Chapter 5

Governance

This chapter describes our commitment to corporate governance, which is foundational in our efforts to sustain growth in the value of our organization. In the dialogue between independent outside directors, the chairperson of the Board of Directors and the chairperson of the Compensation Committee discuss the company's progress in global expansion, a commitment set out in the 4th medium-term plan. They also discuss the effectiveness of our corporate governance structures in relation to M&A decisions and other matters.

Dialogue Between Independent Outside Directors

Supporting Kokuyo's Strategic Implementation for Global Growth

Takehiro Kamigama
Independent outside director
Chairperson of the Board of Directors

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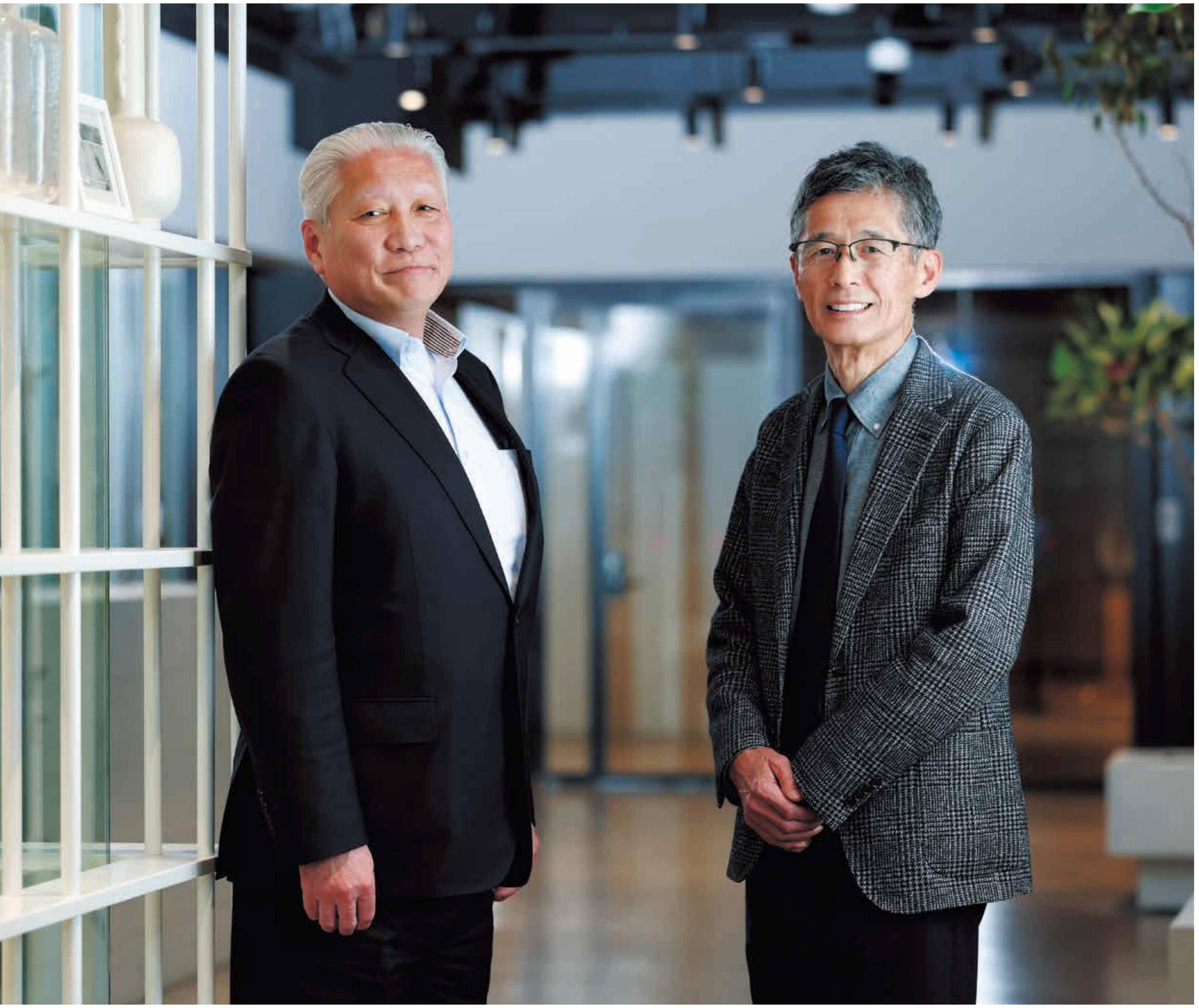
Shinichiro Omori
Independent outside director
Compensation Committee Chair



On Course with the Global Expansion Set Out in the 4th Medium-Term Plan

OMORI If we want to evaluate the performance of the 4th medium-term plan, we need to understand its continuity with the 3rd medium-term plan. Kokuyo unveiled its long-term vision, CCC 2030, in 2021. Aligned with this vision, the 3rd medium-term plan committed Kokuyo to shifting from tangibles to intangibles and to offering new and better customer experiences. The 4th medium-term plan represented the next phase in this, in that it set out a more detailed strategy involving expansion and growth at a global scale. Kokuyo wants its overseas sales to account for 20% of total sales in the final year of the 4th medium-term plan and at least 25% in 2030. These targets may seem at first glance just a modest increase from the current level of 13%. In actual fact, it is a much greater than it appears if you consider the targets for Kokuyo Group's overall net sales. The target for fiscal 2027 is ¥430 billion while the target for fiscal 2030 is ¥500 billion. Thus, overseas sales will have to increase in absolute terms from the present level of just under ¥50 billion to about ¥120 billion in fiscal 2030. This would be a dramatic increase. In its stationery and furniture businesses, Kokuyo has carved out footholds in ASEAN markets, making its global growth scenario a reality. This was manifested in net sales and EBITDA growth in fiscal 2025, the first year of the 4th medium-term plan. The results prove that Kokuyo is making headway in global expansion.

KAMIGAMA Yes. During the outside director discussion published in last year's integrated report, I mentioned a business portfolio transformation, and it has now fleshed out the details with its commitment to global growth. I am optimistic in particular in the potential of the overseas stationery business to become a new pillar in the business portfolio. In terms of Kokuyo Group as a whole, the company can sustain business growth by having a three-pillared business portfolio. Ideally, Kokuyo will ultimately be cultivating a diverse array of businesses as depicted in its Forest-Like Management Model, but for now it needs to focus on establishing a balanced three-pronged structure. If Kokuyo can develop the overseas stationery business as the 3rd growth pillar besides the furniture business and Japanese stationery business, it will have an even more balanced business portfolio.

