Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Cover

[Document Submitted]	Securities Report
[Legal Basis]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director of the Kanto Local Finance Bureau
[Date of Submission]	March 26, 2025
[Fiscal Year]	75th term (from January 1, 2024 to December 31, 2024)
[Company Name]	Itoki Corporation
[Company Name in English]	ITOKI CORPORATION
[Name and Title of Representative]	President & Representative Director Koji Minato
[Location of Head Office]	1-6-11 Awaji-machi, Chuo-ku, Osaka City (this office is the registered head office of Itoki Corporation, and actual business is conducted at the nearest place of contact)
[Telephone Number]	None.
[Contact for Communications]	None.
[Nearest Place of Contact]	2-5-1, Nihonbashi, Chuo-ku, Tokyo
[Telephone Number]	+81 -3 6910 3910
[Contact for Communications]	Yumi Tanaka, Managing Executive Officer, General Manager of Administrative Division
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Kabutocho, Nihonbashi, Chuo-ku, Tokyo) Itoki Corporation Tokyo Head Office (2-5-1, Nihonbashi, Chuo-ku, Tokyo)

Part I Corporate Information

I. Company Overview

1. Changes in Key Business Metrics, etc.

(1) Consolidated business metrics, etc.

Term		71st	72nd	73rd	74th	75th
Year ended		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Millions of yen)	116,210	115,905	123,324	132,985	138,460
Ordinary profit	(Millions of yen)	1,881	2,437	4,177	8,555	10,004
Profit (loss) attributable to owners of parent	(Millions of yen)	(235)	1,166	5,294	5,905	7,183
Comprehensive income	(Millions of yen)	(1,338)	1,441	5,239	6,715	7,881
Net assets	(Millions of yen)	44,189	45,076	49,910	54,999	49,342
Total assets	(Millions of yen)	105,096	103,898	115,288	117,437	120,521
Net assets per share	(Yen)	969.43	992.89	1,100.33	1,210.96	1,001.13
Basic earnings (loss) per share	(Yen)	(5.18)	25.82	116.99	130.29	147.02
Diluted earnings per share	(Yen)	—	25.67	114.04	111.28	—
Equity ratio	(%)	41.6	43.2	43.2	46.8	40.9
Return on equity	(%)	(0.5)	2.6	11.1	11.3	13.8
Price-earnings ratio	(times)	—	14.0	5.1	10.4	11.2
Net cash provided by (used in) operating activities	(Millions of yen)	4,561	2,774	5,804	6,321	(1,000)
Net cash provided by (used in) investing activities	(Millions of yen)	(1,152)	(1,170)	4,923	(4,012)	(7,107)
Net cash provided by (used in) financing activities	(Millions of yen)	(2,267)	(2,658)	(1,426)	(4,148)	5,905
Cash and cash equivalents at end of period	(Millions of yen)	16,697	15,797	25,420	23,664	21,494
Employees	(no.)	4,062	3,973	3,793	3,892	3,957

(Notes) 1. The diluted earnings per share for the 71st term is not written, because there was a net loss per share, although there exist issuable shares. In addition, the diluted earnings per share for the 75th term is not written, because there are no issuable shares.

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

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

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

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

Term		71st	72nd	73rd	74th	75th
Year ended		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Millions of yen)	86,432	80,429	84,061	93,108	97,826
Ordinary profit	(Millions of yen)	831	1,467	3,508	5,720	7,666
Profit	(Millions of yen)	474	544	2,307	4,307	9,511
Share capital	(Millions of yen)	5,294	5,294	5,294	5,294	7,351
(Total shares issued)	(Thousand)	(45,664)	(45,664)	(45,664)	(45,664)	(53,382)
Net assets	(Millions of yen)	36,520	36,422	38,161	41,222	37,705
Total assets	(Millions of yen)	78,458	75,412	85,447	86,139	92,443
Net assets per share	(Yen)	807.93	804.69	841.74	908.01	766.31
Dividend per share	(Yen)	13.00	15.00	37.00	42.00	55.00
(of which interim dividend per share)		(－)	(－)	(－)	(－)	(－)
Basic earnings per share	(Yen)	10.43	12.04	50.97	95.04	194.69
Diluted earnings per share	(Yen)	―	11.97	49.69	81.18	―
Equity ratio	(%)	46.5	48.2	44.6	47.8	40.8
Return on equity	(%)	1.3	1.5	6.2	10.9	24.1
Price-earnings ratio	(times)	32.2	30.0	11.6	14.3	8.5
Dividend payout ratio	(%)	124.7	124.6	72.6	44.2	28.3
Employees	(no.)	2,040	2,012	1,996	2,153	2,427
Total shareholder return	(%)	64.6	71.7	121.4	270.8	336.9
(Comparative metric: Dividend-included TOPIX)	(%)	(107.4)	(121.1)	(118.1)	(151.5)	(182.5)
Highest share price	(Yen)	542	447	619	1,587	2,200
Lowest share price	(Yen)	250	321	327	570	1,062

(Notes) 1. The diluted earnings per share for the 71st term is not written, because there are no issuable shares that have the dilutive effect. In addition, the diluted earnings per share for the 75th term is not written, because there are no issuable shares.

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

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

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

2. History

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

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

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

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

July 1952	Imafuku Plant founded in Joto ku, Osaka City
December 1954	Head office relocated to Joto-ku, Osaka City
January 1961	Itoki All Steel Co., Ltd. established (now a consolidated subsidiary)
October	Listed on the Second Section of the Osaka Securities Exchange
September 1962	Listed on the Second Section of the Tokyo Stock Exchange
December	Home Furniture Sales Division established in Tokyo and Osaka
May 1963	Neyagawa Plant founded in Neyagawa City, Osaka Prefecture
November 1968	Kyoto Plant founded in Yawata City, Kyoto Prefecture
September 1972	Shiga Plant founded in Omihachiman City, Shiga Prefecture (now the cabinet plant)
June 1974	Fuji Living Industry Co., Ltd. (Hakusan City, Ishikawa Prefecture) became an Itoki subsidiary (now a consolidated subsidiary), manufacture of folding metal chairs commenced
August 1984	Kyoto No. 2 Plant founded in Yawata City, Kyoto Prefecture, and manufacturing transferred from Imafuku Plant
November 1986	Electronic device manufacturing plant founded in Omihachiman City, Shiga Prefecture (now an administrative building)
June 1987	Listing on the Tokyo Stock Exchange and the Osaka Securities Exchange changed to the first sections
October 1991	Chair manufacturing plant founded in Omihachiman City, Shiga Prefecture
August 1992	Chair manufacturing facilities from the Kyoto No. 2 Plant relocated to chair manufacturing plant in Shiga
August 1999	Neyagawa Plant in Neyagawa City, Osaka Prefecture expanded
October 2000	Itoki Technical Service Corporation established
November 2002	Itoki (Suzhou) Furniture Co., Ltd. established in China (now a consolidated subsidiary called Novo Workstyle (China) Limited)
March 2003	Itoki Market Space Inc. established (now a consolidated subsidiary)
June 2005	Itoki Crebio Corporation and Itoki Co., Ltd. merged and changed their name to Itoki Corporation
November 2005	Shiga Logistics Center founded in Omihachiman City, Shiga Prefecture
December 2007	Itoki Corporation acquired shares in Business Jimuki Co., Ltd., and changed its name to ITOKI-HOKKAIDO Co., Ltd.
December 2008	Kanto Plant founded in Midori-ku, Chiba City, and some operations transferred from Kyoto Plant
April 2011	DALTON Corporation and five of its subsidiaries became subsidiaries of Itoki Corporation (now consolidated subsidiaries), and manufacturing and sale of research equipment and devices and powder machinery commenced
March 2015	Shin Nihon System Technology Corporation became a subsidiary of Itoki Corporation (now a consolidated subsidiary), and development of various systems commenced
July 2015	Itoki Komu Center Co., Ltd., Itoki Osaka Komu Center Co., Ltd., and Itoki Technical Service Corporation merged and changed their name to Itoki Engineering Service Corporation
December 2016	Tarkus Interiors Pte Ltd located in Singapore became a subsidiary (now a consolidated subsidiary)
July 2017	Novo Workstyle Asia Limited founded in Hong Kong (now a consolidated subsidiary)
November 2018	New Tokyo head office ITOKI TOKYO XORK (now ITOKI DESIGN HOUSE) opened in Chuo-ku, Tokyo
June 2020	ITOKI CHINA HOLDING Co., Ltd. founded in China (now a consolidated subsidiary)
April 2022	Listing on the Tokyo Stock Exchange switched from First Section to Prime Market after a review of Tokyo Stock Exchange market sections
November 2022	AP Center (Assembly Process Center) founded in Omihachiman City, Shiga Prefecture
April 2023	Absorption-type merger of the ITOKI-HOKKAIDO Co., Ltd. consolidated subsidiary
July 2024	Absorption-type merger of the Itoki Engineering Service Corporation consolidated subsidiary

3. Description of Business

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

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

Workplace Business

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

Main products/services

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

Main subsidiaries and associates

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

Equipment and Public Works-Related Business

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

Main products/services

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

Main subsidiaries and associates

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

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

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

Itoki Corporation

Clients

Workplace Business

Products / Construction / Interiors / Works / Maintenance Services

Sales
⦿Sanko Facilities Inc.
⦿NOVO WORKSTYLE CO., LTD.
⦿ITOKI SYSTEMS (SINGAPORE) PTE., LTD.
Manufacturing
⦿Itoki All Steel Co., Ltd.
⦿Fuji Living Industry Co., Ltd.
⦿Itoki Marui Industry Co., Ltd.
Other
⦿FMSTAFF Co., Ltd.
⦿Itoki Shared Value Co., Ltd.
⦿Tarkus Interiors Pte Ltd
⦿Novo Workstyle Asia Limited
⦿ITOKI CHINA HOLDING Co., Ltd.
+12 other companies Total: 23 companies

Equipment and Public Works-Related Business

Products / Construction

Sales
⦿Itoki Market Space Inc.
⦿DALTON Corporation
Manufacturing
⦿Itoki Toko Manufacturing Co., Ltd.
+5 other companies Total: 8 companies

Other

Software development

⦿Shin Nihon System Technology Corporation

4. Information on Subsidiaries and Associates

Name	Address	Capital (million yen)	Main Business	Voting Rights Held (%)	Relationship					
					Officer Interlocking, etc.		Financial Support	Business Transactions	Equipment Lending/ Borrowing
					Itoki Corporation Officers (no.)	Itoki Corpo-ration Employees (no.)			
Consolidated subsidiaries									
Itoki All Steel Co., Ltd	Noda City, Chiba Prefecture	90	Workplace Business	100.0	—	4	—	Manufacture of Itoki Corporation counter products, etc.	—
Fuji Living Industry Co., Ltd.	Hakusan City, Ishikawa Prefecture	60	Workplace Business	98.5	—	5	—	Manufacture of Itoki Corporation chair products	—
Itoki Market Space Inc.	Chuo-ku, Tokyo	100	Equipment and Public Works-Related Business	100.0	—	3	—	Sales of commercial equipment and devices	Renting out of buildings, etc.
Itoki Toko Manufacturing Co., Ltd.	Bando City, Ibaraki Prefecture	70	Equipment and Public Works-Related Business	100.0	—	3	Loans	Manufacturing of steel doors and safety-deposit boxes for Itoki Corporation products	—
Itoki Marui Industry Co., Ltd.	Nagaoka City, Niigata Prefecture	10	Workplace Business	100.0	—	3	Loans	Manufacturing of Itoki Corporation desk products, etc.	—
Sanko Facilities Inc.	Chiyoda-ku, Tokyo	40	Workplace Business	100.0	—	4	Loans	Itoki Corporation dealership	—
FMSTAFF Co., Ltd.	Chuo-ku, Tokyo	90	Workplace Business	100.0 (0.9)	—	4	—	Project management, etc., for products delivered by Itoki Corporation	—
Itoki Shared Value Co., Ltd.	Chuo-ku, Tokyo	50	Workplace Business	100.0	—	4	—	Rental, etc., of Itoki Corporation products	—
Shin Nihon System Technology Corporation	Chuo-ku, Tokyo	100	Other	100.0	—	3	—	Software product development and sales	—
DALTON Corporation	Chuo-ku, Tokyo	1,387	Equipment and Public Works-Related Business	100.0	1	3	—	Sales of research equipment and devices	—
Soua Co., Ltd.	Sumida-ku, Tokyo	10	Workplace Business	100.0	—	5	—	Logistics, etc. of Itoki Corporation products	—
Tarkus Interiors Pte Ltd.	Singapore	SGD $1.5m	Workplace Business	100.0	—	1	Loan guarantees	—	—
Novo Workstyle Asia Limited	Hong Kong	USD $31.8m	Workplace Business	100.0	1	—	Loans	—	—
NOVO WORKSTYLE CO., LTD.	Jiangsu, China	USD $28.12m	Workplace Business	100.0 (82.2)	1	2	Loan guarantees	Supply of components for Itoki Corporation products	—
ITOKI SYSTEMS (SINGAPORE) PTE., LTD.	Singapore	SGD $1.3m	Workplace Business	100.0	—	1	—	Itoki Corporation dealership	—
ITOKI CHINA HOLDING Co., Ltd.	Jiangsu, China	USD $15.0m	Workplace Business	100.0	1	2	Loans	—	—
+16 companies									

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

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

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

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

Principal profit and loss information, etc.	(1) Net sales	15,478 million yen
	(2) Ordinary profit	775 million yen
	(3) Net profit	593 million yen
	(4) Net assets	4,963 million yen
	(5) Total assets	12,988 million yen

5. Employees

(1) Consolidated companies

As of December 31, 2024

Name of Segment	Employees
Workplace Business	2,593
Equipment and Public Works-Related Business	1,047
Reportable segment total	3,640
Other	126
Other employees at all companies (total)	191
Total	3,957

(Notes) 1. The number of employees indicates the entire workforce, and includes non-permanent employees.
2. The number of employees indicated as other employees at all companies indicates the number of employees who belong to administrative departments that cannot be categorized into specific segments.

(2) Submitting company

As of December 31, 2024

Employees	Average Age	Average Years of Service	Average Annual Salary
2,427	42 years, 9 months	13 years, 9 months	7,056,440

Name of Segment	Employees
Workplace Business	1,912
Equipment and Public Works-Related Business	324
Reportable segment total	2,236
Other employees at all companies (total)	191
Total	2,427

(Notes) 1. The number of employees indicates the entire workforce, and includes non-permanent employees.
2. The average annual salary indicates the amount including tax, and includes additional wages and bonuses.
3. The number of employees indicated as other employees at all companies indicates the number of employees who belong to administrative departments that cannot be categorized into specific segments.
4. Other information concerning employees is as set out in II. Business Overview 2. Approach to and Initiatives for Sustainability.
5. The number of employees increased by 274 compared to the end of the previous fiscal year, mainly because Itoki Corporation absorbed Itoki Engineering Service Corporation.

(3) Labor union

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

Some consolidated subsidiaries also have labor unions.

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

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

(A) Submitting company

Fiscal Year				
Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Notes 1 and 3)		
		All workers	Regular workers	Part-time and fixed-term employees
10.7	75.0	74.2	72.6	86.4

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculated as the ratio of childcare leave, etc. taken in Item 1 of Article 71 Paragraph 4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. Although there are no wage differences between male and female employees in terms of the HR system, there are some differences caused by the male/female age composition, the ratio of men/women in management positions, and other such factors.

(B) Consolidated subsidiaries

Fiscal Year					
Name	Ratio of female workers in management positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Notes 1 and 3)		
			All workers	Regular workers	Part-time and fixed-term employees
Itoki All Steel Co., Ltd.	0.0	—	81.1	85.5	66.2
Shin Nihon System Technology Corporation	13.0	0.0	82.2	82.5	—
DALTON Corporation	5.0	50.0	70.4	70.4	—

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculated as the ratio of childcare leave, etc. taken in Item 1 of Article 71 Paragraph 4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. Although there are no wage differences between male and female employees in terms of the HR system, there are some differences caused by the male/female age composition, the ratio of men/women in management positions, and other such factors.
4. Among Itoki Corporation's consolidated subsidiaries, figures are only stated for domestic subsidiaries with at least 101 workers employed on an ongoing basis.
5. A "-" indicates that there are either no men or no women who meet the criteria, or that there are no workers of either gender who meet the criteria.

II. Business Overview

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

Statements in the text regarding the future are based on the judgment of the Group as of the fiscal year ended December 31, 2024.

(1) Basic management policy

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

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

(2) Target management indicators

From the perspectives of business growth and the improvement of earnings power, as well as the efficient management of assets, the Group considers

(A) the ratio of operating profit margin to net sales and

(B) return on equity (ROE)

to be important management indicators. In addition, the Group set a target score of "the pride of employees in their company," an item in the survey on employees' engagement, from the viewpoint of execution of HR strategies.

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

(3) Medium- to long-term management strategy

As for the business environment surrounding Itoki Corporation, companies and workers are currently displaying growing interest in hybrid work*1, and have been doing so since the COVID-19 pandemic. In addition, investment in human capital has garnered attention, resulting in the increasing opinion that the ideal nature of offices is a management issue.

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

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

■Key Strategy "7 Flags"

1. Office 1.0/2.0 Area*2

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

2. Office 3.0 Area*3

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

3. Specialized Facility Area

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

4. Transition to High Profitability

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

5. Group Synergy

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

6. Human Capital

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

7. Financial Strategy

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

■ESG Strategy

・Environment

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

・Social

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

・Governance

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

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

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

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

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

■Numerical Targets (Consolidated)

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

(4) Issues to be addressed as a company

In terms of the external business environment for the Group in recent years, the situation remains unpredictable, due the rises in prices of raw materials, resources, and parts, the skyrocketing of distribution costs caused by the logistics issues expected in 2024, the weakening of the yen, etc. On the other hand, the development of ideal offices is now considered as one of managerial issues from the viewpoint of securing human resources to cope with the shrinkage of the working population, and it is attracting attention nationwide.

Amid the recent business environment, Itoki started "RISE TO GROWTH 2026," a Medium-term Management Plan, in 2024. In order to steadily implement measures based on this medium-term management strategy, Itoki engages in intensive initiatives while considering the sophistication of group management as an important issue. As part of such efforts, the company proceeds with the efficient utilization of managerial resources by linking various functions for construction, manufacturing, etc. owned by group companies, and fortifies the managerial base by improving the governance of the entire group. Itoki will improve the potential of sustainable growth, by pursuing synergy among group companies and transforming the company into an enterprise with a high-revenue structure.

2. Approach to and Initiatives for Sustainability

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

Note that statements in the text regarding the future are based on the judgment of the Group as of the fiscal year ended December 31, 2024.

(1) General sustainability

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

The Medium-term Management Plan "RISE TO GROWTH 2026," which began in FY 2024 and continues until FY 2026, places the key strategy "7 Flags" and an ESG strategy at its center, with the ESG strategy forming the foundation of business strategy.

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

(A) Governance in sustainability

Management of risks/opportunities and strategies related to sustainability, such as climate change and human rights, are overseen by the Director and Managing Executive Officer of the Planning Department. Materialities (key issues) and other important sustainability-related policies and measures are developed by the Sustainability Promotion Department, which is under the jurisdiction of the Corporate Planning Department, and are deliberated on and reported at the Board of Managing Directors as necessary through the director in charge, and are subject to supervision by the Board of Directors. The Sustainability Promotion Department also receives and compiles reports on the progress of sustainability initiatives from each department, and reports to the director in charge when required. Furthermore, Itoki established "Sustainability Advisory Board," which is composed of 2 outside directors and 1 director, in 2024. This board discusses sustainability in an intensive manner, and gives suggestions regarding policies and strategies.

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

(B) Risk management

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

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

For the fiscal year ended December 31, 2024, the eight risk items from those with particularly high scores (12 points or more) in the risk assessment were selected by the Risk Management Committee as priority risks to be addressed to enhance the effectiveness of their respective countermeasures.

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

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

(C) Strategy

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

In FY 2024, in conjunction with the formulation of the new Medium-term Management Plan “RISE TO GROWTH 2026,” Itoki positioned material issues as things beyond the three-year Medium-term Management Plan, and narrowed down priority themes to six themes. The progress of various activities based on the materialities is managed in the same manner as progress of the Medium-term Management Plan (KPIs).

*Material issues are described in the section “Corporate Value and Material Issues” in the “Integrated Report.”

(2) Climate change

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

(A) Governance for climate change

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

(B) Risk management for climate change

Regarding risks and opportunities in climate change, on the basis of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Promotion Department identifies significant risks and opportunities through a comprehensive consideration of business issues, an assessment of the impact of environmental aspects using the environmental management system (EMS), and requests and expectations from stakeholders, and evaluates them on two axes: impact and likelihood. From FY 2024, climate change-related issues are managed as “climate change risks” within the company-wide risk management system, in the same manner as other business and other risks. The risks identified by the Group with respect to climate change are as follows.

・Transition risks: The high-impact risks identified include increased costs and delays in responding to changes in stakeholder behavior in the event that a carbon tax is introduced. These will be managed through measures such as the use of renewable energy and the development and design of environmentally friendly products.

・Physical risks: The Company recognizes the risk of supply chain disruption in the event of an increase in the frequency of extreme weather events. We will respond by revising our business continuity plan in response to changes in the environment.

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

Sustainability site E (Environment) →https://www.itoki.jp/en/company/sustainability/environment/

(C) Strategy for climate change

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

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

* IPCC: Intergovernmental Panel on Climate Change

(D) Indicators and targets

As part of its efforts to address climate change, the Itoki Group has established medium- and long-term CO_2 emissions reduction targets and is working to achieve them by incorporating them into specific action plans. From FY 2023, we have revised the target previously set for reducing CO_2 emissions by 2030, and have set a new target value with reference to the 1.5 degrees level indicated by the Science Based Targets initiative (SBTi).

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

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

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

<Actual CO_2 emissions (units: tons CO_2)>

	Scope 1	Scope 2	Scope 3	Total
2022 (reference year)	6,081	8,397	318,343	332,821
2023	5,278	7,588	229,458	242,324

(Note) Data for FY 2024 is currently being compiled and will be disclosed in this fiscal year's Integrated Report.

