

CSR REPORT 2011

DIGEST

Executive Dialogue .. P3

Moving forward as a company that contributes to society

Customers .. P7

Delighting our customers with Eco-products
Creating chairs that our customers genuinely need

Local Communities .. P11

Forming an integral part of a local community:
wider use of reeds to protect Lake Biwa

Environmental Protection .. P13

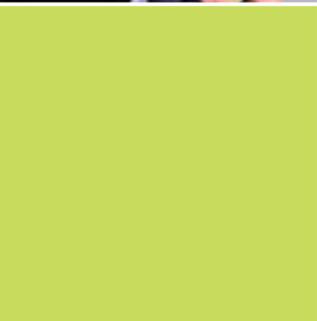
The Yui no mori Project enters its fifth year.
Understanding the difficulties of forestry conservation.
Achieving zero Eco-X Marks over a 3-year period.
The ongoing evolution in balancing manufacturing with ecology:
Eco LiveOffice Shinagawa

Business Activities .. P17

Creating a workplace facilitating mutual
discussion of realizations and troubles

Human Rights .. P19

Efforts to promote diversity



Fundamental Approach

The KOKUYO Group started in 1905, when founder Zentaro Kuroda opened a little store selling paper covers for wacho (Japanese account books). Involving many layers of thin Japanese washi paper, creating these covers was regarded as a thankless, unglamorous business; at the time, it was even considered a ‘gratuitous business.’ However, Zentaro Kuroda threw himself enthusiastically into this work, certain it would benefit the world, as he held a lifelong dedication to this principle. Ever since, for over 100 years, the spirit of our founder has been enshrined in the KOKUYO Management Creed, as well as the Corporate Philosophy introduced some time later: “Contributing to Society by Providing Superior Products.” This Philosophy guides KOKUYO in its ongoing business activities.

Based on the Corporate Philosophy established since the company’s founding, in 2004 the KOKUYO Group established a CSR Charter, which outlines our role within society as a good corporate citizen, and enables us to build optimum relationships with diverse stakeholders. The Charter outlines basic policies to help drive the sustainable development of both the KOKUYO Group and society as a whole, based on five clearly defined themes: Customers, Local Communities, Environmental Protection, Business Activities, and Human Rights. Furthermore, the KOKUYO Group has also established a Code of Conduct to guide the company’s daily activities.



Editorial Remarks

The KOKUYO Group CSR Report 2011 Digest reports on the principal activities undertaken and challenges met during 2010 with regard to each of the themes of the KOKUYO Group CSR Charter: Customers, Local Communities, Environmental Protection, Business Activities, and Human Rights. Significant emphasis has been placed on this document as a tool for communication, and it has been edited with a focus on executive intentions, the thoughts and opinions of staff members involved in CSR activities at all levels, consideration of future directions worth striving toward, and more.

Also, the scope of reporting on CO₂ emissions and other waste emission data has been expanded beyond the 2010 report to include the performance of 6 non-consolidated subsidiary companies.

Reporting on the website

Information relating to CSR is publically available on the KOKUYO website. The website includes more detailed data than this document, and is updated with new information whenever appropriate. Our CSR Activities site also features a survey enabling anyone to leave their opinions and impressions of both this document and the KOKUYO Group’s CSR activities.

KOKUYO CSR Activities



<http://www.kokuyo.co.jp/com/csr/>
(Japanese only)

KOKUYO Environment & Future



<http://www.kokuyo.co.jp/ecology/>
(Japanese only)

IR Information



<http://www.kokuyo.co.jp/ir/>
(Japanese)
<http://www.kokuyo.co.jp/ar/>
(English)

Materiality Analysis

In order to further clarify major issues to be addressed by the KOKUYO Group as part of its CSR activities, we have conducted a materiality analysis. In 2010, a survey was undertaken of both external stakeholders and group employees, and the results organized as a Materiality Matrix. While this was edited and published as a booklet, the contents have also been made publically available on the KOKUYO website, and have been adopted for use as an index.



<http://www.kokuyo.co.jp/com/csr/materiality.html>
(Japanese only)

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 observing 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

P. 7

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

Local Communities

P. 11

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

P. 13

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 strive to maintain in all its activities an awareness of the three R's: Reduce, Reuse, Recycle.

Business Activities

P. 17

1. KOKUYO shall compete freely, fairly, and transparently, shall have fair trade with its business partners, and shall maintain healthy and proper relationships with government 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 shall seek to grow together with them.
3. KOKUYO recognizes its duty to shareholders to increase corporate value, and shall assure transparent, healthy corporate management to earn the trust of society.

Human Rights

P. 19

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.



Akihiro Kuroda
President
KOKUYO Co., Ltd

Hisao Sakuta
President & CEO
OMRON Corporation

**Executive
Dialogue**

Moving forward as a company **that contributes to society**

– Self-motivated creativity helps achieve a sustainable society –

Based on the philosophy that has motivated the company since its founding, KOKUYO continues to provide the new value sought by global society and contribute to a sustainable global environment. KOKUYO shares this outlook with OMRON Corporation, global producers of healthcare equipment and environmentally-friendly technology etc. We invited President & CEO of OMRON, Hisao Sakuta, to visit Eco LiveOffice Shinagawa and engage in dialogue on how companies can and should make efforts towards achieving a sustainable society.



Promoting self-motivated actions from staff to address an evolving environment

Kuroda: Thank you for coming to visit us at Eco LiveOffice Shinagawa, Mr. Sakuta.

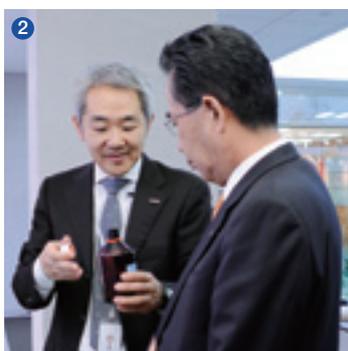
Sakuta: It's quite different from a regular office, isn't it? All your employees seem to be enjoying themselves. Our company is also working to implement new ideas, but many of these efforts seem to lose momentum and disappear after a while; it takes about 10 years for the mechanisms we set up to operate in a self-sustaining fashion. Visiting this office, I was quite surprised by the amount of self-motivated work undertaken by your employees. It really is ideal when every single action they undertake can be linked back to their work tasks, to form a sustainable work model.

Kuroda: That's exactly right. It's important that our efforts are ongoing and continuous, rather than fizzling out after a short time.

Sakuta: The concept for the HARMONii circular work system (*1) I viewed just before (Figure 1) seems like it would work in our production facilities too. Creating a U-shaped production line set-up with a central shared space would be effective, because it would enable various work tasks to be conducted independently, while workers can come together to use the shared facilities. Since incorrect handling of soldering irons etc. can cause flawed products, senior workers need to supervise junior workers and instruct them in the fundamentals of their tasks. At the moment, these senior employees move about the production line providing instruction, but I think this can be improved upon.

Kuroda: The office is the same. The simple term *office work* includes some tasks that can be completed individually, as well as more communal team-based tasks. By creating an office environment to ensure the smooth performance of these diverse tasks and by establishing mechanisms to facilitate everyday communication, we can expect results over and above a simple [1+1=2] result.

*1 This is a desk system of outward-facing individual spaces and inward-facing shared spaces. It is explained in further detail on page 16.



Where self-directed creativity emerges, work becomes more enjoyable.

Kuroda: Examining *office work*, we find some major themes: firstly, that we seek both optimization of efficiency and improvement of comfort. I believe that the imagination to create one from zero – to create something from nothing – requires creative ability. However, while environmental results can be measured quantitatively with numbers, it is very difficult to quantify imagination. For this reason, it is currently difficult to move ahead with investing in the creative. Fortunately, since we are engaged in manufacturing, the results of our investment in creativity appear as tangible products, such as the aforementioned HARMONii system or our environmentally friendly products.

