

Itoki (TYO: 7972)

Designing tomorrow's 'work'. Office DX Company

Summary

◇ **Itoki** was founded in Osaka in 1890. It is one of the leading office furniture companies and runs an integration of manufacturing and sales. The company's products are renowned for their high design quality. With a mission statement of "designing tomorrow's work", the company has gone one step beyond providing office furniture to propose the creation of working environments that suit customers' working styles. The company advocates Office 3.0, the DX of the office, and aims to realise improved office productivity. In the Equipment / Public business, the company provides logistics-related systems, research facility equipment, etc. Under the medium-term management reform 'RISE ITOKI 2023', which ends in 2023, the company aims to become a highly profitable company with a robust structure and to achieve an operating profit of 6.5 billion yen.

◇ **Stock price observation:** the company's share price has risen 95% over the past year, while TOPIX fell 0.2% during the same period. Its performance stands out compared with its peers. Various factors are attributable to the stellar performance of the shares, including the fact that renewal projects have remained strong following the outbreak of COVID-19 and that the company's marketing policy, which emphasises profitability on top of proposal-based sales, is beginning to produce results. In addition, the company has recently been focusing on investor relations and has made more shareholder-focused management decisions. The company's share price has been undervalued compared to its peers for a long time, and even at the current share price level, PBR remains at 0.62. Further share price correction is reasonably expected if the new growth story progresses and profitability improves further under the new president, who took office in March 2022.

◇ **Workplace business:** Having developed from the manufacture and sale of office furniture, in recent years, the company has provided a range of sales proposals and consulting services to improve the office's productivity as a 'place of work'. Although affected by the supply of new office buildings, office renewal projects account for more than half of the recent total. The company advocates Office 3.0, a reform of the way of working through IT and DX and aims to offer DX proposals for office furniture that only the company can provide. The company's office furniture has been highly regarded for its superior design. Still, in recent years it has been working to optimise its selling prices to match the value it provides, and profitability has improved significantly. Sales in FY12/2022 were 85.9 billion yen, and the operating profit was 2.5 billion yen.

◇ **Equipment / Public business:** provides logistics solutions such as warehousing and automated logistics system equipment, equipment for research facilities, and environmental and space construction for public facilities. The company has developed many industry-first products and boasts the No.1 delivery record for shuttle-type automated warehouses. The logistics-related systems business is expected to expand, driven by e-commerce growth. In FY12/2022, the company booked sales of 35.6 billion yen and an operating profit of 1.4 billion yen.

◇ **Information Technology / Sharing business:** this business operates IT and sharing businesses, including system development and system verification. Office space sharing business performed well. Sales in FY12/2022 were 1.6 billion yen, and the operating profit was 0.4 billion yen.

◇ **Recent financial performance:** In FY12/2022, sales and operating profit reached record highs, with sales of 123.3 billion yen (+6.4% YoY) and operating profit of 4.58 billion (+79.0% YoY). The company recorded an extraordinary gain from the sale of land and other assets, resulting in a significant increase in profit attributable to owners of parent to 5.29 billion yen, or an increase of 353.9% YoY. It plans to pay a dividend of 37 yen a share for the performance of FY12/2022, including a special dividend of 20 yen. It forecasts sales of 130 billion yen (+5.4%) and an operating profit of 6.5 billion yen (+41.8%) for FY12/2023 to overachieve the initial operating profit target of 6 billion yen in the medium-term management plan.

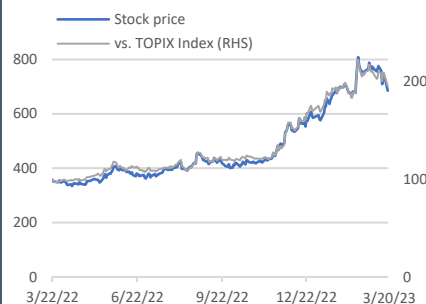
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Other Products

As of 22 March, 2023

Share price (3/20)	685 Yen
52weeks high/low	¥812/333
Avg Vol (3 month)	317.0 thou shrs
Market Cap	¥31.2 bn
Enterprise Value	¥22.8 bn
PER (23/3 CE)	8.38 X
PBR (22/3 act)	0.62 X
Dividend Yield (23/3 CE)	3.65 %
ROE (TTM)	10.91 %
Operating margin (TTM)	3.71 %
Beta (5Y Monthly)	0.98
Shares Outstanding	45.664 mn shrs
Listed market	TSE Prime section

Share price performance



% of	1mo.	3mo.	12mo.
Share prices	-8.1%	20.8%	94.6%
Relative share price	-4.7%	19.3%	95.1%

Points of interest

The company is characterised by its well-designed office furniture. It is aiming for office DX through the fusion of fixtures and data. Equipment / Public business has strengths in research and logistics facilities. The company is working on structural reforms, and its ROE for FY12/2022 improved significantly to 11.7%. The company targets sales of 130 billion yen and an operating profit of 6.5 billion yen for FY12/2023.

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



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Key financial data

(Unit: ¥mn)

Fiscal Year	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
Net sales	101,684	108,684	118,700	122,174	116,210	115,839	123,324
Cost of sales	65,021	69,966	77,436	80,495	74,322	74,145	77,575
Gross profit	36,663	38,718	41,264	41,679	41,888	41,694	45,749
SG&A expenses	33,862	35,761	39,339	40,776	40,089	39,158	41,167
Operating income	2,800	2,956	1,925	903	1,798	2,536	4,582
Ordinary income	3,087	3,295	2,365	945	1,881	2,437	4,177
Net income	1,850	2,442	1,742	-579	-355	933	5,181
Current assets	52,410	58,147	62,143	58,109	57,183	57,753	71,027
Cash and deposits	19,839	19,977	16,529	17,030	18,246	17,451	26,976
Non-current assets	43,271	44,073	46,559	49,955	47,912	46,144	44,260
Investments and other asset	16,806	15,995	15,760	17,229	16,116	17,612	17,462
Total assets	95,681	102,221	108,703	108,778	105,096	103,898	115,288
Total liabilities	50,278	54,894	61,210	62,944	60,906	58,822	65,377
Total net assets	45,402	47,326	47,492	45,834	44,189	45,076	49,910
Equity ratio (%)	46.98	45.84	43.10	41.71	41.69	43.25	43.26
Cash flow from operating activities	5,072	3,565	1,384	3,586	4,561	2,774	5,804
Cash flow from investing activities	-4,044	-2,971	-3,094	-3,221	-1,152	-1,170	4,923
Cash flow from financing activities	-2,571	-706	-2,463	0	-2,267	-2,658	-1,426
Cash and cash equivalents at end of period	18,483	18,571	14,540	15,494	16,697	15,797	25,420

Source: Omega Investment from company materials

Company profile

Itoki is one of the four largest manufacturers of office furniture in Japan. It is a long-established company with a history of more than 130 years since its foundation in 1890.

With a mission statement of "designing tomorrow's work", the company not only manufactures and sells office furniture but also provides consulting on working styles and space design, offering the value of creating spaces, environments, and places for workers. The company has long been committed to designing, and its products are renowned for design excellence.

The three business segments are.

Workplace business: mainly manufactures and sells office furniture, but as stated in its mission statement, the company advocates the creation of 'working environments' tailored to how customers work. In recent years, the company has actively responded to the needs of a growing number of ways of working, such as working from home and in dispersed locations, in addition to working "collectively" in an office. Moreover, the company provides consulting services and other total solutions.

Main products and services; office furniture (desks and workstations, tables, office and conference chairs, system storage furniture, lockers), manufacture and sale of construction materials for office space construction, interior decoration work, office space design, project management for office relocation, etc., office repair and maintenance services, telework furniture, study furniture.

Equipment / Public business: provides logistics-related facilities, which have proliferated in recent years, as well as research facility equipment for pharmaceutical companies, universities and research institutions, and equipment for public facilities.

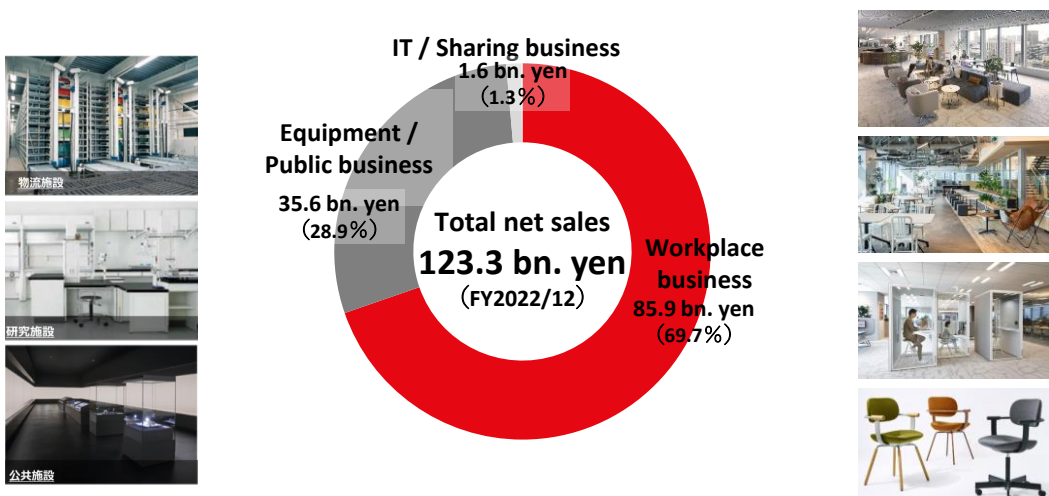
Main products and services; logistics equipment (shuttle cart automatic storage systems (SAS)), storage shelves, special doors, office security systems, research facility equipment, powder machinery and equipment, environmental and space construction for public facilities, etc.

Information Technology / Sharing business: system development for promoting DX in companies, support for human resource development in organisations, and system verification and office space sharing businesses.

Main products and services; office sharing, office equipment rental and re-use, IT system development, system verification and packaged software.

The composition of sales by region is as follows: Japan, 112,671 million yen (91.4%); Asia, 10,210 million yen (8.3%); and others, 356 million yen (0.3%), with domestic sales accounting for over 90%.

Sales by Segment



Source: Omega Investment from company materials



History (See the history table on the following page)

1890-1949: from popularising inventions and patents to selling and manufacturing office equipment.

The company's origins date back to December 1890, when founder Kiichiro Itoh founded Itoh Ki Shoten in Osaka's Koraihashi district to promote his inventions and patents and to handle imports. In 1903, the company began importing and selling paper clips and staples. Both are commonly used in offices today but trace their origins back more than 100 years when the company started to sell them. Later, in 1908, the Itoki Shoten Engineering Department was established. It started producing office equipment such as hand-carry safes and simple stationery. In the sense that the company began its business by importing, selling and repairing foreign products after the opening of Japan to the outside world in the Meiji era, and later took on the challenge of domestic production and expanded its business, it has something in common with other Japanese manufacturing companies that are now world leaders, such as Seiko Group Corporation (Hattori Watch Shop) and Brother Industries (Yasui Sewing Machine Shop).

In 1910, the company began importing and selling English typewriters, thermal bottles, etc. In 1913, it launched the independently developed 'Zeni-ai-ki' (money recording and disbursing machine). In 1925, it began manufacturing its steel-made furniture, including lockers. In 1937, it expanded into Tokyo, opening a Tokyo branch in Gofukubashi, Chuo-ku.

1950-1969: Steel furniture creates modern offices. Highly regarded in terms of design.

After the war, demand for office furniture surged as Japan's economy grew rapidly; in 1955, the company began manufacturing and selling steel desks. The company's steel furniture subsequently paved the way for various types of desks. In 1960 it established three major systems for filing, slip accounting and office layout. In response to the demand for office rationalisation during the period of high economic growth, the company offered filing and slip accounting systems, as well as 'office layout', a functional arrangement of furniture, office equipment and supplies centred on desks, thereby establishing the Itoki brand in office systematisation.

Furthermore, in 1962, the company expanded into the field of home and student desks. In 1967, the company adopted the catchphrase 'Good Design, Good System', establishing its image as a design company.

Meanwhile, as its business expanded, the company listed its shares on the Second Section of the Osaka Securities Exchange in October 1961 and on the Second Section of the Tokyo Stock Exchange in September 1962.

1970-1989: office planning, promoting the New Office.

In the 1970s, the company began technical cooperation with overseas companies and introduced state-of-the-art office systems to Japan. Beyond the mere supply of office furniture, the company had come to offer 'office planning'. In 1976, 14 of its products were selected for the G-Mark, and the company's reputation for design continued to grow. Since then, many products have been awarded the G Mark every year. In 1977, the company launched a research equipment and furniture system in cooperation with the Swiss company Vivo. With this, the company entered the current Equipment / Public business field.

In 1984, local subsidiaries were established in Singapore and the USA. The company also developed its business with an eye on overseas markets. In 1985, the company adopted its CI, which is still used today. In 1987, the company was listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

1990 to present: over 100 years in business and creating offices for the 21st century.

Even after 100 years in business, the company continues to provide products and services that meet the demands of the times. In 1994, the company began selling free-access floors to meet the needs of the times. It also focuses on quality control, and in 1998 it was registered for ISO 9001 certification. In 2001, the company completed the accreditation of all its offices.

In 2005, the manufacturing division Itoki Crebio and the sales division Itoki merged and changed the company name to Itoki Corporation. The integration of manufacturing and sales enabled quicker management decisions and rationalisation of the group in the face of accelerating global trends.

Since then, the company has developed and marketed various new products in response to the demands of the times. The company offers ergonomically designed office chairs and office furniture; in 2017, the FLIP FLAP (chair) won the international design award Red Dot Design Award.

In 2018, offices in the metropolitan area were consolidated in Nihonbashi, and ITOKI TOKYO XORK was established. It advocates a comprehensive work style strategy that maximises workers' abilities and intends to conduct various demonstrations as a place to practise the next generation of work styles, and to disseminate the various knowledge and know-how generated from these experiments to society.





