

K O K U Y O G R O U P C S R R E P O R T 2 0 1 0

Furniture

Stationery



Corporate Outline of KOKUYO Co., Ltd. (as of December 31, 2009)

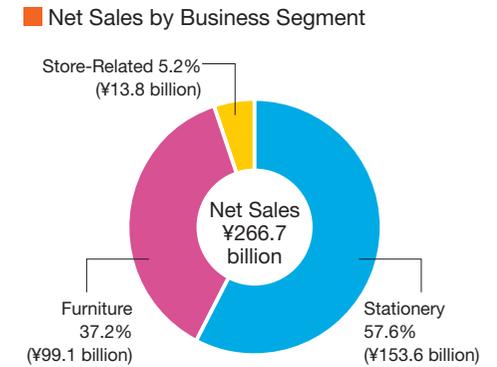
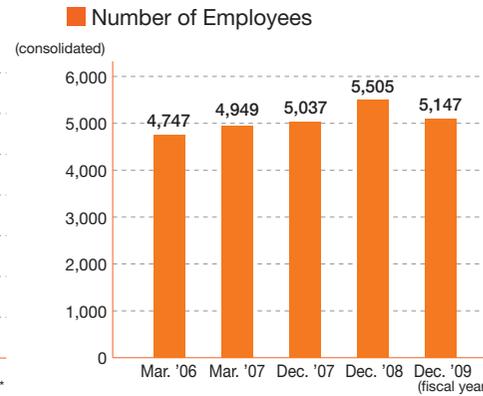
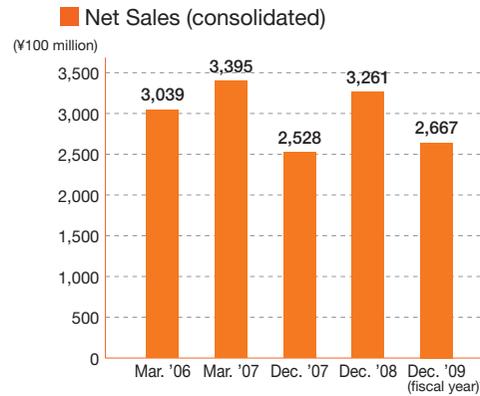
Established: October 2, 1905

Capital: ¥15.8 billion

President: Akihiro Kuroda

Head office: 6-1-1 Oimazato-Minami, Higashinari-ku,
Osaka 537-8686, Japan

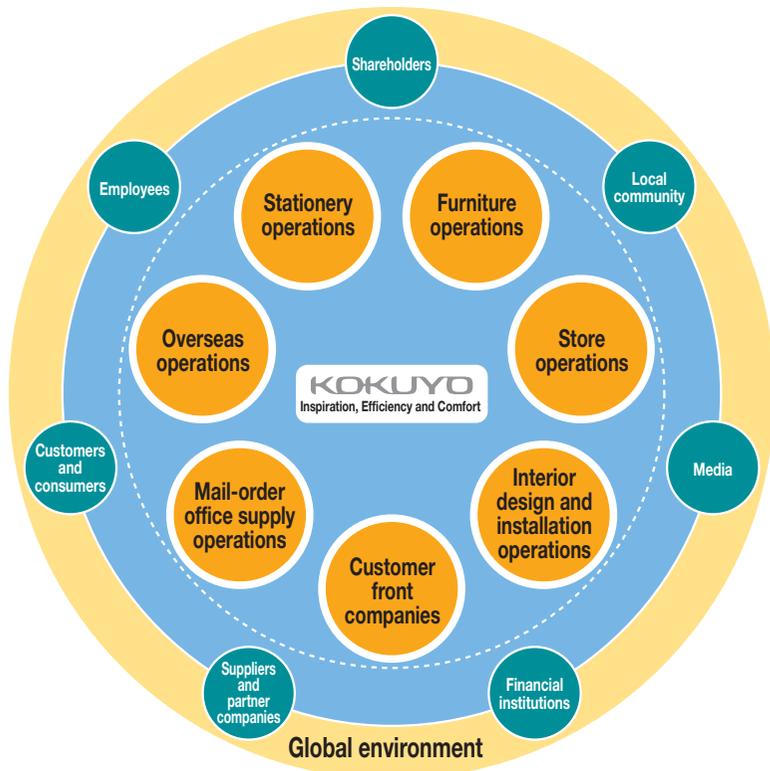
No. of consolidated subsidiaries: 24



* FY 2007 is an irregular, 9-month fiscal year due to a change of fiscal year-end from March 31 to December 31.

KOKUYO Group Operational Framework

■ The KOKUYO Group and its Stakeholders



Stationery Operations (5 consolidated subsidiaries)

Centered on KOKUYO S&T Co., Ltd., these operations consist of the manufacture, procurement and sale of files, notebooks and other paper products, stationery, PC-related products, and child education materials, as well as solutions in areas such as document management.

Furniture Operations (4 consolidated subsidiaries)

KOKUYO Furniture Co., Ltd., and other Group companies produce, supply and sell office furniture.

Store Operations (1 consolidated subsidiary)

KOKUYO Store Creation Co., Ltd., produces and sells store fittings, and also provides store design and installation services.

Customer Front Companies (4 consolidated subsidiaries/6 non-consolidated subsidiaries)

This segment includes KOKUYO Office System Co., Ltd., which supplies office space proposals and solutions to major corporate customers, as well as KOKUYO Marketing Co., Ltd., and other regionally based manufacturer sales companies.

Mail-order Office Supply Operations (2 consolidated subsidiaries)

KAUNET Co., Ltd., and Forest Co., Ltd., conduct mail-order sales of all types of products required by offices.

Interior Design and Installation Operations (1 consolidated subsidiary)

KOKUYO Engineering & Technology Co., Ltd., offers interior design services ranging from layout design to partitioning and flooring, as well as design and installation of facilities.

Overseas Operations (5 consolidated subsidiaries)

KOKUYO Group companies, centered on KOKUYO International Co., Ltd., carry out Group operations in China, Southeast Asia, India and other overseas markets.



Campus Note twin-ring notebook (dotted ruled lines)



Free-address tables (WorkLink)



E-rail electric power supply system for store fixtures

Becoming a Company That Contributes to a Sustainable Society in Many Ways

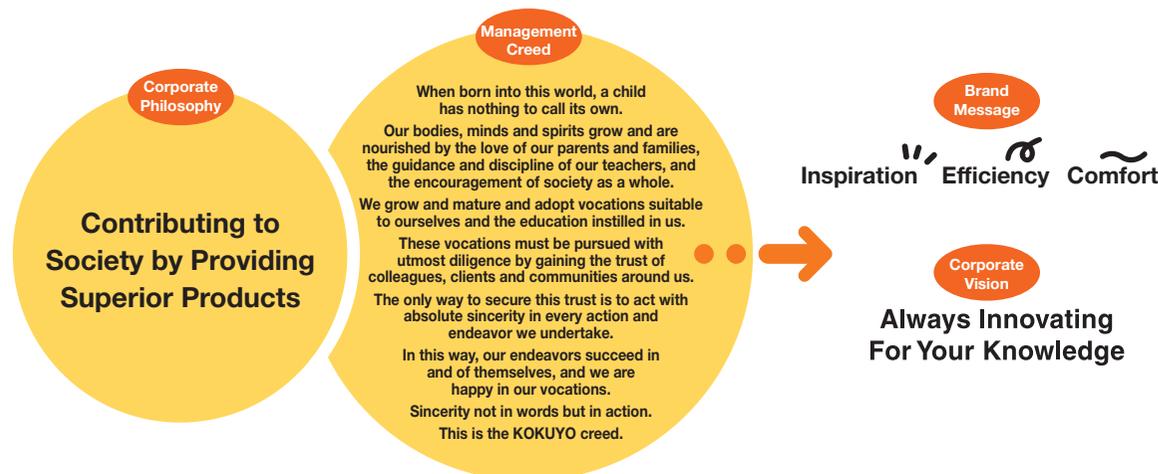
KOKUYO Co., Ltd., was founded in 1905 as a manufacturer of covers of *wacho* (Japanese paper account books) under the trade name Kuroda Hyoshiten. Though few paid attention to the account book cover business, which was regarded as a thankless, troublesome, and gratuitous business, the company's founder, Zentaro Kuroda, threw himself into the enterprise heart and soul. Through his relentless efforts, the business began to produce new value and developed into KOKUYO, a company with unique value and a fresh role in society. Since then, all of us in the KOKUYO Group have made the founder's indomitable spirit our own.

The thoughts of the founder are preserved today in the corporate philosophy of the KOKUYO Group: "Contributing to society by providing superior products." Our approach to achieving this goal is expressed in our

management creed, the meaning of which is instilled in every KOKUYO employee.

For the 105 years following the company's foundation, the KOKUYO Group has followed a consistent management vision: "Always Innovating For Your Knowledge." By always providing value for the knowledge work of all our customers through inspiration, efficiency and comfort, we ensure business continuity while achieving the aim of our Corporate Philosophy.

In this report, we introduce you to the scope and variety of the KOKUYO Group's corporate social responsibility (CSR) activities. Each and every one of these activities reflects the corporate DNA to which the KOKUYO Group is heir, reinforcing the trust and confidence we enjoy from our many supporters and stakeholders.



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■ Scope of the CSR Report

[Period covered]

Data consists of results from January to December 2009. Activities described include those undertaken during and before 2009, and those from January to March 2010.

[Organizations covered]

In principle, KOKUYO Co., Ltd., includes its 24 consolidated subsidiaries; however, the Environmental Report covers only KOKUYO Co., Ltd., and the 22 consolidated and non-consolidated subsidiaries listed below. In cases where the scope of organizations covered differs, individual notes are provided.

<Subsidiaries covered in the Environmental Report>

KOKUYO S&T, KOKUYO Furniture, KOKUYO Office System, KAUNET, KOKUYO Marketing, KOKUYO Chugoku Sales, KOKUYO Kyushu Sales, KOKUYO Engineering & Technology, KOKUYO Store Creation, KOKUYO International, KOKUYO Business Service, KOKUYO Supply Logistics, KOKUYO Vietnam, KOKUYO Product Shiga, KOKUYO MVP, KOKUYO-IK (Thailand), KTL, KOKUYO (Malaysia), KOKUYO Logitem, KOKUYO Finance, KOKUYO K Heart

The Future of Offices and Vehicles Evolving in an Environmentally Friendly Society

The role of enterprise in achieving a low-carbon society

Prudent environmental management is essential in today's business world. Attaining sustainable operations will require more than just environmentally friendly products. It will require a new attitude, in which people discover the joy of orienting business activities toward the achievement of a low-carbon society. Akihiro Kuroda, president of KOKUYO Co., Ltd., invited Toshiyuki Shiga, Chief Operating Officer (COO) for Nissan Motor Co., Ltd., to Eco LiveOffice Shinagawa to discuss a wide range of topics related to environmental management at the two companies. Mr. Shiga has recently been in the spotlight for his plans to introduce the Leaf, Nissan Motor's electric vehicle.



Akihiro Kuroda

President
KOKUYO Co., Ltd.

Toshiyuki Shiga

COO
Nissan Motor Co., Ltd.

Environmental initiatives need to have an element of fun

Kuroda: Thank you for coming to our Eco LiveOffice Shinagawa, Mr. Shiga.

Shiga: When you escorted me through this office, I strongly sensed your employees' concerted efforts and strong motivation toward reducing environmental impacts. My impression is that, rather than being forced to take action, your employees are mindful of the environment even in their private lives. KOKUYO's approach and set of values seem to be closely aligned with its employees' way of living.

Kuroda: I'm delighted to hear that. If we look at Japan's CO₂ emission volumes by industry, we can see that emissions from plants and manufacturing are declining, while those from homes and offices have climbed almost 40% since 1990. As a company that is close to the office segment, KOKUYO is working hard to introduce environmentally friendly products, reusing resources and so forth, but I think we need to go further. If we don't change people's attitudes and the ways they work, there won't be much noticeable change. Eco LiveOffice Shinagawa introduces a number of experimental innovations, such as LED lighting that senses human presence to control energy consumption, nighttime power contracts, and an outdoor garden office, but its main purpose is to make the people who work in it more aware of the environment. We apply the results of these experiments to other KOKUYO offices, ultimately extending them to our customers. In this way I hope we can continue to find our own way of contributing to a low-carbon society.

The feelings of people who work here or elsewhere may not be easy to detect, but when you said you could feel our employees' commitment to the environment in this office today, Mr. Shiga, you gave me a great boost of confidence.

Shiga: Action on the environment is no longer optional for us as automobile manufacturers. Now, it's our mission. Today we have to build into our product development plans solutions to reduce CO₂ emissions, ensure clean emissions, conserve resources and facilitate recycling, and we have to set ambitious targets for our work. Our approach is consistent, whether we are selling our products in the developed world or in developing countries; we instill the same ways of thinking at our overseas production centers as in Japan. We're promoting environmental action that goes beyond the cars that are our products, to encompass all of the corporate activities by which those products are brought to market. Without such concerted action, we won't survive as an enterprise or as an industry.