Keeping less tangible matters in mind, too, we have adopted an approach that utilizes the five human senses. We are working to develop products that use colors and aromas to change perceptions of temperature, in order to help conserve energy. (Figure 2)

Sakuta: The use of aroma is a very interesting concept. Creativity does not emerge without independent will and self-direction. At Omron, we often use the term “autonomous.” This means exercising one’s own creativity by using one’s own resolve, thinking for oneself, and acting on one’s own. In 1987, when I was 42 years old, our current Chairman Yoshio Tateishi said the following words to me when he became President & CEO of the company: “In order for Omron to grow, we need management that looks beyond the founder’s vision.” If all we do is stay faithful to the ideas handed down from above, creativity will not emerge. I think the ideal answer to the question “Why are you doing that?” should

not be “Because it’s company policy,” but rather “Because I want to.”

When I was invited to participate in this dialogue, it interested me personally. I’m here today because I want to be here.

Kuroda: Thank you very much. I have also been looking forward to our discussion very much.

Sakuta: This idea of “enjoyment” is important. Whenever I find the opportunity, I ask people – anyone – if they are enjoying themselves. Of course, it’s not possible for company employees to live completely free and easy and self-directed all the time. Half our efforts are for our country, our organization, or our company. However, I think the other half needs to be self-directed, or else we won’t enjoy ourselves. To an extent, we are obligated to accept the orders of those above us, but we can devise ways to make these more enjoyable to carry out. For example, if you normally produce 1 item per hour, why not consider whether there is some method of increasing this to 2 items per hour? By actively thinking for yourself and working towards ideal outcomes, creativity emerges and work becomes more enjoyable, I believe.

Kuroda: I think management plays an extremely large role to that end. If management pays attention to whether the employees are enjoying themselves or not, and makes efforts to create an environment facilitating constant improvement, I believe it is possible to continuously draw out the self-motivated qualities of employees, which will lead to the sustainable work model that you mentioned at the outset.

Creation of new value leads to sustainability

Kuroda: If we cross the point of no return, humans will not be able to turn things around with science or technology. Global warming is well underway now, and a billion people are starving. What can we do to resolve this situation? There are many fine things that we could say about the situation. But in practical terms, as a company engaged in manufacturing, what can we do about it?

Well, we have successfully achieved our 3-year goal for the “Eco-X Mark” program (*2) that we introduced to eliminate from our General Catalog all of our products that were not sufficiently Environmentally-friendly. And we intend to continue undertaking such sustainable activities in the future, As much as possible.

Sakuta: As you say, if it’s just a matter of talking, anyone can talk about these problems. I believe that it’s extremely important to ask oneself, “Well, what can I actually do about this?” Omron is sincerely committed to recycling, reusing, and saving resources. Fundamentally, we do not undertake any actions that hinder recycling. We have designs in place that enable us to reuse metallic resources, and so on. And we strive to make sparing use of resources such as oil that cannot be recycled or reused. These efforts are not only carried out within the company; we also propose them as solutions for our customers.

Kuroda: Even if not directly linked to economic outcomes, We will continue to undertake any efforts judged necessary from a CSR standpoint. Since we have now achieved our zero “Eco-X Mark” goal, I think the next challenge is moving towards 100% recycling of waste materials from our offices, factories, and construction sites.



Sakuta: On the other hand, a contradiction does exist here: as a manufacturer, The pursuit of sustainability can pose a threat to our continued existence. For the last 31 years, I have continued to use an Omron calculator manufactured in 1980. The numbers have worn off the buttons, but I know their positions, of course, so I have no trouble using it. This sort of long-lived product can represent a headache from the manufacturer's viewpoint.

Kuroda: Because for that 30-year period, you didn't need to buy another calculator, did you?

Sakuta: It's a mistake to try to force the customer to understand the value of that 30-year old product in the first place. All you can do is continue to propose new added value every day.



Kuroda: Exactly. As manufacturers, all we can do is move ahead and continue to find new value, I think. At present, KOKUYO is making efforts toward *pushing the limit*. This means being conscious of being *the best we can be* in every regard. For instance, consider our elimination of metallic staples from the Harinacs stapler (*3). This truly represents "the best we can be" in regard to conserving staples, since there are no actual staples at all now! Another example is our scissors with non-stick blades for cleanly cutting highly adhesive tape; with regards to being able to cut tape cleanly, they couldn't be any better. These products have effectively enlarged the

scope of the current stapler and scissors markets. I believe that customers have recognized this new value we have created.

(*2) The "Eco-X Mark" program awarded an X to each of our products that was not sufficiently environmentally considerate, working toward 100% elimination of these from our product lineup. See page 14 for further details.

(*3) This is a stapler capable of fastening paper without using metallic staples. See page 7 for further details.

Business itself is CSR in action

Sakuta: At Omron, we do seek to convey this term CSR outside the company, but inside the company it is rarely used. Our company's founder, Kazuma Tateishi, 52 years ago stated that the company must be "Working for the benefit of society." To fit this into the context of the CSR so widely discussed today, we are saying that our company itself is CSR in practice. Well then, as a public institution, what should a company do? Companies should challenge themselves to bring about innovation driven by social needs. At Omron, this concept is enshrined in our management philosophy. Even when demand exists and we stand to profit, Omron will not undertake business activities that have any anti-social element.

For example, health management is a universal need that exists in every country; Omron's global market share of blood pressure monitors, for example, exceeds 50%. However, people in Russia measure blood pressure for very different reasons from people in the USA or Japan. In the USA and Japan, it is done to guard against lifestyle diseases in general, but in Russia, people are concerned about increased blood pressure caused by drinking alcohol to stay warm in cold conditions. So it's not enough to say to global consumers they should measure their blood pressure to manage their health. You have to ask: Why do people in a certain country or area want to manage their blood pressure? What sorts of methods are appropriate? How can we make use of the data? I believe that undertaking a thorough examination of social needs and then proposing solutions is itself CSR in action.

Kuroda: What you say clarifies the concept that *business itself is CSR in action*. I have also tried to thoroughly implement and promote our founder's idea of "Contributing to society by providing superior products".

However, as you mention, travelling overseas you quickly realize that needs vary among different countries. KOKUYO first started developing business overseas in the 1990s, so we still lack experience. We will continue to devise ways to contribute to society by expanding our business on a global level in future, particularly centered on Asia.

Sakuta: At Omron, we are also starting to focus on some new goals. In 2011, we will be implementing a new management structure. We undertake this every 10 years, so we're working very hard now to rejuvenate our management team. The issue we're currently facing is how smoothly stakeholders will accept the new regime.

Kuroda: I was struck by your remark earlier about how a company must look beyond the vision of its founder to become self-sustaining. I think this is a wonderful notion.

We are also working to review once more the social responsibilities of our company, in order to create new value without simply falling back upon our previous efforts, while maintaining the fundamental spirit that has kept the company strong since its founding. I also think that KOKUYO also needs to create mechanisms to facilitate CSR practices within its expanding overseas business.

Today's discussion was extremely interesting, and I feel I learned a great deal. Thank you very much.



(from left)

Kazuyuki Masuda

Core-Tech Development Value Unit,
Planning Group
Creative Products Division
KOKUYO S&T Co., Ltd.

Hirokazu Aoi

Development Group 1 Leader
Core-Tech Development Value Unit
Creative Products Division
KOKUYO S&T Co., Ltd.

Shigeji Sato

Group Leader, Product Group 2
Quality Assurance Department
KOKUYO S&T Co., Ltd.

Delighting our customers with Eco-products

Safety and security repercussions beyond the environment

From our program to reduce Eco-X Marks* was born the staple-less Harinacs stapler. After the new Handy Type was released in July 2010, it proved its popularity by achieving its yearly sales target in a scant two and a half months.

Initially, KOKUYO's strategy was to emphasize that the Harinacs was Eco-friendly, then next Efficient, then finally Safe. However, after development, it was discovered that customers were much more conscious of safety than any other factors. From comments such as "I use it to lay lining paper out for my pets, since they won't accidentally eat the staples," we learned about a lot of new ways to use the product that we hadn't considered previously.

But is it really handy for customers?

