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Cover

[Document Submitted]	Securities Report
[Legal Basis]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 27, 2024
[Fiscal Year]	74th term (from January 1, 2023 to December 31, 2023)
[Company Name]	Itoki Corporation
[Company Name in English]	ITOKI CORPORATION
[Name and Title of Representative]	President & Representative Director Koji Minato
[Location of Head Office]	1-6-11 Awaji-machi, Chuo-ku, Osaka City (this office is the registered head office of Itoki Corporation, and actual business is conducted at the nearest place of contact)
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[Contact for Communications]	None.
[Nearest Place of Contact]	2-5-1, Nihonbashi, Chuo-ku, Tokyo
[Telephone Number]	+81 -3 6910 3910
[Contact for Communications]	Yoshiaki Moriya, Director, Managing Executive Officer, General Manager of Administrative Division
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Kabutocho, Nihonbashi, Chuo-ku, Tokyo) Itoki Corporation Tokyo Head Office (2-5-1, Nihonbashi, Chuo-ku, Tokyo)

Part I　Corporate Information

I. Company Overview

1. Changes in Key Business Metrics, etc.

(1) Consolidated business metrics, etc.

Term		70th	71st	72nd	73rd	74th
Year ended		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Millions of yen)	122,174	116,210	115,905	123,324	132,985
Ordinary profit	(Millions of yen)	945	1,881	2,437	4,177	8,555
Profit (loss) attributable to owners of parent	(Millions of yen)	(550)	(235)	1,166	5,294	5,905
Comprehensive income	(Millions of yen)	(210)	(1,338)	1,441	5,239	6,715
Net assets	(Millions of yen)	45,834	44,189	45,076	49,910	54,999
Total assets	(Millions of yen)	108,778	105,096	103,898	115,288	117,437
Net assets per share	(Yen)	995.80	969.43	992.89	1,100.33	1,210.96
Basic earnings (loss) per share	(Yen)	(12.08)	(5.18)	25.82	116.99	130.29
Diluted earnings per share	(Yen)	—	—	25.67	114.04	111.28
Equity ratio	(%)	41.7	41.6	43.2	43.2	46.8
Return on equity	(%)	(1.2)	(0.5)	2.6	11.1	11.3
Price-earnings ratio	(times)	—	—	14.0	5.1	10.4
Net cash provided by (used in) operating activities	(Millions of yen)	3,586	4,561	2,774	5,804	6,321
Net cash provided by (used in) investing activities	(Millions of yen)	(3,221)	(1,152)	(1,170)	4,923	(4,012)
Net cash provided by (used in) financing activities	(Millions of yen)	(0)	(2,267)	(2,658)	(1,426)	(4,148)
Cash and cash equivalents at end of period	(Millions of yen)	15,494	16,697	15,797	25,420	23,664
Employees	(no.)	4,151	4,062	3,973	3,793	3,892

(Notes) 1. No diluted earnings per share for the 70th term are stated because the result was a per-share loss and there were no potential shares. For the 71st term, although there were potential shares, no diluted earnings per share are stated because the result was a per-share loss.

2. No price-earnings ratio is stated for the 70th and 71st terms because the result was a loss attributable to the owners of the parent.

3. As of the 73rd term, the presentation for rental fees received was changed from non-operating income to net sales, and the relevant key business metrics and other figures for the 72nd term have been restated to reflect the changes in presentation.

4. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied since the beginning of the 73rd term, and the key business metrics and other figures for the 73rd term and onward are metrics and other figures to which the aforementioned accounting standard has been applied.

(2) Business metrics and other figures for the submitting company

Term		70th	71st	72nd	73rd	74th
Year ended		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Millions of yen)	83,269	86,432	80,429	84,061	93,108
Ordinary profit (loss)	(Millions of yen)	(219)	831	1,467	3,508	5,720
Profit (loss)	(Millions of yen)	(4,150)	474	544	2,307	4,307
Share capital	(Millions of yen)	5,294	5,294	5,294	5,294	5,294
(Total shares issued)	(Thousand)	(45,664)	(45,664)	(45,664)	(45,664)	(45,664)
Net assets	(Millions of yen)	37,522	36,520	36,422	38,161	41,222
Total assets	(Millions of yen)	78,807	78,458	75,412	85,447	86,139
Net assets per share	(Yen)	823.58	807.93	804.69	841.74	908.01
Dividend per share	(Yen)	13.00	13.00	15.00	37.00	42.00
(of which interim dividend per share)		(—)	(—)	(—)	(—)	(—)
Basic earnings (loss) per share	(Yen)	(91.00)	10.43	12.04	50.97	95.04
Diluted earnings per share	(Yen)	—	—	11.97	49.69	81.18
Equity ratio	(%)	47.6	46.5	48.2	44.6	47.8
Return on equity	(%)	(10.5)	1.3	1.5	6.2	10.9
Price-earnings ratio	(times)	—	32.2	30.0	11.6	14.3
Dividend payout ratio	(%)	—	124.7	124.6	72.6	44.2
Employees	(no.)	2,022	2,040	2,012	1,996	2,153
Total shareholder return	(%)	92.3	60.4	66.8	111.6	246.1
(Comparative metric: Dividend-included TOPIX)	(%)	(118.1)	(126.8)	(143.0)	(139.5)	(178.9)
Highest share price	(Yen)	638	542	447	619	1,587
Lowest share price	(Yen)	391	250	321	327	570

(Notes) 1. No diluted earnings per share for the 70th term are stated because the result was a per-share loss and there were no potential shares. For the 71st term, no diluted earnings per share are stated because there were no potential shares with a dilutive effect.

2. No price-earnings ratio or dividend payout ratio is stated for the 70th term because the result was a loss.

3. The highest share prices and lowest share prices up to April 3, 2022 are from the First Section of Tokyo Stock Exchange, and those from April 4, 2022 onward are from the Tokyo Stock Exchange Prime Market.

4. As of the 73rd term, the presentation for rental fees received was changed from non-operating income to net sales, and the relevant key business metrics and other figures for the 72nd term have been restated to reflect the changes in presentation.

5. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied since the beginning of the 73rd term, and the key business metrics and other figures for the 73rd term and onward are metrics and other figures to which the aforementioned accounting standard has been applied.

2. History

December 1890 Itoki Shoten founded in Higashi-ku, Osaka City

1908 Itoki Shoten Engineering Department founded, and manufacturing of office equipment commenced

April 1950 Itoki Kosakusho Co., Ltd. established in Izuo in Taisho-ku, OsakaCity, as an entity independent from Itoki Shoten

The main developments that occurred subsequently are as set out below.

July 1952	Imafuku Plant founded in Joto-ku, Osaka City
December 1954	Head office relocated to Joto-ku, Osaka City
January 1961	Itoki All Steel Co., Ltd. established (now a consolidated subsidiary)
October	Listed on the Second Section of the Osaka Securities Exchange
September 1962	Listed on the Second Section of the Tokyo Stock Exchange
December	Home Furniture Sales Division established in Tokyo and Osaka
May 1963	Neyagawa Plant founded in Neyagawa City, Osaka Prefecture
November 1968	Kyoto Plant founded in Yawata City, Kyoto Prefecture
September 1972	Shiga Plant founded in Omihachiman City, Shiga Prefecture (now the cabinet plant)
June 1974	Fuji Living Industry Co., Ltd. (Hakusan City, Ishikawa Prefecture) became an Itoki subsidiary (now a consolidated subsidiary), manufacture of folding metal chairs commenced
August 1984	Kyoto No. 2 Plant founded in Yawata City, Kyoto Prefecture, and manufacturing transferred from Imafuku Plant
November 1986	Electronic device manufacturing plant founded in Omihachiman City, Shiga Prefecture (now an administrative building)
June 1987	Listing on the Tokyo Stock Exchange and the Osaka Securities Exchange changed to the first sections
October 1991	Chair manufacturing plant founded in Omihachiman City, Shiga Prefecture
August 1992	Chair manufacturing facilities from the Kyoto No. 2 Plant relocated to chair manufacturing plant in Shiga
August 1999	Neyagawa Plant in Neyagawa City, Osaka Prefecture expanded
October 2000	Itoki Technical Service Corporation established
November 2002	Itoki (Suzhou) Furniture Co., Ltd. established in China (now a consolidated subsidiary called Novo Workstyle (China) Limited)
March 2003	Itoki Market Space Inc. established (now a consolidated subsidiary)
June 2005	Itoki Crebio Corporation and Itoki Co., Ltd. merged and changed their name to Itoki Corporation
November 2005	Shiga Logistics Center founded in Omihachiman City, Shiga Prefecture
December 2007	Itoki Corporation acquired shares in Business Jimuki Co., Ltd., and changed its name to ITOKI-HOKKAIDO Co., Ltd.
December 2008	Kanto Plant founded in Midori-ku, Chiba City, and some operations transferred from Kyoto Plant
April 2011	DALTON Corporation and five of its subsidiaries became subsidiaries of Itoki Corporation (now consolidated subsidiaries), and manufacturing and sale of research equipment and devices and powder machinery commenced
March 2015	Shin Nihon System Technology Corporation became a subsidiary of Itoki Corporation (now a consolidated subsidiary), and development of various systems commenced
July 2015	Itoki Komu Center Co., Ltd., Itoki Osaka Komu Center Co., Ltd., and Itoki Technical Service Corporation merged and changed their name to Itoki Engineering Service Corporation (now a consolidated subsidiary)
December 2016	Tarkus Interiors Pte Ltd located in Singapore became a subsidiary (now a consolidated subsidiary)
July 2017	Novo Workstyle Asia Limited founded in Hong Kong (now a consolidated subsidiary)
November 2018	New Tokyo head office ITOKI TOKYO XORK opened in Chuo-ku, Tokyo
June 2020	ITOKI CHINA HOLDING Co., Ltd. founded in China (now a consolidated subsidiary)
April 2022	Listing on the Tokyo Stock Exchange switched from First Section to Prime Market after a review of Tokyo Stock Exchange market sections
November 2022	AP Center (Assembly Process Center) founded in Omihachiman City, Shiga Prefecture
April 2023	Absorption-type merger of the ITOKI-HOKKAIDO Co., Ltd. consolidated subsidiary

3. Description of Business

The Itoki Group is comprised of Itoki Corporation, 32 consolidated subsidiaries, seven non-consolidated subsidiaries, and two associates. In three business segments made up of the workplace business, equipment and public works-related business, and IT and sharing business, we focus on work-styles and leverage our capability to make comprehensive proposals in order to provide support regarding a wide range of issues faced by companies, organizations, and individuals in terms of the environments in which people go about their life.

How these businesses fit into the overall business of the Itoki Group and their relation to reportable segments are as set out below.

Workplace Business

Itoki Corporation's mission statement is *We Design Tomorrow. We Design WORK-Style*, and with this as our foundation, we lead the way in the creation of working environments for the coming generation by providing the products and services to realize the optimum working environment for the work styles of each customer. In addition to products and services for the creation of environments in which working people gather to work, we also offer household furniture for home-working and studying and other such products that underpin distributed working environments, as well surveying, consulting, and other services to assist with corporate work style strategy and working environment creation, and by doing so, we provide comprehensive support for the creation of working environments in every kind of space.

Main products/services

Office furniture (desks, work stations, tables, office / conference room chairs, systemized storage units, lockers) / manufacture and sale of building materials for office space construction / interior finishing work / office space design / project management for office relocation / office maintenance and repair services / furniture for teleworking and home learning

Main subsidiaries and associates

Itoki Corporation, Itoki All Steel Co., Ltd., Fuji Living Industry Co., Ltd., Itoki Marui Industry Co., Ltd., Simasobi Corporation, Sanko Facilities Inc., Itoki Engineering Service Corporation, FMSTAFF Co., Ltd., Tarkus Interiors Pte Ltd, Novo Workstyle Asia Limited, NOVO WORKSTYLE CO., LTD., ITOKI CHINA HOLDING Co., Ltd., ITOKI SYSTEMS (SINGAPORE) PTE., LTD., Itoki Modernform Co., Ltd., PT. Itoki Solutions Indonesia

Equipment and Public Works-Related Business

We contribute to the advancement of society and the economy by providing safe and appealing products for the manufacturing and logistics facilities that support the infrastructure on which society is built, as well as for public facilities where people come together. We provide products that contribute to the peace of mind and safety of the community and working people in all places where value is created, and we contribute to regional invigoration through products and services that support the creation of appealing environments and spaces at public facilities.

Main products/services

Logistics equipment (multi-level shuttle automated storage systems (SAS)) and storage racks / special doors / office security systems / devices for commercial facilities / research facility equipment / powder machinery systems / creation of environments and spaces for public facilities, etc.

Main subsidiaries and associates

Itoki Corporation, DALTON Corporation, Itoki Market Space Inc., Itoki Toko Manufacturing Co., Ltd.

IT and Sharing Business

We provide services to support the creation of new value by customers through, among other things, the promotion of DX (digital transformation) at companies.

Main products/services

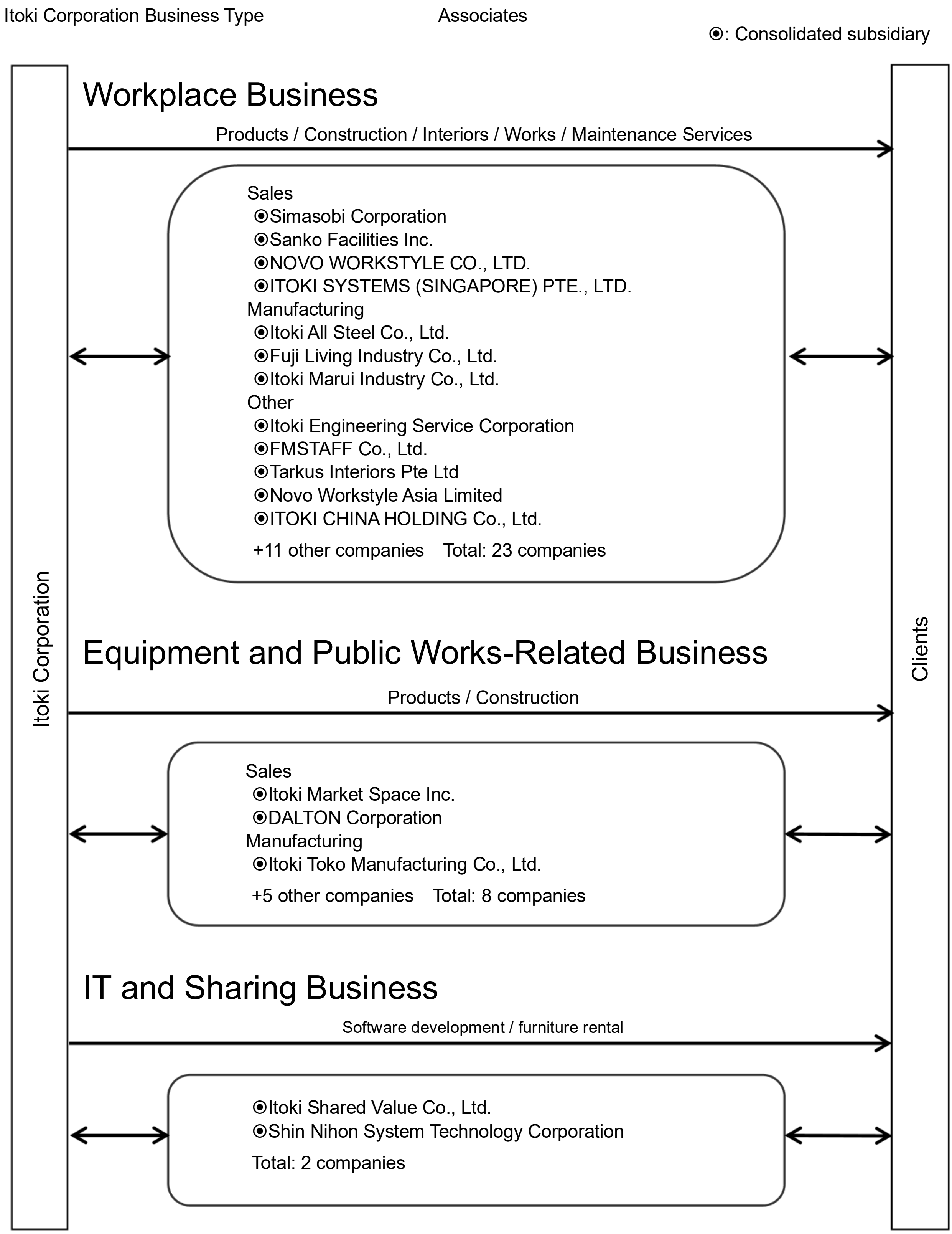
Office sharing / office equipment rental and reuse / IT systems development and verification / packaged software

Main subsidiaries and associates

Itoki Shared Value Co., Ltd., Shin Nihon System Technology Corporation

Please note that from the fiscal year ending December 31, 2024, products and services related to office sharing/office equipment rental and reuse that were included in the IT and sharing business will be shifted to the workplace business along with our associate Itoki Shared Value Co., Ltd., and the number of reportable segments will be changed to two: the workplace business and the equipment and public works-related business. Please also note that reports on products and services related to IT systems development and verification / packaged software as well as on our associate Shin Nihon System Technology Corporation will be made under the classification "Other".

Below is a business organization chart that provides a visual illustration of the overview on the previous page.



4. Information on Subsidiaries and Associates

Name	Address	Capital (million yen)	Main Business	Voting Rights Held (%)	Relationship					
					Officer Interlocking, etc.		Financial Support	Business Transactions	Equipment Lending/ Borrowing
					Itoki Corporation Officers (no.)	Itoki Corporation Employees (no.)			
Consolidated subsidiaries									
Itoki All Steel Co., Ltd.	Noda City, Chiba Prefecture	90	Workplace Business	100.0	—	4	—	Manufacture of Itoki Corporation counter products, etc.	—
Fuji Living Industry Co., Ltd.	Hakusan City, Ishikawa Prefecture	60	Workplace Business	98.5	—	4	—	Manufacture of Itoki Corporation chair products	—
Itoki Market Space Inc.	Chuo-ku, Tokyo	100	Equipment and Public Works-Related Business	100.0	—	3	—	Sales of commercial equipment and devices	Renting out of buildings, etc.
Itoki Engineering Service Corporation	Chuo-ku, Tokyo	50	Workplace Business	100.0	—	4	—	Undertaking of works and maintenance services such as supervised maintenance for products delivered by Itoki Corporation	Renting out of buildings, etc.
Simasobi Corporation	Yokohama City, Kanagawa Prefecture	10	Workplace Business	100.0 (0.5)	—	3	—	Itoki Corporation dealership	—
Itoki Toko Manufacturing Co., Ltd.	Bando City, Ibaraki Prefecture	70	Equipment and Public Works-Related Business	100.0	—	2	Loans	Manufacturing of steel doors and safety-deposit boxes for Itoki Corporation products	—
Itoki Marui Industry Co., Ltd.	Nagaoka City, Niigata Prefecture	10	Workplace Business	100.0	—	4	—	Manufacturing of Itoki Corporation desk products, etc.	—
Sanko Facilities Inc.	Chiyoda-ku, Tokyo	40	Workplace Business	100.0	—	4	—	Itoki Corporation dealership	—
FMSTAFF Co., Ltd.	Chuo-ku, Tokyo	90	Workplace Business	100.0 (1.7)	—	4	—	Project management, etc., for products delivered by Itoki Corporation	—
Itoki Shared Value Co., Ltd.	Chuo-ku, Tokyo	50	IT and Sharing Business	100.0	1	3	—	Rental, etc., of Itoki Corporation products	—
Shin Nihon System Technology Corporation	Chuo-ku, Tokyo	100	IT and Sharing Business	100.0	—	3	—	Software product development and sales	—
DALTON Corporation	Chuo-ku, Tokyo	1,387	Equipment and Public Works-Related Business	100.0	1	3	—	Sales of research equipment and devices	—
MUTO SAFE, INC.	Saitama City, Saitama Prefecture	10	Workplace Business	100.0	—	3	—	Itoki Corporation dealership	—
Tarkus Interiors Pte Ltd.	Singapore	SGD $1.5m	Workplace Business	100.0	—	2	Loan guarantees	—	—
Novo Workstyle Asia Limited	Hong Kong	USD $31.8m	Workplace Business	100.0	1	0	—	—	—
NOVO WORKSTYLE CO., LTD.	Jiangsu, China	USD $28.12m	Workplace Business	100.0 (82.2)	1	2	Loan guarantees	Supply of components for Itoki Corporation products	—
ITOKI SYSTEMS (SINGAPORE) PTE., LTD.	Singapore	SGD $1.3m	Workplace Business	100.0	—	2	—	Itoki Corporation dealership	—
ITOKI CHINA HOLDING Co., Ltd.	Jiangsu, China	USD $15.0m	Workplace Business	100.0	1	2	—	—	—
+15 companies									

(Notes) 1. The segment name is shown in the Main Business field.

2. DALTON Corporation, Itoki Engineering Service Corporation, Novo Workstyle Asia Limited, NOVO WORKSTYLE CO., LTD., and ITOKI CHINA HOLDING Co., Ltd. are specified subsidiaries.

3. Numbers in parentheses in the Voting Rights Held field indicate the percentage held indirectly.

4. The percentage of consolidated sales constituted by DALTON Corporation sales (excluding internal sales between consolidated companies) exceeds 10%.

Principal profit and loss information, etc.	(1) Net sales	14,704 million yen
	(2) Ordinary profit	776 million yen
	(3) Profit	610 million yen
	(4) Net assets	4,674 million yen
	(5) Total assets	14,145 million yen

5. Employees

(1) Consolidated companies

As of December 31, 2023

Name of Segment	Employees
Workplace Business	2,531
Equipment and Public Works-Related Business	1,060
IT and Sharing Business	124
Reportable segment total	3,715
Other employees at all companies (total)	177
Total	3,892

(Notes) 1. The number of employees indicates the entire workforce, and includes non-permanent employees.

2. The number of employees indicated as other employees at all companies indicates the number of employees who belong to administrative departments that cannot be categorized into specific segments.

(2) Submitting company

As of December 31, 2023

Employees	Average Age	Average Years of Service	Average Annual Salary
2,153	42 years, 8 months	15 years, 4 months	7,193,590

Name of Segment	Employees
Workplace Business	1,629
Equipment and Public Works-Related Business	347
IT and Sharing Business	-
Reportable segment total	1,976
Other employees at all companies (total)	177
Total	2,153

(Notes) 1. The number of employees indicates the entire workforce, and includes non-permanent employees.

2. The average annual salary indicates the amount including tax, and includes additional wages and bonuses.

3. The number of employees indicated as other employees at all companies indicates the number of employees who belong to administrative departments that cannot be categorized into specific segments.

4. Other information concerning employees is as set out in II. Business Overview 2. Approach to and Initiatives for Sustainability.

(3) Labor union

The Iabor union at Itoki Corporation is called the Itoki Labor Union, and it has a union shop arrangement.

Some consolidated subsidiaries also have labor unions.

There are no particularly noteworthy matters with regards to labor-management relations.

(4) Ratio of female workers in management positions, rate of male employees taking childcare leave, and wage differences between male and female employees

(A) Submitting company

Fiscal Year				
Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Note 1, 3)		
		All workers	Regular workers	Part-time and fixed-term employees
10.3	70.0	70.4	68.6	83.9

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Calculated as the ratio of childcare leave, etc. taken in Item 1 of Article 71 Paragraph 4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

3. Although there are no wage differences between male and female employees in terms of the HR system, there are some differences caused by the male/female age composition, the ratio of men/women in management positions, and other such factors.

(B) Consolidated subsidiaries

Fiscal Year					
Name	Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Note 1, 3)		
			All workers	Regular workers	Part-time and fixed-term employees
Itoki All Steel Co., Ltd.	0.0	—	85.6	91.1	75.8
Shin Nihon System Technology Corporation	12.5	33.3	82.4	82.3	—
DALTON Corporation	3.1	50.0	70.4	70.4	—

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Calculated as the ratio of childcare leave, etc. taken in Item 1 of Article 71 Paragraph 4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

3. Although there are no wage differences between male and female employees in terms of the HR system, there are some differences caused by the male/female age composition, the ratio of men/women in management positions, and other such factors.

4. Among Itoki Corporation's consolidated subsidiaries, figures are only stated for domestic subsidiaries with at least 101 workers employed on an ongoing basis.
Please note that no figures are stated for Itoki Engineering Service Corporation as this company is to be absorbed into Itoki Corporation in a merger scheduled for July 1, 2024.

5. A "-" indicates that there are either no men or no women who meet the criteria, or that there are no workers of either gender who meet the criteria.

II. Business Overview

1. Management Policy, Business Environment, and Issues to be Addressed

Statements in the text regarding the future are based on the judgment of the Group as of the fiscal year ended December 31, 2023.

(1) Basic management policy

Since its establishment in Osaka in 1890 as Itoki Shoten, Itoki Corporation has played a major role in the development of Japanese offices, advancing steadily alongside the Japanese economy through the Taisho, Showa, Heisei, and Reiwa eras. During that time, the Company has developed through management tailored to changing times, such as the spin-off of the manufacturing department in 1950. Then, in June 2005, manufacturing and sales operations were once again integrated in the pursuit of creating new corporate value, marking the beginning of its history as a single organization for the first time in more than half a century.

As a Group, we believe that our reason for being is to pursue business activities aimed at both CS (Customer Satisfaction) and ES (Employee Satisfaction), and furthermore, to fulfill our corporate social responsibilities to the fullest extent possible. In accordance with our mission statement “We Design Tomorrow. We Design WORK-Style,” we aim to contribute to solving problems and creating new value in offices and many other environments.

(2) Target management indicators

From the perspectives of business growth and the improvement of earnings power, as well as the efficient management of assets, the Group considers
(A) the ratio of operating profit margin to net sales and
(B) return on equity (ROE)
to be important management indicators.

In order to realize the Group’s vision statement, “Vibrant People, Beautiful Planet,” we aim to achieve stable and sustainable business growth by continuing to provide attractive products and services, as well as through ongoing cost reductions and productivity improvements.

(3) Medium- to long-term management strategy

In the Medium-term Management Plan “RISE ITOKI 2023” announced in 2021, Itoki Corporation set a target of consolidated net sales of 133 billion yen and operating profit of 6 billion yen, and achieved steady business growth. As for the business environment surrounding Itoki Corporation during this period, companies and workers are currently displaying growing interest in hybrid work[*1,] and have been doing so since the COVID-19 pandemic. In addition, investment in human capital has garnered attention, resulting in the increasing opinion that the ideal nature of offices is a management issue.

To take advantage of these changes in the business environment and achieve further business growth, Itoki Corporation has formulated a three-year Medium-term Management Plan, “RISE TO GROWTH 2026,” which covers the period from 2024 to 2026. The theme of this Medium-term Management Plan is “enhancing the strength of sustainable growth.” We have outlined the key strategy “7 Flags,” as well as ESG strategy. Through the implementation of measures under these strategies, Itoki Corporation aims to achieve net sales of 150 billion yen, operating profit of 14 billion yen, and an ROE of 15% by 2026. Further, profits gained from business growth will be utilized as strategic investments in the medium to long term, and we will systematically return them to our stakeholders.

The key strategy “7 Flags” and ESG strategy of the “RISE TO GROWTH 2026” Medium-term Management Plan are as follows.

■ Key Strategy “7 Flags”

1. Office 1.0/2.0 Area[*2]

   Itoki Corporation will strengthen value-added proposals for new work styles and the office spaces for implementation of those work styles, and thereby ensure the sales and profit base.

2. Office 3.0 Area[*3]

   Itoki Corporation will utilize spatial sensing and conversion of office furniture to IoT in order to develop services that provide data-driven and optimal work styles and office spaces.

3. Specialized Facility Area

   Itoki Corporation will prioritize allocation of resources to development and engineering in the logistics facility area and research facility area, and develop those areas into the second pillar.

4. Transition to High Profitability

Itoki Corporation will improve production and operational efficiency by restructuring the Group's production and supply system and renovating the internal IT infrastructure.

5. Group Synergy

The successes of the structural reform project carried out by Itoki Corporation will be rolled out horizontally to Group companies, thereby pursuing Group synergy.

6. Human Capital

Itoki Corporation will promote proactive and dynamic "creativity and ingenuity" in each employee, mainly through reform of the human resources system.

7. Financial Strategy

From a medium-to-long-term perspective, Itoki Corporation will systematically implement growth strategic investments, employee returns, and shareholder returns.

■ ESG Strategy

- Environment

Under the "ITOKI Ecosystem Initiative toward 2050: Harmony with Nature,"*4 Itoki will contribute to the achievement of a society that has zero negative impact on the ecosystem.

- Social

Itoki Corporation will present itself as a testing ground for investment in the "work" environment, and promote the Company's main business of Work Style Design, thereby contributing to the maximization of human capital.

- Governance

Itoki Corporation will rebuild its management infrastructure from a standalone perspective to a consolidated perspective and aim to improve governance throughout the entire Group.

*1: A work style that combines office work and telework

*2: Office 1.0: Product-based sales business/Office 2.0: Space-based product solution business

*3: Office 3.0: Work style-based office DX business

*4: An internal initiative to promote activities that contribute to the environment, with "responding to climate change," "promoting recycling of resources," and "utilization of sustainable materials" as priority areas

■ Numerical Targets (Consolidated)

	FY2026 targets
Net sales	150 billion yen
Operating profit	14 billion yen
Operating profit margin	9%
ROE	15%

(4) Issues to be addressed as a company

In terms of the external business environment for the Group in recent years, although restrictions on activities imposed during the COVID-19 pandemic have been eased and the economy continues its return to normality, the outlook is expected to remain uncertain due to geopolitical risks such as the prolonged situation in Ukraine and the worsening situation in the Middle East, as well as continued steep increases in prices for materials and parts. Given these circumstances, the Group will steadily advance the key strategy "7 Flags" and ESG strategy of the newly formulated Medium-term Management Plan "RISE TO GROWTH 2026," aiming to evolve into a company that continues to create and deliver high levels of value.

In 2020, the Group launched the structural reform project as part of its all-company strategy. This project involved the vigorous promotion of activities to improve the earnings structure, yielding some positive results by the end of the fiscal year. From 2024, the Group will continue and develop these activities under a new framework, with the aim of achieving the goals of the new Medium-term Management Plan. The project activities will help improve business productivity by reforming business processes and optimizing management resources, and furthermore, accelerate the development of new businesses to transform the Company into an innovative and highly profitable entity.

2. Approach to and Initiatives for Sustainability

The Group's approach to sustainability and specific initiatives are as follows.

Note that statements in the text regarding the future are based on the judgment of the Group as of the fiscal year ended December 31, 2023.

(1) General sustainability

In accordance with our vision statement, "Vibrant People, Beautiful Planet," the Group aims to contribute to the happiness of individuals, companies, and society by supporting people's work-styles and conducting sustainable corporate activities. Meanwhile, social issues such as global warming, human rights, the declining number of children, and demographic aging are growing more serious each year, and corporate activities that take social issues into consideration, such as addressing climate change, respecting human rights, and investing in human capital and DX, are required more than ever before. Against this backdrop, the Itoki Group made "implementation of ESG management" a key policy in its three-year Medium-term Management Plan "RISE ITOKI 2023" for the period 2021–2023, and has undertaken measures from various perspectives, including energy conservation, utilization of sustainable materials, and implementation of a human resources strategy synchronized with management strategy.

The new Medium-term Management Plan "RISE TO GROWTH 2026," which will begin in FY2024, places the key strategy "7 Flags" and an ESG strategy at its center, with the ESG strategy forming the foundation of business strategy.

* The new Medium-term Management Plan "RISE TO GROWTH 2026" and the ESG strategy are described in II. Business Overview.

(A) Governance in sustainability

Management of risks/opportunities and strategies related to sustainability, such as climate change and human rights, are overseen by the Director and Managing Executive Officer of the Planning Department. Materialities (key issues) and other important sustainability-related policies and measures are developed by the Sustainability Promotion Department, which is under the jurisdiction of the Corporate Planning Department, and are deliberated on and reported at the Board of Managing Directors as necessary through the director in charge, and are subject to supervision by the Board of Directors. The Sustainability Promotion Department also receives and compiles reports on the progress of sustainability initiatives from each department, and reports to the director in charge when required.

* The state of the Board of Directors and the Audit & Supervisory Board is described in the "Corporate Governance Report" and the "Corporate Governance" section of the "Integrated Report."

(B) Risk management

In addition to establishing countermeasures to anticipate various risks that may arise in all aspects of its business activities, and appropriately managing risks by reducing their likelihood and impact, the Itoki Group is committed to risk management to minimize damage and losses and prevent recurrence in the event that a risk should materialize. Risks identified based on various factors are classified into four levels of likelihood and degree of impact, and are evaluated based on a score (1 to 16 points) obtained by multiplying these levels together.

In accordance with the "Itoki Group Risk Management Basic Regulations," the Group has established a Risk Management Committee chaired by the President to ensure effective risk management. The Risk Management Committee develops risk management policies, evaluates risks, and determines the level of countermeasures, and instructs the subordinate Compliance Committee, Information Security Committee, and the relevant departments to take specific countermeasures.

For the fiscal year ended December 31, 2023, the following seven risk items from those with particularly high scores (12 points or more) in the risk assessment were selected by the Risk Management Committee as priority risks to be addressed to enhance the effectiveness of their respective countermeasures.

