

Itoki (TYO: 7972)

Designing tomorrow's 'work'. Office DX Company

Summary

◇ **Itoki** is one of the leading office furniture companies, founded in Osaka in 1890. It is characterized by its high design quality and integrated manufacturing and sales system. Its mission statement is "We Design Tomorrow. We Design WORK-Style." The company advocates Office 3.0, the DX of the office. It promotes the manufacture and sale of office furniture and the provision of comprehensive services to support the improvement of office productivity.

◇ **President Koji Minato's leadership and improvement in performance and corporate value:** Under President Koji Minato, who has been at the helm as President and Representative Director since March 2022, the company's profitability has improved markedly, and the share price has also appreciated this. Expectations are high for his future skills.

◇ **Business overview:** the leading businesses are Workplace business and Equipment / Public business.

◇ **Workplace business:** It provides services such as manufacturing and selling office furniture, office repairs, assembly and construction, office space design, and project management for office relocation. It is adding value by strengthening its proposals and consulting services to improve office productivity and will promote Office 3.0, which uses data to provide office operational support. In FY12/2023, sales were 94.2 billion yen, operating profit was 6.1 billion yen, and operating profit margin was 6.5%.

◇ **Equipment / Public business:** It provides logistics solutions such as warehousing and automated logistics system equipment, equipment for research facilities, and environmental and space construction for public facilities. No. 1 supplier of shuttle-type automated warehouses. FY12/2023 sales: 36.8 billion yen, operating profit: 1.9 billion yen, operating profit margin: 5.2%.

◇ **FY12/2023: the results of the reforms kicked in:** In FY12/2023, sales reached 132.9 billion yen (+8% YoY) and operating profit 8.5 billion yen (+86% YoY), with sales, operating profit, recurring profit and net profit all reaching record highs. This was due to a steady build-up of renewal projects and office relocations "with an emphasis on profit".

◇ **New medium-term management plan "RISE TO GROWTH 2006": aiming to move into a 'highly profitable phase':** The new medium-term management plan announced by the company in February 2024 positions the period from 2024 to 2026 as a 'highly profitable phase' to enhance sustainable growth potential. The company aims to maximise its business value by combining sales of goods and services on a consolidated basis in response to the growing need to improve productivity in offices, the DX-isation of offices and the IoT-isation of office equipment. More precisely, it consists of the vital strategy '7 Flags' based on the concept of 'Tech x Design based on PEOPLE' and the ESG strategy. The financial targets are sales of 150 billion yen, operating profit of 14 billion yen, operating profit margin of 9% and ROE of 15% (> estimated cost of capital of 9-10%) in FY12/2026. The company is also committed to reducing the cost of capital and fully meeting today's demands of the stock market to maximise shareholder value and increase PBR.

◇ **Share price trends and highlights:** the company's share price rose from JPY 347 to JPY 1,782 from the end of March 2022, when President Minato took office, to the end of March 2024, with PBR rising from below 1x to around 1.5x. It is believed that the management policy and performance under President Minato's regime have significantly turned around the investment sentiment concerned about the receding office needs that became apparent with COVID-19 and the company's past low-profit structure. Going forward, the company's management is expected to move to the next stage, with a strong need to improve office productivity, an emphasis on profitability on a consolidated basis, increased motivation for employee ingenuity, a higher proportion of sales from selling functions, and the materialisation of new profit opportunities outside of domestic offices. The progress of the medium-term management plan, both quantitatively and qualitatively, will be closely monitored.

Full report

Other Products

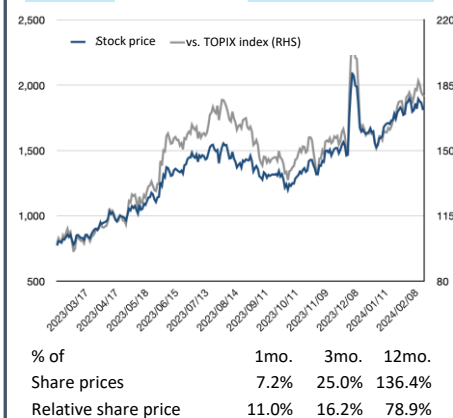
As of 9 May, 2024

Share price (5/8)

1,871 Yen

52weeks high/low	¥2,200/756
Avg Vol (3 month)	683 thou shrs
Market Cap	¥99.8 bn
Enterprise Value	¥81.7 bn
PER (24/12 CE)	12.1 X
PBR (23/12 act)	1.54 X
Dividend Yield (24/12 CE)	2.77 %
ROE (TTM)	11.3 %
Operating margin (TTM)	6.4 %
Beta (5Y Monthly)	1.56
Shares Outstanding	49.100 mn shrs
Listed market	TSE Prime section

Share price performance



Points of interest

Office furniture manufacturer that designs tomorrow's 'work', established in 1890. In addition to office furniture manufacturing, the company is also involved in architecture and interior design. The company advocates office DX and Office 3.0 and aims to add high value. Under its three-year medium-term management plan, RISE To GROWTH 2026, which ends in FY2026, the company aims to achieve sales of 150 billion yen, operating profit of 14 billion yen and ROE of 15% in FY2026 by promoting its key strategies '7 Flags' and ESG strategy under the theme of 'enhancing sustainable growth'.

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	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12
[Statements of income]							
Net sales	108,684	118,700	122,174	116,210	115,839	123,324	132,985
Gross profit	38,718	41,264	41,679	41,888	41,694	45,749	52,240
SG&A expenses	35,761	39,339	40,776	40,089	39,158	41,167	43,717
Operating income	2,956	1,925	903	1,798	2,536	4,582	8,523
Ordinary income	3,295	2,365	945	1,881	2,437	4,177	8,555
Net income	2,402	1,722	-550	-235	1,166	5,294	5,905
[Balance Sheets]							
Current assets	58,147	62,143	58,109	57,183	57,753	71,027	73,304
Cash and deposits	19,977	16,229	17,030	18,246	17,351	26,876	24,795
Non-current assets	44,073	46,559	49,955	47,912	46,144	44,260	44,132
Total assets	102,221	108,703	108,778	105,096	103,898	115,288	117,437
Total liabilities	54,894	61,210	62,944	60,906	58,822	65,377	62,437
Total net assets	47,326	47,492	45,834	44,189	45,076	49,910	54,999
Equity ratio (%)	46	44	42	42	43	43	47
[Statements of cash flows]							
Cash flow from operating activities	3,565	1,384	3,586	4,561	2,774	5,804	6,321
Cash flow from investing activities	-2,971	-3,094	-3,221	-1,152	-1,170	4,923	-4,012
Cash flow from financing activities	-706	-2,463	0	-2,267	-2,658	-1,426	-4,148
Cash and cash equivalents at end of period	18,571	14,540	15,494	16,697	15,797	25,420	23,664

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 "We Design Tomorrow. We Design WORK-Style", 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 two 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.

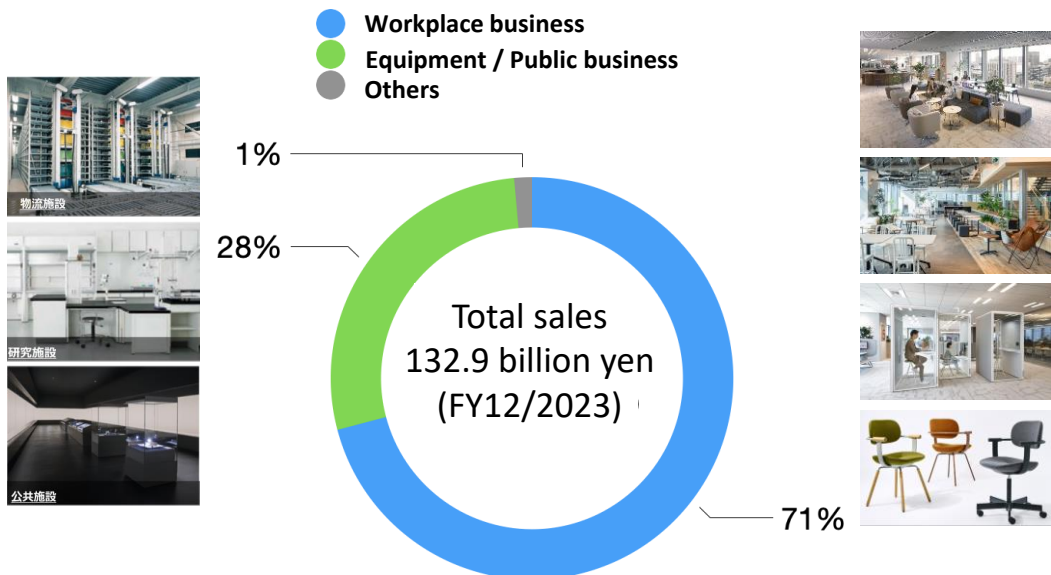
Main products and services; office furniture (desks and workstations, tables, office and conference chairs, system storage furniture, lockers), manufacture and sale of construction materials for office space construction, interior decoration work, office space design, project management for office relocation,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

The composition of sales by region is as follows: Japan, 120,790 million yen (91%); Asia, 11,397 million yen (9%); and others, 658 million yen, 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

Itoki Shoten was founded in December 1890 in Higashi-ku, Osaka.

In 1908 the Itoki Shoten Craft Department was established, and office equipment production began.

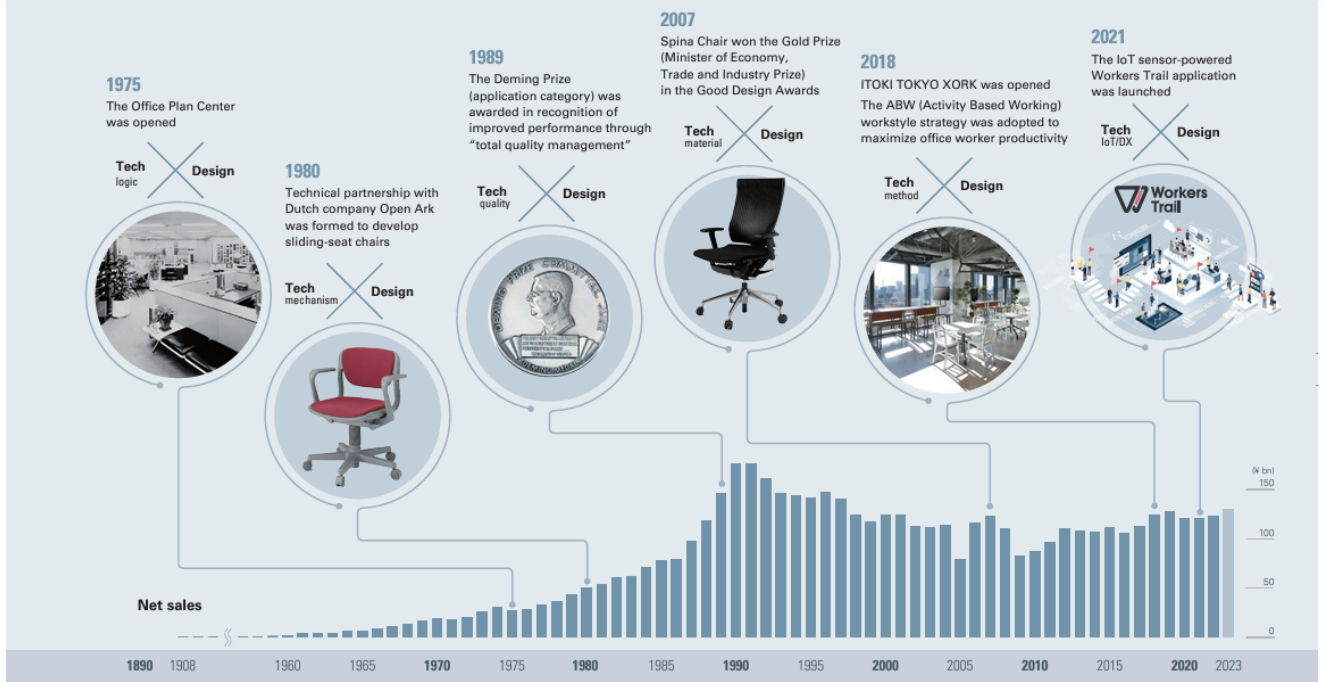
In April 1950, the company was spun off from Itoki Shoten and established Itoki Kosakusho Co. in Izumio, Taisho-ku, Osaka.

