Chapter 2

A Strategy for Value Creation

In this chapter, you can read about the policies and strategic approach set out in our 4th medium-term plan to make the Forest-Like Management Model a reality. The chapter includes the actions we took in fiscal 2025 in line with this plan, including M&A activities for establishing global business infrastructure.

Business Highlights

Furniture

We offer all-encompassing solutions for workplaces and workstyles, from manufacturing and selling office furniture, designing office interiors, and providing consulting services for workstyles. This business is steadily growing on the back of demand for office relocation and renovation along with a burgeoning appetite for workstyle reform. In Japan, we will work harder to close deals related to the burgeoning demand for office relocation. Globally, we will expand global growth by channeling our Chinese and Hong Kong resources together with our spatial design excellence in Japan. In this way, the business will lead the way in building up Kokuyo Group's overall track record.

Key phrases

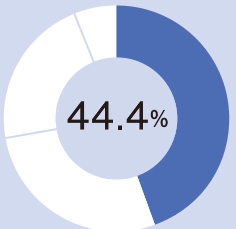
- From furniture design and manufacturing to spatial design
- Expanding business in China and ASEAN
- Penetrating the Indian market

Key areas

Domestic furniture business

Overseas furniture business

Results



Net sales	¥ 172.1 bn
EBITDA	¥ 28.9 bn
Operating income	¥ 26.1 bn
Operating income ratio	15.2 %

Business supply distribution

We use Benri-net, a purchase-management platform, as part of a technology-driven strategy for offering personalized purchasing experiences. In 2025, Benri-net drove Kaunet's overall growth on the back of demand for streamlining purchasing operations. Orders surged following a certain development in the external business environment. We were able to capitalize on this demand and win new customers thanks to the agile, dynamic response among our frontend teams. Our strategy for profit growth in 2026 is to retain these new customers by ensuring stable service provision.

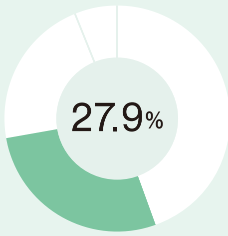
Key phrases

- Kaunet, our wholesale and office mail-order business
- Purchase-management platform strategy
- Using direct marketing to broaden product lineup

Key areas

Wholesale and mail order (Kaunet)

Results



Net sales	¥ 108.3 bn
EBITDA	¥ 7.0 bn
Operating income	¥ 5.4 bn
Operating income ratio	5.0 %

To achieve our long-term vision CCC 2030, we have defined our role as that of a work and lifestyle company. This means that we will now transcend our traditional categories of stationery and furniture and create solutions for better experiences in work, study, and home life. We will also expand our range of experience value as we proceed with the business-specific strategies set out in the 4th medium-term plan.

Stationery

Campus, which began as brand of notebooks, is being rebranded into a brand of learning styles. We now offer "study recipes" that combine stationery with study methods and invest in new functional products, resulting in an increasingly strong audience who identify the brand as something that supports self-driven study. We have a growing fanbase for our lineup of stationery for secondary school girls in China. We are now working to create and nurture a global market for wow-factor stationery* with a view to becoming the top stationery business in Asia by 2030.

* Wow-factor stationery refers to stationery that offers something beyond function (e.g. something meaningful or memorable experiences).

Key phrases

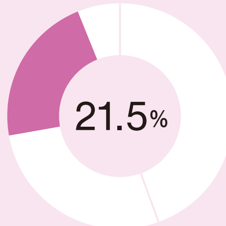
- Penetrating Chinese and Indian markets
- Expanding the Campus brand overseas
- From a stationery maker to an advocate of learning styles

Key areas

Domestic stationery business

Overseas stationery business

Results



Net sales	¥ 83.5 bn
EBITDA	¥ 9.0 bn
Operating income	¥ 7.0 bn
Operating income ratio	8.5 %

Interior Retail

We have made inroads into the interior retail sector by opening a retail store in the NEWoMan Takanawa shopping complex. Alongside this, in our B2B retail business, we made advances in the hotels and residential sectors by winning a large contracts. We are also seeing continued growth in the e-commerce business. We will sustain the growth of our retail and e-commerce business by channeling the customer service and marketing excellence of our existing businesses. We will also work closer with partners to expand our reach in the B2B sector as part of a business portfolio transformation that will sustain our business growth.

