

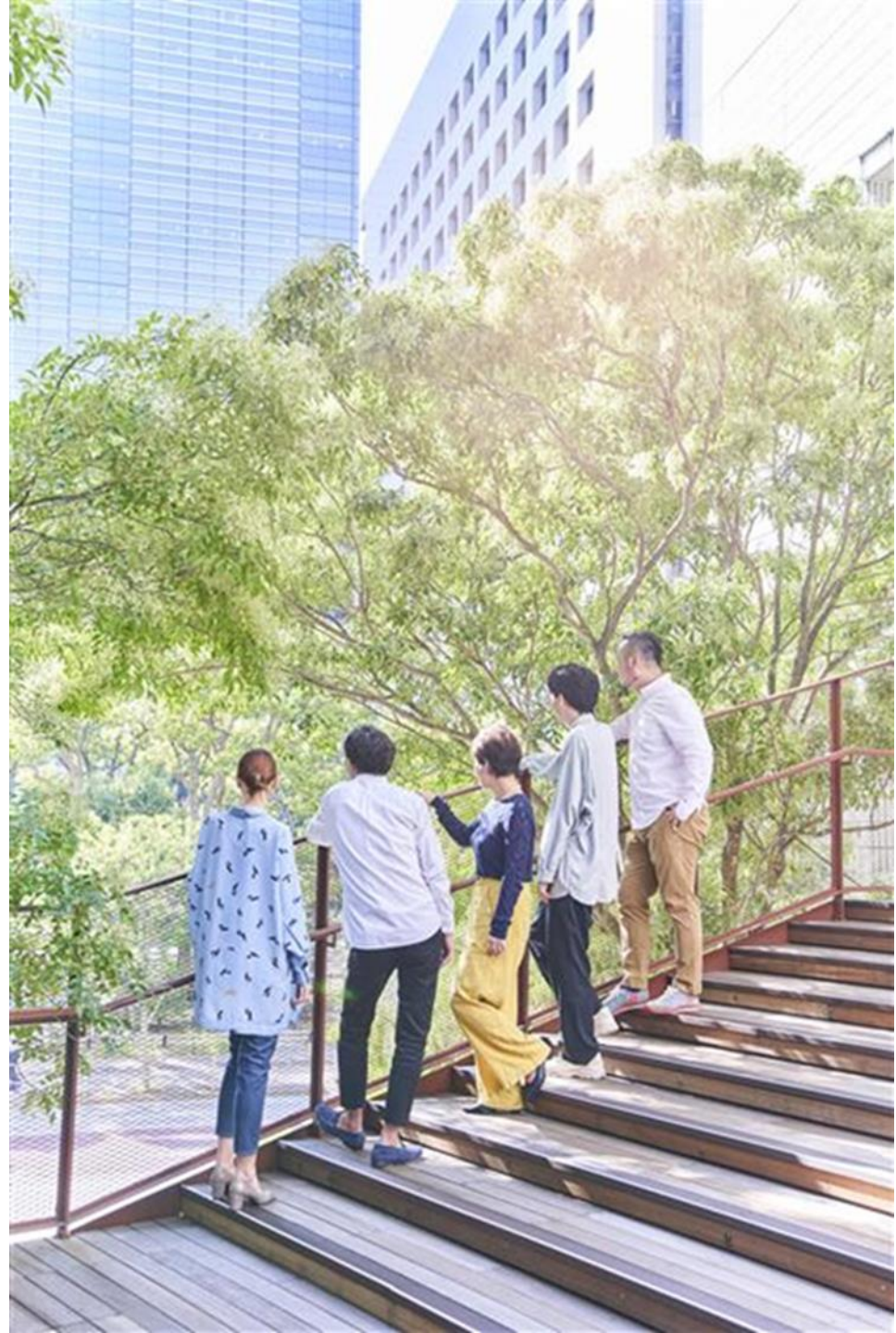


ESG Briefing

June 30, 2022
KOKUYO

Contents

1. Our ESG challenges
2. Value creation story
3. Longer-term view
4. Our businesses
5. Accomplishing material tasks
6. Corporate governance



- ❑ We've worked on three medium-term plans to escape low growth
- ❑ Some success so far (better profitability and efficiency), but external ratings (share price and ESG rating) still too low
- ❑ **Urgent task: Present compelling vision to give investors confidence in prospects of sustainable growth**

- ❑ Unveiled our new philosophy (Feb 2021): *be Unique*.

- ❑ Unveiled vision for 2030, CCC 2030 (adopt Forest Model, achieve ¥500 bn sales in 2030)
- ❑ CCC 2030 emphasizes sustainability (biggest theme is to cultivate diverse group of businesses for sustainable growth)...**Heralds shift to sustainable management**

