

KOKUYO GROUP CORPORATE SOCIAL RESPONSIBILITY REPORT

2008

Furniture

Stationery



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

KOKUYO Co., Ltd. was established in 1905 as Kuroda Hyoshiten, a maker of covers for Japanese-paper notebooks. The founder, Zentaro Kuroda, launched his business ready to take on any troublesome or time-consuming tasks. In the years that followed, Kuroda's company issued a steady stream of products for everyday use, contributing to the economic as well as social development of Japan.

In the postwar era, the company expanded into stationery in general, office furniture and store fittings, quickly growing into Japan's largest purveyor of office supplies.

Today, 103 years after its foundation, KOKUYO Co., Ltd. continues to follow the spirit and philosophy of its founder. By forging ever stronger bonds of trust with our many stakeholders, we are pursuing growth that is sustainable for both the company and society.

●Corporate Outline (as of December 31, 2007)

Company name: KOKUYO Co., Ltd.

President: Akihiro Kuroda

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

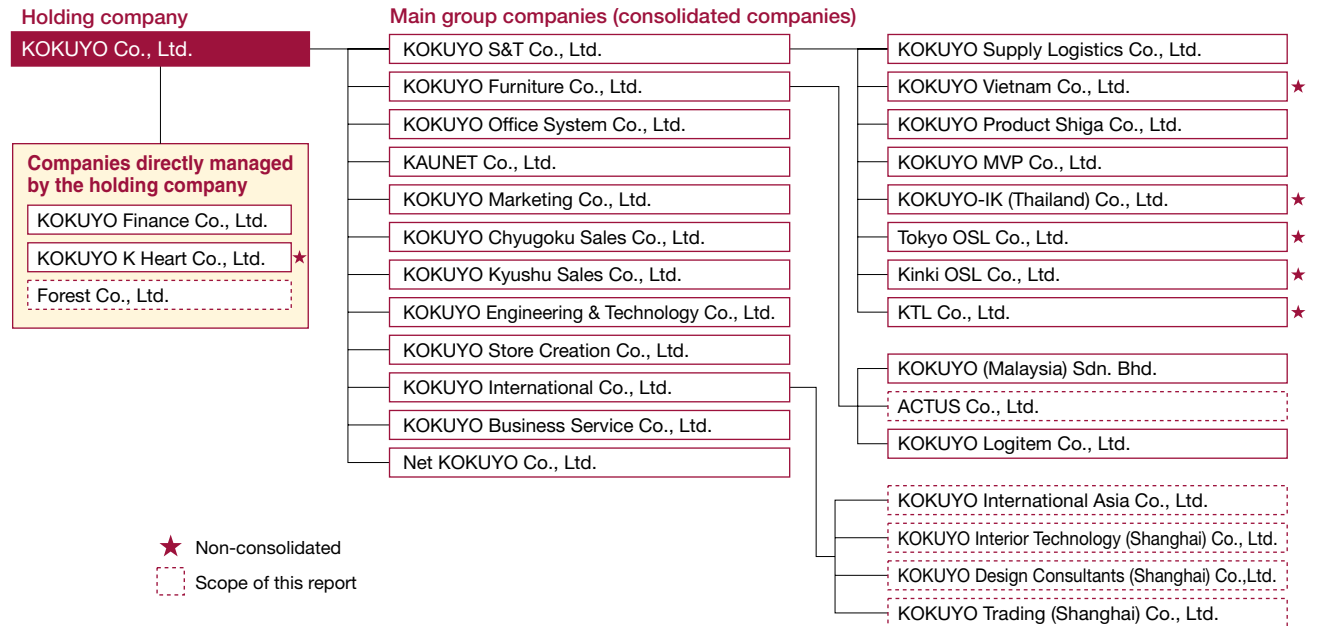
Established: October 2, 1905

Capital: ¥15.8 billion

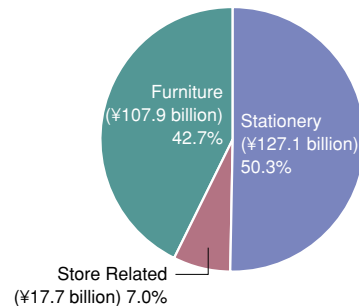
No. of employees (Consolidated): 5,037

No. of consolidated Subsidiaries: 24

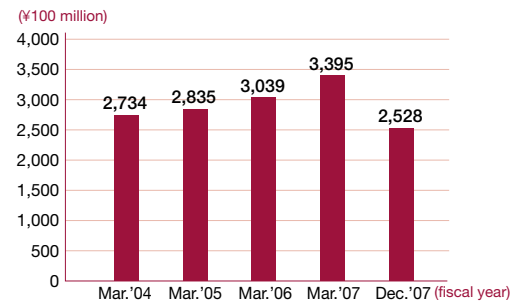
●Organizational Structure



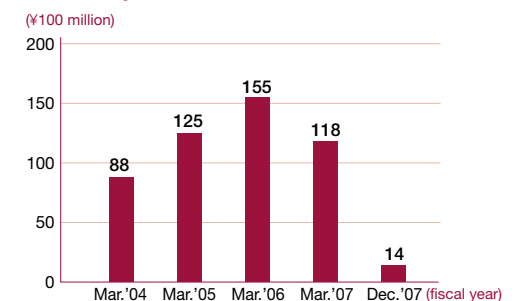
■Sales by Business Segment



■Net Sales



■Ordinary Income



* Due to the change in our fiscal year-end, Dec.'07 figures are based on our settlement for an irregular nine-month period from April 1 to December 31, 2007.

Message to Our Readers

Our approach and editorial policy in publishing *KOKUYO Group CSR Report 2008*

In editing *KOKUYO Group CSR Report 2008*, we strove to place the greatest emphasis on efforts to tackle global warming and measures to promote environmentally friendly products. We believe that these two core environmental undertakings are the most important ways for KOKUYO to fulfill its responsibilities to the communities in which it does business.

To decide which of KOKUYO's CSR activities would deserve the most attention, we examined one external factor and one internal factor. The external factor was the degree of impact on our stakeholders. The internal factor was the degree of impact on KOKUYO.

In September 2007, we used the company's intranet to conduct an opinion survey and also held interviews at major KOKUYO group companies. At the same time, we asked CSR sector personnel in other companies to share their views with us. In this way we listened to the views of 60 stakeholders.

Having gathered this wide range of perspectives, our CSR promotion and other sectors held extensive discussions, taking into additional consideration the degree of impact on the KOKUYO Group. After discussing these results with KOKUYO's senior management, we narrowed our selection to the two themes described above.

In planning *KOKUYO Group CSR Report 2008*, we used interview and opening feature articles in the first half of the report to convey an understanding of KOKUYO's attitude and activities regarding these environmental issues. We also added the topic "Promoting Diversity," to provide a sense of the other issues the KOKUYO Group is working on.

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●Change in publication date

Starting in 2008 the KOKUYO Group moved its fiscal year-end from March 31 to December 31. In line with this change, the publication date for the CSR Report was moved from June to March.

■Scope of the CSR Report

Organizations covered:

24 companies, including KOKUYO Co., Ltd., its consolidated subsidiaries and its non-consolidated affiliated companies
(See "Organizational Structure" on page 1.)

Period: The data consist of results from January to December 2007. Activities include those undertaken in 2006 and earlier as well as those in 2007 and 2008.
(The data covering the period from January 1 to March 31, 2007 partially overlap data published in *KOKUYO Group CSR Report 2007*.)

Toward a Front-running Environmental Company

~Promoting step-ahead initiatives~

When Ryoichi Yamamoto published *Ondanka Jigoku: Das-shutsu no Scenario* (“How to Escape the Hell of Global Warming”), he sounded the alarm that global warming is quickly accelerating, while at the same time laying out a specific road-map for avoiding the worst-case scenarios. We invited Dr. Yamamoto of the University of Tokyo to offer his insights on the social responsibilities expected of companies in the age of global warming and what they can do to address environmental problems.



Prof. Ryoichi Yamamoto
Institute of Industrial Science,
the University of Tokyo



Akihiro Kuroda
President
KOKUYO Co., Ltd.

Ryoichi Yamamoto Graduated from the Department of Metallurgy, Faculty of Engineering, University of Tokyo, with a doctoral degree in engineering. Areas of specialty include material science, theory of sustainable product development, and eco-design. In addition to serving as a scientist at the Ministry of Education, Culture, Sports, Science and Technology (MEXT), Yamamoto has held a long list of illustrious posts, including honorary chairman of the Ecomaterials Forum and chairman of the Institute of Life Cycle Assessment, Japan, Sustainable Management Forum of Japan, International Green Purchasing Network, Japan Eco-efficiency Forum and the executive committee of the Eco-products Exhibition.

Raising awareness of environmental issues company-wide

Kuroda: Dr. Yamamoto, Last year I had the pleasure of listening to you speak at a seminar. I was struck by your description of the frighteningly rapid pace of global warming, which you illustrated with the example of the shrinking area of sea ice around the North Pole. You stated that Japan has fallen behind the countries of the West, which are taking active measures to address global warming.

When your book, *Ondanka Jigoku: Dasshutsu no Scenario*, was published in October, I immediately picked up a copy and read it. I distributed copies to all our senior staff members, to raise awareness group-wide about global warming and to commit KOKUYO to tackling this problem promptly. Although the environmental load of our business is not very large, your views at the seminar and in this book have inspired me to use them as a stimulus for KOKUYO to further promote environmental management.

Yamamoto: I used the phrase “Ondanka Jigoku” (the hell of global warming) in my book title because simply saying “global warming” sounds too soft. I needed to wake people up and make them see clearly the seriousness of this crisis. In Japan, a country with no glaciers or tropical forests, global warming may seem a distant prospect. But the situation is worsening much faster than people realize. We may already have crossed into the first circle of hell.

For example, it was predicted that the Arctic Ocean would be completely free of ice in summertime by 2040. But some people say the ice might vanish as early as this summer. It’s been pointed out that rising temperatures in the Arctic atmosphere are shifting the course of the jet stream northward, generating high-pressure zones in the Pacific Ocean that may cause fierce summer heat waves in Japan. In Antarctica and Greenland as well, the ice sheets have begun to disappear on a large scale. Based on present trends, we could reach what I’ve called the fifth circle of hell by 2050. And that’s no picnic.

Kuroda: Last year, being aware of these issues myself, I appealed to all KOKUYO Group employees for thinking about what KOKUYO can do. First of all, we have to reduce our CO₂ emissions, and find ways to curb what we do produce. One of my ambitions is for KOKUYO to declare itself carbon-neutral as soon as possible. But that’s very difficult to accomplish in reality. As a company that’s been dealing in office supplies for over 100 years, we’ve started activities to tackle CO₂ emissions in our own offices. Our employees have deepened their awareness of environmental issues, thanks in part to reading your book, and are moving from understanding to taking action.

Getting back to the company’s origins

Kuroda: This year KOKUYO celebrates the 103rd anniversary of its foundation. Our founder, Zentaro Kuroda, started his business ready to fill any order, no matter how troublesome it may be or even if it would be unprofitable to do so. He was determined to “contribute to society” by diligently manufacturing superior products.

