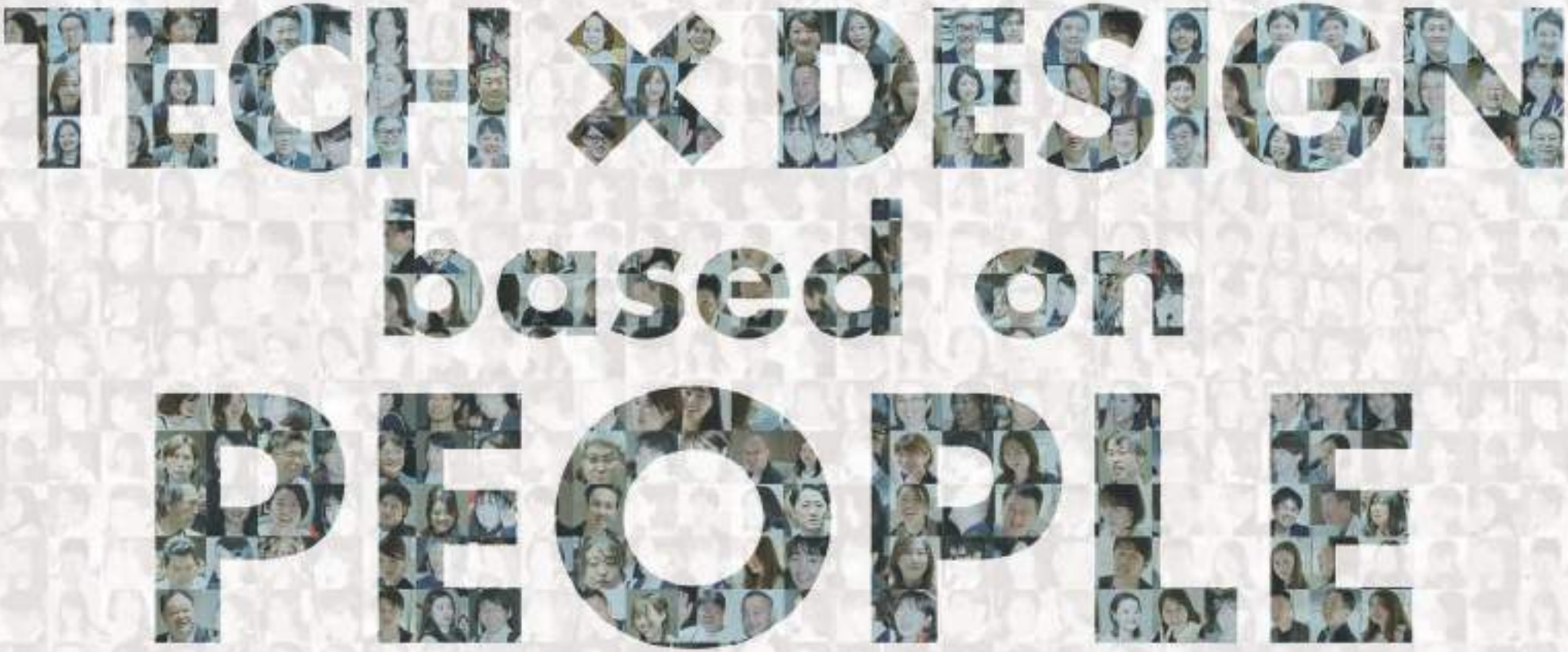
ITOKI

We Design Tomorrow. We Design WORK-Style.

Integrated Report

2024



Itoki Integrated Report 2024: Reading Guide

Q: How does Itoki create value?	Why does Itoki exist? What is its view of the world? What are its strengths and how can they be developed? What is the overall picture of Itoki's value creation and how does it define materiality? What vision does the top management have, and how will they steer Itoki towards its realization? The answers are summarized in a concise story.
Q: What plans are in place to achieve sustainable growth?	This section looks back on the medium-term management plan RISE ITOKI 2023 from Itoki's drastic reform phase, which was designed to overcome the difficulties of two consecutive years of losses and build a profitable business structure, and then provides a detailed description of the new medium-term management plan RISE TO GROWTH 2026, which is designed to enhance sustainable growth and transition to a high profitability phase.
Q: What specific business strategies will be implemented?	This section reviews Itoki's workplace business, which is its main pillar, and its equipment & public works-related business, which is a second pillar, and lays out our future direction, including the details of how we will implement the seven measures in the new medium-term management plan, guided by our mission statement: We Design Tomorrow. We Design WORK-Style.
Q: How does Itoki incorporate ESG into strengthening its management platform to support long-term growth?	This section details Itoki's unique measures aimed at addressing climate change, utilizing sustainable materials, and maximizing human capital, as well as its initiatives to enhance the effectiveness of governance, among other ESG topics.
Q: How will Itoki increase the value it provides to society, the value it receives in return, and its operating capital?	This section identifies the value Itoki provides to society through its business and corporate activities and the economic value gained as a result, and provides detailed information about the operating capital into which those outcomes were transformed.
Q: Where can I find short-term and long-term financial data and basic corporate data?	This section presents a variety of quantitative data, including an 11-year summary, quarterly data, materiality KPIs, and corporate data.

Editorial policy

This Itoki Integrated Report 2024 provides a comprehensive overview of the Itoki Group's corporate value and what the Group aims to achieve over the medium-to-long term from a financial and non-financial point of view. In producing this report, we made sure the overall picture of the Itoki Group's value creation process could be easily digested by longer-term investors and shareholders. Detailed information about our ESG initiatives can be found on our website.

Reporting scope

Main target audience: All stakeholders centering on shareholders and investors
Report coverage: Itoki Corporation, consolidated subsidiaries, and some subsidiary companies
Reporting period: Fiscal year 2023 (January 1 to December 31, 2023)
*Information about some activities before and after this period are also included.
Time of publication: September 2024
*Information linked to in this report is subject to deletion without notice.
*For detailed ESG data, please refer to our separate ESG Data Book 2024.
https://www.itoki.jp/company/sustainability/assets/pdf/esgdata2024.pdf

Main guidelines referenced

Environment Social Governance
Guidance for Collaborative Value Creation

International Integrated Reporting Framework (IFRS Foundation)
Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry)
Final Report of the Task Force on Climate-related Financial Disclosures (TCFD)
GRI Standards
Environmental Reporting Guidelines 2018 (Ministry of the Environment)

Forward-looking statements

The information presented in this report contains projections about the future and future forecasts based on the Itoki Group's plans. They reflect our assessments based on information available at the time of publication and involve risks, uncertainties, and other factors that may cause actual results and earnings to differ from those stated herein.

CONTENTS

03 VALUE CREATION AT ITOKI

03 Itoki's reason for existing (purpose)
04 Our office worldview
05 Strengths of the Itoki Group
06 Growth scenario
07 Value creation process
09 Corporate value and materiality
11 President's message
17 Message on financial and capital strategy from General Manager of Administrative Division
20 Responsible dialogue with stakeholders
21 Financial highlights
23 Non-financial highlights
25 External recognition

26 MEDIUM-TERM MANAGEMENT PLAN FOR ACHIEVING OUR VISION

27 Looking back on the previous medium-term management plan
28 New medium-term management plan
29 7 Flags overview and KPIs
30 Key areas of value provision and the Itoki Group's strengths
31 Message on Office 3.0 domain strategy
33 Special feature 1: Itoki's strengths
35 Special feature 2: *Chiekuri kaizen*
37 Special feature 3: Self-awareness for women and global human resource development
39 Long-term direction

41 BUSINESS STRATEGY

42 Message on management strategy from General Manager of Planning Division
43 Declarations of commitment from the managing executives of 7Flags
45 Business strategy
- 46 Overview of two business segments
- 47 Business domain
- 49 Workplace business
- 51 Equipment & public works-related business
- 53 Message on the production strategy
- 54 Message on the logistics strategy
- 55 Trends in the Office Market
- 56 Overseas strategy

57 MANAGEMENT PLATFORM STRATEGY

58 Message on DX strategy
59 Human capital management
- 59 Human resources strategy integrated with management strategy
- 60 Message on human resources strategy
- 61 Human capital management roundtable
- 63 Personnel system reform
- 64 Human capital investment
- 66 Measures

72 Intellectual property strategy
73 Message on quality assurance strategy
75 Value chain
76 ESG
- 77 Environment
- 87 Social
- 91 Engagement with stakeholders
- 92 Governance

106 FROM OUTCOMES TO CAPITALS

107 Social value we create and economic value we benefit from
108 Six capitals

110 DATA

111 Financial and non-financial data (previous 11 years)
112 Financial data (quarterly basis)
113 2023 Materiality KPIs and Performance
114 Editor's note
115 Corporate data



About the cover

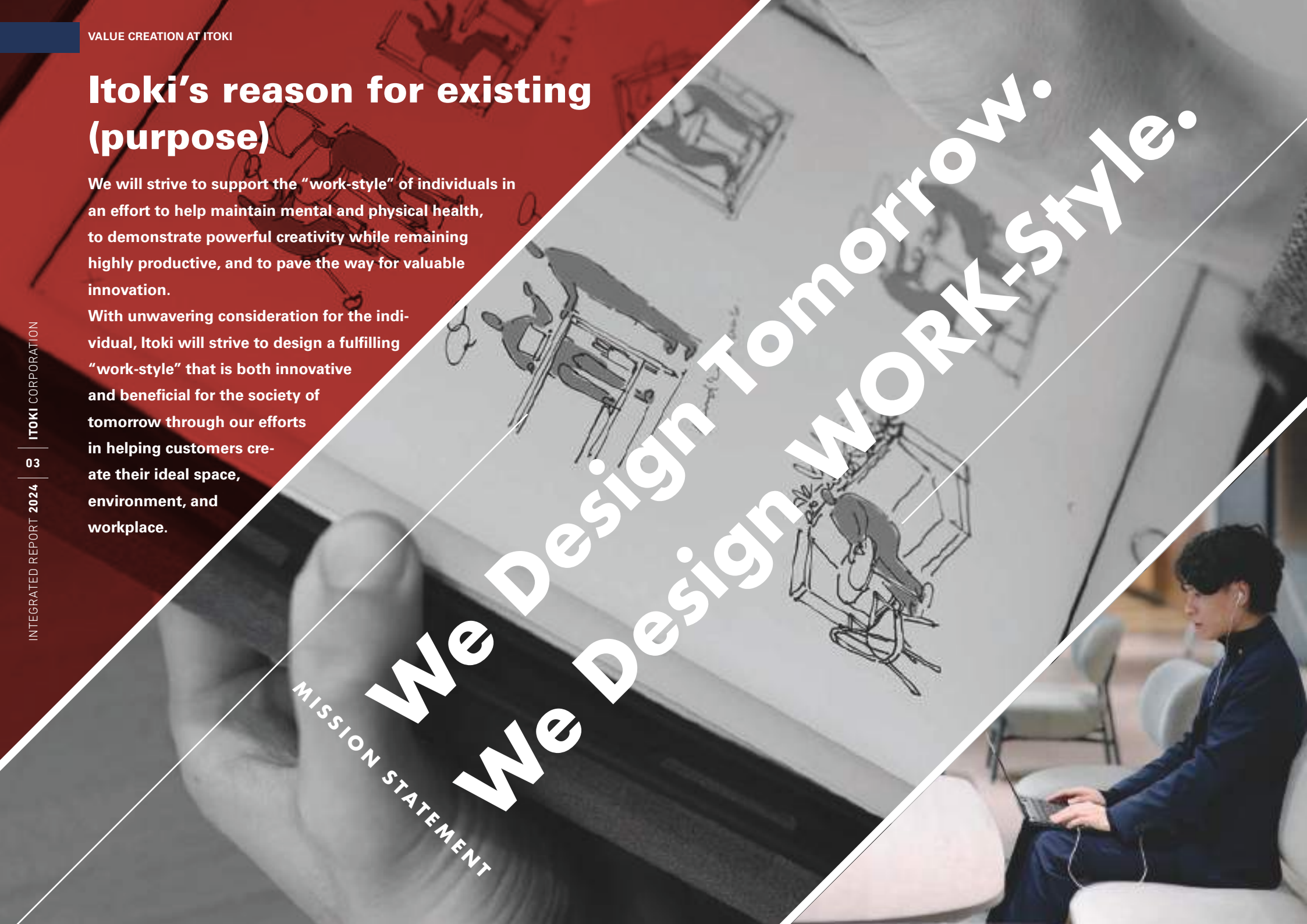
Our strength is Tech×Design based on PEOPLE.
The cover design features photos of our employees' faces to represent "based on PEOPLE."

Itoki's reason for existing (purpose)

We will strive to support the "work-style" of individuals in an effort to help maintain mental and physical health, to demonstrate powerful creativity while remaining highly productive, and to pave the way for valuable innovation.
With unwavering consideration for the individual, Itoki will strive to design a fulfilling "work-style" that is both innovative and beneficial for the society of tomorrow through our efforts in helping customers create their ideal space, environment, and workplace.

MISSION STATEMENT

We Design Tomorrow.
We Design WORK-Style.



Our office worldview

By combining our office 1.0 (product-based sales business), 2.0 (office space-based product solutions business), and 3.0 (work style-based office DX business) concepts, we seek to produce amazing work experiences and spaces and contribute to the creation of new working environments for client companies that even improve well-being and elements of productivity that cannot be measured in numerical terms.

OFFICE 3.0

Work style-based
office DX business

Fusion of office furniture and data:
Move away from just selling off office furniture to a recurring revenue-type data business model orientation

➡ For more information on our DX strategy, please visit our website.

ITOKI OFFICE A/BI SERVICE

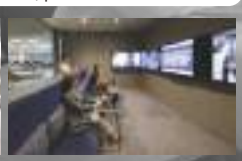


OFFICE 2.0

Office space-based
product solutions business

ABW (Activity Based Working) consulting services

➡ For more information on ABW, please visit our website.


Data-driven office operation support

• Spatial design
• Work style consulting

OFFICE 1.0

Product-based
sales business







Differentiated new product lines

Strengths of the Itoki Group

We will strive to support the "work-style" of individuals to demonstrate powerful creativity and pave the way for valuable innovation.
With unwavering consideration for the individual, Itoki will strive to design a fulfilling "work-style" that is both innovative and beneficial for the society of tomorrow through our efforts in helping customers create their ideal space, environment, and workplace.



TECH

Manufacturing technology
Know-how and experience
Data-driven

DESIGN

Product
Interior
UX (user experience)

PEOPLE

Pride
Motivation
Professional

Please refer to page 30 for further details.

Growth scenario

The new medium-term management plan RISE TO GROWTH 2026 seeks to enter a high profitability phase by giving top priority to strengthening sustainable growth.
It is a bold step into the future that expresses Itoki's strong will for further growth and development.
We will continue to take on challenges by leveraging our strengths in Itoki's various PEOPLE-supported technologies and designs that appeal to the sensibilities of our customers, or in other words, Tech × Design based on PEOPLE, which will be the source of our medium- to long-term growth.

➡ For more information on RISE TO GROWTH 2026, please visit our website.

Drastic reform phase

Build a profitable business structure
2021-2023

RISE ITOKI 2023

High profitability phase

Increase sustainable growth potential
2024-2026

RISE TO GROWTH 2026

Expansion and creation phase

New Itoki
Establish new value
2027-2029

VISION STATEMENT

Vibrant People, Beautiful Planet.

Value creation process

Recognize megatrends

Identify risks and opportunities

Conversion to capital

CAPITALS

Financial capital	Operating income: **8.5** billion yen ROE: **11.3**%
Human capital	Employee engagement survey results*: **74.7**% *Positive response rate for "pride" Ratio of female managers: **10.3**%
Manufactured capital	Capital expenditure: **3.7** billion yen Consolidated: **11** plants
Intellectual capital	Number of patents held: **768** *Number of patents held is as of the end of 2022 R&D expenses: **2.7** billion yen
Social and relationship capital	Number of office layout proposals: **10,000** Number of suppliers: **1,024**
Natural capital	CO_2 emissions: **242,324** t-CO_2 Water usage: **78,132** m³

*The figures listed under CAPITALS are actual results for fiscal 2023.

BUSINESS ACTIVITY

New medium-term management plan

RISE TO GROWTH 2026

Strategy: 7Flags

OFFICE 1.0 Product-based sales business > OFFICE 2.0 Office space-based product solutions business > OFFICE 3.0 Work style-based office DX business

Strengths

Tech × Design based on PEOPLE

Value chain

R&D ▶ Procurement & Production ▶ Sales & Distribution ▶ Disposal & Recycling

Materiality

Make society and its people happy

Make the company and its employees happy

Management platform (DX Corporate governance Security Compliance Risk management)

DNA Pioneering spirit

Please refer to pages 108–109 for more details on CAPITALS.

Regarding organizational assets, please refer to pages the sections on human capital (p. 59–71), intellectual capital (p. 72), and DX (p. 58).

➡ For more information on DX strategy and security, please visit our website.

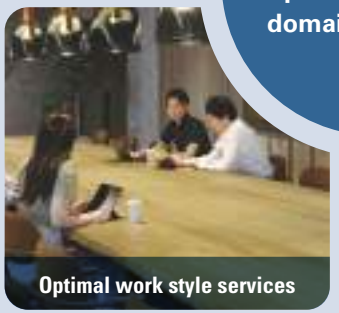
Value creation process

MISSION STATEMENT We Design Tomorrow. We Design WORK-Style.

OUTPUT



- Workplace domain
- Specialized facility domain





OUTCOME

Economic value

FY2026 targets

Sales
150.0 billion yen

Operating income
14.0 billion yen

ROE
15%

Social value

FY2026 targets

Number of office layout proposals
10,000 (per year)

Employee engagement survey results*
85% *Positive response rate for "pride"

Ratio of female managers
13%

VISION STATEMENT

Vibrant People, Beautiful Planet.

Corporate value and materiality

In order to solve the various issues enveloping the workplace and to "make society and people happy" and "make the company and its employees happy," we have identified our materiality, or key issues. Materiality and key themes are reviewed from time to time in response to stakeholder expectations and requests, as well as changes in the external environment.

Materiality revision process

2018: Identification of Itoki's materiality

The materiality that had been in place since 2018 were based on ISO 26000 and other international guidelines, social issues, and also interviews with stakeholders. We isolated and mapped out a wide range of issues, including those related to ESG, taking into account both risks and opportunities, and even referred to the opinions of external experts whilst engaging in a process of internal discussions to evaluate and identify them.

2022: Review of materiality

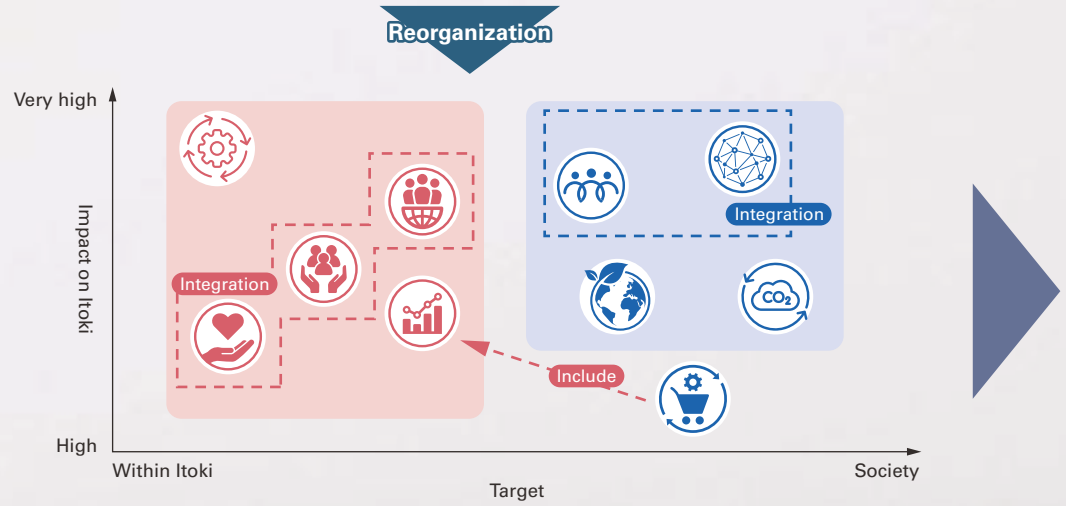
We revised our materiality in 2022 in order to contribute to solving social issues that change year by year, such as the significant change in work styles due to the COVID-19 pandemic, and the increasing importance of human capital management, DX, and climate change action. As part of the examination process, we engaged in dialogue with the management team and organized key themes into two broad groups of materiality issues: "make society and people happy" (aimed at creating value for society) and "make the company and its employees happy" (aimed at improving Itoki's corporate value).

2024: Reorganization of materiality

In conjunction with the formulation of the new medium-term management plan RISE TO GROWTH 2026, we re-deliberated Itoki's materiality with the management team, clarified the positioning of materiality as something that looks beyond the three-year medium-term management plan, and refocused the issues to be addressed through our corporate activities from 10 key themes to 6 key themes.

Furthermore, from the perspective of integrating sustainability into management, we significantly reorganized the materiality KPIs that had previously been set. We narrowed down the items subject to KPI management to a few key points on which greater emphasis can be placed, with the idea that the medium-term management plan is a concrete strategy for solving issues of high importance from a long-term perspective (materiality), and that progress on materiality should be equated with progress on the medium-term management plan.

Make society and its people happy	Make the company and its employees happy
Key themes	Key themes
Creating an appealing work style and workplace	Safeguarding employee mental and physical health
Creating innovation by combining technology with space	Support employee growth
Helping build a carbon-neutral society	Creating offices that allow diverse human resources to excel
Safeguarding the natural environment and promoting recycling of resources	Sustainably improve profitability
Responsible procurement in both human rights and environmental terms	Ensuring transparent, reliable management



Materiality and the 7 Flags and ESG strategies under the new medium-term management plan

The key themes of materiality represent the long-term vision of Itoki, and serve as the foundation of our business activities. The specific strategies for achieving these key themes are the 7 Flags and ESG strategies set forth in the new medium-term management plan. The materiality and the new medium-term management plan are closely linked as shown below.

Please refer to pages 28 and 29 for an overview of the new medium-term management plan and 7Flags as well as KPIs.
Please refer to page 113 for materiality KPIs and performance for 2023.

Itoki's Materiality and Key Themes

—Looking beyond the three-year medium-term management plan—

Make society and its people happy

- **Create workstyles and workplaces where people can work enthusiastically**
- **Contribute to the preservation of the ecosystem by promoting resource recycling**
- **Contribute to the creation of a carbon-neutral society**

Make the company and its employees happy

- **Support employee growth and create an office where diverse talent can work comfortably**
- **Sustainably improve profitability**
- **Establishing transparent and reliable management**

New medium-term management plan 7Flags + ESG strategy

1	For new ways of working and the office spaces that implement those ways of working, Strengthen value-added proposals and secure a base for sales and profits
2	With the IoT of office furniture and spatial sensing, develop services that provide optimal working styles and office spaces
3	In the areas of logistics facilities and research facilities allocate resources to development and engineering to develop it into the second pillar of our business
4	By restructuring the group's production and supply system and revamping the company's internal IT infrastructure, Improve production and business efficiency
5	Through structural reform projects implemented by Itoki alone we will spread our success stories to group companies and pursue group synergy
6	With personnel system reform at the core, encourage proactive and proactive "creativity and ingenuity"
7	From a medium- to long-term perspective, plan and implement growth strategy investments, employee returns, and shareholder returns
E	Contribute to creating a society with zero negative impact on the ecosystem under the "ITOKI Ecosystem Initiative toward 2050—Living in Harmony with Nature"
S	Contribute to maximizing human capital by disseminating the Company as a demonstration site for "work" environment investment and promoting work style design in the main business
G	Restructure the management base from a parent company perspective to a consolidated perspective to improve Group-wide governance

President's message



Koji Minato
Representative Director and President

Contribute to maximizing the value of human capital in the world by leveraging our strengths in "Tech × Design Based on PEOPLE"

V-shaped recovery driven by an upward spiral

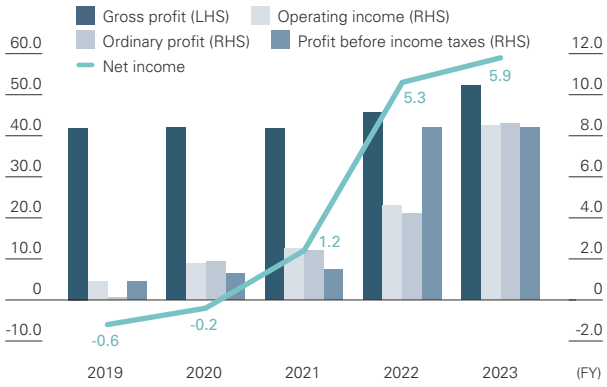
Fiscal 2023 marked the final year of our three-year RISE ITOKI 2023 medium-term management plan, and we delivered record performance in sales as well as all profit lines.

During this three-year period, we followed a policy of firmly carrying out the PDCA cycle every month and rigorously pursuing operating income, by setting KPIs for our fiscal 2023 targets as part of the structural reform project and executing our plan as a top priority. This is because our net loss in fiscal 2019 and fiscal 2020 was attributed not to a slowdown in sales, but to prioritizing market share, which led us to engage in price competition at the expense of profits. To break this trajectory, we removed sales targets from performance assessments and shifted the mindset of our sales departments toward chasing profits. The effects of this change have been noticeable, with operating income steadily improving each year and reaching ¥8.5 billion in fiscal 2023, up from ¥1.7 billion in fiscal 2020. The effective value of operating income before deducting strategic spending exceeded ¥10 billion, and I believe that our efforts over the past three years have proven to be a success. Furthermore, these achievements are reflected in our stock price, with our P/B ratio coming in well over 1x.

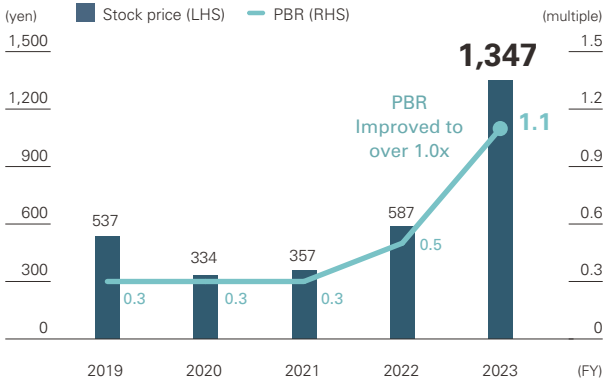
However, what I was most delighted with were the results of the employee engagement survey. The affirmative response rate to the question, "Do you feel proud to work for Itoki?" reached 75% in fiscal 2023, up from 40% in fiscal 2019. This increase indicates that employee motivation and loyalty are on the rise. I believe that our V-shaped recovery was the result of an upward spiral built on this employee engagement.

When I look back and think about what the responsibilities of a president are, I see three main points: Presenting a bright future, setting a slightly stretched goal, and inspiring employees to work toward that goal. I will continue to fulfill this role steadily and with determination.

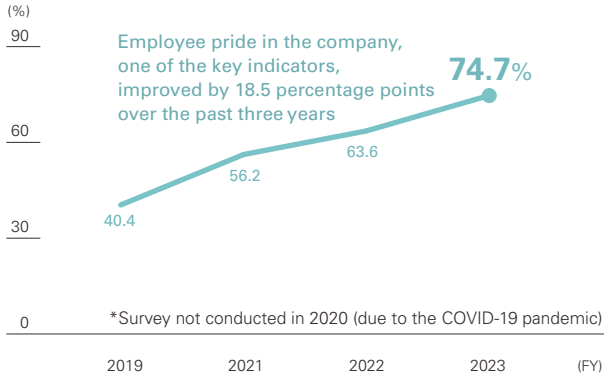
Business performance (billions of yen)



Stock price and P/B ratio



Employee engagement survey results





Redefining strengths and creating an office that lasts forever

We described our unique strength as "Tech × Design" until last year, but we redefined this to "Tech × Design based on PEOPLE" because it is our professional employees who underpin this strength.

With regard to design, we added about 30 space designers over the past three years (currently about 160 space designers). We are bolstering our system for including Itoki office fixtures in design specifications from the upstream, with the aim of creating office designs that intuitively motivate employees to work. Furthermore, we are developing a generative AI tool specializing in office design in collaboration with Akari Inc. that will help shorten the time required for design, which has traditionally taken a minimum of one month. This measure is aimed at enabling designers to focus more on creative work by leveraging AI.

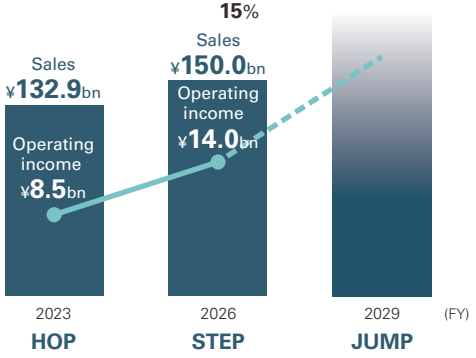
Meanwhile, we will enhance our consulting services that leverage data collected from the office to make agile proposals with the aim of making the established office even more productive. The major difference between the earnings structure of an IT company and Itoki is that our business operates under a non-recurring model, where reliably predicting future earnings is difficult. Accordingly, we are looking to shift to a recurring model by incorporating data-driven services. Going forward, we will launch our Data Trekking service in February 2024 as the first step of our shift. Based on the ITOKI OFFICE A/BI PLATFORM, which integrates Itoki data with customer data, we will gradually enhance various services. By doing this, we aim to expand Itoki's business domain, change the competitive norms, and transform the industry.

Please refer to pages 31 and 32 for details on OFFICE A/BI PLATFORM.

➡ Please visit our website for details on DX strategy.

Medium-term management plan numerical targets

Sales	**¥150.0**bn
Operating income	**¥14.0**bn
Operating income margin	**9**%
ROE	**15**%



Going from the drastic reform phase to the high profitability phase

While we achieved substantial results under the RISE ITOKI 2023 plan, our operating margin of 6.4% is still below the 8% level generated by the competitors that we benchmark, and I believe that we still have some way to go with our structural reforms. In addition, we have been focused on drastic reforms for Itoki (parent) and have not started on reforms for consolidated management. "Backcasting" on these issues, we positioned the newly formulated RISE TO GROWTH 2026 medium-term management plan as a high profitability phase, and formulated seven key strategies we call the "7 Flags." Broadly speaking, the 7 Flags are organized around earnings, costs, human resources, and finances. By steadily implementing these strategies, we aim to achieve sales of ¥150 billion, operating income of ¥14 billion, and an operating margin of 9% three years from now in fiscal 2026, along with an ROE of 15%, which would position us as an industry leader.

Please refer to pages 27 and 28 for details on RISE ITOKI 2023 and RISE TO GROWTH 2026.

Securing earnings

With regard to earnings, the business environment has changed dramatically. Looking back to before the COVID-19 pandemic, there was a strong correlation between the supply of new office space and the Workplace Business, but now a correlation is stronger between the demand for office renovation and the Workplace Business. Last year, the number of visitors to our showrooms tripled compared to fiscal 2021, and of those visitors, the number of executive visits quadrupled. The ratio of personnel costs to facility costs in central Tokyo is said to be 10:1, and there is some interesting data showing that for the same amount of money, office investment is 10 times more effective than spending on personnel. In fact, as working from home has become more commonplace since the COVID-19 pandemic, we have received an endless stream of inquiries, for example, about using the money saved from reducing office space from 10 floors to 7 floors to renovate an office into one that employees would want to come to. In the Workplace Business, we expect this situation to continue for at least the next three years.

In the Equipment & Public Works-Related Business, we expect the SAS automated sorting equipment to grow substantially as automation and labor savings have become the trend amid a labor shortage, particularly in warehouse facilities. We will also push forward with establishing a maintenance business, which we expect will come in demand along with this trend. In addition, we are seeing an increase in inquiries in the research facility domain, which our Group company Dalton is involved in. We have been capturing a certain amount of demand to date, albeit small, and plan to expand this business and grow the Equipment & Public Works-Related Business into the second pillar of the Company.

Over the next three years, we intend to firmly boost earnings in our base businesses and firmly prepare for the leap in fiscal 2027 by making solid investments in AI/IoT and new businesses based on our reputation for delivering safe and reliable product quality.

Please refer to page 16 for details on personnel and facility costs.

Please refer to pages 49 to 52 for details on business strategy.

Please refer to page 72 for details on intellectual property strategy.

Substantial room for streamlining costs

There is still plenty of room for cost reductions by reviewing our production and supply system and internal business processes. Regarding our production and supply system, 9 of our 11 plants in Japan make steel furniture, but the market for this product is already mature. This is not about closing factories in a single step, but rather we need to consider how and where we can manufacture which items most efficiently, including by expanding licensed production and OEM production. In addition, although we currently make everything up to the final product at the plants, we are examining whether we can reduce logistics costs by assembling parts in warehouses or somewhere closer to the customer. Thus, the level of cooperation between the production and logistics departments and the degree to which they can work together to streamline the supply chain will be the key to success.

With regard to business processes, we will revamp our old business system that we have used for 20 years as part of our IT/DX strategy and put a fully cloud-based core system into operation. This will accelerate our streamlining efforts, and we expect to see the benefits of these efforts in the second half of this year. Furthermore, we will horizontally roll out the structural reform project that we carried out at Itoki (parent) to group companies, which account for nearly 30% of consolidated sales, as well as create cost synergies by strengthening cooperation within the Group.

Please refer to pages 53 and 54 for details on production and logistics strategies.

Please refer to page 58 for details on DX strategy.

Shifting focus from equality to fairness

With regard to human capital management, we implemented a new HR system in April based on the idea that employees are the driving force of the Company. There are three key terms in the new system that highlight our objectives, consisting of "Professional" to strengthen our expertise, "Pay for Performance" to reward hard work, and "Retention" to encourage employees to continue to work at Itoki with pride. At the



root of these three terms is our desire to create a culture where each employee can work proactively and positively to advance their careers. In addition to the management track, we will firmly commit to professional development in particular, making sure that specialized professionals in the same grade as managers receive the same treatment as managers.

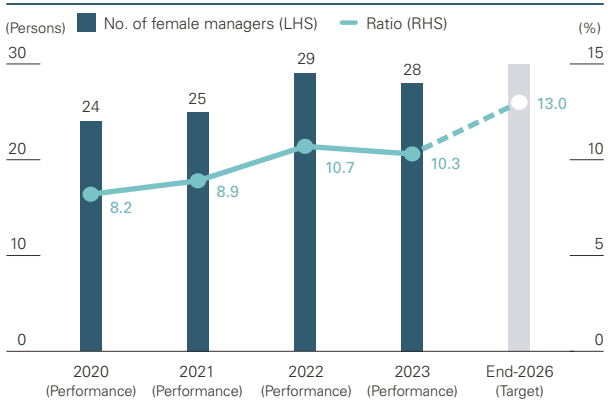
To date, Itoki's culture has emphasized organizational success as a virtue. This is because companies were able to grow by having employees follow instructions in the days when the formulas for success were set. As a result, the atmosphere was dominated by the belief that harmony should not be disrupted and that equality was important. However, in times of rapid change, there is no set formula for success, and we must move forward while trying different things. I believe that individuals with the spirit of taking on challenges should courageously lead those around them. Hence, Itoki will shift focus from equality to fairness. Equality is when people get the same assessment even if they don't work hard, and fairness is when those who work hard get the assessment they deserve. It is my fundamental unwavering belief that people with a positive attitude achieve positive results. To this end, we are strengthening internal communication and focusing on supporting employees to ensure that everyone in the Company knows who is working hard and performing well. At the end of 2023, we ran an ad highlighting individuals as the "face of Itoki" for five days in a row in the Nikkei and other newspapers as part of our human capital management efforts.

Please refer to pages 59-71 for more information on human capital management.

Becoming a company where diverse talent takes on challenges

Work-life management and diversity are major themes in human capital management. When I joined Itoki, women accounted for 8% of management positions, but we expect this to rise to 13% by 2026. This is still far from a figure we can be proud of, but I was surprised when a consultant from an engagement research company told me that the "women are really proactive" at our Company. In fact, women are very proactive in the sales department and we are seeing more and more women joining the Company. The SPLi community for the advancement of women is also lively, and we will continue to focus on developing female leaders, so the ratio of women in management positions should naturally rise. Furthermore, we are also reinforcing our benefits program using a company-recommended matching app in response to the social trend of dual income couples that are both involved in parenting.

Female managers



At the same time, we will also work to secure engineers as an important management priority. This is because demand is growing for equipment in warehouses and research facilities, and each one is unique, but the shortage of engineers is creating a bottleneck. Accordingly, we will work to integrate and strengthen coordination of engineering functions throughout the Group, and will also set KPIs for securing new human resources. However, since AI and IT engineers are in short supply, we figured that it would be difficult to secure these engineers in Japan alone, so we entered into a partnership with the Hanoi University of Science and Technology in Vietnam and agreed to accept 10 interns every year. The university has produced highly talented human resources in the fields of AI and mechanical engineering, and since we have an abundance of promising talent who can incorporate AI into our business, we will reskill and develop them while leaving AI development to specialized talent to enhance our overall DX human resources.

In parallel with these efforts, last year we launched a community called ITOKI Global Initiative "API" to create more opportunities for interaction between our employees in Japan and overseas. Currently, employees from our subsidiary in Singapore are participating in this initiative, but we have also added new members from the Hanoi University of Science and Technology, and we hope that this will deepen interaction among diverse personnel and promote a culture of taking on challenges both in Japan and overseas.

Please refer to pages 37 and 38 for more information on activities to promote the empowerment of women and global human resource development.

Management conscious of cost of capital and stock price

With respect to cash allocation over the next three years, we plan to allocate ¥40 billion to strategic investments, R&D, and capital expenditures, based on the assumption that we will generate ¥65-75 billion in cash, more than three times the amount we generated during the RISE ITOKI 2023 plan period. In addition, although we have executed a record-high wage increase in anticipation of the hard work of our employees, we intend to allocate ¥10 billion for human capital investment, including measures to further improve engagement, with the remaining cash going toward shareholder returns. As for our dividend payout ratio, we will gradually increase it to 40%, taking into account our cash position and financial situation. For fiscal 2024, we expect sales to rise 3.4% year-on-year to ¥137.5 billion and operating income to increase 17.3% year-on-year to ¥10.0 billion.

As an outsider who has been entrusted with the management of the Company, I believe that my lifeblood is the stock price. The stock price is said to be a reflection of a company's future prospects, so a rising stock price gives us the courage and energy to push through with bold reforms. In the past, Itoki had a period of repeatedly making downward revisions to forecasts every year. With regard to forecasts, I want to ensure that there are no negative surprises, so I will thoroughly implement quarterly management and meticulously execute the PDCA cycle. As for the cost of shareholders' equity, one institutional investor told me it would be around 7%, but I believe it to be a little higher at 9-10%.

Please refer to pages 17-19 for cost of capital conscious management and cash allocation.

Contributing to a Zero Negative Impact Society

Since Itoki is a company built on the blessings of nature, we will continue to focus on the key themes of contributing to the preservation of the ecosystem by promoting recycling of resources and contributing to the creation of a carbon-neutral society as part of our materiality to promote sustainable management. Of course, CO_2 emission reduction targets are important, but what we want to focus on more than anything else are the fundamental initiatives to achieve the target. We would like to focus more on what we do, such as our steady energy-saving activities at the plants, our ongoing overseas donations of used office furniture, and using various types of waste materials to create novelties.

In addition, at the central research facility established last year, we are researching ways to use recycled materials and



replace plastic with non-plastic materials while also extending the useful life of products. We will continue to contribute to a recycling-oriented society by using these efforts as a roadmap for the future of our Company's environmental initiatives.

Please refer to pages 77-83 for information on environmental initiatives and promotion of resource recycling.

Governance that delegates and examines results

With the understanding that we have various governance issues, we established a Corporate Governance Division in fiscal 2024 as a Group-wide cross-functional organization under the direct supervision of the President. Furthermore, I believe that a company should be governed by making a clear distinction between executive and supervisory functions. On the other hand, I basically delegate responsibilities and take a hands-off approach, deciding only on the broad framework of strategies, but leaving it up to executives to decide how to contribute to and pursue performance within that framework, and looking at the results rather than monitoring the execution.

I believe that the biggest problem with a management approach that integrates execution and supervision is that it creates an escape where people can simply say they acted at the direction of the president, which blurs the lines of responsibility and discourages people from taking ownership and initiative. This leads to a widespread tendency toward complacency, driving people to neglect obvious waste and

inefficiencies, which in turn lowers employee engagement, reduces respect for compliance, and leaves the organization in a state of decline. I believe this is the worst thing that can happen, so we implement a results-oriented governance system in which I set the general framework, delegate responsibility, and examine the results.

In addition, we have set an employee engagement score target of 85% for fiscal 2026 so each executive officer understands the importance of engagement and is asked to make a monthly presentation on the status of initiatives to improve the score for the divisions they are responsible for.

Please refer to pages 92-105 for more information on governance.

Toward establishing the Shin Itoki long-term vision

In our mainstay Workplace Business, we have declared that we will create offices that make people want to come to work, but our ultimate goal is to boost productivity, not to improve attendance. Some say white-collar productivity is extremely low in Japan. Itoki's mission is "We Design Tomorrow. We Design WORK-Style." and what this conveys is our desire to become a company that is fully dedicated to improving the productivity of Japan's companies, whose business itself contributes to maximizing the value of society's human capital. Furthermore, our long-term ambition is to firmly create a Japanese model that integrates office furniture and data and take it overseas. With this determination, we will promote our 7 Flags growth strategy for the next three years. In the next medium-term management plan, which we position as the expansion and creation phase, we would like to establish a "Shin Itoki" that creates value with a robust recurring business model that can leap ahead in each of the Office 1.0, 2.0, and 3.0 domains, underpinned by our strengths in "Tech × Design based on PEOPLE."

Representative Director and President



➡ Please visit our website for a video interview of President Minato.

Personnel costs: Facility costs

Investing in facilities and motivating employees incorporates leverage and is more efficient than raising personnel costs.

Personnel costs VS Facility costs

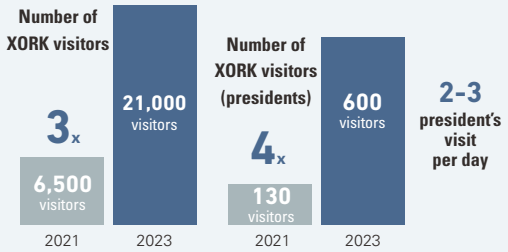
Investments in facilities come in at about one-tenth of personnel costs, and investing in the "1" provides a better return on investment than investing in the "10."



<Approach> Facility cost comes out to ¥1,440,000 per person per year, based on an office in Marunouchi with a monthly rent of ¥40,000 per tsubo and a space requirement per person of 3 tsubo (¥40,000 × 3 tsubo × 12 months). Assumes personnel costs of ¥12,000,000 per employee for a company with offices in Marunouchi (average salary of ¥8,000,000, plus social insurance premiums, etc.).

Changing the mindset toward office investment

Office investment has shifted from a cost center to a human capital investment, and is increasingly being viewed by executives as a management priority that needs to be addressed.



*Renovated 12th floor of XORK in 2022; and 13th floor in 2023
*Numbers are estimates
*XORK is the name of Itoki's Tokyo headquarters, which is a showroom and an actual office.

Benefits of office investment contributing to human capital management

Office investments have a positive impact on various KPIs, including engagement, recruitment, and perceived productivity toward business performance.

Internship application rate*1
HR data
+40%

Acceptance rate for mid-career recruitment*2
HR data
+10%

Turnover rate of employees in their 20s and 30s*2
HR data
-40%

Change in engagement ("Pride")*2
Comparison of engagement survey between renovated and non-renovated offices
+10%

Positive impact on business performance (comparison between renovated and non-renovated sites)*2
+10%

Perceived productivity*3
Percentage of respondents who answered, "I am highly productive at work."
+44%

*1 Graduates in 2024 vs. 2025 *2 2022 vs. 2023
*3 Comparison between 2017 (before relocation) and results of Riesman Survey conducted in June 2022 (after relocation in 2019 and renovation in 2022)

➡ Please visit our website for a video of XORK.



Yoshiaki Moriya
Director and Managing Executive Officer
General Manager of Administrative Division

Message on financial and capital strategy from General Manager of Administrative Division

Aiming to establish the strongest financial position in Itoki's history toward 2026

Thanks to the impact of the structural reform project and other measures, Itoki has achieved record-high figures across the board from net sales to net income in fiscal 2023. We will work to bolster our financial position by executing the new medium-term management plan.

Review

In fiscal 2023, which marked the end of the previous medium-term management plan, we achieved record-high figures across every line from net sales to net income, substantially surpassing our earnings forecast. In particular, the effective value of our operating income, excluding strategic expenses, reached ¥10.0 billion. Our performance is characterized by deliberate expense allocation to human capital investments, enhanced personnel costs, expanded education and training, and concentrated investment in renovation of our own offices, which directly ties into higher productivity and engagement. Specifically, our office investments have yielded substantial results (please refer to page 16) and are being used for our office creation proposals. This performance was largely the result of the structural reform project initiated three years ago. Enhancing profitability in areas such as sales, production and supply, asset efficiency, building materials, new product development, HR initiatives, and DX strategy have resulted in a more robust earnings base. In particular, we were able to optimize asset efficiency as part of our financial and capital strategy by thoroughly managing our balance sheet through selling off non-operating assets and reducing strategic shareholdings. The improvement of our "earnings power" as demonstrated by our enhanced operating income is sustainable, and we expect growth to continue going forward. The project with Advantage Advisors was a success and helped strengthen our finances, including through the share buyback executed at the time of their exit. To further improve our earnings and financial base, we will work to streamline Group-wide assets, reduce the time required to close the books, enhance forecasting accuracy, improve our cash conversion cycle, promote ROIC by business, and restructure our business portfolio under the new medium-term management plan. Through these measures, we aim to achieve sustainable growth while bolstering our competitiveness.

Medium-term management plan

Cost of capital conscious management and business portfolio

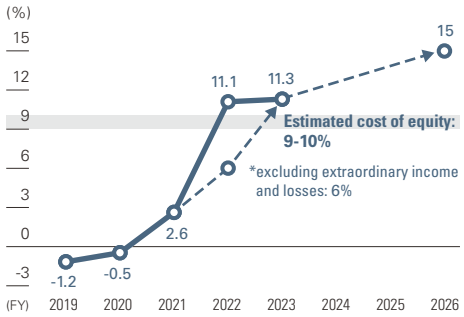
Actions to achieve cost of capital and stock price conscious management

As part of the new medium-term management plan, we are further promoting our financial and capital strategy and stepping up our cost-of-capital and stock price conscious management. To achieve industry-leading performance, which is one of our goals, we steadily implemented measures to improve our P/B ratio based on our structural reform project in response to the Tokyo Stock Exchange's request for the timely disclosure of policies last year. As a result, our P/B ratio has improved, standing at well over 1x.

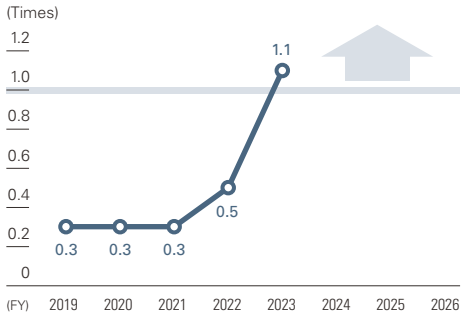
For the first time, we disclosed our estimated cost of equity at 9-10%. There are many approaches and no fixed way to calculate this figure. We have set a tight hurdle rate, taking into account the fact that we are effectively debt free. Although some external parties have indicated that they believe our cost of capital to be lower, we have set a tight hurdle rate internally with the aim of expanding our equity spread. I am grateful for the opinions from investors and analysts, as well as the stewardship of our shareholders, and we will continue to focus on gaining a fair valuation by improving our forecast accuracy and providing disclosures. The 7 Flags and ESG strategies under our medium-term management plan leading to 2026 are systematic components for improving our P/B ratio, and I can describe all of our strategies from a financial perspective. We aim to establish the strongest financial position in Itoki's history by fulfilling our medium-term management plan and implementing best practices.

