

Translation



February 13, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 <Under Japanese GAAP>

Company name: **ITOKI CORPORATION**
 Listing: Tokyo Stock Exchange
 Stock code: 7972
 URL: <https://www.itoki.jp/>
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Scheduled date of ordinary general meeting of shareholders: March 27, 2024

Scheduled date to commence dividend payments: March 28, 2024

Scheduled date to file Securities Report: March 27, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results presentation meeting: Yes (for institutional investors and security analysts)

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

1. Consolidated performance for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results (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	%
Fiscal year ended								
December 31, 2023	132,985	7.8	8,523	86.0	8,555	104.8	5,905	11.5
December 31, 2022	123,324	6.4	4,582	79.0	4,177	71.4	5,294	353.9

Note: Comprehensive income

Fiscal year ended December 31, 2023 6,715 million of yen (28.2%)

Fiscal year ended December 31, 2022 5,239 million of yen (263.4%)

	Net profit per share	Diluted net profit per share	Return on equity	Ordinary profit/total assets	Net sales Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2023	130.29	111.28	11.3	7.4	6.4
December 31, 2022	116.99	114.04	11.1	3.8	3.7

Reference: Share of loss (profit) of entities accounted for using equity method

Fiscal year ended December 31, 2023 (16) million of yen

Fiscal year ended December 31, 2022 (6) million of yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended	Millions of yen	Millions of yen	%	Yen
December 31, 2023	117,437	54,999	46.8	1,210.96
December 31, 2022	115,288	49,910	43.2	1,100.33

Reference: Equity

Fiscal year ended December 31, 2023 54,915 million of yen

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

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	6,321	(4,012)	(4,148)	23,664
December 31, 2022	5,804	4,923	(1,426)	25,420

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	—	0.00	—	37.00	37.00	1,675	31.6	3.5
Fiscal year ended December 31, 2023	—	0.00	—	42.00	42.00	1,904	32.2	3.6
Fiscal year ending December 31, 2024 (Forecast)	—	0.00	—	52.00	52.00		36.1	

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

Ordinary dividend: 17.00 yen
Special dividend: 20.00 yen

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending December 31, 2024	137,500	3.4	10,000	17.3	10,000	16.9	7,000	18.5	Yen 144.12

* Notes

- (1) Changes in significant subsidiaries during the fiscal year ended December 31, 2023
(changes in specified subsidiaries accompanying change in scope of consolidation): None
- New: — companies (Company names) / Exception: — companies (Company names)
- (2) 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 “3. Consolidated Financial Statements and Main Notes” - “(5) Notes on the Consolidated Financial Statements (Changes in Accounting Policies)” on page 17 of the appendix.
- (3) Number of issued shares (common shares)
- a. Total number of issued shares at the end of the period (including treasury shares)
- | | |
|-------------------------------------|-------------------|
| Fiscal year ended December 31, 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
- | | |
|-------------------------------------|----------------|
| Fiscal year ended December 31, 2023 | 316,174 shares |
| Fiscal year ended December 31, 2022 | 381,659 shares |
- c. Average number of shares during the period
- | | |
|-------------------------------------|-------------------|
| Fiscal year ended December 31, 2023 | 45,326,443 shares |
| Fiscal year ended December 31, 2022 | 45,257,379 shares |

Reference: Summary of non-consolidated performance

**1. Non-consolidated performance for the fiscal year ended December 31, 2023
(from January 1, 2023 to December 31, 2023)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	93,108	10.8	4,507	72.4	5,720	63.1	4,307	86.7
December 31, 2022	84,061	4.5	2,614	48.5	3,508	139.1	2,307	324.0

Fiscal year ended	Net profit per share	Diluted net profit per share
	Yen	Yen
December 31, 2023	95.04	81.18
December 31, 2022	50.97	49.69

(2) Non-consolidated financial position

Fiscal year ended	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	86,139	41,222	47.8	908.01
December 31, 2022	85,447	38,161	44.6	841.74

Reference: Equity

Fiscal year ended December 31, 2023:	41,176 million of yen
Fiscal year ended December 31, 2022:	38,116 million of yen

* Financial results reports are not required to be audited by certified public accountants or an audit corporation.