When creating products, it is essential to consider the environment. However, simply being eco-friendly is a matter of course; these days, the challenge is to create new value beyond this. Releasing an awkward or annoying product due to misplaced emphasis on environmental aspects is evidence of backwards priorities. Sustaining eco-friendliness for the sake of sheer stubbornness is both difficult and pointless.

Is it really handy for customers? Do customers need it? This is the perspective we need to constantly maintain. We will continue to undertake manufacturing while observing the corporate philosophy passed down from the company's founder, Zentaro Kuroda, of "Contributing to Society by Providing Superior Products."

*Our "Eco-X Mark" program awarded an X to each of our products that was not sufficiently environmentally considerate, working toward 100% elimination of these from our product lineup. See page 14 for further details.



The Handy Type is not only for stapling documents; it can be used for many other kinds of things too, such as kids' crafts.



The 2-Hole Type fastens documents simultaneously in 2 locations, while also punching filing holes. It was awarded the highest level of the Nikkei Superior Products and Services Award.



**Staple-less stapler
Harinacs (Handy Type)**

Easily operated in one hand, this user-friendly model is popular.

Customers love these Harinacs features!

[Eco-friendly]

Saves resources – uses no staples

[Fun]

Fascinating stapling mechanism
Stapling action sounds and feels fun!

[Efficient]

No need to remove staples when disposing
Just throw documents into the shredder

[Safe]

For health providers, food & beverage businesses
No "foreign object" danger from staples

For offices, schools, homes
No risk of staple injuries

Senior citizens homes & nursery centers
No risk of accidental ingestion of staples



Proposed an all-paper solution where everything – file and set – is made of paper. Handy for all-in-one disposal.

The “joy of use” perspective

I was struck by the words of a customer who described enjoying the sound and feel of the fastening action when using the Harinacs at an exhibition. So I created a demonstration kit for sales representatives to carry around. When they visit a potential client, they can demonstrate both the ease of use and the fun qualities of the Harinacs, which can only help the chance of further purchases.



Proposed a warning reminder sticker for blades and moving parts to ensure even safer use of the Harinacs.

Discussion across departments

During development, representatives from many various departments gather for discussions. Different departments have different ways of viewing each product. This diversity can improve our products, and can help us move closer to the customer’s perspective. The Quality Assurance Department prioritizes safety; we believe that even functions intended for added convenience should not be adopted if these are not safe.

Cross-functional* power: providing products to benefit customers

Pursuit of the “never seen before”

Knowing that the 2-Hole Type would be used communally in the office space, we decided on sober black: it always looks clean! On the other hand, since the Handy Type is for individual use, we took the various colors of mobile phones as inspiration. Since these are different from conventional office supply colors, they look more distinctive in the store. A lot of customers purchase these after being attracted to a particular color.



The Handy Type was released for sale in 5 colors. Cheerful colors such as yellow-green and pink are popular!

Uncover hidden treasure, simply by listening

At KOKUYO, we have a saying: “Listen to each and every customer.” This means listening to individuals. The voices of every single one of our customers contain hints about products they require. Following the wisdom of this expression, we listened not only to our customers, but to all kinds of people, including companies, government departments, friends, and others. The opinions we received were comprehensively incorporated into the Harinacs.



Created a transparent window for viewing the fastening mechanism in response to customers wanting to better understand this. This is handy and effective, since it also shows the work area better.

*Cross-functional: Here taken to mean problem-solving and the creation of extra value through cooperation among different organizations or departments. Also means accepting the inherent value of different industries.

NEXT STAGE

Maintaining our position as a company of choice



We have a system in place using an intranet to enable all employees to access the opinions coming into our customer consultation department. There were many positive remarks about the Harinacs, and as manufacturers, we really experienced the joy of “Contributing to Society by Providing Superior Products.”

At the same time, it is a little frightening. If so many customers find the product easy of use, it implies great responsibility for us. Can we prevent accidents? Is the product inconvenient in any way? Can we make it even easier to use? We think about these issues even after the product is released for sale.

Our job does not stop after manufacturing is complete. We operate using the PDCA cycle: Plan (design); Do (manufacture); Check (confirm the quality of products); and Act (improve products to make them ever better). We will continue to delight our customers by releasing better products than ever.



(from left)

Nobuyuki Ueda

Product Development Division,
Core Product Department
KOKUYO FURNITURE Co.,Ltd.

Masayoshi Suzuki

Product Development Division,
01 Product Department
KOKUYO FURNITURE Co.,Ltd.

Creating the chairs that our customers genuinely need

It might be packed with functions, but do you know how to use them?

The office environment has changed radically thanks to globalization and the information technology revolution. Naturally, the office chair has evolved accordingly, and high-functionality models seem to be very popular these days.

However, when we demonstrate chairs for customers at exhibitions, we are often surprised at their comments regarding chair functions. One frequent comment is “I don’t understand the adjustment mechanism, so I just use the chair as is, without adjusting for my body.” This tends to place excessive load on shoulders and lower back. We have come to realize that many users simply have not mastered use of these functions.

Concern for customers creates opportunities for development

We decided to create a chair that was easy to operate, by stripping away all functions except those our customers genuinely required. One thing we decided upon was a mechanism for automatically changing the locking force required, depending on body weight. Actually, this mechanism had already existed for some time; it was just uncomfortable to use, and so it never became widespread.

Over several months, we conducted many trials and experiments to improve this point. However, comfort of use just did not improve. In fact, no matter what we changed, it just seemed to make the problem worse. But whenever we were about to give up, whenever we concluded that the mechanism itself was impractical, we remembered that we wanted to create a chair that was useful for our customers. After trying all kinds of tedious trial-and-error adjustments, we finally struck the perfect balance of comfort and function. With nothing more than the sitting action, our new chair would adjust automatically to any user. The M4 chair was born.

We learned a valuable lesson here: that concern for our customers is really the foundation of all manufacturing.



Those who purchase office chairs are often not the same people who use them. People also tend to change places and use chairs originally assigned to others. This is why KOKUYO attaches instructions for use on the back of each chair.



M4

Minimum Maximum xMotivation Majority

Minimum operation for maximum comfort.
Enjoyable motivation for a majority of users.

Mechanism adjusts as required, depending on weight of user.

Locking requires **light effort** for low-weight users



Locking requires **more effort** for high-weight users





Built for comfort; even if the next user (in a meeting room) takes a seat immediately, they will feel no residual heat or dampness.

Concept: the “absorbent chair”

Customers had complained about damp heat in chairs after sitting for long periods. In order to solve this, we devised the air slit sheet, which improves airflow and disperses heat. We also cut more open space in the chair back and used a highly air-permeable fabric. This curtails rising temperatures and increases the speed of evaporation after the user stands up.



The lever on the right-hand armrest controls chair height effortlessly, even while the user is seated. That’s all the operation the M4 chair requires.

Supporting free seating

The height control levers for most chairs are located under the chair seat. We found this inconvenient, and wondered if there was an easier way, so we installed a one-touch adjusting lever near the armrest. The force required for the locking mechanism is always perfect, since it senses the user’s body weight. Great for free seating arrangements, when chair users change regularly; this ease of adjustment is much appreciated.

Providing new value for a new work style

Above all else, safety

When creating furniture, the most important thing to keep in mind is safety. When accidents occur, such as shelves collapsing or people falling over after sitting on chair armrests, there is some danger of loss of life. So that customers can use our furniture safely, we conduct strict tests incorporating all kinds of unexpected uses of our products.



For the chair back, in addition to sitting comfort and degree of force, we also considered safety factors, such as clothing becoming snagged. We eventually decided on a combination of slit shell and covering.

Thinking about a flat office environment

Curiously, office chairs are the number 1 area where discrepancies are sensed in the workplace. Chairs need to be competitively priced so that everyone (not only company directors!) can enjoy the use of comfortable, highly functional chairs. Simplifying design and using fewer materials can reduce costs. We successfully achieved our target retail price without harming functionality.



A “flat” company climate facilitates communication and improves teamwork, and is considered generally desirable.

