

Itoki (TYO: 7972)

Full-Year Earnings Registered Record Highs: Rising Expectations for Achieving the Medium-Term Management Plan Through Further Revenue and Profit Growth

◇ FY12/2024 full-year financial highlights: Record-high revenue and operating profit

On February 13, 2025, Itoki announced its full-year earnings results for FY2024, with revenue, operating profit, ordinary profit, and net income attributable to owner of parent all reaching record highs. Revenue was 138.46 billion yen (+4% YoY), operating profit was 10.07 billion yen (+18% YoY), ordinary profit was 10.00 billion yen (+16% YoY), and net income attributable to owner of parent was 7.18 billion yen (+21% YoY), achieving the company's earnings forecast. Revenue increased for the third consecutive year, and operating profit for the fifth consecutive year, with ROE at 13.8% (+2.5pt YoY), and an employee engagement score of 82.5% (+7.8pt YoY).

The primary growth driver was the Workplace Business. Amid rising demand for office space renewals as a pillar of investment in human capital by customers (such as recruitment, retention, and productivity improvement), Itoki expanded its comprehensive business strategy beyond the Tokyo metropolitan area by providing integrated services, including design, specification, and construction. As a result, profitability improved not only through product price revisions but also through multifaceted cost optimizations.

On the other hand, the Equipment & Public Works-Related Business saw a slight decline in revenue and operating profit. While demand for research facilities remained strong, public facility equipment revenue declined as expected. Additionally, due to rising material costs and labor shortages, the construction of logistics facilities was delayed, impacting the timing of revenue recognition. However, profitability was maintained, and the overall proportion of this segment in total earnings remained small.

Furthermore, investments were made in personnel expenses, DX promotion costs, and the showroom/head office renovation, resulting in a well-balanced earnings outcome rather than an excessive focus on profitability.

Orders for the Office 3.0 area that manages office space data to monitor and propose productivity improvements, reached 60 cases, significantly exceeding the target of 40 cases.

While operating cash flow turned negative at JPY -1.0 billion, this was mainly due to a temporary increase in payments following the abolition of promissory notes.

Additionally, in November 2024, the Japan Fair Trade Commission warned about potential violations of the Antimonopoly Act concerning payments to logistics contractors. However, financial adjustments for past transactions have been completed, and the major payments have already been settled. The company has also made progress in ensuring transaction fairness and compliance, reducing concerns related to this issue.

◇ Further strengthening of corporate structure

In addition to compliance improvements, four key topics were highlighted in the latest earnings announcement:

- 1. Credit rating acquisition:** In January 2025, Itoki obtained a new issuer rating of "A- (Stable)" from the Rating and Investment Information, Inc. (R&I). This paves the way for flexible debt financing beyond bank reliance.
- 2. Abolition of anti-takeover measures:** This move demonstrates management's confidence while ensuring that potential acquirers who can enhance corporate value are not unnecessarily obstructed. This will attract more investors interested in holding the company's stock.
- 3. SCM system implementation:** The new SCM system is scheduled to go live in June 2025, seven months later than initially planned. Once operational, it is expected to significantly enhance overall labor productivity.
- 4. Board governance enhancement:** The company plans to increase the number of external directors, with formal approval expected at the 75th Annual General Meeting of Shareholders on March 26, 2025. As a result, the board composition will shift from 5 internal and 3 external directors to an equal balance of 4 internal and 4 external directors. The two new external directors are expected to contribute to capital cost management, compliance reinforcement, and human resource development. Furthermore, Itoki promotes appointing external executive officers and younger leadership, indicating strong momentum for corporate transformation.

Full-Year Result Update

Other Products

As of March 6, 2024

Share price (3/5)

1,625 Yen

52weeks high/low	¥1,062/1,933
Avg Vol (3 month)	214 thou shrs
Market Cap	¥86.7 bn
Enterprise Value	¥95.3 bn
PER (25/12 CE)	9.99 X
PBR (24/12 act)	1.62 X
Dividend Yield (25/12 CE)	4.00 %
ROE (24/12 act)	13.79 %
Operating margin (24/12)	7.3 %
Beta (5Y Monthly)	0.41
Shares Outstanding	53.38 mn shrs
Listed market	TSE Prime section

