Chapter 1

For Sustained Value Creation

In this chapter, you can learn about Kokuyo's policies for sustainable value creation in a message from the CEO, conversations among managers of corporate divisions, and a dialogue between the CEO and an outside expert (George Hara). In the CEO message, Hidekuni Kuroda describes Kokuyo's grand vision for global expansion and the Forest-Like Management Model. In the conversations among corporate officers, the corporate officers describe the role of the corporate divisions they manage. By reading the message and conversations, you can get a clearer idea about the medium-term and long-term strategies Kokuyo is taking to help create a self-directed, collaborative society.

Message from the CEO

We are accelerating transformation and cultivating a rich forest of competitive and businesses.

120 Years of Continuity and Change

This year, we commemorate Kokuyo's 120th anniversary. Kokuyo traces its history back to 1905, when our founder, Zentaro Kuroda, opened a shop making binders for Japanese-style ledgers (wacho). Zentaro Kuroda was an diligent man, and Kokuyo has upheld his diligent approach ever since. We have always regarded every stakeholder as a dear friend and have sought to find the ideal balance whereby stakeholders can share values for sustained, long-term success. This diligent approach has resonated with many people and increased the bounds of friendship in a virtuous cycle that has sustained our 120-year history. This diligence has manifested itself over the years as one of our core values: to make a positive impact through our products. In other words, it has always inspired us to help address the problems our customers experience. Driven by this core value, Kokuyo expanded its business from binders for Japanese-style ledgers (wacho) to stationery, to office furniture, and then to office spatial design.

Twenty years ago, we celebrated our centenary. That centenary heralded a time of drastic but necessary change. We had accomplished a stable expansion thanks to our robust supply chain with which we could supply customers in Japan with high-quality products in a stable manner. However, we were also facing serious problems. Demand in Japan was petering out following a clear end to population growth. Meanwhile, our profitability was sliding amid competition, driven by increasing homogeneity within the industry. Faced with these challenges, the leadership at the time decided to embark on a program of transformation, which involved delivering added value and expanding into overseas markets. In 2015, I became President and CEO. Continuing on with the resolute leadership of my predecessor, I began changing Kokuyo in even bolder ways. With the world changing at a rate and scale beyond what anyone had imagined, my task was to instill a change mindset throughout the organization. After much thought, I came to a conclusion.

Accelerating our Journey Toward a Self-Directed and Collaborative Society

The coronavirus pandemic prompted a strong sense of alarm. We feared that, with offices becoming redundant, demand for stationery would plummet. Another concern was AI. Considering the breathtaking advances that had already occurred, we could only wonder how AI would reshape the world in the years to come and what workstyles and lifestyles would emerge. I feared that our company would grind to a halt if we only dealt with the symptoms of unexpected change. I therefore decided we should do the following. Guided by our unchanging commitment to making a positive impact through our products, we would envisage the future society that we want to see in the long term and then back-cast from this ideal future to identify what must be done to close the gap between this future and the present reality. Only by taking on a new challenge in this way could we ensure that our organization will achieve long-term success in a volatile, uncertain world.
Upon this premise, we devised a 10-year vision in 2021. We named this long-term vision CCC 2030. CCC 2030 defines the ideal future society as one that is self-directed and collaborative. In other words, we believe in a world that celebrates diversity and empowers people as individuals, a world of free-thinkers who work together to create a prosperous community. Having established this vision, we then shifted our mindset and business practices. That is, we began delivering experience value to help transform the lifestyles and workstyles of the people who use

our products and services. In January 2027, we will acquire six Japanese sales affiliates and merge them into Kokuyo Marketing Co., Ltd. Such integration will ensure that our supply chain as a whole is committed to delivering Kokuyo's added value to end users. Acts such as these are effective in creating new demand for our products and services, but businesses that rely on the Japanese market alone will have limited prospects for growth. If we are to sustain growth in the value of our organization, we must develop global businesses, especially in the burgeoning economies of ASEAN and other parts of Asia. To succeed in these regions, each with their own set of market needs, we must offer more than tangible products. If we only offer tangible products, we will inevitably become locked into a price war. Our key to success lies in the same differentiation strategy we have used in Japan: offering experience value.

In this task, we are guided by our Forest-Like Management Model. This model envisages us becoming, by 2030, an organization that keeps generating new added-value businesses in Japan and overseas markets. It guides us as we move forward in each step toward the financial goals for 2030 set out in CCC 2030, namely, net sales of 500 billion yen, EBITDA of 55 billion yen, overseas sales accounting for at least 25% of total net sales, and ROE of at least 10%.

Progress in the Medium-Term Plan, Unite for Growth 2027

The first step in CCC 2030 corresponded to our 3rd medium-term plan, Field Expansion 2024, which ran from 2022 to 2024. Field Expansion 2024 set out a strategy for Japanese and overseas markets. In Japan, we focused on improving sales growth and profitability in our furniture business and other existing businesses. Overseas, we used M&A deals and other means to establish footholds for expanding our business reach. For example, we acquired HNI Hong Kong Limited (now Kokuyo Hong Kong). In India, we expanded stationery operations through Kokuyo Camlin Limited's business assets, which covers the entirety of the country. During the three years of Field Expansion 2024, we made substantial progress in our financial KPIs. We increased our gross profit ratio, which we were tracking as a metric of added value, and increased the percentage of total sales that come from overseas operations. This success gave us a sure footing for the next step in CCC 2030.
The second step corresponds to our 4th medium-term plan, Unite for Growth 2027, which runs from 2025 to 2027. Having reinforced our strategic assets in the previous step, we use this step radically transform our business portfolio. For 2027, the final year of the plan, our targets are as follows: net sales of 430 billion yen (26.9% higher than in 2024), an EBITDA of 43 billion yen (36.5% higher than in 2024), an EBITDA margin of 10%, and overseas sales accounting for 20% of total sales (7 points higher than in 2024). To achieve these targets, we have increased the growth investment budget to 70 billion yen (2.5 times the size it was in the 3rd medium-term plan) to generate higher cash flows from our existing businesses. We will then use these cash flows to fund new business development and to fund M&A activities that will accelerate inorganic growth, enabling us to meet our goals for 2030. To drive EBITDA growth, we are clarifying the positions of our businesses, recalibrating our portfolio, and optimizing capital allocations. In the recalibrated portfolio, our furniture business remains the main profit driver. In Japan, the supply of new office buildings remains buoyant, creating a burgeoning market aligned with demand for office renovation. To capitalize on this, we are pursuing a differentiation strategy that draws on our spatial design excellence and the distinctive added value we offer.

In year 1 (2025), we achieved sound results. Net sales, EBITDA, and operating income each exceeded the level of the previous year. Our businesses in Japan performed well. In the furniture business, we made headway in capitalizing on the demand and offered value-added products and services, culminating in huge growth in net sales and profit and an improvement in profitability. In the business supply distribution and stationery businesses, we increased net sales in part because we capitalized on substitute demand. We also improved profitability. We also performed well overseas, despite market stagnation in China. In the furniture business, we fully acquired HNI Office India Limited (now Kokuyo Workplace India), gaining production and sales functions that we then used to penetrate the Indian market. We are now combining the subsidiary's business assets with Kokuyo's knowledge in manufacturing and spatial design so that we can tap into local needs. In the stationery business, we acquired Thien Long Group Corporation (TLG), a leading maker and seller of stationery and office goods in Vietnam. The acquisition has given us a robust infrastructure for writing tools, which will serve as an important strategic piece in overseas markets. We will first fortify our position in ASEAN market. Next, we will expand our horizons to Europe, North America, and the Middle East.

We are confident that revenue and profit will grow again in 2026. In Japan, the growth will come from the furniture business as we win more contracts for office relocations in Japan, and from the business supply distribution business as we win new customers. Overseas operations will contribute too, with Kokuyo Workplace India being included in consolidated results and with further business growth. We will also continue investing in projects that increase our growth prospects over the medium and long term. These will include investments in cutting-edge production technology to increase production capacity and efficiency, investments in existing furniture plants where there is room for improvement in quality, and investment in distribution centers. In the business supply distribution business, we will be investing in our platform that large companies can use to manage their purchases of intermediate materials and investing in projects to upgrade our core IT system.

In these ways, we are making steady progress in the 4th medium-term plan, both in qualitative and quantitative measures, and our goals have come into clear focus. We are also ramping up in our Forest-Like Management Model toward our vision of a self-directed, collaborative society. We have a sure foothold on the path toward CCC 2030.

The Essence of the Forest-Like Management Model: Disciplined Expansion

Sometimes, the forest metaphor is misinterpreted to imply a sprawling array of businesses, products, and services spreading outward in a random, uncontrolled manner. This is certainly not the case. It is true that we want to go cultivate new business ventures that go beyond our existing business boundaries and product categories. However, we will only do so in a way that contributes toward a self-directed, collaborative society and aligns with the principle of disciplined challenge-taking, a principle we use in decisions about allocating our accumulated resources.

Consider the following example. In the 4th medium-term plan, we announced that we would enter the building renovation

industry. We recently won our first contract for building renovation. Low-rise or mid-rise buildings can often pose a liability for the owner when the building is several decades old. As well as the building declining in value, many owners will face higher costs because of the need for structural renovation. They may also have to contend with labor shortages. We offered solutions to these problems in a contract to renovate a commercial building in its entirety. That is, we provided planning services for a workstyle-focused strategy for talent deployment, office design services, and office layout services all in one package. The point is that we channeled our long-accumulated knowhow in the workplace field to nurture a single tree.

The same is true for our global businesses. Our general approach is disciplined expansion. We establish a small foothold in a target region and sharpen our focus before investing in a major expansion effort. This approach increases the odds of a successful expansion. Consider this example in the stationery business. Back in 1995, we opened a representative office in Hong Kong. Over the years that followed, we used the office to gather and analyze business intelligence, refining our expertise for stimulating local demand. We then founded Kokuyo Trading (Shanghai) Co., Ltd., in 2003, marking the launch of a full expansion effort. When it comes to sharpening the focus, collaborating with local partners is an important option. In Vietnam, for instance, we sharpened the focus of our marketing approach by cultivating a win-win partnership with big-name stationery maker TLG. This partnership culminated in the acquisition of the company.

