Chapter 4 Business Strategies

This chapter outlines the strategies for each business segment as set out in the 4th medium-term plan and our performance related to these strategies in fiscal 2025. For each business segment, we explain how we are doing to achieve sustained cashflow generation and to increase the growth rate. Examples include global expansion in the furniture business, the purchase management platform strategy in the business supply distribution business, expansion in Asia in the stationery business, and expansion into the B2B sector in the interior retail business.

FURNITURE

Territories covered
Japan, China, India, Thailand, Malaysia, Singapore, Hong Kong, Australia

Our Strengths

- With an industry-leading designer team, we have spatial design excellence.
- With an integrated manufacturing-sales value chain, we have ability to improve profitability.
- Kokuyo Hong Kong's product lineup, production system, and customer base

Market Outlook, Changing Needs

Japan

We continue to see brisk demand for office relocations and renovations. Alongside this, businesses have a strong appetite for office-related spending intended to attract talent and transform workstyles. Against this backdrop, we command a high price per contract. The outlook suggests that the business will continue to grow and become more profitable.

Overseas

As for the situation overseas, in China, economic adversities persist. In ASEAN markets, the middle- and high-market segments look promising, with an increasing participation of multinational companies that prioritize workstyle reform.

Channeling Our Strengths into Strategies

Generating cashflow | Increasing growth rate

Strategy to leverage spatial design excellence and talent, glocal workstyle strategy

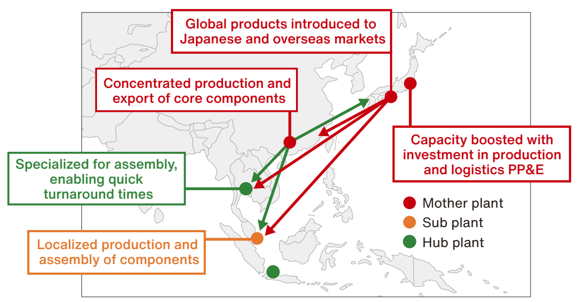
We will mount a strategy for leveraging our spatial design excellence and talent to expand the reach of the business field in Japan. The strategy will involve offering building renovation services and office-team evaluation services. We will also mount a glocal workstyle strategy to establish a growth model for ASEAN markets. In this way, we will deliver customer experience value across the whole of the office life cycle (upstream to downstream). Our goal is to establish a business model for forging lasting relationships with customers.

Growth strategy (penetrate India)

We will capture growth opportunities in India, where the economy and population continue to grow. Combining our strengths with local partners, we will pursue a market strategy aligned with local needs. Specifically, we will improve our research and workplace consultancy functions to offer spatial solutions and products with design excellence.

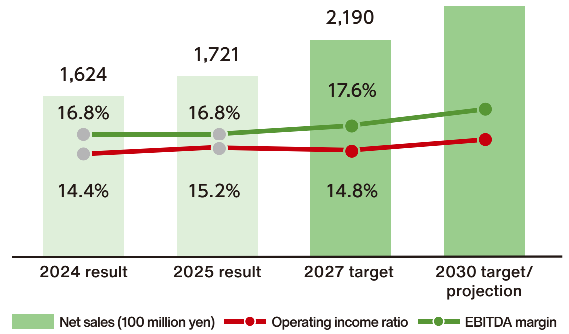
Global product strategy

We will bolster our system for developing designer's-choice global products for the Japanese market and Asian markets. In Japan, we will invest in production and logistics PP&E to boost capacity. We will also overhaul our global production network to achieve the QCD performance necessary to expand in ASEAN.



Aspects to Strengthen in Runup to 2027 Milestone, Progress Made in Such

With office-related demand remaining brisk in Japan, we have grown the business and improved profitability by offering workstyle services and workflow optimization services that solve customers' strategic challenges. As for performance overseas, while economic adversities persisted in China, in ASEAN markets, we targeted more forcefully the middle- and high-market segments, resulting in a higher number of deals won. Products like ingCloud and other products aligned with our global strategy got off to a good start and we improved the efficiency of production and assembly process.
Our strategy for Japan in 2026 is to close more deals related to office relocations. Our strategy for overseas markets in 2026 is as follows. In India and ASEAN markets, we will offer greater added value, offer a better product lineup, and improve our supply capacity. In Mainland China and Hong Kong, we will target the high-market segments and control costs.