The founder was especially particular about product quality and function, and about delivering value. At the time, *wacho* (Japanese paper notebooks) contained 100 pages, but this included the cover and so forth. He improved their usefulness by adding more writing pages, so that the number of writing pages would number exactly 100. He then sold this new product with 100 inside pages, at a 5 to 7.5% markup over competitors’ conventional *wacho*. At first, nobody was interested. As customers began appreciating the difference in quality, however, sales erupted. And that experience powered KOKUYO to its high standing today.

More to the environmental point, Zentaro Kuroda was also inventive in reducing waste. For example, he asked paper mill partners to deliver paper in exactly the dimensions needed, so that his business could effectively reduce the waste created by cutting the paper to the required sizes.

Yamamoto: What impressed me most about Zentaro Kuroda’s episode is that, around the time of the First World War, he tried to

secure a stable supply of notebook paper by producing it in Japan rather than importing it, knocking at the door of a paper company to ask them to produce what he wanted. When they finally succeeded in developing products he wanted, he bought up all the defective goods produced at this paper company over the prior ten years. The KOKUYO management philosophy says, “If you buy, make and sell with a sincere heart, you will surely win people’s trust, and thereby accomplish your life’s work.” I can see this principle in action in the career of Zentaro Kuroda.

Kuroda: It doesn’t matter if your job is unglamorous or burdensome. To fulfill your role in society, you must serve it with wholehearted devotion. This spirit, which Zentaro called “gratuitous business,” is still alive in the corporate culture of KOKUYO today.

Yamamoto: Since the 1990s, KOKUYO has been working on the development and proliferation of eco-products. I think this is one expression of your company’s spirit. The CSR approach began to spread in Japan at around the start of the 21st century, when there was still a tendency to postpone addressing environmental issues. Today, environmental issues such as global warming and the recycling of resources have become even more pressing and critical. Over the past year or so, major manufacturers and other businesses have been revising their environmental management strategies. Today, we have to make concerted efforts to reduce our carbon emissions not by 6%, as led by the government, but by 80%. Long-term strategies must be introduced and resolutely implemented to end dependence on fossil fuels and achieve a low-carbon society. Projects like KOKUYO’s Yui no Mori, in which forests are maintained as a sink for absorption of CO₂, is one example of such a strategy.

Kuroda: We’re now entering the second year of our Yui no Mori activities. Last year, we began using wood gleaned from periodic thinning of forests to make stationery, desks and other products, which we sell on the KOKUYO Group’s mail-order sales service,

Kaunet. We're delighted to have received enthusiastic support from many customers who are concerned about environmental issues. We also initiated a program last year in which Kaunet customers can donate their user points to Yui no Mori preservation activities, and already the donations have far exceeded expectations. As you said earlier, environmental awareness has increased noticeably in the last few years. I can feel it too.

What makes a difference is senior management setting a good example

Yamamoto: Our "Eco-products 2007" environmental exhibition held in Tokyo last December was a great success, attracting the largest number of visitors in its history. I realized that was at the same time that KOKUYO issued a press release about its Eco X ("Non Eco") mark*. On many news broadcasts the two items were reported side by side. You had a great and ingenious reversal in your thinking and started displaying this mark in your general catalog beside products that were not yet fully environmentally friendly.

Kuroda: Thank you very much. We got that idea from your proposition, "A company's strategy must be visible in the actions of its managers." Some employees raised loud voices in opposition to the Eco X mark strategy, but I told them, "Work hard together so that the mark can be removed from your product as quickly as possible."

In fact, it turned out that over half of our stationery products at that time had to be slapped with the Eco X mark. Worried about the effects on sales, many employees wanted to postpone using the mark until next year. I told them it was out of the question, and so they worked feverishly to complete their eco-friendly products over the two months before the start of catalog production. At that time, I was surprised and delighted that many of the products that would have been blackened with the Eco X mark had been made environmentally friendly after their feverish efforts, and the number of Eco X products declined dramatically.

* For more details on the Eco X mark, please see page 6.

At one of our factories, a plan to convert LP gas to city gas was thrown into high gear, resulting in dramatic CO₂ reductions. Senior managers set the direction, awakening ambition in employees. Moreover, when we explained our position to customers and business partners, in many cases those parties gained a deeper understanding of the environment. We plan to accelerate all of these activities going forward.



Yamamoto: You've started an enormously significant process. I hope you will continue and expand similar initiatives not only in products but in services as well. That would be even more wonderful.

Kuroda: I suspect hurrying delivery more than the customer requires can add unnecessarily to the environmental burden. I think we need to look carefully at this kind of question on the logistics side.

And there is plenty we can do in the office, KOKUYO's area of

specialty. For example, our Shinagawa office produces 1,600 tons of CO₂ every year. We plan to rebuild the building to make clever use of solar energy, reducing losses from air conditioning and halve that amount to 800 tons. Buying emission rights is one option, but we feel we can make our commitment more clearly understood to the customer by achieving a true carbon-neutral office and telling the world about it.

Yamamoto: Overseas there are already inspection services that can assess a building's carbon-neutral status, but in Japan there are not enough such buildings yet. I wish you every success in your Shinagawa project. What's important is that you drop your CO₂ emissions to zero, and that you "visualize" the system and procedure by which you do so, so that it is easy to understand, and disclose information regularly.

Kuroda: I agree. The Eco X mark is another example of visualization in KOKUYO's environmental activities. We've positioned it as an easy-to-understand means of disclosure.

Aiming to be an environment-friendly company that exceeds expectations

Yamamoto: These days, whenever I meet corporate managers, I ask them, "Please, declare war on global warming!" Individual efforts are important, but the CO₂ emissions from

corporate activities are overwhelmingly greater than those from the private lives of citizens. Managers must display a correct recognition of the current situation, strong rational faculties, and the courage to lead with a good example and set directions. I've read books that say the Japanese have a natural talent for eliminating "strain, waste and variance." I expect this country's corporate sector to demonstrate that characteristic and marshal its environmental technology to lead the world in tackling the threat of global warming.

Kuroda: This year KOKUYO aims to be a “front-running environmental company.” What we mean by this is not that we will invest huge sums of money trying to do everything ourselves, but rather that we will proceed a step ahead with the course we have set for ourselves. Having gone to the trouble to make the Eco X mark declaration and having had a favorable evaluation of it from the market, we will move resolutely forward, step by step, with our environmental program. If our employees can harness their knowledge, set ambitious goals and struggle to achieve them promptly, I see no reason why we cannot move steadily forward to become a front-running environmental company.

Yamamoto: “Front-running environmental company” is a great slogan. You can see a similar attitude in the moves the United Kingdom and the EU are making. In the West, they often “go it alone,” regardless of what others are doing. You have to have pride to take this stance. Action has a compelling power to make others understand your intentions.



Kuroda: We’ll work hard to implement forward-looking proposals and activities that will exceed those expectations. There are plenty of issues, such as the carbon-neutral office, where we can demonstrate that commitment.

Yamamoto: I hold a high regard for KOKUYO as they enter a new phase of focusing on and responding to the big problem of the global environment. I look forward to seeing KOKUYO take a leading role in the environmental management of the 21st century.

Kuroda: Dr. Yamamoto, speaking to you today has redoubled my resolve. Thank you very much indeed.

Promoting environmentally friendly products

The KOKUYO Declaration

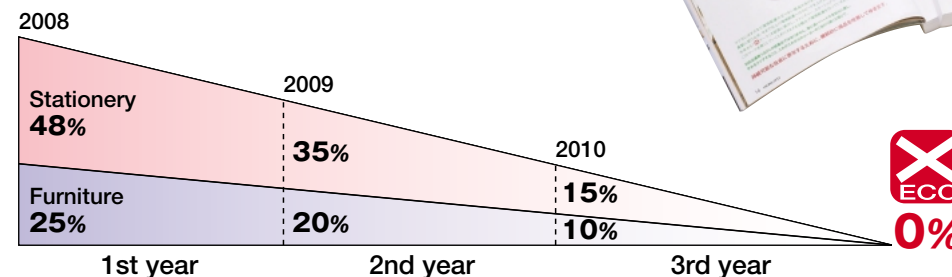
Any of our products that are not sufficiently environmentally friendly are marked with . Within three years, we will reduce the number of products marked with  to zero.

Since over a decade ago when “environmental” became a buzzword in a full range of social issues, KOKUYO, the acknowledged environmental leader in its field, has worked hard to make its products environmentally friendly. However, after concentrating on what we could do on our own to protect the environment, our progress on this front slowed down.

Today, as global warming accelerates, raising society’s environmental awareness is a vital priority. As a corporate manufacturing group that produces many of the products that offices and corporations use every day, KOKUYO keenly recognizes its responsibility to take the lead. We are moving beyond everything we have done before, to develop products that are inherently environmentally friendly.

To convey this basic stance to all our stakeholders and the general public, in the 2008 edition of the *KOKUYO General Catalog*, we placed an Eco X (“Non Eco”) mark next to each product that, in our opinion, was not sufficiently environmentally friendly. Based on KOKUYO’s stringent proprietary standards, some 48% of products in the stationery catalog and 25% of the furniture catalog were given this mark.

Our pledge is that, from now until the end of FY 2010, we will overhaul our product line, ensuring that each and every product that appears in the 2011 catalogs is environmentally friendly and free of the Eco X mark. From 2011 forward, we will continue to effect further improvements in environmental performance, to meet and exceed society’s expectations.



Switching fuels and implementing new designs helps reduce environmental load while boosting efficiency

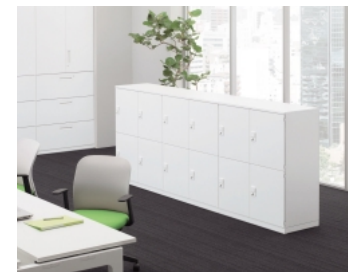
The factory is where manufacturers create value. It is also the source of most of their CO₂ emissions, and therefore an essential part of any environmental plans. We visited KOKUYO Furniture's Shibayama Factory, which launched a storage furniture production line in November 2007.

Susumu Nishimura Manufacturing Technical Division, Shibayama Factory, KOKUYO Furniture Co., Ltd.

New product line built in full consideration of environmental performance

Our aim is to reduce as much environmental load as possible in our production activities. When we started planning our production line for *EDIA*, a new line of storage furniture, our project members focused on environmental performance, along with the usual themes of safety, quality and efficiency. We were all aware that the market would turn its back on any operations that did not take the environment into account, so we pressed ahead with environmental initiatives such as elimination of wastewater and zero-emission goals. This product line is the culmination of the expertise we have accumulated to date.

"In the production of office furniture, the greatest environmental impact is made in the painting process," said Nishimura. After the steel plates are washed, they are treated with an undercoating to prevent rust. The main painting follows, and the paint is dried using heated air. The energy used in this process generates CO₂, and the process itself produces hazardous chemicals, volatile chemicals (VOCs) and waste. In the new *EDIA* line, a new oxidized zirconium liquid is used that is free of phosphoric acid, nickel and manganese, along with a powdered paint that does not emit VOCs. By using these new agents, the amount of sludge generated in processing has been reduced by an incredible 90%. Though some automakers have also adopted these agents, KOKUYO is the first office furniture maker to do so. To maintain quality, the process must treat all surfaces evenly, even irregularly shaped parts. Nishimura and his colleagues worked with manufacturers for a year and a half to develop a shower method that clears this hurdle brilliantly.