That's why I believe employee attitude is so important. What's the point of our business activities if we sell environmentally friendly vehicles, then let our cars idle when we pick up our children at school or preschool? When I looked at your office, I saw many good examples that could be used in our business as well.

Kuroda: Our company hasn't always been this way. When we created this office in the summer and fall of 2008, there were a number of heated discussions. A year and a half later, our employees are coming out with a stream of ideas on their own. For example, some employees decided on their own to put on a fashion show, suggesting the kinds of fashions appropriate for working in a summer garden office. Others suggested taking the stairs when going to and from the fifth floor. Another innovation was an award based on environmental action points. This enthusiasm is expected to gradually gather momentum, growing out to the regional and national-society level. We're seeing a change in employees' feelings that is changing the Company, and ultimately the products they bring out. I hope to see this happen any day now.

Shiga: Environmental activities need to have an element of fun. A car has to be environmentally friendly, but it needs to be fun too. A product has to be fun as well as eco-friendly when driven—for example, our electric cars have to be enjoyable to drive, otherwise their appeal won't last long. People will lose interest if they feel forced or obligated to make sacrifices.

At Nissan, we're trying combinations of various fun elements with our environmental message. For example, our customers can have their vehicles' fuel consumption displayed on their mobile phones, and they can check their eco-friendly driving performance against others in the form of a performance ranking system. Another approach we will be using is to load the driving data of our test drivers, who are expert eco-friendly drivers, into a car's computer system to control the engine. Improving a car's fuel consumption by a fraction of a liter through engineering requires an enormous amount of investment, but far bigger gains in fuel efficiency can be achieved by changing the mindset of the driver. It's important to entertain people as you transform their awareness and establish new habits in their everyday lives.

Kuroda: I feel exactly the same way. In fact, at the beginning of 2008, before we built this office, we began our "Eco-X mark program," marking with an X all KOKUYO products that were not sufficiently environment-friendly in all phases of their life cycles. The aim was to eliminate all of these problems within three years, that is, by the end of 2010. Nobody wants to suffer the agony of missing this deadline. Our customers were quite favorably impressed with this program. We heard people say this was a wonderful stance for a company to take, and some conceded that they personally must think more about the environment. Our employees and all our partner factories are working together to achieve our target of zero Eco-X products. Once we started this project, we learned how effective it could be in changing the attitudes of customers and employees about environmental issues.

Balancing the expectations of the developed and developing worlds

Kuroda: Last year the Japanese government committed itself (albeit subject to cooperation from the global community) to the ambitious target of a 25% reduction of CO₂ emissions from 1990 levels by 2020. In December of last year, the world's major countries met in Copenhagen for COP 15, the 15th Conference of the Parties, for a discussion of CO₂ emissions targets. I believe the world has embarked on a new stage in the quest for a low-carbon society.

Actually, last year KOKUYO succeeded in reducing its carbon emissions in Japan by 30% from 1990 levels. Much of this feat was achieved through our own efforts, but the current worldwide recession, and the slump in production it engendered, had a profound impact as well. As we strive to place the Company on a new growth track from this year forward, we are setting ourselves a new challenge: increasing production while holding CO₂ emissions at current levels.

Shiga: COP 15 ended without an agreement on reduction targets. Even so, I think it is a momentous step forward that the representatives of so many countries, including developing nations, were able to convene and reach a consensus that we must put the brakes on CO₂ emissions growth, so we can bequeath this blue planet of ours to future generations. The Copenhagen accord included a call to reduce the effect of global warming to within 2°C of pre-industrial levels, and various countries are expected to continue their cooperation as they deliberate the issues on their own.

Kuroda: That's right. We have the developing nations, which are trying to achieve prosperity through economic growth, and the developed nations, which have come to recognize that money doesn't necessarily buy happiness. That difference was made clear at COP 15. We need to get everybody moving in the same direction, thinking about what we need to do as one world, beyond the narrow interests of individual countries and peoples. I believe it is Japan's role to create the opportunities for such consensus. Japan's enterprises are capable of extremely efficient production, and so are dynamically effective at slashing CO₂ emissions. I feel that Japan holds the key to achieving a low-carbon society while continuing to promote the growth of the developing nations.

Shiga: As you know, China has become the largest automobile market in the world, surpassing the United States. The most popular models in China are fuel-efficient, compact gasoline-powered vehicles. In developed countries, meanwhile, the spread



of electric vehicles and other low-emission solutions is expected to reduce CO₂ emissions dramatically. In other words, the most realistic approach right now is to achieve balance in CO₂ emissions by providing vehicles that raise standards of living, using the technology of the developed countries to contribute to the economic growth of the developing countries. The number of cars owned in the developing world is going to grow tremendously over the next few years. For the advanced countries to demand that the emerging world curb this growth would just be selfish.

The emerging pictures of the new automotive society and the office of the future

Shiga: For more than 100 years since the invention of the automobile, our cars have mainly been run by the combustion of fossil fuels. Yet in a few decades, we're told, the availability of these fuels could be limited. If we don't find the answer to replacing fossil fuels, the automobile industry could be constrained for the next 100 years. Given the agreement to restrict global warming to no more than 2°C above pre-industrial levels, and the target of a 25% cut in CO₂ emissions by 2020, the need to reduce vehicle emissions to zero becomes obvious. One such solution is the electric vehicle, a "zero-emission vehicle." I hope that, in tandem with the promotion of electric vehicles, we will also develop many ideas for making life more fun and fulfilling. For example, currently we cannot bring cars indoors because of their gas emissions, but when electric vehicles become commonplace, the strict separation of the garage and the rest of the house may become a thing of the past. So if the car has an audio system, it could be used as a separate room when somebody wants to listen to music; or, to save energy, on hot days the air conditioning could be turned on only in the car. This new arrangement could also eliminate many inconveniences

The Future of Offices and Vehicles Evolving in an Environmentally Friendly Society

The role of enterprise in achieving a low-carbon society

for people in wheelchairs. Another innovative concept, which is just an idea at this point, is that sales worker could use their cars as their own offices at work; to adapt, the workplace could change, from the office buildings we know today to something resembling multi-level parking garages. If such a change were to occur, electric vehicles and a wide range of new KOKUYO products could become part of the scene at many workplaces.

Kuroda: That prospect sounds like a lot of fun. It may very well change the way we think about cars and offices in general. However important it is to calculate a project's profitability and economic viability, the element of fun is vital, too. At KOKUYO, we're trying a lot of fun ideas to generate new environmental approaches. For example, in our "environmental relay race," we circulate ideas on the environment and challenge each team to reach the goal first. We're also keen to make Shinagawa, where various companies are concentrated, into an "Eco Town," and encourage companies located here to make presentations on their environmental activities to local children. I think we may just be reaching the point where individual employees' interest in these issues spurs them to take up activities on their own. It is the job of managers to ensure that these ideas multiply and expand. To raise employees' interest, we need to make the results of their efforts visible. For example, here at the Shinagawa office we've temporarily shut down one elevator, and displayed figures calculating the reductions in CO₂ emissions in terms of distance traveled by a passenger car, such as "this month we've saved enough CO₂ to travel to Matsuyama City." It's a visual gimmick, but the entertainment value can be used to change the way people think about the environment.

Shiga: At Nissan, environmental awareness is relatively high among our plant and production workers, but I think it is still insufficient among headquarters and sales company staff. We've just completed a new company office building in Yokohama that

has earned an S ranking, the highest ranking in the CASBEE*1 system. So we've achieved considerable eco-friendliness in a broad sense, but we still face challenges in terms of work practices, such as separation of trash. As an environmentally responsible company, we have much more to do in terms of raising employee awareness, to bring corporate strategy, brand and individual employees' actions into full alignment.

Kuroda: Our efforts are just getting started too. The visible results from Eco LiveOffice Shinagawa are just beginning to emerge. Moreover, as we discussed earlier, we are launching a wide range

of new initiatives, while tabling proposals for achieving a low-carbon society. Mr. Shiga, I've learned a great deal from our conversation today, and had a lot of fun. Thank you very much.

*1 Comprehensive Assessment System for Built Environment Efficiency, developed under the guidance of Japan's Ministry of Land, Infrastructure, Transport and Tourism.

Kuroda: "It's possible to run an electric car's air conditioners, and schedule and confirm recharges, from a mobile telephone, isn't it?"



All-paper files



Nissan Leaf



Shiga: "I separate and dispose of confidential documents myself, but this file makes it unnecessary to separate paper from other materials. It's a really useful idea!"



Eco LiveOffice Shinagawa: Reaping the fruit of changes in employee awareness

KOKUYO opened this “experimental office” a year ago, aiming to reduce CO₂ emissions while raising the quality and speed of manufacturing. The results, in terms of changed employee mindset and exciting new products, have been amazing.

(Photo, from left) Akira Kato

Governmental TCM Task
KOKUYO Furniture Co., Ltd.

Akihiko Kobayashi

Senior Designer, RDI Center
KOKUYO Co., Ltd.

Maiko Fukuda

Designer, RDI Center
KOKUYO Co., Ltd.

Yukiko Sugiyama

Global Sales & Marketing Department
KOKUYO Furniture Co., Ltd.

Where ecology and creative work go live

In November 2008, the company opened Eco LiveOffice Shinagawa, an experimental, environmentally friendly office space, to its customers. Located on the fifth floor of KOKUYO Shinagawa Office, Eco LiveOffice Shinagawa is conceptualized as an office that supports corporate growth through the use of eco-friendly ideas. By providing a space where employees practice environmentally friendly work methods every day, this experimental office points the way to new growth opportunities for the KOKUYO Group.

Eco LiveOffice Shinagawa promotes environmentally friendly modes of office work using ideas and approaches only KOKUYO could devise, while showcasing to customers how KOKUYO products, services and operations are becoming more eco-friendly. Its overriding objectives are to reduce office CO₂ emissions and improve the quality and speed of manufacturing.

Energy-saving equipment complements human efforts

In practical terms, 2009 was Eco LiveOffice Shinagawa’s first year of operation. It was a year of trial and error, of searching for

ways to achieve its objectives. “We all recognized that a continuous process of raising employee awareness was the most important task,” recalls Akihiko Kobayashi, senior designer at the RDI Center. “We managed to reduce the entire office’s annual CO₂ emissions by 59.4 tons (44% of pre-rebuilding figures), exceeding our target of 56 tons (41.5%). But things didn’t always go smoothly.”

Problems occurred, for example, when the ceiling lighting was linked to motion sensors, in the hopes of reducing the use of lighting in unmanned areas of the office. The system failed to reduce power consumption to the extent originally expected. The reason was that, if even one person was present, the sensors would detect that person and the lights would remain on. Kobayashi recalls, “We realized that, while the introduction of energy-efficient equipment certainly enables us to save energy and thus reduce CO₂ emissions to a certain degree, just leaving everything up to the equipment results in no savings or even a slight increase.” To achieve their target for CO₂ emissions reduction, each and every worker had to make a daily, routine habit of turning off lights and other daily individual efforts.

Systems that support eco activities

The key to success in ingraining eco-friendly habits in employees is cultivating employee awareness. With this objective, the office clarified its ecological code of conduct in writing, and introduced *Eco Style ASP*, a system for visualizing the ecological awareness of each individual based on a point system for eco-friendly individual actions. A checklist was prepared listing some 30 eco-friendly actions, such as “taking the stairs to and from the office” and “working in the garden,” and employees were called on to record each day the items on the list that they had performed.



LED ceiling lighting system with motion sensors

Maiko Fukuda, tasked with planning and operating *Eco Style ASP*, adds, “By entering the information every day, little by little the employees developed the habit of environmental awareness and action.” The office is currently introducing a new system, *EcoPiyo*, which focuses on simple and fun ways to participate in eco-friendly activities. This system employs card readers, installed at various places in the office, enabling workers to enter their environmental activities instantly. After fully testing in the office, KOKUYO hopes to launch the system as a commercial product.

Encouraging participation through seasonal events

To further encourage employees to take part in eco-friendly activities on a long-term basis, Eco LiveOffice Shinagawa launched a series of seasonal events. For example, some activities focus on seasonal apparel and accessories, such as summer and winter clothes and sun visors to use in the Garden Office, the office’s outdoor workspace.

“To encourage working in the garden, we launched the Garden Photo Contest. In this contest, we collect and display photos of ‘Garden Work Biz’ style that takes into account standards for working in the garden, as well as items developed for use while working in the garden” explains Yukiko Sugiyama of KOKUYO Furniture, one of the planning members of the event. By continuously planning and presenting events in this way, Eco LiveOffice Shinagawa succeeded in increasing the frequency of use and number of people using the Garden Office.