While we do have an expansive business profile, we expand in a measured way, minimizing risk. In the case of stationery, it is relatively inexpensive to develop business ventures overseas. At a low cost, we can conduct test marketing to gain insights into the market and disseminate our brand there to some extent. By doing so, we reduce the risks associated with expanding the furniture business overseas, which is much more expensive by comparison. While China is the quintessential example, it is worth mentioning our experience in India, where we have been expanding our stationery business for 15 years.
Our efforts there recently culminated in a success in the furniture business: We established an optimal partnership with HNI Office India Limited (now Kokuyo Workplace India). We now have our sights set on the fiercely competitive markets of Europe and America, and this approach will surely prove effective there too.

As we go further with new challenges in the future, we will also need to further bolster our structures for controlling risks. That is why we are enhancing risk management, adopting global accounting standards, and enhancing other corporate-level functions.

Preparing the Soil for the Forest-Like Management Model

Given the uncertainties and volatilities that lie ahead, the company will sooner or later run aground if we take a top-down approach to management, with all decisions made by me as President & CEO. In 2024, we transitioned our governance structure to that of a "company with a nominating committee and other committees." We have welcomed to our Board of Directors outside directors with strategically matched skillsets. Similarly, we have recruited into our team of corporate officers company outsiders who have expert knowledge. These actions reflect our belief that the company should be led by people who work together as a team and whose skills complement one another.

Experience value is created in a bottom-up manner by employees engaging self-directed, collaborative initiatives. As President & CEO, I consider it the role of a leader to foster such a corporate culture, and I focus most of all on leading the transformation in culture. I am particularly interested in creating an open corporate culture. An open culture makes it possible to identify unmet needs in the gap between an envisaged future scenario and the present reality. Employees will sometimes think up ideas that break the mold. When such innovative thinking is properly appreciated and reflected in personnel evaluations, it creates a virtuous cycle of challenge-taking and professional development, which in turn drives up the value of the organization. That is why we began using the phrase "be Unique." to express our philosophy. We have made progress in fostering such a culture, as is clear from our questionnaire on employee engagement: For the item measuring the degree to which employees feel we have a culture that empowers challenge-taking, the score has gone from 68 in 2023 to as high as 72 in 2025.

The cultural transformation also leads to an increase in knowledge sharing, which forms part of the vital soil for the Forest-Like Management Model. The Workstyle Lab gathers and analyzes information and knowledge related to office styles around the world, while the Manabikata Lab gathers and analyzes information and knowledge related to learning styles around the world. The YOKOKU Research Institute analyzes sociocultural trends to derive predictions about the future.
In these ways, we identify customer needs at multiple levels. We can do this because we are a company with diversified business operations, and I am confident that it will lead to specific instances of inter-business knowledge sharing. All across our workforce, teams united by the same passion are reaching out to one another to share ideas and resources, leading to a succession of fresh initiatives. I believe that this circle of collaboration and innovation will eventually become a driving force for wider social changes.

The senior managers work together to cultivating a rich soil and pursue disciplined expansion under the Forest-Like Management Model.

01	Hidekuni Kuroda	Representative Corporate Officer, President & CEO
02	Toshio Naito	Director, Corporate Officer, Head of the Corporate Planning Division, CSO and Chair of the Forest Model Subcommittee
03	Hitoshi Honda	Managing Officer, Senior Vice President, Head of the Finance & Accounting Division
04	Naotaka Umeda	Managing Officer, Senior Vice President, Head of the Audit Committee Office and CSV Division (as of March 2026)
05	Yasunari Koshikawa	Managing Officer, Senior Vice President, Head of the Human & Culture Division, and Chair of the Wellbeing Subcommittee
06	Takashi Yoshida	Managing Officer, Senior Vice President, Head of the Global Enterprise Division
07	Takashi Onoda	Managing Officer, Senior Vice President, Head of the Risk Management Division

With this palpable emergence of experience value creation, I thought it would be a good idea for us to reaffirm our corporate purpose to ourselves and declare it publicly. To that end, we launched a rebranding campaign in conjunction with our 120th anniversary. We coined a new corporate message for Kokuyo: Curiosity is Life. Times change, but one thing remains the same throughout the world. Curiosity remains the universal driving force of innovation. This new message conveys our commitment to helping people to tap into their curiosity as a way to drive positive social change.

Finding the Right Balance and Growing the Rich Forest

As the value of our organization increases, so too does the benefits for stakeholders. The sustained nature of this increase in value is increasingly evident. With each passing year, I grow increasingly mindful of how it is the leadership's responsibility to strike the right balance between the interests of different stakeholders and achieve sustained growth that benefits all. As uncertainties mount and stakeholder interests diversify, it has become all the more important for companies to work out how best to balance the disparate interests and how to pursue profit growth in an equitable, sustainable manner. In our interactions with stakeholders, we will adopt the diligent approach prized by the founder so that stakeholders who believe in the future society we envisage and work with us in pursuit of what all stakeholders value.

When Zentaro Kuroda launched his business 120 years ago, he could scarcely have imagined what Kokuyo would be doing today. When we arrive at the endpoint of our long-term vision for 2030, Kokuyo will be strikingly different from what it is now. Let me close by asking you for your continued support in our efforts to add even more value to our products and services and grow into an ever greater and richer forest of competitive and profitable businesses.

Representative Corporate Officer, President & CEO
Hidekuni Kuroda

Corporate officers play a bridge-building role to generate synergy and drive global expansion under the Forest-Like Management Model.

Hitoshi Honda
Managing Officer, Senior Vice President, Head of the Finance & Accounting Division

Yasunari Koshikawa
Managing Officer, Senior Vice President, Head of the Human & Culture Division, and Chair of the Wellbeing Subcommittee

Naotaka Umeda
Managing Officer, Senior Vice President, Head of the Audit Committee Office and CSV Division (as of March 2026)

The Forest-Like Management Model and the Role of the Corporate-Level Functions

Koshikawa In any strategy to achieve sustained business growth, the key is to clarify what your competitive advantages are and whether these strengths are valued, not just in the country, but in the world. These are especially crucial questions for Kokuyo as we pursue the Forest-Like Management Model.The role of the corporate divisions is to ensure that these strengths are common knowledge across the organization and to establish them globally, in their hard and soft aspects. In the past, Kokuyo was a rather siloed organization, with everyone secluded within their own business unit or vertical structure. That was a legacy of Kokuyo spinning off its businesses in Japan. What is required nowadays, though, is to collaborate across divisional boundaries and flex our strengths across national borders.

Honda I agree. Corporate-level functions have offensive and defensive roles. On the offensive side, they ensure that a firm fiscal underpinning—a safety net, as it were—is in place so that Kokuyo has the firm foundation and mindset to apply its strengths in initiatives aligned with the Forest-Like Management Model. On the defensive side, we are coordinating between the hitherto siloed and uncoordinated businesses and corporate-level functions so that everything is in strategic alignment. This strategic base-building is the most necessary work.

Umeda At the same time though, if an organization is to navigate the tumultuous changes in the external business environment, it must also focus on things whose value can never be fully represented in financial statements. Sustainability is not just about being environmentally conscious. It is something that enhances the role a business plays in society. As part of our efforts to make Kokuyo strong, our mission is to provide a new set of criteria for supporting employees' decision making, one that emphasizes the creation of both economic value and social value, and to embed this approach into the corporate culture so that employees can make decisions by themselves about the direction of the business.

A Common Understanding of the Forest-Like Management Model

Umeda With the drastic changes in the external business environment, a company is bound to fail sooner or later if it relies on a Japan-centric business model. Global expansion is no longer an optional extra; it is a must. It goes without saying that, if a company is to adapt to a volatile business environment and achieve growth in the medium and long term, it must generate inter-business synergy necessary for value creation as well as bolstering each business individually. The synergy will create the conglomerate premium envisaged in the Forest-Like Management Model. We have established structures for synergy generation and achieved some synergy successes, but more needs to be done. As corporate officers, we must set an example by facilitating broader cross-functional discussions and collaboration.

Honda I agree. One of our strengths is that a customer-oriented mindset is firmly rooted in our organization. This mindset is a source of value. We should therefore provide a stronger platform to underlie this mindset with a view to generating synergy. With a customer-oriented mindset resting firmly upon this platform, our organization can develop powerful businesses one after the other.

Koshikawa While the corporate-level functions have in the past been geared toward administrative operations, they must now serve a bridge-building role for synergy generation. We must do what the frontend business divisions cannot do, which is to engage in company-wide, cross-functional coordination. Whereas frontend business divisions tend to focus on the short term, corporate divisions must take a longer-term perspective and consider what works best for the company as a whole. They must always think multiple steps ahead, lay the organizational support structures, and indicate the way forward. That is the way to maximize the value of our organization.

Global Expansion: Challenges and Solutions

Honda Let's discuss investments in global expansion. When deciding whether to invest in an M&A proposition, we consider whether it aligns with our strategy. In other words, we ask why we need the company in question to further our growth strategy, our strategy of becoming a top-ranking global organization. We then consider whether the strategic value of the acquisition is balanced with the financial merits of such. If a prospective investment aligns with the growth strategy, we will embrace it even if it is high risk. Having gone ahead with the investment, we will then need to be accountable for that decision and see the project through until the end. The corporate divisions must work together to increase the odds of investment success.

Koshikawa We are also at a significant turning point when it comes to talent development. Until now, the focus has been on having our employees gain mastery in a particular area. However, that will not be enough to deal with all the uncertainties in the global business environment. We need talent with the ability to find a route to success in this uncertain environment. To that end, we require a shift to a talent management system that cultivates the ability to view the value chain and business creation initiatives from a high vantage point and the ability to deal with uncertainties. Organizational structures should be redesigned according to a global perspective. The organizational structures should ensure that we offer a consistent value proposition but one that is informed by local market needs.