Financial and capital strategy from General Manager of Administrative Division

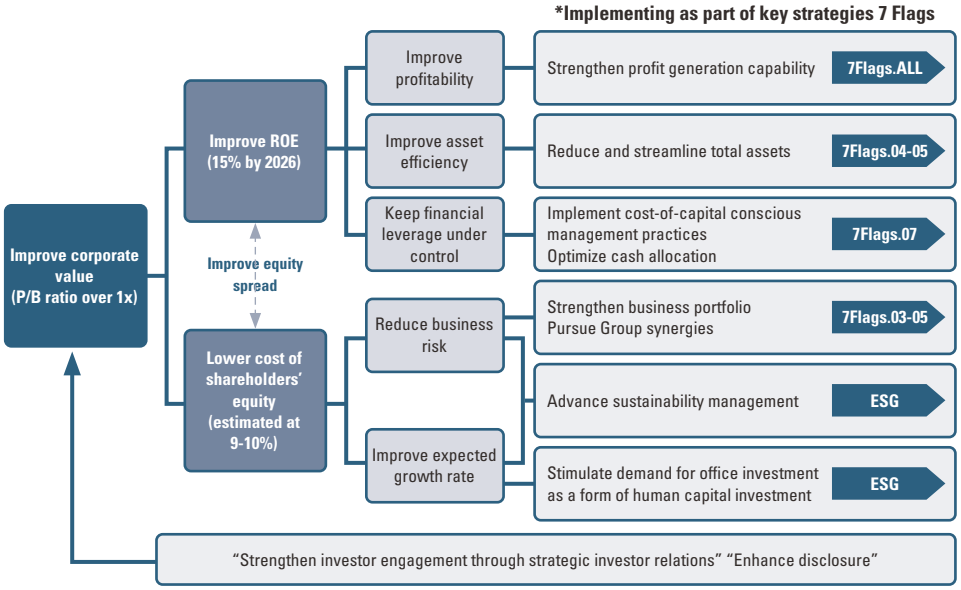
ROE



P/B ratio



Initiatives to improve ROE and lower the cost of shareholders' equity



Relationship between P/B ratio, ROE, and cost of equity

$$\text{PBR} = \text{ROE} \times \text{PER} = 1 + \frac{\text{(Equity spread)}\ \text{ROE} - \text{Cost of capital}}{\text{Capital cost} - \text{Retained earnings ratio} \times \text{ROE}}$$

Medium-term management plan

Cash allocation, shareholder returns

Systematic execution of growth strategy investment, employee returns, and shareholder returns from a medium- to long-term perspective

Based on the understanding that we have entered a new phase in our business and our financial and capital strategy, we formulated a cash allocation plan outlining how much of our capital will be allocated to strategic investments, human capital investments, and shareholder returns.

We estimate that we will generate a total of ¥65 to ¥75 billion in capital over the three-year period, and plan to allocate ¥25 billion for strategic investment, including M&A, ¥5 billion for R&D, ¥10 billion for capital investment, and ¥10 billion for human capital investment, while looking into flexibly carrying out share buybacks and aiming for a dividend payout ratio of 40%.

For capital investment, we use weighted average cost of capital (WACC) as our internal hurdle rate and evaluate return on investment using ROIC. Going forward, we aim to expand the use of ROIC by company and by business*.

Our ROE target in our medium-term management plan is set at 15%, and improving net profit margin is particularly important among the three components that drive ROE. We will work to improve the operating income margin by executing our 7 Flags key strategies.

(*Please refer to pages 21 and page 111 for ROIC and ROA by business.)

There has been almost no change in the sales mix of two businesses in our portfolio for the final year of the medium-term management plan. However, we plan to raise the profit mix of the Workplace Business, which accounts for 70% of consolidated sales, by about 7 percentage points by enhancing profitability (please refer to page 46).

In terms of income statement and balance sheet management, we will manage our leverage appropriately while targeting a shareholders' equity ratio of approximately 40%. To achieve this target, we will improve gross profit and gross margin by shifting away from a sales-oriented performance assessment method to one that pursues gross profit, reduce costs and assets through production and logistics reforms, and boost asset turnover by streamlining our assets.

Our policy is to retain working capital equivalent to about one to two months of monthly sales. Furthermore, strategic shareholdings currently account for less than 4% of shareholders' equity, and we will reduce these holdings based on a comprehensive assessment of the rationale for holding them in order to improve capital efficiency, enhance our financial position, and generate free cash flow. This time around, we clearly allocated ¥10 billion over three years toward human capital investment to be invested in the working environment, education, and engagement. This is based on the understanding that employees are the main drivers of corporate growth and that enhancing human capital is crucial for medium- to long-term growth.

In particular, to enhance human capital as part of our financial and capital strategy, we will develop and supply professional accounting personnel, upgrade our internal controls by systematically strengthening our three-way audits, and improve our asset management as a professional facility management company. The office will be transformed from a cost center into an investment, which will help boost our engagement score. In addition to making the office into a place that boosts productivity and health while enticing employees to visit, we expect to further develop its prospects, such as making it a place that encourages learning in order to reskill employees and train them to be professional.

Our basic policy for shareholder returns is to provide continuous and stable dividends as a key management priority. In addition, we will implement a dividend policy with a target dividend payout ratio of 40%, taking into consideration consolidated performance.

In fiscal 2023, our initial dividend forecast was ¥25 per share, from which we raised the dividend twice, by ¥7 and ¥10 per share, bringing the total dividend to ¥42 per share for a dividend payout ratio of 32.2%. Furthermore, for fiscal 2024, we raised our dividend forecast by ¥10 per share to an ordinary dividend of ¥52 per share for a dividend payout ratio of 36.1%.

In recent years, we have paid stable dividends without reducing our ordinary dividend, even when net profit came under pressure. In accordance with the above policy, we will continue to provide shareholder returns that benefit shareholders by aiming to achieve a dividend payout ratio of 40% as soon as possible, as well as implementing capital policies such as share buybacks that contribute to medium- to long-term corporate value, while comprehensively taking into account our enhanced profitability and financial situation.

Strategic investment/R&D/Capital investment (including strategic spending)

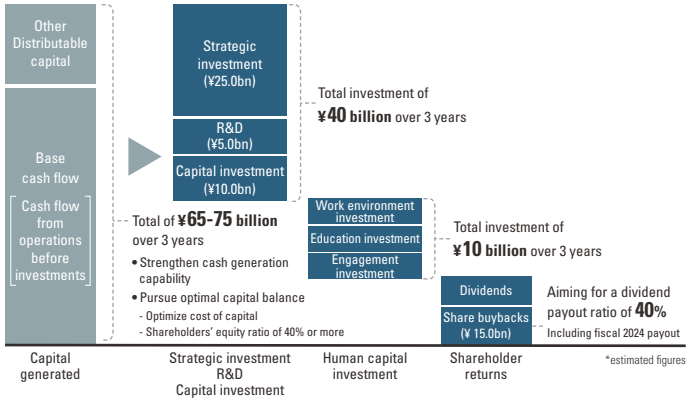
Strategic investment	Development investment, DX investment, and M&A for new business and business expansion
R&D	Research and testing expenses for R&D division
Capital investment	Installation/renewal of facilities to optimize production, new product molds, and other infrastructure investments, etc.

Human capital investment

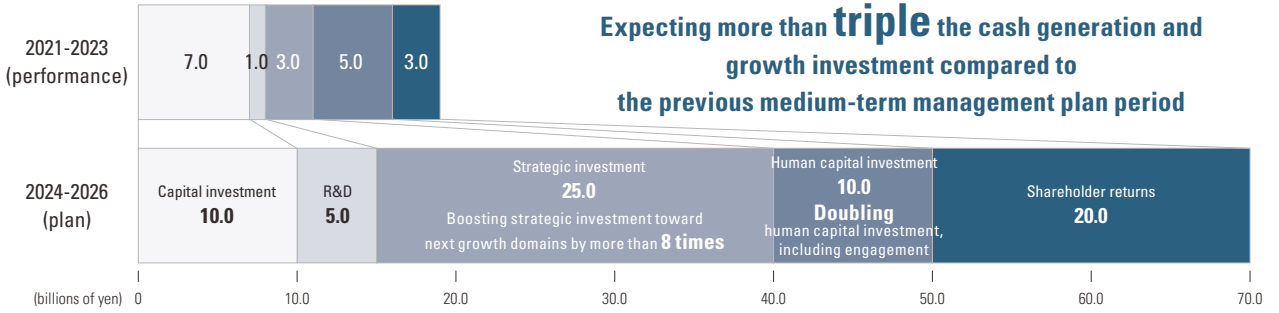
Work environment investment	Renovation of ITOKI TOKYO XORK (headquarters office), R&D, sales, production and logistics bases, etc.
Education investment	Skill development, reskilling
Engagement investment	Strategic spending to improve employee engagement (strengthening internal communication, employee incentives, etc.)

Shareholder returns

Dividends	Maintain stable dividends, aim for a dividend payout ratio of 40%
Share buybacks	Explore flexible execution of share buybacks



Cash allocation compared to previous three-year period

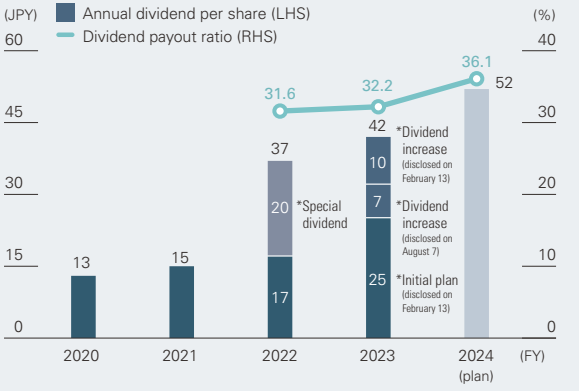


Shareholder return policy

We believe that distributing profits is a key management priority, and our basic policy is to pay continuous and stable dividends to our shareholders once a year as a year-end dividend, taking into consideration our earnings, internal reserves, future business development, and other factors comprehensively from a long-term perspective.

With respect to future distribution, we will implement a dividend policy geared toward further shareholder-oriented management, aiming for a dividend payout ratio of 40% while continuing to pay stable dividends and taking consolidated business performance into consideration. In addition, we will efficiently use our internal reserves to enhance corporate value, focusing on strategic investments in R&D and growth domains that are essential for our future growth.

Dividend per share



Responsible dialogue with stakeholders

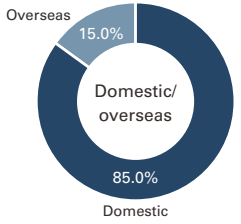
Status of interviews (total number held this year)

Dialogues with institutional investors and analysts: **200** times *including various briefings

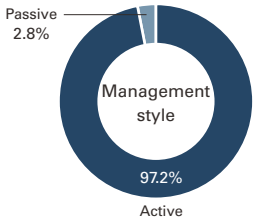
Main responders

Interviews with investors	Corporate Communications Division Executive Manager, IR Section Manager
Conferences sponsored by securities companies	President
Small meetings	President, Corporate Communications Division Executive Manager
Financial results briefings	President, Director and Managing Executive Officer
Business briefings	Managing Executive Officer

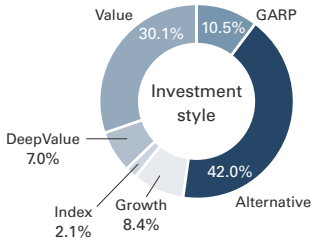
Interview summary



Domestic institutional investors account for 80%



Active management accounts for 90%



Alternative investments account for 40%

Main Themes and Shareholder Interests

- Future projections for the offices market and our direction
- Status of renovation and new construction projects
- Progress in building data business concepts and business models
- Business model strengths and characteristics
- State of management leadership and background for improving internal motivation
- Revenue growth factors
- Cash allocation
- Direction of new medium-term management plan

Feedbacks to management

	Content
Comments from investors and analysts	Summarize comments from interviews with investors and analysts held after the announcement of financial results, and report via e-mail, etc.
Stock price indicators / stock price information	Report analysis of market conditions, our stock price, trading volume, etc., via e-mail.
Analyst report summary	Summarize analyst reports issued by securities companies, and report via e-mail, etc.
Quarterly IR status report	Report quarterly priority elements and issues as well as next quarter's IR initiatives via e-mail, etc.

Aiming to enhance medium- to long-term corporate value by increasing transparency and trust

With the commitment of top management, we place great importance on communication activities to build good relationships with all of our stakeholders. In our communications, we are particularly mindful of immediacy, fairness, and clarity. Our goal is to increase trust and empathy for our company by being highly transparent and accountable, and to help people understand our corporate value over the medium to long term.

Working towards a stock price evaluation that reflects intrinsic corporate value through proactive IR

We recognize that Investor Relations (IR) carries a large responsibility with regard to management that is conscious of capital costs and the stock price, human capital management, and disclosure. The goals of the IR team are to promote the achievement of our medium-term management plan, correctly disclose information to investors, and achieve a stock price that is appropriately evaluated by the stock market. Furthermore, we will work to continuously improve corporate value by channeling the expectations of the market back to the company.



Saeko Kawashima
Executive Manager
Corporate Communications Division

Strengths Finder

- Excellence orientation
- Desire to achieve
- Prudence
- Sociability
- Communication



Mitsuru Koba
IR Section Manager
Corporate Communications Division

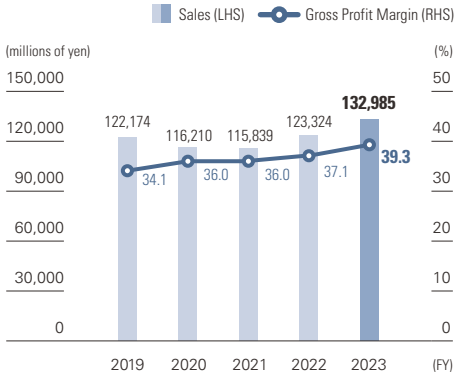
Strengths Finder

- Future orientation
- Individualization
- Desire for achievement
- Strategic thinking
- Desire to learn

Financial highlights (fiscal year ending December 31, 2023)

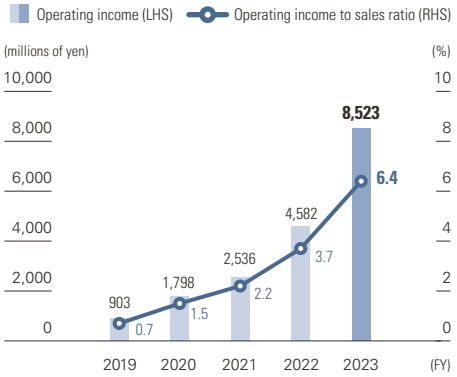
Earnings

Sales/Gross profit margin



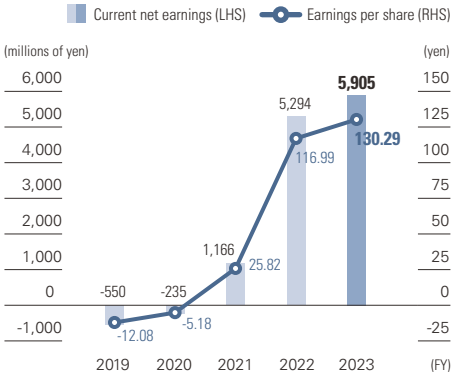
The workplace business and the equipment & public works-related business performed strongly, resulting in record-high net sales. Additionally, there was a focus on improving the gross profit margin, which increased to 39.3%.

Operating income/ Operating income to sales ratio



The workplace business and the equipment & public works-related business performed strongly, leading to record-high operating profit.

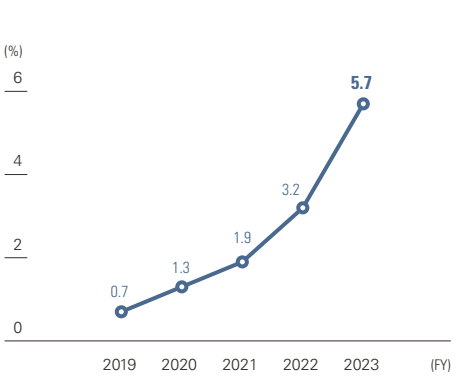
Profit attributable to owners of parent/ Earnings per share



The strong performance of the workplace business and the equipment & public works-related business resulted in record-high net income and earnings per share.

Profitability/Efficiency indicators

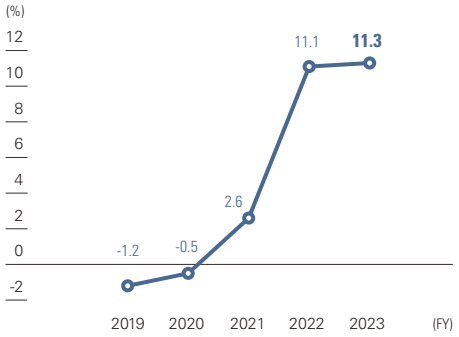
ROIC



Improvements in profitability led to a better ROIC.

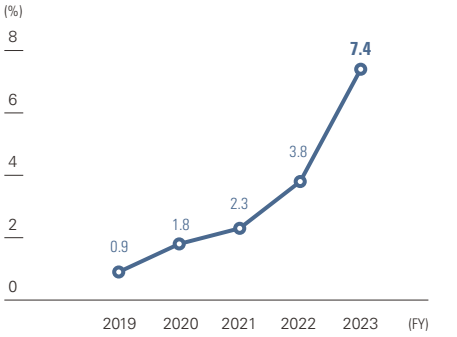
Profitability/Efficiency indicators

ROE



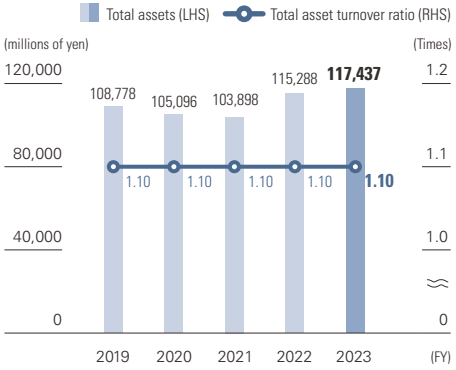
Due to improved profitability, ROE surpassed the previous year's figure, reaching 11.3% in 2023.

ROA



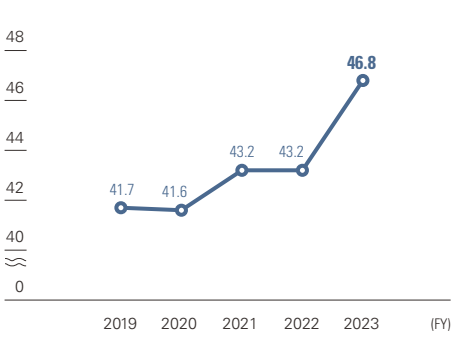
Enhanced profitability and asset efficiency led to an ROA of 7.4% in 2023, exceeding the previous year's figure.

Total assets/Total asset turnover ratio



An increase in notes and accounts receivable, driven by strong orders, led to a rise in total assets.

Equity ratio

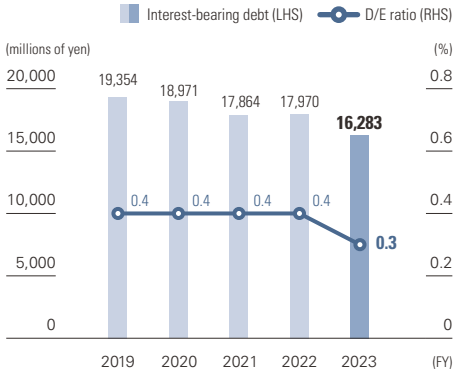


The equity ratio rose due to an increase in retained earnings resulting from higher profits.

Financial highlights

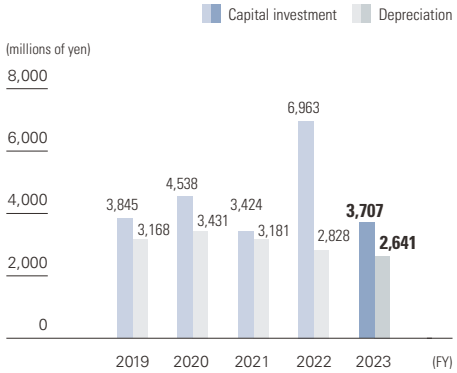
Growth investment

Interest-bearing debt/D/E ratio



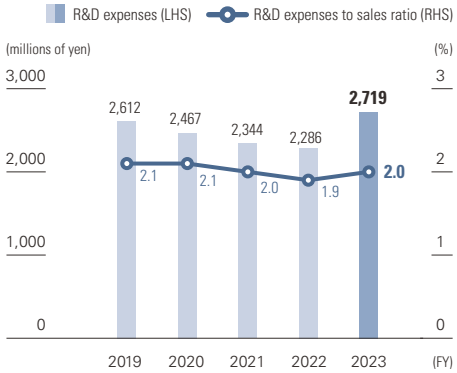
Interest-bearing debt is on a decreasing trend due to loan repayments funded by surplus cash from improved revenue.

Capital investment/Depreciation



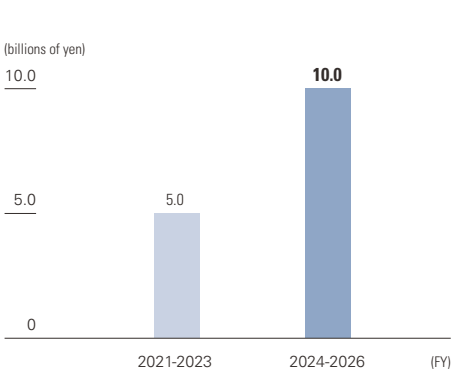
Investments were made primarily in renovating sales offices, installing new machinery for improved production efficiency, and in various forms of system infrastructure.

R&D expenses/ R&D expenses to sales ratio



Efforts were mainly focused on developing new products and solutions for the post-COVID workplace business, and on establishing a central research institute for developing advanced technologies and addressing long-term challenges.

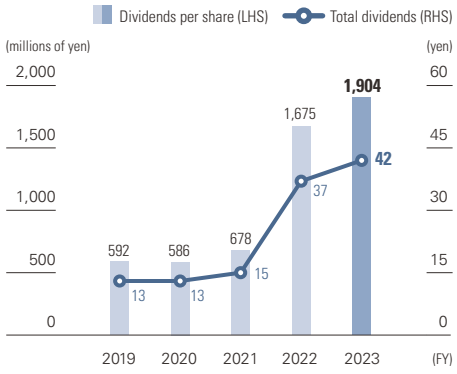
Engagement investment



Compared to the previous medium-term management plan period, the upcoming medium-term management plan aims to double investment in human capital, including engagement.

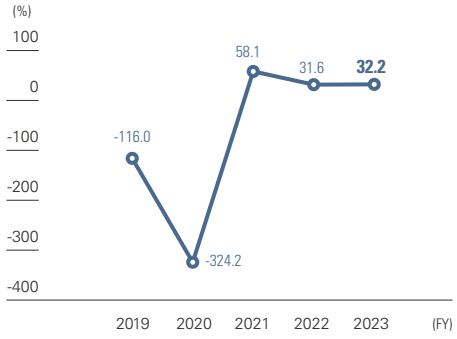
Shareholder returns

Dividends per share/Total dividends



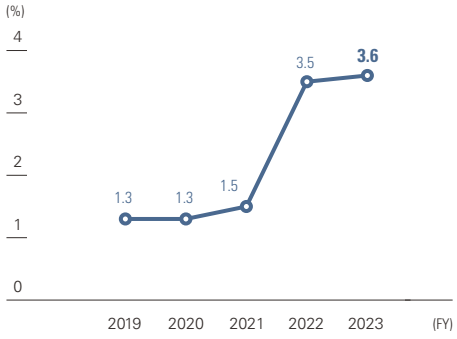
The dividend per share for 2023 was increased by 17 yen from the initial forecast of 25 yen, resulting in 42 yen per share.

Share buyback total return ratio



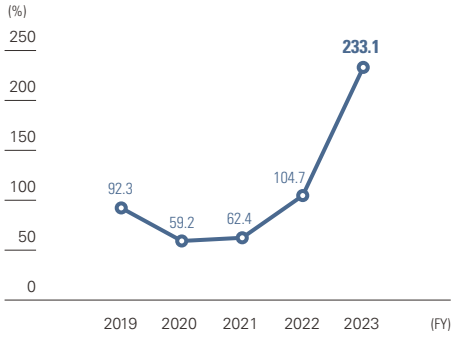
The total return ratio exceeded the previously set dividend payout ratio of 30% during the previous medium-term management plan period.

DOE



Since 2022, DOE has been maintained in the 3% range due to significant improvements in profitability.

TSR



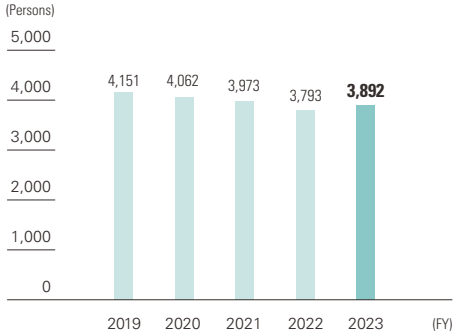
The practice of "management conscious of capital costs and stock prices" led to significant revenue growth, resulting in a substantial increase in TSR.

Non-financial highlights (fiscal year ending December 31, 2023)

[Scope]
- Employee status (excluding consolidated employees)/intellectual property/occupational safety: Itoki (standalone)
- Consolidated employees: Itoki and group consolidated subsidiaries
- Environment: Itoki (standalone), 13 domestic group companies, 2 overseas group companies

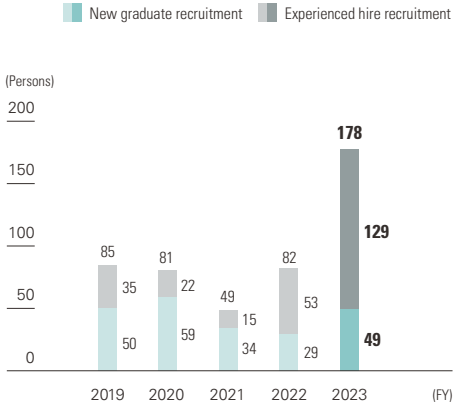
Employee status

Number of consolidated employees



This includes employees of consolidated subsidiaries. We are working on appropriate personnel allocation in line with the business plan.

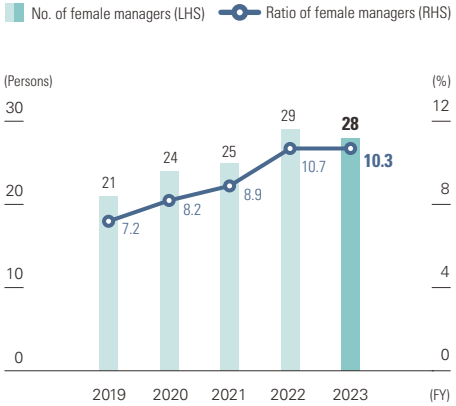
Recruitment performance



In addition to proactive new graduate recruitment through internships, we are actively recruiting experienced professionals to accelerate transformation and growth. We have also started hiring highly skilled overseas talent.

For details, please refer to page 66.

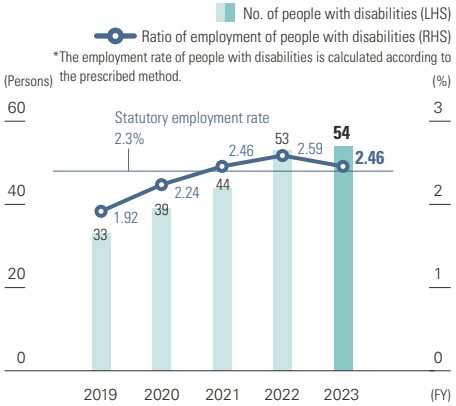
Female managers



Initiatives such as the activities of the women's empowerment community SPLi, established in 2022, have led to a rising trend in the number and ratio of female managers.

For details, please refer to page 69.

Employment of people with disabilities



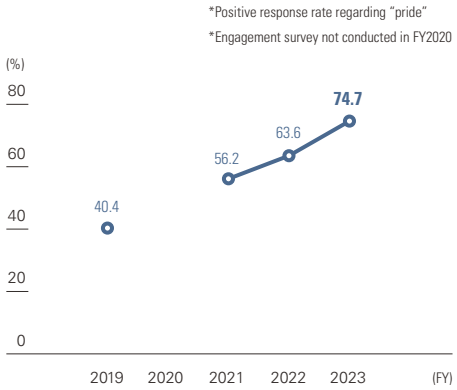
We are encouraging applications by disclosing the employment status of people with disabilities as well as conducting employee surveys through our website's recruitment page, aiming to reduce the perception gap before and after people with disabilities joining the company.

For details, please refer to page 69.

Average age/ Average years of employment

Average age	Full-time employees	Male	42 years and 5 months
		Female	37 years and 6 months
	Non-full-time employees	Male	54 years and 8 months
		Female	49 years and 1 months
Average years of employment	Full-time employees	Male	16 years and 1 months
		Female	11 years and 0 months
	Non-full-time employees	Male	22 years and 9 months
		Female	13 years and 7 months

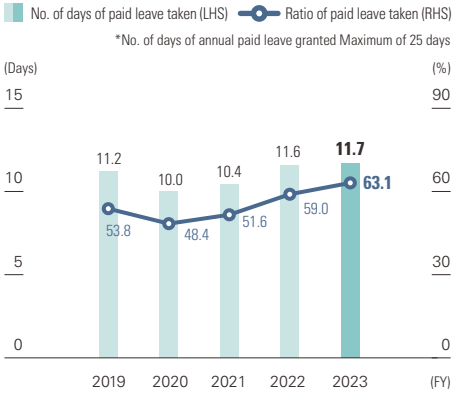
Employee engagement key indicator scores



Overall, Itoki has improved by 18.5 points over the past three years. We are continuing initiatives to share best practices internally to further enhance engagement.

For details, please refer to pages 64–65.

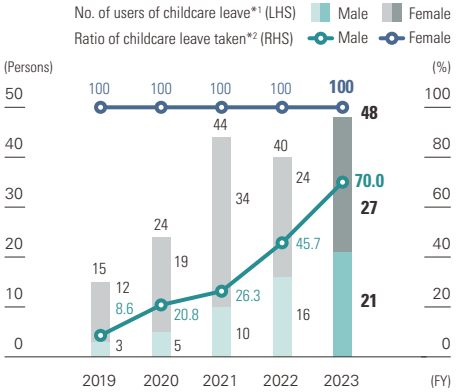
Paid leave taken



We are focusing on promoting the use of paid leave to enhance work satisfaction and productivity by re-evaluating work styles and vacation policies.

For details, please refer to page 70.

Childcare leave utilization



The childcare leave utilization rate for women remains at 100%, while the rate for men improved significantly in 2023 due to the introduction of childcare leave reemployment support funds, information dissemination, and better understanding among managers.

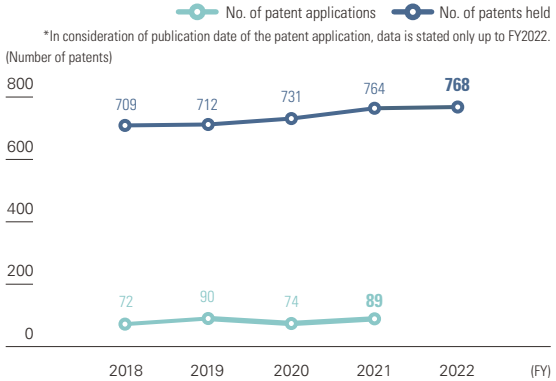
For details, please refer to page 69.

*1 The number of employees who took childcare leave indicates those who started their leave within each year.
*2 The childcare leave utilization rate indicates the percentage of employees who took childcare leave among those who had a child within each year.

Non-financial highlights

Intellectual property

Number of patent applications*/ Number of patents held

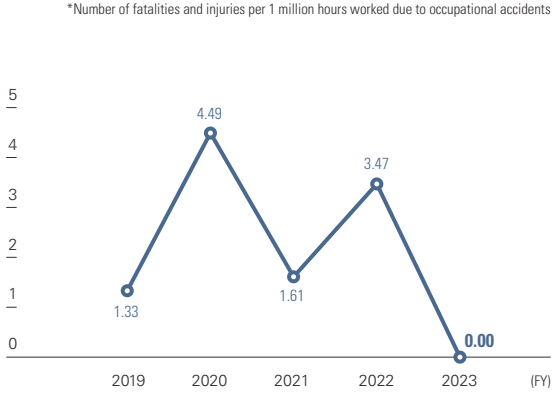


As of the end of 2022, we hold 768 patents and have been actively pursuing design registrations for interiors since doing so became possible in 2020.

For details, please refer to page 72.

Labor safety

Labor accident frequency rate*

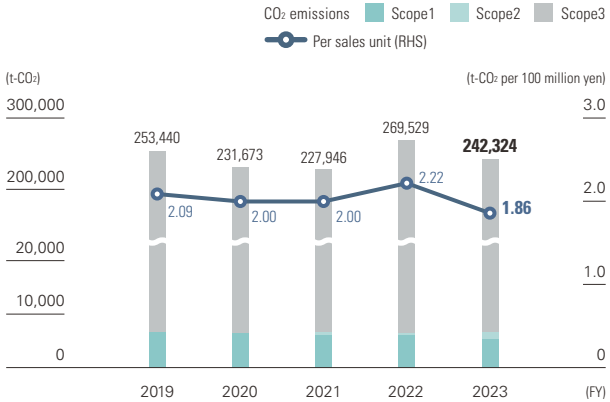


In 2022, a serious occupational accident occurred at a production site, prompting comprehensive safety inspections at all production sites, including group companies. As a result of examining and implementing similar disaster prevention measures at each business site, the rate was 0.00 in 2023.

For details, please refer to page 88.

Environment

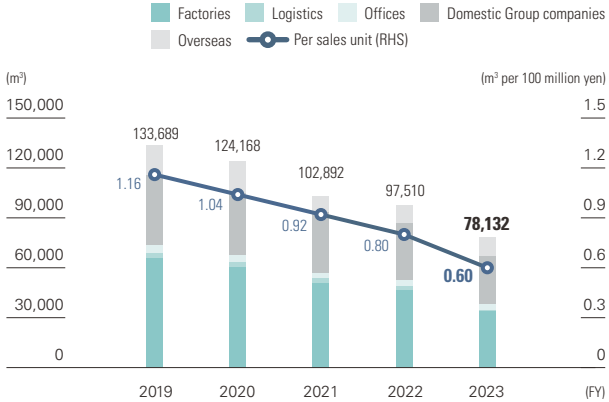
CO_2 emissions



From 2023, we have included six companies from the Dalton Group in the data scope. We have also changed the calculation method for Scope 3 Category 1 and have retrospectively corrected data back to 2019.

➡ For details, please visit page 6 of the ESG Data Book.

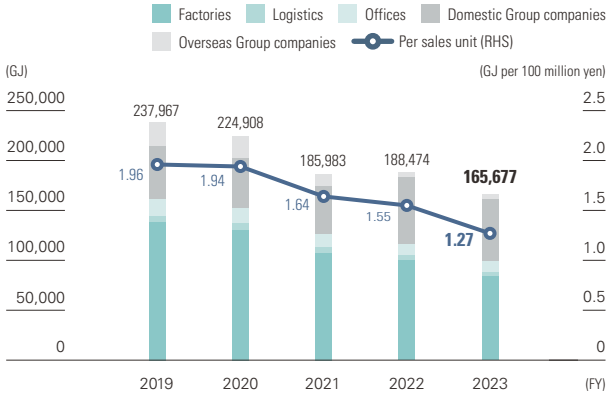
Water usage



Improvements in processes, such as switching from water-based to powder coating in the painting processes at each factory, resulted in a 25.6% reduction in water usage per unit of sales compared to the previous year.

➡ For details, please visit page 11 of the ESG Data Book.

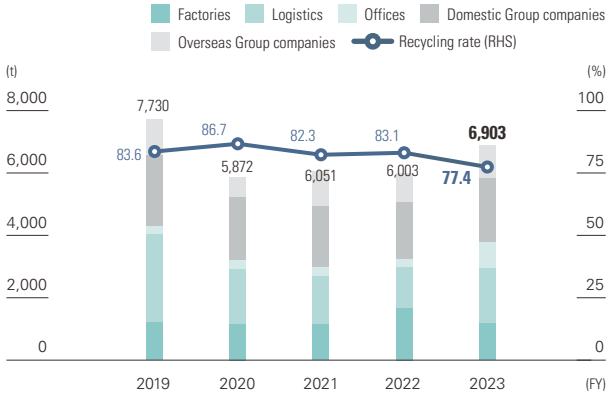
Total energy input



We achieved a 12.1% reduction compared to the previous year due to reductions in gas usage through process improvements at factories, energy savings through the adoption of LED lighting in offices, and the expansion of solar power generation.

➡ For details, please visit page 9 of the ESG Data Book.

Amount of waste generated/Recycling rate



In 2023, waste emissions increased compared to the previous year due to factors such as emissions from logistics center and office relocations, and an increase in furniture retrieval from customers due to higher sales.

➡ For details, please visit page 11 of the ESG Data Book.

External recognition

ESG-related awards and recognition in Japan

Diversity

Awarded a D&I Award and recognized as Highest rank of Best Workplace, for the second year in a row at the 2023 D&I Awards

Recognized in 2023

Gold rating in the Pride Index 2023

Recognized in 2023

Three “Eruboshi” stars as an outstanding corporation in accordance with the Act on Promotion of Women’s Participation and Advancement in the Workplace

Recognized in August 2022

Acquisition of 2022 revised “Kurumin” mark from the Ministry of Health, Labour and Welfare in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children

Recognized the first time in December 2020 and again (under the revised system) in November 2022

Risk management

Resilience Certification for business continuity and contributing to society

Certified in December 2022

Health management

Selected in the 2024 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category) Recognition Program (White 500) by METI and Nippon Kenko Kaigi

First in the industry to be certified for 8 consecutive years

Selected as a 2023 “Sports Promotion Company” by the Tokyo Metropolitan Government

Selected for the third time (after 2015 and 2021)

Certified in 2024 by Japan Sports Agency’s Sports Yell Company program

Recognized on January 25, 2024 (expires on December 31, 2024)

Silver certified after 7 consecutive years of certification

Highest possible “S” rank in CASBEE-Smart Wellness Office

Certified in 2022

Product-related awards

April 2024

Red Dot Design Award 2024
Winner of Best of the Best
- vertebra03 WOOD

Winner of Red Dot Design Award 2024
- common furniture / Partition
- Feels

March 2024

Winner of iF Design Award 2024
- torteU (torteU chair)
- inSAIL
- common furniture / Partition

November 2023

Winner of Wood Design Award 2023
- Feels
- knot Work Wood

October 2023

Winner of 2023 Good Design Award
- inSAIL
- torteU (torteU chair)
- WaitingPS
- SELUCK
- MINOTO desk&rack



MEDIUM-TERM MANAGEMENT PLAN FOR ACHIEVING OUR VISION

Looking back on the previous medium-term management plan “RISE ITOKI 2023”

What we aim to achieve

1. **Strong profitability based on a resilient nature**
2. **Leading the creation of working environments in the post-COVID era**

Overview of RISE ITOKI 2023

The Itoki Group has positioned the period from 2021 to 2023 as a drastic reform phase in order to break away from low profitability and establish a foundation for sustainable growth that will continue into the future. To build this profitable business structure, we established a medium-term management plan under the catchphrase RISE ITOKI 2023 to evolve Itoki into a company that continuously creates and delivers high value. As its vision, the plan sets two goals: to become a resilient and highly profitable company and to fulfill a leading role in creating a post-COVID working environment.

Management targets and results

With workplace environments in society on the cusp of a major turning point after fighting the COVID-19 pandemic, office demand—particularly for new building relocations, secondary relocations, and renovation projects—remains brisk, especially because company managers are aware that office environments and office designs are management issues that need to be addressed as investments in human capital.

Furthermore, we were able to implement seven structural reform projects that achieved remarkable results in terms of our business performance and financial base.

As a result, both sales and profits at each stage reached record highs, significantly surpassing the profit targets set in the initial medium-term management plan.

Management targets (consolidated KPIs)

	FY2022 (performance)	FY2023 target (initial medium-term management plan)	FY2023 (performance)
Sales	¥123.3bn	¥133.0bn	¥132.9bn
Operating income	¥4.5bn	¥6.0bn	¥8.5bn
Operating income margin	3.7%	4.5%	6.4%
Ordinary profit	¥4.1bn	¥5.9bn	¥8.5bn
ROE	11.1%	Above 7.0%	11.3%

Results and challenges

Since the start of the project in 2020, the results of our efforts are steadily becoming apparent. Operating income and operating income margin improved significantly from ¥1.7 billion (1.5%) in 2020 to ¥8.5 billion (6.4%) in 2023. ROE also improved significantly from-0.5% in 2020 to 11.3% in 2023. Furthermore, by promptly disclosing and then steadily implementing our initiatives towards achieving cost of capital-conscious management based on this project, we were able to achieve a PBR above 1x.

Measures (by department)	Outcomes	Issues
1 Sales reform	• Greater earnings power by virtue of high value-added proposals • Bigger and better consulting services • Optimization of delivery system • Review of performance assessment indicators	• Improve customer contact skills by promoting DX in the sales process and expand sales by gaining new leads • Expand sales with the appeal of new value propositions, mainly by propelling office DX with a combination of ICT products, design, and solutions
2 Production and supply	• Construction of AP Center, our new assembly and production site • Stronger supply chain relationships for new product development • Establishment of manufacturing structure that helps lower costs	• Turn manufacturing centers into smart factories with the adoption of digital technology and automation in production • Pursue further production efficiencies and combat rising energy costs by curbing fixed costs • Digitally transform logistics and reduce costs
3 Asset efficiency	• Streamlining and more effective utilization of assets, including the sale and liquidation of non-operating assets • Reduction of strategic shareholdings	• Further streamline assets throughout the Group • Contribute to improvements in capital efficiency by pursuing the efficient and optimal use of funds
4 Building materials	• Proposals that link work style/spatial designs to building materials • Stronger product development	• Normalize production costs and lead times • Make product modifications and develop new ones to meet market needs
5 Product development	• Stronger sales of smart office products • Expanded product lineup and improved product development capabilities	• Bolster development know-how with the aim of expanding smart office product offerings • Boost appeal by promoting a product/communication strategy • Beef up product and solutions development capabilities starting with data services
6 HR initiatives	• Implementation of business strategies and review of HR systems that encourage self-determined career building • Implementation of rank-based, optional, theme-based, and career development training	• Introduce a new performance evaluation system to support the self-determined efforts of employees to forge a career and the implementation of future business strategies • Invest more in human resources development to nurture self-determined employees who can focus on their own strengths, as well as DX-savvy employees
7 DX	• Establish a foundation for operations and data with Cloud ERP	• DX in business processes • Advance business management using data • Develop DX human resources and strengthen DX infrastructure

New medium-term management plan “RISE TO GROWTH 2026”

Key strategies 7Flags

Along with advancing the structural reform project and addressing problems, we have positioned the 7 Flags as key strategies to respond to environmental changes and enhance sustainable growth. Flags 1, 2, and 3 mainly represent revenue, while Flags 4 and 5 represent costs. Flag 6 represents human capital (reform of HR systems and investment in human capital), the foundation for medium- and long-term growth. Flag 7 represents cash allocation and management that is conscious of capital costs and the stock price. Through these strategies we will strengthen our business portfolio. Note that Flag 2 aims to build a unique business model utilizing data and AI to change the rules of competition in the office industry.

1 Office 1.0/2.0 domain*1	For new ways of working and the office spaces that implement those ways of working, Strengthen value-added proposals and secure a base for sales and profits
2 Office 3.0 domain*2	With the IoT of office furniture and spatial sensing, develop services that provide optimal working styles and office spaces
3 Specialized facilities domain	In the areas of logistics facilities and research facilities allocate resources to development and engineering to develop it into the second pillar of our business
4 High profitability	By restructuring the group’s production and supply system and revamping the company’s internal IT infrastructure, Improve production and business efficiency
5 Group synergy	Through structural reform projects implemented by Itoki alone we will spread our success stories to group companies and pursue group synergy
6 Human capital	With personnel system reform at the core, encourage proactive and proactive “creativity and ingenuity”
7 Financial strategy	From a medium- to long-term perspective, plan and implement growth strategy investments, employee returns, and shareholder returns

*1 Office 1.0: product-based sales business / Office 2.0: office space-based product solutions business
*2 Office 3.0: work style-based office DX business

High profitability phase



Increase sustainable growth potential

Overview

The business environment is at a major turning point in terms of “work,” driven by the COVID-19 pandemic, which has accelerated digitalization, diversified work styles, advanced human capital investment, and altered the nature and role of offices as drivers of engagement and productivity.

In addition to responding to these changes, we have formulated our medium-term management plan RISE TO GROWTH 2026 under the theme of enhancing sustainable growth, guided by our mission statement: We Design Tomorrow. We Design WORK-Style.

The plan sets forth the key strategies “7 Flags” and an ESG strategy, and through the implementation of these measures, aims to achieve sales of ¥150 billion, operating income of ¥14 billion, and ROE of 15% by 2026.

Management targets (consolidated KPIs)

	FY2024	FY2026
Sales	¥137.5bn	**¥150.0 bn**
Operating income	¥10.0 bn	**¥14.0 bn**
Operating income margin	7%	**9%**
ROE	13%	**15%**

➡ For more information on RISE TO GROWTH 2026, please visit our website.
For segment-specific targets, please refer to page 49.

New medium-term management plan 7 Flags overview and KPIs

			KPI*3	Reference page	Related materiality
Flag 1	**Office 1.0/2.0 domain**	**For new ways of working and the office spaces that implement those ways of working, Strengthen value-added proposals and secure a base for sales and profits**	• Sales in 2026: 10% growth compared to 2023 • Operating income margin 10%	➡ P49, 50	
	Measure 1	By strengthening product appeal, promote the value of the experience <Office1.0>			
	Measure 2	Added value proposals based on spatial integration <Office2.0>			
Flag 2	**Office 3.0 domain**	**With the IoT of office furniture and spatial sensing, develop services that provide optimal working styles and office spaces**	• Single-year sales of 3 billion yen in 2026 • Total investment over three years: 2.5 billion yen (excluding labor costs)	➡ P31, 32	
	Measure 1	New data service development <Office3.0>*1			
	Measure 2	Collaboration and capital alliance with AI companies			
Flag 3	**Specialized facilities domain**	**In the areas of logistics facilities and research facilities allocate resources to development and engineering to develop it into the second pillar of our business**	• Specialized facility sales: 30 billion yen (40% growth compared to 2023) • Operating income in 2026: 2 billion yen (40% growth compared to 2023) • Strengthen development and engineering structure by 2026: hire 50 employees or more	➡ P51, 52	
	Measure 1	Expansion of specialized facilities*2			
	Measure 2	Establishing a maintenance business			
Flag 4	**High profitability**	**By restructuring the group's production and supply system and revamping the company's internal IT infrastructure, Improve production and business efficiency**	• 2026 manufacturing costs + logistics costs (consolidated) 5% reduction compared to 2023 • Increase in operating income per person by 50% in 2026 compared to 2023 • Cumulative internal IT-related investments over three years (DX): 8 billion yen	➡ P53, 54	
	Measure 1	Supply chain optimization			
	Measure 2	"Standardization, simplification, and automation" of operations			
Flag 5	**Group synergy**	**Through structural reform projects implemented by Itoki alone we will spread our success stories to group companies and pursue group synergy**	• Operating income margin improved in 2026 by 2% compared to 2023 at consolidated Group companies (simple combined figure for consolidated Group companies excluding Itoki) • Cash out from outside the group in 2026: 3 billion yen reduction	➡ P17	
	Measure 1	Spread structural reform methods to Itoki Group companies			
	Measure 2	Promote functional collaboration between Itoki Group companies			
Flag 6	**Human capital**	**With personnel system reform at the core, encourage proactive and proactive "creativity and ingenuity"**	• Positive responses to key index "pride" in 2026 employee engagement survey results: 85% • Ratio of female managers in 2026: 13%	➡ P59-71	
	Measure	Reforming the personnel system　Professional × Pay for Performance × Retention			
Flag 7	**Financial strategy**	**From a medium- to long-term perspective, plan and implement growth strategy investments, employee returns, and shareholder returns** Over three years, we will generate a total of 65 to 75 billion yen in basic cash flow and other distributable funds. Make strategic investment of 25 billion yen, R&D of 5 billion yen, capital investment of 10 billion yen, human capital investment of 10 billion yen, and shareholder return of 20 billion yen Measures towards a management approach that takes into account capital costs and stock price		➡ P17-20	
E	**Environment**	**Contribute to the realization of a society with zero negative impact on ecosystems**	• Items described in the Mid-Term Environmental Plan (please refer to page 78)	➡ P77	
S	**Social**	**Contribute to maximizing the human capital of society through our business**	• Number of lost-time/non-lost-time accidents • Number of workshops on respect for human rights held by the Itoki Group • Human rights response rate in supply chain investigations	➡ P87	
G	**Governance**	**Establish Group-wide governance from a consolidated perspective**	• Number of complaints / total product sales (complaint rate) • Number of legal violations • Number of significant risk incidents*4	➡ P92	

*1 On February 14, 2024, we launched Data Trekking, a consulting service that supports the construction and operation of agile offices based on sensing data and other data generated within the office. Sales of such intangible (rather than physical) products is expected to increase added value and generate recurring revenue.

