cycle. Additionally, the CEO updates the Board of Directors about how the highlighted risks are being managed.

Security and occupational risks are regularly monitored by the Risk Management Committee's subcommittees. For security risks, we evaluate vulnerabilities in our software, operating systems, and network devices, including those in overseas sites. For occupational risks, we use an employee satisfaction survey, among other data, to identify occupational risks in group companies. In these ways, we are managing each risk as part of an organization-wide effort to ensure effective and efficient risk management.



## Business risks affecting Kokuyo

The following table shows the risks we have identified and the measures we are taking to address these risks. The risks are divided into external risks and risks related to business operations. In the knowledge that the scope of our business will change as

we expand the reach of our business fields and nurture new business ideas, we will stay vigilant so that we can detect new risks relevant to our business operations and take the appropriate action.

## Risks affecting Kokuyo and Measures to address these risks

	Business Risks	Identified risks	Measures
External Risks	Economic Risks	<ul style="list-style-type: none"> <li>Climate change could affect corporate earnings and capital expenditure in Japan</li> <li>Economic uncertainties prevail in China and other important overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Shift business model from tangibles to intangibles</li> <li>Go further in overseas expansion and improve coordination with local subsidiaries</li> </ul>
	Market Risks	<ul style="list-style-type: none"> <li>Market decentralization and digitalization diminish Kokuyo Group's competitive advantage</li> <li>The quality of our services might diminish amid staff shortages in logistics and construction</li> </ul>	<ul style="list-style-type: none"> <li>Use portfolio management to ensure optimal allocation of corporate assets</li> <li>Minimize workload in logistics and construction without sacrificing business continuity and growth prospects</li> </ul>
	Risks Associated with Changes in Fair Value	<ul style="list-style-type: none"> <li>Fluctuations in financial markets reduce the fair value of our investment securities</li> </ul>	<ul style="list-style-type: none"> <li>Regularly assess holdings to determine whether it is worth continuing to hold them; consider selling and offloading holdings</li> </ul>
	Risks Associated with Natural Disasters and Infectious Disease Outbreaks	<ul style="list-style-type: none"> <li>A major natural disaster could cause a suspension in business activities or a reduction in business activities in Japan or overseas</li> </ul>	<ul style="list-style-type: none"> <li>Engage in business continuity planning and regularly review the plan to ensure it is effective</li> </ul>
Risks Related to Business Operations	Compliance Risks	<ul style="list-style-type: none"> <li>A violation of regulatory requirements (related to quality, environment, labor, etc.) might be detected or confirmed</li> </ul>	<ul style="list-style-type: none"> <li>Establish Kokuyo Group Code of Conduct, continually spread awareness of the code</li> <li>Ensure regulatory response by regularly monitoring regulatory developments and compliance with latest regulations</li> </ul>
	Quality Risks	<ul style="list-style-type: none"> <li>A product recall could harm our performance and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Implement quality management system aligned with ISO 9001</li> </ul>
	Procurement Risks	<ul style="list-style-type: none"> <li>Performance is vulnerable to fluctuations in raw material prices and exchange rates</li> <li>Deficiencies in ESG could harm our performance and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Use forward exchange agreements, optimize local procurement ratios, and diversify suppliers</li> <li>Use Sustainable Procurement Guidelines to promote mutual business growth with supply-chain partners</li> </ul>
	Talent and Labor	<ul style="list-style-type: none"> <li>Delays in attracting and training talent could stunt business growth</li> <li>An occupational accident or employee health issue could harm our performance or reputation</li> </ul>	<ul style="list-style-type: none"> <li>Follow Talent Management Policy and use Kokuyo Academia (a talent development organization) to expedite investments in talent development</li> <li>With the guidance of the Labor Subcommittee, provide employees enough disposable time to safeguard their wellness and plan their career</li> </ul>
	Information Security Risks	<ul style="list-style-type: none"> <li>Performance could be harmed by a cyberattack that causes system failure or the leakage of sensitive business information or customers' personal data.</li> </ul>	<ul style="list-style-type: none"> <li>Use vulnerability analysis to enhance security, have Information Security Subcommittee regularly monitor information security</li> <li>Improve system failure detection and cyber-defenses, back up data regularly</li> <li>Set rules on the handling of customer and personal data, inform employees about information security risks</li> </ul>
	Investment Risks	<ul style="list-style-type: none"> <li>Macroeconomic changes could harm the performance of companies in our investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Consult outside experts during the investment vetting process, keep improving the monitoring process</li> </ul>

## Promoting compliance

### Kokuyo Group Code of Conduct

Operations across the Kokuyo Group are governed by a range of laws and regulations, including those related to quality, business transactions (including fair trade), environmental impact, labor, health & safety, accounting and tax, bribery, and information management. To ensure that we always comply with these laws and 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. This code applies to everyday business activities across the global group. Among other things, the code emphatically prohibits employees from bribing public-sector or government officials.