The main changes since then have been as follows.

- 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.
- 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).
- 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).
- 2022 Apr. Moved from the First Section of the Tokyo Stock Exchange to the TSE Prime market following a review of the TSE's market classification.
- 2022 Nov. The AP Centre (Ampoule Process Centre) was established in Omihachiman, Shiga Prefecture.
- 2023 Apr. Itoki Hokkaido Co., Ltd, a consolidated subsidiary of the company, is merged into the Company.

Source: company's annual securities report

Founding DNA Tech×Design based on PEOPLE



Source: company materials



Management leadership in the spotlight

One recent development of note is the current management team.

The current President and CEO, **Koji Minato**, joined the company in September 2021 and assumed his current position in March 2022. He joined NTT in 1994 and holds an MBA from USC. He has since served as general manager of Sun Microsystems and (after Oracle acquired Sun Microsystems) vice-president of Oracle Japan, an unusual background for a top corporate executive.

He is expected to appropriately guide the company in light of technological trends, such as the shift to IoT in the office, and to utilise his management experience in foreign-owned companies to activate internal human resources and improve financial performance.

Since taking over as president, his performance has fully met these financial, qualitative and share price expectations. The existing medium-term management plan, RISE ITOKI 2023, has largely achieved its targets, with sales and operating profit reaching new highs, employee engagement improving, and the share price rising from 347 yen to 1,782 yen between end-March 2022 and end-March 2024, as evidence of this.

His skills will be further demonstrated in the new medium-term management plan starting in FY2024.

President Minato's approach

Short term



Doing the obvious, as a matter of course

- Quarterly numerical management
- Operating profit
(evaluation of sales : Sales → Gross profit)

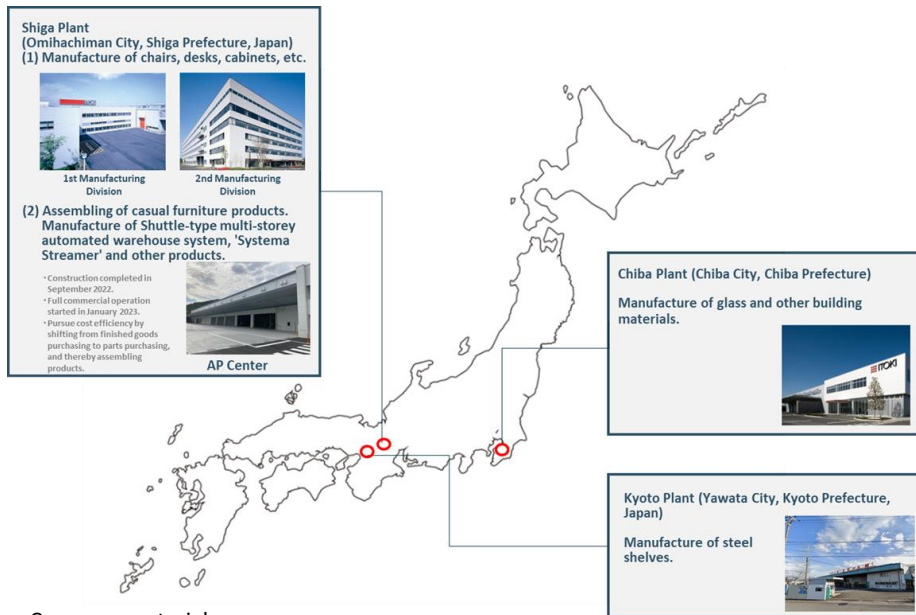
Medium to long term (vs. breaking with the past)



- Do More with Less
- Simplicity, focus and speed
- Advancing internal information systems (WIP)

Source: Omega Investment from company materials

Production structure



Source: Company materials

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 company group comprises 32 consolidated subsidiaries, seven non-consolidated subsidiaries, and two companies (see next section). Since the 2000s, the company has been actively expanding overseas, particularly in ASEAN and China, acquiring local companies and establishing subsidiaries and affiliates in each region.

Production structure

The company's production system is based at its domestic plants. This is because the company's primary market is the domestic market, and office furniture is bulky in volume due to its storage characteristics, so it is not cost-effective to produce it overseas and import it at high transport costs.

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.

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.

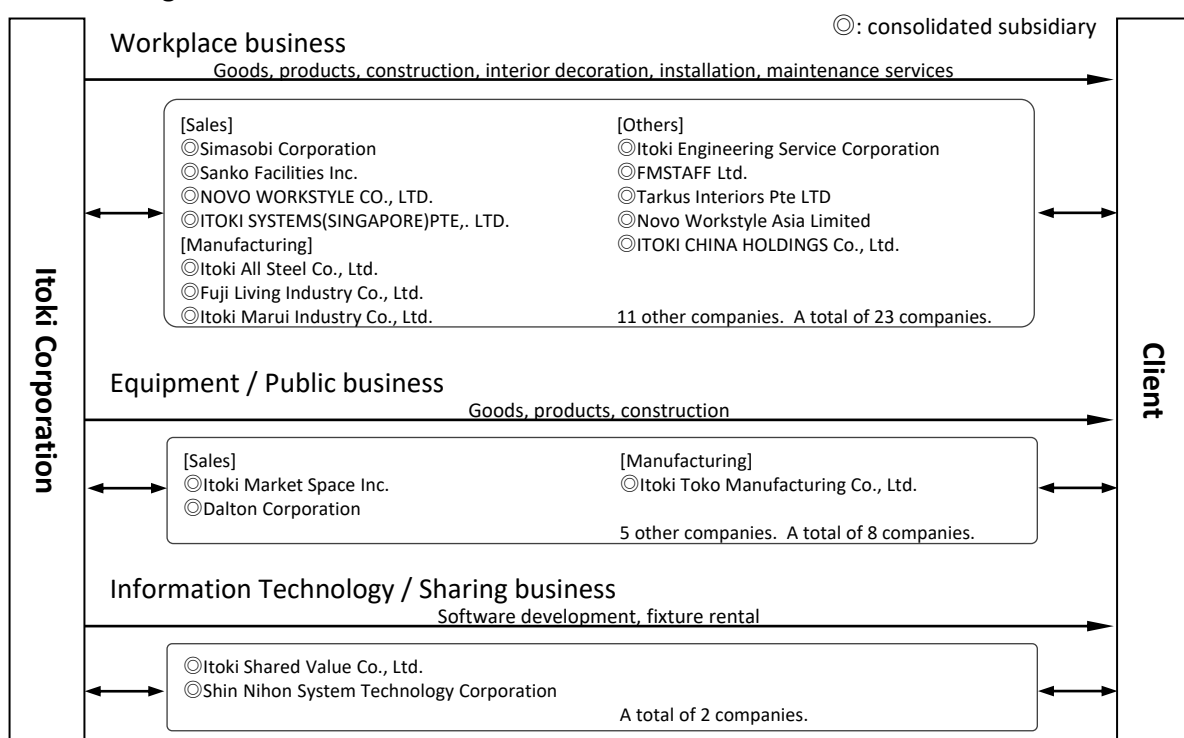
Overseas office furniture manufacturers often specialise only in manufacturing and sales and rarely provide interior design, construction, or workplace design. In Japan, consulting companies and office design firms are generally engaged between the office furniture provider and the client for large-scale 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.



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.
MUTO-SAFE Co., Ltd.	Agency
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.
Novo Workstyle CO., Limited	Established in Jiangsu Province, China, to supply manufacturing components.
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.
15 other companies	

Business diagram



Source: Omega Investment from company materials

Business overview

Workplace business

A core business accounting for 71% of the consolidated sales: focus on proposal-based marketing to improve profitability.

The company's Workplace business recorded FY12/2023 sales of 94.2 billion yen, an operating profit of 6.1 billion yen and an operating profit margin of 6.5%. Sales grew by +9.7% YoY, operating profit by +137.6% YoY and operating profit margin by +3.5 percentage points YoY, achieving both sales growth and improved profitability. The operating profit margin has steadily improved over the past three years, indicating that the management policy of emphasising added value and profitability is gaining ground.

Sales by region were 82,573 million yen (88.0% of the total) in Japan, 11,220 million yen (11.7%) in Asia and 462 million yen (0.3%) in others, indicating that the domestic business is currently the main focus. However, the company is also looking to expand overseas markets.

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. As mentioned above, recent efforts to review the operating structure and culture (from a focus on sales to a focus on profit), generate revenue commensurate with enhanced customer value, and sell higher-value-added products and services are bearing fruit.

Workplace business revenue and profit trends

Workplace business / Financial year	2020/12	2021/12	2022/12	2023/12
Net sales	83,032	80,561	85,945	94,257
YoY		-3.0%	6.7%	9.7%
Segment profit	1,273	1,914	2,579	6,128
YoY		50.4%	34.7%	137.6%
profit margin	1.5%	2.4%	3.0%	6.5%

Source: Omega Investment from company materials

History of Good Design Awards won by the company



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

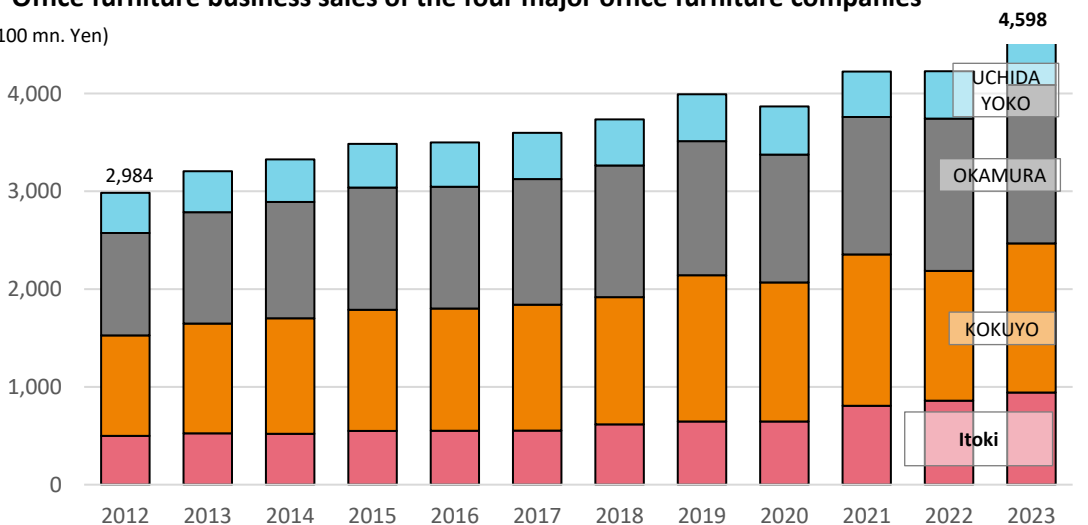
The office furniture market could add value as new ways of working evolve.

Japan's office furniture market: market size of 800 billion yen, with stable growth.

The Japan Office and 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. JOIFA is presumed to have a grasp of the size of the office market in Japan but currently does not reveal the data. Therefore, as a rough idea of the market size, reference values extracted from the segment information of the four major office furniture companies, including the company, for the total of the four companies have been graphed (however, differences in the segment definitions of the companies and differences in the accounting periods have been ignored; Itoki and Kokuyo's figures for the December period and Okamura's figures used the FY2024 company forecast for FY2023 are shown in the graph. For Uchida Yoko, the figures up to FY07/2023 are used.). Looking at each company's share within these four companies, in 2023 the company has 20%, Kokuyo 33%, Okamura 35% and Uchida Yoko 11%. 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 800 billion yen per year (of which around 400 billion yen is office furniture alone, the rest consists of consulting and installation) (Omega Investment estimate based on the sales size of JOIFA member companies, etc.).