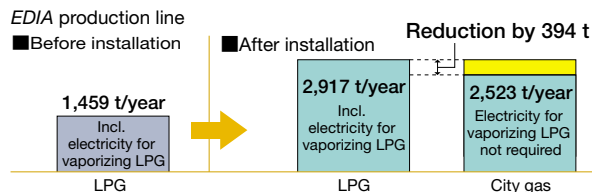


EDIA storage furniture

Dramatic reductions in CO₂ generation through the introduction of city gas

In measures to reduce CO₂ emissions, fortune smiled on Nishimura. A new city gas pipeline installed to supply Narita International Airport, which is about 10 km north of Shibayama Factory, had just been extended close to the factory. City gas, whose main component is natural gas (methane), generates just three-quarters the CO₂ volume per unit of calorific value that heavy oil has. This was 14% less than what Shibayama Factory had been generating using liquefied petroleum gas (LPG). Armed with this information, Nishimura immediately looked into introducing city gas. As it turned out, not only did city gas produce less CO₂, but (1) its cost was more stable than that of LPG; (2) unlike LPG, there was no need for storage tanks to be installed inside the factory grounds, assuring greater safety and eliminating the need for a dedicated manager; and (3) emissions of NO_x were slight and SO_x emissions were zero.

CO₂ emissions reduced through introduction of city gas



“We calculated that, if we introduced city gas throughout the factory by modifying the LPG boilers and other existing heat source equipment, we could slash CO₂ output by about 400 tons annually. Moreover, the cheaper cost of the fuel meant we could recoup the necessary capital investment quickly,” explained Nishimura, showing us the results of a simulation. There was only one problem: the laying of the pipeline to the industrial complex where Shibayama Factory was located could not be completed in time for the launch of the EDIA line. To circumvent this issue, the factory leased LPG vaporizers from the gas company to ensure an interim supply of LPG. With the factory’s final switch to city gas scheduled for May 2008, the factory is now busying itself with the final adjustments, such as upgrading heat source equipment.

Promoting further environmental initiatives at the factory

Shibayama Factory found other ways to reduce CO₂ output as well. In one such move, all compressors, fans, conveyors and pumps, as well as equipment such as spot welding machines, were fitted with inverters. The improved spot welding machines can apply instantaneous high-temperature bursts while reducing welding traces, thus improving finishing quality.

Another problem was overproduction of the factory’s long list of very different products, which resulted in a waste of energy, space, resources, time, labor and inventory. The factory introduced a variable-model/variable-volume production system and redesigned its lines with an eye on efficiency, dramatically reducing these losses, and CO₂ out-



A control panel (left) automatically operates four inverter compressors (right) by varying their outputs between zero and 148 kW.



The presses process workpieces while automatically switching among more than ten types of molds. This intelligent equipment is a vital component of variable-model/variable-volume production.

Listening to stakeholders

Pilot operations in an expanded supply area

Chiba Gas Co., Ltd. has been grappling with environmental issues for many years. In 2003, for example, we obtained ISO 14001 certification. As an energy supplier, two of our most important environmental initiatives are the reduction of environmental load from our own operations and the reduction of customers’ environmental load through the switch to natural gas. When we received KOKUYO’s request, we immediately recognized its significance and swung into action.

This project was complicated by the fact that the construction schedule for their new line was not in sync with that for our pipeline. We overcame this problem thanks to KOKUYO’s strong and sin-

cere desire to cut CO₂ emissions. It was a pleasure for us to have been able to assist them. It will be an important pilot case, as we were able to establish the conditions for building a conduit pipe infrastructure and to prepare to make natural gas widely used in the Shibayama Industrial Complex, which was outside our normal supply area.

In preparation for the final switchover that is scheduled for May 2008, we are filing the necessary documents with the government, providing technical support for modifying heat sources, and otherwise assisting this vital client, with solid backup from our parent company, Tokyo Gas Group.

Daisuke Arimura

Section Manager, Industrial and Commercial Gas Sales and Service Section
Energy Sales and Service Department
CHIBA GAS Co.,Ltd.



Contributing to an environmentally friendly society by eliminating waste and boosting efficiency



The environmental load of logistics comes from moving goods around. If unnecessary movement can be reduced, or if it can be made more efficient, we can reduce CO₂ emissions while improving the speed and accuracy of our logistics services. We visited two logistics centers that are striving to bolster efficiency while shrinking their environmental load.

Masatoshi Kawabe Deputy Center Manager, Kinki IDC, KOKUYO Supply Logistics Co., Ltd.

How the drive for efficiency created new bases of operation

Kinki Integrated Distribution Center (IDC) is the KOKUYO Group's largest logistics center, handling some 30,000 shipments, large and small, every day. This logistical nerve center was born in 2007 by consolidating three former bases that distributed office consumables across western Japan. The aim of opening the new center, according to Masatoshi Kawabe, Deputy Center Manager at Kinki IDC, is "To concentrate all distribution-based functions in one location, introducing the latest warehouse designs to provide Japan's highest level of quality and efficiency in logistics, while boosting environmental performance." The key phrase of this reorganization is, "Move goods around as little as possible."

The aims of this centralization of logistics operations were threefold: (1) eliminate duplication of functions and inventory; (2) dramatically reduce transportation between bases; and (3) slash the number of kilometers traveled by distribution trucks by consolidating the three locations that their services had been directed to into one. Through these initiatives, KOKUYO aimed to improve efficiency and speed. The four-story Kinki IDC building was designed so that trucks can pull into the first, second, or third floors. This arrangement enables trucks to load and unload cargo close to the appropriate sorting area. Inside the center, the use of elevators to move cargo between floors has been minimized, to restrain the growth of power consumption.



Trucks can dock at any of the first three floors directly.

"Upward of 1.5%" reduction in CO₂ emissions

Innovations that bring greater efficiency also help slash CO₂ emissions. According to Kawabe, at the planning stage the company hoped to reduce shipping volume (measured in ton-kilometers) by 1.5%. Because the number of shipments could be reduced, and larger trucks could be used, further reductions in CO₂ emissions are anticipated. Moreover, battery-powered forklifts are

used for handling cargo throughout the center, improving the work environment for employees while once again paring CO₂ emissions.

“In addition to revisions in packing procedures, we’d like to try a wide range of other environmental measures to cut CO₂ output and reduce waste,” remarked Kawabe.

Measuring by the second to achieve the right cost balance

The ways in which people buy office consumables has changed dramatically with the development of online business. Today consumers can order any product online and have it delivered in quantities as small as a single pen or notebook. In the background, supporting this convenient system, are KOKUYO’s nationwide distribution centers.

When we visited one of these centers, Kyushu IDC, they were testing a packaging line in which orders were collected for individual customers based on their order forms, and placed in folding containers for packaging and shipping. “We’re finding out how much packing time increases or decreases if we switch from cardboard boxes to polyethylene bags for easy packing,” one worker explained. To precisely determine the impact on shipping costs, packing time was being measured to the second.

Responding to customer needs

The inspiration for this project came from TOTO Ltd., a bathroom-and-kitchen system manufacturer headquartered in the city of Kokura, Kyushu. The young employees of Toto’s Purchasing Division had launched a project called “We don’t buy garbage.” In this project, the employees observed their company’s garbage collection points to see what kind of things were being discarded there. To their surprise, a strikingly large proportion consisted of the packaging from purchases of stationery and other consumables. Not only was this bad for the environment, but it incurred processing costs as well. Could they simplify the packaging that would be discarded as soon as products reach the customers?

At Kyushu IDC, Center Manager Kazuhiro Koga and Delivery Chief Shinji Inoue received the delegation from the Toto project team. “They said they wouldn’t mind if we delivered our products

without any packaging,” Koga recalled. “We were taken aback. They sounded so serious about reducing the volume of packaging they received that we felt we had to do what we can.” At the same time, as logistics professionals, the Kyushu IDC members were aware that they had to maintain the quality of delivery while constantly trying to cut costs. While measuring delivery time as described above, Kyushu IDC conveyed the concept of the project and its importance to KOKUYO’s transport contractors. The result was the creation of a reusable shipping carton for shipments between Kyushu IDC and the transport contractors. Inoue and his colleagues conducted repeated tests of the reusable shipping carton, focusing on products Toto frequently ordered, to ensure no accidents occurred en route. After these tests, Kyushu IDC’s use of simple packaging for delivery to the Toto head office had begun.

Having each challenge lead to the next evolution

Today Kyushu IDC uses polyethylene bags when shipping products to relatively nearby prefectures, such as Fukuoka, Saga

and Nagasaki. As its service area expands, the center is reducing its CO₂ emissions by eliminating packaging and thereby raising the lading efficiency of each truck. A rise in customer complaints had been anticipated, but there was a decrease compared to the period when the opaque cardboard boxes were being used. This is thought to be due to the fact that the greater transparency of the bags allows the products inside to be seen.

“Efforts for and results of more environmentally friendly shipping, reduced waste, and greater efficiency are all inseparably linked,” reasoned Koga. Inspired by suggestions from customers, his team worked with partners to reduce environmental load. Though many hurdles remain, Kyushu IDC plans to try a variety of new approaches to this end. For a KOKUYO logistics center determined to deliver products as quickly and reliably as possible, the challenges are endless.



Even hard-covered files are shipped in simple packaging.

Listening to stakeholders

Results of the “We Don’t Buy Garbage” Program

In 2005, Toto launched “We Don’t Buy Garbage,” a project led by six members and intended mainly as a training exercise for the company’s young employees. The mission of Toto’s Purchasing Division is to purchase and contract high-quality products and services at appropriate prices. One issue closely related to this effort is the reduction of waste materials, the disposal of which must be contracted out.	absorbing and other packaging materials to only 50 kg, less than one-seventh of the original volume”. In employee surveys, the team heard that the new system spared employees the time and expense of sorting and disposing of garbage. TOTO had not only reduced the cost of waste disposal, but had also raised the efficiency of the entire workplace.	areas of Japan we are experimenting with recycling used toilet seats and reusing plastic parts as stationery items. KOKUYO and our company are already cooperating, with KOKUYO using our recycled plastics as a housing material for their Dot Liner tape glue. I hope the two companies will continue to closely link each other’s environmental measures.
The project was inspired by the idea of examining garbage piece by piece at our garbage collection points. The team members determined that a surprisingly large proportion of the total volume consisted of the packaging of office supplies. By having our suppliers switch to simpler packaging using polyethylene bags, we were able to reduce the previous 380 kg of cardboard, shock-	Thanks to KOKUYO’s hard work and perseverance in introducing simple packaging, many of our other suppliers have joined the effort to reduce packaging. Some even started studying the idea of shipping with no packaging at all, and the results have been tremendous. And of course, it’s deeply gratifying to realize that the results of these activities reduce environmental load for the benefit of society as a whole.	* Survey results of TOTO’s head office and Kokura Plant No. 1
As for other environmental measures, in some		

Koichi Morita
Procurement & Purchasing
Center, Purchasing Division
TOTO Ltd.