Itoki Shoten founded 1890



Launched 'Zeni-ai-ki' (money recording and disbursing machine) 1913



Steel desk 1955



Establishment of three major systems for filing, voucher accounting and office layout 1960



Expansion into home furniture 1962



Launch of the 'vertebra' (chair) 1981



Good Design Gold Award for the 'Spina' (chair) 2007



New head office Establishment of ITOKI TOKYO XORK 2018

year (e.g. AD)	month	Item
1890	Dec.	Itoki Shoten was founded in Higashi-ku, Osaka.
1903		Started import and sale of paper clips and staples.
1908		Itoki Shoten Engineering Department was founded, and the production of office equipment began.
1910		Import and sale of English typewriters, thermos bottles started.
1950	Apr.	Spun off from Itoki Shoten, Itoki Kosakusho Co., Ltd. was founded in Izuo, Taisho-ku, Osaka.
1952	Jul.	A new Imafuku plant was built in Joto-ku, Osaka.
1954	Dec.	Head office moved to Joto-ku, Osaka.
1961	Jan.	Itoki All Steel Co., Ltd. was established (now a consolidated subsidiary).
	Oct.	Shares listed on the Second Section of the Osaka Securities Exchange.
1962	Sep.	Shares listed on the Second Section of the Tokyo Stock Exchange.
	Dec.	Home Furniture Sales Divisions opened in Tokyo and Osaka.
1963	May	New Neyagawa plant established in Neyagawa-ku, Osaka.
1968	Nov.	Kyoto Plant established in Yawata City, Kyoto.
1972	Sep.	Shiga Plant was established in Omihachiman City, Shiga Prefecture.
1974	Jun.	Fuji Living Industry Co., Ltd. in Hakusan City, Ishikawa Prefecture became a subsidiary and produced pipe chairs (currently a consolidated subsidiary).
1984	Aug.	Kyoto Plant No. 2 was established in Yawata City, Kyoto, relocating the Imafuku Plant.
1986	Nov.	An electronic device manufacturing plant was established in Omihachiman City, Shiga.
1987	Jun.	Listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange.
1991	Oct.	A chair manufacturing plant was established in Shiga Omihachiman City, Shiga.
1992	Aug.	Kyoto Plant No. 2 is relocated to Omihachiman City, Shiga.
1999	Aug.	Expansion of the Neyagawa plant in Neyagawa-ku, Osaka.
2000	Oct.	Itoki Technical Service Corporation was established.
2002	Nov.	Established Itoki (Suzhou) Furniture Co., Ltd. in China (now a consolidated subsidiary Novo Workstyle (China) Limited).
2003	Mar.	Itoki Market Space Inc., was established (now a consolidated subsidiary).
2005	Jun.	Merged with the former Itoki Co., Ltd. and changed its name from Itoki Crebio to Itoki Corporation.
	Nov.	The Shiga Logistics Centre was established in Omihachiman City, Shiga.
2007	Dec.	Acquired shares of Business Jimki Corporation and changed the company name to Itoki-Hokkaido Co., Ltd. (now a consolidated subsidiary).
2008	Dec.	Kanto Plant is established in Midori-ku, Chiba City, and partially relocating the Kyoto Plant.
2011	Apr.	Included Dalton Corporation and its five subsidiaries under the umbrella as subsidiaries, producing and selling research equipment and powder machinery (now a consolidated subsidiary).
2012	Nov.	ITOKI Tokyo Innovation Centre "SYNQA" opened in Chuo-ku, Tokyo.
2015	Mar.	Included Shin Nihon System Technology Corporation into the group as a subsidiary to develop various systems (now a consolidated subsidiary).
	Jul.	Itoki Engineering Centre Co., Ltd., Itoki Osaka Engineering Centre Co., Ltd. and Itoki Technical Service Co., Ltd. merged and changed their name to Itoki Engineering Service Corporation (now a consolidated subsidiary).
2016	Dec.	Tarkus Interiors Pte Ltd., an interior decoration company based in Singapore, became a subsidiary (now a consolidated subsidiary).
2017	Jul.	Novo Workstyle Asia Limited was established in Hong Kong (now a consolidated subsidiary).
2018	Nov.	The new Tokyo head office "ITOKI TOKYO XORK" (XORK) opened in Chuo-ku, Tokyo.
2020	Jun.	ITOKI CHINA HOLDING Co., Ltd. was established in China (now a consolidated subsidiary).

Source: Omega Investment from company materials

As a recent development, attention should also be paid to the management. The current president, Koji Minato, joined the company in September 2021 and became president in March 2022. The appointment of an outsider with experience at a foreign company to the top position may have come as a surprise, which until now has had a succession of presidents who have come straight from the company's own ranks. However, Mr Minato's experience makes him ideally suited to the company's future Office 3.0 (see below for details). Mr Minato joined NTT in 1994 and obtained an MBA from USC. He then worked as general manager of Sun Microsystems and, following Oracle's acquisition of Sun Microsystems, vice-president of Oracle Japan before moving to Itoki Corporation.

Companies with long history often give a conservative image, but the fact that Itoki Corporation was founded 130 years ago and is still around today can be attributed to the fact that they have adapted to, or anticipated, the changes of the times rightly. However, the speed of change since the diffusion of the internet has been far faster than that of the past. It takes some time for an organisation to change, but under the leadership of Mr Minato, who has extensive experience in high-tech companies in Silicon Valley, various new developments are beginning to emerge. Employee mindsets are also changing. The share price performance over the past year, which will be discussed in more detail below, is thought to be a reflection of such new changes at the company.

Group overview

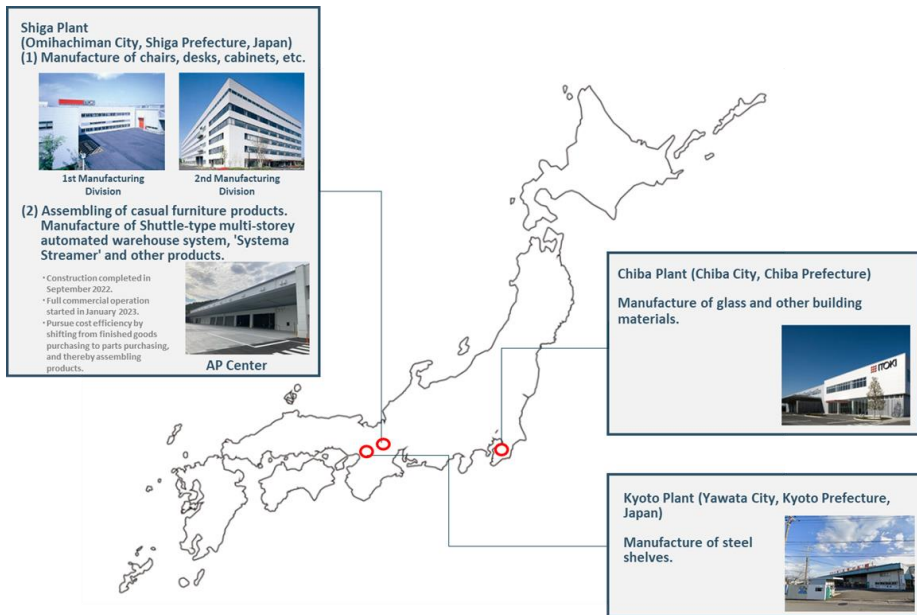
As seen in the history, the company was founded in Osaka, but its current head office is in Chuo-ku, Tokyo (relocated in 2018). The group consists of the company and 35 subsidiaries (see table below). The long history of the company and its many group companies, as well as the business activities of each company, show how extensively it has developed its business. Since the 2000s, the company has also actively embarked on overseas expansion, particularly in Asia, acquiring local companies and establishing subsidiaries and affiliates in various regions.

Major consolidated subsidiaries

Company name	Business activities
Itoki All Steel Co., Ltd.	Manufacture of counters, large top desks, wall storage furniture, desk panels, etc.
Fuji Living Industry Co., Ltd.	Manufacture of meeting and amenity chairs.
Itoki Market Space Inc.	Sales of shop fixtures/store planning
Itoki Engineering Service Corporation	Project management of office renewal and relocation, management of office furniture layout delivery, and maintenance and inspection services for various other equipment.
Simasobi Corporation	Processing and sale of office furniture, office supplies and interior decorations, and contracting of electrical work
Itoki Toko Manufacturing Co., Ltd.	Manufacture of steel doors, safety deposit boxes, various types of shielding doors, fire-resistant walls, nuclear radiation shielding doors, etc.
Itoki Marui Industry Co., Ltd.	Manufacture of steel office machinery and equipment
Sanko Facilities Inc.	Sales of office equipment, furniture, fixtures and incidental goods, construction work, design management
FMSTAFF Ltd.	Consulting services related to facility management, etc.
Itoki Shared Value Co., Ltd.	Office space sharing business, office furniture rental and reuse business, etc.
Shin Nihon System Technology Corporation	Provision of IT solution services
Dalton Corporation	Design, manufacture and sale of research and education equipment; design and sale of powder processing machinery; design and sale of high-tech plant systems.
Tarkus Interiors Pte Ltd	Singaporean interior decoration company, made a subsidiary in 2016.
Novo Workstyle Asia Limited	Regional business headquarters for Asia, in Hong Kong, established 2017.
ITOKI SYSTEMS (SINGAPORE) PTE., LTD.	Singapore subsidiary, sales of office furniture, proposals and logistics systems
ITOKI CHINA HOLDINGS Co., Ltd.	Holding company for Chinese operations. Under the umbrella of Novo Workstyle Co. Offices in Beijing, Shanghai, Suzhou, Shenzhen, etc.
17 other companies	

Source: Omega Investment from company materials

Production structure



Source: Company materials

Production structure

The company's primary market is domestic (overseas markets account for less than 10% of the sales in FY12/2022). Office furniture is bulky due to its storage nature, and it is not cost-effective to produce it overseas and import it at the expense of transport costs. Therefore, although some parts are imported overseas, the company manufactures its products in domestic factories.

The current main plant is the Shiga Plant, which manufactures chairs, desks, cabinets, and other products for the Workplace business. It employs about 300 people. In September 2022, the Assembling Process Centre (AP Centre) was opened at the same site, which started full operation in January 2023. The AP Centre is working to reduce the cost ratios by centrally managing the company's products' storage, assembly, and shipping. The centre will also relocate the production line for the system streamer SAR-R, whose demand is increasing rapidly in the logistics market, to meet growing demand. The Neyagawa plant, one of the company's main plants for many years, was closed in 2022, with its production consolidated at the Shiga plant. The company sold the idle land of the plant for 6.5 billion yen and is working on improving asset efficiency. Part of the proceeds from the sale will be returned to shareholders as a special dividend for the performance in FY12/2022.

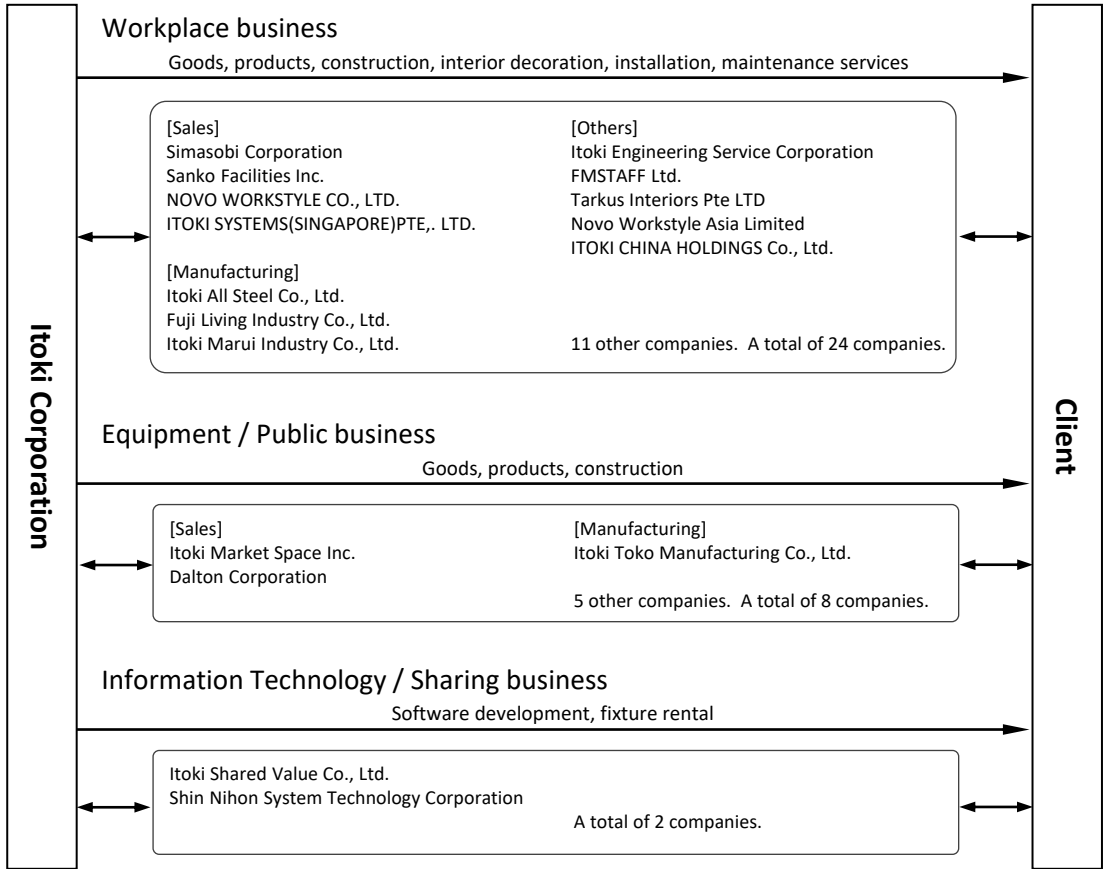
Business diagram

See the next page for a diagram of the business structure. The company and its group companies are involved in manufacturing, sales, construction, interior decoration, installation, and maintenance services.

Overseas office furniture manufacturers often specialise only in manufacturing and sales and rarely provide interior design, construction, or workplace design. In Japan, consulting companies and office design firms are generally engaged between the office furniture provider and the client for large-scale projects to provide work style design and workplace design. However, in recent years, office furniture manufacturers have also started to offer a comprehensive service from upstream to construction and delivery of office furniture, starting with small and medium-sized projects, to obtain fees commensurate with the proposal's value.