(3) Human capital and diversity initiatives

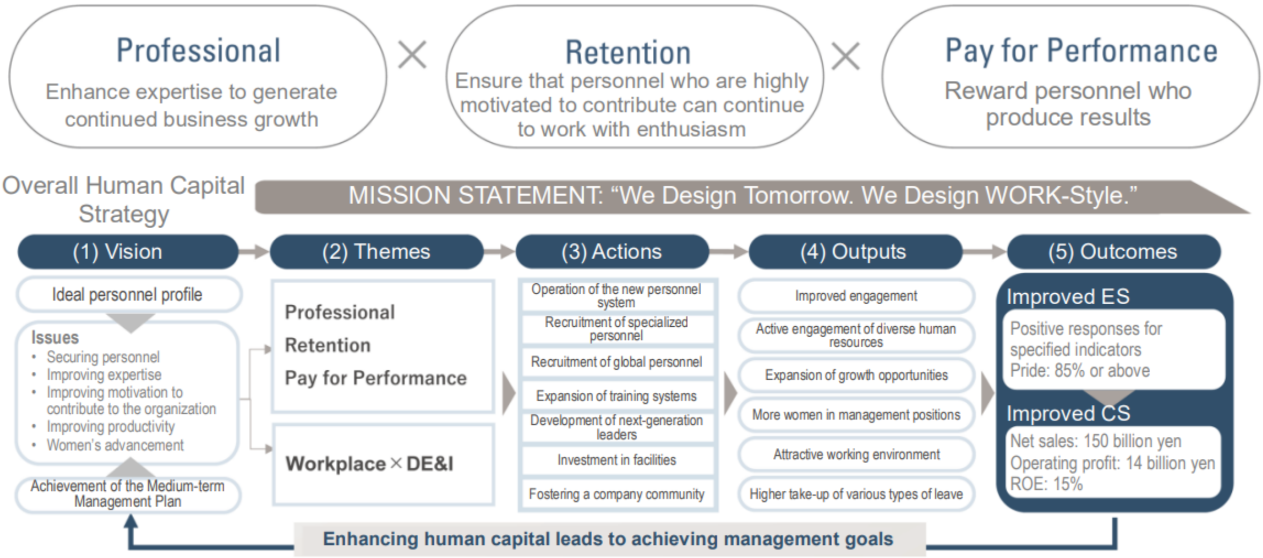
As a company with a mission statement of "We Design Tomorrow. We Design WORK-Style," we are committed to creating a workplace (organizations, systems, and culture) where every employee can work enthusiastically with a sense of fulfillment and perform at their best, as well as building a safe and reassuring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

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

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

(A) Strategy

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


Professional
Enhance expertise to generate continued business growth
Retention
Ensure that personnel who are highly motivated to contribute can continue to work with enthusiasm
Pay for Performance
Reward personnel who produce results
Overall Human Capital Strategy
MISSION STATEMENT: "We Design Tomorrow. We Design WORK-Style."
(1) Vision
(2) Themes
(3) Actions
(4) Outputs
(5) Outcomes
Ideal personnel profile
Issues
• Securing personnel
• Improving expertise
• Improving motivation to contribute to the organization
• Improving productivity
• Women's advancement
Achievement of the Medium-term Management Plan
Professional
Retention
Pay for Performance
Workplace × DE&I
Operation of the new personnel system
Recruitment of specialized personnel
Recruitment of global personnel
Expansion of training systems
Development of next-generation leaders
Investment in facilities
Fostering a company community
Improved engagement
Active engagement of diverse human resources
Expansion of growth opportunities
More women in management positions
Attractive working environment
Higher take-up of various types of leave
Improved ES
Positive responses for specified indicators
Pride: 85% or above
Improved CS
Net sales: 150 billion yen
Operating profit: 14 billion yen
ROE: 15%
Enhancing human capital leads to achieving management goals

◆ Human resource development policies/examples

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

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

・Management position training

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

Example) Vision setting and training for diffusing it

Reviewing the 1on1 training, etc. conducted in the past 2 years, we confirmed the increase in the ratio of employees who favored the management in a survey on engagement. For further development, we will conduct training for each organization for diffusing our vision in addition to the 1on1 training for individuals, so that our organizations align aims and work on tasks, with the aim of improving the quality of engagement.

Example) Assessor training

When our evaluation system was changed, we trained all assessors for deepening their understanding of the new system. They support the implementation of assessments that contribute to the growth of subordinates.

・Elective training

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

Example) Basic business training

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

Example) Cross-industry exchange training

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

Example) E-learning

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

・Training in each section

Curricula for learning necessary skills (marketing, negotiation, management strategy, etc.) are offered for respective sections, so that personnel can brush up their expertise.

◆ Recruitment policies/examples

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

□ New graduate recruitment

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

□ Experienced worker recruitment

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

□ Global recruitment

We are focusing on recruiting high-level human resources from overseas, actively conducting recruitment activities in Vietnam. Many personnel from Vietnam have already joined the Company and are currently playing an active role, and we will welcome several new employees with job offers in 2025.

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

・Recruitment through referrals from employees began in July 2022, leading to the hiring of 25 individuals. (as of October 2024)
・Focusing on recruiting high-level human resources from overseas, Itoki participated for the third consecutive year in the SEKISHO JOB FAIR, which is held in Hanoi, Vietnam, and is aimed at matching Japanese companies with local students (2024)

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

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

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

・Received the "D&I AWARD" at the "D&I Award 2023," which recognizes companies that are committed to diversity and inclusion, and recognized as a "Best Workplace," the highest rank, for three consecutive years (2024)
・Awarded "Gold" in the PRIDE Index 2024 an evaluation index for LGBTQ initiatives in the workplace. Furthermore, Itoki was certified as "Rainbow" as an enterprise that promotes cross-sectoral cooperation with the national government, municipalities, etc. among the enterprises that have received "Gold" in the PRIDE Index (2024).
・Concluded a partnership agreement on friendship exchange and high-level human resources with Hanoi University of Science and Technology in Vietnam (2023)
・Introduced the "Childcare Leave Return to Work Support Grant System," under which all direct-hire employees who take childcare leave, regardless of gender, receive a support grant corresponding to the length of leave taken (2023)
・Introduced a "partnership system" that applies the same benefits and rules to common-law spouses and same-sex partners, as well as their children and parents, as to legal spouses and family members (2023)
・Conducted a "DE&I × WORKPLACE Seminar," "Work and Nursing Care Balance Support Seminar," and "LGBTQ Training" for all employees
・Partnered with local facilities that employ people with disabilities and held in-house sales of handmade sweets to promote understanding of disability
・Conducted "Unconscious Bias Training" for all managerial staff
・Held "DE&I × WORKPLACE Seminar" and "Seminar for Promoting the Employment of Disabled People" for executives.
・Held "Seminar for Supporting Employees in Work and Childcare" for employees who have taken childcare leave.

□ SPLi, a community for the advancement of women

As we consider that fusing and stimulating all kinds of diversity will produce substantial change and growth, Itoki creates an environment in which a diverse range of personnel can flourish. In particular, we define the development of women's leadership as a priority management measure, and are undertaking various initiatives.

SPLi is a community that encourages active participation of women and supports the acquisition of necessary knowledge and skills for exercising leadership as well as ongoing career development while harnessing individuals' unique identities and diverse personalities.

Approximately 150 members, including those from Group companies, gather voluntarily to conduct a variety of activities.

□ Global participation community API

Itoki has launched the ITOKI Global Initiative "API," a platform for Itoki Group members in Japan and overseas to transcend all kinds of barriers, including differences in language, ideas, and customs, in order to "learn independently and reciprocally, developing into personnel who can play an active role on the global stage.” By gaining an in-depth appreciation of the varying cultures, religions and customs of different countries on a fundamental level, the platform aims to improve participants’ understanding, conception and awareness of diversity and a truly global world. There are currently around 130 participants, including those from Group companies.

◆ Initiatives to improve engagement

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

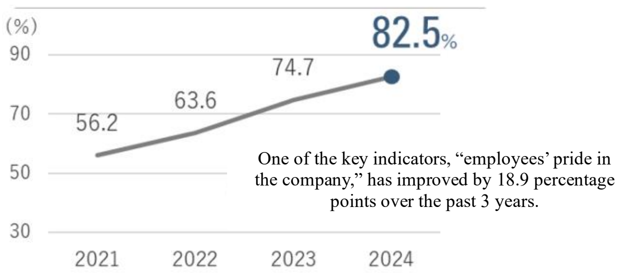
Of the many indicators, the rate of affirmative responses to the question “Itoki is a company where I can work with pride” has been established as one of our most important targets, and each department is working to improve engagement, with management playing a leading role. Over the last three years, the rate for Itoki as a whole has improved by 18.9 percentage points, reaching the order of 80%. In 2025, we view “further qualitative improvement of engagement” as a keyword, and continue our initiatives with the goal of reaching 85% in 2026, the final year of the Medium-term Management Plan.

(B) Indicators and targets

◆ Employee engagement key indicator scores

<Target> 2026: Over 85%   <Results> 2022: 63.6%, 2023: 74.7%, 2024: 82.5%

Employee Engagement Survey Results



◆ Rate of managerial positions occupied by women

<Target> 2026: 13%   <Results (*)> 2022: 10.7%, 2023: 10.3%, 2024: 10.7%

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

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

<Gender wage gap indicators>

			2021	2022	2023	2024
Ratio of women's wages to men's wages	All workers	(%)	70.3	69.8	70.4	74.2
	(permanent employees)	(%)	(69.2)	(68.1)	(68.6)	(72.6)
	(part-time and fixed-term employees)	(%)	(71.9)	(73.1)	(83.9)	(86.4)

<Leave-related indicators>

			2021	2022	2023	2024
Childcare leave uptake rate (*2)	Men	(%)	26.3	45.7	70.0	75.0
	Women	(%)	100.0	100.0	100.0	100.0
Paid leave uptake rate	All workers	(%)	51.6	59.0	63.1	60.0

<Recruitment indicators>

			2021	2022	2023	2024
New graduates recruited	Total	(no.)	34	29	63	49
	(percentage of women)	(%)	(41.2)	(48.3)	(54.0)	(67.3)
Experienced workers recruited	Total	(no.)	15	53	130	132
	(percentage of women)	(%)	(40.0)	(37.7)	(33.8)	(28.0)
Overseas personnel recruited		(no.)	0	4	3	4

<Human resource development indicators>

		2021	2022	2023	2024
Annual training costs per employee (*3)	(thousands yen/person)	32.14	64.07	72.93	84.85

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

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

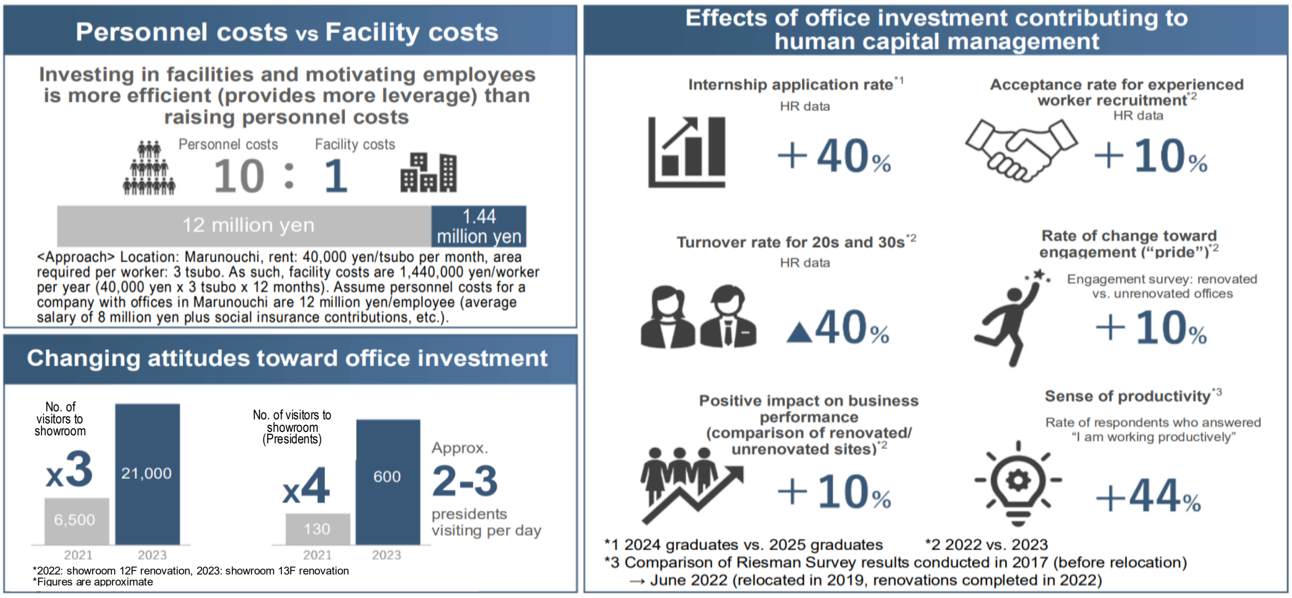
(*3) Annual training costs per employee includes transportation costs.

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

◆ Number of investments in internal facilities

<2024 Results> Renovation and relocation of a total of five offices, including the Tokyo Head Office.

◆ Returns from office investment (human capital investment)



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

3. Business and Other Risks

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

The risk items listed below do not cover all risks related to the Group's business, and the Group may be affected in the future by other risks that are not anticipated or are not deemed significant. Statements in this section regarding the future are based on the judgment of the Group as of the date of submission of the Securities Report (March 26, 2025).

<The Itoki Group's risk management system>

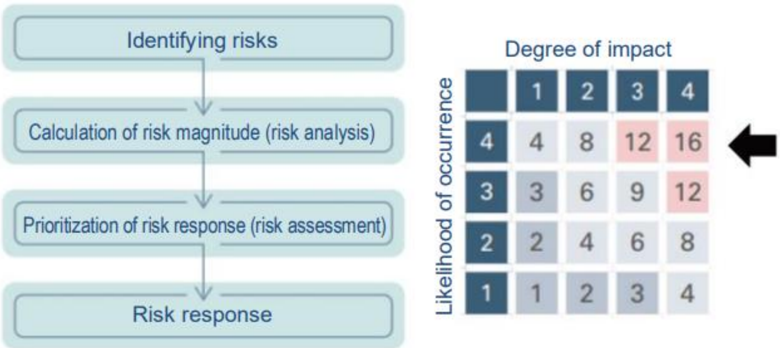
In addition to establishing countermeasures to anticipate various risks that may arise in all aspects of its business activities, and appropriately managing risks by reducing their likelihood and impact, the Itoki Group is committed to risk management to minimize damage and losses and prevent recurrence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

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

For the fiscal year ended December 31, 2024, the following eight risk items from those with particularly high scores (12 points or more) in the risk assessment were selected by the Risk Management Committee as priority risks to be addressed to enhance the effectiveness of their respective countermeasures.

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

In the next fiscal year, we will further strengthen the Group's risk management by adding, in addition to the above eight categories, risks related to the violation of the Anti-Monopoly Act.



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

<Business and other risks>

The following is a detailed description of the risks selected by the Risk Management Committee as priority risks to be addressed in the fiscal year ended December 31, 2024, from among the risks associated with the businesses that the Group operates.

(1) Risks involving critical quality issues

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

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

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

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

(3) Risks involving information leaks and cyber-attacks

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

(4) Risks involving serious industrial accidents

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

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

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

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

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

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

(7) Risks involving unplanned outages of information systems

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

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

(8) Risks involving inadequate management of Group companies

While the Itoki Group is developing and promoting management systems with the aim of handling information properly and educating all the executives and employees thoroughly about the importance of compliance with relevant laws and regulations in all of its group companies, failure to properly carry out these activities would diminish the value of the Group's brand and could have an adverse impact on the Group's business performance and financial position.

The Group has adopted technological measures for enhancement of IT governance, including security measures, and human and organizational measures, such as education and training, against the risks at all of its group companies in order to mitigate the risks.

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

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

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

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

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

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

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

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

(3) Overseas business

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

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

(4) Corporate acquisitions

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

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

(5) Deferred tax assets

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

(6) Risks relating to legal compliance and public regulations

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

Itoki Corporation was investigated by the Japan Fair Trade Commission (JFTC) on suspicion of (1) making the operators to which it entrusts logistics operations (hereinafter referred to as the "contract logistics operators") do tasks for free at other places than the delivery locations and (2) making the contract logistics operators do tasks associated with transportation operations for free. Itoki Corporation received an administrative guidance (warning) on November 28, 2024 because said acts could possibly fall under the scope of Item 6, Paragraph 1 of the Designation of Specific Unfair Trade Practices when Specified Shippers Assign the Transport and Custody of Articles (so-called the designation of specific unfair trade practices) and violate the provisions of Article 19 of the Anti-Monopoly Act. The Group has taken this administrative guidance (warning) seriously and therefore is striving to build proper relationships with the contract logistics operators by promoting group-wide measures for optimizing trade with the operators. Following the receipt of the administrative guidance (warning), the Group posted an extraordinary loss of 154 million yen as compensation for the work performed by the contract logistics operators in the past.

In addition, Tarkus Interiors Pte Ltd., one of Itoki's consolidated subsidiaries, was ordered by the Competition and Consumer Commission of Singapore (CCCS) to pay a financial penalty of S$5,113,918 on December 20, 2024 because it committed an act that violated the Competition Act (the company received a tentative written notice regarding said matter from the CCCS on May 23, 2024). In response to this, Itoki Corporation recorded 574 million yen (converted with the average exchange rate during the period: 1 Singapore dollar = 112.36 yen) in preparation for payment of the financial penalty expected in the company).

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

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

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

(1) Overview of operating results, etc.

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results") of the Itoki Group (Itoki Corporation, consolidated subsidiaries, and equity-method affiliates) for the fiscal year ended December 31, 2024.

(A) Operating results

The Itoki Group promoted various measures based on the key strategy "7 Flags," in the first year of the Medium-term Management Plan, "RISE TO GROWTH 2026." In the fiscal year ended December 31, 2024, in order to enhance its sustainable growth capability, the Group proposed new work styles and added value for office spaces in which such work styles are implemented, and aimed for sales and profit growth through sales activities focusing on value enhancement.

Along with the launch of the new Medium-term Management Plan, the Group reduced the number of the segments to be reported to two, which are the workplace business and the equipment and public works-related business, by reorganizing the IT and sharing business that was one of the segments to be reported.

(Units: millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Increase/decrease (amount)	Increase/decrease (%)
Net sales	132,985	138,460	5,475	4.1%
Gross profit	52,240	55,200	2,960	5.7%
Selling, general and administrative expenses	43,717	45,123	1,405	3.2%
Operating profit	8,523	10,077	1,554	18.2%
Non-operating income	481	624	143	29.7%
Non-operating expenses	448	698	249	55.6%
Ordinary profit	8,555	10,004	1,448	16.9%
Extraordinary income	186	1,178	992	532.3%
Extraordinary losses	363	1,111	748	205.8%
Profit before income taxes	8,378	10,071	1,692	20.2%
Total income taxes	2,471	2,848	376	15.2%
Net profit	5,907	7,223	1,316	22.3%
Profit attributable to owners of parent	5,905	7,183	1,277	21.6%

(i) Net sales

Net sales were 138,460 million yen, an increase of 5,475 million yen (4.1%) year-on-year. Sales increased for the third consecutive year, hitting a record high.

・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, while demand remained strong for research facility equipment, sales shrank because of an expected decline in demand for public facility equipment, such as display cases for museums and art galleries, which was strong in the previous fiscal year, as well as the posting in a wrong fiscal year resulting from the soaring prices of materials for logistics facility equipment.

(ii) Gross profit

Gross profit was 55,200 million yen, an increase of 2,960 million yen (5.7%) year-on-year.

・In the workplace business, despite the expected impact of higher raw material prices, profit increased due to an improved profit margin resulting from increased revenue and an improvement in value provided.
・In the equipment and public works-related business, while sales grew owing to a rising demand and enhanced sales of research facility equipment, profit decreased because of an expected drop in sales of public facility equipment, such as display cases for museums and art galleries, as well as the posting in a wrong fiscal year for logistics facility equipment.

(iii) Selling, general and administrative expenses

Selling, general and administrative expenses were 45,123 million yen, an increase of 1,405 million yen (3.2%) year-on-year. This increase was a result of the planned implementation of strategic expenditures for future leaps in performance such as the strategic renovation and reopening of the headquarters office that concurrently serves as a showroom (ITOKI DESIGN HOUSE), strengthening IT infrastructure to promote DX, as well as wage increases and recruitment of specialized human capital as part of the Group's human capital investment.

(iv) Operating profit

As a result of the above, operating profit was 10,077 million yen, an increase of 1,554 million yen (18.2%) year-on-year. Profit rose for five consecutive years and marked a record high for two straight fiscal years.

・In the workplace business, despite an increase of strategic expenditures such as wage increases, recruitment of specialized human capital, and strengthening IT infrastructure to promote DX, profit increased due to an improved profit margin resulting from increased revenue and an improvement in value provided.

・In the equipment and public works-related business, while sales increased for research facility equipment and selling, general and administrative expenses were kept down, profit decreased due not only to the posting in a wrong fiscal year for logistics facility equipment, but also to an expected decline in sales of public facility equipment, such as display cases for museums and art galleries.

(v) Non-operating income

Non-operating income was 624 million yen, an increase of 143 million yen (29.7%) year-on-year. This increase was owing to factors such as a rise in insurance income.

(vi) Non-operating expenses

Non-operating expenses were 698 million yen, an increase of 249 million yen (55.6%) year-on-year. This rise resulted from such factors as growth in interest expenses and commission fees following an increase in loans.

(vii) Ordinary profit

As a result of the above, ordinary profit was 10,004 million yen, an increase of 1,448 million yen (16.9%) year-on-year. Ordinary profit grew for five straight years, hitting a record high for the second consecutive fiscal year.

(viii) Extraordinary income

Extraordinary income was 1,178 million yen, an increase of 992 million yen (532.3%) year-on-year. This increase was a result of such factors as a rise in gain on sale of fixed assets.

(ix) Extraordinary losses

Extraordinary losses were 1,111 million yen, an increase of 748 million yen (205.8%) year-on-year. This increase was owing largely to the provision for loss associated with the Competition Law that was recorded.

(x) Profit attributable to owners of parent

As a result of the above, profit attributable to owners of parent was 7,183 million yen, an increase of 1,277 million yen (21.6%) year-on-year. Profit attributable to owners of parent went up for the fourth consecutive year and hit a record high for three straight fiscal years.

Segment results were as follows.

(Units: millions of yen)

Name of segment		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Increase/decrease (amount)	Increase/decrease (%)
Workplace Business	Net sales	94,546	102,261	7,714	8.2%
	Operating profit	6,226	8,047	1,820	29.2%
Equipment and public works-related business	Net sales	36,839	34,572	(2,267)	(6.2)%
	Operating profit	1,906	1,857	(48)	(2.6)%
Reportable segment total	Net sales	131,386	136,833	5,447	4.1%
	Operating profit	8,132	9,904	1,771	21.8%
Other	Net sales	1,598	1,626	27	1.7%
	Operating profit	390	172	(217)	(55.7)%
Total	Net sales	132,985	138,460	5,475	4.1%
	Operating profit	8,523	10,077	1,554	18.2%

(B) Financial situation

(Units: millions of yen)

	As of December 31, 2023	As of December 31, 2024	Increase/decrease (amount)	Increase/decrease (%)
Assets	117,437	120,521	3,083	2.6%
Liabilities	62,437	71,178	8,741	14.0%
Net assets	54,999	49,342	(5,657)	(10.3)%

(Assets)

Total assets were 120,521 million yen, an increase of 3,083 million yen compared to the end of the fiscal year ended December 31, 2023. This growth resulted from such factors as an increase in intangible fixed assets through investment in DX.

(Liabilities)

Total liabilities were 71,178 million yen, an increase of 8,741 million yen compared to the end of the fiscal year ended December 31, 2023. This increase was owing largely to a rise in short-term loans for acquiring treasury shares.

(Net assets)

Net assets were 49,342 million yen, a decrease of 5,657 million yen compared to the end of the fiscal year ended December 31, 2023. This decrease was due to the acquisition of treasury shares while the capital and retained earnings increased because the stock acquisition rights were exercised.

Equity ratio stood at 40.9%, down 5.9 points from the end of the previous fiscal year.

(C) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") as of December 31, 2024 decreased by 2,170 million yen compared to the end of the previous fiscal year, to 21,494 million yen.

The status of each type of cash flow and related factors in the fiscal year ended December 31, 2024 were as follows.

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

Funds used in operating activities totaled 1,000 million yen (compared to an increase of 6,321 million yen in the previous fiscal year) due to such factors as an increase in payment of trade payables (which is a transient rise) and growth in wages and bonuses paid while funds grew as a result of the sales increase.