OMORI A business portfolio is not just about chasing quantitative targets. I always conscious of Kokuyo's essential creation value. Kokuyo's businesses must align with the approach of offering workstyle and lifestyle solutions that create social value. That is the starting premise. With that established, you can then discuss the next step, which is the quantitative goals like profitability and capital cost. The various businesses, rather than existing in isolation, should synergize with one another as an overall structure that delivers Kokuyo's value. That is portfolio management in the true sense.

KAMIGAMA I agree. To get down to details, the results in fiscal 2025 were a mix of setbacks and positive signs on the road to greater growth. One setback was that the furniture business in China delivered lower profit than in the previous year because of the sluggish Chinese market. At the fulcrum of this business is Kokuyo Hong Kong, which boasts excellence in design. If, instead of waiting for the Chinese market to recover, Kokuyo further clarifies its plan to target the high-end segment and penetrate Southeast Asia, then it will have full potential to achieve profit growth. As for positive signs, I feel encouraged by the Kokuyo's announcement in December 2025 of the M&A involving Thien Long Group Corporation (TLG). The acquisition will contribute significantly to the stationery business's expansion in ASEAN.

Boosting Capabilities Through an M&A Deal with Thien Long Group Corporation

KAMIGAMA Kokuyo has closed a number of M&A deals, among them Kokuyo Hong Kong, but the deliberations over TLG were particularly intense. For starters, the M&A candidate was extremely important in terms of the writing tools market in ASEAN. On top of this, opinion was divided about the purchase price. In particular, we debated long and hard over whether there was a reasonable premium if the stock price decline were taken into account. I leaned more toward the pro side, but some members expressed reservations.

OMORI When making its verdict about the acquisition, the Board of Directors scrutinized the M&A candidate objectively in multiple respects. For example, we asked the management whether the Vietnamese market, then in stagnation, would recover, whether the company could synergize with Kokuyo, and whether, given this information, the M&A would play a strategic role and contribute to the business portfolio. Satisfied by the answers to these questions, we finally moved the discussion to the matter of the purchase price.

KAMIGAMA The process ultimately proved to be excellent training for the executive management in analytical and evaluative skills. In fact, the Board of Directors sent the proposal back a number of times with the request that the management deliver a more accurate analysis and assessment. Eventually, President Kuroda headed out to Vietnam for robust negotiations with the top management of TLG. As a result of this exacting vetting process, a firm rapport emerged between the management of TLG and that of Kokuyo. I always say that what determines the success of an M&A and the post-merger integration is trust with the acquiree. By asking the hard questions, the Board of Directors helped the company establish this trust and boost its M&A capability, increasing its prospects of future business success.

OMORI Indeed. Thanks to the numerous discussions between the Board of Directors and executive management, the management now has much more M&A-related experience and competence. This will prove a valuable asset as Kokuyo increasingly eyes M&A activities as a source of growth. Opinion was split even among the independent outside directors, so we had some frank exchanges of views on a number of occasions, including during board meetings, closed meetings, and gatherings reserved for outside directors. The difference in opinion over a particular matter ultimately led to a deeper mutual understanding, improving the level of the Board of Directors as a whole.

Using Capital Market Feedback to Guide Monitoring Activities

KAMIGAMA We have seen a big change in the quality of IR activities, including a greater commitment to engaging with shareholders. Compared to before, Kokuyo is doing much better at disclosing to and engaging with capital markets, and this has helped improve the company's stock price and price-to-book ratio. Most importantly, the current medium-term plan set out a full commitment to a strategy of global expansion. This has instilled greater optimism in investors. I get the sense that market is excited by Kokuyo. It believes that Kokuyo has changed, that it is trying something new.

OMORI This is not limited to external relations. It is also true internally. In particular, the Board of Directors has become more accurate in its capital market analysis. In previous years, the management had a bit of a blind spot when it came to evaluative criteria used by capital markets. Now, when we ask questions during board meetings, the management gives us clear results of analysis. In price-book ratio and price-earnings ratio, for example, Kokuyo is outperforming its peers, but more importantly, Kokuyo is taking note of the metrics it is being evaluated in and incorporating such metrics into its own analyses. When you break down and understand the variables of interest, which may be things like brand value or stability of a Japanese business, your analysis will naturally lead on to strategic discussions about how you will apply the insights.

KAMIGAMA The important thing from here on is to avoid betraying market expectations. As independent outside directors, we can help the company avoid this by discharging our duty to monitor the management's execution of business. In particular, if TLG outperforms the forecasts made at the time of the M&A, markets will grow even more optimistic, which will improve prospects for growth in the 5th medium-term period and the prospects of achieving the targets for 2030.

OMORI Crucially, whereas Kokuyo in the past would take leaps of faith by putting ideas and concepts at the forefront, the ideas are now accompanied by solid performance, as the fiscal 2025 results attest. Here, we see the beginnings of a positive cycle of postulating a strategic hypothesis and then producing the results that the hypothesis suggested would occur. Kokuyo now needs to accelerate the pace of this cycle. To give investors more optimism in its growth potential, Kokuyo needs to establish a solid track record over the 4th medium-term period. We will be working through the Board of Directors to monitor this process.

Building the Optimal Organizational Structures for a Global Company

OMORI While it is true that independent outside directors need a diverse skillset to cover each business stage, I would say that the key prerequisite is to have wide-ranging business acumen. The most fundamental role of the Board of Directors is to monitor the top management, and it is because the board serves this role that business acumen is the most foundational skill for board members. Board membership should encompass a broad set of business experience, including expertise in legal affairs and accounting, experience in leading a large company, experience in leading a rapidly growing company, and experience in nurturing a startup.