Business diagram





Business overview

Workplace business

A core business accounting for 70% of the consolidated sales: focus on proposal-based marketing to improve profitability.

The company's Workplace business generated sales of 85,945 million yen in FY12/2022 (+6.7% YoY), an operating profit of 2,579 million yen (+34.7%) and an operating profit margin of 3.0%. Sales by region were 75,592 million yen (88.0% of the total) in Japan, 10,093 million yen (11.7%) in Asia and 259 million yen (0.3%) in others to expand markets outside Japan in the future. In addition to the office-related business, the overseas office equipment-related business and other businesses have been incorporated into the Workplace business, increasing sales in this segment.

Since the launch of steel desks in 1955, the company's office furniture business has successively developed and provided products to meet office needs in line with Japan's economic growth and corporate business expansion. The company has made a significant contribution to developing the Japanese economy.

In the Workplace business, the aim is not just to sell office furniture but to provide higher added value by proposing workplace design and obtaining commensurate value. In the past, it was challenging to differentiate office furniture on a stand-alone basis, leading to price competition, which in turn led to significant discounts together with non-office fixtures and fittings, which sometimes resulted in a decline in profitability. Although the company's office furniture was originally well-designed and had won many G Marks (see figure above, next page), it could be said that the company needed to receive more compensation commensurate with the value it provided. Recently, the company has been focusing on reviewing its sales structure and corporate culture (from a focus on sales to a focus on profit), generating revenue commensurate with the value it provides, and selling higher value-added products and services.

Workplace business revenue and profit trends

Financial year	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
Net sales (Corporate-wide)	106,516	101,684	108,684	118,700	122,174	116,210	115,839	123,324
YoY	3.4%	-4.5%	6.9%	9.2%	2.9%	-4.9%	-0.3%	6.5%
Current segment								
Workplace business	-	-	-	-	-	83,032	80,561	85,945
YoY	-	-	-	-	-	-	-3.0%	6.7%
Composition of sales	-	-	-	-	-	71.4%	69.5%	69.7%
Former segment								
Office-related businesses	55,002	55,175	55,324	61,759	64,659	64,633	-	-
YoY	5.7%	0.3%	0.3%	11.6%	4.7%	0.0%	-	-
Composition of sales	51.6%	54.3%	50.9%	52.0%	52.9%	55.6%	-	-
Operating profit (Corporate-wide)	4,306	2,800	2,956	1,925	903	1,798	2,536	4,582
YoY	74.2%	-35.0%	5.6%	-34.9%	-53.1%	99.1%	41.0%	80.7%
Operating profit margin	4.0%	2.8%	2.7%	1.6%	0.7%	1.5%	2.2%	3.7%
Current segment								
Workplace business	-	-	-	-	-	1,273	1,914	2,579
YoY	-	-	-	-	-	-	50.4%	34.7%
Segment profit margin	-	-	-	-	-	1.5%	2.4%	3.0%
Former segment								
Office-related businesses	3,176	3,041	2,655	2,125	703	1,035	-	-
YoY	58.6%	-4.3%	-12.7%	-20.0%	-66.9%	47.2%	-	-
Segment profit margin	5.8%	5.5%	4.8%	3.4%	1.1%	1.6%	-	-
No. of employees (all company, persons)								
Workplace business	-	-	-	-	-	-	2,535	-
Office-related businesses	1,623	1,636	2,028	2,320	2,261	2,162	-	-
Asset (Corporate-wide)	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288
Workplace business	-	-	-	-	-	-	57,711	56,992
Office-related businesses	32,088	32,238	36,386	46,353	45,575	47,930	-	-
Depreciation expenses (Corporate-wide)	2,389	2,534	2,316	2,329	3,168	3,431	3,181	2,828
Workplace business	-	-	-	-	-	-	2,263	1,905
Office-related businesses	1,020	1,257	1,071	1,270	2,006	2,222	-	-

Source: Omega Investment from company materials



Note: Examples are mainly Good Design Best 100 award-winning products. The company has received a total of 86 Good Design Awards since 2005

Source: Omega Investment from company materials

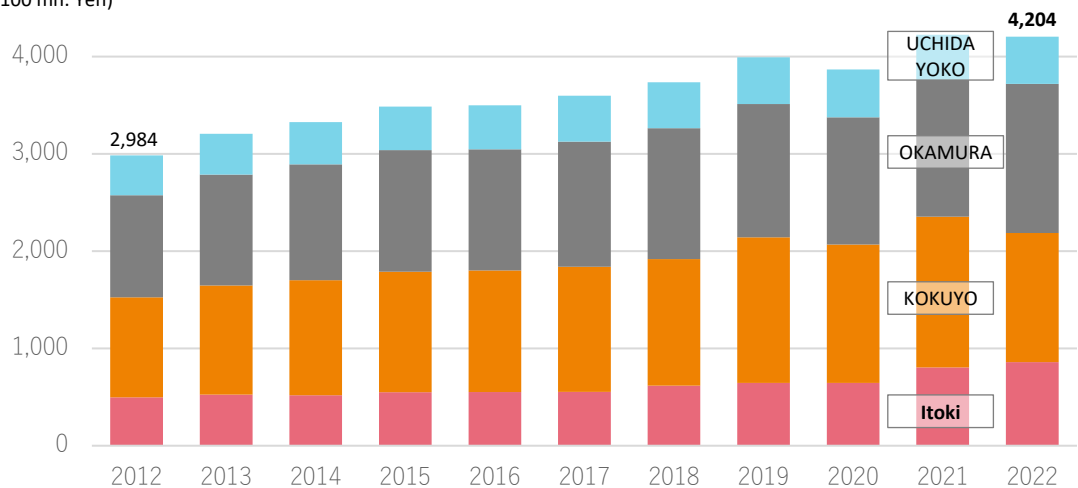
The office furniture market could add value as new ways of working evolve.

Japan's office furniture market: market size of 600-700 billion yen, with stable growth.

Japan Office Institutional Furniture Association (JOIFA), of which 109 office furniture-related companies are members, carries out various activities as an industry association and publishes statistics and surveys as appropriate. It is assumed that JOIFA also understands the size of the office furniture market in Japan, but it does not publish data to the public. The figure below is a rough idea of the size of the market, based on segment information for the four major office furniture companies, including Itoki Corporation (however, the definition of segments differs from company to company, and there is no clear definition of the extent to which public-related or consulting services are included, so the figure is for reference only). Looking at each company's share in this four-company total, in 2022, the company's share was 20%, Kokuyo 32%, Okamura 36% and Uchida Yoko 12%. Kokuyo and Okamura each hold almost 1/3 of the market share, with the company in third place and Uchida Yoko in fourth place, a positioning that has long been established. In addition, the market appears to be growing almost steadily (3-4%). When the sales of companies other than the four are included, the market is estimated to be worth around 600-700 billion yen annually. Office furniture alone is worth approximately 400 billion yen, the rest including consultancy and construction. (Omega Investment estimate based on the sales of JOIFA member companies, etc.).

Office furniture business sales of the four major office furniture companies

(100 mn. Yen)

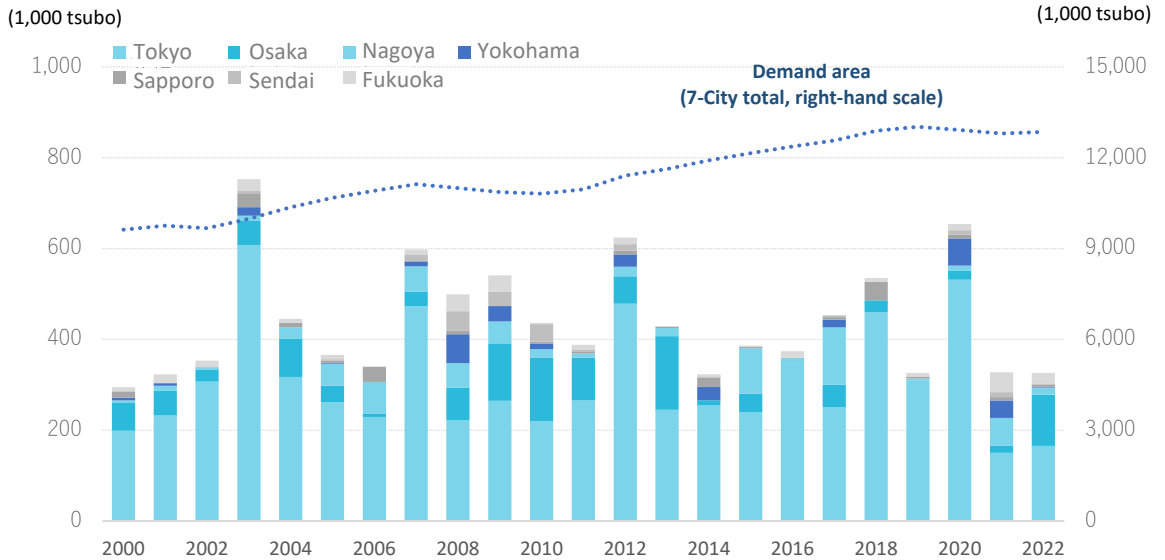


Itoki	2021/2022 Workplace business segment: 'Creating-working-environments' office furniture manufacturing and sales, office space design, etc. 2012 to 2010: Office-related segment. No continuity between 2020 and 2021 due to segment changes.	KOKUYO	FY12/2022: Workstyle domain (furniture business): space design and consultation, manufacture, purchase, sale, and installation of office furniture. FY 12/2019 – FY12/2021: Spatial Value domain; FY12/2012 – FY12/2018: Furniture sales.
OKAMURA	Office Environmental business segment: manufacture and sale of office furniture, furniture for public facilities, security products, etc.	UCHIDA YOKO	Office-related business segment: development, manufacture and sale of office-related furniture, space design, design and construction, etc.

Source: Prepared by Omega Investment from the annual reports of the companies.



Office supply and demand for office space in seven major cities



Source: Prepared by Omega Investment based on Miki Shoji's Office Market Data.

Office building market outlook: new supply is declining, but demand for office space is increasing steadily.

Demand for office furniture tends to be influenced by the supply of new office buildings, economic trends, and corporate performance. See the chart above on the next page for office supplies in the seven major cities in Japan. Although there are considerable annual fluctuations due to the completion of large-scale developments, a comparison of the average supply area between 2000-2010 and 2011-2022 shows that the latter has fallen by approximately 5%. On the other hand, the demand area (i.e., rental area minus vacant area) has been increasing relatively steadily. However, most recently, where an ample supply was made available in Tokyo in 2020, the introduction of remote working due to the economic recession and the outbreak of COVID-19 has led to a decline in demand (particularly in large cities with high rates of teleworking). According to Mori Building's forecasts, the supply of large-scale office buildings in Tokyo's 23 wards in 2023 and 2025 is expected to be positive for office furniture demand.

Recent developments in the office furniture market: new business opportunities due to the increasing sophistication of office needs.

In recent years, office needs have undergone a significant transformation. The office's role has changed from the past, partly due to the introduction of remote working due to COVID-19, and this could mean new business opportunities for office furniture companies. Background includes.

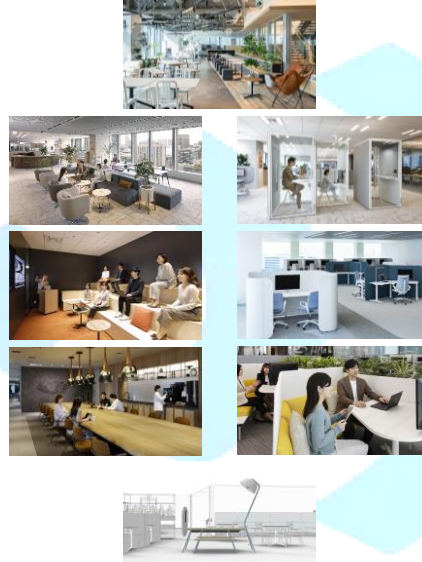
- a) **Reform of work style:** the Japanese economy has been stagnant for a long time. As the era of high growth, when productivity could be increased mainly in the manufacturing sector, ended and the proportion of tertiary industry increased, it became difficult to increase productivity, particularly among white-collar workers. Against this backdrop, there are indications that productivity should be improved through reforms in how people work. To achieve this, the internal organisation of Japanese companies needs to change, and the composition of corporate offices is undergoing a significant transformation from the old fixed-seat-based office environment (see figure, next page).
- b) **Advances in IT and networking:** the way work is carried out in a company has changed significantly over the last 10-20 years due to IT development. The office must respond to the evolution of hardware, software, networks, etc. The change has been within the scope of Itoki's Office 2.0, which the company has advocated. In the future, Office 3.0, or the DX orientation of the office, will determine competition for superiority between companies.
- c) **The office as a place for new value creation:** as indicated in a), how people work will change significantly. The pandemic disease has triggered the introduction of remote work, but at the same time, it is still essential to have places where people meet face-to-face and communicate with each other. In the future, it will be crucial to maximise workers' abilities by combining the central office as a place to share experiences with remote work, which is a flexible way of working at a high level.

The changing role required of offices

Office furniture and proposal capabilities that are compatible with the design of spaces as more creative, productive, and innovative workplaces are required.



Fixed seats
Symbolic of the old Japanese company structure.