2027	Further growth and better profitability in Japan furniture business, established the sustainable growth in Asia and Oceania	
	Net sales CAGR +6% in Japan, +20% in ASEAN	EBITDA margin 17.6% (compared to '24 level: +0.8pt)
2030	Top market position in middle-and high-market segments in Asia (including Japan) and Oceania	

Aspects to Strengthen for Strategic Success	Progress in Fiscal 2025
Field expansion: Develop strategy to leverage spatial design excellence and talent ● Start offering building renovation services, strengthen construction functions ● Develop office services (e.g. team performance evaluations)	→
Develop global product Invest in largescale PP&E to strengthen capacity to take on contracts ● Transform productivity in furniture and building-material plants ● Localize production of components	↗
Build growth model for ASEAN markets ● Transform ASEAN supply chain ● Use Kokuyo Hong Kong resources to strengthen pitching process and merchandise	→

Topics

Production and distribution investments will both boost capacity to accommodate diversified demand for office furniture and increase efficiency, enabling growth in volume of orders

Increasing growth rate

With the diversification of workstyles driving demand for more sophisticated office furniture, we have invested in the Shibayama Plant, Mie Plant, and the new Shiga distribution center to boost our capacity to take on jobs related to this demand.
We are using our excellence in cost optimization and technical prowess to build a system for producing made-to-order furniture. In this system, Shibayama Plant will produce construction materials, enabling versatile production without sacrificing quality. Mie Plant will produce desks and chairs. We plan to consolidate distribution operations in the furniture business to increase their efficiency. Following consolidation, the New Shiga distribution center will serve as the fulcrum in the distribution operations, enhancing productivity.


Shibayama Plant


Mie Plant

	Budget in 4th medium-term plan	Total investment
Shibayama Plant	Approx ¥5.0 bn	¥9.9 bn
Mie Plant	Approx ¥4.0 bn	¥7.0 bn
New Shiga distribution center	Approx ¥8.0 bn	¥17.6 bn


New Shiga distribution center

BUSINESS SUPPLY DISTRIBUTION

Territories covered Japan

Our Strengths

- A purchase-management platform (Benri Net) linkable with e-commerce site
- A huge data source Purchase history + shopping behavior + customer feedback
- A multi-business model combining e-commerce and wholesale functions with robust national network of retail outlets

Market Outlook, Changing Needs

The B2B e-commerce market continues to grow at a pace outstripping that of the B2C market on the back of brisk demand for digitalization and workflow optimization. With B2B e-commerce services increasingly becoming standardized regardless of company size and industrial category, we will focus on improving user experience (e.g. user-friendliness) in our e-commerce service. We will do so by streamlining the system but also by customizing it to each user.

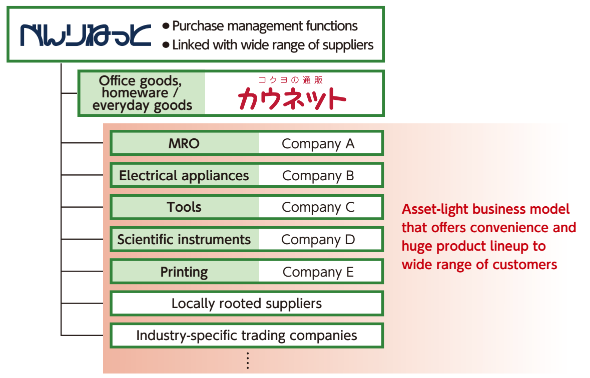
Channeling Our Strengths into Strategies

Generating cashflow | Increasing growth rate

Purchase management platform strategy

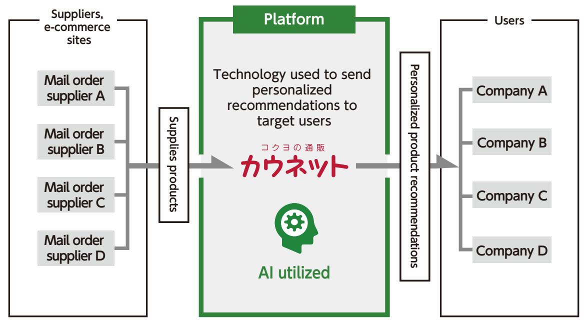
Enhancing platform functions by linking with big-name e-commerce sites

The strategy is to convert Benri Net, a system large companies use for managing purchases of intermediate materials, into a purchase management platform to boost linkage with big-name e-commerce websites and trading companies. The platform will create a virtuous cycle driving growth in linked suppliers and customers.