Share price



Points of interest

- Confidence in achieving the FY2025 earnings forecast
- Expectations for profit growth in the final year of the medium-term management plan (FY12/2026), mainly through improved operational efficiency and group synergies
- The emergence of growth drivers beyond the current medium-term management plan (Office 3.0, specialized facility business, overseas expansion)
- Stabilized earnings growth through the contribution of recurring revenue

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◇ FY12/2025 Full-Year earnings forecast: Continued revenue and profit growth expected

The company has announced its FY12/2025 earnings forecast, targeting revenue of 145.0 billion yen (+4% YoY), operating profit of 11.5 billion yen (+14% YoY), ordinary profit of 11.5 billion yen (+14% YoY), and net income attributable to owner of parent of 8.0 billion yen (+11% YoY), aiming for consecutive record-high earnings.

The Workplace Business is expected to continue driving growth, supported by a favorable business environment and the company's optimal strategies, as we have seen. Based on the current sales pipeline, the earnings forecast appears reasonable.

Additionally, the annual dividend per share is expected to increase by 10 yen to 65 yen, with a projected payout ratio of 40%.

◇ Share price trends and future points of interest

Since 2022, Itoki's stock price has risen significantly until April 2024. However, it has since stabilized in the 1,500–1,600 yen range, which is in line with earnings progress.

Following the latest full-year earnings announcement, the stock price briefly rose to 1,812 yen, suggesting a potential new upward phase, but it is currently hovering around 1,650 yen.

This stock movement reflects the continued revenue and profit growth and improving ROE, which support the stock price. However, the profit growth has slowed compared to previous years, making it harder to identify the next catalyst for a stock price rise.

For the stock to resume a steady upward trend, several factors will be crucial:

1. Progress in FY12/2025 earnings performance.
2. Higher confidence in revenue and profit growth for FY12/2026, the final year of the medium-term management plan, particularly with expectations of a 2.5 billion yen operating profit increase driven by operational efficiency improvements.
3. The emergence of new growth drivers beyond the current medium-term management plan, including the Office 3.0 area, the specialized facilities area, and overseas expansion.
4. Strengthened recurring revenue and stable earnings growth.
5. A long-term outlook on financial targets and the company's M&A strategy remains a key investor interest.

As with last year, these key points may be addressed if an IR Day is held around mid-year. Investors should closely monitor earnings progress and management's responses to these factors.

Company profile

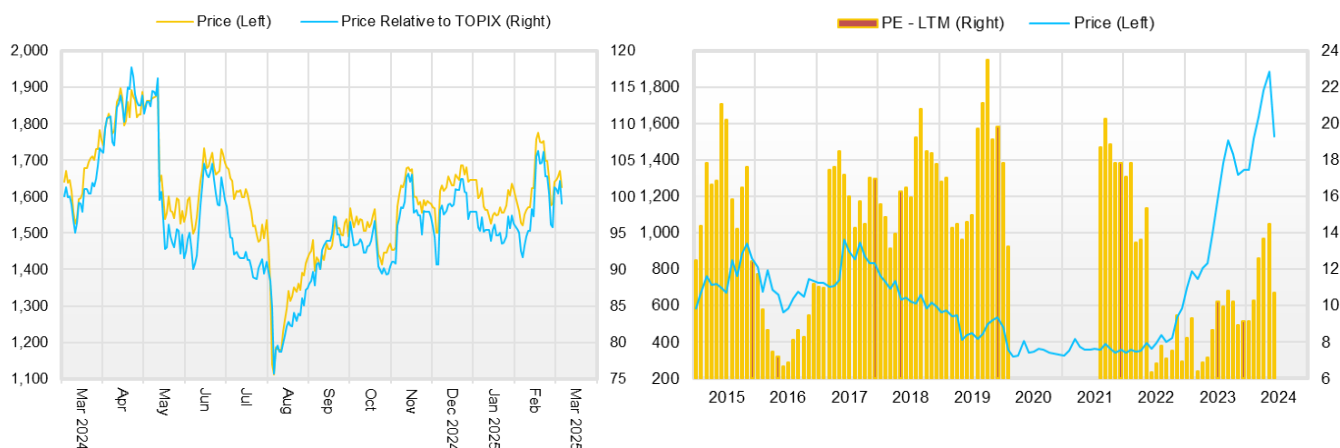
Itoki Corporation (Itoki) is an office furniture manufacturer that designs tomorrow's "workstyles". It was founded in 1890. In addition to office furniture manufacturing, the company is also involved in construction and interior decoration. In 2022, Koji Minato was appointed president, and the company's corporate structure has been transformed under his leadership. The company has advocated Office DX and Office 3.0 and is working to add high value. Under its three-year medium-term management plan, RISE TO GROWTH 2026, which ends in FY2026, the company is promoting the priority strategy '7 Flags' and ESG strategies under the theme of 'enhancing sustainable growth'. The plan aims to achieve sales of 150 billion yen, operating profit of 14 billion yen and ROE of 15% in FY2026.