Since sustainability risks have a significant impact on the Company's medium- to long-term growth, we have created a risk management sheet for "business and human rights risks" that require special attention, and these are managed within the company-wide risk management system. The risk management sheet clearly states the specific details of risks, countermeasures, as well as relevant departments, laws, and regulations to help preemptively avoid risks and promptly respond to problems when they occur. In addition, from the next fiscal year, "climate change risks" will be managed within the company-wide risk management system.

* The state of risk management is described in "II. Business Overview, 3. Business and Other Risks."

(C) Strategy

Since 2018, the Itoki Group has been working on materialities (key issues) in order to solve various social issues related to workplaces into the future. In 2022, in response to changes in social issues, ongoing dialogue was held with management to review priority themes, sorting issues into the two major materialities of “making society and its people happy” and “making the company and its employees happy.”

Furthermore, in conjunction with the formulation of the new Medium-term Management Plan “RISE TO GROWTH 2026,” the priority themes are being reorganized from the perspective of integrating management and sustainability. Consideration is being given to linking the new priority themes to the Medium-term Management Plan, and it is envisioned that the progress of various activities based on the materialities will be managed in the same manner as progress of the Medium-term Management Plan (KPIs).

(2) Climate change

In June 2020, recognizing that addressing climate change is an important management issue, the Group expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Accordingly, we are conducting an analysis, based on the TCFD’s recommendations, of the impact that climate change will have on our business.

(A) Governance for climate change

The governance framework for climate change is shared with that for (1) General sustainability.

(B) Risk management for climate change

Regarding risks and opportunities in climate change, on the basis of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Promotion Department identifies significant risks and opportunities through a comprehensive consideration of business issues, an assessment of the impact of environmental aspects using the environmental management system (EMS), and requests and expectations from stakeholders, and evaluates them on two axes: impact and likelihood. From the next fiscal year, climate change-related issues will be managed as “climate change risks” within the company-wide risk management system, in the same manner as other business and other risks. The risks identified by the Group with respect to climate change are as follows.

- Transition risks: The high-impact risks identified include increased costs and delays in responding to changes in stakeholder behavior in the event that a carbon tax is introduced. These will be managed through measures such as the use of renewable energy and the development and design of environmentally friendly products.
- Physical risks: The Company recognizes the risk of supply chain disruption in the event of an increase in the frequency of extreme weather events. We will respond by revising our business continuity plan in response to changes in the environment.

* Details of identified risks and opportunities are disclosed on the Itoki Corporation website.

Sustainability site E (Environment) → https://www.itoki.jp/sustainability/envreport/

(C) Strategy for climate change

Three scenarios (advanced/normal/delayed sustainability) were defined and analyzed with reference to several existing scenarios published by the IPCC(*) regarding long-term projections for climate change. The analysis showed that climate change could have a significant impact on the Group’s business in the short, medium, and long term, including policy and regulatory risks. Besides the increasing frequency and scale of extreme weather events, which is already apparent, other risks include the introduction of a carbon tax, increased procurement costs, and the shrinking of existing markets.

The Group regards climate change as an important management issue and has designated “helping build a carbon-neutral society” and “safeguarding the natural environment and promoting recycling of resources” as priority themes among its materialities. On the basis of these priority themes, we have established medium- and long-term CO_2 emission reduction targets, and will promote work styles that emit less CO_2 by implementing DX and supporting our customers’ work style reforms, while also working to achieve these targets within the Company itself through the introduction of renewable energy and the development and design of environmentally friendly products. Furthermore, these activities will be conducted using a steady PDCA cycle in order to make progress toward achieving our goals.

* IPCC: Intergovernmental Panel on Climate Change

(D) Indicators and targets

As part of its efforts to address climate change, the Itoki Group has established medium- and long-term CO_2 emissions reduction targets and is working to achieve them by incorporating them into specific action plans. Beginning this year, we have revised the target previously set for reducing CO_2 emissions by 2030, and have set a new target value with reference to the 1.5 degree level indicated by the Science Based Targets initiative (SBTi).

Given that most of the Group's CO_2 emissions come from Scope 3 Category 1 "Purchased Products and Services," we will continue to build a cooperative framework with our suppliers to further improve the precision of these figures and advance our efforts to reduce CO_2 emissions.

<Medium- to long-term CO_2 emissions reduction targets>

2030 targets	Scope 1 + 2	42.7% reduction (relative to 2022)
	Scope 3	25% reduction (relative to 2022)
2050 targets	Scope 1 + 2	Net zero

<Actual CO_2 emissions (units: tons CO_2)>

	Scope 1	Scope 2	Scope 3	Total
2022 (reference year)	6,081.2	8,397.2	318,343.3	332,821.7

(Note) Data for FY2023 is currently being compiled and will be disclosed in this fiscal year's Integrated Report.

(3) Human capital and diversity initiatives

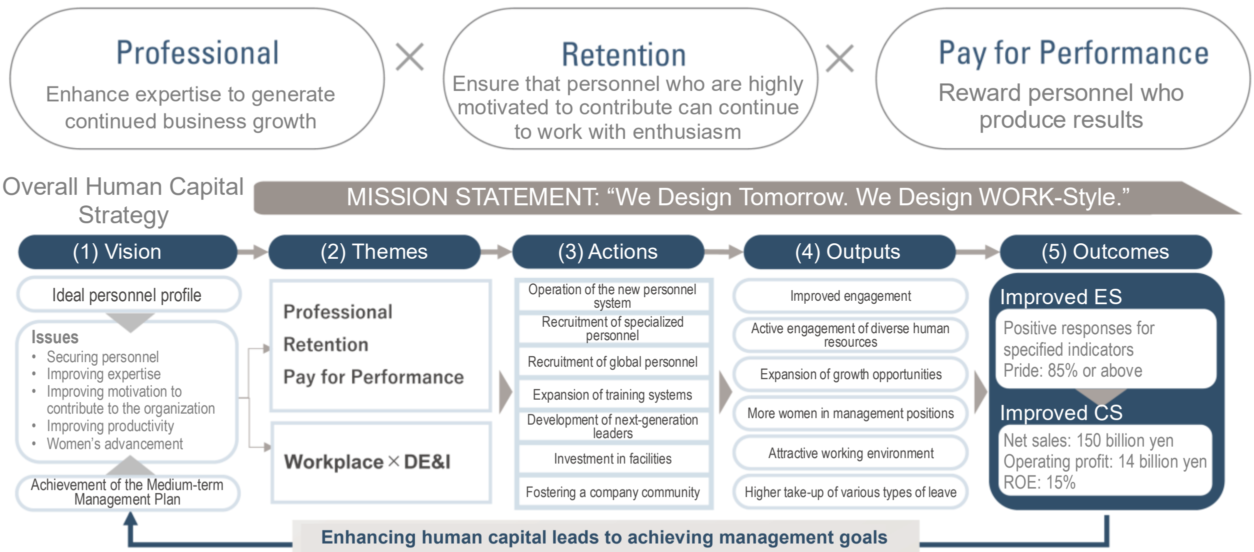
As a company with a mission statement of "We Design Tomorrow. We Design WORK-Style," we are committed to creating a workplace (organizations, systems, and culture) where every employee can work enthusiastically with a sense of fulfillment and perform at their best, as well as building a safe and reassuring work environment.

Details of Itoki Corporation's efforts to create an environment where employees can grow and demonstrate their abilities, and to support the diverse work styles of individual employees, are disclosed on the Company website below.

Sustainability site S (Social) → https://www.itoki.jp/sustainability/social/

(A) Strategy

At Itoki, we believe that achieving the goals of our management strategy requires the execution of a synchronized human resources strategy. In accordance with this approach, we have established a personnel plan that includes hiring with business strategies in mind, an education system that supports the growth of each employee according to their career path and the required personnel profile, and a personnel system based on employee growth and improved job satisfaction. We view human resources not as something that incurs costs but as a target for capital investment, and as such, will increase the value of our business by investing in personnel. Furthermore, we will use our human resources strategy to help achieve the goals of our management strategy through human resource development that takes diversity into consideration and the early introduction of a personnel system that is suited to the work styles of the post-COVID-19 era.



◆ Human resource development policies/examples

Itoki offers a variety of curricula, centered on an education system that supports the growth of each employee in accordance with their career, based on the required personnel profile. In addition, we are working to improve the overall quality of the system, with interviews and various training sessions conducted both online and face-to-face, depending on the content.

—Examples of Itoki Corporation's human resource development initiatives—

- Management position training

Managers engaged in the supervision of employees play a very important role, and so particular efforts are being made to develop awareness among first-line managers.

Example) 1-on-1 training

In order for managers to fulfill their role as leaders, it is vital that they have the trust of their subordinates. As a means of achieving this, 1-on-1 training has been conducted over a period of two years, in which participants learned the importance of listening and coaching, as well as how to put them into practice.

Example) Assessor training

Training and assessor workshops are held to help assessors align their perspectives and improve their training interview skills, and to support the implementation of assessments that contribute to the growth of subordinates.

Example) Elective training

A wide range of curricula are provided to support employees' independent career development and provide opportunities for self-directed learning.

Example) Basic business training

This training provides a base for conducting business, including logical thinking, facilitation training, business writing, and developing persuasion skills.

Example) Cross-industry exchange training

Training is conducted over six sessions with four companies from different industries, on the topic of the leadership the participant aspires to, and a presentation is given on the final day.

Example) Team-based problem solving

Teams participate in training to solve problems in their own departments. This also works to help team-building.

Example) Training using StrengthsFinder

Participants learn to identify the qualities of their own and their team members' strengths, how to bring out each other's strengths, and how to put those strengths to use in their work.

Example) E-learning

Participants can study the skills they want to strengthen online through GLOBIS Unlimited Learning, Udemy, Schoo, etc., leading to behavioral change.

◆ Recruitment policies/examples

Itoki's work involves a variety of people, and projects are carried out as a team. We are working to recruit personnel who can think about what is expected of them and what they can do to contribute to customers, society, and the Company, involve the people around them, and take responsibility for finishing the job without fear of failure.

□ New graduate recruitment

We place great importance on spending time with each candidate during the recruitment process to deepen mutual understanding of areas that cannot be grasped from the application form alone, such as how they want to grow and realize themselves at Itoki, and what kind of career development they are aiming for. Internships are also actively offered to deepen participants' understanding of the industry and the Company. We also conduct referral recruitment, and there have been cases in which new graduates have decided to join the Company this way.

□ Experienced worker recruitment

Personnel with new expertise from outside the Company are being recruited to accelerate Itoki's transformation and growth going forward. In addition to past experience and achievements, we conduct recruitment activities while assessing aptitude for the required personnel profile. We have held company information sessions at each of our offices, as well as introducing new initiatives like Meetups, which bring employees and job seekers into contact with each other.

□ Global recruitment

We are focusing on recruiting high-level human resources from overseas, conducting recruitment activities in Vietnam and making a study tour to Indonesia. Personnel from Vietnam have already joined the Company and are currently playing an active role, and we plan to welcome several new employees with job offers this year.

—Examples of Itoki Corporation’s recruitment initiatives, awards, etc.—

- Recruitment through referrals from employees began in July 2022, leading to the hiring of 20 individuals. (as of January 2024)
- Focusing on recruiting high-level human resources from overseas, Itoki participated for the second consecutive year in the SEKISHO JOB FAIR, which is held in Hanoi, Vietnam, and is aimed at matching Japanese companies with local students (2023)

◆ DE&I (diversity equity & inclusion) policies/examples

Reflecting the commitment of senior management, Itoki recognizes its employees of various ages, genders, sexual orientations, gender identities, nationalities, disability statuses, employment conditions, working styles, customs, and values as a diverse range of human resources. As such, we aim to help each individual thrive, make the most of their unique attributes, and perform to the best of their abilities.

—Examples of Itoki Corporation’s DE&I initiatives, awards, etc.—

- Received the “D&I AWARD” at the “D&I Award 2023,” which recognizes companies that are committed to diversity and inclusion, and recognized as a “Best Workplace,” the highest rank, for two consecutive years (2023)
- Awarded “Gold” in the PRIDE Index 2023, an evaluation index for LGBTQ initiatives in the workplace (2023)
- Concluded a partnership agreement on friendship exchange and high-level human resources with Hanoi University of Science and Technology in Vietnam (2023)
- Introduced the “Childcare Leave Return to Work Support Grant System,” under which all direct-hire employees who take childcare leave, regardless of gender, receive a support grant corresponding to the length of leave taken (2023)
- Introduced a “partnership system” that applies the same benefits and rules to common-law spouses and same-sex partners, as well as their children and parents, as to legal spouses and family members (2023)
- Conducted a “Work and Nursing Care Balance Support Seminar” and “LGBTQ Training” for all employees (2023)
- Partnered with local facilities that employ people with disabilities and held in-house sales of handmade sweets to promote understanding of disability (2023)
- Conducted “Unconscious Bias Training” for all managerial staff (2023)

□ SPLi, a community for the advancement of women

In addition to creating an environment in which a diverse range of personnel can expand their fields of activity, fusing and stimulating all kinds of diversity to produce substantial change and growth, Itoki considers the development of women’s leadership as a priority management measure, and is undertaking various initiatives to this end.

SPLi is a community that supports ongoing career development by providing plans and environments for exercising leadership while harnessing individuals’ unique identities and diverse personalities. Approximately 150 members, including those from Group companies, gather on their own initiative to conduct a variety of activities.

□ Global participation community API

Itoki has launched the ITOKI Global Initiative “API,” a platform for Itoki Group members in Japan and overseas to transcend all kinds of barriers, including differences in language, ideas, and customs, in order to “learn independently and reciprocally, developing into personnel who can play an active role on the global stage.” By gaining an in-depth appreciation of the varying cultures, religions and customs of different countries on a fundamental level, the platform aims to improve participants’ understanding, conception and awareness of diversity and a truly global world. There are currently around 90 participants, including those from Group companies.

◆ Initiatives to improve engagement

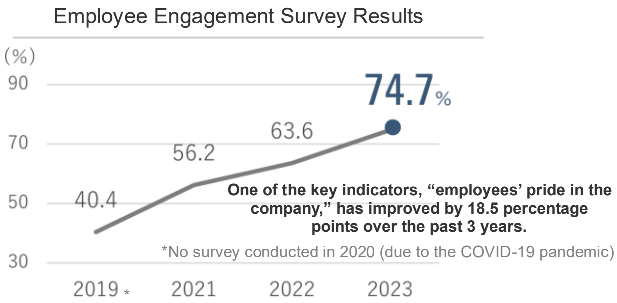
Since 2016, Itoki has conducted an engagement survey to ascertain the state of employee motivation and the factors that influence it. The results of the survey are used as a key management indicator, and are incorporated into efforts to improve organizational engagement, with the aim of making the Company a vibrant place where every employee can shine.

Of the many indicators, the rate of affirmative responses to the question “Itoki is a company where I can work with pride” has been established as one of our most important targets, and each department is working to improve engagement, with management playing a leading role. Over the last three years, the rate for Itoki as a whole has improved by 18.5 percentage points. However, while some departments and job categories are showing improvement, we are still seeing a trend of low scores, and we are aware of this as an issue. In 2024, we will start sharing good examples of engagement improvement efforts from each department through internal communications, and we will continue our efforts to further improve engagement with the goal of reaching 80% in 2024 and 85% in 2026, the final year of the Medium-term Management Plan.

(B) Indicators and targets

◆ Employee engagement key indicator scores

<Target> 2024: 80% <Results> 2021: 56.2%, 2022: 63.6%, 2023: 74.7%



◆ Rate of managerial positions occupied by women

<Target> 2025: 13% <Results (*)> 2021: 8.9%, 2022: 10.7%, 2023: 10.3%

(*) Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).

◆Other performance indicators related to human capital and diversity initiatives (*1)

<Gender wage gap indicators>

			2021	2022	2023
Ratio of women's wages to men's wages	All workers	(%)	70.3	69.8	70.4
	(permanent employees)	(%)	(69.2)	(68.1)	(68.6)
	(part-time and fixed-term employees)	(%)	(71.9)	(73.1)	(83.9)

<Leave-related indicators>

			2021	2022	2023
Childcare leave uptake rate (*2)	Men	(%)	26.3	45.7	70.0
	Women	(%)	100.0	100.0	100.0
Paid leave uptake rate	All workers	(%)	51.6	59.0	63.1

<Recruitment indicators>

			2021	2022	2023
New graduates recruited	Total	(no.)	34	29	63
	(percentage of women)	(%)	(41.2)	(48.3)	(54.0)
Experienced workers recruited	Total	(no.)	15	53	130
	(percentage of women)	(%)	(40.0)	(37.7)	(33.8)
Overseas personnel recruited		(no.)	0	4	3

<Human resource development indicators>

		2021	2022	2023
Annual training costs per employee (*3)	(thousands yen/person)	32.14	64.07	72.93

(*1) Targets and actual results refer to the status of employees of the submitting company.

(*2) Calculated as the ratio of childcare leave, etc. taken in Item 1 of Article 71 Paragraph 4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

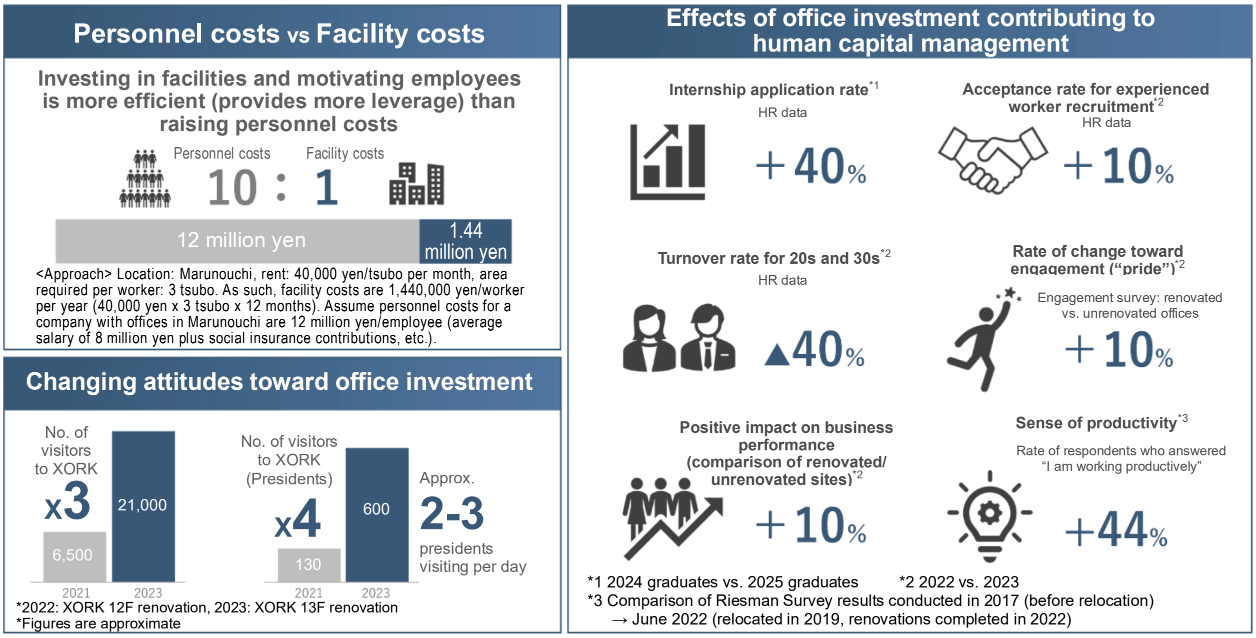
(*3) Annual training costs per employee includes transportation costs.

As a leader in the creation of working environments, Itoki also recognizes that the establishment of comfortable workplaces for employees — that is, investment in facilities — is an important issue to be addressed by companies as part of their human capital management, and is conducting such investment internally. We believe that continued investment in creating productive, safe, and reassuring offices will contribute to human capital management, and the table below shows the actual returns we have achieved.

◆ Number of investments in internal facilities

<2023 Results> Renovation and relocation of a total of seven offices, including the Tokyo Head Office.

◆ Returns from office investment (human capital investment)



(Note) The above is an excerpt from the Medium-term Management Plan of the submitting company.

3. Business and Other Risks

Information on business overview, status of accounts, and other matters described in the Securities Report that may have a material effect on investors’ decisions include the following.

The risk items listed below do not cover all risks related to the Group’s business, and the Group may be affected in the future by other risks that are not anticipated or are not deemed significant. Statements in this section regarding the future are based on the judgment of the Group as of the date of submission of the Securities Report (March 27, 2024).

<The Itoki Group’s risk management system>

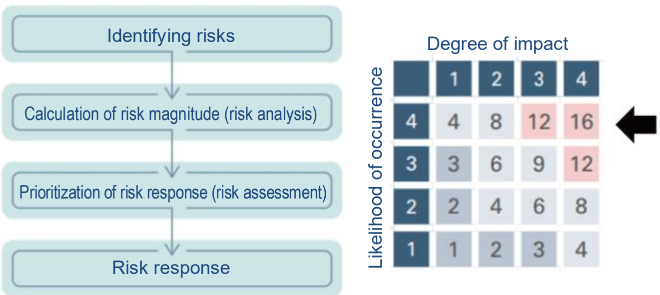
In addition to establishing countermeasures to anticipate various risks that may arise in all aspects of its business activities, and appropriately managing risks by reducing their likelihood and impact, the Itoki Group is committed to risk management to minimize damage and losses and prevent recurrence in the event that a risk should materialize. Risks identified based on various factors are classified into four levels of likelihood and degree of impact, and are evaluated based on a score (1 to 16 points) obtained by multiplying these levels together.

In accordance with the “Itoki Group Risk Management Basic Regulations,” the Group has established a Risk Management Committee chaired by the President to ensure effective risk management. The Risk Management Committee develops risk management policies, evaluates risks, and determines the level of countermeasures, and instructs the subordinate Compliance Committee, Information Security Committee, and the relevant departments to take specific countermeasures.

For the fiscal year ended December 31, 2023, the following seven risk items from those with particularly high scores (12 points or more) in the risk assessment were selected by the Risk Management Committee as priority risks to be addressed to enhance the effectiveness of their respective countermeasures.

- Risks involving critical quality issues
- Risks involving human rights issues (abuse of authority, sexual harassment, discriminatory behavior, etc.)
- Risks involving information leaks and cyber-attacks
- Risks involving serious industrial accidents
- Risks involving work stoppages due to disasters or accidents
- Supply chain risks (delays in supply of products)
- Risks involving unplanned outages of information systems

In the next fiscal year, we will further strengthen the Group’s risk management by adding, in addition to the above seven categories, risks involving inadequate management of Group companies.



The Risk Management Committee selects risk items with high risk scores (12 points or more) as priority risks to be addressed, thereby enhancing the effectiveness of countermeasures.

<Business and other risks>

The following is a detailed description of the risks selected by the Risk Management Committee as priority risks to be addressed in the fiscal year ended December 31, 2023, from among the risks associated with the businesses that the Group operates.

(1) Risks involving critical quality issues

Although the Itoki Group manufactures products based on strict quality standards established internally, there is a possibility that recalls may occur due to unforeseen circumstances, or that unforeseen events or complaints may occur with respect to the products and services that the Group provides. The Group has taken out insurance against product liability claims as a response to the possible occurrence of a critical quality problem. However, there is no guarantee that all losses will be covered, and there is a possibility that the Group's performance and financial position could be adversely affected as a result. Moreover, such an incident could have a negative impact on the reputation of the Group's products.

The Group considers the potential occurrence of quality problems to be a serious risk and is committed to preventing quality problems by allocating the necessary management resources to quality assurance, maintaining the quality control system through enhanced inspections and patrols, and providing thorough education on quality. In addition, we will maintain a management system that allows us to respond quickly and minimize the impact in the event that a problem should occur.

(2) Risks involving human rights issues (abuse of authority, sexual harassment, discriminatory behavior, etc.)

The Group has established an "Itoki Group Code of Conduct," and strives to respect the human rights of its employees and to create a system and environment in which each and every employee can work with enthusiasm and perform to the full extent of their abilities, with respect for personality, individuality and diversity. In addition, we work to establish corporate ethics that we can present proudly to the public, as well as a well-developed system of internal controls to promote compliance-oriented management. However, failure to properly carry out these activities could have a negative impact on the Group's performance and financial position.

(3) Risks involving information leaks and cyber-attacks

In the course of its business operations, the Itoki Group holds personal information belonging to customers and business partners, in addition to Group-internal personal information. As part of our information security measures, we ensure the thorough protection of personal information by implementing strict management, establishing regulations, implementing various security measures, educating employees, and operating a management cycle that includes internal audits. However, there remains a possibility of leaks due to unforeseen circumstances, such as cyber-attacks using techniques beyond what can be anticipated. If such an incident were to occur, the value of the Group's brand would be diminished, and the Group could incur significant expenses.

(4) Risks involving serious industrial accidents

To prevent the occurrence of industrial accidents, the Itoki Group conducts safety assessments, improvement activities, health and safety education, and other safety management initiatives. However, were a serious industrial accident to occur, it could have an adverse impact on the Group's business performance and financial position.

(5) Risks involving work stoppages due to disasters or accidents

The Itoki Group has implemented a variety of measures, such as facility inspections and disaster prevention activities, including health and safety initiatives, to ensure that business operations do not come to a stop as a result of disasters or similar events. However, a disaster of unforeseen scale could have a negative impact on the Group's performance and financial position.

In response, the Group is working to reduce the risks posed by disasters by implementing measures that encompass the supply chain, both in terms of health and safety and business continuity, and by establishing a disaster countermeasure system.

(6) Supply chain risks (delays in supply of products)

To prepare for the risk of sudden supply disruptions due to accidents, disasters, bankruptcies, etc., the Itoki Group conducts evaluations of suppliers and arranges for alternative suppliers in the event of sudden supply disruptions. However, in the event that the supply of raw materials used for our products is interrupted due to an accident, disaster, or bankruptcy affecting a supplier, it may become impossible to supply products in a timely manner, resulting in a negative impact on the Group's business performance and financial position.

(7) Risks involving unplanned outages of information systems

The Itoki Group relies on the communication network linking its computer systems, and as such, if the network were to cease functioning due to a natural disaster or some other fortuitous event, this could have an impact on its business activities, including the receipt and placement of product orders, production, and logistics. There is also the possibility that, as a result of unauthorized external intrusions into the Group’s systems, website content could be altered, important data could be obtained illegally, or important data could be erased with a computer virus, etc.

The Group strives to minimize the impact of natural disasters and external cyber-attacks through information security measures, including a business continuity plan focusing on IT systems (IT-BCP). However, were such an incident to occur, it could have an adverse impact on the Group’s business performance and financial position.

In addition to the above, the main risks for which the Group has ongoing risk mitigation measures in place are as follows.

(1) Changes in the market environment and intensified market competition

The Itoki Group’s sales are heavily dependent on the Japanese market and are greatly affected by domestic trends in capital investment. This means that if a recession in the domestic economy causes a decrease in private capital investment and public investment, and demand declines as a result, the Group’s business performance and financial position may be adversely affected.

The Group is also highly regarded for its products with advanced design and functionality and its ability to propose total solutions to support the creation of comfortable environments for customers. However, we face fierce competition in the market, especially in terms of price, and there is no guarantee that we will be able to maintain a competitive advantage, and this could have a negative impact on the Group’s business performance and financial position.

To address these risks, the Group aims to develop high value-added products and services that customers can select regardless of trends in terms of economic conditions and competitors, and to optimize management resources to maintain an appropriate business portfolio aligned with changes in the business environment.

(2) Fluctuations in raw material prices and increases in commodity purchase prices

Steel plates, etc., which constitute the principal raw materials for products manufactured by the Itoki Group, are subject to the risk of fluctuations in market prices. In addition, with regard to the prices of products purchased from outside the Group, if the prices of raw materials such as steel and crude oil rise in the future and the pressure to raise purchase prices from suppliers increases, this may have a negative impact on the Group’s business performance and financial position.

We intend to address these risks by reducing manufacturing costs and overhead expenses. However, if we are unable to absorb these risks through our own efforts alone, we will strive to optimize costs and prices through such measures as reviewing sale prices.

(3) Overseas business

Overseas expansion of the Group’s business operations is undertaken with an understanding of the risks, including geopolitical risks, of the regions in which the Group operates. However, in addition to potential risks such as unforeseen changes in laws and regulations and changes in the economic environment, there is also the possibility of social or political turmoil due to war, terrorism, conflict, or other factors, as well as fluctuations in exchange rates, all of which could affect the Group’s business performance.

The Group will work to mitigate these risks by establishing a management system for each region that takes such risks into account and by establishing a system that allows close communication with sites on the ground.

(4) Corporate acquisitions

In making corporate acquisitions, the Itoki Group assesses the risks associated with company in question before making a decision. However, if changes in the business environment or other factors prevent the acquisition from generating the benefits initially anticipated, impairment of goodwill or other losses may occur, which could impact business performance.

The Group thoroughly identifies risks through due diligence conducted prior to acquisitions and alliances. In addition, we are building a system that can respond quickly to changes in the business environment and undertaking activities that contribute to improved operational efficiency.

(5) Deferred tax assets

The Itoki Group records deferred tax assets based on a reasonable estimate of future taxable income and assessments of recoverability. However, in the event of a significant change in estimates of future taxable income, reversal of deferred tax assets may occur, which could have a negative impact on the Group's business performance and financial position.

(6) Risks relating to legal compliance and public regulations

The Itoki Group is subject to business permits and licenses, as well as restrictions and regulations concerning imports and exports. It is also governed by laws and regulations concerning fair trading, consumer protection, intellectual property, environmental matters, and taxation. The Group has established the "Itoki Group Code of Conduct" to ensure legal compliance and corporate ethics, has set up a committee to promote compliance-oriented management, and is working to establish extensive internal control systems. However, failure to comply with these regulations could have a negative impact on the Group's performance and financial position. Furthermore, in the event that these regulations are revised or repealed, or new public regulations are established, and the Group is unable to comply with them, this could have a negative impact on the Group's business performance and financial position.

(7) Risks relating to changes in market value of securities

The Group does not hold securities for trading purposes, but for various reasons holds available-for-sale securities such as stocks of major business partners and financial institutions with which it deals. Of these securities, those that have market value are all assessed at market value, and we strive to minimize the risk of market value fluctuations by regularly assessing the desirability of holding these securities. However, such market value fluctuations may have a negative impact on the Group's business performance and financial position.

4. Management's Analysis of the Financial Situation, Operating Results, and Cash Flows

(1) Overview of operating results, etc.

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results") of the Itoki Group (Itoki Corporation, consolidated subsidiaries, and equity-method affiliates) for the fiscal year ended December 31, 2023.

(A) Operating results

Aiming to become a high-profit company with a robust structure in the final year of the Medium-term Management Plan "RISE ITOKI 2023," the Group continued to implement various measures based on the structural reform project, proposed new work styles and workplaces to lead the creation of working environments for the post-COVID-19 era, and aimed for sales and profit growth through sales activities focusing on value enhancement.

(Units: millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Increase/decrease (amount)	Increase/decrease (%)
Net sales	123,324	132,985	9,660	7.8%
Gross profit	45,749	52,240	6,491	14.2%
Selling, general and administrative expenses	41,167	43,717	2,550	6.2%
Operating profit	4,582	8,523	3,940	86.0%
Non-operating income	556	481	(74)	(13.5 %)
Non-operating expenses	961	448	(512)	(53.3 %)
Ordinary profit	4,177	8,555	4,378	104.8%
Extraordinary income	7,805	186	(7,619)	(97.6 %)
Extraordinary losses	3,611	363	(3,247)	(89.9 %)
Profit before income taxes	8,372	8,378	6	0.1%
Total income taxes	3,191	2,471	(719)	(22.5 %)
Owners of parent	5,181	5,907	725	14.0%
Profit attributable to owners of parent	5,294	5,905	610	11.5%

(i) Net sales

Net sales were 132,985 million yen, an increase of 9,660 million yen (7.8%) year-on-year.

- The workplace business performed well mainly due to renovation projects, office relocations, etc., to fit new hybrid work styles.
- In the equipment and public works-related business, demand remained strong for public facility equipment and logistics facility equipment such as display cases for museums and art galleries and digital signage.
- In the IT and sharing business, there was steady performance by the system development business as well as the system verification business, which has been promoted as a second pillar.

(ii) Gross profit

Gross profit was 52,240 million yen, an increase of 6,491 million yen (14.2%) year-on-year.

- In the workplace business, despite the expected impact of higher raw material prices, profit increased significantly due to an improved profit margin resulting from increased revenue and an improvement in value provided.
- In the equipment and public works-related business, despite the expected impact of higher raw material prices, profit increased due to increased demand for equipment for public facilities and logistics facilities, as well as an improved profit margin.
- In the IT and sharing business, the system development business and system verification business performed well.

(iii) Selling, general and administrative expenses

Selling, general and administrative expenses were 43,717 million yen, an increase of 2,550 million yen (6.2%) year-on-year. This increase was the result of factors such as the planned implementation of strategic expenditures for future leaps in performance such as strengthening IT infrastructure to promote DX, hiring of mid-career human resources, and recording of reserve for performance-based bonuses, etc. Also a factor were efforts to control selling, general and administrative expenses, such as continuing to cut logistics costs through the structural reform project.

(iv) Operating profit

As a result of the above, operating profit was 8,523 million yen, an increase of 3,940 million yen (86.0%) year-on-year.

- In the workplace business, profit increased significantly due to an improved profit margin, resulting from increased revenue and an improvement in value provided.
- In the equipment and public works-related business, profit increased significantly due to an improved profit margin, resulting from an improvement in value provided for equipment in public facilities.
- In the IT and sharing business, profit was at the same level year-on-year.

