



K O K U Y O G R O U P C S R R E P O R T

2009

Furniture

Stationery



Corporate Outline of KOKUYO Co., Ltd.

(as of December 31, 2008)

Established: October 2, 1905

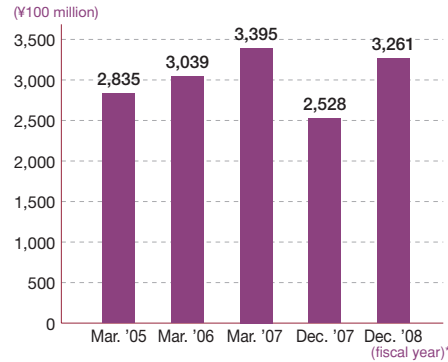
Capital: ¥15.8 billion

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

President: Akihiro Kuroda

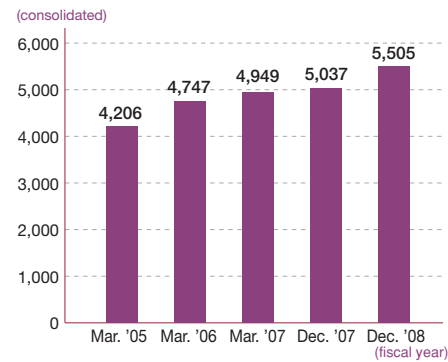
No. of consolidated subsidiaries: 24

Net Sales (consolidated)

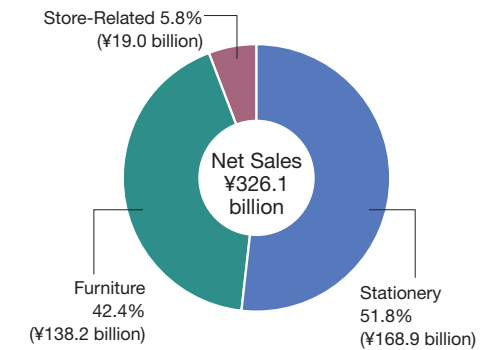


* FY 2007 is an irregular, 9-month fiscal year due to a change of fiscal year-end from March 31 to December 31.

Number of Employees

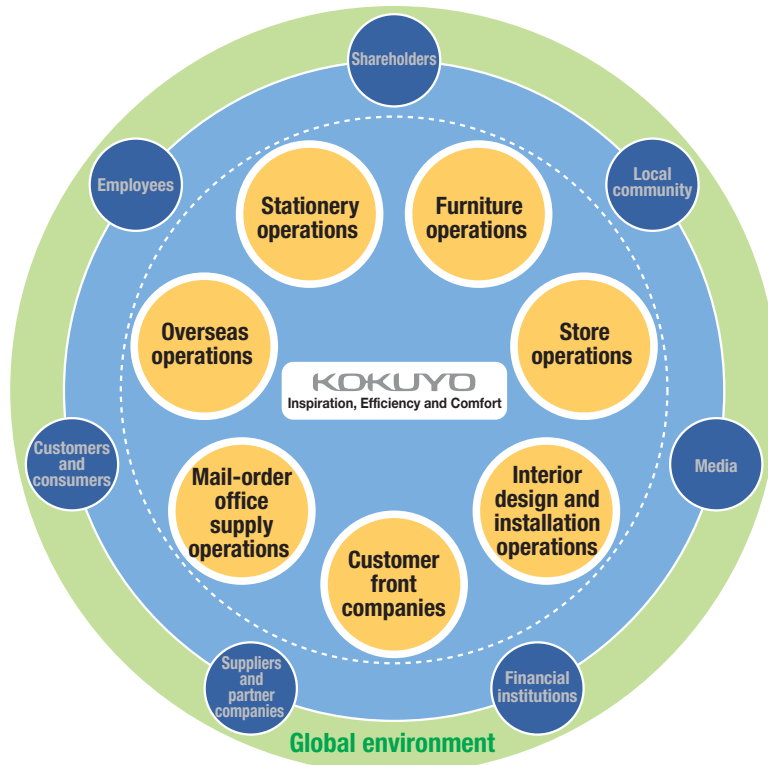


Net Sales by Business Segment



KOKUYO Group Operational Framework

The KOKUYO Group and its Stakeholders



Stationery Operations

(5 consolidated subsidiaries)

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

Furniture Operations

(4 consolidated subsidiaries)

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

Store Operations

(1 consolidated subsidiary)

KOKUYO Store Creation Co., Ltd., produces and sells store fittings. It also provides a wide range of solutions in store operations, including store design and design execution.

Mail-order Office Supply Operations

(2 consolidated subsidiaries)

KAUNET Co., Ltd., and one other company conduct mail-order sales of stationery, office supplies, and daily necessities required by offices and stores.

Interior Design and Installation Operations

(1 consolidated subsidiary)

KOKUYO Engineering & Technology Co., Ltd., performs a wide range of interior design, from layout design to partitioning and flooring, as well as design and installation of facilities such as electrical wiring, telephone and LAN systems, climate control systems, and waterworks and wastewater systems.

Overseas Operations

(5 consolidated subsidiaries)

KOKUYO International Co., Ltd., and other Group companies implement KOKUYO Group operations in China, Southeast Asia, India and other overseas markets.

Customer Front Companies

(4 consolidated subsidiaries/6 non-consolidated subsidiaries)

KOKUYO Office System Co., Ltd., delivers office furniture, office space proposals and solutions to major corporate customers in the principal urban areas of Japan. KOKUYO Marketing Co., Ltd., and eight other regionally based manufacturer sales companies conduct wholesale operations rooted in each region as well as sales of KOKUYO Group products and other products.

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

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

The thoughts of the founder are preserved today in the corporate philosophy of the KOKUYO Group: "Contributing to society by providing superior products." Our approach to achieving this goal is expressed in our management creed, the meaning of which is instilled in every KOKUYO employee.

For the 104 years following the company's foundation, the KOKUYO Group has followed a consistent management vision: "Always Innovating For Your Knowledge." We are constantly adapting to ongoing social change, providing value for the knowledge work of all our customers through inspiration, efficiency and comfort.

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

Corporate Philosophy

Contributing to Society by Providing Superior Products

Management Creed

When born into this world, a child has nothing to call its own.

Our bodies, minds and spirits grow and are nourished by the love of our parents and families, the guidance and discipline of our teachers, and the encouragement of society as a whole.

We grow and mature and adopt vocations suitable to ourselves and the education instilled in us.

These vocations must be pursued with utmost diligence by gaining the trust of colleagues, clients and communities around us.

The only way to secure this trust is to act with absolute sincerity in every action and endeavor we undertake.

In this way, our endeavors succeed in and of themselves, and we are happy in our vocations.

Sincerity not in words but in action.

This is the KOKUYO creed.



Inspiration
Efficiency
Comfort

Always Innovating For Your Knowledge

We constantly adapt to changes in society, reworking our activities so they serve the needs of the communities in which we do business.

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■ Scope of the CSR Report
[Period covered]
Data consists of results from January to December 2008. Activities described include those undertaken during and before 2007, and those from January to March 2009.

[Organizations covered]
In principle, KOKUYO Co., Ltd., includes its 25 consolidated subsidiaries; however, the Environmental Report covers only KOKUYO Co., Ltd., and the consolidated and non-consolidated subsidiaries listed below. In cases where the scope of organizations covered differs, individual notes are provided.

<Subsidiaries covered in the Environmental Report>
KOKUYO S&T, KOKUYO Furniture, KOKUYO Office System, KAUNET, KOKUYO Marketing, KOKUYO Chugoku Sales, KOKUYO Kyushu Sales, KOKUYO Engineering & Technology, KOKUYO Store Creation, KOKUYO International, KOKUYO Business Service, Net KOKUYO, KOKUYO Supply Logistics, KOKUYO Vietnam, KOKUYO Product Shiga, KOKUYO MVP, KOKUYO-IK (Thailand), Tokyo OSL, Kinki OSL, KTL, KOKUYO (Malaysia), KOKUYO Logitem, KOKUYO Finance, KOKUYO K Heart
* Tokyo OSL and Kinki OSL were merged with KOKUYO Logistics on July 1, 2008.
* Net KOKUYO was merged with KAUNET on January 1, 2009.

Awareness Spurs Environmental Management

Protecting the environment of one's own company is taken for granted today. Enterprises have no option but to explore what they can do to contribute to environmental improvement through their business. Shigeo Oyagi, president and CEO of TEIJIN Ltd., and Akihiro Kuroda, president of KOKUYO Co., Ltd., are in full agreement on these points. The two business leaders discussed this at Eco Live Office Shinagawa, KOKUYO's experimental, environment-friendly office, which was overhauled in fall 2008.

The image shows two men in dark suits standing in a modern office environment. In the foreground, there is a large, rectangular, light-colored planter box filled with various green plants and grasses. The office has a high ceiling with recessed lighting and large windows in the background. The man on the left is wearing a yellow tie, and the man on the right is wearing a grey tie. They are both smiling slightly.

Shigeo Oyagi
President and CEO
TEIJIN Ltd.

Akihiro Kuroda
President
KOKUYO Co., Ltd.

Preserving the environment brings about new awareness

Kuroda: Mr. Oyagi, thank you very much for joining me today. At KOKUYO we use your PLA products* every day in our office chairs and other products. I'm extremely interested in your ideas about going "post-petroleum."

Oyagi: Rayon was the start of our operations. In 1918, the year after your company decided on the trade name "KOKUYO," a Japanese chemist set his sights on producing rayon in Japan, which was then produced only in Europe. Working with Suzuki Shoten, a major trading company at the time, he launched Teikoku Jinzo Kenshi K.K., the forerunner to Teijin Corporation, in Yonezawa. Since that time, our focus has remained on chemical technology, with constant expansion in the fields of synthetic fibers, films, plastics and medical supplies.

I believe Teijin was an early mover in developing an awareness of environmental issues. In 1992 we established our own Global Environmental Charter, resolving to work as a company for the protection of the environment. In 2007, we proclaimed an Environmental Management Declaration that confirmed the environment as one of the pillars of our operations. The Declaration consisted of three pillars: environmental preservation through efforts toward reduced CO₂ emissions and zero emissions; environmental design, which builds reductions in environmental impact into product and process designs; and advancing environmental business with the aim of protecting the environment as its prime focus. Our "post-petroleum" initiative is an indispensable concept in our development of environmentally friendly design and environmental business. Methods to chemically recycle fibers and create plant-based products that use no petroleum whatsoever are core initiatives.

Kuroda: KOKUYO is a processor and manufacturer, and although we are not as well-versed in chemical technology as Teijin, we produce our goods with careful attention to detail. For example, we eschew the use of virgin materials, create no material waste in the course of our production activities, and produce our goods using a single material. Interestingly, we've found that our relentless insistence on environmentally friendly products has captured the attention of customers, who see added value in the environmental performance of our goods.

Recently, we introduced all-paper files consisting completely of materials made of paper, including covers and binding parts. These all-paper products obviated the need to separate different types of waste, as required by law in Japan. One customer in the financial sector recently told me, "These products do much more than just eliminate the time-consuming task of separating metal components from the documents we throw out. By freeing our employees from the drudgery of separating garbage, we free them to do more value-added work. The security factor of single-material products is also higher." Many of the documents handled by financial institutions contain sensitive personal information, so they have to be thoroughly separated for proper disposal.

Oyagi: As we incorporate environmental protection into our operations in a variety of ways, we increasingly find that the environmental measures themselves add value. By thoroughly pursuing resource-saving operations and recycling, we are gaining a new awareness of other issues not directly related to environmental concerns, such as security and safety.

Environmental initiatives to change people's perceptions and change society at large

Oyagi: You touched on the importance of being thorough. But KOKUYO's Eco X ("Non Eco") mark program to identify KOKUYO products that are not completely environmentally friendly was a

real surprise to me.