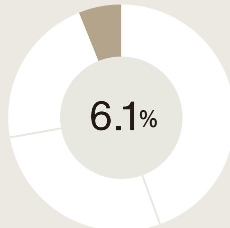
Key phrases

- Furniture with sophisticated Scandinavian design values
- A marketing strategy that merges offline retail with e-commerce
- Using intra-group collaboration to expand into the office and residential sectors

Key areas

ACTUS

Results



Net sales	¥ 23.6 bn
EBITDA	¥ 1.0 bn
Operating income	¥ 0.7 bn
Operating income ratio	3.0 %

Overview of 4th Medium-Term Plan

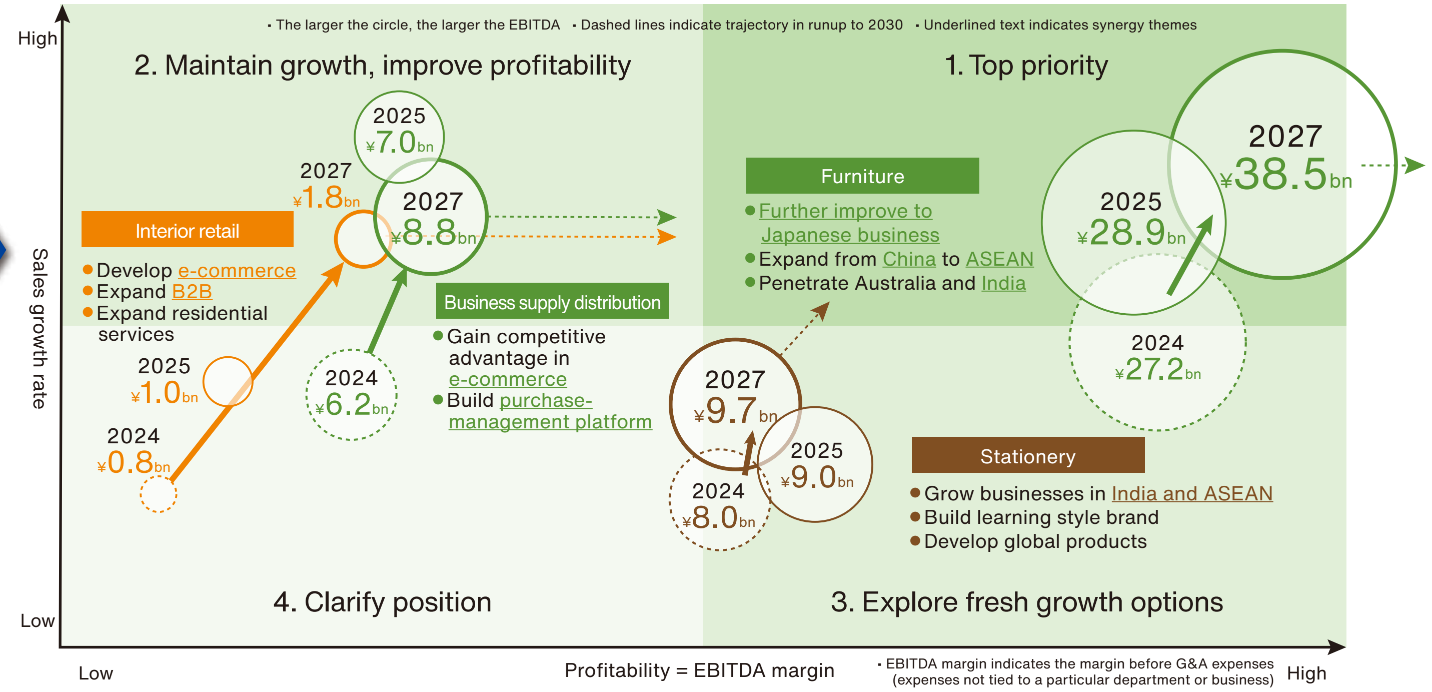
Building on the strategic assets fortified under the 3rd medium-term plan, the 4th medium-term plan, titled Unite for Growth 2027, increased the growth investment budget to ¥70 billion to facilitate the portfolio transition and put us into the growth phase. In Japan, we are working to achieve higher growth and better profitability in our furniture business and other existing businesses by combining tangible products with intangible solutions. Overseas, we are targeting the ASEAN, India, and other burgeoning markets and focusing both on organic growth and M&A-led inorganic growth. We are working to gain a top position in Asian value-added sector by 2030 and eventually a top global position as part of our efforts to maximize the value of our organization.