(v) Non-operating income

Non-operating income was 481 million yen, a decrease of 74 million yen (13.5%) year-on-year. The decrease was due to factors such as a reduction in income from subsidies relating to the prevention of COVID-19.

(vi) Non-operating expenses

Non-operating expenses were 448 million yen, a decrease of 512 million yen (53.3%) year-on-year. The decrease was due to foreign exchange losses resulting from fluctuations in exchange rates and business restructuring costs of subsidiaries in the previous fiscal year.

(vii) Ordinary profit

As a result of the above, ordinary profit was 8,555 million yen, an increase of 4,378 million yen (104.8%) year-on-year.

(viii) Extraordinary income

Extraordinary income was 186 million yen, a decrease of 7,619 million yen (97.6%) year-on-year. This decrease was due to factors such as the sale of non-business assets aimed at improving asset efficiency and recording a gain on forgiveness of debts caused by the waiver of claims by some creditors of our consolidated subsidiary GlobalTreehouse Inc. following its dissolution.

(ix) Extraordinary losses

Extraordinary losses were 363 million yen, a decrease of 3,247 million yen (89.9%) year-on-year. The decrease was due to factors such as the retirement of non-business assets with no prospects for future use and the recording of impairment losses in the previous fiscal year.

(x) Profit attributable to owners of parent

As a result of the above, profit attributable to owners of parent was 5,905 million yen, an increase of 610 million yen (11.5%) year-on-year, reaching a record high.

Segment results were as follows.

(Units: millions of yen)

Name of segment		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Increase/decrease (amount)	Increase/decrease (%)
Workplace Business	Net sales	85,945	94,257	8,311	9.7%
	Operating profit	2,579	6,128	3,549	137.6%
Equipment, device, and public works business	Net sales	35,667	36,839	1,171	3.3%
	Operating profit	1,482	1,906	424	28.6%
IT and Sharing Business	Net sales	1,624	1,749	125	7.7%
	Operating profit	449	444	(4)	(1.1 %)
Reportable segment total	Net sales	123,237	132,846	9,609	7.8%
	Operating profit	4,511	8,479	3,968	88.0%
Other	Net sales	87	138	51	59.0%
	Operating profit	71	43	(27)	(38.4 %)
Total	Net sales	123,324	132,985	9,660	7.8%
	Operating profit	4,582	8,523	3,940	86.0%

(B) Financial situation

(Units: millions of yen)

	As of December 31, 2022	As of December 31, 2023	Increase/decrease (amount)	Increase/decrease (%)
Assets	115,288	117,437	2,149	1.9%
Liabilities	65,377	62,437	(2,940)	(4.5 %)
Net assets	49,910	54,999	5,089	10.2%

(Assets)

Total assets were 117,437 million yen, an increase of 2,149 million yen compared to the end of the fiscal year ended December 31, 2022. The decrease was due to factors such as an increase in notes and accounts receivable - trade, and contract assets, and electronically recorded monetary claims – operating resulting from strong orders.

(Liabilities)

Total liabilities were 62,437 million yen, a decrease of 2,940 million yen compared to the end of the fiscal year ended December 31, 2022. This decrease was due to factors such as repayment of borrowings using surplus funds.

(Net assets)

Net assets were 54,999 million yen, an increase of 5,089 million yen compared to the end of the fiscal year ended December 31, 2022. The increase was due to factors such as an increase of 4,230 million yen in retained earnings due to increased profit. As a result, the equity ratio was 46.8%, up 3.6 percentage points from the previous fiscal year.

Net assets per share increased from 1,100.33 yen in the previous fiscal year to 1,210.96 yen.

(C) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") as of December 31, 2023 decreased by 1,755 million yen compared to the end of the previous fiscal year, to 23,664 million yen.

The status of each type of cash flow and related factors in the fiscal year ended December 31, 2023 were as follows.

(i) Net cash provided by (used in) operating activities

Funds provided by operating activities increased by 6,321 million yen (compared to an increase of 5,804 million yen in the previous fiscal year) due to factors including an increase in operating profit.

(ii) Net cash provided by (used in) investment activities

Funds provided by investment activities decreased by 4,012 million yen (compared to an increase of 4,923 million yen in the previous fiscal year) due to factors such as expenditure of 3,316 million yen for the acquisition of property, plant and equipment as strategic expenditure, including the renewal of ITOKI TOKYO XORK.

(iii) Net cash provided by (used in) financing activities

Funds used in financing activities totaled 4,148 million yen (compared with 1,426 million yen used in the previous fiscal year), due to factors such as dividends paid of 1,675 million yen.

The Group's cash flow indicators are as follows.

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Equity ratio (%)	43.2	46.8
Equity ratio at market value (%)	23.1	52.0
Cash flows to interest-bearing debt ratio (years)	3.8	3.2
Interest coverage ratio (times)	39.5	46.0

(D) Production, orders and sales

a. Production results

The table below shows production results by segment for the fiscal year ended December 31, 2023.

(Units: millions of yen)

Name of segment	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)	Year-on-year
Workplace Business	37,860	147.1%
Equipment and Public Works-Related Business	22,633	117.4%
IT & Sharing	923	101.1%
Total	61,417	133.7%

(Note) Amounts are based on sale prices.

b. Order results

Since the Group mainly engages in make-to-stock production, details of orders received are omitted.

c. Sales results

The table below shows sales results by segment for the fiscal year ended December 31, 2023.

(Units: millions of yen)

Name of segment	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)	Year-on-year
Workplace Business	94,257	109.7%
Equipment and Public Works-Related Business	36,839	103.3%
IT & Sharing	1,749	107.7%
Subtotal	132,846	107.8%
Other	138	159.0%
Total	132,985	107.8%

(Note) Amounts are based on sale prices.

(2) Analysis and discussion of operating results from management’s perspective

The following is a summary of the perception, analysis and discussion of the Group’s operating results from the management's point of view.

Note that statements in the text regarding the future are based on judgments as of the end of the current fiscal year.

(A) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with generally accepted accounting principles in Japan. In preparing these consolidated financial statements, estimates affecting the reported figures for assets and liabilities and disclosure of contingent liabilities at the closing date, as well as the reported figures for revenues and expenses during the reporting period, are evaluated on an ongoing basis. Estimates and judgments are based on various factors considered reasonable in light of past performance and circumstances, but actual results may differ from these estimates due to the inherent uncertainty of estimates.

A description of the significant accounting estimates used in the preparation of the consolidated financial statements and the assumptions used in making such estimates is included in “V. Status of Accounts, 1. Consolidated Financial Statement, etc., (1) Consolidated financial statement “Notes (Significant accounting estimates).”

(B) Perception, analysis and discussion of the Group's operating results for the fiscal year ended December 31, 2023

a. Analysis of operating results

An analysis of the operating results for the fiscal year ended December 31, 2023 is presented in "(1) Overview of operating results, etc. (A) Operating results."

Factors that may have a significant impact on operating results described in "II. Business Overview, 3. Business and Other Risks."

b. Analysis of financial situation

An analysis of the financial situation for the fiscal year ended December 31, 2023 is presented in "(1) Overview of operating results, etc. (B) Financial situation."

c. Analysis of cash flows

An analysis of cash flows for the fiscal year ended December 31, 2023 is presented in "(1) Overview of operating results, etc. (C) Cash flows."

(C) Analysis of capital resources and liquidity of funds

The Itoki Group's working capital requirements are mainly for the purchase of materials, merchandise, and other items, as well as for operating expenses such as selling, general and administrative expenses. In addition, requirements for funds for investment purposes are attributable to capital expenditure, etc. There are no plans for the establishment of new major facilities.

Policy is to finance working capital and investments with cash on hand or bank loans.

The Company has entered into loan commitment agreements worth 6,650 million yen with four financial institutions in order to raise working capital efficiently.

(D) Objective indicators for assessing the attainment of management policies and strategies, management targets, etc.

From the perspectives of business growth and the improvement of earnings power, as well as the efficient management of assets, the Group considers the ratio of operating profit margin to net sales and return on equity (ROE) to be important management indicators.

In order to realize our management philosophy of "being a highly profitable company that pioneers the state-of-the-art and contributes to global society," we aim to achieve stable and sustainable business growth by continuing to provide attractive products and services, as well as through ongoing cost reductions and productivity improvements.

5. Important Business Agreements, etc.

Technology introduction agreements, etc.

The following is a list of technology introduction agreements, etc., entered into by the Itoki Group.

Contracting Party	Country	Details	Consideration	Term
KRUEGER INTERNATIONAL, INC.	United States	Licensing of technology, manufacturing, and sales rights for office storage doors	Lump-sum payment and royalties	to December 31, 2023
WALDNER Laboreinrichtungen GmbH & Co. KG	Germany	Licensing of technology, manufacturing and sales rights for laboratory furniture	Lump-sum payment and royalties	to January 28, 2027
KNOLL OVERSEAS, INC.	United States	Licensing of manufacturing and sales rights for furniture	Lump-sum payment and royalties	to December 31, 2023

* The agreement with KNOLL OVERSEAS, INC. has terminated due to the expiration of the contract period.

6. R&D Activities

The Itoki Group engages in R&D activities in order to sustain and promote activities that provide new value. Total R&D expenses for the fiscal year ended December 31, 2023 amounted to 2,719 million yen.

In the workplace business segment, since the COVID-19 pandemic, we have been developing new products and solutions, as well as cutting-edge technologies, with a focus on the changing values expected from offices and solutions to new issues, reflecting the major trend toward more diverse work styles and a return to the office. In addition, the Central Research Institute was established as a department to explore long-term issues. We contribute to the creation of sustainable offices by identifying long-term trends in offices and linking them to technological innovations such as new manufacturing techniques and materials.

Itoki also plans and designs next-generation learning environments as “smart campuses,” something we consider a critical part of designing “WORK-Style,” and continues to conduct joint research on implementation and verification in higher education, particularly at universities and high schools. In addition, we are conducting research and development of DX using advanced technology and collaboration with academic institutions.

[Workplace Business]

In the area of office furniture integrated with technology, as “hybrid work” connecting the office and remote work continues to take root, we launched “Panora,” a table that offers a conference room space with an enhanced sense of integration in web conferencing, and “Sound Sofa,” a box sofa seat which serves as a web conferencing space that reduces the sound escaping from the speakers, even in open spaces, allowing only those seated to listen. In addition, “Workers Trail Hoteling Label,” which displays reservations for hot-desk seating, meeting tables, and conference rooms, will be launched to make it easier to select and use work locations.

In the field of office furniture, we have proposed sustainable workplaces that are friendly to people and the planet through our “Feel So Wood” line, which by using substantial amounts of real wood, creates inviting offices that are comfortable to work in and contributes to forest recycling and carbon fixation. Other product lines include “knot Work Wood,” a natural solid wood table that offers the distinctive comfort of real wood; “Feels,” a nonflammable partition with a veneer finish; and “vertebra03 WOOD,” which combines the warmth of wood and ergonomics with Fumie Shibata’s vertebra03 design.

We have also worked to achieve improved design by collaborating with outside designers. The “hako” portable battery, a new addition to the Fumie Shibata-designed series, is a stylish, simple, and functional battery that offers a “casual working style unconstrained by power supplies.”

In the field of building materials, we have launched “common furniture / Partition,” jointly developed with Naruse-Inokuma Architects. With more than 600 combinations of over 30 frame styles and 23 CMFs (Color, Material, Finish), it retains the modularity of office partitions while broadening scope for expression by designers and architects, allowing them to create free spaces that stimulate the creativity of office workers.

In the DX (Digital Transformation) field, we are advancing the practical operation of space DX and ICT systems that enable creative online communication and remote group work in a variety of settings, first introducing them in universities and other educational spaces. In terms of the application of new technologies, we will design metaverse (virtual) spaces, conduct advanced trials of solutions that employ voice and image-based AI technologies, and propose next-generation learning and co-creation spaces that meet the policy visions of the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Economy, Trade and Industry.

In the home furniture field, Itoki received its first G-Mark for a household product with the “MINOTO” desk and rack, a newly-conceived piece of furniture that can be shared by all the family, and the genderless and ageless “SELUCK” study bag.

In addition, to further strengthen our efforts in the areas of new product development and AI-based data analysis and application, we have established the “ITOKI OFFICE A/BI Platform” to establish a service provision platform, and are conducting R&D to promote projects and accelerate innovation in collaboration with various partner companies, including AI startups.

R&D expenses amounted to 1,747 million yen in total.

[Equipment and Public Works-Related Business]

In the logistics equipment field, we continued our efforts from the previous fiscal year to provide support for GTP (Goods To Person) systems in warehouses. This involved expanding the functions of SAS-R (Systema Streamer), a multi-level shuttle automated storage system, to address issues in logistics warehouses arising from the expanding e-commerce market for merchandise sales and the “2024 problem” in logistics.

As a result, it has been installed as a major piece of equipment for a company that won the “2023 Logistics Grand Prize,” an award given by the Japan Institute of Logistics Systems to companies that have made outstanding achievements in advancing logistics.

In addition, to reduce the burden on customers after the start of operation, we are also developing and testing a predictive maintenance system to avoid problems before they occur by using IoT technology to facilitate maintenance support and enhancing preventive maintenance through AI and machine learning.

In the field of public facilities, we are striving to grow demand using our design and development capabilities to meet a variety of requirements. One example is the launch of “Artivista,” a new type of display case for art galleries and museums. This combines superb aesthetics that blend in with architectural facilities and exhibits, strong color rendering that faithfully reproduces the original color and appearance of exhibits, and the ability to protect exhibits and maintain the environment of the exhibition space. In addition, we are opening “Carrozzeria,” a co-creation space and development workshop that combines a “lab function” for the planning and development of new products and experiments with prototypes, and a “showroom function” for visitors to see and experience new products and prototypes.

R&D expenses amounted to 971 million yen in total.

III. Status of Facilities

1. Overview of Capital Expenditures, etc.

In the fiscal year ended December 31, 2023, we undertook capital expenditures with a total value of 3,707 million yen. Main capital expenditures included improvements at sales bases, new installations of machinery and devices required for the streamlining of production capability, and investments in a range of system infrastructure.

2. Status of Main Facilities

The main facilities of the Itoki Group are as set out below.

(1) Submitting company

(As of December 31, 2023)

Office Name (Location)	Name of Segment	Description of Facilities	Book Value						Employees
			Buildings and Structures (million yen)	Machinery, Equipment and Vehicles (million yen)	Land (million yen) (area: m²)	Leased Assets (million yen)	Other (million yen)	Total (million yen)	
Kyoto Plant (Yawata City, Kyoto Prefecture)	Equipment and Public Works-Related Business	Production facilities	148	130	280 (24,108.06)	—	13	572	75
Shiga Plant (Omihachiman City, Shiga Prefecture)	Workplace Business Equipment and Public Works-Related Business	Production facilities	3,867	861	985 (59,727.52)	321	224	6,259	335
Kanto Plant (Midori-ku, Chiba City)	Workplace Business	Production facilities	1,350	279	1,496 (72,068.62)	—	23	3,149	96
Kansai Sales Department and others (Chuo-ku, Osaka City)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Showroom	349	0	436 (604.75)	—	26	812	248
Tokyo Sales Department and others (Chuo-ku, Tokyo)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Administrative facilities Showroom	1,200	—	— (—)	5	382	1,588	834
Shiga Logistics Center (Omihachiman City, Shiga Prefecture)	Workplace Business	Logistics warehouse	607	—	508 (36,866.00)	—	2	1,118	2
Kansai Logistics Center (Kadoma City, Osaka Prefecture)	Workplace Business	Logistics warehouse	99	—	559 (5,301.53)	—	0	658	3
Kyoto Logistics Center (Yawata City, Kyoto Prefecture)	Equipment and Public Works-Related Business	Logistics warehouse	128	0	310 (6,743.80)	—	0	438	—

(Notes) 1. “Other” in the book values is tools, furniture & fixtures and does not include construction in progress.

2. In addition to the above, the main rental facilities are as set out below.

Office Name (Location)	Name of Segment	Description of Facilities	Employees	Annual Rental Fee (million yen)
Tokyo Sales Department and others (Chuo-ku, Tokyo)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Administrative facilities Showroom	834	1,034
Tokyo Logistics Center (Soka City, Saitama Prefecture)	Workplace Business	Logistics warehouse	5	153
Tokyo Base (Koto-ku, Tokyo)	Workplace Business	Logistics warehouse	4	73

(2) Domestic subsidiaries

(As of December 31, 2023)

Company Name	Office Name (Location)	Name of Segment	Description of Facilities	Book Value						Employees
				Buildings and Structures (million yen)	Machinery, Equipment and Vehicles (million yen)	Land (million yen) (area: m^2)	Leased Assets (million yen)	Other (million yen)	Total (million yen)	
Itoki All Steel Co., Ltd.	Head Office Plant (Noda City, Chiba Prefecture)	Workplace Business	Production facilities	517	626	335 (33,929.00)	—	33	1,512	128
Fuji Living Industry Co., Ltd.	Head Office Plant (Hakusan City, Ishikawa Prefecture)	Workplace Business	Production facilities	179	111	78 (11,651.77)	—	8	377	52
Itoki Toko Manufacturing Co., Ltd.	Head Office Plant (Bando City, Ibaraki Prefecture)	Equipment and Public Works-Related Business	Production facilities	47	29	367 (17,102.60)	6	3	454	60
DALTON Corporation	Techno Park (Fujieda City, Shizuoka Prefecture)	Equipment and Public Works-Related Business	Administrative facility	244	0	869 (17,636.61)	—	29	1,142	66

(Notes) 1. "Other" in the book values is tools, furniture & fixtures and does not include construction in progress.
2. For DALTON Corporation's land, the amount after consolidation adjustment is shown.

(3) Overseas subsidiaries

None.

3. Plans for Additions and Disposals of Facilities

There are no newly confirmed plans for the founding or disposal of important facilities in the current fiscal year.

IV. Information on the Submitting Company

1. Information on Shares, etc.

(1) Total number of shares, etc.

(A) Total number of shares

Type	Total shares authorized
Common shares	149,830,000
Total	149,830,000

(B) Total shares issued

Type	Total number of issued shares at end of the fiscal year (December 31, 2023)	Number of shares at the date of submission of this Report (March 27, 2024)	Stock exchange where shares are listed or certified securities dealers association where shares are registered	Details
Common shares	45,664,437	53,382,850	Tokyo Stock Exchange (Prime Market)	• Common shares with full voting rights, and holders have unlimited rights as is standard at Itoki Corporation • The number of shares constituting one unit is 100 shares.
Total	45,664,437	53,382,850	—	

(2) Stock acquisition rights, etc.

(A) Stock option plans

Not applicable.

(B) Rights plans

Not applicable.

(C) Other stock acquisition rights, etc.

First series of stock acquisition rights (July 15, 2020)	
Date of resolution	June 29, 2020
Number of stock acquisition rights*	113,771 (103 shares per stock acquisition right) [0]
Number of treasury stock acquisition rights among stock acquisition rights*	—
Type, details, and number of shares subject to stock acquisition rights*	Common shares 11,718,413 [0] (Note 3)
Amount to be paid upon the exercise of stock acquisition rights (yen)	347.3 (Note 4)
Period for exercising of stock acquisition rights*	July 22, 2020 to July 22, 2025 (Note 5)
Share issue price and additional paid in capital per share in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	(Note 6)
Conditions for exercising of stock acquisition rights*	The partial exercise of individual stock acquisition rights is not permitted.
Matters concerning transfer of stock acquisition rights*	(Note 7)
Matters concerning the grant of stock acquisition rights accompanying organizational restructuring*	—

* The figures stated here indicates the status as of the end of the fiscal year (December 31, 2023). Figures that were changed between the end of the fiscal year and the end of month prior to the month of submission (February 29, 2024) are indicated in brackets "[ ]". Other figures have not been changed since the end of the fiscal year.

(Notes) 1. These stock acquisition rights are stock acquisition rights with an exercise price amendment clause.

2. Characteristics of stock acquisition rights with an exercise price amendment clause

(1) Standards for amendment of exercise price

On January 22, 2021 and January 22, 2022 (hereinafter individually or collectively referred to as the "Amendment Date"), if the average closing price in ordinary transactions of Itoki Corporation common shares on the Tokyo Stock Exchange, Inc. (hereinafter referred to as "Tokyo Stock Exchange") for 20 consecutive trading days up to and including the Amendment Date (if the calculation results in a fraction of less than 1 yen, the fraction shall be rounded up to the nearest whole yen) (hereinafter referred to as the "Amendment Date Price") falls more than 1 yen below the exercise price effective on the Amendment Date, the exercise price shall be adjusted to the Amended Date Price from the Amendment Date.

(2) Amendment frequency of exercise price

Two amendments made (amended on January 22, 2021 and January 22, 2022.)

(3) Lower limit of exercise price, etc.

The lower limit of the exercise price amended in accordance with (2) (ii) under (Note 4) [Amount to be paid upon the exercise of stock acquisition rights] field shall be 361 yen (however, this shall be subject to adjustment by the same method as adjustments made to the exercise price as defined in (i) through (vii) under item (3) of (Note 4) [Amount to be paid upon the exercise of stock acquisition rights].)

(4) Maximum number of shares allocated

The total number of shares subject to stock acquisition rights is 11,377,100 (24.91% of the total number of shares issued as of June 29, 2020), and the number of shares allocated is confirmed as 11,377,100. However, as set out in (Note 3) [Type and number of shares subject to stock acquisition rights], these figures are subject to adjustment.

(5) Early redemptions clauses, etc.

All stock acquisition rights are subject to acquisition in full in accordance with (Note 8) [Reasons and conditions for acquisition of treasury stock acquisition rights] below.

(6) Lower limit of funding amount if all stock acquisition rights are exercised

The funding amount if all stock acquisition rights are exercised at the lower limit exercise price as set out in (3) above is 4,152,413,958 yen. However, it is possible that stock acquisition rights may not be exercised.

3. Type and number of shares subject to stock acquisition rights

(1) The type and total number of shares subject to stock acquisition shall be 11,377,100 common shares in Itoki Corporation (the number of shares subject to one individual stock acquisition right (hereinafter referred to as "number of shares allocated") shall be 100 shares). However, if the number of shares allocated is to be adjusted on the basis of (2) through (4) below, the total number of shares subject to stock acquisition rights shall be adjusted according to the number of shares allocated after adjustment (hereinafter referred to as "number of shares allocated after adjustment", and the number of shares allocated prior to the adjustment set out in (2) through (4) below shall be referred to as "number of shares allocated before adjustment.)

(2) In cases where Itoki Corporation is to adjust the exercise price as defined in (Note 4) . [Amount to be paid upon the exercise of stock acquisition rights] (2) (i) in accordance with the stipulations of (Note 4),the number of shares allocated shall be adjusted using the formula below. However, fractions of less than one share that are produced as a result of the adjustment shall be rounded down. The exercise price before adjustment and the exercise price after adjustment applied in this formula shall be the exercise price before adjustment and the exercise price after adjustment defined in item (3) of (Note 4) [Amount to be paid upon the exercise of stock acquisition rights].

$$\text{Number of shares allocated after adjustment} = \frac{\text{Number of shares allocated before adjustment} \times \text{Exercise price before adjustment}}{\text{Exercise price after adjustment}}$$

(3) The application start date for the number of shares allocated after adjustment shall be the same date as the date on which the exercise price after adjustment is applied as variously defined in items (3) (i) b., (3) (i) c. C), (3) (iv), and (3) (vi) of (Note 4) [Amount to be paid upon the exercise of stock acquisition rights].

(4) When an adjustment of the number of shares allocated is to be performed, Itoki Corporation shall provide written notification as such by the day prior to the application start date of the number of shares allocated after adjustment to the party who holds the share acquisition rights (hereinafter referred to as the "Stock Acquisition Rightsholder") along with the reason for the adjustment, the number of shares allocated before adjustment, the number of shares allocated after adjustment, the application start date, and any other necessary matters. However, if the aforementioned notification cannot be made by the day prior to the dates set out in items (3) (i) b and (iv) d of (Note 4) [Amount to be paid upon the exercise of stock acquisition rights] or any other application start date, notification shall be provided swiftly after the application start date.

4. Amount to be paid upon the exercise of stock acquisition rights

(1) The asset to be contributed upon the exercise of stock acquisition rights shall be cash, and the amount shall be the amount obtained by multiplying the exercise price by the number of shares allocated.

(2) Exercise price

(i) The amount of cash to be contributed for each common share in Itoki Corporation upon the exercise of stock acquisition rights (hereinafter referred to as the “Exercise Price“) shall be 400 yen (this Exercise Price is hereinafter referred to as the “Initial Exercise Price”). The Exercise Price is subject to amendment and adjustment in accordance with the stipulations of the following paragraph and the following item.

(ii) On January 22, 2021 and January 22, 2022 (hereinafter individually or collectively referred to as the “Amendment Date”), if the average closing price in ordinary transactions of Itoki Corporation common shares on the Tokyo Stock Exchange for 20 consecutive trading days up to and including the Amendment Date (if the calculation results in a fraction of less than 1 yen, the fraction shall be rounded up to the nearest whole yen) (hereinafter referred to as the “Amendment Date Price”) falls more than 1 yen below the Exercise Price effective on the Amendment Date, the Exercise Price shall be adjusted to the Amended Date Price from the Amendment Date. However, if the amount obtained as a result of the calculation above is less than the Lower Limit Exercise Price (defined below), the Exercise Price after amendment shall be the Lower Limit Exercise Price. The Lower Limit Exercise Price shall be 361 yen (however, the Lower Limit Exercise Price shall be adjusted by the same method as the adjustment of the Exercise Price in accordance with the stipulations of (3) (i) through (vi) in the item below.)

(3) Adjustment of Exercise Price

(i) Adjustment of Exercise Price

a. After stock acquisition rights have been issued, in the event of a change in the number of issued common shares in Itoki Corporation due to the reasons in b. in this paragraph or in the event of the potential for any such change, Itoki Corporation shall adjust the Exercise Price using the formula (hereinafter referred to as the “Exercise Price Adjustment Formula”) set out below.

$$\begin{array}{c}\text{Exercise}\\\text{price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise}\\\text{Price before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{No. of already}\\\text{issued common}\\\text{shares}\end{array} + \dfrac{\begin{array}{c}\text{No. of shares to be}\\\text{issued or disposed of}\end{array} \times \begin{array}{c}\text{Issuing or disposal price}\\\text{per share}\end{array}}{\text{Market value}}}{\text{No. of already issued common shares + no. of shares to be issued or disposed of}}$$

b. Cases in which adjustment of the Exercise Price for stock acquisition rights using the Exercise Price Adjustment Formula shall be performed due to the issuing of new shares or other such reasons, and the timing of application of the Exercise Price after adjustment are as set out below.

A) Cases where common shares in Itoki Corporation are newly issued with an amount to be paid in that is lower than the market value (as defined in (ii) b. below), or when common shares in Itoki Corporation held by Itoki Corporation are to be disposed of (including via means of allocations without contribution) (however, this excludes cases where common shares in Itoki Corporation are granted by means of the exercise of stock acquisition rights (including those accompanying bonds with stock acquisition rights), the acquisition of shares with a put option or shares subject to call, the grant of common shares in Itoki Corporation through the exercise of any other rights to demand the grant of common shares in Itoki Corporation, and the granting of shares of common stock in Itoki Corporation through a corporate split, stock swap, or merger)

The Exercise Price after adjustment shall be applied from the paying in date (or, if a paying in period has been set upon the offering of shares, the last day of this period, in the case of an allocation without contribution, the effective date) or, if there is a record date to entitle shareholders to receive an allocation for such issuance or disposal, from the day following this date.

B) Cases where common shares are issued by the division of shares

The Exercise Price after adjustment shall be applied from the day after the record date for the division of shares.

C) Cases where shares with a put option that provide for the grant of common shares in Itoki Corporation at a price below the market value or stock acquisition rights (including those accompanying bonds with stock acquisition rights) that allow a demand for the granting of shares of common stock in Itoki Corporation at a price below the market value are issued or granted.

The Exercise Price after adjustment shall be calculated by applying the Exercise Price Adjustment Formula, on the assumption that all put options of shares with a put option or all stock acquisition rights are exercised under the initial conditions, and shall apply from the paying in date (or the allocation date in the case of stock acquisition rights) or (in the case of allocations without contribution) the effective date. However, if there is a record date for granting the right to receive an allocation of shares to shareholders, the Exercise Price after adjustment shall apply from the day after such date.

D) Cases where common shares in Itoki Corporation are granted at a price lower than the market value in exchange for the acquisition of shares subject to call or stock acquisition rights subject to call (including those accompanying bonds with stock acquisition rights) issued by Itoki Corporation.

The Exercise Price after adjustment shall be applied from the day after the acquisition date.

E) In the cases of A) through C) above, when a record date is set and the Exercise Price after adjustment becomes effective on condition of approval at a General Meeting of Shareholders, a meeting of the Board of Directors, or a meeting of other body at Itoki Corporation that is to be held on or after the relevant record date, the Exercise Price after adjustment shall be applied from the day after such approval is obtained, regardless of the stipulations of A) through C) above. In such case, common shares in Itoki Corporation shall be granted on the basis of the calculation method described below to a Stock Acquisition Rightsholder who submits a demand to exercise their stock acquisition rights in the period from the day after the relevant record date to the date on which approval is obtained.

$$\text{Number of common shares to be granted} = \frac{\left(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}\right) \times \text{Number of common shares granted within the period at the Exercise Price before adjustment}}{\text{Exercise price after adjustment}}$$

If, in this case, a fraction of less than one share occurs, this shall be rounded down and no adjustment shall be performed using cash.

c. A) If making a special dividend payment as described in B) below after issuing stock acquisition rights, Itoki Corporation shall adjust the Exercise Price using the following formula.

$$\text{Exercise price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Market value} - \text{special dividend per share}}{\text{Market value}}$$

Special dividend per share refers to the amount obtained by dividing the special dividend by the number of shares subject to each stock acquisition right as of the final record date of the fiscal year for the dividends of surplus. Special dividends per share shall be calculated in yen to the second decimal place, and then rounded off to the first decimal place.

B) "Special dividend" refers to the amount of the excess when the cumulative total amount of amounts for the relevant fiscal year obtained by multiplying the number of shares subject to one stock acquisition right as of the relevant record date by the amount of the dividend of surplus (including cash paid on the basis of Article 455 Paragraph 2 and Article 456 of the Companies Act. In the case of a dividend of surplus where the asset for dividend is not cash, the amount of the dividend shall be the book value of the relevant asset for dividend.) for each common share in Itoki Corporation exceeds the standard dividend (the standard dividend is the cumulative total amount for the relevant fiscal year of the number of shares subject to one stock acquisition right as of the relevant record date multiplied by 13 for each record date pertaining to dividends that fall within each fiscal year ending in the period up to July 22, 2025.) (in the event that Itoki Corporation makes changes to its fiscal year, this shall be reasonably amended after consulting Stock Acquisition Rightsholders) for each record date pertaining to dividends that fall within each fiscal year ending in the period up to July 22, 2025.

C) An adjustment of the Exercise Price due to a special dividend shall be applied from the 10th of the month following the month that includes the day on which a resolution on the dividend of surplus was made as set out in Article 456 and Article 459 of the Companies Act pertaining to the final record date for dividends in the relevant fiscal year.

(ii) a. In the calculation using the Exercise Price Adjustment Formula, special dividends per share shall be calculated in yen to the second decimal place, and then rounded down to the first decimal place.

b. The market value used in the Exercise Price Adjustment Formula shall be the average value of the closing price of common shares in Itoki Corporation on the Tokyo Stock Exchange over the 30 consecutive trading days (defined below, excluding the number of days without a closing price) starting on the 45th trading day before the date of application of the Exercise Price after adjustment (or, in the case of (i) b., E) in this item, the record date).

In this case, the average value shall be calculated in yen to the second decimal place, and then rounded down to the first decimal place.

“Trading day" refers to a day on which a trading session is held at the Tokyo Stock Exchange. However, in the event of a trading suspension or trading restriction (including temporary restrictions) of any kind on Itoki Corporation’s common shares on the Tokyo Stock Exchange, the relevant day(s) shall not constitute a trading day.

c. The number of already issued shares used in the Exercise Price Adjustment Formula shall be the number of common shares in Itoki Corporation held by Itoki Corporation on the record date for granting rights to receive an allocation to shareholders if such a date exists, and the date one month prior to the date of application of the Exercise Price after adjustment if no such record date exists deducted from the number of issued common shares in Itoki Corporation on the relevant date, to which shall be added the number of common shares in Itoki Corporation as yet not granted among those common shares in Itoki Corporation deemed to have been granted before the adjustment of the relevant Exercise Price on the basis of (i) b, (i) c, and (vi) in this item. Furthermore, in the case of (i) b. E) in this item, the number of issued shares or the number of shares to be disposed of used in the Exercise Price Adjustment Formula shall not include the number of common shares in Itoki Corporation to be allocated to the common shares in Itoki Corporation held by Itoki Corporation on the record date.

d. If the difference between the Exercise Price and the Exercise Price before adjustment is less than 1 yen as a result of the calculation using the Exercise Price Adjustment Formula, the Exercise Price shall not be adjusted. However, if the Exercise Price is to be calculated due to the occurrence of a subsequent event that requires adjustment of the Exercise Price, instead of using the Exercise Price before adjustment in the Exercise Price Adjustment Formula, the Exercise Price before adjustment from which this difference is subtracted shall be used.