* KOKUYO Furniture conducted an online Office Environment Awareness Survey in August 2010. The 500 respondents included recent company employees (with 3 years or less experience) and management staff working at the section manager level or higher.

NEXT STAGE

Maintaining our position as a company of choice



What sort of chair do you use in the office? I think very few people could answer this question in detail if asked. We only notice our chairs if we are dissatisfied, or if our chair is replaced, or if there is some change in comfort. Usually we pay no attention to them at all, so a chair that is naturally comfortable is ideal.

However, we were horrified to realize that many users simply resign themselves to endure an uncomfortable chair, or who do not realize that an unsuitable chair is the cause of their fatigue.

Chairs are for supporting people. In order to achieve an environment where everyone can work in comfort, we need to listen to comments from our customers, we need to consider matters from the customer’s perspective, and we need to provide new value even when customers do not realize it. We need to ask: What sorts of concepts should be fundamental to serving our customers? In future, KOKUYO will continue to pursue its goal: creating products that exceed customer expectations.

Home Appliances Company



(from left)
Koji Kida
 Supervisor
 Environmental Management Office
 TANEYA CO., LTD.
Kazunori Sugiyama
 Senior Coordinator,
 Planning Team,
 Environmental Promotion Group
 Home Appliances Company
 Panasonic Corporation
Toshihiro Ota
 Environmental Promotion Group
 KOKUYO Product Shiga Co., Ltd.

Photo taken in front of the Lake Biwa diorama at Panasonic Home Appliances.

Forming an integral part of a local community: promoting use of reeds to protect Lake Biwa

A fresh angle: utilizing reeds to protect Lake Biwa

KOKUYO Product Shiga (KPS), which manufactures paper products such as notebooks, is one of the KOKUYO Group's major manufacturing facilities. Situated close to bustling Lake Biwa, which supports human life and is home to many other living creatures, the company has been proactive in undertaking environmental conservation. Principal among these has been the utilization of reeds. Not only do they absorb carbon dioxide, but reeds also function to purify water by absorbing nitrogen and phosphorus, helping to make Lake Biwa a suitable home for countless living creatures. In the past, reeds were widely used for reed screens, thatch roofing, and making fences, but as lifestyles have changed, these practical uses have been lost and unharvested reed fields have grown wild. In order to promote the use of these reeds and to promote wider knowledge of the current situation, KOKUYO launched the ReEDEN Project from November 2007. We believed that as a local company involved in manufacture of paper products, we have a responsibility to play a central role in promoting the utilization of reeds, which have started to see more widespread use recently.

The product lineup in our stationery series utilizing reeds has gradually increased, and in June 2010, we released the ReEDEN colours series, aimed mainly at students. These products, which were developed principally by our female employees, not only incorporate reed pulp but also feature 10 standard cover colors and a spine cloth for written annotations. We have worked hard to ensure these are easy to differentiate for various purposes, such as for different school subjects, classes, or drills. These notebooks also carry our hopes that the world will come to know more about the potential of reeds. Students using these notebooks seem to like them; they each have favorite colors, and they like that these notebooks are eco-friendly.



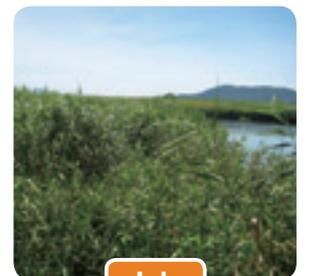
The covers of the ReEDEN colours range have playful names such as Kiwi and Flamingo

ReEDEN colours website
<http://www.kokuyo-st.co.jp/stationery/reedencolours/> (Japanese only)



May

The season of new growth
 Reeds grow around 1 meter high.



July

Bathed in summer sunlight,
 the reeds grow to 3 meters or higher.



March

As fall arrives, the reeds start to wither. Reeds are harvested between December and March.

Meeting new challenges with a network of friends

The Environmental Promotion Group at KOKUYO Product Shiga acts as the head office, calling upon businesses, organizations, and individuals in Shiga Prefecture and nearby to form the Network to Protect Lake Biwa with the Reed, which includes 47 corporate members and 40 individual members. Membership numbers have more than

doubled in the past year. In addition to publishing a Network newsletter and conducting regular activities such as reed harvesting, the Network has also launched its own independent initiatives to improve the situation.



The Network newsletter, which discusses environmental issues, is published regularly.

One such initiative is Reed Packaged Baumkuchen, a joint initiative of Panasonic Home Appliances (Panasonic HA), TANEYA, and KOKUYO Product Shiga (KPS). Panasonic HA is a subsidiary of the Panasonic Group, one of Japan's leading environmentally engaged corporations, and it has a factory in Kusatsu, Shiga Prefecture that manufactures air conditioners, refrigerators, and other appliances. This factory also runs training sessions, which are visited each year by more than 8,000 clients from electrical store and building contractors.

Panasonic HA had devised a scheme to give each training session participant a baumkuchen cake made by local company TANEYA and wrapped in reed packaging made by KPS, together with a message card about Lake Biwa. When Panasonic HA mentioned this to Toshihiro Ota at KPS, Ota proposed some possible designs for the packaging and the message card.

Through the efforts of partners such as TANEYA, the Reed Packaged Baumkuchen was brought to completion, drawing praise even from Panasonic HA sales staffs, who have suggested they would like to see the concept spread further. From spring 2011, the plan is to distribute these cakes to visitors to the Panasonic product training sessions. The next challenge for the 3 companies is to develop a reed-manufactured carry bag for the Reed Packaged Baumkuchen.



Network members involved in reed harvesting (February 2011, Lake Nishi-no-ko)



The reed packaging also features a reed-inspired design and includes a message card expressing concern for Lake Biwa.

NEXT STAGE

EcoBag utilizing reeds



In order to reduce reliance on paper bags for carrying catalogs and samples etc. when sales staffs travel outside the office, KOKUYO S&T came up with the cotton EcoBag. As one part of the EcoSuke campaign to raise the environmental awareness of employees, these bags were designed and completed by employees who publically applied for the task. The EcoBag was born from our desire to utilize an environmentally friendly material, with reed-based fabric used for the unbleached cloth sections. Threads made of reeds produced in Shiga Prefecture were woven crosswise into the bag.

Since this bag's design also makes it great for carrying documents, it is actively used not only by sales staff, but also by many other employees for carrying papers, laptop computers etc. around for company meetings. Utilization of reeds and concern for the environment is spreading among our employees nationwide.



Members participating in monitoring survey

The Yui no Mori Project enters its fifth year. Understanding the difficulties of forestry conservation.



Japanese cypress damaged by feeding deer

The Yui no Mori Project continues to expand

Launched in 2006 in the Shimanto area of Kochi Prefecture, the KOKUYO Shimanto Yui no Mori Project entered its fifth year in 2010. The aim of the Yui no Mori Project was the rejuvenation of devastated plantation forests and the stimulation of local community efforts to protect plantation forest areas. With the support of a great many people, these efforts have widened considerably. Where the initial targeted area for the Project was only 100 hectares, this target area had expanded to 2,000 hectares by 2010, with the total thinned area expanding to 444



*1 No. of products of thinned timber: Products using timber thinned from Yui no Mori

*2 Quantity absorbed: Quantity of CO₂ absorbed by Yui no Mori

*3 The 2010 figure is from July 2011.

*4 Target area: Total area certified by FSC

Yui no Mori website
<http://www.kokuyo.co.jp/ecology/yui/> (Japanese only)

hectares. A formal letter from Kochi Prefectural authorities has certified that 3,526 tons of CO₂ have been absorbed. Effective use of thinned timber materials is also well underway, with the Yui no Mori brand launched by the KOKUYO Group now featuring 82 product items.

Recognizing once more the difficulty of confronting nature

Making the results of periodic timber thinning more visible is essential to forestry conservation efforts. In order to monitor the outcomes of these activities over the long term, a once-per-year monitoring survey is jointly conducted by the taisho Forestry cooperative, Shimanto High School, and University of Tsukuba.