Office furniture business sales of the four major office furniture companies

(100 mn. Yen)

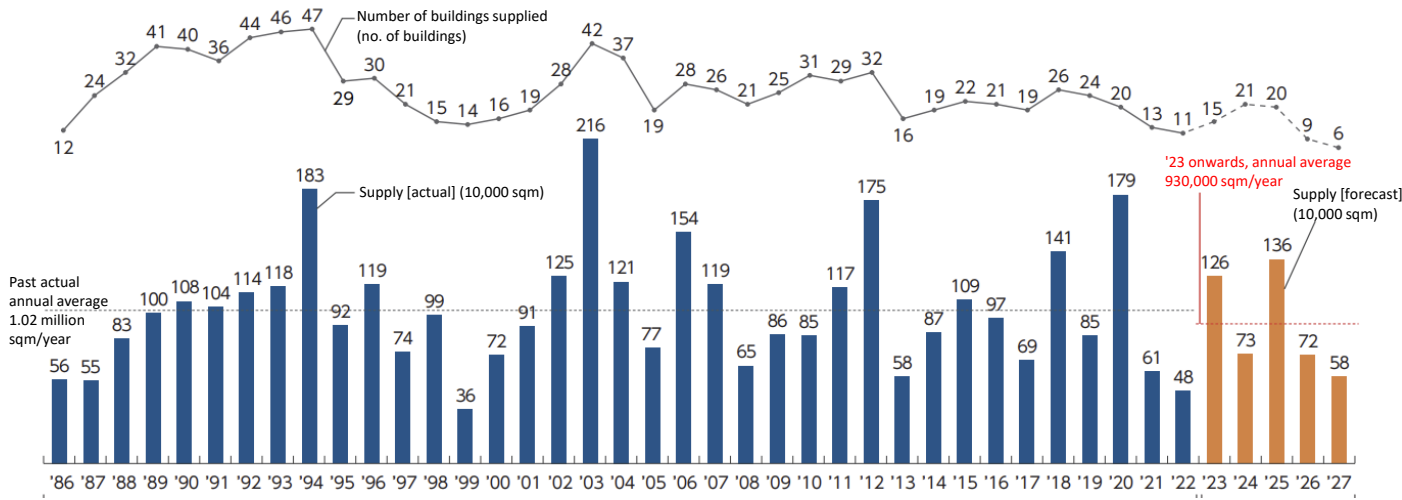


Itoki	2021/2022 Workplace business segment: 'Creating-working-environments' office furniture manufacturing and sales, office space design, etc. 2012 to 2010: Office-related segment. No continuity between 2020 and 2021 due to segment changes.	KOKUYO	FY12/2022: Workstyle domain (furniture business): space 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.

Supply of large office buildings in the 23 wards of Tokyo (Mori Building survey)

Figure 1: Supply of large office buildings in the 23 wards of Tokyo



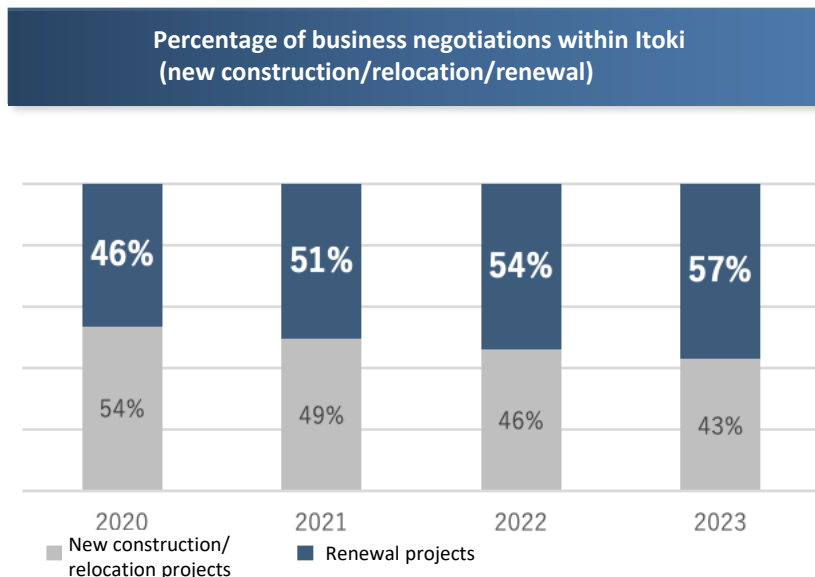
Source: Omega Investment, based on Mori Building's 'Tokyo 23 Wards Large Office Building Market Trend Study 2023'.

Office building market outlook: The new supply of gross floor space will decrease in 2024, but supply will increase

Demand for office furniture tends to be influenced by the supply of new office buildings, economic trends and corporate performance. According to Mori Building's 'Tokyo 23 Wards Large Office Building Market Trend Survey 2023', the supply of large office buildings is expected to decline in gross floor area in FY2024 and then move back and forth. However, the number of units is expected to remain firm until FY2025. Note that this document is updated once a year with the latest values.

In addition, it is not only new office construction and relocations that affect the performance of the business but also the demand for renewals. As shown below, most business negotiations are for renewal projects, and the proportion is increasing yearly. This can be attributed to the fact that customers are increasingly interested in office productivity and that the company is becoming increasingly recognised as a provider of solutions to this need. In light of the above, the business can be expected to grow without being restricted to new supply.

Percentage of business negotiations within Itoki (new construction/relocation/renewal)



Source: Company materials



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.



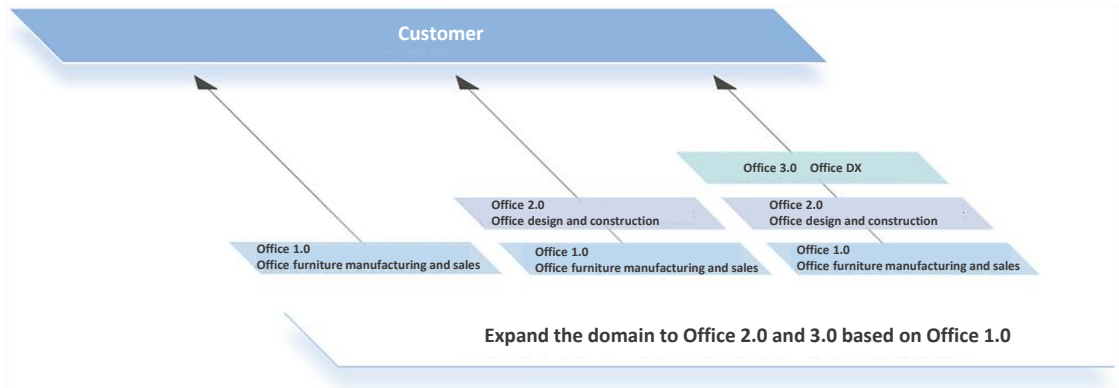
Source: Omega Investment from company materials

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'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.

This concept will materialise in 2024 as a 'Data Trekking' service based on the ITOKI OFFICE A/BI PLATFORM.

The service was launched on 14 February. It is a consulting service for customers planning to relocate or renew their offices, using sensing data in the office as a guidepost to support agile office construction and operation in a companionable manner.

This system is for accumulating and analysing space operation data, organisational survey data, layout data and customer-specific index data based on a unique platform, the ITOKI OFFICE A/BI PLATFORM. Data is acquired using Workers Trail, an application that enables visualisation of "work" using beacon-based location information. Itoki's proprietary cloud-based organisational survey allows for visualising individual and organisational performance and conditions. Itoki's proprietary Performance Trail is a cloud-based organisational survey that visualises individual and organisational performance and conditions. The company's consulting team will analyse the data using the Office Data Map, a dashboard-type system developed independently by the company, which will be linked to the office designers.

Furthermore, on 13 March, the company signed a joint development agreement for generated AI with AI start-up AKARI Inc. and has started developing applications related to automatic office design generation AI as part of the 'ITOKI OFFICE A/BI SERVICE' initiative.

Such a development will capture customers' individual needs and specifically help them reform their office productivity. It has the potential to improve customer satisfaction, retain customers, and generate recurring revenues. The future development of this system will be the focus of much attention.

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.

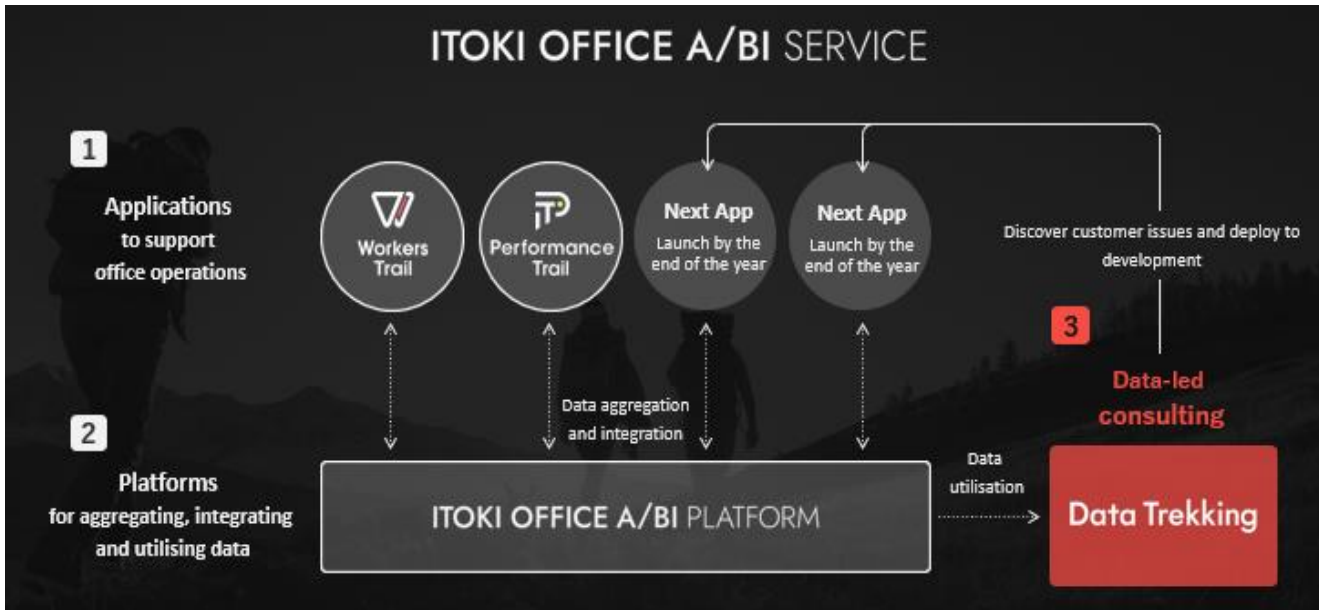
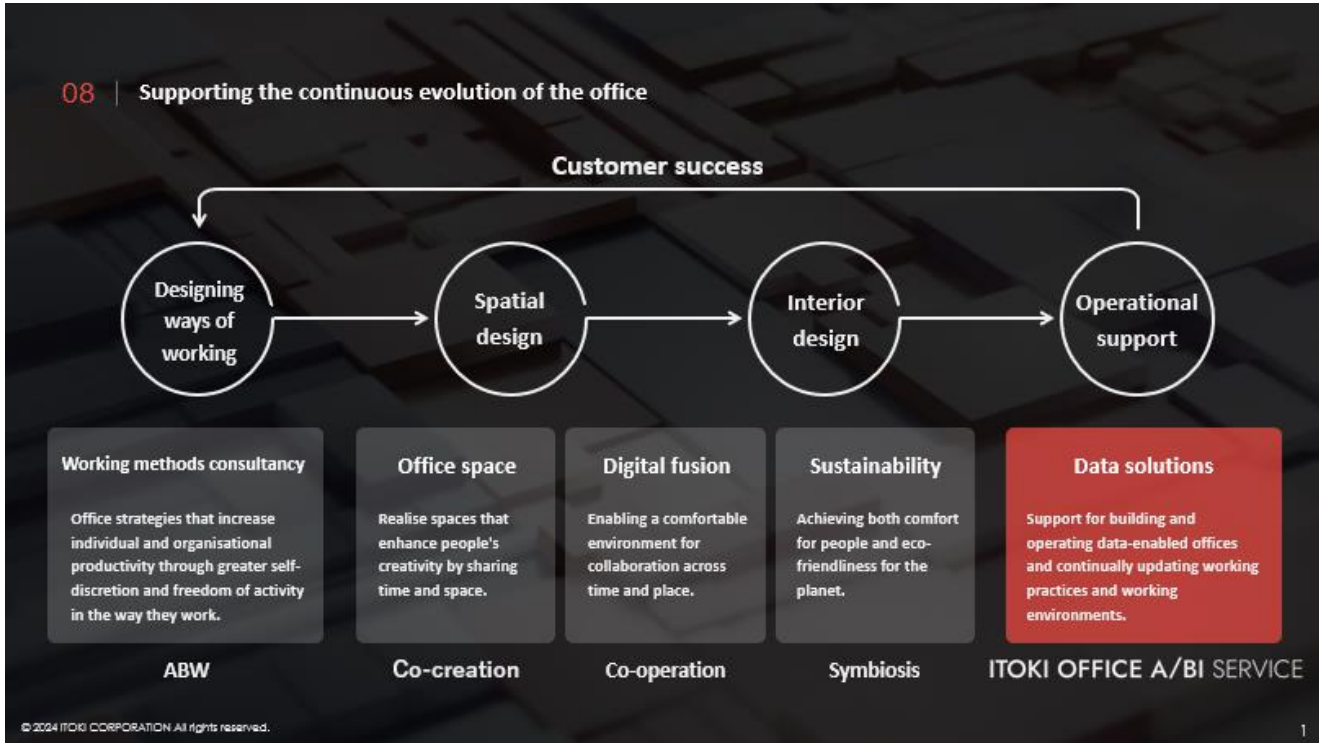
To be achieved by maintaining good mental and physical health, working with high vitality and enthusiasm, improving the quality of life in society and enhancing one's lifestyle as a whole.