Promoting a fun approach to eco activities

By using systems to visualize ecological awareness, and judging from the results of the events as described above, we learned that the key to ensuring the continuity of eco-activities is



As eco-activities began to take root, the office began using a new system called *EcoPiyo*. This system uses an ID card reader to count how many times each employee has worked in the garden. *EcoPiyo* is even placed at stair landings, making it easy for employees to record their ecological activities.

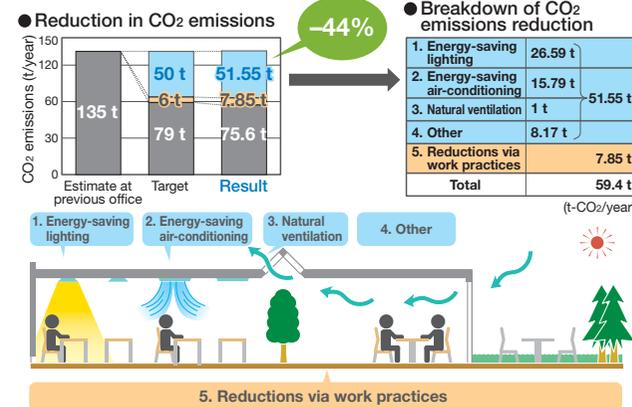
to make them fun for everyone.

By creating a stream of eco-friendly activities that employees can enjoy, Eco LiveOffice Shinagawa found that it could build awareness in every scene and situation. The process also results in bringing to the market imaginative products worthy of the KOKUYO name.

Speaking of hopes for the coming fiscal year, Kobayashi says, “We want to provide more opportunities for people to experience Eco LiveOffice Shinagawa—not just customers, but other KOKUYO Group employees as well. As part of that effort, we will make an active effort to tell people about Eco LiveOffice Shinagawa and its eco-activities, both within the Group and in the wider world.”

CO₂ emissions reduction at Eco LiveOffice Shinagawa

The office succeeded in reducing CO₂ emissions by 59.4 tons (44% reduction), outstripping its original target of 56 tons (41.5% reduction). (Period: January to December 2009)



Entries to the Garden Photo Contest (at left) are posted at the entrance to Eco LiveOffice Shinagawa. This display shows visitors to the office various ideas for working in the garden employees pursue with each season. Employees in “Garden Work Biz” style, which makes it easy to work in the garden (above).



A product born of Eco LiveOffice Shinagawa
The Worklink circular table

Interdepartmental collaborative manufacturing

Asked how product development processes have changed at the new office, Akira Kato of KOKUYO Furniture Co., Ltd., cites the example of *Worklink*, a circular table developed there.

“Eco LiveOffice Shinagawa is divided into four zones, according to the nature of the operations performed in each. There’s a zone for building understanding, another for creating ideas, a third for giving shape to ideas, and finally a zone for telling the world. At the ‘creating ideas’ stage, we held a ‘manufacturing idea contest.’ People from every part of the office, not just the development staff, offered possible seeds of new products. At the ‘giving-shape’ stage, we held a ‘commercialization contest,’ in which opinions were gathered from employees of various Group companies and customers regarding a prototype, and the final improvements were made. In this way we drove a cycle of all-out collaborative efforts for product development, accomplishing in seven months a commercialization project that would previously have taken almost a year.”

Launched in October 2009, the *Worklink* circular table is space-efficient, and has garnered praise for its flexibility for handling increases and decreases in numbers of users. Together with the *Actina* chairs, developed simultaneously, *Worklink* tables are selling briskly.

Stimulating communication across organizational and departmental boundaries, to raise the quality and speed of manufacturing, is a continuing theme of operations at Eco LiveOffice Shinagawa.



Worklink in use at Eco LiveOffice Shinagawa. The *Worklink*’s circular shape reduces the surface area occupied by each worker by up to 40%.



The *Actina* office chair features a design for temporary storage of documents or personal belongings.



Kasumigaseki LiveOffice: Establishing new standards through innovative office design proposals

In a rapidly changing business environment, we aimed to create an office space where both productivity and environmental awareness could be improved. In this sense, Kasumigaseki LiveOffice provides numerous solutions and ideas.

- (Photo, from left) **Nozomu Arai**
 Work Style Solutions Second Department
 Solutions Division
 KOKUYO Office System Co., Ltd.
- Rieko Ikeda**
 Work Style Solutions First Department
 Solutions Division
 KOKUYO Office System Co., Ltd.
- Hiroshi Sakai**
 Solutions Development Office
 Solutions Division
 KOKUYO Office System Co., Ltd.

Advancing office solutions beyond environmental needs

KOKUYO Office System Co., Ltd. (KOS) specializes in proposing office solutions for large companies. KOS remodeled its office in 2009 in the theme of “Crash the Rule.” The message was simple: in today’s economic conditions, all approaches and accepted views regarding the office need to be reappraised, from the roots up.

“The background was that the environment surrounding the office had changed significantly,” explains Nozomu Arai, the project leader. “Preserving the environment is the mission of every company nowadays. But meanwhile, the recession is dragging on, and businesses have to trim office expenses any way they can. In times like these we need to ask ourselves what the ideal form of each office is.”

In a tenant building where the scope for modification is narrow, how can an office respond to environmental needs? *Resonance Field* is full of answers to this question.

Eliminating ceiling lighting and other approaches

“Everyone who comes to see our office is surprised,” says Arai. “We don’t use the ceiling lighting. Instead, the floor is equipped with pole-shaped *Sensor Lighting Stands* linked to motion sensors. When someone approaches, the light turns on, and when the person moves away, the light switches off again. It’s lighting on demand.”

“Eliminating the use of ceiling illumination was a bold move,” explains Hiroshi Sakai of KOS’ Solutions Development Office. “We believe this solution, along with other approaches in this office, can reduce CO₂ emissions by about 30% compared with conventional office, but at this point we’re still analyzing results in terms of actual benefits.”

The office applies many other innovative features. *Intelligent Work Lighting* uses LEDs to change the office’s brightness and color temperature according to the tasks it is used for. A “Super Eco Room” feature lets in natural light and gathers solar energy during the day, then uses the stored energy to generate power at night. Other systems visualize the office’s energy consumption. These types of solutions create radical change in employee awareness.

An indoor oasis for contact with nature and people

One of the office’s most popular features with customers is the Veggie Garden, an indoor garden where employees grow vegetables and other plants. “This idea sprang from a project to improve the work-life balance for our female employees,” says Rieko Ikeda, one of the originators of the scheme. Today, one in three employees “owns” a plot in the garden. Last summer, the employees held a “harvest festival,” in which they tasted the fruits of their labors.

KOKUYO continues to work hard to make *Resonance Field* the ideal office in today’s ongoing quest for a low-carbon society.



Veggie Garden



Sensor Lighting Stand and Battery-shared Desk

Sensor Lighting Stands are pole-shaped lights that stand on the floor and are switched on and off by motion sensors. This energy-saving solution automatically reduces the excess lighting in the office at times when few people are present. Similarly, *Battery-shared Desks* supply power from built-in batteries for wireless LAN environments. This arrangement obviates the need for office automation flooring and installation of LAN cables, reducing initial cost and enhancing layout flexibility.



Sensor Lighting Stands and Battery-shared Desks





Toward a low-carbon society **3**

Reducing CO₂ from logistics and providing eco-services

With a 6.1% reduction in CO₂ emissions, we aim to be the logistics partner customers choose first.

KOKUYO Supply Logistics Co., Ltd., who handles the Group's stationary products distribution, is strengthening measures to cut CO₂ emissions. We are making our distribution system even more environmentally friendly to ensure that customers continue choosing KOKUYO as their logistics partner.

Hiroyuki Fujimori

Control Section Head
Metropolitan IDC
East Japan CS Operations Division
KOKUYO Supply Logistics Co., Ltd.

Accelerating CO₂ reductions in logistics

KOKUYO Supply Logistics Co., Ltd. (KSL) ships stationary products to retail outlets through its logistical operations, and to consumers via its mail-order office-supply delivery operations. In November 2009, KSL began phasing in a number of energy-saving changes, including energy-efficient lighting, energy measurement and control systems at its distribution centers, and delivery by bicycle in certain regions. These efforts are expected to result in an approximate annual reduction in CO₂ emissions of 6.1%, or 219 tons.

KSL forms a task force and partners with an energy service company

Metropolitan IDC is one of KSL's distribution centers. At its vast five-story warehouse, which handles tens of thousands of items every day, heavy power consumption had been a chronic issue, as its belt conveyors run continuously and lighting and temperature must be kept optimal for operations at all times. In February 2009, an Eco Task Team was formed. To transform Metropolitan IDC into an environmentally friendly distribution center, the team partnered with Creative Techno Solution Co., Ltd. (CTS), an energy service company (ESCO).

Achieving an eco-friendly workplace without making sacrifices

After repeated consultation between KSL and CTS, it was decided to begin with lighting. We replaced the 210-watt mercury lamps and 40-watt bulb-type fluorescent lamps then in use with 88-watt and 32-watt fluorescent lamps respectively, each fitted with high-reflectance reflectors. This simple change dramatically reduced energy consumption while making the facility brighter than before.

Next, we introduced *Motto Save*, the energy measurement and control system provided by CTS. This system renders the status of light and air-conditioning use visible in real time, and slashes electricity waste by detecting when lighting and air-conditioning systems are left on unnecessarily. Wind and solar gen-



Fluorescent lamp fitted with high-reflectance reflectors

erating systems were also introduced to power a hybrid streetlighting system.

Activities are ongoing at KSL to ensure that customers continue to choose the company as their logistics partner while promoting environmental awareness.



Hybrid streetlighting system



LCD panel at Metropolitan IDC showing energy consumption measurement results.



Launch of a bicycle delivery service

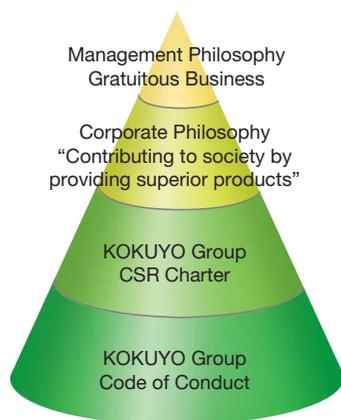
Amid growing popular awareness of environmental issues, the members of the KSL CO₂ reduction task team turned to a mode of delivery that emits no CO₂ at all: the bicycle. To adopt the bicycle for services such as @office, KOKUYO's online shopping site for office consumables, KSL partnered with ecohai Co., Ltd., a leader in bicycle delivery services. By switching to bicycle delivery in certain regions, KSL expects to reduce annual CO₂ emissions by some 38 tons.



Delivery by electric-assisted bicycle with bicycle trailer

The KOKUYO Group and CSR

All Group companies share a commitment to the ongoing promotion of CSR activities, based on the philosophy of the founder of KOKUYO.



Basic policy

Zentaro Kuroda, founder of KOKUYO, left us his way of looking at fulfilling one's role in society—even if it feels unglamorous or burdensome—which he called "gratuitous business," and our management philosophy, which clearly states his own attitude toward business. Derived from these sets of business ethics is the KOKUYO Group's corporate philosophy, "Contributing to society by providing superior products," which, in turn, serves as a guideline for the Group's CSR activities.

Based on this guideline, in 2004 we instituted the KOKUYO Group CSR Charter, which outlines our role in society as a good corporate citizen, and underlines the importance of building optimum relationships with our many different stakeholders. The charter enumerates our basic policies, intended to ensure the positive development of the Group and of society as a whole, in five categories: customers, local communities, environmental protection, business activities, and human rights. Group companies carry out corporate activities based on these five principles. In addition, we have established a KOKUYO Group Code of Conduct that indicates the way employees should behave on a daily basis in order to maintain the trust and goodwill of stakeholders.

In 2009, we integrated our business strategies and CSR activities under the primary themes of "the environment" and "business continuity." Furthermore, through efforts to cultivate a new corporate culture centering on compliance, we are strengthening our commitment to fulfilling our social responsibilities.

KOKUYO Group CSR Charter

The KOKUYO Group shall be sincere in its pursuit of business and shall be an enterprise needed by society even as it strives to enhance profitability. This endeavor shall follow the Corporate Philosophy that has guided KOKUYO since its founding: "Contributing to society by providing superior products." By living up to its legal obligations and fulfilling its social responsibilities as a corporate citizen, KOKUYO shall win the trust of customers, stockholders and all parties concerned and maintain the sustainability of its business.

Customers

1. KOKUYO shall assure customer satisfaction and earn customer trust by taking the customer's point of view and planning and offering products and services accordingly, thereby serving a useful purpose in the world.
2. KOKUYO shall be a unique business that continuously offers creativity, efficiency and comfort as it actively leads the way in the evolution of both customers and itself.

Local Communities

1. KOKUYO understands that it is a member of the community and shall seek to be a good corporate citizen trusted by society because of the way it interacts with local communities, contributes to society in many ways and helps to build a rich society.

