



Integrated Report 2023

VISION STATEMENT

Vibrant People, Beautiful Planet.

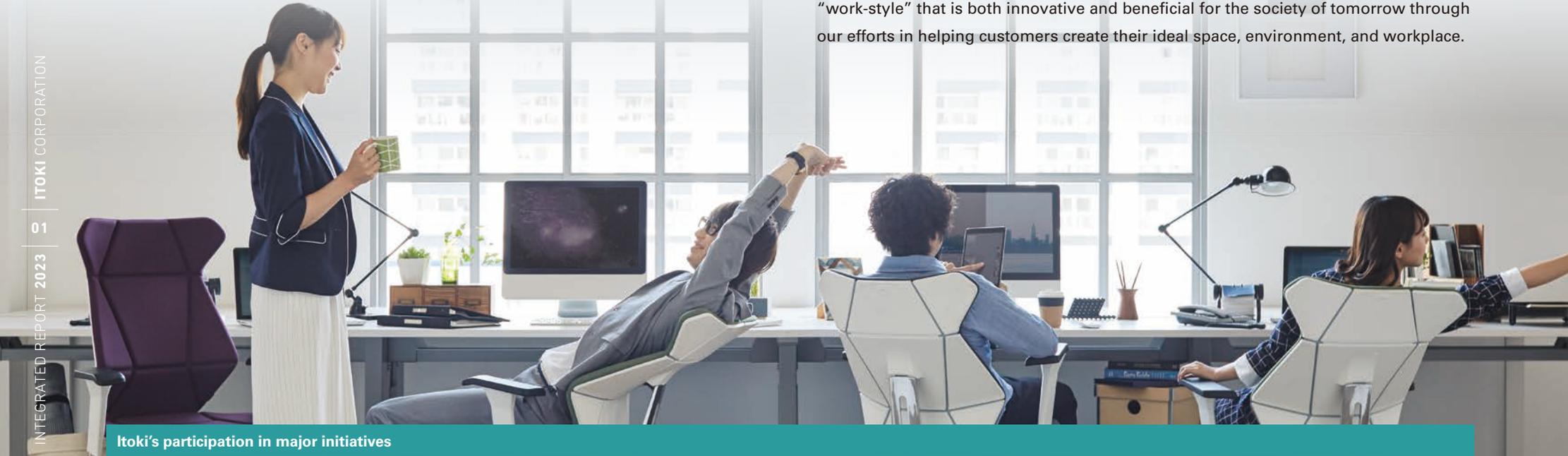
Itoki's corporate activities are designed to usher in a dynamic future where lively and active individuals work together for the betterment of a beautiful and sustainable planet. By embodying the tolerance to accept the diverse values of individuals, we will continue to thoroughly consider the environmental impact of all our corporate activities as we strive to achieve a creative, prosperous, and vibrant society.

MISSION STATEMENT

We Design Tomorrow. We Design WORK-Style.

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.



Itoki's participation in major initiatives

Relationship with SDGs

In this report, our fundamental policy is to report in an easily comprehensible way how Itoki Group's ESG activities contribute to the "Sustainable Development Goals (SDGs)," which are the shared goals of the international community to be achieved by the year 2030.



Signatory of the United Nations Global Compact

Itoki Group signed the "United Nations Global Compact" in June 2018. We support the universal Ten Principles set forth by the United Nations pertaining to "human rights, labour, environment and anti-corruption" and will continue to contribute to building a sustainable society.



Response to the TCFD recommendations

Considering the response to climate change to be one of our key management issues, Itoki Group endorsed the recommendations of the "Task Force on Climate-Related Financial Disclosures (TCFD)" in June 2020. We have analyzed and disclosed the risks and opportunities posed by climate change to our business based on the TCFD recommendations.



03

**VALUE CREATION
AT ITOKI**

- 03 Trajectory of Tech x Design
- 05 President's message
- 11 Special feature 1:
Self-awareness for women
- 14 Special feature 2:
New materials research
- 17 Special feature 3:
Promotion of DX
- 19 Value creation process
- 21 Materiality (vital issues)
- 23 Value chain

24

CAPITALS

- 25 Financial highlights
- 27 Financial strategy
- 31 Financial capital
- 31 Human capital
- 32 Manufactured capital
- 32 Intellectual capital
- 33 Social and
relationship capital
- 33 Natural capital

34

STRATEGY

- 35 Progress of medium-term
management plan
- 39 Overseas strategy
- 40 Overview of
three business segments
- 41 Workplace business
- 43 Equipment & public
works-related business
- 45 IT & sharing business

46

SUSTAINABILITY

- 47 ESG policy
- 48 E: Environment
- 59 S: Social
- 72 External recognition
- 73 Non-financial highlights
- 75 G: Governance

88

OUTCOME

90

DATA

- 91 Financial and
non-financial data
(Previous 11 years)
- 92 Financial data
(Quarterly basis)
- 93 Materiality targets and KPIs
- 95 Corporate data
- 97 Editor's note

Editorial policy

This Itoki Integrated Report 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 2022 (January 1 to December 31, 2022)
 *Information about some activities before and after this period are also included.
 Time of publication: September 2023

*Information linked to in this report is subject to deletion without notice.

*For detailed ESG data, please refer to our separate ESG Data Book 2023.

<https://www.itoki.jp/sustainability/environment/communication/pdf/esgdata2023.pdf>

Main guidelines referenced

International Integrated Reporting Framework of the Value Reporting Foundation (VRF)
 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 / ISO 26000:2010 Guidance on social responsibility
 Environmental Reporting Guidelines 2018 / Environmental Accounting Guidelines 2005 (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.

Environments for people to work creatively and healthily whenever and wherever



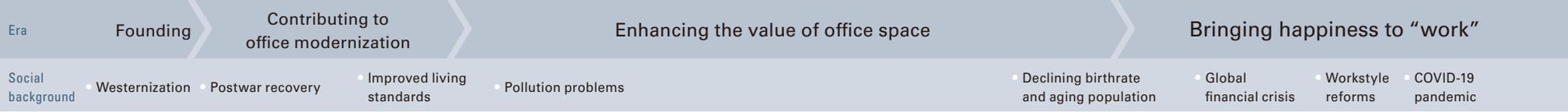
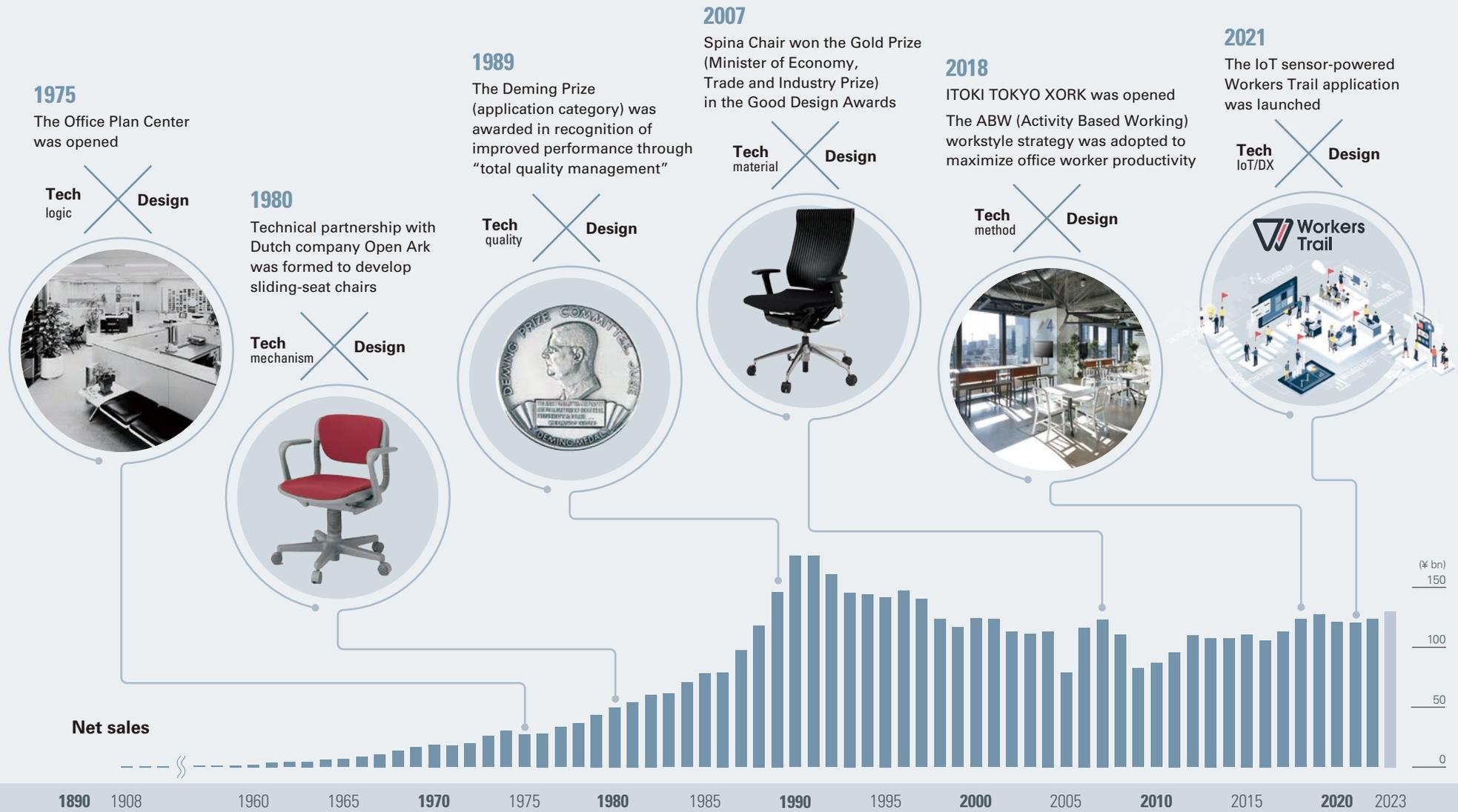
Designing exciting workplaces that improve the mentality of office workers

TECH DESIGN

Leveraging technology to maximize office worker creativity with unparalleled functionality



Itoki's Technology x Design — trajectory of evolution



*Total combined sales of household furniture for Itoki Co., Ltd. and Itoki Crebio Corporation through fiscal 2004. Sales in fiscal 2005 are an outlier because of the merger in that year.



President's message

Koji Minato

President & Representative Director

Profile

1994 Joined Nippon Telegraph and Telephone Corporation (NTT)

Joined NTT after graduating from the University of Tokyo, based on the thinking that telecommunications, not telephones, is the future

2003 Completed graduate school of business administration at University of Southern California
Acquired an MBA after deeply studying US-style business management

2008 Joined Sun Microsystems Japan

Planning-related work at NTT involved long hours; more hands-on work preferred; took up a position in customer support

2010 Joined Oracle Corporation Japan (which acquired Sun Microsystems)

After working in customer support, supervised the management of a group company in Oceania; honed global business sense; became deputy president (COO) of Oracle Corporation Japan in 2018

2021 Joined Itoki Corporation

After a stint as an advisor, became president in March 2022; started reforming the mature office furniture business with DX

Leading the creation of working environments in the post-COVID era with “technology × design”

With the brisk demand for remodeling and new construction/relocation projects, Itoki's strategy is steadily yielding results and I certainly hope that our stakeholders are upbeat about our longer-term value enhancement. I intend to value Itoki's culture of originality and ingenuity handed down for more than 130 years and I will make sure the company can achieve sustained growth by refining its unique strength of “technology × design.”

Implementing the Sangen Principle and boosting employee capabilities in my first year

After I assumed office as president in March 2022, one of the first things I did was put the so-called “Sangen Principle” into practice. This principle emphasizes the three “reals”—namely, real places, real things, and real facts. I did this because I believed it would enable me to make the right management decisions for the very first time by seeing things with my own eyes, listening to people with my own ears, and feeling things with my own hands. And having come across from the IT industry, which bears little resemblance to the manufacturing sector, I believed it would be important to be accepted as a colleague and to be able to directly communicate my perspectives to employees. Twice a month I visited our branches and factories throughout Japan, including our headquarters, to participate in town hall meetings with close to 700 employees. What I came to realize is that a culture of originality and ingenuity is deeply entrenched at Itoki and that we are blessed with so many talented employees.

At the same time, I also realized that Itoki is a company that has come to place much value on equality and homogeneity—two characteristics that are distinctive of Japanese firms. In times of steady economic growth, it

is important for an organization as a whole, rather than individuals, to push ahead intently, and I can probably say that this kind of management approach was the right one to employ in the past, but in this day and age of diversity and individuality, such an approach would instead be detrimental to the company's fortunes. I believe my major role and responsibility is to rectify this situation by boosting the capabilities of employees, bringing their talents into play, and transforming the company into a group of employees that deals with things proactively. To this end, I have been driving the creation of a framework that showcases the broad-ranging talents of our employees. In looking back on my first year at the company, this is what I wanted to communicate the most.

V-shaped earnings recovery after abandoning sales supremacy approach Raising our operating income forecast

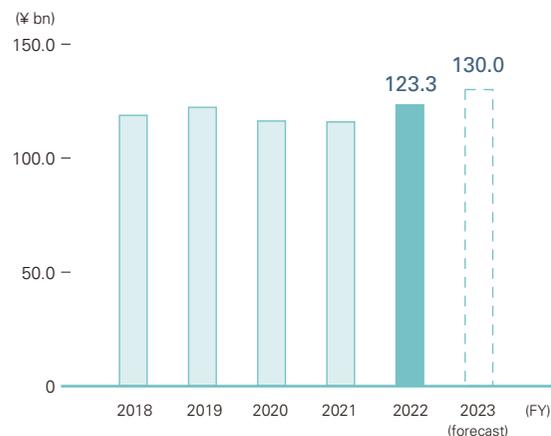
We achieved a V-shaped earnings recovery in fiscal 2022, with operating income increasing 79% year on year. We booked net losses for two consecutive years in fiscal 2019 and 2020, but the reason for that was our approach to overly prioritizing sales, which actually undermined the value we provide. In fiscal 2021 we kicked off our

medium-term management plan, RISE ITOKI 2023, and the operating income margin increased slightly thereafter, but it was still below the industry average and we had yet to fully break free of the trap of chalking up sales for sales' sake.

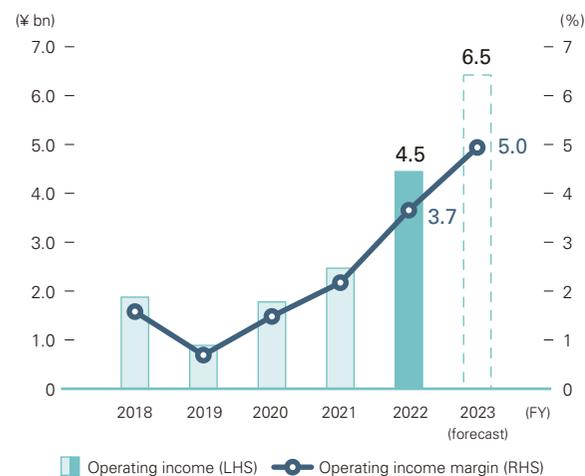
The medium-term management plan calls for strong profitability based on a resilient nature, but this will never come true if we go about selling our products in a way that deflates our own value. That is why in our fiscal 2022 policy we dared to remove sales from our targets in an effort to change the mindset of our sales departments, encouraging them to go after gross profits instead. Our fiscal 2022 results indicate that it was the right decision to make.

We have lowered our fiscal 2023 sales forecast from our initial target, but conversely, we have raised our operating income forecast to ¥6.5 billion. We have also lifted our operating income margin forecast to 5%. I believe the reason I was singled out for the position of president owes to the fact that I am acutely aware of the need to evolve the company's business model with a digital transformation (DX), and at the same time, having inherited the medium-term management plan as head of the management team, I most certainly want to achieve our operating income target after making it the financial metric we want to chase down the most.

Sales



Operating income/ operating income margin



An office nowadays must be a place where employees want to be every morning

The course of history has been changed significantly by the IT revolution and the COVID-19 pandemic. We can now easily do much of our work at home or in a remote location and everyone is now aware that it improves productivity. Whilst I do expect hybrid working styles that involve some working from home to continue to firmly take root in the labor environment as a new way of working, there is a movement to get people back to the office and working en masse given that COVID-19 has been downgraded to a Class 5 disease (under Japanese legislation) and that mask-wearing rules have been relaxed. Accordingly, we are suddenly fielding more and more enquiries about the kinds of offices employees would want to work in, offices that boost employee motivation, and spatial designs that are either centralized, decentralized, or a mixture of both.

As a matter of fact, new office supply volume was markedly low in 2022. Under these circumstances, despite the fact that we stopped prioritizing sales above all else, sales in the workplace business grew because of an increase in the number of remodeling projects. Up until 2020 we handled more new construction and relocation projects than remodeling/refurbishments, but that situation reversed itself in 2021. Company managers are starting to think earnestly about developing office environments that employees want to come to every morning. The era in which office spaces and furnishings are considered an expense has now ended. Some of our customers have even said they received four times more job applicants after renovating their offices into a space that is more appealing for employees. Guided by our mission statement “We Design

Tomorrow. We Design WORK-Style.,” we will spearhead the creation of working environments in the post-COVID era by keeping abreast of trends in corporate management concerning office spaces.

