

Itoki (TYO: 7972)

The company has revised up its full-year forecasts for FY12/2022, proposing a new office with the Smart Office Concept.

◇ **The full-year forecasts for FY12/2022 were raised, with operating profit close to a record high.**

On 23 December, Itoki announced the booking of an extraordinary profit following the transfer of fixed assets and an extraordinary loss due to the removal of fixed assets. The company also revised its full-year forecasts for FY12/2022. The extraordinary profit recorded was 6,500 million yen, while the extraordinary loss was 1,377 million yen. As a result, the sales estimate for FY2022 is unchanged from the previous guidance, but operating profit will be better by 200 million or +5%, recurring profit by 100 million yen or +2.5% and net profit attributable to owners of the parent by 2,300 million yen or +85.2% compared to the previous forecasts. However, recurring profit has already achieved the revised estimate at the end of 3Q and could further come in on the upside.

The company's 3Q results for FY2022 are shown in the table below: sales grew by 7% yoy and operating profit by 1.4 times. By segment, the mainstay Workplace-related businesses posted sales of 63.2 billion yen (+5.1% yoy) and an operating profit of 2.4 billion yen (+66.7%), while Equipment / Public Business-related businesses performed well with sales of 25.4 billion yen (+13.0%) and operating profit of 1.2 billion (+135.3%). Both segments succeeded in winning orders for large projects. Despite the impact of higher raw material prices, this made a significant contribution to performance due to increased revenues and improved margins thanks to the increased value provided.

◇ **Share price trend: Up 68.3% YTD, backed by robust business performance. The share price performance stands out amongst those of the peers.**

The company's share price has risen 68.3% since the beginning of the year. This compares very favourably to a performance of -15.3% to 9.4% for its peers over the same period. This is attributable to the robust demand for office furniture and the company's ability to secure high profit margins through a more proposal-oriented sales approach in response to new office demand.

However, the company's shares are as yet undervalued vis-a-vis its peers trading on PBR in the region of 0.5 times, despite improving trends (see chart below). The five-year average operating profit margin was 1.8%, which compares to 5.6% for Kokuyo (7984), 5.5% for Okamura (7994) and 3.0% for Uchida Yoko (8057) and indicates that the company was inferior to competitors in terms of profitability. In addition, its sales per employee were only half to two-thirds of the peers', suggesting that it also needed to improve its productivity. While the company's office furniture was highly acclaimed for its design, it was not fully reflected in the added value, as illustrated by these statistics.

The company advocates the Smart Office Concept, which aims to realise a new post-pandemic disease way of working through a fusion of technology and design. It seeks to create a new business model by realising office DX. If this strategy contributes to earnings, the company's share price should be revalued further.

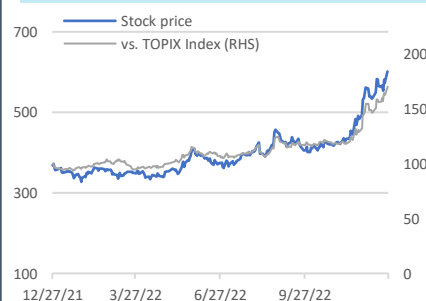
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Other Products

As of 27 December, 2022

Share price (12/26)	601 Yen
52weeks high/low	¥619/327
Avg Vol (3 month)	168.9 thou shrs
Market Cap	¥27.44 bn
Enterprise Value	¥29.03 bn
PER (22/12 CE)	5.44 X
PBR (21/12 act)	0.57 X
Dividend Yield (22/12 CE)	2.49 %
ROE (TTM)	7.77 %
Operating margin (TTM)	4.06 %
Beta (5Y Monthly)	0.90
Shares Outstanding	45.664 mn shrs
Listed market	TSE Prime section

Share price performance



% of	1mo.	3mo.	12mo.
Share prices	24.4%	48.0%	63.3%
Relative share price	32.0%	45.7%	69.8%

Points of interest

An office furniture manufacturer that designs tomorrow's 'work', with a long history dating back to 1890. In addition to office furniture, the company is also involved in construction and interior decoration. It targets at an operating profit of 6 billion yen in 2023 under its medium-term management plan.

This report (financial update) has been prepared at the request of Itoki Corporation. For details, please refer to the Disclaimer on the last page.