Environmental Protection

1. KOKUYO recognizes protection of the global environment from threats such as global warming and deforestation as one of the greatest concerns of all humanity, and thus it shall use the combined wisdom of its employees and mobilize them to solve these issues.
2. KOKUYO recognizes its responsibilities as a provider of products and a consumer of resources, and as such shall have in all its activities a consciousness of the three R's: Reduce, Reuse, Recycle.

Business Activities

1. KOKUYO shall compete freely, fairly and transparently, shall have fair trade with our business partners and shall maintain healthy and proper relationships with governments and authorities.
2. To assure that KOKUYO's relationships with its suppliers are always fair and that KOKUYO remains a trusted company, KOKUYO shall cooperate with its suppliers and seek to grow with them.
3. KOKUYO recognizes its duty to shareholders to increase corporate value and shall assure transparent, healthy corporate management that is trusted by society.

Human Rights

1. KOKUYO shall respect the rights of all persons with whom it deals in all aspects of business. It shall strive for a working environment free of discrimination and shall never tolerate child labor or forced labor.
2. KOKUYO shall respect the individuality of each employee and shall offer a workplace that allows employees to fully express their autonomy and talents. KOKUYO shall aim to be one of Japan's leading companies in employee satisfaction.

Corporate Governance

The KOKUYO Group places great emphasis on strong corporate governance and an effective internal control system to carry out sound and transparent management.

Corporate governance and internal controls

The KOKUYO Group places great emphasis on corporate governance based on the core values of transparency, speed, and fairness, and is reinforcing working systems to uphold these values. While clarifying operating authority and responsibilities under the holding company system, we are also making efforts to strengthen overall supervisory functions and enhance corporate governance. The Group's management framework, basic structure, and essential points on Group operations under the new system are stipulated in the KOKUYO Group Governance Principles, established in line with the introduction of a holding company system in October 2004.

The Group has an auditing system in place, and each of the seven members of the Board of Directors is appointed to a term of only one year

to allow flexible response to changes in the business environment. Though the Group currently retains no external directors, well-informed outside individuals are contracted in an advisory capacity, supporting management as a source of neutral, objective opinions on a wide range of issues. Out of four auditors (including two external auditors), two are full-time auditing staff, while four lawyers on an advisory contract provide legal advice as the need arises.

Furthermore, in January 2009 the Group established the J-SOX Committee. Straddling organizational lines, this committee was founded to build and strengthen the Group's internal controls in tandem with the enactment of the new Financial Instruments and Exchange Act. The committee is particularly focused on upholding the reliability of the Group's financial reporting.

Risk Management/ Business Continuity Plan

The KOKUYO Group is preparing plans to carry out the necessary measures and procedures to continue and recover its operations in the event of large-scale disasters and threats such as new strains of influenza.

Establishing and implementing a business continuity plan

What would happen to the KOKUYO Group's operations in the event of loss of some or all of its factory or office functions due to a natural disaster? To prepare for such a contingency, in 2007 the Group began considering and preparing a business continuity plan (BCP).

In 2009, the Group implemented a comprehensive program to respond in the event of a major earthquake, such as one centered in the Tokyo area. The practicality of the program was thoroughly tested, with training on confirming the safety of employees, support measures for those unable to return to their homes, and general disaster-response training.

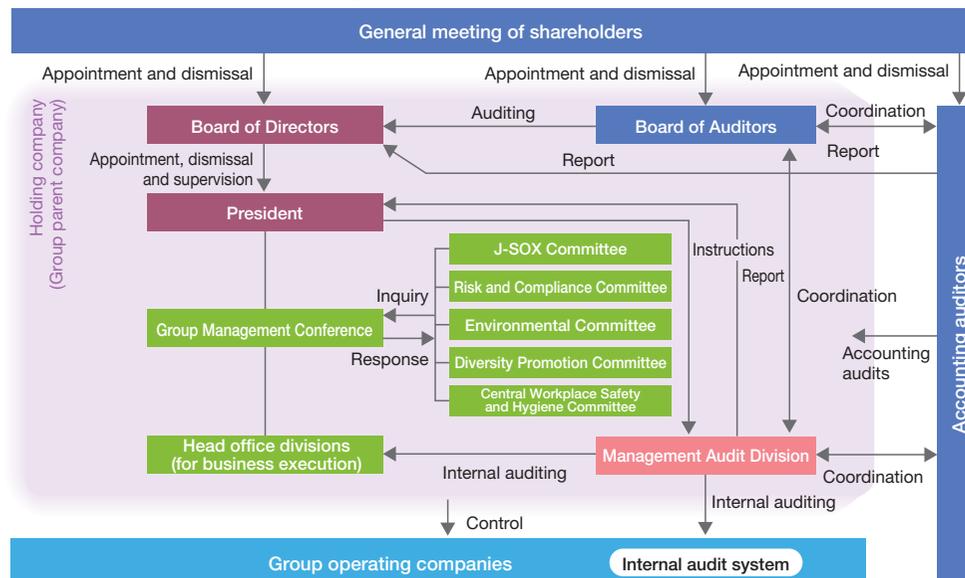
On April 28, 2009, the World Health Organization (WHO) raised the influenza pandemic alert level, and the Japanese government launched a new set of national countermeasures against influenza. Responding to this rising concern, the KOKUYO Group established the KOKUYO Group New Influenza Countermeasures Headquarters. This headquarters is tasked with confirming the status of such threats both in Japan and overseas, implementing measures to prevent the spread of infection within the Group, and responding appropriately in the event of infection.

Certification acquired

KOKUYO Furniture Co., Ltd., established a BCP pilot project in FY 2007. The project carried out preparations for every contingency, listing and evaluating the risks to vital aspects of the company's supply chain management (SCM) system and preparing a number of recovery scenarios. In FY 2008, KOKUYO Furniture obtained international certification (BS 25999*) for its business continuity management system (BCMS), becoming the first Japanese company in the office furniture industry to do so.

*1 These guidelines clarify the capabilities required of an organization, in the event of a pandemic or other disaster, to minimize interruption of operations and to counter threats to the continuation of business. Promulgated by the British Standards Institution (BSI), BS 25999 consists of the Code of Practice (Part 1), announced in November 2006, and the Specification (Part 2), announced in November 2007.

■ KOKUYO Group Governance System

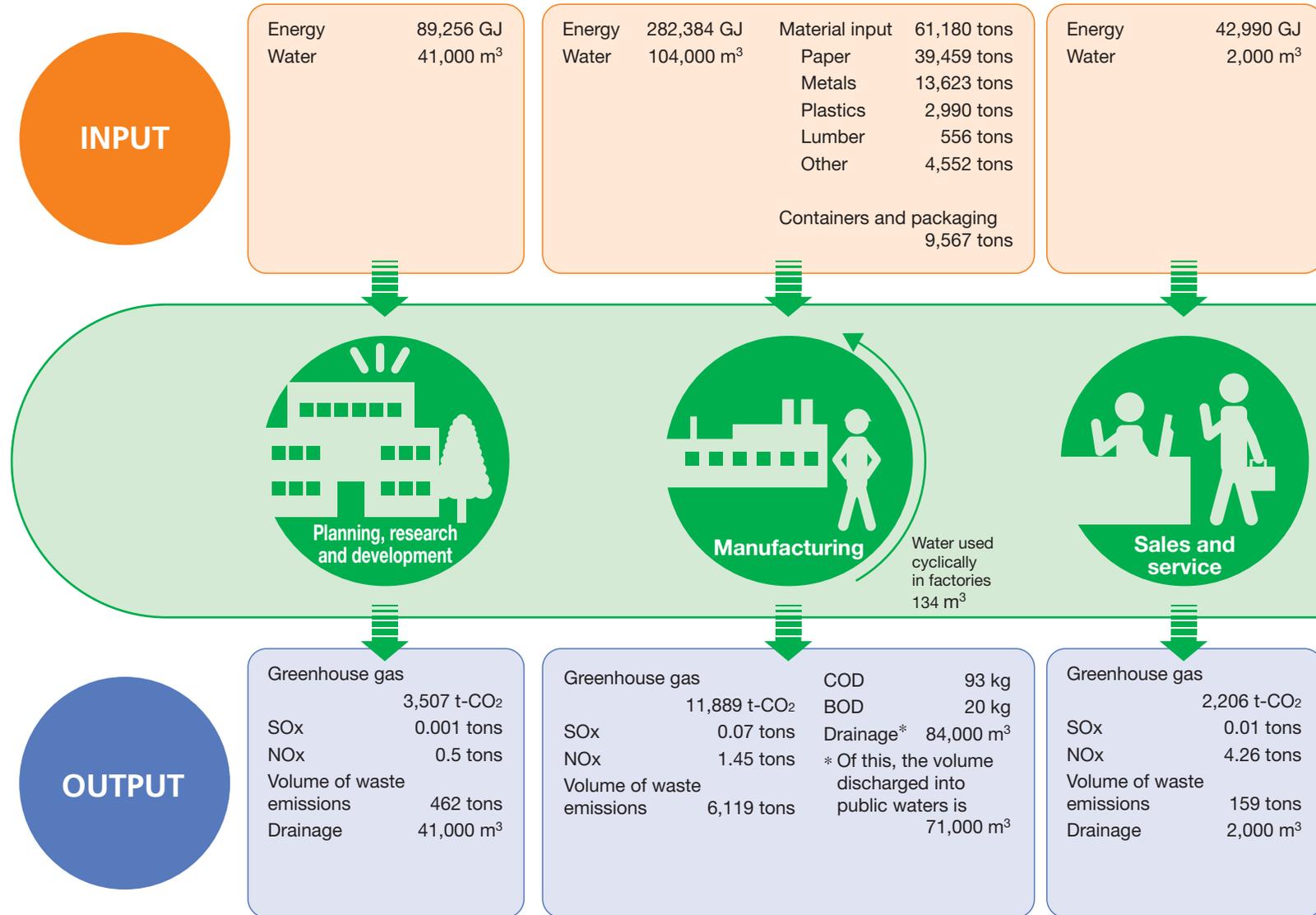


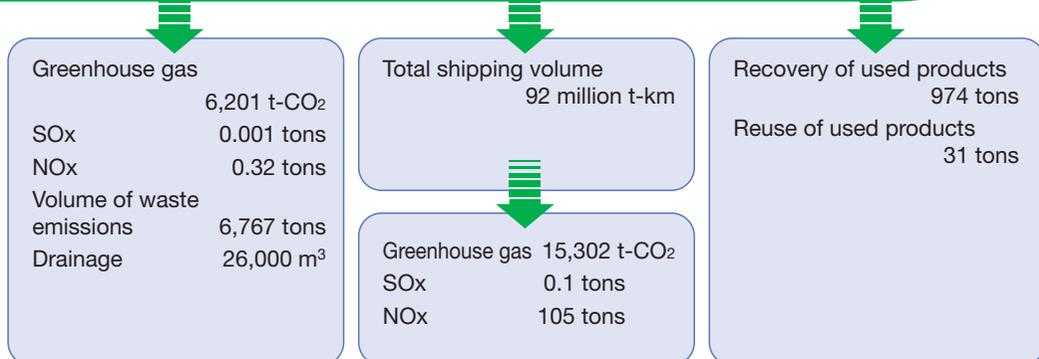
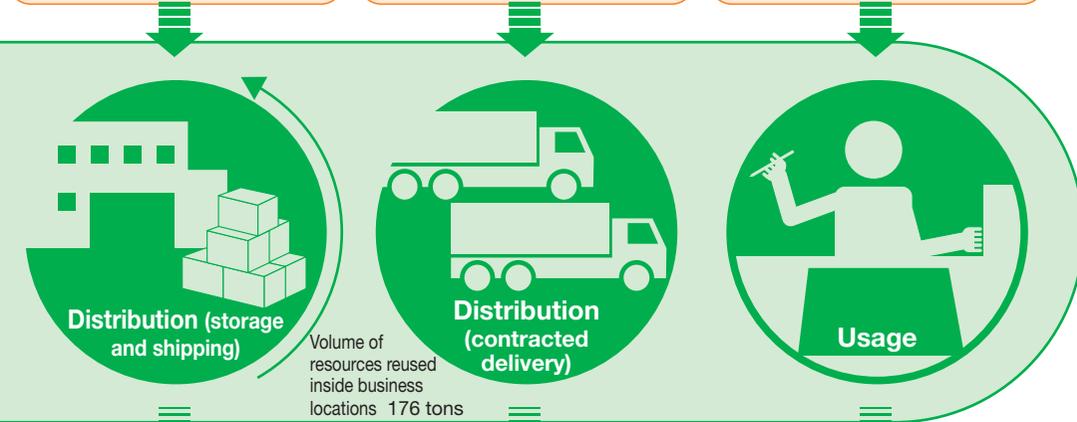
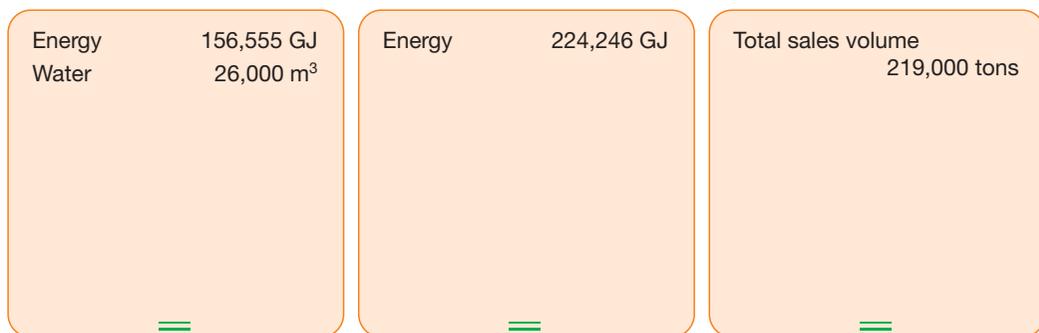
Relationship Between Business Activities and the Environment

The KOKUYO Group's activities center on the manufacture and sale of stationery, furniture, and store fixtures, as well as planning, research, distribution, construction, and services incidental to these products. Quantitative data representing the environmental load generated by these activities throughout the product life cycle (from planning, research and development to usage stages) is shown here.

