

Itoki (TYO: 7972)

1Q results were favorable. Business strategy was successful in the Workplace Business.

◇ FY12/2025 1Q Results highlights: Workplace Business as the growth driver

On May 2, 2025, Itoki announced its 1Q results for FY12/2025. The Workplace Business served as the key driver, leading to both revenue and profit growth. Net sales was 42.74 billion yen (+4% YoY), operating profit was 7.42 billion yen (+22% YoY), ordinary profit was 7.31 billion yen (+21% YoY), and net profit attributable to owner of parent was 4.91 billion yen (+19% YoY).

Before delving into the performance analysis, it is worth noting that, following an administrative warning from the Japan Fair Trade Commission (JFTC) in November 2024, Itoki initiated measures to improve its transaction practices with logistics subcontractors and submitted a report to the JFTC by March 17, 2025.

While these organizational improvements were being implemented, performance remained solid. The Workplace Business continued to lead the way, showing that the company's business strategy is aligned with market trends. Sales in the segment was 34.6 billion yen (+2.8 billion yen YoY), operating profit was 7.0 billion yen (+1.7 billion yen YoY), and the operating profit margin reached 20.3% (+3.8pt YoY). With the rising demand for office space renewal as a pillar of customers' investment in human capital (i.e., recruitment, retention, and productivity enhancement), the company is expanding its fully integrated sales approach, including design, specification, and construction, to beyond the Tokyo metropolitan area. As a result, in addition to price revisions, profitability has improved through a range of multifaceted initiatives.

Meanwhile, the Equipment & Public Works-Related Business posted lower revenue and operating profit. Sales was 7.7 billion yen (-1.0 billion yen YoY), operating profit was 0.3 billion yen (-0.3 billion yen YoY), and the segment margin was 4.8% (-3.7pt YoY). The decline was primarily due to delays in the construction start and completion of logistics facilities by customers, caused by rising material costs. However, profitability was maintained, and the segment's overall contribution remains small. Overall, Q1 performance appears to have exceeded expectations.

On the balance sheet, short-term borrowings increased to cover working capital. However, there are currently no significant concerns.

◇ FY12/2025 Full-year earnings forecast: No change to the revenue and profit growth forecast; progress is steady

The company maintained its guidance for FY12/2025: Net sales 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 profit attributable to owner of parent of 8.0 billion yen (+11% YoY), aiming to achieve record earnings again. The dividend per share remains unchanged at 65 yen (+10 yen YoY), with a projected payout ratio of 40%.

The outlook for achieving these targets remains solid.

First, 1Q progress rates were 29.5% for net sales and 64.5% for operating profit. Within this, the Workplace Business showed 30.9% progress on sales and 73.1% on operating profit, indicating that revenue is on track and profits are ahead of schedule.

Although profit growth stalled in 2Q of the previous fiscal year, which negatively impacted the stock market, similar concerns are limited this fiscal year. According to company interviews, demand for office renewals remains strong nationwide, supported by the human capital investment theme, and the deal pipeline is robust. Given the company's value-added proposals and prior price revisions, stable earnings growth is expected.

Second, although the Equipment & Public Works-Related Business is currently sluggish, 1Q results were better than expected, and its contribution to overall profit is limited.

1Q results update

Other Products

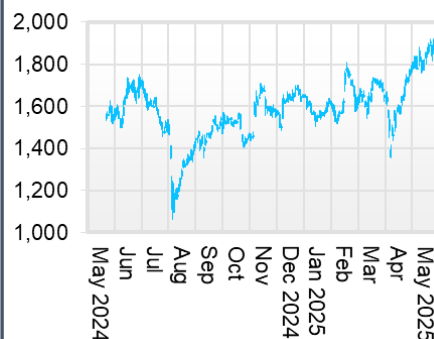
As of May 27, 2025

Share price (5/26)