Umeda In the area of sustainability, the challenge is to strike a balance between adhering to global standards and generating value unique to our organization. We must try to meet the criteria of external rating agencies, but in doing so we must avoid losing the things that make us what we are. As we gain more partnerships around the world, we must make sure our values and brand identity do not get diluted. That said, we need not be bound up by the notion that everything must originate from Japan. We can learn from our overseas partners and incorporate a multiplicity of perspectives to refine our strengths. In the case of Kokuyo Workplace India, for example, ideas have been nurtured in an overseas market. The ideas have then been reimported to Japan, as it were, and integrated into our company-wide strategy for sustainability-oriented value creation. I believe that our future growth will depend on striking a balance between our own identity and global diversity.

Koshikawa The trick in global expansion is to turn an investment into valuable asset. To that end, the acquired company must offer something that is more valuable than what other companies in the region offer. It must also operate in a way that creates positive environmental and social impacts. Sustainability action is a necessary condition for being recognized as a global company.

Finding a Balance Between Autonomy and Co-Creation

Honda In autonomous decision-making, you must try to avoid being soft, simplistic, and sloppy. If you get soft on yourself, you end up being soft on others. You fall into simplistic thinking, such that your expertise atrophies. You then start getting sloppy in your work, leading to an increase in errors. Because the corporate divisions preside over the company as a whole, it is all the more important that they are always tough on themselves and set the bar as high as it will go. The 4th medium-term plan sets high targets. We are breaking free from a soft mentality, but we must still set aim higher and push ourselves further.

Umeda The autonomy you described actually complements co-creation. Social value can only be created if the divisions in question operate autonomously. However, they must also work together toward a shared vision. While pursuing economic value, we must also foster a corporate culture that employees can be proud of. That is how we create a foundation for sustaining business growth.

Koshikawa We have quantitative data showing a change in employee attitudes toward autonomy. In the employee questionnaire, the challenge-taking culture score has risen four points over the past three years. The role of the corporate divisions is to design a scenario that is ideal for the company as a whole and then put in place the environment for making this scenario a reality. We need to further strengthen the structures and systems that Kokuyo requires to be a company that is trusted by customers and in which employees feel more engaged.

Honda The Forest-Like Management Model is, in essence, all about cohesiveness amid diversity. All the various functions, divisions, and regional teams play to its own particular strengths, but they are all guided by a common set of values and work toward a shared vision. The most important thing in this is balancing autonomy with co-creation. We want global team members to make autonomous decisions and, at the same time, work collaboratively to achieve the company-wide vision. Achieving such a balance will create a source of competitive advantage for the Kokuyo of the future.

Note: Naotaka Umeda was serving as Senior Vice President, Head of the CSV Division at the time this conversation took place (on January 31, 2026). On April 1, 2026, the post was transferred to Masahiro Fukui.

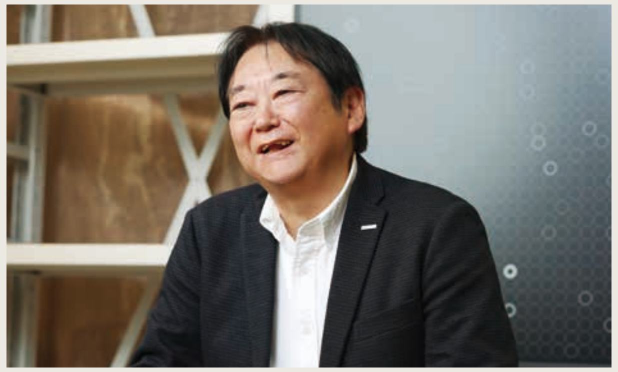
To support the global management of Kokuyo Group, the leaders are preparing defenses that form the forest soil of the Forest-Like Management Model.

Hitoshi Honda

Managing Officer, Senior Vice President, Head of the Finance & Accounting Division

Takashi Onoda

Managing Officer, Senior Vice President, Head of the Risk Management Division



Takashi Yoshida

Managing Officer, Senior Vice President, Head of the Global Enterprise Division

The Forest-Like Management Model and the Roles of the Corporate-Level Functions

Onoda To sustain Kokuyo's growth, we need to put in place structures aligned with a business model that has shifted the focus from tangible products to intangible value. As head of risk management, my role is twofold. First, it is to manage M&A deals or other investments and engage in the deal-making process for such. Second, it is to implement the organizational structures for managing the risks associated with these investments.
If you want to expand globally, you need to take measured risks. When it comes to investment decisions, there are no absolute right or wrong answers. To ensure that the top leadership and the business divisions make the best investment decisions they can, they must be presented with a set of options informed by a multifaceted analysis of the prospective investments and strategic alignment.

Yoshida My purview covers information technology. If an IT platform can be likened to the forest soil for the Forest-Like Management Model, then I have two roles as head of the Global Enterprise Division.
My first role is to keep the nutrients flowing in the soil—the flows of data such as knowledge and experience—so that there is a sure ground for adding new value. In tandem with this, my second role is to provide a platform for information security and for supporting effective risk management. Underlying both roles is the general principle of balancing discipline with freedom. Discipline is a vital part of building an information system, as you must safeguard security in compliance with global and local regulations. However, you must also allow a degree of freedom in the application of the system, so that the system supports freedom of action among all the various teams and business operations.

Honda Yes, it is vital that we keep a free and open corporate culture, as exemplified by our culture of experimentation, which is one of the great things about Kokuyo. But we must also maintain discipline and make sure controls are in place. With the 4th medium-term plan emphasizing global expansion, we have an increasing appetite for taking risks. However, the corporate-level functions, including information systems, risk management, and financial functions, must act in their defensive role by putting in place risk safeguards at a global level.
My own role is to keep monitoring how risks are balanced with our financial infrastructure and to keep a watchful eye on risks while supporting measured risk-taking.

Top Priority for Defense: Globally Standard Safeguards

Yoshida In the case of IT platforms, we use globally standardized criteria to assess the IT environment and risk landscape in each company. For our 19 group companies based overseas, we have established CIO reporting line for collecting local IT environment and risk information in the local language.
Use of the local language in information gathering enables us to assess risks in depth and at fixed points.

Onoda As to the background to this, overseas subsidiaries and overseas business sites were placing priority on having the best possible system for the company or site in question. The result was a lack of integration, as the structures and systems varied between the subsidiaries and sites.

Honda Yes. To identify problems and risks, you need to do more than just gather data. You need to define the desired to-be state so that you can clarify the gap between the to-be state and the status quo.
We are now beginning to achieve our vision of a scenario in which we have established criteria and infrastructure that apply across Kokuyo Group. With this clarity, we are making headway in establishing these things as befits a global organization.

Onoda In the context of risk management, our businesses in ASEAN have made progress in establishing rules aligned with international standards.
Now that we have defined compliance with international standards as our vision, it is up to the operating companies to work out how to catch up to these standards.
It is worth mentioning Thien Long Group Corporation, which we acquired in December 2025. It is a listed company, so it has plenty of insights to offer us about risk management and compliance best practices for ASEAN markets.

Building a Platform for Added-Value Creation to Accomplish the Forest-Like Management Model

Yoshida We need to reinforce the awareness that the corporate-level functions make decisions about growth investments and set the strategic agenda. In the case of IT platforms, since each region and operating company has built up its own system, we need to work fast to close the distance with the pace of our global expansion and our shift from selling tangible things to selling intangible things. Instead of having the IT system always playing catch-up with the pace of business, it needs to be several steps ahead so that it can support business development.

Honda You can only stay ahead of business development if you work with intense speed.
The Finance & Accounting Division, for instance, is standardizing accounting processes across Kokuyo Group. It would take too long to standardize accounting operations in Japan first and then start standardizing those in overseas businesses. We are in a phase in which we must standardize those overseas simultaneously with those in Japan.

Onoda The corporate-level functions must work to close the gap between our present operations and our desired state of being a global organization. How effectively the leadership deals with this challenge will determine the quality of the forest soil in our Forest-Like Management Model.

Yoshida When it comes to preparing the ground in this way, the most important thing is to keep in mind that we are a global company, not just a multinational one.
It is not about launching particular businesses in particular countries. Rather, it is about what we are doing to ensure there is a common platform running horizontally across all these different businesses and countries. That is the mindset we must always retain in the corporate-level functions. With this mindset in place, we must then prioritize action to establish a company-wide platform for risk avoidance, compliance, and information security. Once this platform is in place, we can build on top of this platform new organizational structures for creating added value.

Sustaining Value Generation

Onoda Considering the demographic trends in China and market trends in Japan, I think that 2030 will prove a societal turning point.
I consider it my duty to help put in place the structures and platforms in preparation for this turning point so that we leave Kokuyo in a fit state for the next generation of leaders.

Yoshida That will require the corporate-level functions to, as I said before, think in terms of growth investments rather than costs.
We will use our IT platform along with visuals about the status quo and risks to keep communicating the importance of this strategic agenda.

Honda In terms of finance, my division must not be lax in investing in projects to boost the company-wide strategic assets. We must allocate the funds to the right projects at the right times.
I am committed to managing financial operations in a way that helps Kokuyo deliver differentiated value to customers in line with the Forest-Like Management Model.

Our Forte: A Wow-Factor Creation Cycle

Over our 120-year history, we have developed a distinctive body of resources that drive a wow-factor creation cycle

Ever since it was founded in 1905, Kokuyo has always considered the needs of the people who use its products and sought to brighten people's workstyles and study styles. With this purpose, our organization expanded its business portfolio to office products and then to office interior design and construction, stationery, homeware, and more.
With our distinctive resources, we channel our empathy to understand customers' unmet needs and use our culture of experimentation to devise future-oriented solutions and design new experiences. The 4th medium-term plan uses the phrase "wow-factor creation cycle" to describe this forte shared across the Kokuyo Group. We apply this wow-factor creation cycle in a powerful way to expand experience value in Japan and other countries.

Human capital

A distinctive workforce that is passionate about devising ideas for solving customers' problems.