The KOKUYO Group is working to advance environmental preservation activities mainly in areas where Group operations are directly relevant: planning, research and development; manufacturing; sales and service; and distribution (storage and shipping).

Regarding outsourced distribution (contracted delivery), we track the environmental load posed by delivery services and provide energy conservation suggestions by using contractors designated as "specified shippers" under the revised Law Concerning the Rational Use of Energy, and we also submit all necessary periodic reports and proposals.





Input parameters

Indicator	Unit	Calculation method
Energy	GJ	Electricity, gas (city gas, LPG, natural gas), oil (gasoline, light fuel oil, kerosene) The unit calorific value employed for electric power is the daytime electric power value set forth in the Enforcement Regulations for the Law Concerning Rational Use of Energy (enacted April 1, 2006). The unit calorific value employed for fuels is that set forth in the Manual for Calculation and Report of Greenhouse Gas Emissions Ver. 2.4 (March 2009). The unit calorific value employed for city gas since the previous year is that set forth in the Environment Ministry's Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5).
Water	m ³	Total amount of tap and industrial water used
Material input	ton	Volume used as raw material during product manufacturing
Packaging	ton	Volume of material used for the product packaging

The unit calorific value employed for fuel from FY 2009 onward is the value shown above.

Output parameters

Greenhouse gas emissions	t-CO ₂	Total volume of CO ₂ generated by consumption of electricity, gas and oil, and other gases generated by shipping vehicles (CH ₄ and N ₂ O emissions calculated as those of CO ₂). The volume of greenhouse gas emissions generated by distribution (contracted delivery) is calculated using the t-km method.
CO ₂ emissions	t-CO ₂	Volume of CO ₂ generated by consumption of electricity, gas and oil (see page 19) The CO ₂ emission coefficient for electric power is the average value for all power sources (0.378 kg CO ₂ /kWh) published in 2000 by the Federation of Electric Power Companies of Japan. The CO ₂ emission coefficient used for fuels is that set forth in the Manual for Calculation and Report of Greenhouse Gas Emissions Ver. 2.4 (March 2009). For city gas, the CO ₂ emission coefficient is that of the Ministry of the Environment's Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5) used since the previous year.
SOx, NOx	ton	Total volume of emissions generated by vehicles and those from currently operational, smoke-generating factories.
Waste emissions	ton	Volume of waste emissions: Total volume of waste substances and valuable substances generated by business locations. Volume recycled: Out of all waste products, the total volume of those that are recycled as materials (material recycling), as energy (thermal recycling), or as valuable substances (see page 21). Final disposal volume of waste: Out of all waste products, the total volume of those that are simply incinerated or directly buried in landfills (see page 21).
Drainage	m ³	Total volume discharged into public waters and sewage systems
COD, BOD	kg	Volume released into public waters from domestic plants that are mandated by law to check water quality.

The CO₂ emission coefficient employed for fuel from FY 2009 onward is the value shown above. For city gas, the CO₂ emission coefficient is that of the Ministry of the Environment's Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5) used since the previous year.

Other parameters

Total delivery volume	t-km	Total amount of contracted delivery of furniture and stationery products (excl. KAUNET deliveries)
Water reused in factories	m ³	Volume used cyclically inside business locations
Resources reused on business locations	ton	Amount of packaging used by companies such as KOKUYO Logitem Co., Ltd., and KOKUYO Supply Logistics Co., Ltd., that is reused inside business locations
Total sales volume	ton	Total retail sales of stationery and furniture
Collection of used products	ton	Volume of used products collected from customers by KOKUYO Logitem Co., Ltd.
Reuse of used products	ton	Volume of products reused, out of those used products collected from customers by KOKUYO Logitem Co., Ltd.

Environmental Vision/ Medium- to Long-term Environmental Action Plans and Results

Environmental Vision updated

This year, the KOKUYO Group updated the KOKUYO Group Environmental Vision in accordance with the national government's call for comprehensive initiatives toward "a recycling-based society," "a low-carbon society" and "a symbiotic society," in order to achieve the overall goal of "a sustainable society." The Environmental Vision consists of an Environmental Philosophy to be observed by the Group, and an Environmental Policy outlining specific areas of endeavor. "Biodiversity" has been added to the existing areas of prevention of global warming; resource conservation and recycling; procurement, development and supply of eco-products; legal compliance and pollution prevention; information disclosure and communication; and environmental management, for a total of seven areas of endeavor.

This update of the Environmental Vision provides a jumping-off point for formulation of the new "Green Initiative 2020" program for new medium- to long-term environmental action plans.

Environmental Vision	
Fundamental Philosophy	
Since KOKUYO's founding, our corporate objective has been "Contributing to society by providing superior products." In line with this objective, we draw upon the collective wisdom of all company personnel and act Group-wide to address a common long-term issue relevant to the whole world - environmental conservation.	
Environmental Policy	
1. Prevention of Global Warming	To prevent global warming, KOKUYO works to reduce emissions of CO ₂ and other greenhouse gases.
2. Resource Conservation and Recycling	To help achieve a recycling-based society, we use the earth's limited resources sparingly and strive to fulfill our obligation to reduce, reuse, and recycle.
3. Procurement, Development and Supply of Eco-Products	KOKUYO practices green procurement to obtain product components, and develops and supplies eco-products. Additionally, environmental impact is minimized through technological innovation and the development of environmental business models.
4. Legal Compliance and Pollution Prevention	KOKUYO complies with not only environmental laws, but also with voluntary standards and industry policies on which the company has agreed. Every effort is also made to prevent pollution.
5. Information Disclosure and Communication	We will actively disclose environmental information and engage in communication with our customers and other external parties to continually enhance our environmental activities.
6. Environmental Management	<ul style="list-style-type: none"> Our environmental management strives to fulfill both environmental and business objectives. The company sets targets for mitigating environmental impact, and all employees work together for continuous improvement. The maintenance and improvement of frameworks to achieve these targets, the nurturing of human resources, and the development of evaluation systems are the means we use in striving to enhance our environmental and economic effectiveness.

Environmental Vision update



KOKUYO Group Environmental Vision

Environmental Philosophy

Based on the corporate philosophy we have followed since our foundation, "contributing to society by providing superior products," the KOKUYO Group will work toward a sustainable society, recognizing environmental problems such as global warming, exhaustion of resources and preservation of biodiversity as universal and enduring issues. Drawing upon the wisdom of all company personnel, we will take the initiative and address these problems.

Environmental Policy

	Prevention of Global Warming	To achieve a low-carbon society, KOKUYO works to drastically reduce emissions of CO ₂ and other greenhouse gases.
	Resource Conservation and Recycling	To help achieve a recycling-based society, we use the earth's limited resources sparingly and strive to fulfill our obligation to reduce, reuse, and recycle.
	Procurement, Development and Supply of Eco-products	KOKUYO works to develop new environmental technologies and practice green procurement in order to mitigate environmental impact throughout all stages of the product life cycle.
	Biodiversity	Through business activities executed with consideration for biodiversity, KOKUYO makes efforts to minimize impact on and preserve the ecosystem.
	Legal Compliance and Pollution Prevention	KOKUYO complies with environmental laws, voluntary standards and industry policies on which the company has agreed. Further, every effort is made to prevent pollution.
	Information Disclosure and Communication	We will actively disclose environmental information and engage in communication with our customers and other external parties to enhance our environmental conservation activities.
	Environmental Management	All employees work together to develop new environmentally friendly business models, and continue to lighten environmental impact and improve business practices.

Green Initiative 2020 (scheduled for enactment)
(KOKUYO Group program for medium- to long-term environmental action plans)

■ Green Initiative 2010

○: Targets attained; ×: Targets not yet attained; —: Not applicable (e.g., targets interrelated in multiple areas)

Environmental Policy	Items to be addressed		Targets and results for 2009 (Jan. 1 to Dec. 31)		Evaluation	Targets for 2010
			Target	Result		
Prevention of global warming	Prevention of global warming	Reduction of CO ₂ emissions (over the year ended March 31, 1991)	10.6% reduction	24.0% reduction	○	10% reduction
		Reduction of CO ₂ emissions generated during deliveries (over the year ended March 31, 2007)	Improvement of shipping and delivery data accuracy	Expansion of scope of shipping and delivery data gathered	○	4% reduction over the year ended March 31, 2007
		Expansion of modal shift	Improvement	79.4% of the previous year's level	×	Expansion
Resource conservation and recycling	Measures aimed at resource conservation and recycling	Reduction in the final disposal volume of waste (over the year ended March 31, 1998)	Maintain present progress levels	83% reduction	○	64% reduction (this rate will be sustained for early attainment of targets)
		Improved recycling rate for the overall volume of waste	Maintain present progress levels	95.3%	○	91% (this rate will be sustained for early attainment of targets)
		Promotion of "zero emissions"	Maintain present progress levels	Expansion (5 distribution points)	○	Expansion to all business locations
Procurement, development and supply of eco-products	Development of eco-products	Reduction in the ratio of products marked with the Eco X mark	Stationery products: 35% Furniture products: 7%	Stationery products: 40% Furniture products: 6%	×	0% (in the 2011 KOKUYO General Catalog)
Legal compliance and pollution prevention	Strengthening of management systems for hazardous chemical substances	Reduction in hazardous chemical substances contained in products	Compliance with the RoHS Directive	Maintain compliance with the RoHS Directive	—	All supply sources will follow these guidelines.
		Reduction in hazardous chemical substances used in manufacturing processes	Maintain present progress levels (eliminating toluene and xylene)	Toluene: 46.0 kg reduction Xylene: 34.2 kg reduction	○	All materials will be free of toluene.
		Introduction of a management system to the supply chain	—	—	—	Set every year
Information disclosure and communication	Disclosure of environmental information	Web site enhancement	Regular updates	Regular updates	○	Regular updates
	Communication	Strengthening of links with industry associations, NPOs and communities	Continuation of activities	Continuation of activities	○	Continuation of activities
	Activities contributing to society	Promotion of forestation	Regional and global environmental preservation activities	Green fund-raising, Ikoma no Mori project, Yui no Mori project	○	Continuation of forest preservation activities
		Community cleanups	Execution of cleanup projects	Execution of cleanup projects	○	Continuation of cleanup projects around offices and business locations
Environmental management	Environmental management	Maintenance and improvement of environmental management systems	Maintain present progress levels	Maintenance of integrated authentication	○	Maintenance of integrated authentication
	Fusion of management and the environment	Improved third-party evaluations (corporate environmental management surveys)	Make improvement	Improved from 111th place to 84th place	○	Continual improvements in environmental management
	Promotion of an ecological business model	Business application and operation of a new ecological business model	Execution of the Yui no Mori management plan	Execution of the Yui no Mori management plan	○	—

Initiatives in Biodiversity

KOKUYO is promoting initiatives that strike a balance between environmental protection and business activities.

CLOSE UP

The Fourth Year of Yui no Mori Project Focuses on the Original Functions of the Forest



Objectives of Yui no Mori

The KOKUYO Shimanto Yui no Mori project in the Shimanto River basin of Kochi Prefecture is now in its fourth year. Its purpose is to rejuvenate the forests' original functions, such as supporting ecosystems and absorbing CO₂, and use wood from forest thinning to create commercial products, thereby fostering a virtuous cycle between business and environment. Activities connected to the project aim to (1) promote a society that is in harmony with nature through surveying and monitoring in support of biodiversity; (2) form a low-carbon society through appropriate forest management, including forest thinning; and (3) achieve a recycling-based society through the effective use of wood from forest thinning.

Improved ecosystems confirmed in monitoring

In 2009, the project carried out surveys of vegetation, of the volume of water flowing from soils, and of water quality and biodiversity in rivers based on stream-clarity standards. The vegetation survey examined the rate of forest regeneration after thinning, caused by increased exposure to sunlight.