JPY, mn, %	Net sales	YoY %	Oper. profit	YoY %	Ord. profit	YoY %	Profit ATOP	YoY %	EPS (¥)	DPS (¥)
2019/12	122,174	2.9	903	-53.1	945	-60.1	-550	-	-12.08	13.00
2020/12	116,210	-4.9	1,798	99.1	1,881	99.0	-235	-	-5.18	13.00
2021/12	115,839	-0.3	2,536	41.0	2,437	29.5	1,166	-	25.82	15.00
2022/12 (old CE)	123,000	6.1	4,000	56.2	4,000	64.1	2,700	131.4	59.63	15.00
2022/12 (new CE)	123,000	6.1	4,200	65.6	4,100	68.2	5,000	328.8	110.42	15.00
2021/12 3Q	84,047	-2.5	1,731	140.7	1,651	123.4	850	-	18.82	-
2022/12 3Q	89,961	7.0	4,086	136.0	4,125	149.8	3,517	313.8	77.73	-

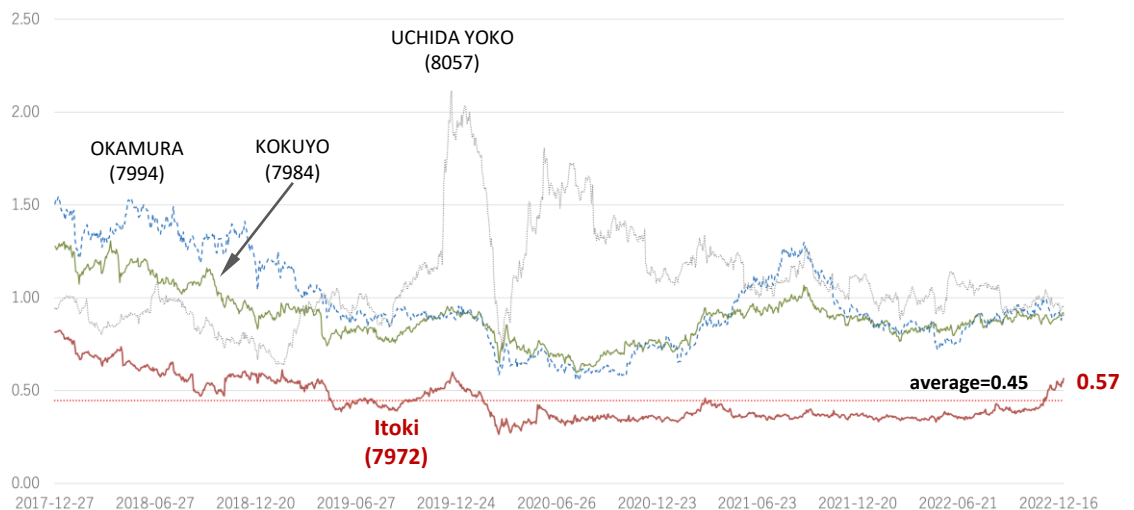
5-year stock price move



Share price compared to TOPIX (last three years)



7972: Historical PBR of Itoki and the three competitors (LTM, past five years)



Financial data (full-year basis)