### 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. For workplaces in Japan, we have provided a hotline to a third-party whistleblowing service to help protect the anonymity of

whistleblowers. For workplaces overseas, we provide a hotline that any member of Kokuyo Group can use. We believe that if the hotline receives a certain amount of inquiries/reports in a given year, that is a sign that it is working effectively. In FY2023, the hotline received 20 inquiries/reports.

### 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 such as a natural disaster disrupts operations in our plants or offices. Mindful of the threat of catastrophic events such as earthquakes, extreme storms, flooding, fires, major power outages, and infectious disease, we have reaffirmed the importance of getting the initial responses right and minimizing the damage from such calamities. We use emergency manuals, emergency drills, and similar means to ensure that every employee will act safely in an emergency to safeguard human life.

In view of the rising concern for sustainability (ESG, SDGs), our emergency power sources include solar panels and reserve power batteries.

## Message From an Independent Director



**Takehiro Kamigama**  
Independent Director,  
Chair of the Board of Directors

### The potential for sustainable growth and the benefits of clarifying the growth process

#### Role as chair: Scrutinizing Kokuyo's future vision

I've now served for three years as an independent director on Kokuyo's Board of Directors. One of my most important roles as an independent director is to help Kokuyo clarify its future path to sustainably creating value and to help steer the company along this path. As chair of the board, I'm committed to identifying where, how, and why Kokuyo's corporate strategy has succeeded and where, how and why it has failed, and to scrutinizing the company's future vision.

Kokuyo is taking various actions to achieve 500 billion yen in net sales by 2030, the objective stated in the company's long-term vision, CCC 2030. But it should do more to clarify the specifics of its actions, showing exactly how they contribute to achieving the quantitative target. The same is true for the company's Forest-Like Management Model—the information communicated needs to be more granular. Management needs to give a precise account of its strategies in order for external and internal stakeholders to feel convinced in its policies. It's important to keep questioning and

clarifying what Kokuyo wants to do and where it sees itself in the future in order to give a full sense of purpose to the company's long-term, sustainable growth strategies (field expansion, M&As, global expansion, and so on). This is what I'll be emphasizing during board meetings.

For any company, specifying the process for achieving a goal begins with clarifying the company's essential qualities. If Kokuyo is to achieve its purpose—to present a tomorrow you can't wait for—it should go back to basics and ask itself what it should be doing. When you go back to basics in this way, you avoid making the wrong decisions. Back in 2021, Kokuyo updated its philosophy ("our philosophy"). Since then, it has worked hard to engage with internal and external stakeholders by disseminating its new purpose statement among employees and clarifying its core strengths. Although management has made some progress in raising employees' awareness of these matters, it must do more to communicate them to external stakeholders. Management must clarify how Kokuyo will achieve sustainable growth, and engage in ongoing dialogues with external stakeholders to ensure they feel convinced and satisfied by this commitment.

#### Organizational rearrangements for achieving the long-term vision

I'm delighted by Kokuyo's decision to transition into a company with three designated committees. This governance model clearly separates the roles and responsibilities related to supervision from those related to business execution and designates much more authority to the business execution side. In other words, it both expedites strategic decision-making and strengthens governance.

Communicating with overseas shareholders will become all the more important as Kokuyo ramps up its global expansion. Kokuyo's transition to a globally standard governance model will enable the company to demonstrate a firm commitment to governance. In the course of this transition, though, it will be important to discuss Kokuyo's vision for governance and to have a process of trial and error. Kokuyo needs to find its own distinctive approach to governance, one that keeps a fine balance between supervision and execution. With this approach defined, the Board of Directors will engage in important matters of business and perform its monitoring role effectively, ensuring that management steers the right course.

Accountability is essential in business execution. I'm confident that the managing officers and division leaders will execute the company's business with the mindset whereby they are prepared to take on the challenges and hardships of a business leader. CCC 2030 is really just a milestone in a longer journey. It's one thing to achieve the goal of 500 billion yen in net sales, but the managing side will need to exercise formidable leadership to present a growth story that continues beyond 2030. To create that next pillar of growth, the managing officers and division leaders will need to backcast, from a desirable future scenario, what Kokuyo should be doing now. The middle and top layers of management should also envisage and discuss a number of scenarios describing what Kokuyo should do when it faces a crisis.