KAMIGAMA Besides membership composition, the board is also sufficiently independent of management. The majority of members are independent outside directors and the board chair is too. This helps the board monitor management from a standpoint independent from founder's family. To further enhance the board's monitoring function, the first step is to lay down structures for internal control. If Kokuyo is to succeed in its global expansion, it will not be enough to just follow long-accepted local business customs. Kokuyo must establish highly transparent structures grounded in global standards. As this global expansion gains momentum, Kokuyo will need to deal with an increasing array of emerging risks that are, in many cases, particular to a certain region. Kokuyo must be prepared to put in place the measures to deal with these risks, which may require hiring more employees.

OMORI To enhance our role as a monitoring board, we need structures for monitoring Kokuyo Group as a whole and a more effective approach to monitoring the management. As chair of the Compensation Committee, I oversaw the major shift to a performance-linked stock compensation plan that ties compensation to KPIs in the medium-term plan, such as EBITDA and ROE. The system is designed so that compensation is directly tied to attainment of the medium-term goals. I hope this prompts the executive management and board members to spend more time discussing the appropriateness of the goals themselves, that is to say the alignment of compensation with capital cost and other metrics that markets place value in. This process will help in further enhancing our effectiveness as a monitoring board.

Kokuyo's Outlook

OMORI Kokuyo did well to clarify its growth path by committing to goals in its long-term vision, CCC 2030, and in its previous and current medium-term plans. It now needs to go further in communicating its ideas to stakeholders and instilling stakeholder confidence in them. Kokuyo needs to keep committing to goals and building up a track record of performance in a positive cycle that will strengthen stakeholders' confidence in its potential for sustained growth and long-term value creation. As someone tasked with monitoring the management, I will keep updating my awareness to stay abreast of the constantly changing business environment and competitive landscape. I will also keep contributing to fruitful discussions with a variety of viewpoints, including strategic and organizational viewpoints.

KAMIGAMA I will do the same. Just to add to that, I will monitor more closely how well Kokuyo manages to go global. Kokuyo's long-term success depends on global expansion along with steady growth in each region. Kokuyo announced its M&A deal with TLG in fiscal 2025. The question now is whether Kokuyo can generate inter-regional and inter-business synergies across its corporate group. That is something I will be keeping an eye on.

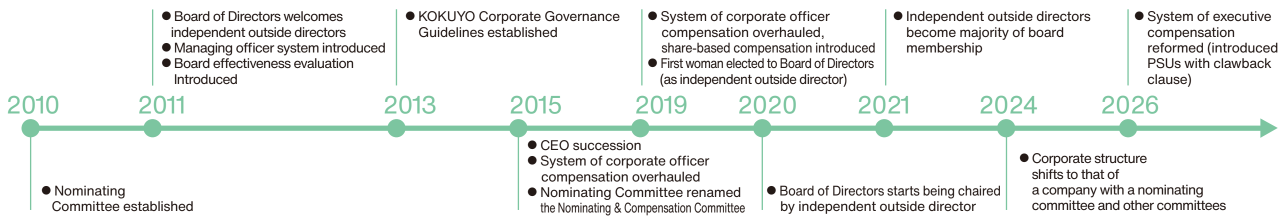
Corporate Governance

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

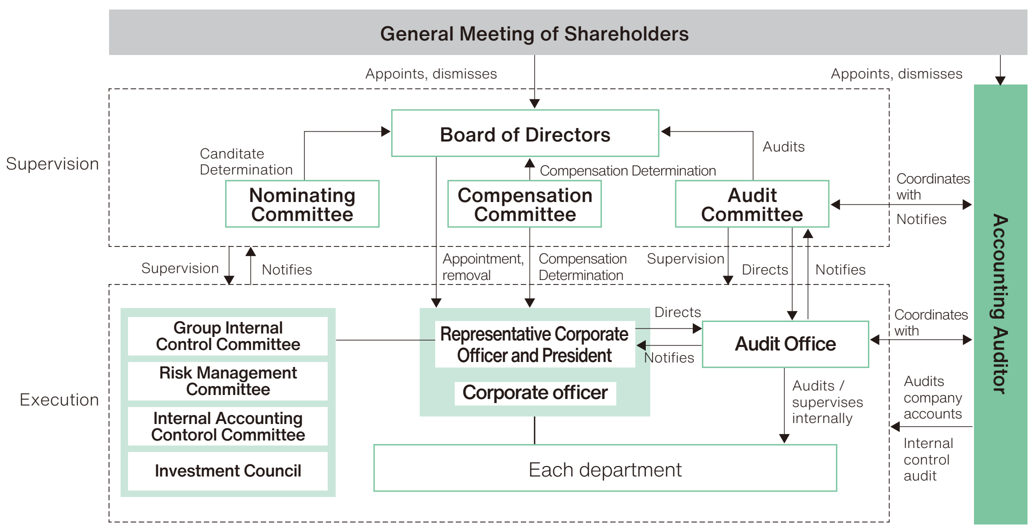
A Sustained Commitment to Improving Governance

We have a longstanding commitment to separating business execution from management oversight. Back in 2011, we started reserving places on the Board of Directors for company outsiders (independent directors) and established the Personal Committee (renamed the Personal and Compensation Committee in 2015) to serve as an advisory body to the board. Since 2020, an independent outside director has served as chair of the Board of Directors. We took another important step in enhancing corporate governance in 2024: We transitioned our corporate structure to that of a "company with a nominating committee and other committees." The move took effect when it was approved by shareholders at the 77th Annual General Meeting of Shareholders, held on March 28, 2024. The three designated committees will enable better corporate governance by enhancing management oversight and improving transparency. Moreover, by adopting a company with a nominating committee and other committees, a world-class governance structure, our stakeholders will feel more confident in our commitment to governance.
Under the new structure, we will also expand executive authority and create an executive environment that encourages bolder leadership and swifter decision-making and that supports sensible risktaking, helping us achieve our long-term vision.

History of improvements to corporate governance



Corporate governance system (As of May 31, 2026)



Corporate governance system

Kokuyo is now a company with a nominating committee and other committees and most members of the Board of Directors are now independent outside directors who are independent from the management. The Nominating Committee, the Audit Committee, and the Compensation Committee have also been established, with most members of each committee consisting of independent outside directors. We recognize that we can only command trust among our diverse stakeholders with a robust system of oversight, clearly delineated roles and responsibilities among the layers of management, efficient business operations, and transparent and impartial processes.