Collecting and identifying species at the riverside

By carefully studying plant species, heights and densities, and their distribution, the project team learned that the number of plant species in the forest had increased from the previous year, from 57 to 81.

In preparation for examining the effects of thinning in Yui no Mori on water quality and ecosystems, KOKUYO employees conducted their first survey of stream clarity, measuring water quality and biodiversity in the Shimanto River. Upon measuring transparency, temperature, pH balance, and the number of species living in the river, the project team determined that the stream was clearer than in the previous year. Many of the creatures living in it were native to clear streams. As a result, the prefectural government awarded the Shimanto River grade 1, indicating top-level water quality.

After forest thinning, increased biodiversity can be seen in Yui no Mori.

Forests' yearly improvements in CO₂ absorption

To date, the KOKUYO Group has thinned some 194 ha of forest through the Yui no Mori Project. CO₂ absorption is expected to improve accordingly. Following a Kochi Prefectural Government survey and an examination of CO₂ absorption by a third-party committee of forest experts, the Group received a prefectural Certificate of CO₂ Absorption, in recognition of the absorption of 2,653 tons of CO₂. In collaboration with the local community, the Group intends to continue its efforts to preserve the environment, promote CO₂ absorption, and make use of wood from forest thinning.



Handover of CO₂ Absorption Certificate by the Osaka Office Director of the Kochi Prefectural Government

C O L U M N



Furniture using FSC-certified thinned-wood from Yui no Mori joins standard product line



The FSC certification logo

For over 10 years, the KOKUYO Group has used wood from forest thinning for developing and producing an array of furniture products. To increase these products' customer base and widespread use, KOKUYO launched two models of conference tables produced using Yui no Mori thinned wood and have received Forest Stewardship Council (FSC) forest management certification. These products have become part of standard lineups.

KOKUYO is currently the only producer of office furniture that has received FSC certification.

Broadening Our Product Range and Human Network to Safeguard the Precious Natural Environment for Future Generations



Protecting the environment of Lake Biwa and the habitats of the creatures that live in and around it

Shiga Prefecture is home to Lake Biwa, vital water source for many regions around Kyoto, Osaka and Kobe. Shiga is one of Japan's most environmentally progressive prefectures and is the home of KOKUYO Product Shiga Co., Ltd. (KPS), the KOKUYO Group's main factory for *Campus Note* notebooks and other paper products. This company strives to protect the environment through its daily operations, saving energy and reducing waste generation. KPS also seeks to protect the reed marshes of Lake Biwa and utilize the aquatic plant.

These reed marshes are of great ecological significance. The little grebe (*Tachybaptus ruficollis*), a waterfowl, nests in these reeds, and a type of carp called the nigorobuna (*Carassius buergeri grandoculis*), found only in Lake Biwa, spawns and raises its young there. In recent years, the populations of both these species have been falling.

One factor in this population decline is the

disappearance of their habitat. The extent of the reed marshes has fallen to half the level of half a century ago. As the reeds grow, they filter the lake water by absorbing nitrogen and phosphorus from it. Maintenance of reeds helps them fully exert this ability; as old reeds wither, they need pruning to give new shoots room to grow.

To protect the incredible biodiversity of Lake Biwa's original natural environment, KPS undertook a project to find new uses for the reeds and to promote use of such products throughout the region. Since its launch two years ago, this project, called the *ReEDEN* Project, has dramatically expanded the possibilities for reed-based products and their sales. The project's stationery series include not only paper products made partially from reed pulp, such as notebooks, business cards and photocopying paper, but also calligraphy pens made directly from reeds.

In products sold in 2009, a total of 28 tons of reeds was used. According to KOKUYO's own calculations, the volume of reeds maintained for this purpose was sufficient to filter the nitrogen from 0.58 million tons of water and the phosphorus from 2.1 million tons of water.

Widening the circle of supporters protecting Lake Biwa with the reed

The *ReEDEN* Project does not stop at developing and selling reed-based products. KPS was determined to extend the project to activities spanning the entire region, including participation of volunteers in reed pruning and sending personnel to schools to teach children the importance of the reeds. With these goals in mind, KPS organized a group of 21 companies, mostly located in Shiga Prefecture, to form the Network to Protect Lake Biwa with the Reed. Toshihiro Ota of KPS' Environmental Promotion Group serves as the network's secretariat, recruiting volunteers for reed pruning from among the members, distributing an e-mail magazine, and otherwise keeping members regularly informed of KOKUYO's and other network members' efforts.

In February 2010, some 180 volunteers from 12 companies conducted a reed pruning exercise at Lake Nishi-no-ko in nearby Azuchi-cho. "I hope," said Ota, "we can inform not only the people of Shiga Prefecture but also people in the entire Kyoto-Osaka-Kobe region—in fact, everyone who benefits from the waters of Lake Biwa—of the importance of the reeds."

The network aims to steadily widen the circle of supporters of Lake Biwa preservation.



This lagoon, known as Lake Naiko, is home to a wide expanse of reeds.

Reed calligraphy pen



ECO Products The *ReEDEN* Series

The *ReEDEN* Series, launched in 2007, is a series of stationery products created using the reeds of the Lake Biwa/Yodo River system. Born from a desire to "transform Lake Biwa into an earthly paradise with our own hands," these products have gradually expanded in range, from paper products to writing instruments. In 2009, KOKUYO presented *ReEDEN-no-Kobako*, an exhibition commemorating the second anniversary of the *ReEDEN* Series. The exhibition succeeded in introducing *ReEDEN* to an entirely new type of audience.

The *ReEDEN* Project has earned high acclaim for its successes in both protecting the environment of Lake Biwa and nurturing the fledgling reed-products market. In the Eco Services category of the Eco Products Awards, which officially recognize excellent environmentally friendly products and services, the *ReEDEN* Project was given the Award of Excellence (Eco Products Award Promotion Association Chairman's Award).



ReEDEN-no-Kobako exhibition (at a preserved private home in Omi-Hachiman, Shiga Prefecture)



ReEDEN Project participants after the awards ceremony

Measures against Global Warming

Target for the year ended Dec. 31, 2009

Volume of CO₂ emissions
10.6% reduction from the levels of the fiscal year ended March 31, 1991 (27,915 t-CO₂)

Results for the year ended Dec. 31, 2009

Volume of CO₂ emissions
24.0% reduction from the levels of the fiscal year ended March 31, 1991 (23,742 t-CO₂)

Overview of the year ended Dec. 31, 2009

In FY 2009, the KOKUYO Group achieved a 4,746-ton reduction in the volume of CO₂ emissions compared to the previous year, for a total of 23,742 tons. We estimate that a 1,462-ton reduction resulted from operational improvements, a 245-ton reduction from facilities improvements, and a 3,039-ton reduction from decreased production volume and merging and streamlining of facilities. Therefore, actual emissions reductions (resulting from operations and facilities improvements) amounted to 1,707 tons, a 14.2% reduction from FY 1990 emissions levels.

Measures against global warming adopted at factories

In FY 2009, standardized emissions reduction measures were adopted at all domestic KOKUYO factories, and with implementation of measures synchronized across the board, deeper cuts in emissions were achieved. The outcome was a 3,195-ton reduction compared to the previous year. Because 2,532 tons are deemed to result from decreased production levels, the actual reduction in emissions is estimated at 663 tons.

Last year, a system aimed at making processes visible was implemented at the Shibayama

Plant. Through this program, operational improvements alone (such as reducing nighttime/holiday standby electricity consumption, and setting rules for facility use during production periods) resulted in a 222-ton reduction in emissions.

Measures against global warming adopted during distribution

CO₂ emissions resulting from distribution (storage and shipping) were 872 tons lower than in the preceding year.

At KOKUYO Supply Logistics Co., Ltd., we strengthened efforts to reduce CO₂ emissions due to distribution of disposable office supplies, such as use of energy-saving light fixtures and delivery of supplies by bicycle.

Related information p. 10

Measures against global warming adopted in offices

CO₂ emissions from offices were 679 tons lower than last year.

We continued promoting the Cool Biz program and No Overtime Day, and the two new environmentally friendly offices, Eco LiveOffice Shinagawa and Resonance Field 3.0, helped KOKUYO propose environmental solutions to our customers.

At the Shinagawa office, a system aimed at

making processes visible allowed us to keep tabs on energy consumption and achieve a 132-ton reduction in emissions, through measures such as adjustment of running periods for air conditioning systems (a major consumer of power) as well as reduced nighttime power consumption, suspension of elevator operations and so on.

Related information p. 7-9

TOPICS

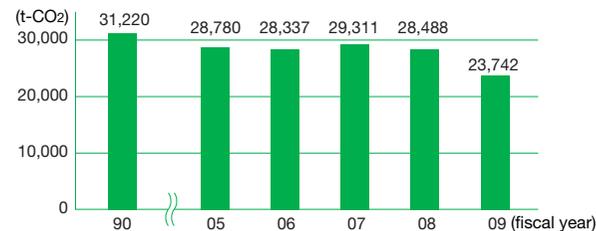
KAUNET Catalog obtains carbon offset accreditation

The KOKUYO Group is pursuing a carbon offset initiative for catalogs. Among these, measures to offset CO₂ emitted during printing, binding and shipping of our KAUNET office supply mail-order catalog received our first accreditation under a Carbon Offset Accreditation System overseen by the Ministry of the Environment.



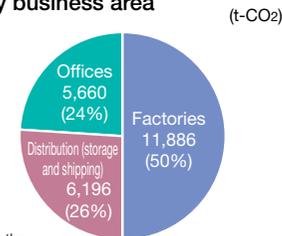
KAUNET catalogs with accreditation labels on the covers

CO₂ emission volume changes

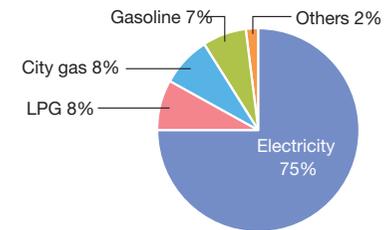


* Starting in FY 2009, the CO₂ emission coefficient used for fuels excluding city gas is that set forth in the Manual for Calculation and Report of Greenhouse Gas Emissions Ver. 2.4 (March 2009), which is published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. Calculated with the CO₂ emission coefficient used up through FY 2008, the 2009 emissions volume comes to 23,733 tons of CO₂.

Breakdown of CO₂ emissions by business area



Breakdown of CO₂ emissions by source



TOPICS

Making processes visible at construction sites helps reduce CO₂ emissions

KOKUYO Engineering & Technology (KET) is a contractor entrusted with overseeing overall office space design, interior renovation and facilities installation at over 16,000 sites a year. Until now, one of KET's pressing concerns has been how to build a system aimed at ensuring improvement of the quality and reliability of workmanship.

KET addressed this concern by developing the original GLASS System, which allows centralized management of all types of information including blueprints and construction processes on a server, and sharing of information among all parties involved in executing the work. In this system, photographs at each stage of the work are taken with a mobile camera and uploaded. KET staff check them as needed, manage the work process remotely and provide instructions to those on site. Clients can also view the progress of work, the staff conducting it and the layout blueprints, allowing confirmation of

work quality and maximum reliability as clients receive information in real time.

At the same time, implementation of the GLASS System also results in reduced CO₂ emissions, as staff who formerly visited sites using company cars and so forth can now check them remotely. In the second half of 2009, the volume of CO₂ emission reduction was 6.8 tons*, equivalent to 2.5% of overall emissions from KET. Considering that almost half of CO₂ emissions in the transport sector in Japan result from cars for personal use, we see steady efforts of this sort as an important means of reducing environmental impact.

We will continue making efforts to ensure both quality workmanship on the construction site and environmental friendliness.

* The CO₂ emission coefficient used for fuels is the value set forth in the Manual for Calculation and Report of Greenhouse Gas Emissions Ver. 2.4 (March 2009).



A screen from the GLASS System (simulated image)



A staff member photographs work at the site



A KET administrator checks the progress of work

Dealing with Hazardous Substances

Measures to reduce levels of chemical substances in the production process

In 2009 at the Shibayama Plant of KOKUYO Furniture Co., Ltd., we reduced the amount of xylene used to zero by switching from solvent-based to water-based coating. We do not use xylene at the Mie Plant.

In response to revisions to materials covered by the PRTR Law, we are revising our MSDSs while working to implement thorough management and reduce such materials.

Measures to reduce levels of chemical substances in product development

The KOKUYO Group works to ensure compliance with laws and reduce its environmental load by means of a chemical substance management system and data collection methods established under chemical substance management regulations.

At KOKUYO S&T, in order to reduce materials covered by the RoHS Directive and other hazardous substances, we receive written confirmation from suppliers, and perform in-house inspections to verify that information using X-ray fluorescent analysis equipment to ensure that hazardous substances are not present. In the latter part of FY 2009, we completed these inspections, and we plan to strengthen measures further.

At KOKUYO Furniture, we regularly store in a database inspection results on materials covered by the RoHS Directive, which are based on the results of inspections carried out at suppliers, and undertake other necessary measures.