Retooled equipment and heightened employee awareness led to a 6.2% reduction in CO₂ emissions over two years



The office is a major business domain for the KOKUYO Group. So, reducing carbon dioxide (CO₂) emissions at our own offices is an important activity that strongly impacts our future operations. At the KOKUYO head office in Osaka, we are tackling global warming in a wide variety of creative ways.

Kozue Yokota CSR Promotion Group, CSR Division, KOKUYO Co., Ltd.

Straight talk from the point of view of a new employee

Efforts to reduce CO₂ emissions at the KOKUYO head office through reduced energy consumption began in 2005. The office has installed motion sensors in the light switches of hallways and stairwells, programmable timers in vending machines, and OA power taps with centralized switches in desks.

In the spring of 2007, Kozue Yokota, a freshman employee in the CSR Division, was assigned the task of facilitating further energy savings by making the environmental load more visible.

"I developed a trick that provides everyone who works here with an easy way of measuring the amount of CO₂ they can reduce," Yokota explained. In washrooms, conference rooms and elsewhere, she affixed handmade stickers beside light switches asking people to turn them out when they are done. An especially prominent sticker in the office says, "Energy saving is serious business. An hour of energy conservation reduces CO₂ output by 6 kg per year." She even provided illustrations of how many PET bottles' worth of CO₂ is eliminated by these measures. In places where the light systems are controlled separately, with multiple switches, Yokota appended illustrations that clearly correlated each switch with the areas that it covered. Her efforts succeeded in efficiently reducing the amount of unnecessary illumination in the office.



←Vending machines are shut down at night and on weekends and holidays. Of the 15 vending machines scattered around the KOKUYO head office, seven are equipped with programmable timers. These shut the machines down from 9:00 p.m. to 5:30 a.m. on weekdays, and on weekends and holidays. This measure saves the office 23,500 yen per year in electricity.

→Illustrations clearly show which switches control which lights. Previously, the last person in the office would shut off all the lights at once, but today the lights are switched off area by area, as each is vacated in turn.



An OA power tap with a centralized switch is affixed to each desktop PC. When employees leave the office at the end of the day, a single switch turns off all of their equipment. This simple measure saves 19.5 kW in standby power per year, equivalent to the energy used to illuminate a typical living room for about 200 hours.

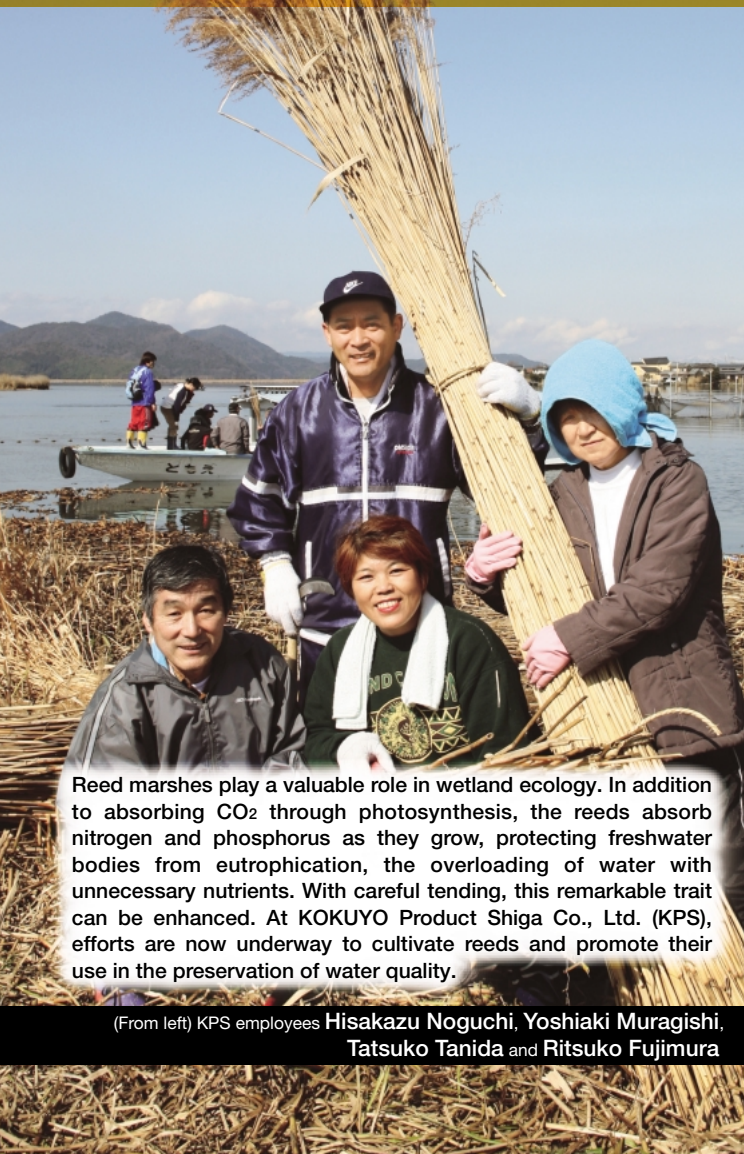
"As a new employee, I'm still a novice in the environmental field. That's exactly why I strove to raise people's awareness of environmental impact, in simple language everyone can understand."

There's still plenty of room to reduce energy consumption in the office

KOKUYO's head office also retooled its office equipment to produce less CO₂. Its budget was set to an amount that should be covered by the resulting savings in electricity within two years. In addition to the electricity savings from the visualization exercise, the office forecast that a 2.5-million-yen investment would yield approximately two million yen in energy savings per year. From April to December 2007, electricity consumption at the head office building dropped 6.2% compared with the FY 2006 level, when energy saving activities had not yet begun.

"We tend to assume that we've done all we can do to improve the use of equipment and raise employees' environmental awareness to save energy," Yokota told us. "But looking back at our activities at the head office, I feel there's still room for improvement." Capitalizing on the energy-saving know-how she has acquired at the head office, Yokota aims to disseminate information to every office in the KOKUYO Group across Japan, and to the offices of its customers.

Contributing to the preservation of reed marshes with a “virtuous cycle” of reaping, cultivation and use



Reed marshes play a valuable role in wetland ecology. In addition to absorbing CO₂ through photosynthesis, the reeds absorb nitrogen and phosphorus as they grow, protecting freshwater bodies from eutrophication, the overloading of water with unnecessary nutrients. With careful tending, this remarkable trait can be enhanced. At KOKUYO Product Shiga Co., Ltd. (KPS), efforts are now underway to cultivate reeds and promote their use in the preservation of water quality.

(From left) KPS employees Hisakazu Noguchi, Yoshiaki Muragishi, Tatsuko Tanida and Ritsuko Fujimura

New products that extend the utilization of reeds

Many of KOKUYO's paper products originate in Shiga, one of Japan's most environmentally advanced prefectures. Yoshimi Matsuki, in charge of product planning and development at KPS, had recognized from early on the vital role that reed marshes play in purifying the water and protecting ecosystems.

The reeds of Lake Biwa have traditionally been used to make thatched roofs and blinds. As lifestyles have changed and imported alternatives have grown cheaper, however, demand for these products has slumped. With no modern applications for reeds in sight, the cultivation of reed marshes has become insufficient, and the nitrogen and phosphorus that the reeds once absorbed has started to return to the lakes. Ironically, in some cases the reeds are cleared by burning, adding needlessly to the atmosphere's CO₂ load.

This state of affairs began to change in 2006. While searching for new directions for the company's operations beyond its conventional products, Ken Yamauchi, president of KPS, came across postcards made of reed paper that was being produced locally on a small scale. "If we make industrial paper products out of reeds," Yamauchi reasoned, "we can benefit the company, the environment and society—all at once." Under the leadership of Yamauchi, Matsuki and his colleagues began to develop reed paper products in earnest.

The development process ran into one problem after another.



The ReEDEN Series of reed-based products 0.2% of sales is contributed to NPO activities for reed marsh preservation.

The reeds proved difficult to process, as their short fibers made moisture removal difficult. Just rendering the reeds into pulp cost ten times as much as conventional paper. And the final product had to be sturdy enough for a range of everyday uses. After a year and a half of trial and error, KPS unveiled the ReEDEN Series, a suite of paper products with partial reed content, including photocopy paper, notebooks, memo pads, and business cards.

Communicating how the utilization of reeds contributes to the purification of Lake Biwa

It is not until a well-balanced cycle of reaping, cultivating and using reeds is maintained that they can demonstrate their natural purifying power. At local schools, Toshihiro Ota of KPS's Environmental Promotion Group teaches children the role of the reed marshes in Lake Biwa, the importance of cultivating the reeds, and why it is vital to develop more applications for them. In December 2007, Ota participated in a reed harvest, and in February 2008 he solicited volunteers at KPS for another reed harvest, in which he also participated. Ota explained, "The biggest contribution we can make to preserve the environment is to get the reed marshes involved in business activities that drive a virtuous ecological cycle. It may be time-consuming, but I'm determined to keep delivering results."

Listening to stakeholders

The regeneration of Lake Biwa and Nishinoko revives a once-lost bond with people

Around 1942, when I was a little boy, Lake Biwa had a system of some 37 satellite lakes and covered 2,903 ha. Today the number of satellite lakes is 24 and Lake Biwa has shrunk to 428 ha. Much of this lost area has become reclaimed land. In the pursuit of utility and convenience, we've destroyed the delicate network that links people with all living things. And people are the ones who have lost the most. Our water is dirty, our bodies suffer from pollution, and our spirits are shaken. We've strayed too far from nature.

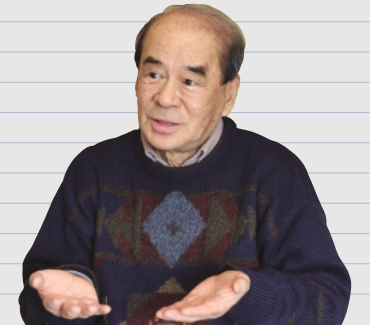
I'm now fully involved in the regeneration of Lake Biwa and Nishinoko, the largest of its satel-

lite lakes. The preservation of the reed marshes is one part of that effort. I'm hoping to reintroduce some of the birds, fishes and other wildlife that have been lost to the region. KOKUYO's efforts in using reeds in industrial products is an enormous support to this program.

I hope they'll continue these worthwhile operations for a long time. Even if it's too ambitious for one company to handle alone, if several companies can work together, I'm sure we can achieve great things. Both of us, committed to achieving a sustainable society, can lend strength to each other to move all of our projects forward.

Michiaki Tanba

Managing Director
Higashi-Omi (East Shiga) Water Environment
Self-Governance Association



Restoring the power of forests while creating economic value. Managing forests in partnership with the community.



Forests are vital sinks of CO₂. Preserving their health is an effective means in the fight against global warming. The KOKUYO Shimanto Yui no Mori Project contributes to the health of woodlands through the thinning of the region's forests while developing innovative products.