(iii) After Itoki Corporation has issued stock acquisition rights, in the event of any changes or potential changes to the number of common shares in Itoki Corporation for any of the reasons set out in (iv) in this item, and if the paying in amount (in the case of (iv) b. in this item, the price per common share in Itoki Corporation when exercising the put option or stock acquisition rights for shares with a put option in accordance with the initial conditions, and in the case of (iv) c. in this item, the price per common share in Itoki Corporation when acquiring shares subject to call or stock acquisition rights subject to call (hereinafter collectively referred to as "Acquisition Price, etc.").) in the new issue of common shares in Itoki Corporation or the disposal of common shares in Itoki Corporation held by Itoki Corporation is less than the effective Exercise Price on the date defined as the application start date for the Exercise Price after adjustment in (iv) of this item, Itoki Corporation shall adjust the Exercise Price so that it is the same amount as the relevant paying in amount or the Acquisition Price, etc. (However, if the Exercise Price after adjustment will be less than 361 yen, this shall be 361 yen.) However, Exercise Price adjustment as per this paragraph shall not be applied to stock acquisition rights covering common shares issued for the purpose of stock options for directors, corporate auditors, executives, or any other officers or employees of Itoki Corporation or its subsidiaries.

(iv) Cases where the Exercise Price is to be adjusted as per (iii) in this item and the timing of application of the Exercise Price after adjustment shall be as set out below.

a. Cases where common shares in Itoki Corporation are newly issued or when common shares in Itoki Corporation held by Itoki Corporation are to be disposed of (however, this shall exclude cases of allocation without contribution or division of shares, cases in which common shares in Itoki Corporation are granted by means of the exercise of stock acquisition rights (including those accompanying bonds with stock acquisition rights), the acquisition of shares with a put option or shares subject to call, or the exercise of any other rights to demand the grant of common shares in Itoki Corporation, and cases in which shares of common stock in Itoki Corporation are granted through a corporate split, stock swap, or merger)

The Exercise Price after adjustment shall be applied from the paying in date (or, if a paying in period has been set upon the offering of shares, the last day of this period) or, if there is a record date to entitle shareholders to receive an allocation for such issuance or disposal, from the day following this date.

b. Cases where shares with a put option that provide for the grant of common shares in Itoki Corporation or stock acquisition rights (including those accompanying bonds with stock acquisition rights) that allow a demand for the granting of shares of common stock in Itoki Corporation are issued or granted.

The Exercise Price after adjustment shall be applied from the paying in date (or the allocation date in the case of stock acquisition rights) or (in the case of allocations without contribution) the effective date. However, if there is a record date for granting the right to receive an allocation of shares to shareholders, the Exercise Price after adjustment shall apply from the day after such date.

c. Cases where common shares in Itoki Corporation are granted in exchange for the acquisition of shares subject to call or stock acquisition rights subject to call (including those accompanying bonds with stock acquisition rights) issued by Itoki Corporation.

The Exercise Price after adjustment shall be applied from the day after the acquisition date.

d. In the cases of a. and b. above, when a record date is set and the Exercise Price after adjustment becomes effective on condition of approval at a General Meeting of Shareholders, a meeting of the Board of Directors, or a meeting of another body at Itoki Corporation that is to be held on or after the relevant record date, the Exercise Price after adjustment shall be applied from the day after such approval is obtained, regardless of the stipulations of a. and b. above. In such case, common shares in Itoki Corporation shall be additionally granted on the basis of the calculation method described in item (i) b. E) to a Stock Acquisition Rightsholder who submits a demand to exercise their stock acquisition rights in the period from the day after the relevant record date to the date on which approval is obtained.

(v) In the event that multiple stipulations among (i) b., (i) c., and (iv) in this item are applicable, the stipulation that results in the lowest Exercise Price after adjustment shall be applied in the adjustment of the Exercise Price.

(vi) In addition to the cases in (i) b., (i) c., and (iv) set out in this item in which adjustment of the Exercise Price is required, Itoki Corporation shall also make the necessary adjustment to the Exercise Price in the cases described below.

a. When adjustment of the Exercise Price is required for a reverse stock split, a merger, a corporate split, or a stock swap.

b. When the Exercise Price needs to be adjusted due to any other event that causes or may cause a change in the number of Itoki Corporation's issued common shares.

c. When two or more events that require Exercise Price adjustment occur close to each another and the Exercise Price after adjustment is calculated based on one of the events, and it is necessary to consider the impact of the other event on the market price to be used in the calculation.

(vii) If the Exercise Price is to be amended on the basis of (ii) in the preceding item, or adjusted on the basis of (i) through (vi) in this item, Itoki Corporation shall provide written notification to the Stock Acquisition Rightsholder in advance of the fact of amendment or adjustment, the reason for such amendment or adjustment, the Exercise Price before and after amendment or adjustment, the date of application, and any other relevant matters. However, if it is not possible to provide the notification described above before the date of application, such notification shall be provided swiftly on or after the date of application.

5. Period for exercising of stock acquisition rights

In the period from July 22, 2020 to July 22, 2025 (However, when Itoki Corporation is to acquire all stock acquisition rights in accordance with (Note 8) [Reasons and conditions for acquisition of treasury stock acquisition rights], for stock acquisition rights to be acquired by Itoki Corporation, from July 22, 2020 up to the bank business day before the effective date of the acquisition by Itoki Corporation) (hereinafter referred to as the "Exercise Period"), stock acquisition rights can be exercised at any time. However, if the final day of the Exercise Period is not a bank business day, the bank business day prior shall be the final day. Once the Exercise Period has elapsed, stock acquisition rights cannot be exercised. While recipients of allocations shall not exercise their stock acquisition rights in the period from July 22, 2020 to January 22, 2022, regardless of this, they may exercise their stock acquisition rights within this period if the operating income recorded in the individual or consolidated full-year or quarterly statement of income for Itoki Corporation indicates three consecutive losses, if the amount of the total net assets recorded in the individual or consolidated balance sheet for Itoki Corporation as of the final day of the relevant fiscal year or the final day of the relevant quarter is less than 75% of the amount of the total net assets recorded in the individual or consolidated balance sheet for Itoki Corporation as of the final day of the most recent previous fiscal year, or if it becomes apparent that the preconditions set out in the subscription agreement were not met as of the closing date or if Itoki Corporation breaches any of its obligation or violates its representation or warranty under the subscription agreement (other than minor breaches).

Regardless of the above, it shall not be possible to make a demand for the exercise of rights in the periods set out below.

(1) The date on which the shareholder is confirmed for common shares in Itoki Corporation (referring to the record date defined in Article 124 Paragraph 1 of the Companies Act) and the previous business day (referring to a day that is not a holiday for the transfer institution)

(2) Days deemed necessary by the transfer institution

(3) If Itoki Corporation reasonably determines that it is necessary to suspend the exercise of the stock acquisition rights in order to undertake organizational restructuring actions, the stock acquisition rights may not be exercised during a period designated by Itoki Corporation of up to 30 days preceding a date up to 14 days from the day following the date on which such organizational restructuring actions take effect. In such cases, Stock Acquisition Rightsholders shall be notified in advance regarding the period of suspension and other necessary matters.

6. Issue price and amount to be incorporated into the stated capital when shares are issued on the basis of exercise of stock acquisition rights

(1) Issue price of one share when shares are issued on the basis of exercise of stock acquisition rights

The issue price of one share when common shares in Itoki Corporation are issued on the basis of exercise of stock acquisition rights shall be the amount obtained by adding the total amount of the issue price of stock acquisition rights pertaining to the demand for exercise of rights to the total amount to be paid in upon the exercise of each stock acquisition right pertaining to the demand for exercise of rights and then divided by the number of shares noted in item (1) of (Note 3) [Type and number of shares subject to stock acquisition rights].

(2) Capital and capital reserve that increases when shares are issued through an exercise of stock acquisition rights

(i) The increase in the amount of capital in cases where shares are issued through the exercise of stock acquisition rights shall be half of the maximum amount of increase in stated capital calculated in accordance with Article 17 Paragraph 1 of the Regulations on Corporate Accounting, and any fractions of less than 1 yen that occur as a result of the calculation shall be rounded up to the nearest whole yen.

(ii) The increase in the amount of capital reserve in cases where shares are issued through the exercise of stock acquisition rights shall be the maximum amount of increase in capital, etc., as stated in (i) in this item minus the amount of increase in capital as stated in (i) in this item.

7. Matters concerning transfer of stock acquisition rights

The transfer of stock acquisition rights requires the approval of Itoki Corporation through a resolution of the Itoki Corporation Board of Directors. In addition, the party receiving an allocation may not, without the prior written consent of Itoki Corporation, transfer shares in Itoki Corporation to be granted upon exercise of stock acquisition rights to certain competitors of Itoki Corporation in off-exchange financial instruments transactions (However, this excludes applications for tender offers and transactions in private trading systems and other transactions in which the counterparty cannot be identified) or to shareholders who have, in effect, questioned the business operations or management policies of a listed company in the past two years by exercising a shareholder's right to propose, expressing a dissenting opinion, submitting written questions, or by other means.

8. Reasons and conditions for acquisition of treasury stock acquisition rights

(1) If Itoki Corporation merges (limited to cases where Itoki Corporation ceases to exist as the result of a merger), becomes a wholly-owned subsidiary of another company through a stock swap or transfer of shares, or if common shares in Itoki Corporation are delisted from the Tokyo Stock Exchange, in accordance with the provisions of Article 273 of the Companies Act, Itoki Corporation shall give notice 15 trading days in advance and then acquire all of the stock acquisition rights held by the Stock Acquisition Rightsholders (except Itoki Corporation) at a price of 398 yen per stock acquisition right on an acquisition date determined by the Itoki Corporation Board of Directors.

(2) If the Board of Directors of Itoki Corporation approves the conclusion of a merger agreement under which Itoki Corporation will become a dissolving company, the conclusion of an absorption-type company split agreement or the creation of an incorporation-type company split plan under which Itoki Corporation will become a splitting company, or the conclusion of a stock swap agreement or the creation of a share transfer plan under which Itoki Corporation will become a wholly-owned subsidiary of another company, if shares issued by Itoki Corporation fall under the delisting criteria established by the Tokyo Stock Exchange or are reasonably deemed to be at risk of falling under such criteria, or if, after the issuing of stock acquisition rights, (A) the closing price of common shares in Itoki Corporation in ordinary transactions on the Tokyo Stock Exchange falls below 60% of the Exercise Price of the stock acquisition rights (however, if the Exercise Price is adjusted, the Exercise Price shall be adjusted appropriately according to the adjustment of the relevant Exercise Price) for three consecutive trading days (however, amounts of less than 1 yen shall be rounded down), (B) the average trading volume of common shares in Itoki Corporation in ordinary transactions on the Tokyo Stock Exchange per trading day during any 10 consecutive trading days falls below 20% of the average trading volume of common shares in Itoki Corporation in ordinary transactions on the Tokyo Stock Exchange per trading day in the 10 consecutive trading days before the date of the allocation (however, if the number of shares allocated is to be adjusted, this shall be adjusted appropriately according to the adjustment of the relevant number of shares allocated), (C) the recipient of an allocation has unexercised stock acquisition rights as of two months prior to the expiration of the Exercise Period of the stock acquisition rights, or (D) trading of Itoki Corporation's common stock on the Tokyo Stock Exchange is suspended for a period of five trading days or longer, the recipient of an allocation may optionally demand that Itoki Corporation acquire all or part of the stock acquisition rights by providing written notification as such to Itoki Corporation.

9. Details of planned transactions to be conducted as derivative transactions and other transactions in cases prescribed in Article 19 Paragraph 9 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Not applicable.

10. Details of arrangements entered into with the recipients of allocations regarding matters concerning the exercise of the rights indicated in stock acquisition rights with an Exercise Price amendment clause

On June 29, 2020, in the subscription agreements concluded with recipients of allocations, an agreement was reached as set out in (Note 8) [Reasons and conditions for acquisition of treasury stock acquisition rights].

11. Details of arrangements with the recipient of allocations with respect to the purchase and sale of Itoki Corporation share certificates

Not applicable.

12. Details of arrangements with recipients of allocations and special stakeholders in Itoki Corporation regarding matters concerning the lending and borrowing of Itoki Corporation share certificates

Not applicable.

13. Other matters necessary for the protection of investors

Not applicable.

(3) Status of the exercise of bonds with stock acquisition rights with an Exercise Price amendment clause

Not applicable.

(4) Changes in total number of issued shares, capital, etc.

Date	Changes in total number of issued shares	Balance of total number of issued shares	Changes in capital (million yen)	Capital balance (million yen)	Changes in capital reserve (million yen)	Balance of capital reserve (million yen)
April 26, 2019 (Note 1)	59,200	45,664,437	16	5,294	16	10,832

(Notes) 1. The total number of issued shares has increased by 59,200 due to the issue of new shares as restricted share remuneration on the basis of a resolution of the Board of Directors on April 26, 2019.

2. In the period from January 1, 2024 to February 29, 2024, the total number of issued shares increased by 11,718,413, capital increased by 2,057 million yen, and capital reserve increased by 2,057 million yen through the exercise of stock acquisition rights.

3. Through the retirement of treasury on March 8, 2024, the total number of issued shares has fallen by 4,000,000.

(5) Shareholding by shareholder category

As of December 31, 2023

Category	Status of shares (1 unit = 100 shares)								Shares less than one unit
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	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
Shareholding ratio (%)	—	29.937	1.786	12.949	15.229	1.280	38.815	100.0	—

(Note) 316,174 shares of treasury stock are included in “Individuals and others” and “Shares less than one unit” in the table. The amounts are 3,161 units and 74 shares, respectively.

(6) Major shareholders

As of December 31, 2023

Name	Address	Number of shares held (thousand)	Shareholding ratio (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku,Tokyo, Japan	5,948	13.11
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,225	4.90
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,836	4.04
K.K. Assist	2-4-12, Hiranomachi, Chuo-ku, Osaka City, Japan	1,609	3.54
toki Cooperators Holding	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan	1,537	3.39
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo, Japan	1,121	2.47
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,069	2.35
ITOKI CREBIO EMPLOYEE STOCK OWNERSHIP PLAN	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan	993	2.19
Fumiko Ito	Minato-ku	923	2.03
Masamichi Yamada	Setagaya-ku	827	1.82
Total		18,093	39.89

(Notes) 1. In addition to the above, Itoki Corporation holds 316,174 shares of treasury stock.

2. The Statement of Large-Volume Holdings available for public inspection as of May 19, 2023, states that Sumitomo Mitsui Trust Asset Management Co., Ltd. together with another company as a joint holder hold the shares below as of May 15, 2023, but as of December 31, 2023, Itoki Corporation has been unable to confirm the actual number of shares held and so has not included them in the major shareholders above.
The content of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates, etc., held (thousand)	Holding ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo, Japan	1,485	3.25
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo, Japan	857	1.88
Total		2,343	5.13

(7) Voting rights

(A) Issued shares

As of December 31, 2023

Category	Number of shares	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common shares 316,100	—	Shares where holders have unlimited rights as is standard at Itoki Corporation
Shares with full voting rights (others)	Common shares 45,295,300	452,953	As above
Shares less than one unit	Common shares 53,037	—	As above
Total shares issued	45,664,437	—	—
Total number of voting rights	—	452,953	—

(B) Treasury stock, etc.

As of December 31, 2023

Name of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the names of others	Total shares held	Ratio of ownership of the total number of issued shares (%)
Itoki Corporation	1-6-11 Awaji-machi, Chuo-ku, Osaka City, Japan	316,100	—	316,100	0.69
Total	—	316,100	—	316,100	0.69

2. Acquisitions, etc. of Treasury Stock

Type of shares

Acquisition of common shares in accordance with Article 155 Paragraph 3 of the Companies Act, and Article 155 Paragraph 7 of the Companies Act.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Category	Number of shares	Total amount (million yen)
Acquisition through resolutions by the Board of Directors (February 13, 2024) (acquisition period: February 14, 2024 - February 29, 2024)	9,000,000	15,900
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	—	—
Total number and value of outstanding voting shares	—	—
Ratio of unexercised rights as of the final day of the current fiscal year (%)	—	—
Treasury stock acquired during the current period	7,965,900	15,899
Ratio of unexercised rights as of the day of submission (%)	11.4	0.0

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares	Total amount (million yen)
Treasury stock acquired during the fiscal year	515	0
Treasury stock acquired during the current period	161	0

(Note) Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from March 1, 2024 to the submission date of this Securities Report.

(4) Disposals or holding of acquired treasury stock

Category	During the fiscal year		During the current period	
	Number of shares	Total disposal amount (million yen)	Number of shares	Total disposal amount (million yen)
Acquired treasury stock that was offered to subscribers for subscription	—	—	—	—
Acquired treasury stock that was canceled	—	—	4,000,000	7,733
Acquired treasury stock that was transferred due to merger, stock swap, issue of shares, or corporate split	—	—	—	—
Other (Disposal of treasury stock as restricted share remuneration)	66,000	50	—	—
Treasury stock held (no. of shares)	316,174	—	4,282,235	—

(Note) [Disposals or holding of acquired treasury stock] does not include shares constituting less than one unit of shares purchased or sold during the period from March 1, 2024 to the submission date of this Securities Report.

3. Dividend Policy

Itoki Corporation recognizes profit distribution as one of our important managerial issues. Our basic policy is to continuously and stably pay dividends to our shareholders once a year as a year-end dividend based on comprehensive and long-term consideration of factors such as our income, enhancement of internal reserves, and future business growth.

The annual dividend for the fiscal year was 42 yen per share.

Concerning dividend payouts henceforth, we shall take an even more shareholder-oriented approach to management and take consolidated performance into consideration in addition to our conventional approach of ensuring stable dividends, and we shall implement dividend policy with the goal of a 40% payout ratio.

Furthermore, with the goal of increasing our corporate value, we shall efficiently utilize internal reserves mainly for strategic investment in R&D that is essential for future growth and in growth fields.

The decision-making body for dividends from surpluses shall be the general meeting of shareholders for year-end dividends, and the Board of Directors for interim dividends.

The dividend from surplus for the fiscal year is as set out below.

Date of resolution	Total dividend (million yen)	Dividend per share (yen)
As per a resolution at the Annual General Meeting of Shareholders on March 27, 2024	1,904	42

4. Corporate Governance, etc.

(1) Overview of corporate governance

(A) Basic approach to corporate governance

Based on the spirit of corporate ethics and legal compliance, Itoki Corporation strives to build a corporate governance system with the aim of improving corporate value through increased trust in the Company achieved by means of thorough compliance, further transparency and fairness in management, and through proactive information disclosure.

(B) Overview of corporate governance system and reason(s) for adopting this system

(i) Overview of the corporate governance system

Itoki Corporation has a Board of Directors with eight members comprised of Directors Masamichi Yamada, Koji Minato, Yoshiaki Moriya, Naoki Kaze, and Junsei Shinada, and External Directors Hiroshi Nagata, Shiro Nitanai, and Mariko Bando. The Board of Directors meets once per month in principle, and at these meetings, makes decisions on important management matters and supervises the execution of business. As a supplementary function for the Board of Directors, the Board of Managing Directors meets weekly to undertake activities including deliberating important decisions, thorough implementation of management policies, and monitoring of performance, thus creating a system that is able to swiftly respond to and make decisions regarding changes in the business environment. Furthermore, Itoki Corporation employs an executive officer system with the aim of enhancing business execution functionality and increasing management efficiency, and we are working to further accelerate decision-making through the clear definition of management responsibility and business execution.

Itoki Corporation is a company with an Audit & Supervisory Board. This Audit & Supervisory Board has three members comprised of the corporate auditor Eiji Funahara and the external auditors Osamu Ishihara and Hisashi Shirahata, and in principle meets once per month to deliberate and make resolutions for the purpose of forming opinions concerning audits.

(ii) Reason(s) for adopting the governance system

We have appointed three external directors and two external auditors with the aim of strengthening the function for oversight of business execution and working to further enhance our fair business activities, and given that the system of supervision of directors by the Board of Directors and auditing of directors by the auditors is functioning in a sufficient manner in the current circumstances, we shall continue with the organizational system centering on the Board of Directors and the Audit & Supervisory Board that we currently employ.

(C) Other matters concerning corporate governance

(i) Status of internal control system

Itoki Corporation's internal control system broadly consists of two parts: a control and education system and a monitoring and auditing system. The system is based on legal compliance, trust, and efficiency. In terms of controls and education, we implement educational activities and internal checks in each individual field of business on the basis of the Companies Act and other external rules as well as our internal rules and regulations with the relevant department at our head office as the responsible department. In terms of monitoring and auditing, our system undergoes audits by our corporate auditors and by accountants. Additionally, we also implement self-led audits that each have an individual focus, including internal audits, quality audits, environmental audits, safety audits, self-audits, and compliance audits.

(ii) Status of risk management system

We recognize that compliance is absolutely essential for ongoing corporate growth. Thus, to enable each and every employee and officer to ensure thorough compliance from a high ethical standpoint, we have enacted the Itoki Group Code of Conduct in addition to establishing a Compliance Committee and a Compliance Team, and are engaged in activities to ensure a system with an even higher level of corporate ethics and legal compliance.

(iii) Number of directors

The Itoki Corporation Articles of Incorporation state that the Company shall have a maximum of 12 directors.

(iv) Overview of limited liability agreement content

In accordance with the provisions of Article 427 Paragraph 1 of the Companies Act, Itoki Corporation has entered into agreements with External Directors and External Auditors that limit their liability for damages under Article 423 Paragraph 1 of the same to the minimum liability defined in law.

(v) System for Board of Directors' resolutions using special directors

Not applicable.

(vi) Requirements for resolution for election of directors

Itoki Corporation's Articles of Incorporation stipulate that a resolution for the election of directors shall be made through a simple majority of votes of shareholders present at a General Meeting of Shareholders where the shareholders holding no less than one third of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that such votes shall not be by cumulative voting.

(vii) Decision-making body for interim dividends

Itoki Corporation's Articles of Incorporation stipulate that the Company can, on the basis of a resolution of the Board of Directors, provide an interim dividend to shareholders and registered pledgees of shares noted or registered in the final shareholder registry as of June 30 each year. The aim of this is to return profit to shareholders in an agile manner.

(viii) Acquisition of treasury stock

Itoki Corporation's Articles of Incorporation stipulate that the Company can, on the basis of a resolution of the Board of Directors, acquire treasury stock as prescribed in Article 165 Paragraph 2 of the Companies Act through Market Transactions as set out in Paragraph 1 of the same. The aim of this is to carry out agile capital policy in response to changes in the business environment.

(ix) Requirements for special resolution at a General Meeting of Shareholders

Itoki Corporation's Articles of Incorporation stipulate that a special resolution at a General Meeting of Shareholders as defined in Article 309 Paragraph 2 of the Companies Act can be made through a majority of at least two thirds of votes of shareholders present at a General Meeting of Shareholders where the shareholders holding no less than one third of the voting rights of shareholders who are entitled to exercise their voting rights are present. The aim of this is to ensure smooth proceedings at General Meetings of Shareholders by relaxing the quorum requirement for special resolutions at such meetings.

(D) Activities of the Board of Directors

Attendance at meetings of the Board of Directors held in the fiscal year by each director is as set out below.

Position	Name	Meetings held	Meetings attended
Chairman & Representative Director	Masamichi Yamada	14	13
President & Representative Director	Koji Minato	14	13
Director, Managing Executive Officer, General Manager, Administration Division	Yoshiaki Moriya	14	14
Director, Managing Executive Officer, General Manager, Sales Division	Naoki Kaze	11	11
Director, Managing Executive Officer, General Manager, Planning Division	Junsei Shinada	11	11
External Director	Hiroshi Nagata	14	14
External Director	Shiro Nitanai	14	14
External Director	Mariko Bando	11	10

(Note) Naoki Kaze, Junsei Shinada, and Mariko Bando were newly appointed as Directors at the 73rd Annual General Meeting of Shareholders held on March 23, 2023, so only the meetings of the Board of Directors held after they assumed office are indicated for these three Directors.

The matters considered by the Board of Directors include matters concerning General Meetings of Shareholders (convening General Meetings of Shareholders and deciding on the agenda), matters concerning officers, organization, and human resources (election and dismissal of officers), matters concerning general group management (formulation of Medium-term Management Plans and management policy for the fiscal year), and matters concerning financial results and finance (checking and approving figures for financial results.)

(2) Officers

(A) List of officers

Male: 10 Female: 1 (women constitute 9.1% of officers)

<table>
<tr><th>Position</th><th>Name</th><th>Date of Birth</th><th colspan="2">Career Summary</th><th>Term of Office</th><th>Number of shares held (thousand)</th></tr>
<tr><td rowspan="10">Chairman & Representative Director</td><td rowspan="10">Masamichi Yamada</td><td rowspan="10">May 5, 1940</td><td>April 1964</td><td>Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.)</td><td rowspan="10">*1</td><td rowspan="10">827</td></tr>
<tr><td>June 1991</td><td>Director, The Mitsubishi Bank, Ltd.</td></tr>
<tr><td>June 1995</td><td>Managing Director, The Mitsubishi Bank, Ltd.</td></tr>
<tr><td>April 1996</td><td>Joined The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank, Ltd.) / Managing Director</td></tr>
<tr><td>June 2000</td><td>Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.</td></tr>
<tr><td>September 2002</td><td>Mitsubishi Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) / Representative Director and Chairman</td></tr>
<tr><td>June 2004</td><td>Full-Time Corporate Auditor, TOKYU CORPORATION</td></tr>
<tr><td>June 2005</td><td>Director, Itoki Corporation</td></tr>
<tr><td>June 2007</td><td>Representative Director and Chairman, Itoki Corporation (current position)</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="9">President & Representative Director</td><td rowspan="9">Koji Minato</td><td rowspan="9">May 21, 1970</td><td>April 1994</td><td>Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)</td><td rowspan="9">*1</td><td rowspan="9">57</td></tr>
<tr><td>July 2008</td><td>Joined Sun Microsystems Japan</td></tr>
<tr><td>June 2010</td><td>Senior Manager for Customer Support, Oracle Corporation Japan (merged with Sun Microsystems Japan)</td></tr>
<tr><td>September 2015</td><td>Operating Officer, Chief of Staff, CEO Office, Oracle Corporation Japan</td></tr>
<tr><td>August 2018</td><td>Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan</td></tr>
<tr><td>August 2019</td><td>Director, Member of the Board, Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan</td></tr>
<tr><td>September 2021</td><td>Joined Itoki Corporation as an advisor</td></tr>
<tr><td>March 2022</td><td>President & Representative Director, Itoki Corporation (current position)</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="13">Director, Managing Executive Officer (General Manager, Administration Division)</td><td rowspan="13">Yoshiaki Moriya</td><td rowspan="13">March 31, 1960</td><td>April 1982</td><td>Joined The Dai-Ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.)</td><td rowspan="13">*1</td><td rowspan="13">35</td></tr>
<tr><td>July 1988</td><td>Seconded to The Export-Import Bank of Japan (now the Japan Bank for International Cooperation)</td></tr>
<tr><td>May 1992</td><td>International Planning Department of The Dai-Ichi Kangyo Bank, Limited</td></tr>
<tr><td>October 1995</td><td>Section Manager, Non-Japanese Sales Section, Hong Kong Branch of The Dai-Ichi Kangyo Bank, Limited</td></tr>
<tr><td>March 2006</td><td>General Manager, MITAKA Branch of Mizuho Bank Ltd.</td></tr>
<tr><td>April 2007</td><td>General Manager, Personal Planning Department of Mizuho Bank Ltd.</td></tr>
<tr><td>April 2009</td><td>General Manager, NAGOYA-CHUO Branch of Mizuho Bank, Ltd.</td></tr>
<tr><td>October 2010</td><td>Adviser, Mizuho Corporate Bank, Ltd.</td></tr>
<tr><td>January 2011</td><td>Joined Itoki Corporation as Executive Officer and Deputy General Manager, Administration Division</td></tr>
<tr><td>January 2012</td><td>Executive Officer and General Manager, Administration Division of Itoki Corporation</td></tr>
<tr><td>January 2015</td><td>Managing Executive Officer and General Manager, Administration Division of Itoki Corporation</td></tr>
<tr><td>March 2021</td><td>Director, Managing Executive Officer and General Manager, Administration Division of Itoki Corporation (current position)</td></tr>
<tr><td></td><td></td></tr>
</table>

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Director, Managing Executive Officer (General Manager, Sales Division)	Naoki Kaze	August 29, 1962	April 1986 July 2006 January 2009 January 2010 January 2013 January 2016 January 2018 January 2021 March 2023	Joined the former ITOKI Co., Ltd. General Manager, Tokyo-Nishi Branch of Itoki Corporation General Manager, Tokyo Nishi Sales Department of Itoki Corporation General Manager, Tokyo-Nishi Branch Office of Itoki Corporation Executive Officer and General Manager, Tokyo-Nishi Branch Office of Itoki Corporation Executive Officer and General Manager, Tokyo Branch Office of Itoki Corporation Executive Officer and General Manager, Knoll Business Management Department of Itoki Corporation and President, Knoll Japan Inc. Managing Executive Officer and General Manager, Sales Division of Itoki Corporation Director, Managing Executive Officer and General Manager, Sales Division of Itoki Corporation (current position)	*1	53
Director, Managing Executive Officer (General Manager, Planning Division)	Junsei Shinada	October 21, 1961	April 1985 July 2006 March 2011 January 2016 January 2018 July 2021 January 2023 March 2023	Joined the former ITOKI Co., Ltd. General Manager, Minato Branch, Tokyo Sales of Itoki Corporation Transferred to FMSTAFF Co., Ltd. (as president) Executive Officer and General Manager, Corporate Customer Sales Management Department of Itoki Corporation Executive Officer and General Manager, Corporate Customer Sales Management Department, and General Manager, Customer Value Management Department of Itoki Corporation Executive Officer and General Manager, Engineering Management Department of Itoki Corporation Managing Executive Officer and General Manager, Planning Division of Itoki Corporation Director, Managing Executive Officer and General Manager, Planning Division of Itoki Corporation (current position)	*1	6
Director	Hiroshi Nagata	February 22, 1941	April 1970 June 1996 June 1999 April 2002 June 2004 April 2005 March 2008 October 2018 December 2021	Joined MITSUI & CO., France Director, MITSUI & CO., LTD Managing Director, MITSUI & CO., LTD President, MITSUI & CO. EUROPE PLC Representative Director, Executive Vice President and Chemicals Group President, MITSUI & CO., LTD Advisor, MITSUI & CO., LTD Visiting Professor at Waseda University Graduate School of Commerce (MBA Course) External Director, Itoki Corporation (current position) President and Representative Director, CLEA Holdings Co., Ltd. (current position) External Director, CLEA Japan, Inc. (current position)	*1	57
Director	Shiro Nitanai	August 7, 1958	April 1984 April 2005 October 2009 April 2018 May 2019 March 2020	Joined the Ministry of Posts and Telecommunications General Manager, Businesses Development Department, Corporate Division at Japan Post (now Japan Post Holdings Co., Ltd.) General Manager, Real Estate Planning Department, Real Estate Division, Japan Post Holdings Co., Ltd. General Manager, Project Promotion Department, JAPAN POST REAL ESTATE CO., LTD. (concurrent position) Representative, Facility Design Lab (current position) Visiting Professor, University of Tsukuba (current position) Adjunct Instructor, Toyo University (current position) External Director, Itoki Corporation (current position)	*1	7

Position	Name	Date of Birth	Career Summary	Term of Office	Number of shares held (thousand)
Director	Mariko Bando	August 17, 1946	July 1969 Commenced work at the Prime Minister's Office October 1985 Counsellor, Cabinet Secretariat July 1989 Director, Consumer Statistics Division, Statistics Bureau of the Management and Coordination Agency July 1994 Director, Gender Equality Bureau of the Cabinet Secretariat April 1995 Vice-governor, Saitama Prefecture June 1998 Consul General of Japan in Brisbane, Australia January 2001 Director General, Gender Equality Bureau, Cabinet Office October 2003 Member, The Board of Trustees, Showa Women's University April 2007 President, Showa Women's University April 2014 Chancellor (Rijicho), Showa Women's University (current position) April 2016 Chancellor (Socho), Showa Women's University (current position) June 2017 Outside Director, Mitsubishi Research Institute, Inc. (current position) July 2019 Chairperson, Tokyo Education Promotion and Support Organization (current position) December 2019 External Director, Mitsubishi Research Institute, Inc. (current position) March 2023 External Director, Itoki Corporation (current position)	*1	2
Full-Time Corporate Auditor	Eiji Funahara	March 4, 1959	April 1982 Joined Itoki Kosakusho Co., Ltd. (now Itoki Corporation) June 2005 General Manager, Facilities Equipment Engineering Department, Itoki Corporation January 2008 General Manager, Electronic Equipment Device Manufacturing Plant, Itoki Corporation January 2013 General Manager, Facilities Equipment Engineering Department, Itoki Corporation January 2014 General Manager, Production Department Group, Production Division, Itoki Corporation January 2015 Executive Officer and General Manager, Production Department Group, Production Division, Itoki Corporation January 2016 Executive Officer and Deputy General Manager, Production Division, and General Manager, Production Department Group, Itoki Corporation January 2019 Executive Officer and General Manager, Quality Assurance Division, Deputy General Manager, Production Division, and General Manager, Production Department Group, Itoki Corporation January 2020 Managing Executive Officer and General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group, Itoki Corporation March 2020 Director, Managing Executive Officer, General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group, Itoki Corporation January 2021 Director, Managing Executive Officer, and General Manager, Production Division, Itoki Corporation January 2023 Director and Senior Advisor, Itoki Corporation March 2023 Advisor, Itoki Corporation March 2024 Full-Time Corporate Auditor, Itoki Corporation	*2	29
Corporate Auditor	Osamu Ishihara	February 17, 1960	April 1987 Registered with Tokyo Bar Association Joined Nishimura and Sanada Law Office October 1990 Joined TMI Associates April 1997 Partner at TMI Associates (current position) January 2004 Civil Defense Instructor, The Legal Training and Research Institute of Japan March 2010 External Auditor, Odawara Engineering Co., Ltd. (current position) April 2012 Full-Time Director, Japan Federation of Bar Associations Vice President, Tokyo Bar Association April 2015 Vice-Director, Kanto Federation of Bar Associations March 2023 Corporate Auditor, Itoki Corporation (current position)	*3	1

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Corporate Auditor	Hisashi Shirahata	May 5, 1962	September 1985 July 1988 October 1991 July 1999 July 2000 July 2002 September 2006 July 2022 March 2023 May 2023 June 2023	Joined the Aoyama Audit Corporation Registered as Certified Public Accountant Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.) Joined the Aoyama Audit Corporation Joined Chuo Aoyama Audit Corporation Senior Partner, Chuo Aoyama Audit Corporation Partner (Senior Partner) at Arata Audit Corporation (now PricewaterhouseCoopers Japan LLC) External Director of Information Development Co., Ltd. Corporate Auditor, Itoki Corporation (current position) External Director, KOMEDA Holdings Co., Ltd. (Audit and Supervisory Board Member) (current position) External Director, ID Holdings Corporation (current position)	*3	1
Total						1,080

(Notes) 1. The Directors Hiroshi Nagata, Shiro Nitanai, and Mariko Bando are External Directors.