#### Enhancing board effectiveness to build the company's long-term value

One of the board's top priorities is to prepare a board succession plan with an eye on Kokuyo's future. It's necessary to add granularity to Kokuyo's future vision and clarify what the next growth pillar is. It's also necessary to select director candidates and prepare an executive talent pool aligned with the company's strategy. Simply put, preparing a strategically aligned talent pool

will enable the company to build sustainable long-term value. For example, strategically increasing female board membership, considering the company's target markets, could be wise, particularly since women make up half of Kokuyo's new hires.

Kokuyo is also taking action to increase board effectiveness. After an official board meeting, the members get together to review how the meeting went and to identify matters that require in-depth discussion. These review meetings constitute part of the board effectiveness review process, and the outcomes of the meetings are incorporated into the key agenda items for the next official board meeting.

#### Key to global expansion is an M&A strategy that leverages Kokuyo's brand strength

M&As have a crucial role to play in Kokuyo's efforts to make its presence felt globally. Kokuyo's M&A strategy is in the midst of a trial-and-error process. Over time, Kokuyo will identify shortcomings and issues to fix and amass knowhow. I've expressed my support for Kokuyo's M&As. The most successful M&A so far is the acquisition of HNI Hong Kong Limited (now Kokuyo Hong Kong Limited) in 2022. I say this because the acquisition means that Kokuyo now has a supply chain that is well-integrated, from manufacturing to sales, enabling overseas exports. Another reason is that the company is wholly owned, meaning that Kokuyo can exercise responsibility in managing the subsidiary.

Key to unlocking further growth for Kokuyo Hong Kong is generating synergy with the Kokuyo brand. Management needs to devise a well-crafted strategy detailing how to fuse Kokuyo's creativity with Kokuyo Hong Kong's Lamex brand to establish a global brand.

In all these aspects I've mentioned, it's important to keep considering which visionary ideas to present and to run the business in a way that aligns with the Kokuyo philosophy. As an independent director representing the interests of stakeholders, I'm committed to expressing opinions that challenge and stimulate management members and to backing them in their efforts to build Kokuyo's long-term value.

# Corporate Governance

Corporate governance is one of our strategic priorities. We make ongoing efforts to improve efficiency, transparency, and fairness in order to build long-term value in a sustainable manner and in a way that reflects the Kokuyo identity.

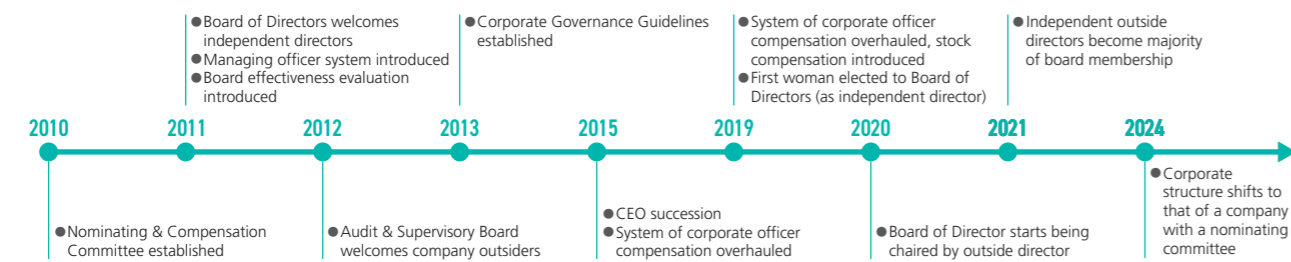
## Transitioning to a company with a nominating committee and other committees

We have a longstanding commitment to separating business execution from management oversight. Back in 2011, we started reserving places on the Board of Directors for company outsiders (independent directors) and established the Nominating & Compensation Committee to advise the board about nominations and director compensation. In 2015, we had a CEO succession. Since 2020, an independent director has served as chair of the Board of Directors. We took another important step in enhancing corporate governance in 2024: We transitioned our corporate structure to that of a “company with a nominating committee.” The move took effect when it was approved by shareholders at the 77th Ordinary General Meeting of Shareholders, held on

March 28, 2024.

The three designated committees will enable better corporate governance by enhancing management oversight and improving transparency. Moreover, by adopting a company with a nominating committee, a world-class governance structure, our stakeholders will feel more confident in our commitment to governance. Under the new structure, we will also expand executive authority and create an executive environment that encourages bolder leadership and swifter decision-making and that supports sensible risk-taking, helping us achieve our long-term vision.