*2 Expand range of SAS (multi-level shuttle automated storage systems) for logistics, expand market share by introducing new airflow control products for research facilities, establish growth business areas in drug development/medical and semiconductor manufacturing

*3 ESG KPIs are representative items

*4 Risks that qualify as timely disclosure events

Key areas of value provision and the Itoki Group's strengths

The Itoki Group's strengths lie in its spirit of taking on challenges to disseminate new and useful products to society since its founding; its track record and know-how to pass down to a diverse workforce a tradition of originality and ingenuity and to carry out various pioneering initiatives; and the trust it has built up over more than 130 years. This is expressed as "Tech×Design based on PEOPLE."



Leveraging the strengths of Tech×Design to solve social issues related to work



TECH

- High **manufacturing technology** and **our unique quality standards**
  - Only vibration test chamber in the industry
- **Consulting know-how** based on ABW
  - Only company in Japan to hold a formal method use agreement
- **Platform for data accumulation** through integrated production and sales
  - Manufacturing at 11 factories in Japan
- **Mechatronic technology** supporting small- and high-speed shuttles
  - No. 1 in shipments of small- and medium-sized products*
  - *Based on our research
- **Providing safety and security,** including special doors
  - Guinness World Record holder for largest special door
- Japan's leading track record and **customization capabilities**
  - Refrigeration SAS that works in low temperature environments

×

DESIGN

- **Product design capabilities** through in-house/external collaboration
  - 400,000 chairs delivered per year
- **Spatial design capability** with a team of 160 space plan designers
  - Data on approximately 10,000 proposals per year
- **Development of human-touch materials / CMF* design**
  - Winner of many Good Design Awards
- **Integrated facility design** from specialized equipment to office space
  - Trolley-type shuttle automated storage systems Systema Streamer SAS-R
- **UX design** that reduces the burden on users
  - Research facility equipment New brand: MAGBIT
- **Product design** that combines aesthetics and functionality
  - New display cases Artivista



*Abbreviation for Color, Materials, and Finish, which form the appearance of the product

Message on Office 3.0 domain strategy



Kazuyoshi Nagao
Managing Executive Officer
Head of Product & Service Development Division

Provide office space proposals suitable for the new ways of working based on data

There have been significant changes in the role of the office

The Japanese government's work style reforms proposed in 2016 have led to efforts to create a society in which people can choose to work in diverse and flexible ways. Starting in 2020, the COVID-19 pandemic also accelerated this movement. With the increased use of digital tools and work styles not tied to the office becoming more common, there has been a major shift in the position and expected role of the office. What used to be a one-size-fits-all office proposal has been replaced with proposals that fit the diversifying needs of customers, such as improving productivity, employee engagement, and ensuring wellbeing.

Our strength is in verifying diversified needs with data and proposing optimal solutions

Hitherto, Itoki has designed work styles to meet the diversifying needs of our customers, and have proposed space designs that incorporate each company's vision for their offices. However, in this age of rapid business environment change, we believe it is important to go beyond just proposing office spaces and to uncover how offices are actually used through data. To this end, we have been simultaneously developing a framework for extracting data from office space, smart office products that incorporate this framework, services that leverage the acquired data, and a cloud platform that incorporates AI. We define the Office 3.0 domain as data driven office management support.

However, other companies are also capable of simply collecting, visualizing, and analyzing data, and in fact, some are already doing this. With the development of ITOKI OFFICE A/BI PF, an integrated platform that incorporates a variety of office-related data, however, we are able to provide one-stop support for implementing specific solutions and action plans and supporting the implementation of such solutions by analyzing data from various angles and leveraging our expertise in office design and work style consulting.

Aiming to cultivate into the second pillar of our business by establishing a business model which is based on the law of increasing returns

In February 2024, we released our Data Trekking service, the first service that leverages the ITOKI OFFICE A/BI platform. Previously, our role ended after we built offices, but from now on, new services will begin after the office is built. In these times of rapid change, our business will be one where we work hand in hand with our customers to continually update work styles and work environments based on data.

In this domain, we plan to establish a business model which is based on the law of increasing returns by maintaining ongoing relationships with customers and building a business foundation based on office management support services and repeated minor renovations. In the current medium-term management plan, we are targeting net sales of ¥3 billion, but this is only a milestone, and our ultimate goal is to develop businesses that can make a larger contribution to earnings and become the second and third pillars of the company under the next medium-term management plan. Naturally, we will also create positive effects from these ongoing relationships with customers, leading to new business opportunities in the Office 1.0 and Office 2.0 domains.

Improving productivity by creating the ideal environment for people to focus on creative work

Japan's low workforce productivity, which was the impetus for the work style reforms, remains low. Furthermore, the working population is also on the decline. We believe that in order to improve productivity, AI should replace operations where possible and people should spend more time on creative work. To draw out creativity, it is important to have an appropriate environment and work style, and we believe that the Office 3.0 domain will only grow in importance in a rapidly changing and rapidly evolving business environment.

➡ Please visit our website for our DX strategy.

Message on Office 3.0 domain strategy implementation

Develop various services based on our platform for collecting, accumulating, and analyzing data



Yoshiko Yagi
Product & Service Development Division
Executive Manager of Solution Development Dept. Group

Launched service that maximizes return on investment for office

At Itoki, we believe that using data to make clear how offices are actually being used will be crucial for businesses going forward. In terms of cloud services, we developed the OFFICE A/BI PLATFORM, which accumulates and analyzes data by leveraging AI as well as the OFFICE A/BI SERVICE, which is a framework for extracting data from the office space and utilizing this data. Specifically, we launched the Workers Trail service, which helps identify where employees are now that free address offices are more common, as well as the Performance Trail service, which identifies points for improvement in office operations based on the behavior and condition of employees.

The Data Trekking service, which we launched in February 2024, is a consulting service that leverages data by sensing office to guide the construction and operation of offices. This service helps build offices and establish appropriate work styles and operating rules, based on office usage data collected through Workers Trail and other services. Even after the office is built, this service helps with making layout adjustments and reviewing operational rules by continuously collecting data and understanding the actual conditions. We believe that by providing consulting services based on this series of data, we can enhance the success rate of new office construction, relocation, and renovation, and maximize the return on investment.

Following the Data Trekking service, we will continue to develop a variety of services and applications based on the OFFICE A/BI PLATFORM. As we described earlier, we have our own platform for accumulating and analyzing relevant data, which not only enables us to provide consulting services based on the analytical results, but also gives us the advantage of being able to provide a one-stop service from proposing measures based on our expertise to carrying out construction. In this way, we aim to contribute to improving work styles and work environments as well as enhancing productivity.



Hiroaki Fujita
Product & Service Development Division
General Manager of Solution Development Dept. Group
General Manager of Business Development

Accelerate new service launch by collaborating with companies offering advanced AI technologies

At Itoki, in addition to developing and launching a variety of services, including the Data Trekking service, we are promoting the development of new solutions with various companies that offer advanced AI technologies as our partners. As part of this effort, we signed a joint development agreement on generative AI with AI startup Akari Inc. (Bunkyo-ku, Tokyo) in March 2024, and are working to develop an application that can instantly run simulations for office designs.

The purpose of this joint development is to substantially reduce the time and effort required to create office space design plans, which has been a challenge in quickly proceeding with office renovations. By using BIM*, a 3D modeling technology used in architectural design, we can scan an office space and immediately generate a 3D model of the office space to simulate what the office will look like after the renovation. Previously, this process would take more than a month to complete, as it involved manually measuring the office space and then compiling drawing data. By being able to create a design proposal on the spot, we can substantially shorten the overall schedule for office renovations.

In addition to AI technologies, we are collaborating with startups, academia, and major companies that offer advanced technologies in various fields such as IoT, sensors, cloud services, and data analytics. By collaborating with partners with different perspectives and expertise from ours, we will promote innovation and accelerate the development of solutions that will help our customers transform their work styles and work environments.

*BIM: Acronym for Building Information Modeling

Special feature 1: Itoki's strengths

Create a market where the added value of design is recognized through "Tech × Design Based on PEOPLE"



A pioneering spirit inherited from our founding

Kayama Itoki has had a strong pioneering spirit since it was founded in 1890 by Kijuro Ito with the aim of selling patented products. That DNA has been passed down for more than 130 years and forms the backbone of "Tech×Design based on PEOPLE," which is the phrase we use to summarize our strengths. In a nutshell, "Tech" refers to the corporate capabilities we have developed so far, including technology, logic, mechanics, quality, and methods. "Design" refers to excellence not only in the product itself but also in the pursuit of functional beauty in spatial design. We have more than 160 space plan designers, the largest number in the industry, including first-class architects. Finally, "based on PEOPLE" expresses the fact that our professionalized workforce is creating new value, based on the recognition that people are the source of medium- to long-term growth.

After World War II, when people started going to work at companies, Itoki imagined the workplace as a kind of box and wondered what should go inside it. At a time when wooden furniture was the norm, Itoki began mass-producing high-quality, long-lasting steel furniture, contributing greatly to the creation of the modern office. Since then, with the advent of office automation and the digital revolution, as well as the diversification of work styles, we are anticipating the increasing importance of a data-driven approach and pioneering the world of "Office 3.0" as advocated by President Minato. As an office designer myself, back before we had data, I came up with the right solution based on my own intuition. Today, however, with the diversification of working styles, client needs have become more complex, and it is no longer possible to derive the right solution without data. While inheriting this pioneering spirit, Itoki is evolving its strengths to keep pace with the changing times and technologies.

Oka When it comes to technology, the trend is toward data-driven technologies based on AI, IoT, etc. that optimize office workers' creativity and comfort based on their behavioral data, but there is also ergonomic technology based on ergonomics and biomechanics, which is one of our underlying strengths. Looking back, our products such as the Kashiko Chair, the industry's first designed exclusively for women, and the Spina Chair, which supports your lower back even when changing postures, themselves represent a collection of technologies.

We have further extended this mindset into spaces, and are accumulating planning and design methods that take into account companies' individual work styles. This expanded even further after we launched the Office Plan Center in the 1970s. Spatial design has become a key strategic element in business operations, and I feel that Itoki has a culture of continually creating new products and spaces to meet the evolving needs of offices over time.

ABW brings dramatic changes to Tech×Design

Kayama When we relocated our head office in 2018, we opened ITOKI TOKYO XORK, which doubles as a showroom, and adopted the concept of activity-based working (ABW) developed by Veldhoen, a Dutch work style strategy consulting firm. As a design method for classifying work styles, ABW is positioned as another workspace technology and it has already caught the attention of a considerable number of customers.

Nagamine XORK is also our office, so we are

➡ For case studies of deliveries of Itoki products, please visit our website

diligently conducting proof-of-concept experiments and collecting data ourselves. We renovate the office every year floor by floor and then use ABW to verify whether each work style corresponds to its respective purpose. For example, you may need a high-focus space for solitary immersion, or a collaborative space that can unleash everyone's creativity. As the years go by, our office-generated data becomes more and more high-resolution. I think the big difference between Itoki and other companies is that we can provide this kind of value to customers who visit XORK—our own experience translates into value for them.

Oka When designing an office that incorporates ABW methods, we often receive questions from customers such as "How many seats and meeting rooms should each space have?" However, in an era where work styles are becoming more diverse, it is becoming difficult to make judgments based solely on experience and intuition. Having quantitative data allows for more accurate design adaptations to various work styles. Itoki's planning, which supplements the sensibilities of our designers with data and the ABW approach, offers a huge advantage.

Design is a value-generating investment, not a cost

Nagamine People's attitudes towards work have changed since the COVID-19 pandemic, and at the same time, there has been a shift in perspective towards re-evaluating traditional workplaces. As a result, more and more business owners are visiting XORK. I have a strong sense these days that office investments are increasingly recognized not as a cost, but as an important factor that influences management resources and human capital. I think business owners are beginning to realize the importance of employee engagement.

Kayama Although the number of people who come to the office for work has decreased compared to before the COVID-19 pandemic, the rent per tsubo (a Japanese unit of area equal to approximately 3.30 sq. meters) for office space has risen significantly. However, I have the impression that design, in addition to function, is now accounting for a higher percentage of that price tag. I believe there are increasing opportunities to invest in using the power of design to enhance creativity, excitement, and other such sensibilities.

Nagamine In that sense, I feel that in recent office proposal competitions, there is a growing demand for spatial designs that motivate employees towards a vision. It's not just about making the design pretty on the surface; we need to dig deep into the client company's vision and come up with a design that captures trends from multiple angles.

Oka As with recruiting, my impression is that offices are being positioned as management resources precisely because they are transforming into places for communicating a company's vision and branding.

Kayama In other words, the design is recognized as added value.

An environment that makes it easy to unleash individual strengths

Kayama Design is certainly one of Itoki's great strengths, but it is based on steady effort and a system that draws out the potential of each individual. Itoki has increased the number of designers, focused on competitions, and produces more than 50 proposals each month, each as long as 100 pages. Of these proposals, about 30 per month are reviewed by all top executives, who conduct rigorous evaluations and assign scores to each one. This process helps foster the growth of individual designers and enhances the capabilities of the organization.

Oka From this vast output, proposals that received high marks from top executives and were a hit with clients are incorporated into an in-house project called Edge Links, which holds study sessions on successful case studies and provides inspiration for new designs. Through activities like these, our designers are also increasingly collaborating and learning from each other.

Nagamine This system of mutually reinforcing our strengths allows us to effectively demonstrate the value we provide to clients. I think this is one of the reasons why we are winning more and more competitions. I have been with the company for seven years, and I am very grateful for an environment where I can constantly learn new knowledge and trends while engaging in friendly competition. I think that the system is becoming one in which the spotlight is placed on young people regardless of their age, which facilitates their development.

Oka One of the unique aspects of Itoki is that it provides an environment where designers can easily showcase their individuality and strengths. I feel that young people in particular have a strong affinity with technology. Different generations also have different thought processes and different ways of preparing documents and other materials. The quality of the output will change dramatically depending on how well the younger generation can work together with experienced employees. Furthermore, the designers themselves have been given opportunities to come forward and express their individuality on our website and newspaper advertisements, which I think has boosted everyone's motivation.

Further refining sensitivity and creating new markets

Kayama With this latest renovation of XORK, we were conscious of creating a design that would make people feel comfortable the moment they entered the office, and as a result, the office has received much more positive feedback from visitors. In fact, designs that feel intuitively good are important, even if behind the scenes the design is supported by lots of data calculations.

Oka As a venue for enhancing one's aesthetic sensitivity, Itoki also provides opportunities for overseas study tours. However, sensitivity cannot be honed through input alone; there needs to be an opportunity for output, including evaluation by superiors. Through repeated input and output, your sensitivity is refined without you even noticing.

Nagamine As another opportunity to hone our design skills, we hold a monthly cross-talk event called "Dialogue" for creatives both inside and outside the company, where top-ranking designers from various industries are invited to discuss their work together.

Kayama At that event, the discussion is not about "what is an office," but rather topics like how workplaces are expanding beyond the office, with more and more people immersed in their work at cafes and so on. It has been very helpful in broadening the horizons of our designers. Meanwhile, at our Work Style Design Lab, we are also researching how central offices will change and what the work styles at local offices will look like, considering the evolution of technology and societal changes. Having inherited Itoki's pioneering spirit, we aim to create an innovation-driven market where the added value of design is more widely recognized while honing an aesthetic sensitivity that is not bound by preconceived notions.

Special feature 2: *Chiekuri kaizen*

Chiekuri kaizen, a source of on-site strength

Coming up with an idea and implementing it yourself. Improving our own problems by ourselves. We have a name for these kinds of low-cost, people-friendly improvement activities: *chiekuri kaizen*. At Itoki work sites, *chiekuri kaizen* is carried out daily, and this is the source of our on-site strength.

Please refer to page 53 for information about production strategy.



What is *chiekuri kaizen*?

Chiekuri kaizen refers to the fun and creative improvement of work processes by sharing wisdom and minimizing costs, which is routine practice at Itoki's work sites. The concept is related to *karakuri kaizen* (derived from *karakuri ningyo*, or mechanical doll), which refers to leveraging unpowered mechanical gadgets like gears and levers to improve work processes, thereby achieving big effects with little force.

Itoki's unique *chiekuri kaizen* concept has a long history. The idea to improve the *kaizen* capabilities of operators on the factory floor was developed and launched as a company-wide initiative in 1994. The personnel in the plant where the idea originated set up a large signboard on which they decided to write *chiekuri* (which means "cultivate wisdom") to avoid the negative connotations of *karakuri* (which can mean "empty" in addition to "mechanical"). The *chiekuri* concept also emphasizes the importance of pooling wisdom without using new power sources and elevating individual improvements that make one's own work easier to higher-level "super *chiekuri kaizen*," which are improvements that contribute to the entire company's performance.

Concept

- Pooling wisdom
- Use as little new power as possible
- Making work easier

Aim of *chiekuri kaizen*

The *kaizen* (continuous improvement) activities at Itoki work sites are based on thorough analysis of *muri*, *muda*, and *mura* (unreasonableness, waste, and inconsistency) using the 5-*gen principle* (actual site, actual product, actual situation, principles, and standards). Through wisdom and ingenuity, we promote the creation of low-cost, people-friendly, and highly productive production lines. In doing so, we aim to contribute to cost reduction, improve operators' skills, and create plants where the joy of *monozukuri* (skilled manufacturing) can be appreciated. Continuing to come up with simple ideas that directly lead to the efficiency of daily work at the work site is also what leads to enjoyment of one's work, which is the starting point of *monozukuri*. Working together on improvements also stimulates communication among colleagues.

Chiekuri kaizen can also be looked at as a way to update standards. When you approach your work with questions like whether the standards for the task in front of you should remain the same forever, or whether a task you do every day is causing you problems, various improvement ideas emerge.

While it is important to execute one's tasks as stipulated and documented in standards, there is deep satisfaction in being able to think for oneself and improve one's own problems. The promotion of *chiekuri kaizen* not only helps operators improve their *kaizen* capabilities and reduce costs but also fosters a sense of enjoyment towards *monozukuri*.

Chiekuri kaizen tournament attracts 22 entries

Itoki aims to let workers on the factory floor experience the joy of *monozukuri* through *chiekuri kaizen* and is strengthening its efforts to further enhance these activities. As part of these efforts, we held our 2023 *Chiekuri Kaizen* Tournament to shine a spotlight on *monozukuri kaizen* activities and boost motivation on the factory floor.

A total of 22 entries were submitted this year: 17 from our Shiga plant, two from our Kyoto plant, and three from our Kanto plant. The tournament attracted a wide array of excellent entries that demonstrated how to create more a productive plant in situations where time and materials are limited. Seven outstanding entries were selected, followed by an online vote. At the tournament, President Minato commented: "What impressed me was not only how the problem was solved, but also the ability to recognize that it was a problem in the first place."



The best entry was decided by an all-employee vote.

Of the 761 total votes that were cast, 213 votes (Gold Prize) went to a Shiga plant employee for the "magic carpet" idea, 167 votes (Silver Prize) went to a Kyoto plant employee for the "hanger catcher" idea, and 111 votes (Bronze Prize) went to a Kanto plant employee for the "easy cleanup" idea. The winners received prize money.

Comments from the three winners included the following:

- *Chiekuri* is a great opportunity to remedy problems in the workplace. When you have a problem, there's a tendency to just accept it as part of the task, since it's difficult to remedy it in parallel with your normal work. However, I felt motivated to do my best for this tournament.
- I suggested an improvement that I hoped would allow people to work in a better work environment. When you make daily tasks simpler and more efficient, it has a positive effect on the mood on the factory floor.
- I think the great thing about *chiekuri kaizen* is solving problems and issues while having fun working towards a single goal with colleagues on site.

In this tournament, one entry from each of three locations won a prize, and even the entries that did not win prizes were amazing. All the entries supported Itoki's corporate value by embodying the spirit of Tech×Design based on PEOPLE.

Winning entries

Voting results (761 votes cast)

- Gold Prize (213 votes): Magic carpet
- Silver Prize (167 votes): Hanger catcher
- Bronze Prize (111 votes): Easy cleanup

Comments from the three winners



Gold Prize
Magic carpet
Representative: Anna Nakai
Shiga plant,
Manufacturing Department 2

The joy of winning the award
I'm overjoyed! Many things went wrong during the *kaizen* process, and there were times when I was completely at a loss, but I'm happy to receive this recognition after working so hard to make it happen! Hearing the results today, my colleagues were rejoicing with me, which made me very happy.

What does *chiekuri* mean to you?
It's a great opportunity to remedy problems in the workplace. When you have a problem, there's a tendency to just accept it as part of the task, since it's difficult to remedy it in parallel with your normal work. However, I felt motivated to do my best for this tournament. Also, being new to my current workplace, I was able to learn a lot about my own workplace through this *kaizen* process.



Silver Prize
Hanger catcher
Representative: Yusuke Kose
Kyoto plant,
Kyoto Manufacturing Department

The joy of winning the award
It's a great honor to receive the Silver Prize at the 2023 *Chiekuri Kaizen* Tournament, and I would like to thank everyone who voted. I think this Silver Prize was the result of everyone contributing ideas and polishing them up together. All of us in the Kyoto Manufacturing Department will do our best to win the Gold Prize next time!

What does *chiekuri* mean to you?
To me, *chiekuri* is about improving the mood on the factory floor. I believe that when you make daily tasks simpler and more efficient, it has a positive effect on the mood on the factory floor. The Kyoto Manufacturing Department is working on improving its *chiekuri* capabilities on a daily basis with the goal of improving our work environment.



Bronze Prize
Easy cleanup
Representative: Ryo Nakamura
Kanto plant,
Chiba Manufacturing Department

The joy of winning the award
What makes me happiest is to be recognized for this *chiekuri* that was created with the cooperation of my superiors, senior colleagues, junior colleagues, and others around me. This time I won the bronze prize, so I will do my best to win the gold prize next year.

What does *chiekuri* mean to you?
I think the great thing about *chiekuri kaizen* is solving problems and issues while having fun working towards a single goal through discussions with colleagues on site. This time I was able to win the prize, but even if I hadn't, the experience of participating in *chiekuri* and the process of creating it with everyone will be valuable for me in the future.

Special feature 3: Self-awareness for women and global human resource development

Self-awareness for women

Harnessing the power of female employees for Itoki's new growth



In March 2022, Itoki launched a women's empowerment community called SPLi that offers female employees opportunities for awareness and networking and supports them in acquiring the knowledge and skills they need to demonstrate leadership. Currently, approximately 150 female employees from branch offices, factories, and Group companies have volunteered to participate.

Miki Shimizu
Sales and Operations Dept. Group

Kazuko Yamamoto
Sales Division Corporate Customer Sales Management Department

Arisa Kikuchi
Product Development Division Product Development Department

Miyuki Sakata
Technology Development Department Production Division

Why did you join SPLi?

Sakata In the Production Division, I am taking on the challenge of developing technology to make furniture from naturally derived materials such as coffee grounds. I've always been the type of person who likes to do things with others, but before I came to my current department, I was developing and designing chairs at a factory, and I didn't have many opportunities to interact with people within the company. So for me joining SPLi felt like joining a club.

Kikuchi I work in the Product Planning Department of the Smart Office Product Development Division, where I am in charge of the design of the products, including the color and material of furniture. Being a mid-career hire, I was looking for opportunities to interact with my colleagues and hoping for new learning experiences, which is why I joined.

Shimizu I work in the Sales Back Office Promotion Department, where I do sales support at the Sendai Branch, such as making arrangements and adjusting delivery dates after receiving an order. I too joined because I wanted to broaden my horizons through interaction with people from various departments across Japan.

Yamamoto I work in the Corporate Customer Sales Management Department. When I first joined the company, there were only a few women like me who wanted to work in sales, but times have changed and there are now more women working on the front lines at Itoki. On the other hand, I believe there are many women who are struggling with career development, so I decided to join SPLi with the idea that I might be able to be of some help as someone with a long history at the company.

Benefits of participating in SPLi

Sakata SPLi is a warm and supportive place where it feels like everyone is cheering you on. It's a place where you can participate in useful events and training in an atmosphere that encourages you to take on new challenges, and at the same time gives you the courage to take the first step. I myself have made a positive change in my behavior since becoming a member of SPLi and it has been a very positive experience for me.

Kikuchi SPLi's events and training sessions are always useful for deepening your own thinking and are of interest to women. For example, the communication training at SPLi made it easier for me to speak openly, and I was able to get a lot of positive energy from all the ambitious women nearing managerial level who were there.

Shimizu I think the biggest benefit is meeting a lot of different people and expanding my network. There are also opportunities to organize events and training sessions yourself, so it's a place where you can test yourself to see how far you can go. In fact, I organized an event myself, which required taking initiative, and as a result I started to pay more attention to different things and I felt like I was growing as a person.

Yamamoto SPLi is a place where you can gain new insights and awareness. For example, I participated in a program to implement a mentor/mentee system through online meetings. I was able to learn many things that I would not have noticed from my usual managerial perspective, and I learned a lot from the young people who were honest enough to share their problems and concerns with me. We also have an online lunchtime segment where we take turns showcasing our jobs. I am so inspired by seeing so many women working so hard and being so positive.

Expectations for SPLi

Sakata SPLi was designed for the purpose of encouraging women to take on challenges and demonstrate leadership, and I hope that we can make it a venue for achieving this from a female perspective.

Kikuchi I hope that it will be a place where female employees can raise each other up and get energized by meeting a wide range of other people.

Shimizu At Itoki, the number of female employees is increasing, but the ratio of managers at the department head level and above is still quite low. Perhaps the cultural background of Japan also plays a role in this. In any case, I think SPLi will become a place that draws out female employees' desire to take on challenges so that they can contribute to the company and be recognized for it, regardless of gender.

Yamamoto Rather than focusing on women's success, I hope it will be a place that pursues fairness so that everyone, regardless of gender, can have the opportunity to take on challenges, and at the same time, a place where ambitious women can gather, uplift each other, and support all women to do their best with enthusiasm.

Please refer to "Aiming for 13% female representation in management" on page 65.

Special feature 3: Self-awareness for women and global human resource development

API global community

Connecting diverse individuals across borders and bringing new ideas to the company



Itoki has launched a community called "API" to promote global human resource development for employees based on respect for employees' autonomy. We gathered four leaders to talk about the activities of the API community.

Koichi Uchida
Planning Division
Corporate Planning Dept. Group

Miyu Nishida
Production Division
Kanto Factory

Yuka Miura
Sales Division
Business Partner Strategy Dept. Group

Hana Sato
Sales Division
Sales and Operations Dept. Group

What exactly is API?
— We support each other and pursue new possibilities beyond national borders

Sato API is an international exchange community that respects autonomy and is open to any Itoki employee, regardless of nationality, employment status, or department. Through our activities over the year, we have been able to support each other and create something new by learning about departments and tasks that we were not aware of before.

Miura The word API means "fire" in Malay, the local language of Singapore. The idea of fire evokes the idea of each of us together gradually growing larger, getting stronger, and shining brighter. I think API is a fitting name considering that the aims of this community are "getting to know each other," "real diversity," and "expanding the possibilities."



What we learned at API
— Understanding is promoted by learning about not only someone's language but also their culture and ways of thinking

Sato I joined API at a time when I was comfortable with my work but I was unsure about my future. When I actually joined, it changed how I interacted with and viewed the company. I had been passive until then, but as a result of having more opportunities to actively look at information about the company, I am now able to learn and absorb more things outside of my work.

Uchida There were more participants than I expected, and I was honestly surprised how many people were looking at overseas exchange as an option and were interested in it. Furthermore, in discussions of different cultures, language tends to feature prominently, but I realized that it is even more important to understand differences in culture and ways of thinking.

Nishida I too was surprised to see that nearly 100 people joined. I didn't think people would join a community like this without some kind of nudge, but once I actually joined, new opportunities opened up for me, just like the others. I joined on the recommendation of Ms. Kawashima, the General Manager of Corporate Communications, and I think there were others who were similarly encouraged. I'm sure they feel glad that they joined just like I do.

Accomplishments and future of API
— Towards a future where we can truly feel like one Itoki Group around the world

Uchida As a first step for API, I think it's great that we were able to let our employees know about this opportunity for international exchange. We are currently in communication with TARKUS INTERIORS PTE LTD in Singapore. In the future, we would like to expand this to other countries to encourage more open and autonomous communication.

Nishida I agree. I hope that the awareness of being "one group" spreads throughout the company, encompassing the entire Itoki Group worldwide.

Miura The major benefit of API is not only the actual creation of a global exchange, but also the change in the mindset of each employee. Through last year's activities, we gained a lot by learning from various people's insights and new perspectives. I think the other participants share this feeling that by participating in API, they are connecting the dots and seeing the possibility that something new might be achievable. I would like to see API become more active in order to make this a reality.

Please refer to "Overseas strategy" on page 56.

Long-term direction

Five themes into one vision: Creating the future of office design and office furniture manufacturing



Toshiya Shimizu
Executive Officer
Director,
Central Research Center



Hiroaki Ninoyu
Central Research Center
Senior Researcher

Looking 10 years ahead

Shimizu As I see it, Itoki is in the business of designing offices and building office furniture. Since both of these are fundamentally applied fields in which existing technologies are combined, the mission of the Central Research Center is to explore Itoki's options while keeping an eye on future developments in basic technology. We set a time horizon of 10 years, look ahead to what's coming, and then "backcast" from there to figure out what needs to be done today. The name "Central Research Center that is also known as Central Laboratory" is appropriate because we established it by gathering members one by one from each major department. This is what makes it possible for us to have comprehensive discussions despite the small number of members.

Ninoyu Office furniture is now a fairly mature field, so I worry that if we try to evolve by continuing along the same lines as before, it will be difficult to come up with outstanding ideas. I feel we need to take a step back from the immediate development race and adopt a mindset that asks "aren't there other options?" Of course, other options exist, so what I am working to establish is that if we make such-and-such a choice, this is the kind of world that will emerge; in other words, our own unique path through spacetime, which is what physicists call a "world line."

Five seemingly disparate themes come together

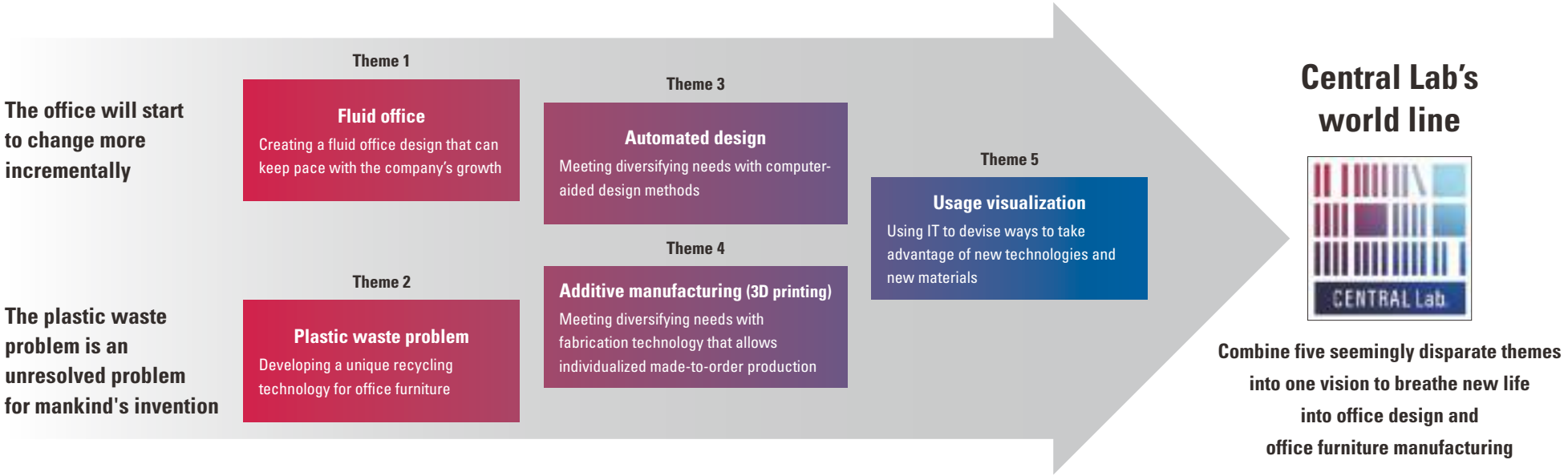
Shimizu Currently, the Central Research Center is working on five themes.

The first is the "fluid office." Starting in the latter half of the 2010s, offices in Japan became more casual and we saw a noticeable trend toward stylish offices. The source of this seems to be the startup culture of the U.S. West Coast. Most of the people working there were young, talented engineers, and jeans and T-shirts became the norm instead of suits and ties. The work environment also changed, with desktop computers replaced by laptops and tablets and documents moving to the cloud, leading to spacious areas without filing cabinets. These larger spaces were furnished with sofas and stylish furniture to create a relaxed atmosphere for working. These startup companies grew rapidly in a short period of time, expanding their offices each time. Each move involved upgrading both the locations and interiors. Otherwise, it would be impossible to retain talented employees. As a result, the office became an important investment for the growth of the company, and managers began to think about the office seriously. However, even with growth, frequent moves can be a burden on management. The concept of the "fluid office" is aimed at developing office design methods that address this management dilemma.

Ninoyu Traditionally, we have stayed at the forefront of office design by preparing proposals that compare the client's current situation with an ideal state. However, under the fluid office concept, the assumptions change. Even today, most Japanese offices adopt the "island" type layout in which employees' desks are placed facing each other within side-by-side "islands" of desks reflecting the organization's structure. The movement toward casual workplaces has opened up new layout possibilities, and in combination with changes in the way people work, has increased the importance of offices. By bringing more fluidity to offices, which have traditionally been static and stagnant, we hope to contribute to improving the productivity of the people who work there.

Shimizu The second theme is the plastic waste problem. Plastic has been continuously improved for about 100 years since its invention and is now an excellent material that is indispensable to all industries. Itoki has also benefited from this, using plastic to add beautiful surface design and superior strength to office furniture that used to be called "steel

Central Research Center



furniture." However, plastic has a serious problem: it cannot biodegrade. The plastic waste problem is now an issue for all humanity, and we believe that office furniture makers must also address it.

Ninoyu Returning to the topic of office design, as offices become more casual, they will be furnished with an endless variety of furniture, and the proportion of standardized, conventional office furniture will decrease. Customer needs will continue to diversify. For the traditional office furniture manufacturer that has produced uniform products using plastic injection molding technology, this diversification of needs is a challenge that must be overcome. That explains why we are tackling our third theme, automated design, and fourth theme, additive manufacturing (3D printing). In our research, we are learning computer-aided design methods and additive manufacturing techniques that enable individualized made-to-order production as a way to meet diversifying needs. I believe we should combine this with plastic recycling technology to take on new manufacturing challenges.

Shimizu Of course, today's products using these technologies cannot immediately replace current office furniture. There are numerous issues to be addressed, including strength and cost. It will not be easy to apply these new technologies to durable and long-lasting office furniture that has stood the test of time. New technologies and materials are not things that can be immediately applied as-is; you need to add a little ingenuity. This is what we are attempting to explore in the fifth theme, usage visualization. The idea is to make the most of new technologies and materials by implementing a system that visualizes their usage for safety purposes and encourages recycling.

Central Lab's world line

Shimizu The five themes exist separately in different fields, but I think that if we can apply them to the fields of office design and office furniture manufacturing in the Itoki way, something new can be created. At present, none of them are perfect, and many of them, especially in the technology field, will not be viable unless they incorporate future technological innovations, but I don't want to spend too much time worrying about how they will be used once they're perfected. I believe that if you narrow down your options while layering and combining hypotheses, and finally take the plunge and choose one vision, a whole new world will open up in front of you. We call this the "Central Lab world line." I believe that if we can materialize this world line into a new brand or service in the not-too-distant future, our research will have borne fruit.

*Central Lab is an alias for the Central Research Center

BUSINESS STRATEGY

Message on management strategy from General Manager of Planning Division



Junsei Shinada
Director and Managing Executive Officer
General Manager of Planning Division

We aim to achieve high profitability by implementing our new medium-term management plan, "RISE TO GROWTH 2026," as part of our medium- to long-term vision, "new ITOKI."

Successful implementation of the previous medium-term management plan has laid the foundation for a high-earnings structure

The previous medium-term management plan, "RISE ITOKI 2023," covered a three-year period during which we achieved significant results in strengthening our earnings structure in the reform phase.

What I want to emphasize most of all is that, beyond these figures, we have established a system and structure that will enable us to take on challenges in the future.

The improvement in the employee engagement index, which is crucial for medium- to long-term growth, clearly demonstrates the strengthening of our earnings structure. It saw a significant increase from 40.4% in 2019 to 74.7% in 2023, reflecting our commitment to a stable earnings base and sustainable growth. The improvement shows that employees are deeply involved in and actively contributing to the Company's vision and goals, laying a solid foundation for future development. As a result of these efforts, the share price closed at 1,347 yen on December 29, 2023, more than tripling over the last three years. The price-to-book ratio (PBR) has also improved to well above 1x.

The mid-term market is staying strong

The new medium-term management plan, "RISE TO GROWTH 2026," places utmost priority on strengthening sustainable growth as a key phase in boosting profitability. With this plan, we are committed to taking a bold step into the future and pursuing further growth and development. We will work energetically toward this goal. The market environment around us is currently going through significant changes, including the growing demand for human capital management, shifts in lifestyles and work styles, and the acceleration of digitalization. The market is performing well, with renewals and replacements driven by human capital management, presenting a great opportunity for us.

Aiming to achieve profit growth by vigorously cultivating a strong market

Amidst this evolving external environment, we will continue to take on challenges by leveraging our strengths: ITOKI's various technologies, backed by the human resources that drive medium- to long-term growth, and designs that resonate with customers' sensibilities, embodying our "Tech × Design based on PEOPLE" approach.

To achieve our medium-term management goals, we have developed seven strategies, collectively known as the 7Flags.

The first strategy is for the Office 1.0 and 2.0 domains, which are the office furniture, spaces, and solutions that ITOKI has excelled in. We will solidify our leadership in these domains and strengthen our position as an industry pioneer.

The second strategy is to develop Office 3.0. By promoting an office DX business based on comprehensive reform of work styles that fully utilizes data, we will transcend the traditional boundaries of the office furniture industry and redefine the field and rules of competition.

The third strategy is for the domains where we have a technological advantage, including specialized facilities, equipment, machinery, and research facilities. We aim to create a business that will become our second pillar after the workplace business, thereby strengthening our portfolio.

As the fourth strategy, the entire Group will reorganize production and logistics and upgrade its IT infrastructure to support this business.

The fifth strategy is the pursuit of Group synergy. In the previous medium-term management plan, we focused on reforming ITOKI on a non-consolidated basis. Now, we will apply the lessons learned from this success to the entire consolidated Groups.

The sixth strategy relates to our people. We will focus on human capital, which is essential for medium- to long-term growth.

For the seventh strategy, we will aim for sustainable growth by investing the resources generated by strategies 1 to 6 in a balanced manner across three areas, namely "investment in new business domains, R&D, and internal infrastructure," "investment in human capital, including returns to employees," and "returns to shareholders." To support this, we aim to achieve the goals of our medium-term management plan by aligning our corporate activities with ESG principles.

➡ For further details on "RISE TO GROWTH 2026," please visit our website.

Declarations of commitment from the managing executives of 7Flags

I want to do everything in my power to help improve productivity in Japan.

I believe a leader's duty is to envision a bright future, set somewhat ambitious goals, and inspire employees to achieve them. At ITOKI, we are dedicated to enhancing productivity in Japan through our mission, "We Design Tomorrow. We Design WORK-Style." We will continue to move forward with determination and commitment.

Strengths finder

- Familiarity
- Individualization
- Communication
- Future orientation
- Strategy

Koji Minato

Representative Director and President



I will help create the most robust financial structure in ITOKI's history.

I will focus on improving equity spreads by increasing profitability and reducing the cost of capital. While increasing investments for growth and shareholder returns, I will work on diversifying our financing methods, including direct financing according to business expansion. I will also focus on improving profitability and capital investment efficiency in each business field. At the same time, I will enhance the three-way audit to continuously foster a sense of security.

Strengths finder

- Reflection
- Innovation
- Desire to learn
- Harmony
- Sense of responsibility

Yoshiaki Moriya

Director and Managing Executive Officer (General Manager of Administrative Division)



I will lead the way in creating productive offices.

I am proud we are in a position to lead the Japanese market when it comes to creating highly productive offices. The main value we provide is ensuring that office workers can achieve higher performance while working more comfortably, so I will put this into practice.

Strengths finder

- Commitment to excellence
- Self-confidence
- Future orientation
- Self-development
- Conviction

Naoki Kaze

Director and Managing Executive Officer (General Manager of Sales Division)



I will create a structure for the expansion and creation phase and continually make changes to it.

The key to achieving the medium-term management plan lies in a well-developed strategy and an effective structure, which is what will drive the continuous improvement of corporate value. In drafting the current medium-term management plan, we will firmly establish a structure and review it on a quarterly and annual basis, aiming to establish a "new ITOKI" by 2029.

Strengths finder

- Harmony
- Communication
- Analytical thinking
- Discipline
- Prudence

Junsei Shinada

Director and Managing Executive Officer (General Manager of Planning Division)



I aim to create an office for creativity and innovation.

With the advent of AI, the role of humans will move toward more creative work. Also the business environment is changing rapidly. I am confident that our Office 3.0 business can contribute to creating offices that foster innovation by continually updating work styles and environments to adapt to these changes based on data.

Strengths finder

- Future orientation
- Discipline
- Strategy
- Desire to achieve
- Goal orientation

Kazuyoshi Nagao

Managing Executive Officer Head of Product & Service Development Division



Declarations of commitment from the managing executives of 7Flags

I will use data to support productive work styles from the workers' perspective.

A worker's primary job is to enhance the quality of their work, not to come up with ways to increase productivity. In the Office 3.0 domain, we help enhance productivity and well-being by improving office design and operations based on data collected from actual work styles.

Strengths finder

- Enthusiasm for collecting
- Reflection
- Strategy
- Desire to learn
- Vitality

Yoshiko Yagi

Product & Service Development Division
Executive Manager of Solution Development Dept. Group



I will personally embody the vigorous pioneering spirit that is part of ITOKI's DNA.

The labor shortage is becoming increasingly severe, and this is a great business opportunity for the Equipment & Public Works-Related Business. I am proud that this business plays a role in Japan's infrastructure. To develop it into ITOKI's second pillar, I will take the lead in demonstrating a pioneering spirit and driving market creation and new product development.

- Sociability
- Communication
- Original thinking
- Positive attitude
- Growth promotion

Tadashi Sawada

Managing Executive Officer
General Manager of Equipment Division



I aim to establish a group-wide production system.

Focusing on future office trends, I will leverage our sheet metal processing and coating technologies developed over the years and further advance them to create a group-wide production system. This system will strategically determine what, where, and how to manufacture not only our own brand products but also those we procure, ensuring optimal production on a consolidated basis.

- Positive attitude
- Coordination
- Analytical thinking
- Growth promotion
- Sociability

Nobuyuki Hirao

General Manager of Production Division
Managing Executive Officer



I want to contribute to the challenge of becoming a company of choice.

The role of logistics is not limited to the last mile of delivering goods to customers. I will make it so we hear directly from customers and provide products and services with higher levels of satisfaction in cooperation with the Development, Design, and Production departments. I want to, as a result, contribute to the challenge of becoming a company of choice known by all.

- Desire to achieve
- Self-development
- Desire to learn
- Goal orientation
- Coordination

Akio Hosoda

General Manager of Engineering Division
Executive Officer



I will support challenging pursuits with technology.

Data and technology are there to be utilized. What is important is people. To make "working" and "learning" more comfortable and efficient, I will do our utmost to contribute to the growth of business and the self-realization of each individual by appropriately incorporating domestic and international trends and creating a familiar and enjoyable digital world.

- Desire to achieve
- Desire to learn
- Strategy
- Vitality
- Self-confidence

Takeshi Otsuki

Managing Executive Officer
Head of DX Promotion Division



I want to create an organization that has a positive impact on the company.

The members of the Human Resources Department believe it is essential to understand management, the work site, and the external environment. We will support ITOKI as a company in becoming a highly motivated, professional, and diverse group of human resources. In other words, we will make the HR Department into an organization that will have a positive impact on the company.

- Positive attitude
- Sociability
- Commitment to excellence
- Growth promotion
- Harmony

Yoshihito Yamamura

General Manager of HR Division
Managing Executive Officer



Business strategy

As a leading office furniture company, ITOKI is dedicated to helping its customers create value through its Workplace and Equipment & Public Works-Related businesses.

Overview of the two businesses (business portfolio) and business domain

P. 46-48

This section explains ITOKI's current business portfolio, the revenue structure for the final year of the medium-term management plan, and the various places where ITOKI's products and services are used.

Past and future of the two businesses

P. 49-52

This section presents a review of the previous medium-term management plan for the Workplace Business and Equipment & Public Works-Related Business, the strategies for the new medium-term management plan, and a message on strategy from general manager.

Message on the production and logistics strategy

P. 53-54

This section features a message on strategy from the General Manager of the Production and Logistics Division concerning improving production efficiency, reducing costs, and optimizing the entire supply chain across the Group.

APPENDIX:
Office market trends and overseas strategy

P. 55-56

As supplementary information, this section provides an overview of future trends in the office market and ITOKI's overseas strategy.

Overview of two business segments (business portfolio)

We vigorously support the value creation efforts of our customers through our business portfolio of two business segments: the workplace business supports the creation of working environments, while the equipment & public works-related business supports the creation of spaces for, and provision of equipment to, manufacturers, logistics facilities, research facilities, and public facilities that help deliver social infrastructure.

Workplace business

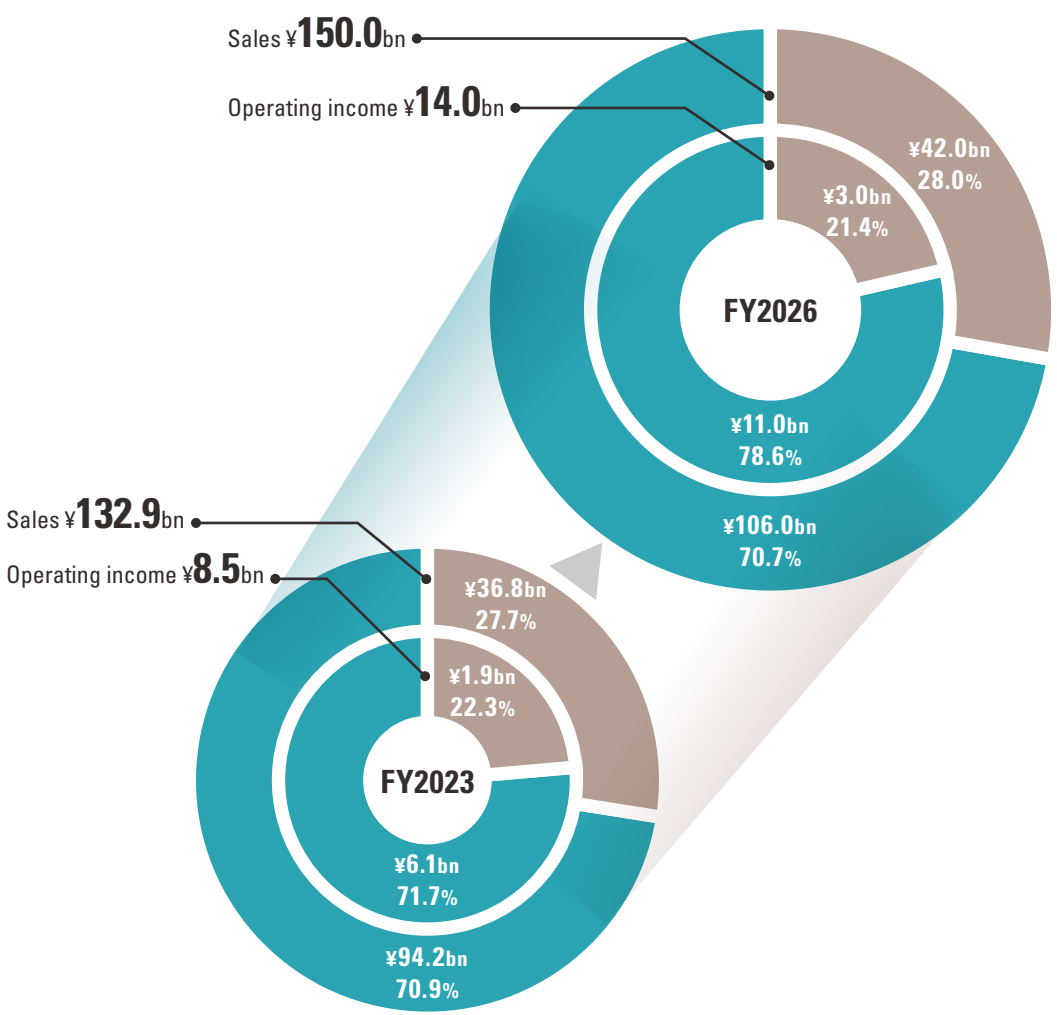
FY2023 results		
	Sales	¥94.2bn
	Operating income	¥6.1bn

In the workplace business, we will lead the creation of working environments in the post-COVID era by providing products and services to realize workplaces best suited to the way each customer works and in keeping with our mission statement: We Design Tomorrow. We Design WORK-Style.