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

Funds used in investment activities totaled 7,107 million yen (compared with 4,012 million yen used in the previous fiscal year) due largely to an increase in payment for the adoption of the ERP package and the acquisition of a logistics subsidiary.

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

Funds provided by financing activities totaled 5,905 million yen (compared with 4,148 million yen used in the previous fiscal year) owing to such factors as an increase in short-term loans.

The Group's cash flow indicators are as follows.

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Equity ratio (%)	46.8	40.9
Equity ratio at market value (%)	52.0	67.2
Cash flows to interest-bearing debt ratio (years)	3.2	-
Interest coverage ratio (times)	46.0	-

*The cash flows to interest-bearing debt ratio and the interest coverage ratio are not provided in the table above for the fiscal year ended December 31, 2024 because the cash flow used in operating activities was negative.

(D) Production, orders and sales

a. Production results

The table below shows production results by segment for the fiscal year ended December 31, 2024.

(Units: millions of yen)

Name of segment	Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)	Year-on-year
Workplace Business	45,935	87.7%
Equipment and Public Works-Related Business	8,049	99.0%
Reportable segment total	53,984	89.2%
Other	986	106.8%
Total	54,971	89.5%

(Note) Amounts are based on sale prices.

b. Order results

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

c. Sales results

The table below shows sales results by segment for the fiscal year ended December 31, 2024.

(Units: millions of yen)

Name of segment	Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)	Year-on-year
Workplace Business	102,261	108.2%
Equipment and Public Works-Related Business	34,572	93.8%
Reportable segment total	136,833	104.1%
Other	1,626	101.7%
Total	138,460	104.1%

(Note) Amounts are based on sale prices.

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

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

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

(A) Significant accounting policies and estimates

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

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

(B) Perception, analysis and discussion of the Group's operating results for the fiscal year ended December 31, 2024

a. Analysis of operating results

An analysis of the operating results for the fiscal year ended December 31, 2024 is presented in "(1) Overview of operating results, etc. (A) Operating results."

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

b. Analysis of financial situation

An analysis of the financial situation for the fiscal year ended December 31, 2024 is presented in "(1) Overview of operating results, etc. (B) Financial situation."

c. Analysis of cash flows

An analysis of cash flows for the fiscal year ended December 31, 2024 is presented in "(1) Overview of operating results, etc. (C) Cash flows."

(C) Analysis of capital resources and liquidity of funds

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

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

The Company has entered into loan commitment agreements worth 12,900 million yen with fourteen financial institutions in order to raise working capital efficiently.

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

From the perspectives of business growth and the improvement of earnings power, as well as the efficient management of assets, the Group considers the ratio of operating profit margin to net sales and return on equity (ROE) to be important management indicators. The measures for achieving them and the initiatives implemented in the fiscal year ended December 31, 2024 are described in Items (3) Medium- to long-term management strategy and (4) Issues to be addressed as a company under Paragraph 1. Management Policy, Business Environment, and Issues to be Addressed of Section II. Business Overview above.

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

5. Important Business Agreements, etc.

Technology introduction agreements, etc.

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

Contracting Party	Country	Details	Consideration	Term
KRUEGER INTERNATIONAL, INC.	United States	Licensing of technology, manufacturing, and sales rights for office storage doors	Lump-sum payment and royalties	to December 31, 2025
WALDNER Laboreinrichtungen GmbH & Co. KG	Germany	Licensing of technology, manufacturing and sales rights for laboratory furniture	Lump-sum payment and royalties	to January 28, 2027

6. R&D Activities

The Itoki Group engages in R&D activities in order to sustain and promote activities that provide new value. Total R&D expenses for the fiscal year ended December 31, 2024 amounted to 2,509 million yen.

In the workplace business segment, we have been developing new products and solutions, as well as cutting-edge technologies, in order to respond to the changing values expected from offices and solutions to new issues, reflecting the major trend in social needs for human capital investment and a sustainable society.

Considering the development of offices and office furniture from a long-term perspective, Itoki's Central Research Laboratory performs research into the following five subjects: (1) methods for developing offices that can be operated flexibly, (2) material recycling technology for plastics, (3) parametric design as a new design method, (4) additive manufacturing techniques that can enable production of many models in small quantities, and (5) methods for visualizing the usage condition of offices and office furniture based on the IoT technology. It announced its own vision that integrates these research subjects and shows future business.

Furthermore, it is carrying out planning, development, and research regarding the design of a next-generation learning environment, which is essential for designing tomorrow and "WORK-Style," in accordance with the policy vision of such organizations as the Ministry of Education, Culture, Sports, Science and Technology (MEXT) and needs for educational DX, and is implementing such environmental design in the society by proposing the ITOKI Smart Campus Solution. It is also conducting empirical research into application of digital technologies, including the advanced generative AI and 3D metaverse, through industry-academia collaborations with university laboratories and manufacturers.

[Workplace Business]

In the field of office furniture, the Itoki Group enriched the product lineup in order to flexibly fulfill the needs in offices with no large-scale construction work by adding a compact single-sided model to "sound sofa," a box sofa seat that serves as a web conferencing space where users can attend meetings without worrying about bothering people around them with sound even in open spaces and adding "ADDCEEL Hexa," a large hexagonal private booth that can be used by a large group of people, to closed booths. These additions will help solve various issues, including ones relating to the audio environment during online conferences that are plaguing more people as the hybrid workstyle has taken root and ones associated with chronic shortages of meeting rooms.

Furthermore, while redefining co-working space (such as office seats, and seats used concurrently for other tasks), which plays an important role in creativity and engagement improvement expected for offices in the future, as the center of an office in which employees can gather and spend time as they wish, the Itoki Group is enhancing development of products that can serve in diverse space designs. As the first attempt, it released "Centra," which is a big table that naturally connects individual tasks and communication, and "CONOS" designed by a product designer, Ms. Fumie Shibata.

In the design field, "vertebra03 WOOD" designed by Ms. Fumie Shibata and released last year as a product that combines the warmth of wood with ergonomics won Best of the Best, a prize granted to particularly superior designs, in the Product Design category of the Red Dot Design Award 2024, which is a Germany design competition and one of the most prestigious awards in the world, for the first time in the Itoki Group's history. In addition, the Group is proactively promoting collaboration with foreign brands that offer sophisticated designs.

In the field of building materials, the Group is endeavoring to enrich the lineup of natural wood-based products that can satisfy the needs for installing more wood-based furniture and items in office spaces by additionally releasing new models of "Feels," a nonflammable wood-based partition developed for fulfilling demand for comfortable wood-based design, including two-panel double sliding doors.

In the data services field that the Itoki Group defines as Office 3.0, the Group is pushing forward with development of various services, and projects in collaboration with a myriad of partner companies, such as AI-related startup companies, by establishing the ITOKI OFFICE A/BI Platform, which is infrastructure for AI-based data analysis and utilization.

The Group began to provide Data Trekking, a service that helps clients build and operate offices by utilizing the aforementioned data infrastructure, in February 2024. In this consulting service, workstyles and environmental conditions will be visualized, and consultants will make analysis and proposals from a professional viewpoint while such factors as the environmental conditions and the locations of people detected by various sensors installed in an office are compared with myriad pieces of data, including engagement.

In addition, the Group promoted the development of an automatic generative AI that enables instant simulation of office designs for agile office creation in cooperation with AKARI Inc., development of an application that applies the IoT technology to office furniture based on the Radio Frequency Identification (RFID) location tracking technology and supports advanced asset management together with RFLocus Inc., and development of Reserve Any, which is a new solution to the issue of the shortage of meeting rooms based on the know-how of market design, in collaboration with UTokyo Economic Consulting Inc. and made announcements regarding them. It is moving forward with the development of Reserve Any with the aim of launching it in the spring of 2025.

In the home furniture field, the Group sold a total of over 70,000 chairs for study desks that are mounted with its unique function called smart locking and released redesigned versions of KS32 and KS5, the new models of its highly functional chairs for study desks that help children maintain good posture while studying for a long period of time.

R&D expenses amounted to 1,665 million yen in total.

[Equipment and Public Works-Related Business]

In the logistics equipment field, we provided support for GTP (Goods To Person) systems in warehouses by expanding the functions of SAS-R (Systema Streamer), a multi-level shuttle automated storage system, to address issues in logistics warehouses arising from the expanding e-commerce market for merchandise sales and the “2024 problem” in logistics. Also, we are developing a predictive maintenance system to avoid problems before they occur by enhancing preventive maintenance through AI and machine learning, and repeating demonstration experiment. The Itoki Group is also focusing on enhancing the functions of SAS-CR for frozen storage while keeping an eye on the market environment surrounding low-temperature logistics warehouses, including the impact of the logistics crisis on the cold chain.

The Group has developed DAP (Drug Automatic Picking) system with MediMonitor, an automated drug picking system designed for dispensing pharmacies, jointly with a dispensed drug inspection system developer that already has notable achievements in the industry, and will contribute to preventing errors when pharmacists pick out drugs and solving the issue of shortages of pharmacists by pursuing user-friendliness and space-saving solutions.

Furthermore, with the aim of discovering new markets from a medium- and long-term perspective, the Group has developed BOUNCEBACK, a special door for underground civil defense shelters that can be opened and closed manually with a major focus on disaster prevention and civil defense, and installed one in the model room of the Japan Nuclear Shelter Association, a Specified Nonprofit Corporation. BOUNCEBACK is shock-proof, airtight, watertight, and capable of shielding radiation for disaster prevention and civil defense, and protects and shields human lives and data devices that are social and life infrastructure, from multifarious threats including natural disasters and terrorism.

In the field of public facilities, the Group has developed a wall-mount model of “Artivista,” a new type of display case for art galleries and museums which combines superb aesthetics that blend in with architectural facilities and exhibits, strong color rendering that faithfully reproduces the original color and appearance of exhibits, and the ability to protect exhibits and maintain the environment of the exhibition space, for the purpose of enriching the lineup of the product. The Group will propose high-end exhibition space with the new model that has a flatter design and the industry’s largest front glass.

R&D expenses amounted to 844 million yen in total.

III. Status of Facilities

1. Overview of Capital Expenditures, etc.

In the fiscal year ended December 31, 2024, we undertook capital expenditures with a total value of 6,915 million yen. Main capital expenditures included improvements at sales bases, new installations of machinery and devices required for the streamlining of production capability, and investments in a range of system infrastructure.

2. Status of Main Facilities

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

(1) Submitting company

(As of December 31, 2024)

Office Name (Location)	Name of Segment	Description of Facilities	Book Value						Employees
			Buildings and Structures (million yen)	Machinery, Equipment and Vehicles (million yen)	Land (million yen) (area: m^2)	Leased Assets (million yen)	Other (million yen)	Total (million yen)	
Kyoto Plant (Yawata City, Kyoto Prefecture)	Equipment and Public Works-Related Business	Production facilities	187	107	280 (24,108.06)	—	15	590	72
Shiga Plant (Omihachiman City, Shiga Prefecture)	Workplace Business Equipment and Public Works-Related Business	Production facilities	3,834	840	985 (59,727.52)	134	275	6,070	337
Kanto Plant (Midori-ku, Chiba City)	Workplace Business	Production facilities	1,324	381	1,496 (72,068.62)	—	44	3,247	99
Kansai Sales Department and others (Chuo-ku, Osaka City)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Showroom	400	0	436 (604.75)	5	21	864	263
Tokyo Sales Department and others (Chuo-ku, Tokyo)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Administrative facilities Showroom	1,613	—	— (—)	60	550	2,224	887
Shiga Logistics Center (Omihachiman City, Shiga Prefecture)	Workplace Business	Logistics warehouse	566	—	508 (36,866.00)	—	2	1,077	2
Kansai Logistics Center (Kadoma City, Osaka Prefecture)	Workplace Business	Logistics warehouse	76	—	559 (5,301.53)	—	0	635	5
Kyoto Logistics Center (Yawata City, Kyoto Prefecture)	Equipment and Public Works-Related Business	Logistics warehouse	121	0	310 (6,743.80)	—	0	431	—

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

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

Office Name (Location)	Name of Segment	Description of Facilities	Employees	Annual Rental Fee (million yen)
Tokyo Sales Department and others (Chuo-ku, Tokyo)	Workplace Business Equipment and Public Works-Related Business	Sales work facilities Administrative facilities Showroom	887	1,132
Tokyo Logistics Center (Soka City, Saitama Prefecture)	Workplace Business	Logistics warehouse	5	307
Tokyo Base (Koto-ku, Tokyo)	Workplace Business	Logistics warehouse	4	221

(2) Domestic subsidiaries

(As of December 31, 2024)

Company Name	Office Name (Location)	Name of Segment	Description of Facilities	Book Value						Employees
				Buildings and Structures (million yen)	Machinery, Equipment and Vehicles (million yen)	Land (million yen) (area: m^2)	Leased Assets (million yen)	Other (million yen)	Total (million yen)	
Itoki All Steel Co., Ltd.	Head Office Plant (Noda City, Chiba Prefecture)	Workplace Business	Production facilities	490	715	335 (33,929.00)	—	31	1,571	128
Fuji Living Industry Co., Ltd.	Head Office Plant (Hakusan City, Ishikawa Prefecture)	Workplace Business	Production facilities	171	102	78 (11,651.77)	—	16	368	57
Itoki Toko Manufacturing Co., Ltd.	Head Office Plant (Bando City, Ibaraki Prefecture)	Equipment and Public Works-Related Business	Production facilities	42	21	367 (17,102.60)	5	2	439	60
DALTON Corporation	Techno Park (Fujieda City, Shizuoka Prefecture)	Equipment and Public Works-Related Business	Administrative facility	229	0	869 (17,637.61)	4	50	1,153	57

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

(3) Overseas subsidiaries

None.

3. Plans for Additions and Disposals of Facilities

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

IV. Information on the Submitting Company

1. Information on Shares, etc.

(1) Total number of shares, etc.

(A) Total number of shares

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

(B) Total shares issued

Type	Total number of issued shares at end of the fiscal year (December 31, 2024)	Number of shares at the date of submission of this Report (March 26, 2025)	Stock exchange where shares are listed or certified securities dealers association where shares are registered	Details
Common shares	53,382,850	53,382,850	Tokyo Stock Exchange (Prime Market)	・Common shares with full voting rights, and holders have unlimited rights as is standard at Itoki Corporation ・The number of shares constituting one unit is 100 shares.
Total	53,382,850	53,382,850	—	

(2) Stock acquisition rights, etc.

(A) Stock option plans

Not applicable.

(B) Rights plans

Not applicable.

(C) Other stock acquisition rights, etc.

Not applicable.

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

In this fiscal year, the stock acquisition rights relating to bonds with stock acquisition rights with an Exercise Price amendment clause were exercised as follows:

	Interim accounting period (from July 1, 2024 to December 31, 2024)	75th term (from January 1, 2024 to December 31, 2024)
No. of the bonds with stock acquisition rights with an Exercise Price amendment clause that were exercised, etc. in the relevant period (units)	—	113,771
No. of shares issued in relation to the rights exercised in the relevant period (shares)	—	11,718,413
Average exercise price related to the rights exercised in the relevant period (yen)	—	347.3
Amount of the funds raised in relation to the rights exercised in the relevant period (million yen)	—	4,069
Cumulative total No. of the bonds with stock acquisition rights with an Exercise Price amendment clause that were exercised, etc. as of the end of the relevant period (units)	—	113,771

Cumulative total No. of shares issued in relation to the bonds with stock acquisition rights with an Exercise Price amendment clause that were exercised, etc. as of the end of the relevant period (shares)	—	11,718,413
Cumulative total of the average exercise prices, etc. related to the bonds with stock acquisition rights with an Exercise Price amendment clause that were exercised, etc. as of the end of the relevant period (yen)	—	347.3
Cumulative total amount of the funds raised in relation to the bonds with stock acquisition rights with an Exercise Price amendment clause that were exercised, etc. as of the end of the relevant period (million yen)	—	4,069

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

Date	Changes in total number of issued shares	Balance of total number of issued shares	Changes in capital (million yen)	Capital balance (million yen)	Changes in capital reserve (million yen)	Balance of capital reserve (million yen)
From January 1, 2024 to February 13, 2024 (Note 1)	11,718,413	57,382,850	2,057	7,351	2,057	12,890
March 8, 2024 (Note 2)	(4,000,000)	53,382,850	―	7,351	―	12,890

(Note 1) The increase resulted from the exercise of the stock acquisition rights.

(Note 2) The decrease was owing to the retirement of treasury shares.

(Note 3) The Itoki Group announced, in the notice regarding the completion of the exercise of the first stock acquisition rights through third party allocation, the change in major shareholders and the largest shareholders who are major shareholders, the change in use of funds, and the expiration of the business partnership agreement with Advantage Advisors Co., Ltd. dated February 13, 2024, that it would make changes in use of the funds raised as announced in the notice regarding the first stock acquisition rights to be issued through third party allocation dated June 29, 2020.

(1) Reasons for the change

As announced in the notice regarding the first stock acquisition rights to be issued through third party allocation that was published as of June 29, 2020, the Group initially intended to allot funds raised through the stock acquisition rights as (1) investments in system infrastructure for increasing operational productivity, (2) investments in development of production and logistics bases for enhancing the supply chains, and (3) funds for strengthening its business (enhancement of the sales capabilities and the product appeal).

Meanwhile, the Group has already invested funds raised by, for example, selling non-business assets as part of its structural reform in systems for shifting to DX, development of new production and logistics bases and reorganization of the existing ones, and enhancement of the sales capabilities and the product appeal ahead of schedule.

The Group considered how funds should be used while taking into account the aforementioned capital investment and its current financial position. As a result, it decided to acquire treasury stock in a quantity equivalent to 70% of the shares issued through the acquisition of treasury stock and allot the funds for acquiring some of the treasury stock with the aim of mitigating possible impact on the Group's shareholders due to share dilution resulting from the exercise of the stock acquisition rights.

(2) Details of the change

Details of the change in use of the funds are as follows:

(Before the change)

Specific use	Amount (million yen)	Period in which payment is expected
① Investments in system infrastructure for enhancing operational productivity	1,081	From January 2022 to December 2023
② Investments in development of production and logistics bases for enhancing the supply chain	2,500	From January 2022 to December 2023
③ Funds for strengthening the business (enhancement of the sales capabilities and the product appeal)	1,000	From January 2022 to December 2025

(After the change)

Specific use	Amount (million yen)	Period in which payment is expected
Funds for acquiring treasury shares	4,000	February 2024 (already allotted)

(5) Shareholding by shareholder category

As of December 31, 2024

Category	Status of shares (1 unit = 100 shares)								Shares less than one unit
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	―	19	23	206	133	17	7,351	7,749	―
Number of shares held (units)	―	155,995	6,825	55,013	95,304	5,896	214,231	533,264	56,450
Shareholding ratio (%)	―	29.252	1.279	10.316	17.871	1.105	40.173	100.0	―

(Note) 4,178,718 shares of treasury stock are included in “Individuals and others” and “Shares less than one unit” in the table. The amounts are 41,787 units and 18 shares, respectively.

(6) Major shareholders

As of December 31, 2024

Name	Address	Number of shares held (thousand)	Shareholding ratio (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo, Japan	5,979	12.15
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	3,467	7.04
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,225	4.52
K.K. Assist	2-4-12, Hiranomachi, Chuo-ku, Osaka City, Japan	1,609	3.27
Itoki Cooperators Holding	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan	1,456	2.96
GOLDMAN,SACHS&CO.REG (Standing proxy: Goldman Sachs)	200 WEST STREET NEW YORK, NY, USA (2-6-1 Toranomon, Minato-ku, Tokyo, Japan)	1,293	2.62
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo, Japan	1,121	2.27
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,069	2.17
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, UK (2-6-1 Toranomon, Minato-ku, Tokyo, Japan)	891	1.81
Masamichi Yamada	Setagaya-ku	851	1.73
Total		19,965	40.57

(Notes) 1. In addition to the above, Itoki Corporation holds 4,178,718 shares of treasury stock.

2. The Change Report of the Statement of Large-Volume Holdings available for public inspection as of May 9, 2024, states that Mizuho Bank, Ltd. together with Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd., and Asset Management One Co., Ltd. as joint holders hold the shares below as of April 30, 2024, but as of December 31, 2024, Itoki Corporation has been unable to confirm the actual number of shares held and so has not included them in the major shareholders above except for Mizuho Bank, Ltd. and Mizuho Trust & Banking Co., Ltd.

The content of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates, etc., held (thousand)	Holding ratio of share certificates, etc. (%)
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo, Japan	1,121	2.10
Mizuho Securities Co., Ltd.	1-5-1, Otemachi, Chiyoda-ku, Tokyo, Japan	171	0.32
Mizuho Trust & Banking Co., Ltd.	1-3-3, Otemachi, Chiyoda-ku, Tokyo, Japan	350	0.66
Asset Management One Co., Ltd.	1-8-2, Otemachi, Chiyoda-ku, Tokyo, Japan	1,478	2.77
Total		3,121	5.85

3. The Statement of Large-Volume Holdings available for public inspection as of October 21, 2024, states that Sumitomo Mitsui Trust Asset Management Co., Ltd. together with Nikko Asset Management Co., Ltd. as a joint holder hold the shares below as of October 15, 2024, but as of December 31, 2024, Itoki Corporation has been unable to confirm the actual number of shares held and so has not included them in the major shareholders above.

The content of the Statement of Large-Volume Holdings is as follows.

Name	Address	Number of share certificates, etc., held (thousand)	Holding ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shiba-koen, Minato-ku, Tokyo, Japan	1,967	3.69
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	842	1.58
Total		2,809	5.26

(7) Voting rights

(A) Issued shares

As of December 31, 2024

Category	Number of shares	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common shares 4,178,700	—	Shares where holders have unlimited rights as is standard at Itoki Corporation
Shares with full voting rights (others)	Common shares 49,147,700	491,477	As above
Shares less than one unit	Common shares 56,450	—	As above
Total shares issued	53,382,850	—	—
Total number of voting rights	—	491,477	—

(B) Treasury stock, etc.

As of December 31, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the names of others	Total shares held	Ratio of ownership of the total number of issued shares (%)
Itoki Corporation	1-6-11 Awaji-machi, Chuo-ku, Osaka City, Japan	4,178,700	—	4,178,700	7.82
Total	—	4,178,700	—	4,178,700	7.82

2. Acquisitions, etc. of Treasury Stock

Type of shares

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

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

Not applicable.

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

Category	Number of shares	Total amount (million yen)
Acquisition through resolutions by the Board of Directors (February 13, 2024) (acquisition period: February 14, 2024 - February 29, 2024)	9,000,000	15,900
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	7,965,900	15,899
Total number and value of outstanding voting shares	1,034,100	0
Ratio of unexercised rights as of the final day of the current fiscal year (%)	11.4	0.0
Treasury stock acquired during the current period	—	—
Ratio of unexercised rights as of the day of submission (%)	11.4	0.0

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

Category	Number of shares	Total amount (million yen)
Treasury stock acquired during the fiscal year	844	1
Treasury stock acquired during the current period	75	0

(Note) Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from March 1, 2025 to the submission date of this Securities Report.