2. The auditors Osamu Ishihara and Hisashi Shirahata are external auditors.

3. Itoki Corporation appoints one Substitute Audit & Supervisory Board Member as per the stipulations of Article 329 Paragraph 3 of the Companies Act in preparation against the number of corporate auditors falling below the number prescribed in law. A career summary of the Substitute Audit & Supervisory Board Member is set out below.

Name	Date of Birth	Career Summary		Number of Shares held (thousand)
Mitsuyoshi Koyama	August 10, 1962	September 2015 September 2015 January 2023	Registered as Tax Accountant (current position) Opened Koyama Tax Accountant Office (current position) Corporate Auditor, Itoki Corporation	—
		Total		—

4. The term of office of directors and corporate auditors is as follows.

*1. One year from the 74th Annual General Meeting of Shareholders held on March 27, 2024.

*2. Four years from the 74th Annual General Meeting of Shareholders held on March 27, 2024.

*3. Four years from the 73rd Annual General Meeting of Shareholders held on March 23, 2023.

(B) External Officers

Itoki Corporation has three external directors and two external auditors.

External Director Hiroshi Nagata has a wealth of experience that includes serving as a graduate school visiting professor and as a Director at another company, and based on his outstanding insight, Itoki Corporation hopes that his appropriate advice can avoid bias in internal opinions with regards to the form that the Company's management takes. There are no vested interests in terms of personal, capital, transactional, or any other such relations between Itoki Corporation and Mr. Nagata. He also serves as President & Representative Director of CLEA Holdings Co., Ltd., but there is no special relationship between Itoki Corporation and CLEA Holdings Co., Ltd.

External Director Shiro Nitanai possesses a wealth of experience and deep insight concerning corporate management and facility design. Itoki Corporation looks forward with anticipation to his valuable opinions and observations concerning the Company's management, as well as his supervision of management from an independent perspective. There are no vested interests in terms of personal, capital, transactional, or any other such relations between Itoki Corporation and Mr. Nagata. He also serves as Representative of Facility Design Lab, but there is no special relationship between Itoki Corporation and Facility Design Lab.

External Director Mariko Bando has abundant experience and deep insight in the fields of public administration and education. She was newly appointed as an External Director in the expectation that she will be able to leverage her experience and insight to provide valuable opinions and observations from her specialist perspective, especially in the areas of diversity promotion and human resource development, as well as to monitor management from an independent perspective. While Ms. Bando only has the experience of contributing to corporate management in the capacity of External Director, we believe that she will be able to appropriately fulfill her role as an External Director for Itoki Corporation for the aforementioned reasons.

External Auditor Osamu Ishihara has a high level of professional knowledge and extensive business experience cultivated as a lawyer, and was newly appointed as an external auditor to reflect his knowledge and experience in the Itoki Corporation auditing system. While Mr. Ishihara only has the experience of contributing to corporate management in the capacity of external auditor for other companies, we believe that he will be able to appropriately fulfill his role as an external auditor for Itoki Corporation for the aforementioned reasons.

As a certified public accountant, External Auditor Hisashi Shirahata has specialist knowledge and a wealth of experience concerning finance and accounting, and he was newly appointed to reflect this knowledge and experience in the Itoki Corporation auditing system. While Mr. Shirahata only has the experience of contributing to corporate management in the capacity of External Director for other companies, we believe that he will be able to appropriately fulfill his role as an external auditor for Itoki Corporation for the aforementioned reasons.

Although Itoki Corporation has no clearly defined standards or policy regarding independence concerning the appointment of external directors and external auditors, in the appointment process we make individual determinations based on a candidate's background and relationship with Itoki Corporation about whether they have sufficient independence to perform their duties as an external director or external auditor in an independent position from our management.

External auditors participate in meetings of the Board of Directors, and audit the state of execution of business by the directors. External auditors hold regular and irregular meetings with representative directors and work with accounting auditors and the internal audit office to ensure comprehensive and efficient audits.

(C) Interoperation between supervision or auditing by external directors or external auditors and internal audits, audits by corporate auditors, and accounting audits, and relationship with the Internal Control Division

External directors exchange opinions with the corporate auditors as necessary at meetings of the Board of Directors and at meetings of the Audit & Supervisory Board that they attend on a regular basis. Furthermore, external auditors exchange information about the status of their audits with other corporate auditors at meetings of the Audit & Supervisory Board, and we provide a venue for external auditors to exchange opinions with accounting auditors.

(3) Audits

(A) Audits by corporate auditors

(i) Activities of the Audit & Supervisory Board

Itoki Corporation's Audit & Supervisory Board is composed of one full-time corporate auditor and two external auditors. As an independent body with a mandate from the shareholders, Itoki Corporation's Audit & Supervisory Board fundamental approach to audits is to audit the execution of duties by the directors, and by doing so, ensure the sound and sustained growth of the Company while contributing to the firm establishment of a good system of corporate control that lives up to the trust placed in the Company by society. Our full-time corporate auditor has a wide range of experience and a high level of insight concerning Itoki Corporation's R&D, human resources, and risk management divisions, while as our external auditors, we have selected two specialists: a certified public accountant with specialized knowledge and extensive business experience in finance and accounting, and a lawyer, with a high level of specialized knowledge and a wealth of experience.

Meetings of the Audit & Supervisory Board are held to coincide with meetings of the Board of Directors, and in this fiscal year, a total of 13 meetings were held. The meetings had a 100% attendance rate by corporate auditors, and each meeting lasted for approximately 1 hour 2 minutes.

Throughout the year, the following such resolutions, deliberations and discussions, and reports were undertaken.

Category	Number	Details
Resolutions	7	Agreement on policy for audits by corporate auditors/audit plans/division of roles, accounting auditor selection, corporate auditor selection, audit reports from the Audit & Supervisory Board, and audit remuneration for accounting auditors, etc.
Deliberations/ Discussions	14	Revision of implementation standards for audits of the internal control system, deliberation of audit working papers for the matters required to form an audit opinion for a corporate auditor's audit, and evaluation regarding whether or not to reappoint accounting auditors, etc.
Reports	41	Agenda items for organizational decision-making meetings, visits to offices/Group companies for audit purposes, reports on dialogues between management and corporate auditors, audit reports from accounting auditors, and reports on revisions to laws, guidelines, and standards, etc.

The Audit & Supervisory Board also received regular reports on the status of business execution from the HR Division, the Legal Affairs Department, the DX Promotion Division, and the Audit Department, and shared information and exchanged opinions on such reports.

(ii) Main activities of corporate auditors

Itoki Corporation's full-time corporate auditor attends organizational decision-making meetings, meetings of the Compliance Committee, and other important internal meetings and committees, and shares information with the Audit & Supervisory Board. The full-time corporate auditor also shared issues concerning internal control audits and business audits at a monthly meeting with the audit department, and, as required, held dialogues with departmental heads and the heads of management at Group companies to confirm the issues to be addressed and the action to be taken. All corporate auditors attend meetings of the Board of Directors (attendance rate 100%) where they audit and provide oversight of the progress of proceedings and the content of resolutions among other such matters, and, as required, give their opinion. At regular meetings with the representative directors and external directors (held four times per year), the Audit & Supervisory Board shares information on management issues and offers frank opinions.

(iii) Cooperation with accounting auditors

On the basis of an annual audit plan, our corporate auditors receive reports from and exchanges opinions with accounting auditors on overviews of the results of accounting audits and internal control audits. The Audit & Supervisory Board holds regular meetings with the accounting auditors, both face-to-face and remotely, during the course of a fiscal year and receives reports from the accounting auditors on matters including audit plans, priority audit items, audit status, and the status of investigations into audit risks, and in addition to sharing issues and exchanging information, works closely with the accounting auditors to exchange opinions to ensure effective and efficient execution of accounting audits and internal control audits. The main details of the cooperation between corporate auditors and accounting auditors are as set out below.

Meeting	Held in	Overview
Briefing on audit policy/audit plan	May	Corporate auditors receive a briefing on the audit policy and audit plan for the fiscal year
Quarterly review report	May, August, November	Accounting auditors provide corporate auditors with a report on the results of a quarterly review, and the parties exchange opinions
Quality control by the audit corporation	October	Corporate auditors receive a briefing on the audit quality control system and implementation
KAM (key audit matters)	May, August, November	Briefing on the status of risks that require special consideration and discussion on the potential for designation as KAM
Meeting with full-time corporate auditor	December	Information exchange on internal control system risks and audit remuneration
Year-end audit report	February, March	Receipt of year-end audit report

Appropriate coordination and effective two-way communication with the audits are considered essential to further enhance corporate governance, and so accounting auditors work with corporate auditors and other parties at each stage of an audit by holding discussions and engaging in other such interactions.

(B) Internal audits

Internal audits are conducted by the Audit Department (with a staff of 17), which reports directly to the President. In accordance with our internal audit regulations and other rules, the Audit Department undertakes systematic audits of the state of decision-making and control in management activities and internal control systems, training systems, and monitoring and auditing systems in each department and at each Group company, and informs each audited department of areas for improvement as necessary.

The Audit Department reports audit results directly to management, the Board of Directors, and the Audit & Supervisory Board, and also exchanges opinions with the full-time corporate auditor on a regular basis.

(C) Accounting audits

Itoki Corporation has concluded an audit agreement with the accounting auditor KPMG AZSA LLC, and on the basis of this annual agreement KPMG AZSA LLC conducts audits of Itoki Corporation and its consolidated subsidiaries.

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive years of audits

8 years

c. Certified public accountants who performed audit work

Toshiyuki Nishida, Ryosuke Itami

d. Composition of assistants supporting audit work

Assistants on Itoki Corporation's side who supported the accounting audit work numbered 12 certified public accountants and 25 others.

e. Audit corporation selection policy and reason(s)

Upon determining the suitability of an accounting auditor for reappointment (including a determination on agreement to the submission of an agenda item for the selection of an accounting auditor to a General Meeting of Shareholders or the dismissal or non-reappointment of an accounting auditor as the objective of a General Meeting of Shareholders), the Audit & Supervisory Board examines the state of execution of duties by the accounting auditor (including the state of execution of duties in previous fiscal years) and whether the auditing system, independence, and other such aspects are suitable or not.

In cases such as when there are obstacles to the execution of duties by an accounting auditor, the Audit & Supervisory Board, as it determines necessary, decides on the content of an agenda item concerning the dismissal or non-reappointment of the accounting auditor for submission to a General Meeting of Shareholders.

Furthermore, if it is determined that the items under Article 340 Paragraph 1 of the Companies Act apply to the accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor on the basis of the unanimous consent of all corporate auditors. In this case, a corporate auditor selected by the Audit & Supervisory Board shall report the fact that the accounting auditor has been dismissed and the reasons for this at the first General Meeting of Shareholders convened after the dismissal.

f. Evaluation of the audit corporation by corporate auditors and the Audit & Supervisory Board

In order to ensure that the duties of the accounting auditor are being executed properly, Itoki Corporation receives notifications from the accounting auditor about matters concerning independence as well as matters concerning compliance with laws and rules, matters concerning policy for acceptance and continuance of agreements for audits, work equivalent to audits, and related services, and other matters concerning the system to ensure that the duties of the accounting auditor are executed properly, and requests briefings from the accounting auditor to check that it is complying with the quality control standards required to properly implement an accounting audit. As a result of this confirmation, we have determined that the duties of the accounting auditor are being properly executed.

(D) Details of audit remuneration, etc.

a. Remuneration for certified public accountants for audits

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)
Submitting company	98	—	85	—
Consolidated subsidiaries	16	—	17	—
Total	114	—	102	—

b. Remuneration towards the same network (KPMG) as the certified public accountants for audits, etc. (excluding a.)

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)
Submitting company	—	4	—	8
Consolidated subsidiaries	—	—	—	—
Total	—	4	—	8

(Fiscal year ended December 31, 2022)

The content of non-audit services at Itoki Corporation is third-party certification work for CO_2 emission volume.

(Fiscal year ended December 31, 2023)

The content of non-audit services at Itoki Corporation is third-party certification work for CO_2 emission volume.

c. Details of remuneration based on other significant audit certification services

Not applicable.

d. Policy for determining audit remuneration

We decide on the appropriate remuneration for certified public accountants for audits, etc., in consideration of the content and length of an audit, and having obtained the consent of the Audit & Supervisory Board.

e. Reason for the Audit & Supervisory Board consenting to the remuneration for the accounting auditor

The Audit & Supervisory Board arrived at the determination that it would consent to the amount of the remuneration and other such moneys to be paid to the accounting auditor having first conducted the necessary investigations to confirm that matters including the content of the accounting auditor’s audit plan, the status of execution of the accounting auditor’s duties, and the basis for calculation of the remuneration estimate are reasonable.

(4). Remuneration for officers

(A) Policy for deciding the amount of officers' remuneration

The maximum amount of remuneration for directors and corporate auditors is set by means of a resolution at a General Meeting of Shareholders. The remuneration for each individual director is set on the basis of the monthly remuneration schedule by position and other factors approved by the Board of Directors and in reflection, by the representative directors, upon matters including details of duties and the state of Itoki Corporation, while the remuneration for each individual corporate auditor is set on the basis of discussions by the Audit & Supervisory Board taking into account matters such as details of duties, experience, and the state of Itoki Corporation.

A resolution on a maximum amount of remuneration for directors of up to 25 million yen per month was passed at the Annual General Meeting of Shareholders held on March 29, 2001, but in addition to this fixed remuneration framework, resolutions were also passed regarding a restricted share remuneration framework for a variable remuneration of up to 10% of net profit for a given fiscal year at the Annual General Meeting of Shareholders held on March 27, 2013 and an annual amount of up to 120 million yen (of which external directors may receive an annual amount of up to 5 million yen) at the Annual General Meeting of Shareholders held on March 28, 2018. A resolution on a maximum amount of remuneration for corporate auditors of up to 10 million yen per month was passed at the Annual General Meeting of Shareholders held on March 27, 2013, but in addition to this fixed remuneration framework, a resolution was also passed regarding a restricted share remuneration framework for an annual amount of up to 10 million yen (of which external auditors may receive an annual amount of up to 2 million yen) at the Annual General Meeting of Shareholders held on March 28, 2018.

(B) Total amount of remuneration by category of officer and by type, and number of eligible officers for the submitting company

Category of officer	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of eligible officers
		Basic remuneration	Performance-based remuneration	Non-monetary remuneration	
Directors (excluding external directors)	362	136	208	18	7
Corporate auditors (excluding external auditors)	22	18	1	2	2
External officers	43	27	13	2	7

(Notes) 1. The amount paid to directors does not include the portion of salary as an employee for directors concurrently serving as employees.

2. Non-monetary remuneration refers to restricted shares in Itoki Corporation, and the officers eligible to receive an allocation of such shares are Itoki Corporation directors (including external directors) and corporate auditors (including external auditors).

(C) Total amount of consolidated remuneration by officer

Name	Total amount of consolidated remuneration (million yen)	Category of officer	Category of company	Amount of consolidated remuneration by type (million yen)		
				Basic remuneration	Performance-based remuneration	Non-monetary remuneration
Koji Minato	111	Director	Submitting company	45	63	2

(Note) Information only shown for officers with a total amount of consolidated remuneration of at least 100 million yen.

(5) Shareholdings

(A) Criteria and approach to classification of investment shares

With regards to the classification of shares held for the purpose of pure investment and shares held for purposes other than pure investment, Itoki Corporation deems investment shares held for the purpose of receiving profit based on changes in share value and through dividends pertaining to such shares to be shares held for the purpose of pure investment, and investment shares held for any other reason to be investment shares held for purposes other than pure investment.

(B) Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues

From the perspective of maintaining and strengthening relationships with business partners, Itoki Corporation engages in cross-shareholding only when we determine that doing so will contribute to the continuous development of the Itoki Group and the enhancement of its corporate value over the medium to long term. In the course of verifying the rationale of such shareholdings, we verify matters including whether the benefits gained through the shareholdings are reasonable in terms of the capital cost.

On the basis of this criteria, we verify the significance of holding such stock each year at a meeting of the Board of Directors, and the process of disposing of stock is commenced for any issues that are determined to be lacking significance.

b. Number of issues and recorded value on balance sheet

	Number of issues	Total amount recorded on balance sheet (million yen)
Unlisted shares	25	437
Shares other than unlisted shares	20	2,093

(Issues for which the number of shares increased in the fiscal year)

	Number of issues	Total amount acquired through increase in number of shares (million yen)	Reason for increase in number of shares
Unlisted shares	1	100	Newly acquired for the purpose of maintaining and strengthening business relationship
Shares other than unlisted shares	2	1	Regular purchase at business partner’s stockholding association

(Issues for which the number of shares decreased in the fiscal year)

	Number of issues	Total amount from sales in relation to shares whose number decreased (million yen)
Unlisted shares	—	—
Shares other than unlisted shares	6	238

c. Number of shares, amount on balance sheet, and other information per issue of specified investment shares and deemed shareholdings

Specified investment shares

Issue	During the fiscal year Number of shares Amount recorded on balance sheet (million yen)	Previous fiscal year Number of shares Amount recorded on balance sheet (million yen)	Purpose of shareholding, overview of business alliance, etc., quantitative effect of shareholding, and reason for increase in no. of shares (Note 1)	Shares held in Itoki Corporation
Sumitomo Realty & Development Co., Ltd.	120,200	120,200	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	504	375		
Sumitomo Mitsui Financial Group, Inc.	54,469	54,469	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	374	288		
Mizuho Financial Group, Inc.	146,086	146,086	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	352	271		
Okasan Securities Group Inc.	400,000	400,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	274	153		
OKABE CO., LTD.	246,000	246,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	180	170		
The Keiyo Bank, Ltd.	250,381	250,381	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	170	146		
MARUSAN SECURITIES CO., LTD.	95,550	95,550	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	80	38		
Shizuoka Financial Group, Inc.	39,000	39,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	46	41		
Tokyo Kiraboshi Financial Group, Inc.	6,739	6,739	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	26	17		
ANA HOLDINGS INC.	5,864	5,668	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. Our shareholding is growing due to regular purchases by the stockholding association.	None
	17	15		
LIHIT LAB., INC.	13,600	13,600	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	12	11		
Resona Holdings, Inc.	14,788	14,788	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	10	10		
Panasonic Holdings Corporation	7,360	7,360	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	10	8		
Daishi Hokuetsu Financial Group, Inc.	2,000	2,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	7	5		
JACCS CO., LTD.	1,392	1,301	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. Our shareholding is growing due to regular purchases by the stockholding association.	None
	7	5		

Issue	During the fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, etc., quantitative effect of shareholding, and reason for increase in no. of shares (Note 1)	Shares held in Itoki Corporation
	Number of shares	Number of shares		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Senshu Ikeda Holdings,Inc.	16,798	16,798	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	5	4		
OKAMURA CORPORATION	2,352	2,352	Shares held for the purpose of maintaining and strengthening business relationship.	Y
	5	3		
KOKUYO Co., Ltd.	1,000	1,000	Shares held for the purpose of maintaining and strengthening business relationship.	None
	2	1		
Kita-Nippon Bank, Ltd.	1,000	1,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	2	2		
MITO SECURITIES CO., LTD.	5,000	5,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	2	1		
Dai Nippon Printing Co., Ltd.	—	25,000	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	None
	—	66		
Inageya Co., Ltd.	—	44,787	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	Y
	—	55		
TSI HOLDINGS CO., LTD.	—	70,000	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	None
	—	31		
IINO KAIUN KAISHA, LTD.	—	20,000	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	None
	—	18		
THE DAITO BANK, LTD.	—	1,260	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	None
	—	0		

(Notes) 1. It is not possible to state the quantitative effect of shareholdings. We undertake a general verification of the rationale of shareholdings based on benefits and capital cost.

Deemed shareholdings

Not applicable.

(C) Investment shares held for the purposes of pure investment

Not applicable.

V. Status of Accounts

1. Preparation of consolidated financial statements and financial statements

(1) The Company’s consolidated financial statements are prepared in accordance with the “Regulations on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28 of 1976, hereinafter referred to as the “Regulations on Consolidated Financial Statements”).

(2) The Company’s financial statements are prepared in accordance with the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements” (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as the “Regulations on Financial Statements”).

The Company is categorized as a “Special Company Submitting Financial Statements,” and prepares its financial statements in accordance with the provisions of Article 127 of the Regulations on Financial Statements.

2. Audit certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current fiscal year (from January 1, 2023 to December 31, 2023) and the financial statements for the current fiscal year (from January 1, 2023 to December 31, 2023) have been audited by KPMG AZSA LLC.

3. Special efforts to ensure the propriety of consolidated financial statements, etc.

The Company takes special measures to ensure the propriety of its consolidated financial statements, etc. Specifically, in order to properly ascertain the content of accounting standards, etc., and to develop a system that can appropriately respond to changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation, participates in training sessions conducted by accounting standard setting bodies, etc., subscribes to specialist publications, and strives to collect information on generally accepted corporate accounting standards, evaluation standards for internal controls over financial reporting, and other relevant matters.

1. Consolidated Financial Statement, etc.

(1) Consolidated financial statement

(A) Consolidated balance sheet

(Units: millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Assets		
Current assets		
Cash and deposits	*4 26,876	*4 24,795
Notes and accounts receivable - trade, and contract assets	*1,*7 29,316	*1,*7 31,158
Electronically recorded monetary claims - operating	*1 3,008	*1 4,547
Securities	100	-
Merchandise and finished goods	4,998	4,845
Work in process	2,010	1,740
Raw materials and supplies	2,920	3,146
Other	1,991	3,284
Allowance for doubtful accounts	(194)	(213)
Total current assets	71,027	73,304
Non-current assets		
Property, plant and equipment		
Buildings and structures	*4 32,083	*4 33,411
Accumulated depreciation	(20,706)	(21,379)
Buildings and structures, net	11,377	12,032
Machinery, equipment and vehicles	15,082	15,359
Accumulated depreciation	(12,596)	(13,015)
Machinery, equipment and vehicles, net	2,486	2,344
Land	*4 8,436	*4 8,436
Leased assets	1,829	1,651
Accumulated depreciation	(1,149)	(1,189)
Leased assets, net	680	462
Construction in progress	626	107
Other	10,409	10,549
Accumulated depreciation	(9,037)	(9,139)
Other (net)	1,372	1,409
Total property, plant and equipment	24,978	24,792
Intangible assets		
Goodwill	517	341
Other	1,302	1,950
Total intangible assets	1,819	2,292
Investments and other assets		
Investment securities	*3 5,057	*3 5,835
Retirement benefit asset	1,490	1,691
Deferred tax assets	3,084	2,127
Other	8,296	7,861
Allowance for doubtful accounts	(466)	(467)
Total investments and other assets	17,462	17,048
Total non-current assets	44,260	44,132
Total assets	115,288	117,437

(Units: millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*7 12,674	*7 12,218
Electronically recorded obligations - operating	7,482	8,490
Notes payable — facilities	1,334	88
Current portion of bonds payable	60	-
Short-term borrowings	*4,*6 9,463	*4,*6 8,487
Current portion of long-term borrowings	*4 1,716	*4 1,789
Income taxes payable	3,095	916
Accrued consumption taxes	804	1,377
Allowance for bonuses	2,712	3,619
Allowance for bonuses for officers	157	321
Allowance for loss on orders received	1	-
Allowance for product warranties	19	16
Allowance for loss on business of subsidiaries and associates	355	119
Other	*2 9,221	*2 9,895
Total current liabilities	49,099	47,340
Non-current liabilities		
Long-term borrowings	*4 6,731	*4 6,007
Lease obligations	799	570
Deferred tax liabilities	349	351
Allowance for retirement benefits for officers	85	75
Allowance for loss on voluntary recall of products	83	83
Retirement benefit liability	4,062	3,821
Asset retirement obligations	1,315	1,284
Other	2,851	2,903
Total non-current liabilities	16,278	15,096
Total liabilities	65,377	62,437
Net assets		
Shareholders' equity		
Share capital	5,294	5,294
Capital surplus	9,638	9,665
Retained earnings	34,387	38,617
Treasury shares	(134)	(111)
Total shareholders' equity	49,185	53,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	294	678
Foreign currency translation adjustment	480	638
Remeasurements of defined benefit plans)	(133)	132
Total accumulated other comprehensive income	640	1,449
Stock acquisition rights	45	45
Non-controlling interests	39	39
Total net assets	49,910	54,999
Total liabilities and net assets	115,288	117,437

(B) Consolidated statements of income and consolidated statements of comprehensive income

[Consolidated statement of income]

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	*1 123,324	*1 132,985
Cost of sales	*2, *4 77,575	*2, *4 80,744
Gross profit	45,749	52,240
Selling, general and administrative expenses	*3, *4 41,167	*3, *4 43,717
Operating profit	4,582	8,523
Non-operating income		
Interest income	10	18
Dividend income	93	110
Dividend income of insurance	112	100
Subsidy income	67	17
Other	272	234
Total non-operating income	556	481
Non-operating expenses		
Interest expenses	151	151
Share of loss of entities accounted for using equity method	6	16
Foreign exchange losses	126	-
Outsourcing expenses	358	25
Structural reform expenses	145	-
Commissions payable	-	150
Other	173	105
Total non-operating expenses	961	448
Ordinary profit	4,177	8,555
Extraordinary income		
Gain on sale of non-current assets	*5 6,911	*5 3
Gain on sale of investment securities	*6 106	*6 174
Gain on forgiveness of debts	*7 779	*7 -
Other	7	8
Total extraordinary income	7,805	186
Extraordinary losses		
Loss on sale of non-current assets	*8 29	*8 0
Loss on retirement of non-current assets	*9 1,782	*9 328
Impairment losses	*10 1,319	*10 0
Allowance for loss on business of subsidiaries and associates	323	-
Other	154	33
Total extraordinary losses	3,611	363
Profit before income taxes	8,372	8,378
Income taxes — current	3,787	1,731
Income taxes — deferred	(596)	740
Total income taxes	3,191	2,471
Owners of parent	5,181	5,907
Profit (loss) attributable to non-controlling interests	(113)	1
Profit attributable to owners of parent	5,294	5,905

[Consolidated statement of comprehensive income]

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net profit	5,181	5,907
Other comprehensive income		
Valuation difference on available-for-sale securities	(109)	384
Foreign currency translation adjustment	298	158
Remeasurements of defined benefit plans, net of tax	(130)	266
Total other comprehensive income	* 58	* 808
Comprehensive income	5,239	6,715
(Breakdown)		
Comprehensive income attributable to owners of parent	5,351	6,714
Comprehensive income attributable to non-controlling interests	(112)	1

(C) Consolidated statements of changes in net assets

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Units: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,294	9,638	29,530	(161)	44,301
Cumulative effects of changes in accounting policies			249		249
Restated balance	5,294	9,638	29,780	(161)	44,551
Changes during period					
Dividends of surplus			(678)		(678)
Profit attributable to owners of parent			5,294		5,294
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		27	26
Decrease resulting from accounting period change of subsidiaries			(9)		(9)
Transactions with non controlling interests — capital surplus		0			0
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	4,607	26	4,633
Balance at end of period	5,294	9,638	34,387	(134)	49,185

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	403	182	(2)	583	45	145	45,076
Cumulative effects of changes in accounting policies							249
Restated balance	403	182	(2)	583	45	145	45,325
Changes during period							
Dividends of surplus							(678)
Profit attributable to owners of parent							5,294
Purchase of treasury shares							(0)
Disposal of treasury shares							26
Decrease resulting from accounting period change of subsidiaries							(9)
Transactions with non controlling interests — capital surplus							0
Net changes in items other than shareholders' equity	(109)	297	(130)	57	-	(106)	(49)
Total changes during period	(109)	297	(130)	57	-	(106)	4,584
Balance at end of the fiscal year	294	480	(133)	640	45	39	49,910

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,294	9,638	34,387	(134)	49,185
Changes during period					
Dividends of surplus			(1,675)		(1,675)
Profit attributable to owners of parent			5,905		5,905
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		27		23	50
Decrease resulting from accounting period change of subsidiaries)					-
Transactions with non controlling interests — capital surplus		0			0
Net changes in items other than shareholders' equity					
Total changes during period	-	27	4,230	22	4,280
Balance at end of period	5,294	9,665	38,617	(111)	53,465

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	294	480	(133)	640	45	39	49,910
Changes during period							
Dividends of surplus							(1,675)
Profit attributable to owners of parent							5,905
Purchase of treasury shares							(0)
Disposal of treasury shares							50
Decrease resulting from accounting period change of subsidiaries							-
Transactions with non controlling interests — capital surplus							0
Net changes in items other than shareholders' equity	384	158	266	808	-	0	808
Total changes during period	384	158	266	808	-	0	5,089
Balance at end of period	678	638	132	1,449	45	39	54,999

(D) Consolidated statements of cash flows

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	8,372	8,378
Depreciation	2,828	2,641
Amortization of goodwill	411	252
Impairment losses	1,319	0
Increase (decrease) in allowance for doubtful accounts	(508)	18
Increase (decrease) in allowance for bonuses	983	907
Increase (decrease) in allowance for bonuses for officers	29	163
Increase (decrease) in allowance for loss on orders received	1	(1)
Increase (decrease) in retirement benefit liability	59	(28)
Decrease (increase) in retirement benefit asset	(14)	(30)
Increase (decrease) in allowance for retirement benefits for officers	5	(9)
Increase (decrease) in allowance for product warranties	(42)	(3)
Increase (decrease) in allowance for loss on business of subsidiaries and associates	323	(224)
Interest and dividend income	(104)	(128)
Interest expenses	151	151
Share of loss (profit) of entities accounted for using equity method	6	16
Loss (gain) on sale of investment securities	(95)	(169)
Loss (gain) on sale of non-current assets	(6,882)	(2)
Loss on retirement of non-current assets	1,782	328
Decrease (increase) in trade receivables	(1,735)	(3,124)
Decrease (increase) in inventories	(138)	197
Increase (decrease) in trade payables	842	390
Other	35	477
Subtotal	7,630	10,202
Interest and dividends received	102	118
Interest paid	(147)	(137)
Income taxes paid	(1,782)	(3,862)
Net cash provided by (used in) operating activities	5,804	6,321

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,533)	(4,150)
Proceeds from withdrawal of time deposits	1,631	4,491
Purchase of property, plant and equipment	(4,145)	(3,316)
Proceeds from sale of property, plant and equipment	9,633	52
Purchase of investment securities	(65)	(540)
Proceeds from sale of investment securities	301	351
Proceeds from collection of long-term loans receivable	0	0
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(36)	-
Net decrease (increase) in insurance reserve fund	(33)	395
Other	(829)	(1,295)
Net cash provided by (used in) investing activities	4,923	(4,012)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(100)	(981)
Proceeds from long-term borrowings	2,615	1,231
Repayments of long-term borrowings	(2,288)	(1,881)
Redemption of bonds	(40)	(60)
Net decrease (increase) in treasury shares	(0)	(0)
Dividends paid	(678)	(1,675)
Dividends paid to non-controlling interests	(0)	(0)
Other	(934)	(779)
Cash flows from financing activities	(1,426)	(4,148)
Effect of exchange rate change on cash and cash equivalents	239	83
Net increase (decrease) in cash and cash equivalents	9,541	(1,755)
Cash and cash equivalents at beginning of period	15,797	25,420
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year end of consolidated subsidiaries	81	-
Cash and cash equivalents at end of period	* 25,420	* 23,664

[Notes]

(Important matters that form the basis for the preparation of the consolidated financial statements)

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 32

Names of principal consolidated subsidiaries

Itoki All Steel Co., Ltd.
Fuji Living Industry Co., Ltd.
Itoki Market Space Inc.
Itoki Engineering Service Corporation
Simasobi Corporation
Itoki Toko Manufacturing Co., Ltd.
Itoki Marui Industry Co., Ltd.
Sanko Facilities Inc.
FMSTAFF Co., Ltd.
Itoki Shared Value Co., Ltd.
Shin Nihon System Technology Corporation
DALTON Corporation
Tarkus Interiors Pte Ltd
Novo Workstyle Asia Limited
ITOKI SYSTEMS (SINGAPORE) PTE., LTD.
ITOKI CHINA HOLDING Co., Ltd.
16 other companies

In the current fiscal year, the consolidated subsidiary ITOKI-HOKKAIDO Co., Ltd. was excluded from the scope of consolidation as it ceased to exist as a result of an absorption-type merger, with the Company as the surviving company, on April 1, 2023. In addition, GlobalTreehouse Inc., which was a consolidated subsidiary, was excluded from the scope of consolidation following the completion of liquidation proceedings.