1,956 Yen

52weeks high/low	¥1,062/1,980
Avg Vol (3 month)	214 thou shrs
Market Cap	¥104.4 bn
Enterprise Value	¥114.6 bn
PER (25/12 CE)	12.03 X
PBR (24/12 act)	1.87 X
Dividend Yield (25/12 CE)	3.32 %
ROE (24/12 act)	13.79 %
Operating margin (24/12)	7.3 %
Beta (5Y Monthly)	0.35
Shares Outstanding	53.38 mn shrs
Listed market	TSE Prime section

Share price



%	1M%	3M%	12M%
Share price	13.96	18.66	18.94
Japan TSE TOPIX	4.71	1.00	-1.19

Points of interest

Degree of confidence in achieving the FY12/2025 earnings forecast. Value enhancement in the Workplace Business. The operational effect of the new SCM system. Expansion of subsidiaries' earnings, and maximization of group synergies. The emergence of growth drivers beyond the current medium-term management plan (such as the Office 3.0 domain, specialized facility segment, and overseas expansion). The contribution of recurring revenue to stabilize earnings growth.

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◇ Share price trends and future points of interest

The company's stock has been trading between 1,500 and 1,800 yen since the beginning of the year. While it briefly fell below 1,400 yen in early April due to a market-wide downturn triggered by U.S. tariff hikes, it quickly rebounded and continued to rise steadily after the announcement of 1Q results. Currently, it has exceeded 1,800 yen, approaching the previous high of 2,200 yen, which was recorded in February 2024.

This performance likely reflects market appreciation for the company's effective strategy and revenue growth in the Workplace Business, along with significant improvements in profitability.

However, valuation metrics such as PER and PBR do not suggest overheating. If the following factors become more evident, the stock may exceed the 2,200 yen level, driven by increased growth expectations and a reduced risk of future performance volatility:

- Continued earnings expansion beyond 2Q, further raising confidence in the FY12/2025 forecast.
- Contribution to FY12/2026 (final year of the medium-term plan) earnings growth from both core businesses.
- Emergence of new growth drivers beyond the current plan: Office 3.0, specialized facilities, and overseas expansion.
- Enhanced earnings stability through recurring revenue and diversified income sources.
- Clarification of long-term financial targets and the company's stance on M&A.

If updates are provided during the upcoming IR Day or 2Q results announcement, the stock may gain further upward momentum. Investors should closely monitor both earnings progress and management's responses.

Company profile

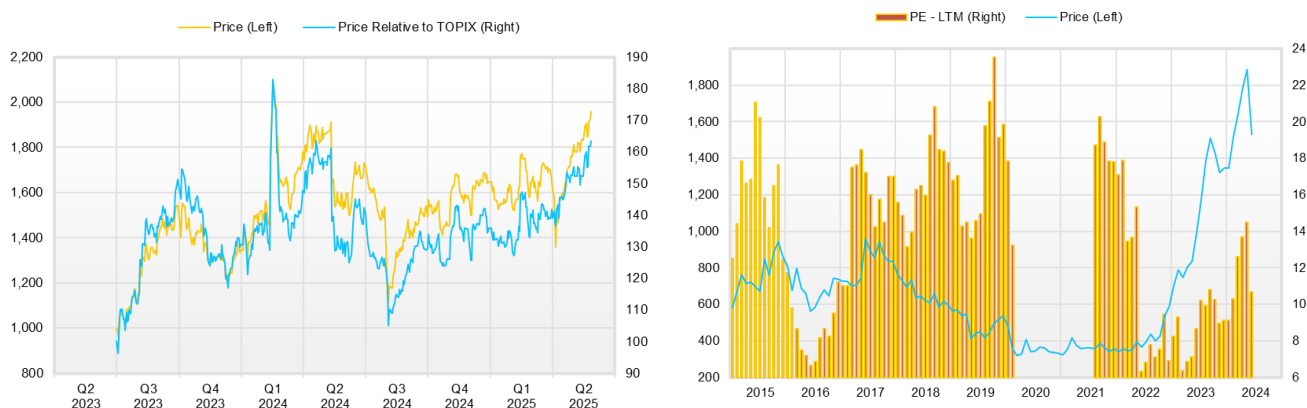
Itoki Corporation (Itoki) is an office furniture manufacturer that designs tomorrow's "workstyles". It was founded in 1890. In addition to office furniture manufacturing, the company is also involved in construction and interior decoration. In 2022, Koji Minato was appointed president, and the company's 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	
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	21,742	20,091	19,487	17,308	37,533	
Net Debt	3,496	2,640	-7,489	-7,487	15,051	
Total liabilities	60,901	58,818	65,374	62,434	71,174	
Total Shareholders' Equity	43,812	44,931	49,871	54,960	49,260	
Net Operating Cash Flow	4,561	2,774	5,804	6,321	-1,000	
Capital Expenditure	1,729	2,110	4,145	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	2,832	664	1,659	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 (Million shares)	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