We support the creation of working environments in all kinds of spaces. For new ways of working and the office spaces that implement those ways of working, we offer not only well-designed furniture and furniture that is integrated with digital devices, but also data-driven services that enable optimal working styles and office spaces using the IoT of office furniture and spatial sensing.

Main products and 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



Equipment & public works-related business

FY2023 results		
	Sales	¥36.8bn
	Operating income	¥1.9bn

In this business, we will contribute to social and economic development by providing safe and appealing products to manufacturers, logistics facilities, and research facilities to support social infrastructure, as well as public facilities where people gather. We provide products that improve the safety and well-being of workers and society in general in all kinds of value-creation settings and we contribute to the revitalization of communities with products and services that support the creation of appealing environments and spaces in public facilities.

Main products and services

Safe and functional logistics equipment (SAS) / special doors that require advanced technology and exceptional reliability / biometric and IC card-based information security systems / research facility equipment / powder machinery systems / creation of environments and spaces for public facilities

Business domain

ITOKI's mission statement, "We Design Tomorrow. We Design WORK-Style," defines our domain as creating optimal working environments tailored to each customer's unique work style. Building on the strength of "Tech×Design based on PEOPLE" that we have developed over the years, we will continue cultivating this domain, bringing the data business to life in Office 3.0, and expanding our reach.

Offices



Office furniture

We develop office furniture designed for hybrid work styles.



Office space design

We design office spaces for hybrid work styles.



Data services

We provide unique data services utilizing data.



Security systems

We develop access control systems.

Public offices



We design general reception areas, council chambers, and waiting areas.

Research facilities



We develop local exhaust ventilation systems to protect researchers from exposure to hazardous substances in laboratories.

Semiconductor scrubbers



We develop scrubbers that are essential for semiconductors.

Banks



We design large vault doors for banks.

Logistics facilities



We develop high-speed, three-dimensional sorting machines for factories and distribution centers.

Galleries and museums

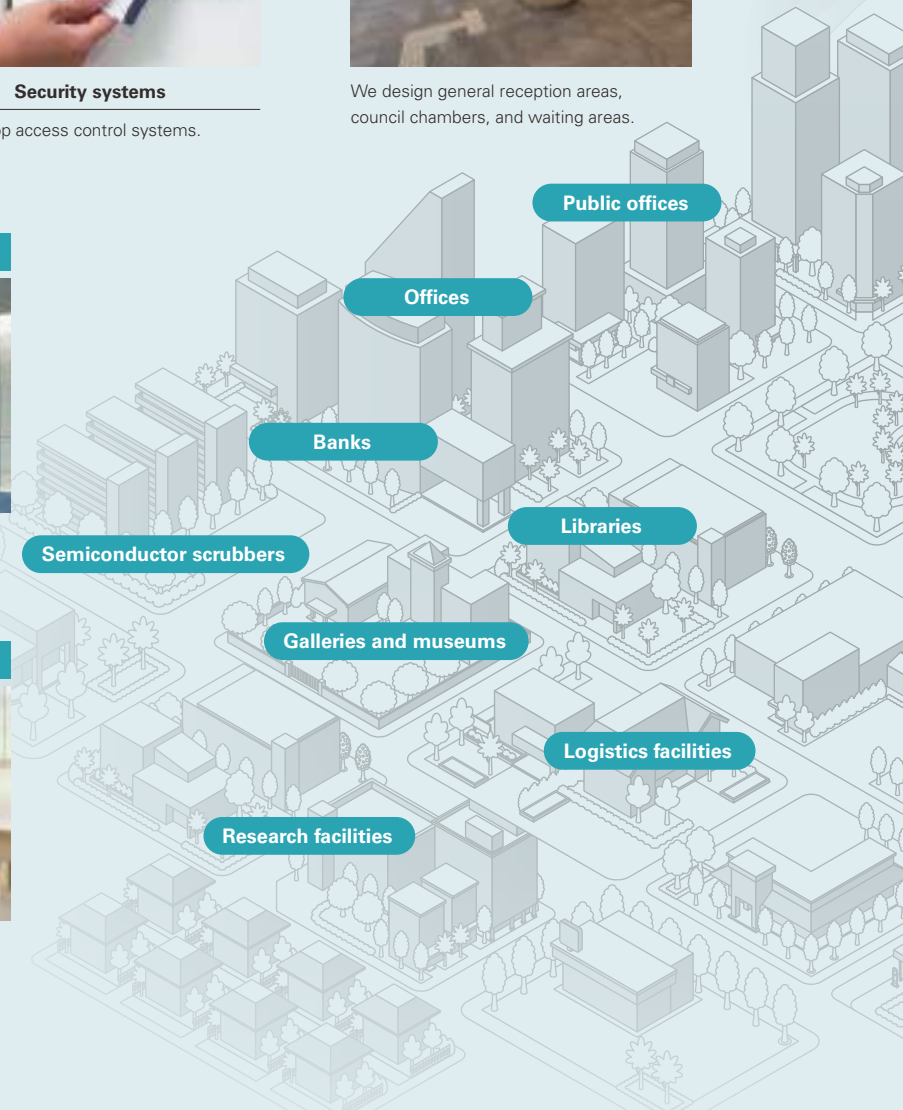


We design display cases that meet the three essential requirements of safety, showcasing, and preservation of cultural properties.

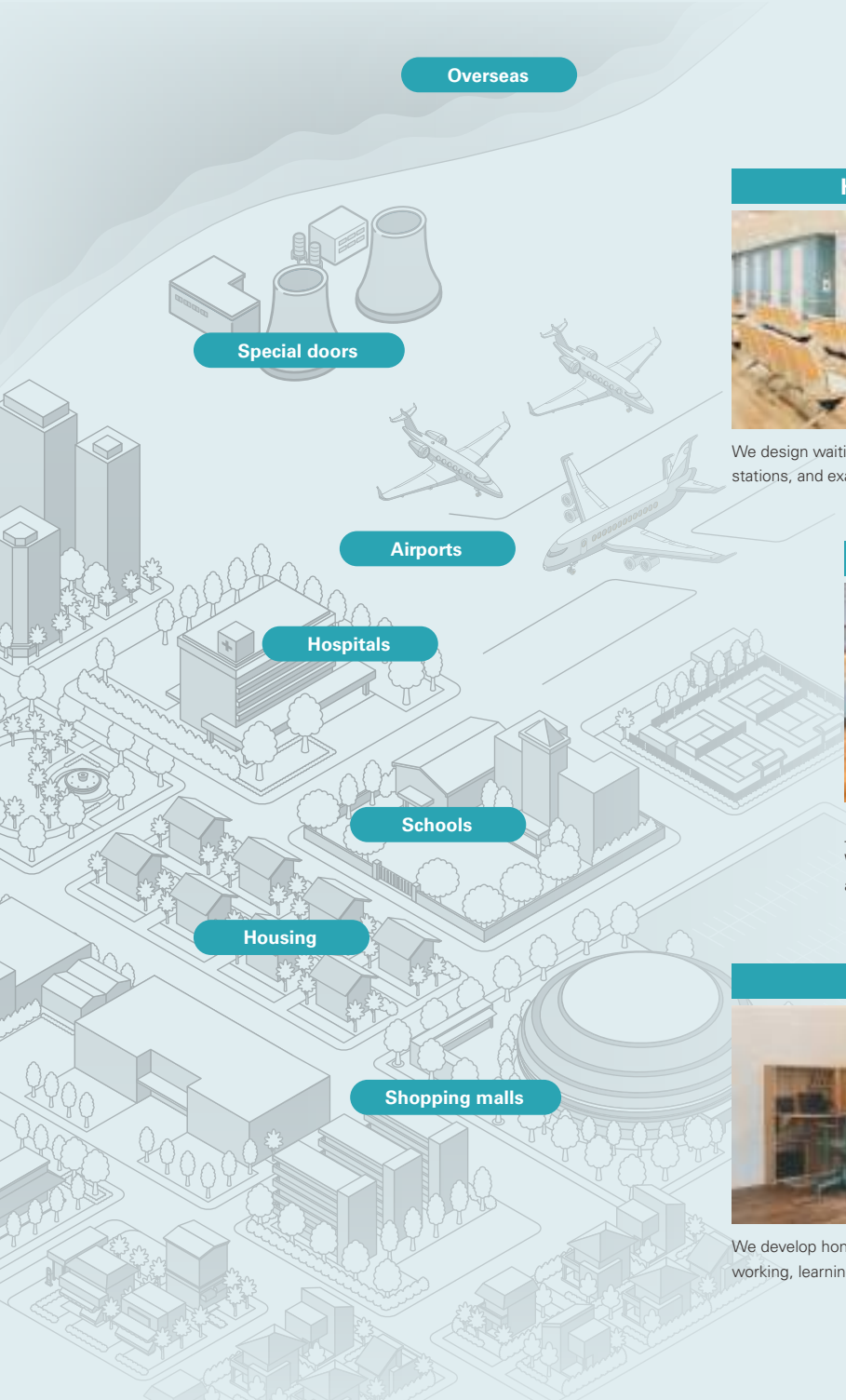
Libraries



We produce functional and aesthetically pleasing furniture for libraries.



Business domain



Hospitals



We design waiting areas, hospital staff stations, and examination rooms.

Airports



We design lounge spaces.

Overseas



We specialize in interior construction.

Schools



Classrooms

We design active learning areas, classrooms, and other such spaces.



Backpacks

We design backpacks for children to support their bright futures.



Signage

We develop digital signage for schools, public transportation, commercial facilities, and public spaces.

Housing



We develop home furniture designed for working, learning, and relaxing.

Shopping malls



We design commercial spaces for stores in shopping malls.

Special doors



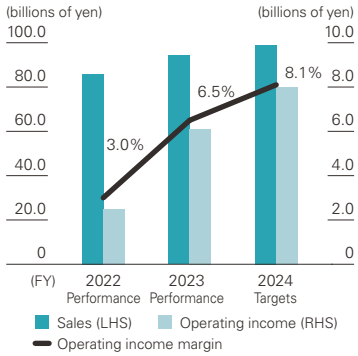
We produce a variety of doors, including screened, watertight, airtight, and reinforced doors.

Workplace business

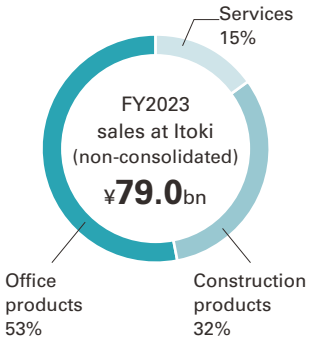
Looking back on the medium-term management plan “RISE ITOKI 2023”

Our prediction is that the data will show that the market for new office buildings and renovations in the Tokyo metropolitan area expanded in 2023 due to increased investment in workplace construction, driven by the diversification of work environments in the post-COVID era. In this context, due to increased demand and the results of structural reforms, we revised the initial numerical targets for the final year of the medium-term management plan (FY2023). Additionally, we made upward revisions during the year, with operating income reaching a record high of 6.1 billion yen.

Sales/ operating income/ operating income margin



Product sales weighting



Outcomes

- Greater earnings power by virtue of high value-added proposals
- Bigger and better consulting services
- Establishment of a manufacturing system that contributes to reducing costs (including the AP Center)
- Optimization of delivery system

Issues

- Maximizing the value provided through enhanced branding
- Enhancement of DX for customers and for internal benefit
- Reducing factory cost ratios through the use of smart factories
- Reducing costs by strengthening procurement functions

Strengths

- Tech×Design based on PEOPLE (please refer to page 30)
- Developing and proposing products and services based on the Smart Office Concept
- Office space design consulting
- Consulting for new ways of working and enhancing productivity based on ABW

Weaknesses

- Cultivation of overseas markets
- Reduction of SG&A ratio

Opportunities

- Promoting an understanding of new work styles that are conscious of wellbeing, creativity, engagement, human capital investment, and productivity
- Office investment recognized by management as a business challenge, shifting from cost to investment
- New office building construction in the vibrant Tokyo metropolitan area, secondary relocations, regional urban redevelopment, and renovations
- Entrenchment of hybrid work styles

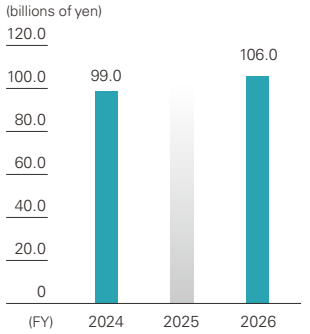
Threats

- Higher production cost ratio owing to sky-high raw material prices
- Rising logistics costs
- Suppression of the economy by pandemics

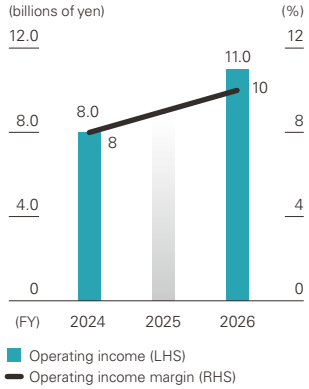
Business strategies of medium-term management plan “RISE TO GROWTH 2026”

Management targets

Sales



Operating income/ operating income margin



Key points of business strategy

Office 1.0/2.0 Domain: Strengthen value-added proposals and secure a base for sales and profits for new ways of workstyle and the office spaces that implement those ways of working

Measure 1: Pursue experience value through enhanced product appeal

- Improve brand presence through improved design
- Develop furniture that integrates with digital devices
- Review overseas sales structure

Measure 2: Propose added value as an integrated space

- Enhance the system in the domain of spatial design
- Expand and deepen the consulting domain
- Increase sales of construction products (building materials and interior work) through integrated space proposals

Office 3.0 Domain: Develop services that provide data-driven, optimal work styles and office spaces through the application of IoT to office furniture and spatial sensing

Measure 1: Develop new data services

Measure 2: Collaborate and form capital alliances with AI companies

Workplace business

Message on strategy



Naoki Kaze
Director and Managing Executive Officer
General Manager of Sales Division

We add value in both design and consulting to secure a foundation for sales and profits

Achieving significant profit growth through sales reform

With the subsiding of COVID-19, more companies are not only relocating offices but also renovating them to accommodate a hybrid working style that combines in-office and remote work. In this context, the Workplace business achieved sales of 94.2 billion yen and an operating income of 6.1 billion yen in FY2023, surpassing the targets of "RISE ITOKI 2023."

Over the past three years, in particular, we intentionally removed sales figures from our targets and shifted our sales mindset to focus on value provision, aiming to improve the quality of our sales. Recognizing that value equals profit, we thoroughly implemented a straightforward policy of maximizing value creation. The purpose of office renovation is not to buy cheap furniture but to make the most effective changes for enhancing work efficiency. Before proposing anything to our customers, we thoroughly test it ourselves at XORK, which serves as both our head office and showroom. This allows us to provide more convincing arguments for our clear objectives. As experts, we spend all our time thinking about the office environment. We engage in value-added sales by confidently communicating the value of our products and services, having experienced and verified the quality ourselves. As a result, we improved our operating margin from 1.5% in FY2020 to 6.5%.

Aiming for a second-to-none operating margin of 10%

As hybrid working becomes more widespread, work locations become more flexible. One management challenge is creating an office environment that encourages employees to come in and work. In RISE TO GROWTH 2026, we will focus on capturing this trend and promoting the experiential value of our products through the enhancement of product appeal and the proposal of added value in an integrated space. As a result, for the Workplace business, we aim to achieve sales of 106 billion yen, a 10% increase compared to FY2023, and operating income of 11 billion yen, with an operating margin of 10% that is on par with that of our competitors. Furthermore, we expect sales of 99 billion yen in FY2024, with operating income of 8 billion yen. We also expect the operating margin to increase to 8.1%.

Enhancing product appeal through improved design and integration with digital devices

To enhance product appeal, we will first focus on improving design. Design is one of ITOKI's major strengths. This is demonstrated by the fact that we received the iF Design Award 2024, one of the world's three major design awards. Beyond being easy to communicate with, our design often evokes a sense of immersion. Unlike mere concentration, we seek to rebrand our products while striving for offices that sharpen the mind and significantly boost performance. We believe that the effects of being able to immerse oneself, being comfortable, and wanting to come back must be further enhanced.

On the other hand, there is an influx of designs from other cultures, and the number of spaces that make you wonder if they are offices is increasing. To address this diversification of values, we will adopt a multi-brand approach by partnering with other brands. For example, we are starting to work with esPattio, a company known for creating spaces featuring Mediterranean-style design. With Singapore-based Tarkus taking the lead, we will also be focusing on the ASEAN region and promoting the overseas sales of the ITOKI brand.

In addition to these initiatives, we are developing furniture that is suitable for hybrid work that integrates with digital devices. For example, to address the lack of communication space caused by the rise in web conferences, we will introduce functionally innovative products. This includes developing furniture that allows sound to be heard only by those facing each other from across a desk.

Expanding consulting services by integrating with the Office 3.0 domain

We will expand and deepen our consulting services to provide integrated value-added proposals. Companies are reevaluating the value of their offices, and our consulting income has increased more than threefold over the past few years. As such, we are expanding our scope to include not only office furniture, but also proposals for the entire office space, from building material development to interior construction. On top of that, we will strengthen our ability to provide added-value consulting proposals by combining new services in the Office 3.0 domain, which digitalizes office activities in real time and provides optimal work styles and office spaces with agility. Moreover, while building long-term relationships with our customers, the Workplace business will establish a foundation for sales and profits as a core business.

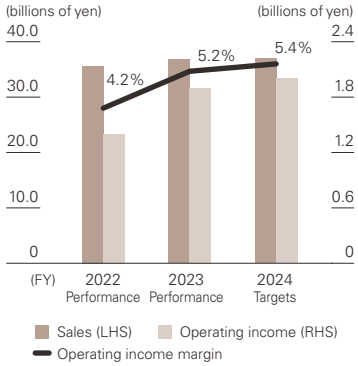
Equipment & public works-related business

Looking back on the medium-term management plan “RISE ITOKI 2023”

Against the backdrop of trends toward automation and labor savings, there has been strong demand for multi-level shuttle automated storage systems (SAS). Additionally, inbound tourism growth has driven high demand for equipment such as digital signage and display cases for museums and art galleries. As a result of these efforts, sales for FY2023 were 36.9 billion yen, and operating income was 1.9 billion yen, exceeding the targets of RISE ITOKI 2023.

➡ Please visit our website for more information on SAS.

Sales/ operating income/ operating income margin



Product sales weighting



Outcomes

- Achieved results surpassing the targets of the medium-term management plan
- Expanded the SAS sales network
- Improved production systems by building the AP Center

Issues

- Secure enough engineers to handle special orders

SWOT

Strengths

- Tech×Design based on PEOPLE (please refer to page 30)
- Long-honed mechatronics technology and customization capabilities
- Systema Streamer SAS-R, a high-speed and compact multi-level shuttle automated storage system
- Equipment and devices for R&D with a high market share, fixtures for public facilities such as large display cases, and special doors

Weaknesses

- Efforts to expand into overseas markets are still in their infancy

Opportunities

- Trends toward automation and labor savings in the logistics market
- Steady investments in R&D in Japan

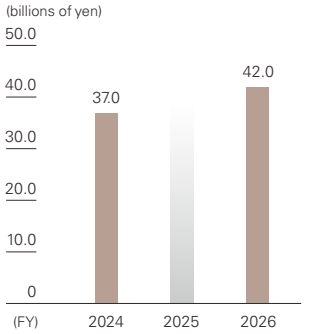
Threats

- Higher production cost ratio owing to sky-high raw material prices
- Rising logistics costs
- Suppression of the economy by pandemics

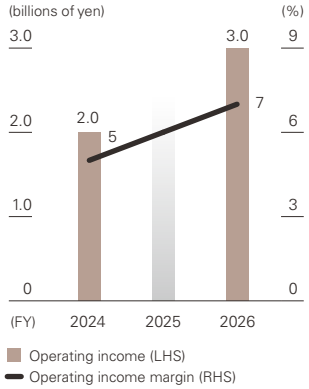
Business strategies of medium-term management plan “RISE TO GROWTH 2026”

Management targets

Sales



Operating income/ operating income margin



Key points of business strategy

We will play a key role in the third strategy of the 7Flags, the key strategies of the medium-term management plan. By allocating our resources mainly to development and engineering in the logistics and research facilities domain, we will cultivate the domain into our second pillar business.

(1) Logistics facilities

Wide variety of SAS for logistics

- Development for the growing frozen food market
- Compact size allows automation in various fields
- Expansion into automated warehouses in ASEAN and other countries

Establishing a maintenance business

- Development of predictive maintenance services using data/IoT

(2) Research facilities

Expanding market share by introducing new products at research facilities

- Strengthening customer touch points
- Expansion to ASEAN and other countries

Establishing growth business areas

- Establishing a clean equipment business in the pharmaceutical/medical fields, and strengthening sales of automatic cleaning equipment in the semiconductor manufacturing field

Establishing a maintenance business

- Establishment of a maintenance service business backed by architectural and air conditioning related technologies

Equipment & public works-related business

Message on strategy



Tadashi Sawada
Managing Executive Officer
General Manager of Equipment Division

Developing a second pillar business by expanding the specialized facilities domain and establishing a maintenance business

Expanding the sales network and production capacity

In Japan, where the aging population and declining birthrate are accelerating, there is a growing labor shortage not only in logistics facilities but also in factories and other facilities. As a result, demand for multi-level shuttle automated storage systems (SAS) is increasing against the backdrop of trends toward automation and labor savings. Additionally, inbound tourism growth is driving high demand for equipment such as digital signage and display cases for museums and art galleries. Riding this tailwind, sales in the Equipment & Public Works-Related Business in FY2023 reached 36.9 billion yen, with operating income of 1.9 billion yen, exceeding the targets of RISE ITOKI 2023. While expanding the SAS sales network, we also started operations at the Shiga Plant AP Center, increasing production capacity by 1.7 times.

However, since our strength lies in customized design and 70% of our products are special orders tailored to meet specific customer needs, we are currently facing a shortage of skilled engineers for both front-end design and back-end construction processes to meet the robust demand. Going forward, improving the efficiency of the entire supply chain will be crucial.

Aiming for a 40% increase in both sales and operating income in the specialized facilities domain

Under the RISE TO GROWTH 2026 plan, our focus is to develop new products and establish a maintenance business, while also addressing the engineer shortage issue. My mission is to achieve a 40% increase in both sales and operating income compared to FY2023 in the specialized facilities domain, including logistics and research facilities, and pharmaceutical/medical and semiconductor cleaning equipment manufacturing fields. As a result, we aim to achieve sales of 42 billion yen and operating income of 3 billion yen in FY2026. Meanwhile, we expect sales of 37 billion yen, with operating income of 2 billion yen in FY2024.

Accelerating the expansion of SAS by developing new products

The logistics equipment market is currently worth 600 billion yen and is growing at an annual rate of 6-8%. It includes the market for automated warehouses, estimated to be worth around 180 billion yen. As such, there is still plenty of room for equipment, led mainly by SAS, to grow. We are planning a full model change for the SAS-C for the frozen food market, which is seeing an increase in inquiries. We also plan to introduce a compact-size SAS. In the public works-related domain, we are also applying the technology of the new lantern/table-type display cases (Artivista) that we delivered to the Tokyo National Museum to develop wall-mounted products.

Establishing a maintenance business with our proprietary predictive maintenance system

In the maintenance business, we developed a proprietary Ai-powered predictive maintenance system. Rather than repairing machines after they break down, we aim to predict breakdowns in advance and prevent machine stoppages. Using data from the SAS installed in the facility, the AI analyzes how it is being operated and then suggests operational improvements to the customer. We are currently verifying the effectiveness of the data. At the same time, we feel that there is considerable demand, so we plan to incorporate this predictive maintenance system into products other than SAS as well.

Securing engineers is the most pressing issue

The most pressing issue today is securing engineers. Therefore, ITOKI Engineering Service, our Group company which had been undertaking maintenance and construction work, will be absorbed into ITOKI CORPORATION itself. Separately, we plan to increase the number of engineers by more than 50, including accepting AI and mechanical engineering specialists from Hanoi University of Science and Technology, with whom we have signed a partnership agreement. At the same time, to give them a sense of pride and fulfillment as engineers, we encourage them to acquire highly specialized qualifications. We have also established a system that allows them to actively apply for the rights to their ideas. Additionally, we hope to create an atmosphere and a culture where employees can talk to each other about the future vision of the business.

Playing a role in Japan's infrastructure

In the medium to long term, we expect the need for special doors to increase as nuclear power plants restart. In this way, our business plays a role in Japan's infrastructure, not only in logistics facilities but also in medical, school, and research facilities. Driven by this strong desire, I will take the lead in both market expansion and new product development, aiming to establish the Equipment & Public Works-Related Business as our second pillar business.

Message on the production strategy

Promoting production efficiency and cost reduction through integrated group management



Nobuyuki Hirao
General Manager of Production Division
Managing Executive Officer

Production and supply reform project boosts operating profit

The Production Division promoted a production and supply reform project under RISE ITOKI 2023, contributing to a roughly 2 billion yen boost in operating profit. As a major initiative in response to changing office trends, production was transferred away from the Neyagawa Factory, previously the main factory for single-person desks, and it was closed. At the same time, a new AP Center focusing on assembly functions was established at the Shiga Office. We also expanded production collaboration, optimized the distribution of in-house products, promoted the shift to smart factories to accelerate automation and labor savings, and optimized the Group's product supply system. Additionally, we reformed the new product development process for purchased products, reduced costs for existing purchased products, increased the profitability of SO products*, and lowered material procurement costs.

*SO stands for special order

Aiming to optimize production across the entire Group

The external environment for production and supply has become increasingly challenging due to rising raw material prices, higher logistics costs, labor shortages, and other factors. We have 11 plants in Japan, nine of which produce steel products, a shrinking market. Furthermore, as office trends diversify, we are under increasing pressure to shift to high-mix, low-volume production, rendering the traditional mass production cost model ineffective. Given this situation, our biggest challenge is managing high-mix, low-volume production while maintaining high factory utilization rates. However, considering profitability and system constraints, it is not feasible to address all needs with our own factories.

The reforms implemented so far have focused on individual companies and have not fully leveraged the potential of our Group companies. We need to consider the functions and roles of the entire Group within the supply chain and explore the optimization of our group-wide production system.

Therefore, under RISE TO GROWTH 2026, we will extend the production and supply reform project to our Group companies and implement a group-wide production system based on the consolidated strategy of using optimal production locations and methods.

Through these efforts, we will meticulously implement each task, aiming to reduce combined manufacturing and logistics costs by 5% compared to FY2023.

Expanding licensed and OEM production and handling high-mix production

Leveraging our years of expertise in sheet metal processing and painting technologies, we manage licensed production for other brands, OEM production, and purchased products. This share is increasing year after year. These activities are structured to ensure profitability. After the design stage, which is the upstream process of development and design, is handled in-house, we select profitable factories, including those of partner companies. Units and parts produced at reasonable prices are then purchased for final assembly at the AP Center.

The idea is to use this new structure further to expand the production and supply system for purchased products while ensuring stable and high operation rates at the company's own factories. At the same time, we intend to expand joint purchasing further by reviewing procurement.

On the other hand, to manage multi-product production, we focus on cost reduction by promoting standardization to the same specifications as a platform. Furthermore, we currently produce finished products at the factory and deliver them to the distribution center. However, we are looking into a system to assemble semi-finished products (parts) at the warehouse, which would reduce total costs, including logistics expenses. Looking ahead to the next medium-term management plan, we will also promote the acquisition of skills and technologies necessary for new product categories.

Promoting improved deployment of wisdom throughout the Group

We are promoting the improved deployment of wisdom as an initiative for employees to tackle and resolve worksite is-sues independently.

We call this initiative "*Chiekuri Improvement*."

We thoroughly analyze unreasonableness, wastes, and inconsistency at production sites using the 5-gen principle (actual site, actual product, actual situation, principles, and standards). Our goal is to create low-cost, human-friendly, and highly productive production lines through wisdom and ingenuity. Through these efforts, we aim to reduce costs and enhance operators' improvement skills while also creating a factory environment where people can experience the joy of manufacturing.

We intend to extend these efforts across the Group and further enhance them as a production site improvement activity targeting the entire manufacturing process.

Message on the logistics strategy



Akio Hosoda

General Manager of Engineering Division
Executive Officer

Optimizing the entire supply chain: relocating distribution centers alongside group restructuring

Logistics is the cornerstone of the entire supply chain

ITOKI's logistics involves more than just transporting products; it encompasses a wide range of operations, including assembly at customer sites and construction-related products. Therefore, coordinating and optimizing the supply chain across engineering—from design and planning to production, construction, and management—is crucial for logistics reform.

We will pursue group-wide reforms to enhance supply chain efficiency in alignment with production, logistics, and engineering improvements while also aiming for value enhancement and cost optimization efforts for a 5% reduction in production and logistics costs.

Reform at the Metropolitan Distribution Center

Last year, we reorganized our Metropolitan Distribution Center to increase delivery efficiency by 30%.

Tokyo Techno Park (Kawaguchi City), which had been in operation for 20 years, was functionally divided into two facilities. One is the Tokyo Logistics Center in Soka City, where large products from factories are consolidated, and the other is the Tokyo Base in Koto-ku, Tokyo, which primarily manages deliveries within the Tokyo metropolitan area. We have established a two-site system consisting of the Tokyo Logistics Center, which offers excellent highway access and is ideal for wide-area distribution in eastern Japan, and the Tokyo Base, located near the city center and capable of efficient shuttle transport. At the same time, we transformed the office areas of the distribution center, previously divided by function, into cohesive spaces designed for communication and connectivity, led by the team members working there.

Reorganizing the Group's logistics companies and promoting advanced ERP

In our efforts to streamline indirect operations, we outsourced many tasks. Consequently, the focus on service improvement, safety, and quality assurance at delivery sites became fragmented, making it difficult to fully understand our customers' true needs.

Therefore, we brought key value-providing business processes in house simultaneously with the relocation of the distribution center.

As specific initiatives, we made our partner company SOUA a subsidiary in February 2024 to incorporate key business processes into the logistics center, increasing expertise and speed. Additionally, we integrated ITOKI Engineering Service, a Group company, in July 2024 to strengthen the foundation for improving the quality and safety of logistics.

Additionally, the distribution system will be upgraded to align with the company-wide ERP system, promoting digital transformation to improve the efficiency of the new logistics and implementation system, thereby solidifying the foundation.

Promoting improvements in collaboration with related departments

As part of logistics reform, we are also strengthening collaboration with the Design, Development, and Production departments. For example, we evaluate the adequacy of workability with the Design Department during the design phase and make proposals to the Production Department to improve the entire supply chain, including supply routes from both our own and partner factories.

In this context, we have begun looking into flat-packing and pallet loading. This will include careful consideration of production efficiency, delivery efficiency, and optimization of service at the customer's delivery site. This approach did not originate from a traditional department-by-department mindset.

The new logistics center will also serve as a necessary link between the production site and the Design and Development departments.

Enhancing last mile quality to industry-leading standards

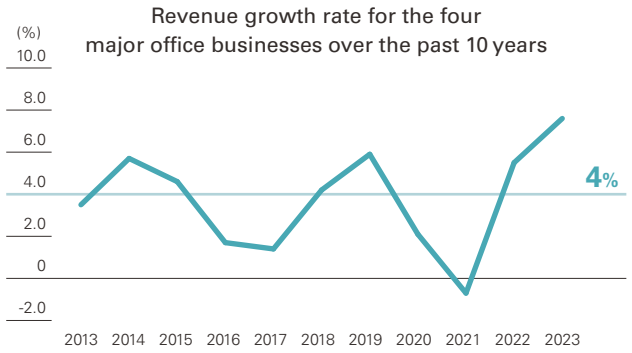
We focus on the last mile, where we interact directly with customers. By improving our service, we ensure that our products, plans, processes, and the employees involved are highly valued, leading to repeat business and positive customer relationships. We believe that this cycle will not only increase sales but also improve employee motivation and engagement. To this end, we aim to achieve the highest level of quality, cost, and delivery (QCD) in the industry and implement reforms to ensure everyone is confident and valued.

Trends in the Office Market

Japan's office market is said to be worth around 800 billion yen. It is predicted to continue performing well in the future, backed by forecasts of demand for new buildings and investment in human capital. The total market share of major listed companies is over 50%, and market penetration is expected to continue. In this environment, Itoki aims to strengthen its position by implementing its new medium-term management plan, RISE TO GROWTH 2026, leveraging the strengths of "Tech × Design based on PEOPLE."

Revenue growth rate for the four major office business companies over the past 10 years

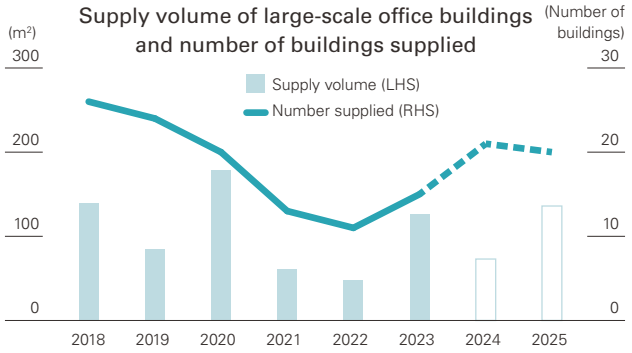
Average growth of 4%



Source: Financial results summaries of each company

New construction demand forecast

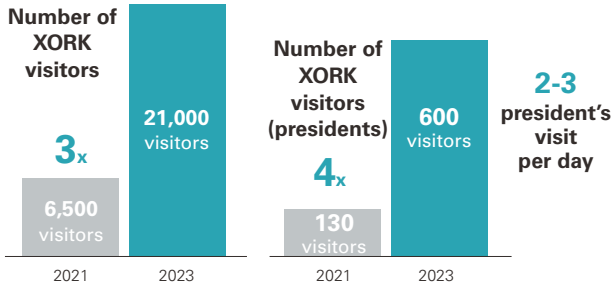
The supply volume will decrease in FY2024, but the number of buildings supplied will increase



Source: Mori Trust Co., Ltd. 2023 Survey of Supply of Large-scale Office Buildings in 23 Wards of Tokyo

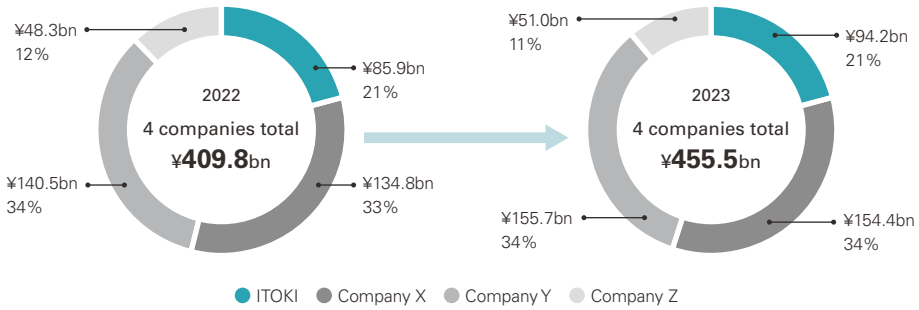
Change in attitude toward office investment

The number of managers considering investing in an office as one way of using human capital funds has increased significantly



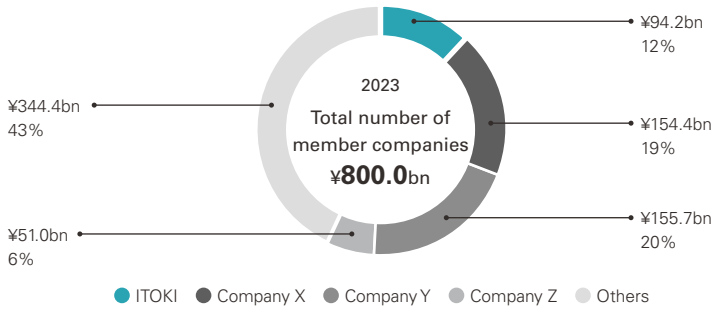
Source: XORK visitor data (our research)

Market share (total for four companies)



Source: Financial results summaries of each company

Market share (Japan Office and Institutional Furniture Association (JOIFA) members)



Source: Financial results summaries of each company and business report of JOIFA

Overseas strategy

The Itoki Group has expanded its business overseas, mainly in ASEAN countries and China. The weighting of overseas sales as a percentage of consolidated sales is around 9%, which breaks down to roughly 6% for ASEAN and 2% for China. Up ahead, we will continue to pursue the globalization of operations and human resources primarily in the ASEAN member states, and especially in Singapore, through our Group company Tarkus Interiors Pte Ltd (https://tarkus.com.sg).

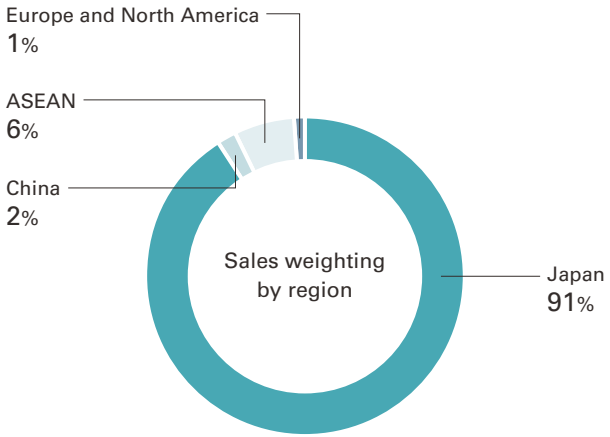
Overseas (ASEAN/China)

Unearthing new sources of earnings for the next growth phase

- Strengthening product development and opening up channels
- Bolstering new business development at Tarkus (Singapore)

Thoroughgoing management with a focus on costs and the bottom line

- Rebuilding production and sales structures in China
- Reinforcing collaboration with partner firms





Approach in ASEAN countries

Our business presence in the ASEAN region is mainly centered on Group company Tarkus Interiors. Tarkus, whose head office is in Singapore, employs approximately 200 people. Employees of seven different nationalities work at the head office, adding the international flavor to its operations. Tarkus handles interior and renovation projects of various scales. In the future, we plan to introduce a system that offers one-stop services, covering everything from spatial design based on the Japan model to interior work and the delivery of Itoki products. This will enhance our value proposition to customers and boost profitability.





Launch of API

In April 2023 we launched a global initiative called "API," a platform to help Itoki Group members in Japan and overseas overcome whatever challenges they may face, such as language barriers, different ways of thinking, or differences in customs, so they can develop into self-directed, mutually learning, and globally capable professionals.

The word API in the Malay language means "fire." With this word as the name of the platform, we wanted to incorporate the message of igniting each other's fire, or in other words, mutual inspiration, and connecting and growing together.

When considering the company's growth and the future careers of every single employee, a global perspective, outlook, and vantage point are essential. As Tarkus employees are also participating in the API program, through exchange between Japan and Singapore, we will aim to enhance diversity and foster a genuine understanding, mindset, and awareness of what it truly means to be "global" by having employees develop a deep understanding, in a very real sense, of the cultural, religious, and customary differences between countries.

For details, please refer to page 38.







MANAGEMENT PLATFORM STRATEGY

Message on DX strategy

Contributing to the improvement of productivity in our company and society through the use of digital technology and data



Takeshi Otsuki
Managing Executive Officer
Head of DX Promotion Division

20-year-old system causes operational efficiency to stagnate

In 2005, manufacturing company Itoki Crebio and sales company Itoki merged to form the ITOKI of today. Almost 20 years have passed, and we have been still using the system we had originally developed, while continuously improving it. However, since we handle data in a distributed environment for accounting, order receipt and placement, logistics, and more, we have been unable to create a system that allows instant retrieval and utilization of the necessary data. To resolve this tangled state of system and data and enable effective data utilization, our DX initiative aims to transition from our in-house developed system to an ERP from a global IT vendor. This will integrate our distributed data and achieve standardization, simplification, and automation of operations.

Supply chain management system to go live in October, which completes the introduction of advanced ERP

The introduction of ERP began with an advanced management system to support timely management decisions, which went live in 2023. After that, in January 2024, we launched an advanced accounting system that allows us to respond flexibly and in a timely manner to changes in laws and regulations. In October 2024, we plan to launch a supply chain management system that manages everything from order receipt and placement to sales and invoicing.

The operation of these systems is being achieved through the company-wide business and process reform and the redefinition of ITOKI's strengths. We believe that by utilizing ERP's characteristics, we can better promote the streamlining and automation of business operations and go paperless. For example, we expect earlier settlement of accounts, including disclosure within the month, and an improvement in the accuracy of production and sales plans, which are necessary for management decisions.

Promoting data-driven management to increase operating income per employee by 1.5x

As we continue to build advanced ERP and develop the infrastructure to collect, store, analyze, and utilize data, we will promote data-driven management that utilizes digital technology and data. The five themes of data-driven management are data business (creation of new businesses), operational efficiency, advanced management, development and retention of DX human resources, and development and strengthening of DX infrastructure.

In particular, in terms of improving operational efficiency, we are seeing positive results such as the early settlement of accounts, improved accuracy of production and logistics planning, and the elimination of previously necessary tasks. We will continue to accelerate these efforts. Under the current medium-term management plan, we plan to make 8 billion yen IT-related investments over the three years. As a result, we expect operating income per employee to increase by 50% by 2026.

Developing DX human resources through five steps: know, use, apply, create, and master

Promoting DX company-wide is an important theme for achieving data-driven management. It is essential to develop DX human resources who see IT as a familiar tool and actively utilize it.

To address DX human resources development, we have defined five stages: know, which involves understanding the basics; use, which means mastering the tools; apply, which focuses on improving productivity and reforming work styles; create, which involves creating new services and added value; and master, which requires advanced and specialized knowledge in specific fields. We are establishing a system that allows employees to acquire the necessary skills for their jobs at their own pace while also fostering a culture that promotes skill acquisition.

Promoting the use of DX that will also help improve Japan's labor productivity

At ITOKI, we are using DX to promote the standardization, simplification, and automation of work and are working to improve productivity. We are confident that by combining the insights gained from data on people's work styles with the items necessary for the workplace which we have developed as products, we can help improve Japan's labor productivity in the future, which is considered low internationally. Through this, we hope to create new value and evolve and promote our mission, "We Design Tomorrow. We Design WORK-Style."

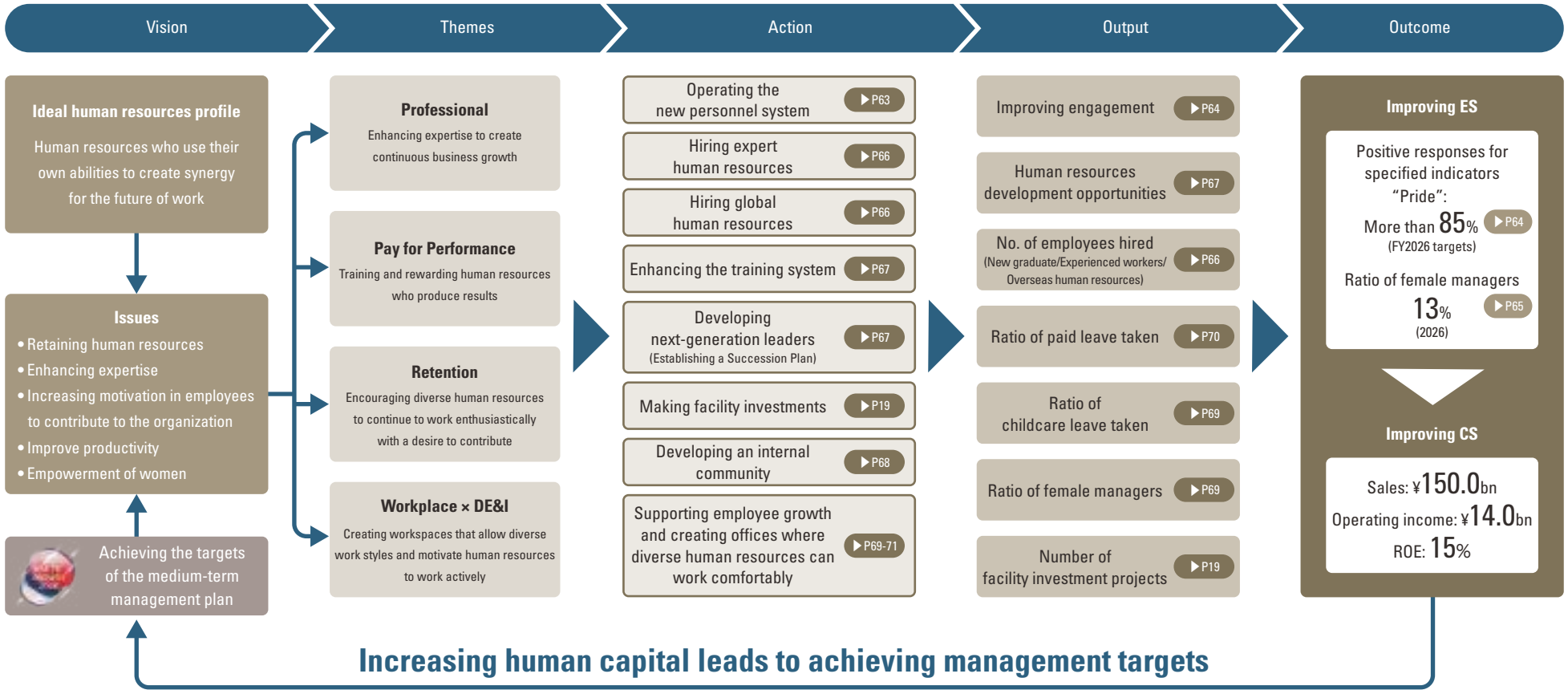
➡ For further details on our DX strategy, please visit our website.

Human resources strategy integrated with management strategy

As you can see ITOKI's strengths in "Tech × Design based on PEOPLE," we firmly believe that enhancing human capital is key to achieving our management goals. Embracing the concept that employees are the key players, we aim for a relationship where the company and its employees work together to improve each other to new heights. We have restructured our comprehensive human capital strategy to emphasize expertise and diversity. By implementing each action plan linked to the personnel system reform, we will continue to sustain and further improve the positive cycle.

Overview of Human Capital Strategy

MISSION STATEMENT **We Design Tomorrow. We Design WORK-Style.**



Message on human resources strategy



Yoshihito Yamamura
General Manager of HR Division
Managing Executive Officer

Achieving management targets with a human resources strategy that empowers employees to be the key players, emphasizing their expertise and diversity

Intensified competition for acquiring human resources is the backdrop for reform

It is becoming clear that enhancing the value of human capital is directly linked to achieving management targets, making human resources strategies increasingly important. I believe two external environmental changes should be considered when developing a human resources strategy.

One of these is that values have changed dramatically in the post-COVID-19 era and conventional wisdom and traditional success patterns are no longer applicable. An even more significant change is the intensified competition among companies for acquiring human resources. Based on these considerations, we have identified and analyzed issues related to our human resource activities and have been developing a strategy to build a human resource portfolio that can effectively execute our management strategies.

Developing a human resources strategy centered around the two pillars of "expertise" and "diversity"

In the new medium-term management plan for 2024-2026, the human resources strategy focuses on expertise and diversity. The concept of human capital management is that employees are the key players. The comprehensive human capital strategy has been restructured to include reforms in the personnel system, recruitment, and training.

In this strategy, we have clarified the ideal human resources profile and identified five key issues to achieve our Mission Statement, "We Design Tomorrow. We Design WORK-Style." Based on this, specific action plans are developed, and KPIs are set to manage quantitative progress.

Three keys: Strengthening expertise, increasing motivation, and providing compensation directly linked to performance results

To enhance the performance of every employee, we have established three basic policies: "Professional," to strengthen the expertise that drives continuous business growth; "Pay for Performance," to reward employees who deliver results; and "Retention," to enable highly motivated employees to continue contributing energetically.

We are working to strengthen the expertise by actively recruiting highly specialized and global human resources. At the same time, we have shifted our personnel system from focusing on organizational manager development to one that accommodates highly specialized human resources. Our training system has also been enhanced to focus on improving individual capabilities.

Given the urgent need to secure highly specialized human resources, however, our current policy is to hire mid-career workers for around 70% of the positions.

Furthermore, as part of our medium-term management plan's human capital investments, we focus on creating a vibrant working environment by renovating our R&D, sales, production, and logistics facilities.