(2) Number of non-consolidated subsidiaries: 7

Names of principal non-consolidated subsidiaries

Knoll Japan Inc.
6 other companies

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in size and their total assets, net sales, net profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not have a material impact on the consolidated financial statements.

2. Matters relating to the application of the equity method

(1) Number of affiliates accounted for by the equity method: 1

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method (Knoll Japan Inc. and seven other companies) are excluded from the scope of application of the equity method because they have a minimal effect on net profit or loss, retained earnings, etc. and are not significant as a whole.

3. Fiscal year of consolidated subsidiaries

Among the consolidated subsidiaries, DALTON Corporation and five other domestic subsidiaries, as well as Tarkus Interiors Pte Ltd and one other overseas subsidiary, have a fiscal year end of September 30, and their financial statements as of this fiscal year end are used in preparing the consolidated financial statements.

In addition, for Novo Workstyle Asia Limited and seven other overseas subsidiaries with a fiscal year end of December 31, the financial statements based on the provisional closing as of September 30 are used in preparing the consolidated financial statements.

For ITOKI SYSTEMS (SINGAPORE) PTE., LTD., which has a fiscal year end of December 31, the financial statements based on the provisional closing as of November 30 are used in preparing the consolidated financial statements.

However, adjustments necessary for consolidation have been made for significant transactions occurring between the fiscal year end of the consolidated subsidiaries and the consolidated closing date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(A) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Other securities

Securities other than non-marketable equity securities

Market value method (unrealized gains and losses are included directly in net assets and the cost of securities sold is calculated using the moving average method)

Non-marketable equity securities

Stated at cost using the moving average method

(B) Derivatives

Market value method

(C) Inventories

Mainly stated at cost based on the weighted average method (balance sheet values are written down to their book values based on a decline in profitability)

(2) Depreciation and amortization methods for significant depreciable assets

(A) Property, plant and equipment (excluding leased assets)

The declining-balance method is used. However, the straight-line method is used for buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016. The straight-line method is used for overseas consolidated subsidiaries.

The main useful lives are as follows.

Buildings and structures: 8–50 years

Machinery, equipment and vehicles: 4–17 years

(B) Intangible assets (excluding leased assets)

The straight-line method is used.

Software intended for sale in the market is amortized using the method based on the estimated sales volume (effective period: 3 years), while software for internal use is amortized mainly using the straight-line method based on the estimated internal useful life (5 years).

(C) Leased assets

Leased assets are depreciated using the straight-line method, where the lease period is the useful life of the asset and the residual value is zero.

(3) Accounting for significant allowance

(A) Allowance for doubtful accounts

To provide for losses on bad debts, an estimate for the amount of unrecoverable receivables is recorded based on the historical percentage of bad debts for general receivables and on an individual assessment of recoverability for specific doubtful receivables.

(B) Allowance for bonuses

To provide for the payment of bonuses to employees, the estimated amount of bonuses to be paid is recorded.

(C) Allowance for bonuses for officers

To provide for the payment of bonuses to officers, the estimated amount of bonuses to be paid is recorded.

(D) Allowance for loss on orders received

To provide for future losses on order contracts, an estimated amount of losses starting from the following fiscal year is recorded for those contracts that are expected to incur losses in the future and the amount of such losses can be reasonably estimated at the end of the current fiscal year.

(E) Allowance for product warranties

To provide for expenses for warranties on products delivered, a provision is made for the amount expected to be incurred in the future.

(F) Allowance for retirement benefits for officers

To provide for the payment of retirement benefits to officers, 100% of the amount payable at the end of the current fiscal year is recorded in accordance with the internal rules for the payment of retirement benefits to directors.

(G) Allowance for loss on voluntary recall of products

To provide for losses arising from the voluntary recall, inspection, and replacement of certain products sold by the Company in the past, an allowance is provided for the estimated amount of losses to be incurred.

(H) Allowance for loss on business of subsidiaries and associates

To provide for losses associated with the business of subsidiaries and associates, an allowance is provided for the estimated amount of losses at the end of the current fiscal year, taking into account the financial position of subsidiaries and associates.

(4) Accounting method for retirement benefits

(A) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, estimated retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit calculation method.

(B) Method of amortizing actuarial gains and losses and past service costs as expenses

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the actuarial gains and losses are recognized in expenses from the fiscal year following the year in which they arise each fiscal year.

Past service costs are expensed using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the costs are incurred.

(C) Adoption of simplified method for small companies, etc.

Certain consolidated subsidiaries apply the simplified method of calculating liabilities for retirement benefits and retirement benefit costs, using a method that treats the end-of-period discretionary payment amount related to retirement benefits as the retirement benefit obligation.

(5) Standards for recording of significant revenues and expenses

The main performance obligations in the Group's main businesses relating to revenue from contracts with customers and the normal time at which such performance obligations are satisfied (the normal time at which revenue is recognized) are as follows.

(A) Sale of finished goods and merchandise (workplace business, equipment and public works-related business, IT and sharing business)

Sales of finished goods and merchandise are recognized at the amount expected to be received for the finished goods or merchandise, deeming the performance obligation to be satisfied at the point of delivery of said finished goods or merchandise based on the sales contract with the customer.

Applying the alternative handling prescribed in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition," revenue is recognized upon shipment if the period from the time of shipment to the time when control of the finished goods or merchandise is transferred to the customer is a normal period of time for the sale of said finished goods or merchandise.

(B) Product sales involving construction and construction services such as installation and interior finishing work (workplace business, equipment and public works-related business)

For product sales involving construction and construction services such as installation and interior finishing work, revenue is recognized based on the degree of progress toward satisfying performance obligations over a fixed period of time. The degree of progress is estimated by applying the percentage of costs incurred through the end of the current fiscal year to the total estimated costs of construction (input method).

If the period between the transaction commencement date specified in a contract and the time when the performance obligation is expected to be fully satisfied is very short, the Company does not recognize revenue over a fixed period of time, but recognizes revenue when the performance obligation is fully satisfied.

(6) Significant hedge accounting methods

(A) Hedge accounting method

In principle, deferred hedge accounting is used. Forward exchange contracts that meet the requirements for allocation treatment are accounted for using the allocation method.

(B) Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts

Hedged items

Foreign currency-denominated trade payables and planned foreign currency transactions

(C) Hedging policy

Forward exchange contracts are used to hedge the risk of fluctuations in yen-denominated payments due to exchange rate fluctuations.

(D) Methods of assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the cumulative market fluctuations of hedged items and hedging instruments, and by examining the ratio of such fluctuations.

(7) Amortization method and period of goodwill

Goodwill is amortized evenly over a period not exceeding 13 years, based on an estimate of the period over which the investment effect will be realized for each subsidiary investment.

(8) Scope of funds in the consolidated statement of cash flows

The scope of funds in the consolidated statement of cash flows comprises cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less at the date of acquisition that can be easily converted into cash and are exposed only to minor risk of value fluctuations.

(Significant accounting estimates)

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Deferred tax assets	2,127 million yen

(2) Information regarding details of significant accounting estimates for identified items

Deferred tax assets are recognized for future deductible temporary differences and carried-forward tax losses at the end of the current fiscal year to the extent that the future tax burden can be reduced based on the company classification defined in the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26).

For accounting purposes, taxable income before the addition or subtraction of temporary differences is estimated based on the business plan, and the main assumption of the business plan is the sales growth rate. The sales growth rate is set based on past results, taking into account the market environment and industry trends.

The Company believes that its estimates of taxable income are based on the best available information. However, changes in the market environment and industry trends could have a significant impact on the consolidated financial statements for the following fiscal year if the conditions on which such estimates are based were to change.

(Changes in accounting policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; hereinafter referred to as “Guidance for Fair Value Measurement”) from the beginning of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance for Fair Value Measurement, the new accounting policies stipulated by the Guidance for Fair Value Measurement will be applied prospectively. This change has no impact on the consolidated financial statements.

In addition, in the notes regarding investment trusts in “Matters regarding the breakdown of fair value of financial instruments by level” in the Notes on Financial instruments, no information is presented for the previous fiscal year in accordance with Paragraph 27-3 of the Guidance for Fair Value Measurement.

(Accounting standards not applied, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

Provides for the classification of income taxes to be recorded when other comprehensive income is taxed and the treatment of tax effects on sales of shares of subsidiaries and other securities when group corporate taxation is applied.

(2) Scheduled date of application

From the beginning of the fiscal year ending December 31, 2025.

(3) Effect of adoption of this accounting standard, etc.

The effect of the application of the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Consolidated statement of income)

"Provision for allowance for loss on liquidation of subsidiaries and associates" under "Extraordinary losses," which was independently presented in the previous fiscal year, has been included in "Other" from the current fiscal year because it has become insignificant in terms of amount. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, "Provision for allowance for loss on liquidation of subsidiaries and associates" of 5 million yen, which was included in "Extraordinary losses" in the consolidated statement of income for the previous fiscal year, has been restated as "Other" of 154 million yen.

(Consolidated balance sheet)

*1. The amount of receivables and contract assets arising from contracts with customers from among notes and accounts receivable - trade, and contract assets, and electronically recorded monetary claims - operating is as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Notes receivable	3,829 million yen	4,045 million yen
Accounts receivable	23,096	23,775
Contract assets	2,390	3,338
Electronically recorded monetary claims - operating	3,008	4,547

*2. The amount of contract liabilities included in other current liabilities is shown in "Notes (Revenue recognition), 3. Information for understanding revenue for the current and subsequent fiscal years, (A) Receivables arising from contracts with customers, contract assets and contract liabilities."

*3. Due to non-consolidated subsidiaries and associates

The main items relating to non-consolidated subsidiaries and associates are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Investment securities (shares)	540 million yen	613 million yen

*4. Assets pledged as collateral

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Time deposits	100 million yen	100 million yen
Property, plant and equipment		
Buildings and structures	756	1,163
Land	1,927	1,927
Subtotal	2,783	3,190

The liabilities corresponding to the above pledged assets are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Short-term borrowings	18 million yen	24 million yen
Current portion of long-term borrowings	492	425
Long-term borrowings	1,009	907

Syndicated term loan agreements

The balance of long-term borrowings under the syndicated term loan agreement entered on March 27, 2020 is as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Syndicated term loan agreements	3,000 million yen	3,000 million yen

The following financial covenants have been attached to syndicated term loan agreements. In the event of a breach of such covenants, repayment of the interest-bearing liabilities in a lump sum may be required.

(A) From the second quarter ended June 2020 onwards, the amount of net assets on the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter of each fiscal year must be maintained at 75% or more of the amount of net assets in the consolidated balance sheet compared with the same period of the previous fiscal year.

(B) From the fiscal year ended December 31, 2020 onwards, the amount of net assets on the non-consolidated balance sheet at the end of each fiscal year must be maintained at 75% or more of the amount of net assets on the non-consolidated balance sheet of each fiscal year compared with the same period of the previous fiscal year.

*5. Discounted notes receivable

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Discounted notes receivable	801 million yen	336 million yen

*6. Loan commitment agreements

The Company has entered into loan commitment agreements with four financial institutions in order to raise working capital efficiently.

The balances of unexecuted loans based on loan commitment agreements are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Total amount of loan commitments	2,900 million yen	6,650 million yen
Outstanding loan balance	—	—
Difference	2,900	6,650

*7. Notes maturing at the fiscal-year end

Notes maturing at the fiscal-year end are settled on the clearance date of the notes. As the last day of the current fiscal year was a bank holiday, notes maturing on the last day of the current fiscal year are included in the balance at the end of the fiscal year.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Notes receivable	180 million yen	175 million yen
Notes payable	68	124

(Consolidated statement of income)

*1. Revenue from contracts with customers

With respect to net sales, revenue arising from contracts with customers is not shown separately from other revenue. The amount of revenue arising from contracts with customers is presented in "Notes (Revenue recognition), 1. Information on the breakdown of revenue arising from contracts with customers."

*2. Cost of sales

(A) The amount of inventories at the end of the fiscal year is after devaluation of the book value due to a decline in profitability, and the following loss (gain) on valuation of inventories is included in the cost of sales.

Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
123 million yen	180 million yen

(B) Provision for (reversal of) allowance for loss on orders received included in cost of sales

Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
(2) million yen	(8) million yen

*3. Selling, general and administrative expenses

Major expenses are as follows.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Employee salaries and allowances	15,420 million yen	15,671 million yen
Provision for allowance for bonuses	2,245	3,037
Retirement benefit costs	802	843
Provision for allowance for retirement benefits for officers	11	11
Provision for allowance for bonuses for officers	142	299
Provision for allowance for doubtful accounts	16	20

*4. Research and development expenses included in general and administrative expenses and manufacturing costs

Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
2,286 million yen	2,719 million yen

*5. Gain on sale of non-current assets

	Previous fiscal year (from January 1, 2022 to December 31, 2022)		Current fiscal year (from January 1, 2023 to December 31, 2023)	
Machinery, equipment and vehicles	21	million yen	1	million yen
Land	6,887		—	
Other (property, plant and equipment)	2		1	
Total	6,911		3	

*6. Gain on sale of investment securities

Previous fiscal year (from January 1, 2022 to December 31, 2022)

This was due to the sale of a portion of the Company's investment securities holdings (three listed stocks).

Current fiscal year (from January 1, 2023 to December 31, 2023)

This was due to the sale of a portion of the Company's investment securities holdings (five listed stocks).

*7. Gain on forgiveness of debts

Previous fiscal year (from January 1, 2022 to December 31, 2022)

The gain on forgiveness of debts recorded as extraordinary income in the previous fiscal year relates to the waiver of claims, etc. from certain creditors of the Company's consolidated subsidiary GlobalTreehouse Inc. on its dissolution.

Current fiscal year (from January 1, 2023 to December 31, 2023)

None.

*8. Loss on sale of non-current assets

	Previous fiscal year (from January 1, 2022 to December 31, 2022)		Current fiscal year (from January 1, 2023 to December 31, 2023)	
Machinery, equipment and vehicles	5	million yen	—	million yen
Land	7		—	
Other (property, plant and equipment)	16		0	
Total	29		0	

*9. Loss on retirement of non-current assets

	Previous fiscal year (from January 1, 2022 to December 31, 2022)		Current fiscal year (from January 1, 2023 to December 31, 2023)	
Buildings and structures	67	million yen	48	million yen
Machinery, equipment and vehicles	63		15	
Other (property, plant and equipment)	49		38	
Other (intangible assets)	1,398		193	
Removal costs etc. relating to the above	203		32	
Total	1,782		328	

*10. Impairment losses

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Company name	Location	Use	Type	Amount
Itoki Corporation	Chuo-ku, Tokyo	Business assets	Intangible assets (other)	4 million yen
Tarkus Interiors Pte Ltd	Singapore	—	Goodwill	286 million yen
Subsidiary of Novo Workstyle Asia Limited	Hong Kong, China, etc.	—	Goodwill	262 million yen
	Hong Kong, China, etc.	Business assets	Machinery, equipment and vehicles	8 million yen
	Hong Kong, China, etc.	Business assets	Property, plant and equipment (other)	0 million yen
	Hong Kong, China, etc.	Business assets	Intangible assets (other)	340 million yen
	Hong Kong, China, etc.	Business assets	Investments and other assets (other)	0 million yen
Subsidiary of ITOKI CHINA HOLDING Co., Ltd.	Jiangsu, China, etc.	Business assets	Buildings and structures	13 million yen
	Jiangsu, China, etc.	Business assets	Machinery, equipment and vehicles	11 million yen
	Jiangsu, China, etc.	Business assets	Property, plant and equipment (other)	292 million yen
	Jiangsu, China, etc.	Business assets	Intangible assets (other)	5 million yen
	Jiangsu, China, etc.	Business assets	Investments and other assets (other)	8 million yen
Itoki HK Limited	Hong Kong, China	Business assets	Machinery, equipment and vehicles	2 million yen
	Hong Kong, China	Business assets	Property, plant and equipment (other)	79 million yen
	Hong Kong, China	Business assets	Intangible assets (other)	1 million yen
Itoki Malaysia Sdn. Bhd.	Malaysia	Business assets	Machinery, equipment and vehicles	1 million yen

In principle, the Group groups its assets according to the smallest unit that generates independent cash flows.

The book value of some of the Company’s intangible assets was reduced to the recoverable amount as they were deemed unlikely to be used in the future, and the reduction of 4 million yen was recorded as an impairment loss under extraordinary losses. The recoverable amount with respect to the assets was measured by their value in use, and the recoverable amount was assessed as zero.

The book values of each of the Company’s consolidated subsidiaries were reduced to their recoverable amounts because they were no longer expected to generate the initially anticipated revenue, and the reductions were recorded as impairment losses under extraordinary losses.

Regarding the amount of the reduction at each subsidiary, goodwill at Tarkus Interiors Pte Ltd. was 286 million yen. Goodwill and business assets of two subsidiaries of Novo Workstyle Asia Limited amounted to 262 million yen and 350 million yen, respectively. Business assets of three subsidiaries of ITOKI CHINA HOLDING Co., Ltd. amounted to 330 million yen. The business assets of Itoki HK Limited amounted to 83 million yen. The business assets of Itoki Malaysia Sdn. Bhd. amounted to 1 million yen.

The recoverable amount with respect to these assets was measured by value in use, and the goodwill of Tarkus Interiors Pte Ltd was calculated by discounting future cash flows at a rate of 11.65%. For other subsidiaries, the recoverable amount was assessed as zero.

Current fiscal year (from January 1, 2023 to December 31, 2023)

This information has been omitted as it is immaterial for the current fiscal year.

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effect adjustments relating to other comprehensive income

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Valuation difference on other securities:		
Amount incurred in current fiscal year	(70) million yen	587 million yen
Reclassification adjustments	(95)	(169)
Before tax effect adjustment	(165)	418
Tax effect adjustment	55	(34)
Valuation difference on other securities	(109)	384
Foreign currency translation adjustment:		
Amount incurred in current fiscal year	298	158
Reclassification adjustments	—	—
Foreign currency translation adjustment	298	158
Remeasurements of retirement benefit plans:		
Amount incurred in current fiscal year	(152)	319
Reclassification adjustments	14	65
Before tax effect adjustment	(137)	384
Tax effect adjustment	7	(118)
Remeasurements of retirement benefit plans	(130)	266
Total other comprehensive income	58	808

(Consolidated statement of changes in net assets)

Previous fiscal year (from January 1, 2022 to December 31, 2022)

1. Type and number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current fiscal year (shares)	Increase in shares in the current fiscal year (shares)	Decrease in shares in the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Issued shares				
Common shares	45,664,437	—	—	45,664,437
Total	45,664,437	—	—	45,664,437
Treasury shares				
Common shares (note)	457,997	262	76,600	381,659
Total	457,997	262	76,600	381,659

(Notes) 1. The increase of 262 shares in the number of treasury shares is due to an increase of 262 shares resulting from requests for the purchase of odd-lot shares.

2. The decrease of 76,600 treasury shares is due to the disposal of 76,600 treasury shares as restricted share remuneration, as per the resolution of the Board of Directors on April 18, 2022.

2. Matters relating to stock acquisition rights

Company name	Breakdown	Type of targeted shares	Number of targeted shares				Balance at the end of the current fiscal year (millions of yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Submitting company	First series of stock acquisition rights	Common shares	11,377,100	—	—	11,377,100	45
Total			11,377,100	—	—	11,377,100	45

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 24, 2022	Common shares	678	15	December 31, 2021	March 25, 2022

(2) Dividends with a record date in the current fiscal year but with an effective date in the following fiscal year

(Resolution)	Type of shares	Total dividend (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 23, 2023	Common shares	1,675	Retained earnings	37	December 31, 2022	March 24, 2023

Current fiscal year (from January 1, 2023 to December 31, 2023)

1. Type and number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current fiscal year (shares)	Increase in shares in the current fiscal year (shares)	Decrease in shares in the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Issued shares				
Common shares	45,664,437	—	—	45,664,437
Total	45,664,437	—	—	45,664,437
Treasury shares				
Common shares (note)	381,659	515	66,000	316,174
Total	381,659	515	66,000	316,174

(Notes) 1. The increase of 515 shares in the number of treasury shares is due to an increase of 515 shares resulting from requests for the purchase of odd-lot shares.

2. The decrease of 66,000 treasury shares is due to the disposal of 66,000 treasury shares as restricted share remuneration, as per the resolution of the Board of Directors on April 14, 2023.

2. Matters relating to stock acquisition rights

Company name	Breakdown	Type of targeted shares	Number of targeted shares				Balance at the end of the current fiscal year (millions of yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Submitting company	First series of stock acquisition rights	Common shares	11,377,100	341,313	—	11,718,413	45
Total			11,377,100	341,313	—	11,718,413	45

(Note) The increase of 341,313 shares targeted by the first series of stock acquisition rights is due to adjustment of the number of shares allocated based on the provisions of the issuance (adjustments to the exercise price, etc., in the event of a special dividend payment).

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 23, 2023	Common shares	1,675	37	December 31, 2022	March 24, 2023

(2) Dividends with a record date in the current fiscal year but with an effective date in the following fiscal year

(Resolution)	Type of shares	Total dividend (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 27, 2024	Common shares	1,904	Retained earnings	42	December 31, 2023	March 28, 2024

(Consolidated statement of cash flows)

* Reconciliation between cash and cash equivalents at the end of the fiscal year with the amounts shown in the consolidated balance sheet

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Cash and deposits	26,876 million yen	24,795 million yen
Time deposits with a term of more than three months	(1,456)	(1,130)
Cash and cash equivalents	25,420	23,664

(Lease transactions)

(Lessee side)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(A) Details of leased assets

(i) Tangible fixed assets

Mainly machinery, equipment and vehicles, etc.

(ii) Intangible fixed assets

Software.

(B) Depreciation method for leased assets

As stated in Important matters that form the basis for the preparation of the consolidated financial statements “4. Matters regarding accounting policies (2) Depreciation and amortization methods for significant depreciable assets.”

2. Operating lease transactions

Outstanding lease payments under non-cancelable operating leases

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
One year or less	1,043	1,665
More than one year	5,102	5,852
Total	6,145	7,518

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy for financial instruments

The Group invests its funds in highly secure financial assets and procures the necessary funds mainly through bank loans. The Company enters into derivative transactions to avoid foreign exchange fluctuation risks on monetary obligations denominated in foreign currencies and to avoid interest rate fluctuation risks on borrowings. It does not enter into derivative transactions for speculative purposes.

(2) Details of financial instruments and their risks

Trade receivables (notes and accounts receivable - trade, and electronically recorded monetary claims - operating) are exposed to customer credit risk.

Securities and investment securities are mainly equity securities in companies with which the Company has business relationships and are exposed to market price fluctuation risk and issuer credit risk.

Trade payables (notes and accounts payable - trade, and electronically recorded obligations - operating) are mostly due within 5 months.

Short-term borrowings and long-term borrowings are mainly used for working capital and capital expenditures. Borrowings are subject to the risk of interest rate fluctuations due to market and credit conditions. In addition, there is a risk of receiving requests for early repayment of some borrowings due to violation of financial covenants.

Derivative transactions are used to avoid the risk of future fluctuations in foreign currency exchange rates by using forward exchange contracts for trade payables denominated in foreign currencies.

(3) Risk management system for financial instruments

(A) Management of credit risk (risk involving nonperformance, etc. by counterparties)

In accordance with internal management regulations, the Company works to reduce risk by managing balances of trade receivables by counterparty and by periodically monitoring the credit status of counterparties. For held-to-maturity bonds, the Company seeks to reduce credit risk by mainly selecting bonds with high credit ratings. With respect to the use of derivative transactions, the Company considers the credit risk to be extremely small, as the counterparties to such transactions are all banks with high creditworthiness.

(B) Management of market risk (risk of fluctuations in foreign exchange rates, interest rates, etc.)

The Company uses forward exchange contracts to hedge against the risk of exchange rate fluctuations relating to monetary obligations denominated in foreign currencies.

Securities and investment securities are managed by regularly monitoring fair values and the financial situations of the issuers.

(C) Management of liquidity risk (risk of inability to make payments on due dates) relating to procurement of funding

The Group manages liquidity risk by ensuring liquidity on hand through monthly cash management plans developed by each company. In addition, the status of the Group’s borrowings is reported to the Board of Directors, etc.

(4) Supplementary explanation on matters regarding fair value, etc. of financial instruments

The fair value of financial instruments includes values based on market prices and, in the absence of market prices, reasonably estimated values. Because variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions, etc.

2. Matters regarding fair value, etc. of financial instruments

Consolidated balance sheet amounts, fair values and the differences between the two are as follows.

Previous fiscal year (ended December 31, 2022)

	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities and investment securities	4,271	4,249	(21)
Total assets	4,271	4,249	(21)
Long-term borrowings (including those to be repaid within one year)	8,448	8,416	(31)
Total liabilities	8,448	8,416	(31)

(*1) "Cash and deposits," "notes and accounts receivable - trade, and contract assets," "electronically recorded monetary claims - operating," "notes and accounts payable - trade," "electronically recorded obligations - operating," and "short-term borrowings" are omitted because, as they are cash or are settled within a short period of time, the fair values approximate the book values.

(*2) Non-marketable equity securities, etc. are not included in "Securities and investment securities." The amounts recorded for such financial instruments in the consolidated balance sheet are as follows.

(Units: millions of yen)

Category	Previous fiscal year
Unlisted shares	885

Current fiscal year (ended December 31, 2023)

	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities and investment securities	4,651	4,645	(6)
Total assets	4,651	4,645	(6)
Long-term borrowings (including those to be repaid within one year)	7,797	7,771	(25)
Total liabilities	7,797	7,771	(25)

(*1) "Cash and deposits," "notes and accounts receivable - trade, and contract assets," "electronically recorded monetary claims - operating," "notes and accounts payable - trade," "electronically recorded obligations - operating," and "short-term borrowings" are omitted because, as they are cash or are settled within a short period of time, the fair values approximate the book values.

(*2) Non-marketable equity securities and investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet, are not included in "Securities and investment securities." The amounts recorded for such financial instruments in the consolidated balance sheet are as follows.

(Units: millions of yen)

Category	Fiscal year ended December 31, 2023
Unlisted shares	1,058
Investments in investment limited partnerships	125

(Note) 1. Scheduled redemption amounts for monetary receivables and securities with maturity dates after the consolidated closing date

Previous fiscal year (ended December 31, 2022)

	Within 1 year (millions of yen)	More than 1 year but within 5 years (millions of yen)	More than 5 years but within 10 years (millions of yen)	More than 10 years (millions of yen)
Deposits	26,867	—	—	—
Notes and accounts receivable - trade	26,926	—	—	—
Electronically recorded monetary claims - operating	3,008	—	—	—
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	100	344	—	—
(3) Other	20	—	—	—
Other securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Total	56,921	344	—	—

Current fiscal year (ended December 31, 2023)

	Within 1 year (millions of yen)	More than 1 year but within 5 years (millions of yen)	More than 5 years but within 10 years (millions of yen)	More than 10 years (millions of yen)
Deposits	24,785	—	—	—
Notes and accounts receivable - trade	27,820	—	—	—
Electronically recorded monetary claims - operating	4,547	—	—	—
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	—	443	—	—
(3) Other	—	—	—	—
Other securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Total	57,153	443	—	—

2. Scheduled amount of repayments of short-term borrowings and long-term borrowings to be made after the consolidated closing date

Previous fiscal year (ended December 31, 2022)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)
Short-term borrowings	9,463	—	—	—	—	—
Long-term borrowings	1,716	1,408	4,226	597	283	215
Total	11,179	1,408	4,226	597	283	215

(Note) Please refer to “Statement of corporate bonds” in the supplementary consolidated statement for the scheduled amount of corporate bond repayments to be made after the consolidated closing date.

Current fiscal year (ended December 31, 2023)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)
Short-term borrowings	8,487	—	—	—	—	—
Long-term borrowings	1,789	4,402	824	459	158	161
Total	10,277	4,402	824	459	158	161

3. Matters regarding the breakdown of fair value of financial instruments by level

The fair values of financial instruments are classified into the following three levels based on the observability and importance of the inputs used to calculate the fair value.

Level 1 fair value: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs.

Level 2 fair value: Fair values measured by inputs other than inputs included within Level 1 among observable valuation inputs.

Level 3 fair value: Fair values measured by unobservable valuation inputs.

In cases where multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value out of the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Previous fiscal year (ended December 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	1,778	—	—	1,778
Total assets	1,778	—	—	1,778

* The fair value of investment trusts is not included in the above. The amount recorded on the consolidated balance sheet for investment trusts is 2,028 million yen.

Current fiscal year (ended December 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	2,136	—	—	2,136
Investment trusts	—	2,072	—	2,072
Total assets	2,136	2,072	—	4,208

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

Previous fiscal year (ended December 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	—	442	—	442
Total assets	—	442	—	442
Long-term borrowings (including those to be repaid within one year)	—	8,416	—	8,416
Total liabilities	—	8,416	—	8,416

Current fiscal year (ended December 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	—	436	—	436
Total assets	—	436	—	436
Long-term borrowings (including those to be repaid within one year)	—	7,771	—	7,771
Total liabilities	—	7,771	—	7,771

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

1. Securities and investment securities

Listed shares are valued using quoted market prices. Since listed shares are traded in an active market, their fair value is classified as Level 1. Conversely, because the held-to-maturity bonds held by the Company are not frequently traded in the market and are not considered quoted prices in an active market, their fair value is classified as Level 2.

Although investment trusts do not have trading prices in the market, because there are no material restrictions that would require compensation for risk from market participants with respect to cancellation or buy-back claims, they are classified as Level 2 fair value with the reference price as the fair value.

2. Long-term borrowings

The fair value of long-term loans is calculated based on the present value of the total principal and interest, classified by fixed period, discounted at the interest rate that would be applicable to new borrowing of the same type, and is classified as Level 2.

(Securities)

1. Trading securities

None.

2. Held-to-maturity bonds

Previous fiscal year (ended December 31, 2022)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Bonds with fair value exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	100	100	0
	(3) Other	—	—	—
	Subtotal	100	100	0
Bonds with fair value not exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	344	324	(19)
	(3) Other	20	17	(2)
	Subtotal	364	341	(22)
Total		464	442	(21)

Current fiscal year (ended December 31, 2023)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Bonds with fair value exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Bonds with fair value not exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	443	436	(6)
	(3) Other	—	—	—
	Subtotal	443	436	(6)
Total		443	436	(6)

3. Other securities

Previous fiscal year (ended December 31, 2022)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	1,390	786	604
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	267	226	40
	Subtotal	1,657	1,012	644
Securities for which the amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	388	516	(128)
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	1,761	2,007	(245)
	Subtotal	2,149	2,523	(374)
Total		3,807	3,536	270

(Note) “Acquisition cost” as given in the table is the book value after impairment.

Current fiscal year (ended December 31, 2023)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	2,123	1,217	906
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	330	269	60
	Subtotal	2,453	1,486	966
Securities for which the amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	12	15	(2)
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	1,741	1,952	(210)
	Subtotal	1,754	1,967	(212)
Total		4,208	3,454	754

(Note) “Acquisition cost” as given in the table is the book value after impairment.

4. Other securities sold

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Type	Amount sold (millions of yen)	Total gain on sale (millions of yen)	Total loss on sale (millions of yen)
(1) Shares	252	104	10
(2) Bonds			
(A) Government bonds, municipal bonds, etc.	—	—	—
(B) Corporate bonds	—	—	—
(C) Other	—	—	—
(3) Other	41	2	0
Total	294	106	11

Current fiscal year (from January 1, 2023 to December 31, 2023)

Type	Amount sold (millions of yen)	Total gain on sale (millions of yen)	Total loss on sale (millions of yen)
(1) Shares	246	166	—
(2) Bonds			
(A) Government bonds, municipal bonds, etc.	—	—	—
(B) Corporate bonds	—	—	—
(C) Other	—	—	—
(3) Other	64	8	5
Total	310	174	5

5. Securities for which impairment losses were recorded

Previous fiscal year (from January 1, 2022 to December 31, 2022)

None.

Current fiscal year (from January 1, 2023 to December 31, 2023)

An impairment loss of 17 million yen (unlisted shares) was recorded for securities.

If the fair value at the end of the fiscal year falls by 50% or more compared to the acquisition cost, the entire amount is recorded as impairment loss. If the fair value at the end of the fiscal year falls by around 30–50%, impairment loss is recorded for the amount deemed necessary in consideration of recoverability and other factors. For shares with no market price and similar, in the event of a significant decline in real value due to a deterioration in financial position, an impairment loss is recorded for the amount deemed necessary in consideration of recoverability and other factors.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans to provide for employee retirement benefits. Certain consolidated subsidiaries participate in the Tokyo Yakugyo Corporate Pension Fund (a general multi-employer employee pension fund).