Key financial data

Unit: million yen	2020/12	2021/12	2022/12	2023/12	2024/12	2025/12 CE
Sales	116,210	115,905	123,324	132,985	138,460	145,000
EBIT (Operating Income)	1,585	2,561	4,582	8,524	10,078	11,500
Pretax Income	1,277	1,523	8,372	8,378	10,071	11,500
Net Profit Attributable to Owner of Parent	-235	1,166	5,294	5,905	7,183	8,000
Cash & Short-Term Investments	18,246	17,451	26,976	24,795	22,482	
Total assets	105,096	103,898	115,288	117,437	120,521	
Total Debt	17,308	17,308	17,308	17,308	37,533	
Net Debt	-7,487	-7,487	-7,487	-7,487	15,051	
Total liabilities	60,901	58,818	65,374	62,434	71,174	
Total Shareholders' Equity	54,960	54,960	54,960	54,960	49,260	
Net Operating Cash Flow	4,561	2,774	5,804	6,321	-1,000	
Capital Expenditure	3,316	3,316	3,316	3,316	6,036	
Net Investing Cash Flow	-1,152	-1,170	4,923	-4,012	-7,107	
Net Financing Cash Flow	-2,267	-2,658	-1,426	-4,148	5,905	
Free Cash Flow	3,005	3,005	3,005	3,005	-4,146	
ROA (%)	-0.22	1.12	4.83	5.08	6.04	
ROE (%)	-0.53	2.63	11.17	11.27	13.79	
EPS (Yen)	-5.2	25.8	117.0	130.3	147.0	162.6
BPS (Yen)	970.4	993.9	1,101.3	1,212.0	1,001.1	
Dividend per Share (Yen)	13.00	15.00	37.00	42.00	55.00	65.00
Shares Outstanding (Milion shrs)	45.66	45.66	45.66	45.66	53.38	

Source: Omega Investment from company data, rounded to the nearest whole number.

Share price



Quarterly topics

【Highlights of full-year results】

Highlights of full-year results



Sales: Grew for the third consecutive fiscal year, hitting a record high.
 Operating profit: Increased for the fifth consecutive fiscal year, hitting a record high for the second consecutive fiscal year.



Source: Company material

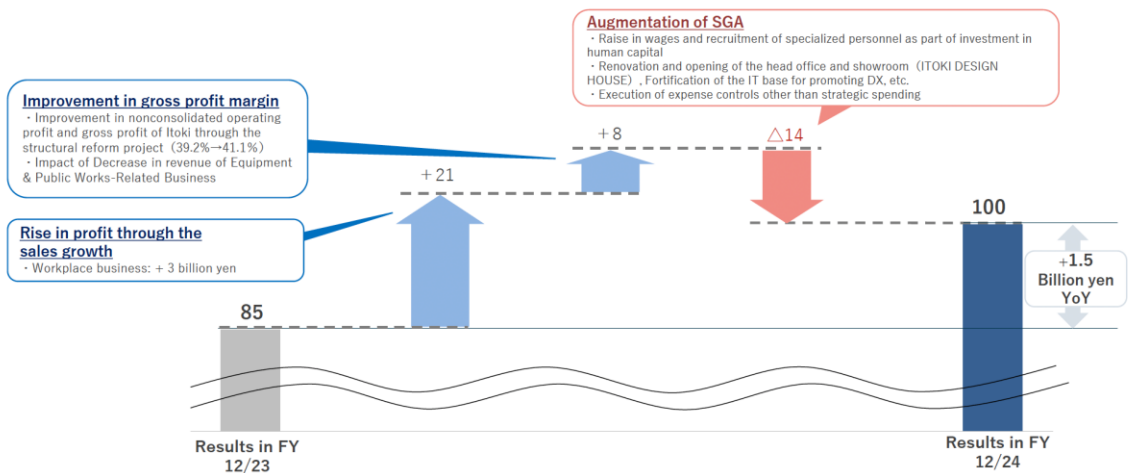
【Analysis of changes in operating profits】

Factors in Increasing/Decreasing Operating Profit (Analysis of Results in FY 2023 and FY 2024)



Sales growth, the improvement in gross profit margin offset SGA expenses increase, so profit grew considerably.