Additionally, we aim to boost motivation by changing the compensation system to emphasize individual's expertise and results, providing appropriate recognition and benefits to those who take on challenges and deliver results.

Both increasing the participation of women who are willing to take on challenges and improving employee engagement are essential to our growth

Because Itoki's growth depends on women's active participation and highly motivated human resources are essential to achieving our goals, we have set the ratio of female managers and employee engagement as human resources-related KPIs in the medium-term management plan for 2024-2026.

To increase the ratio of female managers, we have focused on creating an environment where candidates are motivated to pursue management positions. We have also fostered an internal community that encourages their active participation and supported their career development. The target of the medium-term management plan is 13%, but we believe that with the continuation of these efforts, the percentage will steadily increase to 20% and then 30% in the future.

Meanwhile, in terms of employee engagement, we aim to reach a global blue-chip level of 85%, up from 74.7% in FY2023. We believe we can fully achieve our targets by implementing a system that allows all employees to take the challenge to improve their expertise and achieve results and by establishing an environment where employees take pride in their work and actively and autonomously engage in creativity and ingenuity.

Striving to become a company that "wins with its people"

We have been referred to as "ITOKI, a company based on PEOPLE" because we have diverse human resources and a history of overcoming various challenges with a strong sense of unity in times of crisis. Through a new human resources strategy, we will revive the original meaning and strengths of the DNA of "ITOKI, a company based on PEOPLE" inherited from our predecessors, pursuing transformation into a company that wins with its people."

Human capital management roundtable

Creating a relationship where the company and employees boost each other to new heights

Four frontline salespeople sat down for a roundtable to talk about ITOKI's appeal, job satisfaction, future challenges, and expectations for management.



Misaki Imoto
East Japan Branch
Sendai Branch

Yuri Kawaharada
West Japan Branch
Fukuoka Chuo Branch Office

Kazumi Kirimura
Corporate Customer Sales Management Department
Corporate Branch Office No. 5

Yoshihito Yamamura (Facilitator)
General Manager of HR Division
Managing Executive Officer

Daiki Morishita
Kansai Branch
Corporate Branch Office No. 1

Yamamura **Please introduce yourself and share why you decided to join our company.**

Morishita I joined the company in 2010 and currently work at the Kansai Branch. When I was job hunting, I wanted to work in sales, but I felt that a job selling just one type of product wouldn't suit me. I explored various companies and found ITOKI attractive because of the unlimited range of proposals I could make. That's why ITOKI was my first choice.

Kirimura I joined the company in 2015 and have been working in Tokyo the whole time. At first, I was interested in design and architecture, but my university was liberal arts-oriented, so I applied for sales positions in the house manufacturing and furniture industries. Ultimately, I chose ITOKI because of its ability to propose diverse spaces, including offices, hospitals, schools, and public facilities.

Kawaharada I joined the company in 2019 and work at the Fukuoka Chuo Branch Office. During my job hunt, a new cafeteria building was opened at the university, and everyone started to gather there. And that's when I started thinking: It would be interesting to be involved in creating spaces like that. So, I visited interior design and fixture manufacturers. ITOKI even let me tour the workplace during my internship, allowing me to get a firsthand feel for the atmosphere. I also heard that the employees, including designers and craftsmen, work as a team. That made me think that I, as a liberal arts major, could be involved in space creation. That's what convinced me to join the company.

Imoto I joined the company in 2007 and worked in the Information & Telecommunications Sales Department before being transferred to the Sendai Branch Office immediately after the Great East Japan Earthquake. I wanted to work in the interior design field, and like Mr. Morishita, I was attracted by the wide range of proposals offered. However, the deciding factor was the people. I was attracted by their natural warmth, like when the interviewer kindly rescheduled with me when the timing didn't work out.

Yamamura **Even now, quite a few people tell me that they decided to work at ITOKI because of the positive atmosphere during internships and office tours or because of the way employees treat each other. That might be something unique to our company. Next, please share any rewarding experiences or projects that left a lasting impression on you.**

Morishita As a new employee, I felt proud seeing ITOKI furniture lined up in a row after being delivered to a customer's office. However, now I enjoy collaborating with various people across divisions to determine the best solutions for the customer. The process of getting the customer on board and bringing the solutions to life gives me a sense of accomplishment and satisfaction.

Imoto Immediately after joining the company, it was all I could do to learn and complete my daily tasks. What left an impression on me was when I was transferred to the Sendai Branch Office and took charge of a project involving a municipal civic activity center. There was a relatively high degree of freedom, and they adopted quite a few of our suggestions, including using lumber from within the prefecture to provide a

Human capital management roundtable

sense of warmth and sheets with cute character designs on them. The customer was very grateful. When I heard that the citizens were pleased with the work, I felt that my efforts were contributing to society and had a great sense of accomplishment.

Yamamura **Words of gratitude from customers and users are indeed an excellent reward for our work. What do you think about how pleasant it is to work at ITOKI?**

Kawaharada It's a small group in Fukuoka, but the designers and engineers are right next to us. Whenever we need to discuss sales matters, they always stop to listen, and I've never been told they're too busy to talk. It's a charming place to work, where cooperation just comes naturally. I also appreciate the flexibility of working in the office or remotely, depending on how I feel.

Morishita My wife works for ITOKI, and when our first child was born in 2018, my supervisor was very understanding of our family commitments and work-life balance, so I took six months of childcare leave. At the time, it was unusual for employees to take paternity leave, but no one around me reacted negatively. Instead, everyone welcomed me warmly when I returned to work.

Yamamura **ITOKI has identified "Professional" as the first of its three key policies for reforming its HR systems. Particularly in sales, the emphasis has traditionally been on being a generalist. What would you say "professionalism" means in sales?**

Kirimura Having been in charge of major corporations for many years, I continuously monitor global trends, industry developments, and trends at Group companies to ensure I don't miss the right moment to make proposals to customers. Conversely, when I receive inquiries or visit a customer's office, I want to be able to identify areas for improvement immediately. That's what professionalism in sales means to me.

Morishita As Ms. Kirimura mentioned, the inspiration and suggestions that stem from years of experience are a vital part of what makes customers perceive us as professionals.

Yamamura **It's a challenging question, but I believe that professionalism in sales is about developing skills as a planner for developing work styles and spaces. At the very least, this is where our customers absolutely need to see us as professionals. Building on the idea of professionalism, what's your perspective on the keyword "challenge"?**

Imoto Daily challenges often get put on the back burner when we get busy with the things at hand. That's why I try to keep track of what needs to be done, even when working as a team. For example, we once secured a whole day together as a team to see how many visits the four of us could complete. We anticipated that each person could handle about 100 visits, but we actually completed around 80. Nonetheless, it was very valuable to receive feedback from various perspectives, such as how we should follow up with each customer. I hope to keep taking on forward-looking challenges like this as a team.

Kirimura This might be a bit off-topic, but I hope that within ITOKI, there will be fewer occasions where people want to do something but are too busy to do it. I hope everyone will take on challenges with enthusiasm and a smile.

Yamamura **ITOKI set the employee engagement score as a KPI and revised its HR systems accordingly. We have also clearly defined our management direction and strongly emphasized diversity. As we end, I'd like everyone to say something about these reforms.**

Kawaharada I've been involved in SPLi, a women's community, since last year. Unlike the training sessions provided by HR Division, which tend to be limited to specific groups like salespeople or peers, SPLi allows me to interact with a diverse range of people, which is very stimulating. I hope this activity continues, as it has helped me not only recognize the strengths of others but also discover my own.

Imoto We aim to work smart and have fun. However, in the sales field, we can sometimes hear some harsh words. I choose to tackle these challenges because experiencing tough, unfamiliar, and demanding work leads to greater insight, realization, and a stronger sense of accomplishment.

Kirimura Respect for diversity is becoming more prevalent in Japan. Last year, ITOKI welcomed five foreign nationals, and I feel our organization is increasingly diverse in terms of values. When people have different values, there will inevitably be moments of disagreement. I believe that by understanding and respecting one another, we will become a better organization.

Morishita I feel that the company has recently changed, as reflected in the engagement figures. How it conducts town hall meetings and communicates management plans to employees demonstrates that management is committed to improving the company. If management continues to clearly communicate their vision and direction for ITOKI, I believe engagement will improve even more. There are also plenty of training opportunities and a supportive environment for learning. However, in ITOKI's case, new projects are increasingly voluntary, and the same goes for training, so I think it's essential to create a culture in which everyone is willing to take on challenges without fear.

Yamamura **The relationship between the company and its employees is based on equality, not hierarchy, where the company and employees both make efforts and boost each other to new heights. The company should keep sharing its direction, while employees should actively communicate their goals and strengths. In that respect, both the company and its employees need to keep working hard.**

Personnel system reform

Reforming the personnel system for sustainable growth

To further enhance corporate value by aligning management and human resources strategies, we reformed our personnel system effective January 2024. The challenge with the previous personnel system was that egalitarianism had taken root, leading to vague and uniform evaluations. This, in turn, reduced employees' motivation for growth. The results of the engagement survey also highlighted this issue, revealing that reforming and steadily operating the personnel system was essential for Itoki to break away from the status quo and achieve sustainable growth. Under the new personnel system, the job grading, compensation, and performance evaluation systems have been revamped based on three basic policies: Professional, Pay for Performance, and Retention. Through this personnel system reform, we aim to realize our vision by increasing each employee's motivation and maximizing their abilities.

Increase employee motivation and maximize their individual abilities. Tie this into the management strategy and achieve the vision together.

Enhancing expertise to create continuous business growth
Professional

×

Training and rewarding human resources who produce results
Pay for Performance

×

Encouraging diverse human resources to continue to work enthusiastically with a desire to contribute
Retention

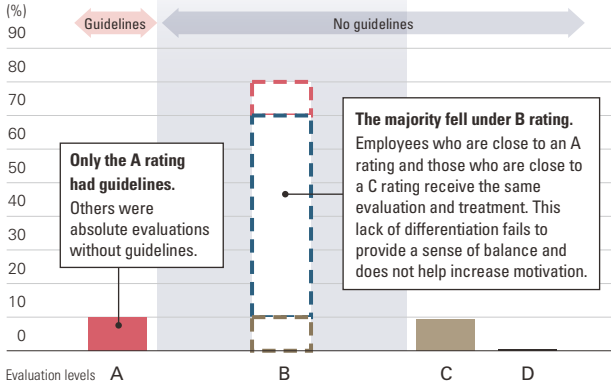
Key points of personnel system reform at Itoki

Job grading system	• Review job grade for younger employees • Add performance evaluation to requirements for promotion to management
Compensation system	• Raise maximum bonus amount • Increase variability of bonuses based on performance
Performance evaluation system	• Distribute people into five levels of evaluation to provide a more balanced performance-based compensation

Distribution of evaluations after personnel system reform



Illustration of distribution under previous evaluations



Human capital investment

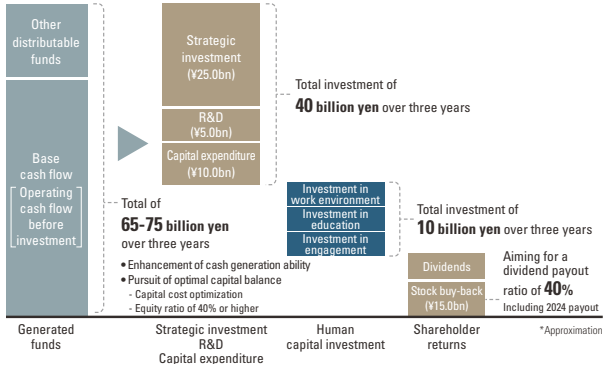
To prepare for the impending decline in the working population and to support the execution of a human resources strategy integrated with our management strategy, we aim to realize our ideal human resources profile: individuals who can create synergy for the future of work through their own abilities. To this end, we have clearly allocated a three-year investment of 10 billion yen for human capital initiatives (including work environment, education, and engagement) in our new medium-term management plan.

As noted in "Personnel Costs: Facility Costs" (please refer to page 16), investing in the work environment positively impacts employees. Spending on work environments (offices) is starting to be recognized as an investment rather than a cost. Now is the time to create office spaces that appeal to employees' creativity. Investing in education will support autonomous career development by focusing on self-realization and independence, and by expanding open recruitment-type training programs. Investing in engagement will promote activities that deepen mutual understanding between the company and employees through company-wide events, family days, and support for communities. These initiatives are based on the understanding that employees are the main drivers of corporate growth and that strengthening human resources is essential for medium- to long-term success.

Human capital investment

Investment in work environment	ITOKI TOKYO XORK (Head Office), R&D, sales, production, and logistics sites renovations
Investment in education	Skills development and reskilling
Investment in engagement	Strategic spending to improve employee engagement (Enhancement of internal communication, employee incentives, etc.)

Cash allocation



Achieving an engagement score of 85%

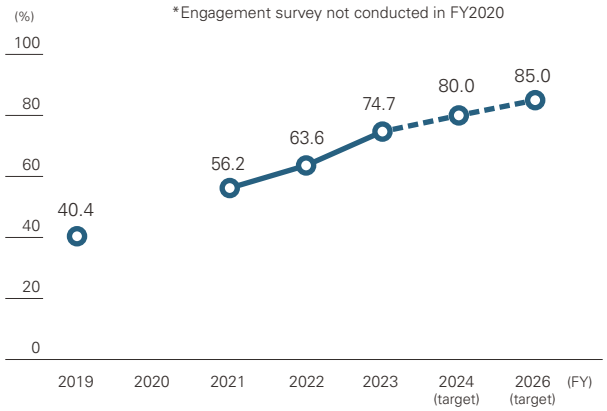
ITOKI includes employee engagement scores as one of its key management indicators, alongside net sales, operating income, and ROE. Specifically, the percentage of affirmative responses to the question, "ITOKI is a company I can be proud to work for," is considered an important metric. ITOKI's business is to provide customers with motivating work environments for their employees, so we believe that this score is directly relevant. Furthermore, in the new medium-term management plan, ITOKI redefined its strength as "Tech × Design based on PEOPLE." In terms of people management, we believe that creating an organization where members feel proud to work—a "GREAT PLACE TO WORK"—is invaluable and irreplaceable. ITOKI's engagement score has been low in the past due to poor performance, stagnation, communication issues, and other challenges. Based on these conditions and the results of the FY2021 analysis, ITOKI implemented various programs in FY2022 and FY2023. Recognizing that their own improvement activities within the structural reform project would positively impact the company's operating results, the rise in stock prices, along with increased exposure in mass media and investor relations, also had a positive effect.

As a result of these measures, the engagement score improved significantly from 56.2% in FY2021 to 74.7% in FY2023.

In particular, engagement among the younger generation (late 20s and early 30s) and female employees has improved markedly.

We believe this improvement is very much due to the measures taken to address the decline in motivation occurring after several years of employment, as well as the various measures implemented to promote women's advancement.

Employee engagement key indicator scores



Engagement score improvement measures

- Enhancement of internal communication, and highlighting outstanding employees at each site in the company's web-based internal newsletter
- Administration of the StrengthsFinder test to all employees to enhance self-awareness of their strengths, identify and reflect on their own qualities, and deepen mutual understanding of differences among team members
- Management method change in daily operations through StrengthsFinder training and 1-on-1 training for managers
- Support for communities (Self-awareness for women SPLi, Global Initiative "API," etc.)
- Clarification of initiatives at each division and department, forecasting by executive officers, and monitoring by President
- Positivity training for executives (Positive Energizer Training)
- Town hall meetings with executives

At the same time, a deeper analysis by organization, gender, and age revealed additional challenges. Regarding feeling pride, the overall affirmative response rate was 74.7%, while 14.6% were neutral, 5.5% felt it was not very applicable, 3.8% felt it was not applicable, and 1.6% felt it was not applicable at all. This indicates the need to delve deeper into the remaining 25%.

We are aiming to increase our engagement score from 74.7% in FY2023 to 85%, reaching a global blue-chip level. To achieve this, we recognize the importance of fostering a mutually beneficial relationship between the company and its employees. It is crucial for employees to take the initiative, working with pride and positively influencing the other team members. ITOKI will strengthen the foundation, mechanisms, and opportunities for employees to demonstrate their skills and abilities, including the reform of the HR systems. ITOKI will focus on strengths and promote a virtuous cycle in human capital management.

Digging deeper to further improve engagement scores

- Conducting a deep dive into the reasons for low scores by job type, department, location, etc., and improving departmental action plans accordingly (Deeper monitoring by executive officers and President)
- Addressing low scores for mid-career hires who have been with the company for a short time (Support for early acclimation to company culture and work style: enhancement of manuals, bulletin boards, etc.)
- Improvement of working environment in factories (Improvement of the working environment in factories: break room renovations, launch of shuttle bus service, measures against heat stroke, etc.)

Aiming for 13% female representation in management

ITOKI's percentage of women in management positions remained low due to insufficient efforts in supporting women's self-realization.

In response, ITOKI is currently promoting systematic work-life management by supporting women's self-realization through voluntary communities that encourage women's advancement, helping employees balance work with childcare and nursing care, and enhancing benefit programs.

Additionally, to support independent career development, we offer voluntary elective training and career design training programs.

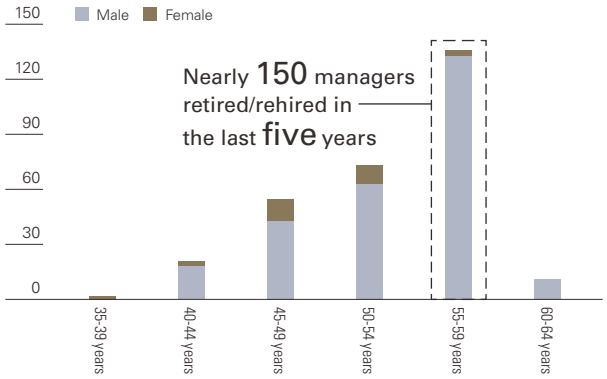
These are based on the recognition that the activities of human resources with diverse values and strengths are indispensable for addressing the looming decline in the working population and for achieving medium- and long-term corporate growth.

ITOKI's demographic pyramid indicates that nearly 150 managers will retire or be rehired over the next five years, making it essential to strengthen the management team, including increasing the number of women in management positions.

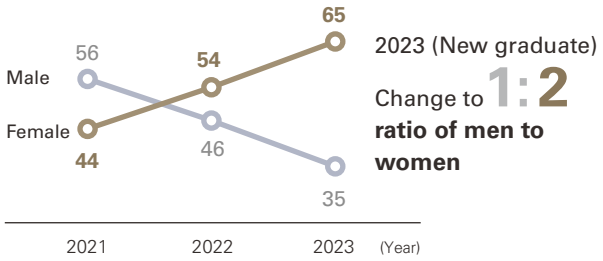
Additionally, when examining the percentages of male and female employees by age group, the proportion of female employees in the next generation is rising. We anticipate that human diversity will increase as a result of this generational change. In this context, about 150 female employees have voluntarily joined the women's empowerment community called SPLi. Additionally, the engagement score among female employees has improved from 62.9% to 73.6%. Furthermore, the percentage of women who responded "I do not want to take on a managerial position" improved by 10 points, decreasing from 42.8% in 2021 to 32.7% in 2023, compared to a decrease from 15.9% to 11.4% for men. These improvements indicate that a future pool of women for management positions is undoubtedly being cultivated.

We believe that the percentage of women in management positions will continue to increase to 20% and 30% in the future as we support women's career development, aiming for the target of 13% in the new medium-term management plan.

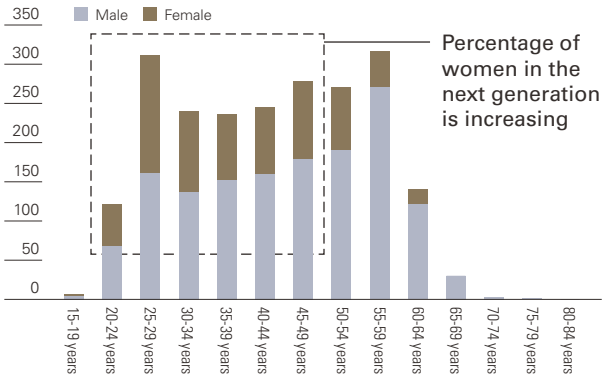
[Manager] Percentages of men and women by age (people)



Active hiring of women
[New graduate] Percentage of hires by gender (%)



[All our employees] Percentages of men and women by age (people)



Action
01 Hiring of specialized and global human resources

OUTPUT

Number of new graduates hired
2023: 49 people
(Percentage of women: 67.3%)
69% increase over previous year
(Percentage of women up 19 points)

Number of experienced workers hired
2023: 129 people
(Percentage of women: 33.8%)
245% increase over previous year
(Percentage of women down 5.1 points)

Number of global human resources hired
2023: 5 people
25% increase over previous year

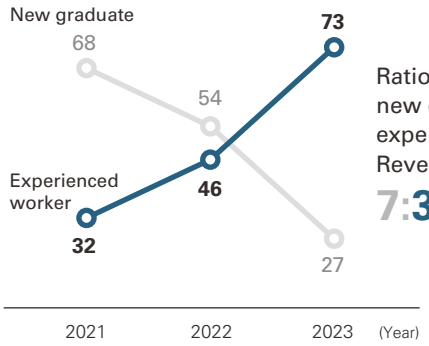
01-A Percentage of specialized human resources hired up 2.1x

We are developing products to create a new office environment and new work styles in response to the rapid diversification and digitalization of work styles. Acquiring highly specialized human resources, which is essential for this transformation, is a critical issue for us. Therefore, we are focusing on acquiring highly specialized human resources in areas such as AI and mechanical engineering. Through measures such as utilizing specialized agents and holding meet-up events, the percentage of specialized human resources hired increased to 13.4% in 2023, up from 6.25% in 2022, representing a 2.1-fold year-on-year increase.

Percentage of experienced hires accepted*

+10%
*2022 vs 2023

Percentage of new graduates and experienced workers (%)



Ratio of new graduates to experienced workers Reversed from 7:3 to 3:7

01-B Increased hiring of global human resources

As mentioned above, we are intensifying our efforts to acquire highly specialized human resources, and we are also increasing our recruitment of global human resources from outside of Japan. Since 2022, we have been exhibiting at the job fair held at Hanoi University of Science and Technology in Vietnam. As a result, as of April 2024, we have hired 11 advanced science personnel, including nine prospective employees. In addition, in December 2023, a letter of confirmation was exchanged with Hanoi University of Science and Technology to establish a partnership for friendly exchange and high-level human resources. An internship program for 10 students will take place from July to August 2024. The purpose of this internship is to allow participants to get experience with practical skills at corporate workplaces and to expose them to Japanese culture and customs. Additionally, we are promoting the development of various training programs to strengthen our onboarding system and foster an internal culture of acceptance.



01-C Enhancement of internships for new graduate hires

Regarding the recruitment of new graduates, we have been working to enhance our internship program in response to the perception that it is currently a seller's market. We expanded the number of internship positions offered and increased the number of students accepted. In addition, to avoid creating a gap, we developed a program that emphasizes on-the-job work experience. Meanwhile, we are also enhancing company awareness by offering one-day workshops and web-based information sessions to deepen understanding of our organization.

Internship application rate*

+40%
*2024 graduates vs 2025 graduates



Main initiatives in 2023

- Regular XORK tours
- Regular company information sessions
- 5-day internships by job category
- Exhibits at job fairs in Vietnam
- Enhancement of referral hiring
- Meet-ups

Action
02 Enhancing the training system and developing next-generation leaders

02-A Self-directed career development

We offer a range of training curricula tailored to develop the specific types of human resources we aim to cultivate. We are committed to providing ongoing learning opportunities for every employee, helping them maximize their performance and control their career growth.

In FY2023, we updated our ideal human resources profile and revamped our training system in preparation for launching a new personnel system.

In the elective training program, where participants learn basic business skills organized by theme, about 16% of regular service employees (up 34% from the previous year) voluntarily enrolled in the course. Over 99% of participants responded positively, stating they would apply what they learned to their work. Additionally, we have expanded our e-learning offerings, made them accessible anytime and anywhere, and enriched the content.

We also expanded our career design training to help employees envision their career paths, offering a tailored curriculum for each age group, from those in their 20s to those in their 50s. We also strongly emphasize supporting autonomous career development across a broad range of age groups.



StrengthsFinder Training

02-B Focusing on changing management awareness

To enhance the management level, we offer a variety of training programs focused on the mindset and skills necessary for managers to excel in their roles.

In FY2023, we provided one-on-one follow-up training to all managers. The curriculum builds on the FY2022 one-on-one training program and is designed to enhance communication skills, foster trust with subordinates, and support their development. Additionally, we offered foundational training to newly appointed managers to help them understand their roles and responsibilities. This training helps managers build a vision for their own organization and develop a foundation for training subordinates. They can then apply and practice what they learn within their own departments.

TOPIC Unconscious bias training

To eliminate excessive consideration caused by unconscious bias and to ensure appropriate growth opportunities for everyone, all managers underwent unconscious bias training throughout 2023, delivered via e-learning and workshops over approximately two months.

ITOKI educational structure (Sampling of typical examples)

Classification	Younger employees	Mid-career employees	Management-level employees / Specialists
Rank-based training	Annual Training (New recruits and employees with 2-3 years of service)	Promotion Training	
			Training for New Managers / Training for New Department Managers
			Manager training
			Evaluator Training
Optional training	Basic business skills [Group]		Applied business skills [Group]
	E-learning, language skill improvement [individual]		
	External exchange training (cross-departmental exchange training, etc.)		
Career | Others	Career development support (employees in their 20s to 50s)		
	Focus on employee strengths using StrengthsFinder		
	Selective training (Next-generation development)		
	Department-specific training (sales skills, design, development, etc.)		

OUTPUT

Education and training expenses per employee	2023: 72.93 (thousands of yen/employee) 14% increase over previous year
Number of training sessions	2023: 34 courses 12 more than the previous year
Number of participants	2023: 1,257 people 38% increase over previous year

02-C Developing next-generation leaders

In FY2023, we committed to launching the Next Generation Leader Development initiative, with management taking an active role in nurturing future leaders alongside the measures of the Human Resources Department. The human resource pool is divided into four categories, each with a development plan based on a combination of personnel selection and learning through training, learning from others, and learning from experience (e.g., selection and transfer as project members). We will assess the candidate's behavioral changes and outcomes following the training plan and then develop a final training plan accordingly.

Main initiatives in 2023

- Redevelopment of education system
- Update of ideal human resources profile
- StrengthsFinder training for all full-time employees
- Individual StrengthsFinder coaching/team building training
- Expanding of e-learning
- Expanding of career training

Action
03 Developing an internal community

03-A Implementing PDCA for internal communication and enhancing employee satisfaction and corporate value

ITOKI has defined the purpose of internal communication as maximizing corporate value. We believe internal communication will help improve performance, including boosting motivation, loyalty, and, by extension, productivity. To achieve this, we begin by engaging in fundamental awareness activities that clearly convey the Company's policies and vision. We also utilize internal newsletters and events that foster empathy to energize communication and deepen and sustain mutual understanding. Our internal communication slogan of "One Itoki" aims to enhance our sense of unity and is also a keyword in our management policies. The activities we undertake thus emphasize a spirit of inclusiveness to ensure that no employee is left behind. The subtitle of that slogan is our mission statement: We Design Tomorrow. We Design WORK-Style. We are striving to ensure that our mission to our stakeholders through our business operations is visible to our employees at all times.

Moreover, every year the Public Relations Department conducts a communication survey and ties it in with the results of an employee engagement survey supervised by the Human Resources Department. We identify issues from the results of both surveys and repeat the PDCA cycle with a view to implementing the next measure.

Number of articles in the newsletter

	2021	2022	2023
Articles published in iTalk	58 times	58 times	**96 times**

▼ Some content of newsletter articles



03-B Plant ambassadors leap forward in second year

In April 2022, ITOKI launched a plant ambassador program, comprising volunteers and publicly recruited members at each of its factories, to act as key contacts for sharing crucial on-site information vital to a manufacturing company. Plant ambassadors work closely with the Public Relations Department to help share information about people, things, events, and other aspects of the work site that are not yet widely known or are difficult for the Public Relations Department to get to. This information is then communicated through internal web-based newsletters. This initiative has helped deepen understanding of the manufacturing process and has received high marks from our Sales Department for its effectiveness in explaining our products to customers. The plant ambassadors, acting as on-site public relations staff, have actively promoted the factory's unique appeal. In FY2023, we expanded the initiative, focusing on the theme of "autonomy." In the second half of 2023, we began preparations to transfer the secretariat function from the Public Relations Department to the factory. By 2024, the project's third year, the factory will fully take over these activities, graduating from PR support and operating entirely on its own initiative.





03-C Well-received faces of ITOKI series from newsletter now being utilized in corporate advertising

ITOKI includes employee engagement scores as one of its key management indicators, alongside net sales and operating income. We are rolling out various measures, including enhancing internal communication. Diverse human resources are ITOKI's greatest asset, and the mutual support between many individuals contributes to high quality and deep trust. The Faces of ITOKI series highlights the employees who diligently perform their duties and actively represent ITOKI on the front lines. Our communication focuses on our enthusiasm and passion for our work.

Building on this concept, the corporate advertisement "Faces of ITOKI," which ran in the *Nihon Keizai Shimbun* and other newspapers for five consecutive days in December 2023, won the Silver Award in the Newspaper Division of the 45th Japan BtoB Advertising Awards.

Rather than highlighting products or services, the goal was to showcase the Company's culture and boost employee motivation by creatively and powerfully expressing the passion and dedication our employees have with respect to their work. This corporate advertisement, which extends from our internal communication measures, was well received not only within the Company but also by employees' families, acquaintances, business partners, and local communities where the Company operates. It has also significantly contributed to enhancing employee engagement.



Please refer to pages 37–38 for the special features on SPLi and API.

Action
04 Creating offices that allow diverse human resources to excel

04-A Promotion of DE&I

ITOKI receives D&I Award

For the second consecutive year, we have been recognized as a "Best Workplace" in the D&I AWARD 2023, Japan's most prestigious award honoring companies dedicated to diversity and inclusion. We also received the D&I AWARD (for companies with 301 to 3,000 employees) for our high diversity score and our initiatives that set a benchmark for other companies.





Women's advancement



As part of the SPLi women's career advancement community activities, we organized training sessions and events like the Work Introduction SPrelay, where members shared insights about their work with others during lunchtime. We also host events where members can interact in person. By entrusting everything from planning to management to volunteers within the group, we offer them opportunities to take on responsibilities they might not typically experience. Additionally, we participated in Eijyo College, a cross-industry organizational transformation project led by women in sales, and we were selected as one of the four finalist teams.

Balancing work with childcare

We have introduced a financial support system for employees returning to work after childcare leave, with payments based on the number of days of leave taken. We also require all expecting employees to meet with their supervisor and allow spouses to attend the monthly childcare leave information sessions. Thanks to public interviews with men who have taken paternity leave and other awareness-raising efforts, such as creating a guide with advice for fathers, the paternity leave rate among men rose to 70% in 2023. The average length of leave taken was more than 60 days, and the number of men opting for long-term childcare leave also increased.

Childcare leave duration	Amount of support
15 days to less than four weeks	50,000 yen
Four weeks to less than 12 weeks	100,000 yen
12 or more weeks	150,000 yen

OUTPUT

Ratio of childcare leave taken 2023: Male 70.0% (24.3% increase over previous year) Female 100.0% (+/-0 compared to previous year)

Ratio of female managers 2023: 10.3% (0.4% decrease from previous year)



Paternity leave interview event

Balancing work with family care

We organized seminars for all employees focused on balancing work and family care to reduce the number of employees leaving their jobs due to family care responsibilities to zero and to become a company that allows its employees to work and do family care in a balanced way. With the goal of employees not having to bear the burden of caregiving alone, we invited their families to participate as well. Despite being voluntary, the event saw around 250 employees and their families take part. We will continue to support our employees in navigating the ongoing challenge of balancing work and family care.

仕事と介護の両立を
推進しています



LGBTQ Ally

To enhance understanding of LGBTQ issues and foster respect for the diversity of sexual orientation and gender identity, we conducted training sessions for all employees and those responsible for consultation services. Additionally, we hosted the ITOKI × LGBTQ Ally Exhibition at showrooms and factories nationwide during Pride Month in June. In recognition of these efforts, we were awarded the highest level of Gold in PRIDE Index 2023, which evaluates workplace initiatives for LGBTQ inclusivity.

work with Pride
Gold
2023



Understanding of disabilities

To promote understanding of disabilities, we organized a sale of handmade sweets crafted by individuals with disabilities at the café in our head office. This event provided an opportunity to deepen our understanding of disabilities through interaction with the above individuals who work at a Type A employment support center.



Main initiatives in 2023

- Introduced financial support system for employees returning to work after childcare leave
- Held seminar to support balancing work and family care
- Held LGBTQ training for all employees
- Held ITOKI × LGBTQ Ally Exhibition

➡ Please visit the website for details.

Action04 Creating offices that allow diverse human resources to excel

04-B Work-life management

Work style initiatives

We continuously improve our work systems to ensure every employee fully embodies ITOKI's mission, "We Design Tomorrow. We Design WORK-Style." By implementing regular working hours ("Unity") and flexible working hours ("Flex") tailored to each department's specific needs, we are maximizing employee productivity and performance. Additionally, employees can choose to work from a location of their choice (so-called "My Place work system"). With prior permission, they can now work from different environments, such as while traveling (so-called "workations"), in addition to working from home.

New and improved benefits program

ITOKI provides a comprehensive range of employee benefits, including support for personal development and assistance with life events. With a utilization rate exceeding 80%, the proactive use of this program is significantly contributing to enhanced employee happiness, increased use of paid leave, and a better work-life balance. We also have a plan to provide ITOKI school bags (QNORQ) to employees who have children or grandchildren starting elementary school next spring. Additionally, we have introduced a matching app (Aill goen) specifically designed for single employees at companies that prioritize employment and benefits.



Aill goen

Initiatives for taking time off



At ITOKI, we are committed to encouraging the use of leave to help everyone work with increased productivity and engagement. To help new employees perform at their best from day one, we have implemented a system where new graduates receive special paid leave in case of illness or injury, and experienced employees are granted annual paid leave starting from their first day with ITOKI. We have established a maximum of 25 days of annual paid leave, exceeding the legal requirement. All employees were encouraged to take at least 65% of their allocated days off in FY2023 by planning their leave at the beginning of the year on an internally published schedule. We actively promote the taking of leave across the entire company, fostering a culture of teamwork and mutual support. We also emphasize educational initiatives, such as regularly sharing information about taking leave with all employees.

OUTPUT

Ratio of paid leave taken

2023: 63.1%

4.1% increase over previous year

Various work-life management programs

General

Teleworking
No limitations on the number of teleworking days; allowance under My Place work system (working from home)

Staggered working hours
Work start time can be brought forward or delayed by up to two hours in 15-minute segments

Hourly-based annual paid leave
Annual paid leave can be taken in hourly increments (up to five days per year)

Compensatory leave in half-day units
Compensatory leave for working on public holidays can be taken in half-day units

Accrued paid leave
Expired annual paid leave can be carried over as accrued paid leave; can also be used as compensatory leave for absences and the like

Healthcare leave
Limit of 10 days for hospital visits or hospitalization based on medical checkup results

Revision to leave regulations
System revised so that periods of childcare or nursing care leave that are less than one-third annually are also eligible for evaluation

Flextime system
Applied on a department-by-department basis and subject to review for potential adjustments every six months (core working hours are set)

Childcare

Parental leave
Up to four weeks of leave can be taken within eight weeks after the birth of a child
Workers can also engage in work during the period of leave within the scope agreed to before going on leave

Childcare leave
Can be taken by both male and female employees until two years and eight weeks after the birth of a child

Child nursing care leave
Up to 10 days per year can be taken for the purpose of caring for a sick or injured child (until third grade of elementary school)
Accrued paid leave can be used instead if the employee has less than 10 annual paid leave days remaining

Shorter working hours for childcare
Working hours can be reduced in 15-minute segments up to a maximum of two or three hours per day (until third grade of elementary school)

Shift work for childcare
Shift work in 15-minute segments within two hours is possible without changing regular working hours (until third grade of elementary school)

Special leave
Within three days of a spouse giving birth

Nursing care

Nursing care leave of absence
Total of one year of leave can be taken for each member of the same family

Nursing care leave
In addition to annual paid leave, up to 10 days of paid nursing care leave can be taken per year
Accrued paid leave can be used instead if the employee has less than 10 annual paid leave days remaining

Shorter working hours for nursing care
Working hours can be reduced in 15-minute segments up to a maximum of two or three hours per day

Shift work for nursing care
Shift work in 15-minute segments within two hours is possible without changing regular working hours

Action04 Creating offices that allow diverse human resources to excel

04-C Promoting health management

Health Management Promotion Committee

In February 2017, we established the Health Management Declaration to further advance our strategic approach to health management, recognizing the mental and physical well-being of our employees as a crucial management priority. To further accelerate our employee health activities, we have established a Health Management Promotion Committee composed of representatives from various departments, each responsible for health-related matters within the company. We have systematized our employee health initiatives and activities, previously promoted mainly through the company and the health insurance association, to accelerate our efforts and highlight strategic health management as a key strength of ITOKI. We continue to implement various activities and initiatives to foster a healthier work environment for our employees.

Understanding and improving performance

We conduct an annual company-wide "Performance Trail" survey to visualize and assess organizational performance. By visualizing both the condition (the ability to demonstrate capabilities) and performance (the extent to which those capabilities are applied at work) of each individual and organization, we have clarified the final goals of our health activities along with the key indicators related to changes in employee awareness and behavior. We also regularly monitor performance indicators related to health management through the Performance Trail survey. We identify factors that inhibit performance and assess the results of improvements, using this information to inform measure planning and implementation.

OUTPUT

Percentage of employees undergoing regular physical examinations
2023: 100%
+/-0 compared to previous year

Percentage of employees undergoing a secondary medical examination
2023: 85%
2% increase over previous year

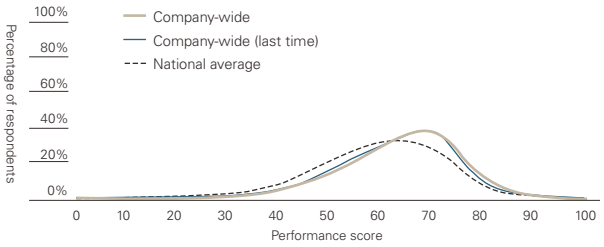
Company-wide results (Performance)

Performance score



May 2023	August 2022	National average
63.2	62.4	59.5

Performance distribution



Company-wide results (Strengths and weaknesses)

Important factors	May 2023	August 2022	National average
Strong Point			
Comfort	**67.6**	66.3	53.6
Discretion	**68.0**	66.6	58.9
Cleanliness	**78.0**	78.6	69.7
Weak Point			
Workload	**35.8**	35.1	48.1
Nutrition	**64.0**	65.6	67.5
Physical activity (working from home)	**63.3**	62.0	61.2

Certified for eight consecutive years as Outstanding Health & Productivity Management Organization (White 500)

We have been certified as a "White 500" company, which is for the top 500 companies in the large enterprise category, under the 2024 Health & Productivity Management Outstanding Organization Program of the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council). This is the first time an office furniture company has achieved certification for eight consecutive years. We aim to foster a society where individuals can work in good health.

2024 健康経営優良法人 Health and productivity ホワイト500

TOPIC **Selected as Tokyo Metropolitan Government Model Company for Promoting Sports**

We were selected as a 2023 Tokyo Metropolitan Government Model Company for Promoting Sports (Sports Practice Division). This is the third time we have been selected as a model company, following our previous recognitions in 2015 and 2021. In 2023, out of 483 companies certified as sports-promoting companies, 10, including ITOKI, were selected as model companies.



Provided by Tokyo Metropolitan Government

➡ Please visit the website for details.

Main initiatives in 2023

- Mental health care measures, self-care training, line-care training, and health seminars
- Improvement in percentage of employees attending a secondary medical examination; cancer screening recommendations
- QOLism walking event and stretching event
- Introduction of a quit-smoking support program and development of a 3-day no-smoking program

➡ Please visit the website for details.

Intellectual property strategy

Basic approach

As lifestyles and work styles diversify, ITOKI is engaged in intellectual property activities to actively pursue the intellectual property rights for innovative solutions and designs we develop through our value creation process, including research and development. This ensures we continue to offer value in the market and adapt to changing times.

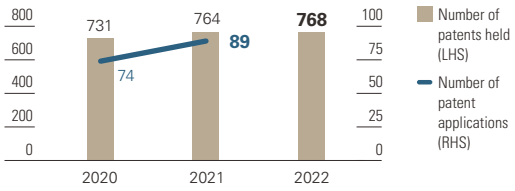
Intellectual property portfolio linked to management policies

We are intensifying our efforts to acquire intellectual property in the Office 1.0, 2.0, and 3.0 domains, as well as in the specialized facility domain, which are central strategies in our new medium-term management plan. In recent years, we have concentrated on securing intellectual property related to hybrid work, which has surged in response to the COVID-19 pandemic. We are expanding our intellectual property not only in relation to products but also in the Office 2.0 domain, where offices and spaces are integrated, and the Office 3.0 domain, where data and offices are combined.

Furthermore, taking advantage of the 2019 revision to the Design Act, which came into effect in April 2020, we strongly emphasize securing design rights to maximize the value of the spatial designs we offer.

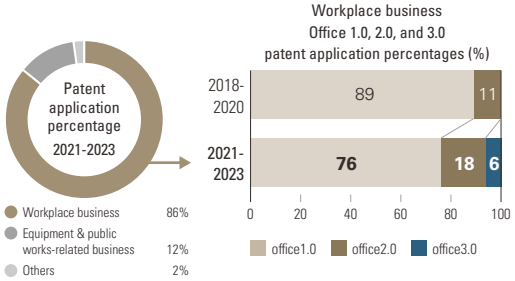
Please refer to page 4 for details on Office 1.0, 2.0, and 3.0.

Number of patents held and number of patent applications (2020-2022)



*Due to the patent application publication dates, the details are provided only up to FY2022.

Patent application percentage



Intellectual property data

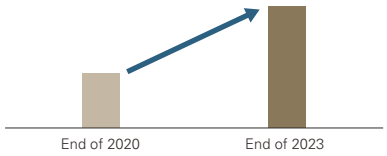
✓ Number of interior design registrations in 2024 **1st**
(As of April 30, 2024)

✓ Number of design registrations in 2022 **5th**
(Based on the 2023 edition of Japan Patent Office Annual Report)

✓ YK value* Chair category **1st**
(As of April 30, 2024)

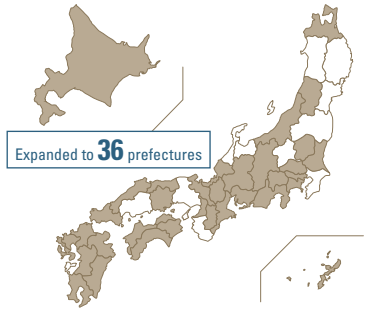
*The YK value is a patent technology competitiveness index that evaluates the strength of a patent's exclusivity, as determined by KUDO & Associates.

✓ YK value growth rate **223%**
(Vs. end of 2020)



Promotion of open patents

Since 2015, we have introduced patent seeds and offered licenses at intellectual property business matching events hosted by local governments and other organizations. This initiative aims to contribute to the local community while motivating our inventors and development teams. To date, we have expanded our activities to 36 prefectures and successfully concluded nine license agreements.



TOPIC **"Nap box" utilizing open patent**

An open patent owned by ITOKI was the driving force behind Koyoju Plywood Corporation's release of the Giraffenap, a standing nap box, in January 2024. The Giraffenap generated significant buzz from the moment the license agreement was signed and was featured in numerous media outlets in Japan and abroad.





Mr. Hironari Yamaguchi
Koyoju Plywood Corporation
Representative Director

Giraffenap has garnered so much attention because it is the world's first product that allows you to sleep while standing, showcasing ITOKI's flexible and creative thinking. We were also fortunate to have access to the vibration testing room at ITOKI's Shiga plant—one of the few places in Japan capable of artificially creating various waveforms—to develop the Giraffenap standing nap box using ITOKI's open patent. Additionally, we were able to take photos in ITOKI's offices, which are equipped with the latest office setups, when creating the service site.



Izumi Hashimoto
Planning Division
Corporate Planning Department
Intellectual Property Promotion Office

What I value most in my work on intellectual property business matching is approaching each meeting with the mindset of treasuring each encounter. I am thrilled that our encounter with Koyoju Plywood in Hokkaido led to the development of the Giraffenap, a product that has garnered attention both in Japan and abroad. I'm proud that this has become a success story for our initiative. I was also able to witness firsthand the remarkable development capabilities and business strategies of Koyoju Plywood, providing me with a valuable learning opportunity for future initiatives.

Message on quality assurance strategy

Prioritizing customer safety and peace of mind, collaborating with all departments, and embracing the challenge of making the Itoki name synonymous with quality



Hideki Nakasuji
Executive Officer
General Manager of
Quality Assurance Division

Based on the idea that "quality is multiplication," customer safety and peace of mind always comes first

Our flagship product, the chair, is designed to support the body. However, the slightest mistake in its production could result in it tipping over, potentially leading to fractures or other injuries. Accordingly, in our quality assurance practices, we prioritize customer safety above all else by conducting thoroughgoing quality tests and checks on all products to ensure they can be used safely.

There is a famous saying that "quality is multiplication." Safety and peace of mind involve not only the quality assurance department, but also the development, manufacturing, and sales departments. To improve quality, it is critical that all departments pursue a firm commitment to quality.

Industry-leading quality as a result of thoroughgoing efforts

In 1989, we won the Deming Prize, the highest award for quality assurance. In order to inherit and further enhance this DNA, we set about reinforcing quality improvements with three key themes in our previous medium-term management plan.

The first revolved around initiatives aimed at achieving zero major complaints and zero legal violations. We define cases that lead to legal violations or customer injuries (requiring treatment for more than 30 days) as major complaints. We aimed to achieve zero complaints by conducting thorough quality checks. Next, we focused on complaints regarding new products. For this, we set up a dedicated quality assurance team to drive improvements. Finally, we made the complaint rate for all products a KPI and set our sights on achieving the highest quality standards in the industry. We used these three themes as KPIs and worked on improving and enhancing the quality of our products.

In these improvements, collaboration with the planning and design development departments and the production department played a significant role. Product quality is especially important in the initial planning and design stages. The Quality Assurance Division not only inspects whether standards are ultimately met, but has also collaborated with the design development department to build a system that ensures quality from the outset. As a specific example, for new chair products, we conduct over 100,000 safety checks and hold study sessions for supplier companies, thereby widely promoting safety and quality improvement efforts at all related parties.

As a result, we have consistently recorded zero major complaints and legal violations since 2020 and achieved the goals of all three themes. Right now, we are confident that our level of quality is among the highest in the industry.

Adding customer satisfaction as a new indicator of quality assurance

We aim to build on the significant quality improvements achieved in the previous medium-term management plan and maintain the level of the three themes in the current medium-term management plan in an effort to further evolve our quality assurance.

One initiative is to improve quality by incorporating customer satisfaction. Going forward, we will enhance our usual quality standards, but also introduce a fourth indicator: customer satisfaction. By quantifying customer satisfaction and similar factors and advancing efforts to improve customer satisfaction in a quantitative manner, we will look to enhance quality from an entirely different perspective of attractiveness.

Another initiative is to improve our personnel and frontline capabilities. To further improve quality and set ourselves lofty targets, it is key that we enhance the capabilities of people and our production sites. Thus, we will focus on improving site capabilities through training in collaboration with the production department.

Aiming to make the Itoki name synonymous with quality by raising employee awareness

By implementing a series of technical initiatives, our quality levels have steadily improved. However, for the further enhancement of quality in the future, it will be vital that we transform the mindset of all employees involved.

We have therefore strengthened efforts to raise awareness among division members, challenging them to achieve zero complaints for the products they helped develop and to avoid making the same mistakes. As a result of these changes in mindset, we have certainly seen a decrease in the number of complaints.

Going forward, by promoting various initiatives and raising employee awareness of quality, we aim to maintain an industry-leading level of quality so that customers will come to know that the Itoki brand name is synonymous with quality.

To provide safe and reliable quality

Basic approach

➡ For details on our quality policies, please visit our website.

Our role is to ensure quality throughout the product lifecycle and provide safety and peace of mind to our customers. Our manufacturing processes are guided by our motto of "Quality First, Customer First."

Quality First

Guaranteeing safety and reliability

- Reflection of customer feedback in quality assurance improvements and the manufacturing of attractive products
- Compliance with quality-related laws/regulations and safety standards
- Exhaustive quality verification of new products from the planning and development stages to eliminate defects

Product planning → Design & development → Production preparations → Production

1. Commitment to safety and peace of mind

To deliver products and services that customers can use safely and with peace of mind, we comply with all laws/regulations, standards, and guidelines related to our products. We also stay reliably informed about changes in laws and regulations and conduct regular internal audits to ensure thoroughgoing management of compliance.