Kuroda: A lot of people have told us that. Within three to five years, consumers will probably begin to assume all products available to them to be strictly environment-friendly as a matter of course. All other products will be removed from the market. So, environmental measures must be implemented in all products immediately. We have no intention of resting on our laurels, because we are a company that has more environmentally friendly products than other companies. We refuse to accept excuses for not dealing with environmental issues, such as "the right materials aren't available," "our factories aren't properly equipped," and so on. Otherwise, we'll be left behind before we know it.

The aim of the Eco X mark program is not only to separate environmentally friendly products from products that are not, but also to raise the awareness of everyone who uses our products. It's no use waiting for environmentally positive materials to appear in front of us. We have to seek out such materials ourselves, taking the initiative to gather information around the world. Failure to do so endangers the very survival of the Company. We want our environmental awareness to be infectious, not just to our employees but to all partner factories and producers, so they too will think of environmental response as a matter of deep importance.



* Polylactic acid: a biomass polymer polymerized from lactic acid made by fermenting the starch in corn (maize) and other plants.

Oyagi: To tell the truth, while I was surprised at first, I also had my doubts. How is this going to play out in practice? I wondered. But after speaking with you about it, I understand now. As President Barack Obama says, it's about change. KOKUYO is an initiator, an agent of change in society. As a material producer, we at Teijin have to deal with a number of challenges, but I think that society is changing and must change.

One of the directions we are determined to pursue at Teijin is "green chemicals." We believe it is time to rework the old phrase "from cradle to grave"—we have to ensure environmental performance from the cradle back to the cradle again, as it were. Instead of discarding products, we adopt a business model that always supports recycling, constructing a recycling-based, post-petroleum business covering our entire product line from textiles to films and plastics. We have already implemented a recycling system called "Eco-circle," in which we chemically break down used polyester products such as clothing and return them to petroleum-based raw material form in order to create new textiles. Because collecting used products would be hard for us to do on our own, we work with apparel and sports gear manufacturers to broaden the scope of our recycling activities. Today we work with a network of more than 110 companies; one product we use is KOKUYO's Biofront, your highly heat-resistant bio-plastic. For us, using materials of biological origin is the ticket to post-petroleum operations. At Teijin, we are carefully considering moving to an all-biological-material framework.

Kuroda: Mr. Oyagi, given how deeply Teijin's products and operations reach into every aspect of the daily lives of consumers throughout Japan and around the world, your words bring home to me the clarity of your conviction that environmental excellence is an absolute must, and that green chemicals are the right way to go. Indeed, at our Company there are still pockets of resistance,

where people are saying "most things can wait more." I'm getting a sense of the speed with which you are making progress at Teijin, and it inspires me to step on the gas with our own work at KOKUYO.

We want to play the role of initiator in changing society.



Using awareness to spur enterprise growth

Kuroda: You mentioned a moment ago that the environment creates a new awareness. I agree completely. Today's companies have to think hard about how to continue growing while reducing CO₂ emissions, which means reducing the consumption of energy. The only way to get there is to think deeply about how to work more efficiently and boost our creativity—that is, we have to develop our awareness. We set out thinking only about the environment, but somewhere along the way we encountered issues that struck at the very heart of our corporate management. This office is completely fitted with LED lighting, the latest climate-control systems and other environment-friendly features. Moreover, our people constantly incorporate ecological awareness in their work habits. When customers see our office, that same awareness touches them, too.

At our factories and distribution facilities, it's understood that thorough environmental response equals reduction of waste, which equals reduction of costs. Employees are tackling these problems with a high level of awareness, and they know we can sustain these efforts because such efforts directly reduce costs. For the people working in our offices, however, the situation is different. In their case, the shift to environmentally friendly work procedures does not necessarily increase their individual achievements or improve their performance reviews, so efforts tend to be limited to remembering to turn out the lights and so forth. You can see the extent of the problem from a recent report stating that Japan's offices emit 40% more CO₂ overall than they did in 1990. As a company in the business of creating offices, we have to find a tangible form for the awareness we discussed earlier. That's why we embarked on our experimental Eco-office program as a means of enhancing creativity and efficiency in the office.

Oyagi: I visit the offices of a lot of companies, but I've never seen an office as completely devoted to environmental performance as this one. And it's not mere window dressing—it's an integral part of a deep commitment.

Kuroda: This office is a kind of laboratory, where we practice environmentally friendly ways of working and explore new avenues for the growth of KOKUYO. Building the office was not the end of the project but the beginning. We want to show our customers how employees' perspectives, work habits and work processes change when they work at this office.

I come here fairly frequently. One cold day in January, I came across an employee working in the garden office, outside the building. I was worried she'd catch cold, so I called out, "You're not overdoing it, I hope!" She replied, "Don't worry, I felt like coming out here!" She had moved outside to get her work done more efficiently than working inside the office.

By going outside in the cold, she had no one to interrupt her. At the same time, she focused on finishing as much work as she could before the cold forced her to go back indoors. This may seem like an almost trivial incident, but when I saw this employee notice conditions and find a way to do her work more efficiently through her own initiative, I was really glad we'd overhauled our office.

Oyagi: People's attitudes can change even before senior management realizes it. Having such a process in place is an incredible strength for your company.

Kuroda: It's exactly what I hoped would happen. Now our managers expect individual employees to identify issues and seek out their own solutions to them. We're changing our organization and evaluation procedures to reflect that new reality. The reorganization of our office had the same value as a strategic

initiative. Every time I come into this office, I realize how valuable environmental issues are as an agent of change.

I want to improve both our ecological performance and people's awareness. An office is an effective forum for implementing management strategies.



“Some things must not change. Others must continue to change.”

Oyagi: I've seen your Management Covenant. Your perspective has always been to practice “management from the heart,” but after speaking with you today I have an even stronger impression of what that means. By valuing the input of your employees while insisting on strict implementation of decisions made, you're achieving a transformation that I find very interesting.

One of our managers at Teijin once compared the process of change in corporations, a bit unflatteringly I suppose, to the life cycles of cicadas. Industries, of course, have their own life cycles. In good times nobody wants to change the way they do things. But just as cicadas cast off their skins, so we have to transform ourselves and move on to new things. At the same time we have to preserve our corporate DNA. In our case that DNA consists of science and innovation. Everything else is open to change, and we're committed to driving forward.

Kuroda: It's just as you say. At KOKUYO, we have a long history, yet our target of becoming a “front-running environmental company” is only now coming to fruition. We've only just taken the first steps forward. Now we must focus on delivering the value customers expect, based on this environmental stance.

Mr. Oyagi, I've learned a lot talking with you, and I hope we can continue this dialogue. Thank you very much for joining me today.



The new Eco-office concept aims to achieve both customer-focused production and a 41.5% reduction in CO₂ emissions

The Eco-office completed at KOKUYO's Shinagawa office in November 2008 is positioned as "an office that supports enterprise growth with environmental activities as its driving force." An experiment in new office buildings for the age of global warming has begun.

(From left)

Takashi Ueda
Director,
RDI Center
KOKUYO Co., Ltd.

Kazunobu Hoshino
General Manager,
Design Promotion Division
KOKUYO Furniture Co., Ltd.

Masako Teramoto
General Manager,
Marketing Division
KOKUYO Furniture Co., Ltd.

Eco + creativity = change in awareness

Turning left from the south exit of Shinagawa Station in Tokyo's Minato Ward, one immediately sees a building with the KOKUYO logo. This is the KOKUYO Shinagawa office, the nerve center of the KOKUYO Group in Tokyo. In November 2008, the Company opened Eco Live Office Shinagawa to the general public. Located on the top floor of KOKUYO's five-story showroom building and adjoining the eleven-story KOKUYO office building, Eco Live Office Shinagawa has attracted many visitors.

Three KOKUYO Group companies occupy the new office: principal occupant KOKUYO Furniture, which manufactures office furniture; KOKUYO Office System, which provides office solutions to major companies; and RDI Center, the KOKUYO Group's main research and development organization. The new office's primary objective is to demonstrate new ways of working in a world where companies must raise environmental awareness by slashing CO₂ emissions while boosting the speed and quality of production. KOKUYO hopes this showcase office will revolutionize attitudes as well as work practices.

A flagship office befitting a front-running environmental company

"Businesses that fail to be concerned with the environment can no longer survive." This idea lies at the heart of the slogan that unites the entire KOKUYO Group: "A front-running environmental company." By "front-running environmental company," we mean much more than simply a company that considers only the environment in its operations. The products and services we provide to our customers, and all our business activities, utilize novel, environmentally friendly ideas in a unique way, and are conducted in a timely manner.

In 2007 KOKUYO implemented the Eco X mark program, aiming to make every KOKUYO-brand product environmentally friendly within three years. The following year, each Group company began an additional effort to make its office spaces environmentally friendly as well. Our company building in Shinagawa, where relatively few building restrictions apply, plays the role of a proving ground where we can try out new ideas freely.

➔ Related information p. 13 and p. 24 (Eco X mark)

Positive environmental approach

"Many environmental initiatives involve negatives, like reducing energy consumption, reducing garbage, and so forth. At KOKUYO, we aim to make the Eco-office project our own by accentuating the positive." So says Takashi Ueda, director of the RDI Center, who was involved in the Eco Live Office Shinagawa plan from the outset. There remains plenty of reducing to do: even as CO₂ emissions declined in production sectors nationwide, emissions by office sectors grew 40% from 1990 to the present. Many companies in Japan have approached and enforced a series of energy-reducing activities such as turning off their electricity or turning air-conditioning temperature settings a little higher in summer. Yet CO₂ emissions continued to rise. KOKUYO decided that a proactive, positive approach was in order.

The answer Ueda and the other project members devised was to apply environmental approaches in combination with measures to enhance intellectual productivity, which is one of the office's original functions. This innovative approach would open new possibilities for the Eco-office concept.

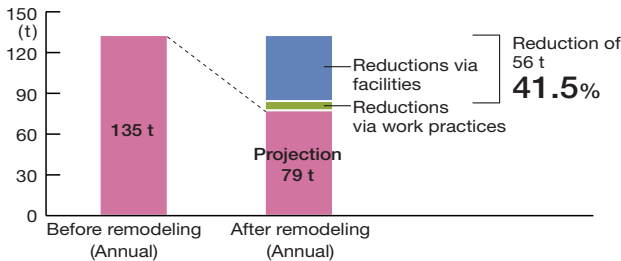
Large-scale renovations were carried out to install climate control systems with motion sensors, and LED lights and natural air-circulation systems were installed throughout the floor. At the same time as these thorough equipment-related measures were taken, features were implemented to support the four phases of creative office work: inspiration, idea generation, expression in tangible form, and dissemination. All such measures took into account the changes of the passing seasons. By supporting work practices that welcome the natural environment into the office as much as possible, we have been challenging ourselves to reduce CO₂ emissions while bolstering productivity and creativity, revolutionizing the work practices of both individuals and the organization.

For example, employees working at Eco Live Office Shinagawa accepted a common target of spending 90 days a year working in the garden office. Not only in spring and autumn but also on mild days in the winter and summer, employees take the initiative to work amid the refreshing breeze and natural light of the outdoor space. The experience quickly reoriented employee awareness while sharpening creativity. "The right work habits for the right season" soon became an ingrained habit.

Raising efficiency by making processes visible

In mid-February 2009, the office's work-lab area ran a contest for new product ideas to be launched in the autumn. In the past, ideas for the initial planning phases originated from the development sector of KOKUYO Furniture. By putting Eco Live Office Shinagawa to work in this capacity, KOKUYO was able to make the development process visible to a wider circle of people. "Making individual roles more clear has enhanced specialization in each field," observes Kazunobu Hoshino, general manager of the Design Promotion Division at KOKUYO Furniture. "At the same time, it has lowered visibility with regard to others' work in the past. By using the new office to make processes more visible, we are getting good ideas with more polish and reflecting the wishes of a wider range of customers. On top of that, when everybody understands the beginning, real improvements in efficiency result." From development through production, sales promotion and operations, KOKUYO does not merely explain each process, but openly canvasses everyone's opinions from the outset, exploring the type of customer targeted, intentions in launching the product, and so on. The result is greater understanding and a stronger feeling of consensus.