ABW Activity Based Working

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

Source: Company materials

Data Trekking service based on ITOKI OFFICE A/BI PLATFORM.



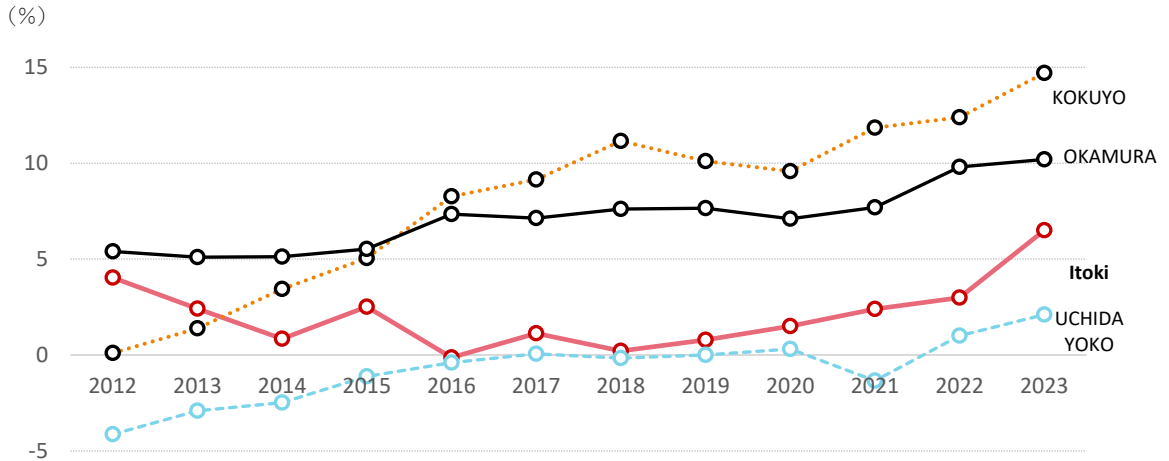
Source: Company materials

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 about 50% 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 11, 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.

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.

FY12/2023 sales in the company's Equipment / Public business were 36,466 million yen (+3% YoY), operating profit was 1,906 million yen (+28% YoY), and operating profit margin was 5.2%.

Sales by region were 36,466 million yen in Japan, 177 million yen in Asia, and 195 million yen in other areas. Again, the domestic market is the main market.

The profit margin in this business also continues to improve steadily year on year.

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 SASS</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>
Financial security equipment products		Office security equipment products		
<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

Equipment / Public business /Financial year	2020/12	2021/12	2022/12	2023/12
Net sales	31,602	33,488	35,667	36,839
YoY		6.0%	6.5%	3.3%
Segment profit	1,225	974	1,482	1,906
YoY		-20.5%	52.2%	28.6%
profit margin	3.9%	2.9%	4.2%	5.2%

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. 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.



Financial results

FY12/2023 financial results

◆ Establishment of a profitable structure. Highest profit and dividend increase.

The company's FY12/2023 results showed sales of 132.9 billion yen (+8% YoY) and operating profit of 8.5 billion yen (+86% YoY), with sales, operating profit, recurring profit and net profit all reaching record highs.

While steadily building up sales from renewal projects and office relocations, the company significantly improved its profit margin through enhanced customer value. As a result, profits exceeded the company's forecasts despite increased SG&A expenses due to strategic spending.

By segment, the Workplace-related business and the Equipment / Public business-related business each posted increased revenue and operating profit, and operating profit margins improved. The results were flawless.

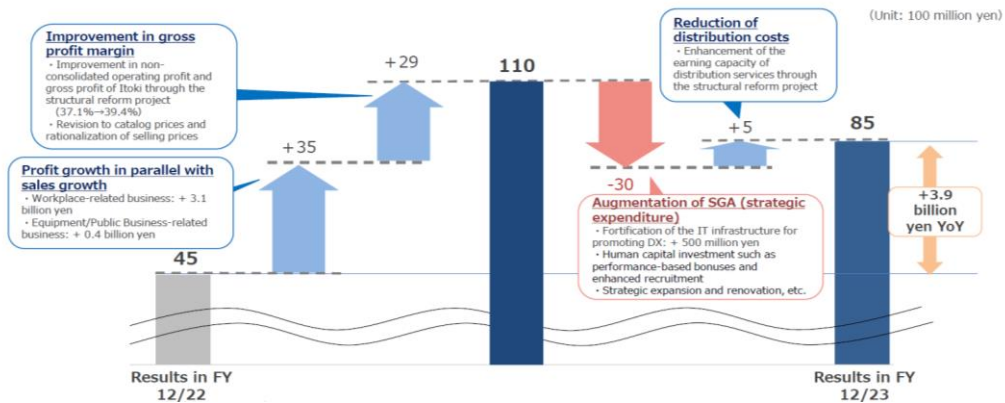
In addition, the company increased its year-end dividend by 5 yen YoY to 42 yen for FY12/2023, reflecting its strong earnings.

As indicated by the strong performance of the peers in the industry, the industry environment is favorable, benefiting from the tailwind. In particular, the company's operating profit margin has quickly risen to the 6% range, a level not seen in the past ten years. The company should be commended for its progress in strengthening its structure under President Minato's leadership. It can be said that the company has completed the "To develop an earning structure" in the final year of its mid-term plan.

Factors in Increasing/Decreasing Operating Profit (Analysis of Results in FY 2022 and FY 2023)



Sales growth, the improvement in gross profit margin due to the structural reform project, the reduction of distribution costs offset the augmentation of strategic expenditure, so profit grew considerably.



Performance of Each Segment



■ Workplace-related business

- Sales were healthy, mainly thanks to renovation projects, office relocation, etc. for new hybrid workstyles.
- Profit increased considerably, due to the sales growth and the rise in profit margin through the improvement of value we provide.

■ Equipment/public business-related business

- Sales were healthy, thanks to the demand for equipment for public and distribution facilities, such as showcases of museums and art museums, and digital signages.
- Profit rose significantly, thanks to the rise in profit margin through the improvement of value we provide for equipment for public facilities.

Jan. 1 - Dec. 31, 2023

Unit: 100 million yen		Results for FY 12/22	Results for FY 12/23	Increase/decrease	
				Amount	Increase rate
Workplace-related	Sales	859	942	+83	+9.7%
	Operating profit	25	61	+35	+137.6%
	(Operating margin)	(3.0%)	(6.5%)	—	(+3.5pts)
Equipment/public business-related	Sales	356	368	+11	+3.3%
	Operating profit	14	19	+4	+28.6%
	(Operating margin)	(4.2%)	(5.2%)	—	(+1.0pts)
IT/sharing	Sales	16	17	+1	+7.7%
	Operating profit	4	4	-0	-1.1%
		(27.6%)	(25.4%)	—	(-2.2pts)

Source: Company materials

◇ **The previous medium-term management plan was achieved:**

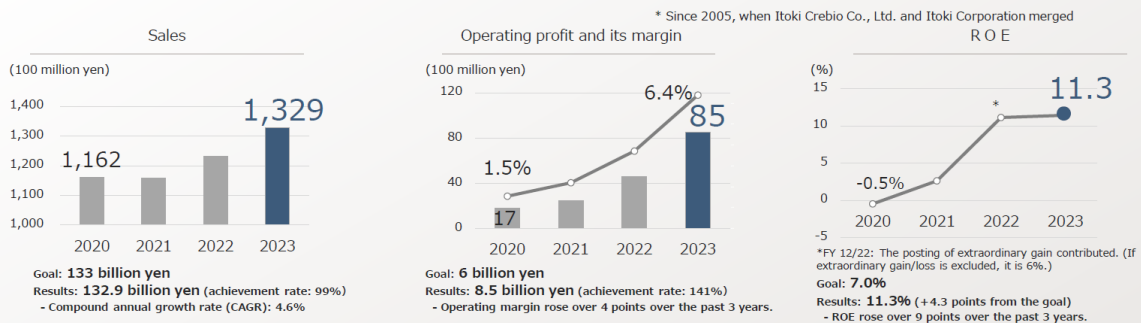
In FY12/2023, the company delivered results on target vis-a-vis the previous medium-term plan, with sales largely in line with expectations and operating profit, operating profit margin, and ROE exceeding targets (see graphs below). The company's internal factors, mainly at the parent company, such as a shift from equality to fairness in personnel evaluations to empower employees, a thorough focus on profitability, and enhanced proposal capabilities for office design, etc., are thought to have had a multilayered effect.

Two points are particularly noteworthy in these results. The first is that employees are more proud of the company than before, which is a positive result of employee engagement, and the second is that ROE has improved to 11.3%, which has led to an increase in the share price and a PBR over 1x.

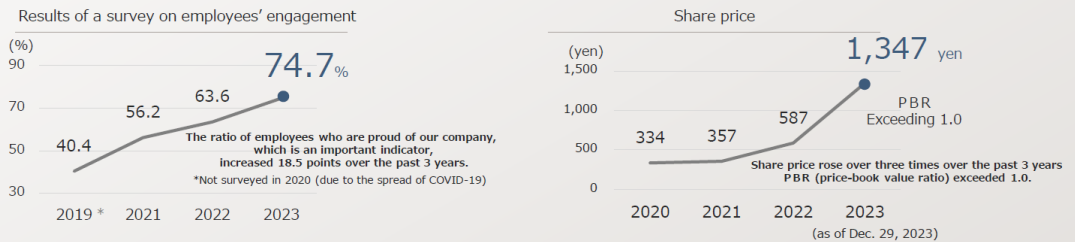
The company's "To develop an earning structure" has not only improved financial figures but has also been positively received by employees, and this overall strengthening of the company's structure is likely to have improved investors' evaluation of the company.

Detailed review of the previous Medium-term Plan

We achieved the goals of the previous Medium-term Plan "RISE ITOKI 2023," marking record-high sales and operating profit.*



Employees became more proud of our company, and external evaluation of our company improved significantly.



Source: Company materials



◇ End of business alliance with Advantage Advisors Co.,Ltd.:

According to the company's timely disclosure on February 13, 20, and 21, 2024, the stock acquisition rights issued to Advantage Advisors (AA, after this) were exercised in full on these dates, resulting in the issuance of 11.7 million shares of common stock, and 4.07 billion yen was paid to the company as compensation for this issuance. On February 21, the company repurchased 7.965 million shares for 15.9 billion yen. According to the February 28 large volume shareholding report, AA completed the sale of all of the company's shares acquired in the transaction.

The key points are as follows. This is a minor concern from a medium- to long-term perspective.