(4) Disposals or holding of acquired treasury stock

Category	During the fiscal year		During the current period	
	Number of shares	Total disposal amount (million yen)	Number of shares	Total disposal amount (million yen)
Acquired treasury stock that was offered to subscribers for subscription	—	—	—	—
Acquired treasury stock that was canceled	4,000,000	7,733	—	—
Acquired treasury stock that was transferred due to merger, stock swap, issue of shares, or corporate split	—	—	—	—
Other (Disposal of treasury stock as restricted share remuneration)	104,200	201	—	—
Treasury stock held (no. of shares)	4,178,718	—	4,178,793	—

(Note) [Disposals or holding of acquired treasury stock] does not include shares constituting less than one unit of shares purchased or sold during the period from March 1, 2025 to the submission date of this Securities Report.

3. Dividend Policy

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

The annual dividend for the fiscal year was 55 yen per share.

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

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

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

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

Date of resolution	Total dividend (million yen)	Dividend per share (yen)
As per a resolution at the Annual General Meeting of Shareholders on March 26, 2025	2,706	55

4. Corporate Governance, etc.

(1) Overview of corporate governance

(A) Basic approach to corporate governance

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

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

(i) Overview of the corporate governance system

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

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

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

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

(C) Other matters concerning corporate governance

(i) Status of internal control system

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

(ii) Status of risk management system

In Itoki Corporation’s risk management system, we have established a department in charge of risk management as well as a Risk Management Committee chaired by the President to ensure effective risk management. The Risk Management Committee develops risk management policies, evaluates risks, and determines the level of countermeasures. Priority risks to be addressed by the Committee based on the risk assessment are selected to enhance the effectiveness of their respective countermeasures.

Furthermore, in regard to the compliance framework, Itoki Corporation understands that compliance with laws and regulations is essential for ongoing corporate growth. Thus, to enable each and every employee and officer to ensure thorough compliance from a high ethical standpoint, we have enacted the Itoki Group Code of Conduct in addition to establishing a department in charge of compliance and a Compliance Committee, and are engaged in activities to ensure a system with an even higher level of corporate ethics and legal compliance so that Itoki Corporation can conduct “the right business practices” that are specified in its corporate philosophy.

(iii) Number of directors

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

(iv) Overview of limited liability agreement content

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

(v) Liability insurance contracts for executives

Itoki Corporation has signed a liability insurance contract for executives, by which all of its directors, corporate auditors, and executive officers are insured, with an insurance company in accordance with the provision set forth in Item 1, Paragraph 3, Article 430 of the Companies Act and bears all the insurance premiums. In the insurance contract, when a claim is filed for damages attributed to any act conducted by an insured person based on his or her position at Itoki Corporation, such as a director, compensation for damages, the cost of a lawsuit, and other relevant expenses that will be incurred by the insured person will be covered; provided, however, that any liabilities for damages attributed to illegal acts, criminal acts, or any other similar acts by an insured person will not be covered by the insurance contract.

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

Not applicable.

(vii) Requirements for resolution for election of directors

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

(viii) Decision-making body for interim dividends

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

(ix) Acquisition of treasury stock

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

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

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

(D) Activities of the Board of Directors

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

Position	Name	Meetings held	Meetings attended
Chairman & Representative Director	Masamichi Yamada	12	12
President & Representative Director	Koji Minato	12	12
Director, Managing Executive Officer, General Manager, Administration Division	Yoshiaki Moriya	12	12
Director, Managing Executive Officer, General Manager, Sales Division	Naoki Kaze	12	12
Director, Managing Executive Officer, General Manager, Planning Division	Junsei Shinada	12	12

External Director	Hiroshi Nagata	12	12
External Director	Shiro Nitanai	12	12
External Director	Mariko Bando	12	12

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

(2) Officers

(A) List of officers

Male: 10 Female: 2 (women constitute16.6% of officers)

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Chairman & Representative Director	Masamichi Yamada	May 5, 1940	April 1964	Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.)	*1	851
			June 1991	Director, The Mitsubishi Bank, Ltd.		
			June 1995	Managing Director, The Mitsubishi Bank, Ltd.		
			April 1996	Joined The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank, Ltd.) / Managing Director		
			June 2000	Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.		
			September 2002	Mitsubishi Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) / Representative Director and Chairman		
			June 2004	Full-Time Corporate Auditor, TOKYU CORPORATION		
			June 2005	Director, Itoki Corporation		
			June 2007	Representative Director and Chairman, Itoki Corporation (current position)		
President & Representative Director	Koji Minato	May 21, 1970	April 1994	Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)	*1	77
			July 2008	Joined Sun Microsystems Japan		
			June 2010	Senior Manager for Customer Support, Oracle Corporation Japan (merged with Sun Microsystems Japan)		
			June 2015	Operating Officer, Chief of Staff, CEO Office, Oracle Corporation Japan		
			August 2018	Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan		
			August 2019	Director, Member of the Board, Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan		
			September 2021	Joined Itoki Corporation as an advisor		
			March 2022	President & Representative Director, Itoki Corporation (current position)		
Director, Managing Executive Officer (General Manager, Planning Division)	Junsei Shinada	October 21, 1961	April 1985	Joined the former ITOKI Co., Ltd.	*1	16
			July 2006	General Manager, Minato Branch, Tokyo Sales of Itoki Corporation		
			March 2011	Transferred to FMSTAFF Co., Ltd. (as president)		
			January 2016	Executive Officer and General Manager, Corporate Customer Sales Management Department of Itoki Corporation		
			January 2018	Executive Officer and General Manager, Corporate Customer Sales Management Department, and General Manager, Customer Value Management Department of Itoki Corporation		
			July 2021	Executive Officer and General Manager, Engineering Management Department of Itoki Corporation		
			January 2023	Managing Executive Officer and General Manager, Planning Division of Itoki Corporation		
			March 2023	Director, Managing Executive Officer and General Manager, Planning Division of Itoki Corporation (current position)		
Director, Managing Executive Officer (General Manager, Personnel Division)	Yoshihito Yamamura	July 6, 1964	November 1990	Joined the former ITOKI Co., Ltd.	*1	18
			June 2005	Seconded to Medical Management Research Center Co., Ltd. (President)		
			January 2013	General Manager, Osaka Branch under Kansai branch of Sales Division of Itoki Corporation		
			January 2017	Manager, the Kansai branch of Sales Division of Itoki Corporation		
			January 2019	Executive Officer and General Manager, Kansai branch of Sales Division of Itoki Corporation		
			January 2021	Executive Officer and General Manager, Personnel		

				Division of Itoki Corporation		
			January 2023	Managing Executive Officer and General Manager, Personnel Division of Itoki Corporation		
			March 2025	Director, Managing Executive Officer and General Manager, Personnel Division of Itoki Corporation (current position)		

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Director	Shiro Nitanai	August 7, 1958	April 1984 April 2005 October 2009 April 2018 May 2019 March 2020	Joined the Ministry of Posts and Telecommunications General Manager, Businesses Development Department, Corporate Division at Japan Post (now Japan Post Holdings Co., Ltd.) General Manager, Real Estate Planning Department, Real Estate Division, Japan Post Holdings Co., Ltd. General Manager, Project Promotion Department, JAPAN POST REAL ESTATE CO., LTD. (concurrent position) Representative, Facility Design Lab (current position) Visiting Professor, University of Tsukuba (current position) Adjunct Instructor, Toyo University (current position) External Director, Itoki Corporation (current position)	*1	8
Director	Mariko Bando	August 17, 1946	July 1969 October 1985 July 1989 July 1994 April 1995 June 1998 January 2001 October 2003 April 2007 April 2014 July 2016 June 2017 July 2019 December 2019 March 2023	Commenced work at the Prime Minister's Office Counsellor, Cabinet Secretariat Director, Consumer Statistics Division, Statistics Bureau of the Management and Coordination Agency Director, Gender Equality Bureau of the Cabinet Secretariat Vice-governor, Saitama Prefecture Consul General of Japan in Brisbane, Australia Director General, Gender Equality Bureau, Cabinet Office Member, The Board of Trustees, Showa Women's University President, Showa Women's University Chancellor (Rijicho), Showa Women's University Chancellor (Socho), Showa Women's University (current position) Outside Director, MS&AD Insurance Group Holdings, Inc. (current position) Chairperson, Tokyo Education Promotion and Support Organization (current position) External Director, Mitsubishi Research Institute, Inc. (current position) External Director, Itoki Corporation (current position)	*1	4
Director	Yasuyuki Kawasaki	April 30, 1959	April 1982 April 2009 April 2012 April 2013 April 2014 April 2015 April 2017 June 2017 April 2018 May 2020 April 2021 June 2021 April 2024 June 2024 March 2025	Joined Sumitomo Bank Ltd. (currently Sumitomo Mitsui Banking Corporation (SMBC)) Executive Officer of SMBC Managing Executive Officer of SMBC Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (SMFG) Senior Managing Executive Officer of SMFG Executive Operating Officer of SMBC Director and Senior Managing Executive Officer of SMBC Deputy President and Executive Officer of SMFG Director and Deputy President of SMBC Deputy President and Executive Officer of SMFG Vice Chairman of SMFG Deputy Chairman of SMBC Representative Director, Director and Deputy President of SMBC Nikko Securities Inc. Representative Director and Chairman of SMBC Nikko Securities Inc. Director of SMFG Special advisor of SMBC Nikko Securities Inc. (current position) Outside Director of House Foods Group inc. (current position) External Director, Itoki Corporation (current position)	*1	-

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Director	Toshie Tanaka	October 19, 1965	April 1989	Joined the National Police Agency	*1	-
			August 2013	Chief Iwate Prefectural Police		
			January 2015	Chief, First Investigation Division under Criminal Investigation Bureau of National Police Agency		
			May 2016	Commissioner-General's Secretariat and Chief, Finance Division of National Police Agency		
			January 2018	Chief, Traffic Division of National Police Agency		
			March 2019	Director, International Police Center of National Police Academy Deputy Director-General (for international affairs) of National Police Agency		
			January 2020	Councilor for Measures to Combat Declining Birthrates and Youth Affairs, Cabinet Secretariat Deputy Director-General of the Minister's Secretariat (in charge of Coexistence Social Policy)		
			August 2020	Councilor, Cabinet Secretariat (supporting Assistant Chief Cabinet Secretary (Director General for security promotion of the Headquarters for the Promotion of the Tokyo Olympic and Paralympic Games))		
			September 2021	Chief of Chiba Prefectural Police		
			August 2023	Deputy Superintendent General of Metropolitan Police Department		
			April 2024	President of National Police Academy		
			August 2024	Retired from National Police Agency		
			March 2025	External Director, Itoki Corporation (current position)		
Full-Time Corporate Auditor	Eiji Funahara	March 4, 1959	April 1982	Joined Itoki Kosakusho Co., Ltd. (now Itoki Corporation)	*2	33
			June 2005	General Manager, Facilities Equipment Engineering Department, Itoki Corporation		
			January 2008	General Manager, Electronic Equipment Device Manufacturing Plant, Itoki Corporation		
			January 2013	General Manager, Facilities Equipment Engineering Department, Itoki Corporation		
			January 2014	General Manager, Production Department Group, Production Division, Itoki Corporation		
			January 2015	Executive Officer and General Manager, Production Department Group, Production Division, Itoki Corporation		
			January 2016	Executive Officer and Deputy General Manager, Production Division, and General Manager, Production Department Group, Itoki Corporation		
			January 2019	Executive Officer and General Manager, Quality Assurance Division, Deputy General Manager, Production Division, and General Manager, Production Department Group, Itoki Corporation		
			January 2020	Managing Executive Officer and General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group, Itoki Corporation		
			March 2020	Director, Managing Executive Officer, General Manager, Production Division, General Manager, Quality Assurance Division, and General Manager, Production Department Group, Itoki Corporation		
			January 2021	Director, Managing Executive Officer, and General Manager, Production Division, Itoki Corporation		
			January 2023	Director and Senior Advisor, Itoki Corporation		
			March 2023	Advisor, Itoki Corporation		
			March 2024	Full-Time Corporate Auditor, Itoki Corporation (current position)		
Full-Time Corporate Auditor	Yoshiaki Moriya	March 31, 1960	April 1982	Joined The Dai-Ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.)	*3	44
			July 1988	Seconded to The Export-Import Bank of Japan (now the Japan Bank for International Cooperation)		
			May 1992	International Planning Department of The Dai-Ichi		

				Kangyo Bank, Limited		
			October 1995	Section Manager, Non-Japanese Sales Section, Hong Kong Branch of The Dai-Ichi Kangyo Bank, Limited		
			March 2006	General Manager, MITAKA Branch of Mizuho Bank Ltd.		
			April 2007	General Manager, Personal Planning Department of Mizuho Bank Ltd.		
			April 2009	General Manager, NAGOYA-CHUO Branch of Mizuho Bank, Ltd.		
			October 2010	Adviser, Mizuho Corporate Bank, Ltd.		
			January 2011	Joined Itoki Corporation as Executive Officer and Deputy General Manager, Administration Division		
			January 2012	Executive Officer and General Manager, Administration Division of Itoki Corporation		
			January 2015	Managing Executive Officer and General Manager, Administration Division of Itoki Corporation		
			March 2021	Director, Managing Executive Officer and General Manager, Administration Division of Itoki Corporation		
			February 2025	Director and Managing Executive Officer, Itoki Corporation		
			March 2025	Full-Time Corporate Auditor, Itoki Corporation (current position)		

Position	Name	Date of Birth	Career Summary		Term of Office	Number of shares held (thousand)
Corporate Auditor	Osamu Ishihara	February 17, 1960	April 1987 October 1990 April 1997 January 2004 March 2010 April 2012 April 2015 March 2023	Registered with Tokyo Bar Association Joined Nishimura and Sanada Law Office Joined TMI Associates Partner at TMI Associates (current position) Civil Defense Instructor, The Legal Training and Research Institute of Japan External Auditor, Odawara Engineering Co., Ltd. (current position) Full-Time Director, Japan Federation of Bar Associations Vice President, Tokyo Bar Association Vice-Director, Kanto Federation of Bar Associations Corporate Auditor, Itoki Corporation (current position)	*4	2
Corporate Auditor	Hisashi Shirahata	May 5, 1962	September 1985 July 1988 October 1991 July 1999 July 2000 July 2002 September 2006 July 2022 March 2023 May 2023 June 2023	Joined the Aoyama Audit Corporation Registered as Certified Public Accountant Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.) Joined the Aoyama Audit Corporation Joined Chuo Aoyama Audit Corporation Senior Partner, Chuo Aoyama Audit Corporation Partner (Senior Partner) at Arata Audit Corporation (now PricewaterhouseCoopers Japan LLC) External Director of Information Development Co., Ltd. Corporate Auditor, Itoki Corporation (current position) External Director, KOMEDA Holdings Co., Ltd. (Audit and Supervisory Board Member) (current position) External Director, ID Holdings Corporation (current position)	*4	2
Total						1,060

(Notes) 1. The Directors Shiro Nitanai, Mariko Bando, Yasuyuki Kawasaki and Toshie Tanaka are External Directors.

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

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

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

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

*1. One year from the 75th Annual General Meeting of Shareholders held on March 26, 2025.

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

*3. Four years from the 75th Annual General Meeting of Shareholders held on March 26, 2025.

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

(B) External Officers

Itoki Corporation has four external directors and two external auditors.

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

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

External Director Yasuyuki Kawasaki engaged in business operations at financial institutions for many years and possesses extensive experience as a corporate manager. Itoki Corporation expects that he will play a role in supervising its business operations from an independent perspective as well as provide beneficial opinions and advice regarding business operations.

Engaging in police administration for many years, External Director Toshie Tanaka has vast experience and profound knowledge with regard to such matters as administration in general, operation of large-scale organizations, and risk management inside and outside Japan. Itoki Corporation expects her to provide advice and opinions about business execution from a professional and objective perspective that is based on her experience and knowledge.

While Ms. Tanaka has no experience of contributing to corporate management in the past, we believe that she will be able to appropriately fulfill her role as an External Director for Itoki Corporation for the aforementioned reasons.

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

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

In order to contribute to Itoki's sustainable growth and medium- and long-term enhancement of its corporate value, Itoki Corporation has specified provisions regarding the independence of the external directors and discloses them in the particulars related to independent directors in Itoki's corporate governance reports. Itoki Corporation has appointed as its independent external directors those who have satisfied not only the criteria defined in the Companies Act and the ones set by the stock exchange, but also its own criteria for independence.

[Judgement Criteria for Independence]

1. The independent external director shall not be a person who currently executes, or executed at any time in the past 10 years, the business in Itoki Corporation, or subsidiaries or affiliated companies of Itoki Corporation.
2. The independent external director shall not be a person who is currently one of the major shareholders (who possess over 10% of the total number of voting rights) of Itoki Corporation or executes the business of any of the major shareholders of Itoki Corporation.
3. The independent external director shall not be a person who executes the business of any of Itoki Corporation's major partner companies (partner companies with which Itoki Corporation conducts transactions at an amount accounting for 2% or higher of Itoki's consolidated sales per year, or suppliers from which Itoki purchases products and services at an amount making up 2% or more of the suppliers' consolidated sales per year).
4. The independent external director shall not be a person who executes the business of any of the main banks from which Itoki Corporation borrows funds (financial institutions from which Itoki borrows funds at an amount exceeding 2% of Itoki's total assets).
5. The independent external director shall not be any expert, such as a consultant, an accountant, or a lawyer, who receives cash money or any other assets amounting to over 10 million yen per year from the Itoki Corporation, in addition to director compensation.

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

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

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

(3) Audits

(A) Audits by corporate auditors

(i) Activities of the Audit & Supervisory Board

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

Meetings of the Audit & Supervisory Board are held to coincide with meetings of the Board of Directors, and in this fiscal year, a total of 13 meetings were held, and each meeting lasted for approximately 1 hour 3 minutes. Each of the corporate auditors attends meetings as shown in the table below:

Name	Meetings attended (attendance rate)
Eiji Funahara	10/10 (100%)
Atsushi Fukuhara	3/3 (100%)
Osamu Ishihara	13/13 (100%)
Hisashi Shirahata	13/13 (100%)

(Notes) 1. Mr. Eiji Funahara was appointed at the 74th ordinary meeting of shareholders held on March 27, 2024, and his attendance rate covers the meetings held after his appointment.

2. Mr. Atsushi Fukuhara resigned the Audit & Supervisory Board at the end of the 74th ordinary meeting of shareholders held on March 27, 2024, and his attendance rate covers the meetings held before his resignation.

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

Category	Number	Details
Resolutions	7	Agreement on policy for audits by corporate auditors/audit plans/division of roles, accounting auditor selection, corporate auditor selection, audit reports from the Audit & Supervisory Board, and audit remuneration for accounting auditors, etc.
Deliberations/ Discussions	19	Revision of implementation standards for audits of the internal control system, deliberation of audit working papers for the matters required to form an audit opinion for a corporate auditor's audit, and evaluation regarding whether or not to reappoint accounting auditors, etc.
Reports	42	Agenda items for organizational decision-making meetings, visits to offices/Group companies for audit purposes, reports on dialogues between management and corporate auditors, audit reports from accounting auditors, and reports on revisions to laws, guidelines, and standards, etc.

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

(ii) Main activities of corporate auditors

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

(iii) Cooperation with accounting auditors

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

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

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

(B) Internal audits

Internal audits are conducted by the Audit Department of the Corporate Governance Division (with a staff of 16), which reports directly to the President. In accordance with our internal audit regulations and other rules, the Audit Department undertakes systematic audits of the state of decision-making and control in management activities and internal control systems, training systems, and monitoring and auditing systems in each department and at each Group company, and informs each audited department of areas for improvement as necessary.

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

(C) Accounting audits

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

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive years of audits

9 years

c. Certified public accountants who performed audit work

Toshiyuki Nishida, Ryosuke Itami

d. Composition of assistants supporting audit work

Assistants on Itoki Corporation’s side who supported the accounting audit work numbered 10 certified public accountants and 22 others.

e. Audit corporation selection policy and reason(s)

Upon determining the suitability of an accounting auditor for reappointment (including a determination on agreement to the submission of an agenda item for the selection of an accounting auditor to a General Meeting of Shareholders or the dismissal or non-reappointment of an accounting auditor as the objective of a General Meeting of Shareholders), the Audit & Supervisory

Board examines the state of execution of duties by the accounting auditor (including the state of execution of duties in previous fiscal years) and whether the auditing system, independence, and other such aspects are suitable or not.

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

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

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

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

(D) Details of audit remuneration, etc.

a. Remuneration for certified public accountants for audits

Category	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)
Submitting company	85	—	90	—
Consolidated subsidiaries	17	—	17	—
Total	102	—	107	—

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

Category	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)	Remuneration for audit certification services (million yen)	Remuneration for non-audit services (million yen)
Submitting company	—	8	—	32
Consolidated subsidiaries	—	—	—	—
Total	—	8	—	32

(Fiscal year ended December 31, 2023)

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

(Fiscal year ended December 31, 2024)

The non-audit services at Itoki Corporation include the provision of information after the sophistication of the SCM system and third-party certification work for CO_2 emission volume.

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

Not applicable.

d. Policy for determining audit remuneration

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

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

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

(4) Remuneration for officers

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

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

A resolution on a maximum amount of remuneration for directors of up to 25 million yen per month was passed at the Annual General Meeting of Shareholders held on March 29, 2001, but a resolution to revise a maximum amount of remuneration up to 50 million yen per month (of which external directors may receive a monthly amount of up to 10 million yen) was passed at the Annual General Meeting of Shareholders held on March 26, 2025.

In addition to this fixed remuneration framework, a resolution was also passed regarding a variable remuneration of up to 10% of net profit for a given fiscal year at the Annual General Meeting of Shareholders held on March 27, 2013. Furthermore, a resolution was passed regarding a restricted share remuneration framework of an annual amount of up to 120 million yen (of which external directors may receive an annual amount of up to 5 million yen) at the Annual General Meeting of Shareholders held on March 28, 2018, but a resolution to revise an annual amount up to 500 million yen (of which external directors may receive an annual amount of up to 20 million yen) was passed at the Annual General Meeting of Shareholders held on March 26, 2025.

A maximum amount of remuneration for corporate auditors was decided at up to 10 million yen per month at the Annual General Meeting of Shareholders held on March 27, 2013. In addition to this fixed remuneration framework, a resolution was passed regarding a restricted share remuneration framework for an annual amount of up to 10 million yen (of which external auditors may receive an annual amount of up to 2 million yen) at the Annual General Meeting of Shareholders held on March 28, 2018.