8,079 employees

Intellectual capital

Technical excellence accumulated in the process of business expansion, the ability to use Kokuyo's expertise to maximize co-creation potential with external partners

Corporate subscribers to Benri-net	Co-creation in Open Lab. No. of co-creation projects with external partners	Patent rights
7,404 (as of December 2025)	12	Approx 1,420 (approx 1,160 registered in Japan, approx 260 registered overseas) (as of January 2026)

Manufactured capital

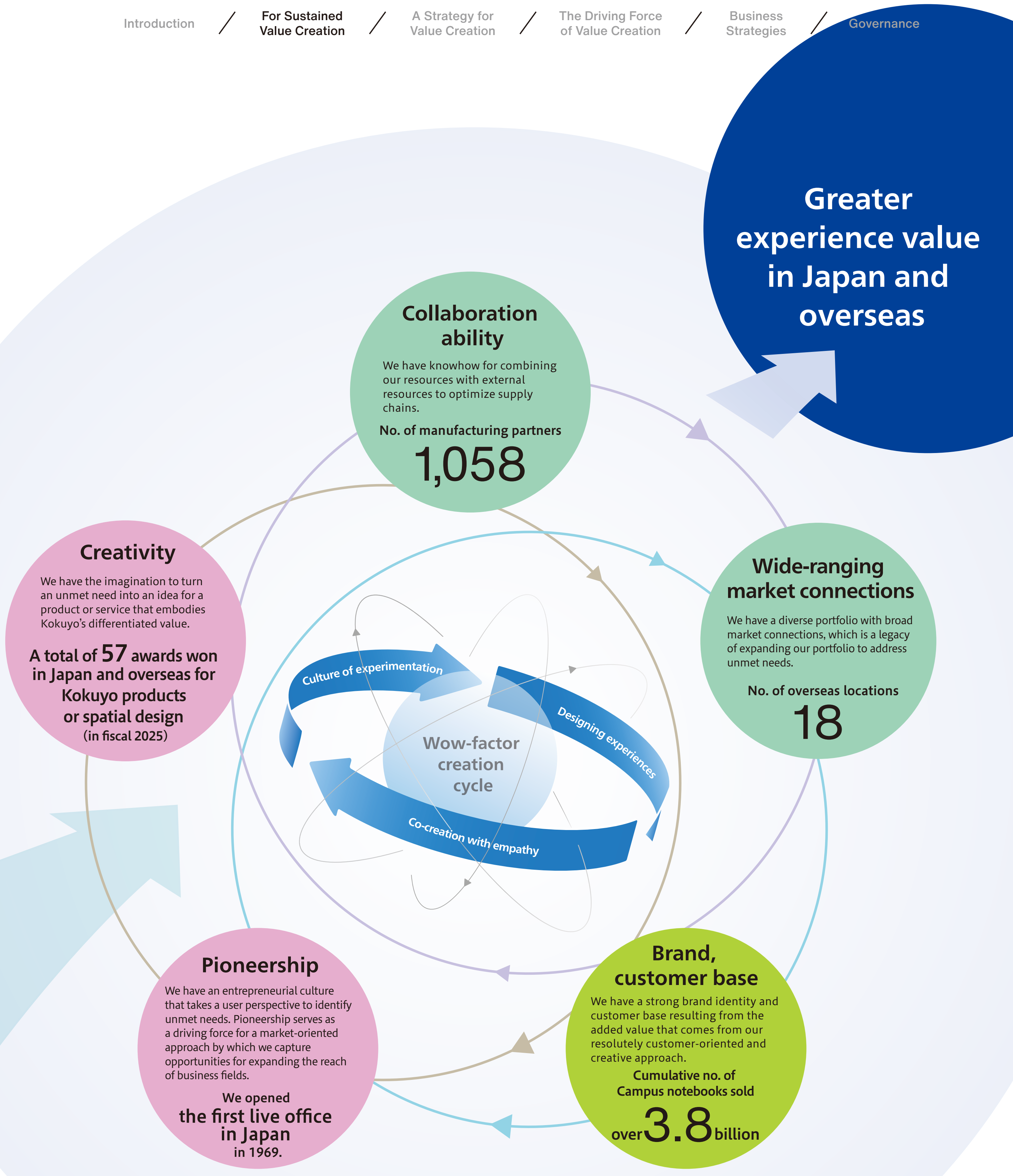
The means to turn Kokuyo's distinctive ideas into products and services with added value

No. of distribution centers	No. of production centers
30	12

Social and relationship capital

A diversified portfolio and customer base, which are grounded in a broad range of everyday settings and are a legacy of business expansion guided by an unswerving commitment to our philosophy

Financial capital **Natural capital**



The hidden resources driving the wow-factor creation cycle

Distinctive Assets Forming an Inimitable Body of Resources

The distinctive assets accumulated in our business activities combine to form an inimitable body of resources, which we use to generate more experience value in Japan and overseas under our Forest-Like Management Model

Process for Identifying Material Issues

We follow the principle of dynamic materiality, meaning that we recognize that our material (sustainability) issues will change over time and periodically review and update them. In 2022, we reviewed our set of material issues with a view to aligning them with our business strategies. In that review, we analyzed the gap between the society we envisage and the current state to identify issues. We then rated the issues in terms of their economic impact and social impact. With these insights, we radically updated the set of material issues. In 2025, in line with the development of the 4th medium-term plan, we had a recap on each material issue, including the initiatives for the issue and the issue's scope and importance, and then updated the content as necessary.

* Dynamic materiality refers to the concept of treating materiality as something dynamic, where it should be flexibly modified based on circumstances or scientific evidence as the social environment changes.

Process for Identifying Material Issues

2020 materiality analysis

Step 1 — Step 1 Identify ESG issues

Step 2 — Step 2 Analyze each issue's impact on stakeholders

Step 3 — Step 3 Review by management

Step 4 — Step 4 Define material issues and goals

2022 revision

Step 1

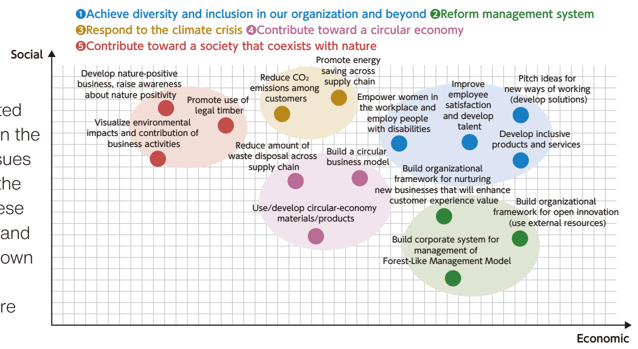
Step 1 Identify issues

The process of updating the material issues began with a review of the existing issues we had defined in 2020. In that review, we thought about the strategic issues we will need to address if we are to lead the way toward a self-directed, collaborative society and become a company in which no idea goes to waste. Through the review, we sought to identify a new set of material issues.

Step 2

Step 2 Divide issues into economic and social categories

In light of the findings of the review conducted in step 1 and the strategic themes outlined in the medium-term plan, we identified specific issues to make up for the inadequate elements in the previous materiality analysis. We divided these issues into economic and social categories and then plotted these issues onto the graph shown on the right. The plotted points formed five clusters. We identified each cluster as a more general material theme.



Step 3

Step 3 Consider realigning material issues

With the material issues aligned with the SDGs, we then made them more relevant to the future we envisage. We then built an organizational framework for these realigned issues. We have set KPIs for our new set of material issues. For the time being, the KPIs are based on our vision for 2030.

2025 revision

We reviewed the scope of activities for "building a circular business model" previously grouped in the material issue "contribute toward a circular economy" and separated it out as "promote sustainable procurement."

List of Material Issues and Basic Policy for Each Issue

Material issue		Basic policy
Strategy 1 Improve Wellbeing among Employees and External Stakeholders	Material issue 1 Improve wellbeing 1-1.Pitch ideas for new ways of working 1-2.Promote diversity, inclusion, and innovation	We will promote work-life balance, new workstyles, and a diverse workplace (inclusive of gender, disability, and nationality) that produces innovation, so that our corporate group develops products with inclusive design, contributing to wellbeing within our organization and wellbeing in society at large. For this, we have two challenge goals: pitch ideas for new ways of working, and promote diversity, inclusion, and innovation.
Strategy 2 Expand Business Fields through the Forest-Like Management Model	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 the plethora of socioenvironmental issues, we want to reform management systems and lead the way to a sustainable future with the support of all employees and businesses.
Strategy 3 Safeguard the Planet as a Place for Work and Life	Material issue 3-1 Respond to the climate crisis	Over 90% of our CO_2 emissions are from our value chain (Scope 3), meaning that we can't contribute to carbon neutrality on our own. Rather, we work with our supply chain partners on initiatives such as switching to more sustainable raw materials and delivery methods to contribute toward carbon neutrality.
	Material issue 3-2 Contribute toward a circular economy	We want to use the planet's limited resources efficiently. Accordingly, we are making active efforts 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.
	Material issue 3-3 Promote sustainable procurement	With the rapid progress of economic globalization, multinational corporations have grown massive, while human rights issues such as forced labor and child labor in supply chains extending to developing countries in pursuit of low costs, widening wealth disparities and environmental degradation have become more and more serious. The Kokuyo Group, together with our suppliers, continue to take our social responsibilities seriously and to work for the healthy development of society.
	Material issue 3-4 Contribute toward a society that coexists with nature	Conservation of sustainable 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. We will 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.