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

- All forward-looking statements in this document are prepared based on information available as of the issuing date of this report. Actual results may differ from the forecast figures due to various factors. For assumptions on earnings forecasts and other related matters, please refer to page 4 of the appendix.
- The number of shares that serves as the basis for calculating the "Dividend payout ratio" for the fiscal year ending December 31, 2024 (forecast) mentioned in "Cash dividends" and the average number of shares during the period that serves as the basis for calculating "Earnings per share" mentioned in "Consolidated earnings forecasts for the fiscal year ending December 31, 2024" have been calculated taking into consideration the "Notice Regarding the Completion of the Exercise of the First Stock Acquisition Rights Through Third-party Allotment, Change of Major Shareholders and Leading Shareholder who is a Major Shareholder, Change of Fund Usage, and Termination of the Business Alliance Contract with Advantage Advisers Co., Ltd." and "Notice Regarding the Decision on the Acquisition of Treasury Shares and the Cancellation of Treasury Shares" announced on the same day.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Current Period

a. Overview of overall performance

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 ways of working and workplaces to lead the creation of working environments for the post-coronavirus era, and aimed for sales and profit growth through sales activities focusing on value enhancement.

(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 and the system verification business, which has been promoted as the 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, 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 logistics facilities, and due to 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. 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, gross 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 as the effect of 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 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 481 million yen, a decrease of 74 million yen (13.5%) 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 448 million yen, a decrease of 512 million yen (53.3%). The decrease was due to foreign exchange losses 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. The 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. in the same period of the previous fiscal year along with the dissolution of the subsidiary.

(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, as it reached a record high.

Segment results were as follows.

(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 & 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. Outlook for the next fiscal year

As for the business environment surrounding Itoki, companies and workers are displaying growing interest in hybrid work, 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.

With “We Design Tomorrow. We Design WORK-Style.” as our mission statement, Itoki recognizes these environmental changes as an opportunity and has formulated a three-year Medium-term Management Plan starting from the fiscal year ending December 31, 2024 with the catchphrase “Rise to Growth 2026” in order to achieve further business growth.

The theme of the Medium-term Management Plan is “enhancing the strength of sustainable growth.” We have outlined the key strategy “7 Flags,” as well as ESG strategy. Itoki aims to achieve net sales of 150 billion yen, operating profit of 14 billion yen, operating profit margin of 9%, and an ROE of 15%, by 2026, through the implementation of measures under these strategies. 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. For details, please refer to the Notice Regarding the Formulation of the Medium-term Management Plan released on February 13, 2024.

In the workplace business for the next fiscal year, we will aim 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.

In addition, in the equipment and public works-related business, we aim to increase sales and profits by developing sales activities and expanding products and services with a focus on increasing value in research facilities and logistics equipment.

Based on these factors, the consolidated earnings forecasts for the fiscal year ending December 31, 2024 is as follows.

Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2024

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
137,500 million yen	10,000 million yen	10,000 million yen	7,000 million yen

(2) Overview of Financial Position for the Current Period

a. Assets, liabilities, and net assets

(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 increase 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. The 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 end of the previous fiscal year.

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

b. Consolidated cash flows

Cash and cash equivalents ('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) investing activities

Funds provided by investing 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 provided by financing activities decreased by 4,148 million yen (compared to a decrease of 1,426 million yen 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

2. Basic Policy on Selection of Accounting Standards

The ITOKI Group, considering the comparability of consolidated financial statements over time and among companies, plans to continue preparing consolidated financial statements under Japanese standards for the time being.

It is the Group's policy to adopt IFRS as appropriate, taking into account various circumstances in Japan and overseas.

3. Consolidated financial statements and main notes

(1) Consolidated balance sheets

(Millions of yen)

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Assets		
Current assets		
Cash and deposits	*2 26,876	*2 24,795
Notes and accounts receivable - trade, and contract assets	*5 29,316	*5 31,158
Electronically recorded monetary claims - operating	3,008	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	*2 32,083	*2 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	*2 8,436	*2 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	*1 5,057	*1 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

(Millions of yen)

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*5 12,674	*5 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	*2, *4 9,463	*2, *4 8,487
Current portion of long-term borrowings	*2 1,716	*2 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	9,221	9,895
Total current liabilities	49,099	47,340
Non-current liabilities		
Long-term borrowings	*2 6,731	*2 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