(From left) **Takuya Fugami**, MD Planning Group, MD Division, KAUNET Co., Ltd.; **Shinichi Saito**, Environmental Group, CSR Division, KOKUYO Co., Ltd.

Regenerating planted forests through periodic thinning

Since its foundation, KOKUYO has manufactured and sold products made of wood and paper, including ledgers, files, office furniture and much more. In a sense, the history of KOKUYO has been made with the blessings of forests. In recent years, however, the number of people working in forestry has declined in Japan, as prices for lumber have fallen. Many of Japan's planted forests, which comprise some 40% of the nation's total woodland, are left untended. As the density of the trees increases, individual trees are unable to grow sufficiently. The dense canopy of leaves prevents sunlight from reaching the forest floor, choking off undergrowth and bushes. Mammals, birds and even insects disappear from such forests. The woods are all around yet deserted and virtually lifeless.

KOKUYO is addressing this problem by making furniture from the lumber obtained in periodic thinning. Based on a longstanding relationship of mutual trust and respect, KOKUYO joined forces with the Taisho Town Forestry Cooperative of Kochi Prefecture to form the KOKUYO Shimanto Yui no Mori Project, a conservation project in the Shimanto river basin. Launched in October 2006, this project is regenerating some 100 ha of planted cypress and cedar forests through systematic thinning. These carefully planned thinning operations are designed to regenerate many of the original functions of the forests themselves, including CO₂ absorption, purification of river water, and support for a diverse ecosystem. In August 2007, KOKUYO joined another project, the Forest Management Project in Cooperation with Environmentally Advanced Companies ("Kyogyo no Mori"), sponsored by Kochi Prefecture. This project's activities include the utilization of forests as a carbon sink as endorsed in the Kyoto Protocol.

Focusing on bonds with local communities

"In 2007, the second year of the project, we worked to expand the scope of our activities and the area of woodland targeted." So says Shinichi Saito, in charge of Yui no Mori management. Forest

management proceeded according to a plan agreed on by the project's management council, in which the Forestry Cooperative successively thinned out some 65 ha of forest. In February 2007, as originally expected, the Yui no Mori Project earned Forest Stewardship Council (FSC) certification, proof of excellence in forest management. Moreover, to monitor long-term changes in the Yui no Mori forests due to thinning, the project launched two major initiatives starting from January 2007. The first was a survey of the amount of rainfall flowing on ground level, conducted with the help of Professor Yuichi Onda and his lab at the Graduate School of the University of Tsukuba. In the second, a thorough survey of the ecology of the target forests was conducted, with the generous participation of the Forestry Cooperative and the students of Kochi Prefectural Shimanto High School. All of these activities

were evaluated, and the first annual audit was completed successfully in November.

Except for the forest thinning itself, a task that requires professional training, all Yui no Mori activities were carried out through the sweat and toil of Saito, his staff at KOKUYO and local residents. The bonds of friendship and cooperation forged in that process, Saito emphasizes, is what puts the "Yui" in "Yui no Mori" ("Yui" means "bond" in Japanese).

In preparation for activities in 2008, KOKUYO, the landlords and the Forestry Cooperative agreed to expand the area of the project to 400 ha, four times the original area. Increasing the area subject to periodic thinning is also expected to achieve a quantum increase in the amount of CO₂ absorbed.

Creating economic value by turning thinned wood into products

One of the unique characteristics of Yui no Mori is the production and sale of original Yui no Mori products at a local timber mill,

using cypress gleaned from the thinning process. This operation is one more facet of the program's efforts to create a virtuous cycle between the environment and business. As the project's first commercial offering, in 2007 a series of eight products, including bookstands and desk trays, were released through KAUNET, the KOKUYO Group's office-supply mail-order service. Moreover, the Yui no Mori Project received some 137 donations of KAUNET user points in just four months. KAUNET transferred these funds directly to the Taisho Town Forestry Cooperative, to defray the expenses of periodic forest thinning. In fact, the donation was equivalent to the cost of thinning 10 ha of forest.

"I never expected such an overwhelming reaction," exclaimed Takuya Fugami, in charge of product planning at KAUNET. "We'll be sure to add some new products, to fulfill the expectations of customers and the townspeople of Shimanto."

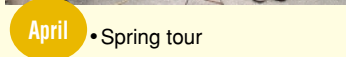
Efforts toward Yui no Mori will continue to generate a virtuous cycle of environmental preservation and economic growth.

Principal Activities in the Previous Year (April 1 to December 31, 2007)



July

- Summer tour, Kyogyo no Mori signing ceremony



April • Spring tour



November

- FSC certification, annual audit



September

- Launch of eight Yui no Mori products on KAUNET
- Monitoring survey and meeting of the management council

Listening to stakeholders

From Yui no Mori to the rest of Japan: Preserving the forests through periodic thinning

People are coming to see the value of our forests with new eyes. Whether trying to restrain global warming or conserving natural resources, people are gaining a new appreciation of the role forests play. It's unfortunate that our planted forests across Japan are in such a sorry state.

I have conducted a survey of the relationship between the desolation of planted forests and the moisture retentiveness of soil. One of the unusual aspects of Yui no Mori is that the planted forests that receive periodic thinning and those that don't lie side by side. For us researchers, it's a perfect observation point. So when we needed to study whether thinning could restore the moisture reten-

tion of a deteriorated forest, it was possible in Yui no Mori. KOKUYO understands the significance of this research and quickly offered my team the use of Yui no Mori, and for that I'm extremely grateful.

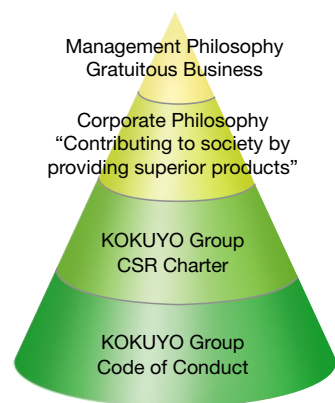
The forest acts as a natural dam, harbors a wealth of natural resources and serves as an enormous sink for CO₂. With all this in mind, I hope to demonstrate that appropriate thinning protects forest soil, leading to better protection of river and even marine environments. The knowledge gained here at Yui no Mori should be put to work in every region of Japan where planted forests have fallen into disrepair. It is with that desire in my heart that I am continuing this survey at Yui no Mori.

Yuichi Onda

Associate Professor, Graduate School of Life and Environmental Sciences, University of Tsukuba



The KOKUYO Group and CSR



Basic policy

Zentaro Kuroda, founder of KOKUYO, left us his way of looking at fulfilling your role in society—even if you feel it is 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, 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 wide-ranging 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.

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.

These statements are collected in the *CSR Guidebook*, which is distributed to the staff of the entire Group to ensure that every staff member is fully aware of KOKUYO’s spirit and policy.

KOKUYO Group CSR Charter

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

Customers

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

Local Communities

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

Environmental Protection

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

Business Activity

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

Human Rights

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

Corporate Governance and Compliance

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 Program, established in line with the introduction of a holding company system in October 2004.

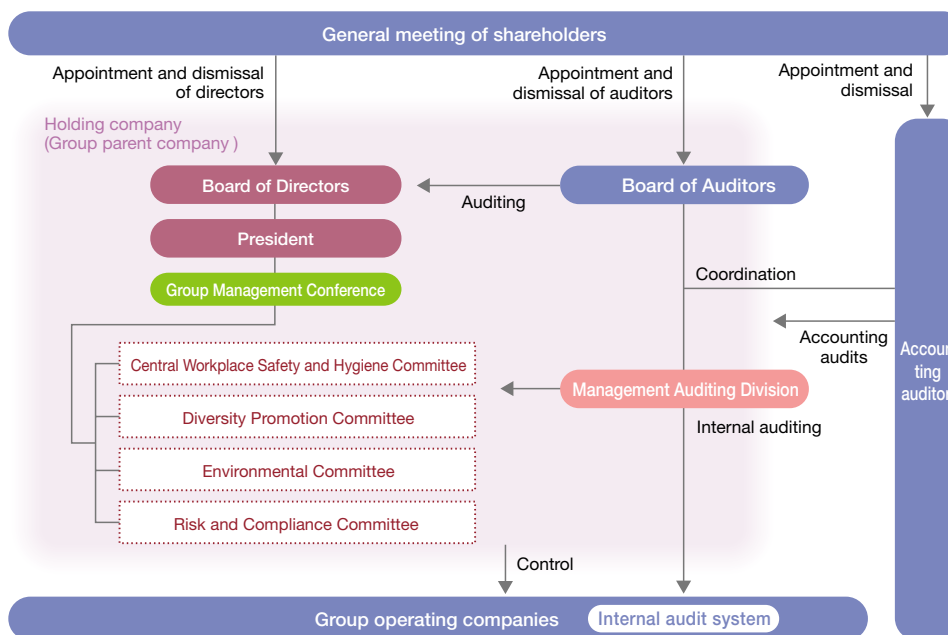
In addition, we have an auditing system in place, and each of the ten members of the Board of Directors is appointed to a term of only one year to allow flexible responses to changes in the business environment. There are four auditors (including two external auditors), and two employees are engaged full-time as auditing staff. Four lawyers on an advisory contract provide legal advice as the need arises. We are also strengthening our system of internal auditing, in which the holding company and individual Group companies cooperate in audits.

Basic policy on compliance

The KOKUYO Group does not see "compliance" as mere observance of the law, but rather as a prerequisite for all citizens and organizations in society. We strive for thorough compliance, working with sincerity in all day-to-day actions.

In recent years, consumer trust in corporations has been seriously eroded by recurring scandals and dishonest behavior. We at the KOKUYO Group postulate corporate ethics and compliance in order to maintain the trust of consumers and society.

KOKUYO Group Governance System



- **Board of Directors (held once a month in principle)**
The Board of Directors consists of ten 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, deliberates and makes decisions on those issues. The Board of Auditors is responsible for auditing the Directors' execution of their duties, while keeping close contact with the accounting auditors, management auditing sector, and auditors of operating companies in order to share information.
- **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 audits, advice, recommendations and proposals.

* The numbers of directors, auditors, auditing staff members, and lawyers are current as of December 31, 2007.

Relationship Between Business Activities and the Environment

Environmental load posed by business activities

The KOKUYO Group is engaged in the manufacture and sale of stationery, furniture, and store fixtures, along with the planning, research, distribution, construction, and services incidental to these products. The flow chart at right shows quantitative data representing the environmental load generated by these activities along the product life cycle, at the planning, research and development; manufacture; sales and service; distribution (storage and shipping); distribution (contracted delivery); and usage stages.

The KOKUYO Group is working to advance its environmental protection program mainly in those areas to which the Group's operations are directly related. Namely, these are planning, research and development; manufacture; sales and service; and distribution (storage and shipping). In addition, we work to keep tabs on quantitative data related to contracted-out delivery and the recovery and reuse of products that customers have used, in order to maintain a comprehensive awareness of the total environmental load generated by our business activities.

In 2007, we were able to attain, more or less, reductions in environmental load in the areas of planning, research and development; sales and service; and distribution (storage and shipping), but a proactive shift to in-house manufacturing meant that the environmental load of our manufacturing activities increased.