List of Material Issues

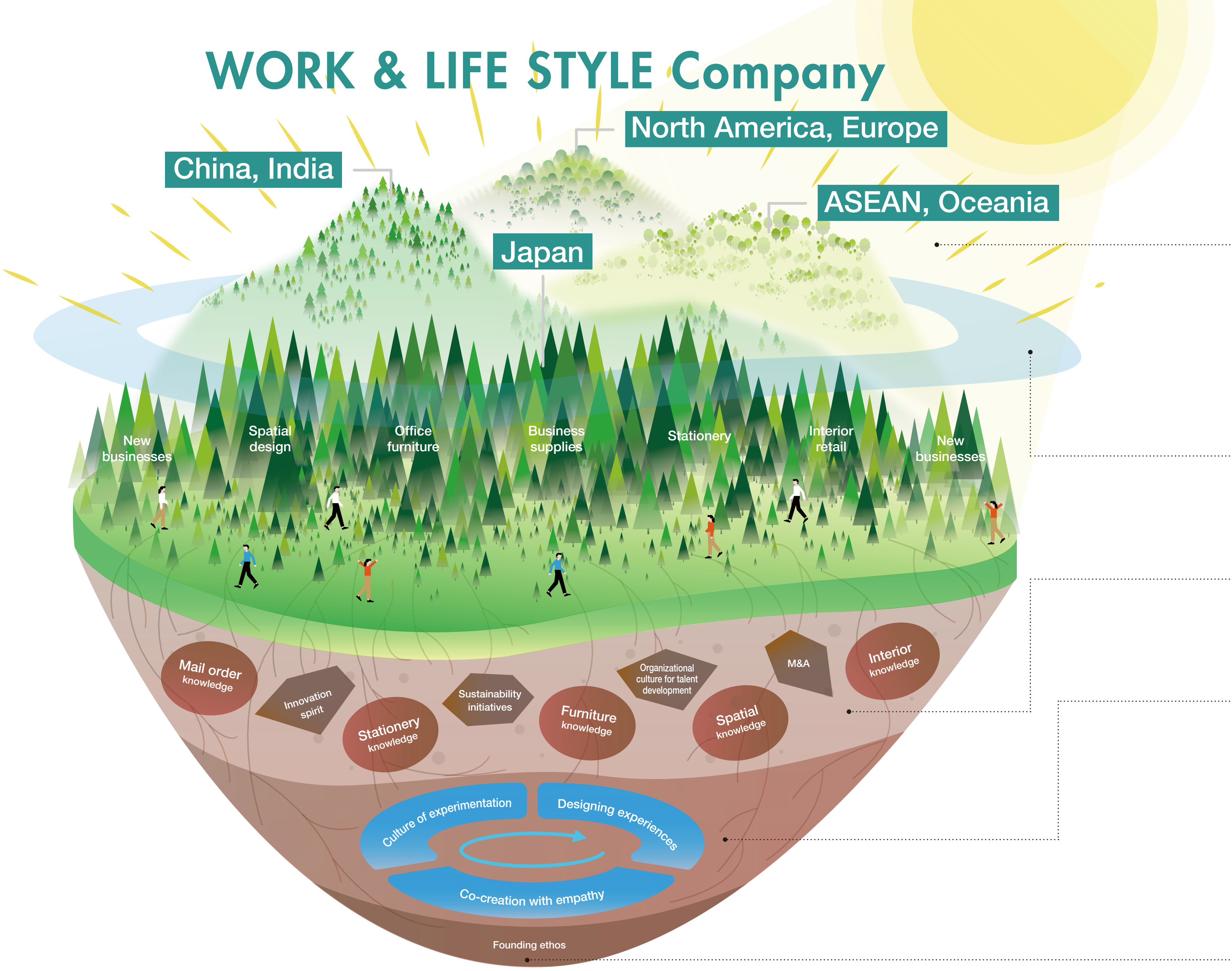
Material risks and opportunities, targets

Material issue		Risks and opportunities from the perspective of increasing the value of our organization	Type of capital to be strengthened	2030 challenge target	2027 target	Outcome and key actions taken in Fiscal 2025		Linked SDG
Strategy 1 Improve Wellbeing among Employees and External Stakeholders	Material issue 1 Improve wellbeing 1-1. Pitch ideas for new ways of working 1-2. Promote diversity, inclusion, and innovation	Opportunity: Growth rate Improving the wellbeing of our employees will help us to hire and retain a diversity of creative individuals who are the wellspring of our competitiveness. Supporting these individuals to reach their full potential will enable us continually to create new value and to boost our productivity. Improving the wellbeing of society involves the provision of products and services needed to realize a society in which every individual can play an active role, including those with disabilities. We believe this will create more opportunities for profit growth. It will also enhance our reputation and create emotional resonance, attracting more partners into our business network. Message from the Senior Vice President, Head of the H&C Division ▶ P.67 Talent Structure, Talent Strategy ▶ P.69 Strategy 1: Improve Wellbeing among Employees and External Stakeholders ▶ P.71	Human capital Social and relationship capital Financial capital	Challenge goals for flexible and diverse work options (flextime, empowering women) 27 challenge goals (three per year for nine years)	Percentage of management posts held by women: 16%	13.8%	・Improved wellbeing in three aspects: employee-friendliness of workplace, quality of relationships, and job satisfaction	4 Quality Education 5 Gender Equality 8 Decent Work and Economic Growth
					Take-up of paid leave: 100%	76.8%		
				Percentage of new product series that incorporate inclusive design: At least 50%	Percentage of new product series that incorporate inclusive design: At least 35%	48.8%	・Developed Hows Design products and worked with similar organizations to increase social impact	
Strategy 2 Expand Business Fields through the Forest-Like Management Model	Material issue 2 Transition to a management system that creates social value	Risks: Capital costs We can reduce risks associated with field expansion by strengthening our business infrastructure and by transforming our risk management structures and other management structures in a way that drives forward the Forest-Like Management Model. Opportunity: Growth rate We will keep creating new value by identifying unmet needs, continually transforming our business portfolio, and generating inter-business synergy. This will enable us to respond to changes in our operating environment and ensure sustained growth in the value of our organization. Overview of the 4th Medium-Term Plan ▶ P.49 Global Businesses Infrastructure ▶ P.51 Message from the CSO ▶ P.53	Intellectual capital Financial capital	Percentage of sales with balanced social value and economic value: 100%	Number of visionary idea (Mirai Yokoku) experiments 30 (cumulative total for 4th medium-term plan)	13	・Engaged in new business development	9 Industry, Innovation and Infrastructure
				Percentage of employees addressing social issues: 100%	Percentage of employees addressing socioeconomic issues through their job: 100%	91.1%	・We used a logic model to raise awareness about how the work employees are doing is helping address social issues.	
Strategy 3 Safeguard the Planet as a Place for Work and Life	Material issue 3-1 Respond to the climate crisis	Risks: Capital costs Addressing climate change reduces and prepares us for not only short-term financial risks, such as higher energy or transportation costs, but also future physical risks and the risk of rising environmental costs. Opportunity: Growth rate We expect that the supply of low-emissions products and solutions and the enhancement of our brand image will increase our earnings opportunities and boost our external valuation, and that this will support our share price. Strategy 3-1: Respond to the climate crisis ▶ P.73	Natural capital Financial capital Social and relationship capital	● Reduce Scope 1 & 2 greenhouse gas emissions by 42% between 2022 and 2030 ● Reduce greenhouse gas emissions from the Scope 3 category "purchased goods and services" by 25% between 2022 and 2030 ● Have suppliers, responsible for 12.5% of our emissions from "purchased goods and services," set Science-Based Targets initiative (SBTi) goals by 2028	Scope 1 & 2:35% reduction in CO_2 emissions from 2022 level	40.0%	・Extended transition to non-fossil fuel power sources to overseas operations ・Initiated dialog with suppliers towards cutting supply chain emissions	6 Clean Water and Sanitation 7 Affordable and Clean Energy 10 Reduced Inequalities 11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action 14 Life Below Water 15 Life on Land 16 Peace, Justice and Strong Institutions 17 Partnerships for the Goals
					Scope 3: Complete formulation of action plan for achieving 2030 goals	We launched the analysis		
					Scope 3: Set Science-Based Targets initiative (SBTi) goals with suppliers (responsible for 125,000 t-CO_2)	SBTs have been set by a population of suppliers accounting for 84,800 t-CO_2		
	Material issue 3-2 Contribute toward a circular economy	Risks: Capital costs We will reduce risk from resource procurement and reputational damage by recovering and reusing resources. Opportunity: Growth rate Winning the support of consumers looking for more sustainable products will increase our business opportunities while resource recycling will help us build a lasting relationship with many customers. This should increase our earnings from maintenance and other services. Strategy 3-2: Contribute toward a circular economy ▶ P.75	Natural capital Financial capital Social and relationship capital	Percentage of net sales attributable to products sold by group (including overseas companies) that support a transition to a circular economy: At least 80%	Percentage of product sales attributable to products that incorporate circular-business guidelines: 40%	11.0%	・Applied circular-business guidelines to existing products, prepared for extension to overseas products ・Increased participants in our circular economy initiatives ・Clarified issues relating to construction site waste and launched trial remediation measures	
				Percentage of waste (from offices, worksites, and warehouses) recycled: 100%	Recycling rate for general business waste (including dead stock): 97%	95.2%		
					Recycling rate for plastic waste: 100%	85.9%		
					Reduction in mixed construction waste from 2023 level: 75%	73.4%		
	Material issue 3-3 Promote sustainable procurement	Risks: Capital costs Avoiding consumer boycott and similar risks by addressing human rights and environmental risks in our supply chains is essential to the sustainability of our business. Communicating such initiatives to our customers will enable us to market products at prices that fairly reflect the costs of addressing these risks. Strategy 3-3: Promote sustainable procurement ▶ P.77	Social and relationship capital	Percentage of products sourced from suppliers ranked B or above: 100%	Percentage of products sourced from suppliers ranked B or above: At least 75%	65.0%	・Provided feedback (evaluations, issues to address) to the 500 key suppliers	
	Material issue 3-4 Contribute toward a society that coexists with nature	Risks: Capital costs We strive to understand biodiversity as well as the risks relating to our raw materials and the environmental risks to our business sites and their surrounds. We aim thereby to achieve business operations in balance with natural capital and hence stable raw material procurement and sustainable business. Opportunity: Growth rate We believe this will resonate with our customers and maintain, if not strengthen, our brand image, feeding through into increased earnings. Strategy 3-4: Contribute toward a society that coexists with nature ▶ P.79	Natural capital Financial capital Social and relationship capital	Environmental impact of business activities visualized and impact neutrality achieved: ±0	Percentage of all products that satisfy Kokuyo Group Paper and Timber Procurement Standards: 75%	Disclosed information in the stationery business in line with TNFD recommendations	・Disclosed information in the stationery business in line with TNFD recommendations ・Disseminated Kokuyo Group Standards for Paper and Timber Procurement	
					Degree to which environmental impacts are visualized Fully visualized in main businesses			
				Forest conservation (forests thinned at 150 ha a year) Reedbed conservation (reeds trimmed at 1.5 ha a year)	No. of nature conservation projects: 3		・Selected proposals for third series of environmental conservation projects	

Creating Value Through the Forest-Like Management Model

In February 2021, we unveiled our long-term vision, CCC 2030, committing to achieve net sales of ¥500 billion or more in 2030. Our approach to achieving this is set out in the Forest-Like Management Model, which encapsulates the kind of value Kokuyo creates. Under this model, we use a wow-factor creation cycle that brings together three of our strengths, namely, co-creation with empathy, designing experiences, and a culture of experimentation. Through this cycle, we integrate knowledge between our businesses, mount a strategy to expand the range of experience value we offer, grow our businesses in Japan, and expand in Asia and other global markets.