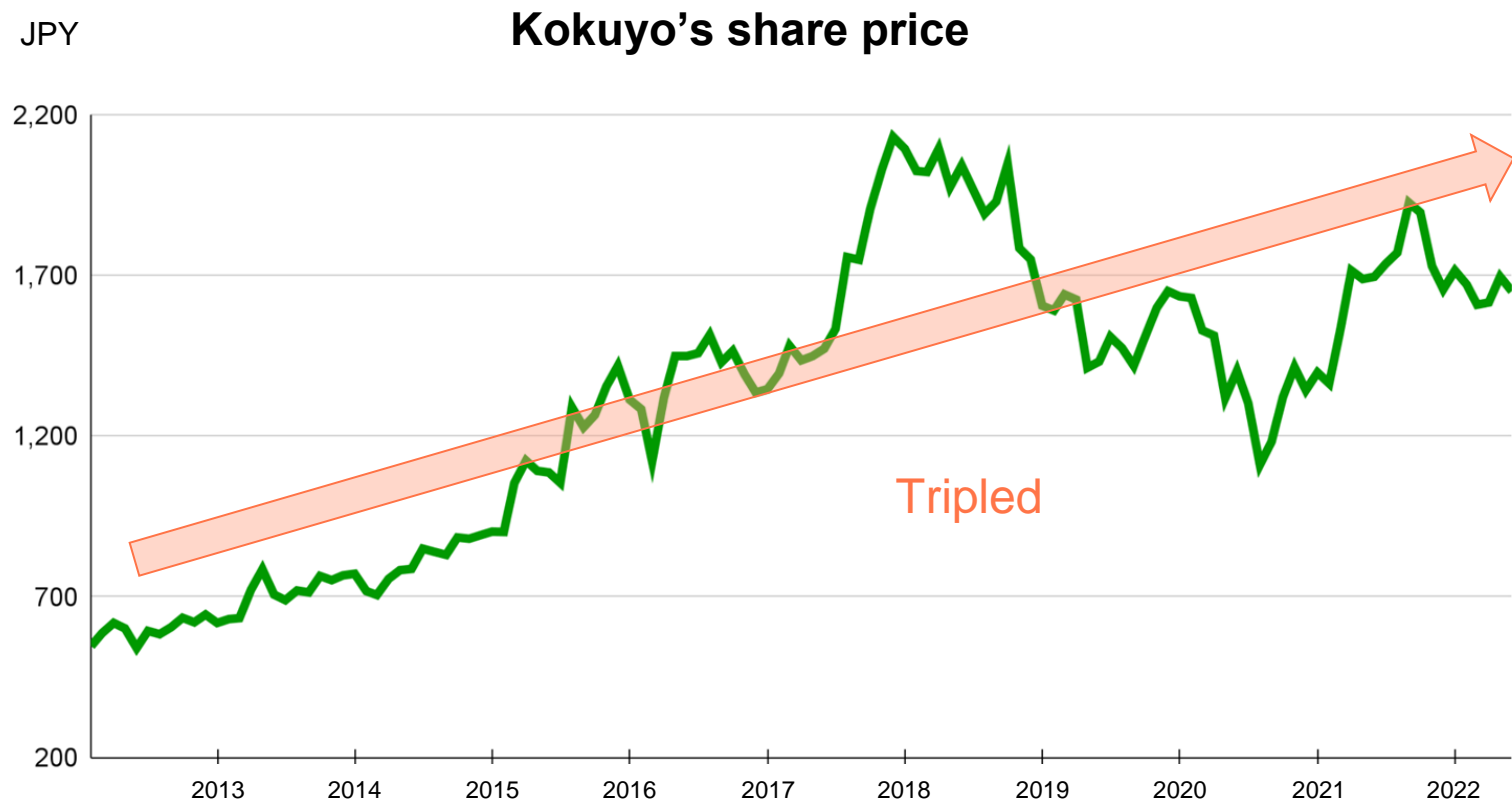
- ❑ Clarified purpose/values, built unified value system...Unveiled purpose/values in 2022 in conjunction with release of integrated report
- ❑ Sustained integrated reporting **sends message that we have embraced sustainability**



1. Our ESG Challenges

Share Price

Share price has tripled in last 10 years, but our medium- and long-term growth prospects remain undervalued



List of ESG Ratings

Not bad, but scores vary widely between ESG rating providers
 We need more consistent/listings

Key ESG ratings

Ratings index	Ratings							
MSCI ESG Rating 2020	CCC	B	BB	BBB	A	AA	AAA	
Sustainalytics ESG Risk Rating	Severe		High	Medium		Low	Negligible	
FTSE ESG Rating 2020	1		2.4 E:2.8,S:1.7,G:2.9	3		4	5	
CDP Climate Change 2021	D-	D	C-	C	B-	B	A-	A
CDP Forests 2021	D-	D	C-	C	B-	B	A-	A

Excellent

Room for improvement


Sustainable management and integrated reporting—better stakeholder engagement



Link information with vision
(show how the information relates to value creation over medium and long term)

In communicating our sustainable competitive advantage, present a more coherent narrative about balancing economic and social values

Provide more retrospective information—be more open about past performance/issues and show how to improve our future growth prospects



2. Value Creation Story

Value System

The future we imagine

A self-directed, collaborative society



Values

Co-creation with empathy

A culture of experimentation

Designing experiences



Purpose

Presenting a tomorrow
you can't wait for.



Vision for 2030

WORK & LIFE
STYLE Company

Shift to
the "Forest-Type Management Model"



Our philosophy

be Unique.

Stimulate creativity and celebrate uniqueness.

The Future We Imagine

The future we imagine

A self-directed, collaborative society



Our philosophy

be Unique.

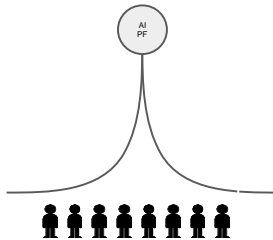
Stimulate creativity and celebrate uniqueness.

A Self-Directed, Collaborative Society

Optimal social cohesion

A world of platform users

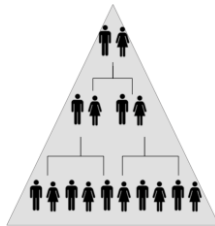
A possible future



High platform dependency, low interdependence

Pursuit of heteronomy, economic value

Status quo continues

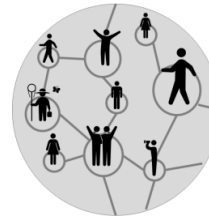


Individuals subservient to organization
Emphasis on economic rationality and organizational optimization

World of efficient pyramidization

A self-directed, collaborative society

Will interdependence increase?

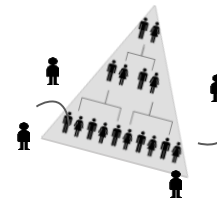


Individuality/autonomy balanced with social cohesion

The future we want

Pursuit of autonomy, holistic values

Will individuality increase?



Emphasis on pursuing one's own values, low social cohesion

A possible future

World of individualized talent management

Individualism, emphasis on organizational efficiency

Purpose

The future we imagine

A self-directed, collaborative society



Our philosophy

be Unique.

Stimulate creativity and celebrate uniqueness.

Values

The future we imagine

A self-directed, collaborative society



Values

Co-creation with empathy

A culture of experimentation

Designing experiences



Purpose

Presenting a tomorrow
you can't wait for.



Vision for 2030

WORK & LIFE
STYLE Company

Shift to
the "Forest-Type Management Model"



Our philosophy

be Unique.

Stimulate creativity and celebrate uniqueness.