In some cases, augmented retirement benefits may be paid to employees upon their retirement, etc.

Under the lump-sum retirement benefit plan (unfunded plans, but some are funded as a result of the establishment of a retirement benefit trust) a lump-sum payment based on salary and length of service is provided as a retirement benefit.

2. Defined benefit plans

(1) Adjustment table of the balance of retirement benefit obligations at the beginning and end of the fiscal year (excluding plans to which the simplified method specified in (3) is applied).

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Retirement benefit obligations at the beginning of the fiscal year	8,680	8,354
Service costs	396	396
Interest costs	54	56
Amounts of actuarial gains and losses	(128)	(129)
Retirement benefits paid	(653)	(737)
Past service costs incurred	5	—
Balance of retirement benefit obligations at the end of the fiscal year	8,354	7,940

(2) Adjustment table of the balance of pension plan assets at the beginning and end of the fiscal year (excluding plans to which the simplified method specified in (3) is applied).

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Balance of pension plan assets at the beginning of the fiscal year	7,022	6,564
Expected return on assets	69	72
Amounts of actuarial gains and losses	(275)	189
Employer contributions	65	66
Retirement benefits paid	(317)	(315)
Balance of pension plan assets at the end of the fiscal year	6,564	6,577

(3) Adjustment table of the balance of retirement benefit liabilities at the beginning and end of the fiscal year for the plans to which the simplified method is applied

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Retirement benefit liabilities at the beginning of the fiscal year	729	782
Retirement benefit costs	197	156
Retirement benefits paid	(44)	(66)
Contributions to the plan	(99)	(105)
Retirement benefit liabilities at the end of the fiscal year	782	767

(4) Adjustment table of assets relating to retirement benefits and liabilities relating to retirement benefits recorded in the consolidated balance sheet and the year-end balance of retirement benefit liabilities and pension plan assets

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Retirement benefit obligations of funded plans	7,873	7,542
Pension plan assets	(6,903)	(6,954)
	969	587
Retirement benefit obligations of unfunded plans	1,602	1,542
Net liabilities and assets recorded in the consolidated balance sheet	2,572	2,130
Retirement benefit liability	4,062	3,821
Retirement benefit asset	(1,490)	(1,691)
Net liabilities and assets recorded in the consolidated balance sheet	2,572	2,130

(Note) Including plans to which the simplified method is applied.

(5) Retirement benefit costs and breakdown

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Service costs	396	396
Interest costs	54	56
Expected return on assets	(69)	(72)
Amount of actuarial gains and losses recorded as expenses	24	80
Amount of past service costs recorded as expenses	(10)	(15)
Retirement benefit costs calculated using the simplified method	197	156
Retirement benefit costs relating to defined benefit plans	592	602

(6) Remeasurements of retirement benefit plans

A breakdown of the items recorded as remeasurements of retirement benefit plans (before tax effect deductions) is given below.

(Units: millions of yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Past service costs	(15)	(15)
Actuarial gains and losses	(122)	400
Total	(137)	384

(7) Accumulated remeasurements of retirement benefit plans

A breakdown of the items recorded as accumulated remeasurements of retirement benefit plans (before tax effect deductions) is given below.

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Unrecognized past service costs	82	67
Unrecognized actuarial gains and losses	(419)	(19)
Total	(336)	48

(8) Matters relating to pension plan assets

(A) Breakdown of major pension plan assets

The ratios of major categories to total pension plan assets are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Bonds	34%	28%
Shares	10%	14%
Life insurance general accounts	48%	47%
Other	5%	9%
Total	100%	100%

(B) Method of setting expected rate of long-term returns

To determine the expected rate of long-term returns on pension plan assets, the Company considers the current and projected allocation of pension plan assets and the current and expected rates of long-term returns from the various assets that comprise the pension plan assets.

(9) Matters related to the basis of actuarial calculations

Principal basis for actuarial calculations

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Discount rate	0.0%–0.8%	0.7%–0.9%
Expected rate of long-term returns	0.9%–1.1%	1.0%–2.0%

3. Defined contribution plan

Required contributions to the defined contribution plan by the Company and its consolidated subsidiaries were 423 million yen in the previous fiscal year and 434 million yen in the current fiscal year.

4. Multi-employer plan

Required contributions to the multi-employer plan, which is accounted for in the same manner as the defined contribution plan, were 39 million yen in the previous fiscal year and 35 million yen in the current fiscal year.

(1) Recent funding status of the multi-employer plan

Tokyo Yakugyo Corporate Pension Fund

	Previous fiscal year As of December 31, 2022		Current fiscal year As of December 31, 2023	
Amount of pension plan assets	182,141	million yen	178,035	million yen
Actuarial liabilities based on pension financing calculations	151,351		153,464	
Difference	30,789		24,570	

(2) Contributions by certain subsidiaries as a proportion of the total plan

Previous fiscal year 0.4% (from April 1, 2021 to March 31, 2022)

Current fiscal year 0.4% (from April 1, 2022 to March 31, 2023)

(3) Supplementary explanation

Tokyo Yakugyo Corporate Pension Fund

The main factors behind the differences in (1) above are the balance of unamortized past service obligations (6,169 million yen in the previous fiscal year and 6,167 million yen in the current fiscal year), surplus (11,809 million yen in the previous fiscal year), deficit (6,221 million yen in the current fiscal year), and separate reserve (25,149 million yen in the previous fiscal year and 36,959 million yen in the current fiscal year).

The amortization period for past service obligations under the plan is 5 years and 10 months (as of March 31, 2023) with equal amortization of principal and interest.

The proportion in (2) above does not correspond to the actual proportion borne by the Company.

(Tax effect accounting)

1. Breakdown of the major causes for the occurrence of deferred tax assets and liabilities

	Previous fiscal year (ended December 31, 2022)		Current fiscal year (ended December 31, 2023)	
Deferred tax assets				
Allowance for bonuses and accrued bonuses	949	million yen	1,284	million yen
Excess of allowance for doubtful accounts	191		198	
Write-down of inventories	150		180	
Accrued enterprise taxes	210		78	
Unrealized profits	164		86	
Loss carried forward (Note)1	2,742		1,513	
Retirement benefit liability	1,578		1,506	
Loss on valuation of investment securities	529		472	
Asset retirement obligations	424		422	
Impairment losses	398		350	
Other	621		530	
Subtotal of deferred tax assets	7,961		6,623	
Valuation allowance for carried-forward tax losses (Note)1	(1,728)		(1,513)	
Valuation allowance for total future deductible temporary differences, etc.	(2,087)		(1,777)	
Subtotal of valuation allowances	(3,816)		(3,291)	
Total of deferred tax assets	4,145		3,332	
Deferred tax liabilities				
Retirement benefit asset	(459)		(523)	
Reserve for advanced depreciation of fixed assets	(394)		(392)	
Land valuation differences	(272)		(272)	
Valuation difference on other securities	(6)		(73)	
Other	(276)		(294)	
Total of deferred tax liabilities	(1,410)		(1,556)	
Net amount of deferred tax assets	2,735		1,776	

(Note) 1. Carried-forward tax losses and their deferred tax assets by carry-forward deadline

Previous fiscal year (ended December 31, 2022)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)	Total
Carried-forward tax losses (*1)	49	274	221	463	228	1,504	2,742
Valuation allowances	(49)	(274)	(221)	(463)	(228)	(490)	(1,728)
Deferred tax assets	—	—	—	—	—	1,013	(*2) 1,013

(*1) Carried-forward tax losses are multiplied by the effective statutory tax rate.

(*2) Deferred tax assets of 1,013 million yen were recorded for carried-forward tax losses of 2,742 million yen (obtained by multiplying the effective statutory tax rate). No valuation allowance is recognized for the portion of such carried-forward tax losses determined to be recoverable based on expected future taxable income.

Current fiscal year (ended December 31, 2023)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)	Total
Carried-forward tax losses (*1)	279	219	436	182	258	137	1,513
Valuation allowances	(279)	(219)	(436)	(182)	(258)	(137)	(1,513)
Deferred tax assets	—	—	—	—	—	—	—

(*1) Carried-forward tax losses are multiplied by the effective statutory tax rate.

2. Breakdown of major causes of differences between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Effective statutory tax rate	30.5 %	30.5 %
(Adjustments)		
Entertainment expenses and other non-deductible items	6.2	6.7
Dividends received not taxable	(6.4)	(4.5)
Per capita inhabitant taxes	1.0	0.9
Tax exemptions	(1.3)	(2.6)
Change in valuation allowances	2.4	(3.3)
Amortization of goodwill	1.4	0.8
Difference in tax rates of consolidated subsidiaries	3.1	1.4
Other	1.1	(0.5)
Effective income tax rate after application of tax effect accounting	38.1	29.5

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheet

1. Overview of asset retirement obligations

Asbestos removal costs at the time of building demolition and restoration costs associated with real estate lease contracts for offices, etc.

2. Calculation method for the amount of said asset retirement obligations

The amount of asset retirement obligations is calculated using a discount rate of 0.8%–2.3% based on an estimated period of use of 15–50 years from acquisition.

3. Change in total amount of said asset retirement obligations

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Balance at beginning of the fiscal year	1,091 million yen	1,315 million yen
Increase due to acquisition of property, plant and equipment	—	49
Amount of adjustment due to passage of time	30	10
Decrease due to fulfillment of asset retirement obligations	—	(94)
Change due to changes in estimates	41	3
Other increases (decreases)	151	—
Balance at end of the fiscal year	1,315	1,284

(Rent and other real estate)

The total amount relating to rent and other real estate has been omitted as it is immaterial for the current fiscal year.

(Revenue recognition)

1. Information on the breakdown of revenue from contracts with customers

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Units: millions of yen)

	Reportable segments				Other (Note)	Total
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal		
Time of transfer of goods or services						
Immediate	82,931	34,850	1,624	119,405	—	119,405
Fixed period	3,014	817	—	3,831	—	3,831
Revenue from contracts with customers	85,945	35,667	1,624	123,237	—	123,237
Other revenue	—	—	—	—	87	87
Sales to external customers	85,945	35,667	1,624	123,237	87	123,324

(Note) “Other” is for business segments not included in reportable segments. This includes the real estate rental business, etc.

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Reportable segments				Other (Note)	Total
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal		
Time of transfer of goods or services						
Immediate	90,168	35,366	1,749	127,284	—	127,284
Fixed period	4,088	1,473	—	5,561	—	5,561
Revenue from contracts with customers	94,257	36,839	1,749	132,846	—	132,846
Other revenue	—	—	—	—	138	138
Sales to external customers	94,257	36,839	1,749	132,846	138	132,985

(Note) “Other” is for business segments not included in reportable segments. This includes the real estate rental business, etc.

2. Fundamental information for understanding revenue

Fundamental information for understanding revenue is as stated in “Notes (Important matters that form the basis for the preparation of the consolidated financial statements) 4. Matters regarding accounting policies (5) Standards for recording of significant revenues and expenses.”

3. Information for understanding revenue for the current and subsequent fiscal years

(A) Receivables arising from contracts with customers, contract assets and contract liabilities

(Units: millions of yen)

	Previous fiscal year	Current fiscal year
Receivables arising from contracts with customers (balance at beginning of the fiscal year)	28,842	29,934
Receivables arising from contracts with customers (balance at end of the fiscal year)	29,934	32,368
Contract assets (balance at beginning of the fiscal year)	2,644	2,390
Contract assets (balance at end of the fiscal year)	2,390	3,338
Contract liabilities (balance at beginning of the fiscal year)	968	1,166
Contract liabilities (balance at end of the fiscal year)	1,166	1,043

Contract assets mainly relate to the rights of the Company and its consolidated subsidiaries to consideration for completed portions of construction contracts and sales of finished goods and merchandise for which performance obligations have been satisfied but not yet invoiced as of the fiscal-year end. Contract assets are reclassified to receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries to said consideration become unconditional.

Contract liabilities mainly relate to advances received under contracts with customers. Contract liabilities are reversed upon recognition of revenue.

(B) Transaction price allocated to remaining performance obligations

The total transaction price allocated to remaining performance obligations and the periods over which revenue is expected to be recognized are as follows.

(Units: millions of yen)

	Previous fiscal year	Current fiscal year
Within one year	11,836	13,350
More than one year	1,328	1,012
Total	13,164	14,362

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available and which are subject to regular review by the Board of Directors in order to determine the allocation of management resources and evaluate their performance.

The Group formulates comprehensive strategies for the products and services it handles and engages in its business activities under a manufacturing and sales structure organized by product and service.

Accordingly, the Group comprises product and service segments that take into account similarities in product type and sales market, and has three reportable segments: the workplace business, the equipment and public works-related business, and the IT and sharing business.

The workplace business segment manufactures and sells office desks and chairs, storage furniture, telework furniture, study furniture and other products, and provides office renovation and repair, assembly and construction, office space design and project management services such as office relocations. The equipment and public works-related business manufactures and sells logistics equipment, storage cabinets, research equipment and other equipment, and provides services for the environment and space construction of public facilities. The IT and sharing business provide services to support the creation of new value for customers, including the promotion of DX (digital transformation) in companies and support for the development of human resources in organizations.

2. Methods of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods of the reported business segments are generally the same as those described in "Important matters that form the basis for the preparation of the consolidated financial statements."

Intersegment profits and transfers are based on prevailing market prices.

3. Information on amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Units: millions of yen)

	Reportable segments				Other (Notes) 1	Total	Adjustments (Notes) 2	Amount recorded on the consolidated financial statement (Notes) 3
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal				
Net sales								
Japan	75,592	35,454	1,624	112,671	—	112,671	—	112,671
Asia	10,093	117	—	10,210	—	10,210	—	10,210
Other	259	96	—	356	—	356	—	356
Earnings from contracts with customers	85,945	35,667	1,624	123,237	—	123,237	—	123,237
Other earnings	—	—	—	—	87	87	—	87
Sales to external customers	85,945	35,667	1,624	123,237	87	123,324	—	123,324
Intersegment sales or transfers	346	21	322	690	48	739	(739)	—
Subtotal	86,291	35,689	1,946	123,928	135	124,063	(739)	123,324
Segment profit	2,579	1,482	449	4,511	71	4,582	—	4,582
Segment assets	56,992	26,816	2,125	85,934	1,556	87,490	27,797	115,288
Other items (Notes) 4								
Depreciation	1,905	456	8	2,370	125	2,496	332	2,828
Investments in companies accounted for using the equity method	16	—	—	16	—	16	—	16
Increase in property, plant and equipment and intangible assets	5,154	1,235	373	6,763	71	6,835	128	6,963

(Notes) 1. “Other” is for business segments not included in reportable segments. It includes the real estate rental business, etc.

2. Adjustments are as follows.

(1) Adjustments to segment assets of 27,797 million yen include corporate assets that are not allocated to each reportable segment. Corporate assets mainly include the parent company’s surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative departments such as the head office building.

(2) Adjustments in depreciation and increase in property, plant and equipment and intangible assets include corporate assets that are not allocated to each reportable segment.

3. Total segment profit is consistent with operating profit in the consolidated statement of income. Total segment assets correspond to total assets in the consolidated balance sheet.

4. Depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and their amortization.

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Reportable segments				Other (Notes) 1	Total	Adjustments (Notes) 2	Amount recorded on the consolidated financial statement (Notes) 3
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal				
Net sales								
Japan	82,573	36,466	1,749	120,790	—	120,790	—	120,790
Asia	11,220	177	—	11,397	—	11,397	—	11,397
Other	462	195	—	658	—	658	—	658
Earnings from contracts with customers	94,257	36,839	1,749	132,846	—	132,846	—	132,846
Other revenue	—	—	—	—	138	138	—	138
Sales to external customers	94,257	36,839	1,749	132,846	138	132,985	—	132,985
Intersegment sales or transfers	303	32	402	738	48	786	(786)	—
Subtotal	94,560	36,872	2,151	133,584	187	133,772	(786)	132,985
Segment profit	6,128	1,906	444	8,479	43	8,523	—	8,523
Segment assets	56,816	31,305	1,552	89,673	1,694	91,368	26,068	117,437
Other items (Notes) 4								
Depreciation	1,714	656	7	2,378	95	2,473	167	2,641
Increase in property, plant and equipment and intangible assets	3,010	449	83	3,543	45	3,588	119	3,707

(Notes) 1. “Other” is for business segments not included in reportable segments. It includes the real estate rental business, etc.

2. Adjustments are as follows.

(1) Adjustments to segment assets of 26,068 million yen include corporate assets that are not allocated to each reportable segment. Corporate assets mainly include the parent company’s surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative departments such as the head office building.

(2) Adjustments in depreciation and increase in property, plant and equipment and intangible assets include corporate assets that are not allocated to each reportable segment.

3. Total segment profit is consistent with operating profit in the consolidated statement of income. Total segment assets correspond to total assets in the consolidated balance sheet.

4. Depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and their amortization.

[Related information]

Previous fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by product and service

This information has been omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Information on net sales has been omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statement of income.

(2) Property, plant and equipment

Information on property, plant and equipment has been omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted because there are no external customers whose sales account for more than 10% of the net sales in the consolidated statement of income.

Current fiscal year (from January 1, 2023 to December 31, 2023)

1. Information by product and service

This information has been omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Information on net sales has been omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statement of income.

(2) Property, plant and equipment

Information on property, plant and equipment has been omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted because there are no external customers whose sales account for more than 10% of the net sales in the consolidated statement of income.

[Information on impairment losses on non-current assets by reportable segment]

Previous fiscal year (from January 1, 2022 to December 31, 2022)

As a result of examining the future recoverability of assets in the workplace business segment and corporate assets not allocated to any reportable segment, the book value was reduced to the recoverable amount and the amount of the reduction was recorded as an impairment loss under extraordinary losses. The amount of the impairment loss recorded was 1,315 million yen in the workplace business and 4 million yen in the corporate assets that are not allocated to any reportable segment.

Current fiscal year (from January 1, 2023 to December 31, 2023)

This information has been omitted as it is immaterial for the current fiscal year.

[Information on amortized amount and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Units: millions of yen)

	Reportable segments				Other	Corporate and Eliminations	Total
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal			
Amortization during the fiscal year	372	14	23	411	—	—	411
Balance at end of the fiscal year	448	14	53	517	—	—	517

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Reportable segments				Other	Corporate and Eliminations	Total
	Workplace Business	Equipment and Public Works-Related Business	IT and Sharing Business	Subtotal			
Amortization during the fiscal year	222	6	23	252	—	—	252
Balance at end of the fiscal year	247	8	84	341	—	—	341

[Information on gains on negative goodwill by reportable segment]

Previous fiscal year (from January 1, 2022 to December 31, 2022)

None.

Current fiscal year (from January 1, 2023 to December 31, 2023)

None.

[Related party information]

Transactions with related parties

Transactions between company submitting consolidated financial statements and related parties

(a) Non-consolidated subsidiaries and associates of company submitting consolidated financial statements

Previous fiscal year (from January 1, 2022 to December 31, 2022)

None.

Current fiscal year (from January 1, 2023 to December 31, 2023)

None.

(b) Officers and major shareholders (limited to individuals) of company submitting consolidated financial statements, etc.

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Type	Name of company, etc. or personal name	Location	Capital or investment (millions of yen)	Details of business or occupation	Percentage of voting rights, etc. owned (%)	Relationship with related parties	Details of transaction	Transaction amount (millions of yen)	Account	Balance at end of the fiscal year (millions of yen)
Officers and their close relatives	Yuriko Yamada	—	—	Spouse of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 0.6	Lease of land	Lease of land (Note 1)	1	—	—
	Riri Co., Ltd., President & Representative Director Yuriko Yamada	Setagaya-ku, Tokyo	1	Asset management company of Yuriko Yamada	0.8	Lease of houses	Lease of houses (Note 1)	15	Investments, other assets, and other (security deposits)	12
	Fumiko Ito	—	—	Sister-in-law of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 2.1	Lease of land and houses	Lease of land and houses (Note 1)	44	Investments, other assets, and other (security deposits)	34

(Notes) 1. The amount is based on the equivalent price with reference to the land rent in the area and paid in cash.

2. Riri Co., Ltd. has a majority voting rights held by a close relative of the Company's Chairman & Representative Director, Masamichi Yamada.

Current fiscal year (from January 1, 2023 to December 31, 2023)

Type	Name of company, etc. or personal name	Location	Capital or investment (millions of yen)	Details of business or occupation	Proportion of voting rights, etc. owned (%)	Relationship with related parties	Details of transaction	Transaction amount (millions of yen)	Account	Balance at end of the fiscal year (millions of yen)
Officers and their close relatives	Yuriko Yamada	—	—	Spouse of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 0.6	Lease of land	Lease of land (Note 1)	1	—	—
	Riri Co., Ltd., President & Representative Director Yuriko Yamada	Setagaya-ku, Tokyo	1	Asset management company of Yuriko Yamada	0.8	Lease of houses	Lease of houses (Note 1)	15	Investments, other assets, and other (security deposits)	12
	Fumiko Ito	—	—	Sister-in-law of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 2.0	Lease of land and houses	Lease of land and houses (Note 1)	44	Investments, other assets, and other (security deposits)	34

(Notes) 1. The amount is based on the equivalent price with reference to the land rent in the area and paid in cash.

2. Riri Co., Ltd. has a majority voting rights held by a close relative of the Company's Chairman & Representative Director, Masamichi Yamada.

(Per share information)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net assets per share (yen)	1,100.33	1,210.96
Net profit per share (yen)	116.99	130.29
Diluted net profit per share (yen)	114.04	111.28

(Note) 1. The basis for calculating net profit per share and diluted net profit per share is as follows.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net profit per share		
Profit attributable to owners of parent (millions of yen)	5,294	5,905
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	5,294	5,905
Average number of common shares during the fiscal year (shares)	45,257,379	45,326,443
Diluted net profit per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (shares)	1,171,172	7,743,745
(Of which, stock acquisition rights (shares))	(1,171,172)	(7,743,745)
Summary of potential shares not included in the calculation of diluted net profit per share as they have no dilutive effect	—	—

2. The basis for calculation of net assets per share is as follows.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Total net assets (millions of yen)	49,910	54,999
Amounts deducted from total net assets (millions of yen)	84	84
(Of which, stock acquisition rights (millions of yen))	(45)	(45)
(Of which non-controlling interests (millions of yen))	(39)	(39)
Net assets at the end of the fiscal year relating to common shares (millions of yen)	49,825	54,915
Number of common shares at the end of the fiscal year used in the calculation of net assets per share (shares)	45,282,778	45,348,263

(Significant events after the reporting period)

(Exercise of stock acquisition rights)

The first series of stock acquisition rights issued by the Company on July 15, 2020 were exercised after the current fiscal year.

A summary of the shares issued between January 1, 2024 and February 13, 2024 as a result of the exercise of the stock acquisition rights is as follows.

(1) Number of share acquisition rights exercised: 113,771

(2) Type and number of shares issued: 11,718,413 common shares

(3) Increase in capital: 2,057 million yen

(4) Increase in capital reserve: 2,057 million yen

(Acquisition and cancellation of treasury shares)

At a meeting of the Board of Directors held on February 13, 2024, the Company resolved on matters relating to the acquisition of treasury shares in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same Act, as well as the cancellation of treasury shares in accordance with Article 178 of the Companies Act. In addition, in accordance with the above resolution of the Board of Directors, the Company repurchased and cancelled treasury shares as follows.

1. Reasons for the acquisition and cancellation of treasury shares

With the Medium-term Management Plan ending in 2026 having been launched, the Company acquired and canceled its treasury shares in order to enable the implementation of a dynamic capital policy that responds flexibly to changes in the business environment, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term.

2. Details of matters relating to the acquisition

(1) Type of shares to be acquired:	common shares of the Company
(2) Total number of shares to be acquired:	9,000,000 shares (maximum) 19.85% of the total number of shares issued (excluding treasury shares))
(3) Total acquisition price of the shares:	15,900,000,000 yen (maximum)
(4) Acquisition period:	February 14, 2024 to February 29, 2024
(5) Method of acquisition:	purchase through off-hours trading of treasury shares on the Tokyo Stock Exchange (ToSTNeT-3)

3. Acquisition results

(1) Type of shares acquired: common shares of the Company

(2) Total number of shares acquired:	7,965,900 shares 13.96% of the total number of shares issued (excluding treasury shares))
(3) Total acquisition price of the shares:	15,899,936,400 yen
(4) Acquisition date:	February 21, 2024
(5) Method of acquisition:	purchase through off-hours trading of treasury shares on the Tokyo Stock Exchange (ToSTNeT-3)

4. Details of matters relating to the cancellation

(1) Type of shares cancelled:	common shares of the Company
(2) Total number of shares cancelled:	4,000,000 shares 6.97% of the total number of shares issued before cancellation)
(3) Cancellation date:	March 8, 2024
(4) Total number of issued shares after cancellation:	53,382,850 shares

(Borrowing of funds)

The Company has executed the following borrowing of funds.

(1) Use of funds:	Acquisition of treasury shares
(2) Name of lender	Mizuho Bank, Ltd.
(3) Amount borrowed	10,000 million yen
(4) Borrowing interest rate	Determined by taking market interest rates and other factors into consideration.
(5) Borrowing date	February 2024
(6) Repayment period	1 year
(7) Details of pledged assets or guarantees	None

(E) Supplementary consolidated statement

[Statement of corporate bonds]

Company name	Name of issue	Date of issue	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Interest rate (%)	Collateral	Redemption date
Fuji Paudal Co., Ltd.	5th unsecured corporate bond	March 29, 2013	60 (60)	—	0.70	None	March 31, 2023
Subtotal	—	—	60 (60)	—	—	—	—

(Note) Figures in parentheses represent redemption amounts within one year.

[Statement of loans, etc.]

Category	Balance at the beginning of the fiscal year (millions of yen)	Balance at the end of the fiscal year (millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	9,463	8,487	0.8	—
Current portion of long-term borrowings	1,716	1,789	0.5	—
Lease obligations due within one year	718	455	—	—
Long-term borrowings (excluding those due for repayment within one year)	6,731	6,007	0.4	2025–2033
Lease obligations (excluding those due for repayment within one year)	799	570	—	2025–2029
Other interest-bearing liabilities				
Agent guarantee deposits, etc.	2,750	2,894	0.5	—
Total	22,179	20,205	—	—

(Notes) 1. The average interest rate is calculated based on the weighted average of the balances at the end of the fiscal year.

2. The average interest rate on lease obligations is not stated because lease obligations are recorded on the consolidated balance sheet as amounts prior to deducting the amount equivalent to interest included in the total lease payments.

3. The scheduled repayment amounts for long-term borrowings and lease obligations (excluding those due for repayment within one year) for the five years following the consolidated closing date are as follows.

	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)
Long-term borrowings	4,402	824	459	158
Lease obligations	267	139	87	39

[Statement of asset retirement obligations]

This has been omitted because the information required to be presented in the statement is included in the notes to the consolidated financial statement as stipulated in Article 15-23 of the Regulations on Consolidated Financial Statements.

(2) Other

Quarterly information for the current fiscal year, etc.

(Cumulative period)	Q1	Q2	Q3	Current fiscal year
Net sales (millions of yen)	36,965	68,190	96,857	132,985
Quarterly (current year) net profit before adjustment for taxes, etc. (millions of yen)	4,804	7,079	7,442	8,378
Quarterly (current year) profit attributable to owners of parent (millions of yen)	3,296	4,707	4,909	5,905
Quarterly (current year) net profit per share (yen)	72.80	103.90	108.32	130.29

(Accounting period)	Q1	Q2	Q3	Q4
Quarterly net profit per share (yen)	72.80	31.10	4.44	21.98

2. Financial Statement, etc.

(1) Financial statement

(A) Balance sheet

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Assets		
Current assets		
Cash and deposits	14,460	12,511
Notes and accounts receivable - trade, and contract assets	*1,*4 19,664	*1,*4 20,649
Electronically recorded monetary claims - operating	2,251	3,079
Securities	100	-
Merchandise and finished goods	3,627	3,301
Work in process	1,211	1,114
Raw materials and supplies	1,816	2,149
Short-term loans	*1 4,040	*1 1,253
Other	*1 1,194	*1 1,968
Allowance for doubtful accounts	(3,753)	(408)
Total current assets	44,614	45,620
Non-current assets		
Property, plant and equipment		
Buildings	8,782	9,108
Structures	227	226
Machinery and equipment	1,394	1,250
Vehicles and transportation equipment	12	22
Tools, furniture and fixtures	878	836
Land	4,956	4,956
Leased assets	551	366
Construction in progress	224	100
Total property, plant and equipment	17,029	16,867
Intangible assets		
Software	260	524
Leased assets	187	71
Telephone subscription rights	80	80
Other	540	1,106
Total intangible assets	1,068	1,783
Investments and other assets		
Investment securities	4,445	5,171
Shares in associates	8,012	7,498
Other securities of associates	417	414
Long-term loans	*1 144	*1 155
Deferred tax assets	2,189	1,408
Insurance reserve fund	3,732	3,372
Security deposits	2,008	2,013
Prepaid pension costs	1,691	1,683
Other	673	677
Allowance for doubtful accounts	(579)	(526)
Total investments and other assets	22,735	21,868
Total non-current assets	40,833	40,518
Total assets	85,447	86,139

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Liabilities		
Current liabilities		
Notes payable	*1 1,429	*1 1,495
Electronically recorded obligations - operating	*1 6,761	*1 7,293
Accounts payable - trade	*1 5,535	*1 5,715
Short-term borrowings	*3 9,395	*3 8,055
Current portion of long-term borrowings	296	336
Lease obligations	456	216
Allowance for bonuses	1,775	2,531
Allowance for bonuses for officers	83	222
Allowance for loss on guarantees	131	41
Allowance for product warranties	34	32
Accounts payable — other	*1 775	*1 534
Income taxes payable	2,380	136
Accrued consumption taxes	356	917
Accrued expenses	*1 3,475	*1 4,578
Other	*1 1,863	*1 616
Total current liabilities	34,751	32,723
Non-current liabilities		
Long-term borrowings	*6 3,529	*6 3,443
Lease obligations	390	294
Allowance for loss on voluntary recall of products	83	83
Allowance for loss on business of subsidiaries and associates	2,136	1,960
Allowance for retirement benefits	2,233	2,220
Asset retirement obligations	1,257	1,224
Long-term guarantee deposits	*1 2,904	*1 2,967
Total non-current liabilities	12,535	12,193
Total liabilities	47,286	44,917

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	5,294	5,294
Capital surplus		
Capital reserve	10,832	10,832
Other capital surplus	3	30
Total capital surplus	10,835	10,862
Retained earnings		
Earned surplus reserve	881	881
Other retained earnings		
Dividend reserve	250	250
Reserve for advanced depreciation of fixed assets	1,079	1,079
Special reserve	12,230	12,230
Carried-over retained earnings	7,397	10,029
Total of other retained earnings	20,956	23,589
Total retained earnings	21,837	24,470
Treasury shares	(134)	(111)
Total shareholders' equity	37,832	40,515
Valuation and translation adjustments		
Valuation difference on other securities	283	661
Total valuation and translation adjustments	283	661
Stock acquisition rights	45	45
Total net assets	38,161	41,222
Total liabilities and net assets	85,447	86,139

(B) Statement of income

		(Units: millions of yen)
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	*1 84,061	*1 93,108
Cost of sales	*1 52,868	*1 56,700
Gross profit	31,192	36,408
Selling, general and administrative expenses	*2 28,578	*2 31,901
Operating profit	2,614	4,507
Non-operating income		
Interest income	*1 22	*1 12
Dividend income	*1 775	*1 869
Reversal of allowance for doubtful accounts of associates	308	296
Other	*1 263	*1 363
Total non-operating income	1,369	1,542
Non-operating expenses		
Interest expenses	*1 77	*1 69
Provision for loss on guarantees	131	3
Foreign exchange losses	101	-
Commissions payable	-	150
Other	166	106
Total non-operating expenses	476	328
Ordinary profit	3,508	5,720
Extraordinary income		
Gain on sale of non-current assets	6,902	0
Gain on sale of investment securities	*3 106	*3 200
Gain on extinguishment of tie-in shares	-	483
Total extraordinary income	7,008	685
Extraordinary losses		
Loss on sale of non-current assets	12	-
Loss on retirement of non-current assets	1,747	293
Impairment losses	4	-
Loss on valuation of shares in associates	*4 1,849	*4 537
Allowance for loss on business of subsidiaries and associates	2,136	34
Other	128	13
Total extraordinary losses	5,877	879
Net profit before tax	4,639	5,526
Income taxes — current	2,688	528
Income taxes — deferred	(356)	690
Total income taxes	2,332	1,218
Net profit	2,307	4,307

(C) Statement of changes in net assets

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Units: millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of the fiscal year	5,294	10,832	3	10,836
Cumulative effects of changes in accounting policies				
Restated balance	5,294	10,832	3	10,836
Changes during the fiscal year				
Dividends of surplus				
Net profit				
Reversal of reserve for advanced depreciation of fixed assets				
Purchase of treasury shares				
Disposal of treasury shares			(0)	(0)
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	-	-	(0)	(0)
Balance at end of the fiscal year	5,294	10,832	3	10,835

	Shareholders' equity					
	Retained earnings					
	Earned surplus reserve	Other retained earnings				Total retained earnings
		Dividend reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Carried-over retained earnings	
Balance at beginning of the fiscal year	881	250	1,257	12,230	5,398	20,017
Cumulative effects of changes in accounting policies					191	191
Restated balance	881	250	1,257	12,230	5,589	20,208
Changes during the fiscal year						
Dividends of surplus					(678)	(678)
Net profit					2,307	2,307
Reversal of reserve for advanced depreciation of fixed assets			(178)		178	-
Purchase of treasury shares						
Disposal of treasury shares						
Net changes in items other than shareholders' equity						
Total changes during the fiscal year	-	-	(178)	-	1,807	1,628
Balance at end of the fiscal year	881	250	1,079	12,230	7,397	21,837

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	(161)	35,986	391	391	45	36,422
Cumulative effects of changes in accounting policies		191				191
Restated balance	(161)	36,177	391	391	45	36,613
Changes during the fiscal year						
Dividends of surplus		(678)				(678)
Net profit		2,307				2,307
Reversal of reserve for advanced depreciation of fixed assets		-				-
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	27	26				26
Net changes in items other than shareholders' equity			(107)	(107)	-	(107)
Total changes during the fiscal year	26	1,655	(107)	(107)	-	1,547
Balance at end of the fiscal year	(134)	37,832	283	283	45	38,161

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of the fiscal year	5,294	10,832	3	10,835
Changes during the fiscal year				
Dividends of surplus				
Net profit				
Purchase of treasury shares				
Disposal of treasury shares			27	27
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	-	-	27	27
Balance at end of the fiscal year	5,294	10,832	30	10,862

	Shareholders' equity					
	Retained earnings					
	Earned surplus reserve	Other retained earnings				Total retained earnings
		Dividend reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Carried-over retained earnings	
Balance at beginning of the fiscal year	881	250	1,079	12,230	7,397	21,837
Changes during the fiscal year						
Dividends of surplus					(1,675)	(1,675)
Net profit					4,307	4,307
Purchase of treasury shares						
Disposal of treasury shares						
Net changes in items other than shareholders' equity						
Total changes during the fiscal year	-	-	-	-	2,632	2,632
Balance at end of the fiscal year	881	250	1,079	12,230	10,029	24,470

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	(134)	37,832	283	283	45	38,161
Changes during the fiscal year						
Dividends of surplus		(1,675)				(1,675)
Net profit		4,307				4,307
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	23	50				50
Net changes in items other than shareholders' equity			377	377	-	377
Total changes during the fiscal year	22	2,682	377	377	-	3,060
Balance at end of the fiscal year	(111)	40,515	661	661	45	41,222

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Shares of subsidiaries and associates

Stated at cost using the moving average method

Other securities

Securities other than non-marketable equity securities

Market value method (unrealized gains and losses are included directly in net assets and the cost of securities sold is calculated using the moving average method)

Non-marketable equity securities

Stated at cost using the moving average method

2. Valuation standards and methods for inventory assets

Merchandise and finished goods, work in process, raw materials and supplies are stated at cost determined by the weighted average method (balance sheet values are written down to their book values based on a decline in profitability)

3. Depreciation method for fixed assets

(1) Tangible fixed assets (excluding leased assets)

The declining-balance method is used.