1st medium-term plan 2016-2018	2nd medium-term plan 2019-2021	3rd medium-term plan 2022-2024	4th Medium-Term Plan 2025-2027	2030 target
Self-Reform Focusing on Value Creation	Enabling Sustainable Growth	Accelerating Field Expansion	Maximizing the Value of Our Organization in Line with the Forest-Like Management Model	Target Net sales:≥ ¥500 billion EBITDA:≥ ¥55.0 billion
2018 result	2021 result	2024 result	2027 target	
Net sales:¥290.8 bn	Net sales:¥292.6 bn	Net sales:¥338.8 bn	Net sales:¥430.0 bn	
Gross profit ratio: 38.1 %	Gross profit ratio: 38.8 %	Gross profit ratio: 39.4 %	EBITDA: ¥43.0 bn	
Operating income ratio: 6.2 %	Operating income ratio: 6.8 %	Operating income ratio: 6.6 %	EBITDA margin 10 %	

2027 EBITDA Portfolio and Trajectory in Runup to 2030

To achieve EBITDA growth, we have clarified the strategic positioning of each business in a matrix that combines growth rate with profitability. This clarity will help us refine our portfolio and allocate growth investment optimally. In allocating investment, we will prioritize existing businesses. By investing in furniture (the top-priority business) and stationery, we will generate cash flows that we can then use to develop new services and products, pursue overseas M&A opportunities, and other activities to generate the growth required to achieve our 2030 goal. As for business supply distribution and interior retail, investments will enhance the B2B and e-commerce operations, improving profitability over the medium term.

Each business is on track in improving performance.
We continue efforts to improve net sales growth and EBITDA margin.



1. Top priority: Use growth investment to drive growth
2. Maintain growth, improve profitability: Use growth investment to drive growth and improve profitability over longer term
3. Explore fresh growth options: Find cash cows and growth opportunities and allocate growth investment to them
4. Clarify position: Consider selling off or disinvesting if unfeasible to move to other quadrant or synergize with other business

2027 Unite for Growth 2027 / 2030 WORK & LIFE STYLE Company / Beyond

Japan

2027 Unite for Growth 2027

General strategy:
We will boost the growth rate and profitability of existing businesses by combining tangible products with intangible solutions.
In particular, we will maintain the growth of the furniture business.

Furniture: We will improve market share and profitability with a strategy for deploying spatial excellence and talent.
Business Supply Distribution: We will proceed with our purchase-management platform strategy.
Stationery: Under our Campus branding strategy, we will offer learning style solutions and transform the profit structure.
Interior Retail : We will grow the B2B customer base.

Net sales CAGR +6%
EBITDA margin 14% (1 pt higher than in 2024)

2030 WORK & LIFE STYLE Company

While maintaining profit growth of existing businesses, we will develop new businesses (platform businesses, solutions/services).

Net sales CAGR +6%
EBITDA margin 15%

Overseas

2027 Unite for Growth 2027

General strategy:
We will expand in ASEAN and India.
We will accelerate organic growth (growing existing businesses) and inorganic (M&A-led) growth.

Furniture: We will bolster our infrastructure in Japan and Asia for developing global products and proceed with a glocal workstyle strategy covering early and later stages of the office life cycle.
Stationery: We will use the Campus brand strategy to accelerate growth in India and increase share in ASEAN.

Net sales CAGR +10%
EBITDA margin 11% (2 pts higher than in 2024)

2030 WORK & LIFE STYLE Company

Furniture, Stationery
We will gain a top share in target markets in Asia.