Reforming the way people work

Progress in IT and networking

Offices as places for new value creation

Acquisition of high-value-added human resources

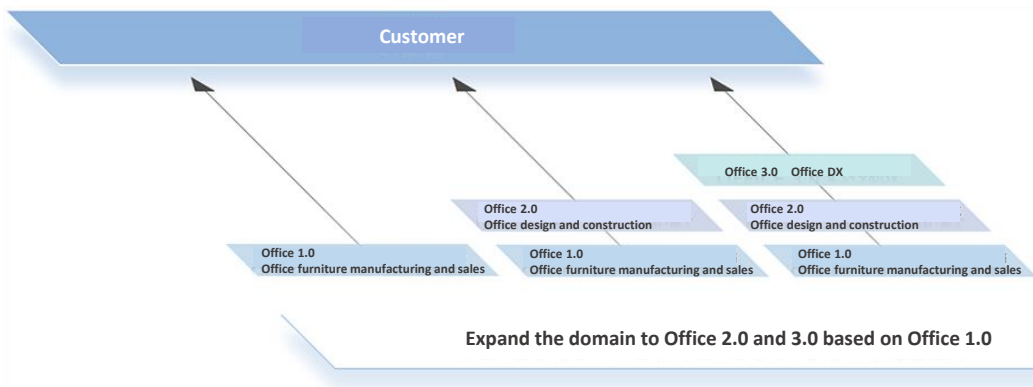
Source: Omega Investment from company materials

d) **Attracting high value-added human resources:** human resources are the biggest asset for future growth in all companies, but IT and other creative personnel need more supply. To retain such talented people, it is essential to have a great office environment and space.

The company's approach: multiplying Office 1.0, 2.0 and 3.0 to increase corporate value.

The company's answer to the changes in the office furniture and office space market described above is shown in the diagram below: in Office 2.0, the company has added value through office design and construction in addition to manufacturing and selling office furniture. Office 3.0 will further promote office DX. Data is collected by attaching sensors to office furniture and various parts of the office. By analysing this big data, it will be possible to provide customers with higher value-added services. The company has set up an advanced research institute to realise this. It is also oriented towards the data business, such as the realisation of running fee revenues rather than just selling off fixtures and fittings. Office 3.0 has only just begun, and progress is still to be made, but the company is a step ahead of its competitors in that it has set out a concrete policy for DX in office space.

The company's proposed Office 3.0 concept



Source: Company materials

As a place to put Office 3.0 into practice, the company consolidated its Tokyo headquarters in Nihonbashi in 2018 and opened ITOKI TOKYO XORK, which also serves as a showroom. For more information, see the next page.

ITOKI TOKYO XORK

Reception



Space for communication and individual work



Creating spaces for mental and physical health



Work areas with a variety of space options to suit the activity



Collaboration space where people come and go

The company consolidated its metropolitan offices in Nihonbashi in the autumn of 2018. The new head office, ITOKI TOKYO XORK, was opened. With W of work written as X, the office is named XORK to signify the evolution of the conventional way of working to the next level. XORK will serve as a showroom for Itoki's new way of working, an office to realise it, and a place where Itoki employees can personally embody their ideas.

The happiness of society as a whole

Corporate Happiness

Ensuring stable growth in society.

To be achieved by maximising productivity and creativity as an organisation, creating innovative innovations and providing significant added value to society.

Trying and changing on one's own

XORK Style



Happiness of workers

Achieving one's unique form of happiness.

To be achieved by maintaining good mental and physical health, working with high vitality and enthusiasm, improving the quality of life in society and enhancing one's lifestyle as a whole.

ABW Activity Based Working

<https://www.itoki.jp/xork/>

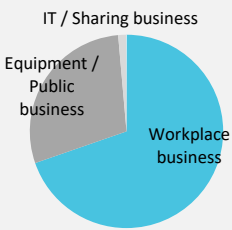
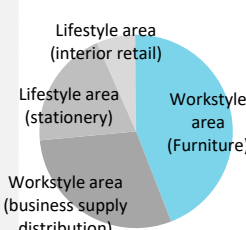
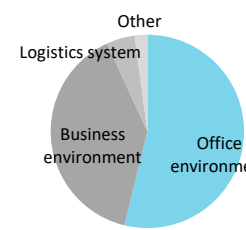
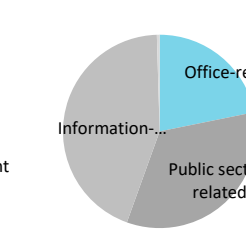
Source: Company materials

Peer competition :

As seen in the office furniture market, the four major players in this market - the company, Kokuyo (TSEP: 7984), Okamura (TSEP: 7994) and Uchida Yoko (TSEP: 8057) - hold 60% of the market. The table below compares each company's most recent figures and other data. All but Okamura have a history of more than 100 years, while Okamura also has a long track record of more than 70 years. Regarding the companies' businesses, most sales for Itoki Corporation and Okamura come from office furniture, fixtures, and fittings for commercial facilities. Kokuyo, on the other hand, as is well known, also generates a large proportion of its sales from stationery-related products. For Uchida Yoko, public-related (e.g., education-related ICT) and information-related (e.g., software licensing) sales account for 80% of its sales.

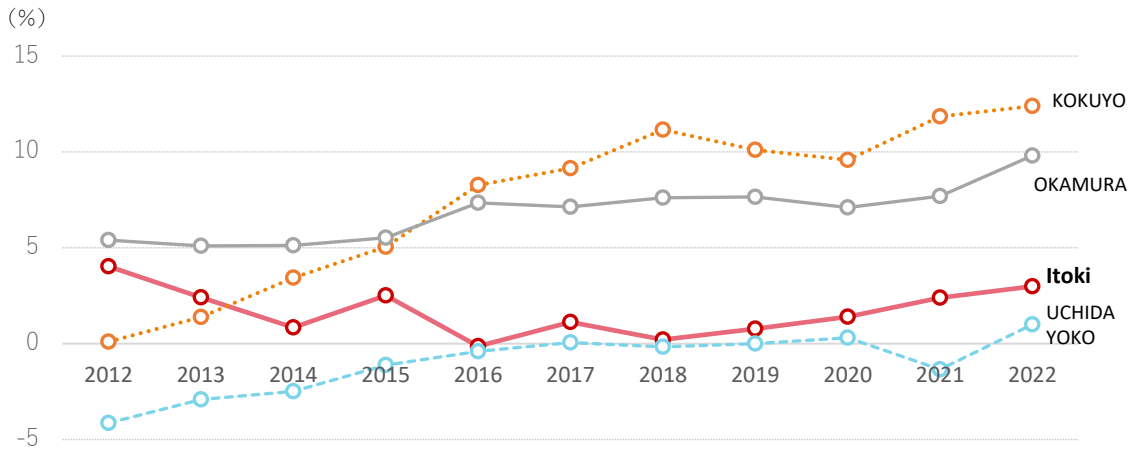
The graph on the next page compares the profitability of each company's office furniture business; as noted on page 10, the definition of each company's segment is not necessarily the same, but it should give a rough indication. Kokuyo and Okamura, which have high market shares, deliver high profit margins. Kokuyo has been increasing its profit margin by more than 10% in recent years by focusing on proposal-based marketing and projects for which it can charge a design fee. While Uchida Yoko has achieved high profit margins in its non-office-related businesses, it has been spoilt by low profit margins in its office-related businesses.

Comparison of four major office furniture companies

Code	7972	7984	7994	8057
Company name	Itoki	KOKUYO	OKAMURA	UCHIDA YOKO
Financial year	December, 2022	December, 2022	March, 2022 (LTM)	July, 2022 (LTM)
Establishment	1890	1905	1945	1910
Head office location	Chuo-ku, Tokyo	Higashinari-ku, Osaka City	Nishi-ku, Yokohama City	Chuo-ku, Tokyo
Number of consolidated subsidiaries	33	26	33	17
Financial data				
Net sales	123,324	300,929	261,275	229,606
Five-year growth rate	2.6%	-0.9%	2.7%	6.4%
Operating profit	4,582	19,321	3,995	7,419
Five-year growth rate	29.2%	1.9%	2.1%	20.3%
Operating profit margin	3.7%	6.4%	5.3%	3.2%
Office furniture-related sales	80,594	132,702	140,599	48,394
Five-year growth rate	–	–	2.5%	1.3%
Operating profit	2,579	16,716	13,782	4,284
Operating profit margin	3.0%	12.4%	9.8%	1.0%
Composition of sales				
				
Office furniture-related sales	69.7%	44.1%	53.8%	21.8%
Number of employees at end of term	3,793	6,825	3,946	3,212
Sales per Employee (thousand yen)	32,513	44,092	66,212	71,483
Next-generation office concept				
	<ul style="list-style-type: none"> • Office 3.0 • Smart office • Office DX • Activity Based Working (ABW) 	<ul style="list-style-type: none"> • Support for hybrid work • Operation of decentralised workplaces. • Ways of working that attract talent 	<ul style="list-style-type: none"> • RIGHT-SIZING • Base for one • Base for team 	<ul style="list-style-type: none"> • Telework support • The revitalisation of internal communication • Strengthening of human resources recruitment • ABW • Improved productivity of meetings

Source: Omega Investment from each company materials

Four office furniture companies, operating profit margin trends in office furniture-related businesses.



Source: Prepared by Omega Investment from the annual reports of the companies.










On the other hand, Itoki Corporation earned a profit margin of nearly 5% in 2012, but its profit margin has since declined. When competing with the top two companies, the profit margin appears to have lowered due to price discounts and other measures to secure sales rather than profit margins. The company has recognised the problem and is working to improve profit margins by optimising sales prices in line with its value, strengthening and expanding its consulting services, and monetising services such as delivery and design fees. These have started to show results in recent years.

Equipment / Public business

Logistics-related facilities, research facility equipment and other unique products.

In FY12/2022, the company's Equipment / Public business generated sales of 35,667 million yen (+6.5% YoY), an operating profit of 1,482 million yen (+52.2%) and delivered an operating profit margin of 4.2%. In terms of sales by region, the domestic market is the primary source of sales, with Japan 35,454 million yen (99.4% of total sales), Asia 117 million yen (0.3%) and others 96 million yen (0.3%). From 2021, the reporting segments were revised in line with the business segments in the medium-term management plan. If the sales of former Equipment-related business in 2020 are reclassified to the current segment for comparison, the sales in 2020 on a current segment basis will be 17,350 million less than the sales of the old segment. The profitability of this business is not necessarily high, with a segment profit margin of -0.1% to 2.5% until 2020. Since the segmentation change, there has been an improving trend of 2.9%-4.2%.

Equipment product range

Material handling equipment and racking products		Public facilities products		Nuclear special door
<p>Rack products and moving shelves</p>  <p>Motorised and manual mobile shelving for light and medium-weight shelves and their densely packed shelves.</p>	<p>High-speed three-dimensional sorting machine SAS</p>  <p>Three-dimensional high-speed picking and sorting machine that performs sorting work at high speed and makes effective use of space in</p>	<p>Library furnitures</p>  <p>Functional and well-designed furniture for libraries.</p>	<p>Equipment for museums and galleries</p>  <p>Cases that combine the three requirements of safety, display and conservation of cultural assets are designed and adapted to suit the</p>	<p>Nuclear special door</p>  <p>They are planned and installed in nuclear-related facilities for various uses and purposes.</p>
<p>Financial security equipment products</p>		<p>Office security equipment products</p>		
<p>Safe doors and vault walls</p>  <p>The vault door symbolises 'safety' and 'trust' for financial institutions. It boasts strong security performance.</p>	<p>Fully automatic safe-deposit box SAD-K</p>  <p>Space-saving, low-cost, fully automatic safe deposit box system. A safe deposit box is automatically brought to the customer's</p>	<p>Access control card readers and key management</p>  <p>Office security is ensured by allowing only authorised persons to enter and leave the office.</p>	<p>Storage security</p>  <p>Setting storage cabinet usage rights and recording usage history protects essential information.</p>	

Source: Company materials



Equipment / Public business revenue and profit trends

Financial year	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
Net sales (Corporate-wide)	106,516	101,684	108,684	118,700	122,174	116,210	115,839	123,324
YoY	3.4%	-4.5%	6.9%	9.2%	2.9%	-4.9%	-0.3%	6.5%
Current segment								
Equipment / Public business	-	-	-	-	-	31,602	33,488	35,667
YoY	-	-	-	-	-	-	6.0%	6.5%
Composition of sales	-	-	-	-	-	27.2%	28.9%	28.9%
Former segment								
Equipment-related business	48,540	43,427	50,531	54,158	55,024	48,952	-	-
YoY	3.2%	-10.5%	16.4%	7.2%	1.6%	-11.0%	-	-
Composition of sales	45.6%	42.7%	46.5%	45.6%	45.0%	42.1%	-	-
Operating profit (Corporate-wide)	4,306	2,800	2,956	1,925	903	1,798	2,536	4,582
YoY	74.2%	-35.0%	5.6%	-34.9%	-53.1%	99.1%	41.0%	80.7%
Operating profit margin	4.0%	2.8%	2.7%	1.6%	0.7%	1.5%	2.2%	3.7%
Current segment								
Equipment / Public business	-	-	-	-	-	1,225	974	1,482
YoY	-	-	-	-	-	-	-20.5%	52.2%
Segment profit margin	-	-	-	-	-	3.9%	2.9%	4.2%
Former segment								
Equipment-related business	1,222	-58	569	115	435	686	-	-
YoY	207.0%	-104.7%	-1081.0%	-79.8%	278.3%	57.7%	-	-
Segment profit margin	2.5%	-0.1%	1.1%	0.2%	0.8%	1.4%	-	-
No. of employees (all company, persons)								
	3,333	3,349	3,910	4,102	4,151	4,062	3,973	-
Equipment / Public business	-	-	-	-	-	-	1,106	-
Equipment-related business	1,392	1,377	1,544	1,421	1,452	1,485	-	-
Asset (Corporate-wide)	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288
Equipment / Public business	-	-	-	-	-	-	24,691	26,816
Equipment-related business	33,148	30,925	37,415	37,748	37,203	33,636	-	-
Depreciation expenses (Corporate-wide)	2,389	2,534	2,316	2,329	3,168	3,431	3,181	2,828
Equipment / Public business	-	-	-	-	-	-	460	456
Equipment-related business	903	860	849	801	833	853	-	-

Source: Omega Investment from company materials

The Equipment / Public business dates to 1914, when the company began selling vent-type safes. Since then, the company has manufactured and sold a variety of warehouse-related fixtures and fittings and, since the 1980s, has been an industry pioneer in developing and supplying a range of automated warehouse equipment. Based on its experience producing safe doors, the company also produced and launched special large doors for nuclear power facilities. The company has continued developing numerous industry firsts, including developing secure locking systems. In recent years, there has been an extreme need for automation equipment for warehouse and distribution systems.