- Increase in the number of shares outstanding: The number of shares outstanding at the end of December 2023 was 45.3 million after deducting treasury stock, and after this series of transactions, the number of shares outstanding after deducting treasury stock will be 49.1 million. This represents an increase of approximately 8% in the number of shares, which is a reasonable level of dilution. Considering future earnings growth and an increase in the dividend payout ratio, this increase should be acceptable to many shareholders.
- Financial burden: Although the company spent approximately 12 billion yen, it has a net cash position of approximately 8 billion yen as of December 2023. Given the company's remarkable improvement in profitability, there should be no problems in terms of debt financing, including borrowings and interest rates.
- Disposal of treasury stock: About half of the 4 million shares acquired this time were cancelled (March 8, 2024). The remainder may be used for executive compensation or M&A, but there are currently no plans to re-release the shares on the market. Therefore, there is no immediate impact on the supply-demand side of the stock.
- Impact of the termination of the business alliance: Based on the company's financial results and the message from management, it appears that the company has implanted in itself the ability to build a profitable structure, so the direct negative impact of the termination of the business alliance is expected to be small.

Regarding the Termination of the Business Alliance with Advantage Advisors Co., Ltd.



- Timely disclosure on February 13, 2024
"Notification on the completion of exercise of the first share acquisition right through the allocation to third parties, changes of major shareholders and the largest shareholder, changes in purposes of use of funds, and the cancellation of the business alliance contract with Advantage Advisors Co., Ltd."

Item	Description
Corporate name	Advantage Advisors Co., Ltd.
Business description	Management consultancy
The contract was concluded in	June 2020
Purposes of the contract	To improve corporate value and achieve sustainable growth
Support for our company	<ol style="list-style-type: none"> 1. Reform of our marketing system 2. Reform of our supply system 3. Reform of our product development system 4. Efficient utilization of assets we own 5. Increase of profitability of business segments other than office furniture business 6. Reinforcement of the organizational base
Consultation fee	Allocation of share acquisition rights to the fund to which AA offers services - No. of share acquisition rights: 113,771 - No. of shares issued: 11,718,413 (103 shares per share acquisition right)

No. of new shares: 11.71 million (accounting for 20%)

No. of outstanding shares: 45.66 million (accounting for 80%)

100%

Purchase of treasury shares About 70%

Market About 30%

✓ "After reconsidering the purposes of use of funds while taking into account the current financial status of our company, we set a plan to acquire treasury shares which account for about 70% of issued shares with the aim of reducing the impact of share dilution due to the capital increase through the exercise of share acquisition rights on shareholders, and decided to allocate the funds procured this time to this plan."

✓ "We confirmed with allocatees that they will sell shares swiftly with a method that would not cause significant disturbance in the stock market, to meet our request for the distribution of shares to the market so that the liquidity of shares of our company will improve."

Source: Company materials



◇ **FY12/2024 company forecast: Continued sales and operating profit increase, and operating profit margin to rise further.**

The company projects sales of 137.5 billion yen (+3% YoY), operating profit of 10 billion yen (+17% YoY), recurring profit of 10 billion yen (+17% YoY), and net income of 7 billion yen (+19% YoY), which would be an increase in sales and a further improvement in the operating profit margin.

The sales forecast is in line with the current growth rate of business negotiations in force. Meanwhile, the company's operating profit, excluding strategic SG&A expenses, was 11 billion yen in FY12/2023, which means it is already within range of its 10 billion yen operating profit forecast.

Earnings Forecast for FY ending December 2024

- As the first year of the medium-term management plan, by implementing the key strategy: 7 Flags Consolidated sales are expected to be +3.4% (workplace +5.0%, equipment/public +0.4%) Consolidated operating income is expected to increase by 17.3% to 10 billion yen

Jan. 1 - Dec. 31, 2024 Unit: 100 million yen

[Consolidated]	Results for FY 12/23	Forecast for FY 12/24	Increase/decrease	
			Amount	Increase rate
Sales	1,329	1,375	+45	+3.4%
Operating profit	85	100	+14	+17.3%
Ordinary profit	85	100	+14	+16.9%
Profit attributable to owners of parent	59	70	+10	+18.5%
(Operating margin)	(6.4%)	(7.3%)	—	+0.9pts

[Segment]	Results for FY 12/23	Forecast for FY 12/24	Increase/decrease	
			Amount	Increase rate
Sales	942	990	+47	+5.0%
Workplace-related	Operating profit	80	+18	+30.5%
	(Operating margin)	(8.1%)	—	(+1.6pts)
Sales	368	370	+1	+0.4%
Equipment/public business-related	Operating profit	20	+0	+4.9%
	(Operating margin)	(5.4%)	—	(+0.2pts)

Source: Company materials



Growth strategy

◇ New medium-term management plan RISE To GROWTH 2026: Moving into "Profitability enhancement phase"

On 13 February 2024, the company announced its new medium-term management plan, RISE TO GROWTH 2026, covering 2024-2026. It is positioned as a 'high-profitability phase' to enhance sustainable growth.

As mentioned earlier, the nature of the workplace, including the office, and its productivity improvements are attracting increasing attention. The thinking style of management at client companies is changing from a one-dimensional view of the office as a cost to a view of the office as an object of human capital investment that pursues investment effects. Furthermore, office DX and the IoT of office equipment are expected to advance. The company holds the mission "We Design Tomorrow. We Design WORK-Style", hoping that this transformation in workplace needs will lead to a long-term leap forward for the company.

This medium-term management plan is based on the "Tech x Design based on PEOPLE" concept and consists of the vital strategy "7 Flags" and ESG strategies.

The company's financial targets for FY2026 are sales of 150 billion yen (up 13% from FY12/2023), operating profit of 14 billion yen (up 64%), operating profit margin of 9% (up 3 percentage points), and ROE of 15% (up 4 percentage points). These are more focused on improving profitability than increasing revenue and show the company's ambition to become an industry leader in terms of profitability by 2026.

Operating profit is expected to increase by a cumulative +5.5 billion yen from the current level, of which +4.8 billion yen is planned to be covered by increased earnings from the Workplace business. More specifically, the profit plan is based on the effects of improvements through enhanced customer value, cost reductions in production and logistics, improved profitability overseas, group synergies and increased revenues. It is set as a must-achieve target rather than a challenging target.

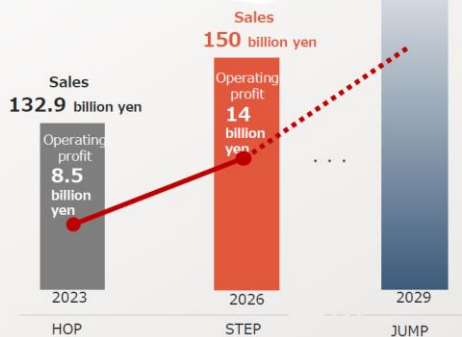
The company's message to the stock market is to maximize shareholder value and improve PBR by reducing the cost of capital while aiming to achieve ROE in excess of the assumed 9-10% cost of equity capital. Regarding shareholder returns, the company will raise its dividend payout ratio by 10 percentage points to 40%. This is more than sufficient to meet the current expectations of the stock market.

The details of the plan will be discussed later in this report. Still, it can be said that it is a broadly well-developed plan that includes strengthening the core business base, seeding new office-related businesses, developing specialized facility areas, strengthening the earnings structure on a consolidated basis, human capital, and financial strategies. From the plan's first year, investors are likely to pay close attention to the rate of progress toward financial targets.

Medium-term Management Plan 2024-2026 Numerical goals

Numerical goals for 2026

Sales **150 billion yen**
 Operating profit **14 billion yen**
 Operating margin **9%**
 ROE **15%**



Forecast for each segment

		2023	2024	2026	2023-2026	
		Results	Forecast	Forecast	Increase/decrease	Growth rate
Workplace-related business	Sales	942	990	1,060	+117	+12%
	Operating profit	61	80	110	+48	+80%
	Margin	6%	8%	10%	+4pts	
Equipment/public business-related business	Sales	368	370	420	+52	+20%
	Operating profit	19	20	30	+10	+57%
	Margin	5%	5%	7%	+2pts	
Consolidated	Sales	1,329	1,375	1,500	+170	+13%
	Operating profit	85	100	140	+55	+64%
	Margin	6%	7%	9%	+3pts	

Source: Company materials

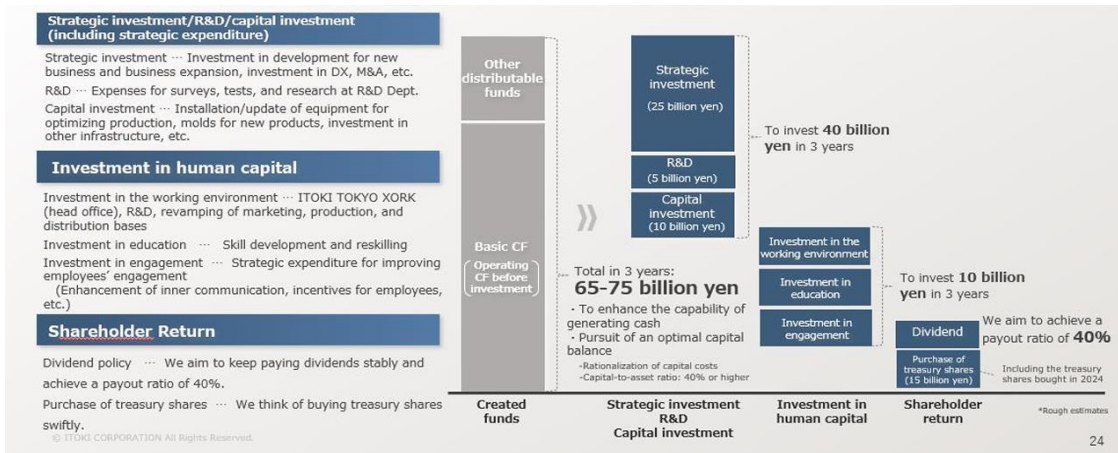


The following is a summary of these seven priority measures and their KPIs.

2024-2026 Medium-term management plan		
Flag 1	Office 1.0/2.0 area	To strengthen value-added proposals for new work styles and office spaces that implement such work styles to secure a base of sales and profits.
	Measure 1	Appealing to the value of the experience through strengthening product capabilities 《Office1.0》
	Measure 2	Value-added proposals for integrated spaces 《Office 2.0》
	KPI	FY2026 sales growth of +10% over FY2023. Operating profit margin of 10%.
Flag 2	Office3.0 area	Develop data-driven services that provide optimal work styles and office spaces through IoT and spatial sensing of office furniture.
	Measure 1	Development of new data services 《Office 3.0》 *1
	Measure 2	Collaboration and capital alliance with AI companies
	KPI	FY2026 single-year sales: 3 billion yen 3-year cumulative investment: 2.5 billion yen (excluding personnel expenses)
Flag 3	Specialized Facility Area	Focus resources on development and engineering in the logistics facilities and research facilities domains and develop them into the second pillar of the company's business.
	Measure 1	Expansion of specialized facility areas *2
	Measure 2	Establish maintenance business
	KPI	Specialty facility domain sales 30 billion yen (+40% over FY2023) Operating profit 2 billion yen (+40% over FY2023) FY2026 strengthening development and engineering structure through increasing people by more than 50
Flag 4	High Profitability	Increase production and operational efficiency by reorganizing the Group's production and supply system and revamping the internal IT infrastructure
	Measure 1	Supply Chain Optimization
	Measure 2	"Standardization, simplification, and automation" of operations
	KPI	FY2026 manufacturing cost + distribution cost (consolidated): 5% reduction from FY2023 FY2026 increase in operating profit per employee: +50% from FY2023 Cumulative internal IT-related investment over three years (DX): 8 billion yen
Flag 5	Group Synergy	Pursue group synergies by horizontally deploying successful experiences from the structural reform project implemented by Itoki on a stand-alone basis to group companies
	Measure 1	Horizontal deployment of structural reform methods to group companies
	Measure 2	Promote functional collaboration among group companies
	KPI	FY2026 consolidated group companies (simple sum of consolidated group companies excluding Itoki): 2% improvement in operating profit margin from FY2023 FY2026 reduction of 3 billion yen in cash outflow outside the group
Flag 6	Human Capital	Enlighten each employee's independent and active "creativity and ingenuity" centered on personnel system reform
	Measure	Transformation of HR System: Professional X Retention X Pay for Performance
	KPI	FY2026 Employee Engagement Survey Results Percentage of affirmative responses to the key indicator "pride" 85% The ratio of female managers: 13% in FY2026
Flag 7	Financial Strategy	Systematically implement growth strategy investment, employee return, and shareholder return from a medium-to long-term perspective
		Generate 65-75 billion yen in total from basic CF and other distributable funds over 3 years, to be distributed as *3 follows: 25 billion yen for strategic investment, 5 billion yen for R&D, 10 billion yen for capital investment, 10 billion yen for human capital investment, and 20 billion yen for shareholder return
		Actions to achieve cost of capital and share price conscious management *4
E	Environment	Contribute to the realization of a society with zero negative impact on ecosystems
S	Society	Contribute to maximizing society's human capital through our own business
G	Governance	Establish group-wide governance from a consolidated perspective
Supplementary Information	*1	On February 14, 2024, the company launched "Data Trekking," a consulting service that supports agile office construction and its operation in an accompanying manner, using sensing data in the office as a guidepost. The service is expected to increase added value and recurring revenues by selling the products.
	*2	Expanding the variety of SAS (shuttle-type multi-story automated warehouse system) for logistics, expanding market share by introducing new airflow control products for research facilities, and establishing a business in growth areas for drug discovery/medical and semiconductor manufacturing.
	*3 *4	See next figure