Chemical substances covered under the PRTR Law

(Unit: kg)

Ordinance number	Name of chemical substance	Amount used	Volume emitted/volume transported			Subtotal	Volume removed in treatment	Volume recycled	Volume consumed
			Atmospheric emission volume	Volume of drainage discharged	Volume of waste disposed of				
1	Zinc compounds (water-soluble)	1,047.0	0.0	2.6	0.0	2.6	540.3	0.0	504.1
307	Polyalkyl ether	698.1	698.1	0.0	0.0	698.1	0.0	0.0	0.0
270	Di-n-butyl phthalate	523.5	0.0	1.1	8.1	9.2	0.0	0.0	514.3
102	Acetic acid	184.5	20.6	4.9	11.0	36.5	0.0	0.0	148.0
227	Toluene	175.8	101.5	0.1	0.2	101.8	71.6	0.0	2.4
16	Monoethanolamine	117.6	111.7	5.9	0.0	117.6	0.0	0.0	0.0
43	Ethylene glycol	106.6	0.0	0.0	0.1	0.1	0.0	0.0	106.5
232	Nickel nitrate	60.5	0.0	0.0	42.4	42.4	0.0	0.0	18.1
63	Xylene	21.6	21.6	0.0	0.0	21.6	0.0	0.0	0.0
309	Poly(oxyethylene) nonylphenyl ether	18.3	18.1	0.0	0.0	18.1	0.0	0.0	0.2
224	1,3,5-trimethylbenzene	14.4	14.3	0.0	0.0	14.3	0.0	0.0	0.1
93	Chlorobenzene	10.0	9.9	0.0	0.0	9.9	0.0	0.0	0.1
346	Molybdenum and its compounds	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Total	2,978.9	995.8	14.6	61.8	1,072.2	611.9	0.0	1,294.8

Notes 1. "Volume removed in treatment" refers to the volume of "chemical substances covered under the PRTR Law" that were transformed into other substances through incineration, neutralization, decomposition, reactive treatment or other means used within business locations.
2. "Volume consumed" refers to the volume of "chemical substances covered under the PRTR Law" that were taken out of business locations as other substances as described above, or as components of or accompaniments to products.

Resource Conservation and Recycling Measures

Target for the year ended Dec. 31, 2009

1. 64% reduction from the levels of the fiscal year ended March 31, 1998 in final disposal volume of waste produced
2. Maintenance of a 91% or greater recycling rate of total waste volume

Results for the year ended Dec. 31, 2009

1. 83% reduction from the levels of the fiscal year ended March 31, 1998 in final disposal volume of waste produced
2. Maintenance of a 95.3% or greater recycling rate of total waste volume

Overview of FY 2009

The KOKUYO Group emitted 13,507 tons of waste in FY 2009, which was 2,972 tons less than in the previous fiscal year. Also, drawing on improved accuracy in tabulating general waste volume (involving the rigorous application of handling standards at certain sites), recycling volume and final disposal volume*1 were adjusted for the past several fiscal years.

Since FY 2007, the Group has exceeded its targets for recycling rate*2 and final disposal volume. We intend to continue to improve our performance in appropriate waste treatment and recycling.

- *1 Final disposal volume: Out of all waste products, the total volume of those that are simply incinerated or directly buried in landfills.
- *2 Recycling rate: Total volume of waste products that are recycled as materials (material recycling), as energy (thermal recycling), or as valuable substances, as a percentage of all waste products.

Working toward zero emissions through promotion of the 3 R's

An independent review conducted in February 2009 determined that KOKUYO MVP's Aoya Factory had not achieved zero emissions*3. The main reason for this failure was that files with defective affixing had been simply incinerated. Later, an agreement was signed with a new waste-treatment operator, and an on-site inspection of the final-processing site confirmed that these materials were recycled. As a result, zero-emissions status was achieved at Aoya Factory.

Also, five Group distribution centers, including KOKUYO Supply Logistics Kinki IDC, achieved zero emissions for all emissions, including general waste.

*3 "Zero emissions" is defined in the KOKUYO Group as reduction of the final disposal volume of industrial waste to zero.

Reuse and recycling of used products

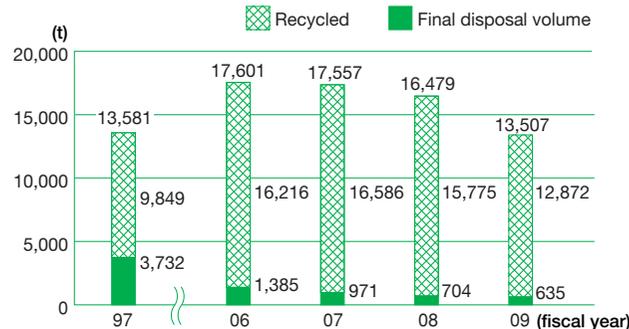
When delivering products to customers, we also collect their used and unneeded products and recycle or reuse them when product condition permits.

In FY 2009, KOKUYO Logitem Co., Ltd., collected 974 tons of used products including office desks and chairs. Of that, 31 tons were reused, and 556 tons were disassembled, separated by material type, and recycled.



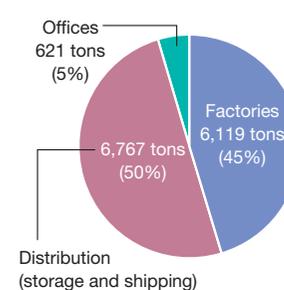
Disassembling and separating used chairs

■ Volume of waste products recycled compared with final disposal volume

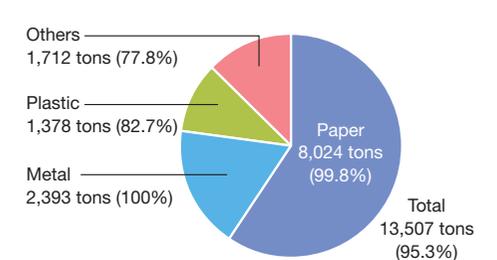


* Waste produced at construction sites is not included.

■ Breakdown by source of waste produced



■ Breakdown by material of waste produced (figures in parentheses are recycling rates)



Providing Eco-Products

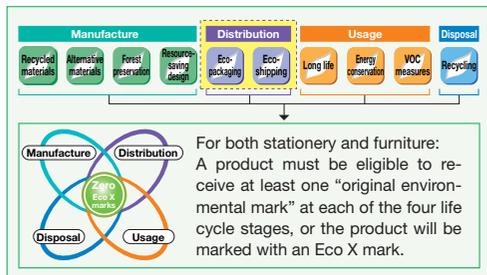
Target for the year ended Dec. 31, 2009

Percentage of products displaying Eco X mark
Stationery: 35%
Furniture: 10%

Results for the year ended Dec. 31, 2009

Percentage of products displaying Eco X mark
Stationery: 40%
Furniture: 6%*1

- *1 • The Eco X mark display percentage for furniture is the percentage of all furniture products in the General Catalog, excluding low partitions, room dividers, and in-store fixtures and furniture.
- The data for results shown in the 2010 KOKUYO General Catalogs for stationery and furniture, published in December 2009, was the latest data available when the catalogs were produced, and thus the values differ.



Efforts in 2009

KOKUYO Group has been marking every product in its General Catalog that is not environmentally friendly in each and every stage of its life cycle with the Eco X mark. The Group's aim is to eliminate all Eco X marked products. In FY 2009, the Group achieved its target for Eco X marked product ratio in furniture products. In stationery products, the Group actively promoted the use of recycled materials and slimmed down its packaging, changing the specifications for its products one by one. However, in comparison with products slated for improvement, there were more products in stock that were slated for discontinuation than originally assumed, so the target was not fulfilled.

In 2009, the second year of the zero Eco X mark initiative, the Group concentrated on discovering issues and addressing them, with a view to tackling them and achieving zero Eco X marks. The most pressing issue uncovered was that the only option available at time of disposal was recycling. Some product groups could not be evaluated on this basis. For example, material recycling was not possible for some plastic products, such as OA filters; for others, such as large cutters, separation and sorting of materials was hazardous. For these products, KOKUYO recognized that new evaluation methods and perspectives were needed. The Group is continuing to seek out solutions for issues such as these, one by one.

TOPICS

Packaging reuse begins

In furniture products, KOKUYO focused on applying its standards for the distribution phase of the product life cycle. These standards were adopted as part of a revision of KOKUYO's environmental performance standards for Eco X mark products. The Group revised packaging configurations of its products, and worked on ways to raise shipping efficiency. In 2009, KOKUYO launched the "returnable intermediate packaging" initiative. Previously, packages had been wrapped in plastic bags before being placed in cardboard boxes and delivered to customers. After delivery, customers would throw the plastic bags away as garbage. In response to this issue, personnel in charge of product development, production management, and quality assurance worked together to propose returnable intermediate packaging. In this solution, products were wrapped in nonwoven tubular sacks, each color-coded for the distribution center of origin or labeled with a code for the factory that produced the product. This initiative will be applied in sequence, starting from new models of reception furniture in the FY 2010 catalog.



Reusable intermediate packaging

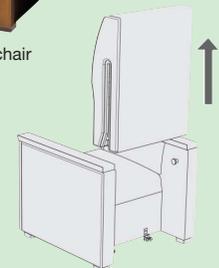
Initiatives for reception chairs

KOKUYO adopted a number of measures to reduce the environmental impact of the *Aldeo* reception chair. In the distribution phase, a knock-down design*2 was adopted, and the packaging size during shipping was reduced to about 80% of the former size. For the manufacture phase, upholstery consisting of 25% polylactic acid (PLA) from industrial maize and 75% recycled polyester was used as the surface material. The main structural material was 100% FSC-approved wood. KOKUYO is the only office furniture producer to require FSC certification on its own initiative, and is the first in the Japanese industry to use this combination of FSC-approved wood and PLA in reception furniture.

*2 Knock-down design: Design of furniture to be shipped as parts and assembled on-site, intended to raise the efficiency of both storage and shipping.



Aldeo reception chair



Reuse label attached to returnable intermediate packaging

Promoting Diversity

KOKUYO recognizes that promoting diversity is essential for its continued growth and development.

Our basic approach

At KOKUYO, we define “diversity” as “an environment that supports a wide variety of work methods and approaches, and recognizes a wide range of circumstances and values, so that each employee can achieve his or her maximum performance.” KOKUYO positions this management issue as one that demands the participation of all employees, male and female, able-bodied and disabled. Under the direction of the Diversity Promotion Committee, established in August 2007, Group-wide efforts are under way to promote and strengthen diversity.

In FY 2009, KOKUYO linked three Group locations in a live Forum to Promote Work-Life Balance. This event succeeded in raising awareness of the importance of striking a balance between the pressures of work and the needs of home and personal life. The forum also served to inform employees of the Group’s action plan, based on the Act on Advancement of Measures to Support Raising Next-Generation Children, encouraging each Group company to move forward with its own activities in this regard.

Four basic themes in promoting diversity

- Establishing a framework and promoting its use**
 - Creating a framework that flexibly embraces diverse ways of working
 - Spreading the use of various systems for diversity within each company
- Sharing the significance of promoting diversity**
 - Building a shared understanding toward achieving comfortable and supportive work environments
 - Building a shared understanding toward achieving environments that put people’s abilities and talents to work
- Achieving work-life balance**
 - Creating environments that support both work and personal life
 - Achieving highly productive work methods
- Supporting the activities of a diverse workforce**
 - Achieving diversity through diversity in hiring
 - Promoting the active participation of women in the workplace

Supporting a balance between work and childcare/nursing care

KOKUYO is developing a full suite of management systems to support a balance between the needs of work and family. We are creating work environments that can accommodate such life events as childbirth, childcare and nursing care.

KOKUYO’s childcare-leave system is generous beyond legal requirements: employees may take leave to raise a child until the April 30 after the child has turned one year old, or until the child is one year and six months old, whichever is longer. This arrangement was adopted in consideration of the gap that may arise between the time the child is eligible for nursery school (first birthday) and the start of nursery school (in Japan, usually early April). Our employees tell us that this system enables them to manage their return to work without undue hardship. KOKUYO also introduced a system of reduced work hours, enabling the selection of a shorter workday in consideration of personal or position-related circumstances. Moreover, KOKUYO provides training to managers as well, to impress on them the importance of work-life balance.

Voice Taking childcare leave



Takashi Minematsu
KOKUYO Business Service Co., Ltd.

I took childcare leave mainly to help my wife with our first two children. My strongest memory of that time was of joining our middle child’s Christmas party (at the kindergarten). My wife was having trouble recovering from childbirth, so I attended instead of her. I was the only father in the room.

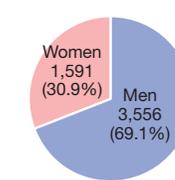
To tell the truth, I was quite embarrassed, until I saw to my surprise how thrilled my daughter was to have me there. At that moment I knew from my heart how glad I was to join her party.