【Financial highlights】

FY2025 Q1: Consolidated Performance Summary



Sales were **favorable** …Increase in demand for renovation and office relocation
Operating profit **improved more than expected**…Owing to growth in sales and rise in profit margin through the improvement of offered value

Workplace Business	<ul style="list-style-type: none">• Sales grew mainly due to renovation for matching new hybrid workstyles and office relocation• Profit increased owing to the growth in sales and improvement of profit margin through providing value added for offices based on space layout and design
Equipment & Public Works-Related Business	<ul style="list-style-type: none">• Sales decreased due to delays in starting and completing construction works caused by high material prices and lack of personnel mainly regarding equipment for logistics facilities• Profit declined due to delays in starting and completing construction works regarding equipment for logistics facilities, etc.

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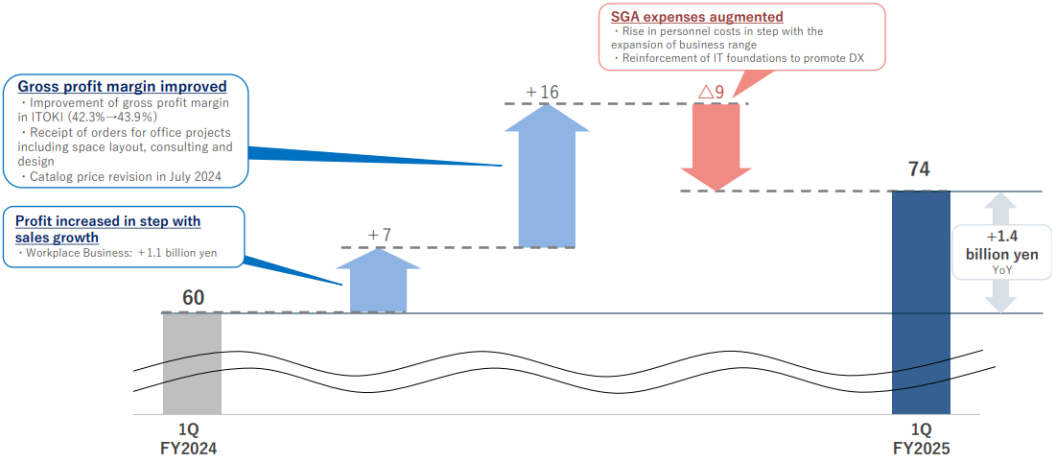
Source: Company material

【Analysis of changes in operating profits】

Causes for increases and decreases in operating profit (year-on-year analysis)



Operating profit improved more than expected, owing to the growth in demand for offices against the backdrop of investment in human capital and provision of an office environment with a high value added based on space layout, consulting and design (Unit: 100 million yen)



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Source: Company material

Quarterly topics

【 Performance in each segment 】

First Quarter Consolidated Performance



Jan. 1- Mar. 31, 2025 (Unit: ¥100million)