### History of improvements to corporate governance



## Corporate governance system

Kokuyo is now a company with a nominating committee and most members of the Board of Directors are now independent directors who are independent from the management. The Nominating Committee, the Audit and Supervisory Committee, and the Compensation Committee have also been established, with most members of each community consisting of independent directors. We recognize that we can only command trust among our diverse 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.

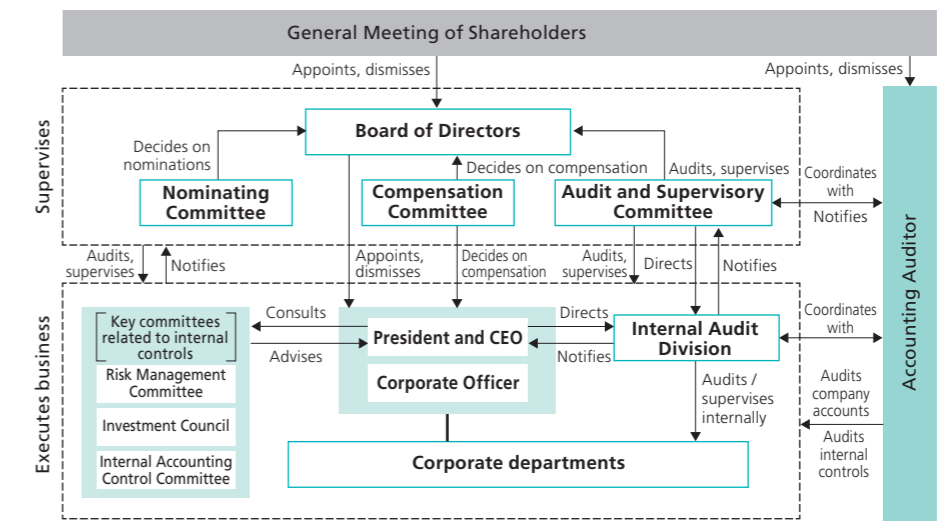
### 1. The Board of Directors



The Board of Directors has nine members, six of whom are independent directors. One of these independent directors serves as the board's chair. All directors serve one-year renewable terms.

This setup helps ensure a dynamic board, capable of responding swiftly to changing business conditions. The Board of Directors holds regular monthly meetings, as well as ad-hoc meetings when necessary. The board serves two roles: supervising management and executing the company's business. The board devotes sufficient time to discussing matters of strategic importance (such as making decisions about the company's policies and business strategies) and focus on supervising the management.

### Corporate governance system



### Important agenda items in FY2023

- Facilitating medium-term plan aligned with medium- and long-term strategy
  - Discussion on KPIs related to capital costs
- Discussion to set rules on investment and capital
  - Discussion on balance sheet strategies for long-term investment
  - Review of past decision-making processes for investments
- Report and discussion about major risks and the overall risk picture
  - Discussion about organization-wide risks and risk mapping, identification of major risks
- Discussion on deploying and training talent
  - Discussion on a uniquely Kokuyo-style talent development strategy that takes into account the importance of human capital
  - Discussion on organizational structure, compensation, and operations related to acquiring the talent required to drive the Forest-Like Management Model
- Building world-class corporate structure
  - Discussion on organizational design

### 2. Nominating Committee



The Nomination Committee has five members, four of whom are independent directors. The committee is chaired by one of these

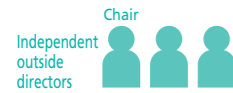
independent directors. The committee decides on proposals to make at a shareholders' meeting for appointing or dismissing a director. It also considers proposals to make to the Board of Directors for appointing or dismissing corporate officers and managing officers who bear fiduciary duties (these officers are known in Japanese as shikko-yaku) or managing officers who bear no fiduciary duties (known in Japanese as shikko-yaku-in) or for appointing or removing a representative managing officer and CEO. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

### 3. Audit and Supervisory Committee



The Audit and Supervisory Committee has three members. Two of the members are independent directors. The third member is a full-time non-executive director who does not qualify as an independent director. This third member chairs the committee. The committee audits the execution of the company's business by corporate officers who bear fiduciary duties and by directors, prepares audit reports, and decides on proposals for appointing or dismissing (or not reappointing) an accounting auditor. To ensure that audits are effective, the members regularly liaise with the heads of Kokuyo's business units and corporate divisions and coordinate closely with their counterparts in Kokuyo's Internal Audit Division and in key Kokuyo subsidiaries. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

#### 4. Compensation Committee



The Compensation Committee has three members, all of whom are independent directors. One of the members chairs the committee.