“Technology x design” as the backbone of our growth strategy

We aim to achieve sustained growth with “technology x design” as the backbone of our growth strategy. In our founding workplace business in particular, we have developed a Smart Office Concept and we will look to generate high added value derived from our office 1.0, 2.0, and 3.0 solutions.

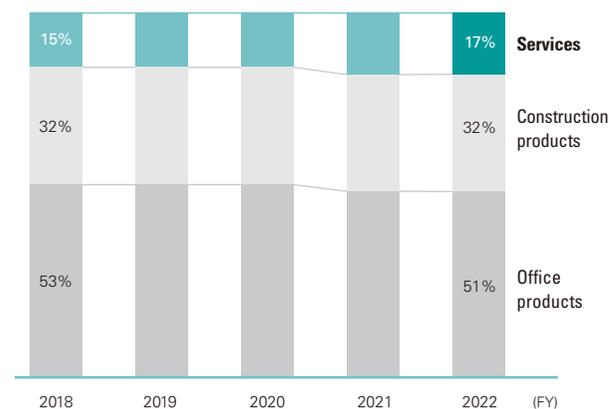
Our view of manufacturing and selling furniture is what we call office 1.0. However, this market has been commoditized and we are vying with our competitors to see how much furniture we can provide depending on the customer's office size, number of people, and budget. Accordingly, when prioritizing sales above all else, selling items of value cheaply can easily become normal practice. So how do we get our customers to value the worth of our products and how do we take back the bargaining power? The answer from that standpoint extends to our office 2.0 interpretation, in which we combine consulting on workstyle reforms with office planning and design services.

Through an alliance with Dutch work style innovation company Veldhoen, we have adopted a methodology called Activity Based Working (ABW) and we have around 50 consultants capable of proposing new-age office solutions. We also handle numerous design projects every year and some of our 130 or so spatial designers have even been gonged at the highest level by winning the Nikkei New

Office Award, the so-called Academy Awards of the office design industry. In addition, one of our Group companies has the know-how to undertake interior finishing work. Incorporating Itoki's furniture into this series of processes for consulting, design, and interior finishing work to enhance added value is our office 2.0 view of the world. By harnessing this strategy we can avoid needless price competition, which is enabling us to increase the probability of securing orders and also expand the number and sizes of projects we can undertake.

And next we have office 3.0, which is how we see ourselves helping customers to implement work style reforms and boost productivity with the use of DX. This is where we will look to solve various challenges in the office by turning furniture into IoT devices. Even though the office 1.0 and 2.0 concepts are based entirely on assumptions, in 3.0 our aim is to verify our theories with data and propose how improvements can be made, so I think we can bring

Sales weighting by product at Itoki (non-consolidated)



forth a new business model in which we provide consulting services with the use of data that only Itoki has access to.

More than 60 years ago Itoki produced a pamphlet called Filing Systems and adopted a solutions-based sales approach, instead of simply selling standalone cabinets. When unravelling the history of Itoki, I am amazed at the fact that the company has a history of providing solutions that seek to enhance office productivity in one way or another. Considering that this kind of DNA has been there right from the start, I think we will be able to smoothly transition to our office 3.0 world view. And when we get there, we will be able to provide ongoing support based on the data we hold, which will free us from the business model of non-recurring revenue and allow us to build continuing relationships with customers. The sales weighting of services is already steadily increasing and we have our sights set on further improvement in the operating income margin by monetizing a series of added-value propositions.

*Please refer to page 37 for more details about office 1.0, 2.0, and 3.0.

*Please refer to page 38 for information about ABW.

[➔ Visit our website for more information about the Smart Office Concept](#)

Differentiating ourselves with digital office furniture and data unique to Itoki

Here I would like to discuss an initiative related to the office 3.0 concept. We have seen a considerable increase recently in people using shared office space to join online meetings. In light of this trend, we are collaborating with a business partner to develop a product equipped with a high-fidelity microphone that picks up the user's voice whilst reducing ambient noise and is also meticulously designed to distribute sound to certain areas from a



directional speaker. We have already received enquiries from different companies regarding this product. We are currently strengthening our system of commoditizing new ideas to meet growing demand for the kinds of products that combine office furniture with digital equipment (and in this case, jointly developed by two parties). As part of the effort to bolster our organizational structure, in January 2023 we renamed the Product Development Division the Smart Office Product Development Division. We also hired Kazuyoshi Nagao, who for many years guided product planning and strategy development of audiovisual equipment at Sony, to head up this division.

Also, the world of "office × data" is an area in which I think we will see almost infinite growth up ahead. In 2022 we signed a joint business plan with Google Cloud and we are currently developing a platform for visualizing points of improvement and usage statistics by having artificial intelligence analyze office data. For instance, if we have Google Cloud's AI learn the vast amounts of office layout data hitherto produced by Itoki and also feed it data on employee productivity, motivation, and job satisfaction, the

platform will be able to deduce what kind of office layout is most optimal. Furthermore, we have released an application designed to improve office operations with the use of IoT sensors that analyze the locations of employees and how office spaces are being utilized. We intend to open up the world of office 3.0 with a new competitive advantage powered by data that never existed before, data that only Itoki can produce, and data that only Itoki has access to.

*Please refer to page 17 for information about how we are driving DX.

Solving labor shortages with the SAS

Another business underpinning Itoki's medium-to-long term growth is the equipment & public works business. The driver of this business is our multi-level shuttle automated storage system, also known as SAS. We anticipate mostly flat operating income growth in this business segment in fiscal 2023, reflecting a rebound from the booking of a large project order last fiscal year for push-pull ventilation draft chamber equipment for an R&D company. That said, there is still strong demand for our SASs due to the shift towards less manpower and greater efficiency, so we believe sales of our product will steadily increase over the medium-to-long term as an effective means to solve the issue of labor shortages.

*Please refer to page 43 for more details.

Materiality driven by the pursuit of happiness

Given the various issues enveloping the workplace, in fiscal 2022 we conducted a review of our materiality (key issues). We identified 10 important issues in two groups and established KPIs so that we can take action on those issues. The objectives of the two groups are to (1) make the company

and its employees happy, and to (2) make society and people happy. However, even though we have established items of materiality, the objectives may seem like pie in the sky unless we understand the need for them and how one's own work is contributing to a sustainable society.

These activities will of course gain traction and become significant when everyone sees them as their own responsibility and takes action proactively, instead of perceiving them as obligations. With these thoughts in mind, we set up an ESG promotion project that reports directly to me. I believe it is most important to communicate with employees and share my values with them so they can seriously consider what they can do in the company. For example, I want my work to make people happy, and I believe that businesses that grow complacent will not last long, organizations that lack diversity will struggle to generate creativity, and before long we too will perish at the expense of destroying the global environment.

*Please refer to page 58 for information about the ESG promotion project.

Protecting the natural environment and contributing to recycling

Itoki is a company that really enjoys the blessings of nature. One of our materiality issues is to protect the natural environment and promote the recycling of resources, so in keeping with this objective, we are actively taking steps to reuse whatever items we can. For example, when we undertake renovation or relocation projects, we donate unwanted, but still usable, office furnishings to countries that need them. We are also contributing to the effective utilization of waste, a circular economy, and a decarbonized society; for instance, our employees suggested that we

use waste material to make pouches and give them away as a novelty item, and we are trialing the use of coffee grounds as an eco-friendly material. In addition, even in our office 3.0 concept, consideration for the environment is a major issue alongside work style reforms, which is why we intend to explore the unique ways Itoki can address environmental challenges in the office and link them to the creation of corporate value.

*Please refer to page 14 for information about new materials research.

*Please refer to page 54 for details about our office furniture donations.

Becoming a proactive group

Needless to say, businesses are run by people, so it is imperative that we strengthen human resources as the basis for sustained growth. Along with operating income, another key indicator that I pay most attention to is employee satisfaction. As a result of increasing the number of training sessions by 150% over the past year and doubling our training expenditure, the specific indicator for employee satisfaction in fiscal 2022 rose to 63% from 56% a year earlier. Nevertheless, I think it is still far from a level we can be proud of. In addition to accelerating the measures above, I believe we must focus more on individual employees and develop a framework that showcases their skills.

I already mentioned that I will aim to bring the talents of employees into play and transform the company into a group that deals with things proactively. To be more specific, we are putting a lot of effort into the empowerment of women as one area in which we hope to achieve a breakthrough. Despite the fact that approximately 30% of all Itoki employees are women, currently only 10% hold



management positions. Accordingly, we recently launched a community called SPLi to support the development of female leadership. Some 80 female employees raised their hand and volunteered to carry out activities almost every week and I certainly hope that we can achieve a 30% ratio of women in management positions by 2030. In fact, the launch of this community coincided with the appointment of Itoki's first-ever female executive officer.

In addition, we put out the call for volunteer plant ambassadors to work with our PR staff on shining a spotlight on factory operations so that employees could read about some of the skilled craftsman in the organization or the people that come up with excellent ideas on how to improve processes. About 20 factory workers currently volunteer their time to this program. We have also produced a Designer Directory to showcase the office designs we have worked on thus far. This is another initiative helping to enhance the pride and motivation of our designers.

We have also established a community to promote cultural exchange. Tarkus, a Singapore-based interior finishing company that we brought into the Group in 2016 as

a consolidated subsidiary, continues to post strong earnings, so we are looking at the possibility of launching the Smart Office Concept in this region as well. This company has around 200 employees from seven countries and we intend to launch a cross-border D&I awareness campaign starting with this community initiative.

*Please refer to page 11 for information about how we are empowering women.

*Please refer to page 67 for information about the plant ambassadors.

*Please refer to page 39 for more details about Tarkus Interiors.

➔ [Visit our website for more information about the Smart Office Concept](#)

➔ [Visit our website to view the Designer Directory](#)

We Design Tomorrow. We Design WORK-Style. Itoki's purpose remains unchanged

Itoki was established in 1890 as Itoki Shoten, selling staplers, fountain pens, and other products the Japanese people had never seen before. In 1908 it established an engineering department and started developing its own line of office goods. Today the company offers a broad lineup of office furniture, building materials and interior fittings, furniture equipped with ICT and audiovisual equipment, and logistics equipment. We also provide work style solutions and design office spaces. We Design Tomorrow. We Design WORK-Style. This is our mission statement and our purpose, which we will continue to uphold in the future. Our office 3.0 concept too is positioned as a new perspective that extends beyond our history of more 130 years.

The RISE ITOKI 2023 medium-term management plan is coming to an end in fiscal 2023. With the COVID-19 pandemic now under control, we forecast consolidated profit and sales growth, reflecting brisk demand in the office market for remodeling, as well as new construction/relocation



projects. Even though Itoki shares are currently trading below a P/B ratio of 1.0x, our strategy is steadily yielding results and I certainly hope that our shareholders and investors can view our medium-to-long term value enhancement in a favorable light. I will personally value Itoki's culture of originality and ingenuity handed down for more than 130 years and ensure that the company can achieve sustained growth by refining its unique strength of "technology x design" and by continuing to create new value.

President & Representative Director

Special feature **1** Self-awareness for women

A variety of talents lead the company forward

— Taking on the challenge to change the corporate culture through SPLi —

Itoki has launched SPLi, a community that supports the acquisition of knowledge and skills for leadership and continuous career development, as part of its efforts to promote the active participation of women in leadership and drive a transformation aimed at further embracing diversity and fostering an open, free, and flat corporate culture.

Five leaders gathered to talk about the activities of the SPLi community.



WHY Why did you join SPLi? - Thoughts on promoting the empowerment of women -

Yagi SPLi is a community for the empowerment of women. In my career at Itoki, I didn't have the idea that women weren't doing well, so when this community was launched, my honest reaction was "why now?" However, once I heard President Minato explain how Itoki would



Yoshiko Yagi
Smart Office Product Development Division
Executive Manager, Solution Development
Department
Joined Itoki in 1998. Engaged in furniture research and development. Since 2012, she has been in charge of research and development of work styles and offices that improve performance and health, and in 2023 she took charge of developing solutions using data as Executive Officer, Senior General Manager of the Solution Development Division.

be even better as a company where women played more active roles, I realized my outlook had been a little naive.
Suzuki I was honestly bewildered at first. That's because SPLi aims to raise awareness of women's leadership, and I thought the person responsible for this should be a role model, which I'm not sure I qualify as. However, as various preparations for SPLi got underway, I began to think that this was not necessarily the case, and that my own career and past experiences might be useful as an opportunity to raise awareness among the participants. I also hope that through these activities, we can rethink our individual future careers together.
Ikkai To be honest, I had that the same reaction as Ms. Yagi: "why now?" As the person in charge of women's empowerment in HR, my thought at the time was that motivated women are given opportunities here. The actual data show that Itoki's ratio of female managers is above



Yumiko Ikkai
Manager, Personnel Planning Office,
Human Resources Department
Joined Itoki in 2007. Responsible for the private sector as a sales representative for the office business. Transferred to Sales Strategy Department in 2016. Conducted sales training, sales promotion, SFA construction, etc. After working in sales for a major developer and design firm in 2020, assumed her current position in 2021.

average in the Japanese manufacturing industry. Looking at the percentages by job type, some job types are dominated by men and some by women.

However, it's also true that the gender gap in Japan is still large when viewed globally. So I've been thinking about what we need to do to address this gender gap. Are women in Japan more likely to face obstacles in advancing their careers? What about at my own company? Since I was

told to create a community, rather than become a leader, I have been thinking about how to eliminate the gender gap.

Kayama The Design Department and Design Center, where I serve as director, are unique organizations in that 60% of the employees are women. We have a large number of women in the department, and because of the nature of the design work, which involves contact with customers and concrete results, there are relatively frequent opportunities for women to play an active role. Because of that, my impression was that women are doing quite well. However, once SPLi launched, I realized that there are a lot of women who want to show their talents but can't find a setting to do so, or who have the desire but can't act on it.

Kawashima I'm the only one of us who joined Itoki from another company mid-career. As Ms. Kayama said, the very act of launching SPLi may have puzzled some of you who weren't dissatisfied with the environment you were in, since you see women who are thriving at the workplace level. For me, however, having worked in companies where women managers, directors, and presidents are common, when I joined Itoki I felt uncomfortable with the lack of female department managers and the absence of women in important final decision-making positions. For this and other reasons, I had the impression that Itoki still had room for improvement in terms of diversity. That's why I felt it was very significant that SPLi was launched as an independent structure not tied to any organizational unit in order to provide opportunities for women themselves to think independently and autonomously about their own careers in a true sense, rather than just for appearance's sake.

WHAT What exactly is SPLi?

- Running a community where you can be yourself -

Kawashima When we launched SPLi, we defined three

functions for it. Two of them are "awareness" and "networking." In the first year, we've provided a variety of networking opportunities for women who are thinking, "How do I build my career? What is the next step?" because I think that the first step in building a career is just being aware that there are ways to do it and people who have done it.

Ikkai After we chose the name SPLi, which sounds sort of like "supplement," someone outside the company told me that it's better to take supplements than drugs to heal yourself. I think this captures the essence of what we're doing here. The nutrients we lack are different for each person, whether it's vitamins, calcium, or something else. We each take what we need individually to live healthier. It's the same with SPLi. Instead of participating in everything, participate in what works for you and appeals to you. In hindsight, I think it turned out to be a good name. In fact, participation is high, with 12% of the female employees participating, even in the first year of voluntary community participation.

Kayama As Ms. Ikkai said, SPLi is first and foremost a voluntary community where you only participate in what you want to participate in. The most impressive part of the past year's activities was how they were planned and executed from scratch by the planning members we recruited, who took the lead themselves. For many members, this was their first experience planning and executing a project on their own initiative, and I could see how "getting it done" gave them self-confidence. The way those members have blossomed as a result of their experiences has been the biggest achievement of this community, in my opinion.

Suzuki I think what boosted the confidence of the planning members was how they repeatedly struggled along the way, started over, and persisted to the end. It wasn't a smooth ride from start to finish. Since then, I think the planning members have been very positive and confident in



Eriko Suzuki
General Manager,
E-Commerce Sales Department

Joined Itoki in 1994. Participated in the launch of the e-commerce business in 2000 after working in the marketing department. Laid the foundation for the direct-to-consumer (D2C) business. After new business experience in the Corporate Planning Department from 2016, became General Manager of EC Sales in 2021, where she took charge of the D2C business again.

the way they handle a wide range of problems and situations. I don't think there are many communities that offer such opportunities.

Kawashima The third function we defined is "learning." Once you have networked and gained awareness and have a picture of your future career, the next question is what knowledge and skills you'll need to get there. In fiscal year 2023, as a step toward learning, we're planning to do a project that will provide input on the knowledge and skills necessary for career development.