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

Category of officer	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of eligible officers
		Basic remuneration	Performance-based remuneration	Non-monetary remuneration	
Directors (excluding external directors)	288	135	115	37	5
Corporate auditors (excluding external auditors)	22	17	—	4	2
External officers	44	31	9	3	5

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

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

(C) Total amount of consolidated remuneration, etc. by officer of submitting companies

Omitted because there are no executives who remuneration amount, etc. total 100 million yen or more

(5) Shareholdings

(A) Criteria and approach to classification of investment shares

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

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

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

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

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

b. Number of issues and recorded value on balance sheet

	Number of issues	Total amount recorded on balance sheet (million yen)
Unlisted shares	26	550
Shares other than unlisted shares	18	2,660

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

	Number of issues	Total amount acquired through increase in number of shares (million yen)	Reason for increase in number of shares
Unlisted shares	2	148	Newly acquired for the purpose of maintaining and strengthening business relationship
Shares other than unlisted shares	2	1	Regular purchase at business partner's stockholding association

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

	Number of issues	Total amount from sales in relation to shares whose number decreased (million yen)
Unlisted shares	1	49
Shares other than unlisted shares	2	30

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

Specified investment shares

Issue	During the fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, etc., quantitative effect of shareholding, and reason for increase in no. of shares (Note 1)	Shares held in Itoki Corporation
	Number of shares	Number of shares		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Sumitomo Mitsui Financial Group, Inc.	163,407	54,469	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. (Note 2)	None
	615	374		
Sumitomo Realty & Development Co., Ltd.	120,200	120,200	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	593	504		

Issue	During the fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, etc., quantitative effect of shareholding, and reason for increase in no. of shares (Note 1)	Shares held in Itoki Corporation
	Number of shares	Number of shares		
	Amount recorded on balance sheet (million yen)	Amount recorded on balance sheet (million yen)		
Mizuho Financial Group, Inc.	146,086	146,086	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	565	352		
Okasan Securities Group Inc.	400,000	400,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	256	274		
The Keiyo Bank, Ltd	250,381	250,381	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	197	170		
OKABE CO., LTD.	246,000	246,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	188	180		
MARUSAN SECURITIES CO., LTD.	95,550	95,550	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	Y
	95	80		
Shizuoka Financial Group, Inc.	39,000	39,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	50	46		
Tokyo Kiraboshi Financial Group, Inc.	6,739	6,739	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	30	26		
ANA HOLDINGS INC.	6,130	5,864	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. Our shareholding is growing due to regular purchases by the stockholding association.	None
	17	17		
Panasonic Holdings Corporation	7,360	7,360	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	12	10		
Daishi Hokuetsu Financial Group, Inc.	4,000	2,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. (Note 3)	None
	11	7		
Senshu Ikeda Holdings, Inc.	16,798	16,798	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	6	5		
JACCS CO., LTD.	1,504	1,392	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship. Our shareholding is growing due to regular purchases by the stockholding association.	None
	5	7		

Issue	During the fiscal year Number of shares Amount recorded on balance sheet (million yen)	Previous fiscal year Number of shares Amount recorded on balance sheet (million yen)	Purpose of shareholding, overview of business alliance, etc., quantitative effect of shareholding, and reason for increase in no. of shares (Note 1)	Shares held in Itoki Corporation
OKAMURA CORPORATION	2,352	2,352	Shares held for the purpose of maintaining and strengthening business relationship.	Y
	4	5		
Kita-Nippon Bank, Ltd.	1,000	1,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	3	2		
MITO SECURITIES CO., LTD.	5,000	5,000	An important customer in the workplace business, we hold shares for the purpose of maintaining and strengthening the relationship.	None
	2	2		
KOKUYO Co., Ltd.	1,000	1,000	Shares held for the purpose of maintaining and strengthening business relationship.	None
	2	2		
LIHIT LAB., INC.	—	13,600	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	Y
	—	12		
Resona Holdings, Inc.	—	14,788	Shares were held for the purpose of maintaining and strengthening business relationship, but all shares were sold in the fiscal year.	None
	—	10		

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

2. Regarding the number of shares of Sumitomo Mitsui Financial Group, Inc., a three-for-one share split for common shares was conducted on October 1, 2024, so the number of shares after said split is indicated.
3. Regarding the number of shares of Daishi Hokuetsu Financial Group, Inc., a two-for-one share split for common shares was conducted on October 1, 2024, so the number of shares after said split is indicated.

Deemed shareholdings

Not applicable.

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

Not applicable.

V. Status of Accounts

1. Preparation of consolidated financial statements and financial statements

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

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

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

2. Audit certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current fiscal year (from January 1, 2024 to December 31, 2024) and the financial statements for the current fiscal year (from January 1, 2024 to December 31, 2024) have been audited by KPMG AZSA LLC.

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

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

1. Consolidated Financial Statement, etc.

(1) Consolidated financial statement

(A) Consolidated balance sheet

(Units: millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Assets		
Current assets		
Cash and deposits	*4 24,795	*4 22,482
Notes and accounts receivable - trade, and contract assets	*1, *7 31,158	*1, *7 29,277
Electronically recorded monetary claims - operating	*1 4,547	*1 5,775
Merchandise and finished goods	4,845	5,332
Work in process	1,740	1,982
Raw materials and supplies	3,146	3,359
Other	3,284	2,607
Allowance for doubtful accounts	(213)	(194)
Total current assets	73,304	70,624
Non-current assets		
Property, plant and equipment		
Buildings and structures	*4 33,411	*4 34,079
Accumulated depreciation	(21,379)	(21,941)
Buildings and structures, net	12,032	12,138
Machinery, equipment and vehicles	15,359	15,398
Accumulated depreciation	(13,015)	(12,920)
Machinery, equipment and vehicles, net	2,344	2,478
Land	*4 8,436	*4 8,413
Leased assets	1,651	982
Accumulated depreciation	(1,189)	(599)
Leased assets, net	462	382
Construction in progress	107	349
Other	10,549	11,287
Accumulated depreciation	(9,139)	(8,919)
Other (net)	1,409	2,367
Total property, plant and equipment	24,792	26,130
Intangible assets		
Goodwill	341	671
Other	1,950	4,440
Total intangible assets	2,292	5,111
Investments and other assets		
Investment securities	*3 5,835	*3 6,548
Retirement benefit asset	1,691	1,809
Deferred tax assets	2,127	1,945
Other	7,861	8,496
Allowance for doubtful accounts	(467)	(144)
Total investments and other assets	17,048	18,654
Total non-current assets	44,132	49,896
Total assets	117,437	120,521

(Units: millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*7 12,218	*7 8,711
Electronically recorded obligations - operating	8,490	1,911
Notes payable - facilities	88	16
Current portion of bonds payable	-	14
Short-term borrowings	*4, *6 8,487	*4, *6 21,279
Current portion of long-term borrowings	*4 1,789	*4 8,993
Income taxes payable	916	2,281
Accrued consumption taxes	1,377	931
Allowance for bonuses	3,619	2,763
Allowance for bonuses for officers	321	234
Allowance for loss on orders received	-	3
Allowance for product warranties	16	14
Allowance for loss on business of subsidiaries and associates	119	84
Allowance for loss related to competition laws	-	*8 724
Allowance for loss on voluntary recall of products	-	126
Other	*2 9,895	*2 7,336
Total current liabilities	47,340	55,426
Non-current liabilities		
Corporate bonds	-	16
Long-term borrowings	*4 6,007	*4 6,505
Lease obligations	570	726
Deferred tax liabilities	351	341
Allowance for retirement benefits for officers	75	71
Allowance for loss on voluntary recall of products	83	83
Retirement benefit liability	3,821	3,821
Asset retirement obligations	1,284	1,343
Other	2,903	2,842
Total non-current liabilities	15,096	15,752
Total liabilities	62,437	71,178
Net assets		
Shareholders' equity		
Share capital	5,294	7,351
Capital surplus	9,665	11,692
Retained earnings	38,617	36,189
Treasury shares	(111)	(8,078)
Total shareholders' equity	53,465	47,155
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	678	1,196
Foreign currency translation adjustment	638	694
Remeasurements of defined benefit plans	132	213
Total accumulated other comprehensive income	1,449	2,104
Stock acquisition rights	45	-
Non-controlling interests	39	82
Total net assets	54,999	49,342
Total liabilities and net assets	117,437	120,521

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

[Consolidated statement of income]

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net sales	*1 132,985	*1 138,460
Cost of sales	*2, *4 80,744	*2, *4 83,259
Gross profit	52,240	55,200
Selling, general and administrative expenses	*3, *4 43,717	*3, *4 45,123
Operating profit	8,523	10,077
Non-operating income		
Interest income	18	22
Dividend income	110	116
Dividend income of insurance	100	127
Insurance claim income	41	101
Other	210	257
Total non-operating income	481	624
Non-operating expenses		
Interest expenses	151	306
Share of loss of entities accounted for using equity method	16	-
Commissions payable	150	170
Other	130	220
Total non-operating expenses	448	698
Ordinary profit	8,555	10,004
Extraordinary income		
Gain on sale of non-current assets	*5 3	*5 540
Gain on sale of investment securities	*6 174	*6 27
Gain on revaluation of put option liabilities for non-controlling shareholders	-	*7 578
Other	8	32
Total extraordinary income	186	1,178
Extraordinary losses		
Loss on sale of non-current assets	*8 0	*8 1
Loss on retirement of non-current assets	*9 328	*9 156
Impairment losses	0	-
Loss on disaster	-	20
Provision of allowance for loss related to competition laws	-	*10 728
Provision of allowance for loss on recall of products	-	126
Other	33	78
Total extraordinary losses	363	1,111
Profit before income taxes	8,378	10,071
Income taxes - current	1,731	2,766
Income taxes - deferred	740	82
Total income taxes	2,471	2,848
Net profit	5,907	7,223
Profit attributable to non-controlling interests	1	39
Profit attributable to owners of parent	5,905	7,183

[Consolidated statement of comprehensive income]

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net profit	5,907	7,223
Other comprehensive income		
Valuation difference on available-for-sale securities	384	518
Foreign currency translation adjustment	158	59
Remeasurements of defined benefit plans, net of tax	266	80
Total other comprehensive income	* 808	* 658
Comprehensive income	6,715	7,881
(Breakdown)		
Comprehensive income attributable to owners of parent	6,714	7,838
Comprehensive income attributable to non-controlling interests	1	43

(C) Consolidated statements of changes in net assets

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

(Units: millions of yen)

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

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of 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
Transactions with non-controlling interests - capital surplus							0
Net changes in items other than shareholders' equity	384	158	266	808	-	0	808
Total changes during period	384	158	266	808	-	0	5,089
Balance at end of period	678	638	132	1,449	45	39	54,999

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,294	9,665	38,617	(111)	53,465
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2,057	2,057			4,115
Dividends of surplus			(1,904)		(1,904)
Profit attributable to owners of parent			7,183		7,183
Purchase of treasury shares				(15,901)	(15,901)
Disposal of treasury shares		(4)		201	197
Cancellation of treasury shares		(7,733)		7,733	-
Transfer from retained earnings to capital surplus		7,706	(7,706)		-
Net changes in items other than shareholders' equity					
Total changes during period	2,057	2,027	(2,428)	(7,966)	(6,310)
Balance at end of period	7,351	11,692	36,189	(8,078)	47,155

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated Other comprehensive income			
Balance at beginning of period	678	638	132	1,449	45	39	54,999
Changes during period							
Issuance of new shares - exercise of share acquisition rights							4,115
Dividends of surplus							(1,904)
Profit attributable to owners of parent							7,183
Purchase of treasury shares							(15,901)
Disposal of treasury shares							197
Cancellation of treasury shares							-
Transfer from retained earnings to capital surplus							-
Net changes in items other than shareholders' equity	518	55	80	654	(45)	43	653
Total changes during period	518	55	80	654	(45)	43	(5,657)
Balance at end of period	1,196	694	213	2,104	-	82	49,342

(D) Consolidated statements of cash flows

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net cash provided by (used in) operating activities		
Profit before income taxes	8,378	10,071
Depreciation	2,641	2,744
Amortization of goodwill	252	363
Impairment losses	0	-
Increase (decrease) in allowance for doubtful accounts	18	(45)
Increase (decrease) in allowance for bonuses	907	(856)
Increase (decrease) in allowance for bonuses for officers	163	(86)
Increase (decrease) in allowance for loss on orders received	(1)	3
Increase (decrease) in retirement benefit liability	(28)	(22)
Decrease (increase) in retirement benefit asset	(30)	(34)
Increase (decrease) in allowance for retirement benefits for officers	(9)	(8)
Increase (decrease) in allowance for product warranties	(3)	(1)
Increase (decrease) in allowance for loss on business of subsidiaries and associates	(224)	(35)
Increase (decrease) in allowance for loss related to competition laws	-	728
Increase (decrease) in allowance for loss on voluntary recall of products	-	126
Interest and dividend income	(128)	(138)
Interest expenses	151	306
Share of loss (profit) of entities accounted for using equity method	16	-
Loss (gain) on sale of investment securities	(169)	(25)
Loss (gain) on sale of non-current assets	(2)	(538)
Loss on retirement of non-current assets	328	156
Loss (gain) on revaluation of put option liabilities for non-controlling shareholders	-	(578)
Decrease (increase) in trade receivables	(3,124)	1,219
Decrease (increase) in inventories	197	(941)
Increase (decrease) in trade payables	390	(10,312)
Other	477	(1,662)
Subtotal	10,202	429
Interest and dividends received	118	162
Interest paid	(137)	(320)
Payment of settlement money	-	(400)
Income taxes refunded (paid)	(3,862)	(872)
Net cash provided by (used in) operating activities	6,321	(1,000)

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,150)	(1,392)
Proceeds from withdrawal of time deposits	4,491	1,534
Purchase of property, plant and equipment	(3,316)	(3,146)
Proceeds from sale of property, plant and equipment	52	586
Purchase of intangible assets	(1,235)	(2,890)
Purchase of investment securities	(540)	(252)
Proceeds from sale of investment securities	351	84
Net decrease (increase) in short-term loans	-	29
Long-term loan advances	-	(4)
Proceeds from collection of long-term loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(928)
Net decrease (increase) in insurance reserve fund	395	(608)
Other	(59)	(119)
Net cash provided by (used in) investing activities	(4,012)	(7,107)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(981)	12,797
Proceeds from long-term borrowings	1,231	11,161
Repayments of long-term borrowings	(1,881)	(3,459)
Redemption of bonds	(60)	(7)
Net decrease (increase) in treasury shares	(0)	(15,901)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	4,069
Dividends paid	(1,675)	(1,901)
Dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1)	(360)
Other	(778)	(494)
Cash flows from financing activities	(4,148)	5,905
Effect of exchange rate change on cash and cash equivalents	83	32
Net increase (decrease) in cash and cash equivalents	(1,755)	(2,170)
Cash and cash equivalents at beginning of period	25,420	23,664
Cash and cash equivalents at end of period	* 23,664	* 21,494

[Notes]

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

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 32

Names of principal consolidated subsidiaries

Itoki All Steel Co., Ltd.
Fuji Living Industry Co., Ltd.
Itoki Market Space Inc.
Itoki 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
Soua Co., Ltd.
Tarkus Interiors Pte Ltd
Novo Workstyle Asia Limited
ITOKI SYSTEMS (SINGAPORE) PTE., LTD.
ITOKI CHINA HOLDING Co., Ltd.
17 other companies

Soua Co., Ltd. was included in the scope of consolidation in the current fiscal year, because it became a 100% subsidiary of Itoki Corporation through the acquisition of shares on February 29, 2024.

The consolidated subsidiary Itoki Engineering Service Corporation 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 July 1, 2024.

(2) Number of non-consolidated subsidiaries: 7

Names of principal non-consolidated subsidiaries

Knoll Japan Inc.
6 other companies

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

2. Matters relating to the application of the equity method

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.

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.

In the current fiscal year, ITOKI SYSTEMS (SINGAPORE) PTE., LTD. changed its account closing date to December 31, which falls on the consolidated account closing date of Itoki. Their accounting period corresponding to the current fiscal year is 13 months.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(A) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Other securities

Securities other than non-marketable equity securities

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

Non-marketable equity securities

Stated at cost using the moving average method

(B) Derivatives

Market value method

(C) Inventories

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

(2) Depreciation and amortization methods for significant depreciable assets

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

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

The straight-line method is used for overseas consolidated subsidiaries.

The main useful lives are as follows.

Buildings and structures: 8–50 years

Machinery, equipment and vehicles: 4–17 years

(B) Intangible assets (excluding leased assets)

The straight-line method is used.

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

(C) Leased assets

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

(3) Accounting for significant allowance

(A) Allowance for doubtful accounts

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

(B) Allowance for bonuses

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

(C) Allowance for bonuses for officers

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

(D) Allowance for loss on orders received

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

(E) Allowance for product warranties

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

(F) Allowance for retirement benefits for officers

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

(G) Allowance for loss on voluntary recall of products

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

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

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

(I) Allowance for loss related competition laws

To provide for losses associated with competition laws, an allowance for an estimated amount of losses is recorded.

(4) Accounting method for retirement benefits

(A) Period attribution method for estimated retirement benefits

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

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

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

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

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

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

(5) Standards for recording of significant revenues and expenses

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

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

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

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

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

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

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

(6) Significant hedge accounting methods

(A) Hedge accounting method

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

(B) Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts

Hedged items

Foreign currency-denominated trade payables and planned foreign currency transactions

(C) Hedging policy

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

(D) Methods of assessing the effectiveness of hedging

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

(7) Amortization method and period of goodwill

Goodwill is amortized evenly over a period not exceeding 10 years, based on an estimate of the period over which the investment effect will be realized for each subsidiary investment.

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

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

(Significant accounting estimates)

Recoverability of deferred tax assets

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

Deferred tax assets	1,945 million yen

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

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

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

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

(Accounting standards not applied, etc.)

1. Accounting Standard for Current Income Taxes, etc.

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

(1) Overview

In February 2018, “Partial revision to ‘Accounting standards for tax effect accounting’,” etc. in ASBJ Statement No. 28 (hereinafter referred to as “ASBJ Statement No. 28, etc.”) were announced, and the guidelines for tax effect accounting were transferred from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. The following two items were scheduled to be discussed after the announcement of ASBJ Statement No. 28, etc., and they were deliberated and announced.

・Category for posting tax expenses (taxation on other comprehensive income)
・Tax effects on sales of shares of subsidiaries and other securities (shares of subsidiaries or associates) when group corporate taxation is applied.

(2) Scheduled date of application

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

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

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

2. Accounting Standard for Leases, etc.

・“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
・“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

The Accounting Standards Board of Japan had discussions for developing accounting standards regarding leases for recognizing assets and liabilities in all leases of borrowers with reference to international accounting standards, as part of efforts to make the Japanese standards consistent with the international standards. As a basic policy, simple yet convenient lease accounting standards, etc. were announced with the aim of adopting only major provisions of IFRS No. 16 based on the single accounting model of IFRS No. 16, so that even if IFRS No. 16 is applied to individual financial statements, revision is not required in principle.

Regarding the method for sorting lease expenses of a borrower, we will apply a single accounting model in which the depreciation for assets of use rights and the interest equivalents for lease liabilities are posted for all leases, no matter whether they are finance leases or operating leases, like IFRS No. 16.

(2) Scheduled date of application

From the beginning of the fiscal year ending December 31, 2028.

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

The effect of the application of the “Accounting Standard for Leases,” etc. on the consolidated financial statements is currently under evaluation.

3. Measures for Accounting Processes and Disclosure of Corporate Income Tax, etc. Levied Based on the Global Minimum Taxation System

・“Measures for Accounting Processes and Disclosure of Corporate Income Tax, etc. Levied Based on the Global Minimum Taxation System” (Practical Solution No. 46, March 22, 2024, ASBJ)

(1) Overview

In October 2021, the participating countries of “Inclusive Framework on Base Erosion and Profit Shifting” for 20 major countries/regions of Organisation for Economic Co-operation and Development (OECD) reached an agreement about the global minimum tax.

In response, the Income inclusion Rule (IIR) among the internationally agreed global minimum taxation rules was included in the “law for partially amending the Income Tax Act (Law No. 3 in 2023),” which was enacted on March 28, 2023, and applied from the accounting fiscal year starting on or after April 1, 2024.

The global minimum taxation means a new taxation system aimed at levying a corporate income tax of at least 15% on the profit of each multinational corporate group that satisfies certain requirements in each country where an enterprise earning net income (profit) may be different from an enterprise that needs to pay the tax.

“Measures for Accounting Processes and Disclosure of Corporate Income Tax, etc. Levied Based on the Global Minimum Taxation System” are the measures for accounting processes and disclosure of national and local corporate income taxes levied based on the global minimum taxation system.

(2) Scheduled date of application

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

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

The effect of the application of the “Measures for Accounting Processes and Disclosure of Corporate Income Tax, etc. Levied Based on the Global Minimum Taxation System” on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Consolidated statement of income)

“Subsidy income” under “Non-operating income,” which was independently presented in the previous fiscal year, has been included in “Other” since the current fiscal year because it has become insignificant in terms of amount. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

“Insurance money received” included in “Other” under “Non-operating income” in the previous fiscal year has been separately presented since the current fiscal year because it has become significant in terms of amount. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Subsidy income” of 17 million yen included in “Non-operating income” and “Other” of 234 million yen, which were included in the consolidated statement of income for the previous fiscal year, have been restated as “Insurance money received” of 41 million yen and “Other” of 210 million yen.

“Outsourcing expenses” under “Non-operating expenses,” which was independently presented in the previous fiscal year, has been included in “Other” since the current fiscal year because it has become insignificant in terms of amount. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Outsourcing expenses” of 25 million yen, which was included in “Non-operating expenses” in the consolidated statement of income for the previous fiscal year, has been restated as “Other” of 130 million yen.

(Consolidated statements of cash flows)

The item “Payment of income taxes” in “Cash flows from operating activities” in the previous fiscal year has been changed to “Payment or refund of income taxes (- represents payment)” to indicate the actual situation from the current fiscal year. To reflect this change in indication, we have revised the name of the item in consolidated financial statements for the previous fiscal year.

“Purchase of intangible assets” included in “Other” under “Net cash provided by (used in) investing activities” in the previous fiscal year has been separately presented since the current fiscal year because it has become significant. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Other” of -1,295 million yen, which was included in “Net cash provided by (used in) investing activities” in the consolidated statements of cash flows for the previous fiscal year, has been restated as “Purchase of intangible assets” of -1,235 million yen and “Other” of -59 million yen.

“Purchase of shares of subsidiaries not resulting in change in scope of consolidation” included in “Other” under “Cash flows from financing activities” in the previous fiscal year has been separately presented since the current fiscal year because it has become significant. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Other” of -779 million yen, which was included in “Cash flows from financing activities” in the consolidated statements of cash flows for the previous fiscal year, has been restated as “Purchase of shares of subsidiaries not resulting in change in scope of consolidation” of -1 million yen and “Other” of -778 million yen.

(Consolidated balance sheet)

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Notes receivable	4,045 million yen	1,496 million yen
Accounts receivable	23,775	24,766
Contract assets	3,338	3,015
Electronically recorded monetary claims - operating	4,547	5,775

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

*3. Due to non-consolidated subsidiaries and associates

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Investment securities (shares)	613 million yen	550 million yen

*4. Assets pledged as collateral

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Time deposits	100 million yen	100 million yen
Property, plant and equipment		
Buildings and structures	1,163	1,118
Land	1,927	1,927
Subtotal	3,190	3,146

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Short-term borrowings	24 million yen	－ million yen
Current portion of long-term borrowings	425	355
Long-term borrowings	907	821

Syndicated term loan agreements

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Syndicated term loan agreements	3,000 million yen	3,000 million yen

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

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

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

(2) The balance of borrowings under the syndicated term loan agreement entered on September 17, 2024 is as follows.

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Syndicated term loan agreements	― million yen	4,400 million yen

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

(A) The total amount in the section of net assets indicated in the consolidated balance sheets as of the end of the fiscal year ended December 2024 and the end of each subsequent fiscal year shall be kept equal to or larger than 75% of the total amount in the section of net assets indicated in the consolidated balance sheet as of the end of the fiscal year ended December 2023 or 75% of the total amount in the section of net assets indicated in the consolidated balance sheet as of the end of the latest fiscal year, whichever is larger.

(B) The ordinary income indicated in the consolidated income statement as of the end of December 2024 or the end of each subsequent fiscal year shall not be negative.

(3) The balance of borrowings under the syndicated term loan agreement entered on September 25, 2024 is as follows.