CO₂ reduction targets for Eco Live Office Shinagawa



< Breakdown of 56 t reduction >

Reductions via facilities

Natural ventilation	5 t
Energy-saving lighting (LED)	30 t
Energy-saving climate control and transport	14 t
Rooftop greenery	1 t

Reductions via work practices

Working in the garden office 90 days a year	
Time management, reduction in business trips	
Taking the stairs instead of the elevator when arriving at and leaving work, and other such habits	6 t

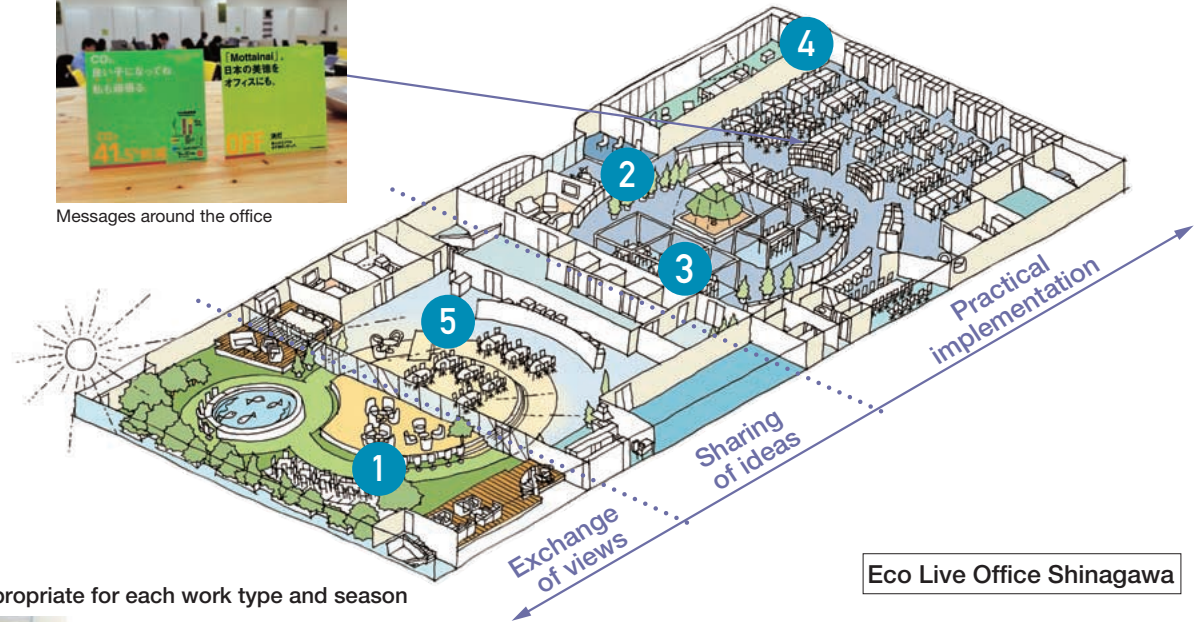
Continuing is easy when you are motivated

Other than enhancing the quality and speed of manufacturing, which is KOKUYO's core activity, another priority is described in messages posted throughout Eco Live Office Shinagawa. Visitors to the office never fail to stop in their tracks when they see them. One message is, "Using the elevator too often is unhealthy." Another says, "Going home at the right time is a job well done." Says Masako Teramoto, general manager of the Marketing Division at KOKUYO Furniture, "Our signs don't

say 'do this, do that.' Instead, they encourage employees to notice things for themselves and think about them. That's the way to achieve meaningful change in a sustainable fashion. It's just a slightly different way of saying things, yet it's proved popular with our employees, and even with our customers." At Eco Live Office Shinagawa we will strive diligently in FY 2009 to reduce CO₂ emissions, achieving its target of 56 t per year (a 41.5% reduction from before the remodeling). At the same time, we will try to reflect the effects of changes in work processes for manufacturing, our core activity.



Messages around the office



Work styles appropriate for each work type and season



Building understanding

Creating ideas

Putting ideas into tangible form

Telling the world



IT was used to optimize vehicle dispatch, eliminating 51 t of CO₂ emissions.

For KOKUYO Logitem, which delivers office furniture to customers, raising efficiency in logistics is proving a decisive weapon in the fight against global warming. Mie Distribution Center, the Group's logistical hub for the Chubu region, is solving these problems using IT.

Takayuki Takeda

General Manager, Central Vehicle Dispatch Office
Operations Division
KOKUYO Logitem Co., Ltd.



Optimized dispatch of vehicles improves the efficiency of their loading space.

Delivery trucks that take load efficiency into account

KOKUYO Logitem is in charge of logistics in office furniture. One of its responsibilities is to move furniture from four major warehouses in the Chubu region to 24 local warehouses throughout Japan. In 2008 the company established a Central Vehicle Dispatch Office to achieve more efficient distribution. Its greatest objective is to reduce environmental impact and cost associated with distribution and shipping while continuing to serve the constantly shifting needs of the market.

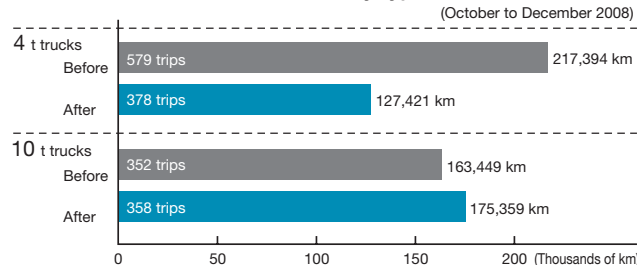
“The key to efficient shipping is moving pallets around efficiently, using trucks of the right size, while minimizing distance traveled and the number of trips,” explains Takayuki Takeda, general manager of the Central Vehicle Dispatch Office, Operations Division. It’s not as easy as it sounds, however, when load quantities, sizes and shapes come in every imaginable combination.

The key to accomplishing this task consists of “load combination” and “load relay.” In “load combination,” trucks move between warehouses A, B and C before heading to their destinations, so loads can be combined. In “load relay,” products in warehouse A are sent separately to warehouse B in advance, so they can be loaded onto a separate truck headed from warehouse B to warehouse C before being taken to their destination. The company is working hard to deploy this technique to achieve efficiency gains in logistical processes.

Incorporating veteran know-how in IT

Supporting the work of the Central Vehicle Dispatch Office is a unique automatic dispatch system, introduced in October 2008. The system incorporates expertise accumulated in front-line operations. For example, experienced drivers know that stability is

■ Cumulative distances traveled by type of vehicle



improved if heavier loads are placed on the driver’s side; heavy loads should thus be collected first and placed accordingly. Also, the volume of loads that can be loaded can be increased or decreased by changing the configuration in which they are placed.

“The most important point in making the system easy to use was how to implement such know-how that is unlikely to fit in the IT systems,” reflects Takeda.

Currently only 30% of the trucks leaving four warehouses are dispatched through this system. Within the 2009 fiscal year, however, the number of warehouses is expected to be increased to five, and uptake is expected to rise to 100%.

Shifting from 4 t trucks to 10 t trucks

Three months after the launch of the new logistical system, Takeda calculated distance traveled by type of vehicle from the number of trips made. The graph below illustrates the results. The number of trips by 4 t truck decreased by 201 from before the system was implemented*1, whereas the number of 10 t truck trips rose by 6. Overall, the shift from 4 t trucks to the more efficient 10 t trucks reduced total distance traveled by 78,063 km, slashing 51.5 t of CO₂ emissions.*2

Aside from the environmental benefits, these improvements dramatically reduced delivery-planning time. Processes of placing orders with shipping companies and sending instructions to warehouses became more efficient, and errors were reduced.

“Even with just three months’ results to go by, results have basically met expectations,” explains Takeda. “As we broaden the scope of the program, I expect to see further benefits.”

*1. Number of trips dispatched under the old system, based on actual volumes.
*2. Calculated based on fuel methods. Fuel costs are calculated by determining the amount of energy used by shipping contractors to ship the goods.
Fuel cost for 4 t trucks (maximum load: 2,000-4,000kg): 3.79 km/L
Fuel cost for 10 t trucks (maximum load: 8,000-10,000kg): 2.89 km/L
Coefficient for diesel: 2.624

	4 t trucks	10 t trucks
Difference in distance driven	-89,973 km	+11,910 km
Diesel equivalent	-23,740 L	+4,121 L
CO ₂ equivalent	-62.3 t	+10.8 t

Note: The logistical system for which the Central Vehicle Dispatch Office is responsible also includes shipments to Sapporo via train. Unlike for trucks, KOKUYO is unable to calculate CO₂ emissions for these shipments using the fuel-cost method, so CO₂ from train shipments is omitted from the calculations. Distance shipped by train due to operation of the Central Vehicle Dispatch Office declined from 90 trips (129,958 km) to 68 trips (98,696 km), based on 5 t containers, contributing to a decrease in CO₂ emissions.



Seeing results of our initiatives in environmental and economic aspects

The KOKUYO Shimanto Yui no Mori Project aims for healthy circulation in both the environment and economy, using forest thinning to protect forests while developing innovative products. Now in its third year, the project is bearing fruit with such results as certification for CO₂ absorption.

(Front row, the second from the left)

Shinichi Saito

CSR Division
KOKUYO Co., Ltd.

Promoting forest thinning for the regeneration of planted forests

Approximately 40% of the forests in Japan were planted by human hands. Many of these planted forests have not been sufficiently thinned due to decline in the domestic forestry industry, and growth is getting denser. This rising density restricts the growth of individual trees, making harvesting uneconomical and creating other problems, such as choking off growth of smaller plants and bushes, degrading moisture retention, and loss of ecosystems.

To tackle these problems, in October 2006 KOKUYO launched the KOKUYO Shimanto Yui no Mori Project in western Kochi Prefecture. The purpose of this project is to regenerate forests by thinning planted stands of cypress and cedar. The project is rejuvenating the forests' ecological functions of absorbing CO₂, supporting ecosystems, and cleaning rivers and streams. In addition, the project aims to foster healthy circulation in both business and the environment by using the thinned wood to create innovative products. Thanks to the generous assistance of partners such as the Forestry Union of Taisho Town, with which KOKUYO had a business relationship regarding thinned-wood furniture production, Shimanto Prefectural High School, private citizens in the region, and Tsukuba University Graduate School, in 2008 the project was carried out over an area of 1,074 ha, thinning a cumulative total of 228 ha.

Prefectural certification as a forest that absorbs 758 tons of CO₂

In July 2008, based on thinning results from the previous fiscal year, Yui no Mori was certified by Kochi Prefecture as a "CO₂-absorbing forest" capable of absorbing 758t*¹ of CO₂. This certificate was based on an agreement concluded in 2007 on "operations to create a jointly managed forest with an environmentally progressive private enterprise." The prefecture calculated CO₂ absorption according to IPCC*² guidelines, obtaining confirmation from a panel of third-party experts on climate change and forests. According to Saito of the CSR Division, which is in charge of Yui no Mori, "this official certification is meaningful as a visualization of the results of forest management, namely the amount of CO₂ absorption. We plan to use the certified figure Group-wide."



Yui no Mori is certified by the Forest Stewardship Council (FSC), vouchsafing that its forest-management practices are appropriate. Forest regeneration is also signified by the results of ecosystem monitoring, which was undertaken according to FSC guidelines. Thanks to forest thinning, sunlight now reaches the forest floor, leading to an increase of the number of plant species from 52 to 65 (according to a September 2008 survey). Gradual though it may be, change for the better is definitely occurring in Yui no Mori in its third year.