Board of Directors

The Board of Directors has nine members, six of whom are independent outside directors. One of these independent directors serves as the board's chair. All directors serve one-year renewable terms. This setup helps ensure a dynamic board, capable of responding swiftly to changing business conditions. The Board of Directors holds regular monthly meetings, as well as ad-hoc meetings when necessary. The board serves two roles: supervising management and executing the company's business. The board devotes sufficient time to discussing matters of strategic importance (such as making decisions about the company's policies and business strategies) and focus on supervising the management.

Matters Discussed on the Board of Directors

In fiscal 2025, the Board of Directors discussed issues and approaches in relation to the agenda items described below.

Important agenda items in fiscal 2025

1. Implementing growth strategies aligned with the long-term vision, engaging with capital markets to improve the value of the organization
   - Gaining greater clarity and precision on strategies aligned with the 4th medium-term plan and long-term vision
   - Engaging with capital markets to improve the value of the organization
   - Developing a model of sustainability management that reflects Kokuyo's distinctive values
   - Exploring digital and AI applications for streamlining business processes and developing new businesses
2. Deploying and developing talent embodying Kokuyo's distinctive values
   - Preparing the next generation of leaders
   - Discussion on how the executive team should be changed over the medium and long term
3. Rebuilding internal controls and tightening risk management
   - Rebuilding control processes for existing businesses
   - Tightening risk management and preparing risk management frameworks in view of the risks of global expansion

Described below are the main matters resolved, reported, or discussed by the Board of Directors in fiscal 2025

1. Growth strategy and business investment
   - The board discussed (and held focused meetings on) in depth the company's business portfolio for the medium and long term and the next business plan
   - The board resolved key growth investment proposals (including for overseas M&A, organizational reform in Japan, and capital expenditure).
2. Regard for capital costs and stock price, capital policy
   - The board resolved to split the stock, buy back stock (and retire treasury shares), and increase the dividend.
   - The board evaluated the value of continuing to hold cross-held shares and further reduced the number of cross-held shares
3. Sustainability and talent strategies
   - The board established new policies or revised existing ones. Examples include the Kokuyo Group Sustainable Management Policy, the Kokuyo Group Human Rights Policy, and the Kokuyo Group Environmental Policy.
   - The board, together with the Nominating Committee and other relevant bodies, held discussions about nurturing the next generation of leaders and about the executive team for the medium and long term.
4. Internal controls and risk management
   - The board made some changes to the internal controls. For example, it established the Group Internal Control Committee.
   - The board decided to update the company's aging core system. It also tightened compliance processes to keep pace with global expansion.
5. Improving corporate governance
   - The board delegated authority to executives to expedite decision making (as part of this, the board revised the Board of Directors Rules).
   - The board conducted a review of board effectiveness and communicated the issues that need to be addressed regarding how the board is run.
6. Regular undertakings, other
   - The board passed resolutions as required under law and the company's Articles of Incorporation.
   - The board received reports on the execution of the company's business and on the company's finances.

Board effectiveness evaluation

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

Evaluation process

1. 3rd-party evaluation of board effectiveness: Interviews
   - Interviewees: All directors
   - Period: October and November 2025
   - Interviewer: A 3rd party
   - Interview topics: Topics related to board effectiveness, including the board's roles, composition, agenda, discussion process, and how the board is run
2. Questionnaire
   - Interviewees: All directors
   - Period: October 2025
   - Questionnaire items: Respondents were asked to rate on a five-point scale the board in general, its membership, how well it is run, the content discussed in board meetings, organizational support for the board, the three mandatory committees, and the executive team. Respondents were also invited to leave open-ended comments.
3. Board review meeting
   - Attendees: Non-executive directors
   - Period: Immediately after each monthly board meeting
   - Agenda: Review of the board meeting on that day
4. Board meetings for discussing performance and finalizing overall evaluation
   - Interviewees: All directors
   - Agenda: Progress in board's strategic priorities for fiscal 2025, board effectiveness
   - Period: October 2025, December 2025

Summary of overall evaluation in fiscal 2025

The 3rd-party reviewer found that the board was generally effective and functional in fiscal 2025. The reviewer noted that, since the time the company transitioned its corporate structure to that of a "company with a nominating committee," the board had engaged in lively debate on M&A deals, major projects, and other important matters. In each case, the reviewer said, the board considered the financial, strategic, and risk implications from multiple perspectives, including those of the outside directors. What particularly impressed the reviewer was the depth of the discussions about making disciplined decisions on growth investments and ensuring alignment with the long-term vision. This, according to the reviewer, suggested that the board had made substantial advances in its monitoring role.
On the other hand, the reviewer suggested that the organizational infrastructure for corporate group governance needs to be upgraded in view of the scale of global business expansion and pace of growth. Specifically, the reviewer communicated the need for ongoing efforts to provide stronger monitoring structures and to rebuild risk management processes so that authority can be delegated to executives more effectively. Another recommendation was that the Nominating Committee and other relevant bodies should spend more time discussing what more should be done in the medium and long term to prepare the next generation of leaders to sustain growth in the value of the organization.

Important agenda items in fiscal 2026

1. Implementing strategies and allocating resources to achieve the long-term vision, engaging with capital markets to improve the value of the organization
   - Monitoring progress in the 4th medium-term plan
   - Considering what capital efficiency and cash allocations are optimum for the organization as a whole
   - Engaging more effectively with capital markets to improve the value of the organization
   - Defining Kokuyo's distinctive values
2. Enhancing the monitoring model and establishing processes for preparing the next generation of leaders
   - Planning for becoming a monitoring board distinctive to Kokuyo
   - Providing an effective process for delegating authority on a basis of trust
   - Preparing the next generation of leaders and putting in place a succession plan
3. Rebuilding internal controls and tightening risk management
   - Monitoring progress in the next ERP system renewal project
   - Rebuilding control processes for existing businesses
   - Establishing internal controls and organizational auditing processes that are of a global standard

Succession planning

With CEO succession planning as a top priority in governance, the Nominating & Compensation Committee would discuss this topic on an ongoing basis. The current CEO took office in April 2015. Three years before then, the committee had created a shortlist of candidates. To ensure impartiality in the vetting process, the committee considered a number of external candidates as well as internal candidates. The current Nomination Committee engages in succession planning too. In this planning process, the committee considers time horizons for succession, defines the skills and experience the next CEO would need to expand Kokuyo's businesses globally, and sets policies for grooming and nominating potential successors, with short-, medium, and long-term perspectives.