HOW Changed by SPLi

- Awareness for the women who follow in our footsteps -

Yagi I've had a lot of help from mentors and colleagues, so I joined SPLi in the hope that I could do something in turn to help my juniors. In fact, however, taking seminars together with various people and listening to their stories has taught me a lot and inspired me. I learned about the everyday concerns that people from various departments and job types outside my circle have at work, and learned that different people perceive the same things in different ways.

Suzuki I was reminded that many women have a vague sense of insecurity because, lacking nearby role models and opportunities to share their stories, they cannot envision their future careers. I have colleagues who haven't joined SPLi yet, but I'm hoping that if I share my activities and



Sachiko Kayama
Work Style Design Department
Director, Design Center 2

Joined Itoki in 1999. As a designer, she is mainly in charge of projects in the Tokyo metropolitan area. She was responsible for the design of the XORK architecture in 2018 and implemented the large-scale deployment of ABW. Appointed Director of the Design Center in 2019, where she oversees projects in the Tokyo metropolitan area.

experiences at SPLi with them, they will see the relevance and want to participate on their own accord.

Kayama Before joining SPLi, I thought the main way to help women thrive in the workplace was through coaching. However, after joining and experiencing so many things, I've come to believe that to help someone truly flourish and shine, you just need to give them a little insight. My big realization is that what's more important than coaching is to have opportunities and guidance about how you can take action on your own.

Ikkai I realized once again that, as with anything, you can't just rely on what you imagine to be true. The fact that SPLi attracted more members than expected, and the fact that there are so many women who are struggling to do more and want to do something about it, reinforced my belief that we need to hear their unfiltered opinions.

Kawashima I remember during the start-up phase of SPLi, one thing that left a deep impression on me was hearing people say that it would be difficult to participate unless this community itself was tied to their department and incorporated into the management structure. This gave me the impression that psychological safety in the workplace was poor.

I hope that the psychological safety of these women will be enhanced by disclosing our actual activities both inside and outside the company and promoting awareness of SPLi's activities throughout the company.

WHERE Where is SPLi headed?

- A new first step toward enhancing corporate value -

Yagi President Minato says that SPLi promotes women's empowerment, but it's not necessarily just for women, and that if we become a company where women are freed to speak their minds, we will truly become an open, free, and flat company, and I sympathize with that. Going forward, I hope we can create a company where people in various positions can frankly and positively express their thoughts and ideas to each other so that innovation can occur.

Suzuki Exactly. I agree with you that women's empowerment is not only for women. My hope is that empowering women will bring proper recognition of diversity in all kinds of major decision-making processes, not just among men, and that this will enable us to become a company that can take on a wider range of challenges.

Kayama Itoki's mission is "We Design Tomorrow. We Design WORK-Style." I think that now is a time when working itself is changing tremendously. For example, when the office is not the only place to work, and your home becomes a workplace, we're going to need diverse perspectives, regardless of whether they are female or male. I think women's perspectives will become more important than ever when it comes to working remotely and working from home in particular, so it's important for Itoki to become an environment where women, men, and people of all ages can play an active role and express various opinions.

Yagi Currently, Itoki is trying to change the nature of its products and services, for example by embedding sensors in furniture to acquire data, and utilizing that data to propose better ways of working. Tackling new challenges like this requires unprecedented collaboration between departments and with external partners. I hope that by changing the way we do business and changing ourselves, we can move

forward in the direction of providing more value to make everyone happier in their work and life.

Ikkai This may be connected to what Ms. Yagi said, but I believe that through SPLi, we can harness the potential of women to the power of the company and unleash their full leadership capabilities, and this will boost corporate performance in the future. And I'm certain this will lead to the active participation of diverse employees regardless of gender. Organizations where women are empowered are able to take advantage of diversity, not only in terms of nationality and gender, which are readily apparent, but also in the form of diversity of values, experience, expertise, and so on. I think this will make the pool of talent at Itoki much deeper, and make Itoki a bustling hub of talent. Traditionally, Itoki has been a company where many people have been working for a long time, but in the future, I hope we become a company where Itoki alumni are successful out in the world and bring an excellent reputation with them.

Kawashima I believe that improvement of corporate value is closely related not only to our products and services, but also to our employees who interact with various stakeholders. We can further boost the value we provide to society by becoming a company where employees, who are the face of Itoki, can play an active role with a positive attitude in an open, free, and flat manner. I think SPLi is the first step toward that goal.



Saeko Kawashima

General Manager, Public Relations & Investor Relations Department

Joined Itoki in 2019 after working at a major credit card and marketing research company. She is responsible for a wide range of corporate communications areas, including public relations and investor relations, and works to build relationships with stakeholders from a variety of perspectives.

How an observation and a chance encounter led a team to take on the challenge of the circular economy

- Turning coffee grounds into furniture -

Through its technical development teams, Itoki advances research by exploring the possibilities of new materials the world has never seen before. In this update on our project to use coffee grounds as a furniture material, Professor Hiroshi Nonaka, a leading expert in woody biomass research, Naochika Asai, an executive officer of Dalton (a Group company), and two Itoki employees discuss the current state of research and future possibilities.



Miyuki Sakata
Technology Development Office,
Production Division
Itoki Corporation

Hiroshi Nonaka
Professor, Department of
Sustainable Resource Sciences
Graduate School of Bioresources
Mie University

Isamu Kojima
Technology Development Office,
Production Division
Itoki Corporation

Naochika Asai
Executive Officer, Dalton Corporation
General Manager, Development & Technology
Management Department, Powder Machinery Division

Efforts to utilize wood and related resources

- The winding road to coffee grounds -

Kojima Recently, the term “circular economy” has become popular in various quarters. A related term coined by Itoki is “Econifa,” which is a combination of “eco” and “conifer” (the acicular tree), and refers to a solution we launched in 2010. Specifically, it refers to efforts to utilize Japanese cedar, cypress, and other timbers that have come due for harvesting for office furniture and public facilities. At that time, de-plasticization and decarbonization did not receive as much attention as they do today, and the term SDGs did not exist. The actual initiative was relatively small-scale, but I think it was significant in that we focused on making more effective use of forests, which account for about 70% of Japan’s land area.

Nonaka My laboratory at Mie University is called Lignocellulose Laboratory. Here “wood” includes not only

traditional wood but also bamboo, rice straw, and similar materials. Our research theme is how to make effective use of these materials. What is unique about our work with wood is that we aim to utilize the full range of components contained in wood materials. In particular, we have focused on the utilization of the three major components of cellulose, hemicellulose, and lignin, and we are working on extracting and using these components.

Meanwhile, since extracting these components takes a lot of time and effort, in 2016 we also started research on how to make products directly from powders made from pulverized materials. By using powders, we’re able to utilize the full range of components. Initially, wood and paper powders were used as raw materials, but the scope has since expanded to include the use of a wide range of materials, including bamboo powder and, in this case, coffee grounds.

Uniting two people with the same aspirations

- Impetus for Itoki’s collaboration with Mie University -

Nonaka I started researching coffee grounds in my laboratory when a student who was working part-time at a convenience store noticed that large amounts of coffee grounds from drip coffee were being thrown away. I learned later that 600,000 tons of coffee grounds are discarded annually. When we started our research, I did not take the disposal of coffee grounds very seriously, but it’s actually a major social issue.

Kojima I embarked on this research because the director of the Materials Research Laboratory at the time said, “Let’s think about recycling various materials. As a first step, I want to do something about coffee grounds, which is a familiar part of our lives.” That’s what got me started with my research, which I carried out in parallel with product planning.



Hiroshi Nonaka
Professor, Department of Sustainable
Resource Sciences
Graduate School of Bioresources
Mie University

Ph.D. (Engineering). Specialist in biomass science (chemical engineering, agrochemistry, wood chemistry). Since his graduate research, he has been involved in various biomass research projects for more than 25 years. Upon arriving at Mie University in 2005, he focused on wood and wood-like materials, aiming to contribute to the practical implementation of woody biomass and decarbonization.

When I first started my research, I thought that since coffee grounds are already ground, it should be relatively simple to powderize them and use them in furniture immediately. When I actually tried it, however, I found that even the initial task of drying the discarded grounds was difficult.

Having reached a dead end, I called Associate Professor Adachi of the Institute of Wood Technology at Akita Prefectural University, with whom we had collaborated in the development of Econifa products and who had provided us with scientific advice on wood, hoping that he could help us. That's how I was introduced to Dr. Nonaka.

Solving various problems such as drying and molding before commercialization

- How coffee grounds are turned into office furniture -

Nonaka To explain the division of roles in this research, after the coffee grounds are collected, Dalton, where Mr. Asai is located, grinds them into a powder. Mie University then prepares the material and molds it, and finally Itoki makes the furniture. That's the workflow.

Asai The challenge in the grinding process that Dalton is in charge of is the problem of drying. Dryness is a prerequisite because if the material is not dry during grinding it will stick to the equipment and cannot be worked efficiently. The actual coffee grounds we obtained retained the shape of a 5 cm cone from the drip filter, which is difficult to dry

because of the large size. Also, because the material was wet, it would stick to the inside of the equipment to the extent that continuous operation was not possible with an ordinary crusher (lump breaker). What to do about this became a major issue.

That's where our granulator came in handy. A granulator is a machine that adds a liquid to a normally dry powder and then molds the wet powder into granules. In a twist on this idea, I thought if wetting something dry is OK, why not just put something that's already wet directly into the granulator? So I tried that with the coffee grounds. When we tried converting the large cone-shaped blocks into small granules, about 8 mm in diameter, both drying and grinding worked well. I was a little concerned about whether the particle size of the ground powder would meet Dr. Nonaka's requirements, so I remember being relieved when he okayed the results.

Nonaka As we were proceeding with the project with Itoki, I was honestly surprised when I found out that Dalton was an Itoki Group company. We use Dalton mixers and stirrers in our laboratory, and we also have a large number of draft chambers and lab benches made by Dalton. How to handle the grinding process was a major issue in this project, so it was very encouraging to have Dalton on board.

Once the coffee grounds are rendered into a fine powder, the next steps, which my laboratory is in charge of, are the kneading step, which mixes in materials that act like



Naochika Asai
Executive Officer, Dalton Corporation
General Manager, Development &
Technology Management Department,
Powder Machinery Division

Since joining the company in 1990, he has been engaged in technical and development work to improve the performance of powder machinery and improve powder technology. He received his degree from (then) Osaka Prefecture University in 2017. He holds a Ph.D. in Engineering.

glue between the powders, and the molding step, in which the material is formed into a plate shape. We're using a ceramics molding machine for the plate molding with the idea that the extrusion molding technique, which is used to mold ceramics and clay into products like rods and tiles, could also be applied in this case. For this project, in anticipation of commercialization, we proceeded with the work using a relatively large molding machine, with representatives from Itoki in attendance.

In fact, as long as you have coffee powder, it's relatively easy to extrude and shape it. The difficulty lies in whether or not the subsequent dried plates will have a clean shape. Small sizes often come out with a clean shape, but larger sizes often show warping and other problems after drying. Solving this problem was a test of our skills.

Sakata For this project, Itoki is in charge of the actual furniture production, and we created a stool as the first prototype. As Professor Nonaka pointed out, when we actually made the material, it would come out warped, and it was very difficult to eliminate this warping. It was quite difficult to find a better pressing method by experimenting with various conditions on the press as a way to eliminate warping of the plate-shaped material. I was very happy when we finally overcame this and produced a prototype.

Judging from the prototypes that were completed thanks to the efforts of Dr. Nonaka and Dalton, there is a great possibility that coffee grounds will turn out to be



Isamu Kojima
Technology Development Office,
Production Division
Itoki Corporation

Joined Itoki in 2007. Since 2010, he has been involved in product development as a founding member of Econifa, a solution for utilizing domestic timber. After transferring to the Product Development Division, he continued to work on the development of natural wood products, and last year began researching bio-based materials concurrently.

a good material. That's why I feel that we at Itoki have a great responsibility to create products that customers can actually use.

A future unfolding toward the establishment of the circular economy

- Taking on the challenge of all-biomass materials -

Nonaka Our efforts are being implemented as an industry-academia collaborative activity related to a Ministry of the Environment research project*, and the first year of the three-year project has just been completed. The mission of our laboratory in this project is to establish a technology that can mass-produce materials that combine dimensional control and water resistance using coffee grounds. Once the technology is established, I think companies will actually be more active in developing products using the materials, which will fulfill my goal of practical implementation. I think it's fair to say that we're now making steady progress as the first step in this direction.

*FY2022 Environment Research and Technology Development Fund (ERTDF), "Establishment of a biomass powder extrusion molding and water resistance system using cellulose derivative as auxiliary agent" (Principal Investigator: Hiroshi Nonaka)

Asai At Dalton, we're pleased that we were able to meet your requirements for the establishment of grinding technology related to the use of coffee grounds. In the future,

we plan to address the issue of how to achieve stable production in the most efficient and least energy-intensive manner. We want to work toward establishing a circular economy in coffee grounds by establishing a stable and inexpensive production method.

Kojima I think about Itoki's goals from two perspectives: short term and medium-to-long term. In the short term, I think it's important to develop attractive products that customers will be happy to purchase and use, using materials that can be made with current technology.

In the longer term, the goal is to change Itoki's way of thinking and stance toward raw materials. Because some of our products still rely on adhesives and paints derived from fossil fuels, in the long term, we would like to go beyond coffee grounds and work on the development of new materials and products aimed at eliminating fossil fuels.

Sakata Working under Mr. Kojima, I was involved in the communication between companies to make materials made from coffee grounds into actual furniture and the block-style configuration of the stool. To realize Itoki's vision, I personally will continue to focus on steady efforts to stay close to our customers and identify their needs.

Nonaka Mie University, Itoki, and Dalton have their own respective goals, but from a higher-level perspective, I think this project can be summarized as taking on the challenge to move to all-biomass materials.

The global trend in materials research is to switch to all-biomass materials that do not use petroleum-derived



Miyuki Sakata
Technology Development Office,
Production Division
Itoki Corporation

Joined Itoki after completing a master's degree in mechanical engineering and began developing and designing chairs, stools, and other furniture. In 2022, when a department specializing in materials was established within Itoki, she began studying furniture made from coffee grounds.

raw materials. Familiar examples of this include things like substituting paper straws for plastic straws, but now there's a growing movement to substitute biomass materials for materials you never would have thought possible. Methodologically, there are various ways to do this, such as replacing petroleum-based plastic materials with bioplastics or wood or paper products, separating wood components and using them, as my laboratory has done, or solidifying wood powder to make a substitute for plastic, but they are all based on the basic concept of switching all the materials to plant-derived materials.

Our current approach is to take on the challenge of all-biomass materials, and I believe there's a path ahead that will lead to the establishment of a circular economy.

Coffee Grounds board exhibit at EcoPro 2022

In connection with the joint research theme of using coffee grounds as a raw material, we created a "Coffee Grounds board" that can be used to build furniture. We held a reference exhibit at EcoPro 2022, an environment-related exhibition. Coffee grounds are well known for their deodorizing and odor-eliminating effects, and various ways of using them have been explored, but this was an upcycling project to use coffee grounds for home furnishings, and captured the attention of the audience.



Takeshi Otsuki
Managing Executive Officer
Head of DX Promotion Division

Special feature **3**

Promotion of DX

DX to make Itoki's business stronger and more robust

Itoki is developing innovative smart office products and using digital transformation (DX) as a tool to create an office where employees want to come to work, and is building ongoing relationships with customers by providing them with unique data services that enable us to continue to connect with them even after delivery.



Kazuyoshi Nagao
Managing Executive Officer
Head of Smart Office Product Development Division



employees will question whether it's worth their time to come to the office in the first place. If employees are going to come all the way to work, then companies should also think about how to revitalize office communication to promote innovation. In response to these needs, Itoki will offer comfortable, creative, and productive office spaces, but in addition to this, I believe it's necessary to visualize what's actually happening in the office with data. To this end, we're simultaneously developing smart office products and services that incorporate mechanisms for extracting data from the office space, and developing a cloud-side platform that includes AI, putting Itoki at the forefront of driving DX in the office.

— Please tell us about your roles.

Nagao I was involved in AV equipment product planning and product strategy in the Sony Group for many years, so I see my mission as integrating digital technology and office furniture to create innovative products that realize the smart office concept. We develop unique smart office products such as “(office furniture + digital) ÷ 2” and connect them to the network or cloud to create comfortable office spaces.

Otsuki I worked for many years in the technology business at a non-Japanese IT company operating in Japan. Taking advantage of that experience, I see my mission as the realization of data services in the world of “Office 3.0,” as President Minato calls it, while leading operational reforms as an IT leader at Itoki.

— What does DX mean to Itoki?

Otsuki It's a tool that makes your business stronger and more robust. All employees need to understand that DX is a window to a new world. The office furniture industry has matured and everyone is scrambling for a slice of the pie. However, I believe that if DX is used well, it can change the landscape of the industry as we've seen it and create new business. In that sense, my responsibility at Itoki is to lower the threshold for engaging in DX and encourage all employees to actively use it.

Nagao When it comes to promoting DX in office spaces, there's a growing need for hybrid meetings where people from remote locations, such as those working from home, can feel as if they're in the same office. In the future,

— What are your thoughts on Office 3.0?