Notes:

- The data for environmental load from storage and shipping carried out by KAUNET Co., Ltd. had been included in the "sales and service" category until March 31, 2007, but it has been transferred to the "distribution (storage and shipping)" category in order to more accurately reflect the actual nature of this stage of their operations.
- Regarding sulfur concentrations found in gasoline and light fuel oil, the basis for calculating SOx emissions, the following changes were made as of January 1, 2007 in order to reflect the actual situation.
 - Gasoline: 100 ppm → 10 ppm
 - Light fuel oil: 500 ppm → 10 ppm
- As of January 1, 2007, three overseas plants are accounted for in the values for SOx and NOx emissions.

(Input parameters)

Energy: gas (city gas, LNG, LPG), oil (gasoline, kerosene, light fuel oil, heavy oil A), electricity (volume purchased from electric power company)

Water: volume consumed as tap and industrial water

Paper: copy paper

(Output parameters)

Greenhouse gas: CO₂ (volume of carbon dioxide emissions generated by consumption of electricity and fuels); other gases (CH₄, N₂O emissions calculated as those of CO₂)

SOx: sulfur oxide generated by the use of fuels

NOx: nitrogen oxide generated by the use of fuels

COD, BOD: volume released into public waters by domestic plants

Drainage: volume discharged into public waters and sewage systems

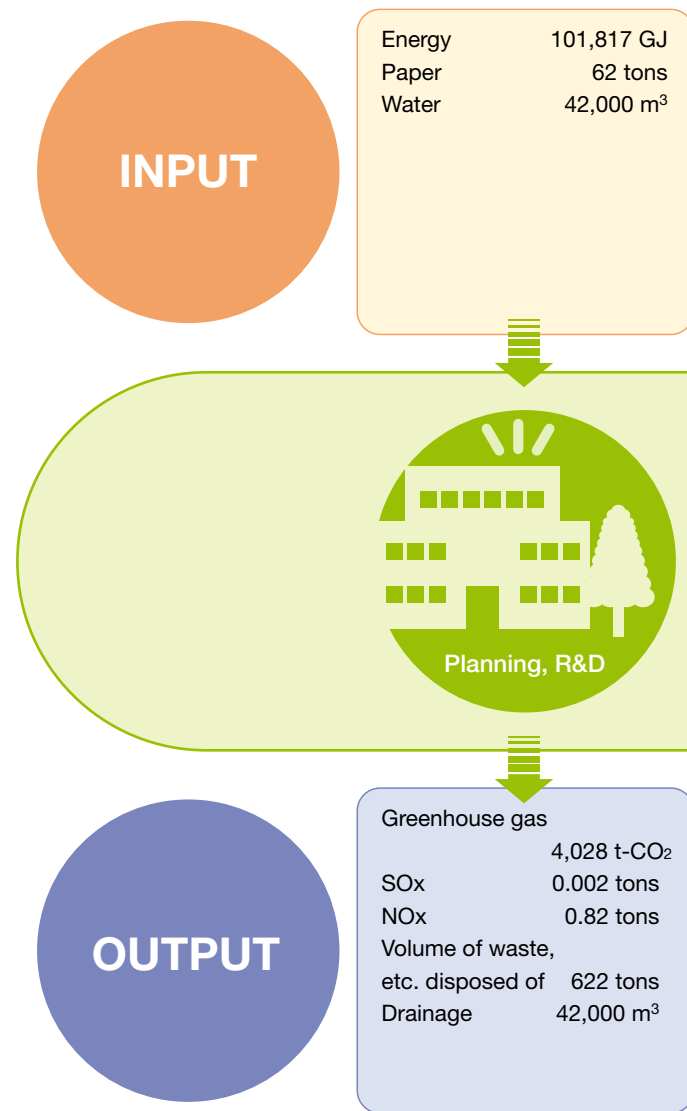
(Other parameters)

Cyclical use

Water: volume used cyclically inside business locations; re-sources: amount reused inside business locations

Distribution (contracted delivery): data for furniture delivery and stationery delivery (partial)

Total sales volume: for stationery, furniture, and data for the retail sector



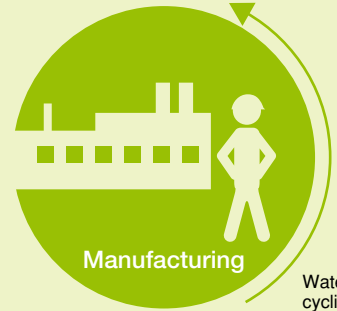
Energy	353,530 GJ	Material input	89,042 tons
Paper	12 tons	Paper	55,242 tons
Water	116,000 m ³	Metals	20,765 tons
		Plastics	3,134 tons
		Lumber	1,615 tons
		Other	8,287 tons
		Containers and packaging	13,578 tons

Energy	50,540 GJ
Paper	56 tons
Water	5,000 m ³

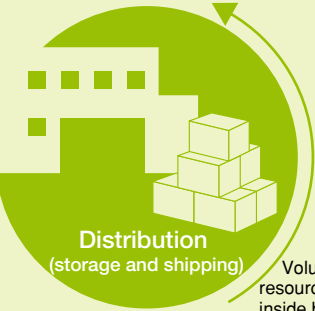
Energy	184,007 GJ
Paper	48 tons
Water	29,000 m ³

Energy	353,688 GJ
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Total sales volume	271,000 tons
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Water used cyclically inside plants 134 m³



Volume of resources reused inside business locations 238 tons



Greenhouse gas	15,286 t-CO ₂	COD	231 kg
SOx	0.02 tons	BOD	39 kg
NOx	1.57 tons	Drainage*	87,000 m ³
Volume of waste, etc. disposed of	6,616 tons	* Of this, the volume discharged into public waters is	64,000 m ³

Greenhouse gas	2,685 t-CO ₂
SOx	0.01 tons
NOx	5.68 tons
Volume of waste, etc. disposed of	138 tons
Drainage	5,000 m ³

Greenhouse gas	7,394 t-CO ₂
SOx	0.002 tons
NOx	0.82 tons
Volume of waste, etc. disposed of	9,992 tons
Drainage	29,000 m ³

Total weight shipped	480,000 tons
Average distance traveled	197 km
Total shipping volume	125 million ton-km
Greenhouse gas	24,625 t-CO ₂
SOx	0.2 tons
NOx	169 tons

Recovery of used products	1,372 tons
Reuse of used products	69 tons

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

KOKUYO Group Environmental Vision

The KOKUYO Group fully recognizes the importance of preserving the global environment, and in July 2002 established the KOKUYO Group Environmental Vision with a view to applying the corporate philosophy of

“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 the 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.

Our “Green Initiative 2010,” the program for our medium- to long-term environmental action plans, sets forth specific steps and targets in line with the above-mentioned content of the KOKUYO Group Environmental Vision, and we have undertaken activities based on these guidelines.

Legal Compliance and Pollution Prevention

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

Information Disclosure and Communication

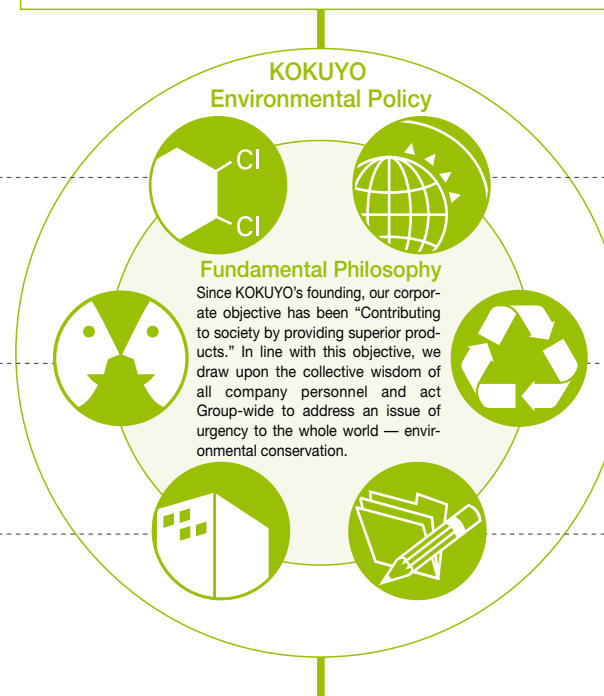
We will actively disclose environmental information and engage in communication with our customers and other external parties to continually enhance our environmental activities.

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.

KOKUYO Group Environmental Vision



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

(The KOKUYO Group's program for medium- to long-term environmental action plans)

Green Initiative 2010

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

Environmental Policy	Items to be addressed		Targets and results for 2007 (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)	8.3% reduction	6.1% reduction	X	10% reduction
		Reduction of CO ₂ emissions generated during deliveries (over the year ended March 31, 2007)	Keeping track of emission volumes Formulation of a reduction plan	Keeping track of emission volumes Formulation of a reduction plan	○	4% reduction over the year ended March 31, 2007
		Expansion of modal shift	Improvement	90.6% of the previous year's level (Number of times freight train was used: 7,198)	X	Expand
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	66% 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	92.8%	○	91% (this rate will be sustained for early attainment of targets)
		Promotion of "zero emissions"	Maintain present progress levels	Switchover to material recycling	○	Expansion to all business locations
Procurement, development and supply of eco-products	Development of eco-products	Improvement in the sales ratio of eco-products	65.0%	65.0%	○	Elimination of products marked with the Eco X mark
		Improvement in the usage rate of recycled paper in products, containers and packaging	Improvement	47.9%	X	60%
		Improvement in the usage rate of recycled plastic in products	Improvement	25.1%	X	38%
	Promotion of green purchasing	Promotion of green purchasing for general items	Determined by category	See page 22	—	—
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 22	—	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: 7.9 kg reduction Xylene: 11.6 kg reduction	○	All materials will be free of toluene.
		Introduction of a management system to the supply chain	—	—	—	—
Information disclosure and communication	Disclosure of environmental information	Web site enhancement	Regular updates	Regular updates	○	Regular updates
	Environmental (Eco) markings	Expansion of products displaying KOKUYO eco-marks	An increase in the number of products displaying eco-marks	30,157 products (an increase of 191)	○	An increase in the number of products displaying eco-marks
	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	○	—

Measures against Global Warming

Target for the year ended Dec. 31, 2007

Volume of CO₂ emissions: 8.3% reduction from FY 1991 (ended March 31, 1991) levels (28,620 t-CO₂)



Results for the year ended Dec. 31, 2007

Volume of CO₂ emissions: 6.1% reduction from FY 1991 (ended March 31, 1991) levels (29,311 t-CO₂)

Overview of the year ended Dec. 31, 2007

In 2007, the KOKUYO Group achieved a 2.2% reduction in the volume of CO₂ emissions from offices and a 1.8% reduction in emissions from distribution (storage and shipping), compared to the previous year. However, as there was a 9.0% increase in CO₂ emissions from factories, which account for about half of the Group's total CO₂ emissions volume, the result was an overall increase of 3.4%, or approximately 970 tons.

Measures against global warming adopted at factories

At three KOKUYO Group factories, including Mie and Shibayama, the volume of CO₂ emissions increased over that of the previous year. An increase in production was the primary cause of the increase.