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Net sales	123,324	132,985
Cost of sales	*1, *3 77,575	*1, *3 80,744
Gross profit	45,749	52,240
Selling, general and administrative expenses	*2, *3 41,167	*2, *3 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	*4 6,911	*4 3
Gain on sale of investment securities	106	174
Gain on forgiveness of debts	*5 779	-
Other	7	8
Total extraordinary income	7,805	186
Extraordinary losses		
Loss on sale of non-current assets	*6 29	*6 0
Loss on retirement of non-current assets	*7 1,782	*7 328
Impairment losses	*8 1,319	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 statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (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

(3) Consolidated statements of changes in net assets

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

(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 year	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 year	294	480	(133)	640	45	39	49,910

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

(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 year	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 defined 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 year	678	638	132	1,449	45	39	54,999

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (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

(Millions of yen)

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (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 funds	(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

(5) Notes on the Consolidated Financial Statements

(Notes on Assumption of Going Concern)

None.

(Important Matters that Form the Basis for the Preparation of 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 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. with 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 of 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.

Overseas consolidated subsidiaries use the straight-line method.

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 over the lease period as the useful life with a residual value of zero.

(3) Accounting for significant allowance

a. Allowance for doubtful accounts

To provide for losses, an allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables based on the historical percentage of bad debts for general receivables and on an individual assessment of collectability for specific receivables such as 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 liquidation of subsidiaries and associates

To provide for future losses related to liquidation procedures of subsidiaries and associates, the estimated amount of losses at the end of the current fiscal year is recorded.

i. 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

Actuarial gains and losses are amortized on a straight-line basis 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) 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 the ratio of such fluctuations.

(6) 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.

(7) Scope of funds in the consolidated statements of cash flows

The scope of funds in the consolidated statements of cash flows comprise 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 to insignificant risk of value fluctuations.

(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 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.

(Change in Presentation)

(Consolidated Statements 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 reclassified 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 Sheets)

*1. Due to non-consolidated subsidiaries and associates

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

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Investment securities (shares)	540 million of yen	613 million of yen

*2. Assets pledged as collateral

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Time deposits	100	100
Property, plant and equipment		
Buildings and structures	756	1,163
Land	1,927	1,927
Total	2,783	3,190

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

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Short-term borrowings	18	24
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.

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Syndicated term loan agreements	3,000 million of yen	3,000 million of yen

The following financial covenants have been attached to syndicated term loan agreements. In the event of a breach of such

covenants, the Group may be required to repay the relevant interest-bearing liabilities in a lump sum.

(1) From the second quarter 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.

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

3. Discounted notes receivable

	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Discounted notes receivable	801 million of yen	336 million of yen

*4. 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.

	(Millions of yen)	
	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Total amount of loan commitments	2,900	6,650
Outstanding loan balance	—	—
Difference	2,900	6,650

*5. 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.

	(Millions of yen)	
	Fiscal year ended December 31, 2022 (December 31, 2022)	Fiscal year ended December 31, 2023 (December 31, 2023)
Notes receivable	180	175
Notes payable	68	124

(Consolidated Statements of Income)

*1. 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 cost of sales.

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
	123 million of yen	180 million of yen

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

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
	(2) million of yen	(8) million of yen

*2. Selling, general and administrative expenses

The main expense items and amounts are as follows.

	(Millions of yen)	
	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Employee salaries and allowances	15,420	15,671
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

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

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
	2,286 million of yen	2,719 million of yen

*4. Gain on sale of non-current assets

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Machinery, equipment and vehicles	21	1
Land	6,887	—
Other (property, plant and equipment)	2	1
Total	6,911	3

*5. Gain on forgiveness of debts

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.

*6. Loss on sale of non-current assets

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Machinery, equipment and vehicles	5	—
Land	7	—
Other (property, plant and equipment)	16	0
Total	29	0

*7. Loss on retirement of non-current assets

	(Millions of yen)	
	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Buildings and structures	67	48
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

*8. Impairment losses

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

The Group recorded impairment losses on the following asset groups in the previous fiscal year.

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

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 of the assets was measured by its 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 earnings, and the reductions were recorded as impairment losses under extraordinary losses.