Nagao As working styles diversify, offices cannot remain the same forever. In the world of Office 3.0, as I just mentioned, you can objectively verify what's happening with data. In other words, whether it's a question of different ways of working, how to arrange office furniture, or the need for a little renovation, you'll be able to prioritize a few initiatives and take the relevant next steps. Another advantage of data services is that they enable us to continue to connect with customers even after delivery.

Otsuki It's very important to achieve an ongoing relationship with our customers through the promotion of DX. More to the point, I believe it will expand the possibilities for our sales approaches. For example, you can try an



approach like, “Why don’t we look at the data to see if your office is really as efficient as you think?” If you can start negotiations from there, your business opportunities are not limited to events like new construction or renovation.

— What kind of company do you think Itoki will be in the decades to come?

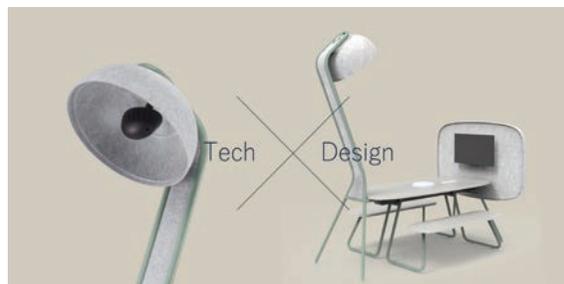
Otsuki Itoki’s message is “We Design Tomorrow. We Design WORK-Style.” If we extend this further, we can become a company that designs the places where people are; in other words, a company that can handle customer inquiries such as “I want you to make such-and-such kind of space,” including furniture, space, IT, and everything else. Such a company would likely have diverse people, be full of innovation, be fun to work for, and would have customers eager to consult with it. That’s the kind of company I believe we will become.

Nagao Indeed, as Itoki integrates with IT, we may move beyond the “work” domain. At the very least, we’ll become a type of business that cannot be confined to the category of furniture manufacturer. We’ll be a company that designs spaces for people to gather, provides furniture for them, and even creates metaverse spaces... Itoki will continue to evolve with all kinds of possibilities. However, at the core of Itoki’s business is its focus on people. This core of helping people to be more productive and creative with easy-to-use products and services is going to remain the same, in my opinion.

ITOKI DX TOPICS 01

Creating a new work experience with Tech x Design

Our Sound Furniture series offers seating for meetings that takes into account the sound of web conferencing in open spaces. This fusion of technology and furniture supports seamless communication in hybrid work.



ITOKI DX TOPICS 03

Educational applications of metaverse technology

Aiming to strengthen students’ digital creativity and communication skills, we give them experience making things, making presentations, and participating in international exchanges remotely in a classroom built in the metaverse, where physical constraints don’t apply.



ITOKI Open-DX Lab

Itoki’s Digital Technology Promotion Department operates an online co-creation lab for the realization of worker-focused DX. The lab’s website features DX case studies and activities enabled through partnerships with Itoki. <https://open-dx-lab.itoki.jp/>

ITOKI DX TOPICS 02

ITOKI OFFICE A/BI data analysis service

This service uses Google Cloud’s AI products to integrate layout plan data with data on people’s productivity, activities, and space utilization. It analyzes ways of working that lead to productivity improvement and well-being.



ITOKI DX TOPICS 04

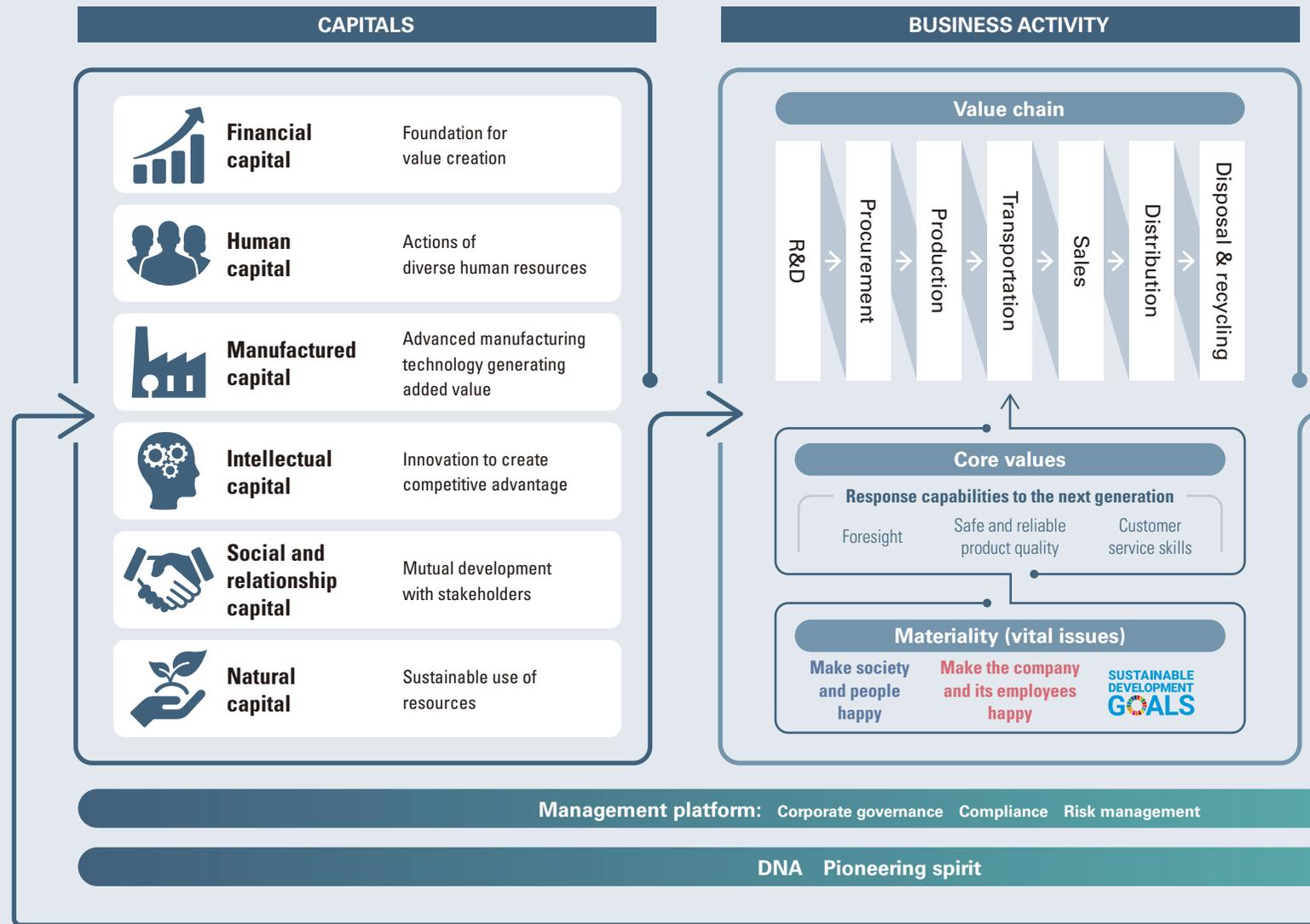
Research on AI analysis of group work

This research project uses recorded data of hybrid group work to analyze the quality of discussions in terms of speech balance, divergence vs. convergence, and similar factors. The goal is to develop services that can be used for retrospective analysis of work and evaluations by managers.



Value creation process

Risks and opportunities in megatrends



MISSION STATEMENT

We Design Tomorrow. We Design WORK-Style.

OUTPUT

Workplace Business

Offering products and services to drive society forward with the creation of working environments in the post-COVID era



Working society made possible with
TECH × DESIGN



Equipment & Public Works-Related Business

Establishing proprietary technologies and contributing to the development of logistics facilities, public facilities, research facilities, and other social infrastructure



IT & Sharing Business

Fostering new markets through businesses that share values with the environment and society

OUTCOME

Social values

Increased job satisfaction

Safe and secure workplaces

Reduce the environmental impact

Corporate value enhancement (Economic values)

FY2023 targets

Sales
¥130.0bn

Operating income
¥6.5bn

VISION STATEMENT

Vibrant People,
Beautiful Planet.

Materiality (vital issues)

In order to solve the numerous issues enveloping the workplace and to “make society and people happy” and “make the company and its employees happy,” we have analyzed the risks and opportunities brought about by our business environment and subsequently identified our items of materiality, or vital issues. We intend to drive forward our business activities with these materiality items at the center of our efforts and contribute to the sustainable growth of society and the company by solving issues in society.

Make society and its people happy

Key themes

-  **Creating an appealing work style and workplace**
-  **Creating innovation by combining technology with space**
-  **Helping build a carbon-neutral society**
-  **Safeguarding the natural environment and promoting recycling of resources**
-  **Responsible procurement in both human rights and environmental terms**

Make the company and its employees happy

Key themes

-  **Safeguarding employee mental and physical health**
-  **Support employee growth**
-  **Creating offices that allow diverse human resources to excel**
-  **Sustainably improve profitability**
-  **Ensuring transparent, reliable management**

Materiality identification process until now

The items of materiality that had been in place since 2018 were based on ISO 26000 and other international guidelines, social issues, and also hearings 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

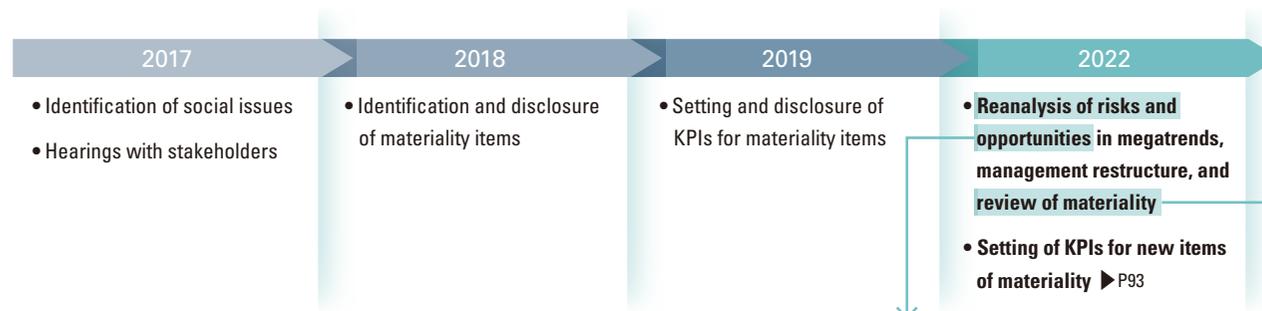
and identify them.

A workshop of mainly young employees was organized to draw up a list of KPIs for specific items of materiality and progress on achieving them had been reported periodically in the context of short-term (three years) and medium-term (2030) timelines.

Review of materiality

The COVID-19 pandemic has largely transformed the way people work and social issues have changed over the years, highlighted by the growing importance of human capital, DX, and climate change action. Given these circumstances, in 2022 we undertook a review of our items of materiality.

As part of the examination process, we engaged in dialogue with the management team and organized the items into two broad groups based on the aims of “making society and people happy” and “making the company and its employees happy.” We also reexamined the corresponding KPIs. Going forward, we plan to reassess the items on a periodic basis.



	Megatrends	Risks	Creation of opportunities
Economic uncertainty	<ul style="list-style-type: none"> Responding to pandemics Promotion of workstyle reforms Supply chain disruptions 	<ul style="list-style-type: none"> Earnings deterioration triggered by near-term demand weakening or fluctuations Profit decline stemming from intense price competition with competitors Decline in growth and profitability caused by weaker-than-expected market demand for new products and technology Higher prices for steel, crude oil, and other raw materials 	<ul style="list-style-type: none"> Developing high value-added products and services
Climate change and Ecosystem conservation	<ul style="list-style-type: none"> Acceleration in decarbonization movement due to global warming concerns Responding to changes in ecosystems owing to global warming Calls for efficient and cyclical use of resources Growing awareness of the need for less plastic in society 	<ul style="list-style-type: none"> Frequent occurrence of torrential rain and other disasters Severed supply chains owing to climate change Increase in costs for complying with tighter CO₂ emission regulations Reputational damage and earnings deterioration from slow response to environmental issues Network outage caused by a natural disaster or other contingency 	<ul style="list-style-type: none"> Creating new value in workplace environments Increasing opportunities for various work style proposals and consulting Expanding sales of environmentally friendly products Building appealing companies through proactive efforts on diversity and workstyle reforms
Demographic changes	<ul style="list-style-type: none"> Advent of Japan's super-aged society Total population and working population declines Gravitation to urban centers 	<ul style="list-style-type: none"> Decrease in sales of existing products due to diversification of working styles Tougher competition to secure human resources 	<ul style="list-style-type: none"> Expanding sales of products and services that help reduce manpower and boost efficiency
Technological innovation	<ul style="list-style-type: none"> Advancement of IoT Utilization of AI Arrival of a DX-driven society 	<ul style="list-style-type: none"> Decline in competitive advantage owing to shortage of IT workers Cyber security threats 	<ul style="list-style-type: none"> Generating new value for working environments with technology
Labor and human rights	<ul style="list-style-type: none"> Growing calls to respect human rights 	<ul style="list-style-type: none"> Human rights issues, such as harassment within and outside the company and long working hours Supply chain disruptions caused by supplier inaction to address human rights risks 	<ul style="list-style-type: none"> Establishing a competitive advantage by acquiring technology

10 items of materiality

Value chain

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

	R&D	Procurement	Production	Transportation	Sales	Distribution	Disposal & recycling
Initiative	<p>Leading-edge technology research</p> <p>We conduct research of next-generation workstyle and workplaces, as well as knowledge-building environments, plus applied research in cutting-edge digital technology, such as IoT, AI, and data analysis, for the purpose of realizing these concepts. We develop smart offices to support workstyle reforms and DX, as well as home office technology and design products.</p>	<p>Sustainable procurement</p> <p>Group-wide efforts are made to strengthen supply chains to ensure stable procurement. The procurement practices of not only Itoki, but also our business partners, take into account human rights and the environment, based on the Itoki Group Sustainable Procurement Guidebook.</p>	<p>Customer-oriented manufacturing</p> <p>We apply our own process FMEA methodology to focus particularly on changes in people, equipment, materials, and methods in the manufacturing process. We make capital investments, use state-of-the-art technology in our manufacturing techniques, and provide products of a reliable quality.</p>	<p>Energy savings in product transportation</p> <p>We save energy by promoting modal shifts, the direct shipment of containers to and from overseas, and the use of "milk runs" (mixed loads from various suppliers), as well as joint deliveries with industry peers in some regions. We also recommend that our transport/delivery contractors attend eco-driving training sessions run by many of the prefectural trucking associations.</p>	<p>Japan-wide sales network</p> <p>Together with our sales agents, we have a structure in place to deliver products and services to customers nationwide. We hold different types of training sessions to develop frontline sales staff and we also share knowledge and information via our website.</p>	<p>Safe, reliable, and precise delivery</p> <p>Our delivery management and logistics systems have enabled us to establish a system under which we can reliably deliver products efficiently and on time. We also contribute to a reduction in environmental impact through joint deliveries with industry peers, the adoption of hybrid trucks, and improvements in transportation efficiency.</p>	<p>Evolution of possibilities in recycling and reuse</p> <p>We meticulously sort factory waste according to material type and choose contractors capable of utilizing waste as raw materials or valuable resources. We also offer subscription services and encourage the reduction of waste mainly by setting up schemes to send donations of used furniture overseas.</p>
Value created	<ul style="list-style-type: none"> • R&D that leverages ergonomics and data sciences to improve productivity • New value for working environments with the use of innovative technology • Developments in the field of smart technology and ICT for implementing DX • Environmentally friendly materials and products 	<ul style="list-style-type: none"> • Sustainability-oriented supply chain networks in terms of human rights and the natural environment • Components procured with a focus on safety and reliability 	<ul style="list-style-type: none"> • Highly functional products of a safe and reliable quality produced with advanced manufacturing technology • On-time deliveries owing to proper production management 	<ul style="list-style-type: none"> • Environmentally friendly transportation • Efficient and reliable delivery based on a delivery management system 	<ul style="list-style-type: none"> • Strong cooperative framework with sales agencies • Customer service capabilities powered by Group-wide collaboration • Products and services to support the new workstyle of customers • Creating healthy workplaces for everyone, both mentally and physically 	<ul style="list-style-type: none"> • Environmentally friendly transportation • Efficient and reliable delivery based on delivery management and logistics systems • Reduction of environmental impact through reduction and recycling of packaging materials 	<ul style="list-style-type: none"> • Products and services that contribute to a recycling society
Corresponding item of materiality	<ul style="list-style-type: none"> Creating innovation by combining technology with space Safeguarding the natural environment and promoting recycling of resources 	<ul style="list-style-type: none"> Safeguarding the natural environment and promoting recycling of resources Responsible procurement in both human rights and environmental terms 	<ul style="list-style-type: none"> Helping build a carbon-neutral society Responsible procurement in both human rights and environmental terms 	<ul style="list-style-type: none"> Helping build a carbon-neutral society 	<ul style="list-style-type: none"> Creating an appealing work style and workplace 	<ul style="list-style-type: none"> Helping build a carbon-neutral society 	<ul style="list-style-type: none"> Helping build a carbon-neutral society Safeguarding the natural environment and promoting recycling of resources