A source of materials and base for training

In a way, the cypresses thinned from Yui no Mori have also been granted a new life. At local workshops, this wood is turned into office products and furniture, to be offered for sale on KAUNET, the Group's mail-order company, under the Yui no Mori brand. Moreover, beginning December 2008, the furniture on the executive floor of the KOKUYO Shinagawa office was completely replaced with fragrant Yui no Mori cypress furniture.

We have also begun using Yui no Mori as a forum for personnel training. This "full-fledged training program certification" is now available to employees with four years' service who meet certain conditions. Through activities such as participation in cleaning activities, planting chestnut seedlings, and drafting reports on plant surveys, participants are expected to gain awareness and knowledge of environmental issues.

The Yui no Mori Project has helped preserve forests, enhanced regional exchange, helped to restrain global warming and provided an avenue for personnel and product development. KOKUYO expects this project to continue to add value from a widening range of perspectives.

Notes

*1. Formula for calculating CO₂ absorption (according to the Kochi Prefecture website):
Absorption per hectare (t-CO₂/year)
= cumulative increase × expansion coefficient × capacity density × carbon inclusion rate × CO₂ calculation coefficient
Cumulative increase = Annual forest growth (m³) per hectare (trunk growth only)
Expansion coefficient = Coefficient for adding branch and root growth to the figure for growth (trunk growth only)
Capacity density = Coefficient for converting growth (cubic) into dry weight
Carbon inclusion rate = Ratio of carbon per unit of dry weight
CO₂ calculation coefficient = Coefficient for converting the calculated carbon volume into CO₂ volume

*2. Intergovernmental Panel on Climate Change (IPCC)



Thorough measures against VOCs and other initiatives remove the Eco X mark from 800 products

“We’re going to reduce the number of Eco X products to zero by the end of the fiscal year.” To achieve this target, set by the factory itself, KOKUYO Furniture’s Mie Plant worked with over 200 partner production facilities to take firm action against volatile organic chemicals (VOCs). In so doing, the Plant has accelerated its efforts to reduce products marked with the Eco X mark.

(From left)

Mitsuhiro Kubo

Product Design Group

Mie Factory

KOKUYO Furniture Co., Ltd.

Hiroyuki Kaneko

Product Design Group

Fumio Koga

Product Design Group

Aiming for zero Eco X products within one year

In December 2007, KOKUYO announced its “Zero Eco X Marks Declaration” to the Group and to the world. The Group set targets for product development and design in each sector, marking the beginning of a fresh and difficult challenge. Mie Plant, a core production facility of KOKUYO Furniture, was especially ambitious, proclaiming complete elimination of products marked with the Eco X mark by the end of the 2008 fiscal year.

Mie Plant’s vision is “manufacturing that is sound and sensible.” The Plant has already implemented an impressive list of environmental measures, including the complete elimination of toluene and the switch to powder-based paints. Thanks to these efforts, the factory has reduced its list of Eco X-marked products to about 800 out of a total lineup of over 8,000 products.* All of these products are essential, however, and cannot simply be removed from the lineup. For Mie Plant, the moment of truth has arrived.

➔Related information p. 24 (Eco X mark)

Keeping in step with partner factories

At the time, the majority of products that still bore the Eco X mark were produced by a network of 200 partner factories. To obtain their understanding about environmentally friendly products, Hiroyuki Kaneko of the Product Design Group visited each of these partner factories. Time and again he explained how a proactive stance on the environment meant added value for their products. As it happened, the global economy began to slow down at this time. Some objected, asking how KOKUYO could expect to sell such products, given the added cost of environmental compliance. However, the KOKUYO Group’s resolution to affix the Eco X mark to its own brand products, market trends showing a desire for more environment-friendly offerings, and Mie Plant’s sheer determination to overcome all hurdles, convinced partner factories. By summer, the list of target products was complete. With even stricter Eco X standards on their way, Mie Plant and partner factories began to operate in step.

Measures against VOCs and use of recycled materials proved to be the key

Mie Plant identified two key points in removing the Eco X mark from partner factories’ production processes. The first consisted of measures against formaldehyde and other VOCs used in their wooden materials. The second was to boost the ratio of recycled plastics used. Kaneko’s team recommended the use of F☆☆☆☆ adhesives and recycled plastics, which were not subject to regulation under the Construction Standards Law, and began finding solutions.

With Fumio Koga and Mitsuhiro Kubo of the Product Design Group serving as point men, prototypes began to arrive from the partner companies. Environmental testing equipment was used to vary heat and humidity in order to confirm that the products met KOKUYO’s rigorous design standards for strength, durability, resistance to discoloration, and other factors. In some cases, changes in adhesives and materials resulted in a loss of strength. Even though these products still met KOKUYO standards, Koga and his team members modified the designs for added safety as well as environmental performance.

Thanks to these endeavors, the Eco X mark was lifted from all but four products that were designed with more emphasis on strength than convenience of separation of materials. Mie Plant plans to move forward and take aim at the challenging Restriction of Hazardous Substances (RoHS) directive, extending its products’ environmental performance still further.

* Total number of all products listed in the general catalog, except for low partitions, room dividers, and store fittings, which are excluded from the calculation of the Eco X mark ratio.



Removal of the Eco X mark from all desktop panels was completed in 2008.



20.6% reduction in plastics use results in a 3-meter increase in tape length

For products that are used constantly at work and in daily life, it is especially important to build environmental performance thoroughly into products in a way that brings tangible benefit to customers. In this section we tell of a case in which environmental performance was enhanced without compromising basic product values such as price, function and esthetic appeal.

Keiji Kai
Gluetech VU
Creative Products Division
KOKUYO S&T Co., Ltd.

For marquee products, the bar is especially high

Dotliner is a tape glue to be used in the same manner as corrective tape: dots of glue 1.5 mm in diameter are arranged in a discrete pattern on film, which is wound onto a reel. This product is easier to use than conventional adhesive tapes, which use glue spread across the entire film surface, making the product stringy and difficult to cut. Because the glue in *Dotliner* is attached to the film in discrete dots, stringiness is eliminated, the tape requires only a slight pressure to adhere, and hands stay clean. This ease of use has made *Dotliner* a hit product, selling a cumulative 10 million rolls in the three years since it was launched in 2005.

In January 2009, *Dotliner* was made even more environmentally friendly: its appearance and price were maintained, but tape length was extended by 3 m.

Adding value by relentlessly eliminating waste

“In everyday life there are plenty of cases where being kind to the environment also saves money. If you use less electricity, for example, your power bill goes down. That gave us the idea for *Dotliner*, a product that’s easy on both the environment and the wallet.” So explains Keiji Kai, who was in charge of the product’s redesign project at KOKUYO S&T.

Kai began by redesigning the plastic parts of the replaceable tape in *Dotliner* without modifying the main unit case, in order to eliminate the need for existing *Dotliner* users to buy a remodeled main unit case. “Holding a pair of nippers in one hand and the adhesive in the other, I cut out and put back pieces as I looked for any omissible parts to reduce the overall volume,” Kai explains. Including quality tests, the improved version of *Dotliner* took about six months to complete. The outer part of the refill (replaceable tape) was made as thin as possible while preserving the required strength, and the tape core and winding gear used to set the tape had holes punctured in them reduce weight. The inner part of the refill was reshaped to combine several separate parts into one, and the film on which the glue is applied was made thinner. As a result of all of these modifications, the material used in the replaceable tape was reduced by 20.6%. In addition, in an effort to improve environmental performance, an endcap

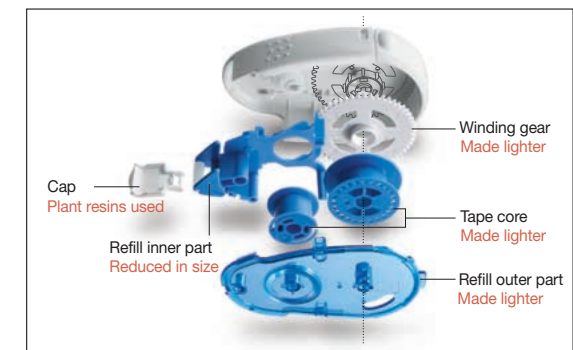
made of plant resin was adopted on a trial basis.

By reducing total weight and quantity of plastic used, material costs for *Dotliner* were slashed. The integration of multiple parts streamlined the production process and dramatically lowered production costs. In addition, the material saved was used to make the tape longer. KOKUYO S&T continues to look for ways of improving environmental performance, providing enhanced value to consumers.

Always doing everything we can

During this redesign project, the package was also changed to deliver a significant improvement in shipping efficiency. The package width was reduced to a slim 9 mm, while the hook portion used to hang the product on racks at the store was folded over. Packaging for the refill packs was switched from blister packs to vinyl bags. All told, these modifications yielded a 50% improvement for the product itself and a 100% improvement for the refills in shipping efficiency.

“I think we did everything we possibly could with this product,” Kai comments, “but it can still be better. Improving materials, technology and environmental performance is an incremental process. To ensure that *Dotliner* continues to be a truly unique product, we have to continue to always do everything we can.”



Revision of various parts resulted in reduced plastic parts used and preserved the product’s strength.

Toward zero Eco X marks

Presidents of KOKUYO Group manufacturers speak about the Eco X program.

In 2008, KOKUYO began labeling its own-brand products that did not meet Group environmental standards with the Eco X mark. Within 2010, the Group aims to eliminate Eco X products completely. At the heart of this initiative are KOKUYO S&T, the KOKUYO Group's stationery producer, as well as Group furniture-maker KOKUYO Furniture. We asked the presidents of both of these companies for their comments on the zero Eco X campaign.

➔ For details on the Eco X mark, initiatives in 2008 and near-term targets, please see p. 24.



We're doing everything we can to introduce eco-friendly measures across the entire value chain.

Takuya Morikawa President and CEO, KOKUYO S&T Co., Ltd.

Soon after we started the Eco X program in January 2008, misrepresentation problems occurred between recycled paper and plastic products and their product descriptions. Having displayed the Eco X mark in our catalogs and declared our intention to achieve 100% eco-friendly products, we as a corporation have a responsibility to ensure the thorough accuracy of the environmental information we provide to our customers. To ensure that our suppliers share this understanding, we dispatched employees to nearly 100 paper mills. These employees spent a

great deal of time examining each mill's systems and production records to verify the recycled-paper content of their products.

The criteria for display of the Eco X mark are now standardized throughout the KOKUYO Group. Some two-thirds of stationery products now bear the Eco X mark. In 2009 we are accelerating the campaign to make all products environmentally friendly, and we are aware that our products are the means of fulfilling our mission and contributing to society. We know we have to implement environmental performance across the entire value chain, from the moment a product is produced to the moment it is discarded or reused. It is especially important that we use these efforts to radically transform our level of environmental awareness and activeness. We need to think deeply about the environmental impact of each link on the value chain and implement permanent, revolutionary changes.

Consider, for example, the job of picking and packing orders at the warehouse when a customer orders stationery products of varying shapes, weights and sizes. We use a wide range of packing materials to provide each customer with individually tailored service. As we succeed in raising the environmental awareness of our customers, however, in time we begin to hear feedback such as "your service is excessive" and "can't you make do with less packing?" which prompts us to revise our operations.

From a management point of view, it is never easy to manage a roster of over 10,000 products, pursuing higher quality in each product while reviewing environmental performance and maintaining uniform standards. Yet no matter how volatile economic conditions become, consumer concern about the global environment continues to rise. Encouraged by this knowledge, we at KOKUYO S&T continue to work together to eliminate the Eco X mark across the entire value chain in a timely manner, thereby serving the communities in which we do business. We're committed to this agenda, and we are determined to succeed.

We're picking up speed and creating a new business.

Eiichi Nukina Senior Vice President KOKUYO Furniture Co., Ltd.

Fully one quarter of all our furniture products carried the Eco X mark when we started in 2008. Everyone, including not only employees but outside partner factories and material suppliers, shared the goal of eliminating the Eco X mark entirely within three years. There's no question that this effort accelerated the improvement of our products' environmental performance. During the fiscal year, despite adding environmental standards on "distribution," we succeeded beyond our expectations, reducing the share of Eco X products from 25% to 14% of the lineup.