Forest-Like Management Model



Value Creation from a Wow-Factor Creation Cycle

Our approach to increasing the value of our organization is guided by a framework that prioritizes cashflow (≈ EBITDA) and by the Forest-Like Management Model. Part of this approach involves the wow-factor creation cycle, but the approach also involves close alignment with materiality, meaning actions and goals related to our vision to create a self-directed, collaborative society.

▶For more on how this approach relates to our material issues, see pages 31 and 32 (List of Material Issues)

$$\text{Overall value} = \frac{\text{Cashflow (≈EBITDA) generation}}{\text{Capital costs} - \text{Growth rate}}$$

The process by which the wow-factor creation cycle generates the value of our organization

Actions to sustain the wow-factor creation cycle

Kokuyo's Value Creation

Achieving a self-directed collaborative society

Global success	We want to have the top position in Asia by 2030 and eventually a top share in markets around the world.
Expanding the reach of our experience value	We leverage our strengths and knowledge to globally expand the business model we developed in Japan. In this global expansion, we penetrate new markets by expanding the bounds of the experience value we have delivered in Japan in relation to workstyles, study styles, and lifestyles.
Stronger knowledge integration	While running the wow-factor creation cycle, we expedite collaboration across Kokuyo Group by sharing and combining knowledge.
Our Forte: A Wow-Factor Creation Cycle	Three of our strengths, formed from our business capital, work in a cycle, driving value creation.
Business capital that gives rise to our strengths and is, in turn, enhanced by them	

Sustained growth in the value of our organization

Our philosophy **be Unique.** Stimulate creativity and celebrate uniqueness.

Representing Impact Creation with a Logic Model, Quantifying Business Impacts

We identify material issues that align with our business strategies and work to address the issues through our business activities. However, we did not previously go far enough in communicating the social and economic value these initiatives create or how the initiatives contribute to our long-term vision of a self-directed, collaborative society. To rectify this, our 4th medium-term plan included a process for quantifying these impacts, with a logic model showing the causal relationship between our business activities and the social and economic impacts they create. For the final stage of this process, we valuate the impacts in monetary terms and link them with long-term value creation. In 2025, we set KPIs to measure impacts on a trial basis and used some of the data to develop a logic model to quantify the social impact (or social value) created by our furniture business (see pp. 37–38). The model assumes that a higher score in a given KPI indicates a greater social impact. We will keep testing this assumed relationship and use the results to fine-tune the KPIs.

Schedule for quantifying impacts

2025	2026	2027
Disclose impacts and logic model	Disclose quantified impacts	Expand scope of impact quantification
Build logic model linking social value and economic value	Quantify impacts	Expand scope of quantification

The information is to be disclosed in our integrated reports between May 2025 and May 2027.

Impact Creation and Dissemination

Going from general to specific, we begin with the impact (or social value) created by Kokuyo Group as a whole. We then break this overall impact down into the impacts (or instances of value creation) created by our business segments, labelling each with a descriptive phrase. This process will guide us in impact creation and dissemination.

Stationery business

The business encourages more people to feel positive about life

Campus as a learning style brand

We have rebranded Campus as a brand that supports students in their studies. We are launching new stationery products and offering “study recipes” that combine stationery with study methods to make more students feel positive about study.

Furniture business

The business enables more people to experience job satisfaction and happiness

Furniture with inclusive design HOWS DESIGN

Some 60% of new products underwent the Hows Design process, our process for inclusive design. The Hows Design process focuses on reducing social barriers and creating more opportunities for inclusive collaboration, contributing to greater job satisfaction and happiness.

Business supply distribution

Aiding efforts to streamline back-office operations and freeing up workers’ time

Expanding our collect-and-reuse scheme for office waste

With Loopla, our plastic recycling service, we recover used clear plastic folders and reuse the plastic in new products and in logistics materials. Loopla has been adopted by more than 1,700 companies and over 36 tons is collected a year. By streamlining the process of recycling office waste, we are encouraging more people to engage in such recycling, thereby disseminating the impact.

Input (Capital)

- Human capital
- Intellectual capital
- Environmental capital
- Social and relationship capital
- Manufactured capital
- Financial capital

Wow-factor creation cycle

▶P.27-28

Action (Business activities)

Developing businesses in four segments
1. Furniture business
2. Business supply distribution business
3. Stationery business
4. Interior retail business

Materiality
- Improve wellbeing
- Transition to a management system that creates social value
- Respond to the climate crisis
- Contribute toward a circular economy
- Promote sustainable procurement
- Contribute toward a society that coexists with nature

Output (Products, services, profits) → **Outcome** (Outcome, change, benefit)

Output	Outcome	
More self-actualization	Free time used effectively; More opportunities for individuality in work, study, and homelife	→ More people who keep pushing themselves to a higher level
More collaborative settings	More opportunities for collaboration; More diversity and inclusion	→ More opportunities for social interaction
Higher quality of co-creation	More ways to boost team creativity; More opportunities to consider socioenvironmental issues	→ More teams committed to creative solutions for socioenvironmental issues

Impact (Impact (social value))

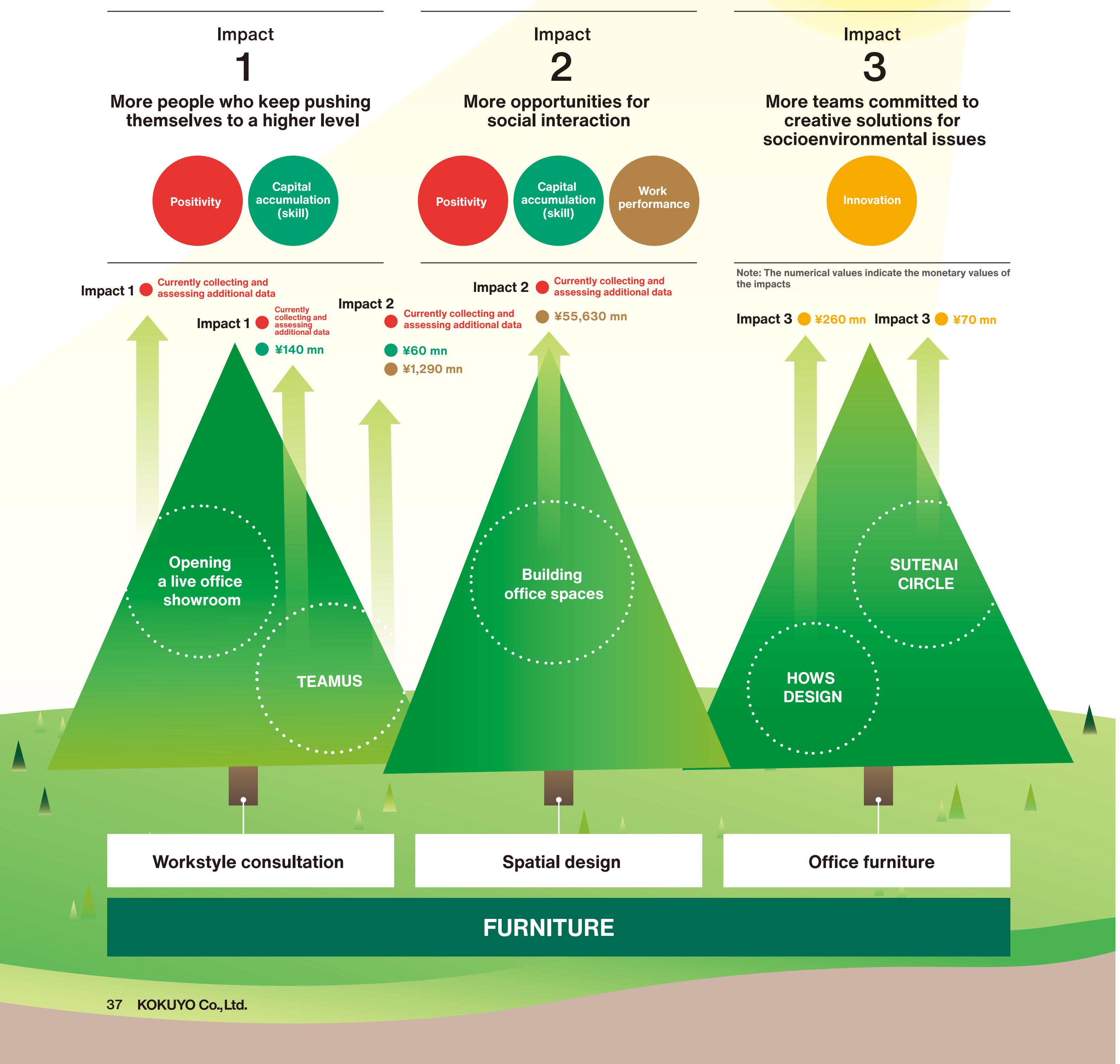
A self-directed, collaborative society that keeps addressing socioeconomic issues

Impact KPI (Impact measurement items)	Fiscal 2025 KPI trial result
[Consider individuality in work, study, and homelife] 1. More opportunities to consider individuality in work, study, and homelife	Total touchpoints 190 million
[More opportunities for collaboration] 2. More collaborative spaces or areas and people participating in communities	Total collaboration opportunities offered 2.18 million
[More diversity and inclusion] 3. More types of barriers to reduce from society	Currently being assessed
[More team creativity] 4. More teams becoming successful at co-creation	Total instances of co-creation support 3.39 million
[More opportunities to consider socioenvironmental issues] 5. More people addressing socioenvironmental issues	People participating in scheme 170 thousand
[More opportunities to consider socioenvironmental issues] 6. More products contributing to resolve socioenvironmental issues	% of new products that incorporate sustainability 99.3%

