



November 13, 2023

Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending December 31, 2023
<Under Japanese GAAP>

Company name: **ITOKI CORPORATION**
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 Stock code: 7972
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Scheduled date to file Quarterly Report: November 13, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first nine months of the fiscal year ending
December 31, 2023 (from January 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of the fiscal year ending								
December 31, 2023	96,857	7.7	7,179	75.7	7,360	78.4	4,909	39.6
December 31, 2022	89,961	7.0	4,086	136.0	4,125	149.8	3,517	313.8

Note: Comprehensive income

First nine months of the fiscal year ending December 31, 2023: 5,555 million of yen (58.9%)
 First nine months of the fiscal year ending December 31, 2022: 3,495 million of yen (219.8%)

	Earnings per share	Diluted earnings per share
First nine months of the fiscal year ending	Yen	Yen
December 31, 2023	108.32	93.34
December 31, 2022	77.73	77.02

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
First nine months of the fiscal year ending	Millions of yen	Millions of yen	%	Yen
December 31, 2023	111,573	53,839	48.1	1,185.37
Fiscal year ended December 31, 2022	115,288	49,910	43.2	1,100.33

Reference: Equity

First nine months of the fiscal year ending December 31, 2023: 53,754 million of yen

Fiscal year ended December 31, 2022: 49,825 million of yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	37.00	37.00
Fiscal year ending December 31, 2023	—	0.00	—		
Fiscal year ending December 31, 2023 (Forecast)				32.00	32.00

Note: Revision to the forecasts of cash dividends most recently announced: None

Note: Breakdown of fiscal year-end dividend for the fiscal year ended December 31, 2022:

Ordinary dividend: 17 yen

Special dividend: 20 yen

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2023	130,000	5.4	7,500	63.7	7,500	79.5	4,800	(9.3)	105.84

Note: Revision to the consolidated earnings forecast most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the first nine months of the fiscal year ending December 31, 2023: None
(changes in specified subsidiaries accompanying changes in scope of consolidation)
New: — companies (Company names) / Exception: — companies (Company names)

(2) Application of specific accounting for preparing the consolidated quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(Note) For details, please refer to “2. Consolidated Quarterly Financial Statements and Main Notes” - “(3) Notes on the Consolidated Quarterly Financial Statements (Changes in Accounting Policies)” on page 9 of the appendix.

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023 45,664,437 shares

Fiscal year ended December 31, 2022 45,664,437 shares

b. Number of treasury shares at the end of the period

As of September 30, 2023 316,096 shares

Fiscal year ended December 31, 2022 381,659 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

As of September 30, 2023 45,319,158 shares

As of September 30, 2022 45,248,899 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit corporation.

* Explanation concerning proper use of earnings forecasts and other specific matters

All forward-looking statements (earnings forecasts, etc.) in this document are prepared based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ significantly from the forecast figures due to various factors. For notes on assumptions for the earnings forecasts and notes on usage of the earnings forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results” - “(3) Explanation of Forward Looking Information for Earnings Forecasts, Etc.” on page 4 of the appendix.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the current fiscal year, which is the final year of the medium-term management plan RISE ITOKI 2023, the Group will continue to promote various measures based on the structural reform project. In the first nine months of the current consolidated cumulative period, the Group aimed to become a highly profitable corporation with a robust structure. We strove to increase sales and profit through measures such as proposing new work styles and workplaces in order to fulfill a leading role in creating a post-COVID working environment, and conducting sales activities that focus on increasing value.

(Millions of yen)

	Third quarter-end 2022 Consolidated cumulative period	Third quarter-end 2023 Consolidated cumulative period	Increase/decrease (amount)	Increase/decrease (%)
Net sales	89,961	96,857	6,895	7.7%
Gross profit	33,770	38,203	4,432	13.1%
Selling, general and administrative expenses	29,683	31,023	1,339	4.5%
Operating profit	4,086	7,179	3,093	75.7%
Non-operating income	460	380	(79)	(17.4%)
Non-operating expenses	422	199	(222)	(52.7%)
Ordinary profit	4,125	7,360	3,235	78.4%
Extraordinary income	1,043	136	(906)	(86.9%)
Extraordinary losses	146	55	(91)	(62.4%)
Profit before income taxes	5,021	7,442	2,420	48.2%
Total income taxes	1,607	2,531	924	57.5%
per share	3,414	4,910	1,496	43.8%
Profit attributable to owners of parent	3,517	4,909	1,391	39.6%

(i) Net sales

Net sales were 96,857 million yen, an increase of 6,895 million yen (7.7%) 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 such as display cases for museums and art galleries and digital signage remained firm.
- In the IT and sharing business, there was steady performance by the system development business and the system verification business, which has been promoted as the second pillar. The sharing business for office space also performed well.