The committee designs the compensation system for directors, corporate officers who bear fiduciary duties, and corporate officers who bear no fiduciary duties, and sets the compensation amounts to be paid to each recipient. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

#### Sessions of the Nominating & Compensation Committee



In FY2023, while we still had the corporate structure of a "company with a kansayaku (audit and supervisory) board," the Board of Directors received advice on board nominations and compensation by the now defunct Nominating & Compensation Committee, the majority of whose members were independent directors and outside experts. The committee had five members. Four of the members, including the chair, were company outsiders

(either an independent director or an outside member of the Audit & Supervisory Board). The committee met eight times during the year, with all members attending all of the meetings. The committee vetted the potential candidates to be nominated for election to the Board of Directors or to the now defunct Audit & Supervisory Board, as well as the potential candidates to be appointed as a managing officer. It also advised the Board on the system of compensation for directors and managing officers, and how each director and managing officer should be evaluated and compensated under the system.

#### Succession planning

With CEO succession planning a top priority in governance, the Nominating & Compensation Committee would discuss this topic on an ongoing basis. The current CEO took office in April 2015. Three years before then, the committee had created a shortlist of candidates. To ensure impartiality in the vetting process, the committee considered a number of external candidates as well as internal candidates.

The current Nomination Committee engages in succession planning too. In this planning process, the committee considers time horizons for succession, defines the skills and experience the next CEO would need to expand Kokuyo's businesses globally, and sets policies for grooming and nominating potential successors, with short-term and long-term perspectives.

#### Board effectiveness evaluation

Since 2011, we have periodically evaluated the effectiveness of the Board of Directors (identifying issues, analyzing feedback, verifying effectiveness) to uncover issues with the way the Board of Directors currently operates and identify how it should be improved. The Board of Directors considers the results of the evaluation along with other factors (such as the external business environment) when setting next year's policy for the board's operation and the key agenda items.

##### Evaluation process

1. Monthly review meetings by non-executive managing officers: Immediately after each board meeting, outside officers hold a meeting to review the performance of the board.
2. Questionnaire survey (January 2023): Board members complete a questionnaire on board effectiveness in which they rate, on a three-point scale, questionnaire content, board operation, and how well the board secretariat provides information and support. The questionnaire also includes a section for open-ended comments.
3. Quarterly board meetings for discussing performance and finalizing overall evaluation (October 2022, February 2023)

##### Summary of overall evaluation in FY2023

The FY2023 evaluation found that the board generally satisfied the effectiveness criteria. However, the evaluation also suggested that the third medium-term plan could be implemented more effectively if the board allowed further discussion on the medium- to long-term strategic priorities that the chair and secretariat of the Board of Directors had set at the beginning of FY2023, namely the long-term vision, talent development, sustainability initiatives, and investments for growth.

##### Strategic priorities in FY2024

- ① Facilitating medium-term plan aligned with medium- to long-term strategy (discussions on fourth medium-term plan and CCC 2030)
  - Discussion on KPIs related to capital costs
- ② Building world-class corporate structure
  - Requirements of a company with a nominating committee: delegation of authority balanced with monitoring function
  - Discussion on policy for constructive stakeholder dialogue and the Kokuyo narrative (theme, story) to communicate during dialogue with stakeholders
- ③ Discussion to set rules on investment and capital
  - Discussion on capital policy for long-term investment
  - Review of past decision-making processes for investments, discussion on framework for investment decisions

- ④ Report and discussion about major risks and the overall risk picture
  - Discussion about organization-wide risks and risk mapping, identification of major risks
  - Rebuilding of internal controls (building or expanding organizational frameworks and ensuring they work effectively)
- ⑤ Discussion on deploying and training talent
  - Discussion on a uniquely Kokuyo-style talent development strategy that takes into account importance of human capital
  - Discussion on organizational structure, compensation, and operations related to acquiring the talent required to drive the Forest-Like Management Model

#### Policy for determining compensation for directors and other corporate officers

Kokuyo's system of compensation for corporate officers is designed to be sufficiently transparent, reasonable, and concise to fulfill our duty to be accountable to shareholders and other stakeholders and to contribute toward the creation of medium- to long-term value, not just short-term success.

##### 1. Basic policy

- (1) The system is to enable Kokuyo to attract and retain the talent necessary to drive sustainable corporate development.
- (2) The system is to be sufficiently transparent, reasonable, and concise to fulfill Kokuyo's duty to be accountable to shareholders and other stakeholders.
- (3) Compensation is to be commensurate with the recipient's roles and responsibilities and consistent with market rates.