The main customers for logistics equipment are the automotive industry and equipment manufacturers. The main customers for public facilities products are museums, art galleries and libraries. Sales of logistics equipment depend on economic trends and corporate earnings. Still, they are expected to grow, as reducing logistics costs is an ongoing and vital management issue in the manufacturing industry. On the other hand, sales of public facilities are affected by budget execution by public offices and local authorities.

In the same segment, research equipment is another product to note. Dalton Corporation, which the company invested in in 2011 and became a wholly owned subsidiary in 2016, manufactures and sells these products. Dalton Corporation was founded in 1939 as a manufacturer and distributor of scientific instruments and glassware for analysis (the company was called San-Ei Seisakusho when it was founded). It established a scientific research facilities division, which developed and sold products used in various research facilities; in 1996, it acquired a powder and granular equipment manufacturer and expanded into powder machinery; in 2014, it introduced the Uni-X Lab Series of draft chambers and laboratory tables.



Dalton Corporation research facility equipment



Draft chamber

Customer
Pharmaceutical companies,
university research institutions



laboratory furniture

Customer
Pharmaceutical companies,
university research institutions



Powder equipment

Customer
Manufacturers, research
centres



Semiconductor manufacturing
equipment

Customer
semiconductor manufacturer

Source: Omega Investment from company materials

Customers of laboratory equipment include pharmaceutical companies, universities and research institutions, and the sales are affected by trends in R&D expenditure/capital investment by pharmaceutical companies and scientific research funding by universities. Pharmaceutical companies, the largest customers, actively invest in R&D expenditure to develop new drugs. In FY2022/3, Takeda spent 526.1 billion yen (up 15.4% YoY), Daiichi Sankyo 260.2 billion yen (up 14.5%) and Astellas 246 billion yen (up 9.6%). Of the 34 companies that have disclosed their R&D expenditure, 20 have seen double-digit increases. On the other hand, while there are concerns that research budgets at Japanese universities continue to be cut, major pharmaceutical customers' robust research investment budgets are expected to continue. Hence, the sales of the company's research facility equipment should grow.

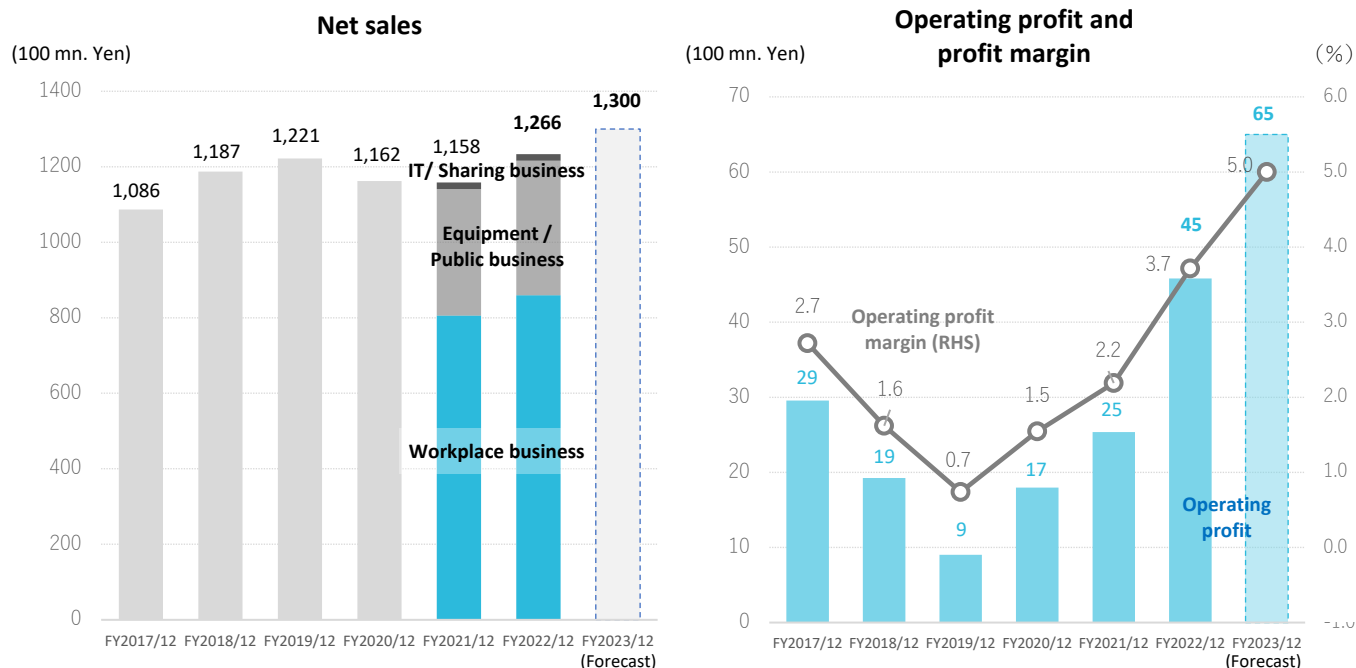
Information Technology / Sharing business

Provides system development, system verification projects and office sharing.

The Information Technology / Sharing business includes system-related and sharing businesses that do not belong to Workplace business, Equipment / Public business. In FY12/2022, sales were 1,624 million yen (-7.6% YoY), operating profit was 449 million yen (operating loss of 385 million yen in FY12/2022), and operating profit margin was 23.1%. All sales are generated in the domestic market. The business accounts for 1.3% of total sales and is expected to grow steadily.

Financial results

Full year consolidated sales / operating profit trend



Source: Omega Investment from company materials

FY12/2022 financial results

Summary: Record sales and profits achieved. A special dividend was paid, bringing the year-end dividend to 37 yen a share.

Sales remained strong, mainly due to office relocation and renewal projects. In addition to the revision of selling prices, cost-cutting efforts were successful, and operating profit reached a record high. Improving asset efficiency also resulted in an extraordinary gain (6.9 billion yen) from selling the former Neyagawa plant site and other assets. A special dividend of 20 yen was decided to be paid out of the profit from the sale. Thus, the company is committed to rewarding its shareholders.

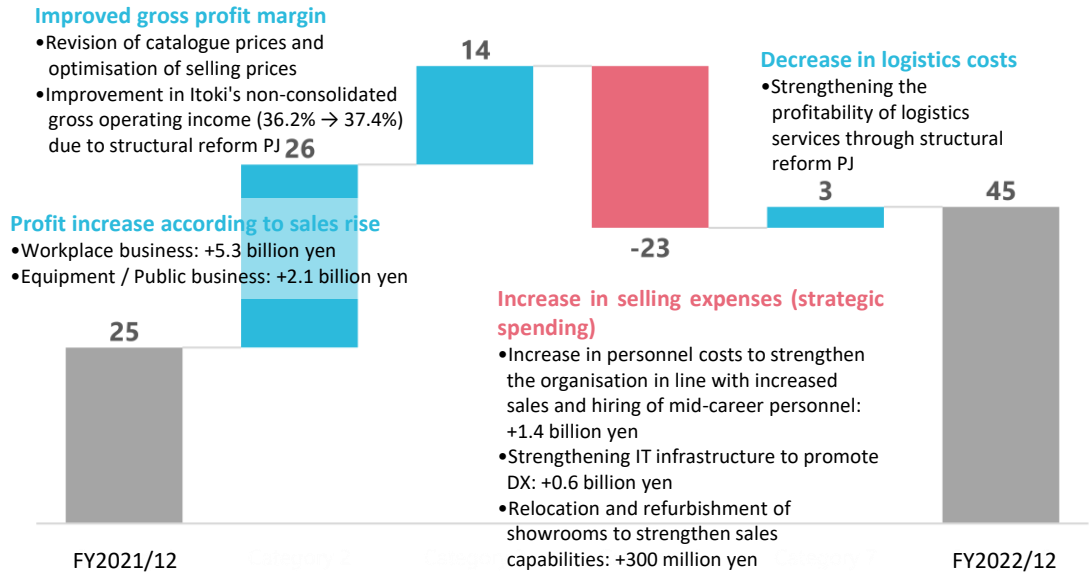
FY12/2022 results: 6% YoY increase in sales, 79% rise in operating profit.

The company's full-year results for FY12/2022 show that Workplace and Equipment / Public businesses performed well. Sales for each business increased by 6.7% and 6.5%, respectively, YoY. Segment profits increased significantly by 34.7% and 52.2%, respectively. In addition, Information Technology / Sharing business achieved an operating profit despite a 7.6% decline in sales. As a result, consolidated sales registered 123,324 million yen or +6.4% YoY, and operating profit was 4,582 million yen rising 79.0% YoY. As mentioned above, extraordinary gains were recorded on the sale of non-business assets, resulting in profit attributable to owners of parent of 5,294 million, a significant increase of 353.9% over the previous year. Including the special dividend of 20 yen per share, the company plans to pay a full-year dividend of 37 yen, with a payout ratio of 31.6%.

JPY, mn, %	Net sales	YoY %	Oper. profit	YoY %	Ord. profit	YoY %	Profit ATOP	YoY %	EPS (¥)	DPS (¥)
2018/12	118,700	9.2	1,927	-34.8	2,367	-28.1	1,725	-28.2	37.84	13.00
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	123,324	6.4	4,582	79.0	4,177	71.4	5,294	353.9	116.99	37.00
2023/12 (CE)	130,000	5.4	6,500	41.8	6,500	55.6	3,700	-30.1	81.70	25.00



Factors contributing to changes in operating profit



Source: Omega Investment from company materials

The chart above deciphers the changes in operating profit. In addition to increased profits due to higher sales, an improved gross margin due to progress on structural reform projects and lower logistics costs muted the increase in strategic expenditure, resulting in a significant profit increase.

Segments trend

Workplace business: sales rose 6.7%, a significant increase in segment profit of +34.7%.

In the aftermath of the outbreak of pandemic disease and the response to the so-called New Normal, sales of large-scale office relocation and renewal projects in line with new ways of working were strong, resulting in the segment's sales of 85,945 million yen and profit of 2,579 million yen. The profit margin improved by 0.6 percentage points YoY. Regarding Itoki's non-consolidated sales, renewal projects accounted for 46.3% of total sales in 2020, but in 2022 they accounted for more than half, at 53.8%. Upfront investments include participation in the international office furniture exhibition ORGATEC TOKYO and the renewal of ITOKI TOKYO XORK, the head office and showroom. Despite the recent rise in raw material prices, the company increased sales and profit thanks to higher sales, efforts to reduce logistics costs through structural reform projects, and increased value of its products.

Equipment / Public business: +6.5% increase in sales and a substantial increase in segment profit of +52.2% YoY.

Sales and segment profit were 35,667 million yen and 1,482 million yen, respectively, achieving significant increases. The segment profit margin improved by 1.2 percentage points YoY. Large-scale business negotiations for research facilities (science parks) for which orders were received in the previous year were recorded as sales in FY12/2022, contributing to the performance. Demand for logistics facilities was also strong and remained robust. Despite the impact of the sharp rise in raw material prices, the company achieved an increase in sales and profit, mainly because of higher sales and the improved value of its offerings.

Information Technology / Sharing business: achieved operating profit by divesting from unprofitable businesses.

Sales were 1,624 million yen (-7.6%), and the segment profit was 449 million yen (an operating loss of 385 million yen in the previous year). In addition to system development, the system verification business, which has been promoted in recent years, performed well. The office space-sharing business also performed well. The company withdrew from the GlobalTreehouse business, which had been unwell partly due to COVID-19. This had a positive effect, and the business returned to profitability.

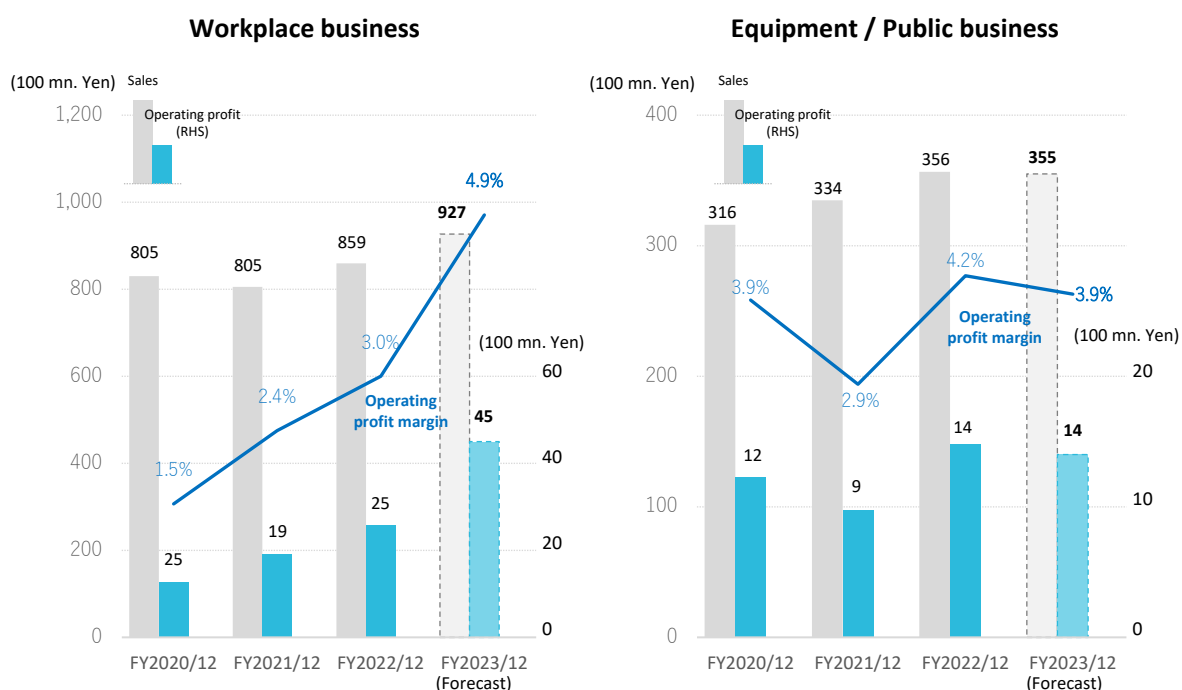
Topics: structural reform project initiatives

The company has stated that one of the goals of its medium-term management plan "RISE ITOKI 2023 (FY2021-2023)", is to become a "highly profitable company" with a strong structure. As seen in the four-company comparison on page 15, the company is below the profitability of the top two companies, which is a vital area for improvement first. The company has identified three concrete measures for its structural reform project.