(ii) Gross profit

Gross profit was 38,203 million yen, an increase of 4,432 million yen (13.1%) year-on-year.

- In the workplace business, while predicting the impact of soaring raw material prices, profit increased significantly due to an improved profit margin as the effect of increased revenue and an improvement in value provided.
- In the equipment and public works-related business, while predicting the impact of soaring raw material prices, profit increased due to the effect of increased demand for equipment for public facilities, and due to an improved profit margin.
- In the IT and sharing business, the system development business, system verification business, and office sharing business performed well.

(iii) Selling, general and administrative expenses

Selling, general and administrative expenses were 31,023 million yen, an increase of 1,339 million yen (4.5%) 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 resources, and recording of reserve for performance-based bonuses, etc. It was also the result of reductions in 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 7,179 million yen, an increase of 3,093 million yen (75.7%) year-on-year. We are steadily moving toward the full-year forecast of 7,500 million yen for consolidated operating profit.

- In the workplace business, profit increased significantly due to an improved profit margin as the effect of increased revenue and an improvement in value provided.

- In the equipment and public works-related business, profit increased due to an improved profit margin as the effect of 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 380 million yen, a decrease of 79 million yen (17.4%) year-on-year. The decrease was due to factors such as a decrease in subsidy income for preventing the spread of COVID-19.

(vi) Non-operating expenses

Non-operating expenses were 199 million yen, a decrease of 222 million yen (52.7%) year-on-year. The decrease was due to factors such as foreign exchange losses year-on-year.

(vii) Ordinary profit

As a result of the above, ordinary profit was 7,360 million yen, an increase of 3,235 million yen (78.4%) year-on-year.

(viii) Extraordinary income

Extraordinary income was 136 million yen, a decrease of 906 million yen (86.9%) year-on-year. The decrease was due to factors such as recording gain on forgiveness of debts caused by the waiver of claims by some creditors of our consolidated subsidiary GlobalTreehouse Inc. in conjunction with the dissolution of GlobalTreehouse Inc. in the same period of the previous fiscal year.

(ix) Extraordinary losses

Extraordinary losses were 55 million yen, a decrease of 91 million yen (62.4%) year-on-year. The decrease was due to factors such as loss on sale of non-current assets, etc., year-on-year.

(x) Profit attributable to owners of parent

As a result of the above, profit attributable to owners of parent was 4,909 million yen, an increase of 1,391 million yen (39.6%) year-on-year.

Segment results were as follows.

(Millions of yen)

Name of segment		Third quarter-end 2022 Consolidated cumulative period	Third quarter-end 2023 Consolidated cumulative period	Increase/decr ease (amount)	Increase/decr ease (%)
Workplace business	Net sales	63,205	70,243	7,038	11.1%
	Operating profit	2,447	5,367	2,920	119.3%
Equipment, device, and public works business	Net sales	25,491	25,199	(291)	(1.1%)
	Operating profit	1,257	1,406	148	11.8%
IT & sharing business	Net sales	1,200	1,307	106	8.9%
	Operating profit	325	322	(2)	(0.9%)
Reportable segment total	Net sales	89,897	96,751	6,853	7.6%
	Operating profit	4,030	7,096	3,065	76.1%
Other	Net sales	64	105	41	65.5%
	Operating profit	55	82	27	48.5%
Total	Net sales	89,961	96,857	6,895	7.7%
	Operating profit	4,086	7,179	3,093	75.7%

(2) Explanation of Financial Position

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023	Increase/decrease (amount)	Increase/decrease (%)
Assets	115,288	111,573	(3,714)	(3.2%)
Liabilities	65,377	57,734	(7,643)	(11.7%)
Net assets	49,910	53,839	3,928	7.9%

(Assets)

Total assets were 111,573 million yen, a decrease of 3,714 million yen compared to the end of the fiscal year ended December 31, 2022. The decrease was due to factors such as a decrease in cash and deposits of 3,684 million yen caused by payment of income taxes payable and repayment of short-term borrowings.

(Liabilities)

Total liabilities were 57,734 million yen, a decrease of 7,643 million yen compared to the end of the fiscal year ended December 31, 2022. The decrease was due to factors such as payment of income taxes payable and repayment of short-term borrowings.