However, the straight-line method is used for buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016.

The main useful lives are as follows.

Buildings: 8–50 years

Machinery and equipment: 11–17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is used.

Software intended for sale in the market is amortized using the method based on the estimated sales volume (effective period: 3 years), while software for internal use is amortized using the straight-line method based on the estimated internal useful life (5 years).

(3) Leased assets

Leased assets are depreciated using the straight-line method, where the lease period is the useful life of the asset and the residual value is zero.

4. Standards for recording for allowances

(1) Allowance for doubtful accounts

To provide for losses on bad debts, an estimate for the amount of unrecoverable receivables is recorded based on the historical percentage of bad debts for general receivables and on an individual assessment of recoverability for specific doubtful receivables.

(2) Allowance for bonuses

To provide for the payment of bonuses to employees, the estimated amount of bonuses to be paid is recorded.

(3) Allowance for bonuses for officers

To provide for the payment of bonuses to officers, the estimated amount of bonuses to be paid is recorded.

(4) Allowance for loss on guarantees

To provide for losses on guarantees of associates, a provision is made for the amount expected to be incurred in the future.

(5) Allowance for product warranties

To provide for expenses for warranties on products delivered, a provision is made for the amount expected to be incurred in the future.

(6) Allowance for retirement benefits

To provide for employee retirement benefits, an amount is recorded based on projected retirement benefit obligations and pension plan assets as of the end of the current fiscal year.

(A) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, estimated retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit calculation method.

(B) Method of recording actuarial gains and losses and past service costs as expenses

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period at the time the actuarial gains and losses are recognized in expenses from the fiscal year following the year in which they arise each fiscal year.

Past service costs are expensed using the straight-line method over a fixed number of years (10 years) within the average remaining service period.

(7) Allowance for loss on voluntary recall of products

To provide for losses arising from the voluntary recall, inspection, and replacement of certain products sold in the past, an allowance is provided for the estimated amount of losses to be incurred.

(8) Allowance for loss on business of subsidiaries and associates

To provide for losses associated with the business of subsidiaries and associates, an allowance is provided for the estimated amount of losses at the end of the current fiscal year, taking into account the financial position of subsidiaries and associates.

5. Standards for recording of revenues and expenses

The main performance obligations in the Company's main businesses relating to revenue from contracts with customers and the normal time at which such performance obligations are satisfied (the normal time at which revenue is recognized) are as follows.

(A) Sale of finished goods and merchandise (workplace business, equipment and public works-related business)

Sales of finished goods and merchandise are recognized at the amount expected to be received for the finished goods or merchandise, deeming the performance obligation to be satisfied at the point of delivery of said finished goods or merchandise based on the sales contract with the customer. Applying the alternative handling prescribed in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition," revenue is recognized upon shipment if the period from the time of shipment to the time when control of the finished goods or merchandise is transferred to the customer is a normal period of time for the sale of said finished goods or merchandise.

(B) Product sales involving construction and construction services such as installation and interior finishing work (workplace business, equipment and public works-related business)

For product sales involving construction and construction services such as installation and interior finishing work, revenue is recognized based on the degree of progress toward satisfying performance obligations over a fixed period of time. The degree of progress is estimated by applying the percentage of costs incurred through the end of the current fiscal year to the total estimated costs of construction (input method). If the period between the transaction commencement date specified in a contract and the time when the performance obligation is expected to be fully satisfied is very short, the Company does not recognize revenue over a fixed period of time, but recognizes revenue when the performance obligation is fully satisfied.

6. Hedge accounting method

(A) Hedge accounting method

In principle, deferred hedge accounting is used. Forward exchange contracts that meet the requirements for allocation treatment are accounted for using the allocation method.

(B) Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts

Hedged items

Foreign currency-denominated trade payables and planned foreign currency transactions

(C) Hedging policy

Forward exchange contracts are used to hedge the risk of fluctuations in yen-denominated payments due to exchange rate fluctuations.

(D) Methods of assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the cumulative market fluctuations of hedged items and hedging instruments, and by examining the ratio of such fluctuations.

7. Other important matters for the preparation of financial statements

(A) Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized past service costs relating to retirement benefits differs from the method of accounting for these items in the consolidated financial statement.

(Significant accounting estimates)

Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the current fiscal year

Deferred tax assets	1,408 million yen

(2) Information regarding details of significant accounting estimates for identified items

The same as described in “Notes (Significant accounting estimates)” in the consolidated financial statement.

(Changes in accounting policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; hereinafter referred to as “Guidance for Fair Value Measurement”) from the beginning of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance for Fair Value Measurement, the new accounting policies stipulated by the Guidance for Fair Value Measurement will be applied prospectively. This change has no impact on the financial statements.

(Changes in presentation)

(Statement of income)

“Dividend income of insurance” under “Non-operating income,” which was presented as a separate item in the previous fiscal year, is included in “Other” from the current fiscal year because it has become insignificant in terms of amount.

The amount of “Dividend income of insurance” in the previous fiscal year was 110 million yen.

(Balance sheet)

*1. Notes relating to associates

Major items included in each account other than those separately categorized are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Short-term monetary receivables	5,890 million yen	2,026 million yen
Long-term monetary receivables	144	155
Short-term monetary obligations	5,253	5,499
Long-term monetary obligations	154	81

*2. Contingent liabilities

Guarantees are provided for the following associates' borrowings from financial institutions.

	Previous fiscal year (ended December 31, 2022)		Current fiscal year (ended December 31, 2023)	
NOVO WORKSTYLE CO., LTD.	411 million yen	(21 million yuan)	413 million yen	(20 million yuan)
	101 million yen	(0 million USD)	108 million yen	(0 million USD)
Tarkus Interiors Pte. Ltd.	468 million yen	(4 million SGD)	11 million yen	(0 million SGD)

*3. Loan commitment agreements

The Company has entered into loan commitment agreements with four financial institutions in order to raise working capital efficiently.

The balances of unexecuted loans based on loan commitment agreements are as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Total amount of loan commitments	2,900 million yen	6,650 million yen
Outstanding loan balance	—	—
Difference	2,900	6,650

*4. Notes maturing at the fiscal-year end

Notes maturing at the fiscal-year end are settled on the clearance date of the notes. As the last day of the current fiscal year was a bank holiday, notes maturing on the last day of the current fiscal year are included in the balance at the end of the fiscal year.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Notes receivable	165 million yen	127 million yen

*5. Discounted notes receivable

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Discounted notes receivable	801 million yen	301 million yen

*6. Syndicated term loan agreements

The balance of long-term borrowings under the syndicated term loan agreement entered on March 27, 2020 is as follows.

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Syndicated term loan agreements	3,000 million yen	3,000 million yen

The following financial covenants have been attached to syndicated term loan agreements. In the event of a breach of such covenants, repayment of the interest-bearing liabilities in a lump sum may be required.

(A) From the second quarter ended June 2020 onwards, the amount of net assets on the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter of each fiscal year must be maintained at 75% or more of the amount of net assets in the consolidated balance sheet compared with the same period of the previous fiscal year.

(B) From the fiscal year ended December 31, 2020 onwards, the amount of net assets on the non-consolidated balance sheet at the end of each fiscal year must be maintained at 75% or more of the amount of net assets on the non-consolidated balance sheet of each fiscal year compared with the same period of the previous fiscal year.

(Statement of income)

*1. Volume of transactions with associates

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Volume of transactions with associates		
Net sales	3,830 million yen	3,493 million yen
Amount purchased	19,898	20,563
Volume of non-operating transactions	740	821

*2. The approximate percentage of expenses categorized as selling expenses was 30% in the previous fiscal year and 31% in the current fiscal year, and the approximate percentage of expenses categorized as general and administrative expenses was 69% in the previous fiscal year and 68% in the current fiscal year.

Major categories of selling, general and administrative expenses and their amounts are as follows.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Employee salaries and allowances	9,934 million yen	10,415 million yen
Provision for allowance for bonuses	1,586	2,266
Provision for allowance for bonuses for officers	83	222
Retirement benefit costs	534	610
Depreciation	982	884
Provision for (reversal of) allowance for doubtful accounts	(3)	(5)

*3. Gain on sale of investment securities

Previous fiscal year (from January 1, 2022 to December 31, 2022)

This was due to the sale of a portion of the Company’s investment securities holdings (three listed stocks).

Current fiscal year (from January 1, 2023 to December 31, 2023)

This was due to the sale of a portion of the Company’s investment securities holdings (five listed stocks).

*4. Loss on valuation of shares in associates

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Loss on valuation of shares of associates is a loss on valuation of shares of the consolidated subsidiaries Tarkus Interiors Pte Ltd, Itoki HK Limited, PT. Itoki Solutions Indonesia, Itoki Malaysia Sdn. Bhd., Itoki Modernform Co.,Ltd., and GlobalTreehouse Inc.

Current fiscal year (from January 1, 2023 to December 31, 2023)

Loss on valuation of shares of associates is a loss on valuation of shares of the consolidated subsidiaries ITOKI CHINA HOLDING Co., Ltd. and Itoki Malaysia Sdn. Bhd., as well as the associates Umebachiya Co., Ltd. and ArtPlace Inc.

(Securities)

Previous fiscal year (from January 1, 2022 to December 31, 2022)

The fair value of stocks of subsidiaries and associates (value recorded on the balance sheet of 8,012 million yen) is not stated because shares of subsidiaries and associates do not have market prices, etc.

Current fiscal year (from January 1, 2023 to December 31, 2023)

The fair value of stocks of subsidiaries and associates (value recorded on the balance sheet of 7,498 million yen) is not stated because shares of subsidiaries and associates do not have market prices, etc.

(Tax effect accounting)

1. Breakdown of the major causes for the occurrence of deferred tax assets and liabilities

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Deferred tax assets		
Excess of allowance for doubtful accounts	1,325 million yen	286 million yen
Allowance for bonuses	622	901
Write-down of inventories	95	125
Accrued enterprise taxes	150	15
Allowance for retirement benefits	986	984
Loss on valuation of investment securities	449	413
Loss on valuation of shares in associates	2,606	2,576
Asset retirement obligations	403	396
Other	1,187	1,088
Subtotal	7,826	6,787
Valuation allowances	(4,641)	(4,284)
Total of deferred tax assets	3,185	2,502
Deferred tax liabilities		
Prepaid pension costs	(517)	(514)
Reserve for advanced depreciation of fixed assets	(259)	(258)
Valuation difference on other securities	32	(63)
Asset retirement obligations	(251)	(257)
Total of deferred tax liabilities	(995)	(1,094)
Net amount of deferred tax assets	2,189	1,408

2. Breakdown of major causes of differences between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (ended December 31, 2022)	Current fiscal year (ended December 31, 2023)
Effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Entertainment expenses and other non-deductible items	1.3	11.9
Dividends received not taxable	(11.5)	(7.0)
Per capita inhabitant taxes	1.2	1.1
Change in valuation allowances	29.1	(6.4)
Special deduction for corporation tax	(1.2)	(2.4)
Transfer of carried-forward losses due to liquidation of a subsidiary	—	(5.4)
Other	(1.0)	(0.2)
Effective income tax rate after application of tax effect accounting	48.5	22.0

(Business combinations, etc.)

(Absorption-type merger of consolidated subsidiaries)

At a meeting of the Board of Directors held on November 28, 2022, the Company resolved to conduct an absorption-type merger, with Itoki Corporation as the surviving company and ITOKI-HOKKAIDO Co., Ltd., a consolidated subsidiary of the Company, as the dissolving company, and entered into a merger agreement on the same date. In accordance with this agreement, the Company merged with ITOKI-HOKKAIDO Co., Ltd. on April 1, 2023.

1. Purpose of the merger

In order to improve the efficiency of Group management, the Company merged with ITOKI-HOKKAIDO Co., Ltd., which operates office furniture sales and other businesses.

2. Summary of the merger

(1) Merger schedule

Date of Board of Directors resolution:	November 28, 2022
Date of conclusion of merger agreement:	November 28, 2022
Effective date of merger:	April 1, 2023

(Note) The merger was a simplified merger as provided for in Article 796, Paragraph 2 of the Companies Act for the Company, and a short-form merger as provided for in Article 784, Paragraph 1 of the Companies Act for ITOKI-HOKKAIDO Co., Ltd. Both of these procedures were carried out without obtaining approval at the General Meeting of Shareholders.

(2) Method of merger

The merger was an absorption-type merger with the Company as the surviving company, and ITOKI-HOKKAIDO Co., Ltd. being dissolved.

(3) Allocation of shares, etc. in relation to the merger

The merger does not entail any allocation of shares or other monies.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in relation to the merger

None.

3. Merger status

There is no change in the Company’s name, address, representative, type of business, capital stock, or fiscal year end as a result of this merger.

4. Summary of accounting procedures performed

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the business combination was accounted for as a transaction under common control.

In addition, a 483 million yen gain on extinguishment of tie-in shares resulting from this merger was recorded as extraordinary income.

(Revenue recognition)

The fundamental information for understanding revenue from contracts with customers is identical to that given in “Notes (Revenue recognition)” in the consolidated financial statement, so notes have been omitted here.

(Significant events after the reporting period)

(Absorption-type merger of consolidated subsidiaries)

At a meeting of the Board of Directors held on January 29, 2024, the Company resolved to conduct an absorption-type merger, with Itoki Corporation as the surviving company and Itoki Engineering Service Corporation, a wholly-owned subsidiary of the Company, as the dissolving company, and entered into a merger agreement on the same date. The absorption-type merger (hereinafter referred to as the "Merger") will take place on July 1 of the same year.

The Merger was a simplified merger as provided for in Article 796, Paragraph 2 of the Companies Act for the Company, and a short-form merger as provided for in Article 784, Paragraph 1 of the Companies Act for Itoki Engineering Service Corporation. Both of these procedures were carried out without obtaining approval at the General Meeting of Shareholders.

1. Overview of the business combination

(1) Name of acquired company and its areas of business

Name of acquired company:	Itoki Engineering Service Corporation
Areas of business:	Installation and construction management relating to office and facility equipment, etc.

(2) Date of business combination

July 1, 2024 (scheduled)

(3) Legal form of business combination

Absorption-type merger, with the Company as the surviving company and Itoki Engineering Service Corporation as the dissolving company

(4) Other matters related to the overview of the transaction

(A) Purpose of the merger

The purpose of this Merger is to strengthen the Company's sales force and further enhance profitability by merging Itoki Engineering Service Corporation, which handles the construction and maintenance business, thereby rebuilding an integrated system for after orders are received.

(B) Allocation of shares, etc. in relation to the merger

Because the Merger is a merger with a wholly-owned subsidiary of the Company, it does not entail any allocation of shares or other monies.

2. Summary of accounting procedures

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the business combination will be accounted for as a transaction under common control.

(Exercise of stock acquisition rights)

Notes are omitted because the same information is presented in "Notes (Significant events after the reporting period)" of the consolidated financial statement.

(Acquisition and cancellation of treasury shares)

Notes are omitted because the same information is presented in "Notes (Significant events after the reporting period)" of the consolidated financial statement.

(Borrowing of funds)

Notes are omitted because the same information is presented in "Notes (Significant events after the reporting period)" of the consolidated financial statement.

(D) Supplementary statement

[Statement of tangible fixed assets]

(Units: millions of yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Amortization during the fiscal year	Balance at end of the fiscal year	Accumulated depreciation
Property, plant and equipment	Buildings	8,782	923	38	558	9,108	13,414
	Structures	227	24	0	25	226	899
	Machinery and equipment	1,394	174	15	303	1,250	7,849
	Vehicles and transportation equipment	12	22	0	12	22	72
	Tools, furniture and fixtures	878	506	152	397	836	5,950
	Land	4,956	—	—	—	4,956	—
	Leased assets	551	81	3	264	366	1,060
	Construction in progress	224	1,209	1,333	—	100	—
	Subtotal	17,029	2,942	1,542	1,561	16,867	29,247
Intangible assets	Software	260	417	1	153	524	
	Leased assets	187	11	—	127	71	
	Telephone subscription rights	80	—	—	—	80	
	Other	540	945	370	8	1,106	
	Subtotal	1,068	1,375	371	289	1,783	

(Note) 1. Major items accounting for the increase in the current fiscal year are as follows.

Buildings	Renovation of Nihonbashi Office	404	million yen
Buildings	Renovation of Nagoya Office	64	million yen

2. The increase in the current fiscal year includes the following increases due to the absorption-type merger of ITOKI-HOKKAIDO Co., Ltd.

Buildings	3	million yen
Tools, furniture and fixtures	4	million yen
Tangible leased assets	2	million yen

[Statement of allowances]

(Units: millions of yen)

Category	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of the fiscal year
Allowance for doubtful accounts	4,333	471	3,869	935
Allowance for bonuses	1,775	2,531	1,775	2,531
Allowance for bonuses for officers	83	222	83	222
Allowance for loss on orders received	0	-	0	-
Allowance for loss on guarantees	131	41	131	41
Allowance for loss on voluntary recall of products	83	-	-	83
Allowance for product warranties	34	-	1	32
Allowance for loss on business of subsidiaries and associates	2,136	1,960	2,136	1,960

(2) Details of major assets and liabilities

This is omitted due to the publication of the consolidated financial statement.

(3) Other

None.

VI. Outline of Share-Related Administration for the Submitting Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	In March
Record date	December 31
Record date for dividends of surplus	Year-end dividend December 31 Interim dividend June 30
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special account) Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd., 1-3-3, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Mizuho Trust & Banking Co., Ltd., 1-3-3, Marunouchi, Chiyoda-ku, Tokyo
Forward office	―――
Purchase and sales fee	An amount separately determined as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of public notice	Public notices shall be given by electronic means. However, if an accident renders it impossible to publish public notices electronically, or the event of any other unavoidable circumstances, public notices shall be made by means of publication in the Nihon Keizai Shimbun. URL for public notices: https://www.itoki.jp/company/ir/notification.html
Special benefits for shareholders	None

(Note) The Articles of Incorporation of the Itoki Corporation stipulate that a shareholder holding shares constituting less than one unit shall have no rights other than the rights specified in the items of Article 189 Paragraph 2 of the Companies Act, the right to make a demand as specified in Article 166 Paragraph 1 of the Companies Act, the right to receive an allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder, and the right to demand a transfer of shares constituting less than one unit.

VII. Reference Information on the Submitting Company

1. Information on the Parent Company, etc. of the Submitting Company

Itoki Corporation has no parent company, etc. as defined in Article 24 Paragraph 7 Item 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

Itoki Corporation submitted the following documents during the period from the commencing date of the fiscal year ended December 31, 2023 to the date of Securities Report submission.

(1) Securities Report and Appendices, and Written Confirmation

Fiscal Year (73rd Term) (from January 1, 2022 to December 31, 2022) Submitted to the Director of the Kanto Local Finance Bureau on March 23, 2023.

(2) Internal Control Report and Appendices

Submitted to the Director of the Kanto Local Finance Bureau on March 23, 2023.

(3) Quarterly Securities Reports and Written Confirmation

(1st Quarter of 74th Term) (from January 1, 2023 to March 31, 2023) Submitted to the Director of the Kanto Local Finance Bureau on May 12, 2023.

(2nd Quarter of 74th Term) (from April 1, 2023 to June 30, 2023) Submitted to the Director of the Kanto Local Finance Bureau on August 7, 2023.

(3rd Quarter of 74th Term) (from July 1, 2023 to September 30, 2023) Submitted to the Director of the Kanto Local Finance Bureau on November 13, 2023.

(4) Extraordinary Report

An extraordinary report based on Article 19 Paragraph 2 Item 4 (change to the major shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on February 13, 2024.

An extraordinary report based on Article 19 Paragraph 2 Item 4 (change to the major shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on February 22, 2024.

(5) Amendment Report for the Extraordinary Report

Amendment Report (Amendment Report for the Extraordinary Report submitted on February 22, 2024 in (4) above)

Submitted to the Director of the Kanto Local Finance Bureau on February 29, 2024.

(6) Share Buyback Report

Submitted to the Director of the Kanto Local Finance Bureau on March 1, 2024.

Part II　Information Concerning Guarantors of the Submitting Company

Not applicable.

Independent Auditor's Audit Report and Internal Control Audit Report

March 27, 2024

Itoki Corporation
Board of Directors

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toshiyuki Nishida
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryosuke Itami

Audit of Consolidated Financial Statements

Opinion

For the purpose of audit certification pursuant to the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Itoki Corporation provided in the "Status of Accounts" section in the Company's Securities Report for the fiscal year from January 1, 2023 to December 31, 2023, namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, important matters that form the basis for the preparation of the consolidated financial statements and other notes and the supplementary consolidated statement.

In our opinion, the above consolidated financial statements present fairly, in all material respects, the financial position of Itoki Corporation and its consolidated subsidiaries as of December 31, 2023, and its consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the [Auditor's Responsibilities for the Audit of Consolidated Financial Statements] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit and their consolidated subsidiaries, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets	
Key audit matter and reason(s) for decision	How the matter was addressed in the audit
Itoki Corporation's consolidated balance sheet for the current fiscal year records 2,127 million yen in deferred tax assets. As described in the [Notes (tax effect accounting)], the amount of deferred tax assets before offsetting against deferred tax liabilities was 3,332 million yen, and the amount recorded for Itoki Corporation, which constitutes a large majority of the total amount, is particularly significant. Among future deductible temporary differences and carried-forward tax losses, deferred tax assets are recognized to the extent that it is deemed they will reduce the future tax burden. With regards to whether or not such assets will have the effect of reducing the future tax burden, that is to say, the recoverability of deferred tax assets, while a judgment has been made based on the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Implementation Guidance on Accounting Standard for Revenue Recognition No. 26), the validity of such judgment depends on the suitability of the company classification and the estimate of taxable income before the addition or subtraction of temporary differences based on earnings power. Of particular note, while taxable income before the addition or subtraction of temporary differences is estimated as a foundation of the business plan, sales growth rate, which is a key assumption of the business plan, is subject to uncertainty, and the key judgments of management have a major impact on such estimates. Given the above, we determined that the validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets is particularly significant in the audit of consolidated financial statements for this consolidated fiscal year, and determined this to be a key audit matter.	The main procedures we embarked on in order to assess the validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets are as described below. ● With regards to company classification based on the Revised Implementation Guidance on Recoverability of Deferred Tax Assets, we compared the level of taxable income generated in the past and this fiscal year with the balance of future deductible temporary differences, and found the judgment of the Company to be suitable. ● Regarding the estimate for taxable income before the addition or subtraction of temporary differences used in the judgment on the recoverability of deferred tax assets, we looked into the compatibility with the business plan approved by the Board of Directors. ● Regarding the sales growth rate included in the business plan, we asked for evidence from management and the persons responsible for each business. Furthermore, we considered its suitability by looking into compatibility with the market growth rate forecasts of external research organizations while also comparing it with past sales growth rates and plan achievement levels.

Other Content

Other content included in the Securities Report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other content. In addition, corporate auditors and the Audit & Supervisory Board are responsible for overseeing the execution of duties by directors in the development and operation of the reporting process for other content.

The scope of our audit opinion is the consolidated financial statements and does not include any other content, and we do not express an opinion on any other content.

Our responsibility in the audit of consolidated financial statements is to read the other content and, in the course of reading, consider whether there is a material difference between the other content and the consolidated financial statements or the knowledge we have gained in the audit, and in addition to such significant differences, pay attention to whether there are other indications of material errors in the content.

If, on the basis of the work we have undertaken, we believe that there is a material error in other content, we are required to report the fact.

There are no matters to be reported by the auditor concerning other content.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes putting in place and ensuring the effective operation of the internal controls that management determines are necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the appropriateness of preparing consolidated financial statements on the premise of the Company remaining a going concern, and, if the disclosure of matters related to being a going concern is required in accordance with accounting principles generally accepted in Japan, management is responsible for disclosing such matters.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing directors' execution of duties relating to the establishment and operation of a financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and undertake the following.

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and draft and implement audit procedures in response to those risks. Procedure selection and application depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When performing risk assessment procedures, we investigate the internal controls relevant to the audit to draft audit procedures that are appropriate in the circumstances. However, the purpose of auditing consolidated financial statements is not express an opinion on the effectiveness of internal controls.
- We evaluate the appropriateness of accounting policies employed by management and their method of application, as well as the reasonableness of accounting estimates made by management and the associated notes.
- We draw conclusions on the appropriateness of management preparing consolidated financial statements on the premise of the Company remaining a going concern, and, based on the audit evidence obtained, determine whether a material uncertainty that may cast significant doubt on ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the notes for the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our audit report, but future events or conditions may render the Company unable to continue as a going concern.
- We evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Of the matters reported to the corporate auditors and the Audit & Supervisory Board, we decide upon the matters that were of most significance in the audit of the consolidated financial statements for the current fiscal year to be key audit matters and describe such matters in the audit report. However, should laws and regulations preclude public disclosure about the matters or should, in extremely rare circumstances, we determine that a matter should not be included in the report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of inclusion, the relevant matter shall not be included.

Audit of Internal Control Report

Opinion

For the purpose of audit certification, we have audited the internal control report of Itoki Corporation as at December 31, 2023, in accordance with Article 193-2 Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the above internal control report of Itoki Corporation, which states that the internal control over financial reporting was effective as at December 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the [Auditor's Responsibilities for the Audit of the Internal Control Report] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit and their consolidated subsidiaries, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an audit report that expresses our opinion on the internal control report based on our audit from an independent point of view.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process and undertake the following.

- We perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- We evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- We obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our opinion.

We report to corporate auditors and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, disclosable material weaknesses in internal controls identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Information on Remuneration

Information on remuneration for us and members of the same network as us from Itoki Corporation and its subsidiaries for audit certification services and non-audit services can be found in (3). Audits under [Corporate Governance, etc.] included in [Information on the Submitting Company].

Interests

Our firm and its engagement partners do not have any interest in Itoki Corporation and its consolidated subsidiaries that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the above audit report is kept separately by Itoki Corporation (the submitting company of the Securities Report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Audit Report

March 27, 2024

Itoki Corporation
Board of Directors

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toshiyuki Nishida
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryosuke Itami

Audit of Financial Statements

Opinion

For the purpose of audit certification pursuant to the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Itoki Corporation provided in the "Status of Accounts" section in the Securities Report for the 74th term covering the period from January 1, 2023 to December 31, 2023, namely, the balance sheet, the statement of income, the statement of changes in net assets, significant accounting policies, and other notes and the supplementary statement.

In our opinion, the above financial statements present fairly, in all material respects, the financial position of Itoki Corporation as of December 31, 2023, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the [Auditor's Responsibilities for the Audit of Financial Statements] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of judgment concerning the recoverability of deferred tax assets	
Key audit matter and reason(s) for decision	How the matter was addressed in the audit
Itoki Corporation's balance sheet for the current fiscal year records 1,408 million yen in deferred tax assets. As described in the [Notes (tax effect accounting)], the amount of deferred tax assets before offsetting against deferred tax liabilities was 2,502 million yen. Among future deductible temporary differences and carried-forward tax losses, deferred tax assets are recognized to the extent that it is deemed they will reduce the future tax burden. With regards to whether or not such assets will have the effect of reducing the future tax burden, that is to say, the recoverability of deferred tax assets, while a judgment has been made based on the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Implementation Guidance on Accounting Standard for Revenue Recognition No. 26), the validity of such judgment depends on the suitability of the company classification and the estimate of taxable income before the addition or subtraction of temporary differences based on earnings power. Of particular note, while taxable income before the addition or subtraction of temporary differences is estimated as a foundation of the business plan, sales growth rate, which is a key assumption of the business plan, is subject to uncertainty, and the key judgments of management have a major impact on such estimates. Given the above, we determined that the validity of the judgment concerning the recoverability of deferred tax assets is particularly significant in the audit of financial statements for this fiscal year, and determined this to be a key audit matter.	In the audit report for consolidated financial statements, we determined the [Validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets] to be a key audit matter, and have described how the matter was addressed in the audit. Given that the details noted are in essence the same as the handling in the audit of financial statements, we have omitted specific details of how this matter was addressed in the audit here.

Other Content

Other content included in the Securities Report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other content. In addition, corporate auditors and the Audit & Supervisory Board are responsible for overseeing the execution of duties by directors in the development and operation of the reporting process for other content.

The scope of our audit opinion is the financial statements and does not include any other content, and we do not express an opinion on any other content.

Our responsibility in the audit of the financial statements is to read the other content and, in the course of reading, consider whether there is a material difference between the other content and the financial statements or the knowledge we have gained in the audit, and in addition to such significant differences, pay attention to whether there are other indications of material errors in the content.

If, on the basis of the work we have undertaken, we believe that there is a material error in other content, we are required to report the fact.

There are no matters to be reported by the auditor concerning other content.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in Japan. This includes putting in place and ensuring the effective operation of the internal controls that management determines are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the appropriateness of preparing financial statements on the premise of the Company remaining a going concern, and, if the disclosure of matters related to being a going concern is required in accordance with accounting principles generally accepted in Japan, management is responsible for disclosing such matters.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing directors' execution of duties relating to the establishment and operation of a financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our responsibilities are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion on the financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and undertake the following.

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and draft and implement audit procedures in response to those risks. Procedure selection and application depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When performing risk assessment procedures, we investigate the internal controls relevant to the audit to draft audit procedures that are appropriate in the circumstances. However, the purpose of auditing financial statements is not express an opinion on the effectiveness of internal controls.
- We evaluate the appropriateness of accounting policies employed by management and their method of application, as well as the reasonableness of accounting estimates made by management and the associated notes.
- We draw conclusions on the appropriateness of management preparing financial statements on the premise of the Company remaining a going concern, and, based on the audit evidence obtained, determine whether a material uncertainty that may cast significant doubt on ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the notes for the financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our audit report, but future events or conditions may render the Company unable to continue as a going concern.
- We evaluate whether the overall presentation of the financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the notes thereto, and whether the financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We report to corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Of the matters reported to the corporate auditors and the Audit & Supervisory Board, we decide upon the matters that were of most significance in the audit of the financial statements for the current fiscal year to be key audit matters and describe such matters in the audit report. However, should laws and regulations preclude public disclosure about the matters or should, in extremely rare circumstances, we determine that a matter should not be included in the report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of inclusion, the relevant matter shall not be included.

Information on Remuneration

Information on remuneration can be found in the audit report for consolidated financial statements.

Interests

Our firm and its engagement partners do not have any interest in Itoki Corporation that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the above audit report is kept separately by Itoki Corporation (the submitting company of the Securities Report).

2. XBRL data is not included in the scope of the audit.