In October 2010, the fourth such monitoring survey was conducted. One aspect of the vegetation survey was measuring the extent to which forest regeneration had progressed due to increased sunlight penetrating the forest after thinning of timber. In the 2 areas where the forest had undergone thinning in the past, both the height and diversity of vegetation were measured and compared to the data from the previous year's survey.

In both areas, it was observed that diversity of vegetation had decreased (from 81 to 53 species in one area, and from 48 to 37 species in the other). Local residents have suggested that at Yui no Mori, feeding deer are responsible for this reduction, which is becoming a serious nationwide problem for Japan. Deer feeding on their preferred plant species cause this reduction of vegetation, which we understand to be a serious cause for concern for the ecosystem.

This monitoring survey was an opportunity to really experience the difficulties of forest rejuvenation and the importance of continuing these forest surveys. We need to consider how best to respond to the damage caused to this changing environment by feeding deer, and how to cooperate with local residents to discover a solution. Aiming to strike a positive, beneficial balance between the environment and the economy, we will continue to meet the challenges of the Yui no Mori Project.



eco + creative

Through its Zero Eco-X Mark campaign, KOKUYO has made many discoveries and has faced many challenges beyond conventional wisdom and customs. These experiences have been a source of creativity. Going forward, the key phrase 'Eco + Creative' will continue to guide our efforts.



Achieving zero Eco-X Marks over a 3-year period

Achieved through the efforts of the entire supply chain

Under the Eco-X Mark campaign, any products manufactured by KOKUYO and found to be not sufficiently environmentally friendly at any stage of the product life cycle was indicated with an Eco-X Mark in the General Catalog. KOKUYO's goal was to reduce these Eco-X Marks to zero within 3 years.

The General Catalog for 2008, when this campaign was launched, initially established 3 environmental standards: Manufacture, Use, and Disposal. After further review, the 2009 Catalog added another standard (Transport) for a total of 4 stages for environmental consideration in the product life cycle. Due to the amendment of these standards, the number of Eco-X Marked products in the 2009 Catalog actually increased beyond the previous year. However, each and every product came under careful scrutiny, and with cooperation and support not only from KOKUYO Group employees but also from materials suppliers, affiliated factories, and others, the 2011 General Catalog was completely free of any products bearing an Eco-X Mark.

Some practical attempts to address the issue in 2010 include changing the plastic resin used in stationery products such as desk mats and clear plastic cases to a non-phthalate ester plastic, and switching to non-chloride bleaching for the paper pulp used in bills and tickets



Our campaign was launched at the Eco-Products Convention



Winning the Eco Mark Award 2010, Silver Prize

etc. For furniture products, we switched the adhesive used to fasten melamine veneer to wooden tabletops in order to facilitate detachment, and we have also actively promoted re-use of carry bags for our products.

KOKUYO Group companies have also been making their own independent efforts toward the Eco-X Mark Zero campaign. Acclaimed for its extensive work in broadening the market for Eco Mark products, KOKUYO S&T was awarded a Silver Prize at the 2010 Eco Mark Award held by the Japan Environment Association.



Eco-X Mark campaign website
<http://www.kokuyo.co.jp/ecology/ecox/> (Japanese only)



(from left)

Yoshimasa Kato

Division Manager
Product Development Division,
01 Product Department
KOKUYO FURNITURE Co., Ltd.

Maiko Fukuda

Designer,
RDI Center
KOKUYO Co., Ltd.

Midori Sakabe

Manager
Main MD Division,
ECO Business TCM Task
KOKUYO FURNITURE Co., Ltd.

Tomonari Iinuma

Section Manager,
RDI Center
KOKUYO Co., Ltd.

The ongoing evolution in balancing manufacturing with ecology: Eco LiveOffice Shinagawa

Eco evolution: towards the zero-energy office

Reducing CO₂ through local consumption of locally produced power

Eco LiveOffice is an open-to-the-public experimental office that enables KOKUYO to attempt various kinds of environmental initiatives. Constructed around the theme 'Eco + Creative,' it aims to reduce CO₂ emissions while raising the quality and speed of manufacturing.

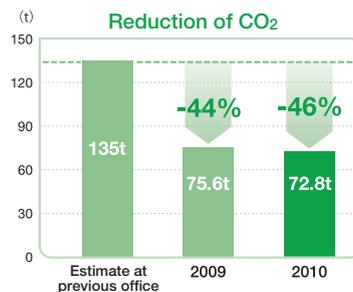
One initiative for reducing CO₂ emissions is establishing an eco infrastructure using solar power. A system enabling direct current storage and supply of green energy* produced by solar panels was completed in November 2011, and the experimental phase has commenced. Technology developed jointly with TOHOKU University demonstrates less loss than conventional systems when converting to alternating current, making this an efficient system. We have succeeded in ensuring that workers use almost entirely green energy at their desks during sunny daylight hours.

However, solar power cannot be generated on rainy days or during the night. Also, the quantity of sunlight varies seasonally, which affects power generation. We are aiming to convert at least 50% of our electrical consumption to green energy over the next year by improving our storage batteries and systems, for a start.

We are also constantly moving forward with many other eco-infrastructure initiatives, such as the chair with air-conditioning functions we created through joint development with TOKYO GAS and Kogakuin University.

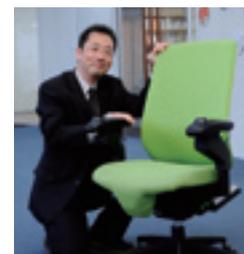
Office work is closely connected with furniture such as desks and chairs. Our intent is to firmly link furniture and eco-infrastructure, and to continue to produce office furniture helping workers to contribute to eco-friendliness simply through its use.

*Green energy: The generation of energy using solar power or wind power, such that it burdens the environment less. Also called natural energy.



Eco LiveOffice has achieved an overall 46% reduction in CO₂ (compared to the previous office). We are continuing to work towards our goal of zero net energy consumption.

This graph is a visual depiction of energy consumption at a desk for each hour. Blue represents "green" energy and red represents normal electrical power. This makes it easy to see at a glance the quantity and type of power used.



This chair incorporates some cooling functions. There is an air outlet built into the armrest, and the chair seat also allows air to flow, creating a cooling effect.

Suichiro Tabata
Component Development Department, Product
Development Division
KOKUYO FURNITURE Co., Ltd.

Raising employee eco-awareness, promoting eco-activities, & wider implementation

EcoPiyo is a system for visualizing the CO₂ reduction by listing the eco-activities undertaken in the office by employees in itemized form. So that many other workplaces can utilize this system, we released it for sale from November 2010. In order to release it as a product for sale, we improved its visualization graph functions and added an employee eco-awareness survey function. The itemized format can be freely customized to match the particular eco-activities of the company using it; for instance adding items such as “Cleaning up the nearby neighborhood” if appropriate.

Even if a company is making serious efforts to reduce CO₂ emissions, it will never obtain the best outcomes without the cooperation

Introducing the new EcoPiyo system has made it easier to measure the results of eco work styles, such as employees using the stairs or working using natural light.



of its employees. Our eventual goal is to promote eco work-styles through technical solutions such as solar power generation and EcoPiyo in combination with employees' own independent methods, in order to reduce CO₂ emissions to zero and achieve a zero energy office.

The evolution of “Creative”

A place for discussion: creative ideas for Eco LiveOffice



Yutaro Yatsuzuka
Space Solutions Department
Solutions Planning Division
KOKUYO FURNITURE Co., Ltd.

From the “Future of Eco + Creative” session emerged the key phrase “Discarding the past opens up the future.”

KOKUYO has moved on from the initial concept – “working not only with the Eco LiveOffice employees but also various people across different fields to discover future-oriented solutions” – to pro-actively undertake joint business activities with external partners. Particularly important is creating a place for discussion, for sharing our respective approaches and issues, and for stimulating each other. In September 2010, we held a discussion session titled “Future of Eco + Creative” on the theme “Ideal Work Styles for the Society of the Future,” where experts from various different fields gathered at Eco LiveOffice for debate and discussion. Many ideas and keywords were raised, outlining some creative approaches to the common goal of sustainable corporate management.