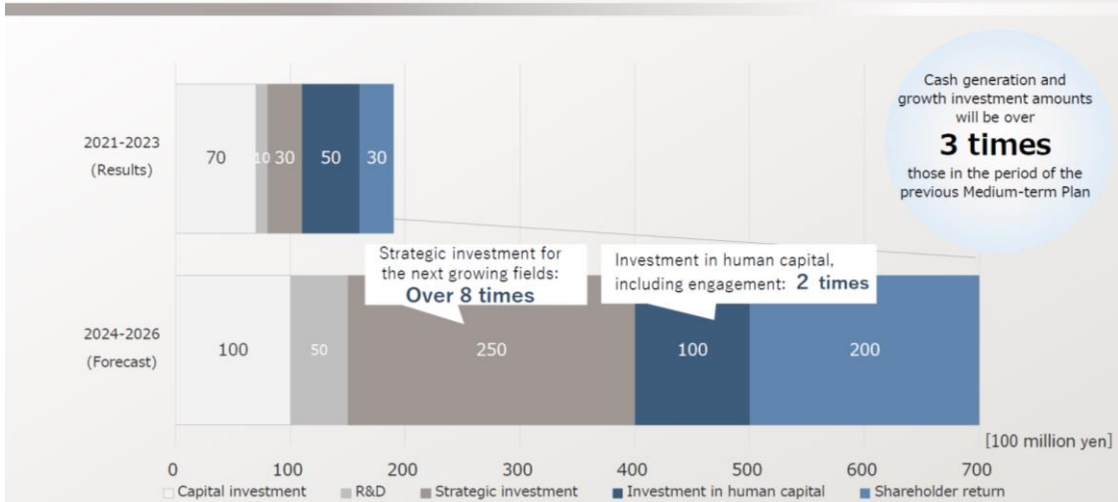
Source: Omega Investment from company materials

Supplementary Information: Allocate the results of improved profitability to reinvestment in line with the medium- to long-term strategy and strengthen shareholder returns.



Medium-term Management Plan 2024-2026 7 Flags 07

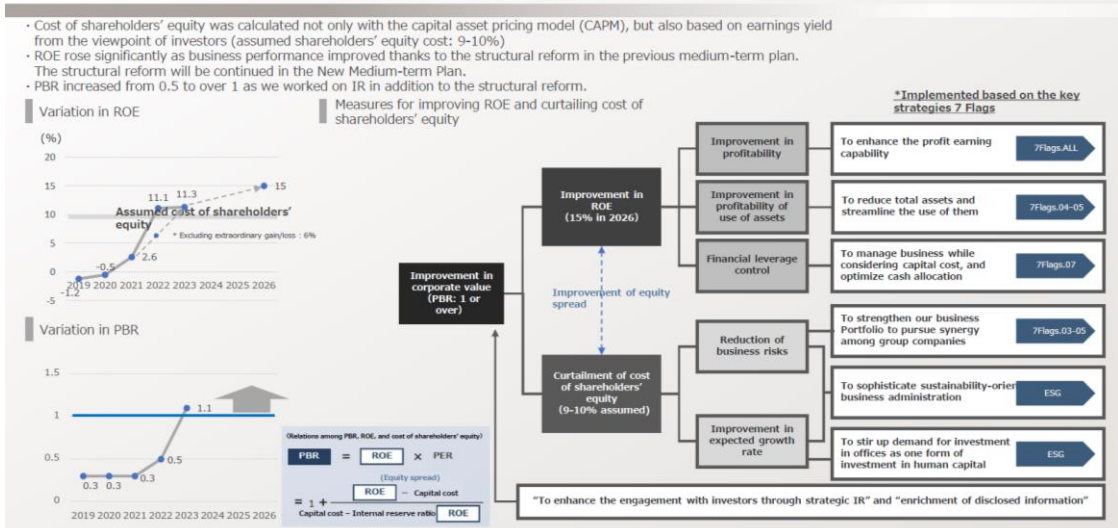
Comparison with the cash allocation in the past 3 years



Supplementary Information: Achieve ROE that exceeds the cost of shareholders' equity and promote higher PBR through expansion of equity spread.

Medium-term Management Plan 2024-2026 7 Flags 07

Measures for realizing business administration conscious of capital costs and share price



Source: Company materials



◇ Share price trends and focus: the results of reforms are reflected in share prices.

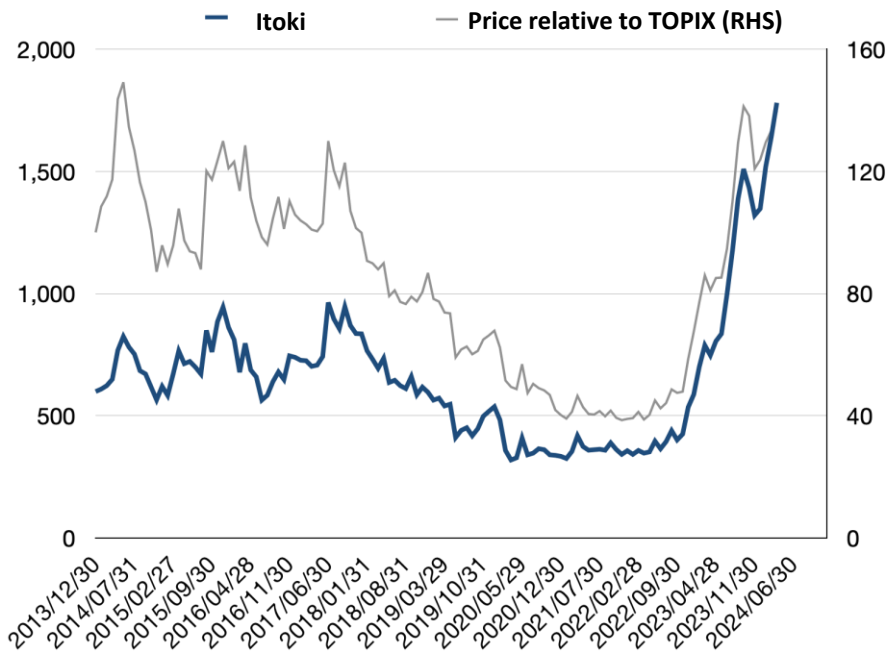
From the end of March 2022, when President Minato took office, to the end of March 2024, the company's share price rose from 347 yen to 1,782 yen, and PBR went from below 1x to about 1.5x. It is believed that the management policy and performance under President Minato's regime have significantly turned around investment sentiment, which was concerned about the receding office needs that emerged with the COVID-19 disaster and the company's past low profitability.

Secondly, there is a danger that when investors consider the company's prospects, they are too caught up in the view that it sells goods to domestic offices, which narrows their view of the company's future potential. This view should be swept away, and the company's future should be assessed flatly.

In other words, progress on qualitative milestones should be considered in addition to the financial KPIs outlined in the medium-term management plan.

The company's 2027-2029 business profile is likely to become more apparent as the following factors come into play: a strong need to improve office productivity, a greater focus on profits on a consolidated basis, greater employee motivation for creativity and ingenuity, an increase in the proportion of selling functions revenue, and new revenue opportunities outside the domestic office sector such as logistics and laboratories, as well as expansion into the Asian market. As a result, the share price could move to the next stage.

Long-term trends in Itoki's share price and relative to TOPIX



Source: Omega Investment

Long-term vision and direction of the new medium-term management plan

Source: Company materials

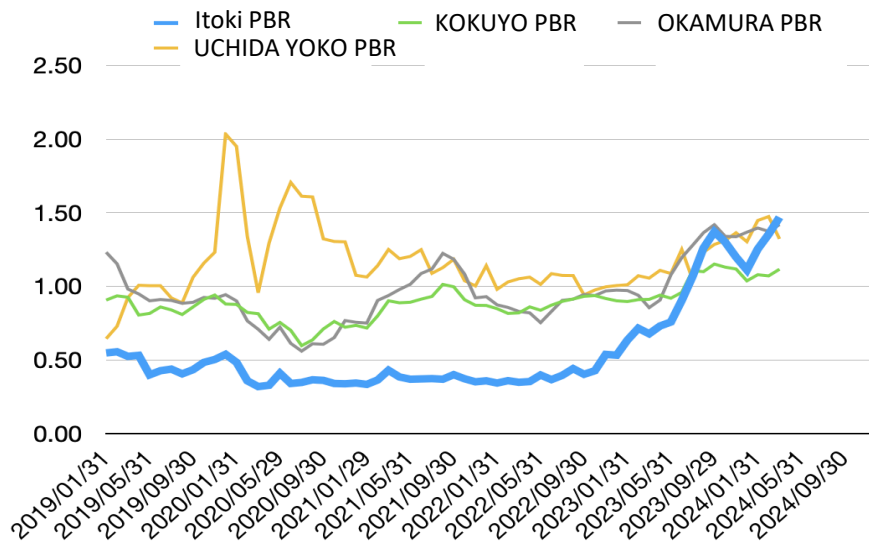
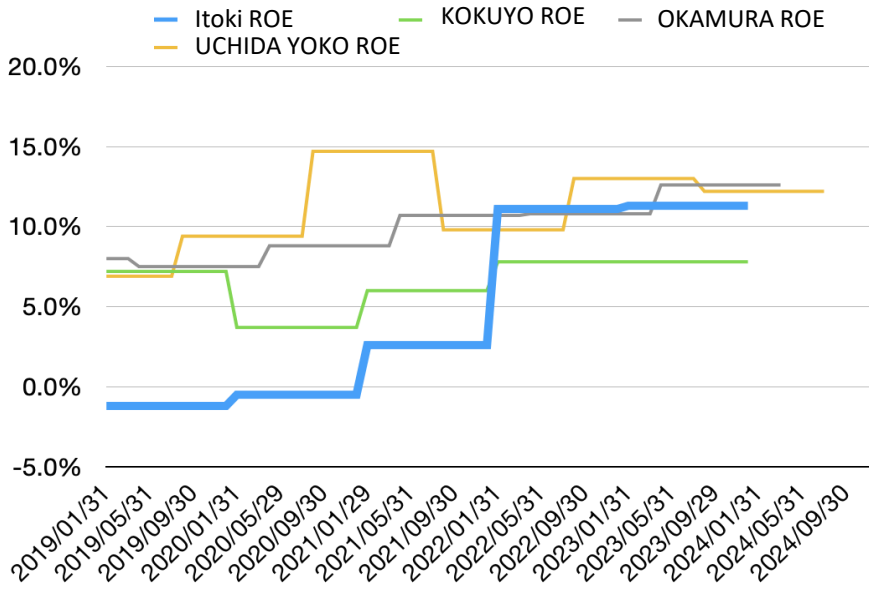


Valuations

Below are the ROE trends (including projected ROE for Okamura and Uchida Yoko for the ongoing period) and PBR trends for the company and its three peers over the past five years.