A hothouse of ideas for working, studying, and living
Initiatives that contribute toward a self-directed, collaborative society

Experimenting,
experiencing 1



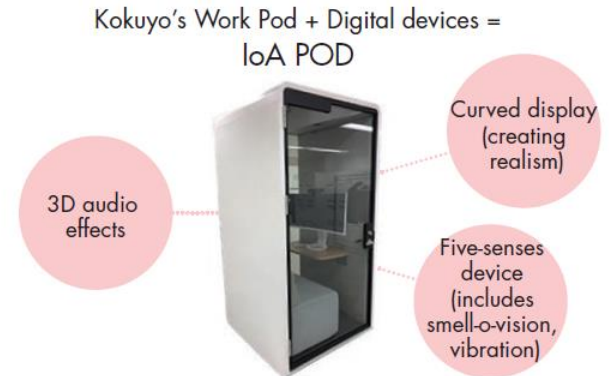
The office as a place to mingle
and bond

Experimenting,
experiencing 2



AR-driven communication

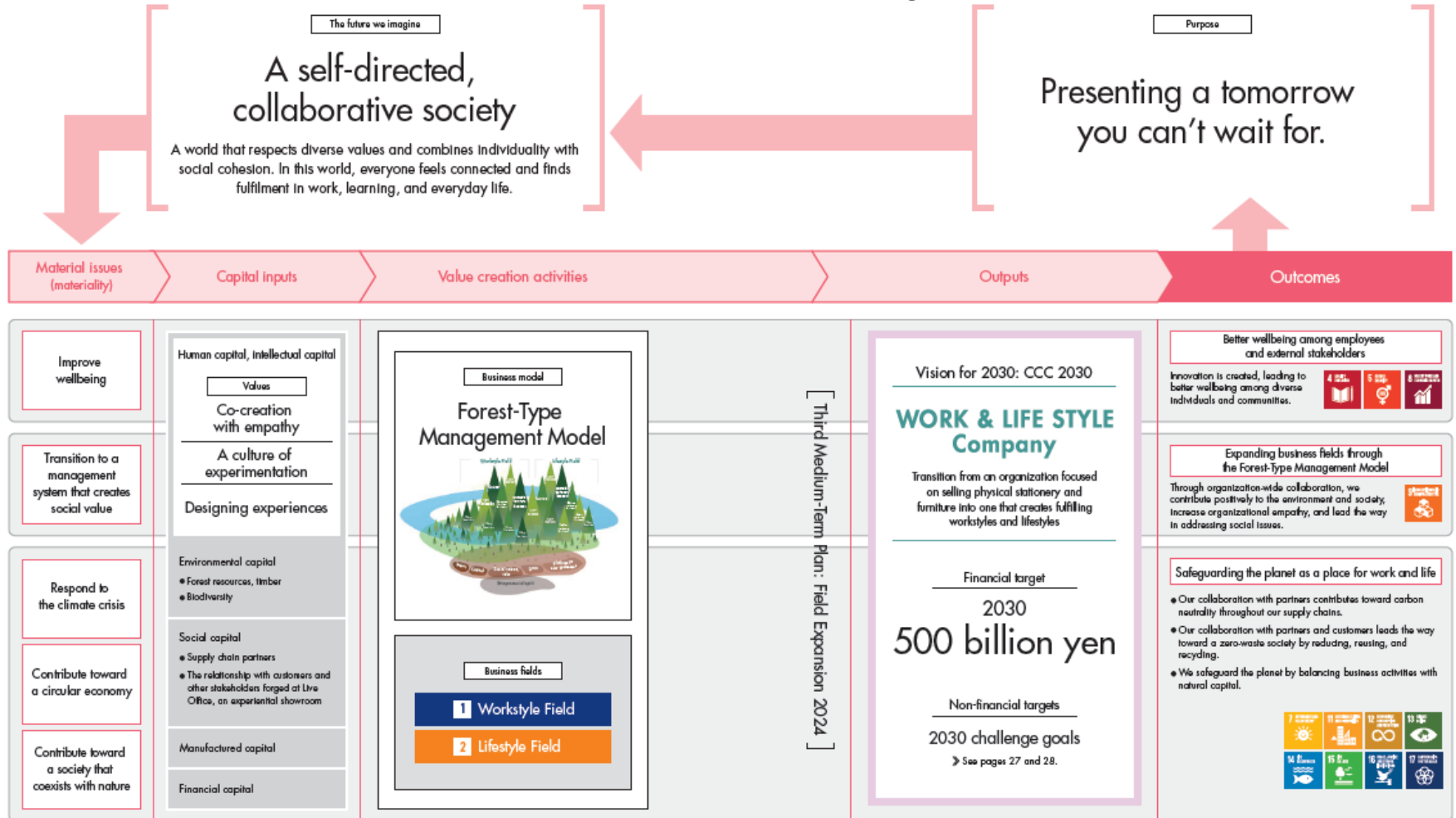
Experimenting,
experiencing 3



Using digital technology to
build offices
(Kokuyo + Toppan)

Value Creation Story: Overview

We've established a value creation story showing how we grow our value over the medium and long term




Our philosophy

be Unique.

Sustainability strategy

To build a self-directed, collaborative society, we will present a tomorrow you can't wait for and lead the way in sustainable business practices.



3. Longer-Term View

Our New Business Model: The Forest Model

To inculcate longer-term view, we're shifting to Forest Model
That means we're transitioning to a diverse "forest" of businesses