(Net assets)

Net assets were 53,839 million yen, an increase of 3,928 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 3,233 million yen in retained earnings due to increased profit. The equity ratio was 48.1%, an increase of 4.9% from the end of the fiscal year ended December 31, 2022.

(3) Explanation of Forward Looking Information for Earnings Forecasts, Etc.

At the current point in time, there are no changes to the full-year consolidated earnings forecast that was revised and announced on August 7, 2023. Going forward, we will promptly disclose the occurrence of any matters that make revision necessary.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal year ended December 31, 2022 (December 31, 2022)	First nine months of the current consolidated accounting period (September 30, 2023)
Assets		
Current assets		
Cash and deposits	26,876	23,192
Notes and accounts receivable - trade, and contract assets	29,316	26,948
Electronically recorded monetary claims - operating	3,008	3,421
Securities	100	100
Merchandise and finished goods	4,998	5,745
Work in process	2,010	2,533
Raw materials and supplies	2,920	3,395
Other	1,991	2,901
Allowance for doubtful accounts	(194)	(196)
Total current assets	71,027	68,040
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,377	12,071
Land	8,436	8,436
Other (net)	5,165	4,222
Total property, plant and equipment	24,978	24,730
Intangible assets		
Goodwill	517	346
Other	1,302	1,814
Total intangible assets	1,819	2,161
Investments and other assets		
Investment securities	5,057	5,563
Deferred tax assets	3,084	1,826
Retirement benefit asset	1,490	1,533
Other	8,296	8,184
Allowance for doubtful accounts	(466)	(467)
Total investments and other assets	17,462	16,641
Total non-current assets	44,260	43,533
Total assets	115,288	111,573

(Millions of yen)

	Fiscal year ended December 31, 2022 (December 31, 2022)	First nine months of the current consolidated accounting period (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,674	11,888
Electronically recorded obligations - operating	7,482	6,697
Notes payable - facilities	1,334	102
Current portion of bonds payable	60	-
Short-term borrowings	9,463	8,731
Current portion of long-term borrowings	1,716	1,652
Income taxes payable	3,095	603
Accrued consumption taxes	804	1,067
Provision for bonuses	2,712	2,812
Provision for bonuses for directors (and other officers)	157	44
Provision for loss on orders received	1	0
Provision for product warranties	19	17
Provision for loss on business of subsidiaries and associates	355	274
Other	9,221	8,118
Total current liabilities	49,099	42,010
Non-current liabilities		
Long-term borrowings	6,731	6,389
Lease obligations	799	570
Deferred tax liabilities	349	351
Provision for retirement benefits for directors (and other officers)	85	72
Provision for loss on voluntary recall of products	83	83
Retirement benefit liability	4,062	4,040
Asset retirement obligations	1,315	1,348
Other	2,851	2,867
Total non-current liabilities	16,278	15,724
Total liabilities	65,377	57,734
Net assets		
Shareholders' equity		
Share capital	5,294	5,294
Capital surplus	9,638	9,665
Retained earnings	34,387	37,621
Treasury shares	(134)	(111)
Total shareholders' equity	49,185	52,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	294	697
Foreign currency translation adjustment	480	638
Remeasurements of defined benefit plans	(133)	(51)
Total accumulated other comprehensive income	640	1,285
Share acquisition rights	45	45
Non-controlling interests	39	39
Total net assets	49,910	53,839
Total liabilities and net assets	115,288	111,573

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

First nine months of the consolidated cumulative period

(Millions of yen)

	First nine months of the previous consolidated cumulative period (January 1, 2022 to September 30, 2022)	First nine months of the current consolidated cumulative period (January 1, 2023 to September 30, 2023)
Net sales	89,961	96,857
Cost of sales	56,191	58,654
Gross profit	33,770	38,203
Selling, general and administrative expenses	29,683	31,023
Operating profit	4,086	7,179
Non-operating income		
Interest income	7	13
Dividend income	70	78
Share of gain of entities accounted for using equity method	-	1
Dividend income of insurance	111	94
Other	271	192
Total non-operating income	460	380
Non-operating expenses		
Interest expenses	111	116
Share of loss of entities accounted for using equity method	3	-
Foreign exchange losses	106	-
Outsourcing expenses	102	10
Other	98	73
Total non-operating expenses	422	199
Ordinary profit	4,125	7,360
Extraordinary income		
Gain on sale of non-current assets	153	3
Gain on sale of investment securities	106	127
Gain on forgiveness of debts	779	-
Other	4	5
Total extraordinary income	1,043	136
Extraordinary losses		
Loss on sale of non-current assets	27	0
Loss on retirement of non-current assets	64	44
Impairment losses	5	0
Other	49	10
Total extraordinary losses	146	55
Profit before income taxes	5,021	7,442
Income taxes - current	1,575	1,393
Income taxes - deferred	31	1,138
Total income taxes	1,607	2,531
per share	3,414	4,910
Loss attributable to non-controlling interests	(103)	1
Profit attributable to owners of parent	3,517	4,909