This basic premise of legal compliance underpins our approach to product design and quality evaluation, in which we prioritize the prevention of customer injuries and accidents. We are firmly committed to safety and peace of mind in all aspects, from product planning to production.



Anti-collision function in height-adjustable desks



Anti-topple unit underneath storage cabinets

2. Proprietary high-quality standards

In addition to product safety during everyday use, we also take into consideration safety in unforeseen circumstances, such as earthquakes. For safety standards, we not only adhere to JIS (Japanese Industrial Standards) and other industry standards, but we have also drawn on our know-how gained from past failures to establish our own internal standards to conduct more reliable quality evaluations. Also, we have the industry's first in-house vibration testing room that can simulate earthquakes, which we use to verify the strength and seismic resistance of our products.



In-house testing of chairs



Vibration testing to verify product toppling

3. Raising employee awareness of quality

In 2023 we established the Quality Academy Department with the aim of raising employee knowledge and awareness of quality issues by conducting in-house training and hosting presentation events. We also strive to improve quality across the entire supply chain by providing guidance to Group companies and business partners and creating opportunities for mutual learning through joint presentations.



Training session



Joint presentation for Group companies

Customer First

Improving customer satisfaction

- Handling of problems and complaints from customers
- Explanations on proper usage
- Improvements in the quality of after-sales service

Delivery → Customer → After-sales service

1. Smooth provision of information online

(1) Product safety precautions

For products that customers assemble themselves, we include QR codes in the instruction manuals so customers can watch an easy-to-understand video on how to assemble their product.

(2) Product information

Important information about our products is provided on our website. In particular, if a serious quality issue that could lead to injury or accident has come to light, we will ascertain the facts and respond in accordance with the law by posting information on our website and promptly reporting the issue to the relevant authorities. We will also quickly take whatever steps are necessary, such as issuing a product recall to customers or preventing any further use of the product in question.

Scan here to view the assembly video



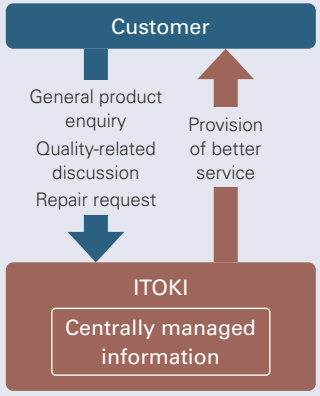
2. Customer support

(1) Improving service quality with questionnaire surveys

We use questionnaires to assess customer satisfaction of after-sales services, including the handling of complaints. The results are used as feedback to further improve the quality of our services.

(2) More substantial and faster customer service

At Itoki, we consider the various enquiries and feedback we receive from customers to be important information. By centrally managing this valuable feedback in our systems, we can quickly share it internally and with relevant departments of Group companies to further enhance the quality of our services.



Value chain

Itoki's vision statement is "Vibrant People, Beautiful Planet." We propose and provide new workstyle solutions and office spaces.
With our foresight and anticipation of the needs of society and our customers, we deliver a high standard of safety and peace of mind across the entire value chain, generated by our honest and hard-working corporate culture.

	R&D	Procurement	Production	Sales	Distribution	Disposal & recycling
						
Initiative	**Future manufacturing and exploration of new markets** Having established a central research center, we study recycled materials and new manufacturing technologies. We endeavor to strengthen our ability to respond to a highly diverse community. And we continue to develop a data business and have started collaborating with universities and startups. We have released numerous applications, and we aim to create innovative business models.	**Stronger supply chains and centralized management** We strengthen new business partnerships to accommodate a diverse range of products. We centrally manage business partner information using a proprietary system that enables the rapid selection of suppliers according to new product specifications and procurement conditions. We have produced a sustainable procurement guidebook and undertake procurement activities in consideration of human rights, the environment, and BCP.	**Manufacturing system for a wide range of products** In 2022, we built the AP Center in the Shiga region and established a production system capable of flexibly handling numerous product variations. We endeavor to expand production categories from traditional products. We employe AI-based testing systems. We aim to reduce employee workloads and provide stable product quality.	**Market expansion and enhanced ability to propose solutions** We use marketing automation (MA) to widely disseminate information about Itoki. We engage in inside sales according to access information to gain new customers. Also, we are stepping up the mid-career hiring of salespersons and spatial designers to strengthen our ability to offer solutions to customer issues.	**Building of a stable distribution environment** In anticipation of the so-called "2024 problem," we are strengthening our logistics capabilities through M&A and other means to ensure stable product delivery to customers. We are enhancing delivery efficiency by reorganizing logistics warehouses in the Tokyo metropolitan area, our largest market, and in regions with lower volumes, we are making use of joint deliveries with industry peers to ensure stable distribution conditions.	**Reducing waste and creating new value** We offer subscription services and encourage the reduction of waste by setting up schemes to send donations of used furniture overseas. Also, we are turning waste material into new value by creating novelty items with factory offcuts from the production process at factories and designing catalog paper bags that can also be used as document cases in an effort to enhance our connection with customers.
Value created	• Circular economy-based society • Environmentally friendly materials products • New genre of business combining data with office environments • Provision of new value to customers with the use of data • Research into new ecosystems for office design and office furniture manufacturing	• Increase in new genre products • Stable supply system during times of emergency • Sustainability-oriented supply chain network	• Production of a wide range of products • Provision of products that create new value • Reduction in employee workloads • Stable product quality	• Proposal of products and services to meet customer needs • Proposal of products and services to support the new work styles of customers • Customer service capabilities powered by Group-wide collaboration • Increased sales	• Stable distribution system • Efficient warehouse administration and management • Environmentally friendly distribution	• Reduction of waste volume • Winning Itoki fans • Fostering of an environmentally conscious mindset
Corresponding item of materiality	● ● ●	● ● ● ●	● ● ● ●	● ● ●	●	● ●

Create workstyles and workplaces where people can work enthusiastically
Contribute to the preservation of the ecosystem by promoting recycling of resources
Contribute to the creation of a carbon-neutral society
Ensuring transparent, reliable management
Support employee growth and create an office where diverse talent can work comfortably
Sustainably improve profitability
applies to the entire value chain

ESG

Itoki Group ESG policy

Itoki Group has formulated its ESG policy with the aim of realizing "Vibrant People, Beautiful Planet" in society.
Itoki Group, as a company that creates people's "Working Environment," shall strive to solve problems to achieve a sustainable society while addressing environmental issues.

Environment

P. 77

Itoki Group shall continue to practice environmental conservation activities in its business activities, including the manufacture of products and provision of services, in order to create a "Lively Earth" society.

Social

P. 87

Itoki Group, including its supply chain, shall strive to improve the working environment, including respect for human rights and the elimination of harassment, in order to create a society in which "people can also be vibrant." We shall also make efforts to enable our diverse human resources to perform at their fullest potential.

For our HR-related initiatives, please refer to the human capital management section on pages 59–71.

Governance

P. 92

Itoki Group shall commit to transparent and reliable management for sustainable business growth, comply with relevant laws and regulations and compliance, and ensure thorough information security. In addition, we shall emphasize dialogue with stakeholders to ensure the continuation of sound business operations based on diverse external perspectives.

Environmental initiatives

Basic approach

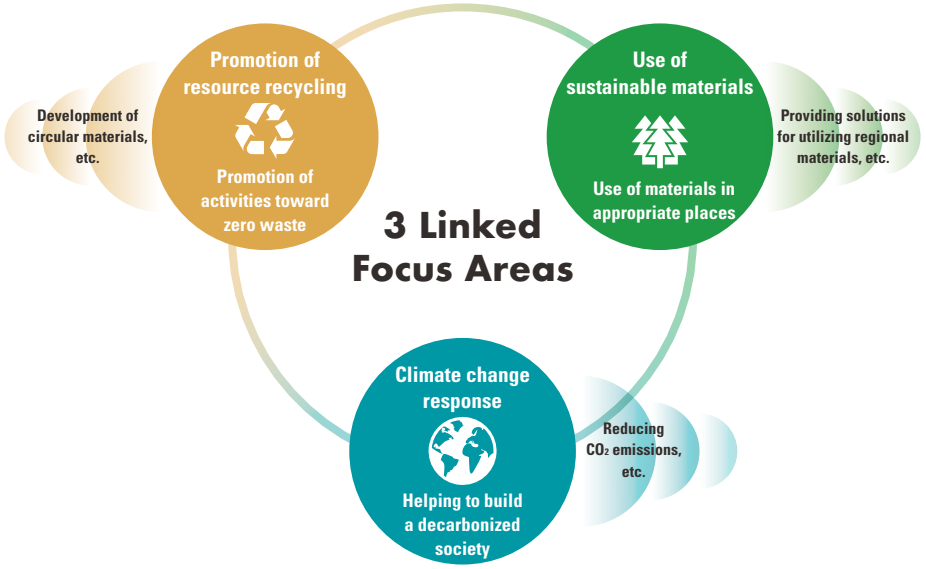
As part of the medium-term management plan "RISE TO GROWTH 2026," starting in fiscal year 2024, the Itoki Group has outlined its ESG strategy focused on three key themes: Climate change response, promotion of resource recycling, and utilization of sustainable materials. We have launched the "Itoki Ecosystem Initiative toward 2050 — Coexistence with Nature," contributing to realize a society with zero negative impact on ecosystems. We see these three themes as interconnected and will consider them our core areas of focus, moving ahead with various business activities that help to conserve the global environment.

➡ For more on our ESG and environmental policies, visit our website.

ITOKI Ecosystem Initiative toward 2050

— Coexistence with Nature

Contributing to realize a society with zero negative impact on ecosystems



Itoki's Past Initiatives

Since obtaining ISO 14001 certification in 1998, Itoki has continuously expanded its environmental activities. These include promoting modal shifts, launching the "Econifa" solution for utilizing local materials, introducing low-temperature coating equipment, and adopting solar power generation systems for in-house consumption. We will continue to drive creative initiatives in the future.

FY	Major initiatives by Itoki
1998	• Initiating ISO 14001 certification
2000	• Implementing of modal shift
2004	• Establishing a group company for the reuse and recycling of used furniture
2009	• Introducing solar power generation for electricity sales
2010	• Launching the regional material utilization solution Econifa
2011	• Launching a carbon offset service business
2018	• Signing the United Nations Global Compact
2019	• Declaring commitment to the SDGs
2020	• Expressing support for the TCFD recommendations • Introducing low-temperature coating equipment
2021	• Implementing solar power generation for in-house consumption
2023	• Submitting a commitment letter for SBT (Science Based Targets)

External initiatives

The Itoki Group is actively involved in initiatives that address climate change and resource recycling. We support the TCFD recommendations, respond to the CDP, and endorse the Japan Climate Initiative (JCI). Additionally, we have submitted a commitment letter to certify our greenhouse gas reduction targets in line with the Paris Agreement through the Science Based Targets initiative (SBTi). These efforts demonstrate our commitment to advancing climate change measures and improving transparency in our information disclosure.

TCFD | CDP DISCLOSER 2023 | JAPAN CLIMATE INITIATIVE | SCIENCE BASED TARGETS

Review of 2030 targets in line with SBTi

In 2023, the Itoki Group revised its 2030 CO_2 emissions reduction targets to align with the international standards of the Science Based Targets initiative (SBTi), in support of a decarbonized society. The new targets update the base year from fiscal year 2013 to 2022. By 2030, we aim to reduce Scope 1 and Scope 2 greenhouse gas emissions by 42.7% compared to 2022 levels, and Scope 3 emissions by 25.0%. This revision also includes group companies that were previously excluded, strengthening our collective effort across the entire organization.

Itoki Group's Mid-Term Environmental Plan 2026

In our three-year plan within the Mid-Term Environmental Plan 2026, since certain effects are expected from past efforts, such items were removed from the target items and designated as monitoring items. We have set clear, targeted goals and will work diligently to achieve them. For 2026, our CO_2 emissions reduction target aims for 50% of the 2030 goal. For other areas, we have established goals and metrics based on our reduction achievements over the past five years.

➡ For more details on the Mid-Term Environmental Plan 2026, please visit page 4 of the ESG Data Book.

Itoki Group's Mid-Term Environmental Plan 2026 (Target items)

Classification	Target items	2022 BM results	Metrics	Units	Targets for the Mid-Term Environmental Plan			2030 targets
					FY2024	FY2025	FY2026	
Climate change	CO_2 emission reduction (Scope 1)	6,081.2 (t-CO_2)	Compared to 2022	%	-10.7	-16.0	-21.3	-42.7
	CO_2 emission reduction (Scope 2)	8,397.2 (t-CO_2)	Compared to 2022	%	-10.7	-16.0	-21.3	-42.7
	CO_2 emission reduction (Scope 3)	255,050.3 (t-CO_2)	Compared to 2022	%	-6.3	-9.4	-12.5	-25.0
	Reduction of total energy input	188,474.2 (GJ)	Compared to 2022	%	-8.0	-15.4	-22.1	—
Promotion of resource recycling	Reduction of waste emissions	6,003 (t-CO_2)	Compared to 2022	%	-6.0	-11.6	-16.9	—
	Promotion of recycling	85.3 (%)	Recycling rate	%	85.0	85.0	85.0	—
Biodiversity	Water usage reductions	97,510.0 (m^3)	Compared to 2022	%	-9.0	-17.2	-24.6	—

*The scope of data collection includes the parent company, 18 domestic group companies, and 2 overseas group companies.
*For Scope 1, CO_2 emissions from city gas are calculated on a normal basis.
*For Scope 2, electricity is calculated based on market standards.
*For Scope 3-1, some calculations are based on weight to improve accuracy.

Itoki Group's Mid-Term Environmental Plan 2026 (Monitoring items)

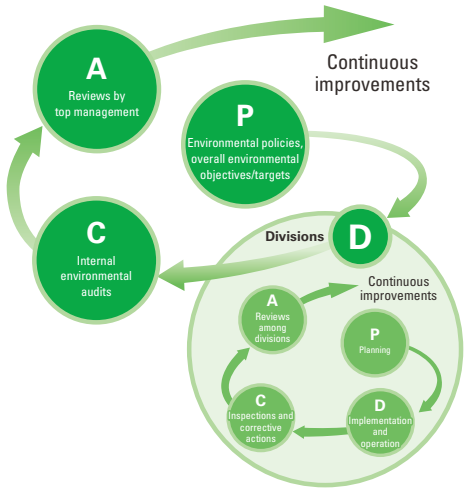
Classification	Monitoring items	2022 BM results	Metrics	Units
Climate change	Renewable energy rate (entire group)	2.6	Renewable energy usage rate (including renewable energy power) for total electricity usage across all sites, including group companies	%
	Renewable energy rate (Itoki standalone)	3.7	Renewable energy usage rate (including renewable energy power) for total electricity usage across all Itoki standalone sites	%
	CO_2 emission reduction (Scope 1: per unit of sales)	0.05	Consolidated target group company performance divided by the total sales of the target company	t-CO_2 per million yen
	CO_2 emission reduction (Scope 2: per unit of sales)	0.07	Consolidated target group company performance divided by the total sales of the target company	t-CO_2 per million yen
Promotion of resource recycling and Biodiversity	Waste emission reduction (per unit of sales)	0.05	Total industrial and general waste emissions divided by the total sales for consolidated target group companies	kg per million yen
	Water usage reduction (per unit of sales)	0.80	Water usage at data-collecting sites, including group companies, divided by the total sales for consolidated target group companies	m^3 per million yen
Reduction of hazardous substances	Reduction in the use of PRTR target substances (per unit of sales)	0.57	Total usage of PRTR target substances at handling sites, including group companies, divided by the total sales for handling companies	kg per million yen
	Reduction in the use of PRTR target substances	66,098.9	Reduction in usage	kg
	VOC usage	—	Six target substances	m^3
	NOx, SOx emissions	—	Aggregated data from regular observations at emission sites	kg

*The use of chemical substances has been reduced, and the reduction of hazardous substances has been designated as an item to monitor. For more details on our efforts to manage and reduce chemical substances, refer to our website.

Environmental management system

The Itoki Group has established the Itoki Group Environmental Policy to continuously implement environmental improvement activities. We have built an environmental management system organization (EMS organization) based on ISO 14001. Through the PDCA cycle of our environmental management system, we focus on improving environmental performance and compliance with environmental laws and regulations. We conduct annual company-wide internal audits to review the performance achievements of each organization and an external audit by a third-party certification body to ensure the objectivity of our activities. This helps us further reduce environmental risks and ensure environmental compliance.

Itoki Environmental Management (Cycle)



Climate change response —Preventing global warming—

Basic approach

We understand that global warming necessitates a shift from mass production, consumption, and disposal to more sustainable socio-economic practices and lifestyles. Tackling this issue is an urgent priority for businesses committed to preserving and improving the global environment. Given recent significant warming events and technological progress, we reviewed our climate change strategy set in 2021 through extensive internal discussions, following the TCFD disclosure framework. The Itoki Group is committed to steadily advancing toward new goals, including those within our supply chain.

Governance

Policies and strategies related to climate change response are overseen by Director and Managing Executive Officer (General Manager, Planning Division). Within this framework, the Sustainability Promotion Section, part of the Corporate Planning Department, is responsible for setting the material topics, developing the Mid-Term Environmental Plan, and reporting on the progress of individual measures. These reports are reviewed and discussed as needed by the overseeing executive officer and then deliberated on and reported to the Managing Directors Meeting, which is supervised by the Board of Directors.

Risk management

We identified and mapped climate change risks and opportunities following the TCFD recommendations. The mapping was evaluated along two axes: impact and likelihood of occurrence, with each item scored on a four-level scale: critical, major, moderate, and minor. Impact assessments were categorized as major, moderate, or minor. Items evaluated as major were automatically identified as risks or opportunities. Items that scored nine points within the moderate category were discussed among stakeholders and determined accordingly. The identified risks are shown in the top right risk analysis map (items (1) to (8)), and the identified opportunities are shown in the bottom right opportunity analysis map (items (1) to (4)).

Likelihood of occurrence	Minor (1)	Moderate (2)	Major (3)	Critical (4)
Critical (4)	4	8	12	16
Major (3)	3	6	9	12
Moderate (2)	2	4	6	8
Minor (1)	1	2	3	4

Degree of influence (Financial and timeframe)

Major impact assessment: 12–16 points

Moderate impact assessment: 4–11 points

Minor impact assessment: 1–3 points

Risk analysis map

Likelihood of occurrence	Minor	Moderate	Major	Critical
Critical	• Increased costs due to the use of non-renewable energy		(5) Delayed response to changes in environmental orientation leading to deteriorating profits	(1) Increased factory operation costs due to carbon pricing (2) Increased procurement costs due to rising material prices
Major	• Difficulty in complying with stricter energy conservation laws		(6) Increased capital investment for strengthening renewable energy measures (7) Increased costs due to the use of renewable energy power (8) Decline in stock price due to insufficient disclosure of climate change response	(3) Production stoppage due to disaster damage to factories (4) Production stoppage due to supply chain disruptions
Moderate		• Increased investment in low-carbon technologies		• Usage restrictions on manufacturing equipment due to stricter regulations • Restrictions on materials used
Minor		• Increased costs for responding to regulatory violations	• Failed investment in low-carbon technologies	• Restrictions on painting involving wastewater treatment • Increased burden on workers in factories and warehouses due to high temperatures

Degree of influence (Financial and timeframe)

Opportunity analysis map

Likelihood of occurrence	Minor	Moderate	Major	Critical
Critical				(1) Increased demand for automated warehouses to mitigate high-temperature warehouse operations
Major			• Enhancement of corporate value through proactive climate change response and information disclosure • Use of efficient transportation methods	(2) Increased opportunities for proposals addressing diverse work styles (3) Higher sales of products and solutions that contribute to decarbonization (4) Improved employee satisfaction through enhanced measures against high temperatures in factories and warehouses
Moderate			• Relocation to high-efficiency buildings • Expansion of perovskite solar cells usage in office interiors	• Business strengthening through company-specific BCP measures against extreme weather • Higher sales of BCP-related products and services • Increase in new customers for J-Credit • Expanded the use of wooden materials in office interiors
Minor				

Degree of influence (Financial and timeframe)

Climate change response —Preventing global warming—

Strategy

We developed countermeasures for the identified risks and opportunities through thorough discussions with external experts, in line with TCFD recommendations. These discussions considered temperature scenarios, timeframes, financial impact, and likelihood of occurrence.

Risk countermeasures

We classified the risks identified in the risk analysis map into transition risks and physical risks. Transition risks were addressed with a 1.5°C scenario, while physical risks were addressed with a 4°C scenario. As a result, countermeasures such as "execution of the CO_2 emission reduction roadmap" and "continuous energy-saving activities" were formulated for transition risks. For physical risks, countermeasures such as "regular review of BCP" and "multiple sourcing of critical components" were established.

Transition risk countermeasures

Scenario	Item		Timeline	Risk (No. corresponds to the risk map)	Impact assessment	Expected financial impact	Countermeasures
1.5°C	Policies and regulations	Introduction of carbon tax	Medium term	(1) Increased factory operation costs due to carbon pricing (2) Increased procurement costs due to rising material prices	Major	500 million yen or more	• Execution of the CO_2 emission reduction roadmap • Continuous energy-saving activities • CO_2 emission reduction through collaboration with suppliers • Switching to low-carbon alternative raw materials
		Change in energy mix	Medium term	(6) Increased capital investment for strengthening renewable energy measures (7) Increased costs due to the use of renewable energy power	Moderate	10 million yen or more and less than 500 million yen	• Exploring renewable energy procurement methods proportional to usage • Expanding in-house energy generation facilities • Introducing on-site PPA
	Market	Contraction of existing markets	Medium to long term	(5) Delayed response to changes in environmental orientation leading to deteriorating profits	Major	10 million yen or more and less than 500 million yen	• Rapid and accurate understanding of market changes • Accurate information gathering on customer needs
	Assessment	Reputation damage among investors, etc.	Medium to long term	(8) Decline in stock price due to insufficient disclosure of climate change response	Moderate	1 million yen or more and less than 10 million yen	• Strengthening climate change countermeasures • Active disclosure of initiatives

Physical risk countermeasures

Scenario	Item		Timeline	Risk (No. corresponds to the risk map)	Impact assessment	Expected financial impact	Countermeasures
4°C	Acute / chronic	Increasingly frequent and severe natural disasters	Short to long term	(3) Production stoppage due to disaster damage to factories (4) Production stoppage due to supply chain disruptions	Major	10 million yen or more and less than 500 million yen	• Regular review of BCP • Multiple sourcing of critical components • Requesting suppliers to implement risk countermeasures

Opportunities and countermeasures

Opportunities identified in the opportunity analysis map were considered under both the 1.5°C and 4°C scenarios. As a result, countermeasures such as "strengthening the development of environmentally friendly products and workstyle solutions" and "strengthening product development and solution sales that support diverse workstyles" were formulated.

Scenario	Item		Timeline	Risk (No. corresponds to the risk map)	Impact assessment	Expected financial impact	Countermeasures
1.5°C	Products and services	Behavioral changes to mitigate climate change	Short term	(3) Higher sales of products and solutions that contribute to decarbonization	Major	10 million yen or more and less than 500 million yen	• Strengthening the development of environmentally friendly products and workstyle solutions
		Behavioral changes to adapt to climate change	Short to medium term	(2) Increased opportunities for proposals addressing diverse work styles	Major	500 million yen or more	• Strengthening product development and solution sales that support diverse workstyles
4°C	Products and services	Avoiding work in overheated warehouses	Short to long term	(1) Increased demand for automated warehouses to mitigate high-temperature warehouse operations	Major	500 million yen or more	• Increasing the appeal of products like automated warehouses
	Resilience	Improving overheated work environments	Short to long term	(4) Improved employee satisfaction through enhanced measures against high temperatures in factories and warehouses	Major	500 million yen or more	• Improving labor conditions in production and delivery sites

*The timeframes are defined as short term: 0 to 1 year, medium term: 1 to 3 years, and long term: 3 to 10 years.

*Impact assessments represent the scores from the risk and opportunity analysis maps.

Metrics and targets

Within the Mid-Term Environmental Plan 2026 (target items), we have set metrics for five key areas: CO_2 emission reduction, total energy input reduction, waste reduction, promotion of recycling, and water usage reduction. The central pillar is CO_2 emission reduction, which is also a countermeasure for transition risks. We will strive to achieve the Mid-Term Environmental Plan 2026 in Scopes 1, 2, and 3, aiming for the 2030 reduction goals.

FY2023 KPIs and results

For the fiscal year 2023, we set a CO_2 emission reduction target (combined for Scopes 1 to 3) of 12% compared to 2013 levels, achieving an 8.5% reduction.

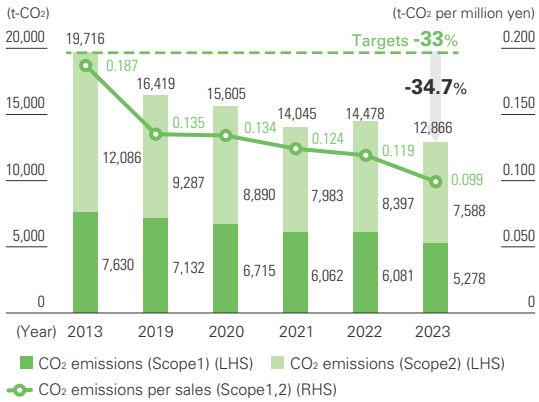
For details on each result, please refer to the following.

➡ For the reporting target of the fiscal year 2023 report, please visit page 15 of the ESG Data Book.

Scope 1 and 2 results

For Scopes 1 and 2, we set a target of a 33% reduction compared to 2013 levels, achieving a 34.7% reduction, thus meeting our target. The CO_2 emissions per unit of sales decreased by 0.088 from 0.187 t-CO_2/million yen in 2013 to 0.099 t-CO_2/million yen. Specific efforts for Scope 1 and 2 reductions are introduced on the next page.

CO_2 emissions and CO_2 emissions per sales (Scope1,2)



*From 2023, the calculation target for CO_2 emissions (Scopes 1 and 2) has been expanded to include an additional six companies.

FY2023 KPI and performance

Reduction of CO_2 emissions (Scope 1 to 3)

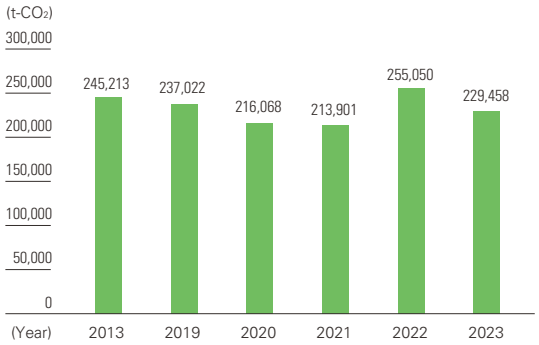
FY2023 target: 12% reduction over FY2013 levels

FY2023 performance: 8.5% reduction over FY2013 levels

Scope 3 results

For fiscal year 2023, Scope 3 CO_2 emissions amounted to 229,458 t-CO_2, representing a 6.4% reduction compared to 2013 levels. For Scope 3 aggregations, the reporting target was reviewed again in 2022, and six new group companies were included in the calculations. Additionally, the aggregation method between group companies for Category 1 has been corrected, with adjustments made to data dating back to fiscal year 2019.

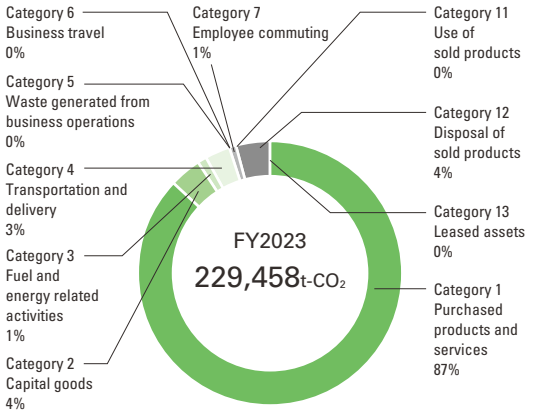
CO_2 emissions (Scope3)



Percentage of Scope 3 emissions by category

In fiscal year 2023, the largest portion of Scope 3 CO_2 emissions came from Category 1, "purchased products and services," which accounted for 82.3% of the total. We recognize that collaboration with the supply chain involved in Category 1 is crucial for advancing CO_2 emission reductions. For detailed figures, please refer to the ESG Data Book.

Percentage of Scope 3 emissions by category



Climate change response —Preventing global warming—

Specific initiatives

To achieve carbon neutrality by 2050, the Itoki Group is collaborating with stakeholders throughout our value chain. We break down our Mid-Term Environmental Plan into annual targets, focusing on reducing CO_2 emissions across various fields. Here are some key initiatives from our major departments.

Please refer to page 75 for value chain.

Manufacturing Division initiatives

In response to changing office trends in the post-COVID era and the shift to paperless operations, the Itoki Group has reorganized its production lines to boost productivity. Each manufacturing unit is also enhancing energy efficiency by switching to LED factory lighting, adopting powder coating, and utilizing low-temperature drying. Additionally, we are promoting renewable energy by implementing on-site PPA solar power systems to further reduce CO_2 emissions.



On-site PPA solar power system at the AP Center (operational since February 2023)

Logistics Division initiatives

With over 30 million ton-kilometers of commissioned cargo logistics, addressing the so-called "2024 logistics problem," which relates to limits on truck drivers' working hours, is crucial for Itoki. To address this, we opened the Itoki Tokyo Logistics Center and Itoki Tokyo BASE in August 2023. The aim of operating these facilities is to enhance delivery efficiency in the Tokyo metropolitan area by 130%, focusing on efficient warehouse operations, shorter delivery times, and higher truck utilization rates.



The logistics warehouse that houses the Itoki Tokyo Logistics Center

ESG promotion projects

To make the ESG Promotion Project launched in July 2022 more effective, we changed the system to one in which each division developed strategies to meet targets, which were then reviewed by company directors, including the president. In December, we held an annual progress report meeting. Additionally, we promoted small projects that help to reduce CO_2 emissions, ensuring their integration into departmental operations. The ESG Promotion Project was integrated into related departments' activities by the end of 2023.



ESG Promotion Project progress report meeting

Supply chain initiatives

We have engaged our suppliers through policy briefing sessions held at the beginning of each year to explain Itoki's initiatives. In fiscal year 2023, suppliers provided weight data for materials and components delivered to Itoki, improving the accuracy of our calculations of Scope 3, Category 1 "purchased products and services" CO_2 emissions. Moving forward, we plan to increase the number of suppliers providing this information to further enhance our data accuracy.

Please refer to page 89 for sustainable procurement.

Future issues

Currently, Scope emissions are calculated in accordance with the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.4)" established by the Ministry of the Environment. Moving forward, we aim to deepen communication with our suppliers to obtain information necessary for calculating CO_2 emissions during the manufacturing stage, in addition to weight data. This will enable us to gain a more accurate grasp of our emissions.

Promoting resource recycling —Effective use of resources—

Basic approach

To ensure we pass on a rich and sustainable natural environment to future generations, it is crucial to limit the use of natural resources while making the most of the resources we currently have. The Itoki Group embraces this philosophy by implementing the 3"R"s for effectively utilizing resources (Reduce, Reuse, Recycle) and reducing water usage during the manufacturing process across the entire product lifecycle (procurement, design, production, transportation, use, collection, and disposal). Through these efforts, we aim to achieve a recycling-oriented society with a lower environmental impact.



Goals and achievements

Due to factors such as increased retrieval of used furniture, consolidation of logistics centers, and office renovations, the waste volume per unit of sales increased by 6.8% year-on-year, against a target reduction of 1%. However, water usage per unit of sales decreased by 25.6% year-on-year, significantly exceeding the reduction target of 1%, thanks to measures like the introduction of powder coating.

	Unit	2022	2023	Compared to previous year	Change rate
Waste volume	t	6,003	6,903		
Per sales unit	m^3 per million yen	0.050	0.053	106.8%	6.8%
Water usage	m^3	97,510	78,132		
Per sales unit	t per million yen	0.804	0.598	74.4%	-25.6%

➡ For details, please visit page 11 of the ESG Data Book.

Specific initiatives

Waste reduction

At the Shiga Factory, we achieved a reduction of 3.3 tons of waste in 2023 by thoroughly separating waste and using a dedicated granulator to convert sorted polyethylene packaging materials into valuable pellets.


Introduced granulator


Pellets

FY2023 KPIs and results

Waste reduction (industrial waste and general waste)

FY2023 target: 1% reduction year-on-year (intensity)

FY2023 results: 6.8% increase year-on-year (intensity)

Water usage reduction

FY2023 target: 1% reduction year-on-year (intensity)

FY2023 results: 25.6% reduction year-on-year (intensity)

Water usage reduction

The Itoki Group has set specific targets for reducing water usage per unit of production. We are working to decrease water consumption in our production processes by introducing powder coating technology and actively reusing rainwater. These efforts focus on minimizing the use of water resources, including tap water, groundwater, and industrial water.

TOPIC

Ongoing donations of used office furniture overseas

In partnership with NX Shoji, we continue to donate reusable office furniture to government offices, medical institutions, and educational facilities in Cambodia. We select usable furniture that was left over from office renovations and relocations, and so far have donated the equivalent of 15 40-foot containers, amounting to 2,200 items. This initiative has been recognized with a certificate of appreciation from the Kingdom of Cambodia.



Promotional pouches made from excess chair upholstery waste material

During a visit to our chair factory, employees noticed the waste upholstery material and thought it was too valuable to discard. They collaborated with the Manufacturing Department to create pouches for promotional use. The sewing team at the chair factory handles the stitching, ensuring the pouches are durable. This initiative not only helps reduce waste but is also appreciated by our customers.



Future issues

Key challenges ahead include further reducing waste processing and conserving and efficiently using water resources to promote resource recycling. We aim to increase waste recycling and further reduce water usage through process improvements at our factories. By expanding these proactive initiatives, we will use resources more efficiently, promote resource recycling, and ultimately achieve a circular economy.

Using sustainable materials —Our manufacturing approach—

Basic approach

The Itoki Group consumes a lot of resources during its manufacturing promotion, including plastic and wood. Based on sustainable, environmentally friendly procurement, we conduct evaluations that include environmental considerations starting at the product planning and design stage. In addition, in terms of procurement and manufacturing, we actively engage in environmentally friendly green procurement. In this way, we pursue manufacturing that considers how to reduce various types of environmental burden throughout each product's lifecycle.

➡ For more information on our green procurement endeavors, please visit our website.

Goals and achievements

In fiscal 2023, our goal was to promote the sales of environmentally friendly products. To achieve this, we redefined and established new standards for environmentally friendly products and developed products themselves. Below are specific initiatives we undertook.

Specific initiatives

Redefining and establishing new standards for environmentally friendly products

Itoki has long established its own standards to create products that are kind to both people and the environment. As environmental issues become more severe each year, we have reviewed and redefined our standards for environmentally friendly products based on our own indicators to further reduce our environmental impact. The new standards are based on five principles that Itoki values for taking the environment into account: Reducing greenhouse gas emissions, using fewer resources and more recyclable materials, producing zero waste, emitting no hazardous substances, and reducing energy usage.

Itoki's five principles for environmentally friendly products

These principles form the basis of our internal certification.

	Level 1	Level 2	Level Gold
Reducing greenhouse gas emissions		• Track the CO_2 emissions throughout the product lifecycle	• Reduce greenhouse gas emissions across the entire product lifecycle
Using fewer resources and more recyclable materials	• Use recycled materials • Design products for easy disassembly and sorting • Use single-material construction		• Employ advanced materials and manufacturing techniques • Integrate cutting-edge recycling methods
Producing zero waste	• Minimize excessive packaging	• Implement systems for long-term use through part replacements, etc.	• Adopt innovative reuse and repair practices • Provide disassembly instructions • Generate minimal waste during manufacturing
Emitting no hazardous substances	• Use safe paints and coating methods	• Reduce formaldehyde emissions	• Decrease VOC emissions • Use certified timber, such as FSC
Reducing energy usage	• Cut energy usage throughout the product lifecycle		• Promote advanced local production for local consumption initiatives

• Green text indicates mandatory items for each level • Black text indicates optional items for each level (one of which must be satisfied)
• Level Gold meets the standards up to Level 2 and satisfies at least one additional item

➡ For more details on Itoki's guidelines for environmentally friendly products, please visit our website.

FY2023 KPIs and results

FY2023 target	FY2023 results
Promote the sales of environmentally friendly products	Developed 1 environmentally friendly product Redefined and established 1 new set of standards for environmentally friendly products

Developing new eco-friendly products

We have developed "Refelt," an eco-friendly product that extensively uses recycled materials (released in 2024). To enhance environmental friendliness, we employ a process that transforms used PET bottles back into fibers and molds them into felt for the 3D-shaped back and seat shell that envelops the body, significantly reducing CO_2 emissions during manufacturing.



Refelt



Back and seat shell



Recycled PET bottles

➡ For more details about Refelt, please visit our website.

Future issues

As calls to increase environmental friendliness get louder each year, we must clearly define our goals and roles in contributing to sustainability, including in the office workstyle solutions industry. We recognize the urgent need to transition our product lineup to more environmentally friendly options. By updating our approach to eco-friendly products and leveraging Itoki's technological and design strengths, we aim to promote the creation of sustainable workspaces.

Using sustainable materials —Biodiversity conservation—

Basic approach

In addition to producing the resource of timber, forests also serve important environmental conservation functions to support the global environment, such as conserving biodiversity by nurturing rich and diverse ecosystems, supplying water resources, and preventing global warming through CO_2 fixation. As a company that commercializes timber, we are committed to participating in social contribution activities related to forest protection, including actively developing and providing products that utilize local and domestic timber.

Biodiversity policies

The Itoki Group adopts "biodiversity policies" for the conservation and sustainable use of biodiversity in conjunction with "the Itoki Group Environmental Policies," and implements measures to those ends.

➡ Please visit our website for these biodiversity policies

Procuring sustainable timber

The Itoki Group uses timber for a variety of its products, including its office and home furniture. We have established "the Itoki Group Timber Procurement Standards" to promote sustainable timber procurement that takes into consideration not only biodiversity but also social aspects. In 2011, Itoki obtained FSC® CoC certification and began selling FSC- certified products. In 2015, we also obtained PEFC CoC certification, another international forest certification label. These third-party certified forest products use wood from properly managed forests, ensuring traceability of furniture materials, from material procurement to manufacturing and sales.

FSC www.fsc.org FSC® C107946 The mark of responsible forestry

PEFC PEFC/31-31-168 持続可能な森林管理の促進 www.pefc.co.uk

Specific initiatives

Launch of the new "Feel So Wood" product line

We have introduced a new product line called "Feel So Wood," centered around the concept of "visually appealing and pleasant to the touch." This line includes wooden furniture and solutions that utilize regional timber, highlighting the positive effects wood can have on office workers. Details are available on our special website.

➡ Please visit our website for Feel So Wood.



Feel So Wood special website

Launched three new products

Under the Feel So Wood concept, we have launched three new wood-based products. "Feels" is a non-combustible partition with a veneer finish, "vertebra03 wood" is a wooden chair with a mechanism that adapts to various working postures, and "knot Work Wood" features tabletops made from Japanese coniferous cedar wood and Japanese broadleaf oak. These products help with carbon fixation and support forest cycling by using materials at the optimal age for harvesting.

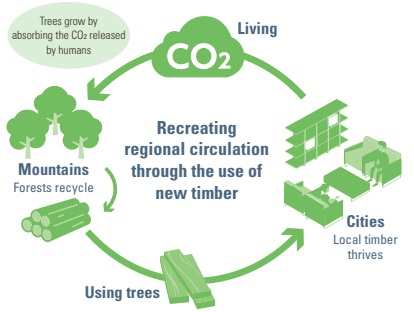


Feels

➡ Please visit our website for product information.

Continued development of the "Econifa" regional timber utilization solution

Since 2010, we have been developing "Econifa," a solution that turns regional timber from Japanese forests into beautifully designed furniture for urban spaces. Econifa promotes proper forest harvesting and management, and creates habitats for a range of species. The promotion of Econifa, which revitalizes both forests and urban areas, helps to protect the environment and addresses social issues in various ways. Our collaboration with the OISCA organization started in 2011 through the Yamanashi Water Source Brand Promotion Council. Over the past decade, we have organized symposiums and carried out promotional activities at exhibitions. In December 2023, OISCA recognized us for our decade-long membership.





➡ Please visit our website for Econifa.

➡ For more information about OISCA, please visit their website.

Future issues

Itoki has always ensured the legality of its timber procurement. Going forward, we aim to not only continue checking legality but also evaluate the environmental impact of conserving forest resources both in Japan and abroad. We plan to introduce systems that improve procurement accuracy, and promote the use of regional timber to raise awareness about forest conservation. Itoki is committed to protecting forest resources and contributing to biodiversity conservation.

Itoki Group company initiatives

Basic approach

The Itoki Group shares environmental improvement activities across all departments through our environmental management system, tailoring initiatives to suit the unique characteristics of each department and group company. Each Itoki Group company also carries out its own environmental improvement efforts, doing much to help reduce CO_2 emissions.

Specific initiatives

Itoki All Steel

Itoki All Steel is undertaking several energy-saving measures, such as converting factory lighting to LEDs, updating air conditioning systems, and revising manufacturing processes. Additionally, they are installing solar power generation systems on factory roofs using the onsite PPA method, scheduled to enter service by June 2024, to increase their renewable energy usage. Regarding manufacturing waste, instead of simply discarding it, they collaborate with recycling companies to turn large quantities of packaging materials into 100% recycled souvenir bags for theme parks. Employee training on waste separation has led to a reduction of 26 tons of waste in one year.

The company also contributes to the local community, such as through childcare support activities organized jointly by waste disposal companies and house builders. This includes recycling wood waste into tables, helping to teach children about resourcefulness and the importance of valuing materials.



Board displaying waste separation methods



Table made from recycled wood waste

Itoki Marui Industrial/Fuji Living Industry

Itoki Marui Industrial introduced a solar power generation system using the onsite PPA method in March 2023.

Fuji Living Industry is also installing a solar power generation system using the onsite PPA method, aiming for operation by August 2024.



Itoki Marui Industry's solar power generation system using the onsite PPA method (installed in March 2023)

New Japan Systech/Shimasobi

Both New Japan Systech and Shimasobi are enhancing energy efficiency by upgrading office equipment. They have also switched to zero-CO_2 emission electricity contracts using non-fossil certificates, ensuring that all their operational power is sourced from renewable energy.

Sanko Facilities

Sanko Facilities has converted the electricity supply for its office buildings to renewable energy through non-fossil certificates. Additionally, since their sales operations are based in Tokyo, they have eliminated company vehicles and shifted to using public transportation for business activities, significantly reducing CO_2 emissions.

Future issues

Although individual efforts to reduce CO_2 emissions are spreading across Itoki and its group companies, there is a need to elevate these efforts to a group-wide initiative. Moving forward, we aim to increase the use of renewable energy and further reduce CO_2 emissions across the entire group by converting office electricity contracts to those for renewable energy sources.

Respect for human rights

Basic approach

The Itoki Group is committed to ensuring that everyone can live active and fulfilling lives. To achieve this, we conduct human rights due diligence based on the United Nations' "Guiding Principles on Business and Human Rights." We prioritize the respect for human rights in all our business activities and throughout our entire supply chain.

Human rights policy

In 2018, we established the Itoki Group Human Rights Policy outlined below. Since then, we have continually reviewed and updated our employment regulations to improve them in line with this policy.

The Itoki Group Human Rights Policy (key points only)

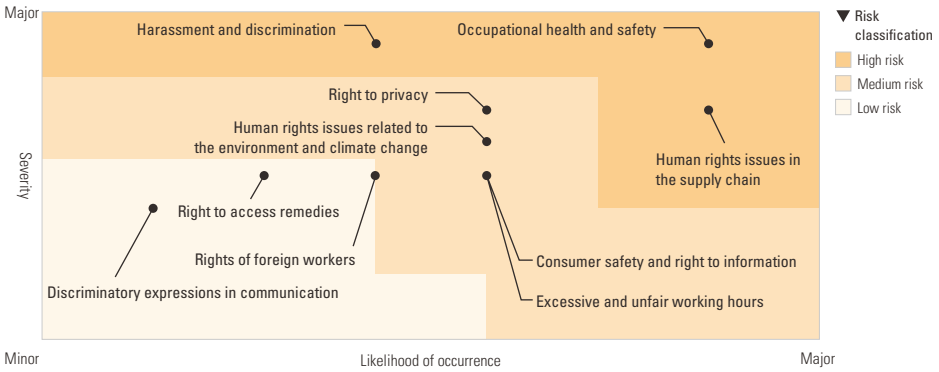
1. Respect for human rights 2. Prohibition of discrimination 3. Prohibition of harassment
4. Respect for employees' fundamental rights 5. Ensuring safety and security
6. Prohibition of forced labor and child labor 7. Promotion of education

➡ Please visit our website for more information on the Itoki Group Human Rights Policy.

Human rights risk assessment

We conducted a human rights risk assessment based on feedback from employees during past human rights workshops (see the description on the right) and information collected through our consultation and reporting channels. With advice from experts, we collaborated with relevant departments to evaluate these risks. Three high-risk areas were identified: occupational health and safety, human rights issues in the supply chain, and harassment and discrimination. The Itoki Group is working to prevent and mitigate negative impacts in these areas through our comprehensive risk management system, and we will continue to monitor, reassess, and improve our human rights risk management.

Human rights risk assessment map



Specific initiatives

Human rights education and workshops



To increase awareness of human rights among all employees, we have been hosting an annual "Respecting Human Rights" workshop since 2021. In the 2023 workshop, we presented several recent human rights cases and had employees choose themes for group discussions. This enabled participants to discuss potential issues within our company and share insights on important considerations, helping them see human rights as a personal concern. In 2023, 97% of all employees participated.

Additionally, we have been providing annual human rights education through e-learning since 2020.

Establishment of a consultation helpline

We have established a reporting and consultation helpline (internal reporting system) for reporting human rights concerns. This helpline is available to everyone working at Itoki Group companies, including executives, employees, contract workers, part-time workers, temporary workers, and outsourced staff and other external staff, regardless of their employment type, contract type, or nationality. It is also accessible to all these individuals for up to one year after they leave the company.

For more information on the internal reporting system, please refer to page 105.

ESG training on "business and human rights" for executives



Twice a year, we conduct ESG training for executives at the level of executive officer and above. In 2023, we invited Kazuo Tase, CEO of SDG Partners, to lead a training session on the theme "How Companies Today Can Meet Business and Human Rights Requirements." We will continue to strengthen human rights education for all employees, including our management team.

Respect for human rights in the supply chain

To build a responsible supply chain that considers human rights and the environment, we created a Sustainable Procurement Guidebook in 2019 and have been conducting surveys with our business partners.

For more information on sustainable procurement, please refer to page 89.

Future issues

From 2021 to 2023, we conducted human rights due diligence (HRDD) within Itoki. However, since we have many group companies both in Japan and internationally, expanding the scope of HRDD is one of our challenges. Moving forward, we will thoroughly implement the PDCA cycle for HRDD and systematically promote its implementation across our group companies.

Occupational health and safety

Basic approach

Guaranteeing occupational safety is a particularly important mission within the context of corporate social responsibility. Itoki is committed to fostering a corporate culture that prioritizes safety and developing a safe, secure, and comfortable working environment where employees can work without fear of disasters.

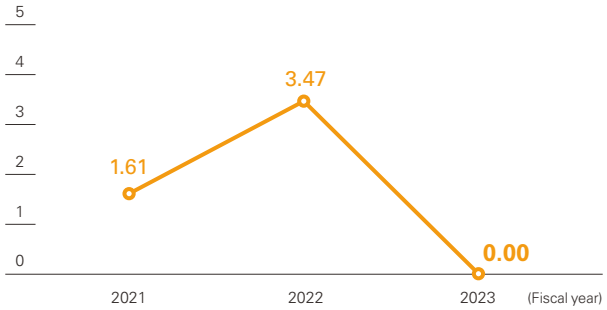
Occupational health and safety

Itoki advocates the creation of environments where people are the main focus. As such, we strive to establish workplace environments in which employees can work safely and with peace of mind. We also make every effort to maintain and improve the health of employees. Safety is recognized by all as a fundamental requirement of corporate activity and we proactively employ health and safety measures in an effort to prevent occupational accidents. Each year, we aim for zero workplace accidents. In 2023, we achieved zero lost-time injuries (counted from the first day of leave), but there were two non-lost-time injuries. At our manufacturing sites, we recreate near-miss incidents in videos from the workers' perspective and share these as workplace hazard experience videos to prevent accidents. Our sales offices work to raise safety and health awareness, actively engaging in measures to prevent commuting accidents and office falls.