● Our philosophy **be Unique.**

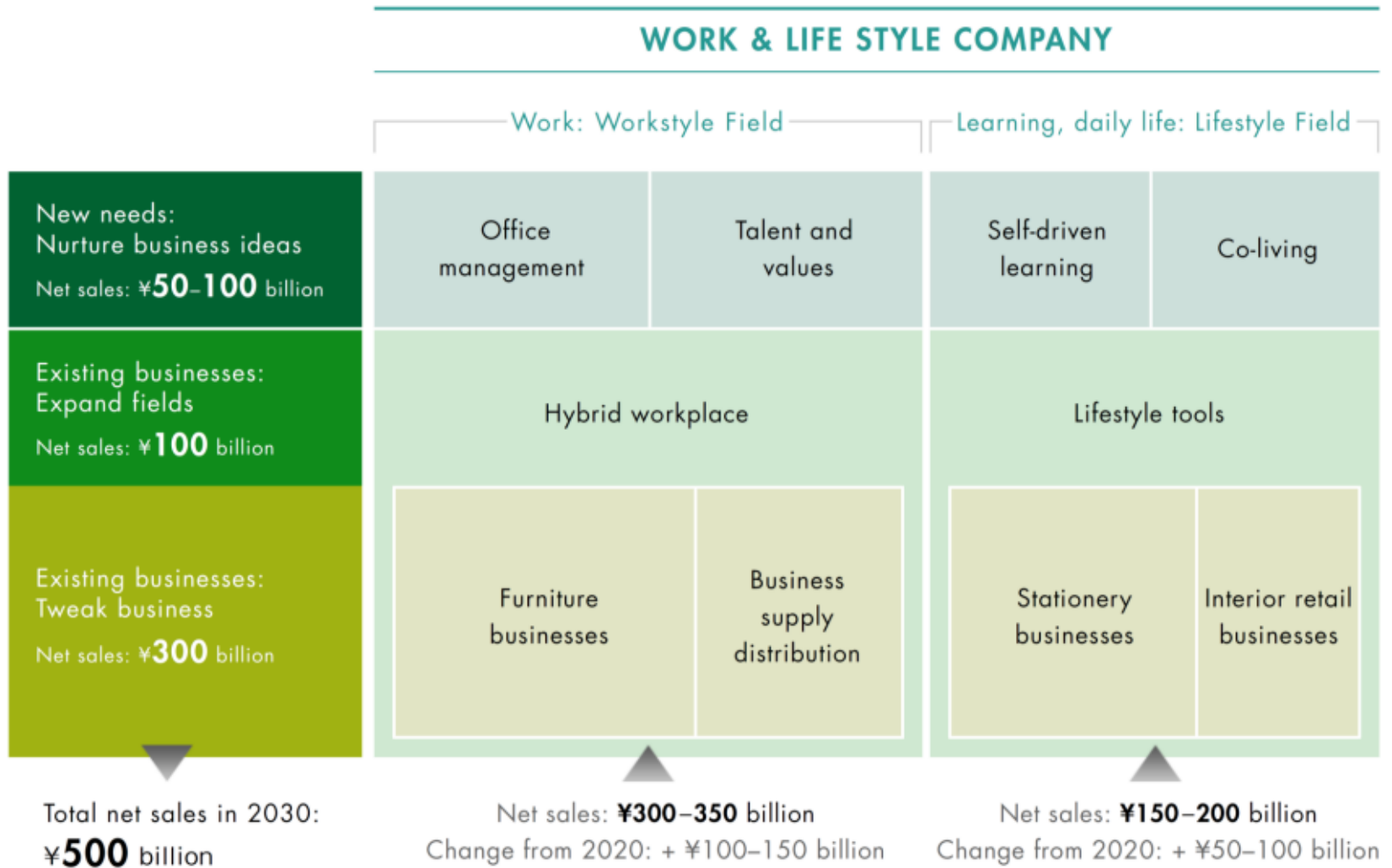
● Purpose **Presenting a tomorrow you can't wait for.**

● Values **Co-creation with empathy
A culture of experimentation
Designing experiences**



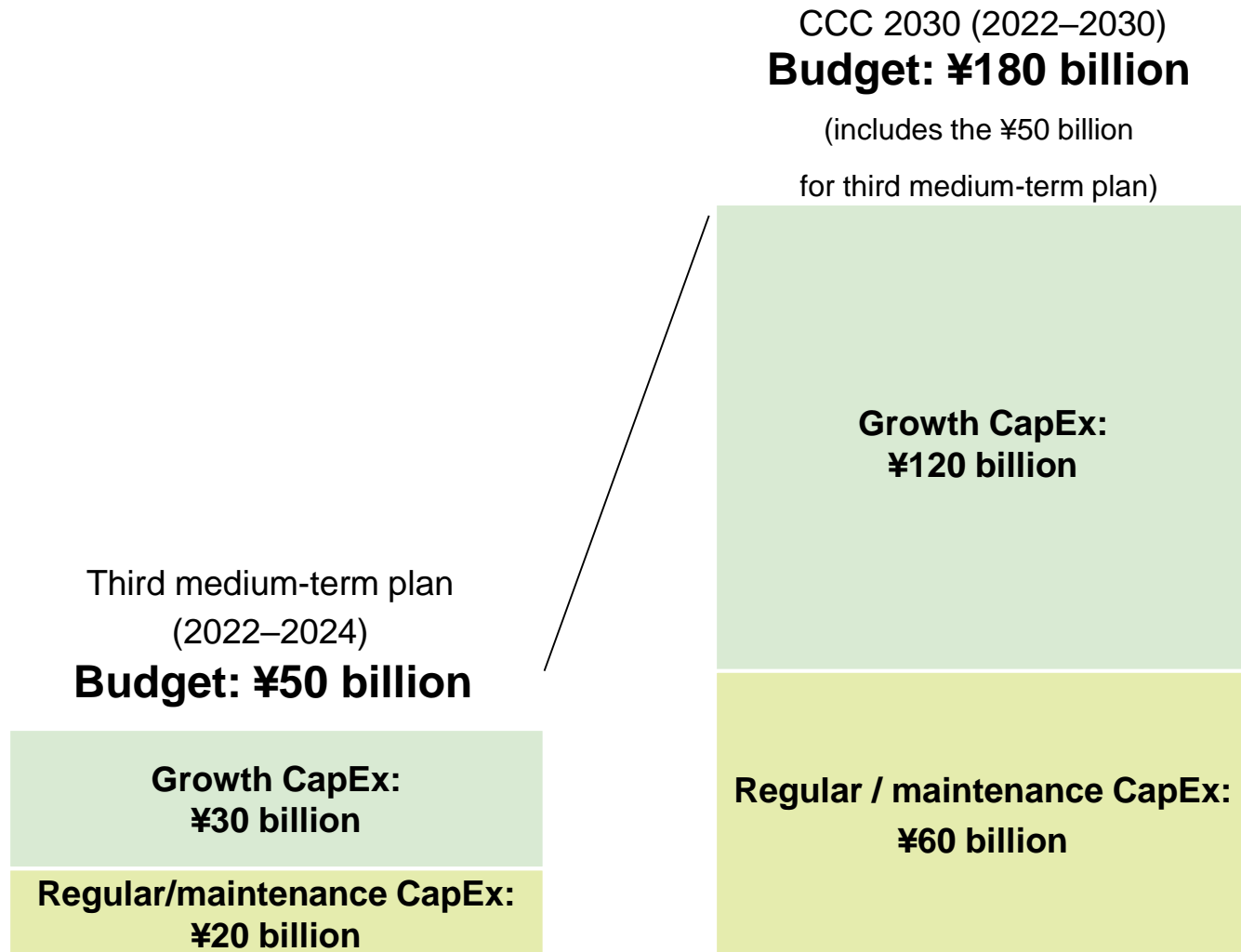
Vision

By expanding the two fields, we aim to achieve net sales of ¥500 billion in 2030



Strategic Investment

To achieve the vision for 2030, we must invest strategically
We must keep stakeholders onside as we proceed with investments