【 Consolidated 】		Dec 2024 First quarter		Dec 2025 First quarter		Increase (decrease)		Year forecast	
		Amount	% of sales	Amount	% of sales	Amount	% increase	Amount	Progress
Net sales		409	—	427	—	+18	+4.5%	1,450	29.5%
Cost of sales		245	60.0%	239	56.1%	△5	△2.2%	—	—
Gross profit		163	40.0%	187	43.9%	+23	+14.5%	—	—
SG&A expenses		103	25.3%	113	26.5%	+9	+9.6%	—	—
Operating profit		60	14.8%	74	17.4%	+13	+22.9%	115	64.5%
Ordinary profit		60	14.7%	73	17.1%	+13	+21.7%	115	63.6%
Profit attributable to owners of parent		41	10.0%	49	11.5%	+8	+19.9%	80	61.5%

【 Segment 】		Dec 2024 First quarter		Dec 2025 First quarter		Increase (decrease)		Year forecast	
		Amount	% of sales	Amount	% of sales	Amount	% increase	Amount	Progress
Workplace Business	Net sales	317	—	346	—	+28	+8.9%	1,120	30.9%
	Operating profit	52	16.5%	70	20.3%	+17	+33.5%	96	73.1%
Equipment & Public Works-Related Business	Net sales	87	—	77	—	△10	△11.6%	315	24.6%
	Operating profit	7	8.5%	3	4.8%	△3	△50.0%	18	20.7%

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Source: Company material

【 Earnings forecast for FY ending December 2025 】

Forecast for Fiscal Year Ending Dec. 31, 2025



■ Earnings forecast

- As the second year of the medium-term management plan, consolidated sales are expected to be +4.7% (workplace +9.5%, equipment/public △8.9%)
- Consolidated operating profit is forecast to be 11.5 billion yen, up 14.1% year on year.

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

【 Consolidated 】	Results for FY 12/24	Forecast for FY 12/25	Increase/decrease	
			Amount	Increase rate
Net 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	+98	+9.5%
	Operating profit	80	+16	+19.3%
	(Operating margin)	(7.9%)	—	(+0.7pts)
Equipment & Public Works-Related Business	Net sales	345	△30	△8.9%
	Operating profit	18	△0	△3.1%
	(Operating margin)	(5.4%)	—	(+0.3pts)

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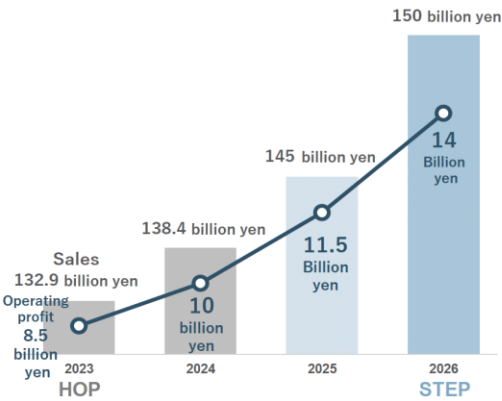
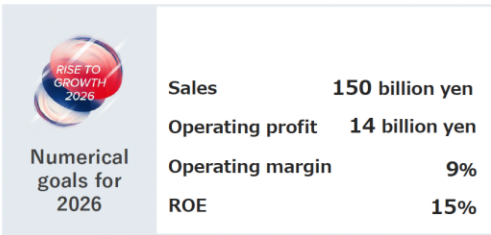
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Source: Company material

Quarterly topics

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

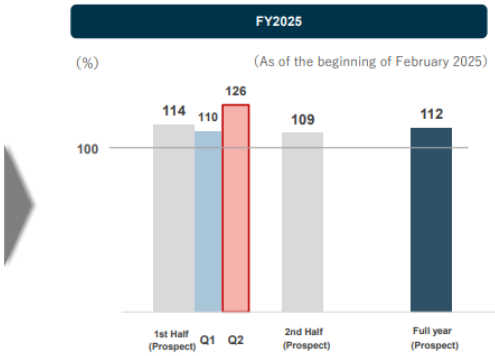
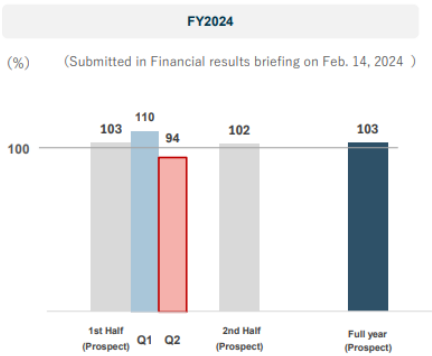
Numerical goals of Medium-term Management Plan