##### 2. Criteria for determining the amount, or the formula for calculating the amount, to be paid to each recipient

- (1) Corporate officers who bear fiduciary duties (who may also be directors)

##### i. Compensation categorization

Corporate officers receive executive compensation only, which remunerates them for executing the company's business. Executive compensation has three components: basic salary (fixed monetary compensation), short-term incentive compensation, and long-term incentive compensation. Short-term incentive compensation consists of variable monetary compensation linked with the company's annual performance in financial and non-financial metrics. Long-term incentive compensation consists of stock-based compensation. The stock-compensation is designed to incentivize recipients to devote themselves to building the organization's medium- to long-term value and sustainably building shareholder value. There are five officer ranks (reflecting the level of responsibility) and three grades of compensation. The amounts of basic salary, short-term incentive compensation, and long-term incentive compensation vary by compensation grade.

##### ii. Amount of compensation in each component (basic salary, short-term incentive compensation, long-term incentive compensation)

The higher the officer rank, the higher the share of the variable components is in the total executive compensation paid. The following table shows the relative share of each compensation component at time of standardization.

Figures indicate percentages

Rank	Basic salary	Short-term incentive	Long-term incentive
1	50	37.5	12.5
2	50	37.5	12.5
3	55	33.8	11.3
4	60	30	10
5	60	30	10

##### iii. Criteria for determining the amount, or the formula for calculating the amount, of...

- ① Short-term incentive compensation
  1. Total short-term incentive compensation = Reference value for short-term incentive compensation × Weight of organization-wide metrics (%) × Proportion of payment related to organization-wide financial metrics + Reference value for short-term incentive compensation × Weight of business-specific financial metrics (%) × Proportion of payment related to business-specific financial metrics + Reference value for short-term incentive compensation × Weight of non-financial metrics (%) × Proportion of payment related to non-financial metrics.

2. The compensation Committee decides what the financial and non-financial metrics are, how to calculate the share of total executive compensation related to these metrics, and how much weight these metrics have in each compensation grade.
3. The period for evaluating results is the same as the accounting year, namely from January to December.
- ② Long-term incentive compensation  
The level of stock-based compensation paid is commensurate with compensation grade.

**Key metrics for long-term incentive compensation**

	Target	Result
Consolidated net sales (#00 million yen)	3,370	3,287
Consolidated gross profit (#00 million yen)	1,302	1,273
Consolidated operating profit (#00 million yen)	200	238

**iv. Criteria for deciding amounts for each officer rank and compensation grade**

The compensation Committee determines the amounts for each officer rank and compensation grade after considering the roles and experience of the managing officers and the prospects for replicating their performance. The committee also sets the reference value for executive compensation after referring to external survey data to ascertain the levels of compensation that comparable companies (companies in the same industry or companies with benchmarks of a similar scale) pay to their executives.

- (2) Independent outside directors
  - i. Compensation categorization  
Independent outside directors receive director compensation and committee-member compensation. Director compensation remunerates recipients for taking important business decisions and for supervising the execution of the company's business. It has two components: a basic salary (fixed monetary compensation) and restricted stock compensation (making up less than 10% of total director compensation). Committee-member compensation remunerates recipients for discharging their duties on the Board of Directors and on the designated committee the recipient serves on (the Nomination Committee, Audit and Supervisory Committee, or the compensation Committee). It consists of fixed monetary compensation.
  - ii. Criteria for deciding amounts for each officer rank and compensation grade  
The compensation Committee determines the amount of committee-member compensation and the amount for the basic salary component of director compensation. When doing so, the committee refers to external survey data to ascertain the levels of compensation that comparable companies

(companies in the same industry or companies with benchmarks of a similar scale) pay to their independent directors.

- (3) Inside non-executive directors
  - i. Compensation categorization  
Inside non-executive directors receive director compensation only. Director compensation remunerates recipients for making important business decisions and for supervising the execution of the company's business. It only has two components: a basic salary (fixed monetary compensation) and restricted stock compensation (making up less than 10% of total director compensation). For such directors, there are three grades of compensation commensurate with the level of responsibility. The amounts of basic salary and restricted stock compensation vary by compensation grade.
  - ii. Criteria for deciding amounts for each officer rank and compensation grade  
The Compensation Committee determines the amounts after considering the responsibilities discharged by the recipients. When doing so, the committee refers to external survey data to ascertain the levels of compensation that comparable companies (companies in the same industry or companies with benchmarks of a similar scale) pay to their inside non-executive directors.