CAPITALS

XORK FLOOR MAP

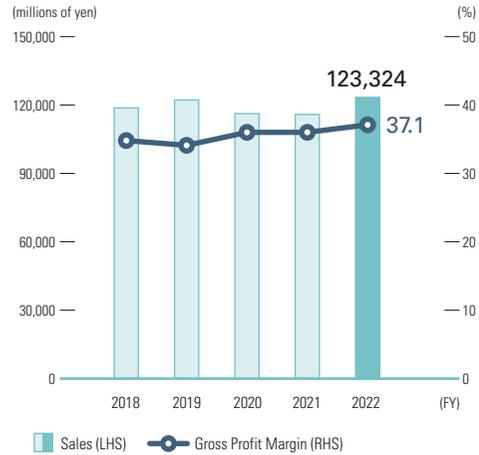


25 Financial highlights	32 Manufactured capital
27 Financial strategy	32 Intellectual capital
31 Financial capital	33 Social and relationship capital
31 Human capital	33 Natural capital

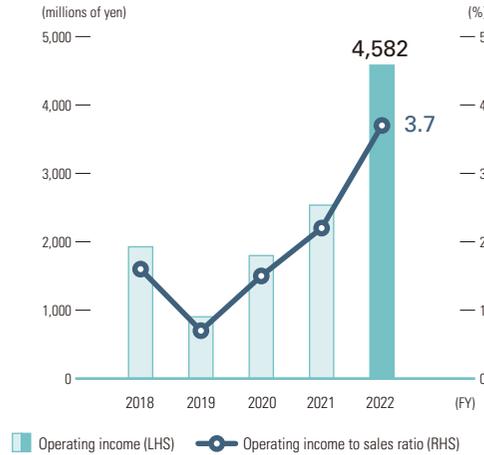
Financial highlights (fiscal year ending December 31, 2022)

Earnings

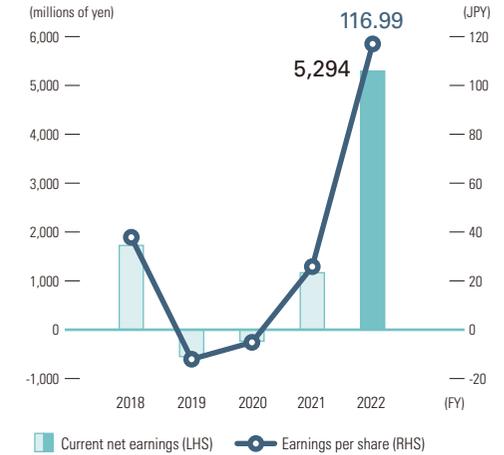
Sales/Gross profit margin



Operating income/ Operating income to sales ratio



Profit attributable to owners of parent/ Earnings per share



Profitability/Efficiency indicators

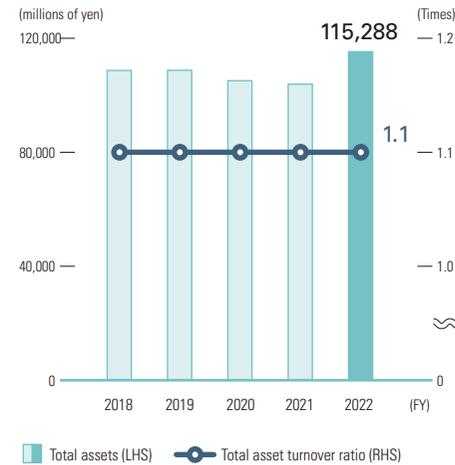
ROE



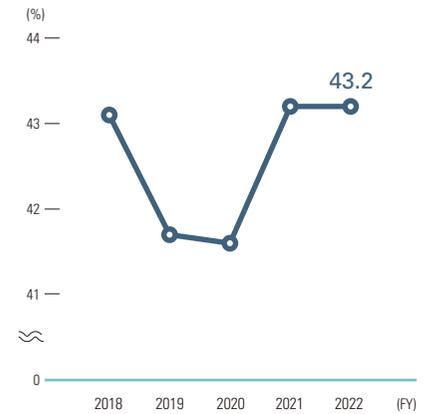
ROA



Total assets/Total asset turnover ratio

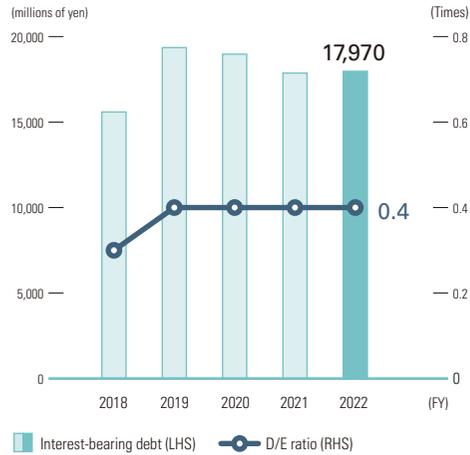


Equity ratio

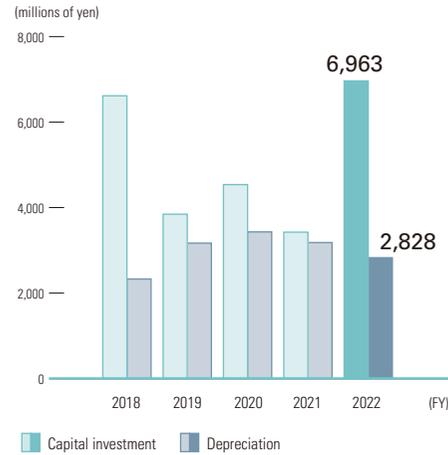


Growth investment

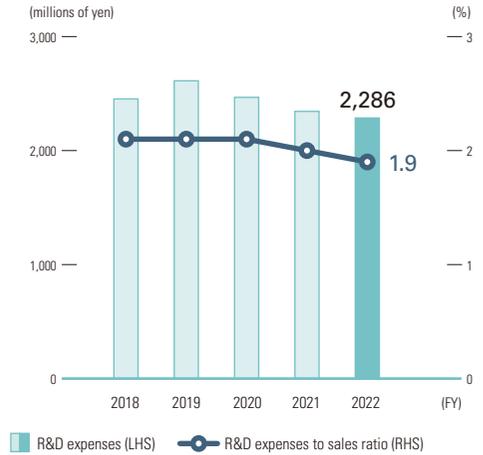
Interest-bearing debt/D/E ratio



Capital investment/Depreciation

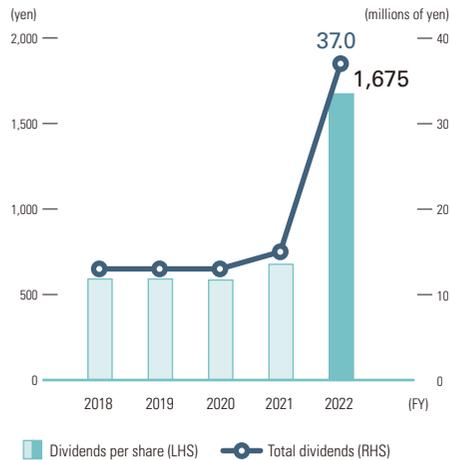


R&D expenses/
R&D expenses to sales ratio



Shareholder returns

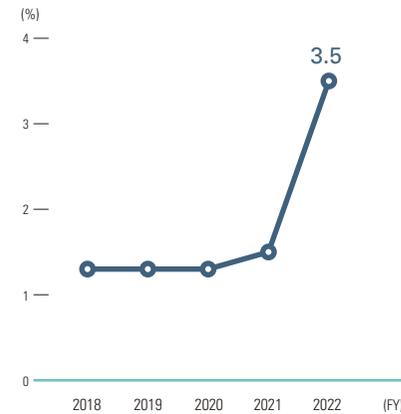
Dividends per share/Total dividends



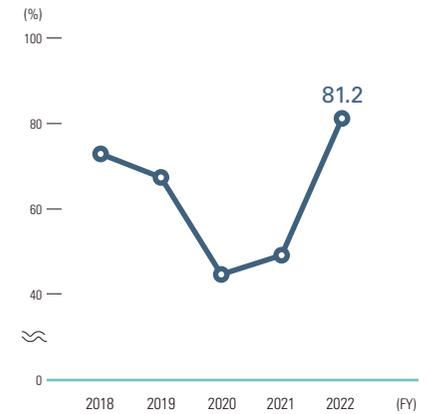
Share buyback total return ratio



DOE



TSR



Financial strategy



Itoki has raised two targets in the medium-term management plan “RISE ITOKI 2023” that started in fiscal 2021: “to fulfill a leading role in creating a post-COVID working environment” and “to become a resilient and highly profitable company.” We are working to achieve an operating income of ¥6.5 billion in fiscal 2023, the final year of the plan.

Yoshiaki Moriya

Director and Managing Executive Officer
General Manager of Administrative Division

Financial strategy in the medium-term management plan “RISE ITOKI 2023”

1. Sales reforms

In fiscal 2022, sales increased due to strong demand for office spaces, including renovations, despite the small number of new buildings completed. In addition, we improved our earning power through sales strategies, and operating income increased by 79% year on year for the second consecutive year. As a result, we were able to improve our earning capacity significantly.

Initiatives related to sales reforms include thoroughly implementing a pricing strategy that provides good products at appropriate prices, reducing burdens through streamlining logistics costs, and controlling SG&A, such as improving sales efficiency of general expenses like sales promotion expenses. In the future, we will continue to strengthen customer contact capabilities by promoting DX, expand sales by acquiring new potential customers, improve profit margins, and acquire operating cash flows.

2. Production and supply reforms

With regard to production and supply initiatives, we further accelerated cost reductions that we had continued since the integration of sales and manufacturing by implementing production system restructuring in a phased manner, including the establishment of the AP Center, a new assembly and production site. We will also continue to reduce costs by pursuing increased production efficiency and responding to rising raw material prices and energy costs going forward.

As for the direction of the Itoki Group’s capital investment, we will make strategic investments in the development of products and services based on the Smart Office Concept in our mainstay workplace business, advancement of the DX required to promote the development, and improvement in production efficiency. In addition, we will work to expand production capacity and productivity in the equipment field, where growth is expected, and aim to further increase our profits.

3. Asset efficiency

As part of our efforts to improve asset efficiency, we are working to reduce total assets with a strong focus on improving ROE and ROIC, as with other structural reforms. In fiscal 2022, we further advanced the sale of cross-shareholdings. We also promoted efficiency mainly in the sale of non-business assets that do not significantly contribute to business earnings; for example, the former factory site in Neyagawa, Osaka Prefecture.

Consequently, we generated extraordinary gains which led to a significant increase in net income for the fiscal year under review. Profit attributable to owners of parent increased by 353.9% year on year, setting a record high, which resulted in further

strengthening our financial base.

On the other hand, we actively implemented the amortization of assets and goodwill mainly of overseas subsidiaries, which had been an issue, and the disposal of old system assets associated with the introduction of ERP in the main unit. By doing so, we reduced the cost burden for the next fiscal year and beyond.

As a result, we increased ROE significantly to 11.1%.

In addition, we substantially improved our cash flows and financial situation to the point where we were practically debt free.

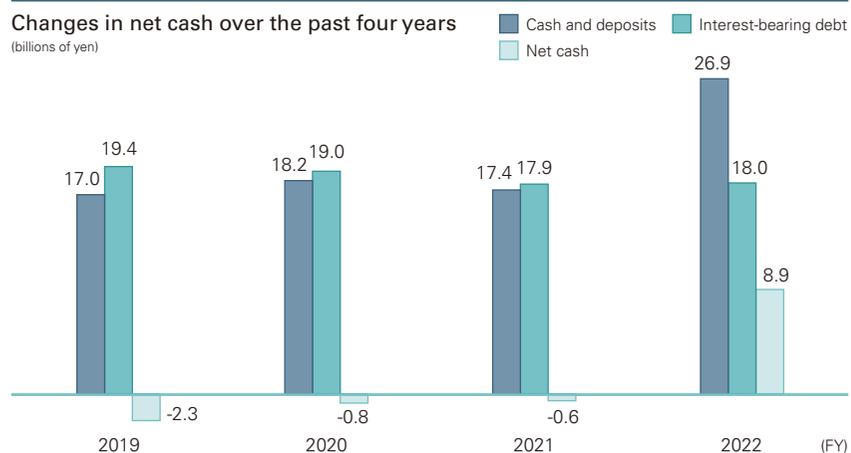
We are working to reduce total assets by streamlining our assets. However, with the cash retained in the form of gains on sale of fixed assets, the total assets at this time appear to be increasing instead. We understand that as the next step we must figure out the ways to utilize the cash in the form of growth investments and shareholder returns as our primary objective.

Based on the financial base improved through the structural reform project, we will invest in the medium- and long-term growth areas and DX promotion within an appropriate scope, strengthen our business portfolio, and enhance shareholder returns.

Cross-shareholdings have been reduced to about half since fiscal 2015 when the Corporate Governance Code was applied. In the future, we will continue to reduce them after judging the rationality of holdings in a comprehensive manner, while making efforts to improve capital efficiency and financial strength.

*Please refer to page 36 for details on structural reforms.

*Please refer to page 82 for details on cross-shareholdings.



Enhancement of shareholder returns

High shareholder returns to date

With regard to returns to shareholders, our basic policy emphasizes the continuous and stable distribution of dividends as a key management measure. In addition, we are implementing a dividend policy targeting a dividend payout ratio of 30% or higher in consideration of our consolidated performance.

In fiscal 2022, we increased the ordinary dividend per share from 15 yen to 17 yen, an increase of 2 yen. Adding a special dividend of 20 yen per share on top of the ordinary dividend made a total of 37 yen per share and a dividend payout ratio of 31.6%.

Furthermore, for fiscal 2023, we intend to increase our annual dividend forecast per share by 8 yen from the ordinary dividend of 17 yen to 25 yen, aiming at the payout ratio of 30.6%.

In recent years, the Company has continued to pay stable dividends without reducing ordinary dividends, even amid difficult earnings conditions. We will continue to implement shareholder returns that benefit all our shareholders, including capital policies such as share buybacks that contribute to the medium- and long-term corporate value, based on the above policy and in comprehensive consideration of factors such as strengthening profitability and financial standings.

	2018	2019	2020	2021	2022
Payout ratio (%)	34.3	N.A.	N.A.	58.1	31.6

*Payout ratio not available for 2019 and 2020 due to the net loss (cash dividends were maintained at 13 JPY per share each fiscal year)

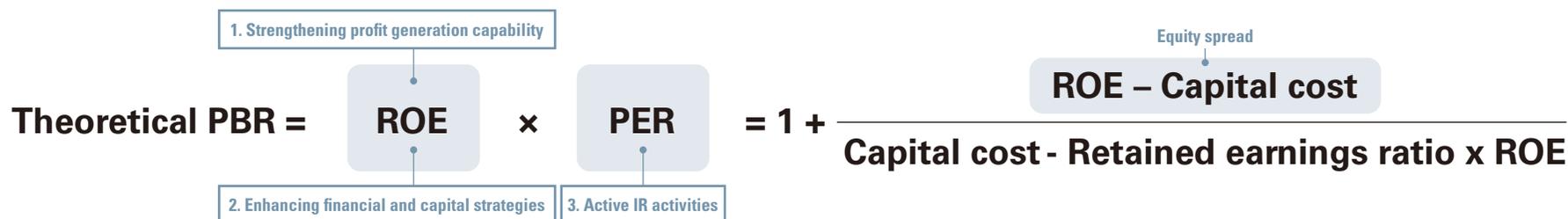
Cost-of-capital-conscious management

The Itoki Group is implementing various structural reforms as part of its medium-term management plan, which ends in fiscal 2023, and is committed to achieving sustainable growth and increasing corporate value over the medium and long term. The Group will work to be in line with the Tokyo Stock Exchange's requirement to improve PBR and further strengthen its earning power while implementing the medium-term management plan. At the same time, the Group will steadily implement measures to improve capital costs, including capital policies, and a timely and appropriate disclosure of information mainly of ESG. These measures will help to improve the equity spread (ROE- capital cost) as well as PBR.

Specifically, we will improve profitability by strengthening our capability to generate profits through our growth strategy and reduce total assets by strengthening our financial and capital policies. We will also actively implement IR activities such as strengthening the communication of our equity story of PER which is multiplied by ROE in the formula of "theoretical PBR."

Financial strategy (cost-of-capital-conscious management)

While working to further strengthen its earning power, the Group will steadily implement measures to improve capital costs, including capital policies, and a timely and appropriate disclosure of information mainly of ESG. These measures will help to improve the equity spread (ROE - capital cost) as well as PBR.