Consolidated Quarterly Statements of Comprehensive Income

First nine months of the consolidated cumulative period

(Millions of yen)

	First nine months of the previous consolidated cumulative period (January 1, 2022 to September 30, 2022)	First nine months of the current consolidated cumulative period (January 1, 2023 to September 30, 2023)
Profit	3,414	4,910
Other comprehensive income		
Valuation difference on available-for-sale securities	(285)	403
Foreign currency translation adjustment	396	158
Remeasurements of defined benefit plans, net of tax	(29)	82
Total other comprehensive income	81	644
Quarterly comprehensive income	3,495	5,555
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,597	5,553
Comprehensive income attributable to non-controlling interests	(101)	1

(3) Notes on the Consolidated Quarterly Financial Statements

(Notes on Assumption of Going Concern)

None.

(Notes in the Event of Significant Fluctuations in the Amount of Shareholders' Equity)

None.

(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, "Guidance for Fair Value Measurement") from the beginning of the first three months of the consolidated cumulative period. 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 Quarterly Financial Statements.

(Additional Information)

(Accounting Estimates on the Impact of COVID-19 Spread)

In regard to accounting estimates on the impact of COVID-19 spread, there are no significant changes to the assumptions stated in the "Additional Information" section of the Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 that was issued on February 13, 2023.

(Segment Information, Etc.)

[Segment Information]

I First nine months of the previous consolidated cumulative period (January 1, 2022 to September 30, 2022)

1. Information on the amount of sales and profit (loss) by reportable segment, and disaggregated information on earnings

(Millions of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments	Amount Recorded in Consolidated Quarterly Statements of Income (Note 2)
	Workplace Business	Equipment and Public Works- Related Business	IT and Sharing Business	Total				
Net sales								
Japan	56,703	25,354	1,200	83,259	—	83,259	—	83,259
Asia	6,361	61	—	6,423	—	6,423	—	6,423
Other	140	74	—	215	—	215	—	215
Earnings from contracts with customers	63,205	25,491	1,200	89,897	—	89,897	—	89,897
Other earnings	—	—	—	—	64	64	—	64
Sales to external customers	63,205	25,491	1,200	89,897	64	89,961	—	89,961
Intersegment sales or transfers	283	10	236	530	36	567	(567)	—
Total	63,489	25,502	1,437	90,428	100	90,529	(567)	89,961
Reportable profit	2,447	1,257	325	4,030	55	4,086	—	4,086

(Note) 1. "Other" is for business segments not included in reportable segments. It includes rental income, etc.

2. Total segment income is consistent with operating profit in the consolidated quarterly statements of income.

II First nine months of the current consolidated cumulative period (January 1, 2023 to September 30, 2023)

1. Information on the amount of sales and profit (loss) by reportable segment, and disaggregated information on earnings

(Millions of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments	Amount Recorded in Consolidated Quarterly Statements of Income (Note 2)
	Workplace Business	Equipment and Public Works- Related Business	IT and Sharing Business	Total				
Net sales								
Japan	61,793	24,905	1,307	88,006	—	88,006	—	88,006
Asia	8,057	153	—	8,211	—	8,211	—	8,211
Other	392	140	—	533	—	533	—	533
Earnings from contracts with customers	70,243	25,199	1,307	96,751	—	96,751	—	96,751
Other earnings	—	—	—	—	105	105	—	105
Sales to external customers	70,243	25,199	1,307	96,751	105	96,857	—	96,857
Intersegment sales or transfers	211	22	287	521	36	558	(558)	—
Total	70,455	25,222	1,595	97,273	142	97,415	(558)	96,857
Reportable profit	5,367	1,406	322	7,096	82	7,179	—	7,179

(Note) 1. "Other" is for business segments not included in reportable segments. It includes rental income, etc.

2. Total segment income is consistent with operating profit in the consolidated quarterly statements of income.