Net sales CAGR +11%
EBITDA margin 11%

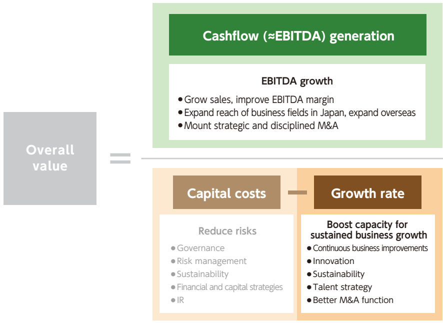
Beyond

Furniture
Stationery
Gain top share in target markets around the world

✓ Be a global player in delivering experience value in work style, learning style, and homelife
✓ Use innovative technologies in business supply distribution to support growth of other businesses

*CAGR means compound annual growth rate. *The CAGR and EBITDA margin discounts any M&A impact. *The EBITDA margins for business operations in Japan and overseas are as before the allocation of G&A expenses.

Creating Global Business Infrastructure for Group Synergy



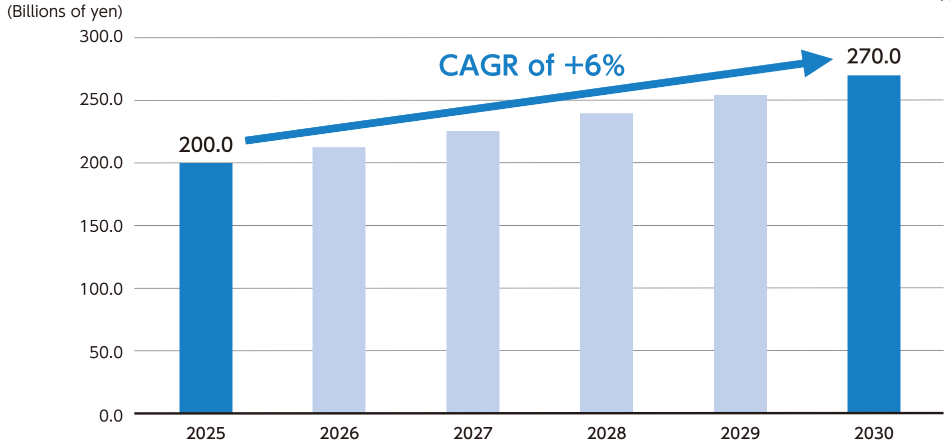
Furniture

Strategic theme 1 **Using the merger with Kokuyo Workplace India to accelerate the expansion of the furniture business in India**

Key task **Capitalize on demand for workstyle reform to gain a strong position in India's market for office furniture**

Size of the middle- and high-market segments of India's organized market for office furniture*

*"Organized market" in this context means a market where brand furniture makers offer furniture under reasonably fixed product standards and supply processes.



The graph represents estimates derived from multiple external reports.

A Strategy that Plays to Our Strengths

India's market for office furniture is growing (with a compound annual growth rate of 6%) on the back of economic growth and a change in workstyles. We are seeing the emergence of middle-market and premium market segments seeking added value from design and furniture choices for office operation. Kokuyo Workplace India (KWI), since the time it was HNI India, has honed its ability to capitalize on local demand leading to a larger customer base. India's market for office furniture has grown increasingly crowded with global players, but we have an important source of differentiation in KWI's ability to capitalize on local demand. We will combine KWI's excellence in customization and its high capacity for supply with the office knowhow we have accumulated in Japan to capitalize on the surging demand in the organized market, thereby establishing a firm grounding in India. In line with this objective, KWI will coordinate with the Global Workplace Division to continually improve productivity, localize Kokuyo products, and improve zero-to-one product planning. It will also upgrade its IT infrastructure and ensure tight cross-border corporate governance and risk management, thereby advancing the post-merger integration and driving business growth.

Example of an office in India

At Orgatec India, KWI succeeded in raising the profile of the KOKUYO brand, earning the Best Booth Design Award.

Stationery

Strategic theme 2 **Using the Campus brand to penetrate overseas markets**

Key task **Build a stronger position in global markets by offering unique value, namely, support for learning styles**

Building on the Campus brand identity established in Japan, we will transition the Campus brand overseas from a notebook brand to a brand that supports learning styles. Campus will offer "study recipes" that combine stationery with study methods to extensively support students' study life. Under this strategy, we are creating and nurturing a market for wow-factor stationery.*
In ASEAN markets, our Campus-led market penetration has involved tightening partnerships with authorized agents, remerchandising, and launching products specifically for ASEAN, leading to more retail stores stocking Campus-brand products and a higher average spend per customer. We have also made progress in penetrating European markets. In North America, longstanding marketing efforts and rebranding have culminated in fresh business deals.