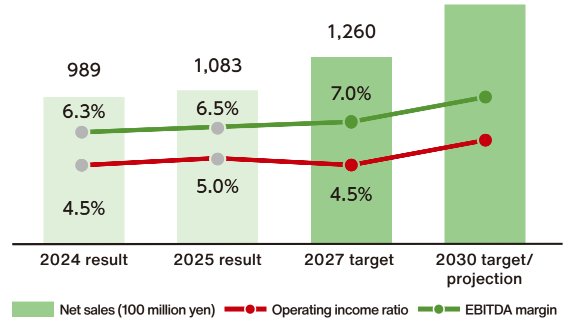
Using AI to enhance customer experience value

To increase share of wallet, we will use AI to derive industry-and customer-specific recommendations for products selected from the largest B2B merchandise lineup. We will use AI to improve the user experience. For example, product recommendations will be sent at the necessary times based on purchase history, reducing purchasing time.



Aspects to Strengthen in Runup to 2027 Milestone, Progress Made in Such

In 2025, Benri Net led Kaunet's overall growth amid demand for streamlined purchasing operations.
A company operating in the office supply market experienced a system and distribution shutdown, prompting customers to seek an alternative provider. Acting flexibly, we capitalized on this demand by expanding delivery and inventory capacity. As part of our purchase management platform strategy, we made Benri Net capable of catering to a wider array of purchasing needs by offering a wider lineup and by using system investment to improve the user interface (and thus improve user experience). An increasing number of suppliers are linked to Benri Net.
Our strategy for 2026 is to ensure stable service provision so that we can retain the customers who switched to us in 2025 and to allocate more system investment and other investment aligned with our purchase management platform strategy.



2027	Establish solid platform position by linking with big-name e-commerce sites and by allocating system investments	
	Net sales CAGR +8%	EBITDA margin 7.0% (0.7pt up from 2024)
2030	New purchasing platform that delivers better tech-driven purchasing experience value	

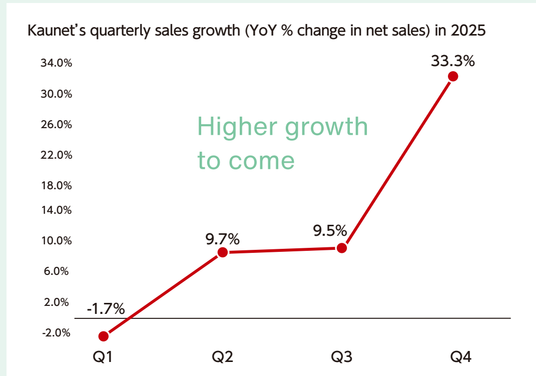
Aspects to Strengthen for Strategic Success	Progress in Fiscal 2025
Improve linkage with big-name e-commerce sites to develop huge lineup ● Strengthen links with product-specific suppliers and locally rooted suppliers	↗
Use AI and other tech to personalize/optimize customer experience ● Offer bespoke shopping experiences	↗
Train up digital talent to improve Kokuyo Group's digital excellence ● Improve digital excellence through Kokuyo Digital Academy (cumulative total of 1,786 employees have completed the course)* *As of March 31, 2026	→

Topics

Using system investments to improve user experience and accommodate more procurement needs

Generating cashflow | Increasing growth rate

System investment will be used to convert the purchase management platform Benri Net, previously offered only to large companies, into Kaunet's e-commerce website. We will revamp website to ease the stress on company staff who place orders. Specifically, since the addition of past functions made the webpages look cluttered, we will give the webpages a more visually intuitive design, enable a non-confusing, effortless shopping experience, and display stock levels. With these improvements, what was a website for selling goods will become a platform for streamlining business/office supply purchases.



STATIONERY

Territories covered Japan, China, India, Vietnam, Thailand

Our Strengths

- Strong brand recognition in Japan as stationery for study
- A value chain that enables us to manage a wide range of merchandise as a general stationery maker
- Excellence in product development identifying needs and satisfying them at a high level

Market Outlook, Changing Needs

Japan

The market continues to shrink amid digitalization, the shrinking population, and sluggish office demand, but demand for value-added stationery remains brisk. With demand diversifying, there is an increase in stationery for personal use. Such stationery, as well as being functional and user-friendly, is fun to use and offers experiences that one does not get from digital tools.

Overseas

Economic adversities persist in China, but ASEAN markets trace a path of steady growth amid population growth, rising education standards, and a middle class that is being swelled by economic growth. While stationery is becoming increasingly digitized, demand is high for added-value analogue stationery, particularly for Japanese stationery with its high quality and high design values.