(Unit: 100 million yen)



Source: Company material

Quarterly topics

【Performance in each segment】

Performance in each segment



■ **Workplace Business**

- Net sales were strong primarily from renovation projects to accommodate new hybrid work styles and office relocations.
- Profit grew thanks to sales growth and the rise in profit margin through the improvement in value we offer.

■ **Equipment & Public Works-Related Business**

- Decrease in revenue due to the expected shrinkage of demand for equipment for public facilities, such as the display cases for museums and art museums, which was strong in the same period of the previous year, in addition to Schedule delays in equipment for logistics facilities due to high material costs.
- Decrease in profit due to the expected drop in sales of equipment for public facilities, such as the display cases for museums and art museums.

Jan. 1 -Dec. 31, 2024

(Unit: ¥100 million)	Results for FY 12/23	Results for FY 12/24	Increase/decrease		Full year forecast		
			Amount	Increase rate	Amount	Achievement rate	
Workplace Business	Net sales	945	1,022	+77	+8.2%	990	103.2%
	Operating profit	62	80	+18	+29.2%	80	100.0%
	[Operating margin]	(6.6%)	(7.9%)	—	(+1.3pts)	(8.1%)	—
Equipment & Public Works-Related Business	Net sales	368	345	△23	△6.2%	370	93.2%
	Operating profit	19	18	△1	△2.6%	20	90.0%
	[Operating margin]	(5.2%)	(5.4%)	—	(+0.2pts)	(5.4%)	—

Source: Company material

【Earnings forecast for FY ending December 2025】

Earnings forecast for FY ending December 2025



- As we will implement the priority strategy "7 Flags" in the 2nd year of the medium-term management plan, consolidated sales are expected to grow 4.7% (9.5% for the workplace-related business and △ 8.9% for the equipment/public business-related business) .
- Consolidated operating profit is projected to increase 14.1% to 11.5 billion yen.

Jan. 1 -Dec. 31, 2025 Unit: 100 million yen

[Consolidated]	Results for FY 12/24	Forecast for FY 12/25	Increase/decrease	
			Amount	Increase Rate
Sales	1,384	1,450	+66	+4.7%
Operating profit	100	115	+15	+14.1%
Ordinary profit	100	115	+15	+14.9%
Profit attributable to owners of parent	71	80	+9	+11.4%
[Operating margin]	(7.3%)	(7.9%)	—	(+0.6pts)

[Segment]	Results for FY 12/24	Forecast for FY 12/25	Increase/decrease		
			Amount	Increase Rate	
Workplace Business	Net sales	1,022	1,120	+98	+9.5%
	Operating profit	80	96	+16	+19.3%
	[Operating margin]	(7.9%)	(8.6%)	—	(+0.7pts)
Equipment & Public Works-Related Business	Net sales	345	315	△30	△8.9%
	Operating profit	18	18	△0	△3.1%
	[Operating margin]	(5.4%)	(5.7%)	—	(+0.3pts)

Source: Company material




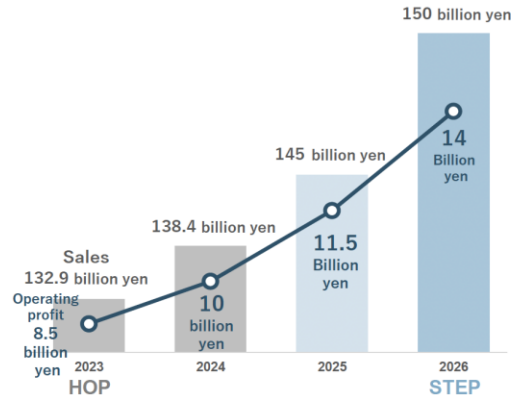
Quarterly topics

【Earnings forecast for FY2025 in the Medium-term Management Plan】

Numerical goals of Medium-term Management Plan



 <p>Numerical goals for 2026</p>	Sales	150 billion yen
	Operating profit	14 billion yen
	Operating margin	9%
	ROE	15%