4. Our Businesses

Two Business Segments

We established the two fields (Workstyle, Lifestyle) with eye on 2030



Workstyle Field



Furniture businesses

Business supply distribution

Lifestyle Field



Stationery businesses

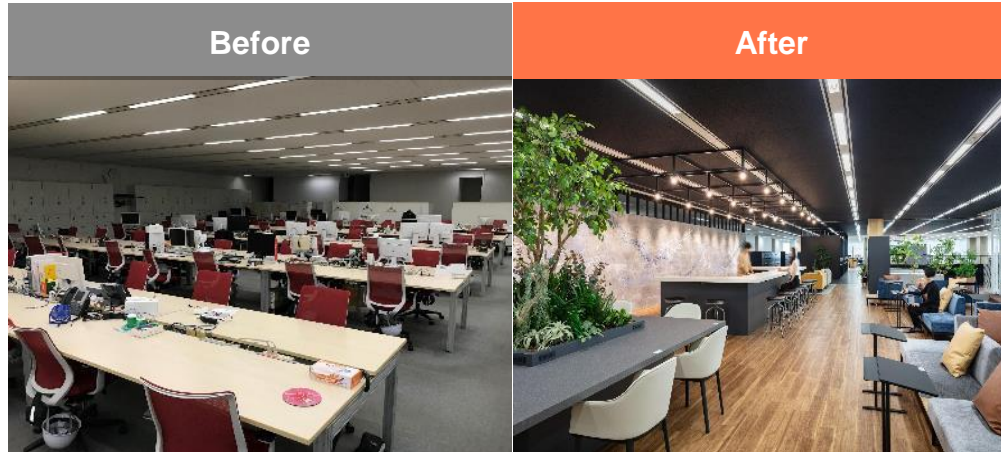
Interior retail businesses

The Campus aims for spatial designs that encourage authenticity in the workplace, leading to better wellbeing

Office renovation for Work Life Shift, new working practices for the new normal (Fujitsu)

Visionary idea

Spatial designs that encourage authenticity



Conventional office layout

- Employees can choose a place to work
- Office is furnished with greenery



Business value

Solutions that meet customer needs contribute to sales growth



Social value

New workstyles help improve wellbeing

Kaunet provides solutions for office problems, leading to better motivation and wellbeing

Visionary idea

Office supplies that solve problems



Business value

Differentiates us from peers, raising prospects for expansion

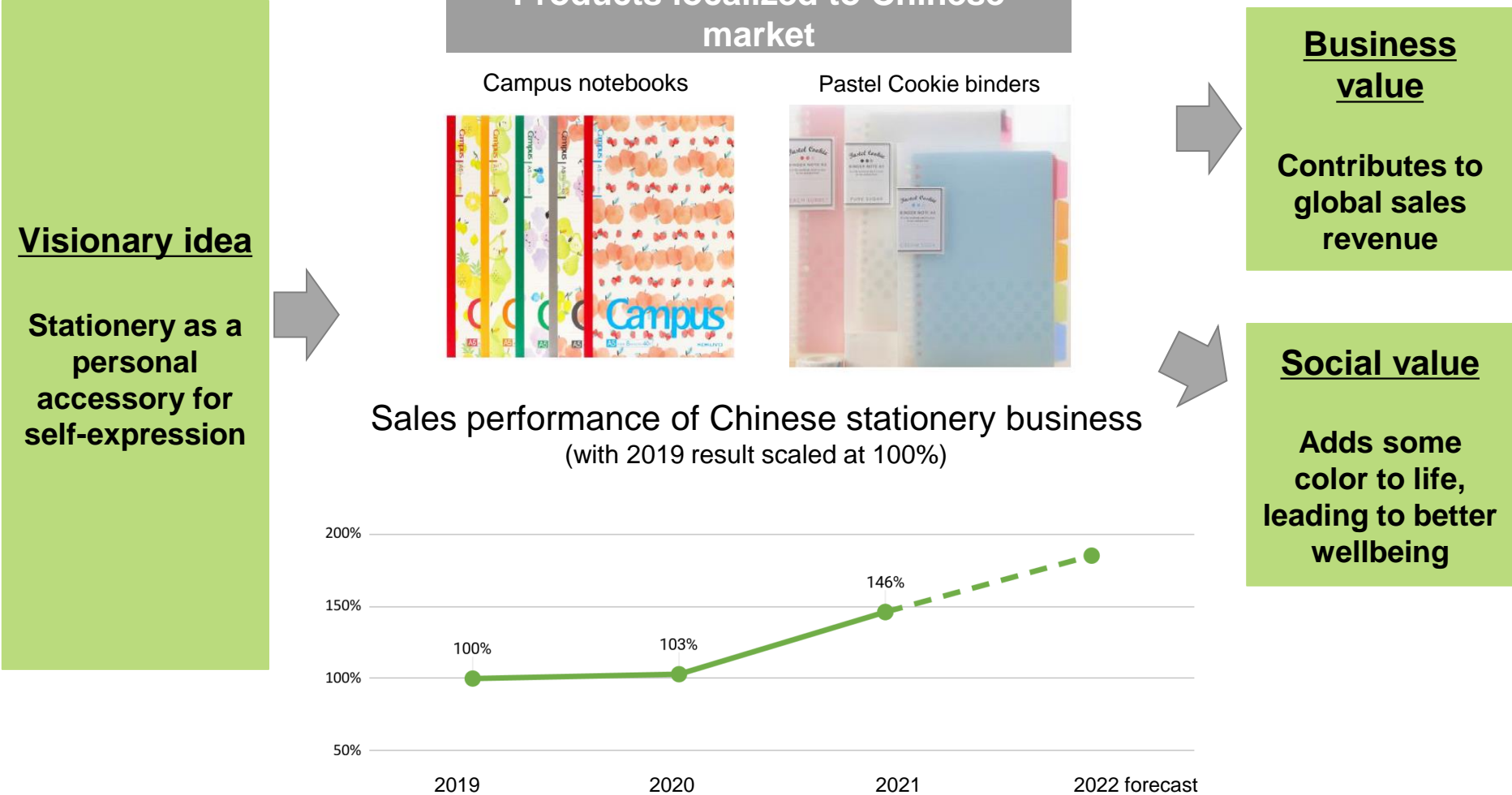



Social value

Solutions help improve motivation and wellbeing

Private brands as percentage of total sales:
2021 19.0% → 2024 24.6% (forecast)

By reimagining stationery as personal accessories, we help people express their individuality, leading to better wellbeing





5. Accomplishing Material Tasks

Our previous material issues were aligned with SDGs
The new set of material issues is additionally aligned with our vision for 2030