Channeling Our Strengths into Strategies

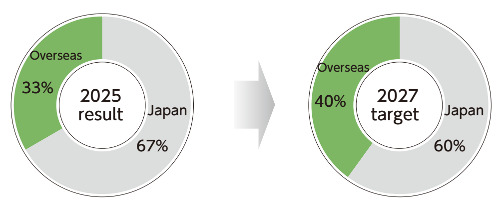
Generating cashflow | Increasing growth rate

Campus brand strategy

Area portfolio transition

We will penetrate new areas and grow existing overseas businesses to raise overseas sales share and reduce our dependency on certain areas. In India, while continuing to market painting equipment to kids and adults, we will supplement this by building an audience among students. In ASEAN, we will build closer relationships with sales partners for Campus-brand products. We will also use social media and events to build brand recognition and trust. Our goal is to get Campus products into more than 1,000 stores by the end of 2027.

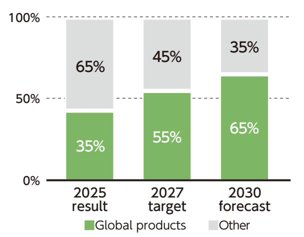
Ratio of overseas sales to sales in Japan



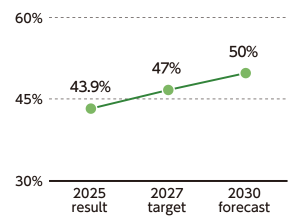
Product portfolio transition

To transition to a more profitable structure, we will reduce sales costs by insourcing production of global products and make high-margin global products account for a larger share of total sales. To improve the Campus brand's touchpoints with customers, we will research and verify experience value in learning styles.

Global product sales share



Global product gross-margin share

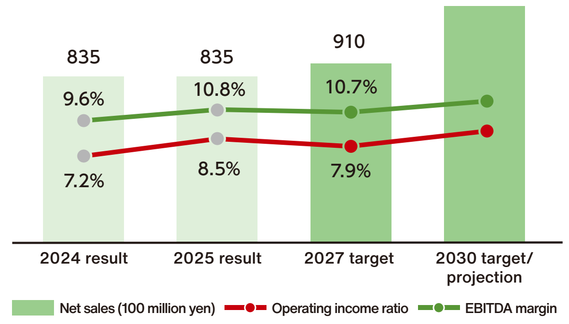


Aspects to Strengthen in Runup to 2027 Milestone, Progress Made in Such

In Japan, we made headway in our strategy to rebrand Campus as a learning-style brand for students, getting Campus products into 915 stores, 150% of the target. As for performance overseas, in China, we were affected by recession, but we achieved success in our strategy of marketing to students, launched more new products, got our products into more stores, expanded our e-commerce business, and grew our fanbase.

Our strategy for 2026 is to create and nurture a market for wow-factor stationery* in each target territory, proceed with a Campus brand strategy, writing tool strategy, and global notebook strategy, and make business operations more efficient.

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



Aspects to Strengthen for Strategic Success	Progress in Fiscal 2025
Insource writing instruments and other stationery products for developing globally ● Use insourcing to improve writing instruments category, increase insourcing rate in products for developing globally to reduce COGS	→
Grow sales in India and expand ASEAN share to increase overseas share of total sales ● Expand merchandise for Indian market to gain more customers and sales channels, forge sales partnerships in ASEAN for value-added products	→
Strengthen customer touchpoints, the fulcrum of experience value creation and area strategy ● Research global learning styles, improve retailing (e.g. shop-in-shop, direct-run stores) of Campus-brand merchandise	↗

2027 No. 1 learning brand in Asia

Net sales CAGR	EBITDA margin
-0.5% in Japan, +25.3% in ASEAN	10.7% (compared to '24 level: +1.1pt)

2030 No. 1 stationery brand in Asia

Topics

Campus: From a Notebook Brand to a Learning Style Brand

Increasing growth rate

Many secondary school students have said that they are unsure what approach to use in their studies.

In 2025, we responded by rebranding Campus into a brand that offers something intangible beyond what a tangible notebook offers, namely, designs for learning styles. We now offer on our website and in offline stores "study recipes" (tips and ideas for effective study). There are four types of recipes: quick note study, bite-sized study, binder study, and motivating study. By offering stationery products linked with study approaches for secondary school students, we are creating new experience value.