Scene from a workplace hazard experience video

Labor accident frequency rate*



*Number of deaths and injuries due to workplace accidents per million actual working hours

Establishing labor-management relations

We believe that healthy labor-management relationships, where thorough discussions about the company's future vision and key issues can take place, are essential for creating a fulfilling workplace. Based on this philosophy, we hold various forums for discussion. These include labor-management councils on bonuses and proposals, expanded management-labor councils with the president and all division heads, and individual or regional labor-management councils with each division head. In addition to opinion exchange meetings on various topics, we also engage in opinion exchanges not just internally, but also with other companies through joint discussions held by the labor union and the HR department, expanding our perspectives and sharing insights to inform our HR policies. Furthermore, we hold weekly labor-management secretariat meetings to openly and promptly share information and identify problems, seeking straightforward and constructive solutions.





Labor-management council



Regional labor-management council



Division manager labor-management council

FY2023 KPIs and results

Lost-time/non-lost-time accidents

FY2023 target	FY2023 results	
0		Lost-time accidents: 0
		Non-lost-time accidents: 2

Main initiatives in 2023

- Company-wide Health & Safety Committee meetings
- Health and safety activities at each business site
- Meetings with partner companies to discuss accident prevention
- Company-wide safety slogan and poster contests
- Safety audits at manufacturing sites and medium to large sales offices





2023 safety and health slogan poster (President's Award winner)

Sustainable procurement

Basic approach

At Itoki, we are committed to creating value that helps solve social issues throughout our value chain, from research and development to procurement, production, and disposal. We do this by working closely with stakeholders such as suppliers and sales agents.

Procurement policies

The Itoki Group has formulated procurement policies to ensure that the Group and its suppliers pay due respect to the working environment and human rights, including the elimination of child labor and forced labor, and to remain committed to sustainable procurement activities from the stage as early as the product and service development in order to reduce environmental burden and conserve biodiversity. We also engage in green procurement in line with this policy.

➡ For more details on our procurement policy and green procurement efforts, please visit our website.

Promoting sustainable procurement

The Itoki Group is dedicated to promoting sustainable procurement to build a responsible supply chain. In 2019, we created the Sustainable Procurement Guidebook outlining standards for human rights, labor, safety and health, environment, quality, information security, and business continuity. We distribute this guidebook to our business partners and request their cooperation in adhering to these standards. Since 2019, we have conducted annual procurement surveys to assess adherence. Major business partners are categorized into three groups and one group is surveyed each year, with the cycle completed every three years.

➡ For more information on the Sustainable Procurement Guidebook, please visit our website.

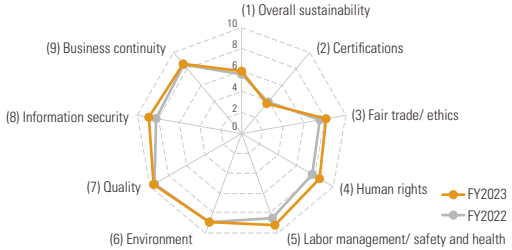
Goals and achievements

We have requested procurement surveys from 153 business partners and received responses from 141. These partners include our top suppliers by procurement volume as well as key suppliers that handle tasks like painting and wood processing. Although our goal was to achieve a response rate of over 85%, we reached 80.3%. However, no high-risk suppliers were identified. Additionally, we conducted procurement surveys with our group companies' business partners for the first time in three years, receiving responses from 250 companies.

Moving forward, we will continue to promote sustainable procurement across the entire Itoki Group.

Itoki standalone

	Requests	Responses	Procurement volume by percentage	High risk
FY2021	150	109	—	0
FY2022	84	75	66.3%	0
FY2023	**153**	**141**	**80.3%**	**0**



FY2023 KPIs and results

The availability percentage of information about sustainable procurement

FY2023 targets	FY2023 results
85% and above (in terms of procurement amount)	80.3% (in terms of procurement amount)

Specific initiatives

Policy briefing meeting

At the start of each fiscal year, we hold a policy briefing meeting for our key business partners. These meetings include explanations of Itoki's policies, factory tours, and social gatherings to foster mutual understanding.

To further enhance our business partners' awareness of quality, we also host an annual joint presentation with our group companies.

For more details, please refer to page 74.





Declaration of Partnership Building

In 2023, we announced our Declaration of Partnership Building. Based on this declaration, we will also launch new initiatives such as supporting the working environment of our business partners.



➡ For more information on the Declaration of Partnership Building, please visit our website.

Future issues

Recently, there has been an increasing risk in areas such as information security and human rights in business, with sustainability efforts varying from partner to partner. Going forward, we are considering providing appropriate support to our partners through educational sessions and consultation services.

Contribution to the community and education

Basic approach

The Itoki Group is committed to contributing to society and education by creating new value for them, based on the expectations and requests expressed through dialogue and cooperation with local residents and those involved in education.

Contribution to local communities

Ocean and Forest Projects: tackling environmental issues through volunteering

To inspire local environmental awareness, we organize volunteer activities. Our Ocean Project involves clean-up activities at Kasai Rinkai Park, while our Forest Project features a wood use project where participants make chopsticks from timber grown in Japan. A total of 34 people, including employees and their families, took part in these activities. As a company that uses wood and resin in our products, we will continue to create opportunities to address environmental issues.



Participant feedback

- I've heard about microplastics in the news, but experiencing it firsthand made it feel more personal.
- Learning about forests through something as familiar to me as chopsticks was very insightful. The lecture was straightforward and easy to understand.

Forest conservation activities in the east and west

Since 2009, we have supported the periodic thinning of the "Chuo-ku no Mori" forest in Tokyo. In 2015, to mark our 125th anniversary, we established the "Itoki Forest" in Osaka, our founding location, and began participating in forest development activities. In 2023, we resumed periodic thinning in the Itoki Forest after a four-year pause due to the COVID-19 pandemic, with 23 employees participating. We will continue our commitment to forest conservation.



Enhancing and enriching the local environment

The Itoki Group actively engages in greening projects at our factories and logistics centers nationwide. We also regularly clean the areas surrounding our facilities and offices, and participate in local cleaning initiatives, helping to beautify our neighborhoods as a member of the community.



Contribution to education

Hosting industry-academia collaborative classes

As part of the curriculum at Chiba University of Commerce, we conducted classes on the challenges facing forest environments in Japan, Itoki's use of domestic timber, and new educational environments post-COVID-19. Over 250 students attended, gaining practical knowledge through workshops. We will continue to contribute to the local community through proactive industry-academia collaborative classes.



Welcoming high school students for learning about SDGs

We accept study visits to support dissemination of SDGs in the educational field. In 2023, we welcomed 38 students from two schools, introducing them to Itoki's work style, health management efforts, and sustainability initiatives through office tours.



Engagement with stakeholders

	Customers	Distributors	Suppliers	Shareholders and investors	Employees and their families	Educational institutions and students	Communities
Objectives	We are committed to manufacturing from the perspective of our customers, and we strive to provide products and services while engaging in repeated dialogue with our customers.	We will build a collaborative system and act as an important partner in terms of delivering value to our customers.	We will engage in socially responsible procurement activities through interoperation.	We will aim to earn the trust of our shareholders and investors while also improving our corporate value through fair, sound corporate management.	We will set up programs and establish workplace environments that motivate each of our employees and enable them to work vigorously and fully demonstrate their abilities.	We will conduct fair hiring activities. We will create new value through next-generation nurturing—including the acceptance of company visits—and joint research.	We will conduct environmentally and socially friendly business activities to contribute to the formation of better communities as a responsible corporate citizen.
Main dialogue opportunities	• Daily sales activities • Exhibitions • Customer service center	• Daily sales activities • Meetings with the presidents of nationwide distributors • Special distributor websites	• Daily procurement activities ➡P89 • Supplier information sessions ➡P89 • Sustainable procurement ➡P89	• General Meeting of Stockholders • Integrated reports • Investor information sessions ➡P20	• Personnel evaluations and conferences ➡P63 • Labor-management council ➡P88 • Family tours	• Hiring activities ➡P66 • Joint research • Industry-academia joint lessons ➡P90	• Participating in local activities ➡P90

Typical case examples

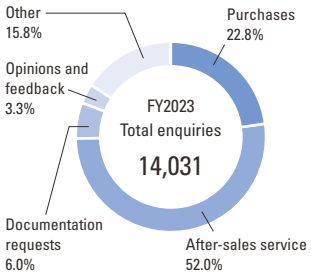
Communicating with employees

A special page has been created on the Company's intranet to broadly introduce initiatives ranging from the everyday actions of employees to departmental strategies aimed at solving social issues in an effort to stimulate communication about sustainability.



Dialogue with customers

The Customer Service Center aims to maintain and improve customer satisfaction and constantly tries to accommodate customer requests. The feedback received from customers is shared internally and used for the value we provide to customers such as improvement of products and services.



Conference for the presidents of distributors across Japan

We organize various opportunities for interaction with our dealers—our most important partners in delivering value to customers. In order to strengthen partnerships, we invite the presidents of our dealers from across Japan to a conference held every year.



ITOKI Family Day

The ITOKI Family Day event we have hosted since 2005 lets visitors interact with Itoki products and enjoy various activities. It is a valuable opportunity for the president, employees, and their families to get to know each other. On this day, the offices and factories are a hive of activity with many families in attendance.



Setting our sights on achieving sustainability

At Itoki, we have continued to propel Group-wide sustainability activities based on two categories of materiality: "make society and people happy" and "make the company and its employees happy." Since the beginning of 2024, the Sustainability Division has been placed under the Corporate Planning Department with the aim of further integrating management and sustainability. In addition, in our new medium-term management plan, RISE TO GROWTH 2026, which outlines the path Itoki needs to take going forward, we incorporated "ESG strategy" as a key piece of our management platform strategy. By driving forward the new medium-term management plan, we aim to contribute even more to the realization of a sustainable society and enhance corporate value.

Minako Suzuki
General Manager
Corporate Planning Department

Strengths Finder

- Analytical thinking
- Intimacy
- Harmony
- Introspection
- Input

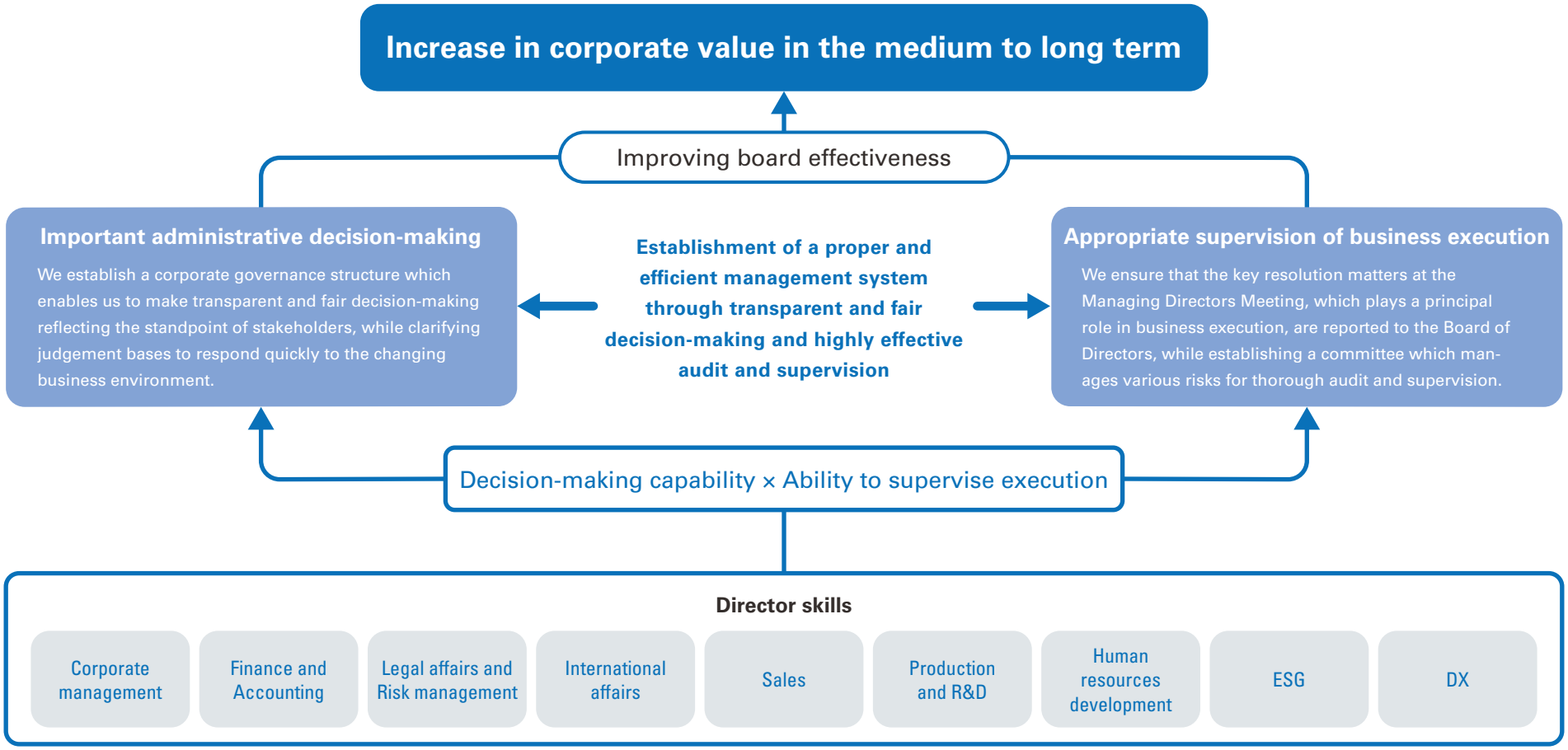


Corporate governance

Basic concept of corporate governance

Itoki ensures compliance, administrative transparency, and fair management based on business ethics and strict compliance with laws. In addition, Itoki establishes corporate governance to increase trust in the Company, to achieve sustainable growth, and to increase its medium- to long-term corporate value through prompt disclosure of information based on the Corporate Governance Code and proactive discussion with shareholders and investors.

Framework for generating long-term profit



External director discussion

Itoki has kicked off a new medium-term management plan, RISE TO GROWTH 2026, and is working to strengthen its underlying corporate governance with a view to achieving the objectives of the plan. The company's three external directors, Mr. Hiroshi Nagata, Mr. Shiro Nitanai, and Ms. Mariko Bando, recently sat down together to discuss the recommendations they put forward during the formulation of the new medium-term management plan, as well as other initiatives for strengthening corporate governance.



Leveraging external support, driving reforms, and enhancing effectiveness

Nagata Looking back on the company's long history, there were times when it set some lofty goals but then struggled to achieve them. There were probably many different factors at play, but it must be acknowledged that there was a lack of internal discussion about how to persistently improve corporate value.

To break free of that situation, a structural reform project was undertaken in recent years. The company examined what could really be achieved with Itoki's capabilities and how improvements should be made, and also pressed ahead with reforms while also leveraging support from outside the organization. The results of this project are beginning to materialize quite clearly, and I believe it is fair to say that, in a real sense, the effectiveness of governance is improving.

Nitanai I would like to share some specific episodes from the meetings of the Board of Directors. The focus of Board meetings used to be on the reporting of results, such as final sales and profits, but more recently, we have started to see more reports regarding the process of discussions by the company's executives at the Managing Directors Meeting, for example. With the necessary information being shared in this way between the company's executives and directors, I get the feeling that the Board has been able to engage in more informed discussions. I think progress has clearly been made on enhancing the effectiveness of governance.

Bando It has been one year since I assumed my position as external director. I believe there to be three expectations on me as an external director at Itoki: 1) my expertise in gender equality; 2) my experience in university management; and 3) my wide-ranging experiences as a public servant, for example, as vice governor and consul general. I sense that a Board capable of engaging in lively discussions has developed, and as such, I believe I have contributed to enhancing the effectiveness of governance by making various recommendations to the Board on the issues of nurturing female talent and creating an environment in which women can thrive.

Realization of improvements in Itoki's corporate value

Nitanai The way people work has changed tremendously since the COVID-19 pandemic and it is in this context that Itoki seeks to realize its mission statement: We Design Tomorrow. We Design WORK-Style. In order to truly realize this mission, I think the company has significantly evolved from being focused on manufacturing and selling products to one that offers comprehensive solutions to its customers concerning work styles and workplace environments. I think this evolution has also become most obvious in its financial results.

In that sense, I think the structural reforms in the previous medium-term management plan were significant in two ways. One is that smashing targets has instilled confidence, while the other is that the mindset of employees has changed. Itoki employees have probably come to realize that traditional business processes are not to be taken as a given, but have the potential to be improved. Also, I think the focus on profit over sales and the policy of emphasizing added value has been carried over to the new medium-term management plan.

Nagata From a value creation point of view, the share price is one way the company is evaluated externally. There was a time in the past when net

External director discussion

assets per share were valued at ¥1,200 and the share price was around ¥300. Later, however, the results of the structural reform project boosted profits and also drove up the share price. The P/B ratio, once around 0.3x, has now gone above 1.0x. As of April 2024, the shares are trading at a P/B of roughly 1.7x, which indicates that the market too has assessed the stock in a more favorable light.

I see the share price not merely as a reflection of the company's current standing, but as the market's expectation for sustained value creation and future growth. To meet these expectations, I believe it is imperative that the company not only achieves the profit growth called for in the new medium-term management plan, but it also accelerates a sustained level of growth beyond that.

Bando I also highly applaud the company-wide growth that has been achieved. On the other hand, I feel there is room for improvement in the company's global expansion. Especially given that the company boasts a range of outstanding products and services, I certainly want to see further progress made in this regard. That said, I understand it will require the accumulation of skills and know-how in the workforce, which will take some time. Even if this is not achieved during the period of the current medium-term management plan, I hope preparations will be steadily made for it to happen in the next plan.

Multi-faceted suggestions for the formulation of the medium-term management plan, including share price and human capital investments

Nagata This year, Itoki kicked off its new medium-term management plan. As external directors, we have made various suggestions in light of our respective positions and points of view. In particular, I analyzed the market conditions to clarify the company's positioning and questioned what kind of strategies had been formulated within that context to come up with the sales target of ¥150 billion. I also expressed my views on reforming the company's HR systems, from the perspectives of strategy, organization, and people.

In addition, considering the quantitative targets of the medium-term management plan and the stated aim for a dividend payout ratio of 40%, we also discussed the expected theoretical stock price. I believe this demonstrates that at Board meetings we have been discussing how the company should be managed in consideration of capital costs and the share price.

Nitanai During Board meetings, I have spoken many times about adopting a longer-term perspective through discussions on such increasingly important topics as sustainability and ESG. In the process of formulating the new medium-term management plan, I expressed my opinions on the relationship between the company's key issues (the 7 Flags) and ESG, the role of workplaces in drawing out human wisdom as a source of wealth in modern society, and the effectiveness of investing in facilities such as offices, which account for only about 10% of personnel costs. Through these kinds of discussions as part of the medium-term management plan formulation process, I think we were able to set the direction for ESG initiatives as a foundation for the long-term enhancement of corporate value.

Bando I also discussed human capital from the same perspective as Mr. Nitanai. One thing I recommended is that engagement investment should include not only tangible investments but also intangible investments that contribute to a sense of personal growth. Also, on the topic of global human resources, I said that the focus should not be on producing short-term results, but on patiently working towards an outcome over the medium term. I also expressed my opinion that while mid-career hiring is necessary for quickly bringing in specialists, the company must not neglect the in-house development of human resources.

Nagata What I can say overall is that I believe the current medium-term management plan accurately reflects the discussions that took place among the external directors, and just like the structural reform project carried out thus far, there are high expectations for its successful realization.

Progress on initiatives to address sustainability issues

Bando Of all the aspects of sustainability, I consider initiatives on human resources to be particularly important. In this regard, I have been really impressed by the SPLi community that supports the ongoing career development of women at Itoki. Having talked with the members of this group, I have gained an understanding of the challenges that need to be overcome for women to succeed, which is also extremely beneficial in order to invigorate Board meeting discussions. I should also add that through these interactions, I have come to realize that Itoki has a wealth of talent with enormous potential that has yet to be fully recognized. I look forward to seeing more opportunities for these individuals to thrive in the future.

Nitanai If I was to comment on the company's environmental initiatives, the difference in the level of activities and disclosure now compared to a few years ago is like chalk and cheese. I think rapid progress has certainly been made in terms of the company's level of commitment and the detailed nature of its disclosures. Now that earnings have recovered, I think the conditions are ripe for Itoki to tackle sustainability and ESG issues from a long-term perspective. Going forward, the company will need to concretely outline a path toward net zero by 2050 and also develop an ESG narrative linked to its identity and mission. Rather than promoting initiatives, steadily building up a track record of accomplishments will garner long-term respect, in my view.

Nagata Governance is also a key issue for sustainability. For any company, the biggest challenge pertaining to governance is deciding on a succession plan. At present, and this is purely my opinion, I believe that for a succession plan, it is important to first achieve sustained enhancements in corporate value with the current management structure, and then identify and examine the qualities needed in the next leader in order to inherit that success. Going by the business model that Itoki is pursuing, being well-versed in IT, as current President Minato is, is thought to be one of the prerequisites for the top job.

On top of that, if a successor is being recruited from outside the company, it is important that the president has business opportunities that will support the company's future vision. On the other hand, if Itoki opts to go with an internal promotion, it will be critical that the individual gains the necessary experience as a senior executive before assuming the role. In either case, what is important is that the company takes the necessary time to make the right choice. As external directors, we also hope to contribute to the selection of the next generation of senior management and ensure a smooth transition of leadership.

Corporate governance system

Board of Directors

Number of meetings held in FY2023: 14

At Itoki, the Board of Directors consists of 8 directors, including 3 external directors. At the Board of Directors meetings held once a month in principle, decisions are made on the issues required by laws and by the Articles of Incorporation, as well as on the key management issues. The Board of Directors also supervises the business execution of directors. External directors attend the Board of Directors meeting from an independent standpoint which does not involve any conflicts of interest with the management of the Company from the past to the present. They assume a role of strengthening the management monitoring function of the Board of Directors by expressing appropriate opinions based on their long and abundant experience in corporate management and deep insight.

Audit & Supervisory Board

Number of meetings held in FY2023: 13

The Audit & Supervisory Board of Itoki consists of three members: one full-time Audit & Supervisory Board member and two external members (a certified public accountant and a lawyer). They meet, in principle, once a month to discuss and pass resolutions in order to form opinions about audits. The role of the Audit & Supervisory Board members is to collaborate with the Board of Directors and support the Company's supervisory function, recognizing that a high-quality governance system will help the Company achieve sound and sustainable growth. At the meetings of the Board of Directors, they dynamically and actively express opinions on whether the directors are fulfilling their prescribed duties, including the appropriateness of those duties when necessary, without being confined to legal audits.

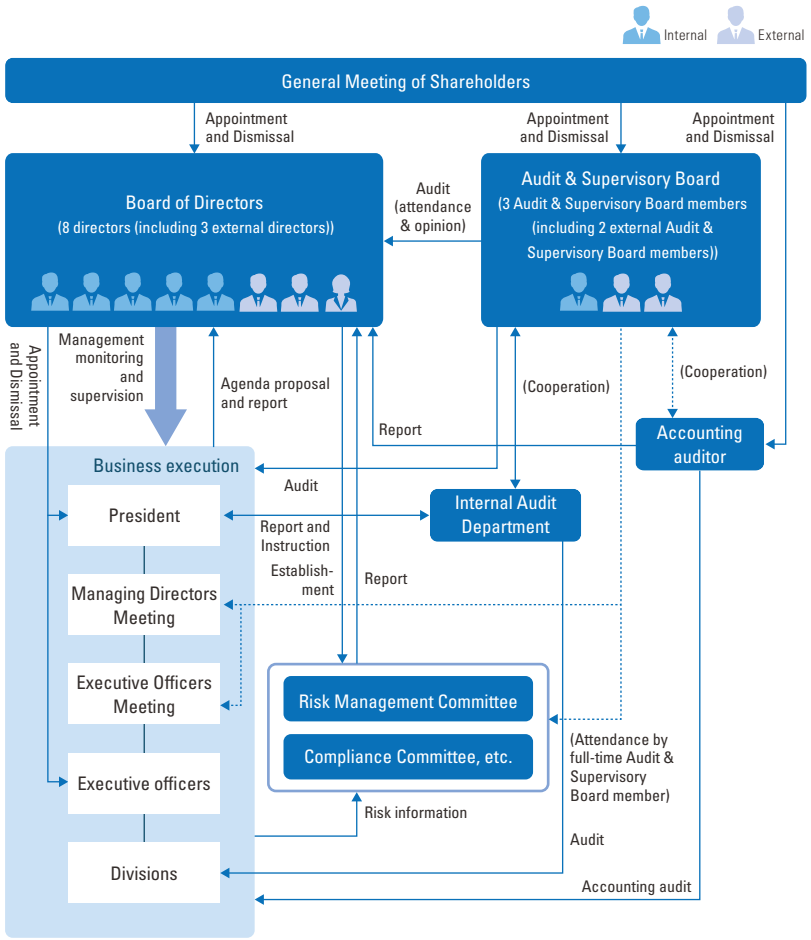
Internal Audit Department

Number of reports to full-time Audit & Supervisory Board member in FY2023: 12

As a department responsible for internal audit, we have established the Audit Department for the purpose of ensuring sound and appropriate operations. Audits are conducted to Itoki Corporation, domestic Group companies, and overseas Group companies.

Audit reports are then presented to management, the Board of Directors, the Audit & Supervisory Board, and the full-time Audit & Supervisory Board member to realize greater effectiveness and efficiency of internal audits.

Corporate governance system chart



Accounting Auditor

Number of information exchanges and review in FY2023: 4 (quarterly)

Accounting audit is conducted from a fair and independent standpoint.

The Company's accounting audit for the fiscal year ended December 31, 2023 was conducted by two designated limited liability partners and engagement partners from KPMG AZSA LLC. They were assisted by 12 certified public accountants and 25 other people.

Risk Management Committee

Number of meetings held in FY2023: 2

Itoki has established the Risk Management Committee to secure the effectiveness of risk management. It assesses risks associated with risk management and examines the countermeasures. It also determines the courses of action to be taken in a case where preventive measures are necessary from the viewpoint of the entire Company through verification of individual cases.

Compliance Committee

Number of meetings held in FY2023: 2

The Compliance Committee has been established under the supervision of the Risk Management Committee, and is responsible for the planning, progress management, and verification of specific measures to promote the thorough compliance with laws and the penetration of compliance awareness. It also manages Whistleblower Hotline to prevent potential wrongdoings and ensure social trust.

Corporate governance

Board of Directors

Itoki places importance on ensuring diversity on the Board of Directors, and appointed our first female director in 2023. Consideration is also given to the appropriate number of its members to ensure quality discussions. In order to ensure a good balance among its members, the Board of Directors consists of directors with executive responsibilities who are in charge of business execution, familiar with the Company's operations, and capable of spontaneous actions, and external directors with highly specialized knowledge and ability to give advice and supervise from broad viewpoints. The Board of Directors meeting is, in principle, held once a month, and decisions are made on the issues required by laws and by the Articles of Incorporation, as well as on the key management issues. The Board of Directors also supervises the business execution of directors.

Key items discussed at the Board of Directors meetings

- Matters concerning the General Meeting of Shareholders (convocation of the meeting, and determination of meeting agenda, etc.)
- Matters concerning board members, organization, personnel changes (appointment and dismissal of board members, etc.)
- Matters concerning overall management of the Group (development of medium-term management plan and annual management policies, etc.)
- Matters concerning financial results and finance (approval of financial results (year end and quarterly), etc.)

Audit & Supervisory Board

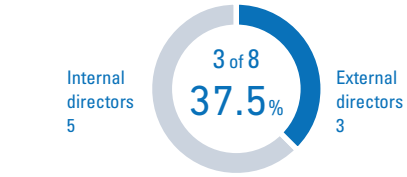
Audits are conducted based on the audit standards, audit implementation plans, and the division of duties set by the Audit & Supervisory Board. The purpose of audits is to oversee and audit management. The Audit & Supervisory Board receives explanations of audit plans and regular reports on the conducting of audits from the accounting auditor, as well as reports on audit plans and the conducting of audits from the Auditing Department. It then submits opinion statements on the audit results as part of an established system to timely and appropriately understand the Company's situation in collaboration with the accounting auditor and the Auditing Department. The Audit & Supervisory Board also receives explanations on individual matters from directors and other officers as necessary.

Key audit items in the fiscal year

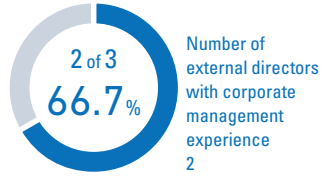
1) Promotion of compliance-based management
2) Maintenance and operation of management system for the internal control system
3) Communication for the introduction of KAM (Key Audit Matters)

Corporate governance features

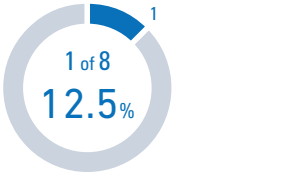
Ratio of external directors



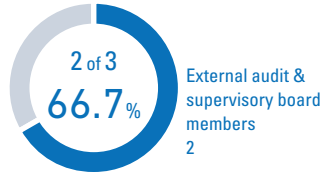
Ratio of external directors with corporate management experience



Number of female directors



Ratio of external audit & supervisory board members



Compensation for Directors and Audit & Supervisory Board members

Compensation for directors (excluding external directors) consists of (1) fixed compensation, (2) performance-linked variable compensation, and (3) restricted stock compensation (non-monetary compensation). (1) Fixed compensation is paid monthly as monetary compensation in accordance with the position-based monthly compensation table approved by the Board of Directors. (2) Variable compensation is calculated and paid based on the position-based monetary compensation linked to operating income for the fiscal year, taking individual performance into account as well, as an incentive to contribute to the improvement in corporate earnings. Individual performance is assessed based on the evaluation indicator set for each business and each function in each responsible area. (3) Restricted stock compensation aims to continually improve corporate value and share value with shareholders. Position-based stock compensation is paid on the condition of continued tenure as a director as an incentive for achieving earnings targets over the medium term. Compensation for external directors consists of fixed compensation and restricted stock compensation.

Compensation amount of directors and audit & supervisory board members in FY2023

Classification	Total compensation, etc. (million of yen)	Total compensation, etc., by type (million of yen)			Number of eligible directors and Audit & Supervisory Board members
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (of which, external directors)	392 (30)	152 (16)	220 (12)	19 (1)	10 (3)
Audit & supervisory board members (of which, external audit & supervisory board members)	35 (12)	29 (10)	2 (1)	3 (1)	6 (4)
Total	427	182	222	23	16

Evaluation of the effectiveness of the Board of Directors

Every year, Itoki conducts an analysis and evaluation of the overall effectiveness of the Board of Directors, including meeting procedures and agenda items, to ensure that corporate governance is functioning continuously and effectively. In the evaluation, we not only confirm the effectiveness of the Board of Directors, but we also endeavor to improve the functions of the Board by identifying the issues to be addressed going forward and adopting measures for improvement.

Evaluation overview

Persons evaluated	All eight directors and all three Audit & Supervisory Board members in fiscal 2024
Timing	January 2024
Method	• Discussion and evaluation of the Board's effectiveness • Confirmation of progress on items identified as issues in fiscal 2023 • Explanations about progress and future developments from the directors in charge • Identification of issues in fiscal 2024
Issues identified	• Enhancing the capabilities of external directors and Audit & Supervisory Board members • Reviewing risk management at Board meetings • Addressing ESG issues • Promoting diversity in human resources

Issues and initiatives in fiscal 2023

Issues identified in fiscal 2023	Initiatives in fiscal 2023
Addressing ESG issues • Focusing on the "S" aspect of ESG and actively disclosing activities (External Director Nitanai) • Sharing the wide-ranging insights of each director regarding the "G" aspect of ESG (Representative Director and President Minato)	May 2023: ESG promotion project report (Board of Directors) July 2023: Launch of Information liaison meeting between directors and Audit & Supervisory Board members November 2023: ESG training for directors December 2023: Resolution on amendments to rules on segregation of duties (Board of Directors)
Appropriately providing information to the Board of Directors • Product supply structure with an emphasis on safety and quality (then-Director Funahara) • Enhancement of discussions about issues, including quality assurance, QMS, and risks, opportunities, and the progress of strategies in the environmental medium-term management plan (then-full-time Audit & Supervisory Board member Fukuhara) • Information about new products and new businesses, and management conditions at Group companies (then-Director Makino) • Developments at industry peers (then-outside Audit & Supervisory Board member Matsui)	May 2023: New product development report (Board of Directors) September 2023: Itoki quality assurance report (information liaison meeting between directors and Audit & Supervisory Board members) December 2023: Affiliated company report, industry peer report (information liaison meeting between directors and Audit & Supervisory Board members)
Enhancing brand power • Enhancement of brand power by communicating stronger messages about corporate value (External Director Nagata)	December 18–22, 2023: One-page advertisement in the *Nikkei*

Excerpt of discussions from the Board of Directors (formulation of medium-term management plan)

Questions and suggestions from external directors	Responses
Specifically what kind of strategies are being formulated to achieve the 2026 sales and profit targets?	• Over the three years of the previous medium-term management plan, business growth led to stronger earnings and there was also a change in mindset towards generating appropriate profit levels for the added value we provide. Over the next three years, we plan to increase sales personnel by 20% and target higher sales and profits to strengthen our business structure. • Our financial standing has continued to improve over the last three years, as did profitability. As we seek to make further improvements, we will strengthen our resources particularly in the area of construction products in the workplace business.
Enhancing human capital investment not only contributes to the motivation for office improvements but is also crucial from the perspective that the products and services provided by Itoki lead to customer investments in workplace environments and engagement.	• The fact that the number of managers visiting XORK has increased fourfold from 2021 suggests that a change in awareness about office investment is occurring. At Itoki, we are continuously carrying out office renovations, and we are therefore seeing the benefits of office investments materialize in many evaluation metrics, such as recruitment and engagement surveys. Investing in facilities contributes to human capital management, and our business itself supports solutions to issues faced by management.
Of engagement investments, not only tangible investments, but intangible investments that contribute to a sense of personal growth, are also important.	• We have launched the women's empowerment community SPLi, as well as the API platform, to nurture capable human resources by deepening their understanding of genuine diversity and globalization. Starting in 2024, we will be reforming our HR systems to enhance employee motivation and maximize their abilities. Over the next three years, we plan to invest ¥10 billion in human capital, including engagement. Also, in 2024 we will implement our biggest ever wage hike.
The share price can be seen as the market's expectation for sustained value creation and future growth. It is imperative that the Company not only achieves the profit growth called for in the medium-term management plan, but that it also demonstrates sustained growth to the stock market.	• In terms of cash allocation over the next three years, assuming that we generate ¥65 to ¥75 billion in cash, which is more than three times the amount in the previous medium-term management plan, we will be allocating ¥40 billion to strategic investments, R&D, and capex, and ¥10 billion to human capital investments, while also expanding shareholder returns. Considering our cash position and financial situation, we will gradually increase the dividend payout ratio to 40%.

Director diversity (board composition)

Itoki attaches a lot of importance to ensuring diversity on the Board of Directors, which is why the Company's first female director was appointed in 2023. Consideration is also given to an appropriate number of Board members to ensure high-quality discussions, so in order to maintain a balanced composition overall, the Board consists of executive directors who are familiar with the Company's operations and capable of agile business execution, and external directors who possess highly specialized knowledge and can provide advice and supervision from a broad perspective. Of the three external directors, two have management experience at other companies, while one has leadership experience in the fields of government and education.

Reasons for appointing external directors

Name	Reasons for appointment
Hiroshi Nagata	Mr. Hiroshi Nagata was appointed as external director to reflect his extensive experience and deep insight in corporate management in the management of the Company. His role is to strengthen the management monitoring function of the Board of Directors by attending Board meetings in an independent capacity and by expressing appropriate opinions. He does not fall under any of the conditions which require additional disclosures concerning his independence and has held no business interests with the management of the Company from the past to the present. It was therefore judged that there would be no conflicts of interest with general shareholders of the Company.
Shiro Nitanai	Mr. Shiro Nitanai was appointed as external director to reflect his extensive experience and deep insight in corporate management and facility design in the management of the Company. He does not fall under any of the conditions which require additional disclosures concerning his independence and has held no business interests with the management of the Company from the past to the present. It was therefore judged that there would be no conflicts of interest with general shareholders of the Company.
Mariko Bando	Ms. Mariko Bando has extensive experience and deep insight in the fields of public administration and education. We therefore appointed her as external director and expect her to provide valuable opinions and insight from a professional standpoint particularly regarding the promotion of diversity and personnel development. We also expect her to oversee management from an independent viewpoint. She does not fall under any of the conditions which require additional disclosures concerning her independence and has held no business interests with the management of the Company from the past to the present. It was therefore judged that there would be no conflicts of interest with general shareholders of the Company. Accordingly, she has been designated an independent officer.

Reasons for selection of skills

Skills category	Reasons for selection
Corporate management	Given the major changes in the operating environment, we regard management experience as either a CEO or COO to be crucial in appropriately fulfilling the role of spearheading business transformations from a long-term perspective and appropriately overseeing the management of the Itoki Group. We therefore selected corporate management as a skills category.
Finance and Accounting	We regard extensive knowledge and experience of finance and accounting to be essential to evaluating business growth and profitability, maintaining financial soundness, and achieving a high level of capital efficiency. We therefore selected finance and accounting as a skills category.
Legal affairs and Risk management	We regard extensive knowledge and experience of legal affairs, risk management, and compliance to be important in accurately recognizing management risks and making legitimate and beneficial decisions for the Company. We therefore selected legal affairs and risk management as a skills category.
International affairs	We regard extensive knowledge and experience in overseas business management and local operating environments to be essential in leading the Itoki Group's international business activities. We therefore selected international affairs as a skills category.
Sales	To drive the transformation of business by expanding sales resources and engaging in new sales activities with the use of DX tools, we regard extensive knowledge and experience in sales and marketing to be key. We therefore selected sales as a skills category.
Production and R&D	In order to improve production efficiency and generate stronger earnings through the reorganization of the Group's production and supply system, and to lead business transformations, we regard extensive knowledge and experience in manufacturing and development to be essential. We therefore selected production and R&D as a skills category.
Human resources development	So that each and every employee can find their jobs rewarding, work with enthusiasm, and fully unleash their capabilities in lockstep with their career trajectory, we regard extensive knowledge and experience in the area of HR development to be crucial. We therefore selected human resources development as a skills category.
ESG	So that we can avoid, in advance, the various risks faced by businesses and society and respond swiftly to opportunities, we regard extensive knowledge and experience of ESG and the SDGs—areas in which companies are obligated to take action—to be important. We therefore selected ESG as a skills category.
DX	In order to undertake new sales activities with the use of DX tools and AI, propel the transformation of business, and solve the numerous challenges faced by corporations and society in general, we regard extensive knowledge and experience of DX and AI to be key. We therefore selected DX as a skills category.

Skills matrix for Directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members	Name	Corporate management	Finance and Accounting	Legal affairs and Risk management	International affairs	Sales	Production and R&D	Human resources development	ESG	DX
Directors	Masamichi Yamada	●	●		●	●			●	
	Koji Minato	●			●	●			●	●
	Yoshiaki Moriya	●	●	●	●	●			●	
	Naoki Kaze	●				●	●			
	Junsei Shinada	●				●				
	Hiroshi Nagata	●			●	●				
	Shiro Nitanai	●			●				●	
	Mariko Bando	●		●	●			●	●	
Audit & Supervisory Board members	Eiji Funahara						●		●	
	Osamu Ishihara			●	●			●		
	Hisashi Shirahata		●		●					

Standards for independence of external directors

Itoki has established its own standards for independence of external directors to contribute to the sustainable growth of the Company and the increase in its medium- and long-term corporate value and disclosed it in the section concerning independent officers in the Corporate Governance Report. Only those persons who fulfil Itoki's own standards for independence, in addition to the standards set out in the Companies Act and by Stock Exchanges, are selected as independent external directors.

The Company's external directors shall not be:

1. A person who executes or has executed the business of the Company or a subsidiary or an affiliate thereof currently or for the past 10 years
2. A major shareholder that has 10% or more of the Company's voting rights or a person who executes the business for the shareholder
3. A person who executes the business of a major customer of the Company to which the Company's annual sales exceed 2% of the Company's consolidated net sales or of a major supplier of the Company from which the Company's annual purchases exceed 2% of the supplier's consolidated net sales
4. A person who executes the business of a major lender for the Company – a financial institution from which the Company's annual borrowings exceed 2% of the Company's total assets; or
5. A professional, such as a consultant, an accountant, or a lawyer, who receives from the Company cash or other forms of property being worth ¥10 million or more a year, aside from directors' compensation from the Company

Support system for external directors and external Audit & Supervisory Board members

Itoki has a policy of supporting directors and Audit & Supervisory Board members, including the support from a cost perspective, by providing them with the opportunities they need, including attending at external workshops, so that they can recognize their roles and properly fulfill their roles and responsibilities at the time of and after assuming the respective post. Details of our support system are as follows.

1. We share information necessary for active discussions at important meetings, such as the Board of Directors and the Audit & Supervisory Board, with directors and Audit & Supervisory Board members.
2. We provide explanations on the Company's business activities and opportunities to visit major locations to newly appointed external directors and external Audit & Supervisory Board members.
3. We conduct compliance training at least once a year for directors and Audit & Supervisory Board members to improve their skills of corporate governance and compliance.

Corporate governance

Group governance

In addition to providing Group companies with the necessary support and guidance for achieving the medium-term management plan and annual targets, we also attend the Board meetings of Group companies to check and audit whether reports and resolutions are in accordance with regulations and standards. In the current medium-term management plan, in order to generate Group synergies and strengthen consolidated Group management, we have transitioned to a functional headquarters management system whereby the sales companies in the Group are overseen by the Sales Division and the manufacturing companies by the Production Division. Moreover, for the purpose of harnessing business synergies with Itoki, in order to facilitate information sharing, checking, and advising, we are striving to enhance Group-wide governance mainly by having managerial employees with experience as a department head or employees with expertise in accounting and finance at Itoki serve as a part-time director or auditor at Group companies.

Approach to internal control

Internal audit Based on the internal audit plan of each fiscal year, internal audits are conducted to Itoki Corporation and each Group company in Japan and overseas from the viewpoints of whether their operations are being executed in accordance with laws and internal rules and potential risks are managed effectively. As an independent evaluation department for the "Internal Control Reporting System" based on the Financial Instruments and Exchange Act, the Audit Department makes evaluation of the effectiveness of the entire Itoki Group. Through reporting to the management and the Board of Directors on a regular basis, sharing information with the Audit & Supervisory Board and accounting auditor as necessary, and reporting the audit results to the full-time Audit & Supervisory Board member from the internal audit department, we enhance the effectiveness and efficiency of internal audits.

Internal control system (the Companies Act) Itoki, based on the "Basic Policy for the Development of Internal Control System" which was approved in the Board of Directors meeting held on May 31, 2006, promotes system development for assuring that business executions by directors are in line with laws and the Articles of Incorporation, and continues to work on the establishment of an effective internal control system by regularly confirming and improving operational status of the internal control system.

Internal control system (J-SOX) In January 2009, Itoki established the Internal Control Audit Department and the Internal Control Administration Department in response to the requirements set out in the Internal Control Reporting System (J-SOX) concerning financial reporting based on the Financial Instruments and Exchange Act, and maintains and operates the system necessary for assuring reliability and appropriateness of financial reporting by the Itoki Group.

Policy regarding cross-shareholdings

Itoki has a basic policy of engaging in a cross-shareholding only when it is judged that it will contribute to Itoki Group's economic growth and increased corporate value over the medium and long term from the viewpoint of maintaining and strengthening the relationship with our business partners. Every year, the Board of Directors verifies whether it is reasonable to continue holding each cross-shareholding, in other words, whether the benefit is worth the capital cost. If any cross-shareholding is judged unreasonable, we will proceed with the selling of those shares in question. There were five such cases in fiscal year 2023. As to the exercise of voting rights concerning cross-shareholdings, we will not unconditionally accept the proposals from the companies that we hold the shares of. Our policy is to exercise voting rights based on individual judgements whether such exercise will contribute to the increase in the corporate value of the Company.

Number of cross-shareholdings and value on the Balance Sheet (as of December 31, 2023)

	Number of cross-shareholdings	Total value on the Balance Sheet (million of yen)
Unlisted shares	25	437
Shares other than unlisted shares	20	2,093

Number of cross-shareholdings sold and weighting as a percentage of consolidated net assets

	2018	2019	2020	2021	2022	2023
Number of cross-shareholdings sold	6	0	12	14	3	5
Percentage of consolidated net assets	5.5	6.8	3.9	4.1	3.5	3.8

Takeover defense measures

Itoki introduced the countermeasures against large-scale acquisitions of Company shares (Takeover Defense Measures) with the approval of shareholders, initially, at the 58th Ordinary General Meeting of Shareholders held on March 28, 2008. In case of a proposal for a large-scale acquisition of the Company's shares, the Measures aim to prevent a large-scale acquisition that would run counter to the Company's corporate value and the common interests of its shareholders by securing the time and information necessary for the Company's shareholders to judge whether or not to accept such proposal, or for the Company's Board of Directors to present alternative proposals to the shareholders, as well as enabling discussions and negotiations with the large-scale acquirer for the benefit of the shareholders.