1. Strengthening profit generation capability

1-1 Execution of sustainable growth strategy realized by Tech × Design

- Securing a regrowth trajectory by shifting and expanding business areas of core businesses
 - Market expansion by proposing next-generation offices based on the Smart Office Concept
 - Strengthening earning power by expanding sales resources and promoting new sales activities utilizing DX
- Early development of business fields that will become the second pillar
 - Business expansion by strengthening the equipment business for research and logistics facilities and other promising businesses

1-2 Enhanced structure to evolve into a highly profitable company

- Cost optimization through supply chain reforms starting with the new manufacturing site (AP Center)
- Improving management efficiency by promoting operational process reforms and digitalization accompanying the renewal of core systems

	ROE	Profitability $\frac{\text{Net income}}{\text{Sales}}$	Asset efficiency $\frac{\text{Sales}}{\text{Net assets}}$	Financial leverage $\frac{\text{Total assets}}{\text{Net assets}}$
2023 (target)	7% or higher	—	—	—
2022	11.1%	4.2%	1.13×	2.3×
2021	2.6%	1.0%	1.11×	2.3×
2020	(0.5)%	(0.2)%	1.09×	2.4×

2. Enhancing financial and capital strategies

- Promotion of asset efficiency and effective use, including disposal (e.g., sale) of non-business assets
- Reduce cross-shareholdings
- Stable dividends and shareholder returns targeting a dividend payout ratio of 30% or higher
- Examining capital policies such as share buybacks after comprehensive consideration of the market, stock price situation, the Company's business performance, cash position, etc.
- Focusing more on human capital investment, considering the strengthening of human resources as a source of value creation

3. Active IR activities

- Eliminating information asymmetry with investors by expanding and improving information disclosure
- Strengthening communication of equity stories through active interviews with investors
- Strengthening dissemination of human capital investment and sustainability business models through ESG briefings and website disclosure
- Quarterly disclosures, including English versions, and enhancement of IR materials
- Renewal of the website and IR site both in Japanese and English
- Improving external communication capabilities by leveraging digital tools, etc.
- Eliminating the investor expectations gap by sharing the information on IR activities within the Company

Financial strategy (responsible dialogue with stakeholders)

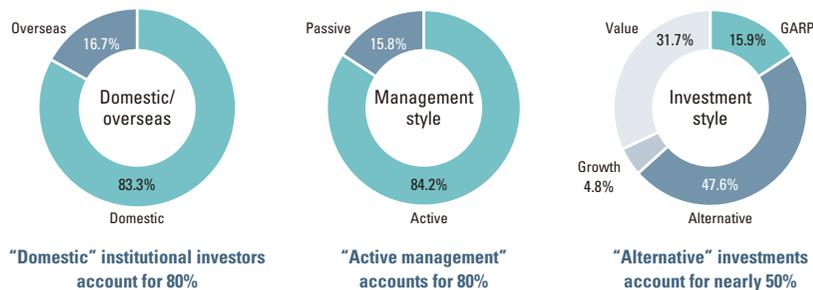
Status of interviews (total number held this year)

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

Main responders

Interviews with investors	Public Relations & IR Manager, IR Section Manager
Conferences sponsored by securities companies	President
Small meetings	PR & IR General Manager, IR Section Manager
Financial results briefings	President, Director and Managing Executive Officer
Business briefings	Managing Executive Officer

Interview summary



Main Themes and Shareholder Interests

- Explanation on firm forecasts for the office market, new building/renovation projects, future market environment, and the Company direction
- Future office spaces, improvement of well-being and productivity
- Business model strengths and characteristics
- Leadership status under the new management system
- Factors behind the rapid growth in profitability
- Expectations for a unique business model (Office 3.0) related to DX within the office industry

Feedbacks to management

	Frequency	Reporting Method	Content
Comments from investors and analysts	Each time	E-mail	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	Each time	E-mail	Report analysis of market conditions, our stock price, trading volume, etc., via e-mail.
Analyst report summary	Each time	E-mail	Summarize analyst reports issued by securities companies, and report via e-mail, etc.
Quarterly IR status report	Quarterly	E-mail	Report quarterly priority elements and issues as well as next quarter’s IR initiatives via e-mail, etc.

Initiatives

Request	• Would like to see more information disclosure to deepen the corporate analysis.
Response	• Plan to disclose materials explaining the details of business models. • Create a sponsored report on business models.
Request	• Would like you to plan a tour of Nihonbashi XORK (showroom and office).
Response	• Implement the tour in May 2023 in conjunction with Orgatec Tokyo.
Request	• Would like you to plan a small meeting with President & Representative Director Minato as a speaker.
Response	• Implement the meeting after the first quarter financial results.

Financial capital



Total assets
115,288
million yen

Equity ratio
43.2%

Free cash flow
10,427 million yen

Foundation for value creation

A sound financial foundation is essential for sustained business growth. The Itoki Group continues to improve asset efficiency through structural reform projects while increasing cash flow generating capacity of each business, which leads to further growth.

The company is taking proactive steps to improve asset efficiency and effective use, such as reducing its cross-shareholdings and selling non-business assets.

Human capital



Number of group employees

3,793

First-class architects

24

First-class building operation and management engineers

50

Certified facility managers

107

Diverse human resources

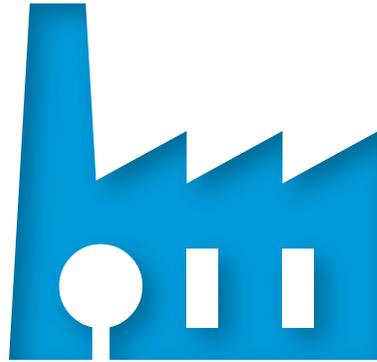
As the workstyle is changing significantly, the source of corporate competitiveness is its human resources. As of December 31, 2022, the Itoki Group had 3,793 employees. To further accelerate our transformation and growth, we are working to acquire and develop people with diverse experiences, abilities, and ideas, as well as creating a corporate culture where all employees can work autonomously.

To maximize the performance of each employee, we are implementing various measures, including introducing Clifton Strengths[®]*, promoting diversity and inclusion awareness through initiatives such as the Ally Declaration, and developing professional human resources who can contribute to realizing our vision and strategies.

[Scope] • First-class architects, First-class building operation and management engineers, Certified facility managers: Itoki Corporation on a non-consolidated basis
• Others: The whole Itoki Group

*Trademark of Gallup, Inc.

Manufactured capital



Overseas

1
plant

Domestic

11
plants

Capital expenditure

7.0
billion yen

Advanced manufacturing technology that creates added value

The Itoki Group has one overseas and 11 domestic plants as manufacturing facilities. The Group constantly pursues added value increase and thorough QCD (quality, cost, and delivery) through high-level manufacturing technologies that fully utilize the know-how, improvement activities, and advanced technologies cultivated over many years.

In October 2022, we established a new AP (Assembly Process) Center in the Shiga Area. This plant specializes in final assembly and inspection processes, allowing us to shorten the production process, reduce costs, shorten lead times, and respond more flexibly to customer requests.

Intellectual capital



R&D expenses

2.3
billion yen

Number of patents held*

764

Innovation to create competitive advantage

Enhancing our R&D capabilities and securing competitive advantages are essential to creating new value sustainably. We are strengthening our R&D capabilities for the offices of the future, such as workstyle, new materials, DX, and new production technologies by leveraging our innovation based on foresight, inherited from the DNA of our pioneering spirit, and abundant data accumulated through research, trial production, and experimentation.

Intellectual property created through research and development is a key management resource and a source of future corporate value. As of the end of 2021, we held 764 patents and are actively proceeding the registration of interior designs, which became available for registration in 2020.

[Scope] • Number of patents held: Itoki Corporation on a non-consolidated basis

• Others: The whole Itoki Group

*Number of patents held is as of the end of 2021

Social and relationship capital



Number of suppliers

1,080

Eco-friendly
Number of workplace proposals

316

Mutual development with stakeholders

Cooperation with various stakeholders is essential to providing new value, meeting customers' expectations, and building a deep relationship of trust. As a supplier of products to customers and a buyer of raw materials, Itoki is building a strong relationship with stakeholders, aiming at mutual growth on both sides.

In collaboration with our suppliers, we are promoting sustainable procurement that considers social requests such as environment and human rights. We are also proposing health-conscious and environmentally friendly products, services, and spaces to our customers.

In addition, we are committed to proactively disclosing non-financial targets and information.

Natural capital



Renewable energy consumption

508_{MW}

CO₂ emissions

331,390_{t-CO₂}

Sustainable resource use

Businesses heavily rely on natural capital, including water, soil, air, and diverse living organisms. We need to optimize and maintain the use of natural capital throughout the value chain.

Specifically, to address the urgent issue of climate change, we have been taking steps to meet the target of our mid- to long-term CO₂ emission reduction. In addition to continuing and strengthening our existing energy-saving activities, we have introduced renewable energy facilities at each of our business sites since 2009.

We also contribute to a sustainable global environment by reducing the environmental impact of our business activities from various perspectives of natural capital, including water resources, biodiversity, and resource recycling.

[Scope] • Number of suppliers and eco-friendly workplace proposals: Itoki Corporation on a non-consolidated basis
• Others: The whole Itoki Group

STRATEGY

COORDINATE

35 Business strategy

- 35 Progress of medium-term management plan
- 39 Overseas strategy
- 40 Overview of three business segments
- 41 Workplace business
- 43 Equipment & public works-related business
- 45 IT & sharing business

Business strategy Progress of medium-term management plan

Overview of medium-term management plan

Driven by the catch phrase of RISE ITOKI 2023, the Itoki Group is currently working towards achieving the goals set out in the medium-term management plan ending in fiscal 2023.

With workplace environments in society on the cusp of a major turning point after fighting the COVID-19 pandemic, we now have the opportunity to contribute to the building of “working environments” in a much broader sense. 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. In this operating environment, (1) strong profitability based on a resilient nature and (2) leading the creation of working environments in the post-COVID era, are the two aims of our medium-term management plan. To that end, we will evolve into a company that continuously generates and delivers immeasurable value.



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

Management targets (consolidated KPIs)

	FY2022 (performance)	FY2023 target (initial)	FY2023 target (revised Feb 13, 2023)
Sales	¥123.3bn	¥133.0bn	¥130.0bn
Operating income	¥4.5bn	¥6.0bn	¥6.5bn
Operating income margin	3.7%	4.5%	5.0%
Ordinary profit	¥4.1bn	¥5.9bn	¥6.5bn
ROE	11.1%	Above 7.0%	Above 7.0%

Review of FY2022

In fiscal 2022, the second year of our medium-term management plan, we continued to take concrete measures to review the structural reform project we launched through a business alliance with Advantage Advisors.

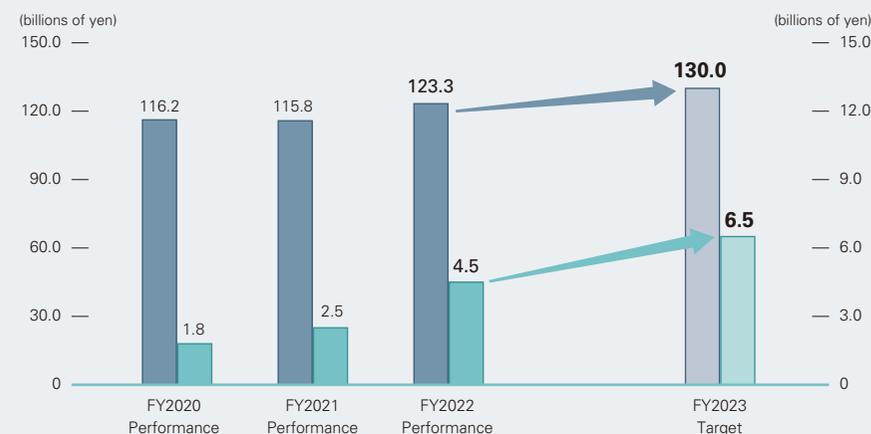
In particular, we endeavored to expand sales and profit mainly by proposing new work style and workplaces and stepping up sales activities with an emphasis on value enhancement for the purpose of achieving strong profitability based on a resilient nature and leading the creation of working environments in the post-COVID era.

The supply of newly constructed office buildings in the greater Tokyo area in 2022 was relatively low compared to the last few years, but buoyed by the diversification of working environments, investments in workplace construction projects, including refurbishments, increased overall in anticipation of a post-COVID business climate.

Taking into account this demand growth and the results of our structural reforms, we reviewed our numerical targets for fiscal 2023, the final year of the medium-term management plan, and revised our consolidated earnings forecasts. Specifically, we raised our initial operating income and ordinary profit targets to ¥6.5 billion from ¥6.0 billion and ¥5.9 billion, respectively.

Consolidated sales and operating income

■ Sales (LHS) ■ Operating income (RHS)



What we aim to achieve **1** Progress on structural reform project to achieve strong profitability based on a resilient nature

Since the start of the project in 2020, the operating income margin has increased every year and the benefits of the various measures we have implemented thus far are clearly evident. Fiscal 2023 is the final year of the medium-term management plan and as a culmination of our efforts over the past three years, we will continue to steadily build on our achievements to shore up the company's foundation and capabilities and set our sights on achieving the next set of measures at the earliest possible time.

Measures (by department)	Outcomes	Next measures
1 Sales reform	<ul style="list-style-type: none"> Greater earnings power by virtue of high value-added proposals Bigger and better consulting services Optimization of delivery system Review of performance assessment indicators 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Fully capitalize on the AP Center to lower costs and engage in diversified product production 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
3 Asset efficiency	<ul style="list-style-type: none"> Streamlining and more effective utilization of assets, including the sale and liquidation of non-operating assets Reduction of strategic shareholdings 	<ul style="list-style-type: none"> Further streamline assets throughout the Group Contribute to improvements in capital efficiency by pursuing the efficient and optimal use of funds
4 Building materials	<ul style="list-style-type: none"> Proposals that link work style/spatial designs to building materials Stronger product development 	<ul style="list-style-type: none"> Undertake work process reforms in the building materials supply chain Normalize production costs and lead times Make product modifications and develop new ones to meet market needs
5 Product development	<ul style="list-style-type: none"> Stronger sales of smart office products Expanded product lineup and improved product development capabilities 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

What we aim to achieve 2 Leading the creation of working environments in the post-COVID era

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.

➔ Visit our website for more information about the Smart Office Concept



Itoki's ABW consulting services

Activity Based Working, or ABW for short, is a new way of working in which the office worker chooses for themselves where, when, and with whom they work in order to be most productive, depending on what activity they are undertaking, whether it be concentrating on something alone, making a phone call, or brainstorming ideas with other people. It is a holistic workplace strategy that enables individual workers to maximize their own discretion, assume a sense of responsibility, and improve their productivity by independently designing their own way of working.

10 categories of activities					
Individual			2-3 people		
High focus Individual work that requires a high level of uninterrupted focus.	Collaborative activities Individual work undertaken in the same location as others with the inclusion of short conversations and questions.	Teleconferences and online meetings Work is physically carried out by the individual through collaboration in a virtual environment.	Pair work Two people work intently on the same thing in close proximity to each other.	Dialogue Two or three people engage in a prearranged or spontaneous discussion.	
Three or more people			Others		
Brainstorming Collaborative activities between three or more people to gain fresh knowledge or develop processes.	Organization of information Planned meeting between three or more people to compile and discuss progress of a plan.	Knowledge sharing Sharing of knowledge in a group of three or more people. Most of the talking is done by a presenter.	Recharging Taking a break from work in order to recharge and reset the mind and body.	Specialized work Technical work that requires special equipment.	

*The 10 categories of activities were developed based on the research of work style consulting firm Veldhoen + Company, the originator of ABW. Itoki has concluded a business tie-up with Veldhoen for the purpose of launching an ABW business.
 ©Veldhoen + Company All Rights Reserved

Benefits of adopting ABW		
Employee satisfaction +10% Rate of improvement in employee satisfaction at companies that have adopted ABW.*1	Productivity agreement +15% Percentage difference in productivity agreement among office workers using multiple working environments when comparing ABW and non-ABW workplaces.*2	Sharing of ideas and knowledge 74% Percentage of ABW environment office workers who answered that at their current workplace they can easily share ideas and knowledge with colleagues.*2
Corporate image +12% Difference between ABW and non-ABW environment office workers who answered that a workplace design has a positive impact on the corporate image held by visitors and potential clients.*2	Organizational flexibility 81% Percentage of ABW environment office workers who answered that their organization's culture supports flexible ways of working.*2	Reduced office costs 10~15% Rate of reduction in office costs at companies that have adopted ABW.*1

*1 Source: Veldhoen + Company
 *2 Source: The rise and rise of Activity Based Working, Leesman, 2017

Approximately **130** Itoki designers (including accredited first-class architect holders): **Spatial planning and design**

Business strategy 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. Based in Singapore, Tarkus employs approximately 200 people. Employees of seven different nationalities work at the head office, which really adds to the international flavor of its operations. Tarkus undertakes interior fit-out projects and repair work of all scopes and sizes and also handles the sale and distribution of Itoki brand office furniture. Going forward, we will look to improve profitability at Tarkus by further strengthening our value propositions to customers based on the strategic rollout of the Smart Office Concept in this region as well.