Study recipes

INTERIOR RETAIL

Territories covered Japan

Our Strengths

- Longstanding experience in interior solutions
- Exclusive sales rights for premium European brands
- Extensive lineup with excellent design and functionality enabling integrated/ comprehensive interior solutions

Market Outlook, Changing Needs

While affected by the high cost of living, the market is set to remain buoyant amid a desire for personalized living spaces and high-quality interior goods. E-commerce is accounting for a growing share of business. It is becoming standard practice to deploy augmented reality and other digitally powered simulation models to enhance communication with each potential buyer and maximize the user experience.

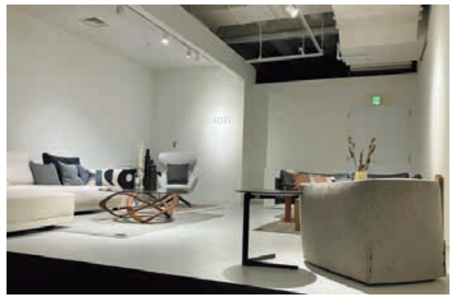
Channeling Our Strengths into Strategies

Generating cashflow | Increasing growth rate

Expanding the customer base

Using partnerships to expand into the office sector

To expand into the office sector, we will facilitate co-creation between Kokuyo and Actus, utilizing Actus's interior design assets—its design excellence, design functions, and extensive lineup. Our target for 2030 is to achieve around seven times the net sales we achieved in 2024. In November 2024, we opened an Actus exhibition space in our Tokyo showroom. We now use it to showcase our services to our corporate customers.



Actus exhibition space at Kokuyo's Tokyo showroom

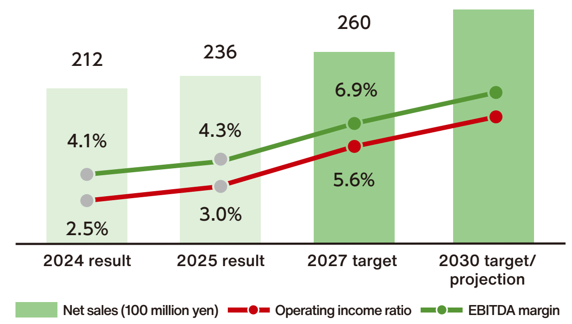
Expand into the residential sector with premium brands

Actus's growth is led by Poliform, a premium Italian brand for interior design. Poliform is central to our effort to penetrate the burgeoning residential sector and grow our customer base. Alongside this, we are bolstering design office accounts. To accelerate the growth of the residential business, we will increase residence sales staff by 80% between 2024 and 2027. The goal for 2030 is to win deals in approximately 60 premium apartment complexes (the target segment).

Conceptual photograph of a modular storage system delivered in Azabudai Hills Residence

Aspects to Strengthen in Runup to 2027 Milestone, Progress Made in Such

In 2025, we opened a retail store in the NEWoMan Takanawa shopping complex. The store is performing well. In our e-commerce business, we have used compelling content to drive the growth, such that e-commerce accounts for an increasing share of total sales. As for the B2B sector, in the hotels sector, we won our first contract to deliver a full range of services, from branding to installation. In the residence sector, we have opened Poliform Tokyo, through which we have won large contracts. With the initiatives we are taking in each business, we are making progress in field expansion.
In 2026, we will leverage our expertise in interior design pitching and our extensive product lineup to drive business growth in the e-commerce sector and in new business areas.



2027	Business growth in e-commerce and new sectors E-commerce net sales CAGR +18% New field net sales CAGR +27%
2030	Offer solutions in Japan for better quality home life, become a crucial partner in an elegant and meticulous home life.

Aspects to Strengthen for Strategic Success	Progress in Fiscal 2025
Strengthen partnerships in B2B sector Increase B2B sales staff by 40% between 2024 and 2027	↗
In residential business: Improve design office's accounts Increase residence sales staff by 80% between 2024 and 2027	→
Use digital transformation to merge offline stores with e-commerce and improve productivity Use digital transformation investments to drive OMO strategy	→

Topics

Branding, Design, and Installation for The Basement Hotel Osaka Honmachi

Increasing growth rate

Actus took on a job related to the branding and renovation of The Basement Hotel Osaka Honmachi, which opened in April 2025. Actus delivered interior design services and then project planning and execution. Actus's design created an ambience quite unlike that of a typical hotel. It featured artworks and interior features that members of Generation Z would like to share on social media. It also featured a gathering space on the highest floor.