- Initiatives related to sales reform.
 - Fair selling price in line with the value provided.
 - Consulting services and the strengthening and expansion of proposal value-added capabilities.
 - Monetisation of services that were not previously recoverable as sales, such as delivery and design costs. These have helped to improve the operating margin of the Workplace business by 0.6 percentage points, as shown above.
- Initiatives related to production and supply.
 - The AP Centre, a new assembly production base, was completed and put into operation at the Shiga Plant. Cost reductions have become possible by purchasing parts and assembling them at the AP Centre into products, whereas previously finished products were purchased.
- Initiatives to improve asset efficiency.
 - Sales of non-purpose-built fixed assets, etc. (As previously reported, selling the former Neyagawa plant site for 6.5 billion yen helped significantly improve cash flow).
 - In addition, further facility disposals and efficiency improvements are well underway.

FY12/2023 forecast: sales of 130 billion yen. The operating profit estimate of 6.5 billion yen is above the mid-term target.

The company's forecasts for FY12/2023 are sales of 130 billion yen (+5.4% YoY), operating profit of 6.5 billion yen (+41.8% YoY) and profit attributable to owners of parent of 3.7 billion yen (-30.1% YoY). While sales are expected to fall slightly short of the mid-term target of 133 billion yen, operating profit is forecast to exceed the target of 6 billion yen. Profit attributable to owners of parent will decline in the absence of an extraordinary gain of approximately 6.8 billion yen recorded in FY12/2022 on the land sale, as already mentioned. Excluding the gain on the land sale, the bottom-line profit grows YoY. By segment, the Workplace business is expected to see sales increase by 7.9% and operating profit by a substantial 75.6%. A significant increase in the supply of new office space in the centre of Tokyo is expected in 2023, with steady growth in Osaka, Fukuoka and elsewhere. Office relocation and renovation projects are also likely to remain strong. Against this backdrop, the company plans to continue to focus its sales activities on value propositions, as it did in the previous year, to secure profit margins. In Equipment / Public business, sales and profits are expected to decline YoY in the absence of large projects recorded in FY12/2022. However, logistics-related needs are strong, and sales to e-commerce, automotive (EV) and refrigerated warehouses are expected to be firm. Judging from the progress in business negotiations, the booking of large projects will likely be concentrated in the second half of the year, so the financial results are expected to be biased towards the 2H. Overall, the company expects to post slight declines in sales and profit.



Note: FY2020/12 figures are shown for reference.

Source: Omega Investment from company materials



Growth strategy

Medium-term management plan "RISE ITOKI 2023"

In February 2021, the company formulated a medium-term management plan ending in 2023. The plan addresses various issues that have come to light amidst the uncertainty surrounding the pandemic diseases. It sets out the direction of management based on the so-called 'New Normal'.

First, the company's goals were to lead the creation of a post-COVID working environment and to become a highly profitable company with a robust constitution. The pandemic disease has led to the rapid introduction of remote working, and it is said that changes that usually take three to four years have progressed in one to two years. The company sees the diversification of workplaces triggered by COVID-19 as a business opportunity and will provide new products, services and solutions for all 'working environments'.

The goal of becoming a 'highly profitable company' with a strong constitution shows a serious commitment to improving profitability, which has been a longstanding proposition for the company. As mentioned above, it was difficult to differentiate office furniture on a stand-alone basis in the past, and there was a tendency towards price competition. The company has formulated a theme for initiatives to overcome this situation: even though it has many in-house designers and has developed office furniture and fixtures with high design quality, it has yet to generate profitability commensurate with the value of its products. The structural reform project addresses six themes, including building a new sales structure incorporating DX, reducing the cost ratio by restructuring group factories, introducing the assembly method of residence, and improving the efficiency of group-wide assets. The financial results for FY12/2022 show that the effects of these efforts are steadily bearing fruit.

In addition, as a manufacturing company, the company faces the major challenge of reducing CO2 emissions generated in the production process of its products. As discussed in the Sustainability section, implementing ESG management is also one of the key policies in this medium-term plan.

The medium-term management plan rolls over the initial FY12/2023 targets of 133 billion in sales and 6 billion yen in operating profit. In particular, the operating profit target was raised to 6.5 billion yen. Each measure is being steadily implemented, and, as seen in the forecast for FY12/2023, these numerical targets are likely to be largely met.

It will be interesting to see how Itoki presents itself in the next medium-term management plan under the new president and whether the company will further create corporate value by enhancing its earnings structure.

Stock information, etc.

Stock price trends

The shares soared, driven by positive expectations of growth and profitability.

The company's share price has risen 95% over the past year, while TOPIX fell 0.2% during the same period. Its performance stands out compared with its peers. The share price is 2.7 times higher than the recent bottom of 250 yen on 13 March 2020. Various factors are attributable to the stellar performance of the shares, including the fact that renewal projects have remained strong following the outbreak of COVID-19 and that the company's marketing policy, which emphasises profitability on top of proposal-based sales, is beginning to produce results. In addition, the company has recently been focusing on investor relations and has made more shareholder-focused management decisions. The company's share price has been undervalued compared to its peers for a long time, and even at the current share price level, PBR remains at 0.62. The new president Minato, who assumed office in March 2022, has a different background and track record from the office furniture business joining from a foreign IT company. He is the right person to develop a strategy to create new added value, as symbolised by Office 3.0, from the conventional sales of furniture and fixtures. Further share price correction is reasonably expected if the new growth story progresses and profitability improves further under the new president, who took office in March 2022.

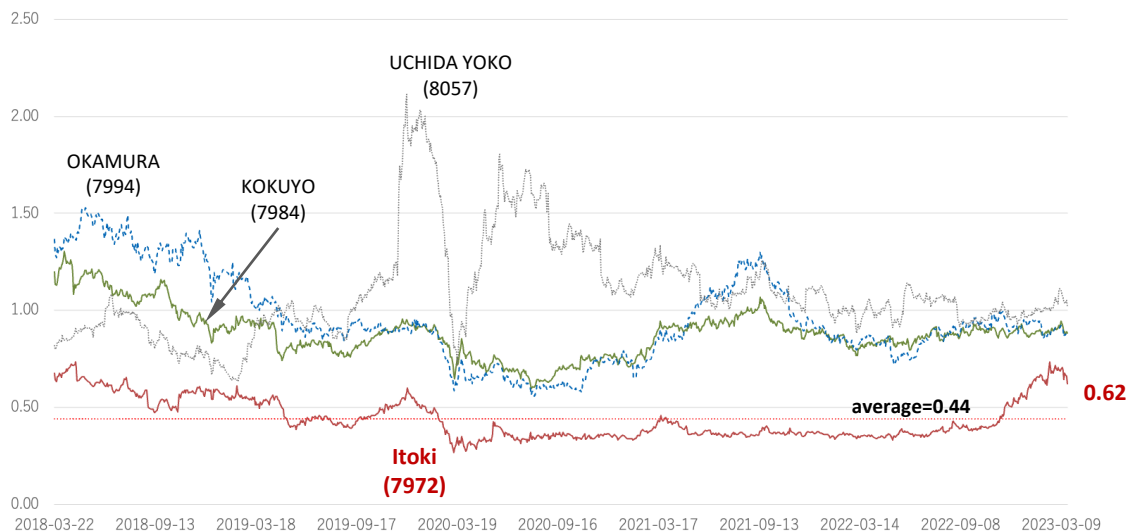
7972 : 5-year stock price move



Share price compared to TOPIX (last three years)



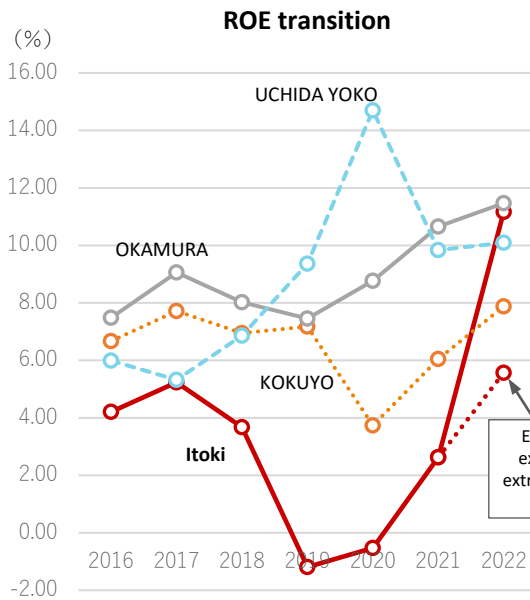
7972: Historical PBR of Itoki and the three competitors (LTM, last five years)



Valuations

The financial data of the company and its peers Kokuyo (TSEP: 7984), Okamura (TSEP: 7994) and Uchida Yoko (TSEP: 8057) are compared in the charts and tables below.

The ROE trend shows that Kokuyo and Okamura are generating stable returns. By contrast, Itoki Corporation recorded net losses in FY12/2019 and FY12/2020, and the company's ROE is inferior to that of its competitors in other periods. In FY12/2022, it recorded an extraordinary gain, which led to a higher return. But the ROE net of this extraordinary gain was still below its competitors. A breakdown of ROE shows that this is due to the company's low profit margins vis-a-vis its peers and will need to continue improving its profit margins to achieve higher ROE. Regarding Uchida Yoko, the proportion of office-related business to total sales is low, so earnings can fluctuate significantly depending on successful bids for large education-related projects in the public sector. The outstanding performance of Uchida Yoko in 2020 (FY7/2021) was due to a 40% YoY increase in sales and a 70% increase in net profit on orders for large public-related projects.

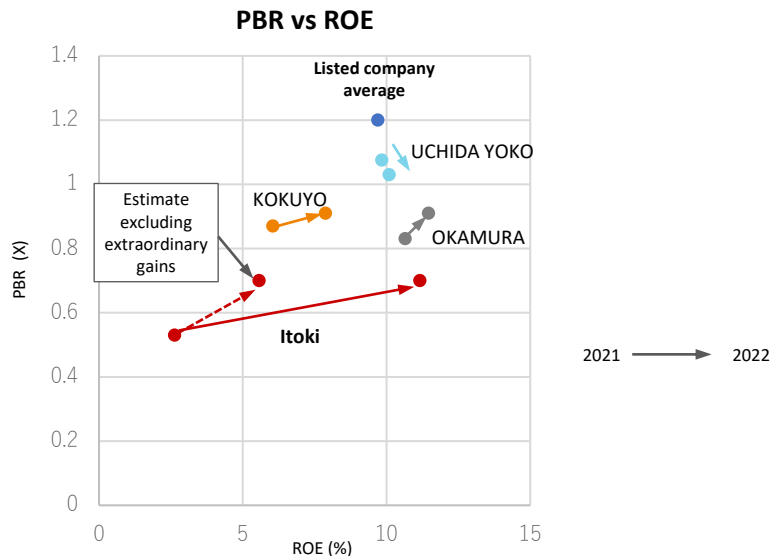


ROE analysis

	ROE	Net profit margin on sales	Asset turnover	Financial leverage
Itoki	11.17	4.29	1.13	2.31
KOKUYO	7.88	6.11	0.91	1.42
OKAMURA	11.47	5.94	1.15	1.65
UCHIDA YOKO	10.10	2.03	1.15	2.55

Source: Omega Investment based on financial data from companies.

The following chart plots PBR vs ROE. The company's improvement is significant, but there is still scope for further improvement. If investors expect the improvements to be realised, the share price will be revised upwards.



Source: Omega Investment based on financial data from various companies.

Share price and financial data of four office furniture companies

Code	7972	7984	7994	8057
Company name	Itoki	KOKUYO	OKAMURA	UCHIDA YOKO
Financial year	December, 2022	December, 2022	March, 2022 (LTM)	July, 2022 (LTM)
Share price (3/20)	685	1,817	1,328	4,780
Market cap. (million yen)	35,280	233,925	133,625	49,805
PER (x)	8.38	13.45	8.32	9.79
PBR (x)	0.62	0.88	0.88	1.02
Dividend yield (%)	3.65	3.19	3.31	3.14
Share price increase since the beginning of the year	16.7%	-2.2%	-6.7%	2.1%
Yearly high	812(2/16)	1,948(3/9)	1,446(1/18)	5,230(3/8)
Yearly low	572(1/6)	1,753(1/12)	1,272(2/6)	4,435(1/6)
10-year high	978(25/11/15)	2,244(9/4/18)	1,771(15/5/18)	8,530(16/12/19)
10-year low	250(13/3/20)	623(7/6/13)	676(5/8/20)	623(7/6/13)
Financial indicators (%)				
ROE	11.17%	7.88%	11.47%	10.10%
ROA	4.83%	5.55%	6.83%	3.95%
ROIC	2.04%	5.85%	4.22%	8.04%
Equity Ratio	43.2%	70.6%	60.7%	39.1%
Per Share Indicators				
Number of shares outstanding at end of period (thousand shares)	45,664	128,742	100,621	10,419
EPS (yen, Plan)	81.70	135.05	159.61	488.07
BPS (yen, Act)	1,100.33	2,059.21	1,482.00	4,460.15
DPS (yen, Plan)	25.00	58.00	44.00	150.00
Dividend payout ratio	30.6%	42.9%	27.6%	30.7%
Financial data				
Net sales	123,324	300,929	275,939	229,606
Five-year growth rate	2.6%	-0.9%	2.7%	8.7%
Gross profit	45,749	116,671	86,719	42,674
Gross profit margin	37.1%	38.8%	31.4	18.6%
Operating profit	4,582	19,321	14,613	7,419
Five-year growth rate	9.2%	1.9%	2.1%	20.3%
Operating profit margin	3.7%	6.4%	5.3%	2.0%
Net profit attributable to owners of the parent	5,294	18,375	16,394	4,655
Five-year growth rate	17.1%	4.1%	8.7%	20.5%
Net profit margin	4.3%	6.1%	5.9%	2.0%
Number of employees at end of term	3,793	6,825	3,946	3,212
Sales per Employee (thousand yen)	32,513	44,092	66,212	71,483
EBITDA	7,821	26,229	20,791	9,273
EBITDA margin	6.3%	8.7%	7.5%	4.0%
Statements of Cash Flows				
Cash flow from operating activities	5,804	9,577	5,328	-5,414
Cash flow from investing activities	4,923	-3,320	-2,264	-2,198
Cash flow from financing activities	-1,426	-8,991	-8,601	-8,632
Free cash flow	10,727	6,257	3,064	-7,612