Material issues identified in previous materiality assessment

Material issue 1
Pitch ideas for new ways of working

Material issue 2
Promotion diversity and inclusion

Material issue 3
Respond to the climate crisis

Material issue 4
Contribute toward a circular economy

Material issue 5
Contribute toward a society that coexists with nature



Our new set of material issues and strategic priorities

Improve wellbeing among employees and external stakeholders

1. Pitch ideas for new ways of working
2. Promote diversity, inclusion, and innovation

Material Issue 1



Improve wellbeing

Expand business fields through the Forest Model

Material Issue 2



Transition to a management system that creates social value

Safeguard the planet as a place for work and life

Material Issue 3



Respond to the climate crisis

Material Issue 4



Contribute toward a circular economy





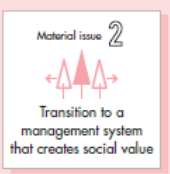










Material Issue 5



Contribute toward a society that coexists with nature

Materiality (Material Goals)

For all the material issues, we have set challenge goals for 2030 and commitment goals for 2024

Material issue	Outcome	2030 challenge goal		2024 commitment goal	Linked SDG	
			KPI			
<p>Improve wellbeing among employees and external stakeholders</p>  <p>1. Pitch ideas for new ways of working 2. Promote diversity, inclusion, and innovation</p>	<p>Innovation is created, leading to better wellbeing among diverse individuals and communities.</p>	<p>We promote personalized, authentic employee experiences by marketing life-based work (an approach that tailors work around people, rather than expecting people to tailor themselves around their jobs).</p>	<p>Challenge goals for flexible work options (flextime, empowering women) 27 challenge goals (three per year for nine years)</p>	<p>100% of managers have shifted to mindset that values employees' disposable time 100% takeup rate for paid leave among managers and general staff</p>	  	
		<p>We have removed social barriers, encouraging more people to engage actively in work and learning.</p>	<p>At least 50% of new products (stock-keeping units) have incorporated inclusive design</p>	<p>Women account for 12% of leadership roles</p>		
				<p>At least 20% of new products incorporating inclusive design</p>		
<p>Expand business fields through the Forest Model</p> 	<p>Organization-wide collaboration contributes positively to the environment and society, increasing organizational empathy and leading the way in addressing social issues.</p>	<p>Our new and existing businesses address the problems society faces.</p>	<p>100% of sales have balanced social value and economic value</p>	<p>30 future Mirai Yokoku experiments</p>		
		<p>Our employees make the world a better place in many ways.</p>	<p>100% of employees are addressing social issues</p>	<p>100% participation in sustainability initiatives</p>		
<p>Safeguard the planet as a place for work and life</p>   	<p>Our collaboration with partners contributes toward carbon neutrality throughout our supply chains.</p>	<p>With our partners support, we have achieved our carbon emissions reductions targets based on the Science Based Targets initiative (SBTi).</p>	<p>SBTi-based emissions reductions target met (target to be determined)</p>	<p>Emissions reductions target: 50% reduction from 2013 level</p>	 	
			<p>Carbon sequestration: At least 6,000 tons of CO₂ sequestered a year</p>			
	<p>Our collaboration with partners and customers leads the way toward a zero-waste society by reducing, reusing, and recycling.</p>	<p>Over 16% of the Japanese population participates in our programs for building a circular economy, creating positive behavioral changes in society.</p>	<p>At least 80% of products sold by group (including overseas companies) support a transition to a circular economy</p>	<p>100% of new products incorporate circular-economy design principles</p>	 	
			<p>100% of waste (office, construction services, inventory) recycled</p>			
	<p>We safeguard the planet by balancing business activities with natural capital.</p>	<p>We conduct numerous experiments for a circular economy, encouraging more companies to commit.</p>	<p>We now disclose our carbon footprint and actions to minimize it, encouraging an eco-friendly attitude in the market.</p>	<p>100% of suppliers endorse our circular-economy design principles</p>	<p>100% of key suppliers (some 400 companies) responding to supplier evaluation survey</p>	 
				<p>Carbon footprint of business activities visualized and carbon neutrality achieved</p>	<p>Forest conservation: Forests thinned at 150 hectares a year</p>	

Material Issue 1: Improve wellbeing



Wellbeing is the experience of happiness and health. To help improve wellbeing, we will promote work-life balance, new workstyles, and a diverse workplace (inclusive of gender, disability, nationality) that produces innovation. For this, we have two challenge goals: pitch ideas for new ways of working, and promote diversity, inclusion, and innovation.



Outcome: Innovation is created, leading to better wellbeing among diverse individuals and communities.

2024 commitment goal

100% of managers have shifted to mindset that values employees' disposable time, 100% takeup rate for paid leave among managers and general staff

Women account for 12% of leadership roles

At least 20% of new products incorporating inclusive design

2030 challenge goal

We promote personalized, authentic employee experiences by marketing life-based work (an approach that tailors work around people, rather than expecting people to tailor themselves around their jobs).

KPI : Challenge goals for flexible work options (flextime, empowering women)
27 challenge goals (three per year for nine years)

We have removed social barriers, encouraging more people to engage actively in work and learning.

KPI : New products (stock-keeping units) have incorporated inclusive design=at least 50%

Increase share of new products with inclusive design

New products with inclusive design



◀ An inclusive design workshop focusing on furniture for government offices

Color notebooks with ► reduced glare

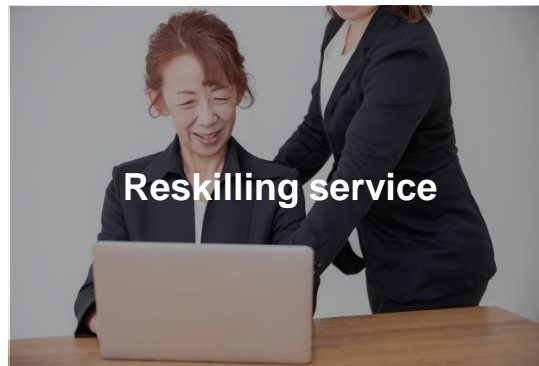
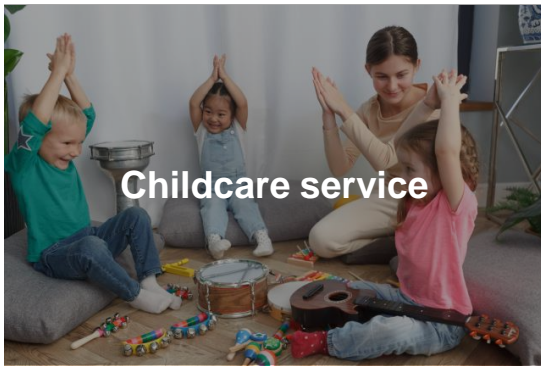