Work of the Nominating Committee, Audit Committee, and Compensation Committee

Nominating Committee

Independent outside directors (Chair)

The Nominating Committee has three members. All members are independent outside directors, including the chair, who is elected by the members. The committee decides on proposals to make at a shareholders' meeting for appointing or dismissing a director. It also deliberates on proposals to make to the Board of Directors for appointing or dismissing corporate officers and managing officers or for appointing or removing a representative corporate officer or corporate officer with a specific title. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

Described below are the main matters resolved, reported, or discussed by the committee in fiscal 2025

1. Resolutions required by law, the company's Articles of Incorporation, and the rules of the Nominating Committee
2. What the prerequisites should be for new outside director candidates in view of the skills gap on the Board of Directors, whom to nominate for such
3. Who should be on the executive team (corporate officers and managing officers) for the fifth medium-term plan, matters requiring preliminary deliberation or consultation ahead of deliberation by the Board of Directors
4. Succession planning for core management roles (e.g. CXO), scrutinizing reports about the prerequisites for the next generation of leaders and about the nurturing of such individuals
5. Reviewing what the committee has done

Audit Committee

Independent outside directors (Chair) / Internal non-executive directors

The Audit Committee has four members. Three of the members are independent outside directors. The current chair is an outside director elected to that role by the Audit Committee.
The committee audits the execution of the company's business by corporate officers and directors, prepares audit reports, and decides on proposals to submit at the General Meeting of Shareholders for electing or dismissing (or not re-electing) the accounting auditor. To ensure that audits are effective, the members regularly liaise with the heads of Kokuyo's business units and corporate divisions and coordinate closely with their counterparts in Kokuyo's Internal Audit Division and in key Kokuyo subsidiaries. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

Described below are the main matters resolved, reported, or discussed by the committee in fiscal 2025

1. Resolutions required by law, the company's Articles of Incorporation, and the rules of the Audit Committee
2. Matters requiring preliminary deliberation ahead of deliberation by the Board of Directors
3. Reports on key board decisions and the execution of business by corporate officers
4. Reports on key meetings and on-site audits attended by the full-time member of the Audit Committee
5. Reports on internal controls (what controls are in place and how well they are working) and risk measures
6. Reports on the organizational structures for sustainability (what structures are in place and how well they are working)
7. Reports on any negotiations/coordination with the Internal Audit Division, the administrative divisions, or any directors and auditors of other companies (inside or outside Japan)
8. Reviewing what the committee has done

Compensation Committee

Independent outside directors (Chair)

The Compensation Committee has three members, all of whom are independent outside directors. The chair is elected from among the outside directors. The committee reviews and decides on the compensation system for directors, corporate officers, and managing officers and sets the compensation amounts to be paid to each recipient. The committee designates one of its members to give the Board of Directors timely updates about the committee's decisions and agenda.

Described below are the main matters resolved, reported, or discussed by the committee in fiscal 2025

1. Resolutions required by law, the company's Articles of Incorporation, and the rules of the Compensation Committee (e.g. setting compensation for each director and corporate officer)
2. Matters requiring preliminary deliberation or consultation ahead of deliberation by the Board of Directors (e.g. revision to rules on compensation for managing officers, setting compensation ranks for managing officers)
3. Revision to the system of compensation for corporate officers (e.g. introducing performance share units for stock-based compensation, providing a clawback clause)
4. Evaluating whether compensation for corporate officers and the compensation ranks for such are appropriate in light of externally provided data
5. Performance evaluations for corporate officers and managing officers
6. Reviewing what the committee has done

System of Compensation for Corporate Officers

The Compensation Committee decides on a policy for setting compensation for the company's directors and corporate officers and sets the compensation for each recipient. Kokuyo's system of compensation for corporate officers is designed to be sufficiently transparent, reasonable, and concise to fulfill our duty to be accountable to shareholders and other stakeholders and to contribute toward the creation of medium- to long-term value, not just short-term success.

1. Basic policy

We want to incentivize recipients to devote themselves to the 4th medium-term plan, namely, to delivering the major growth necessary for achieving the long-term vision, CCC 2030. Accordingly, our system of compensation for corporate officers is designed and operated with the following goals in mind.

(1) Attract and retain the talent necessary to integrate sustainability into business strategy
- Compensation must be commensurate with the recipient's roles and responsibilities and be competitive when compared with that of benchmarked peers.

(2) Sustain motivation to contribute to increasing the value of the organization over the medium and long term
- The compensation must incentivize recipients to devote themselves to achieving financial and non-financial goals with short-, medium-, and long-term horizons. Examples include increasing the value of the organization, the company's long-term vision, and the company's medium-term plan.
- Emphasis should be placed on the medium term and the long term to discourage excessive risk taking or non-compliance.

(3) Be sufficiently transparent, rationale, and concise to gain the trust of stakeholders
- Compensation processes must be transparent with a rational and concise design to fulfill our duty to be accountable to shareholders and other stakeholders.

2. Compensation

Corporate officers (who may also be directors)

Compensation structure

We have four compensation categories for compensating corporate officers for executing the company's business.

Compensation category	Evaluative metric		Percentage of total compensation	Description
Basic salary (fixed, monetary)	–		–	A fixed monthly cash sum
Short-term incentive compensation (variable, monetary)	Financial KPIs (financial KPIs for the company as a whole)		70%	This is an annual cash sum. Level depends on the company's performance over that year in financial KPIs (such as consolidated net sales from operations in Japan, consolidated net sales from overseas operations, and consolidated operating income) and non-financial KPIs (such as ESG-related metrics).
	Non-financial KPIs (personal performance)		30%	
Long-term incentive compensation 1 (variable, stock-based)	–		–	Restricted stock compensation is delivered annually to align recipients' interests with those of shareholders
Long-term incentive compensation 2 (variable, stock-based)	Performance share units (PSUs)			This is an extra incentive set at a high level to encourage recipients to devote themselves to accomplishing the goals of the medium-term plan, sustain growth in the value of the organization, and align their interests to a greater extent with those of shareholders.
	Financial KPIs	Consolidated ROE	40%	This incentivizes recipients to devote themselves to achieving the goals of the medium-term plan. Base units are set for a given three-year period of a medium-term plan (initially, for a two-year period: fiscal years 2026 and 2027). Once the period is over, the base units are modified depending on the extent to which the company achieved the financial targets in the medium-term plan. Of the resulting amount, 50% is delivered as restricted stock and the remainder as a cash sum. In the future, the compensation will be delivered once per every medium-term period.
		Consolidated EBITDA	40%	
	Stock KPI	Relative TSR	20%	Base units are set for a 1-year period every year. Every three years, the base units are modified depending on company's stock price. Of the resulting amount, 50% is delivered as restricted stock and the remainder as a cash sum. In the future, the compensation will be delivered every year.