Since September, we have held various other sessions on different themes; in future, we plan to challenge ourselves with the theme “Eco Mentality.” We believe that these sessions create ongoing opportunities for members (both inside and outside the company) to generate and exchange ideas.

Contributing to creativity with new concepts for office furniture

By arranging seating in a circular fashion, HARMONii, KOKUYO's new desk system developing the concept of “harmony,” simultaneously creates both space for concentration and space for dialogue. Sitting in the outward-facing seats facilitates concentration, as adjacent seats are outside one's field of vision. Utilizing the natural properties of the circle, since adjacent seats are positioned diagonally back, they do not fall within one's field of vision. On the other hand, sitting at the inward-facing seats enables workers to undertake discussion or group tasks at the central worktable. We are aiming to release this system for sale from 2011 as a workstation that strikes a harmonious balance between concentration and communication.

Also, through energy-conserving designs such as chairs that turn on desk lights when someone sits down and turn off the light when they leave their seat, we aim to achieve harmony between people and the environment.



The HARMONii system was exhibited at the International Office Furniture Fair held in Germany in October 2010, where its unconventional design and concept attracted a great deal of praise.

The Eco Worker Perspective

Since I started working at Eco LiveOffice, I've become actively involved in eco-activities. I've really felt how the environment can change your awareness. I've heard visitors to the office complain they don't have the budget to establish an eco environment. But you can create eco environments without setting up large-scale infrastructure projects. You can even just change your office layout to allow more natural sunlight to enter. If you can raise productivity by re-assessing work styles, using creative materials and so on, you can cut down on working hours and reduce your CO₂ footprint.

We are certainly committed to facing the many challenges ahead by expanding the use of this keyword “Eco” and continuing to provide our clients with pleasant office environments.





Compliance discussion convened by sales department

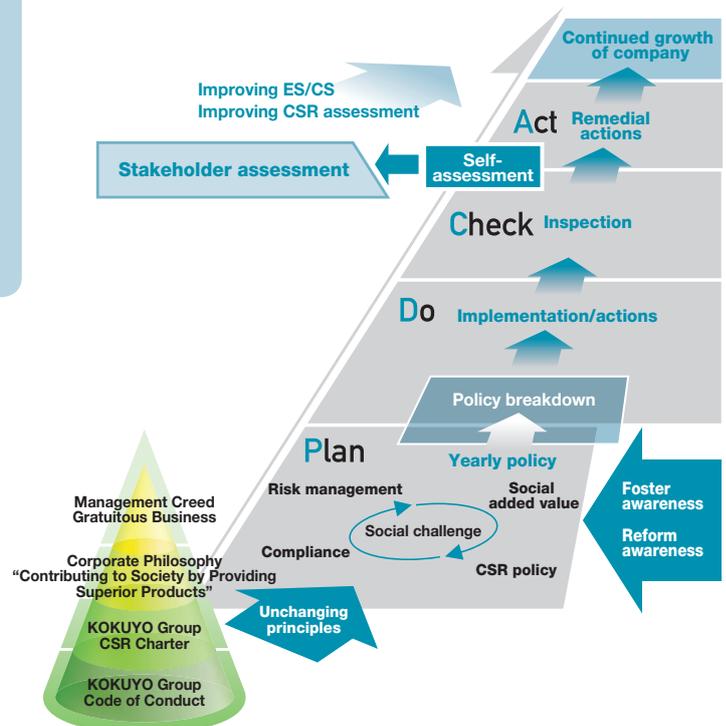
Creating a workplace facilitating mutual discussion of realizations and troubles

PDCA for carrying out social responsibilities

At the KOKUYO Group, in order to practice sound corporate management and transparency to earn the trust and goodwill of our society, we have worked hard to implement a Plan, Do, Check, Act (PDCA) cycle for risk management and compliance. Firmly rooted in the unchanging principles of our Code of Conduct, our CSR Charter, and our Corporate Philosophy, we create opportunities for discussion to foster and reform the awareness of our employees. These discussions serve as a point of departure; across all our business divisions and all our departments, we seek to implement practical, concrete actions, confirm the efficacy of these actions, and repeat the cycle of improvement.

Stimulating communication in the workplace

In every single department, we are working hard to create a workplace climate facilitating the everyday discussion of new realizations and troubles, in order to minimize the risk involved in our work tasks. Since 2008, various mishaps and accidents have occurred even within the KOKUYO Group. Looking back, we can see that these problems each had turning points; if only someone had noticed at the time, if only someone nearby had taken timely and appropriate action, we would have been able to nip the problem in the bud. Through workplace discussion, we can work to ensure adequate communication and create a workplace climate preventing these mishaps before they occur.

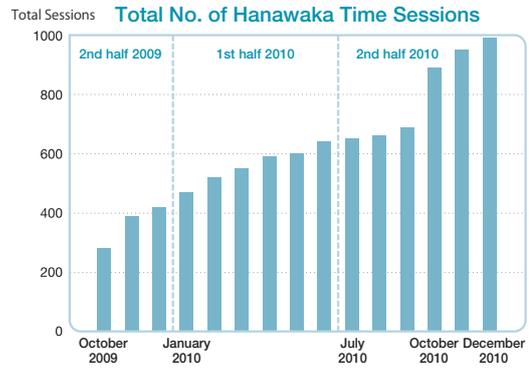


One initiative that we have started is the Compliance Discussion convened by our Legal Affairs Department. Utilizing mock examples of compliance violations created from the actual tasks undertaken by each workplace, we conduct mutual discussion and frank exchange of opinions regarding each party's problems and realizations under the current circumstances. From June 2009, each factory and delivery center, development department, and sales department started implementing this program; it had spread across the entire company by October 2010.

As the next step in this program, starting from 2009, October each year (KOKUYO's founding month) has been designated as Communication Strengthening Month. In each workplace, discussions are undertaken based on set themes, and the discoveries thus made

(realizations/knowledge) are recorded in a database of accumulated discoveries. The contents of this database are shared among the entire KOKUYO Group as a mechanism for generating new knowledge, rules, and proposals for improvements, etc. Even after Communication Strengthening Month, each workplace has established ongoing discussions known as Hanawaka Time (derived from the Japanese words for ‘talking’ and ‘understanding’), with at least 1,000 discussion sessions having been held so far. During these Hanawaka Time sessions, rather than previously given themes, the discussions tend to cover themes more relevant to the issues facing these particular workplaces or organizations, such as “Strengthening Office Security” or “Sound Transaction Relations,” and there are evident signs that these efforts are becoming increasingly self-motivated.

In future, we aim to ensure that problem-solving initiatives can arise in a self-motivated fashion in each workplace, so that we can continue our ongoing activities.



Top managers and on-site staff actively exchanging opinions

In addition to stimulating workplace communication, exchange-of-opinion sessions are also held between the company’s top executive, Company President Akihiro Kuroda, and KOKUYO’s regular employees. These provide opportunities for discussion among employees across different organizations and fields. The combined results and outcomes of the daily work of these individual employees form the future of the company. What motivates us right now? What are our current concerns? Why do we work? Why are we working at KOKUYO? What will KOKUYO be like in future? What do we want to do? These issues and many more

are regularly shared with the Company President in a spirit of serious, frank, and open discussion.

In 2010, the 5th such meeting was held. Participants talked frankly about the future of the Group; the set theme was “What sort of work will you be doing in 10 years?” The operating premise here was that any and every question for the Company President or doubt arising about the company would definitely receive an answer, either on that day or at a later time, and that all content discussed at the meeting would be shared with the entire company via the intranet.



Handing down the Corporate Philosophy

At KOKUYO, as an unbroken tradition, we practice the “Corporate Philosophy” and the “Founding Spirit” handed down from the company’s founder. We believe that these are closely connected with the company’s social responsibilities. We have published several collections of thoughts from prior managers, as tools for our employees to understand these ideas more deeply, and we introduce the essence of these teachings via the company intranet. Starting from their initial induction, KOKUYO Group employees attend training sessions using these publications as texts, and the company newsletter has also established a column for regularly discussion of the Corporate Philosophy.