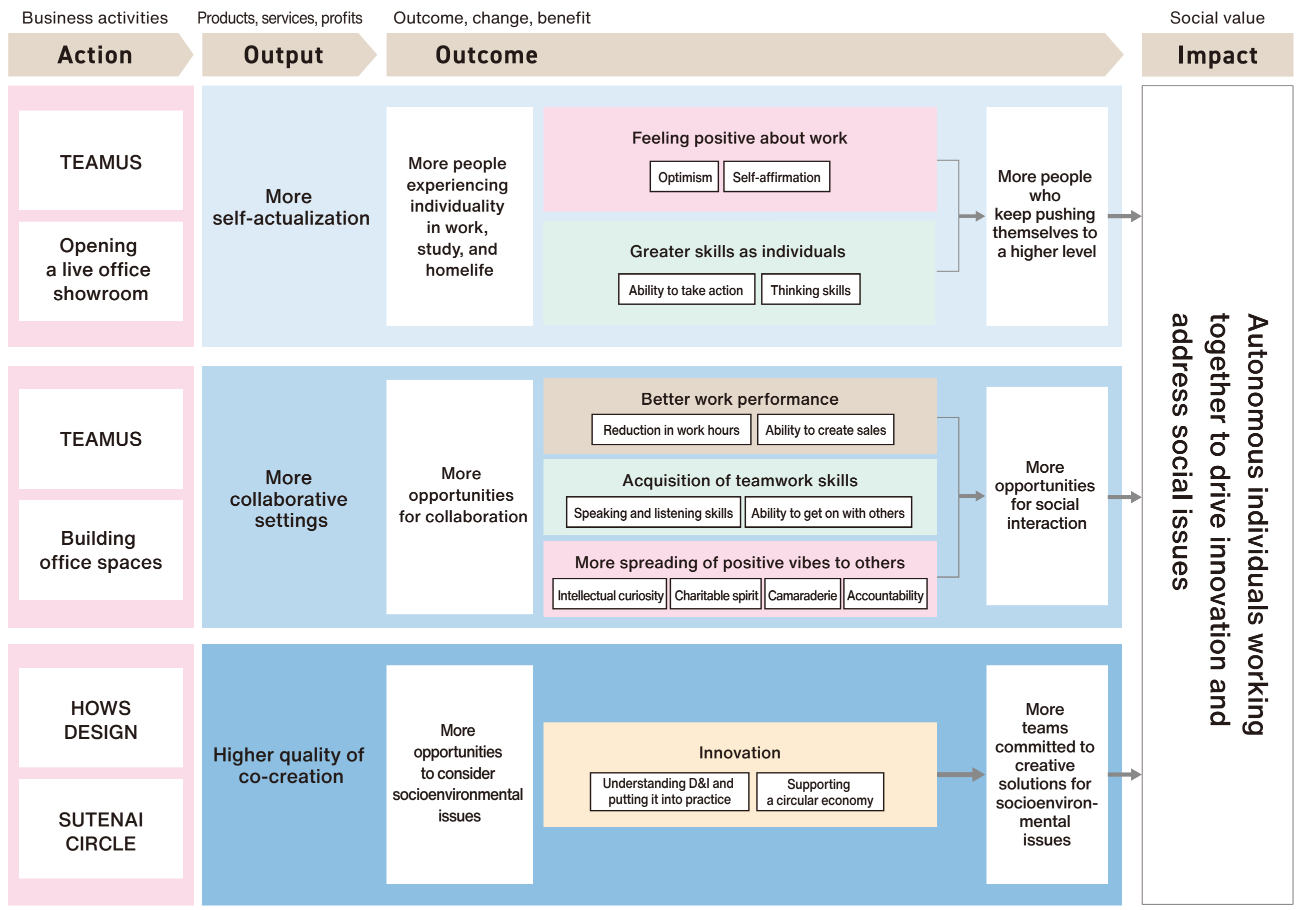
Quantifying Business Impacts

Quantifying the Furniture Business's Impacts

Having established a logic model in December 2024 to represent the causal relationship between our business activities and our vision of a self-directed collaborative society, we used this model in 2025 to quantify the impact of the furniture business and valuate this impact in monetary terms. We first defined the desired impact of the furniture business. Namely, the business should be enabling more people to experience job satisfaction and happiness. Next, we broke down this impact into three work-related outcomes of our furniture services. The outcomes are measured in employee positivity, individual work performance, and team performance. Finally, we used the logic model to show the causal relationship between these outcomes and the desired impact of our organization as a whole. This overall impact is defined as: a self-directed, collaborative society that keeps addressing socioeconomic issues.



Mapping to the logic model



Mathematical Process for Quantifying Impacts

We have established a mathematical process for valuating impacts in monetary terms. In this process, we delineate measurable values for the service or impact in question. These values may include the size of the beneficiary population, the size of the benefit created, and how much of it was created by us. We then measure these values using our internal datasets or macro datasets. This process has enabled us to pinpoint the qualitative and quantitative factors that correlate with impact dissemination. However, we have also encountered hurdles. Not all the data we require is available and some of the data are too low in resolution. We are therefore building an internal databank to help us measure impacts in the future. We will incorporate the findings into our business strategies to expedite the creation of the social and economic value that will deliver a brighter future.

Services	Beneficiaries	Outline of mathematical process
Services of the furniture business	Company workers or companies	**Social value** (positivity, skills accumulation, work performance improvement, innovation) Components of impact (social value) = Beneficiary population × Size of the unit of benefit created × % attributable to Kokuyo × Monetary valuation coefficient

Datasets used

Internal datasets: High-resolution data on customer attributes (e.g. records of customers' past transactions, customer questionnaire data)
Macro datasets: Findings of institutional (governmental, academic, or other) research
Assumed values: We relied on imperfect data. During the research period, we lacked robust data of our own and were unable to obtain high-resolution macro data.

ABeam Consulting helped us apply the mathematical process to the results for fiscal 2025 under the supervision of Waseda University professor Ryohei Yanagi.
The macro data consist of the findings of institutional research from around the world, including publicly available reports by governmental institutions and peer-reviewed academic articles.
It is important to factor in any negative impacts our business activities may be creating. We will do so in the future.
We will update our mathematical process and method for quantifying social impacts as necessary to accord with disclosure practices for future integrated reporting and feedback from investors and experts.

Dialogue

Increasing the Value of the Organization and Sustaining Business Growth

The following is a conversation between President Kuroda and George Hara, an advocate of public-interest capitalism. Kuroda and Hara discuss an approach for supporting sustaining societal success over the long term and increasing the value of our organization.

Chairman of the Alliance Forum Foundation

George Hara

×

Representative Corporate Officer,
President & CEO of Kokuyo

Hidekuni Kuroda

“Public-interest capitalism is essentially Zentaro Kuroda’s business management creed in a modern-day rendering that resonates with business leaders and investors.”

Kuroda Thank you for giving your time today. In February 2021, we unveiled our long-term vision, CCC 2030. This vision commits us to increasing the value of our organization over the long term by following the Forest-Like Management Model and contributing toward the future society we envisage, which is a self-driven, collaborative society. You are an advocate of public-interest capitalism. Could you clarify what public-interest capitalism is and suggest ways that Kokuyo can help achieve the society it envisages?

Hara I feel delighted to be here. It feels like a homecoming. Just so readers know what I mean, I ought to explain that I have no small connection to Kokuyo. My father, Shintaro Hara, joined Kokuyo in 1951 and held senior positions. His wife, my mother, was Zentaro Kuroda’s second daughter. I, then, am Zentaro Kuroda’s grandson. I spent my childhood in my grandfather’s house. I would sit on his lap and imbibe the atmosphere of the Kuroda household. I grew up not just around the Kuroda family but also around the employees of Kokuyo, who would often gather at the house. Everyone collaborated with one another in a friendly, natural manner. This convivial atmosphere, which is a characteristic of family firms, was something I adored. With this background, Kokuyo will always be part of my blood.

Kuroda Thank you. You advocate public-interest capitalism as a new form of capitalism. You also claim that it chimes with Kokuyo’s corporate philosophy.

Hara When I was young, department stores and other retail businesses would force traders to come in through the tradesman’s entrance, not the main entrance. Traders were held in low regard. But Zentaro Kuroda let them enter through the main entrance. As well as treating customers with respect, he also treated business partners and the community as a whole with the same affection he showed toward his family and employees. This respect and affection formed part of his business management creed, which is upheld in Kokuyo’s corporate philosophy today. Public-interest capitalism is essentially this business management creed in a modern-day rendering that resonates with business leaders and investors. The phrase “public interest” is sometimes misconstrued as something antithetical to the pursuit of profit. In fact, it is predicated upon the pursuit of profit. The idea, though, is that public institutions should not generate profits for just the few. The profits should be distributed fairly among the shachu, a word I use to refer to the people who support the company—the employees, customers, supply-chain partners, communities, the planet, and the shareholders. By distributing profits fairly among the shachu, you ultimately enable sustained growth in the value of the company. To perpetuate such growth, you need a strategic vision for the medium and long term. You also need to keep tapping into an entrepreneurial spirit. As an entrepreneur and venture capitalist, I have always tried to instantiate this philosophy and prove that it works.

George Hara

Latest career history

George Hara was born in 1952 in Osaka Prefecture. Until the age of 27, Hara engaged in archeological research in Central America. He subsequently became an entrepreneur in the USA. During the 1990s, he became the second biggest venture capitalist in the USA, having nurtured more than 100 businesses in the USA and UK. Hara guided Fortinet from the time of foundation onward, helping the company significantly increase its funds and strategic capacity. It is now the world’s largest cybersecurity firm. Hara believes that Zentaro Kuroda’s business philosophy can be expressed as public-interest capitalism, the idea that a business should use technology to grow a healthy, wealthy, and educated middle class. In pursuit of this goal, he serves a number of public and business roles, including serving as an advisor the Cabinet and the Ministry of Finance, Ambassador Extraordinary and Plenipotentiary to the UN, and an advisor to the President of Zambia.