For 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 of these assets is measured by value in use, and the goodwill of Tarkus Interiors Pte Ltd is calculated by discounting the 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 Statements 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

	Fiscal year ended December 31, 2023 Number of shares at the beginning of the year	Fiscal year ended December 31, 2023 Increase in the number of shares	Fiscal year ended December 31, 2023 Decrease in the number of shares	Fiscal year ended December 31, 2023 Number of 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

(Note) 1. The increase in the number of treasury shares of 262 shares is due to an increase of 262 shares as a result of 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 dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
March 24, 2022 Annual general meeting of shareholders	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 dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 23, 2023 Annual general meeting of shareholders	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

	Fiscal year ended December 31, 2023 Number of shares at the beginning of the year	Fiscal year ended December 31, 2023 Increase in the number of shares	Fiscal year ended December 31, 2023 Decrease in the number of shares	Fiscal year ended December 31, 2023 Number of 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

(Note) 1. The increase in the number of treasury shares of 515 shares is due to an increase of 515 shares as a result of 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 stock acquisition rights is due to the adjustment of the number of allocated shares 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 dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
March 23, 2023 Annual general meeting of shareholders	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 dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 27, 2024 Annual general meeting of shareholders	Common shares	1,904	Retained earnings	42	December 31, 2023	March 28, 2024

(Consolidated Statements of Cash Flows)

* Reconciliation between cash and cash equivalents at the end of the year and the amounts shown in the consolidated balance sheet
(Millions of yen)

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

(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 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: workplace business, equipment and public works-related business, and it & 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 relocation. 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 provides 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 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)

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjustments (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Workplace Business	Equipment and Public Works- Related Business	IT and Sharing Business	Total				
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)	—
Total	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 (Note) 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

(Note) 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 statements 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)

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjustments (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Workplace Business	Equipment and Public Works- Related Business	IT and Sharing Business	Total				
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 earnings	—	—	—	—	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)	—
Total	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 (Note) 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

(Note) 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 statements 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

As stated in “3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment.”

(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

Description is omitted because there are no external customers whose sales account for more than 10% of the sales in the consolidated statements 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

As stated in “3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment.”

(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

Description is omitted because there are no external customers whose sales account for more than 10% of the sales in the consolidated statements 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)

(Millions of yen)

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

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

(Millions of yen)

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

(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 transactions	Transaction amount (Millions of yen)	Account	Balance at end of period (Millions of yen)
Officers and 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 and other assets (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 and other assets (security deposits)	34

(Note) 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. is majority-owned 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	Percentage of voting rights, etc. owned (%)	Relationship with related parties	Details of transactions	Transaction amount (Millions of yen)	Account	Balance at end of period (Millions of yen)
Officers and 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 and other assets (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 and other assets (security deposits)	34

(Note) 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. is majority-owned by a close relative of the Company's Chairman & Representative Director, Masamichi Yamada.

(Per Share Information)

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (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.

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Net profit per share		
Profit attributable to owners of parent (million yen)	5,294	5,905
Amounts not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	5,294	5,905
Average number of common shares during the year (shares)	45,257,379	45,326,443
Diluted net profit per share		
Adjustment to profit attributable to owners of parent (million 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.

	Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)
Total net assets (million yen)	49,910	54,999
Amounts deducted from total net assets (million yen)	84	84
(Of which, stock acquisition rights (million yen))	(45)	(45)
(Of which non-controlling interests (million yen))	(39)	(39)
Net assets at the end of the year relating to common shares (million yen)	49,825	54,915
Number of common shares at the end of the 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 surplus: 2,057 million yen

As a result of the above, the total number of shares issued increased by 11,718,413 shares and the capital and capital surplus increased by 2,057 million yen each, bringing the total number of shares issued to 57,382,850 shares, capital to 7,351 million yen and capital surplus to 12,920 million yen as at February 13, 2024.

(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(3) of the same Act, as well as the cancellation of treasury shares in accordance with Article 178 of the Companies Act.

1. Reasons for the acquisition and cancellation of treasury shares

The Company will acquire and cancel its own shares in order to enable the implementation of a flexible 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, as the Medium-term Management Plan ending in 2026 has been launched.

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. Details of matters relating to the cancellation

- | | |
|---|--|
| (1) Type of shares to be cancelled: | common shares of the Company |
| (2) Total number of shares to be cancelled: | 4,000,000 shares
(8.76% of the total number of shares issued) |
| (3) Scheduled date of cancellation: | undecided |