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Syndicated term loan agreements	― million yen	4,444 million yen

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

(A) From the fiscal year ended December 31, 2024 onwards, the amount of net assets on the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter of each fiscal year must be maintained at 75% or more of the amount of net assets in the consolidated balance sheet compared with the same period of the previous fiscal year.

(B) From the fiscal year ended December 31, 2024 onwards, the amount of net assets on the non-consolidated balance sheet at the end of each fiscal year must be maintained at 75% or more of the amount of net assets on the non-consolidated balance sheet of each fiscal year compared with the same period of the previous fiscal year.

5. Discounted notes receivable

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Discounted notes receivable	336 million yen	1,133 million yen

*6. Loan commitment agreements

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

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Total amount of loan commitments	6,650 million yen	12,900 million yen
Outstanding loan balance	—	12,900
Difference	6,650	—

*7. Notes maturing at the fiscal-year end

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Notes receivable	175 million yen	8 million yen
Notes payable	124	6

*8. Allowance for loss related to competition laws

On December 20, 2024, Tarkus Interiors Pte Ltd, which is a consolidated subsidiary of Itoki Corporation, was ordered by Competition and Consumer Commission of Singapore to pay a financial penalty of S$5,113,918 for the violation of the competition law (on May 23, 2024, the company received a notice on provisional acknowledgment of said matter from Competition and Consumer Commission of Singapore). In response, we posted 570 million yen (converted with the exchange rate: 1 Singapore dollar = 111.56 yen on the last date of the fiscal year), to provide for the payment of expected financial penalties.

As Itoki received administrative guidance (warning) from the Fair Trade Commission, we posted 154 million yen to provide for the payment of compensation for past labor to entrustees of distribution tasks.

(Consolidated statement of income)

*1. Revenue from contracts with customers

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

*2. Cost of sales

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

Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
180 million yen	167 million yen

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

Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
(8) million yen	13 million yen

*3. Selling, general and administrative expenses

Major expenses are as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Employee salaries and allowances	15,671 million yen	17,384 million yen
Provision for allowance for bonuses	3,037	2,408
Retirement benefit costs	843	858
Provision for allowance for retirement benefits for officers	11	9
Provision for allowance for bonuses for officers	299	223
Provision for allowance for doubtful accounts	20	(7)

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

Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
2,719 million yen	2,509 million yen

*5. Gain on sale of non-current assets

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Machinery, equipment and vehicles	1 million yen	18 million yen
Land	—	517
Other (property, plant and equipment)	1	3
Total	3	540

*6. Gain on sale of investment securities

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

This was due to the sale of a portion of the Company's investment securities holdings (two listed stocks and one unlisted stock).

*7. Gain on revaluation of put option liabilities for non-controlling shareholders

This is due to the change in fair value of put options for the additional acquisition of shares in consolidated subsidiaries given to non-controlling shareholders in some consolidated subsidiaries of the Itoki Group to which the International Financial Reporting Standards (IFRS) are applied.

*8. Loss on sale of non-current assets

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Machinery, equipment and vehicles	— million yen	1 million yen
Other (property, plant and equipment)	0	0
Total	0	1

*9. Loss on retirement of non-current assets

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Buildings and structures	48 million yen	92 million yen
Machinery, equipment and vehicles	15	0
Other (property, plant and equipment)	38	50
Other (intangible assets)	193	12
Removal costs etc. relating to the above	32	0
Total	328	156

*10. Provision of allowance for loss related to competition laws

On December 20, 2024, Tarkus Interiors Pte Ltd, which is a consolidated subsidiary of Itoki Corporation, was ordered by Competition and Consumer Commission of Singapore to pay a financial penalty of S$5,113,918 for the violation of the competition law (on May 23, 2024, the company received a notice on provisional acknowledgment of said matter from Competition and Consumer Commission of Singapore). In response, we posted 574 million yen (converted with the exchange rate: 1 Singapore dollar = 112.36 yen on the last date of the fiscal year), to provide for the payment of expected financial penalties.

As Itoki received administrative guidance (warning) from the Fair Trade Commission, we posted 154 million yen to provide for the payment of compensation for past labor to entrustees of distribution tasks.

(Consolidated statement of comprehensive income)

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

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Valuation difference on other securities:		
Amount incurred in current fiscal year	587 million yen	610 million yen
Reclassification adjustments	(169)	(14)
Before tax effect adjustment	418	596
Tax effect adjustment	(34)	(78)
Valuation difference on other securities	384	518
Foreign currency translation adjustment:		
Amount incurred in current fiscal year	158	59
Reclassification adjustments	—	—
Foreign currency translation adjustment	158	59
Remeasurements of retirement benefit plans:		
Amount incurred in current fiscal year	319	35
Reclassification adjustments	65	80
Before tax effect adjustment	384	116
Tax effect adjustment	(118)	(35)
Remeasurements of retirement benefit plans	266	80
Total other comprehensive income	808	658

(Consolidated statement of changes in net assets)

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

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

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

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

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

2. Matters relating to stock acquisition rights

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

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

3. Matters relating to dividends

(1) Dividends paid

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

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

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

	Number of shares at the beginning of the current fiscal year (shares)	Increase in shares in the current fiscal year (shares)	Decrease in shares in the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Issued shares				
Common shares (Note) 1, 2	45,664,437	11,718,413	4,000,000	53,382,850
Total	45,664,437	11,718,413	4,000,000	53,382,850
Treasury shares				
Common shares (Note) 3, 4	316,174	7,966,744	4,104,200	4,178,718
Total	316,174	7,966,744	4,104,200	4,178,718

(Notes) 1. The increase of 11,718,413 common shares is due to the exercise of stock acquisition rights in the first series.

2. The decrease of 4,000,000 common shares is due to the cancellation of treasury shares, as per the resolution of the Board of Directors on February 13, 2024.

3. The increase of 7,966,744 shares in the number of treasury shares is due to an increase following the acquisition of 7,965,900 treasury shares as per the resolution of the Board of Directors on February 13, 2024 and an increase of 844 shares resulting from requests for the purchase of odd-lot shares.

4. The decrease of 4,104,200 treasury shares is due to a decrease resulting from the cancellation of 4,000,000 treasury shares as per the resolution of the Board of Directors on February 13, 2024 and the disposal of 104,200 treasury shares as restricted share remuneration, as per the resolution of the Board of Directors on April 23, 2024.

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	11,718,413	—	11,718,413	—	—
Total			11,718,413	—	11,718,413	—	—

(Note) The decrease of 11,718,413 in the first series of stock acquisition rights is due to the exercise of stock acquisition rights.

3. Matters relating to dividends

(1) Dividends paid

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

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

(Resolution)	Type of shares	Total dividend (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 26, 2025	Common shares	2,706	Retained earnings	55	December 31, 2024	March 27, 2025

(Consolidated statement of cash flows)

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

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Cash and deposits	24,795 million yen	22,482 million yen
Time deposits with a term of more than three months	(1,130)	(988)
Cash and cash equivalents	23,664	21,494

(Lease transactions)

(Lessee side)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(A) Details of leased assets

(i) Tangible fixed assets

Mainly machinery, equipment and vehicles, etc.

(ii) Intangible fixed assets

Software.

(B) Depreciation method for leased assets

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

2. Operating lease transactions

Outstanding lease payments under non-cancelable operating leases

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
One year or less	1,665	1,662
More than one year	5,852	4,197
Total	7,518	5,860

(Lessor side)

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

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy for financial instruments

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

(2) Details of financial instruments and their risks

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

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

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

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

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

(3) Risk management system for financial instruments

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

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

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

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

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

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

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

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

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

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

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

Previous fiscal year (ended December 31, 2023)

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

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

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

(Units: millions of yen)

Category	Previous fiscal year
Unlisted shares	1,058
Investments in investment limited partnerships	125

Current fiscal year (ended December 31, 2024)

	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities and investment securities	5,326	5,311	(15)
Total assets	5,326	5,311	(15)
Long-term borrowings (including those to be repaid within one year)	15,499	15,480	(18)
Total liabilities	15,499	15,480	(18)

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

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

(Units: millions of yen))

Category	Fiscal year ended December 31, 2024
Unlisted shares	1,107
Investments in investment limited partnerships	113

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

Previous fiscal year (ended December 31, 2023)

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

Current fiscal year (ended December 31, 2024)

	Within 1 year (millions of yen)	More than 1 year but within 5 years (millions of yen)	More than 5 years but within 10 years (millions of yen)	More than 10 years (millions of yen)
Deposits	22,465	—	—	—
Notes and accounts receivable - trade	26,262	—	—	—
Electronically recorded monetary claims - operating	5,775	—	—	—
Securities and investment securities				
Held-to-maturity bonds				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	—	542	—	—
(3) Other	—	—	—	—
Other securities with maturity dates				
(1) Bonds (corporate bonds)	—	—	—	—
(2) Other	—	—	—	—
Total	54,502	542	—	—

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

Previous fiscal year (ended December 31, 2023)

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

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

Current fiscal year (ended December 31, 2024)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)
Short-term borrowings	21,279	—	—	—	—	—
Long-term borrowings	8,993	5,197	679	383	123	121
Total	30,273	5,197	679	383	123	121

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

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

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

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

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

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

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

Previous fiscal year (ended December 31, 2023)

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

Current fiscal year (ended December 31, 2024)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	2,715	—	—	2,715
Investment trusts	—	2,068	—	2,068
Total assets	2,715	2,068	—	4,784

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

Previous fiscal year (ended December 31, 2023)

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

Current fiscal year (ended December 31, 2024)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	—	526	—	526
Total assets	—	526	—	526
Long-term borrowings (including those to be repaid within one year)	—	15,480	—	15,480
Total liabilities	—	15,480	—	15,480

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

1. Securities and investment securities

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

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

2. Long-term borrowings

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

(Securities)

1. Trading securities

None.

2. Held-to-maturity bonds

Previous fiscal year (ended December 31, 2023)

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

Current fiscal year (ended December 31, 2024)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Bonds with fair value exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Bonds with fair value not exceeding the amount recorded on the consolidated balance sheet	(1) Government bonds, municipal bonds, etc.	—	—	—
	(2) Corporate bonds	542	526	(15)
	(3) Other	—	—	—
	Subtotal	542	526	(15)
Total		542	526	(15)

3. Other securities

Previous fiscal year (ended December 31, 2023)

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

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

Current fiscal year (ended December 31, 2024)

	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	2,715	1,211	1,504
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	781	696	85
	Subtotal	3,497	1,907	1,589
Securities for which the amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	—	—	—
	(2) Bonds			
	(A) Government bonds, municipal bonds, etc.	—	—	—
	(B) Corporate bonds	—	—	—
	(C) Other	—	—	—
	(3) Other	1,287	1,525	(238)
	Subtotal	1,287	1,525	(238)
Total		4,784	3,433	1,351

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

4. Other securities sold

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

Type	Amount sold (millions of yen)	Total gain on sale (millions of yen)	Total loss on sale (millions of yen)
(1) Shares	81	20	—
(2) Bonds			
(A) Government bonds, municipal bonds, etc.	—	—	—
(B) Corporate bonds	—	—	—
(C) Other	—	—	—
(3) Other	33	6	0
Total	114	27	0

5. Securities for which impairment losses were recorded

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

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

An impairment loss of 59 million yen (unlisted shares) was recorded for securities.

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

(Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans to provide for employee retirement benefits.

Certain consolidated subsidiaries participate in the Tokyo Yakugyo Corporate Pension Fund (a general multi-employer employee pension fund).

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

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

2. Defined benefit plans

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

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Retirement benefit obligations at the beginning of the fiscal year	8,354	7,940
Service costs	396	400
Interest costs	56	63
Amounts of actuarial gains and losses	(129)	81
Retirement benefits paid	(737)	(732)
Past service costs incurred	—	10
Switch from the simplified method to the principle method*	—	295
Balance of retirement benefit obligations at the end of the fiscal year	7,940	8,059

(Note) Itoki absorbed a consolidated subsidiary to which the simplified method is applied, and bore the retirement benefit obligations thereof.

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

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Balance of pension plan assets at the beginning of the fiscal year	6,564	6,577
Expected return on assets	72	102
Amounts of actuarial gains and losses	189	126
Employer contributions	66	69
Retirement benefits paid	(315)	(291)
Balance of pension plan assets at the end of the fiscal year	6,577	6,585

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

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Retirement benefit liabilities at the beginning of the fiscal year	782	767
Retirement benefit costs	156	96
Retirement benefits paid	(66)	(53)
Contributions to the plan	(105)	(48)

Increase due to the inclusion of a new company in the scope of consolidation	—	57
Switch from the simplified method to the principle method*	—	(281)
Retirement benefit liabilities at the end of the fiscal year	767	538

(Note) Itoki absorbed a consolidated subsidiary to which the simplified method is applied, and bore the retirement benefit obligations thereof.

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

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Retirement benefit obligations of funded plans	7,542	7,634
Pension plan assets	(6,954)	(6,984)
	587	649
Retirement benefit obligations of unfunded plans	1,542	1,362
Net liabilities and assets recorded in the consolidated balance sheet	2,130	2,012
Retirement benefit liability	3,821	3,821
Retirement benefit asset	(1,691)	(1,809)
Net liabilities and assets recorded in the consolidated balance sheet	2,130	2,012

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

(5) Retirement benefit costs and breakdown

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Service costs	396	400
Interest costs	56	63
Expected return on assets	(72)	(102)
Amount of actuarial gains and losses recorded as expenses	80	96
Amount of past service costs recorded as expenses	(15)	(14)
Retirement benefit costs calculated using the simplified method	156	96
Switch from the simplified method to the principle method*	—	14
Retirement benefit costs relating to defined benefit plans	602	553

(Note) Itoki absorbed a consolidated subsidiary to which the simplified method is applied, and bore the retirement benefit obligations thereof.

(6) Remeasurements of retirement benefit plans

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

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Past service costs	(15)	(25)
Actuarial gains and losses	400	141
Total	384	116

(7) Accumulated remeasurements of retirement benefit plans

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

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Unrecognized past service costs	67	42
Unrecognized actuarial gains and losses	(19)	122
Total	48	164

(8) Matters relating to pension plan assets

(A) Breakdown of major pension plan assets

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Bonds	28%	32%
Shares	14%	13%
Life insurance general accounts	47%	45%
Other	9%	7%
Total	100%	100%

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

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

(9) Matters related to the basis of actuarial calculations

Principal basis for actuarial calculations

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Discount rate	0.7% - 0.9%	0.8% - 1.0%
Expected rate of long-term returns	1.0% - 2.0%	1.0% - 1.7%

3. Defined contribution plan

Required contributions to the defined contribution plan by the Company and its consolidated subsidiaries were 434 million yen in the previous fiscal year and 455 million yen in the current fiscal year.

4. Multi-employer plan

Required contributions to the multi-employer plan, which is accounted for in the same manner as the defined contribution plan, were 35 million yen in the previous fiscal year and 31 million yen in the current fiscal year.

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

Tokyo Yakugyo Corporate Pension Fund (Units: millions of yen)

	Previous fiscal year As of December 31, 2023	Current fiscal year As of December 31, 2024
Amount of pension plan assets	178,035	186,018
Actuarial liabilities based on pension financing calculations	153,464	156,459
Difference	24,570	29,559

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

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

Current fiscal year 0.4% (from April 1, 2023 to March 31, 2024)

(3) Supplementary explanation

Tokyo Yakugyo Corporate Pension Fund

The main factors behind the differences in (1) above are the balance of unamortized past service obligations (6,167 million yen in the previous fiscal year and 5,197 million yen in the current fiscal year), deficit (6,221 million yen in the previous fiscal year and 0 million yen in the current fiscal year), and separate reserve (36,959 million yen in the previous fiscal year and 30,738 million yen in the current fiscal year).

The amortization period for past service obligations under the plan is 4 years and 10 months (as of March 31, 2024) with equal amortization of principal and interest.

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

(Tax effect accounting)

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Deferred tax assets		
Allowance for bonuses and accrued bonuses	1,284 million yen	979 million yen
Excess of allowance for doubtful accounts	198	95
Write-down of inventories	180	214
Accrued enterprise taxes	78	185
Unrealized profits	86	86
Carried-forward tax losses (Note) 1	1,513	1,185
Retirement benefit liability	1,506	1,494
Loss on valuation of investment securities	472	463
Asset retirement obligations	422	432
Impairment losses	350	282
Other	530	605
Subtotal of deferred tax assets	6,623	6,026
Valuation allowance for carried-forward tax losses (Note) 1	(1,513)	(1,139)
Valuation allowance for total future deductible temporary differences, etc.	(1,777)	(1,626)
Subtotal of valuation allowances	(3,291)	(2,766)
Total of deferred tax assets	3,332	3,260
Deferred tax liabilities		
Retirement benefit asset	(523)	(560)
Reserve for advanced depreciation of fixed assets	(392)	(390)
Land valuation differences	(272)	(272)
Valuation difference on other securities	(73)	(151)
Other	(294)	(281)
Total of deferred tax liabilities	(1,556)	(1,656)
Net amount of deferred tax assets	1,776	1,604

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

Previous fiscal year (ended December 31, 2023)

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

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

Current fiscal year (ended December 31, 2024)

	Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)	More than 5 years (millions of yen)	Total
Carried-forward tax losses (*1)	258	432	174	130	76	112	1,185
Valuation allowances	(216)	(428)	(174)	(130)	(76)	(112)	(1,139)
Deferred tax assets	41	4	—	—	—	—	(*2) 46

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

(*2) Deferred tax assets of 46 million yen were recorded for carried-forward tax losses of 134 million yen (obtained by multiplying the effective statutory tax rate). No valuation allowance is recognized for the portion of such carried-forward tax losses determined to be recoverable based on expected future taxable income.

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Entertainment expenses and other non-deductible items	6.7	2.6
Dividends received not taxable	(4.5)	(2.6)
Per capita inhabitant taxes	0.9	0.8
Tax exemptions	(2.6)	(4.4)
Change in valuation allowances	(3.3)	(1.3)
Amortization of goodwill	0.8	1.0
Difference in tax rates of consolidated subsidiaries	1.4	0.1
Other	(0.5)	1.5
Effective income tax rate after application of tax effect accounting	29.5	28.2

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheet

1. Overview of asset retirement obligations

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

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

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

3. Change in total amount of said asset retirement obligations

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Balance at beginning of the fiscal year	1,315 million yen	1,284 million yen
Increase due to acquisition of property, plant and equipment	49	49
Amount of adjustment due to passage of time	10	10
Decrease due to fulfillment of asset retirement obligations	(94)	—
Change due to changes in estimates	3	—
Balance at end of the fiscal year	1,284	1,343

(Rent and other real estate)

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

(Revenue recognition)

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

Based on the policy set in the Medium-term Management Plan, we have changed the segments to be reported in the current fiscal year. The details of the change in the segments to be reported are as mentioned in "(Segment information, etc.) [Segment information] 4. Items regarding the change in the segments to be reported, etc."

The information in the previous fiscal year was described based on the categories of the new segments to be reported.

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

(Units: millions of yen)

	Reportable segments			Other (Note)	Total
	Workplace Business	Equipment and Public Works-Related Business	Subtotal		
Time of transfer of goods or services					
Immediate	90,458	35,366	125,824	1,460	127,284
Fixed period	4,088	1,473	5,561	—	5,561
Revenue from contracts with customers	94,546	36,839	131,386	1,460	132,846
Other revenue	—	—	—	138	138
Sales to external customers	94,546	36,839	131,386	1,598	132,985

(Note) "Other" is for business segments not included in reportable segments. This includes the IT system-related business, etc.

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Reportable segments			Other (Note)	Total
	Workplace Business	Equipment and Public Works-Related Business	Subtotal		
Time of transfer of goods or services					
Immediate	100,622	33,368	133,991	1,452	135,443
Fixed period	1,638	1,204	2,842	—	2,842
Revenue from contracts with customers	102,261	34,572	136,833	1,452	138,286
Other revenue	—	—	—	173	173
Sales to external customers	102,261	34,572	136,833	1,626	138,460

(Note) "Other" is for business segments not included in reportable segments. This includes the IT system-related business, etc.

2. Fundamental information for understanding revenue

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

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

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

(Units: millions of yen)

	Previous fiscal year	Current fiscal year
Receivables arising from contracts with customers (balance at beginning of the fiscal year)	29,934	32,368
Receivables arising from contracts with customers (balance at end of the fiscal year)	32,368	32,037
Contract assets (balance at beginning of the fiscal year)	2,390	3,338
Contract assets (balance at end of the fiscal year)	3,338	3,015
Contract liabilities (balance at beginning of the fiscal year)	1,166	1,043
Contract liabilities (balance at end of the fiscal year)	1,043	713

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

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

(B) Transaction price allocated to remaining performance obligations

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

(Units: millions of yen)

	Previous fiscal year	Current fiscal year
Within one year	13,350	14,076
More than one year	1,012	2,073
Total	14,362	16,149

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

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

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

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

The workplace business segment manufactures and sells office desks and chairs, storage furniture, telework furniture, study furniture and other products, and provides office renovation and repair, assembly and construction, office space design and project management services such as office relocations. The equipment and public works-related business manufactures and sells logistics equipment, storage cabinets, research equipment and other equipment, and provides services for the environment and space construction of public facilities.

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

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

Intersegment profits and transfers are based on prevailing market prices.

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

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

(Units: millions of yen)

	Reportable segments			Other (Notes) 1	Total	Adjustments (Notes) 2	Amount recorded on the consolidated financial statement (Notes) 3
	Workplace Business	Equipment and Public Works Related Business	Subtotal				
Net sales							
Japan	82,863	36,466	119,330	1,460	120,790	—	120,790
Asia	11,220	177	11,397	—	11,397	—	11,397
Other	462	195	658	—	658	—	658
Revenue from contracts with customers	94,546	36,839	131,386	1,460	132,846	—	132,846
Other revenue	—	—	—	138	138	—	138
Sales to external customers	94,546	36,839	131,386	1,598	132,985	—	132,985
Intersegment sales or transfers	242	32	274	450	724	(724)	—
Subtotal	94,788	36,872	131,660	2,048	133,709	(724)	132,985
Segment profit	6,226	1,906	8,132	390	8,523	—	8,523
Segment assets	57,434	31,305	88,739	2,629	91,368	26,068	117,437
Other items (Notes) 4							
Depreciation	1,714	656	2,371	102	2,473	167	2,641
Increase in property, plant and equipment and intangible assets	3,065	449	3,514	73	3,588	119	3,707

(Notes) 1. "Other" is for business segments not included in reportable segments. This includes the IT system-related business, etc.

2. Adjustments are as follows.

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

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

3. Total segment profit is consistent with operating profit in the consolidated statement of income. Total segment assets

correspond to total assets in the consolidated balance sheet.

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Reportable segments			Other (Notes) 1	Total	Adjustments (Notes) 2	Amount recorded on the consolidated financial statement (Notes) 3
	Workplace Business	Equipment and Public Works Related Business	Subtotal				
Net sales							
Japan	90,308	34,184	124,493	1,452	125,945	—	125,945
Asia	11,635	234	11,869	—	11,869	—	11,869
Other	317	153	471	—	471	—	471
Revenue from contracts with customers	102,261	34,572	136,833	1,452	138,286	—	138,286
Other revenue	—	—	—	173	173	—	173
Sales to external customers	102,261	34,572	136,833	1,626	138,460	—	138,460
Intersegment sales or transfers	195	27	222	481	703	(703)	—
Subtotal	102,456	34,599	137,056	2,107	139,164	(703)	138,460
Segment profit	8,047	1,857	9,904	172	10,077	—	10,077
Segment assets	65,746	26,912	92,659	2,786	95,445	25,075	120,521
Other items (Notes) 4							
Depreciation	2,051	470	2,522	108	2,630	113	2,744
Increase in property, plant and equipment and intangible assets	6,310	867	7,178	123	7,301	305	7,607

(Notes) 1. "Other" is for business segments not included in reportable segments. This includes the IT system-related business, etc.