The founder of KOKUYO, Zentaro Kuroda, stated that “Business is to be conducted for the sake of society. Profit is the compensation that society gives back.” We continue to hold true to these words.





(from left)

Haruka Kawaminami
Leader, Human Resources
Development Division
KOKUYO Co., Ltd.

Yuki Akagi
Diversity Promotion Leader
Human Resources
Development Division
KOKUYO Co., Ltd.

Keita Ise
Manager, RDI Center
KOKUYO Co., Ltd.

Hirofumi Nagata
Human Resources Development
Division
KOKUYO Co., Ltd.

Efforts to promote diversity

Cross-Industry Papas' Meetings: Talking about childcare

The movement to promote greater male participation in childcare is gaining wider ground in our society, and striking a balance between working and raising children is now an issue shared between men and women.

In the past, the KOKUYO Group has repeatedly established spaces for female employees to exchange information. In 2010, KOKUYO Women's Assembly events were held a total of 4 times between Tokyo and Osaka. Panelists include women leaders and managers across the KOKUYO Group, and topics discussed include childbirth, childcare, career planning, and more.

On the other hand, there have not been as many opportunities for male employees to share information about raising children. Thus, KOKUYO decided to institute "Papas' Meetings" starting from 2008. Initially, these were only open to KOKUYO Group employees, but from 2009 these have been held in conjunction with various different industries, in order to further the exchange of opinions and explore themes of diversity and work/life balance.

At the 2010 Cross-Industry Papas' Meeting, participants attended a seminar conducted by representatives of an NPO developing childcare support, enjoyed role-playing sessions on various themes, exchanged their opinions, and more. Participants commented that they learned how to be involved in childcare while working, that prior planning is necessary for finishing work tasks in order to participate in their child's events, and that cultivating daily workplace relationships to gain the understanding of workmates about these matters is very important. Interesting, some participants commented that raising children can impart tips for improving work tasks.

Keita Ise is responsible for Childrens' Future Project, which proposes the creation of spaces centered on preschools and kindergartens; listening to the opinions of others at the Papas' Meetings made him realize some new perspectives. Using office furniture, play equipment, and the layout of these to produce certain behaviors can grant fresh opportunities to create spaces for cultivating children's creativity. In order to be actively involved in raising children, increasing productivity and work/life balance are very important. By supporting a work/life balance that enhances the quality of both work and life, childcare can help to promote the creation of more diverse workplace environments.



A Papas' Meeting. Participants discussing work/life balance included company employees as well as various other individuals recruited via the website operated by NIFTY Corporation.



Participating in the meeting helped me have more fun spending time with my child. (Ise)



The KOKUYO Women's Assembly. Participants commented that the event helped alleviate anxieties over childcare and offered tips for career planning, among other remarks.

HR cultivation: playing a full role within 3 years of joining the company

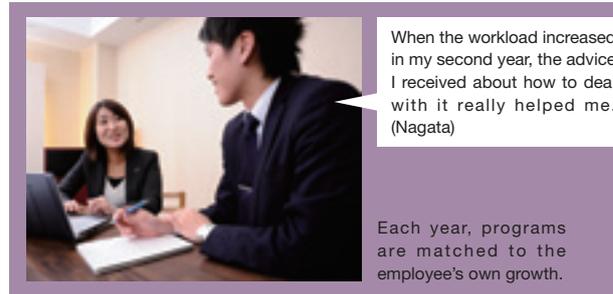
In order to train new recruits in the necessary work skills, KOKUYO has been conducting its Youth Cultivation Program since 2005. In addition to a support program including a full month's training during induction, regular follow-up training sessions, and follow-up interviews, KOKUYO has also introduced a Tutor System where for 3 years after joining the company, junior employees are given practical instruction and extra training by senior employees in their assigned workplace. Tutors not only offer advice to the young employees, they also help them grow through practical duties in the workplace.

The results are gradually becoming evident; the rate of junior employees staying with the company has been increasing.

Additionally, as a result of efforts over the mid-term, the human resources cultivated by these tutors are now themselves in the position of providing leadership to younger employees. This motivates them to consider ways they can become involved in the future, based on issues

that they faced in the past.

In future, we hope that this program evolves to develop further content as appropriate for the characteristics of the department in question.



Independent business support for persons with disabilities*1

KOKUYO commenced the hiring of persons with disabilities in 1940, 36 years before this became obligatory in Japan. Ever since, we have striven to create workplaces where all workers can work together equally, and where excellent workers are selected for leadership positions regardless of any disabilities. KOKUYO has remained active in its efforts to promote recruitment of people with disabilities. At present, KOKUYO efforts center on 2 special subsidiary companies: KOKUYO K Heart Co., Ltd. (established 2003) and Heartland Co., Ltd. (established 2006). Based on the guiding statement, "We share in mutual respect with persons with disabilities, and we will play our part toward supporting their independence and social contribution," KOKUYO promotes the creation of environments facilitating employment of people with disabilities. As of January 2011, KOKUYO's employment rate of persons with disabilities*2 stands at 2.16%.

In addition to tasks such as offset printing, bookbinding, and sticker printing, by embarking on new types of work such as testing for the presence of harmful chemicals in KOKUYO Group stationery products, KOKUYO K Heart has achieved its highest sales figures since the



KOKUYO K Heart



Heartland

company's founding. KOKUYO K Heart itself is successfully operating at a profit. Its initiatives up to this point have also been widely praised, and in March 2010 it gained official recognition as an outstanding employer of persons with disabilities. In future, KOKUYO intends to proceed with the hiring of persons with disabilities, and to ensure their ongoing profitable contributions to the KOKUYO Group at a high level.

Meanwhile, at Heartland, established as a place to grant employment to persons with intellectual and mental disabilities, the focus is on agriculture. This is the first attempt at agricultural work across the KOKUYO Group, and it involves the production and sales of salad spinach and other vegetables using hydroponics, without using agricultural chemicals. Employees with disabilities are involved in every aspect of the work: planting seeds, raising seedlings, settled planting, cultivation, harvesting, packing boxes, right through to shipping. Heartland has garnered considerable attention as a practical space where persons with disabilities are thoroughly involved in agricultural work, and the facility hosts many visitors and study tours each day.

*1 At the KOKUYO Group, we prefer to use the term "person with disability" rather than "disabled person."

*2 This corresponds to the proportion of persons with disabilities employed as regular employees or regularly employed part-time or casual employees of KOKUYO Co., Ltd or its consolidated subsidiaries within Japan.

NEXT STAGE

Continued development & growth for the company



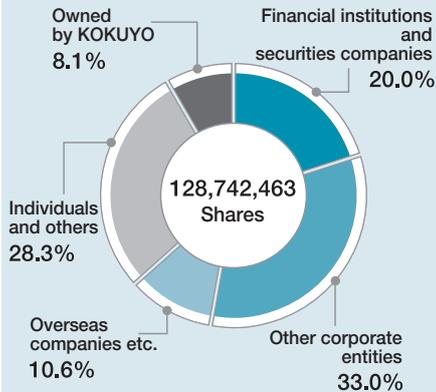
Ultimately, we are aiming to create an environment where employees continue working even when faced with various life events, and where all employees can utilize their diverse capabilities and unique sense of values.

At the KOKUYO Group, our efforts to engage with this kind of diversity are positioned as a management strategy. Although we have established a system recognizing childcare, in future we expect that problems arising from care-giving duties will greatly increase. We hope to continue undertaking our activities while still engaging with social needs.

Also, moving forward, the KOKUYO Group will be promoting further globalization. We will recognize the mutual capabilities and cultures of diverse human resources, including non-Japanese staff, so that we can foster a climate enabling these to be fully utilized, and we will work to ensure that not only our employees but also our managers are aware of the reality of diversity.