**3. Restricted stock compensation**

- (1) The company delivers restricted stock (shares of company stock that are non-transferable until certain conditions are met) to eligible recipients with the approval of the Board of Directors. In accordance with the resolution of the Board of Directors on the allotment of restricted stock, the company issues or disposes of the restricted stock in exchange for the recipients paying in, as an in-kind contribution, their claims to monetary compensation. The pay-in amount per share is determined by the Board of Directors. To ensure that this amount is never such that it unreasonably benefits the recipient who is to receive the restricted stock, the board decides an amount that is consistent with the closing price of the company's common stock on the TSE on the business day before the board makes its decision (or the nearest trading day if the TSE was closed on that day).
- (2) For outside independent outside directors, the amount of restricted stock allotted is commensurate with the fixed compensation. For inside non-executive directors and managing officers, it is commensurate with the set level of stock compensation for the recipient's compensation grade. For managing officers, it is also commensurate with the set level of long-term incentive compensation for the recipient's compensation grade.
- (3) When issuing or disposing of the restricted stock, the company signs a restricted stock agreement with the recipients.

**4. When the compensation is paid and the conditions for payment**

- (1) Cash compensation other than short-term compensation: The annual total is paid in 12 monthly installments.
- (2) Short-term incentive compensation: The annual total is paid all at once in April.

- (3) Stock-based compensation for directors and managing officers, long-term incentive compensation: The annual total is generally paid all at once in April.

**Intellectual Property Strategy**

**Intellectual property (IP)**

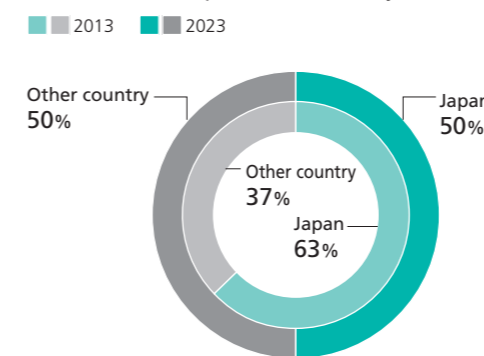
One of our strategies to differentiate our company from competitors is to encourage the acquisition of IP rights and, at the same time, to ensure that our intellectual property rights are respected and not infringed.

Kokuyo's IP includes all the assets that contribute toward the source of our competitive advantage: our ability to address socio-environmental issues that are relevant to people's lives. These include a value chain that is characterized by honest and earnest collaboration and driven by the passion to help the customer. They also include a collaborative workplace culture in which employees engage in teamwork and bounce ideas off each other to address a problem or adapt to a change. To ensure that this IP is deployed effectively, we will make the IP visible in a form that all employees can understand and replicate.

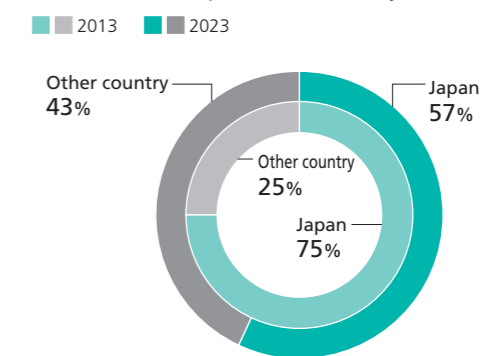
Our main IP initiatives are as follows.

- Safeguarding IP and complying with IP-related laws and regulations  
The Kokuyo Group Code of Conduct includes stipulations about respecting the IP rights of other companies.
- Organizational framework for managing IP  
To develop our IP portfolio as well as to standardize and unify IP strategies across Kokuyo Group, Intellectual Property Group coordinates all IP-related operations in subsidiaries based in Japan and overseas and makes efforts to acquire IP overseas.
- Creating and utilizing IP  
The relevant staff and business divisions will work closely with the IP unit from the early stages of development, planning, and design onward to maximize the competitive advantage of our products.