Source: Omega Investment from each company materials



Major shareholders

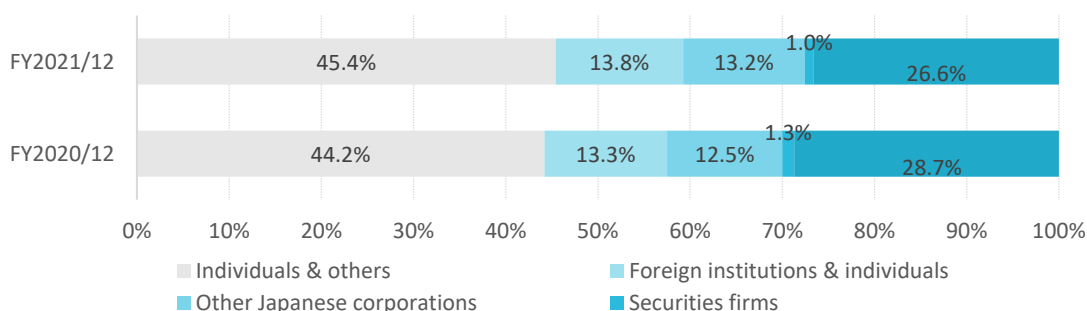
Name	Number of shares owned	Ratio of the number of shares owned to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd.	5,079	11.21
Nippon Life Insurance Company	2,225	4.91
Itoki Crebio Business Association	1,754	3.87
K.K. Ashisuto	1,609	3.55
Shichiro Ito	1,356	2.99
Custody Bank of Japan	1,341	2.96
Mizuho Bank, Ltd.	1,121	2.47
Itoki Crebio Employee Stock Ownership Plan	1,106	2.44
Sumitomo Mitsui Banking Corporation	1,069	2.36
Fumiko Ito	963	2.12
Total	17,623	38.88
Number of shares issued and outstanding	45,664	

Note: The company holds 381,659 treasury shares but is excluded from the above major shareholders. The percentage of shares held to the total number of shares issued (%) excludes treasury shares.

Source: The company's convocation notices for shareholders' meeting (27 February 2023).

The combined shareholding of Shichiro Ito and Fumiko Ito of the Ito family, the founding family, is 5.11%. Shareholding by ownership is as follows.

Shareholding by ownership

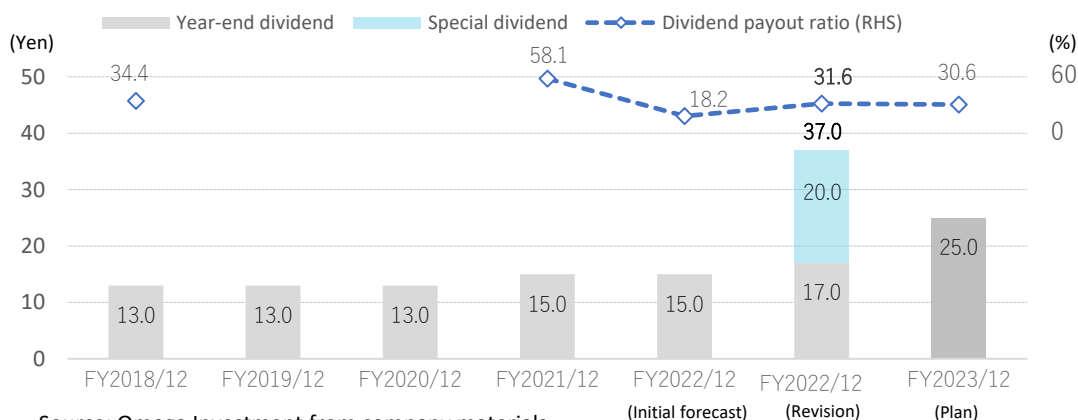


Source: Omega Investment from company materials

Shareholder return policy

The company recognises the distribution of profits as one of its key management policies. Its essential policy is to pay a continuous and stable dividend to shareholders once a year as a year-end dividend, considering the company's earnings situation, the enhancement of internal reserves, future business development and other factors in a comprehensive and long-term manner. In FY12/2022, the company will pay a dividend of 37 yen per share, an uplift of 2 yen from the initial forecast of 15 yen, plus a special dividend of 20 yen. In the future, the company intends to implement a dividend policy aiming for a payout ratio of at least 20%, considering consolidated results and the record of stable dividends paid in the past.

Dividends



Source: Omega Investment from company materials

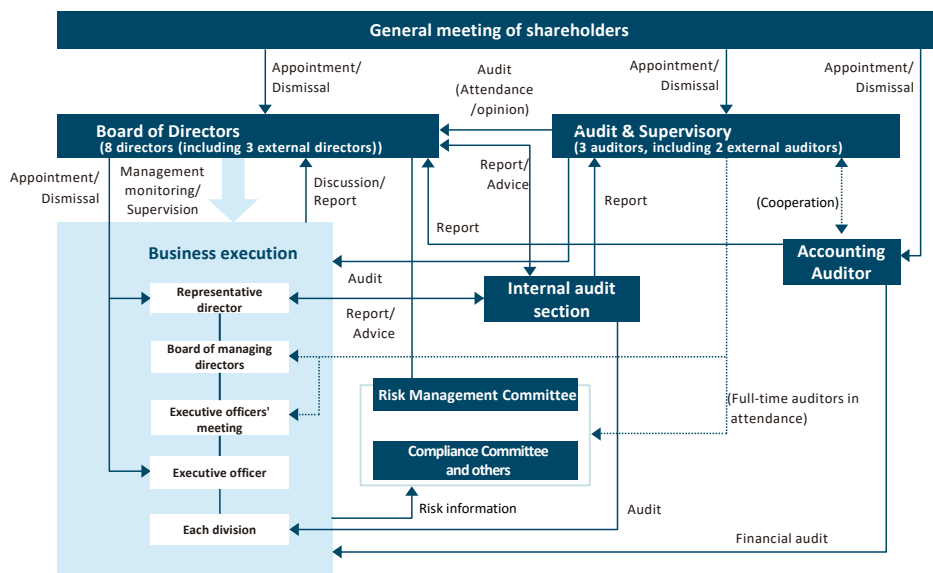
Corporate governance and top management

The company has a board of auditors with one full-time auditor. Eight directors were elected at the Annual General Meeting of Shareholders in March 2011, 3 of whom are outside directors and designated as independent directors. Considering that five years ago, the board of directors consisted of six directors, two of whom were outside directors, it is fair to say that the structure has been strengthened. Of the current total of 11 directors and auditors, ten are male and one female. All nationalities are Japanese (see next page, references). The new corporate governance code requires diversity in terms of gender and internationality as a prerequisite for ensuring the effectiveness of the board of directors and board of auditors. More than 90% of the company's sales are in Japan, and its overseas subsidiaries, etc., are mainly in Asia, so it is imagined that the number of overseas employees is limited as a percentage of the total workforce. However, the company's medium-term management plan states that it intends to increase earnings through full-scale expansion of its overseas operations in the future. Depending on the company's overseas operations progress, the management team will need to be even more diverse from a corporate governance perspective.

The company has also adopted an executive officer system to separate management oversight and business execution. Currently, there are 26 executive officers, including two who serve as directors. Of these, one is a woman.

As is well known, women's participation in society is much more advanced than in the past. Female employees account for 31.0% of the company's workforce, and the proportion of women in management positions is 8.9% (respectively, at end-December 2021). Although the proportion of women in management positions has risen from 5.8% over the past five years, it is expected to be utilised at more senior management levels.

The company's corporate governance structure



Source: Company materials

See the next page for the company's top management; a new management structure will be implemented after the Annual General Meeting of Shareholders on 23 March 2023.

Top management (New structure after 23 March 2023)

Chairman : Masamichi Yamada



Born in 1940
Apr. 1964 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 1991 Director, The Mitsubishi Bank, Ltd.
Jun. 2000 Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.
Sep. 2002 Representative Director and Chairman, Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jun. 2004 Full-Time Corporate Auditor, TOKYU CORPORATION
Jun. 2005 Director of the Company
Jun. 2007 Chairman of the Company (current)

President and Representative Director: Koji Minato



Born in 1970
Apr. 1994 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)
Jul. 2008 Joined Sun Microsystems Japan
Jun. 2010 Senior Manager for Customer Support, Oracle Corporation Japan (Business integration with Sun Microsystems)
Jun. 2015 Operating Officer, Chief of Staff, CEO Office, Oracle Corporation Japan
Aug. 2018 Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan
Aug. 2019 Director, Member of the Board, Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan
Sep. 2021 Joined ITOKI CORPORATION; Senior Advisor
Mar. 2022 President of the Company (current)

Director, Managing Executive Officer : Yoshiaki Moriya



Born in 1965
Apr. 1982 Joined The Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)
Jul. 1988 Seconded to The Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
Apr. 2007 General Manager, Personal Planning Department of Mizuho Bank, Ltd.
Jan. 2011 Joined ITOKI CORPORATION; Executive Officer and Deputy General Manager, Administration Division
Jan. 2012 Executive Officer and General Manager, Administration Division of the Company
Jan. 2015 Managing Executive Officer and General Manager, Administration Division of the Company
Mar. 2021 Director, Managing Executive Officer and General Manager, Administration Division of the Company (current)

Director : Naoki Kaze



Born in 1962
Apr. 1986 Joined the former ITOKI Co., Ltd. ("former ITOKI")
Jan. 2007 General Manager, Tokyo-Nishi Branch of the Company
Jan. 2010 General Manager, Tokyo-Nishi Branch Office of the Company
Jan. 2013 Executive Officer and General Manager, Tokyo-Nishi Branch Office of the Company
Jan. 2016 Executive Officer and General Manager, Tokyo Branch Office of the Company
Jan. 2018 Executive Officer and General Manager, Knoll Business Management Department of the Company and President, Knoll Japan Inc.
Jan. 2021 Managing Executive Officer and General Manager, Sales Division of the Company (current)

Director : Junsei Shinada



Born in 1961
Apr. 1985 Joined the former ITOKI Co., Ltd. ("former ITOKI")
Jul. 2006 General Manager, Minato Branch, Tokyo-Higashi Sales Department of the Company
Jan. 2014 General Manager, Higashi-Nihon Branch Office of the Company
Jan. 2016 Executive Officer and General Manager, Corporate Customer Sales Management Department of the Company
Jan. 2018 Executive Officer and General Manager, Corporate Customer Sales Management Department, and General Manager, Customer Value Management Department of the Company
Jul. 2021 Executive Officer and General Manager, Engineering Management Department of the Company
Jan. 2023 Managing Executive Officer and General Manager, Planning Division of the Company (current)

Director (outside director): Hiroshi Nagata



Born in 1941
Apr. 1970 Joined MITSUI & CO., France
Jun. 1996 Director, MITSUI & CO., LTD. ("MITSUI")
Jun. 1999 Managing Director, MITSUI President, MITSUI & CO. EUROPE PLC
Apr. 2002 Representative Director, Executive Vice President and Chemicals Group President, MITSUI
Apr. 2005 Visiting Professor at Waseda University Graduate School of Commerce (MBA Course)
Mar. 2008 External Director of the Company (current)
Oct. 2018 President and Representative Director, CLEA Holdings Co., Ltd. (current)
Dec. 2021 Outside Director, CLEA Japan, Inc. (current)

Director (outside director): Shiro Nitanei



Born in 1958
Apr. 1984 Joined The Ministry of Posts and Telecommunications
Apr. 2005 General Manager, Businesses Development Department, Corporate Planning Division, Japan Post (currently Japan Post Holdings Co., Ltd.)
Oct. 2009 General Manager, Real Estate Planning Department, Real Estate Division, Japan Post Holdings Co., Ltd.
May 2019 Representative, Facility Design Lab (current)
Visiting Professor, University of Tsukuba (current)
Adjunct Instructor, Toyo University (current)
Mar. 2020 External Director of the Company (current)

Director (outside director): Mariko Bando



Born in 1946
Jul. 1969 Entered the Prime Minister's Office
Jul. 1989 Director, Consumer Statistics Division, Statistics Bureau of the Management and Coordination Agency
Apr. 1995 Vice-Governor, Saitama Prefecture
Jun. 1998 Consul General of Japan in Brisbane, Australia
Jan. 2001 Director General, Gender Equality Bureau, Cabinet Office
Oct. 2003 Member, The Board of Trustees, Showa Women's University
Jul. 2016 Chancellor (Socho), Showa Women's University (current)
Jun. 2017 Outside Director, MS&AD Insurance Group Holdings, Inc. (current)
Dec. 2019 Outside Director, Mitsubishi Research Institute, Inc. (current)

Auditor (full-time auditor): Atsushi Fukuhara



Born in 1948
Apr. 1984 Joined the former Itoki Kosakusho Co., Ltd.
Mar. 2009 Director of the Central Research Institute
Jan. 2012 Director of the Human Resources Management Department, Corporate Officer Planning Division
Jan. 2016 Director of the Risk Management Control Department of the Company's Executive Officer Administration Division
Mar. 2016 Appointed full-time auditor of the Company (current)

Auditor (outside auditor) : Osamu Ishihara



Born in 1960
Apr. 1987 Registered as Attorney-at-law in Tokyo Bar Association Joined Nishimura and Sanada
Oct. 1990 Joined TMI Associates
Apr. 1997 Partner, TMI Associates (current)
Mar. 2010 External Auditor, Odawara Engineering Co., Ltd. (current)
Apr. 2012 Executive Governor, Japan Federation of Bar Associations Vice-President, Tokyo Bar Association
Apr. 2015 Vice-President, Kanto Federation of Bar Associations

Auditor (Outside auditor) : Hisashi Shirahata



Born in 1962
Sep. 1985 Joined Aoyama Audit Corporation
Jul. 1988 Registered as Certified Public Accountant
Jul. 1999 Joined Aoyama Audit Corporation
Jul. 2000 Admitted as Partner (Shain) of ChuoAoyama Audit Corporation
Jul. 2002 Representative Partner (Daihyo-Shain) of ChuoAoyama Audit Corporation
Sep. 2006 Representative Partner (Daihyo-Shain) of PwC Aarata (currently PricewaterhouseCoopers Aarata LLC)
Jul. 2022 Outside Director, Information Development Co., Ltd. (current)

Note: The company and the corporation in the biographies of each officer above refer to the relevant company or corporation. "The Company" refers to Itoki Corporation.