The KOKUYO Creed

Everyone comes into this world with nothing. Only with the loving care of our parents, the guidance of our teachers, and the benefits of society do we grow in body and mind, eventually becoming adult members of society and gaining a position.

Our positions in life are thus entrusted to us from above. Do not dwell on which positions are higher than others. Instead, devote yourself to working as hard as you can while you have life.

To fulfill one’s vocation, one must above all else earn people’s trust.

The best way to earn people’s trust is to act with integrity.

If you are sincere in purchasing, making, and selling, people will naturally trust you. When people trust you, you will naturally fulfill your vocation.

Act with integrity and let your deeds speak for themselves. That is my business creed.

"By distributing profits fairly among the shachu, you ultimately enable sustained growth in the value of the company."

Kuroda How did you come to have such a view?

Hara Partly because of my father's influence, I was a huge fan of train sets. Even back when I was a high-schooler, I went on rail trips overseas. I studied law as an undergraduate but became interested in archeology during a trip abroad. After graduating, I took part in an archeological survey in Central America.
My worldview changed completely as a result of what I experienced in El Salvador. There, the economy was controlled by the 1% of people who were super-rich. The rest languished in abject poverty. This came as a huge shock to me, as I had grown up in 1970s Japan, where most people were middle-class and reasonably well-off. I felt it was an intolerable situation, but there was nothing I could do about it as a young archeologist.
After that, I went to the USA and enrolled at the Stanford Graduate School of Business. I had decided to study business because I figured that business skills could help me get the huge funds I would need to continue my research. One of my classmates at the School of Business was Steve Ballmer, who went on to become the CEO of Microsoft. Another was Scott McNealy, who founded Sun Microsystems. I also interacted with Steve Jobs. I gained huge inspiration from all these young tech innovators. I enrolled at the Graduate School of Engineering and studied technology. I then founded a company that developed fiber-optic displays. After some twists and turns, I achieved business success. But during all that time, the El Salvador experience remained at the back of my mind. I came to the view that technology had the potential to address the grotesque disparities in wealth. I then started putting this idea into practice. Let me share an example. During the early 2000s, Bangladesh was a very poor country. Daily income averaged at 100 yen per person, while annual incomes averaged at 40 thousand yen. Believing that the low literacy rate was a major factor behind this poverty, I founded a company to support education in the country. The company used cutting-edge technology to provide informational infrastructure at low cost. I was subsequently involved as a venture capitalist in over 200 startups around the world, including in the USA, Europe, Israel, and Hong Kong. In all the startups I have been involved in, I have tried to make the company serve a positive social role as a public institution. I have told the senior leadership to forget about my position as an investor and just focus on producing a good product. This approach often led to a series of loss-making years because sales were slow to take off. Nevertheless, I stuck to the approach. It is also important to value your employees. When employees have deep affection for the company, they will feel motivated to produce quality products, generating profits that can be reinvested in the technology or talent or given back to society, in a virtuous cycle.
I remember the words my grandfather said. "Do not pursue profit for its own sake. Seek first the good of society and value your employees, and profit will be granted to you." My grandfather died while I was a junior high school student. Before he died, he expressed his hopes that his grandchildren would carry forward his philosophy, whether by inheriting leadership of the company or by pursuing a field of activity outside Kokuyo. I am committed to carrying on my grandfather's philosophy in a field outside Kokuyo by developing businesses at the cutting edge of technology to help nurture a healthy and wealthy middle class in countries around the world. I am happy to be reminded that my grandfather's creed for business management continues to live on more than 100 years later.

"I am committed to carrying on my grandfather' s philosophy in a field outside Kokuyo"

Kuroda When I became president of Kokuyo in 2015, the Nominating & Compensation Committee, as it was at the time, set me a mission to transform Kokuyo so that its value will keep increasing. Outside directors who were sitting on the committee gave me the stark warning that I would be dismissed without mercy if the change fails to come. But for the first five years, I struggled to find a solution. I had attended one of your seminars, but I'm afraid that I did not understand public-interest capitalism. The turning point came in 2021, when we unveiled our long-term vision, CCC 2030. Previously, Kokuyo had followed the traditional approach of relying on the strategic timeframes of medium-term plans, each running for three years. The problem was that three years were too short a frame of time for postulating what changes would occur in the external business landscape, working out what we should do to adapt to the changes, and putting those ideas into action. By contrast, with a long-term vision projected across a ten-year span, our future direction became clearer. We got a clearer idea of the kind of society we could help create by applying our strengths. We also got a clearer idea of how we would have to change our own organization to do this. The long-term vision included a newly stated corporate purpose, philosophy, and values. These elements of our corporate ethos express in modern-day vernacular the very same philosophy of our founder, which has continued to underpin everything Kokuyo has done for over 100 years. It therefore became an opportunity for us to reaffirm the founder's entrepreneurial spirit, which for over a century has been cherished and preserved as something that delights customers and resonates with and attracts employees,sustaining our business growth. Through this experience, I have finally, if belatedly, come to understand your way of thinking. To use your wording, we are carrying forward Zentaro Kuroda's business management creed within Kokuyo.

"We are carrying forward Zentaro Kuroda' s business management creed within Kokuyo."

Hara Staying true to the founding philosophy is essential in sustaining growth in the company's value. It is a testament to the founding family's acumen that such efforts are made to pass on this philosophy. It is amazing to see how diversified your business portfolio has become. What started out as a stationery company later branched out into making and selling furniture and has now begun engaging in office interior services for the office building as a whole. This is also a testament to how Zentaro

Kuroda's belief in making a positive impact through its products is embedded in your corporate culture.

Kuroda A company with diversified operations runs the risk of getting undervalued because of a conglomerate discount. To avoid this, we first need to send a clear and compelling message explaining the background and rationale for why we have diversified our businesses, including how this embodies our philosophy, as you said. Second, we need to generate palpable synergies. In these ways, we can turn a conglomerate discount into a conglomerate premium in the true sense. I consider this part of my duty. That is why we are working to build the Forest-Like Management Model as part of our long-term vision. The model is for resources to be shared between the businesses to generate value experience unique to Kokuyo. The model will help us achieve our vision of a self-directed, collaborative society. The idea is that, in tomorrow's age of diversity, individuals and companies act autonomously but respect one another and collaborate, making society as a whole a better place. The result is a better life for individuals and sustained growth for companies.
How would you say this desired society corresponds with your idea of public-interest capitalism?

"With the Forest-Like Management Model, synergy will be generated to achieve a conglomerate premium. That is my duty."

Hara The essential idea of self-directedness, or autonomy, is to foster an environment in which people can decide for themselves what the problems are and what needs to be changed to create the optimal outcomes for society or the company. When a company has created such an environment, it will be much more likely to succeed. In the case of the companies I've been involved with, I only take a hands-on approach when it comes to disseminating the kind of philosophy we discussed earlier. I let the management and employees make autonomous decisions about how to achieve the goals, even if I happen to disagree with their decisions. This may sound controversial, but I believe that the very concept of stakeholders is fundamentally predicated upon conflicts of interests, and as such is very shaky. This concept of stakeholders might even prove fatal for a company. That is why I prefer the concept of shachu, which emphasizes the kind of mutually supportive relationships that Zentaro Kuroda always advocated.
It is the very same idea as Kokuyo's principle of collaboration. Of all the countries in the world, Japan has the largest number of companies that have operated for over one or two centuries. Some Japanese companies have been around for over a millennium. Their longevity is a natural consequence of the shachu perspective.
Your commitment to a self-directed, collaborative society utterly resonates with me and I believe it encourages personal growth and social prosperity, which ultimately increases the value of the company.

"Committing to a self-directed, collaborative society encourages personal growth and social prosperity, which ultimately increases the value of the company."

Kuroda If a company's value is the sum of its social value and economic value, then we cannot just focus on economic measures such as ROE, ROIC, and market cap. We must also try to maximize the non-financial aspects linked to our distinctive values, including our corporate culture, human capital, the intellectual capital underlying our innovation, our relationships with supply chain partners, and the wellbeing of our customers. That said, I find it very challenging indeed to find an optimal balance among the myriad of shachu. Nonetheless, as a leader of Kokuyo who advocates taking a long-term perspective, I consider it my duty to crack this complex formula and to find ways to convince our diverse array of shareholders in the merits of this approach. That is why we are creating an impact logic model that quantifies our social impacts and shows their causal relationships with our activities. How does non-financial capital fit into your concept of public-interest capitalism?

"As a business leader, I consider it my duty to crack this complex formula for achieving the optimal balance among the shachu."

Hara First of all, according to public-interest capitalism, the value of a company has a very simple definition: It is a public interest. A railway company, for example, should not be pursuing its own profit growth alone. It has a corporate social responsibility to support the people and industries that exist along their rail corridor.
Such actions offer no immediate benefit to shareholders. They do not immediately boost the company's stock price. On the contrary, the costs of such actions can squeeze profits for some time.
However, by distributing profit equitably among the shachu, the company is increasing its future growth prospects, and the extent to which the company is committed to such will determine its success in the long term.
If you asked me what the most important non-financial capital is in public-interest capitalism, I would say it is the steadfastness of the leadership. My grandfather was absolutely steadfast.
I trust that you will remain steadfast in this path too.
As for me, I will continue to promote Zentaro Kuroda's creed to people around the world.

"According to public-interest capitalism, the value of a company is a public interest, and a company's most important non-financial capital is the steadfastness of the leadership."

Kuroda Thank you for sharing your ideas about public-interest capitalism. You have reinforced my belief in what Kokuyo is working to achieve.
As a listed company, we have a duty toward every shareholder, whatever their affiliation.
We will, of course, remain firm in this commitment in the years ahead. Guided by the insights you have shared, we will reach out to shareholders who are interested in the future we envisage and attract them into the shachu we serve.
It goes without saying that we will serve a broad array of interests, from customers to employees, supply chain partners, and communities, as we carry forward our founder's philosophy and put the Forest-Like Management Model into practice.
Thank you for sharing your valuable insights.