Number of employees taking childcare leave

Fiscal year		2005	2006	2007	2008	2009
Number	Men	0	0	4	6	1
	Women	16	18	40	23	38

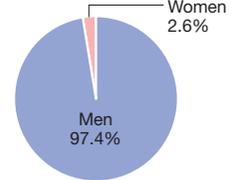
Ratio of men to women: all employees

(Regular staff, consolidated Group companies)



Ratio of men to women: management positions

(Data from main Group operational companies)



Hiring and training local people overseas

To operate successfully on the global stage, KOKUYO goes to great lengths to attract and train the most talented people, irrespective of factors such as nationality, age and gender, and appoint them where they can shine the brightest. In this way we recruit and develop the talent that will propel KOKUYO into a new age of innovation and expansion.

As of December 31, 2009, the KOKUYO Group operates a worldwide network of sales offices that includes 16 locations in China and one each in Thailand, Malaysia, India and Europe. Production facilities for our stationery and furniture operations can be found in Thailand, Vietnam and Malaysia. In all, 90% of the employees at our overseas locations were hired locally, and some went on to

become directors.

Our most concerted efforts in developing overseas facilities are in China. Our two principal Chinese affiliates, KOKUYO Trading (Shanghai) Co., Ltd., which creates office environments, and KOKUYO Commerce (Shanghai) Co., Ltd., which conducts mail-order sales of office products, employ over 100 people.

Also, for each of our production centers in Thailand, Vietnam and Malaysia, we offer a range of programs aimed at bolstering employee skills and motivation and encouraging them to share the values of the KOKUYO Group and to understand its Corporate Philosophy. For example, on-the-job training is provided at each line, and employees are invited on observation tours of Group production facilities in Japan.

When hiring overseas employees, the Group requires applicants in each country to furnish copies of their personal identification and IC cards, without exception. All KOKUYO overseas affiliates are completely free of child labor and forced labor.



Producing notebooks at a plant in Vietnam

Employing the disabled

As an executive member of the Osaka Employment and Development Association (formerly known as the Osaka Prefectural Association for Employment of the Disabled), KOKUYO has been actively promoting the employment of the disabled since the establishment of the above organization in 1949. Since that time more than half a century ago, KOKUYO has worked vigorously as chair of this Committee to promote employment opportunities for the disabled.

Today, the entire KOKUYO Group is coordinating its efforts to promote environments that are welcoming and easy to work in for people with disabilities. At the center of these initiatives are two special subsidiaries: KOKUYO K Heart Co., Ltd., established in September 2003, and Heartland Co., Ltd., established in December 2006.

KOKUYO K Heart Co., Ltd., is principally entrusted with the printing and quality-inspection operations of the KOKUYO Group. In January 2010, this company reached its 2,200th consecutive day of accident-free operation.

Heartland Co., Ltd., provides a place where people with mental and intellectual challenges can work. Our research determined that farming is the most suitable working environment for these employees, so Heartland personnel are employed in cultivating and selling hydroponic vegetables.



Growing spinach for salad at Heartland Co., Ltd.

TOPICS

Supporting IT-based work-at-home environments, KOKUYO promotes employment opportunities for the disabled, so they can experience the joy of contributing to society



KOKUYO K Heart Co., Ltd.
(Back row, from left)
Hidehiko Kuroda (President),
Koichi Nakao, Tamio Tokieda
(Front row, from left)
Go Itoh, Shigeki Takano

Expanding telework opportunities to make employment of the disabled become more widespread

KOKUYO Engineering & Technology Co., Ltd. (KET) is a company that specializes in providing next-day delivery of custom-tailored office layout proposals. Two employees of KOKUYO K Heart Co., Ltd., the Group's special subsidiary, Go Itoh and Shigeki Takano, work at home to produce the layouts on which the proposals are based. Both employees, due to illness or accident, have only the use of their left hands. Through concerted training, Itoh and Takano mastered the use of CAD applications, and were looking for positions where they could put their skills to work. As it happened, KET was searching for a new supplier for its layout drawings. Assisted by

the provisions of the Law to Promote Employment of Disabled Persons, KET concluded a collaborative agreement with KOKUYO K Heart. In March 2007, Itoh transferred to KET. With no commuting to deal with, and able to work in a relaxed environment at home, Itoh had found his dream job. Takano joined him in February 2009.

"I always work hard to satisfy customers' wishes and provide plenty of added value," Itoh commented for this Report. "Once I had the opportunity to see an office created from one of my layouts. I was delighted!"

Takano shares Itoh's strong sense of purpose. "The prospect of delighting the customer is what motivates me the most. I refuse to be satisfied by the status quo. I want to be able to do two, three times as much work as I do now."

Responsibilities to Shareholders

The KOKUYO Group recognizes its responsibility to all shareholders and investors to raise enterprise value. The Group makes every effort to uphold sound and transparent management, and to provide timely and accurate disclosure.



Presentation of interim settlement briefing via real-time, full-high-definition video feed

Toward greater transparency of management activities

We believe that timely and accurate disclosure of information to all shareholders and investors is vital for transparent, healthy corporate management that earns the trust of society.

1) Investor relations (IR) activities

Corporate investors and analysts are kept informed of the Group's current condition through events such as semiannual settlement briefings and individual visits, and by continuous and fair disclosure of information. At the settlement briefing conducted in February 2009, we led attendees on a tour of our Eco LiveOffice Shinagawa, opened in the previous year, to introduce them to specific Group activities in the key field of environmental action. At our interim settlement briefing in August 2009, we took an extraordinary step to open the proceedings to as wide an audience as possible: for the first time, the briefing was held jointly in Tokyo and Osaka. The two sites were linked via the *meetima XVD Communication System*, a videoconferencing solution that delivers high-definition video over ordinary fiber-optic broadband networks,

providing incredible immediacy through a real-time video feed.

As part of shareholder benefit program, the Group sent a special set of its products to individual investors and over 80% of recipients pronounced themselves satisfied.

2) Information disclosure

The Group follows all regulations stipulated by stock exchanges regarding the timely disclosure of corporate information by issuers of listed marketable securities ("timely disclosure regulations"). Even in cases where timely disclosure is not required by regulations, the Group's basic policy is to disclose such information, actively and fairly, if said information would be helpful to shareholders in understanding the operations of the Group. Whenever possible, the Group discloses said information promptly on its Web site.

In 2009, Nikko Investor Relations Co., Ltd., carried out its seventh annual ranking of listed companies' Web sites in terms of the fullness of their disclosure. In this survey, the KOKUYO site was selected as outstanding.

 <http://www.kokuyo.co.jp/ar/>

Stock and shareholder conditions

As of December 31, 2009, the Group has a total of 128,742,463 shares outstanding, held among 27,249 shareholders.

Dividend policy and results

The KOKUYO Group is committed to shareholder focus, continuation of a stable dividend, and sound consolidated results. On this basis, the Group aims to maintain a payout ratio of 20% or above. For the past 10 years, the Group has maintained a total annual dividend of ¥15 per share (not including commemorative dividends and the nine-month settlement). Accordingly, in FY 2009 as well, the Group plans to distribute a total dividend of ¥15, consisting of an interim dividend of ¥7.5 per share and a year-end dividend of ¥7.5 per share.

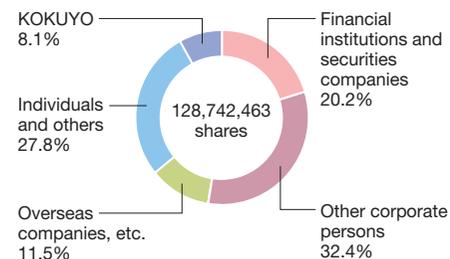
Focusing on prudent management, the Group invests its reserves with a view to strengthening further the Group's management base and enhancing future enterprise value.

Status of inclusion in SRI indices

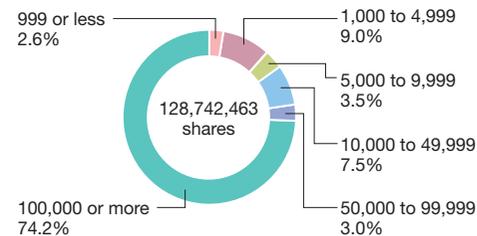
Investors are growing increasingly interested in socially responsible investment (SRI), which involves investing in companies that fulfill their social responsibilities, are actively engaged in measures to protect the environment, offer expanded employment opportunities, and otherwise contribute to society. In recognition of its engagement in these areas, the KOKUYO Group has been selected for inclusion in the prestigious Ethibel Sustainability Index published by Ethibel, one of the top SRI consultants in Europe and North America. The KOKUYO Group has also earned inclusion in other highly respected SRI indices including FTSE4Good, managed and calculated by UK-based FTSE.

Ratio of shareholdings by shareholder type

<By shareholder type>



<By number of shares held>



CSR Accounting

Since 2004, the KOKUYO Group has been conducting CSR accounting, tallying and publicly announcing the expenses incurred in connection to the five areas elaborated in the KOKUYO Group CSR Charter (Customers, Local Communities, Environmental Protection, Business Activities, and Human Rights), by which the Group's CSR activities are guided. For CSR accounting, we

strive to calculate only the differential cost^{*1}, as in the case of the environmental accounting that we have been carrying out since 1998.

Regarding the CSR accounting process, we have been aware of issues such as the need for improving accuracy and methods of calculations, as well as the need for estimating the effect of CSR activities. Increases in autonomous activities

conducted by Group operating companies have resulted in a necessity for placing greater emphasis on finding solutions to these issues.

We will make efforts not only to announce the results as mere figures, but also to employ them as part of the information used to drive the Group's management policy.

^{*1} Differential cost: Cost with expenses not directly related to CSR objectives deducted whenever possible. It is declared as a difference from regular total costs incurred in order to isolate as accurately as possible the additional cost judged to be generated by the KOKUYO Group's deliberate pursuit of CSR activities.

	Customers	Local Communities	Environmental Protection	Business Activities	Human Rights
KOKUYO's Responsibilities	Providing products and services from the viewpoint of customers	Building vibrant communities	Making efforts to solve global environmental problems	Conducting corporate activities fairly	Placing emphasis on human rights in all corporate activities
Cost of Activities	¥319,445,000	¥28,389,000	¥440,010,000	¥154,922,000	¥65,487,000
Breakdown of Main Costs of Activities	Improving customer satisfaction ¥261,619,000 Proper maintenance of customer information ¥1,622,000 Leading customer evolution ¥47,557,000 Construction of a management system ¥8,647,000	Societal contributions ¥14,044,000 Revitalizing local communities ¥5,698,000 Construction of a management system ¥8,647,000	Preventing pollution ¥67,945,000 Preventing global warming -¥17,178,000 Saving and recycling resources ¥98,653,000 Procuring and providing eco-products ¥39,529,000 Investigation and research into environmental engineering ¥128,026,000 Environmental communication ¥33,178,000 Construction of a management system ¥89,857,000	Compliance promotion ¥15,017,000 Communication with stakeholders ¥75,400,000 Construction of a management system ¥64,505,000	Equal opportunities and personnel training ¥35,224,000 Workplace safety and sanitation ¥12,970,000 Construction of a management system ¥17,293,000
Related pages	—	—	p. 13-22	p. 11-12, 25	p. 23-24

Scope of CSR accounting	KOKUYO Co., Ltd., and 19 consolidated subsidiaries KOKUYO S&T, KOKUYO Furniture, KOKUYO Store Creation, KOKUYO Business Service, KOKUYO Product Shiga, KOKUYO MVP, KOKUYO Logitem, KOKUYO Supply Logistics, KOKUYO Office System, KOKUYO Marketing, KOKUYO Engineering & Technology, KAUNET, KOKUYO Chugoku Sales, KOKUYO Kyushu Sales, KOKUYO International, KOKUYO-IK (Thailand), KOKUYO (Malaysia), KOKUYO Vietnam, KOKUYO K Heart
Accounting period	January 1 to December 31, 2009
Accounting method	Figures posted represent the cost of putting into practice the ideals outlined in the KOKUYO Group CSR Charter. This cost is a sum of personnel, depreciation and other expenses. The amount saved through cost reductions and income from assets is subtracted from the expenses. "The cost of construction of a management system" is derived from proportionally distributed, approximate amounts of head-office-related costs. It should be noted that the accuracy of calculations of costs for each activity does not necessarily represent the actual distribution of management resources.
Guidelines for reference	"Environmental Accounting Guidelines, 2005," published by Japan's Ministry of the Environment

About the front cover design

Since FY 2008, the KOKUYO Group has promoted diversity in the workplace, and the front cover shows the facial expressions of a diverse workforce energetically engaged in various jobs. The pattern at the bottom of the cover displays the percentage of products bearing the Eco X mark ("Non-Eco" mark indicating products that are insufficiently environmentally friendly, introduced in FY 2008) in all 2009 KOKUYO stationery and furniture lines.

The KOKUYO Group CSR Report 2009 was awarded the Excellence in Environmental Reporting Award in the environmental report category of the Environmental Communication Awards 2009.



KOKUYO

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