Source: Company materials



Skills matrix of the Board of Directors' Members

	Corporate management	Finance Accounting	Legal affairs Risk management	Internationality	Marketing	Production R&D	Human resources development	ESG	DX
Masamichi Yamada	●	●		●	●			●	
Koji Minato	●			●	●			●	●
Yoshiaki Moriya		●	●	●	●			●	
Naoki Kaze	●				●	●			
Junsei Shinada	●				●				
Hiroshi Nagata	●			●	●				
Shiro Nitnai	●			●				●	
Mariko Bando	●		●	●			●	●	
Atsushi Fukuhara			●			●	●		
Osamu Ishihara			●	●			●		
Hisashi Shirahata		●		●					

Executive officer structure

Position	Name	Position	Name
Director, Managing Executive Officer	Yoshiaki Moriya	Executive Officer	Akifumi Kakeda
Director, Managing Executive Officer	Naoki Kaze	Executive Officer	Akihiro Tagashira
Director, Managing Executive Officer	Junsei Shinada	Executive Officer	Masahiko Fujisawa
Managing Executive Officer	Makoto Ichikawa	Executive Officer	Katsuya Matsuda
Managing Executive Officer	Takeshi Otsuki	Executive Officer	Masayoshi Kawamoto
Managing Executive Officer	Kazuyoshi Nagao	Executive Officer	Naoyuki Okada
Managing Executive Officer	Tadashi Sawada	Executive Officer	Masashi Kinaka
Managing Executive Officer	Yoshihito Yamamura	Executive Officer	Hideki Nakasuji
Managing Executive Officer	Nobuyuki Hirao	Executive Officer	Yasuhiro Miyamoto
Executive Officer	Toshiya Shimizu	Executive Officer	Ichiro Washio
Executive Officer	Toshihiko Oda	Executive Officer	Satoshi Suga
Executive Officer	Takashi Kokyuryo	Executive Officer	Keiichiro Hirano
Executive Officer	Takeshi Ueda	Executive Officer	Yoshiko Yagi

Source: Company materials

Sustainability

As the company is a manufacturing company, CO2 emissions are inevitable in office furniture and logistics equipment production. Therefore, the company is highly aware of the SDGs and ESGs and has prepared an integrated report since 2021. In addition, the ESGDATA BOOK was published in 2022. It details the company's evaluation of its materiality, KPI performance and other information.

Particularly noteworthy is that it has developed a medium-term environmental plan regarding the environment, which communicates concrete and quantitative progress for each year. For greenhouse gas emissions, the plan sets out reduction targets not only for Scope 1 and 2 but also for Scope 3. Besides CO2 emissions, the plan also includes quantitative analyses of the introduction of renewable energy, carbon offsets, biodiversity, environmental accounting, etc.

About the SDGs, the following materialities have been defined. As noted before, there is scope for improvement in terms of diversity, but as per corporate governance, risk management and compliance systems are in place.

The company's approach to materiality



Source: Company materials

Financial data (quarterly basis)

FY (¥mn)	2020/12				2021/12				2022/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
[Statements of income]												
Net sales	37,707	26,997	21,489	30,017	32,121	29,451	22,396	31,871	35,345	28,411	26,205	33,363
Year-on-year basis (%)	11.2	-9.3	-24.5	-0.1	-14.8	9.1	4.2	6.2	10.0	-3.5	17.0	11.2
Cost of sales	23,710	17,765	13,811	19,036	20,101	18,729	14,443	20,872	21,483	18,030	16,678	21,384
Gross profit	13,997	9,232	7,678	10,981	12,020	10,722	7,953	10,999	13,862	10,381	9,527	11,979
SG&A expenses	10,996	9,602	9,590	9,901	10,352	9,453	9,203	10,150	9,898	9,973	9,812	11,484
Operating income	3,001	-370	-1,912	1,079	1,667	1,269	-1,249	849	3,964	407	-285	496
Operating profit ratio (%)	8.0	-1.4	-8.9	3.6	5.2	4.3	-5.6	2.7	11.2	1.4	-1.1	1.5
Non-operating income	154	162	251	237	240	161	171	122	125	164	171	96
Non-operating expenses	273	168	107	172	250	257	101	185	115	130	177	539
Ordinary income	2,882	-376	-1,768	1,143	1,657	1,173	-1,179	786	3,974	442	-291	52
Extraordinary income	0	6	125	980	1,255	78	133	88	786	139	118	6,762
Extraordinary expenses	116	42	55	1,503	20	456	518	1,474	44	64	38	3,465
Income before income taxes	2,766	-412	-1,697	620	2,893	795	-1,565	-600	4,716	516	-211	3,351
Total income taxes	1,039	134	-195	654	1,028	490	-132	-796	1,381	246	-21	1,585
Net income	1,760	-557	-1,491	53	1,942	348	-1,440	316	3,388	288	-159	1,777
Net income ratio (%)	4.7	-2.1	-6.9	0.2	6.0	1.2	-6.4	1.0	9.6	1.0	-0.6	5.3
[Balance Sheets]												
Current assets	69,811	60,382	52,463	57,183	65,543	62,170	55,249	57,753	69,458	64,096	59,873	71,027
Cash and deposits	18,186	21,312	18,956	18,246	19,503	22,112	18,213	17,351	19,196	20,073	17,138	26,876
Notes and accounts receivable - trade	37,611	27,230	20,298	26,599	32,061	26,596	21,385	26,783	35,205	28,234	24,111	29,316
Notes and accounts receivable - trade, and contract assets									4,161	3,872	4,372	4,411
Non-current assets	49,872	49,933	50,410	47,912	46,925	46,369	46,046	46,144	46,647	47,395	48,126	44,260
Property, plant and equipment	27,612	27,350	27,329	26,206	25,184	24,779	24,887	24,417	25,105	26,042	26,932	24,978
Intangible assets	5,113	5,623	5,853	5,590	5,504	5,419	4,885	4,114	4,128	4,168	4,145	1,819
Goodwill	2,391	2,207	2,189	2,093	2,018	2,016	1,407	1,317	1,214	1,222	1,200	517
Investments and other assets	17,146	16,959	17,227	16,116	16,236	16,170	16,273	17,612	17,413	17,184	17,048	17,462
Total assets	120,352	110,940	103,453	105,096	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288
Current liabilities	55,449	46,097	40,198	43,646	49,245	45,266	40,307	42,544	51,837	47,138	43,655	49,099
Short-term borrowings	15,616	13,289	14,239	13,234	13,458	12,061	12,409	12,500	15,014	11,976	11,738	11,239
Non-current liabilities	18,327	18,220	18,079	17,259	17,506	17,088	16,257	16,277	16,334	16,020	16,178	16,278
Long-term borrowings	9,475	9,574	9,453	8,508	8,711	8,193	7,435	7,591	7,427	7,174	7,266	7,530
Total liabilities	73,777	64,318	58,277	60,906	66,751	62,354	56,565	58,822	68,172	63,158	59,833	65,377
Total net assets	46,575	46,621	45,175	44,189	45,717	46,186	44,730	45,076	47,933	48,333	48,166	49,910
Shareholders' equity	46,123	46,197	44,768	43,812	45,419	45,872	44,454	44,931	47,837	48,254	48,117	49,871
Share capital	5,294	5,294	5,294	5,294	5,294	5,294	5,294	5,294	5,294	5,294	5,294	5,294
Capital surplus	9,201	9,642	9,641	9,628	9,628	9,632	9,632	9,638	9,638	9,638	9,638	9,638
Retained earnings	31,030	30,461	28,884	28,950	30,306	30,654	29,213	29,530	32,477	32,769	32,610	34,387
Treasury shares	-46	-6	-33	-182	-182	-161	-161	-161	-161	-134	-134	-134
Share acquisition rights			45	45	45	45	45	45	45	45	45	45
Total liabilities and net assets	120,352	110,940	103,453	105,096	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288
[Statements of cash flows]												
Cash flow from operating activities		5,404		-843		4,577		-1,803		4,581		1,223
Cash flow from investing activities		-1,442		290		503		-1,673		-1,410		6,333
Cash flow from financing activities		293		-2,560		-1,418		-1,240		-661		-765
Free cash flow		3,962		-553		5,080		-3,476		3,171		7,556
Net increase in cash and cash equiv.		4,240		-3,037		3,787		-4,687		2,711		6,911
Cash and cash equiv. at beginning of period		15,494		19,735		16,697		20,485		15,797		18,509
Cash and cash equiv. at end of period		19,735		16,697		20,485		15,797		18,509		25,420

Source: Omega Investment from company materials

Financial data (full-year basis)

FY (¥mn)	FY2012/12	FY2013/12	FY2014/12	FY2015/12	FY2016/12	FY2017/12	FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12
[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	123,324
Year-on-year basis (%)	14.6	-1.9	-0.5	3.4	-4.5	6.9	9.2	2.9	-4.9	-0.3	6.4
Cost of sales	70,027	67,118	66,797	68,374	65,021	69,966	77,436	80,495	74,322	74,145	77,575
Gross profit	35,481	36,343	36,196	38,142	36,663	38,718	41,264	41,679	41,888	41,694	45,749
Gross profit ratio (%)	33.6	35.1	35.1	35.8	36.1	35.6	34.8	34.1	36.0	36.0	37.1
SG&A expenses	32,040	32,203	33,723	33,836	33,862	35,761	39,339	40,776	40,089	39,158	41,167
Operating income	3,441	4,140	2,472	4,306	2,800	2,956	1,925	903	1,798	2,536	4,582
Operating profit ratio (%)	3.3	4.0	2.4	4.0	2.8	2.7	1.6	0.7	1.5	2.2	3.7
Non-operating income	813	813	841	898	771	750	889	677	804	694	556
Non-operating expenses	518	528	495	605	483	412	448	634	720	793	961
Ordinary income	3,735	4,425	2,818	4,599	3,087	3,295	2,365	945	1,881	2,437	4,177
Extraordinary income	269	685	615	171	97	228	919	27	1,111	1,554	7,805
Extraordinary expenses	352	238	262	524	267	121	204	35	1,716	2,468	3,611
Income before income taxes	3,653	4,872	3,171	4,246	2,918	3,401	3,081	938	1,277	1,523	8,372
Total income taxes	689	876	813	-385	1,068	959	1,339	1,517	1,632	590	3,191
Net income	2,702	3,910	2,160	4,530	1,907	2,402	1,722	-550	-235	1,166	5,294
Net income ratio (%)	2.6	3.8	2.1	4.3	1.9	2.2	1.5	-0.5	-0.2	1.0	4.3
[Balance Sheets]											
Current assets	49,294	52,925	55,714	56,342	52,410	58,147	62,143	58,109	57,183	57,753	71,027
Cash and deposits	17,441	19,553	21,211	21,456	19,839	19,977	16,229	17,030	18,246	17,351	26,876
Notes and accounts receivable - trade	24,935	26,243	25,965	26,138	23,241	26,869	33,160	28,244	26,599	26,783	
Notes and accounts receivable - trade, and contract assets											29,316
Non-current assets	39,961	42,335	41,007	41,832	43,271	44,073	46,559	49,955	47,912	46,144	44,260
Property, plant and equipment	27,928	28,193	27,041	26,395	25,322	24,426	26,362	27,781	26,206	24,417	24,978
Intangible assets	705	1,230	1,109	1,313	1,142	3,651	4,437	4,945	5,590	4,114	1,819
Goodwill	6	34	26	240	208	2,793	3,005	2,413	2,093	1,317	517
Investments and other assets	11,327	12,911	12,857	14,123	16,806	15,995	15,760	17,229	16,116	17,612	17,462
Total assets	89,256	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288
Current liabilities	36,455	35,359	36,677	36,106	35,390	39,683	45,133	47,559	43,646	42,544	49,099
Short-term borrowings	11,222	11,473	11,087	10,940	11,760	12,564	11,721	15,533	13,234	12,500	11,239
Non-current liabilities	14,560	16,874	16,854	14,756	14,888	15,211	16,076	15,385	17,259	16,277	16,278
Long-term borrowings	4,122	5,124	5,089	5,171	5,296	5,328	5,113	6,633	8,508	7,591	7,530
Total liabilities	51,016	52,234	53,532	50,863	50,278	54,894	61,210	62,944	60,906	58,822	65,377
Total net assets	38,240	43,026	43,189	47,311	45,402	47,326	47,492	45,834	44,189	45,076	49,910
Shareholders' equity	35,960	41,079	41,632	45,677	44,949	46,863	46,854	45,370	43,812	44,931	49,871
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	34,387
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	115,288
[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	5,804
Cash flow from investing activities	-14	-1,978	-1,742	-803	-4,044	-2,971	-3,094	-3,221	-1,152	-1,170	4,923
Cash flow from financing activities	-1,652	51	-2,179	-3,807	-2,571	-706	-2,463	0	-2,267	-2,658	-1,426
Free cash flow	8,245	1,184	3,973	3,719	1,028	594	-1,710	365	3,409	1,604	10,727
Net increase in cash and cash equiv.	6,601	1,944	1,814	184	-1,619	88	-4,031	952	1,203	-900	9,622
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	15,797
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	25,420

Source: Omega Investment from company materials



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