Clearly, the company's ROE has improved to a level comparable to its competitors due to its improved profitability, and PBR has risen accordingly to a level equivalent to its peers.

On the other hand, profit growth and further improvement in ROE are considered essential as future share price drivers. The ROE target in the company's new medium-term management plan is 15%, an improvement of 4 percentage points on the latest figures. As the ROE target becomes more feasible, there will be more scope for PBR to expand.



Source: prepared by 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, 2023	December, 2023	March, 2023	July, 2023
Share price (4/19)	1,819	2,517	2,269	6,730
Market cap. (million yen)	88,772	286,913	214,752	66,250
PER (x)	11.78	13.41	10.68	11.04
PBR (x)	1.50	1.14	1.34	1.24
Dividend yield (%)	2.86	3.02	3.79	2.82
Financial indicators (%)				
ROE	11.3%	7.8%	10.8%	13.0%
ROA	5.0%	5.3%	6.3%	4.8%
Equity Ratio	46.8%	70.3%	59.6%	39.0%
Per Share Indicators				
Number of shares outstanding at end of period (thousand shares)	49,100	113,990	94,646	9,844
EPS (yen, Plan)	144.12	187.74	212.37	609.62
BPS (yen, Act)	1,210.96	2,209.32	1,592.79	5275.58
DPS (yen, Plan)	52.00	76.00	86.00	190.00
Dividend payout ratio	36.1%	40.5%	40.4%	31.2%
Financial data				
Net sales	132,985	328,753	277,015	246,549
Five-year growth rate	2.3%	0.8%	2.8%	10.2%
Gross profit	52,240	127,392	89,005	42,674
Gross profit margin	39.3%	38.8%	32.1%	18.6%
Operating profit	8,523	23,830	17,372	8,436
Five-year growth rate	34.7%	5.4%	5.7%	23.5%
Operating profit margin	6.4%	7.2%	6.3%	3.4%
Net profit attributable to owners of the parent	5,905	19,069	15,906	6,366
Five-year growth rate	27.9%	6.0%	8.0%	28.3%
Net profit margin	4.4%	5.8%	5.7%	2.6%
Number of employees at end of term	3,892	6,931	5,492	3,241
Sales per Employee (thousand yen)	34,169	47,432	50,440	76,072
EBITDA	7,821	31,920	23,585	10,333
EBITDA margin	8.6%	9.7%	8.5%	4.2%
Statements of Cash Flows				
Cash flow from operating activities	6,321	34,739	13,491	7,269
Cash flow from investing activities	-4,012	-3,798	-6,660	-4,857
Cash flow from financing activities	-4,148	-14,442	-9,485	-3,521
Free cash flow	2,309	30,941	6,831	2,412

Source: Omega Investment from each company materials



Major shareholders

As of 31 December 2023

Name or title	Address	Number of shares owned (Thousands of shares)	Ratio of the number of shares owned to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku	5,948	13.11
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku	2,225	4.90
Custody Bank of Japan	8-12, Harumi 1-chome, Chuo-ku	1,836	4.04
K.K. Ashisuto	4-12, Hiranomachi 2-chome, Chuo-ku, Osaka	1,609	3.54
Itoki Crebio Business Association	5-1, Nihonbashi 2-chome, Chuo-ku	1,537	3.39
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku	1,121	2.47
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku	1,069	2.35
Itoki Crebio Employee Stock Ownership Plan	5-1, Nihonbashi 2-chome, Chuo-ku	993	2.19
Fumiko Ito	Minato-ku	923	2.03
Masamichi Yamada	Setagaya-ku	827	1.82
Total		18,093	39.89

Source: Annual Securities Report of the company

Shareholding by ownership

As of 31 December 2023

Classification	Shares (100 shares per unit)							Total	Status of fractional shares (shares)
	Government and local authorities	Financial institutions	Financial instruments firms	Other legal entities	Foreign corporations, etc.		Individuals and others		
					Non-individuals	Individuals			
Number of shareholders (persons)	-	22	29	201	123	12	5,282	5,669	-
Number of shares held (units)	-	136,549	8,148	59,066	69,466	5,841	177,044	456,114	53,037
Percentage of shares held (%)	-	29.937	1.786	12.949	15.229	1.280	38.815	100.0	-

Source: Annual Securities Report of the company

Corporate governance and top management

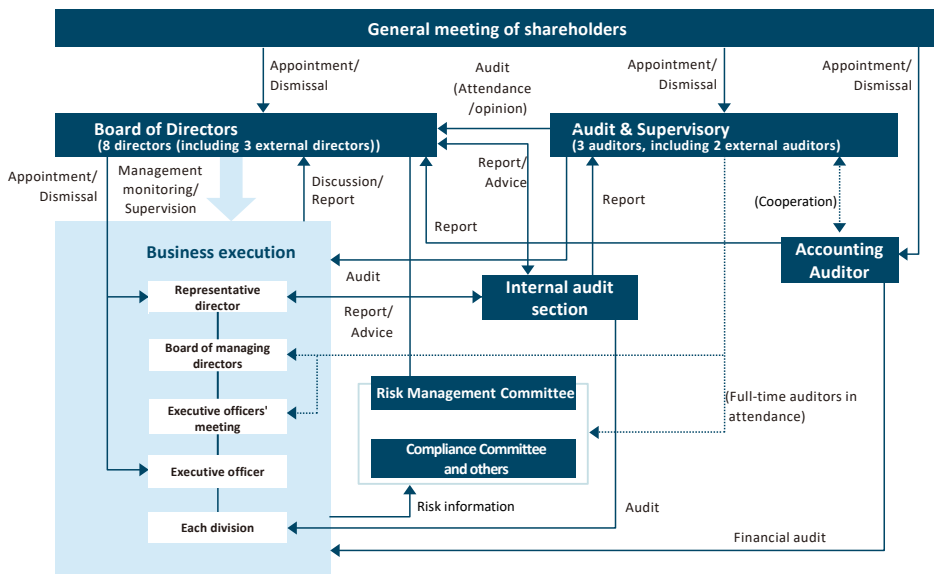
The company has a board of auditors with eight directors, three of whom are outside directors and designated as independent directors, one full-time auditor, and two part-time auditors (see details on the next page). The company has also adopted an executive officer system to separate management oversight from business execution.

The company has not established voluntary advisory committees, such as nomination and remuneration. However, when discussing the nomination and remuneration of senior management and directors, the committee's chairperson actively seeks the opinion of independent outside directors and receives appropriate advice and involvement, so governance is considered to be practically functioning within the current framework.

However, of the current 11 directors and auditors, 10 are male and one female (external), and all nationalities are Japanese, which means that further diversity is required.

Some progress has been made regarding employee diversity (see below).

The company's corporate governance structure



Source: Company materials

List of directors and officers

Directors

Masamichi Yamada
Chairman



Apr. 1964 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 1991 Director, The Mitsubishi Bank, Ltd.
Jun. 2000 Senior Managing Director, The Mitsubishi Bank, 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)

Koji Minato
President & Representative Director



Apr. 1994 Joined NIPPONTELEGRAPH 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)

Yoshiaki Moriya
Director and Managing Executive Officer (General Manager, Administration Division)



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)

Naoki Kaze
Director and Managing Executive Officer (General Manager, Sales Division)



Apr. 1986 Joined the former ITOKI Co., Ltd. ("former ITOKI")
Jan. 2007 General Manager, Tokyo-Nishi Branch 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
Mar. 2023 Director and Managing Executive Officer and General Manager, Sales Division of the Company (current)

Junsei Shinada
Director and Managing Executive Officer (General Manager, Planning Division)



Apr. 1985 Joined the former ITOKI Co., Ltd. ("former ITOKI")
Jul. 2006 General Manager, Minato Branch, Tokyo-Higashi Sales Department of the Company
Jan. 2016 Executive Officer and General Manager, Corporate Customer Sales 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
Mar. 2023 Director and Managing Executive Officer and General Manager, Planning Division of the Company (current)

Directors

Hiroshi Nagata
External Director



Apr. 1970 Joined MITSUI & CO., France
Jun. 1996 Director, MITSUI & CO., Ltd.
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
Mar. 2008 External Director of the Company (current)
Oct. 2018 President and Representative Director, CLEA Holdings Co., Ltd. (current)
Dec. 2021 External Director, CLEA Japan, Inc. (current)

Shiro Nitani
External Director



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)

Mariko Bando
External Director



Jul. 1969 Entered the Prime Minister's Office
Jul. 1994 Director, Gender Equality Bureau of the Cabinet Secretariat
Apr. 1995 Vice-Governor, Saitama Prefecture
Jun. 1998 Consul General of Japan in Brisbane, Australia
Apr. 2014 Chancellor (Rijicho), Showa Women's University
Jul. 2016 Chancellor (Socho), Showa Women's University (current)
Mar. 2023 External Director of the Company (current)

Audit & Supervisory Board members

Eiji Funahara
Full-Time Audit & Supervisory Board member



Apr. 1982 Joined Itoki Kosakusho Co., Ltd. (currently ITOKI CORPORATION)
Jun. 2005 General Manager, Facilities Equipment Engineering Department of the Company
Jan. 2015 Executive Officer and General Manager, Production Department Group, Production Division of the Company
Jan. 2020 Managing Executive Officer and General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group of the Company
Mar. 2020 Director, Managing Executive Officer, General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group of the Company
Mar. 2024 Full-Time Audit & Supervisory Board member of the Company (current)

Osamu Ishihara
External Audit & Supervisory Board member



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)
Apr. 2012 Executive Governor, Japan Federation of Bar Associations
Vice-President, Tokyo Bar Association
Apr. 2015 Vice-President, Kanto Federation of Bar Associations
Mar. 2023 Audit & Supervisory Board member of the Company (current)

Hisashi Shirahata
External Audit & Supervisory Board member



Sep. 1985 Joined Aoyama Audit Corporation
Jul. 1988 Registered as Certified Public Accountant
Oct. 1991 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jul. 2000 Admitted as Partner (Shain) of ChuoAoyama Audit Corporation
Sep. 2006 Representative Partner (Daihyo-Shain) of PwC Arata (currently Pricewaterhouse Coopers Arata LLC)
Mar. 2023 Audit & Supervisory Board member of the Company (current)

Source: Company materials



Skills matrix of the Board of Directors' Members

Skills matrix for directors and Audit & Supervisory Board members

Name	Corporate management	Finance and Accounting	Legal affairs and Risk management	International affairs	Sales	Production and R&D	Human resources development	ESG	DX
Masamichi Yamada	●	●		●	●			●	
Koji Minato	●			●	●			●	●
Yoshiaki Moriya		●	●	●	●			●	
Naoki Kaze	●				●	●			
Junsei Shinada	●				●				
Hiroshi Nagata	●			●	●				
Shiro Nitanei	●			●				●	
Mariko Bando	●		●	●			●	●	
Eiji Funahara			●			●	●		
Osamu Ishihara			●	●			●		
Hisashi Shirahata		●		●					

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

Make society and its people happy

Key themes

-  **Creating an appealing work style and workplace**
-  **Creating innovation by combining technology with space**
-  **Helping build a carbon-neutral society**
-  **Safeguarding the natural environment and promoting recycling of resources**
-  **Responsible procurement in both human rights and environmental terms**

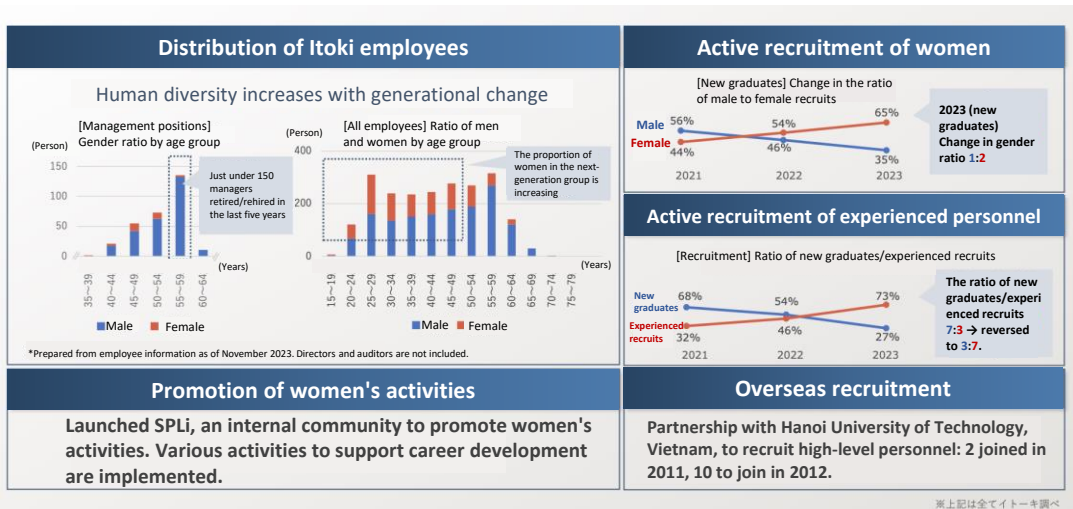
Make the company and its employees happy

Key themes

-  **Safeguarding employee mental and physical health**
-  **Support employee growth**
-  **Creating offices that allow diverse human resources to excel**
-  **Sustainably improve profitability**
-  **Ensuring transparent, reliable management**

Source: Company materials

In addition, the employee diversity initiatives mentioned earlier are as follows and show steady progress.