Source: Company material

【Status of held business negotiations in FY2025】

Status of held business negotiations in FY2025



- Consolidated (Total of workplace business and equipment public business)
- Ratio of held business negotiations in the current period when the held deal amount for the same period of the previous year is set as 100

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Source: Company material

Financial data (quarterly basis)

Unit: million yen	2023/12				2024/12				2025/12
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
(Income Statement)									
Sales	36,965	31,225	28,667	36,128	40,918	31,592	29,613	36,337	42,744
Year-on-year	4.6%	9.9%	9.4%	8.3%	10.7%	1.2%	3.3%	0.6%	4.5%
Cost of Goods Sold (COGS)	22,216	18,955	17,483	22,090	24,545	19,888	17,644	21,182	23,993
Gross Income	14,749	12,270	11,184	14,038	16,373	11,704	11,969	15,155	18,751
Gross Income Margin	39.9%	39.3%	39.0%	38.9%	40.0%	37.0%	40.4%	41.7%	43.9%
SG&A Expense	9,970	10,047	11,006	12,694	10,333	10,878	11,029	12,883	11,328
EBIT (Operating Income)	4,779	2,223	178	1,344	6,040	826	940	2,272	7,423
Year-on-year	20.5%	444.9%	-162.2%	171.5%	26.4%	-62.8%	428.1%	69.0%	22.9%
Operating Income Margin	12.9%	7.1%	0.6%	3.7%	14.8%	2.6%	3.2%	6.3%	17.4%
EBITDA	5,522	2,906	910	2,079	6,753	1,582	1,684	3,166	8,189
Pretax Income	4,804	2,275	363	936	6,006	1,328	1,035	1,702	7,257
Consolidated Net Income	3,297	1,411	202	997	4,104	985	725	1,409	4,910
Minority Interest	1	0	0	0	2	1	11	25	-6
Net Income ATOP	3,296	1,411	202	996	4,101	985	714	1,383	4,916
Year-on-year	-2.7%	389.9%	-227.0%	-44.0%	24.4%	-30.2%	253.5%	38.9%	19.9%
Net Income Margin	8.9%	4.5%	0.7%	2.8%	10.0%	3.1%	2.4%	3.8%	11.5%
(Balance Sheet)									
Cash & Short-Term Investments	20,908	24,788	23,292	24,795	24,751	28,513	30,536	22,482	24,296
Total assets	115,841	111,693	111,573	117,437	127,459	120,701	120,935	120,521	132,329
Total Debt	18,387	17,361	17,342	17,308	38,662	41,566	42,881	37,924	44,114
Net Debt	-2,521	-7,427	-5,950	-7,487	13,911	13,053	12,345	15,442	19,818
Total liabilities	64,090	58,270	57,730	62,434	81,595	73,584	73,305	71,174	80,689
Total Shareholders' Equity	51,709	53,379	53,800	54,960	45,818	47,068	47,571	49,260	51,562
(Profitability %)									
ROA	4.49	5.67	6.09	5.08	5.52	5.41	5.85	6.04	6.16
ROE	10.45	12.45	13.12	11.27	13.76	12.51	13.41	13.79	16.43
(Per-share) Unit: JPY									
EPS	72.8	31.1	4.5	22.0	85.7	20.0	14.5	28.1	99.9
BPS	1,141.9	1,177.1	1,186.4	1,212.0	933.1	956.6	966.8	1,001.1	1,047.9
Dividend per Share	0.00	0.00	0.00	42.00	0.00	0.00	0.00	55.00	0.00
Shares Outstanding (million shrs)	45.66	45.66	45.66	45.66	53.38	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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