One future challenge is how to approach products that cannot be made environmentally friendly through the manufacturing process. Although we've reduced the percentage of furniture products with the Eco X mark to 14%, we are confident that most of these (12% to 13% of total products) can be made eco-friendly by revising product specifications and design or the manufacturing processes. For the remaining 1% to 2%, however, this is not possible by ourselves, so a new business model is necessary.

One example is strongboxes. Given the purpose of the product, it makes no sense to make it easy to separate into its component materials. Yet if they can't be recycled, we can't remove the Eco X mark from any of our strongbox products. To make them environmentally friendly, we may need to agree (for example) to collect unneeded strongboxes from our customers. Similar problems exist with a few other products.

In 2009 we need to proceed with a greater sense of urgency than in 2008. We must solve all problems that can be solved in manufacturing terms this year, and gather all the information we need on legal and other restrictions, partners, and so on. That way we will be ready to achieve zero Eco X products by the end of 2010.

While the task ahead is a challenging one, we can fulfill our destiny as a front-running environmental company by using original ideas. All employees, partner factories and other business partners are working together to transform the KOKUYO Group according to our goals.





Working with a METI study group to institute systems and trials

The Carbon Footprint Program is a research program under the guidance of the Ministry of Economy, Trade and Industry (METI). This program is one of a series of undertakings by the government of Japan to reduce the nation's CO₂ output. KOKUYO was one of the first companies to join this project, lending its support to the establishment and widespread adoption of the Carbon Footprint Program.

Hiromi Kumagai
Design Development Division
KOKUYO Furniture Co., Ltd.

Kazunori Takeuchi
Development Innovation Division
KOKUYO S&T Co., Ltd.

One Campus Note Notebook = 197 g of CO₂

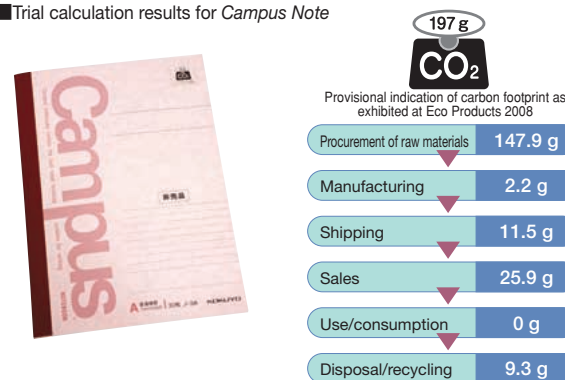
Every product carries a cost to the environment. From the moment it is made to the time its useful life is finished, it contributes to global warming through each stage of its life cycle, from material procurement to disposal or recycling. This cost is expressed as the product's "carbon footprint," a calculation of total CO₂ generated based on certain standards. For companies, the ability to express environmental impact in numerical terms for each phase of the product life cycle makes further gains in environmental performance possible. If a large number of products are labeled to indicate their individual carbon footprints, consumers can use this information in their purchasing decisions.

In 2008, some 30 companies responded to a call from METI to join the Study Group for Developing and Promoting a Carbon Footprint Program. Three KOKUYO Group companies took part: KOKUYO S&T, KOKUYO Furniture and KOKUYO Store Creation. Using six representative products from these companies including notebooks, office desks and store display fittings, the study group conducted trial calculations of CO₂ volumes. Calculation standards varied according to product characteristics, which were determined by category.

As a result of the METI program, it was determined that, for example, the carbon footprint of one *Campus Note* notebook across its entire life cycle is 197 g, and of this, 147.9 g is generated by material procurement.

These trial products were labeled with a standard logo and their carbon footprints clearly indicated. They were exhibited at Eco

■ Trial calculation results for *Campus Note*



■ Other products used in trial calculations of carbon footprints



The values for CO₂ emissions given for the products shown above are derived from trials conducted by METI's Study Group for Developing and Promoting a Carbon Footprint Program. They do not represent final, confirmed values.

KOKUYO GROUP CSR REPORT 2009

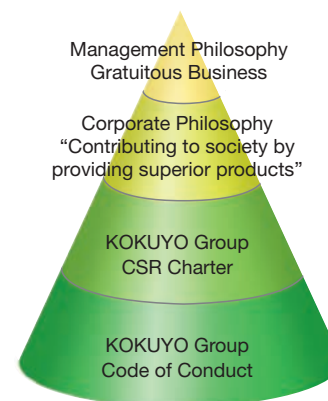
Overview of 2008 Activities

- 15 CSR Management
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CSR Management

The KOKUYO Group and CSR

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



► Basic policy

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

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

Since 2008 the KOKUYO Group has been focusing on two areas in our CSR activities: prevention of global warming and promotion of environmentally friendly products. Efforts have included the adoption of the Eco X mark and the planned phasing-out of applicable products. By integrating business strategies and CSR activities, we are strengthening our commitment to fulfilling our social responsibilities.

Corporate Governance

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

▶ Corporate governance system

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

In addition, we have an auditing system in

place, and each of the seven members of the Board of Directors is appointed to a term of only one year to allow flexible response to changes in the business environment. There are four auditors (including two external auditors) and two employees are engaged as full-time auditing staff. Four lawyers on an advisory contract provide legal advice as the need arises. We are also strengthening our system of internal auditing through improved cooperation between the holding company and Group operating companies, and sharing issues in auditing.

▶ Internal control system

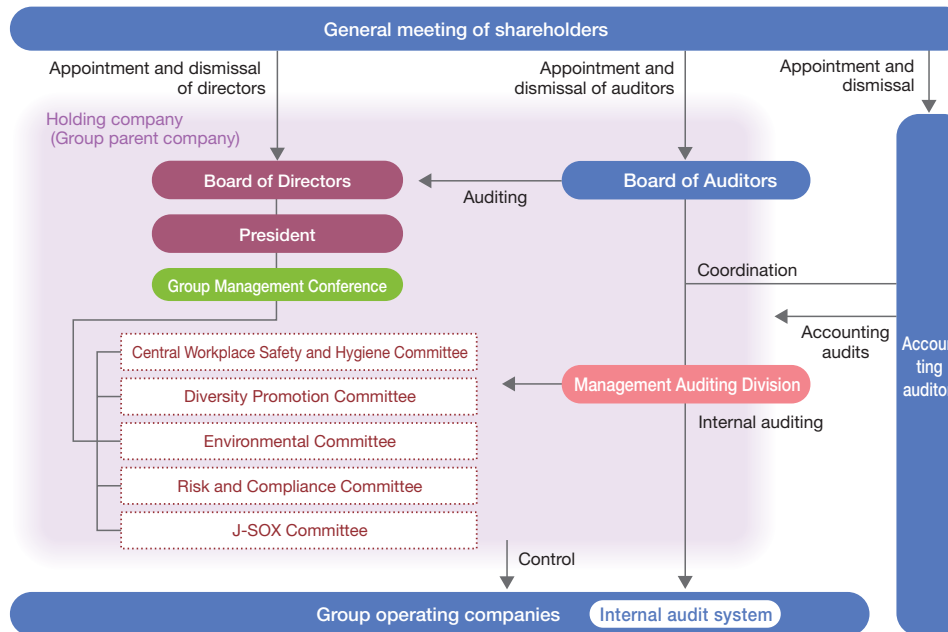
The KOKUYO Group adopted a resolution on a basic policy for an internal control system

at a meeting of the Board of Directors held in May 2006.

The basic policy establishes a framework for the Group's internal control system, including document-handling rules governing the storage and maintenance of information related to the duties executed by directors, and the establishment of ethical judgment standards based on the KOKUYO Group Code of Conduct.

In January 2009 we also established the Group-wide "J-SOX Committee" with the goal of maintaining and strengthening the system of internal controls focused on ensuring the reliability of financial reports, in accordance with the Financial Products Trading Law.

■ KOKUYO Group Governance System



- **Board of Directors (held once a month in principle)**
The Board of Directors consists of seven directors chaired by the President, and deliberates and makes decisions on basic KOKUYO Group policies and vital aspects of its operations.
- **Group Management Conference (held twice a month in principle)**
As the President's advisory body, the Group Management Conference deliberates overall Group strategy and policies, makes decisions on and announces vital matters regarding the operations of the Group's holding company and operating companies, and assists in exchanging information and communications among various levels of management.
- **Board of Auditors (held once a month in principle)**
The Board of Auditors, consisting of four auditors, receives reports on vital issues related to auditing, and deliberates and makes decisions on those issues. Auditors are responsible for admonishing and advising the Directors on the execution of their duties while keeping close contact with accounting auditors, the management auditing sector, and auditors of operating companies in order to carry out accurate audits.
- **Management Auditing Division (internal auditing)**
This division works to prevent dishonesty and errors in all areas of the management activities of KOKUYO Co., Ltd. (holding company), and operating companies, as well as evaluating and improving the effectiveness of risk management and governance with advice, recommendations and proposals intended to aid in the achievement of management objectives.

Relationship Between Business Activities and the Environment

Working toward a comprehensive and quantitative assessment of the environmental load of our business activities, and promoting activities that reduce the load

▶ Environmental load posed by business activities

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

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

Regarding outsourced distribution (contracted delivery), we track the environmental load posed by delivery services and provide energy conservation suggestions by using contractors designated as "specified shippers" under the revised Law Concerning the Rational Use of Energy, and we also submit all necessary periodic reports and proposals. In addition, we are working to expand our collection services for picking up old furniture and other unneeded products from customers and reusing them.

In FY 2008, we made efforts to reduce the environmental load at all levels of business through activities such as the introduction of visualization exercise to our factories and offices. On top of this, overall sales dropped in comparison to the preceding year, resulting in a reduced overall volume of CO₂ and other waste emissions.

(Input parameters)

Energy: electricity, gas (city gas, LPG, natural gas), oil (gasoline, light fuel oil, kerosene)

The unit calorific value employed for electric power is the daytime electric power value set forth in the Enforcement Regulations for the Law Concerning Rational Use of Energy (enacted April 1, 2006). The unit calorific value employed for fuel is that set forth in the Environment Ministry's Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5).

Water: tap and industrial water

Material input: volume used as raw material during product manufacturing

Packaging: volume of material used for the product packaging

(Output parameters)

Greenhouse gas emissions volume: Total volume of CO₂ generated by consumption of electricity, gas and oil, and other gases generated by shipping vehicles (CH₄ and N₂O emissions calculated as those of CO₂). The CO₂ emission coefficient for electric power is the average value for all power sources (0.378 kg CO₂/kWh) published in 2000 by the Federation of Electric Power Companies of Japan. The CO₂ emission coefficient used for fuels is that set forth in the Environment Ministry's Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5). The volume of greenhouse gas emissions generated by distribution (contracted delivery) is calculated using the ton-kilo method.

Volume of waste emissions: total volume of general waste, industrial waste and valuable substances generated by business locations.

SO_x, NO_x: total volume of emissions generated by vehicles and smoke-generating facilities.

Drainage: volume discharged into public waters and sewage systems

COD, BOD: volume released into public waters from domestic plants that are mandated by law to check water quality.