* Wow-factor stationery refers to stationery that offers something beyond function (e.g. something meaningful or memorable experiences).

Writing tools selling well in Vietnam!

Units shipped: Over **150,000**
(634% of the figure in the previous year)

No. of retailers stocking Campus products: **671**
(134% of target)

A stationery store in an urban area of Vietnam

Tighter collaboration with authorized agents

Association of Asian agents has **first conference** at Kokuyo Messe

In each target country, our products are in a growing number of retail stores.

A stationery store in Bangkok

A booth at an exhibition in Malaysia Showcasing Campus to the max!

Net sales reached **200%** of previous year's level

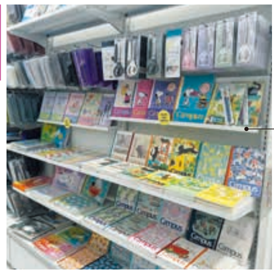
Booth bigger than last year's one

A booth at an exhibition in Malaysia

Launching products specifically for ASEAN!

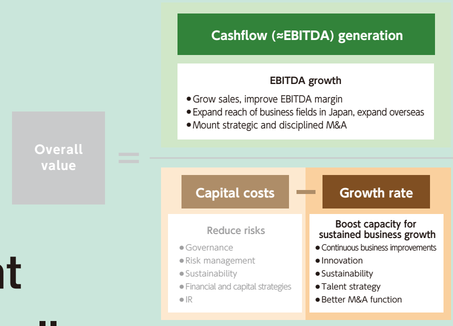
Bound notebooks have **six times** the turnover of existing products

* This is the result for December 2025. The figure indicates the amount of times the store replaced its inventory over the course of the period of interest.



Campus STYLE (Malaysia)

CSO Message from the CSO



We are allocating the growth investment budget to offer differentiated value globally and increase the value of our organization.

Progress in the 4th Medium-Term Plan

The 4th medium-term plan, titled Unite for Growth 2027, sets out the following financial goals for fiscal 2027: net sales of ¥430 billion, overseas sales at 20% of total sales, EBITDA of ¥43 billion, and an ROE of at least 9%. To achieve these goals, we must simultaneously expand our businesses and increase capital efficiency. A key strategic theme, then, is to make our Japanese businesses much more profitable while accelerating business expansion overseas. The general approach under our Forest-Like Management Model is to create a virtuous cycle in which we generate stable, recurring cash flows in Japan, which we then reinvest in areas with strong growth prospects or reinvest in projects to expand globally, resulting in higher returns.

In fiscal 2025, we exceeded our targets for net sales, EBITDA, and operating income. We managed to raise ROE to between 8% and 9% and are now working to reach the medium-term target of at least 9%.

In the Japanese furniture business, we have benefitted from a buoyant market, but that does not mean that the business growth is entirely dependent on the market. The point is that the business made a success of offering added value to customers, resulting in both business growth and better profitability. The key change here is that, in the course of engaging with value chain from the upstream supply chain to customers, we have succeeded in offering something that is truly invaluable.

It is not simply the price competitiveness of the products but the fact that they fully satisfy our customers' needs that has led to repeat business.
Our competitors, too, are shifting to a model that looks beyond products to services. Accordingly, our differentiation strategy includes ramping up our one-stop services encompassing workstyle, interior design, and operation. Examples include our HR-related services and renovating a commercial building in its entirety. To capitalize further on customers' workstyle-related needs, we will gain more opportunities to pitch our services when the customer is in the initial planning stage for a new office. Through this approach, we hope to maximize per-job price, closing rate, and customer share and to position ourselves as a partner customers can rely on for maximizing creativity.

Toshio Naito

Director, Corporate Officer, Head of the Corporate Planning Division, CSO and Chair of the Forest Model Subcommittee

As for the overseas furniture businesses, with the continued slump in the Chinese market, we stepped up China-based production of furniture for the Japanese market in an effort to both boost profit in our Chinese operations and reduce purchasing costs in Japan. In the ASEAN and Indian markets, we traced a path of growth on the whole.