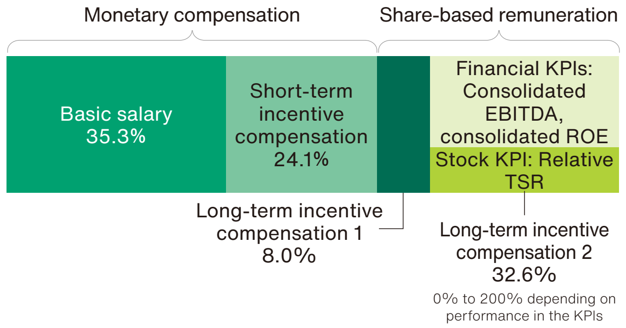
Compensation ranks and grades

There are five compensation ranks for corporate officers (reflecting the level of responsibility) and three grades of compensation per rank. Each compensation grade has separate reference values for basic salary, short-term incentive compensation, and long-term incentive compensation 1 and 2. The Compensation Committee decides on these reference values after reviewing external survey data on the levels of compensation that comparable companies pay to comparable recipients (using benchmarks such as Japanese companies in the same industry or Japanese companies of a similar scale).

Relative share of each compensation component

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

President and CEO



Outside directors, Internal non-executive directors

Compensation structure

Director compensation is designed to remunerate recipients for taking important business decisions and supervising the execution of the company's business. It also takes into account whether the recipient serves part time or full time and the recipients' participation in committee meetings. The compensation system is as follows.

Compensation category	Description
Basic salary, salary for committee membership	A fixed monthly cash sum
Share-based remuneration	Restricted stock compensation as an incentive for committing further to improving the company's shareholder value (this component makes up no more than 10% of total director compensation)

3. Clawback Clause

To enhance governance in compensation, we have introduced a clawback clause for long-term incentive compensation 2.
The clawback clause provides as follows: By a resolution of the Compensation Committee, the company may, for no consideration, reclaim from a recipient previously delivered shares (or, if the recipient has disposed of the shares, pay the company a monetary sum equivalent to the value of the shares) or demand that the recipient reimburse the company for monetary compensation they received if it is determined that any of the following circumstances occurred and that the stock or monetary compensation was delivered to the recipient with no consideration for such circumstances: (1) a major accounting error resulted from the recipient's misconduct or the Board of Directors approved an accounting restatement in circumstances resulting from the recipient's misconduct or (2) the recipient committed a major violation of a legal requirement or Kokuyo Group rule in connection with the execution of their duties.

How the system of compensation for corporate officers will be changed in fiscal 2026

The following three changes will be introduced to compensation for corporate officers in fiscal 2026.

1. Performance share units (PSUs) will be introduced.
- The payout rate will be from 0% to 200%. The chief purpose of this variability is designed to incentivize recipients to devote themselves to accomplishing the goals of the medium-term plan and align their interests further with those of shareholders.
- The PSUs will vary depending on performance in financial KPIs (consolidated EBITDA and consolidated ROE) and in a stock KPI (relative TSR).

2. A clawback clause will be provided.
- The PSUs are subject to a clawback clause to ensure a health incentive.

3. For short-term incentive compensation, the financial KPIs will be changed to reflect a stronger commitment to annual financial goals and greater global expansion.

For more information, see pages 75 to 85 of our annual securities report for the year ended December 2025 (the 79th business term) (only available in Japanese).

Annual securities report, quarterly report
https://www.kokuyo.com/ir/library/fr/

Meet our Officers (as of June 1, 2026)

Takehiro Kamigama

Independent Outside Director*
Chairperson of the Board of Directors

% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16) Nominating Committee: 100% (10/10)

April 1981 Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation)
June 2002 Corporate Officer, TDK Corporation
June 2003 Senior Vice President, TDK Corporation
June 2004 Director, Executive Vice President, TDK Corporation
June 2006 Representative Director, President and CEO, TDK Corporation
June 2016 Chairman and Representative Director, TDK Corporation
June 2017 Outside Director, OMRON Corporation (incumbent)
March 2018 Outside Director, Yamaha Motor Co., Ltd.
June 2018 Outside Director, SoftBank Corp.
Mission Executive, TDK Corporation
March 2021 Independent Outside Director, the Company (incumbent)
July 2021 Chief Consultant, Contemporary Amperex Technology Japan KK (incumbent)
June 2025 Outside Officer, Nippon Sheet Glass Co., Ltd. (incumbent)

Shinichiro Omori

Independent Outside Director*
Compensation Committee Chair

% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16) Nominating Committee: 100% (13/13)

April 1978 Joined Hitachi, Ltd.
April 2016 Senior Vice President and Executive Officer, CIO and CTrO, Hitachi Ltd.
June 2017 Director, Hitachi Chemical Company, Ltd. (currently Resonac Corporation)
June 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.)
June 2019 Chairperson of the Board, Hitachi Metals, Ltd (currently Proterial, Ltd.)
April 2020 Board Director, Chairperson, Hitachi Metals, Ltd.
July 2020 Chairman of the Board, Hitachi High-Tech Corporation
March 2022 Independent Outside Director, the Company (incumbent)
June 2022 Outside Director, Macnica Fuji Electronics Holdings, Inc. (currently Macnica Holdings, Inc.) (incumbent)
June 2023 Outside Director, Kansai Paint Co., Ltd. (incumbent)

Riku Sugie

Independent Outside Director*
Nominating Committee Chair
Compensation Committee Member

% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16) Nominating Committee: 100% (10/10) Compensation Committee: 100% (13/13)