(Other parameters)

Total delivery volume: total amount of contracted delivery of furniture and stationery products (excluding Kaunet deliveries)
Cyclical use in factories Water: volume used cyclically inside business locations

Cyclical use on business location grounds Resources: amount of packaging used by companies such as KOKUYO Logitem Co., Ltd., and KOKUYO Supply Logistics Co., Ltd., that is reused inside business locations

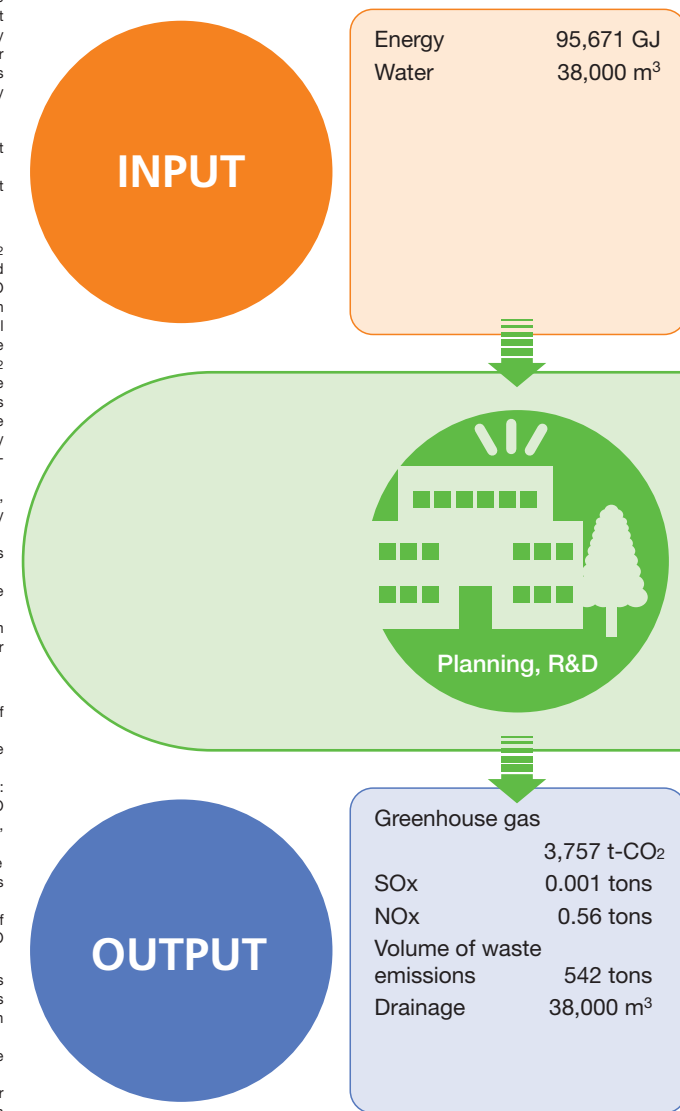
Total sales volume: total retail sales of stationery and furniture
Collection of used products: volume of used products collected from customers by KOKUYO Logitem Co., Ltd.

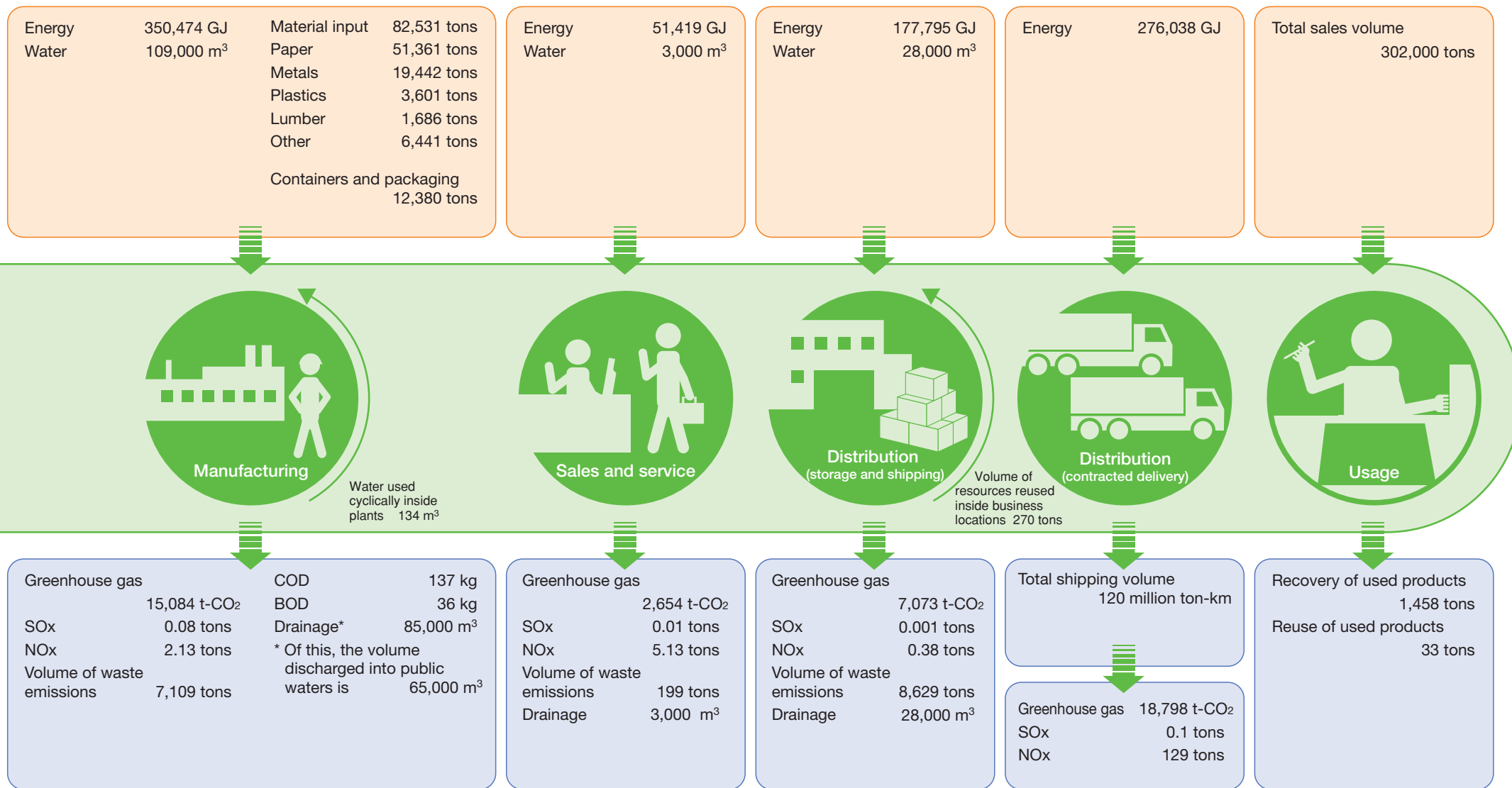
Reuse of used products: volume of products reused, out of those used products collected from customers by KOKUYO Logitem Co., Ltd.

* The data for three offices with large numbers of employees engaged in sales (KOKUYO Business Service Co., Ltd.'s Kasumigaseki, Yokohama, and Nagoya offices) has been shifted from "Planning, R & D" to "Sales and service."

* Water used by the Vietnamese Factory and its drainage are not included.

* Does not include data (CO₂, SO_x, and NO_x emissions) for the Kaunet Nagoya Distribution Center and Fukuoka Distribution Center.





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

▶ KOKUYO Group Environmental Vision

In July 2002, the KOKUYO Group established the KOKUYO Group Environmental Vision in order to apply the corporate philosophy we have followed since our foundation, "Contributing to society by providing superior products," to environmental activities.

The Environmental Vision outlines the fundamental philosophy to be observed by the Group, along with an Environmental Policy divided into six areas of endeavor: prevention of global warming; resource conservation and recycling; procurement, development and supply of eco-products; legal compliance and pollution prevention; information disclosure and communication; and environmental management.

In line with the environmental policy of the KOKUYO Group Environmental Vision, our "Green Initiative 2010" program for medium- to long-term environmental action plans sets forth specific measures and targets, and we have undertaken activities based on these guidelines.

Legal Compliance and Pollution Prevention

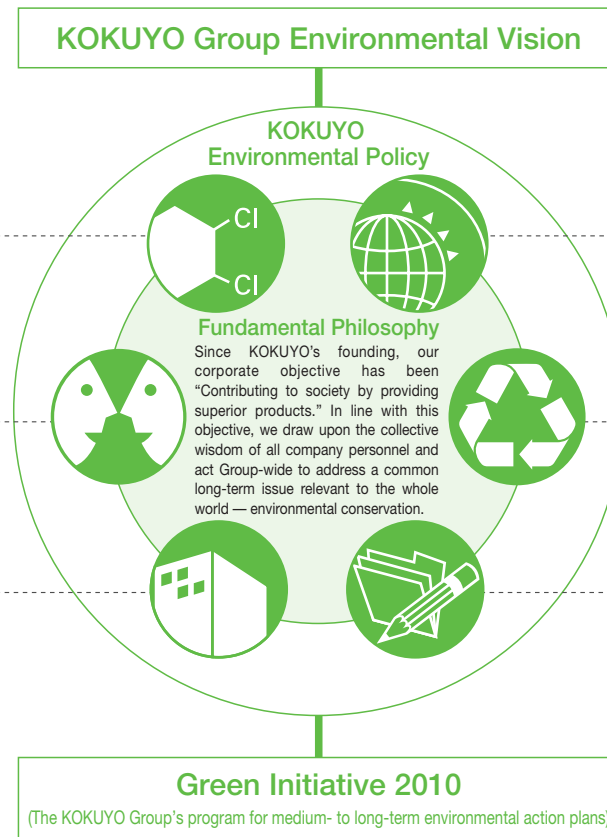
KOKUYO complies with not only environmental laws, but also with voluntary standards and industry policies on which the company has agreed. Every effort is also made to prevent pollution.

Information Disclosure and Communication

We will actively disclose environmental information and engage in communication with our customers and other external parties to continually enhance our environmental activities.

Environmental Management

- Our environmental management strives to fulfill both environmental and business objectives. The company sets targets for mitigating environmental impact, and all employees work together for continuous improvement.
- The maintenance and improvement of frameworks to achieve these targets, the nurturing of human resources, and the development of evaluation systems are the means we use in striving to enhance our environmental and economic effectiveness.



Prevention of Global Warming

To prevent global warming, KOKUYO works to reduce emissions of CO₂ and other greenhouse gases.

Resource Conservation and Recycling

To help achieve a recycling-based society, we use the earth's limited resources sparingly and strive to fulfill our obligation to reduce, reuse, and recycle.

Procurement, Development and Supply of Eco-Products

KOKUYO practices green procurement to obtain product components, and develops and supplies eco-products. Additionally, environmental impact is minimized through technological innovation and the development of environmental business models.

Green Initiative 2010

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

Environmental Policy	Items to be addressed		Targets and results for 2008 (Jan. 1 to Dec. 31)		Evaluation	Targets for 2010
			Target	Result		
Prevention of global warming	Measures taken to prevent global warming (improved energy efficiency)	Reduction of CO ₂ emissions (over the year ended March 31, 1991)	0.7% reduction	8.8% reduction	○	10% reduction
		Reduction of CO ₂ emissions generated during deliveries (over the year ended March 31, 2007)	Shipping and delivery data system creation	Shipping and delivery data system creation	○	4% reduction over the year ended March 31, 2007
		Expansion of modal shift	Improvement	94.6% of the previous year's level	×	Expansion
Resource conservation and recycling	Measures aimed at resource conservation and recycling	Reduction in the final disposal volume of waste (over the year ended March 31, 1998)	Maintain present progress levels	69% reduction	○	64% reduction (this rate will be sustained for early attainment of targets)
		Improved recycling rate for the overall volume of waste	Maintain present progress levels	92.9%	○	91% (this rate will be sustained for early attainment of targets)
		Promotion of "zero emissions"*1	Maintain present progress levels	Could not maintain progress levels (Aoya Factory)	×	Expansion to all business locations
Procurement, development and supply of eco-products	Development of eco-products	Reduction in the ratio of products marked with the Eco X mark	Stationery products: 35% Furniture products: 15%	Stationery products: 65%*2 Furniture products: 14%*2	×	0%
Legal compliance and pollution prevention	Strengthening of management systems for hazardous chemical substances	Reduction in hazardous chemical substances contained in products	Compliance with the RoHS Directive	See page 23	—	All supply sources will follow these guidelines.
		Reduction in hazardous chemical substances used in manufacturing processes	Maintain present progress levels (eliminating toluene and xylene)	Toluene: 49.6 kg reduction Xylene: 36.2 kg reduction	○	All materials will be free of toluene.
		Introduction of a management system to the supply chain	—	—	—	Set every year
Information disclosure and communication	Disclosure of environmental information	Web site enhancement	Regular updates	Regular updates	○	Regular updates
	Communication	Strengthening of links with industry associations, NPOs and communities	Continuation of activities	Continuation of activities	○	Continuation of activities
	Activities contributing to society	Promotion of forestation	Regional and global environmental preservation activities	Green fund-raising, Ikoma no Mori project, Yui no Mori project	○	Continuation of forest preservation activities
		Community cleanups	Execution of cleanup projects	Execution of cleanup projects	○	Continuation of cleanup projects around offices and business locations
Environmental management	Environmental management	Maintenance and improvement of environmental management systems	Maintain present progress levels	Maintenance of integrated authentication	○	Maintenance of integrated authentication
	Fusion of management and the environment	Establishment of an environmental result evaluation system and environmental accounting	Maintain present progress levels	Display of Eco X ("Non Eco") marks in the general catalog	○	Continual improvements in CSR management
	Promotion of an ecological business model	Business application and operation of a new ecological business model	Execution of the Yui no Mori management plan	Execution of the Yui no Mori management plan	○	—

*1 Zero emissions: Defined as the reduction of the final disposal volume of industrial waste to zero.