At the Mie Factory, the production adjustment of spring 2006 and the high level of production in 2007 resulted in an increase in CO₂ emissions of approximately 400 tons. Also, at the Shibayama Factory, a 15% jump in the volume of production meant that CO₂ emis-

sions increased by 16%. This was because of a drop in production efficiency, due to a 29% production increase over the previous year in irregular products whose specifications differ from existing products.

At the same time, at KOKUYO Product Shiga Co., Ltd., there was a year-on-year reduction of 4.7%, thanks to a change in the partial-load operation mode of compressors, and careful control of air-conditioning temperature.

Measures against global warming adopted during distribution (storage and shipping)

The year 2007 saw a partial reorganization of Group operations, with the operating company responsible for product distribution divided into two separate segments for stationery and furniture, and subordinated to the manufacturing companies of their respective product areas. This change is intended to reduce the burden on the environment by raising the overall efficiency of Group operations, while ensuring high-quality service.

As part of this undertaking, KOKUYO Supply Logistics Co., Ltd., a segment devoted to stationery distribution, merged its previously separate distribution points scattered across

the Kansai region to consolidate into the more efficient Kinki IDC, with efforts made to unify inter-location shipping routes, use larger trucks and reduce overall traveling distances.

Similar merging and streamlining was also carried out in Tokorozawa and Chiba, with further developments at other locations planned in the future. → Related information P.9-10

Measures against global warming adopted in offices

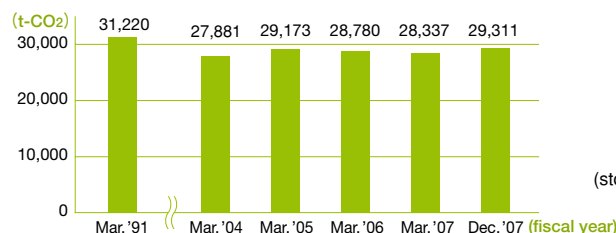
While the overall volume of CO₂ emissions increased, the office segment saw a reduction to 6,639 tons, from the 6,785 tons recorded in the year ended March 31, 2007. This is thanks largely to the CO₂ emissions visualization exercise, which resulted in the small but steady accretion of results from various low-profile activities such as the thorough switching off of unnecessary lights, proactive use of stairs, the Cool Biz program and No Overtime Day*.

We plan to pursue information sharing to spread measures that have been adopted at the head office to other offices, such as the introduction of motion-sensitive lights and switch-equipped OA power taps.

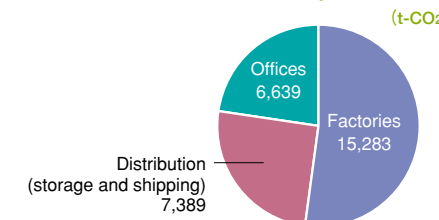
→ Related information P. 11

* The implementation of No Overtime Day differs depending on the operating company.

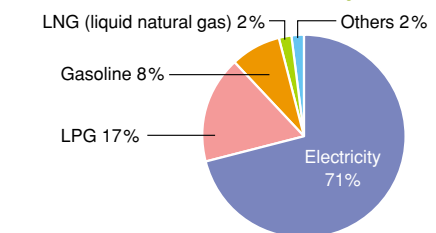
CO₂ emission volumes in transition



Breakdown of CO₂ emissions by business area



Breakdown of CO₂ emissions by source



Dealing with Hazardous Substances/ Green Procurement

Target for the year ended Dec. 31, 2007

- Investigation and action regarding materials covered by the RoHS Directive
 - Stationery: 8,000 product items checked
 - Furniture: 7,000 product items passed
- Promotion of products with lower VOC content
 - Furniture: Percentage of F☆☆☆☆ lumber material product items: 58%



Results for the year ended Dec. 31, 2007

- Investigation and action regarding materials covered by the RoHS Directive
 - Stationery: 7,700 product items checked
 - Furniture: 8,000 product items passed
- Promotion of products with lower VOC content
 - Furniture: Percentage of F☆☆☆☆ lumber material product items: 60%

Implementation of green procurement guidelines

The KOKUYO Group published the Green Materials Procurement Guidelines in 2004, with the aim of managing the chemical substances contained in the parts and materials of all products, and establishing an environmental management framework for the entire supply chain, including services such as distribution and installation. We conducted this work in 2007 with an emphasis on compliance with the PRTR law and RoHS Directive.

Measures to reduce levels of chemical substances in product development

The KOKUYO Group follows independent hazardous substances management regulations drawn up in 2005.

In order to reduce levels of hazardous substances, particularly those covered by the RoHS Directive, KOKUYO S&T Co., Ltd. conducts a written survey at all suppliers to confirm non-use of these substances. To verify the results of the survey, screenings are carried out with our fluo-

rescent X-ray analysis equipment. Materials with doubtful results are subject to further investigation with the cooperation of the suppliers, with the goal of eliminating the substances in question. 7,700 separate product items were checked in this way in 2007. In addition, the results of these checks are stored in a database along with the product development records, and a system of sharing this information is under development.

KOKUYO Furniture Co., Ltd. is making every effort to reduce levels of hazardous substances, especially from new products, and has raised the number of products compliant with the RoHS Directive to 8,000, through programs such as the creation of a database containing the results of hazardous-substance content checks reported from suppliers. We are also reducing VOC*1 levels in currently existing products, and have raised to 60% the percentage*2 of products with a lumber rating of F☆☆☆☆.

*1 Volatile Organic Compounds

*2 Refers to the percentage of products included in the 2008 general furniture catalog, primarily those containing lumber materials

Measures to reduce levels of chemical substances in the production process

At the Mie Factory, we are in the process of

switching from the water-based silver metallic coating that contains low levels of VOCs and has been used up until now, to a VOC-free powder-based coating. Also, we are in the process of switching from the previously used odoriferous chlorophrene rubber-based adhesive to an odorless styrene butadiene rubber-based adhesive, and have used the new adhesive in the desktop panels of our new *Connect Line* and *Work Gate/S* desks.

At KOKUYO Product Shiga Co., Ltd. we have reduced the levels of ethylene glycol in the back carbon paper used in making copying books, by changing from an ink-coated paper to a paper impregnated with ink.

At the Shibayama Factory, we had been using coatings containing xylene for some of the made-to-order partitions that we produce, but we have been switching over to a water-based coating since 2005, and the year 2007 saw a reduction of about 20%, or 20.4 kg, in the amount of xylene used. In addition, we have gradually installed the latest equipment at the facility that uses water-based coatings, achieving a major reduction in the volume of 1,3,5-trimethylbenzene used—from 11.8 kg in FY 2006 (ended March 31, 2006) to only 1.0 kg.

Rate of progress of green purchasing

	Target	Result
Copy paper	100%	95.6%
Stationery	90%	78.6%
Equipment	100%	83.3%
Office automation equipment	100%	67.5%
Lighting	100%	95.4%
Uniforms and work clothing	100%	98.5%
Work gloves	70%	80.5%

Chemical substances covered under the PRTR Law in the year ended Dec. 31, 2007

(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				
1	Zinc compounds (water-soluble)	1,864.9	0.0	5.8	0.0	5.8	945.9	0.0	913.2
270	Di-n-butyl phthalate	1,797.6	0.0	0.7	100.2	100.9	0.0	0.0	1,696.7
227	Toluene	271.4	89.5	0.0	0.0	89.5	181.9	0.0	0.0
16	2-aminoethanol	183.0	173.9	9.2	0.0	183.0	0.0	0.0	0.0
232	Nickel compounds	107.8	0.0	0.0	75.5	75.5	0.0	0.0	32.3
63	Xylene	92.0	92.0	0.0	0.0	92.0	0.0	0.0	0.0
40	Ethylbenzene	7.4	7.4	0.0	0.0	7.4	0.0	0.0	0.0
43	Ethylene glycol	4.8	0.0	0.0	1.1	1.1	0.0	0.0	3.7
309	Poly(oxyethylene) nonylphenyl ether	1.6	1.4	0.0	0.2	1.6	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	4,331.4	365.1	15.7	177.0	557.8	1,127.8	0.0	2,645.9

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.

Responsibilities to Shareholders

IR activities in Japan and abroad

To assure that the KOKUYO Group remains a trusted and admired entity, the Group's CSR Charter calls for "transparent, healthy corporate management trusted by society." One of the vital parts of this management is investor relations (IR) with shareholders and investors.

Corporate investors and analysts are speedily and accurately informed of the Group's current condition through semiannual settlement briefings and individual visits. Individual investors are kept abreast of our results and strategies at IR fairs and other means.

In response to the recently increasing number of overseas investors, in 2007 KOKUYO made individual visits to the investors in the United States, Europe and Asia. Every effort is made to explain the Group's management plans and ensure smooth, interactive communication.

Information that may impact investment decisions is promptly disclosed on our Web site.



Settlement briefing

Dividend policies and results

In an effort to place ever more emphasis on shareholders in our management and in consideration of consolidated business results, we are setting a target of a 20% or higher dividend payout ratio in addition to the existing stable dividend.

For over ten years, the annual dividend has been maintained at 15 yen per share, excluding commemorative dividends. The fiscal year under review (ended Dec. 31, 2007) was only nine months long due to a change in the accounting period, meaning that the dividend for the year will be 11.25 yen (interim 7.5 yen, year-end 3.75 yen).

Anti-takeover measures (preventing the massive purchasing of shares)

In order to ensure the value of the KOKUYO Group, and maintain and improve its shareholders' profits, KOKUYO introduced measures to deal with situations in which buyers attempt to purchase KOKUYO Co., Ltd. shares in excess of a set amount (anti-takeover measures), with the approval of the annual general meeting of shareholders held in June 2007.

These measures consist of bulk share-buying rules to be followed by bulk buyers, and anti-bulk buying countermeasures to be adopted by KOKUYO. Also, we established an independent committee expected to make fair and neutral judgments on issues such as the correct application of the bulk-buying rules and the prevention of action based on arbitrary

decisions by the Board of Directors.

The measures are subject to review as needed in order to better achieve their goals, or in response to changes in the status of related laws and regulations.

KOKUYO selected for inclusion in prestigious SRI indices both in Japan and abroad

Investors are growing increasingly interested in socially responsible investment (SRI), which includes 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 a number of other highly respected domestic and international sustainability indices, including FTSE4Good, published by UK-based FTSE, and the Socially Responsible Investments Share Index, compiled by Morningstar, Inc. in Japan.



Contributions to Society

Basic policy

The KOKUYO Group adheres to the corporate philosophy of “Contributing to society by providing superior products,” and as such aims to maintain the trust of communities by continuing to act as a good corporate citizen through a wide range of social contribution programs. Dividing our activities into the three categories of Ecology, Co-existence with Communities, and Education and Welfare, we aim to benefit society through products that are familiar in everyday life.

Overview of the fiscal year ended Dec. 31, 2007

The leaders of activities were expanded to Group companies in 2007 in an attempt to broaden the reach of social contribution. A total of 160 activities were conducted, including special classes featuring visiting lecturers at elementary and junior high schools, as well as factory and facility tours.