April 1994 Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
October 2000 Joined Accenture Japan Ltd.
December 2006 Joined GE Consumer Finance K.K. (currently Shinsei Financial Co., Ltd.)
June 2012 President and CEO, Shinsei Financial Co., Ltd.
April 2016 Executive Officer, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
June 2016 Director, Aplus Co., Ltd.
April 2017 Managing Executive Officer, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited).
November 2017 President and CEO, Paidy Inc.
November 2021 VP of Japan Business, PayPal Pte. Ltd.
March 2023 Independent Outside Director, the Company (incumbent)
January 2025 Executive Advisor, Paidy Inc.
August 2025 Representative Director, Medical Consulting Seal, Inc. (currently Mpathy Inc.) (incumbent)

Yoko Toyoshi

Independent Outside Director*
Nominating Committee Member
Audit Committee Chair

% of meetings attended in fiscal 2025	Board of Directors: 100% (93.8%, 15/16) Nominating Committee: 90% (9/10) Audit Committee: 100% (15/15)

April 1981 Joined the Bank of Fukuoka, Ltd.
October 1989 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
December 1990 Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
July 2008 Appointed partner, Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
July 2013 Appointed Chief Certified Public Accountant Audit Inspector, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency
July 2016 Joined Deloitte Touche Tohmatsu LLC
June 2018 Representative, CPA Yoko Toyoshi Office (incumbent)
Outside Director, Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.) (Audit and Supervisory Committee Member) (incumbent)
March 2020 Outside Auditor, the Company
March 2021 Outside Director (Audit and Supervisory Committee Member), Mabuchi Motor Co., Ltd. (incumbent)
March 2024 Independent Outside Director, the Company (incumbent)

Yuko Gomi

Independent Outside Director*
Audit Committee Member
Compensation Committee Member

% of meetings attended in fiscal 2025	Board of Directors: 100% (12/12) Audit Committee: 100% (10/10) Compensation Committee: 100% (10/10)

April 1999 Admitted as an attorney in Japan. Joined Kunihiro Law Offices (currently T.Kunihiro & Co.Attorneys-at-Law)
January 2012 Partner, T.Kunihiro & Co.Attorneys-at-Law (incumbent)
June 2018 Outside Corporate Auditor, Nippon Gas Co., Ltd.
May 2019 Outside Corporate Auditor, Lawson, Inc.
June 2019 Outside Director (Audit and Supervisory Committee Member), Alps Alpine Co., Ltd. (incumbent)
March 2025 Independent Outside Director, the Company (incumbent)

Kazuhiro Saito

Independent Outside Director*
Nominating Committee Member
Audit Committee Member

% of meetings attended in fiscal 2025	–

April 1979 Joined Suntory Holdings Limited
April 2009 Managing Director, Suntory Foods Limited (currently Suntory Beverage & Food Limited) Executive Officer, Suntory Holdings Limited
January 2011 Executive Vice President and COO, Chinese Beverage & Food Division, Suntory (China) Holding Co., Ltd.
April 2014 President and COO, Chinese Beer & Huangjiu Division, Suntory (China) Holding Co., Ltd.
March 2015 Managing Executive Officer, Suntory Beverage & Food Limited
April 2015 In charge of Corporate Planning Division and COO, Finance & Accounting Division, Suntory Beverage & Food Limited
April 2016 Full-time Advisor, Suntory Beverage & Food Limited CEO, Suntory Beverage & Food Asia Pte. Ltd.
March 2019 Representative Director, President & Chief Executive Officer, Suntory Beverage & Food Limited
April 2023 Chair of Ad-comm Co., Ltd.
May 2025 Outside Director, J. Front Retailing Co., Ltd. (incumbent)
June 2025 Outside Director, Marusan Securities Co., Ltd. (incumbent)
March 2026 Independent Outside Director, the Company (incumbent)

Katsuaki Tojo

Director
Audit Committee Member

% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16) Audit Committee: 100% (15/15)

April 2000 Joined Ricoh Leasing Company, Ltd.
August 2006 Joined the Company
April 2015 General Manager of the Board of Directors Office, the Company
January 2019 Managing Officer and General Manager of the Domain Strategy Office, the Company
January 2021 Managing Officer and General Manager of the Board of Directors Office, the Company
March 2021 Audit & Supervisory Board Member (Full-time), the Company
March 2024 Director, the Company (incumbent)

Hidekuni Kuroda

Director
Representative Corporate Officer,
President & CEO

% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16)

April 2001 Joined the Company
July 2005 Director and Managing Officer, Kokuyo Office System Co., Ltd.
June 2007 Director and Managing Executive Officer, Kokuyo Office System Co., Ltd.
March 2009 Director, the Company
March 2009 Representative Director and President, Kokuyo Furniture Co., Ltd.
March 2011 Managing Executive Officer, the Company
March 2014 Director and Senior Managing Executive Officer, the Company
March 2015 Representative Director and President and CEO, the Company
January 2019 Representative Director and President, the Company
March 2024 Director and Representative Corporate Officer, President and CEO, the Company (incumbent)

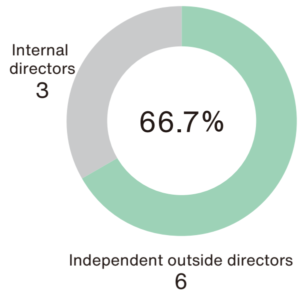
Toshio Naito

Director
Corporate Officer
Head of the Corporate Planning Division and CSO

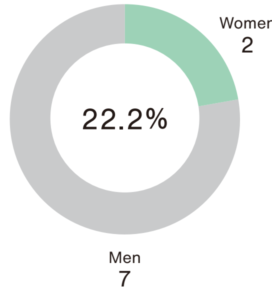
% of meetings attended in fiscal 2025	Board of Directors: 100% (16/16)

April 1985 Joined the Company
August 2011 Manager of the Planning Department, Corporate Management Division, Kokuyo Furniture Co., Ltd.
January 2014 Deputy General Manager of the Corporate Management Division, Kokuyo Furniture Co., Ltd.
October 2016 General Manager of the Business Administration Department, Furniture Business Division, the Company
April 2017 General Manager of the Business Administration & Strategy Department, Furniture Business Division, the Company
January 2018 General Manager of the Corporate Development Office, the Company
January 2019 Managing Officer, General Manager of the Corporate Development Office, the Company
January 2021 Managing Officer, Manager of the Corporate Planning Division, CSO, the Company
March 2021 Director, Managing Officer, Manager of the Corporate Planning Division, CSO, the Company
March 2024 Director, Corporate Officer, Head of the Corporate Planning Division and CSO, the Company (incumbent)

Percentage of directors who are independent outside director



Percentage of directors who are women



* Independent Outside Director is as defined in Article 2, Paragraph 15, of the Companies Act.