Financial data (quarterly basis)

FY (¥mn)	2020/12				2021/12				2022/12				2023/12			
	1Q	2Q	3Q	4Q	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	32,167	29,468	22,412	31,858	35,345	28,411	26,205	33,363	36,965	31,225	28,667	36,128
Year-on-year basis (%)	11.2	-9.3	-24.5	-0.1	-14.7	9.2	4.3	6.1	9.9	-3.6	16.9	4.7	4.6	9.9	9.4	8.3
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	22,216	18,954	17,483	22,091
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	14,748	12,271	11,184	14,037
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	9,970	10,047	11,006	12,694
Operating income	3,001	-370	-1,912	1,079	1,698	1,275	-1,242	829	3,964	407	-285	496	4,777	2,225	177	1,344
Year-on-year basis (%)	43.5	-	-	-	-43.4	-	-	-23.2	133.4	-68.7	-	-40.2	20.5	446.7	-	171.0
Operating profit ratio (%)	8.0	-1.4	-8.9	3.6	5.3	4.3	-5.5	2.6	11.2	1.4	-1.1	1.5	12.9	7.1	0.8	3.7
Non-operating income	154	162	251	237	240	161	171	122	125	164	171	96	125	114	141	101
Non-operating expenses	273	168	107	172	250	257	101	185	115	130	177	539	79	68	52	249
Ordinary income	2,882	-376	-1,768	1,143	1,657	1,173	-1,179	786	3,974	442	-291	52	4,824	2,271	265	1,195
Extraordinary income	0	6	125	980	1,255	78	133	88	786	139	118	6,762	1	15	120	50
Extraordinary expenses	116	42	55	1,503	20	456	518	1,474	44	64	38	3,465	21	10	24	308
Income before income taxes	2,766	-412	-1,697	620	2,893	795	-1,565	-600	4,716	516	-211	3,351	4,804	2,275	363	936
Total income taxes	1,039	134	-195	654	1,028	490	-132	-796	1,381	246	-21	1,585	1,506	864	161	-60
Net income	1,760	-557	-1,491	53	1,942	348	-1,440	316	3,388	288	-159	1,777	3,296	1,411	202	996
Year-on-year basis (%)	43.6	-	-	-	10	-	-	496.2	74.4	-17.2	-	462.3	-2.7	389.9	-	-44.0
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	8.9	4.5	0.7	2.8
[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	72,230	68,755	68,040	73,304
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	20,898	24,688	23,192	24,795
Notes and accounts receivable – trade	37,611	27,230	20,298	26,599	32,061	26,596	21,385	26,783	-	-	-	-	-	-	-	-
Notes and accounts receivable - trade, and contract assets	-	-	-	-	-	-	-	-	35,205	28,234	24,111	29,316	34,519	28,377	26,948	31,158
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	43,611	42,918	43,533	44,132
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	24,689	24,952	24,730	24,792
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	1,837	1,884	2,161	2,292
Goodwill	2,391	2,207	2,189	2,093	2,018	2,016	1,407	1,317	1,214	1,222	1,200	517	446	391	346	341
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	17,084	16,080	16,641	17,048
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	115,841	111,693	111,573	117,437
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	47,854	42,547	42,010	47,340
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	10,874	10,299	10,383	10,276
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	16,238	15,727	15,724	15,096
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	7,453	7,062	6,959	6,577
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	64,092	58,275	57,734	62,437
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	51,748	53,418	53,839	54,999
Shareholders' equity	45,479	45,390	43,786	43,691	45,047	45,419	43,979	44,301	47,249	47,567	47,408	49,185	50,806	52,267	52,469	54,960
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	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	9,638	9,665	9,665	9,665
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	36,008	37,419	37,621	38,617
Treasury shares	-46	-6	-33	-182	-182	-161	-161	-161	-161	-134	-134	-134	-314	-111	-111	-111
Share acquisition rights	-	-	45	45	45	45	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	115,841	111,693	111,573	117,437
[Statements of cash flows]																
Cash flow from operating activities	-	5,404	-	-843	-	4,577	-	-1,803	-	4,581	-	1,223	-	4,078	-	2,243
Cash flow from investing activities	-	-1,442	-	290	-	503	-	-1,673	-	-1,410	-	6,333	-	-3,265	-	-747
Cash flow from financing activities	-	293	-	-2,560	-	-1,418	-	-1,240	-	-661	-	-765	-	-3,266	-	-882
Free cash flow	-	3,962	-	-553	-	5,080	-	-3,476	-	3,171	-	7,556	-	813	-	1,496
Net increase in cash and cash equiv.	-	4,240	-	-3,037	-	3,787	-	-4,687	-	2,630	-	6,911	-	-2,466	-	711
Cash and cash equiv. at beginning of period	-	15,494	-	19,735	-	16,697	-	20,485	-	15,797	-	18,509	-	25,420	-	22,953
Cash and cash equiv. at end of period	-	19,735	-	16,697	-	20,485	-	15,797	-	18,509	-	25,420	-	22,953	-	23,664

Source: Omega Investment from company materials

Financial data (full-year basis)

FY (¥mn)	FY12/2013	FY12/2014	FY12/2015	FY12/2016	FY12/2017	FY12/2018	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023
[Statements of income]											
Net sales	103,461	102,993	106,516	101,684	108,684	118,700	122,174	116,210	115,839	123,324	132,985
Year-on-year basis (%)	-1.9	-0.5	3.4	-4.5	6.9	9.2	2.9	-4.9	-0.3	6.4	7.8
Cost of sales	67,118	66,797	68,374	65,021	69,966	77,436	80,495	74,322	74,145	77,575	80,744
Gross profit	36,343	36,196	38,142	36,663	38,718	41,264	41,679	41,888	41,694	45,749	52,240
Gross profit ratio (%)	35.1	35.1	35.8	36.1	35.6	34.8	34.1	36.0	36.0	37.1	39.3
SG&A expenses	32,203	33,723	33,836	33,862	35,761	39,339	40,776	40,089	39,158	41,167	43,717
Operating income	4,140	2,472	4,306	2,800	2,956	1,925	903	1,798	2,536	4,582	8,523
Operating profit ratio (%)	4.0	2.4	4.0	2.8	2.7	1.6	0.7	1.5	2.2	3.7	6.4
Non-operating income	813	841	898	771	750	889	677	804	694	556	481
Non-operating expenses	528	495	605	483	412	448	634	720	793	961	448
Ordinary income	4,425	2,818	4,599	3,087	3,295	2,365	945	1,881	2,437	4,177	8,555
Extraordinary income	685	615	171	97	228	919	27	1,111	1,554	7,805	186
Extraordinary expenses	238	262	524	267	121	204	35	1,716	2,468	3,611	363
Income before income taxes	4,872	3,171	4,246	2,918	3,401	3,081	938	1,277	1,523	8,372	8,378
Total income taxes	876	813	-385	1,068	959	1,339	1,517	1,632	590	3,191	2,471
Net income	3,910	2,160	4,530	1,907	2,402	1,722	-550	-235	1,166	5,294	5,905
Net income ratio (%)	3.8	2.1	4.3	1.9	2.2	1.5	-0.5	-0.2	1.0	4.3	4.4
ROE (%)	10.2	5.2	10.4	4.2	5.2	3.7	-1.2	-0.5	2.6	11.1	11.3
[Balance Sheets]											
Current assets	52,925	55,714	56,342	52,410	58,147	62,143	58,109	57,183	57,753	71,027	73,304
Cash and deposits	19,553	21,211	21,456	19,839	19,977	16,229	17,030	18,246	17,351	26,876	24,795
Notes and accounts receivable – trade	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	31,158
Non-current assets	42,335	41,007	41,832	43,271	44,073	46,559	49,955	47,912	46,144	44,260	44,132
Property, plant and equipment	28,193	27,041	26,395	25,322	24,426	26,362	27,781	26,206	24,417	24,978	24,792
Intangible assets	1,230	1,109	1,313	1,142	3,651	4,437	4,945	5,590	4,114	1,819	2,292
Goodwill	34	26	240	208	2,793	3,005	2,413	2,093	1,317	517	341
Investments and other assets	12,911	12,857	14,123	16,806	15,995	15,760	17,229	16,116	17,612	17,462	17,048
Total assets	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288	117,437
Current liabilities	35,359	36,677	36,106	35,390	39,683	45,133	47,559	43,646	42,544	49,099	47,340
Short-term borrowings	11,473	11,087	10,940	11,760	12,564	11,721	15,533	13,234	12,500	11,239	10,276
Non-current liabilities	16,874	16,854	14,756	14,888	15,211	16,076	15,385	17,259	16,277	16,278	15,096
Long-term borrowings	5,124	5,089	5,171	5,296	5,328	5,113	6,633	8,508	7,591	7,530	6,577
Total liabilities	52,234	53,532	50,863	50,278	54,894	61,210	62,944	60,906	58,822	65,377	62,437
Total net assets	43,026	43,189	47,311	45,402	47,326	47,492	45,834	44,189	45,076	49,910	54,999
Shareholders' equity	41,079	41,632	45,677	44,949	46,863	46,854	45,370	43,812	44,931	49,871	54,960
Share capital	5,277	5,277	5,277	5,277	5,277	5,277	5,294	5,294	5,294	5,294	5,294
Capital surplus	13,061	13,061	13,222	13,140	12,404	9,786	9,201	9,628	9,638	9,638	9,665
Retained earnings	22,073	23,556	29,223	30,504	32,315	31,104	29,862	28,950	29,530	34,387	38,617
Treasury shares	-833	-834	-3,000	-4,700	-4,701	0	-46	-182	-161	-134	-111
Share acquisition rights								45	45	45	45
Total liabilities and net assets	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288	117,437
[Statements of cash flows]											
Cash flow from operating activities	3,162	5,715	4,522	5,072	3,565	1,384	3,586	4,561	2,774	5,804	6,321
Cash flow from investing activities	-1,978	-1,742	-803	-4,044	-2,971	-3,094	-3,221	-1,152	-1,170	4,923	-4,012
Cash flow from financing activities	51	-2,179	-3,807	-2,571	-706	-2,463	0	-2,267	-2,658	-1,426	-4,148
Free cash flow	1,184	3,973	3,719	1,028	594	-1,710	365	3,409	1,604	10,727	2,309
Net increase in cash and cash equiv.	1,944	1,814	184	-1,619	88	-4,031	952	1,203	-900	9,622	-1,755
Cash and cash equiv. at beginning of period	16,156	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	15,797	25,420
Cash and cash equiv. at end of period	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	15,797	25,420	23,664

Source: Omega Investment from company materials



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