Location of filings for patent or utility model rights 2013 and 2023: Japan / other country



Location of filings for design rights 2013 and 2023: Japan / other country



# Meet our Officers



**Takehiro Kamigama**  
Independent Director  
Chair of the Board of Directors  
Member of the Nominating Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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.
- June 2018 Outside Director, SoftBank Corp. (incumbent)
- June 2018 Mission Executive, TDK Corporation
- March 2021 Independent Director, the Company (incumbent)
- July 2021 Chief Consultant, Contemporary Amperex Technology Japan KK (incumbent)



**Mika Masuyama**  
Independent Director\*  
Member of the Compensation Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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 Independent Director, the Company (incumbent)
- June 2019 Outside Director, Konoike Transport Co., Ltd. (incumbent)



**Katsuaki Tojo**  
Director  
Chair of the Audit and Supervisory Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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 Managing Officer and General Manager of the Domain Strategy Office, the Company
- January 2021 Managing Officer and General Manager of the Board of Directors Office, the Company
- March 2021 Audit & Supervisory Board Member (Full-time), the Company
- March 2024 Director, the Company (incumbent)



**Hidekuni Kuroda**  
Director  
Representative Corporate Officer, President and CEO  
Member of the Nominating Committee

Board of Directors meetings attended: 100% (13 out of 13)

- April 2001 Joined the Company
- July 2005 Director and Managing Officer, Kokuyo Office System Co., Ltd.
- June 2007 Director and Managing Executive Officer, Kokuyo Office System Co., Ltd.
- March 2009 Director, the Company
- March 2009 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
- March 2024 Director and Representative Corporate Officer, President and CEO, the Company (incumbent)



**Shinichiro Omori**  
Independent Director\*  
Chair of the Compensation Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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 Resonac Corporation)
- June 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.)
- June 2019 Chairperson of the Board, Hitachi Metals, Ltd (currently Proterial, Ltd.)
- April 2020 Board Director, Chairperson, Hitachi Metals, Ltd.
- July 2020 Chairman of the Board, Hitachi High-Tech Corporation
- March 2022 Independent Director, the Company (incumbent)
- June 2022 Outside Director, MACNICA FUJI ELECTRONICS HOLDINGS, INC. (currently MACNICA HOLDINGS, INC.) (incumbent)
- June 2023 Outside Director, Kansai Paint Co., Ltd. (incumbent)



**Riku Sugie**  
Independent Director\*  
Member of the Nominating Committee  
Member of the Compensation Committee

Board of Directors meetings attended: 100% (10 out of 10)

- April 1994 Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
- October 2000 Joined Accenture Japan Ltd
- December 2006 Joined GE Consumer Finance K.K. (currently Shinsei Financial Co., Ltd.)
- June 2012 President and CEO, Shinsei Financial Co., Ltd.
- April 2016 Executive Officer, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
- June 2016 Director, Aplus Co., Ltd.
- April 2017 Managing Executive Officer, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
- November 2017 President and CEO, Paiddy Inc. (incumbent)
- November 2021 VP of Japan Business, PayPal Pte. Ltd. (incumbent)
- March 2023 Independent Director, the Company (incumbent)

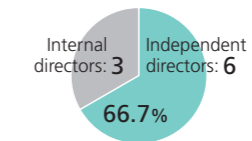


**Toshio Naito**  
Director  
Corporate Officer  
Division Manager of the Corporate Planning Division, CSO

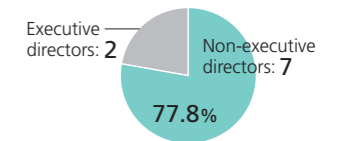
Board of Directors meetings attended: 100% (13 out of 13)

- 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 Managing Officer and General Manager of the Corporate Development Office, the Company
- January 2021 Managing Officer and Division Manager of the Corporate Planning Division, the Company
- March 2021 Director, Managing Officer and Division Manager of the Corporate Planning Division, the Company
- March 2024 Director, Corporate Officer and Managing Officer of the Corporate Planning Division, the Company (incumbent)

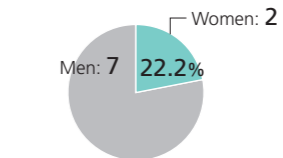
Percentage of directors who are independent director



Percentage of directors who are non-executive directors



Percentage of directors who are women



**Yoko Toyoshi**  
Independent Director\*  
Member of the Nominating Committee  
Member of the Compensation Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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
- March 2021 Outside Director (Audit and Supervisory Committee Member), Mabuchi Motor Co., Ltd. (incumbent)
- March 2024 Independent Director, the Company (incumbent)



**Fukutaka Hashimoto**  
Independent Director\*  
Chair of the Nominating Committee  
Member of the Audit and Supervisory Committee

Board of Directors meetings attended: 100% (13 out of 13)

- 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.)
- June 2020 Outside Director, Isetan Mitsukoshi Holdings Ltd. (incumbent)
- March 2021 Outside Audit & Supervisory Board Member, the Company
- March 2024 Independent Director, the Company (incumbent)

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

## Skills Matrix

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

\* 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.