FY (¥mn)	2012/12	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/9
[Statements of income]											
Net sales	105,508	103,461	102,993	106,516	101,684	108,684	118,700	122,174	116,210	115,839	121,832
Year-on-year basis (%)	14.6	-1.9	-0.5	3.4	-4.5	6.9	9.2	2.9	-4.9	-0.3	6.9
Cost of sales	70,027	67,118	66,797	68,374	65,021	69,966	77,436	80,495	74,322	74,145	77,063
Gross profit	35,481	36,343	36,196	38,142	36,663	38,718	41,264	41,679	41,888	41,694	44,769
Gross profit ratio (%)	33.6	35.1	35.1	35.8	36.1	35.6	34.8	34.1	36.0	36.0	36.7
SG&A expenses	32,040	32,203	33,723	33,836	33,862	35,761	39,339	40,776	40,089	39,158	39,833
Operating income	3,441	4,140	2,472	4,306	2,800	2,956	1,925	903	1,798	2,536	4,935
Operating profit ratio (%)	3.3	4.0	2.4	4.0	2.8	2.7	1.6	0.7	1.5	2.2	4.1
Non-operating income	813	813	841	898	771	750	889	677	804	694	582
Non-operating expenses	518	528	495	605	483	412	448	634	720	793	607
Ordinary income	3,735	4,425	2,818	4,599	3,087	3,295	2,365	945	1,881	2,437	4,911
Extraordinary income	269	685	615	171	97	228	919	27	1,111	1,554	1,131
Extraordinary expenses	352	238	262	524	267	121	204	35	1,716	2,468	1,620
Income before income taxes	3,653	4,872	3,171	4,246	2,918	3,401	3,081	938	1,277	1,523	4,421
Total income taxes	689	876	813	-385	1,068	959	1,339	1,517	1,632	590	810
Net income	2,702	3,910	2,160	4,530	1,907	2,402	1,722	-550	-235	1,166	3,833
Net income ratio (%)	2.6	3.8	2.1	4.3	1.9	2.2	1.5	-0.5	-0.2	1.0	3.1
[Balance Sheets]											
Current assets	49,294	52,925	55,714	56,342	52,410	58,147	62,143	58,109	57,183	57,753	59,873
Cash and deposits	17,441	19,553	21,211	21,456	19,839	19,977	16,229	17,030	18,246	17,351	17,138
Notes and accounts receivable - trade	24,935	26,234	25,965	26,138	23,241	26,869	33,160	28,244	26,599	26,783	-
Notes and accounts receivable - trade, and contract assets	-	-	-	-	-	-	-	-	-	-	24,111
Non-current assets	39,961	42,335	41,007	41,832	43,271	44,073	46,559	49,955	47,912	46,144	48,126
Property, plant and equipment	27,928	28,193	27,041	26,395	25,322	24,426	26,362	27,781	26,206	24,417	26,932
Intangible assets	705	1,230	1,109	1,313	1,142	3,651	4,437	4,945	5,590	4,114	4,145
Goodwill	6	34	26	240	208	2,793	3,005	2,413	2,093	1,317	1,200
Investments and other assets	11,327	12,911	12,857	14,123	16,806	15,995	15,760	17,229	16,116	17,612	17,048
Total assets	89,256	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	108,000
Current liabilities	36,455	35,359	36,677	36,106	35,390	39,683	45,133	47,559	43,646	42,544	43,655
Short-term borrowings	8,272	8,257	8,432	8,496	9,458	9,604	9,230	12,769	10,055	9,682	10,009
Non-current liabilities	14,560	16,874	16,854	14,756	14,888	15,211	16,076	15,385	17,259	16,277	16,178
Long-term borrowings	3,816	4,456	4,447	4,708	4,963	5,074	4,933	6,493	8,408	7,531	7,266
Total liabilities	51,016	52,234	53,532	50,863	50,278	54,894	61,210	62,944	60,906	58,822	59,833
Total net assets	38,240	43,026	43,189	47,311	45,402	47,326	47,492	45,834	44,189	45,076	48,166
Shareholders' equity	35,640	39,578	41,061	44,723	44,222	45,296	46,168	44,311	43,691	44,301	47,408
Share capital	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,294	5,294	5,294	5,294
Capital surplus	13,020	13,061	13,061	13,222	13,140	12,404	9,786	9,201	9,628	9,638	9,638
Retained earnings	18,520	22,073	23,556	29,223	30,504	32,315	31,104	29,862	28,950	29,530	32,610
Treasury shares	-1,178	-833	-834	-3,000	-4,700	-4,701	0	-46	-182	-161	-134
Share acquisition rights	-	-	-	-	-	-	-	45	45	45	45
Total liabilities and net assets	89,256	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	108,000
[Statements of cash flows]											
Cash flow from operating activities	8,259	3,162	5,715	4,522	5,072	3,565	1,384	3,586	4,561	2,774	-
Income before income taxes	3,653	4,872	3,171	4,246	2,918	3,401	3,081	938	1,277	1,523	-
Cash flow from investing activities	-14	-1,978	-1,742	-803	-4,044	-2,971	-3,094	-3,221	-1,152	-1,170	-
Cash flow from financing activities	-1,652	51	-2,179	-3,807	-2,571	-706	-2,463	0	-2,267	-2,658	-
Free cash flow	8,245	1,184	3,973	3,719	1,028	594	-1,710	365	3,409	1,604	-
Net increase in cash and cash equiv.	6,601	1,944	1,814	184	-1,619	88	-4,031	952	1,203	-900	-
Cash and cash equiv. at beginning of period	9,555	16,156	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	-
Cash and cash equiv. at end of period	16,156	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	15,797	-

Note: PL for FY9/2022 is calculated on an LTM basis
Source: Omega Investment from company materials



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