Skills Matrix

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

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

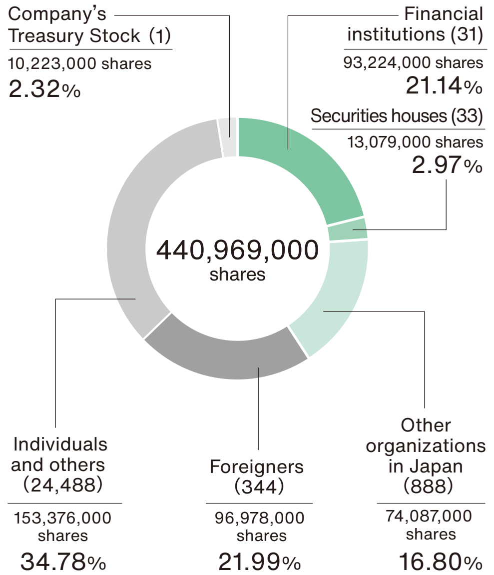
Stock Information (As of December 31, 2025)

Principal Shareholders

Name	Number of shares held (thousands of shares)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	54,719	12.70
KOKUYO Kyoeikai Association	39,308	9.13
Kuroda & Sons Co., Ltd.	17,686	4.11
Kuroda Afforestation Promotion Corporation Donation	14,412	3.35
Custody Bank of Japan, Ltd. (Trust account)	14,243	3.31
KOKUYO Kyowa Association	11,745	2.73
Akihiro Kuroda	7,949	1.85
Koji Kuroda	6,527	1.52
State Street Bank and Trust Company 505103	6,294	1.46
Yasuhiro Kuroda	6,204	1.44
Total	179,092	41.58

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

Breakdown of Shareholders by Number of Shares Held



Stock Price and Volume by Year

Total shareholder return

Performance period	3 years	5 years	10 years
Kokuyo	201.5%	275.5%	305.4%
TOPIX (with dividend)	193.8%	213.2%	278.6%

* Total shareholder return (TSR) indicates the total amount shareholders gain from their investment, factoring in capital gains and dividends.
TSR for each performance period as of the end of fiscal 2025 was calculated using the formula specified by Cabinet Order.
"3 year" means the TSR for an investment whose performance period began at the end of fiscal 2022, "5 year" means the TSR for an investment whose performance period began at the end of fiscal 2020, and "10 year" means the TSR for an investment whose performance period began at the end of fiscal 2015.

Dividend, consolidated payout ratio, dividend on equity

Fiscal year	Dividend (yen)	Consolidated payout ratio (%)	Dividend on equity (DOE) (%)
2025	24.5	50.7	4.2
2024	77.0	40.1	3.4
2023	66.5	40.2	3.1
2022	57.0	35.9	2.8
2021	47.0	40.3	2.4
2020	39.0	55.6	2.1
2019	39.0	30.1	2.2
2018	32.0	26.6	1.9
2017	29.0	22.9	1.8
2016	22.0	21.4	1.4
2015	17.5	32.8	1.2

Note: The data for 2024 and earlier years is based on the common stock prior to the 4-for-1 split that took effect on July 1, 2025.

Corporate Data (As of December 31, 2025)

Company name	KOKUYO CO., LTD.	
Representative	Hidekuni Kuroda	
Head office	Grand Green Osaka Park Tower 14F, 5-54 Ofukacho, Kita-ku, Osaka-shi, Osaka, 530-8459	
Date founded	October 1905	
Capital	¥15.8 billion	
Number of employees	8,079 (consolidated) / 2,346 (parent company)	
Business description	Stationery manufacturing, purchasing and sales; office furniture manufacturing, purchasing and sales; space design and consultation, etc.	
Business / production sites	New head office (KOKUYO HQ)	Grand Green Osaka Park Tower 14F, 5-54 Ofukacho, Kita-ku, Osaka-shi, Osaka, 530-8459
	Office in Shinagawa, Tokyo(THE CAMPUS)	1-8-35 Konan, Minato-ku, Tokyo, 108-8710
	Tokyo Kasumigaseki Office	Floor 18, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo, 100-6018
	Nagoya Office	Floor 17, Chunichi Building, 4-1-1 Sakae, Naka-ku, Nagoya-shi, Aichi, 460-0008
	Mie Plant	2012 Nishitawara, Nabari-shi, Mie, 518-0609
	Shibayama Plant	Shibayama No.2 Industrial Estate, 3155-4 Ohdai, Shibayama-machi, Sanbu-gun, Chiba, 289-1605
	Business areas	Tokyo, Osaka
	Production areas	Mie, Chiba, Shiga, Tottori
	Overseas locations	China, Hong Kong, India, Vietnam, Malaysia, Singapore, Thailand

Shareholder benefit program (as of December 31, 2025)

We provide a shareholder benefit program to give shareholders a better understanding of our businesses and of the products and services we deliver.
In December 2022, we added an option to make a charitable donation so that shareholders can better understand our efforts to address material issues. The program is available to shareholders in the shareholder registry holding at least 2,000 shares as of the end of December. If you are eligible, please choose either A or B.

Shareholder benefits	Eligible shareholders	
	Shareholders holding between 2,000 and 3,999 shares	Shareholders holding at least 4,000 shares
A. Receive a Kokuyo gift pack	Worth 4,000 yen	Worth 7,000 yen
B. Donate to a charitable cause	4,000 yen	7,000 yen

https://www.kokuyo.com/ir/shareholder/benefit-program/ * Available in Japanese only

KOKUYO CO., LTD.

Grand Green Osaka Park Tower 14F, 5-54 Ofukacho, Kita-ku, Osaka-shi, Osaka, 530-8459, Japan
TEL +81-6-6976-1221
https://www.kokuyo.com/en/