*2 The standards for display of the Eco X mark were revised in 2008, and the values for results in fiscal 2008 are those conforming to the new standards as of the year ended December 31, 2008.

The data for results shown in the 2009 KOKUYO General Catalogs for stationery and furniture, published in December 2008, was the latest data available when the catalogs were produced, and thus the values differ.

Measures against Global Warming

Target
for the year
ended Dec. 31,
2008

Volume of CO₂ emissions
0.7% reduction from the levels
of the fiscal year ended March
31, 1991 (31,004 t-CO₂)

Results
for the year
ended Dec. 31,
2008

Volume of CO₂ emissions
8.8% reduction from the levels
of the fiscal year ended March
31, 1991 (28,488 t-CO₂)

► Overview of the year ended Dec. 31, 2008

In FY 2008 the KOKUYO Group achieved a 2.8% reduction (823 tons) in the volume of CO₂ emissions compared to the previous year. There was a 1.3% reduction (202 tons) in factories, a 4.3% reduction (321 tons) in distribution (storage and shipping), and a 4.5% reduction (300 tons) in offices.

► Measures against global warming adopted at factories

At the five domestic KOKUYO factories, there was an increase in production due to the consolidation and reorganization of KOKUYO MVP Co., Ltd., and two partner companies, and due to boosted production capacity at the Shibayama Plant. With this in mind, increases and reductions in CO₂ emissions were recorded in two separate categories: “increases and reductions due to changes in production volume” and “increases and reductions due to operational improvements.” The estimated results were a 560-ton increase due to boosted production and

a 549-ton reduction due to operational improvements, for a net increase of 11 tons.

Notable measures included refurbished compressors and lighting equipment, along with other improvements, at the Mie Plant, for a 331-ton reduction. At KOKUYO Product Shiga Co., Ltd., partial-load operation of compressors and a change to inverter control of dust collectors led to a reduction of 113 tons.

► Measures against global warming adopted during distribution

Merging and streamlining of distribution points continued in 2008 with KOKUYO Logitem Co., Ltd., the company in charge of furniture distribution, eliminating one location in August.

In the area of distribution (shipping and delivery), we systematized shipping and delivery data and created a system for tracking monthly data for each individual company and distribution channel. This data was analyzed to verify the effectiveness of each measure taken. At KOKUYO Logitem’s delivery center in Mie,

efficiency was improved thanks to the creation of a central vehicle dispatch office.

Related information ► p. 9

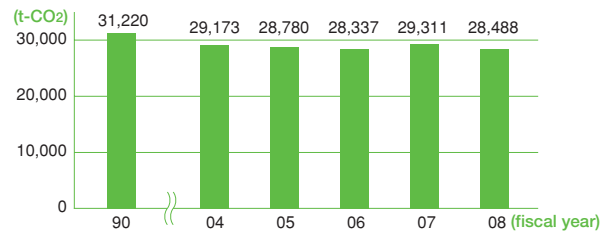
► Measures against global warming adopted in offices

In addition to the continued promotion of the Cool Biz program and No Overtime Day, 2008 saw the opening of two new environmentally friendly offices, Eco Live Office Shinagawa and Resonance Field 2.0, where the KOKUYO Group continued proposing environmental solutions to our customers.

At our head office, we adjusted lighting levels in shared spaces and adopted other measures based on analysis of gas and electricity conservation performance. At the Shinagawa office, we kept tabs on energy consumption using a visualization system, and used the results as a basis for future proposals.

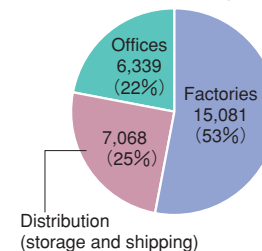
Related information ► p. 7-8

■ CO₂ emission volume changes

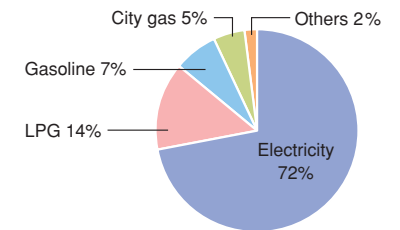


CO₂ emission coefficient employed was that set forth in the Environment Ministry’s Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Draft ver. 1.5).

■ Breakdown of CO₂ emissions by business area



■ Breakdown of CO₂ emissions by source



Resource Conservation and Recycling Measures

Target for the year ended Dec. 31, 2008

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

Results for the year ended Dec. 31, 2008

1. 69% reduction from the levels of the fiscal year ended March 31, 1998 in final disposal volume of waste produced
2. Maintenance of a 92.9% recycling rate of total waste volume

▶ Working toward “zero emissions*” through promotion of the 3 R’s

All companies in the Group make it a policy to promote the 3 R’s (Reduce, Reuse, Recycle) in order to use resources efficiently and reduce the final disposal volume of waste produced.

In FY 2008, on top of the results achieved through various conservation efforts, the volume of products produced and sold fell. Accordingly, waste emission volumes were reduced at many sites (notably the two furniture factories), resulting in a lower overall volume than the previous year. The KOKUYO Group also exceeded our targets for recycling rate and final disposal volume of waste produced.

▶ Resource conservation in business activities

Among the KOKUYO Group’s domestic factories, the Aoya Factory of KOKUYO MVP Co., Ltd., declared that it had achieved zero

emissions in February 2006, but an independent review for the KOKUYO Group CSR Report 2009 executed by KPMG in February 2009 revealed this to be false. At present, negotiations with waste disposal contractors are underway, and measures aimed at achieving zero emissions are being considered.

At the Shibayama Plant, where the total volume of waste products fell 12% from the preceding year, measures included the breakdown, separation and recycling of a metal-and-resin alloy previously disposed of as industrial waste, with the goal of improving the recycling rate.

In offices, we are continuing efforts to reduce the total volume of waste produced by expanding waste separation, and also continuing to promote material recycling. One example is at our head office, where 67.5 tons of industrial waste was incinerated and the ashes recycled as raw materials for cement and blast furnace pellets.

▶ Reuse and recycling of used products

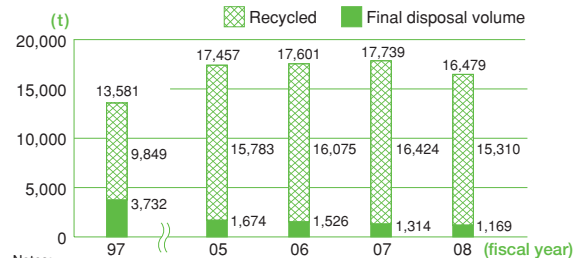
When delivering products to customers, we also collect their used and unneeded products and recycle or reuse them when product condition permits.

In FY 2008, KOKUYO Logitem Co., Ltd., collected 1,458 tons of used products including office desks and chairs. Of that, 33 tons were reused, and 630 tons were disassembled, separated by material type, and recycled.



Disassembling and separating used chairs

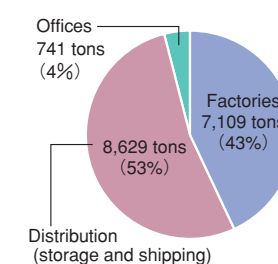
■ Volume of waste products recycled compared with final disposal volume



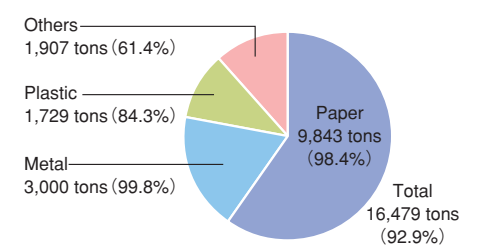
Notes:

1. Waste produced at construction sites is not included.
2. Data for FY 2005-2007 has been revised, with previously omitted data computed and added.
3. Volume recycled: Out of all waste products, the total volume of those that are recycled as materials (material recycling), as energy (thermal recycling), or as valuable substances.
4. Final disposal volume: Out of all waste products, the total volume of those that are simply incinerated or directly buried in landfills.

■ Breakdown by source of waste produced



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



* Zero emissions: Defined as the reduction of the final disposal volume of industrial waste to zero.

Dealing with Hazardous Substances

Target
for the year
ended Dec. 31,
2008

Investigation and action regarding materials covered by the RoHS Directive

- Stationery: 10,000 product items checked
- Furniture: some 21,000 product items passed

Results
for the year
ended Dec. 31,
2008

Investigation and action regarding materials covered by the RoHS Directive

- Stationery: 10,800 product items checked
- Furniture: some 21,000 product items passed

▶ Measures to reduce levels of chemical substances in product development

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

In order to reduce levels of hazardous substances, particularly those addressed by the RoHS Directive, KOKUYO S&T Co., Ltd., conducted surveys in writing at all supplier locations to confirm these substances were not used. To verify the results of the surveys, the company carried out screenings using fluorescent X-ray analysis equipment. By the end of 2008, a cumulative total of 10,800 separate product items were checked in this way, accounting for over 80% of all product items.

Based on the results of surveys of suppliers, KOKUYO Furniture Co., Ltd., has been compiling a database of test results on items containing substances covered by the RoHS Directive. So far some 21,000 separate product items have been made compliant with the directive.

▶ Measures to reduce levels of chemical substances in the production process

At the Mie Plant of KOKUYO Furniture Co., Ltd., measures dealing with hazardous substances were taken with regard to products manufactured at partner factories. Upgrades from F☆☆☆ to F☆☆☆☆ ratings, and reduced use of hexavalent chromium, were promoted at approximately 200 companies.

At the Shibayama Plant, we have been switching to a water-based coating in order to reduce the amount of xylene used since FY

2005. FY 2008 saw a further reduction compared to the preceding year's 20.4 kg, resulting in a total of 5.9 kg of xylene used.

[Related information](#) ▶ p. 11

▶ Management and disposal of equipment containing PCBs

We have been stored and properly managed condensers and other waste materials containing PCBs (polychlorinated biphenyl) at the Osaka head office, Chiba warehouse, KOKUYO MVP (Tottori Factory/Aoya Factory), and the Fukuoka Nanotsu building. We also submit the proper documents relating to the management and disposal of the materials, in accordance with the Law Concerning Special Measures Against PCB Waste. In July 2008, 20 such condensers at the Osaka head office were disposed of.