▲ CV forms with no gender field

We provide training programs to unlock talent and opportunities for growth

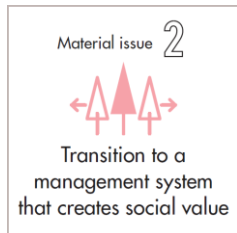
A program in practical entrepreneurialism at the Kokuyo Marketing University / Graduate School

So far, 3 of the 12 proposals have been accepted for consideration.
65% of graduates have moved from an existing business to a growing sector



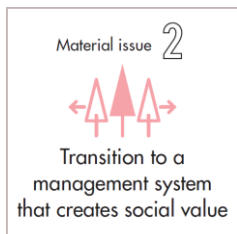
▶ Contribution to future-oriented entrepreneurship

Material Issue 2: Transition to a management system that creates social value



Over the years, we've offered solutions for new ways of working, learning, and living through a process of first-hand experimentation in which we design experiences for customers through products and services.

Amid today's mounting environmental and social issues, many people are unsure of how to take the next step. We want to transform management systems to lead the way to a sustainable future with the support of all employees and businesses. As more partners and customers engage with us, we'll spark more innovation and solve more social issues.



Outcome:
Organization-wide collaboration contributes positively to the environment and society, increasing organizational empathy and leading the way in addressing social issues.

2024 commitment goal

30 future Mirai Yokoku experiments

100% participation in sustainability initiatives

2030 challenge goal

Our new and existing businesses address the problems society faces.

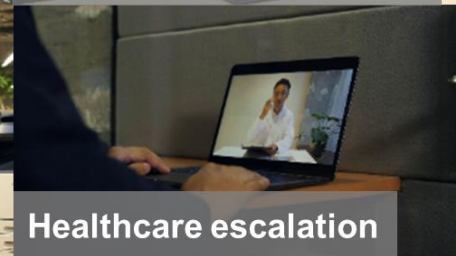
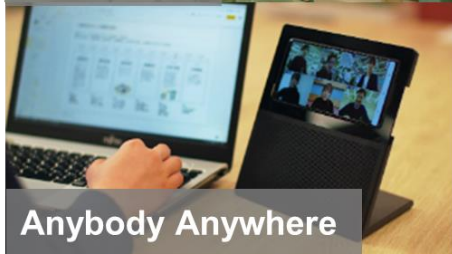
Our employees make the world a better place in many ways.

100% of sales have balanced social value and economic value

100% of employees are addressing social issues

The Campus is a place for open innovation
New business ideas are developed together with partners

Partnerships at The Campus (at least 30 a year)



▶ Contribution to development of joint ventures

We organize events to encourage more employees to take an active interest in social issues

Employees participate in events for promoting a circular economy and local revitalization



Pass the Baton Market
(Cumulative total of 900 employees have participated as of 2021)



ISU-1 GP
(Cumulative total of at least 500 employees have participated since 2010)

▶ Employees participation in sustainability-related activities increases year by year

Material Issue 3: Respond to the climate crisis



Over 90% of our emissions are from our value chain (scope 3), meaning that we can't contribute to carbon neutrality just by reducing emissions from our own businesses. We rely on numerous production and distribution partners. To contribute to carbon neutrality, we work with these supply chain partners on initiatives such as switching to more sustainable raw materials and delivery methods.



Outcome:
Our collaboration with partners contributes toward carbon neutrality throughout our supply chains.

2024 commitment goal

Emissions reductions target:
50% reduction from 2013
level

2030 challenge goal

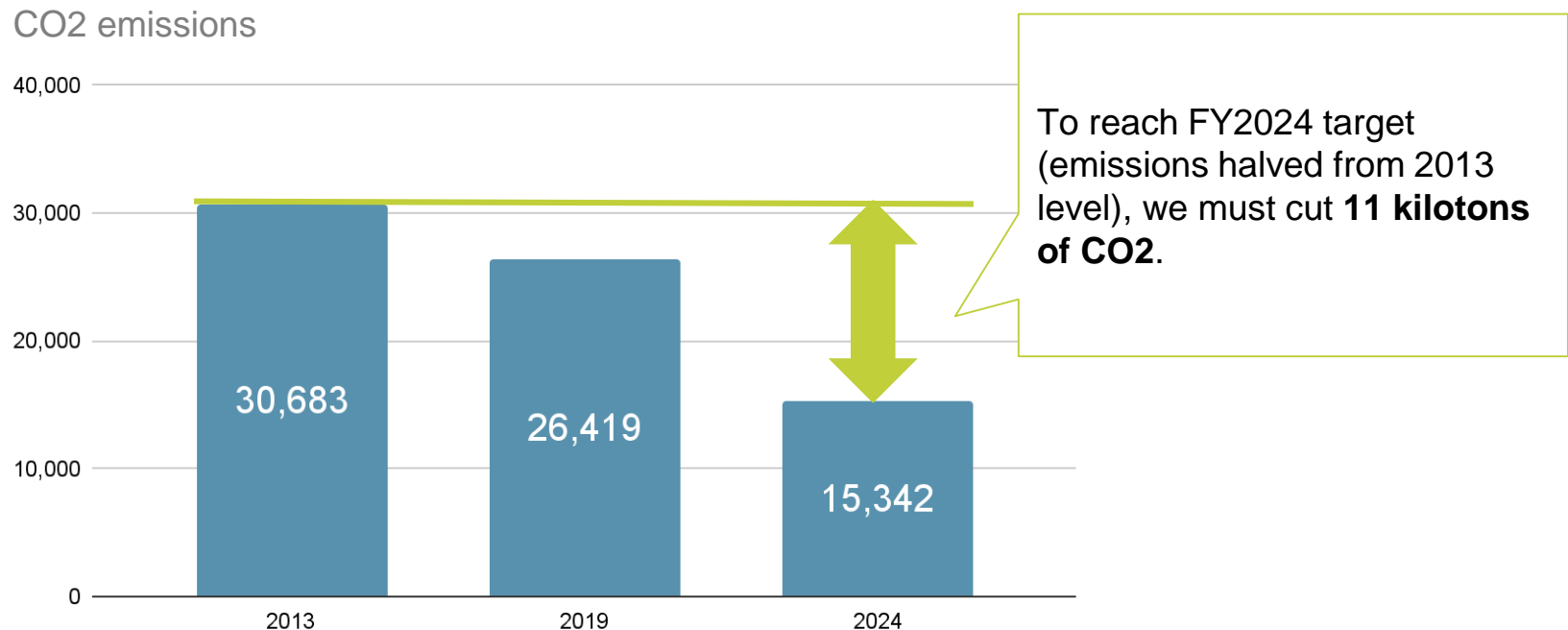
With our partners support, we
have achieved our carbon
emissions reductions targets
based on the Science Based
Targets initiative (SBTI).