Source: Company material

【Status of held business negotiations in FY2025】

Status of held business negotiations in FY2025



- Consolidated (Sum of Workplace Business and Equipment & Public Works-Related Business)
- Percentage of deals held in the current period when the amount of deals held in the same period last year is set as 100 : Amount based

Source: Company material

Financial data (quarterly basis)

Unit: million yen	2022/12	2023/12				2024/12			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Income Statement)									
Sales	33,363	36,965	31,225	28,667	36,128	40,918	31,592	29,613	36,337
Year-on-year	4.7%	4.6%	9.9%	9.4%	8.3%	10.7%	1.2%	3.3%	0.6%
Cost of Goods Sold (COGS)	21,384	22,216	18,955	17,483	22,090	24,545	19,888	17,644	21,182
Gross Income	11,979	14,749	12,270	11,184	14,038	16,373	11,704	11,969	15,155
Gross Income Margin	35.9%	39.9%	39.3%	39.0%	38.9%	40.0%	37.0%	40.4%	41.7%
SG&A Expense	11,484	9,970	10,047	11,006	12,694	10,333	10,878	11,029	12,883
EBIT (Operating Income)	495	4,779	2,223	178	1,344	6,040	826	940	2,279
Year-on-year	-40.3%	20.5%	444.9%	-162.2%	171.5%	26.4%	-62.8%	428.1%	69.6%
Operating Income Margin	1.5%	12.9%	7.1%	0.6%	3.7%	14.8%	2.6%	3.2%	6.3%
EBITDA	1,342	5,522	2,906	910	2,079	6,753	1,582	1,684	3,173
Pretax Income	3,351	4,804	2,275	363	936	6,006	1,328	1,035	1,702
Consolidated Net Income	1,767	3,297	1,411	202	997	4,104	985	725	1,409
Minority Interest	-10	1	0	0	0	2	1	11	25
Net Income ATOP	1,777	3,296	1,411	202	996	4,101	985	714	1,383
Year-on-year	462.3%	-2.7%	389.9%	-227.0%	-44.0%	24.4%	-30.2%	253.5%	38.9%
Net Income Margin	5.3%	8.9%	4.5%	0.7%	2.8%	10.0%	3.1%	2.4%	3.8%
(Balance Sheet)									
Cash & Short-Term Investments	26,976	20,908	24,788	23,292	24,795	24,751	28,513	30,536	22,482
Total assets	115,288	115,841	111,693	111,573	117,437	127,459	120,701	120,935	120,521
Total Debt	19,487	18,387	17,361	17,342	17,308	38,662	41,566	42,881	37,533
Net Debt	-7,489	-2,521	-7,427	-5,950	-7,487	13,911	13,053	12,345	15,051
Total liabilities	65,374	64,090	58,270	57,730	62,434	81,595	73,584	73,305	71,174
Total Shareholders' Equity	49,871	51,709	53,379	53,800	54,960	45,818	47,068	47,571	49,260
(Profitability %)									
ROA	4.83	4.49	5.67	6.09	5.08	5.52	5.41	5.85	6.04
ROE	11.17	10.45	12.45	13.12	11.27	13.76	12.51	13.41	13.79
(Per-share) Unit: JPY									
EPS	39.2	72.8	31.1	4.5	22.0	85.7	19.1	14.5	28.0
BPS	1,101.3	1,141.9	1,177.1	1,186.4	1,212.0	933.1	956.6	966.8	1,001.1
Dividend per Share	37.00	37.00	37.00	37.00	42.00	42.00	42.00	0.00	55.00
Shares Outstanding (million shrs)	45.66	45.66	45.66	45.66	45.66	53.38	53.38	53.38	53.38

Source: Omega Investment from company materials

Financial data (full-year basis)