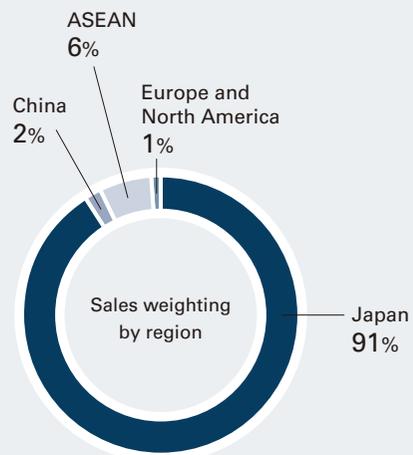
➔ Visit our website for more information about the Smart Office Concept

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.



Business strategy Overview of three business segments

Our business portfolio of three business segments vigorously supports the value creation efforts of our customers: the workplace business supports the creation of working environments; the equipment & public works-related business supports the creation of spaces for, and provision of equipment to, manufacturers, logistics facilities, and public facilities that help deliver social infrastructure; and the IT & sharing business supports workstyle reforms.

Workplace business

¥85.9bn | 69.7%

In the workplace business, we will lead the creation of working environments for the next generation 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 example, products and services to help create places where office workers can work en masse, products that support decentralized working environments, such as home furnishings to facilitate remote work and home learning, and comprehensive survey and consulting services to help client companies develop work style strategies and workplace environments.

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



Consolidated
sales
(FY2022)
¥123.3bn

Equipment & public works-related business

¥35.6bn | 28.9%

In this business, we will contribute to social and economic development by providing safe and appealing products to manufacturers and logistics 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

IT & sharing business

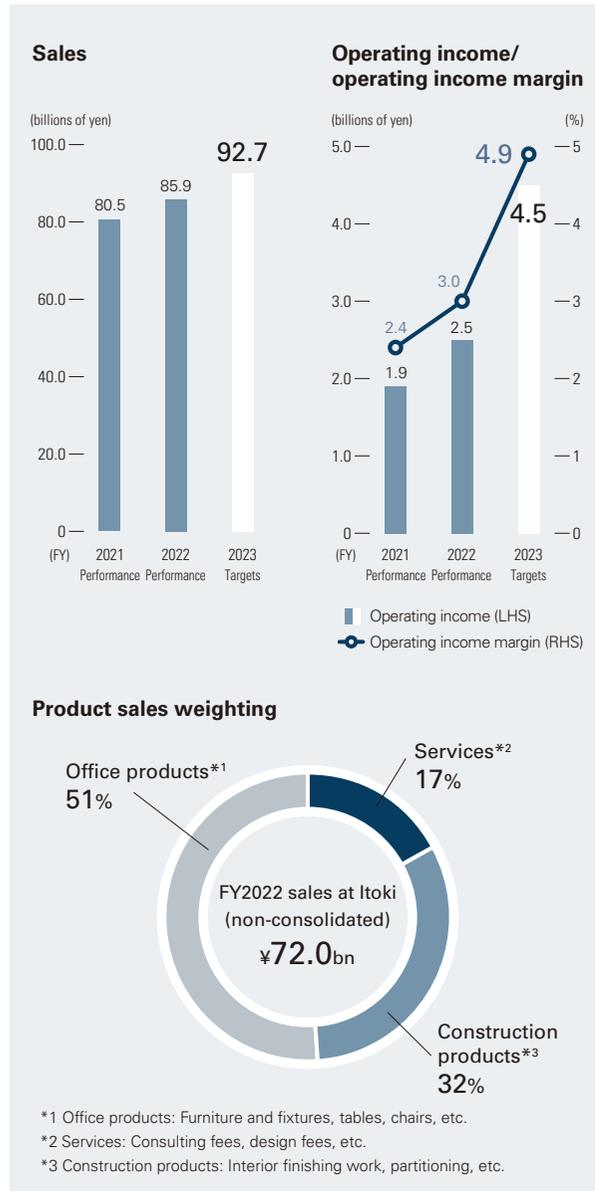
¥1.6bn | 1.4%

In the IT & sharing business, we provide services that support the creation of new value for customers, including ways to drive digital transformation in corporate environments and support for developing human resources in organizations.

Main products and services

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

Business strategy Workplace business



Key points of business strategy

Generating stronger earnings from structural reforms

- Maximizing value provided with stronger branding
- Promoting DX to strengthen systems
- Lowering the CoGS ratio at plants by realizing smart factories
- Cutting costs by beefing up procurement functions

Providing new value based on the Smart Office Concept

- Developing and proposing products and services based on the Smart Office Concept
- Strengthening consulting for our own hybrid work styles
- Launching new consumer product brands

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

➔ Visit our website for more information about the Smart Office Concept

Strengths

- 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

Opportunities

- Increased demand for offices in the post-COVID era (new builds, secondary relocations, renovations, etc.)
- Design of office environments recognized as a management issue
- Widespread understanding of new ways of working with an awareness of well-being, creativity, engagement, and productivity
- Entrenchment of hybrid work styles

Risks

- Higher production cost ratio owing to sky-high raw material prices
- Resurgence of the COVID-19 pandemic

General manager's message

Creating new demand by contributing to the working styles of tomorrow

Naoki Kaze

Workplace Business
Director and Managing
Executive Officer
General Manager of
Sales Division

Leveraging IT and our wealth of practical know-how to contribute to tomorrow's work style

It has been about 50 years since Itoki began making its own furniture, but during that time we have come to amass a lot of practical know-how pertaining to the concept of office furniture from multiple angles, such as the way an office and its furnishings are used, the matching of people with furniture, and the different ways of working.

We are currently advocating our own "office 3.0" concept to propose the most suitable type of office environment based on quantitative data collected with the use of IT applications, but I believe the first signs of this concept emerged from the know-how that we had long accumulated since the time of the company's founding. In the Workplace Business, we want to make full use of IT-driven data analysis based on this know-how to achieve growth by providing products and services useful to the working styles of tomorrow.

Stronger sales in FY2022 mainly driven by large office relocations and renovation projects

Office demand was brisk in fiscal 2022. We were able to secure more orders and generate higher sales, particularly from large office relocations and renovation projects in step with the working style of the so-called "new normal." Even

though prices for raw materials skyrocketed, the impact of stronger sales and our efforts to improve profit margins by changing our sales approach drove sales and operating income higher to ¥85.9 billion and ¥2.5 billion, respectively.

The key change to our sales approach was avoiding the tendency to wage a price war when bidding against competitors. Instead, we are creating more opportunities than ever before for customers to properly assess the value we provide by strengthening our proposals with a focus on the customer's initial objectives; for example, enhancing communication in the organization or creating an office conducive to creative thinking. I believe this has led to the improvement in profit margins.

Targeting FY2023 sales and profit growth on the back of firm office demand

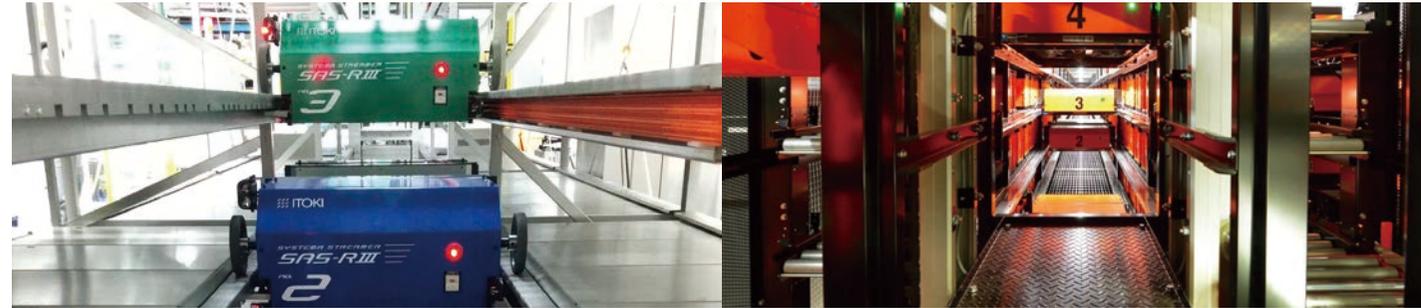
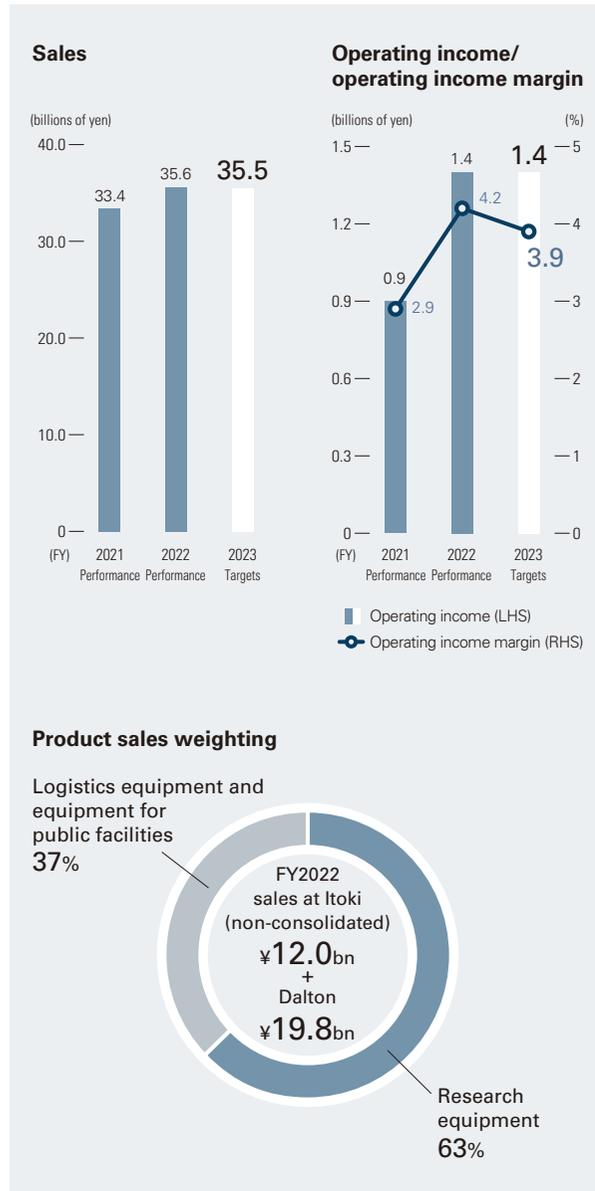
Demand for offices should remain solid in fiscal 2023. Office demand is expected to be brisk, particularly in the Tokyo metropolitan area, Osaka, and Fukuoka, and I believe our respective sales and operating income targets of ¥92.7 billion and ¥4.5 billion look more than achievable.

Whilst demand for refurbishments and new offices is strong, the sales weighting of our traditional mainstay products of steel furniture and cabinets is declining due to the growing uptake of open-plan workspaces and the popularization of remote work.



Our plan is to stay abreast of this trend and ramp up the development of products and services based on our Smart Office Concept of boosting office worker productivity, thereby realizing sustained growth through the creation of new demand.

Business strategy **Equipment & public works-related business**



Key points of business strategy

Logistics facilities: Strengthening product appeal and services through strategic investments

- Reinforcing sales and engineering systems
- Improving production systems with the construction of the AP Center
- Strengthening new product development for our multi-level shuttle automated storage systems

Public facilities: Developing new types of display cases and establishing a profitable supply system

Signage: Improving product functions in view of recovering inbound tourist demand

Special doors: Enhancing design capabilities and expanding supply structure

Research facilities: Strengthening sales skills, product appeal, supply capacity, and after-sales customer service

Strengths

- Long-honed mechatronics technology and customization capabilities
- Systema Streamer SAS-R, a high-speed and compact multi-level shuttle automated storage system
- R&D equipment, for which we hold a high market share, large display cases and other fixtures for public facilities, and special doors

Opportunities

- Workforce reduction and automation in the logistics market
- Post-pandemic recovery in inbound tourism
- Steady investments in R&D in Japan

Risks

- Higher production cost ratio owing to sky-high raw material prices
- Resurgence of the COVID-19 pandemic

General manager's message

Riding the tailwind of less manpower and total automation to expand growth

Tadashi Sawada

Equipment & Public Works-Related Business
Managing Executive Officer
General Manager of
Equipment Division

Targeting business growth to meet labor-saving demand, underpinned by our three strengths

I believe the Equipment & Public Works-Related Business has three technology-based strengths: the electrical controls used in our multi-level shuttle automated storage systems and logistics equipment, sheet metal processing for shelf production, and heavy steel fabrication derived from the technology used in safe door manufacturing. Also, by listening intently to the feedback and needs of our customers, we have continuously made improvements to a product that we first developed more than 30 years ago and the ninth iteration of that product remains a best seller even today.

In recent years, the logistics market has turned its attention to labor-saving measures in order to deal with worker shortages, precipitating the need for increased mechanization and automation. In this business segment, we will strive to expand our operations by creating products that meet customer needs whilst leveraging the aforementioned three technological strengths.

Sharp profit growth in FY2022 driven by strong sales to research and logistics facilities

The Equipment & Public Works-Related Business segment is made up of five businesses: logistics equipment, security systems, equipment for public facilities, special nuclear radiation-shielding doors, and research facility equipment. Fiscal 2022 sales came to ¥35.6 billion and operating income was ¥1.4 billion, reflecting strong sales of logistics equipment and

contributions from large orders secured in the previous fiscal year for mainly science park research facilities. On the other hand, demand for public display cases and digital signage for museums and art galleries was sluggish due to the prolonged impact of COVID-19.

In the logistics equipment business, there is steady demand from e-commerce (EC) distribution centers. In the EC business, the key to differentiation lies in order and delivery systems, in which there is a growing emphasis on speed, including same-day shipping. As such, the functions of logistics centers are becoming increasingly advanced. Armed with the Systema Streamer SAS-R, our high-speed and compact multi-level shuttle automated storage system that we brought to market in 2018, we will endeavor to tap into this demand growth.

Eyeing segment growth from FY2023 onwards on the back of 8% annualized market growth

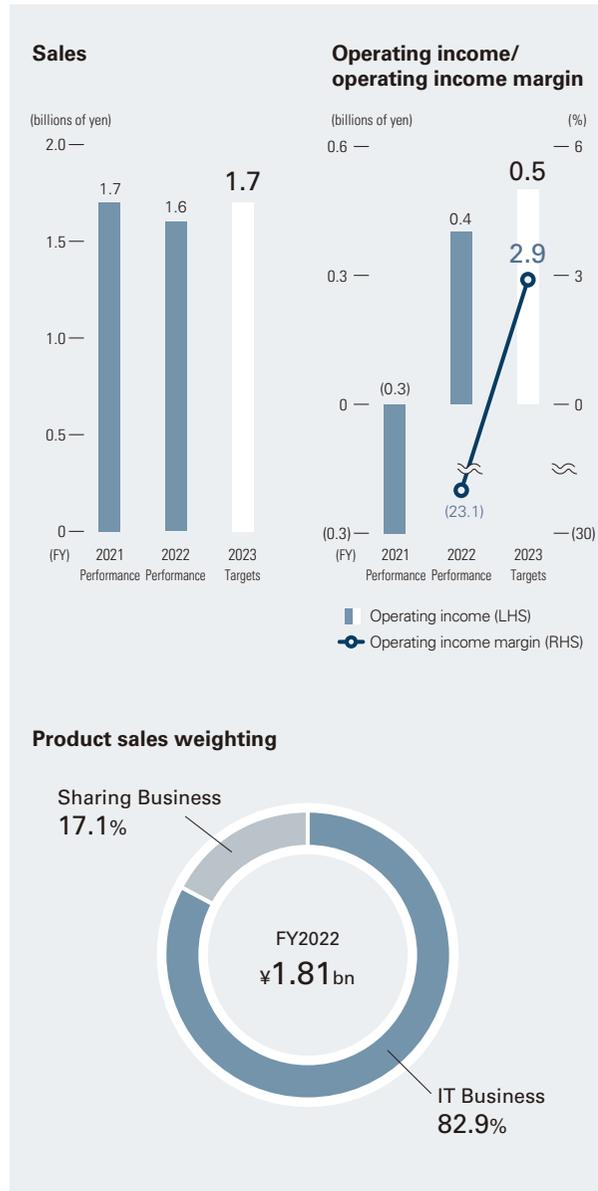
The entire logistics equipment market is said to be worth ¥600 billion and is expected to continue expanding at an annual growth rate of 8% until beyond 2030. Even though we will likely benefit from the tailwind of this demand growth, we anticipate a pullback from the year-earlier equipment orders and sales for a large research facility, so we are forecasting roughly flat fiscal 2023 sales and operating income of ¥35.5 billion and ¥1.4 billion, respectively.

In the medium- to long-term, in order to achieve growth in an expanding logistics equipment market, we intend to



collaborate with other companies in various ways, such as in product development and sales, and also leverage value analysis and value engineering to review and reduce costs from the design stage. Ultimately, we want growth to expand to a point where both the equipment and public works-related businesses become the pillars of their own business segments.