In 12 of the 23 visiting lecturers conducted, we focused on the development and popularization of Universal Design (UD) products. In an aging society with a declining birthrate, KOKUYO hopes to contribute to a kinder world by creating products that anyone can use and enjoy, and by acting to publicize these products as widely as possible.

The factory tours, which welcomed mainly elementary and junior high school students from surrounding communities, gave those students a glimpse of how familiar products from their everyday lives are manufactured, and aimed to awaken future career interests by showing them the

meaning and value of work. In addition, we contribute to career education for local junior high school students by offering them hands-on experience at our factory over a five-day period.

As in the previous fiscal year, the KOKUYO Group conducted the Kids’ ISO 14000 Program, an effort to encourage employees’ families to take part in environmental preservation activities in their own surroundings. A total of 47 individuals in 27 families took part in the orientation seminar, and were given tours of showrooms in Tokyo and Osaka. Families learned about measures to separate garbage and conserve energy, and made their share of environmental efforts close to home.

Results of Social Contribution Activities

Lectures visited	23
Extracurricular classes (multiple days)	2
Independent company activities conducted	15
Tours of factories and other facilities	10
Tours of showrooms	92
Events cosponsored	17
Other cosponsorship	1
Total	160

Activity Topics
 Here we present some of the activities we undertook to contribute to society in 2007.

We contributed supplies for charity packs distributed to victims of the Noto Peninsula and Niigata earthquakes.

The KOKUYO Group provided supplies for the “Uru-Uru Pack” charity packs distributed to victims of the March 2007 Noto Peninsula Earthquake and the July 2007 Niigata Chuetsu Earthquake.

Uru-Uru Packs were a disaster relief handout planned by the Volunteer Disaster-Relief Project Council Shien-P*, which includes the Japan Economic Federation and disaster-relief NPOs.

The KOKUYO Group contributed 1,000 back-to-school packs containing stationery

goods (notebooks, writing surfaces, scissors, glue, pencil sharpeners, etc.) so that children in the earthquake-stricken area would be able to start the school year comfortably.

After the Niigata-Chuetsu Earthquake, we contributed 500 “Kids’ Uru-Uru Packs” containing stickers, boxes to hold stationery supplies, children’s notebooks, and more. They were handed out during recreation programs at children’s centers.

* Shien-P is a network organization incorporating corporations, social welfare associations, NPOs, and community chests. It was established after the Niigata-Chuetsu Earthquake of 2004 to support disaster relief aid and conduct verification surveys into relief activities, and installed as part of the Central Community Chest of Japan in January 2005. Its objective is to create a framework for disaster-related volunteer activities, and carry out on-site relief with efficient use of personnel, resources, and capital.



“Uru-Uru Pack”

Promoting Diversity

Basic policy

As Japan's labor market undergoes changes due to the aging of society accelerated by the declining birthrate, globalization of business environments, and the growing role of women in the workforce, in order to remain competitive in the marketplace it is essential to create corporate systems and cultures in which the diverse sense of value of all personnel is respected. In preparation for the upcoming labor market situation, in which the children of baby boomers will be burdened with the care of their parents, while the workforce continues to shrink due to the low birthrate and aging of society, the KOKUYO Group is working to create a work environment that places emphasis on work/life balance, respects diversity, and allows every employee to realize their true potential.

Four Basic Themes to Promote Diversity

Establishing proactive systems

- Building systems to allow flexible work styles
- Adopting systems throughout the Group

A shared appreciation of the significance of diversity

- Creating hospitable workplaces
- Creating workplaces that allow employees to maximize their potential
- Raising awareness in preparation for the above paradigm shifts

Improving work/life balance

- Creating a work environment that allows employees to balance their work and home lives

Supporting a diverse workforce

- Creating a work environment that offers opportunities to women, the disabled, and the elderly

Hiring of disabled workers^{*1}

As an executive member of the Osaka Employment and Development Association (formerly known as the Osaka Prefectural Association for Employment of the Disabled), KOKUYO has been actively promoting the employment of the disabled since the establishment of the above organization in 1949. In September 2003, KOKUYO K Heart Co., Ltd. was established as a special subsidiary employing disabled people, and the entire Group is building a work environment that encourages active participation by the disabled.

KOKUYO K Heart mainly undertakes the printing duties of the KOKUYO Group, as well as quality inspections of stationery and production of drawings for office layout designs. The printing work is carried out by hearing-impaired employees. They use computer-controlled printing equipment with safety features, and are alerted to any dangers posed by faulty printing equipment by vibrators or pilot lights. In February 2008, KOKUYO K Heart reached its 1,500th accident-free workday.

Heartland, a subsidiary of KOKUYO K Heart, was established in December 2006 and commenced operations in October 2007. At Heartland, mentally and intellectually disabled people lead fulfilling work lives, engaged in the production and sale of vegetables grown through hydroponic cultivation. Through the production of safe and healthy vegetables, KOKUYO contributes to the revitalization of agriculture, which has been suffering from decreasing land area and shrinking numbers of participants in recent years. This program is conducted under the guidance of Osaka Prefecture and with the cooperation of local farmers and NGOs for the disabled.

As of December 31, 2007, disabled people account for 1.84%^{*2} of all KOKUYO Group employees.

^{*1} To write the word *shogaisha*, meaning "disabled person," the KOKUYO Group uses the pre-war Japanese characters, implying "an obstacle," rather than the characters used nowadays, which mean "hindrance" and "harm," as we believe being disabled does not mean suffering harm, but rather overcoming obstacles.

^{*2} This figure represents the percentage of all people working at KOKUYO Co., Ltd. and its consolidated subsidiaries in Japan, including regular and temporary part-time workers as well as full-time employees.

Employment and cultivation of local employees at overseas facilities

In order to expand our business on a global scale, it is necessary to employ and train the best candidates for all available positions without regard to nationality, age, gender or other factors. As business environments and markets become increasingly globalized and we move toward a borderless world, the KOKUYO Group seeks to hire and cultivate the strongest personnel in order to boost its competitive edge in the future.

At our eight business locations in China, the vast majority of employees are non-Japanese, and are of Chinese or other nationality. With the goal of cultivating the necessary personnel to maintain our competitiveness and advance in the Chinese market, each year we welcome a group of employees to Japan for extended training. While working at Group companies, they learn not only working techniques, but also the KOKUYO corporate philosophy and way of thinking, along with the culture and business climate of Japan.

In the case of our production bases in Thailand, Vietnam, and Malaysia, educational training at factories mostly consists of on-the-job training on relevant production lines, but also includes trips to Japan to observe our domestic factories, aimed at improving the techniques and motivation of trainees.

When hiring workers for factories in overseas locations, we demand copies of the identification papers or electronic cards required in each country, and confirm that hiring practices do not entail forced or child labor.

CSR Accounting

- ▼ Scope of CSR accounting: KOKUYO Co., Ltd. and 15 consolidated subsidiaries
- ▼ Accounting period: January 1 to December 31, 2007 (Figures for January 1 to March 31, 2007 duplicate those posted for the CSR accounting for the fiscal year ended March 31, 2007.)
- ▼ 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 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, isolating the amount the KOKUYO Group puts toward CSR activities as accurately as possible.

*2 As it is difficult to calculate "community greening" figures for the accounting period, we have provided the estimated value based on activities in recent years (average for the year ended March 31, 2005 to the year ended December 31, 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 Activity, and Human Rights; see page 18), 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 which we have been carrying out since 1998.

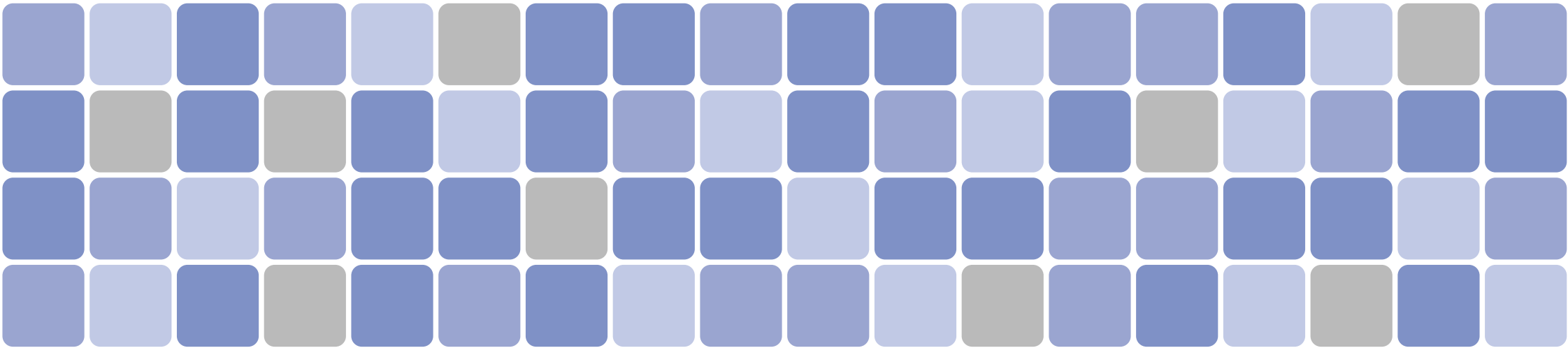
Regarding the CSR accounting process, we have been aware of issues such as improving accuracy and methods of calculations, as well as estimating the

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	Corporate 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	¥404,873,000	¥64,242,000	¥615,400,000	¥143,527,000	¥47,665,000
Breakdown of Main Costs of Activities	Improving customer satisfaction ¥331,343,000 Proper maintenance of customer information ¥10,684,000 Leading customer evolution ¥43,164,000 Construction of a management system ¥19,683,000	Societal contributions ¥2,939,000 Revitalizing local communities ¥3,760,000 Community greening*2 ¥46,368,000 Disaster relief ¥1,334,000 Construction of a management system ¥9,842,000	Preventing pollution ¥78,188,000 Preventing global warming ¥ -16,010,000 Saving and recycling resources ¥227,881,000 Procuring and providing eco-products ¥7,159,000 Investigation and research into environmental engineering ¥172,265,000 Environmental communication ¥25,465,000 Construction of a management system ¥120,452,000	Compliance promotion ¥10,237,000 Fair transactions with business partners ¥27,750,000 Communication with stakeholders ¥68,927,000 Raising employee awareness ¥930,000 Construction of a management system ¥35,683,000	Improving employee satisfaction ¥13,118,000 Equal opportunities and personnel training ¥22,606,000 Workplace safety and sanitation ¥2,100,000 Construction of a management system ¥9,842,000
Related pages	—	P. 24	P. 17-22	P. 15-16, 23	P. 25

About the front cover design

In 2008, the KOKUYO Group started activities aimed at promoting diversity in the workplace and began labeling insufficiently environmentally friendly products with the Eco X ("Non Eco") mark. Accordingly, the front cover shows the facial expressions of a diverse and energetic workforce, as well as a pattern displaying the percentage of products bearing the Eco X mark in the stationery and furniture lines. This illustrates our strong intention to continue working to reduce the number of products with this mark in the coming years.



KOKUYO

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Mixed Sources

Product group from well-managed forests and other controlled sources
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The KOKUYO Group is committed to green purchasing in printing services.



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