■ Chemical substances covered under the PRTR Law in the year ended Dec. 31, 2008

(Unit: kg)

Ordinance number	Name of chemical substance	Amount used	Volume emitted/volume transported				Volume removed in treatment	Volume recycled	Volume consumed
			Atmospheric emission volume	Volume of drainage discharged	Volume of waste disposed of	Subtotal			
1	Zinc compounds (water-soluble)	1,157.1	0.0	4.0	0.0	4.0	512.3	0.0	640.8
307	Polyalkyl ether	662.6	662.6	0.0	0.0	662.6	0.0	0.0	0.0
270	Di-n-butyl phthalate	545.6	0.0	1.0	3.6	4.6	0.0	0.0	541.0
227	Toluene	221.8	172.8	0.1	0.1	173.0	45.7	0.0	3.1
16	Monoethanolamine	210.0	199.5	10.5	0.0	210.0	0.0	0.0	0.0
43	Ethylene glycol	127.8	0.0	0.0	1.3	1.3	0.0	0.0	126.5
232	Nickel nitrate	66.9	0.0	0.0	46.8	46.8	0.0	0.0	20.1
63	Xylene	55.8	55.7	0.1	0.0	55.8	0.0	0.0	0.0
93	Chlorobenzene	14.0	13.8	0.0	0.0	13.8	0.0	0.0	0.2
309	Poly(oxyethylene) nonylphenyl ether	16.1	16.1	0.0	0.0	16.1	0.0	0.0	0.0
40	Ethylbenzene	7.4	7.4	0.0	0.0	7.4	0.0	0.0	0.0
224	1,3,5-trimethylbenzene	1.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0
	Total	3,086.1	1,129.0	15.6	51.9	1,196.4	558.0	0.0	1,331.7

Notes: 1. "Volume removed in treatment" refers to the volume of "chemical substances covered under the PRTR Law" that were transformed into other substances through incineration, neutralization, decomposition, reactive treatment or other means used within business locations.

2. "Volume consumed" refers to the volume of "chemical substances covered under the PRTR Law" that were taken out of business locations as other substances as described above, or as components of or accompaniments to products.

Providing Eco-Products

Target
for the year
ended Dec. 31,
2008

Percentage of products displaying Eco X mark
Stationery: 35%
Furniture: 15%*1

Results
for the year
ended Dec. 31,
2008

Percentage of products displaying Eco X mark*2
Stationery: 65%
Furniture: 14%

*1 The Eco X mark display percentage for furniture is the percentage of all furniture products in the General Catalog, excluding low partitions, room dividers, and in-store fixtures and furniture.

*2 The standards for display of the Eco X mark were revised in 2008, and the values for results in FY 2008 are those conforming to the new standards as of the year ended December 31, 2008.

The data for results shown in the 2009 KOKUYO General Catalogs for stationery and furniture, published in December 2008, was the latest data available when the catalogs were produced, and thus the values differ.

▶ Efforts in 2008

With efforts to eliminate Eco X marked products getting underway, in 2008 we did away with the previous system of recording “the sales ratio of eco-products,” and instead began using the “display ratio of the Eco X mark.”

In 2008, we pursued activities focused primarily on the following two areas:

1. Switching over to new types of adhesives, etc., during manufacturing to reduce use of VOCs (volatile organic compounds)
2. Redesigning products to make them easier to recycle

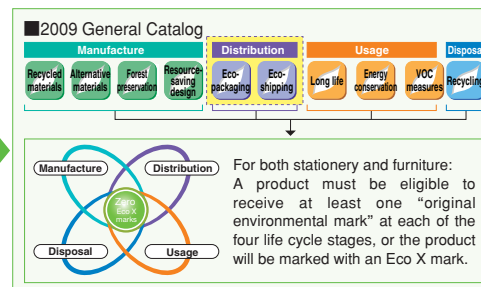
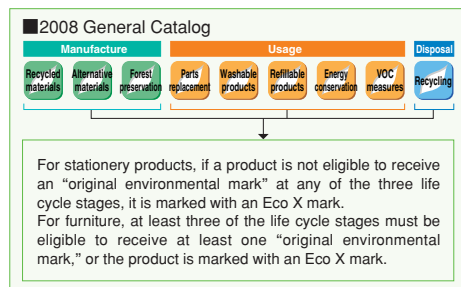
The problem of misrepresentation of recycled material content on labels for paper and other products surfaced in January 2008, and in response we have been conducting on-site investigations at paper mills and taking other steps to gain a further understanding of the situation and pursue necessary corrective measures.

▶ Revision of standards and policy for 2009 onward

While working to reduce the number of Eco X marked products, in 2008 we also reexamined the standards used for the mark itself. As a result, we broke down the life cycle of a product into the four stages of “manufacture,” “distribution,” “usage” and “disposal,” and established an environmental policy for KOKUYO products, to be followed until the end of 2010, that entails considering some kind of environmental-protection measure for each one of these stages. At the same time, we unified the separate Eco X mark standards used for stationery and furniture into a single standard.

With these measures, the standards for display of the Eco X mark became stricter than those used in the KOKUYO General Catalog published in 2008, and at the end of 2008 the percentage of stationery products displaying the mark was 65%, while furniture products stood at 14%.

We will continue using the new Eco X mark display standard in the coming years and we are maintaining our initial target of eliminating products bearing the Eco X mark by 2010.



Measures addressing the problem of misrepresentation of recycled material content on labels

■ KOKUYO S&T Co., Ltd.

In response to the problem of misrepresentation of recycled-pulp content on labels for paper, which surfaced in January of last year, we have been visiting paper factories throughout Japan and conducting on-site investigations to determine levels of recycled material content in order to swiftly regain customers’ trust.

So far we have checked approximately 100 factories by examining their systems, production records, daily reports, and so on to verify how much of what recycled pulp is actually used in their products.



■ KOKUYO Furniture Co., Ltd.

After the discovery of falsified recycled-pulp-content labeling for paper, we conducted our own investigation of partner companies to verify levels of recycled resin content. Upon finding several cases of inaccurate labeling, KOKUYO Furniture Co., Ltd., responded by strengthening its quality management system (QMS). The “QMS Requirements” were revised and approximately 170 partner companies were asked to apply stricter product quality and safety standards. Partner companies were also asked to urge their suppliers to take similar steps.

Responsibilities to Shareholders

KOKUYO is committed to disclosing information promptly and accurately in order to meet the expectations of shareholders and investors

Toward greater transparency of management activities

We believe that timely and accurate disclosure of information forms the foundation of transparent, healthy corporate management.

1) Investor relations (IR) activities

Corporate investors and analysts are kept informed of the Group's current condition through semiannual settlement briefings and individual visits. At the 2008 interim settlement briefing, we led attendees on a tour of our showcase Kasumigaseki Live Office, with the goal of keeping investors updated on the areas of our endeavor.

2) Information disclosure via our Web site

Information that may impact investment decisions is promptly disclosed on our Web site. The Group's IR information Web site is available in Japanese and English in order to meet the needs of investors worldwide. In 2008, as a corporation meeting predetermined standards for online IR information



disclosure, we received an Excellence Award from Daiwa Investor Relations.

Stock and shareholder conditions

As of the end of December 2008, the total number of shares authorized was 128,742,463, with 25,245 shareholders. In terms of ratio of shareholdings by shareholder type, financial institutions and securities companies accounted for 21.0%, overseas individuals and companies 11.7%, individuals and others 28.0%, and other corporate persons 31.2%, while shares held by the KOKUYO Group itself accounted for 8.1%. Starting in 2007, we adopted a special benefit plan for shareholders to show appreciation for their support.

Dividend policies and results

In an effort to place further emphasis on shareholders in our management, and in consideration of consolidated business results, the KOKUYO Group is setting a target of a 20% or higher dividend payout ratio in addition to the existing stable dividend. With this in mind, the dividend for FY 2008 will be set at the usual 15 yen per share (interim 7.5 yen, year-end 7.5 yen).

The internal reserve fund will be put toward further strengthening of the Group's management and investments aimed at elevating its brand value in the future.

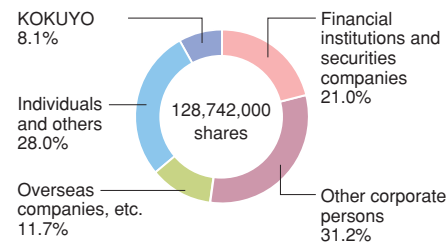
Status of inclusion in SRI indices

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

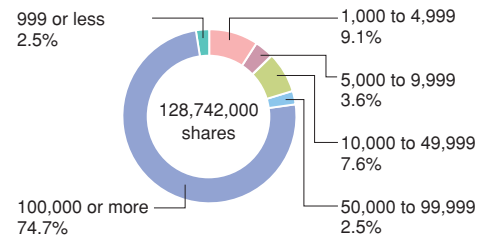


Ratio of shareholdings by shareholder type

〈By shareholder type〉



〈By number of shares held〉



Account settlement briefing

CSR Accounting

▼Scope of CSR accounting: KOKUYO Co., Ltd., and 20 consolidated subsidiaries

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

▼Accounting period: January 1 to December 31, 2008

▼Accounting method: Figures posted represent the cost of putting into practice the ideals outlined in the KOKUYO Group CSR Charter. This cost is a sum of personnel, depreciation and other expenses. The amount saved through cost reductions and income from assets is subtracted from the expenses. "The cost of construction of a management system" is derived from proportionally distributed, approximate amounts of head-office-related costs.

It should be noted that the accuracy of calculations of costs for each activity does not necessarily represent the actual distribution of management resources.

▼Guidelines for reference: "Environmental Accounting Guidelines, FY 2006 edition," published by Japan's Ministry of the Environment

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

Remarks

After consulting with an external review organization, we have decided from this year forward not to post the operating costs of the Kuroda Greening Foundation, which had been posted under "Local Communities – Community greening" until fiscal 2007.

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

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

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

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

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

	Customers	Local Communities	Environmental Protection	Business Activities	Human Rights
KOKUYO's Responsibilities	Providing products and services from the viewpoint of customers	Building vibrant communities	Making efforts to solve global environmental problems	Conducting corporate activities fairly	Placing emphasis on human rights in all corporate activities
Cost of Activities	¥414,420,000	¥49,330,000	¥516,334,000	¥175,913,000	¥49,094,000
Breakdown of Main Costs of Activities	Improving customer satisfaction ¥351,373,000 Proper maintenance of customer information ¥6,866,000 Leading customer evolution ¥46,339,000 Construction of a management system ¥9,842,000	Societal contributions ¥22,679,000 Revitalizing local communities ¥6,810,000 Disaster relief ¥10,000,000 Construction of a management system ¥9,842,000	Preventing pollution ¥62,908,000 Preventing global warming -¥13,359,000 Saving and recycling resources ¥170,882,000 Procuring and providing eco-products ¥55,656,000 Investigation and research into environmental engineering ¥118,368,000 Environmental communication ¥17,362,000 Construction of a management system ¥104,517,000	Compliance promotion ¥8,059,000 Fair transactions with business partners ¥1,900,000 Communication with stakeholders ¥97,685,000 Construction of a management system ¥68,269,000	Improving employee satisfaction ¥6,000,000 Equal opportunities and personnel training ¥29,411,000 Workplace safety and sanitation ¥3,841,000 Construction of a management system ¥9,842,000
Related pages	—	—	p. 17-24	p. 15-16, p. 25	—

About the front cover design

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



KOKUYO

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(June 2009)

Environmentally friendly paper



Printed on FSC-certified paper

The paper used for this publication is certified by the Forest Stewardship Council (FSC) as being made from "timber from responsibly managed forests (certified timber)."

Environmentally friendly printing



Waterless printing

The use of waterless printing, which requires no water, eliminates the need for volatile solvents and prevents the release of liquid waste during the printing process.



Green purchasing in printing services

The KOKUYO Group is committed to green purchasing in printing services, based on the guidelines for ordering offset printing services set out by the Green Purchasing Network (GPN).

Universal Design with consideration of color perception



Color Universal Design

We make every effort to display information so that it is clearly visible to all users, regardless of individual differences in color perception. After inspection by monitors and other checks, we have received certification by the Color Universal Design Organization (CUDO).

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