SBTI-based emissions
reductions target met (target to
be determined)

Carbon sequestration: At least
6,000 tons of CO2 sequestered
a year

We are planning a renewable shift to halve CO2 emissions by 2024

Preparations underway for renewable shift in 10 workplaces in Japan



▶ We are on course to meeting 2024 target, but to meet the 2030 target we must extend the renewable shift to overseas workplaces

Material Issue 4: Contribute toward a circular economy



We want to use the planet's limited resources efficiently in delivering value to customers. Accordingly, we've been working to recycle more of our waste and to develop ecologically sustainable products and services. As an organization committed to enriching customers' lives, we also aim to promote individualized zero-waste lifestyles. We'll engage partners and customers in our efforts to help build a circular economy, one that recycles and reuses rather than wasting.



Outcome:
Our collaboration with partners and customers leads the way toward a zero-waste society by reducing, reusing, and recycling.

2024 commitment goal

100% of new products incorporate circular-economy design principles

2030 challenge goal

Over 16% of the Japanese population participates in our programs for building a circular economy, creating positive behavioral changes in society.

We conduct numerous experiments for a circular economy, encouraging more companies to commit.

At least 80% of products sold by group (including overseas companies) support a transition to a circular economy

100% of waste (office, construction services, inventory) recycled

100% of suppliers endorse our circular-economy design principles

By 2024, we want all of our new brands to be incorporating circular-economy design principles
As well as changing materials and products, we must collaborate with users and social stakeholders

Each business is working on circular-economy products/models



▲ Kokuyo Me Series



▲ Cosmo Concept



▲ Starbucks Campus Ring Notebook

Material Issue 5: Contribute toward a society that coexists with nature



Sustainable use of forests is a major imperative for us since we use plenty of timber (not least in our mainstay products of notebooks and office furniture). Over the years, we have worked to conserve biodiversity and reduce our use of hazardous materials in order to minimize our impact on the environment. From this year, we'll monitor and take steps to improve our impact on the environment so that we can balance business activities with natural capital for a healthier planet.



Outcome:
We safeguard the planet by balancing business activities with natural capital.

2024 commitment goal

To be determined

2030 challenge goal

We now disclose our carbon footprint and actions to minimize it, encouraging an eco-friendly attitude in the market.

Carbon footprint of business activities visualized and carbon neutrality achieved

Forest conservation: Forests thinned at 150 hectares a year

Reedbed conservation: Reeds trimmed at 1.5 hectares a year

In 2006, we launched the Yui-no-Mori Project to conserve a forest in Kochi Prefecture and revitalize the community
The project involves sustainably thinning the forest and using the harvested timber effectively

Yui-no-Mori



Project area:	5,425ha
Cumulative area thinned:	1,989ha
CO2 absorbed:	5,368t-CO2 (FY2020)
	67,390t-CO2
	(cumulative total as of 2021.3)

▶ The work of the project since 2006 has made a big impact

We've set a sustainability strategy

The strategy bridges our vision for 2030 with our policy on stakeholder engagement

Sustainable Business Strategy

To build a self-directed, collaborative society,
we will present a tomorrow you can't wait for and lead
the way in sustainable business practices.

To balance social value and economic value, we will address social and environmental challenges
and offer inspiration in work, learning, and living

We've prepared an organizational framework for sustainable management, including the Sustainability Committee, which will establish a PDCA process

Organizational framework for Sustainable Business Strategy Addressing sustainability issues

Sustainability Committee

Chair: Head of CSV

Membership: All executive officers

Environment Subcommittee

Chair: Masahiro Fukui

Wellbeing Subcommittee

Chair: Kosuke Ono

Procurement Subcommittee

Chair: Koji Morita

Forest-Type Management Model Subcommittee

Chair: Toshio Naito

By establishing the Sustainability Committee, we created an organizational framework for addressing climate-related risks and opportunities
This meant we could endorse the TCFD's recommendations

Governance

The Sustainability Committee coordinates efforts to identify, assess, and manage climate-related risks and opportunities

Strategy

We identify climate-related risks and opportunities, their impact on our financial planning, and a strategy for addressing them, taking into account climate-related scenarios

Risk management

Guided by the findings of regular internal and external questionnaires, the Sustainability Committee's Environment Subcommittee identifies, assesses, and manages climate-related risks with the participation of all heads of business units

Metrics and targets

- We step up mitigation activities for a transition to low-carbon economy**
- We reduce CO2 emissions by saving energy and shifting to renewable energy, and we help carbon sequestration through forest management**
- We set CO2 reduction and CO2 sequestration targets/metrics for 2030**

A high-angle photograph of a man, a young child, and a woman walking on a paved path in a courtyard. The man is in the center, wearing a grey sweater and dark pants, walking towards the camera. A small child is walking to the left of the man. A woman is walking to the right of the man, wearing a light-colored hoodie and dark pants, walking away from the camera. The path is surrounded by potted plants and greenery.

6. Corporate Governance

To improve our corporate value, we must operate efficiently, transparently, and fairly
 In portfolio planning, we consider the outsider's perspective of outside directors

Skills matrix for directors and members of the Audit & Supervisory Board

Name		Fields of Knowledge and Experience							
		Corporate Management	Strategies	Global Business	Digital Transformation and IT	ESG	Risk Management	Financial Affairs and Accounting	Legal Affairs
Directors	Hidekuni Kuroda	●	●			●			
	Toshio Naito		●					●	
	Taketsugu Fujiwara	●		●		●			
	Mika Masuyama		●	●		●			
	Takehiro Kamigama	●		●	●				
	Shinichiro Omori	●				●	●		
Audit & Supervisory Board members	Katsuaki Tojo					●	●		●
	Yoko Toyoshi					●	●	●	
	Fukutaka Hashimoto					●	●		●

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KOKUYO

Business forecasts and other forward looking statements herein are based on expectations and judgments deemed reasonable in light of business information available as of the time of publication. They are not guarantees of future performance. Various uncertainties may cause actual results to differ from what these statements suggest.