Board of Directors

Directors



Masamichi Yamada

Representative Director and Chairman

Number of shares held 827,627
Board meeting attendance 13 of 14 meetings

Apr. 1964 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 1991 Director, The Mitsubishi Bank, Ltd.
Jun. 2000 Senior Managing Director, The Mitsubishi Bank, Ltd.
Sep. 2002 Representative Director and Chairman, Mitsubishi Securities Co., Ltd. (Currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jun. 2004 Full-Time Corporate Auditor, TOKYU CORPORATION
Jun. 2005 Director of the Company
Jun. 2007 Chairman of the Company (current)



Koji Minato

Representative Director and President

Number of shares held 57,398
Board meeting attendance 13 of 14 meetings

Apr. 1994 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)
Jul. 2008 Joined Sun Microsystems Japan
Jun. 2010 Senior Manager for Customer Support, Oracle Corporation Japan (Business integration with Sun Microsystems)
Jun. 2015 Operating Officer, Chief of Staff, CEO Office, Oracle Corporation Japan
Aug. 2018 Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan
Aug. 2019 Director, Member of the Board, Corporate Executive Officer, Executive Deputy President & COO, Oracle Corporation Japan
Sep. 2021 Joined ITOKI CORPORATION; Senior Advisor
Mar. 2022 President of the Company (current)



Yoshiaki Moriya

Director and Managing Executive Officer
(General Manager of Administrative Division)

Number of shares held 35,025
Board meeting attendance All 14 meetings

Apr. 1982 Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)
Jul. 1988 Seconded to The Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
Apr. 2007 General Manager, Personal Planning Department of Mizuho Bank, Ltd.
Jan. 2011 Joined ITOKI CORPORATION; Executive Officer and Deputy General Manager, Administration Division
Jan. 2012 Executive Officer and General Manager, Administration Division of the Company
Jan. 2015 Managing Executive Officer and General Manager, Administration Division of the Company
Mar. 2021 Director, Managing Executive Officer and General Manager, Administration Division of the Company (current)



Naoki Kaze

Director and Managing Executive Officer
(General Manager of Sales Division)

Number of shares held 53,604
Board meeting attendance All 11 meetings

Apr. 1986 Joined the former ITOKI Co.,Ltd. ("former ITOKI")
Jan. 2007 General Manager, Tokyo-Nishi Branch of the Company
Jan. 2016 Executive Officer and General Manager, Tokyo Branch office of the Company
Jan. 2018 Executive Officer and General Manager, Knoll Business Management Department of the Company and President, Knoll Japan Inc.
Jan. 2021 Managing Executive Officer and General Manager, Sales Division of the Company
Mar. 2023 Director and Managing Executive Officer and General Manager, Sales Division of the Company (current)



Junsei Shinada

Director and Managing Executive Officer
(General Manager of Planning Division)

Number of shares held 6,882
Board meeting attendance All 11 meetings

Apr. 1985 Joined the former ITOKI Co.,Ltd. ("former ITOKI")
Jul. 2006 General Manager, Minato Branch, Tokyo-Higashi Sales Department of the Company
Jan. 2016 Executive Officer and General Manager, Corporate Customer Sales Management Department of the Company
Jul. 2021 Executive Officer and General Manager, Engineering Management Department of the Company
Jan. 2023 Managing Executive Officer and General Manager, Planning Division of the Company
Mar. 2023 Director and Managing Executive Officer and General Manager, Planning Division of the Company (current)

Board of Directors

Directors

Hiroshi Nagata

External Director



Number of shares held 57,780
Board meeting attendance All 14 meetings

Apr. 1970 Joined MITSUI & CO., France
Jun. 1996 Director, MITSUI & CO., Ltd.
Jun. 1999 Managing Director, MITSUI
President, MITSUI & CO. EUROPE PLC
Apr. 2002 Representative Director, Executive Vice President and
Chemicals Group President, MITSUI
Apr. 2005 Visiting Professor at Waseda University Graduate School of Commerce
Mar. 2008 External Director of the Company (current)
Oct. 2018 President and Representative Director, CLEA Holdings Co., Ltd. (current)
Dec. 2021 External Director, CLEA Japan, Inc. (current)

Shiro Nitanai

External Director



Number of shares held 7,200
Board meeting attendance All 14 meetings

Apr. 1984 Joined the Ministry of Posts and Telecommunications
Apr. 2005 General Manager, Businesses Development Department,
Corporate Planning Division, Japan Post
(currently Japan Post Holdings Co., Ltd.)
Oct. 2009 General Manager, Real Estate Planning Department,
Real Estate Division, Japan Post Holdings, Co., Ltd.
May 2019 Representative, Facility Design Lab (current)
Visiting Professor, University of Tsukuba (current)
Adjunct Instructor, Toyo University (current)
Mar. 2020 External Director of the Company (current)

Mariko Bando

External Director



Number of shares held 2,100
Board meeting attendance 10 of 11 meetings

Jul. 1969 Entered the Prime Minister's Office
Jul. 1994 Director, Gender Equality Bureau of the Cabinet Secretariat
Apr. 1995 Vice-Governor, Saitama Prefecture
Jun. 1998 Consul General of Japan in Brisbane, Australia
Apr. 2014 Chancellor (Rijicho), Showa Women's University
Jul. 2016 Chancellor (Socho), Showa Women's University (current)
Mar. 2023 External Director of the Company (current)

Audit & Supervisory Board members

Eiji Funahara

Full-Time Audit &
Supervisory Board member



Number of shares held 29,624
Board meeting attendance All 3 meetings

Apr. 1982 Joined Itoki Machine Works Co., Ltd. (currently ITOKI CORPORATION)
Jun. 2005 General Manager of Equipment Engineering Department of the Company
Jan. 2015 Executive Officer of the Company,
General Manager of Production Division, Production Headquarters
Jan. 2020 Managing Executive Officer, General Manager of Production
Headquarters, General Manager of Quality Assurance Headquarters, and
General Manager of Production Control Division of the Company
Mar. 2020 Director and Managing Executive Officer of the Company,
General Manager of Production Headquarters,
General Manager of Quality Assurance Headquarters,
and General Manager of Production Control
Mar. 2024 Full-time Audit & Supervisory Board Member of the Company (current)

Osamu Ishihara

External Audit &
Supervisory Board member



Number of shares held 1,440
Board meeting attendance All 11 meetings

Apr. 1987 Registered as Attorney-at-law in Tokyo Bar Association Joined Nishimura
and Sanada
Oct. 1990 Joined TMI Associates
Apr. 1997 Partner, TMI Associates (current)
Apr. 2012 Executive Governor, Japan Federation of Bar Associations
Vice-President, Tokyo Bar Association
Apr. 2015 Vice-President, Kanto Federation of Bar Associations
Mar. 2023 Audit & Supervisory Board member of the Company (current)

Hisashi Shirahata

External Audit &
Supervisory Board member



Number of shares held 1,533
Board meeting attendance All 11 meetings

Sep. 1985 Joined Aoyama Audit Corporation
Jul. 1988 Registered as Certified Public Accountant
Oct. 1991 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jul. 2000 Admitted as Partner (Shain) of ChuoAoyama Audit Corporation
Sep. 2006 Representative Partner (Daihyo-Shain) of PwC Arata
(currently Pricewaterhouse Coopers Arata LLC)
Mar. 2023 Audit & Supervisory Board member of the Company (current)

Risk management

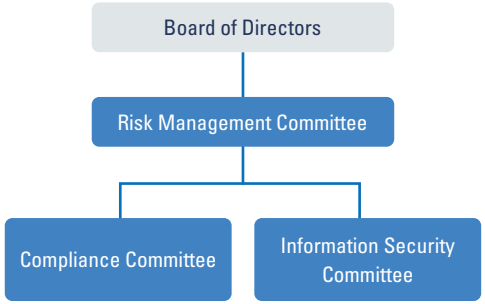
Basic approach

Itoki Group has established countermeasures for various risks that may arise in all of its business activities, and is working on risk management to minimize damage and loss in the event of an incident and prevent recurrence, while appropriately managing risks by reducing their frequency and impact.

Risk management system

Based on the Itoki Group Risk Management Basic Rules, we have established a Risk Management Committee chaired by the president to ensure the effectiveness of risk management.

The Risk Management Committee formulates a risk management policy, evaluates risks, and decides the level of countermeasures. It then instructs lower-level entities like the Compliance Committee, the Information Security Committee, and responsible departments to implement these measures.



Risk management for Group companies

Risk management in the Itoki Group involves minimizing damage and preventing a recurrence of each identified risk, including risks that could occur at each Group company.

Recently, however, the importance of risk management across the entire Itoki Group has increased, especially considering the possibility of cyberattacks targeting Group companies. For this reason, we will endeavor to strengthen risk management with a focus on risk countermeasures at each Group company, including information security measures.

Personal information protection measures

We have established a framework for the protection of personal information and we have formulated a Personal Information Policy under which we endeavor to protect information that can be used to identify individuals, including the customers and business partners with whom we have dealings.

We have been certified under Japan's PrivacyMark system since 2009 and we remain committed to maintaining and improving our information security and personal information protection management. We also train and educate our employees about personal information in an effort to further strengthen the trust of stakeholders.

Risk management and response

We have developed countermeasures on the assumption of various potential risks across all business activities with the aim of reducing their likelihood and impacts through proper management. In the event that a risk does emerge, we focus on minimizing damage and preventing recurrence through risk management practices.

We identify risks by considering various factors and categorize them based on their frequency of occurrence and the degree of impact, each risk on a four-point scale. These are then multiplied to yield a score for evaluation, ranging from 1 to 16. Based on this risk assessment, we select those with the highest scores (12 points or more) as key risks to be addressed by the Risk Management Committee, thereby enhancing the effectiveness of measures for each risk.

Identification of risks (risk identification)
↓
Calculation of risk magnitude (risk analysis)
↓
Prioritization of risk response (risk evaluation)
↓
Risk response

Degree of influence

Likelihood of occurrence

	1	2	3	4
4	4	8	12	16
3	3	6	9	12
2	2	4	6	8
1	1	2	3	4

Score of 12 or more: Significant risks managed by the Risk Management Committee

Strengthening the Itoki Group's overall governance

Itoki is in the midst of a transformation and is ready to fly even higher.

In line with our medium-term management plan, RISE TO GROWTH 2026, enhancing the Group's overall governance as a foundation for sound business growth will be absolutely essential if we are to strengthen our potential for sustained growth and establish new value.

With the aim of strengthening governance across the entire Itoki Group, in April 2024 we established the Corporate Governance Division as an independent organization. The Corporate Governance Division will spearhead the Company's efforts to listen sincerely to the feedback of shareholders, customers, employees, and all other stakeholders. Guided by the Itoki corporate philosophy of "applying originality and ingenuity to all things" and "adhering to correct business ethics," we will look to further enhance our corporate governance.



Soichiro Higuchi
Executive Officer
General Manager of
Corporate Governance Division

Strengths Finder

- Positive
- Adaptable
- Desire to learn
- Harmony
- Self-assertive

Risk management

Priority risks

No.		Main risks	Countermeasures	Risk assessment		
				Likelihood of occurrence	Degree of influence	Score
1	Critical quality issues	The Itoki Group manufactures products based on strict internal quality standards, but there is a possibility of recalls due to unforeseen circumstances, as well as the possibility of unexpected events and complaints concerning the products and services provided by the Group. The Group has insurance coverage for product liability in the event of critical quality issues. However, this insurance does not guarantee full coverage of losses, which may ultimately have a negative impact on the Group's earnings and financial position. These developments could also negatively affect the trust placed in the Group's products.	To prevent critical quality issues, we are committed to preventing the distribution of defective products by undertaking exhaustive destructive testing and other inspections. In addition, we are aiming to strengthen product quality by patrolling each process, conducting legal audits, and thoroughly auditing our suppliers. Moreover, we are working to improve capabilities by running quality training sessions for manufacturing personnel, internal auditors, and suppliers.	3	4	12
2	Human rights issues (power harassment, sexual harassment, discrimination, etc.)	The Itoki Group has established the Itoki Group Code of Conduct to respect the human rights of employees, to prioritize individuality and diversity, and to create a system and environment where each and every person can work enthusiastically to unleash their full potential. We strive to establish corporate ethics that we can be proud of, as well as a robust internal control system to promote compliance-focused management. However, if these practices are not properly implemented, there is a possibility that it could negatively affect the Group's earnings and financial position.	In order to detect and prevent harassment in the workplace at an early stage, we have established a help line and a harassment consultation line both within and outside the Company. We are also strengthening these contact points by improving the skills of those in charge through external training programs and the like. Plus, we are doubling down on educating all employees and conducting training and awareness programs for management, and also working on preventing the recurrence of problems by meeting with the parties involved in incidents.	3	4	12
3	Information leaks and cyber attacks	The Itoki Group retains the personal information of customers and business partners, as well as personal information from within the Group, in the course of conducting business activities. As part of our approach to information security, we implement strict management protocols, including the development of regulations, the implementation of various measures, and the provision of employee training. We operate a management cycle that includes internal audits to ensure that personal information is protected. However, there is a possibility of data breaches due to unforeseen circumstances such as sophisticated cyberattacks. Should such a situation arise, it could be detrimental to the Group's brand value and result in extensive financial costs.	We are continuously beefing up our information security management system to ensure thoroughgoing management of personal and confidential information. We have established a defense system whereby external vendors constantly monitor our systems for unauthorized intrusions and immediately report any abnormalities to the relevant personnel. As a measure to prevent human errors, we regularly hold information security training sessions, conduct targeted email drills, and send out newsletters to remind employees to remain vigilant.	3	4	12
4	Occurrence of serious workplace accidents	The Itoki Group implements safety management measures to prevent workplace accidents, including safety checks, improvement activities, and occupational health and safety training. However, if a serious workplace accident occurs, it could negatively impact the Group's earnings and financial position.	We proactively implement health and safety measures and hold training sessions in an effort to ensure that safety is recognized by all as a fundamental requirement of corporate activity and to prevent workplace accidents. We carry out assessment activities, including the identification of close call incidents, and thoroughly implement safety measures and improvement activities. We are also working to enhance effectiveness through education, internal audits, and other initiatives.	3	4	12
5	Suspension of operations due to disasters or accidents	The Itoki Group undertakes disaster prevention activities, including those related to health and safety, as well as equipment inspections, to ensure that our business activities do not grind to a halt during a disaster or similar emergency. However, if a large-scale disaster much bigger than expected does occur, it could negatively affect the Group's earnings and financial position. As a response to this risk, we are working to mitigate the risks associated with disasters and the like by implementing measures from the viewpoints of health and safety and business continuity, including in the supply chain, as well as by developing a disaster response system.	In preparation for events that could significantly impact the continuity of our business, such as an earthquake, wind and flood damage, or fire, we have conducted a business impact analysis (BIA). And in order to minimize the impacts on our operations, we have formulated a business continuity plan (BCP) and established a Disaster Countermeasures Headquarter System headed by the president. We also hold safety confirmation drills and evacuation drills on the assumption that a disaster has occurred.	3	4	12
6	Supply chain risk	The Itoki Group prepares for the risk of sudden interruptions in supply caused by accidents, disasters, or bankruptcy by evaluating suppliers and establishing alternative suppliers. However, if a supplier stops providing the raw materials used in our products due to the aforementioned events, it may become difficult to supply products at the appropriate time, which might negatively affect the Group's earnings and financial position.	To ensure stable supply from our suppliers, we properly manage orders to and delivery schedules for our suppliers including secondary and overseas suppliers, and conduct credit checks on and pay visits to our major business partners to identify and mitigate procurement risks at an early stage. We are promoting sustainable procurement by evaluating and providing guidance to major contractors based on the results of sustainable procurement surveys.	3	4	12
7	Unplanned outages of information systems (sales/accounting/ logistics systems, etc.)	The Itoki Group relies on telecommunication networks connected to computer systems. If these networks experience disruptions due to natural disasters or other unforeseen events, it could impact business activities, such as product orders, production, and logistics. Also, unauthorized external access to computers could lead to tampering with website content, unauthorized downloading of important data, or the erasure of important data due to computer virus infections.	To ensure that our information systems are always running stably, we continuously monitor job statuses and implement early recovery measures in the event of system failures. We also set thresholds for each piece of equipment to manage resources, thus facilitating the early detection of trouble and reducing risks. We have developed, and continue to implement, a plan to gradually migrate aging equipment and servers to cloud environments. For the backbone systems that we have used for many years, we are executing a project to upgrade them with an ERP package system and we are currently taking steps to enhance system availability.	3	4	12
8	Risk of inadequate management of Group companies	The Itoki Group has established a Group-wide supply chain that includes Group companies for the purpose of conducting business. We take measures against risks that may arise at Group companies, but if a serious accident or other event occurs at a Group company, it could have a negative impact on the Group as a whole. We will look to reinforce risk management throughout the Group centering on the management of Group companies and adopt risk countermeasures, including information security.	To reinforce risk management at Itoki Group companies, we will introduce tools to enable stronger governance and develop regulations and guidelines in a bid to realize more thoroughgoing risk management across the entire Itoki Group, including information security.	3	4	12

Also, in response to an information security incident that occurred at a Group company in 2023, we are treating the risk associated with Group company management as a key risk and will strengthen Group-wide risk management accordingly.

Compliance

Basic approach

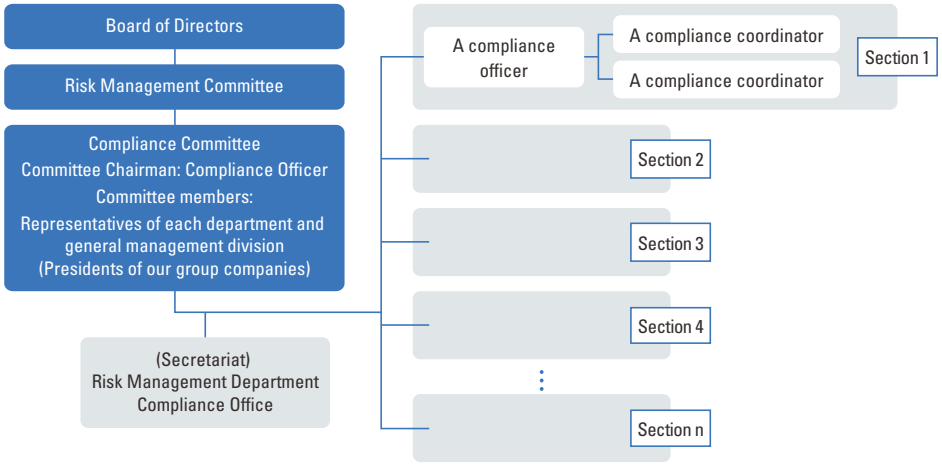
Itoki Group has established a compliance promotion system that serves as a foundation for practicing fair business promotion as well as compliance with laws and regulations, and is actively working to strengthen the compliance awareness of all executives and employees of the Group.

Compliance promotion system

Group-wide framework

Itoki Group has established the Compliance Committee under the Risk Management Committee as the highest authority responsible for promoting compliance. The committee met twice in fiscal 2023 to plan and formulate group-wide measures. Specific measures are implemented and guidance thereof are provided by compliance officers and compliance coordinators assigned to regions, thereby promoting compliance activities in a group-wide manner.

Compliance promotion system chart



Utilization of a help line (whistleblowing hotline)

In order to ensure social trust and create a working environment where all executives and employees can work with peace of mind, we have established a help line for internal reporting (whistleblowing hotline). Approximately 20 reports were made to the helpline in fiscal 2023. We will continue to improve this system so that all executives and employees can report any issues with confidence.

Addressing issues identified in 2022

Labor management concerning the increased adoption of teleworking

From the viewpoint of preventing overwork, we recognize that traditional labor management methods based on face-to-face working style are insufficient, so we are currently working on improving the attendance management system. Also, we are switching to a performance-based evaluation system in an effort to ensure appropriate evaluations and labor management.

Information management concerning the increased adoption of teleworking

We are promoting the adoption of flexible work arrangements while ensuring the strict management of information by confirming whether there is any risk of information leaks each time an employee applies for teleworking.

Heightened awareness of compliance

E-learning and level-based training

In fiscal 2023, e-learning was held for all executives and employees on such topics as subcontracting laws and anti-trust laws in addition to general legal compliance and harassment. Also, level-based training was held, including sessions for senior management and new employees.

Compliance questionnaire

The annual anonymous compliance questionnaire was completed by all executives and employees again in 2023. The results are used to promote compliance practices and raise awareness.

Self-motivated efforts

In 2023, there was an emphasis on encouraging the self-motivated efforts of compliance officers and compliance coordinators. Some of the original “good practices” undertaken in each region were shared at the meetings of the Compliance Committee for the benefit and reference of other compliance officers and compliance coordinators.

Initiatives in 2024 and beyond

We will work on further improvements to encourage each executive and employee to deepen their understanding of the whistleblowing system and make the system more accessible and widely known.



FROM OUTCOMES TO CAPITALS

Social value we create and economic value we benefit from

At Itoki, we are committed to creating social value so as to "make society and its people happy" and to "make the company and its employees happy" by solving the numerous issues enveloping the workplace. Furthermore, in solving these issues, we strive to create economic value by providing solutions that have all the hallmarks of Itoki. We will pursue the creation of both social and economic value in an effort to contribute to the sustainable growth of society and the Company.

Created social value

Positive response rate for specific indicators in engagement surveys
74.7% (+11.1% YoY)

Capital expenditure
3.7 billion yen (-3.3 bn yen YoY)

R&D expenses
2.7 billion yen (+0.4 bn yen YoY)

Office layout proposals
10,000 (annually)

Chairs delivered
400,000 (annually)

CO_2 emissions (Scopes 1, 2, and 3)
242,324 t-CO_2 (-10.1% YoY)



Economic value we benefit from

Sales
132.9 billion yen (+7.8% YoY)

Free cash flow
2.3 billion yen (-78.5% YoY)

Operating income
8.5 billion yen (+86.0% YoY)

Total amount of cash dividends (annual)
1.904 billion yen (+13.7% YoY)

Operating income margin
6.4% (+2.7% YoY)

ROE
11.3% (+0.2pts YoY)



Conversion to capitals

6 capitals

- Financial capital
- Human capital
- Manufactured capital
- Intellectual capital
- Social and relationship capital
- Natural capital

Six capitals

Social value and economic value are converted into six types of capital: financial capital, human capital, manufactured capital, intellectual capital, social and relationship capital, and natural capital. This leads to the enhancement of capital overall.
Below we discuss our aims for each type of capital, our achievements, the issues for which we recognize there to be insufficient capital based on the achievements, and the direction we need to take to overcome such issues if we are to generate greater corporate value.

Capitals	Aims	2023 performance	Issues to achieving our stated aims (recognition of insufficient capital)	Future direction
Financial capital	In the leadup to 2026, the final year of our new medium-term management plan, we will seek to establish the strongest financial position in Itoki's history. By achieving our key strategies (the 7 Flags), we will reinforce our profit-generating capabilities, optimize cash allocation, improve asset efficiency, and appropriately control financial leverage. With an expected shareholder equity cost of 9%–10%, we will set ROE of 15% as a KPI, further improve the equity spread, and promote management that is mindful of capital costs and the share price.	Operating income 8.5 billion yen (+86.0% YoY) Operating income margin 6.4% (+2.7 pts YoY) ROE 11.3% (+0.2 pts YoY)	• Enhancing accuracy of forecasts • Better Group-wide asset efficiency • Improving the cash conversion cycle • Introducing and disseminating ROIC for each company and business	We will make business management more sophisticated by installing ERP software, carry out structural reforms within the Group, and aim to create synergies. We will introduce and disseminate ROIC for each company and business, build management practices around the use of ROIC, and work on strengthening our business portfolio.
Human capital	Human resources are the source of the Itoki Group's competitiveness. We aim to be a company where every employee has a high level of engagement in their work by strengthening employee training and expertise in line with our management strategy, establishing corresponding systems, and creating an office environment in which a diverse workforce can thrive.	Results of employee engagement surveys 74.7% (+11.1% YoY) Ratio of female managers 10.3% (-0.4% YoY) Number of spatial designers 160 Number of sales personnel 400	• Specialist personnel for achieving the office 3.0 concept • More growth opportunities for employees • Diversity of management-level employees • Workplace environment that further enhances human capital	We will aim to achieve an ideal HR profile based on personnel system reforms starting in fiscal 2024 and by prioritizing the enhancement of expertise and diversity through recruiting specialist and global talent, enhancing development and training programs, and investing in internal facilities.
Manufactured capital	Manufactured capital is the foundation for generating value in the manufacturing industry. By leveraging our know-how accumulated over many years, our day-to-day improvement activities, and our state-of-the-art manufacturing technologies, we will continue to provide high value-added products that are superior in terms of QCD (quality, cost, delivery).	Capital expenditure 3.7 billion yen (-3.3 bn yen YoY) Consolidated 11 factories	• Production systems to meet the changing needs of customers • Optimal production policies for 11 factories in Japan • IT infrastructure that contributes to standardization, simplification, and automation of work tasks	By reorganizing the Group's production and supply system, we will handle the production of a wide variety of products, expand licensed and OEM production, and switch to sophisticated ERP software for internal IT infrastructure, thereby improving the accuracy of production and logistics planning. This will also improve production and operational efficiency.

Scope of data
- Ratio of female managers, number of designers, and number of sales personnel: Non-consolidated data
- Positive response rate for questions about "pride" in engagement surveys: Aggregate for companies that conducted the surveys
- Others: Itoki and consolidated Group companies

Six capitals

Capitals	Aims	2023 performance	Issues to achieving our stated aims (recognition of insufficient capital)	Future direction
Intellectual capital	Proprietary technological development and intellectual property contributes to our sustained competitive advantage. Based on the foresight inherited from the DNA of our pioneering spirit, as well as intangible assets such as our capacity for innovation based on the wealth of data accumulated through research, prototyping, and experimentation, we aim to engage in research and development that will shape the future of work.	Number of patents held 768 *Number of patents held is as of the end of 2022 Number of registered interior designs 39 (+130% YoY) R&D expenses 2.7 billion yen (+0.4 bn yen YoY)	• New technology for realizing the office 3.0 concept • Research that contributes to medium-to-long-term business growth	Having earmarked a certain amount to be invested in R&D for future growth, we are focusing our efforts on generating new technologies and intellectual property. With the central research center that we established in 2023 at the center of these activities, we will work towards creating the future of office design and office furniture manufacturing.
Social and relationship capital	Collaboration with various stakeholders is key if we are to provide new value, meet customer expectations, and build deep relationships of trust. As a supplier of products and as a buyer of raw materials, we aim to achieve mutual development with stakeholders from both positions. To that end, we continue to establish strong relationships.	Office layout proposals 10,000 (annually) Number of suppliers 1,024	• Product appeal and proposal capabilities to meet the changing needs of customers • Group-wide optimized procurement system	We are strengthening our structure with the aim of promoting experiential value through the enhanced appeal of our products and proposing added value for integrated spaces. We will also work to build a stable supply chain network by promoting joint purchasing of materials and sustainable procurement practices through external collaboration.
Natural capital	Companies have close relationships with natural capital, such as water, soil, air, and a wide range of living organisms, and therefore must optimize and sustain their use throughout the entire value chain. The Itoki Group aims to reduce the impact of its business activities on the environment on multiple fronts and contribute to a sustainable global environment.	CO_2 emissions (Scopes 1, 2, and 3) 242,324 t-CO_2 (-10.1% YoY) Water usage 78,132 m^3 (-19.9% YoY)	• Permanently available natural resources • Circular business model	In addressing the urgent issue of climate change, we are continuing with, and stepping up, our usual energy-saving activities, and introducing renewable energy equipment at various business sites, as we work towards our medium- to long-term CO_2 emission reduction targets. We will also implement initiatives in different areas, such as water resources, biodiversity, and the recycling of resources.

Scope of data
- CO_2 emissions and water usage: Itoki (non-consolidated), 13 domestic Group companies, and two overseas Group companies
- Others: Itoki (non-consolidated)

DATA

Financial and non-financial data (previous 11 years)

RISE ITOKI 2023
- Become a highly profitable company
- Lead the creation of working environments

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating results (fiscal year):											
Sales	103,461	102,993	106,516	101,684	108,684	118,700	122,174	116,210	115,905	123,324	132,985
Workplace Business segment	—	—	—	—	—	—	—	83,032	80,561	85,945	94,257
Equipment & Public Works-Related Business segment	—	—	—	—	—	—	—	31,602	33,488	35,667	36,839
IT & Sharing Business segment	—	—	—	—	—	—	—	1,575	1,757	1,624	1,749
Cost of sales	67,118	66,797	68,374	65,021	69,966	77,436	80,495	74,322	74,186	77,575	80,744
Selling, general and administrative expenses	32,203	33,723	33,836	33,862	35,761	39,339	40,776	40,089	39,158	41,167	43,717
Operating income	4,140	2,472	4,306	2,800	2,956	1,925	903	1,798	2,560	4,582	8,523
Workplace Business segment	—	—	—	—	—	—	—	1,273	1,914	2,579	6,128
Equipment & Public Works-Related Business segment	—	—	—	—	—	—	—	1,225	974	1,482	1,906
IT & Sharing Business segment	—	—	—	—	—	—	—	(700)	(385)	449	444
Net income	3,910	2,160	4,530	1,907	2,402	1,725	(550)	(235)	1,166	5,294	5,905
Capital investment	3,563	2,441	2,083	2,176	1,895	6,615	3,845	4,538	3,424	6,973	3,707
Depreciation	2,652	2,624	2,389	2,534	2,316	2,329	3,168	3,431	3,181	2,828	2,641
Research and development expenses	1,499	1,432	1,759	2,337	2,403	2,453	2,612	2,467	2,344	2,286	2,719
Financial position (fiscal year-end):											
Total assets	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288	117,437
Liabilities	52,234	53,532	50,863	50,278	54,894	61,210	62,944	60,906	58,822	65,377	62,437
Total capital	43,026	43,189	47,311	45,402	47,326	47,492	45,834	44,189	45,076	49,910	54,999
Cash flows:											
Cash flows from operating activities	3,162	5,715	4,522	5,072	3,565	1,384	3,586	4,561	2,774	5,804	6,321
Cash flows from investing activities	(1,978)	(1,742)	(803)	(4,044)	(2,971)	(3,094)	(3,221)	(1,152)	(1,170)	4,923	(4,012)
Cash flows from financing activities	51	(2,179)	(3,807)	(2,571)	(706)	(2,463)	0	(2,267)	(2,658)	(1,426)	(4,148)
Cash and equivalents at end-term	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	15,797	25,420	23,664
Information per share (yen):											
Net income	78.21	42.86	91.61	40.15	52.74	37.84	(12.08)	(5.18)	25.82	116.99	130.29
Cash dividends	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	15.0	37.0	42.0
Equity attributable to owners of the parent	814.79	825.78	953.51	986.85	1,028.87	1,027.45	995.80	969.43	992.89	1,100.33	1,210.96
Financial indicators:											
Operating income to sales ratio (%)	4.0	2.4	4.0	2.8	2.7	1.6	0.7	1.5	2.2	3.7	6.4
ROE (ratio of net income to equity attributable to owners of the parent) (%)	10.2	5.2	10.4	4.2	5.2	3.7	(1.2)	(0.5)	2.6	11.1	11.3
ROA (ratio of income before taxes to total assets) (%)	4.8	2.9	4.7	3.2	3.3	2.2	0.9	1.8	2.3	3.8	7.4
Total asset turnover ratio (multiple)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Equity ratio (%)	43.1	43.0	46.5	47.0	45.7	43.1	41.7	41.6	43.2	43.2	46.8
ROIC	—	—	—	—	—	—	0.7	1.3	1.9	3.2	5.7
Business segment ROA: Workplace Business (%)	—	—	—	—	—	—	1.5	2.2	3.3	4.5	10.8
Business segment ROA: Equipment & Public Works-related Business (%)	—	—	—	—	—	—	1.2	5.3	4.0	5.5	6.1
ESG indicators:											
Number of employees	3,259	3,225	3,333	3,349	3,910	4,102	4,151	4,062	3,973	3,793	3,892
Engagement score	—	—	—	—	—	—	40.4	—	56.2	63.6	74.7
Number of directors	6	6	6	6	6	6	4	6	7	7	8
Labor accident frequency rate	1.44	0.00	0.00	1.38	0.00	1.30	1.33	4.49	1.61	3.47	0
CO_2 emissions*1 (t-CO_2)	—	—	—	—	—	—	253,440	231,673	227,946	269,529	242,324

The Workplace Business – our main business – has been strong due in particular to large-scale office relocation and renovation projects stemming from the new work styles associated with the new normal following COVID-19. More specifically, our sales increased year on year by 9.660 billion yen (7.8%) to 132.985 billion yen.

The impact of higher sales in the mainstay Workplace Business and profit margin improvements from greater value provided drove operating income to a record high of ¥8.523 billion, up ¥3.940 billion (+86.0%) year on year.

Net income reached an all-time high, reflecting sales and profit growth in the Workplace Business and the Equipment & Public Works-related Business.

We raised the cash dividend on two occasions (by ¥7 on August 7 and by ¥10 on February 13) for a total dividend hike of ¥17 to ¥42 (vs. our forecast of ¥25 at the start of the fiscal year), resulting in a dividend payout ratio of 32.2%.

*1 Since the commencement of CO_2 emission calculations in 2013, we have expanded the conditions for calculations in order to more accurately understand our emission levels. Due to the difficulty in comparing data across different years, we have only listed emissions from 2019 onwards. For more detailed data, please refer to our ESG Data Book.

Financial data (quarterly basis)

Since most of our core Workplace Business customers settle their accounts at the end of March, our sales for the first quarter (January to March) tend to be higher.

(Unit: millions of yen)

	2021/12				2022/12				2023/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Statement of income												
Sales	32,167	29,468	22,412	31,858	35,345	28,411	26,205	33,363	36,965	31,225	28,667	36,128
Year-on-year change (%)	(14.7)	9.2	4.3	6.2	9.9	(3.6)	16.9	4.7	4.6	9.9	9.4	8.3
Quarterly composition ratio (%)	27.8	25.4	19.3	27.5	28.7	23.0	21.2	27.1	27.8	23.5	21.6	27.2
Cost of sales	20,116	18,740	14,451	20,879	21,482	18,030	16,679	21,384	22,216	18,953	17,483	22,090
Gross profit	12,051	10,728	7,961	10,979	13,862	10,381	9,527	11,979	14,748	12,271	11,184	14,037
Selling, general and administrative expenses	10,352	9,453	9,203	10,150	9,898	9,973	9,812	11,484	9,970	10,047	11,006	12,694
Operating income	1,698	1,275	(1,242)	829	3,964	407	(285)	496	4,777	2,225	177	1,344
Operating income to sales ratio (%)	5.3	4.3	(5.5)	2.6	11.2	1.4	(1.1)	1.5	12.9	7.1	0.6	3.7
Quarterly composition ratio (%)	66.3	49.8	(48.5)	32.4	86.5	8.9	(6.2)	10.8	56.0	26.1	2.1	15.8
Non-operating income	194	144	155	136	125	164	171	96	125	114	141	101
Non-operating expenses	235	246	92	179	115	130	177	539	79	68	52	249
Ordinary income	1,657	1,173	(1,179)	786	3,974	442	(291)	52	4,824	2,271	265	1,195
Extraordinary income	1,255	78	133	88	786	139	118	6,762	1	15	120	50
Extraordinary losses	20	456	518	1,474	44	64	38	3,465	21	10	24	308
Quarterly profit before taxes, etc.	2,893	795	(1,565)	(600)	4,716	516	(211)	3,351	4,804	2,275	363	936
Total corporate income taxes, etc.	1,028	491	(134)	(795)	1,381	247	(21)	1,584	1,506	865	160	(60)
Quarterly profit attributable to owners of the parent	1,942	348	(1,440)	316	3,388	288	(159)	1,777	3,296	1,412	202	997
Profit ratio (%)	6.0	1.2	(6.4)	1.0	9.6	1.0	(0.6)	5.3	8.9	4.5	0.7	2.8
Balance sheet												
Current assets	65,543	62,170	55,249	57,753	69,458	64,096	59,873	71,027	72,230	68,755	68,040	73,304
Cash and deposits	19,503	22,112	18,213	17,351	19,196	20,073	17,138	26,876	20,808	24,688	23,192	24,795
Notes and accounts receivable- trade	32,061	26,596	21,385	26,783	—	—	—	—	—	—	—	—
Notes and accounts receivable- trade and contract assets	—	—	—	—	35,205	28,234	24,111	29,316	34,519	28,377	26,948	31,158
Non-current assets	46,925	46,369	46,046	46,144	46,647	47,395	48,126	44,260	43,611	42,918	43,533	44,132
Property, plant, and equipment	25,184	24,779	24,887	24,417	25,105	26,042	26,932	24,978	24,689	24,952	24,730	24,792
Intangible assets	5,504	5,419	4,885	4,114	4,128	4,168	4,145	1,819	1,837	1,884	2,161	2,292
Investment and other assets	16,236	16,170	16,273	17,612	17,413	17,184	17,048	17,462	17,084	16,080	16,641	17,048
Total assets	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288	115,841	111,693	111,573	117,437
Current liabilities	49,245	45,266	40,307	42,544	51,837	47,138	43,655	49,099	47,854	42,547	42,010	47,340
Short-term borrowings	13,458	12,061	12,409	11,746	15,014	11,976	11,738	11,239	10,874	10,299	10,383	10,276
Non-current liabilities	17,506	17,088	16,257	16,277	16,334	16,020	16,178	16,278	16,238	15,727	15,724	15,096
Long-term borrowings	8,711	8,193	7,435	7,591	7,427	7,174	7,266	7,530	7,453	7,062	6,959	6,577
Total liabilities	66,751	62,354	56,565	58,822	68,172	63,158	59,833	65,377	64,092	58,275	57,734	62,437
Total net assets	45,717	46,186	44,730	45,076	47,933	48,333	48,166	49,910	51,748	53,418	53,839	54,999
Shareholders' equity	45,047	45,419	43,979	44,301	47,249	47,567	47,408	49,185	50,806	52,267	52,469	53,465
Total liabilities and net assets	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288	115,841	111,693	111,573	117,437

2023 Materiality KPIs and Performance

In line with the formulation of the new medium-term management plan, "RISE TO GROWTH 2026," we have defined the positioning of materiality to look beyond the three years of the medium-term management plan. Accordingly, starting in 2024, we have reorganized the previously established Materiality KPIs and aligned the progress of materiality with the progress of the medium-term management plan. Please see pages 9–10 for further details.
In light of this background, below we report on the materiality KPIs and achievements up to fiscal 2023.

Make society and its people happy

Key themes	2023 targets	2023 performance	2022 performance
Creating an appealing work style and workplace	(1) Creating healthy workplaces for everyone, both mentally and physically (2) Achieving a Work From Anywhere system	(1) **180** office proposals related to well-being (2) **7** launches of products and solutions that help build smart offices	(1) **160** office proposals related to well-being (2) **7** launches of products and solutions that help build smart offices
Creating innovation by combining technology with space	(1) Using active co-creation for technologies that resolve social issues (2) Cultivating DX human resources	(1) **5** new research planning projects for the co-creation of new ways of working (joint research) **12** joint project plans with new technology partners (technologies) (2) Planning, establishment, and operation of distribution base for DX learning materials for employees through collaboration between the DX promotion headquarters and personnel headquarters	(1) **5** new research planning projects for the co-creation of new ways of working (joint research) **7** joint project plans with new technology partners (technologies) (2) Reorganization of DX promotion center Planned promotion under DX (IT) human resources project team between HR and DX promotion business units
Helping build a carbon-neutral society	(1) **12% reduction** in CO_2 emissions compared to 2013 (Scope 1 to 3) (2) Starting up business to contribute to decarbonization (3) Helping reduce carbon usage over the entire product life-cycle	(1) **8.5% increase** in CO_2 emissions over 2013 (Scope 1, 2 and 3) (2) Finding a solution that leads towards the realization of a decarbonized society; continued efforts next year and beyond as well (3) A system established to calculate product CO_2 emissions	(1) **1.7% increase** in CO_2 emissions over 2013 (Scope 1, 2 and 3)* (2) Validation of roadmap and identification of required measures completion (3) Calculating product CO_2 emissions and expanding products for calculations
Safeguarding the natural environment and promoting recycling of resources	(1) Waste **reduction of 1%** over previous year (base unit) (2) Water usage **reduction of 1%** over previous year (base unit) (3) Promotion of sales of environmentally friendly products	(1) Waste **reduction of 6.8%** over previous year (base unit) (2) Water usage **reduction of 25.6%** over previous year (base unit) (3) **1** environmentally friendly product developed Definition of environmentally friendly products and reestablishment of standards	(1) Waste **reduction of 7%** over previous year (base unit)* (2) Water usage **reduction of 12.2%** over previous year (base unit)* (3) **2** environmentally friendly products developed Implemented project to shift to wood products
Responsible procurement in both human rights and environmental terms	• **At least an 85%** assessment rate for sustainable procurement (procurement price ratio)	• **80.3%** assessment rate for sustainable procurement (procurement price ratio)	• Assessment rate for sustainable procurement (procurement price ratio) of **63.3%**

*CO_2 emissions, waste product emissions, and water usage were reviewed for the purpose of applying a more detailed calculation method. As a result, some data from 2019 to 2022 have been revised from the figures published last year.

Make the company and its employees happy

Key themes	2023 targets	2023 performance	2022 performance
Safeguarding employee mental and physical health	(1) Affirmative responses to specific indicators in engagement surveys: **at least 70%** (2) Paid leave taken: **at least 60%** (3) **Zero** lost-time accidents/non-lost-time accidents (4) **100%** of employees taking a regular physical examination; **90%** taking a secondary medical examination	(1) Affirmative responses to specific indicators in engagement surveys: **74.7%** (up 11.1pt YoY) (2) Paid leave taken: **63.1%** (3) Lost-time accidents/non-lost-time accidents: **0/2** (4) **100%** of employees underwent a regular physical examination; **85.3%** underwent a secondary medical examination	(1) Affirmative responses to specific indicators in engagement surveys: **63.6%** (up 7.4pt YoY) (2) Paid leave taken: **59%** (3) Lost-time accidents/non-lost-time accidents: **2/6** (4) **100%** of employees underwent a regular physical examination; **83%** underwent a secondary medical examination
Support employee growth	(1) Implementing work styles that enable the productive use of time (2) Expanding the next generation of career-design training (3) Increase in number of users of paid leave for volunteering (4) Investment in internal facilities	(1) Introduction of flexible working hours (Jan 2024) (2) Career-design training for employees around 30 years old, those in their 30s, and those in their 40s (**1 session for each**) (3) Increase in number of users of paid leave for volunteering (**up 3** YoY), bringing the total to **15** (4) Remodeling/relocation of **7 offices**, including Tokyo HQ	(1) Adoption of My Place system* (2) Implementation of **one-time** career design training (3) Increase in number of users of paid leave for volunteering (**up 12** YoY) (4) Remodeling/relocation of **15 offices**, including Tokyo HQ
Creating offices that allow diverse human resources to excel	(1) Female managers: **at least 12%** (2) Employment rate of people with disabilities: at least the legally-mandated rate (3) Paternity leave usage rate: **at least 40%** (4) Zero resignations owing to nursing care reasons	(1) Female managers: **10.3%** (2) Employment rate of people with disabilities: **2.46%** (3) Paternity leave usage rate: **70%** (4) **Zero** resignations owing to nursing care reasons	(1) Female managers: **10.7%** (2) Employment rate of people with disabilities: **2.59%** (3) Paternity leave usage rate: **45.7%** (4) **Two** resignations owing to nursing care reasons
Ensuring transparent, reliable management	(1) Establishing a human rights due diligence process (2) Zero major data security incidents (3) Finishing the establishment of business continuity systems for departments that are subject to major impact from disasters (4) Promoting compliance throughout entire company	(1) Establishment of human rights due diligence process completed at Itoki (2) **1** major data security incident (3) Review of IT-BCP and strengthening of systems in light of data security incident (4) e-Learning for all officers and employees implemented Rank-based training implemented	(1) Holding human rights workshops and the identification of risks by organization completed (2) **Zero** major data security incidents (3) Resilience certification acquisition complete (4) Completion of training plan

*The key theme of "sustainably improve profitability" uses the achievement of financial targets as its KPI.

*System under which workers can choose their own preferred remote work location, in addition to the existing option of working from home.

Publication of the 2024 Integrated Report

This report was produced keeping in mind the objective of furthering an understanding of the company's management reforms. Up until last year, we expressed our strength, or DNA, that has been passed down since the time of Itoki's founding with the words Tech × Design, but we have redefined this as "Tech × Design based on PEOPLE" to reflect the idea that our DNA is underpinned by professional employees. It represents our forward-looking commitment to solving social issues through our business activities and continuously embracing the challenge of creating unique value. Also, in order to depict the "based on PEOPLE" theme, the design of the report's cover features photos of the faces of our employees.

We believe our mission is to stay ahead of the times, advance the concept of "work" in society, even if it is one step at a time, and continue to evolve our business activities.

The editing and production of this report was carried out jointly by different Group departments under the guidance of the PR & IR Department and with reference to the Value Reporting Foundation's (VRF) International Integrated Reporting Framework and the Guidance for Collaborative Value Creation developed by Japan's Ministry of Economy, Trade and Industry. I personally confirmed the appropriateness of the production process and the information presented herein.

Going forward, we will endeavor to improve the information we disclose and enhance the transparency thereof in order to engage in constructive dialogue with all stakeholders.



Junsei Shinada
Director & Managing Executive Officer
General Manager of Planning Division

Editor's note

Thank you for reading Itoki's 2024 Integrated Report. We would be delighted if it helps deepen your understanding and trust in how we hope to achieve our vision and practice our mission, as well as the close relationship between the process of transformation adapting to the changing business environment and enhancing corporate value. We will continue to value opportunities for active dialogue with all our stakeholders, make every effort to disclose information in a timely and appropriate manner, and earnestly carry out PR, IR, and sustainability activities that contribute to the further enhancement of our corporate value.

Saeko Kawashima
Executive Manager
Corporate Communications Division

Tomohiko Matsuda, Yuki Maeda
IR Section
Corporate Communications Division

Rie Aoki
Corporate Planning Section
Corporation Planning Department

Mitsuru Koba
IR Section Manager
Corporate Communications Division

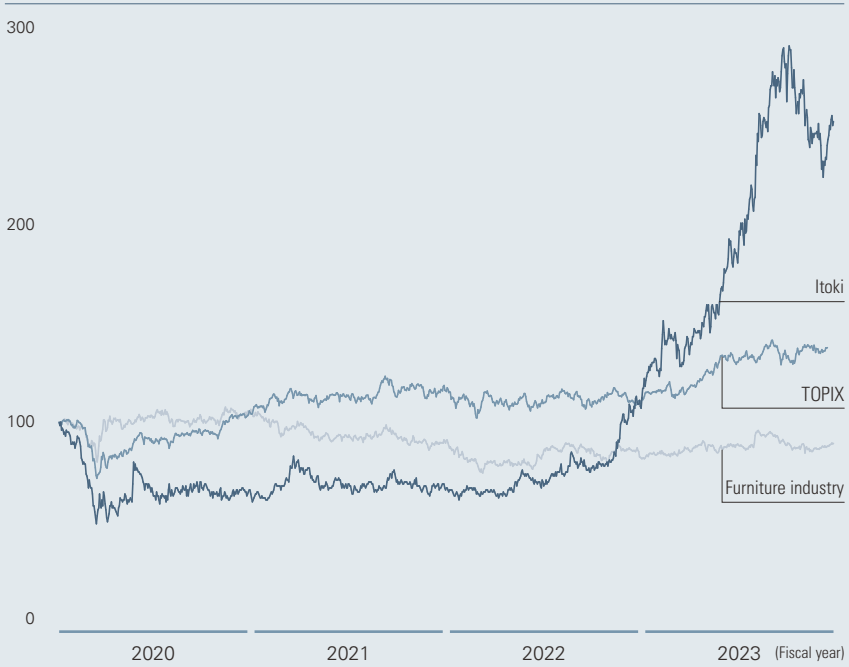
Minako Suzuki
General Manager
Corporate Planning Department

Naoki Aida, Yuka Ashiga, Katsuhiro Takuwa, Masako Uehara
Sustainability Promotion Section
Corporate Planning Department



Corporate data

Stock price (relative stock price assuming that the price at the end of December of 2019 was 100)



TSR (total shareholder return)

Holding period	One year	Two years	Three years	Four years
Itoki	64.6%	71.7%	121.4%	270.8%
Furniture industry	104.9%	89.5%	85.3%	89.4%
TOPIX	104.8%	115.7%	109.9%	137.5%

Stock information (current as of December 31, 2023)

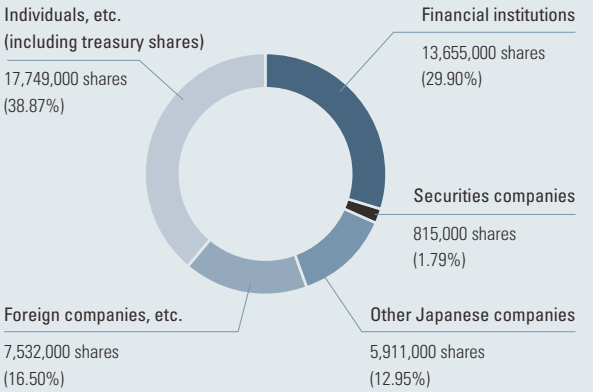
Total number of authorized shares
149,830,000

Total number of issued shares
45,664,437
(treasury shares: 316,174)

Number of shareholders
6,655

Number of shares per unit
100

Shareholder breakdown



Situation of major shareholders

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	5,948	13.11
Nippon Life Insurance Company (NISSAY)	2,225	4.90
Custody Bank of Japan, Ltd. (trust account)	1,836	4.04
Assist Co., Ltd.	1,609	3.54
Itoki Partner Stock Ownership Association	1,537	3.39
Mizuho Bank, Ltd.	1,121	2.47
Sumitomo Mitsui Banking Corporation	1,069	2.35
Itoki Employee Stock Ownership Association	993	2.19
Fumiko Ito	923	2.03
Masamichi Yamada	827	1.82

(Notes) 1. Small fractions are not shown in the above figures, including cases where there are fewer than 1,000 remaining shares held as well as shareholder ratio decimal values beyond the second decimal place.
2. Our company has 316,174 treasury shares.
3. The shareholding ratio was calculated after deducting treasury shares (316,174).

Company overview (current as of December 31, 2023)

Company name	ITOKI CORPORATION
Founded on	December 1, 1890
Established on	April 20, 1950
Share capital	5,294 million yen
Number of Group employees	3,892
Headquarters	103-6113 2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan Tel. 03-6910-3950 *If you have any questions about our products or would like an estimate, etc., please contact our customer service center (0120-164177).
Website	https://www.itoki-global.com/

Information disclosure system

Itoki discloses information to its wide range of stakeholders by using multiple types of media.

	Annual reports	Latest information
Non-financial	 Integrated reports	 Website *Sustainability* ESG Data Book
Financial	Securities reports	 Website *IR information*

Our products	**Workplace Business** Workstation systems, desks, low partitions, office and meeting chairs, tables, maintenance service work, FM/PM consulting, office building materials and interior equipment, sliding/movable partitions, study desks/chairs, telework furniture, etc. Equipment & Public Works-Related Business Security equipment, factory/logistical equipment, shopping center equipment, research facility equipment, signage, nuclear facility equipment, public facility equipment, etc.
Head office	ITOKI TOKYO XORK
Showroom	**East Japan** ITOKI TOKYO XORK CILK (Kyobashi Office) ITOKI ZA SALON TOKYO (Kyobashi Office) Yokohama Office Plaza **West Japan** Osaka Showroom ITOKI NAGOYA DELA Hiroshima Office Plaza Fukuoka Office Plaza

ITOKI

We Design Tomorrow. We Design WORK-Style.

ITOKI CORPORATION

https://www.itoki-global.com/

K0510／2407ⓒIMCFHS