Unit: million yen	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
(Income Statement)											
Sales	102,993	106,516	101,684	108,684	118,700	122,174	116,210	115,905	123,324	132,985	138,460
Year-on-year	-0.5%	3.4%	-4.5%	6.9%	9.2%	2.9%	-4.9%	-0.3%	6.4%	7.8%	4.1%
Cost of Goods Sold	66,858	68,424	65,071	70,012	77,479	80,712	74,536	74,186	77,575	80,744	83,259
Gross Income	36,135	38,092	36,613	38,672	41,221	41,462	41,674	41,719	45,749	52,241	55,201
Gross Income Margin	35.1%	35.8%	36.0%	35.6%	34.7%	33.9%	35.9%	36.0%	37.1%	39.3%	39.9%
SG&A Expense	33,711	33,949	33,862	35,761	39,336	40,776	40,089	39,158	41,167	43,717	45,123
EBIT (Operating Income)	2,424	4,143	2,751	2,911	1,885	686	1,585	2,561	4,582	8,524	10,078
Year-on-year	-40.5%	70.9%	-33.6%	5.8%	-35.2%	-63.6%	131.0%	61.6%	78.9%	86.0%	18.2%
Operating Income Margin	2.4%	3.9%	2.7%	2.7%	1.6%	0.6%	1.4%	2.2%	3.7%	6.4%	7.3%
EBITDA	5,055	6,551	5,316	5,551	4,615	4,436	5,603	6,148	7,821	11,417	13,185
Pretax Income	3,171	4,246	2,918	3,401	3,083	938	1,277	1,523	8,372	8,378	10,071
Consolidated Net Income	2,355	4,631	1,850	2,442	1,744	-579	-355	933	5,181	5,907	7,223
Minority Interest	195	101	-56	40	19	-28	-119	-233	-113	1	39
Net Income ATOP	2,160	4,530	1,907	2,402	1,725	-550	-235	1,166	5,294	5,905	7,183
Year-on-year	-44.8%	109.7%	-57.9%	26.0%	-28.2%	-131.9%	-57.3%	-596.2%	354.0%	11.5%	21.6%
Net Income Margin	2.1%	4.3%	1.9%	2.2%	1.5%	-0.5%	-0.2%	1.0%	4.3%	4.4%	5.2%
(Balance Sheet)											
Cash & Short-Term Investments	22,132	21,533	19,839	19,977	16,529	17,030	18,246	17,451	26,976	24,795	22,482
Total assets	96,721	98,175	95,681	102,451	108,710	108,778	105,096	103,898	115,288	117,437	120,521
Total Debt	18,916	18,927	19,931	17,892	16,834	22,166	21,742	20,091	19,487	17,308	37,533
Net Debt	-3,216	-2,606	92	-2,085	305	5,136	3,496	2,640	-7,489	-7,487	15,051
Total liabilities	53,532	50,864	50,275	54,997	61,200	62,940	60,901	58,818	65,374	62,434	71,174
Total Shareholders' Equity	41,632	45,677	44,949	46,863	46,857	45,370	43,812	44,931	49,871	54,960	49,260
(Cash Flow)											
Net Operating Cash Flow	5,715	4,522	5,073	3,565	1,384	3,586	4,561	2,774	5,804	6,321	-1,000
Capital Expenditure	1,400	1,114	1,641	1,333	3,477	3,226	1,729	2,110	4,145	3,316	6,036
Net Investing Cash Flow	-1,742	-803	-4,044	-2,971	-3,094	-3,221	-1,152	-1,170	4,923	-4,012	-7,107
Net Financing Cash Flow	-2,179	-3,807	-2,571	-706	-2,463	0	-2,267	-2,658	-1,426	-4,148	5,905
Free Cash Flow	4,315	3,408	3,664	2,342	-1,924	635	2,832	664	1,659	3,005	-4,146
(Profitability %)											
ROA	2.25	4.65	1.97	2.42	1.63	-0.51	-0.22	1.12	4.83	5.08	6.04
ROE	5.22	10.38	4.21	5.23	3.68	-1.19	-0.53	2.63	11.17	11.27	13.79
(Per-share) Unit: JPY											
EPS	42.8	91.6	40.1	52.7	37.8	-12.1	-5.2	25.8	117.0	130.3	147.0
BPS	825.8	953.5	986.8	1,028.9	1,027.4	995.8	970.4	993.9	1,101.3	1,212.0	1,001.1
Dividend per Share	13.00	13.00	13.00	13.00	13.00	13.00	13.00	15.00	37.00	42.00	55.00
Shares Outstanding (million shrs)	52.14	52.14	52.14	52.14	45.61	45.66	45.66	45.66	45.66	45.66	53.38

Source: Omega Investment from company materials



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