2. Adjustments are as follows.

(1) Adjustments to segment assets of 25,075 million yen include corporate assets that are not allocated to each reportable segment. Corporate assets mainly include the parent company's surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative departments such as the head office building.

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

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

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

4. Items regarding the change in the segments to be reported, etc.

Following the policy of the Medium-term Management Plan "RISE TO GROWTH 2026" announced on February 13, 2024, we revised the segments to be reported in the current fiscal year to the two segments "workplace business" and "equipment and public works-related business," while transferring the office sharing-related business from "IT and sharing business" to "workplace business." In addition, the IT system-related business was included in the category "Other."

The segment information in the previous fiscal year is based on the new segments to be reported.

[Related information]

Previous 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

Refer to "3. Information on amounts of 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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

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

Refer to "3. Information on amounts of 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

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

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

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

None.

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

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

(Units: millions of yen)

	Reportable segments			Other	Corporate and Eliminations	Total
	Workplace Business	Equipment and Public Works-Related Business	Subtotal			
Amortization during the fiscal year	222	6	228	23	―	252
Balance at end of the fiscal year	302	8	311	29	―	341

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Reportable segments			Other	Corporate and Eliminations	Total
	Workplace Business	Equipment and Public Works-Related Business	Subtotal			
Amortization during the fiscal year	333	6	339	23	―	363
Balance at end of the fiscal year	662	2	665	5	―	671

[Information on gains on negative goodwill by reportable segment]

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

None.

Current fiscal year (from January 1, 2024 to December 31, 2024)

None.

[Related party information]

Transactions with related parties

Transactions between company submitting consolidated financial statements and related parties

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

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

None.

Current fiscal year (from January 1, 2024 to December 31, 2024)

None.

(b) Officers and major shareholders (limited to individuals) of company submitting consolidated financial statements, etc.

Previous 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 transaction	Transaction amount (millions of yen)	Account	Balance at end of the fiscal year (millions of yen)
Officers and their close relatives	Yuriko Yamada	—	—	Spouse of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 0.6	Lease of land	Lease of land (Note 1)	1	—	—
	Riri Co., Ltd., President & Representative Director Yuriko Yamada	Setagaya-ku, Tokyo	1	Asset management company of Yuriko Yamada	0.8	Lease of houses	Lease of houses (Note 1)	15	Investments, other assets, and other (security deposits)	12
	Fumiko Ito	—	—	Sister-in-law of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 2.0	Lease of land and houses	Lease of land and houses (Note 1)	44	Investments, other assets, and other (security deposits)	34

(Notes) 1. The amount is based on the equivalent price with reference to the land rent in the area and paid in cash.

2. Riri Co., Ltd. has a majority voting rights held by a close relative of the Company’s Chairman & Representative Director, Masamichi Yamada.

Current fiscal year (from January 1, 2024 to December 31, 2024)

Type	Name of company, etc. or personal name	Location	Capital or investment (millions of yen)	Details of business or occupation	Percentage of voting rights, etc. owned (%)	Relationship with related parties	Details of transaction	Transaction amount (millions of yen)	Account	Balance at end of the fiscal year (millions of yen)
Officers and their close relatives	Yuriko Yamada	—	—	Spouse of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 0.5	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	0.7	Lease of houses	Lease of houses (Note 1)	15	Investments, other assets, and other (security deposits)	12
	Fumiko Ito	—	—	Sister-in-law of Masamichi Yamada, Chairman & Representative Director of the Company	(Ownership) Direct 1.5	Lease of land and houses	Lease of land and houses (Note 1)	44	Investments, other assets, and other (security deposits)	34

(Notes) 1. The amount is based on the equivalent price with reference to the land rent in the area and paid in cash.

2. Riri Co., Ltd. has a majority voting rights held by a close relative of the Company's Chairman & Representative Director, Masamichi Yamada.

(Per share information)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net assets per share (yen)	1,210.96	1,001.13
Net profit per share (yen)	130.29	147.02
Diluted net profit per share (yen)	111.28	—

(Notes) 1. For the current fiscal year, no diluted net profit per share is stated because there were no potential shares.

2. The basis for calculating net profit per share and diluted net profit per share is as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net profit per share		
Profit attributable to owners of parent (millions of yen)	5,905	7,183
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	5,905	7,183
Average number of common shares during the fiscal year (shares)	45,326,443	48,857,049
Diluted net profit per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (shares)	7,743,745	—
(Of which, stock acquisition rights (shares))	(7,743,745)	(—)
Summary of potential shares not included in the calculation of diluted net profit per share as they have no dilutive effect	—	—

3. The basis for calculation of net assets per share is as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Total net assets (millions of yen)	54,999	49,342
Amounts deducted from total net assets (millions of yen)	84	82
(Of which, stock acquisition rights (millions of yen))	(45)	(—)
(Of which non-controlling interests (millions of yen))	(39)	(82)
Net assets at the end of the fiscal year relating to common shares (millions of yen)	54,915	49,259
Number of common shares at the end of the fiscal year used in the calculation of net assets per share (shares)	45,348,263	49,204,132

(Significant events after the reporting period)

None.

(E) Supplementary consolidated statement

[Statement of corporate bonds]

Company name	Name of issue	Date of issue	Balance at beginning of the fiscal year (millions of yen)	Balance at end of the fiscal year (millions of yen)	Interest rate (%)	Collateral	Redemption date
Soua Co., Ltd.	1st unsecured corporate bond	September 30, 2019	— (—)	30 (14)	0.33	None	September 30, 2026
Subtotal	-	-	— (—)	30 (14)	-	-	-

(Notes) 1. Figures in parentheses represent redemption amounts within one year.
2. Scheduled redemption amounts in 5 years after the consolidated account closing date are as follows.

Within 1 year (millions of yen)	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)
14	16	—	—	—

[Statement of loans, etc.]

Category	Balance at the beginning of the fiscal year (millions of yen)	Balance at the end of the fiscal year (millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	8,487	21,279	1.1	—
Current portion of long-term borrowings	1,789	8,993	0.9	—
Lease obligations due within one year	455	391	—	—
Long-term borrowings (excluding those due for repayment within one year)	6,007	6,505	0.7	2026 - 2033
Lease obligations (excluding those due for repayment within one year)	570	726	—	2026 - 2030
Other interest-bearing liabilities Agent guarantee deposits, etc.	2,894	2,817	0.5	—
Total	20,205	40,715	—	—

(Notes) 1. The average interest rate is calculated based on the weighted average of the balances at the end of the fiscal year.
2. The average interest rate on lease obligations is not stated because lease obligations are recorded on the consolidated balance sheet as amounts prior to deducting the amount equivalent to interest included in the total lease payments.
3. The scheduled repayment amounts for long-term borrowings and lease obligations (excluding those due for repayment within one year) for the five years following the consolidated closing date are as follows.

	More than 1 year but within 2 years (millions of yen)	More than 2 years but within 3 years (millions of yen)	More than 3 years but within 4 years (millions of yen)	More than 4 years but within 5 years (millions of yen)
Long-term borrowings	5,197	679	383	123
Lease obligations	352	224	82	46

[Statement of asset retirement obligations]

This has been omitted because the information required to be presented in the statement is included in the notes to the consolidated financial statement as stipulated in Article 15-23 of the Regulations on Consolidated Financial Statements.

(2) Other

Semiannual information for the current fiscal year, etc.

	1st quarter of the fiscal year	Interim consolidated accounting period	Cumulative 3rd quarter of the fiscal year	Current fiscal year
Net sales (millions of yen)	40,918	72,510	102,123	138,460
Interim (quarterly) net profit before adjustments for taxes, etc. (millions of yen)	6,006	7,334	8,369	10,071
Interim (quarterly) net profit attributable to shareholders of parent (millions of yen)	4,101	5,086	5,800	7,183
Interim (quarterly) net profit per share (yen)	85.71	104.85	119.00	147.02

	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net profit per share (yen)	85.71	20.04	14.50	28.11

(Note) No review on the financial information for the cumulative third quarter of the fiscal year

2. Financial Statement, etc.

(1) Financial statement

(A) Balance sheet

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Assets		
Current assets		
Cash and deposits	12,511	9,577
Notes and accounts receivable - trade, and contract assets	*1, *4 20,649	*1, *4 20,988
Electronically recorded monetary claims - operating	3,079	4,310
Merchandise and finished goods	3,301	3,871
Work in process	1,114	1,410
Raw materials and supplies	2,149	2,332
Short-term loans	*1 1,253	*1 2,049
Other	*1 1,968	*1 1,798
Allowance for doubtful accounts	(408)	(873)
Total current assets	45,620	45,465
Non-current assets		
Property, plant and equipment		
Buildings	9,108	9,414
Structures	226	234
Machinery and equipment	1,250	1,339
Vehicles and transportation equipment	22	15
Tools, furniture and fixtures	836	1,179
Land	4,956	4,933
Leased assets	366	248
Construction in progress	100	256
Total property, plant and equipment	16,867	17,622
Intangible assets		
Software	524	1,221
Leased assets	71	30
Telephone subscription rights	80	80
Other	1,106	2,938
Total intangible assets	1,783	4,271
Investments and other assets		
Investment securities	5,171	5,935
Shares in associates	7,498	9,030
Other securities of associates	414	411
Long-term loans	*1 155	*1 50
Deferred tax assets	1,408	1,343
Insurance reserve fund	3,372	4,064
Security deposits	2,013	2,209
Prepaid pension costs	1,683	1,684
Other	677	495
Allowance for doubtful accounts	(526)	(142)
Total investments and other assets	21,868	25,083
Total non-current assets	40,518	46,977
Total assets	86,139	92,443

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Liabilities		
Current liabilities		
Notes payable	*1 1,495	-
Accounts payable - trade	*1 5,715	*1 5,375
Electronically recorded obligations - operating	*1 7,293	-
Short-term borrowings	*3 8,055	*3 20,220
Current portion of long-term borrowings	336	7,724
Lease obligations	216	118
Accounts payable — other	*1 534	*1 486
Accrued expenses	*1 4,578	*1 4,080
Income taxes payable	136	1,668
Accrued consumption taxes	917	646
Allowance for bonuses	2,531	1,796
Allowance for bonuses for officers	222	157
Allowance for loss related to competition laws	-	*7 154
Allowance for loss on voluntary recall of products	-	126
Allowance for product warranties	32	-
Allowance for loss on guarantees	41	-
Other	*1 616	*1 562
Total current liabilities	32,723	43,114
Non-current liabilities		
Long-term borrowings	*6 3,443	*6 4,220
Lease obligations	294	183
Allowance for retirement benefits	2,220	2,464
Allowance for loss on business of subsidiaries and associates	1,960	547
Allowance for loss on voluntary recall of products	83	83
Asset retirement obligations	1,224	1,247
Long-term guarantee deposits	*1 2,967	*1 2,877
Total non-current liabilities	12,193	11,623
Total liabilities	44,917	54,737

(Units: millions of yen)

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Net assets		
Shareholders’ equity		
Share capital	5,294	7,351
Capital surplus		
Capital reserve	10,832	12,890
Other capital surplus	30	-
Total capital surplus	10,862	12,890
Retained earnings		
Earned surplus reserve	881	881
Other retained earnings		
Dividend reserve	250	250
Reserve for advanced depreciation of fixed assets	1,079	1,079
Special reserve	12,230	12,230
Carried-over retained earnings	10,029	9,929
Total of other retained earnings	23,589	23,489
Total retained earnings	24,470	24,370
Treasury shares	(111)	(8,078)
Total shareholders’ equity	40,515	36,533
Valuation and translation adjustments		
Valuation difference on other securities	661	1,171
Total valuation and translation adjustments	661	1,171
Stock acquisition rights	45	-
Total net assets	41,222	37,705
Total liabilities and net assets	86,139	92,443

(B) Statement of income

(Units: millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net sales	*1 93,108	*1 97,826
Cost of sales	*1 56,700	*1 57,631
Gross profit	36,408	40,194
Selling, general and administrative expenses	*2 31,901	*2 33,301
Operating profit	4,507	6,893
Non-operating income		
Interest income	*1 12	*1 16
Dividend income	*1 869	*1 990
Reversal of allowance for doubtful accounts of associates	296	19
Other	*1 363	*1 310
Total non-operating income	1,542	1,336
Non-operating expenses		
Interest expenses	*1 69	*1 236
Commissions payable	150	170
Other	109	155
Total non-operating expenses	328	562
Ordinary profit	5,720	7,666
Extraordinary income		
Gain on sale of non-current assets	0	517
Gain on sale of investment securities	*3 200	*3 225
Gain on extinguishment of tie-in shares	483	2,717
Reversal of allowance for loss on business of subsidiaries and associates	-	612
Other	-	32
Total extraordinary income	685	4,106
Extraordinary losses		
Loss on sale of non-current assets	-	1
Loss on retirement of non-current assets	293	138
Loss on disaster	-	2
Loss on valuation of shares in associates	*4 537	*4 59
Provision of allowance for loss related to competition laws	-	*5 154
Allowance for loss on voluntary recall of products	-	126
Other	48	15
Total extraordinary losses	879	497
Net profit before tax	5,526	11,275
Income taxes — current	528	1,665
Income taxes — deferred	690	98
Total income taxes	1,218	1,763
Net profit	4,307	9,511

(C) Statement of changes in net assets

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

(Units: millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of the fiscal year	5,294	10,832	3	10,835
Changes during the fiscal year				
Dividends of surplus				
Net profit				
Purchase of treasury shares				
Disposal of treasury shares			27	27
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	-	-	27	27
Balance at end of the fiscal year	5,294	10,832	30	10,862

	Shareholders' equity					
	Retained earnings					
	Earned surplus reserve	Other retained earnings				Total retained earnings
		Dividend reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Carried-over retained earnings	
Balance at beginning of the fiscal year	881	250	1,079	12,230	7,397	21,837
Changes during the fiscal year						
Dividends of surplus					(1,675)	(1,675)
Net profit					4,307	4,307
Purchase of treasury shares						
Disposal of treasury shares						
Net changes in items other than shareholders' equity						
Total changes during the fiscal year	-	-	-	-	2,632	2,632
Balance at end of the fiscal year	881	250	1,079	12,230	10,029	24,470

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	(134)	37,832	283	283	45	38,161
Changes during the fiscal year						
Dividends of surplus		(1,675)				(1,675)
Net profit		4,307				4,307
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	23	50				50
Net changes in items other than shareholders' equity			377	377	-	377
Total changes during the fiscal year	22	2,682	377	377	-	3,060
Balance at end of the fiscal year	(111)	40,515	661	661	45	41,222

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at beginning of the fiscal year	5,294	10,832	30	10,862
Changes during the fiscal year				
Issuance of new shares - exercise of share acquisition rights	2,057	2,057		2,057
Dividends of surplus				
Net profit				
Purchase of treasury shares				
Disposal of treasury shares			(4)	(4)
Cancellation of treasury shares			(7,733)	(7,733)
Transfer from retained earnings to capital surplus			7,706	7,706
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	2,057	2,057	(30)	2,027
Balance at end of the fiscal year	7,351	12,890	-	12,890

	Shareholders' equity					
	Retained earnings					
	Earned surplus reserve	Other retained earnings				Total retained earnings
		Dividend reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Carried-over retained earnings	
Balance at beginning of the fiscal year	881	250	1,079	12,230	10,029	24,470
Changes during the fiscal year						
Issuance of new shares - exercise of share acquisition rights						
Dividends of surplus					(1,904)	(1,904)
Net profit					9,511	9,511
Purchase of treasury shares						
Disposal of treasury shares						
Cancellation of treasury shares						
Transfer from retained earnings to capital surplus					(7,706)	(7,706)
Net changes in items other than shareholders' equity						
Total changes during the fiscal year	-	-	-	-	(99)	(99)
Balance at end of the fiscal year	881	250	1,079	12,230	9,929	24,370

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	(111)	40,515	661	661	45	41,222
Changes during the fiscal year						
Issuance of new shares - exercise of share acquisition rights		4,115				4,115
Dividends of surplus		(1,904)				(1,904)

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Total valuation and translation adjustments		
Net profit		9,511				9,511
Purchase of treasury shares	(15,901)	(15,901)				(15,901)
Disposal of treasury shares	201	197				197
Cancellation of treasury shares	7,733	-				-
Transfer from retained earnings to capital surplus		-				-
Net changes in items other than shareholders' equity			510	510	(45)	464
Total changes during the fiscal year	(7,966)	(3,981)	510	510	(45)	(3,516)
Balance at end of the fiscal year	(8,078)	36,533	1,171	1,171	-	37,705

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Shares of subsidiaries and associates

Stated at cost using the moving average method

Other securities

Securities other than non-marketable equity securities

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

Non-marketable equity securities

Stated at cost using the moving average method

2. Valuation standards and methods for inventory assets

Merchandise and finished goods, work in process, raw materials and supplies are stated at cost determined by the weighted average method (balance sheet values are written down to their book values based on a decline in profitability)

3. Depreciation method for fixed assets

(1) Tangible fixed assets (excluding leased assets)

The declining-balance method is used.

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

The main useful lives are as follows.

Buildings: 8–50 years

Machinery and equipment: 11–17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is used.

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

(3) Leased assets

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

4. Standards for recording for allowances

(1) Allowance for doubtful accounts

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

(2) Allowance for bonuses

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

(3) Allowance for bonuses for officers

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

(4) Allowance for loss on guarantees

To provide for losses on guarantees of associates, a provision is made for the amount expected to be incurred in the future.

(5) Allowance for product warranties

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

(6) Allowance for retirement benefits

To provide for employee retirement benefits, an amount is recorded based on projected retirement benefit obligations and pension plan assets as of the end of the current fiscal year.

(A) Period attribution method for estimated retirement benefits

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

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

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

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

(7) Allowance for loss on voluntary recall of products

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

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

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

(9) Allowance for loss related to competition laws

To provide for losses associated with competition laws, an allowance for an estimated amount of losses is recorded.

5. Standards for recording of revenues and expenses

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

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

Sales of finished goods and merchandise are recognized at the amount expected to be received for the finished goods or merchandise, deeming the performance obligation to be satisfied at the point of delivery of said finished goods or merchandise based on the sales contract with the customer. Applying the alternative handling prescribed in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition," revenue is recognized upon shipment if the period from the time of shipment to the time when control of the finished goods or merchandise is transferred to the customer is a normal period of time for the sale of said finished goods or merchandise.

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

For product sales involving construction and construction services such as installation and interior finishing work, revenue is recognized based on the degree of progress toward satisfying performance obligations over a fixed period of time. The degree of progress is estimated by applying the percentage of costs incurred through the end of the current fiscal year to the total estimated costs of construction (input method). If the period between the transaction commencement date specified in a contract and the time when the performance obligation is expected to be fully satisfied is very short, the Company does not recognize revenue over a fixed period of time, but recognizes revenue when the performance obligation is fully satisfied.

6. Hedge accounting method

(A) Hedge accounting method

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

(B) Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts

Hedged items

Foreign currency-denominated trade payables and planned foreign currency transactions

(C) Hedging policy

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

(D) Methods of assessing the effectiveness of hedging

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

7. Other important matters for the preparation of financial statements

(A) Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized past service costs relating to retirement benefits differs from the method of accounting for these items in the consolidated financial statement.

(Significant accounting estimates)

Recoverability of deferred tax assets

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

Deferred tax assets	1,343 million yen

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

The same as described in “Notes (Significant accounting estimates)” in the consolidated financial statement.

(Changes in presentation)

(Statement of income)

“Provision for loss on guarantees” under “Non-operating expenses,” which was presented as a separate item in the previous fiscal year, is included in “Other” from the current fiscal year because it has become insignificant in terms of amount. The financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Provision for loss on guarantees” of 3 million yen, which was included in “Non-operating expenses” in the statement of income for the previous fiscal year, has been restated as “Other” of 109 million yen.

“Allowance for loss on business of subsidiaries and associates” under “Extraordinary losses,” which was presented as a separate item in the previous fiscal year, is included in “Other” from the current fiscal year because it has become insignificant in terms of amount. The financial statements for the previous fiscal year have been rearranged to reflect this change in presentation.

As a result, “Allowance for loss on business of subsidiaries and associates” of 34 million yen, which was included in “Extraordinary losses” in the statement of income for the previous fiscal year, has been restated as “Other” of 48 million yen.

(Balance sheet)

*1. Notes relating to associates

Major items included in each account other than those separately categorized are as follows.

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Short-term monetary receivables	2,026 million yen	3,641 million yen
Long-term monetary receivables	155	50
Short-term monetary obligations	5,499	1,239
Long-term monetary obligations	81	59

*2. Contingent liabilities

Guarantees are provided for the following associates' borrowings from financial institutions.

	Previous fiscal year (ended December 31, 2023)		Current fiscal year (ended December 31, 2024)	
NOVO WORKSTYLE CO., LTD.	413 million yen	(20 million yuan)	407 million yen	(18 million yuan)
	108 million yen	(0 million USD)	— million yen	(-million USD)
Itoki Modernform Co., Ltd.	— million yen	(-THB)	32 million yen	(7 million THB)
Tarkus Interiors Pte. Ltd.	11 million yen	((0 million SGD)	12 million yen	(0 million SGD)

*3. Loan commitment agreements

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

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Total amount of loan commitments	6,650 million yen	12,900 million yen
Outstanding loan balance	—	12,900
Difference	6,650	—

*4. Notes maturing at the fiscal-year end

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Notes receivable	127 million yen	8 million yen

*5. Discounted notes receivable

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Discounted notes receivable	301 million yen	956 million yen

*6. Syndicated term loan agreements

Notes are omitted because the same information is presented in "Notes (Consolidated balance sheet)" of the consolidated financial statement.

*7. Allowance for loss related to competition laws

As Itoki received administrative guidance (warning) from the Fair Trade Commission, we posted 154 million yen to provide for the payment of compensation for past labor to entrustees of distribution tasks.

(Statement of income)

*1. Volume of transactions with associates

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Volume of transactions with associates		
Net sales	3,493 million yen	4,136 million yen
Amount purchased	20,563	12,565
Volume of non-operating transactions	821	1,126

*2. The approximate percentage of expenses categorized as selling expenses was 31% in the previous fiscal year and 28% in the current fiscal year, and the approximate percentage of expenses categorized as general and administrative expenses was 68% in the previous fiscal year and 71% in the current fiscal year.

Major categories of selling, general and administrative expenses and their amounts are as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Employee salaries and allowances	10,415 million yen	12,067 million yen
Provision for allowance for bonuses	2,266	1,638
Provision for allowance for bonuses for officers	222	157
Retirement benefit costs	610	664
Depreciation	884	985
Provision for (reversal of) allowance for doubtful accounts	(5)	(0)

*3. Gain on sale of investment securities

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

This was due to the sale of a portion of the Company's investment securities holdings (two listed stocks and one unlisted stock) and a portion of shares in associates.