In business supply distribution, Kaunet gained a surge in customers. This surge resulted from a windfall in demand that occurred in the previous year. It supplemented the organic growth in Kaunet's customer base. The challenge for this year is to capitalize on this unexpected surge in trade so that, instead of it being a one-off surge, it becomes something permanent. As part of this effort, Benri Net, our purchase management system for large companies, will be made available to small and medium-sized companies. By linking the platform with Amazon Business and other e-commerce services, we are offering a unified cross-platform purchasing service for an increasingly wide array of products and enhancing usability.

In the Japanese stationery business, there are signs suggesting that we may see a reversal of the long trend of net sales decline that has reflected the declining Japanese population. Our campaign to rebrand Campus goes beyond revamping products. It involves a radical transformation in the customer interface. The concept behind this transformation is the idea of offering learning styles. This transformation is reflected in employee motivation. We are seeing a shift from the mindset of managed decline toward an eagerness for expansion.

As for the interior retail business, our store in NEWoMan Takanawa performed well and inflow to our e-commerce business picked up, resulting in e-commerce sales accounting for a higher share of total net sales. In the B2B sector, we won a major contract for a residential job. Consequently, net sales and operating income both increased. As for our efforts in fiscal 2026, on the e-commerce side, we are working to increase e-commerce sales as a share of total sales and to improve customer lifetime value by developing our data infrastructure and using it to present customer insights. On the offline retail side, we are working to transform retail operations and increase the percentage of private-brand goods. These efforts will lead to higher net sales growth and better profitability.

Making Inroads into Overseas Markets

In the case of the stationery business, the 4th medium-term plan sets out general strategy for global expansion that focuses less on winning more customers in general and more on carving out a niche audience among secondary school students and undergraduates.

By entering this market segment with a distinctive line of products, we differentiate ourselves from local competitors. As part of this differentiation, we are promoting ideas for study styles overseas, with Campus-brand products and other products. Instead of focusing only on stationery sales, we combine stationery products with effective study methods to deliver added value that customers cannot get from competitors. Whereas our competitors in China have suffered severe revenue decline amid the market slump, we have reversed this decline as a result of making inroads into the student segment. In ASEAN markets, our stationery business now have 525 retail stores, representing 118% of the number in the previous year. We will continue to acquire more retail spaces and link our offline marketing with online marketing.

In the furniture business, we opened a new showroom in Malaysia and, for the first time in several decades, opened a new office showroom in Singapore. These promotional operations have already yielded a number of deals. We now have plans to reach out more effectively to those who influence high-end customers' decisions about office-building projects, namely, influencers, design firms, and building developers. We will also coordinate with our business sites in Japan, China, and India to develop globally compatible task chairs, the sales of which will drive profit growth. As I mentioned earlier, our efforts in 2025 resulted in us closing a range of deals in overseas markets. In 2026, we will build on this momentum.

Strategic Investments

The 4th medium-term plan provides a budget of ¥70 billion for growth investment. We have progress in allocating this budget. In the Japanese furniture business, we greenlighted investments in production assets that to accommodate diversified needs for office furniture and to improve production efficiency. We have also greenlighted investments in distribution centers to concentrate distribution operations. We have also greenlighted a plan to acquire six sales affiliates in Japan and merge them into Kokuyo Marketing, which will give our sales infrastructure in Japan a greater edge.