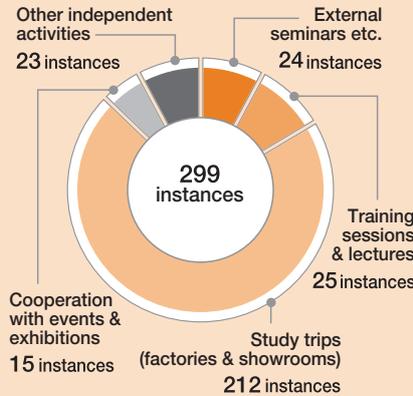
Corporate activities

Distribution of shareholdings



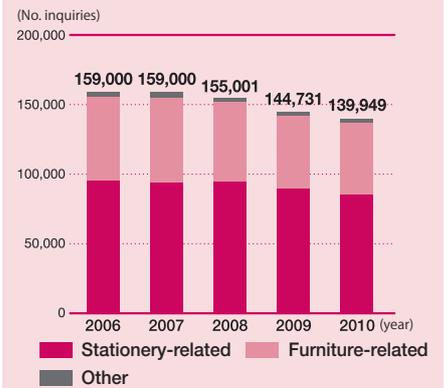
Local Communities

Totals & Breakdown of Social Contribution



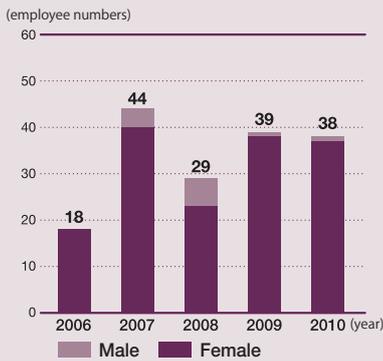
Customers

Shifts in No. of Inquiries

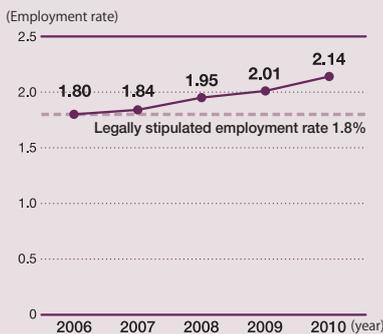


Human Rights

Number of employees taking childcare leave



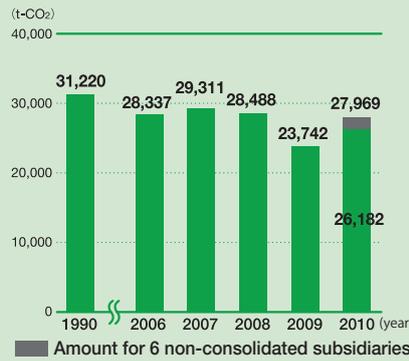
Employment rate of persons with disabilities*



* This corresponds to the proportion of persons with disabilities employed as regular employees or regularly employed part-time or casual employees of KOKUYO Co., Ltd or its consolidated subsidiaries within Japan.

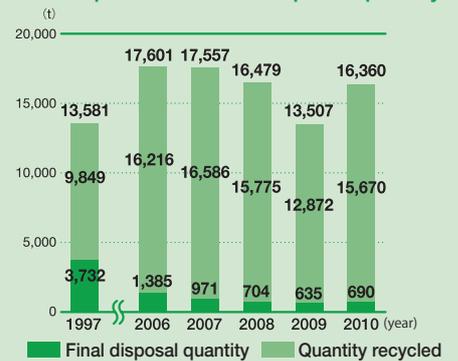
Environmental Protection

Changes in CO₂ emission volumes



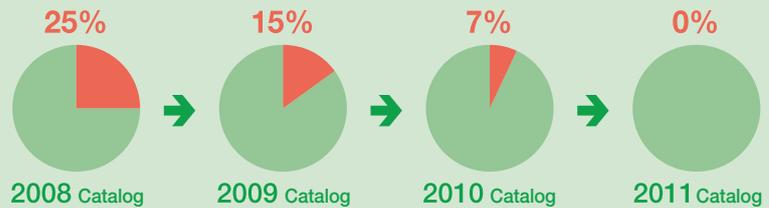
* From 2010, the CO₂ emission variables and the scope of calculation have changed. If CO₂ emission variables and scope of calculation are considered at 2009-equivalent levels, this would mean 26,019 tons of CO₂.

Quantity of waste products recycled compared with final disposal quantity

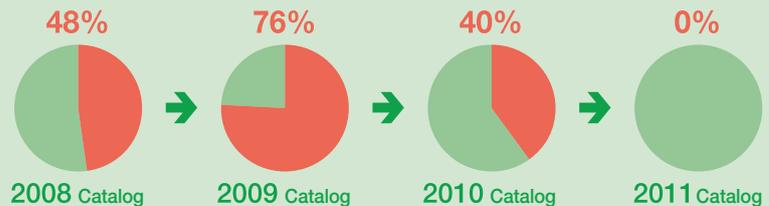


* From 2010, this includes the performance of 6 non-consolidated subsidiary companies (Quantity recycled: 111t; Final disposal quantity 8t)

Changes in Eco-X Mark rates: Furniture



Changes in Eco-X Mark rates: Stationery



- The Eco-X Mark rate for furniture products is expressed as a proportion of the products listed in the General Catalog, excluding low partitions, room dividers, store appliances & fittings, etc.
- Changes are accurate at time of publication of General Catalog for each year. (Each respective Catalog lists the performance of the previous year.)

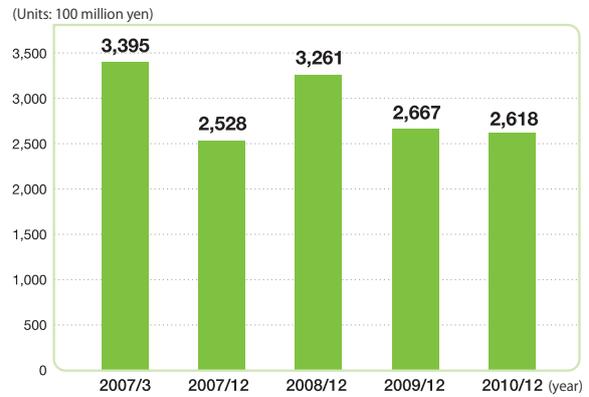
For more information on reporting periods and reporting organizations, overview of business services, the KOKUYO Group Environmental Vision, the state of compliance with environment-related legal requirements, and other significant data relating to KOKUYO's environmental burden, including estimated standards for indicators, please refer to the website listed below.
<http://www.kokuyo.co.jp/com/csr/data> (Japanese only)

(as of 31 December 2010)

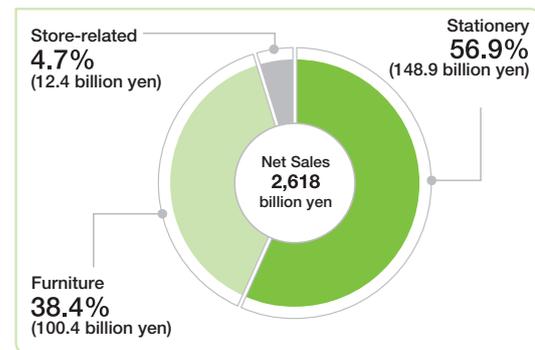
The KOKUYO Group is engaged in stationery and office stationery-related business, as well as furniture-related business such as office furniture, public furnishings, and construction of office spaces.

Established: October 2, 1905
 Capital: 15.8 billion yen
 Representative: Company President Akihiro Kuroda
 Head office location: 6-1-1 Oimazato-minami, Higashinari-ku,
 Osaka City, Osaka 537-8686 Japan
 No. of consolidated subsidiaries: 22
 No. of regular employees (consolidated): 4,991

Net Sales (consolidated)



Net Sales by Business Segment (consolidated)





KOKUYO

Published by
KOKUYO Co., Ltd.

6-1-1 Oimazato-minami, Higashinari-ku, Osaka 537-8686, Japan

Contact
Department of Public Relations
KOKUYO Business Service Co., Ltd.
TEL: 06-6976-1277 FAX: 06-6976-1253