*4. Loss on valuation of shares in associates

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

Loss on valuation of shares of associates is a loss on valuation of shares of the consolidated subsidiaries ITOKI CHINA HOLDING Co., Ltd. and Itoki Malaysia Sdn. Bhd., as well as the associates Umebachiya Co., Ltd. and ArtPlace Inc.

Current fiscal year (from January 1, 2024 to December 31, 2024)

Loss on valuation of shares of associates is a loss on valuation of shares of the associates Stellar & Co. and ArtPlace Inc.

*5. Provision of allowance for loss related to competition laws

As Itoki received administrative guidance (warning) from the Fair Trade Commission, we posted 154 million yen to provide for the payment of compensation for past labor to entrustees of distribution tasks.

(Securities)

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

The fair value of stocks of subsidiaries and associates (value recorded on the balance sheet of 7,498 million yen) is not stated because shares of subsidiaries and associates do not have market prices, etc.

Current fiscal year (from January 1, 2024 to December 31, 2024)

The fair value of stocks of subsidiaries and associates (value recorded on the balance sheet of 9,030 million yen) is not stated because shares of subsidiaries and associates do not have market prices, etc.

(Tax effect accounting)

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Deferred tax assets		
Excess of allowance for doubtful accounts	286 million yen	310 million yen
Allowance for bonuses	901	630
Write-down of inventories	125	162
Accrued enterprise taxes	15	137
Allowance for retirement benefits	984	1,056
Loss on valuation of investment securities	413	394
Loss on valuation of shares in associates	2,576	2,583
Asset retirement obligations	396	407
Other	1,088	687
Subtotal	6,787	6,369
Valuation allowances	(4,284)	(3,865)
Total of deferred tax assets	2,502	2,504
Deferred tax liabilities		
Prepaid pension costs	(514)	(515)
Reserve for advanced depreciation of fixed assets	(258)	(258)
Valuation difference on other securities	(63)	(137)
Asset retirement obligations	(257)	(248)
Total of deferred tax liabilities	(1,094)	(1,160)
Net amount of deferred tax assets	1,408	1,343

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

	Previous fiscal year (ended December 31, 2023)	Current fiscal year (ended December 31, 2024)
Effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Entertainment expenses and other non-deductible items	11.9	1.1
Dividends received not taxable	(7.0)	(9.8)
Per capita inhabitant taxes	1.1	0.5
Change in valuation allowances	(6.4)	(3.5)
Special deduction for corporation tax	(2.4)	(3.2)
Transfer of carried-forward losses due to liquidation of a subsidiary	(5.4)	—
Other	(0.2)	(0.0)
Effective income tax rate after application of tax effect accounting	22.0	15.6

(Business combinations, etc.)

(Absorption-type merger of consolidated subsidiaries)

At a meeting of the Board of Directors held on January 29, 2024, the Company resolved to conduct an absorption-type merger, with Itoki Corporation as the surviving company and Itoki Engineering Service Corporation, a specified and wholly-owned subsidiary of the Company, as the dissolving company, and entered into a merger agreement on the same date. In accordance with this agreement, the Company merged with Itoki Engineering Service Corporation on July 1, 2024.

1. Purpose of the merger

The purpose of this Merger is to strengthen the Company's sales force and further enhance profitability by merging Itoki Engineering Service Corporation, which handles the construction and maintenance business, thereby rebuilding an integrated system for after orders are received.

2. Summary of the merger

(1) Merger schedule

Date of Board of Directors resolution:	January 29, 2024
Date of conclusion of merger agreement:	January 29, 2024
Effective date of merger:	July 1, 2024

(Note) The merger was a simplified merger as provided for in Article 796, Paragraph 2 of the Companies Act for the Company, and a short-form merger as provided for in Article 784, Paragraph 1 of the Companies Act for Itoki Engineering Service Corporation. Both of these procedures were carried out without obtaining approval at the General Meeting of Shareholders.

(2) Method of merger

This method is an absorption-type merger with Itoki Corporation as the surviving company, and Itoki Engineering Services Corporation has been dissolved.

(3) Allocation of shares, etc. in relation to the merger

The merger does not entail any allocation of shares or other monies.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in relation to the merger

None.

3. Merger status

There is no change in the Company's name, address, representative, type of business, capital stock, or fiscal year end as a result of this merger.

4. Summary of accounting procedures performed

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the business combination was accounted for as a transaction under common control.

In addition, a 2,717 million yen gain on extinguishment of tie-in shares resulting from this merger was recorded as extraordinary income.

(Revenue recognition)

The fundamental information for understanding revenue from contracts with customers is identical to that given in "Notes (Revenue recognition)" in the consolidated financial statement, so notes have been omitted here.

(Significant events after the reporting period)

(Absorption-type merger of consolidated subsidiaries)

At a meeting of the Board of Directors held on January 27, 2025, the Company resolved to conduct an absorption-type merger, with Itoki Corporation as the surviving company and Itoki All Steel Co., Ltd., a wholly-owned subsidiary of the Company, as the dissolving company, and entered into a merger agreement on the same date. The absorption-type merger (hereinafter referred to as the "Merger") will take place on January 1, 2026.

The Merger was a simplified merger as provided for in Article 796, Paragraph 2 of the Companies Act for the Company, and a shortform merger as provided for in Article 784, Paragraph 1 of the Companies Act for Itoki All Steel Co., Ltd. Both of these procedures were carried out without obtaining approval at the General Meeting of Shareholders.

1. Overview of the business combination

(1) Name of acquired company and its areas of business

Name of acquired company:	Itoki All Steel Co., Ltd.
Areas of business:	Manufacturing of storage furniture, counters, and tables

(2) Date of business combination

January 1, 2026 (scheduled)

(3) Legal form of business combination

Absorption-type merger, with the Company as the surviving company and Itoki All Steel Co., Ltd. as the dissolving company

(4) Other matters related to the overview of the transaction

(A) Purpose of the merger

Itoki decided to conduct this merger for the purpose of improving competitiveness and reducing costs further by establishing an optimal production system for the entire group through the absorption-type merger of Itoki All Steel Co., Ltd., which possesses the largest manufacturing capacity in the Itoki Group and manufactures products related to the workplace business.

(B) Allocation of shares, etc. in relation to the merger

Because the Merger is a merger with a wholly-owned subsidiary of the Company, it does not entail any allocation of shares or other monies.

2. Summary of accounting procedures

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the business combination will be accounted for as a transaction under common control.

(D) Supplementary statement

[Statement of tangible fixed assets]

(Units: millions of yen)

Category	Type of asset	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Amortization during the fiscal year	Balance at end of the fiscal year	Accumulated depreciation
Property, plant and equipment	Buildings	9,108	1,023	112	605	9,414	13,865
	Structures	226	34	0	26	234	915
	Machinery and equipment	1,250	370	1	279	1,339	8,061
	Vehicles and transportation equipment	22	10	0	17	15	86
	Tools, furniture and fixtures	836	872	93	435	1,179	5,857
	Land	4,956	—	22	—	4,933	—
	Leased assets	366	36	4	149	248	485
	Construction in progress	100	1,395	1,239	—	256	—
	Subtotal	16,867	3,743	1,475	1,513	17,622	29,272
Intangible assets	Software	524	998	2	299	1,221	
	Leased assets	71	—	3	37	30	
	Telephone subscription rights	80	0	0	—	80	
	Other	1,106	2,908	1,064	11	2,938	
	Subtotal	1,783	3,907	1,070	348	4,271	

(Note) 1. Major items accounting for the increase in the current fiscal year are as follows.

Other in intangible assets	Development of a mission-critical system	2,290	million yen
Buildings	Renovation of Nihonbashi Office	560	million yen

2. The increase in the current fiscal year includes the following increases due to the absorption-type merger of Itoki Engineering Service Corporation.

Buildings	4	million yen
Tools, furniture and fixtures	0	million yen
Vehicles and transportation equipment	0	million yen
Telephone subscription rights	0	million yen
Other in intangible assets	16	million yen

[Statement of allowances]

(Units: millions of yen)

Category	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of the fiscal year
Allowance for doubtful accounts	935	852	771	1,016
Allowance for bonuses	2,531	1,796	2,531	1,796
Allowance for bonuses for officers	222	157	222	157
Allowance for loss related to competition laws	-	154	-	154
Allowance for loss on voluntary recall of products	83	126	-	209
Allowance for product warranties	32	-	32	-
Allowance for loss on guarantees	41	-	41	-
Allowance for loss on business of subsidiaries and associates	1,960	-	1,413	547

(2) Details of major assets and liabilities

This is omitted due to the publication of the consolidated financial statement.

(3) Other

None.

VI. Outline of Share-Related Administration for the Submitting Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	In March
Record date	December 31
Record date for dividends of surplus	Year-end dividend: December 31 Interim dividend: June 30
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special account) Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd., 1-3-3, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Mizuho Trust & Banking Co., Ltd., 1-3-3, Marunouchi, Chiyoda-ku, Tokyo
Forward office	―――
Purchase and sales fee	An amount separately determined as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of public notice	Public notices shall be given by electronic means. However, if an accident renders it impossible to publish public notices electronically, or the event of any other unavoidable circumstances, public notices shall be made by means of publication in the Nihon Keizai Shimbun. URL for public notices: https://www.itoki.jp/en/company/ir/accounts/publicnotice/
Special benefits for shareholders	Shareholder benefit system 1. Subject shareholders Shareholders holding 5 trading lots (500 shares) or more written or recorded in the shareholder register of Itoki as of the end of June of each year 2. Details of the benefits Shareholders can choose any of the following A to D. A: Coupon code (30% discount) that can be used at the online shop (headquarters' site) of Itoki B: Package of original goods of Itoki (worth 3,000 yen) C: Donation to Green Fundraising Campaign (worth 3,000 yen) D: Tour to the head office in Nihonbashi (ITOKI TOKYO XORK) *The details are described in our website.

(Note) The Articles of Incorporation of the Itoki Corporation stipulate that a shareholder holding shares constituting less than one unit shall have no rights other than the rights specified in the items of Article 189 Paragraph 2 of the Companies Act, the right to make a demand as specified in Article 166 Paragraph 1 of the Companies Act, the right to receive an allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder, and the right to demand a transfer of shares constituting less than one unit.

VII. Reference Information on the Submitting Company

1. Information on the Parent Company, etc. of the Submitting Company

Itoki Corporation has no parent company, etc. as defined in Article 24 Paragraph 7 Item 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

Itoki Corporation submitted the following documents during the period from the commencing date of the fiscal year ended December 31, 2024 to the date of Securities Report submission.

(1) Securities Report and Appendices, and Written Confirmation

Fiscal Year (74th Term) (from January 1, 2023 to December 31, 2023) Submitted to the Director of the Kanto Local Finance Bureau on March 27, 2024.

(2) Internal Control Report and Appendices

Submitted to the Director of the Kanto Local Finance Bureau on March 27, 2024.

(3) Quarterly Securities Reports and Written Confirmation

(1st Quarter of 75th Term) (from January 1, 2024 to March 31, 2024) Submitted to the Director of the Kanto Local Finance Bureau on May 13, 2024.

(4) Report on revision to the Quarterly Securities Reports and Written Confirmation

(1st Quarter of 75th Term) (from January 1, 2024 to March 31, 2024) Submitted to the Director of the Kanto Local Finance Bureau on June 26, 2024.

(5) Interim Securities Reports and Written Confirmation

(Interim period of the 75th Term) (from January 1, 2024 to June 30, 2024) Submitted to the Director of the Kanto Local Finance Bureau on August 8, 2024.

(6) Extraordinary Report

An extraordinary report based on Article 19 Paragraph 2 Item 9-2 (Results of the exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on March 27, 2024.

An extraordinary report based on Article 19 Paragraph 2 Item 2-2 (Retirement of treasury shares as transfer-restricted shares) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on April 23, 2024.

An extraordinary report based on Article 19 Paragraph 2 Item 3 (Changes in specific subsidiaries) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on July 1, 2024.

An extraordinary report based on Article 19 Paragraph 2 Item 9-2 (Results of the exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs

Submitted to the Director of the Kanto Local Finance Bureau on March 26, 2025.

Part II Information Concerning Guarantors of the Submitting Company

Not applicable.

Independent Auditor’s Audit Report and Internal Control Audit Report

March 26, 2025

Itoki Corporation
Board of Directors

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toshiyuki Nishida
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryosuke Itami

Audit of Consolidated Financial Statements

Opinion

For the purpose of audit certification pursuant to the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Itoki Corporation provided in the “Status of Accounts” section in the Company’s Securities Report for the fiscal year from January 1, 2024 to December 31, 2024, namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, important matters that form the basis for the preparation of the consolidated financial statements and other notes and the supplementary consolidated statement.

In our opinion, the above consolidated financial statements present fairly, in all material respects, the financial position of Itoki Corporation and its consolidated subsidiaries as of December 31, 2024, and its consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the [Auditor’s Responsibilities for the Audit of Consolidated Financial Statements] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit and their consolidated subsidiaries, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets	
Key audit matter and reason(s) for decision	How the matter was addressed in the audit
Itoki Corporation's consolidated balance sheet for the current fiscal year records 1,945 million yen in deferred tax assets. As described in the [Notes (tax effect accounting)], the amount of deferred tax assets before offsetting against deferred tax liabilities was 3,260 million yen, and the amount recorded for Itoki Corporation, which constitutes a large majority of the total amount, is particularly significant. Among future deductible temporary differences and carried-forward tax losses, deferred tax assets are recognized to the extent that it is deemed they will reduce the future tax burden. With regards to whether or not such assets will have the effect of reducing the future tax burden, that is to say, the recoverability of deferred tax assets, while a judgment has been made based on the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Implementation Guidance on Accounting Standard for Revenue Recognition No. 26), the validity of such judgment depends on the suitability of the company classification and the estimate of taxable income before the addition or subtraction of temporary differences based on earnings power. Of particular note, while taxable income before the addition or subtraction of temporary differences is estimated as a foundation of the business plan, sales growth rate, which is a key assumption of the business plan, is subject to uncertainty, and the key judgments of management have a major impact on such estimates. Given the above, we determined that the validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets is particularly significant in the audit of consolidated financial statements for this consolidated fiscal year, and determined this to be a key audit matter.	The main procedures we embarked on in order to assess the validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets are as described below. ● With regards to company classification based on the Revised Implementation Guidance on Recoverability of Deferred Tax Assets, we compared the level of taxable income generated in the past and this fiscal year with the balance of future deductible temporary differences, and found the judgment of the Company to be suitable. ● Regarding the estimate for taxable income before the addition or subtraction of temporary differences used in the judgment on the recoverability of deferred tax assets, we looked into the compatibility with the business plan approved by the Board of Directors. ● Regarding the sales growth rate included in the business plan, we asked for evidence from management and the persons responsible for each business. Furthermore, we considered its suitability by looking into compatibility with the market growth rate forecasts of external research organizations while also comparing it with past sales growth rates and plan achievement levels.

Other Content

Other content included in the Securities Report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other content. In addition, corporate auditors and the Audit & Supervisory Board are responsible for overseeing the execution of duties by directors in the development and operation of the reporting process for other content.

The scope of our audit opinion is the consolidated financial statements and does not include any other content, and we do not express an opinion on any other content.

Our responsibility in the audit of consolidated financial statements is to read the other content and, in the course of reading, consider whether there is a material difference between the other content and the consolidated financial statements or the knowledge we have gained in the audit, and in addition to such significant differences, pay attention to whether there are other indications of material errors in the content.

If, on the basis of the work we have undertaken, we believe that there is a material error in other content, we are required to report the fact.

There are no matters to be reported by the auditor concerning other content.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes putting in place and ensuring the effective operation of the internal controls that management determines are necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the appropriateness of preparing consolidated financial statements on the premise of the Company remaining a going concern, and, if the disclosure of matters related to being a going concern is required in accordance with accounting principles generally accepted in Japan, management is responsible for disclosing such matters.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing directors' execution of duties relating to the establishment and operation of a financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and undertake the following.

・We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and draft and implement audit procedures in response to those risks. Procedure selection and application depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
・When performing risk assessment procedures, we investigate the internal controls relevant to the audit to draft audit procedures that are appropriate in the circumstances. However, the purpose of auditing consolidated financial statements is not express an opinion on the effectiveness of internal controls.
・We evaluate the appropriateness of accounting policies employed by management and their method of application, as well as the reasonableness of accounting estimates made by management and the associated notes.
・We draw conclusions on the appropriateness of management preparing consolidated financial statements on the premise of the Company remaining a going concern, and, based on the audit evidence obtained, determine whether a material uncertainty that may cast significant doubt on ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the notes for the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our audit report, but future events or conditions may render the Company unable to continue as a going concern.
・We evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
・In order to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries, which serves as the basis to express an opinion on the consolidated financial statements, we plan and implement audit on the consolidated financial statements. We are responsible for the direction, supervision and inspection of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Of the matters reported to the corporate auditors and the Audit & Supervisory Board, we decide upon the matters that were of most significance in the audit of the consolidated financial statements for the current fiscal year to be key audit matters and describe such matters in the audit report. However, should laws and regulations preclude public disclosure about the matters or should, in extremely rare circumstances, we determine that a matter should not be included in the report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of inclusion, the relevant matter shall not be included.

Audit of Internal Control Report

Opinion

For the purpose of audit certification, we have audited the internal control report of Itoki Corporation as at December 31, 2024, in accordance with Article 193-2 Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the above internal control report of Itoki Corporation, which states that the internal control over financial reporting was effective as at December 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the [Auditor's Responsibilities for the Audit of the Internal Control Report] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit and their consolidated subsidiaries, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an audit report that expresses our opinion on the internal control report based on our audit from an independent point of view.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process and undertake the following.

・We perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
・We evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
・In order to obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report, we plan and implement audit on the internal control report. We are responsible for the direction, supervision and inspection of the audit of the internal control report. We remain solely responsible for our opinion.

We report to corporate auditors and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, disclosable material weaknesses in internal controls identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Information on Remuneration

Information on remuneration for us and members of the same network as us from Itoki Corporation and its subsidiaries for audit certification services and non-audit services can be found in (3) Audits under [Corporate Governance, etc.] included in [Information on the Submitting Company].

Interests

Our firm and its engagement partners do not have any interest in Itoki Corporation and its consolidated subsidiaries that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the above audit report is kept separately by Itoki Corporation (the submitting company of the Securities Report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Audit Report

March 26, 2025

Itoki Corporation
Board of Directors

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toshiyuki Nishida
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryosuke Itami

Audit of Financial Statements

Opinion

For the purpose of audit certification pursuant to the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Itoki Corporation provided in the "Status of Accounts" section in the Securities Report for the 75th term covering the period from January 1, 2024 to December 31, 2024, namely, the balance sheet, the statement of income, the statement of changes in net assets, significant accounting policies, and other notes and the supplementary statement.

In our opinion, the above financial statements present fairly, in all material respects, the financial position of Itoki Corporation as of December 31, 2024, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the [Auditor's Responsibilities for the Audit of Financial Statements] section of our report. In accordance with the rules on professional ethics in Japan, we are independent of the companies we audit, and we fulfill all of our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of judgment concerning the recoverability of deferred tax assets	
Key audit matter and reason(s) for decision	How the matter was addressed in the audit
Itoki Corporation's balance sheet for the current fiscal year records 1,343 million yen in deferred tax assets. As described in the [Notes (tax effect accounting)], the amount of deferred tax assets before offsetting against deferred tax liabilities was 2,504 million yen. Among future deductible temporary differences and carried-forward tax losses, deferred tax assets are recognized to the extent that it is deemed they will reduce the future tax burden. With regards to whether or not such assets will have the effect of reducing the future tax burden, that is to say, the recoverability of deferred tax assets, while a judgment has been made based on the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Implementation Guidance on Accounting Standard for Revenue Recognition No. 26), the validity of such judgment depends on the suitability of the company classification and the estimate of taxable income before the addition or subtraction of temporary differences based on earnings power. Of particular note, while taxable income before the addition or subtraction of temporary differences is estimated as a foundation of the business plan, sales growth rate, which is a key assumption of the business plan, is subject to uncertainty, and the key judgments of management have a major impact on such estimates. Given the above, we determined that the validity of the judgment concerning the recoverability of deferred tax assets is particularly significant in the audit of financial statements for this fiscal year, and determined this to be a key audit matter.	In the audit report for consolidated financial statements, we determined the [Validity of Itoki Corporation's judgment concerning the recoverability of deferred tax assets] to be a key audit matter, and have described how the matter was addressed in the audit. Given that the details noted are in essence the same as the handling in the audit of financial statements, we have omitted specific details of how this matter was addressed in the audit here.

Other Content

Other content included in the Securities Report is information other than the consolidated financial statements and financial statements and their audit reports. Management is responsible for preparing and disclosing other content. In addition, corporate auditors and the Audit & Supervisory Board are responsible for overseeing the execution of duties by directors in the development and operation of the reporting process for other content.

The scope of our audit opinion is the financial statements and does not include any other content, and we do not express an opinion on any other content.

Our responsibility in the audit of the financial statements is to read the other content and, in the course of reading, consider whether there is a material difference between the other content and the financial statements or the knowledge we have gained in the audit, and in addition to such significant differences, pay attention to whether there are other indications of material errors in the content.

If, on the basis of the work we have undertaken, we believe that there is a material error in other content, we are required to report the fact.

There are no matters to be reported by the auditor concerning other content.

Responsibilities of Management, Corporate Auditors and the Audit & Supervisory Board for Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in Japan. This includes putting in place and ensuring the effective operation of the internal controls that management determines are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the appropriateness of preparing financial statements on the premise of the Company remaining a going concern, and, if the disclosure of matters related to being a going concern is required in accordance with accounting principles generally accepted in Japan, management is responsible for disclosing such matters.

Corporate auditors and the Audit & Supervisory Board are responsible for overseeing directors' execution of duties relating to the establishment and operation of a financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our responsibilities are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion on the financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and undertake the following.

・We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and draft and implement audit procedures in response to those risks. Procedure selection and application depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
・When performing risk assessment procedures, we investigate the internal controls relevant to the audit to draft audit procedures that are appropriate in the circumstances. However, the purpose of auditing financial statements is not express an opinion on the effectiveness of internal controls.
・We evaluate the appropriateness of accounting policies employed by management and their method of application, as well as the reasonableness of accounting estimates made by management and the associated notes.
・We draw conclusions on the appropriateness of management preparing financial statements on the premise of the Company remaining a going concern, and, based on the audit evidence obtained, determine whether a material uncertainty that may cast significant doubt on ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the notes for the financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our audit report, but future events or conditions may render the Company unable to continue as a going concern.
・We evaluate whether the overall presentation of the financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the notes thereto, and whether the financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We report to corporate auditors and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide corporate auditors and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, report to them all matters that may reasonably be thought to bear on our independence, and report the details of any action taken to eliminate obstruction factors or safeguards put in place to mitigate such factors to a tolerable level.

Of the matters reported to the corporate auditors and the Audit & Supervisory Board, we decide upon the matters that were of most significance in the audit of the financial statements for the current fiscal year to be key audit matters and describe such matters in the audit report. However, should laws and regulations preclude public disclosure about the matters or should, in extremely rare circumstances, we determine that a matter should not be included in the report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of inclusion, the relevant matter shall not be included.

Information on Remuneration

Information on remuneration can be found in the audit report for consolidated financial statements.

Interests

Our firm and its engagement partners do not have any interest in Itoki Corporation that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The original copy of the above audit report is kept separately by Itoki Corporation (the submitting company of the Securities Report).
2. XBRL data is not included in the scope of the audit.