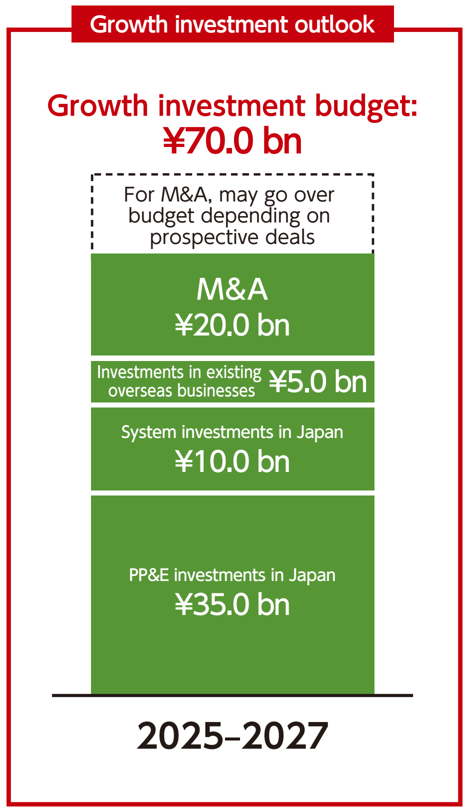
For overseas businesses, we are using the budget to expedite M&A-led global expansion. In the stationery business, we decided to invest in the acquisition of Thien Long Group Corporation (TLG), a big-name stationery maker in Vietnam. The acquisition will enable us to penetrate a promising market. TLG boasts expertise in the development of writing tools and formidable sales power in Vietnam.
In overseas markets, we are targeting the high-end market segment. In these emerging economies, the rising middle class is at the fulcrum of economic growth. Recognizing that we can only expand in these markets if we match product prices to local needs, we will work with TLG to develop more products with mid-range prices. With TLG exceling in developing and producing writing tools, the acquisition will give us insights into the writing-tool market, an area that we have been relatively weak in until now. By combining this expertise in writing tools with Kokuyo's expertise in notebooks, we can develop a panoply of stationery products covering all study needs. We will therefore integrate TLG's excellence in product development and sales with our excellence in product planning to boost our future growth prospects and profitability. Specifically, the business assets of TLG, which has nearly a 60% share of the Vietnamese market, will be integrated with Kokuyo's business infrastructure. Because both companies have a formidable sales network in ASEAN, we can cross-sell our products to boost market penetration. In this way, we will disseminate the Campus brand in ASEAN to expand our business.

Proactive Corporate-Level Functions that Drive Growth

Our business model is undergoing a major change. When I started out at Kokuyo, the company's business model was to be an efficient manufacturer, one that engages in the mass production and mass sale of good quality, reasonably priced products.However, to adapt to the shrinking Japanese market and change in workstyles, Kokuyo has shifted focus from tangibles to intangibles. It has transitioned to a business model now that emphasizes problem-solving and demand-creation. We have also seen changes in our workforce, which has accompanied us in this shift. Whereas our workforce was once very homogenous, employees are now more autonomous and willing to pose questions by themselves. The result is a workforce of employees who have released their individuality.

That said, we still have more to do to prepare our organization for global expansion. Global expansion requires a more sophisticated system of internal controls. Whereas the corporate divisions previously played a supporting role, they are taking on an increasingly proactive role in leading the growth of our global businesses. As part of this, seasoned corporate officers are being recruited from outside the company to expedite the global expansion.
Because of the actions we took in the first year of the 4th medium-term plan, we demonstrated clear progress in the strategies we had set out.We will press ahead in the twin tracks of securing profit growth from our Japanese businesses and driving global expansion in an effort to increase the value of our organization.

Growth investment outlook



Examples of growth investment themes

PP&E investments in Japan	
Furniture	● Productivity improvements in furniture and building material plants ● Logistics improvements to address high logistics costs
Business supply distribution	● Infrastructure for purchase-management platform
System investments in Japan	
Furniture	● Productivity improvements across value chain
Business supply distribution	● Infrastructure for purchase-management platform
Interior retail	● OMO (offline stores merged with online store)
Investments in overseas businesses	
Furniture	● Transforming ASEAN supply chain
Stationery	● Insourcing global products
M&A	
Furniture	● Expanding to and penetrating global markets ● Leading an industry transformation in Japan and overseas
Stationery	● Expanding to and penetrating new markets (e.g. ASEAN)

Strategy 2 Transition to a System of Employee Management 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. We will expand our community of empathy with partners and customers to drive innovation and address many social issues.

Vision for 2030 and major initiatives

2025 result	2026 initiatives	2027 target	2030 challenge target
● Number of visionary idea (Mirai Yokoku) experiments: 13 (cumulative total for 3rd medium-term plan: 33) ● Percentage of employees addressing social issues through their job: 91.1%	● Develop at least 10 Mirai Yokoku experiments ● Have 100% of employees address social issues through their job	● Number of Mirai Yokoku experiments: 30 (cumulative total for 4th medium-term plan) ● Percentage of employees addressing social issues through their job: 100%	● Percentage of sales with balanced social value and economic value: 100% ● Percentage of employees addressing social issues: 100%