Business strategy IT & sharing business



Key points of business strategy

IT Business

- Developing and selling software under our own brand
- Developing and verifying customer systems
- IT consulting, design, and production

Sharing Business

- Developing subscription services based on office furniture rental
- Supporting the zero-emission measures of customers by applying the 3Rs approach (reduce, reuse, recycle) to unwanted office furniture

Strengths

- IT Business: One-stop IT services encompassing systems development and verification, building, design, and operation of IT infrastructure, help desk services, system audits, packaged software sales, and program analysis
- Sharing Business: Businesses that seek to solve environmental and social issues and create both social and economic value

Opportunities

- IT Business: Practical application of new technologies in business
- Sharing Business: Growth of sustainable and sharing economies

Risks

- Hiring and treatment of IT professionals
- Resurgence of the COVID-19 pandemic

CREATE

SUSTAINABILITY

47 Itoki Group ESG policy

48 E: Environment

- 48 Environmental initiatives
- 49 Preventing global warming
- 51 Implementing the TCFD recommendations
- 53 Manufacturing and space creation
- 54 Effective resource utilization
- 55 Biodiversity conservation
- 56 Chemical control and reduction
- 57 Response to laws and regulations
- 58 Launch of ESG promotion projects

59 S: Social

- 59 Creation of new value through products and services
- 60 Paving the way to the future with research and intellectual property
- 61 Pursuit of improved quality
- 62 Working with value co-creation partners
- 63 Contribution to the community and education
- 64 Human resources strategy
- 65 Support for self-directed career development
- 66 Hiring of diverse human resources
- 67 Internal communication
- 68 Promoting diversity
- 69 Work-life balance
- 70 Respect for human rights and occupational health and safety
- 71 Promoting health management

72 External recognition

73 Non-financial highlights

75 G: Governance

- 76 External director discussion
- 78 Corporate governance
- 83 Board of directors
- 85 Risk management
- 87 Compliance

*For details on our ESG data, see our separate ESG Data Book 2023.
<https://www.itoki.jp/sustainability/environment/communication/pdf/esgdata2023.pdf>

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

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

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.

Governance

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.

Engagement with stakeholders

Stakeholders	Objectives	Main dialogue opportunities
Customers	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.	<ul style="list-style-type: none"> • Daily sales activities • Exhibitions • Customer service center
Dealers	We will build a collaborative system and act as an important partner in terms of delivering value to our customers.	<ul style="list-style-type: none"> • Daily sales activities • Meetings with the presidents of nationwide distributors • Special distributor websites
Suppliers	We will engage in socially responsible procurement activities through interoperation.	<ul style="list-style-type: none"> • Daily procurement activities • Supplier information sessions • Sustainable procurement
Shareholders and investors	We will aim to earn the trust of our shareholders and investors while also improving our corporate value through fair, sound corporate management.	<ul style="list-style-type: none"> • General Meeting of Stockholders • Integrated reports • Investor information sessions
Employees and their families	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.	<ul style="list-style-type: none"> • Personnel evaluations and conferences • Labor-management council • Family tours
Educational institutions and students	We will conduct fair hiring activities. We will create new value through next-generation nurturing—including the acceptance of company visits—and joint research.	<ul style="list-style-type: none"> • Hiring activities • Joint research • Visiting lectures
Communities	We will conduct environmentally and socially friendly business activities to contribute to the formation of better communities as a responsible corporate citizen.	<ul style="list-style-type: none"> • Participating in local activities

Communicating with employees

We have set up a special site on our intranet where we introduce a wide range of both initiatives that are familiar to our employees and measures our departments are taking to help resolve social issues, with the goal of actively facilitating communication related to sustainability.



Environmental initiatives



Helping build a carbon-neutral society

Basic approach

To help achieve a sustainable society that helps embody our vision—“Vibrant People, Beautiful Planet”—the Itoki Group has formulated a Mid-Term Environmental Plan, and we are taking a multifaceted approach that includes decarbonization, biodiversity, and circular economies as we conduct activities throughout our supply chain. In response to environmental issues that include climate change, water shortages, resource depletion, and the loss of biodiversity, we will continue to take steps to reduce the environmental impact of our business activities in all areas and thus help promote sustainable development in order to protect the earth’s future.

Environmental policies

The Itoki Group has established both the Itoki Group’s Environmental policies—guidelines for all environmental activities—and specific Behavioral Guidelines, and we share these both within our Group and with our suppliers as we conduct environmental conservation activities.

➔ For details on our environmental policies, please see our website.

External initiatives

The Itoki Group actively participates in climate change initiatives. More specifically, we have expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD), responded to the Carbon Disclosure Project (CDP), expressed our support for the Japan Climate Initiative (JCI), taken steps to ensure that we disclose sufficient information, and otherwise done what we can to promote better climate change countermeasures.



Mid-Term Environmental Plan

We have formulated a three-year Mid-Term Environmental Plan based on the Long-Term Environmental Plan for the period up through 2050, and our entire group is collectively conducting environmental activities. In addition, based on our Mid-Term Environmental Plan, we have identified risks and opportunities inherent in our activities based on

our business process and set single-year environmental targets based on the results of our materiality analysis, and we are now conducting more focused activities. In this way, we will pursue improvement activities to continue helping to achieve a sustainable recycling society.

FY2022 environmental targets and results

★★★ 100% or more ★★ 80% to 99% ★ Less than 80%

Company-wide environmental goals	Targets	2022 targets	Results	Progress	
Global warming prevention	Supply chain emissions (Scope 1 + 2 + 3)	CO ₂ emissions reductions	Reduction of 9% over 2013	Increase of 25% over 2013	★
	Scope1+2	CO ₂ emissions reductions	Reduction of 21% over 2013	Reduction of 34% over 2013	★★★
	Scope1	Direct emissions from business CO ₂ emissions (fuel) reductions	Reduction of 17% over 2013	Reduction of 29% over 2013	★★★
	Scope2	Indirect emissions from business CO ₂ emissions (electricity) reductions	100% renewable energy in independent Itoki plants by 2025	5% renewable energy	—
	Scope3-4	CO ₂ emissions (shipping and logistics) reductions	Reduction of 3% over 2013	Reduction of 15% over 2013	★★★
Biodiversity conservation	Development, design, and sales of environmentally-friendly products	Improvement of environmentally-friendly products through assessments	Implementation of product assessments	★★★	
		Promotion of sales of environmentally-friendly products	Sales of GREENGUARD-certified products	★★★	
Efficient resource usage	Industrial waste product reductions		Reduction of 1% over previous year (intensity)	Reduction of 13% over previous year (intensity)	★★★
	Promotion of industrial waste product recycling		Industrial waste product recycling rate of at least 99.5%	Industrial waste product recycling rate of 99.6%	★★
	General waste product reductions		Reduction of 1% over previous year (intensity)	Reduction of 15% over previous year (intensity)	★★★
	General waste product recycling rate		General waste product recycling rate of at least 80%	General waste product recycling rate of 85.3%	★★★
	Water usage reductions		Reduction of 1% over previous year (intensity)	Reduction of 15% over previous year (intensity)	★★★
Hazardous chemical control and reduction	Reductions in substances requiring reporting under the PRTR system		Reduction of 7% over 2015 (intensity)	Reduction of 44% over 2015 (intensity)	★★★
Pollution prevention	Waste water standard compliance (including voluntary restrictions)		Waste water standard compliance (including voluntary restrictions)	Compliance rate of 100%	★★★

*The method for calculating CO₂ emissions was changed in FY2022. For details, see p. 49.
 *Starting in FY2022, the data additionally includes one overseas Group company to cover Itoki Corporation, 13 Group companies in Japan, and two overseas Group companies.
 *For FY2021 and earlier, the data includes Itoki Corporation, 13 Group companies in Japan, and one overseas Group company.
 *In FY2022, the method for calculating Scope 1 city gas emissions was changed so that the CO₂ emissions are calculated after normal conversion.
 *Since FY2022, Scope 2 electricity emissions have been calculated according to the market-based method.
 *In FY2022, the method for calculating Scope 3-1 emissions was changed to a more sophisticated method, and the calculation range—which originally included only catalog products—was expanded to include special-order products as well.
 *In FY2022, the method for calculating Scope 3-2 emissions was reviewed in terms of target department businesses.
 *In FY2022, the method for calculating scope 3-4 emissions (shipping and logistics) was reviewed and changed to the improved ton-kilometer method.
 *In FY2022, the method for calculating Scope 3-6 and Scope 3-7 emissions was reviewed and changed to a method based on the payment amount in the case of some companies.

Preventing global warming



Helping build a carbon-neutral society

Basic approach

Global warming is forcing us to reconsider our socio-economic activities and lifestyles to get away from mass production, mass consumption, and mass disposal, and it is also increasingly recognized as an urgent issue that companies need to address to help protect the global environment. Based on this thinking, the Itoki Group has declared its intention to achieve carbon neutrality by 2050. To achieve this target, we are conducting CO₂ emission reduction activities that cover all of our processes, including procurement, manufacturing, sales, transportation, and disposal.

Long-term CO₂ emission reduction targets for 2030 and 2050

To help achieve a carbon neutral society by 2050, the Itoki Group is promoting the reduction of all Scopes of emissions.

Based on overall Scope emissions according to the GHG Protocol, our targets are to achieve carbon neutrality by 2050, as well as a 50% reduction in Scope 1 and 2 emissions and a 30% reduction in all emissions, including Scope 3, over FY2013 levels by 2030.

To achieve these targets, we have formulated both the three-year Mid-Term Environmental Plan and single-year targets. In addition, we promote the use of recycled materials as well as recycling, and we contribute to

FY2022 KPI and performance

Reduction of CO₂ emissions (Scope 1 to 3)

FY2022 target

9% reduction
over FY2013 levels

FY2022 performance

25% increase
over FY2013 levels

decarbonization in the product field, including the development of environmentally-friendly products. Furthermore, we pursue decarbonization initiatives in our manufacturing and selling processes, including promoting energy saving, introducing renewable energy, and conducting logistics with a reduced environmental impact.

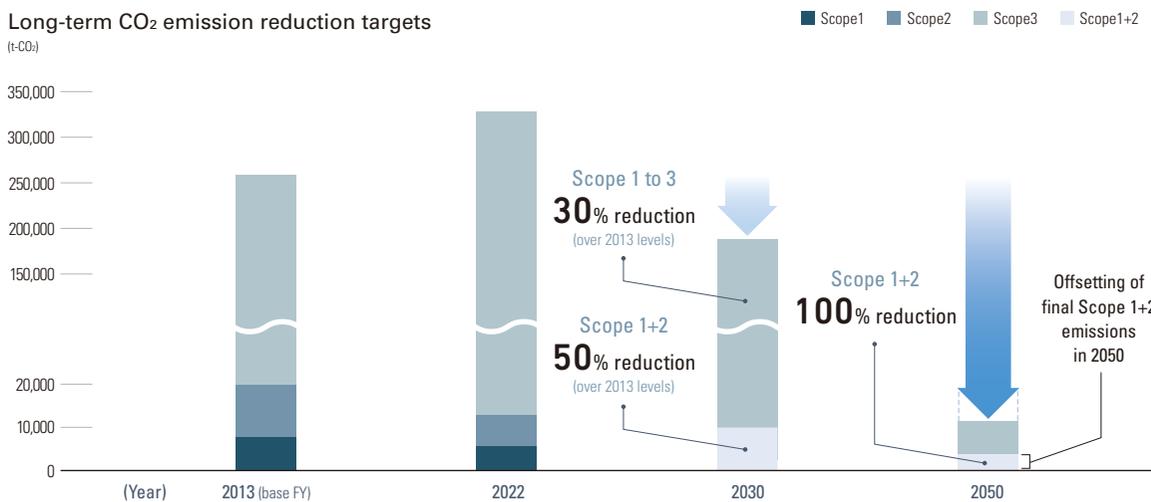
We will work with our customers and suppliers to reduce CO₂ emissions throughout the product lifecycle, thereby achieving the Itoki Group's plan and doing our part as a company to help achieve a sustainable decarbonized society.

FY2022 performance

To help prevent or mitigate global warming, of the six types of greenhouse gas (GHG) emissions, the Itoki Group is focusing on reducing the emissions of CO₂, the most common one.

In FY2022, our CO₂ emissions increased by 25%, whereas our target was to reduce emissions by 9% (over FY2013 levels). This was due to the addition of another Group company to the target scope as well as the increased sophistication of Scope 3 data. In the future, based on our Mid-Term Environmental Plan, we will implement the planned introduction of energy-saving equipment, use power derived from renewable energy sources to improve our renewable energy rate, consider the environment throughout our value chain, and actively promote business that contributes to decarbonization in an effort to both revitalize our Group's overall activities and promote the further reduction of CO₂ emissions.

Long-term CO₂ emission reduction targets (t-CO₂)



Scope calculation standards

To gain a better understanding of our Group's overall emissions from activities and to calculate those emissions more precisely, starting in FY2022, we reviewed our calculation range, expanded the scope of our calculation data, and reviewed our calculation conditions. As a result, the emissions we became aware of have increased.

In addition, regarding our FY2022 Scope 1 and 2 data, we obtained third-party verification from KPMG AZSA Sustainability Co., Ltd.

Preventing global warming



Helping build a carbon-neutral society

Main initiatives by our manufacturing department

In response to changes in office trends in recent years, including the digital transformation of offices and their transition to paperless approaches, the Itoki Group has been shifting from products made up of a variety of materials, forms, and technical elements to a system that keeps down costs while flexibly manufacturing and supplying products. To do this, we have been consolidating and reorganizing our distributed manufacturing lines to improve our productivity. As part of these efforts, we reorganized our manufacturing operations in the Kansai region and opened a new AP center in September 2022, and we are promoting environmentally-friendly manufacturing activities.

In addition, at our manufacturing plants, we are switching our lights to LEDs and promoting the introduction of low-temperature coating to improve our energy efficiency. We have also introduced an on-site PPA solar power system, and we are promoting both the saving of energy and renewable energy to further contribute to CO₂ reduction.

Example: Introducing renewable energy equipment at our AP center

At our AP center, which was completed in September 2022, we installed a PPA-based solar power system to cover the assumed annual power consumption of plant operation, and full-scale operation started in February 2023. This will help to improve the renewable energy rate of our Kansai plant (Shiga).



Solar panels installed on the AP center roof

Logistics initiatives

As a company that outsources the transportation of over 30,000,000 tons of cargo, Itoki collaborates with its logistics contractors, suppliers, and customers to actively review its product transportation methods in an effort to reduce the corresponding environmental impact. We are continuing to work on reducing our CO₂ emissions resulting from transportation, such as by switching from truck-based transportation to marine container transportation or JR container transportation and by using hybrid trucks at certain centers, all of which offer lower CO₂ emissions.



Group-wide initiatives

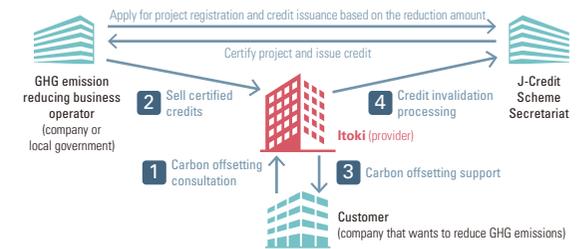
To achieve its Group-wide Mid-Term Environmental Plan, the Itoki Group is implementing environmental improvement measures in line with the specific business of each company, including switching to LED lighting at plant facilities, reducing the amount of energy used for the coating process, abandoning the use of company cars, and switching contractual power to power derived from renewable energy sources.

Initiatives throughout the supply chain

Given that most of the Itoki Group's CO₂ emissions are Scope 3—particularly Category 1—it is essential for us to collaborate with our suppliers to reduce these emissions. We have been informing all of our suppliers about Itoki's environmental activities and have been requesting their cooperation with such activities, such as through sustainable procurement questionnaires, and we will continue to enhance our activities to reduce CO₂ emissions while collaborating with our suppliers, such as by receiving Scope-related data from them.

Carbon offset

Itoki utilizes the knowledge it has cultivated by engaging in carbon offsetting related to its offices and products in order to conduct business that offers solutions, and we also strive to reduce GHG emissions through carbon offsetting.



As part of these efforts, we cooperate with e-dash, a company that provides CO₂ emission visualization and reduction services, and we started using the company's e-dash Carbon Offset service to sell J-Credits in May 2023.

Drawing on our many years of know-how as a major J-Credit provider, we have created Japan's first private-sector-led J-Credit marketplace offering a one-stop J-Credit service that enables customers to buy as many J-Credits as they need when they want to.

Future issues

To more effectively reduce CO₂ emissions, the following two issues must be addressed:

- 1) Visualizing CO₂ emission details and increasing the sophistication of data in terms of business activities
- 2) Considering details related to the procurement of power derived from renewable energy sources and formulating renewable energy rate targets

We will continue working on environmental improvements to help prevent further global warming.

Implementing the TCFD recommendations

Basic approach

The Itoki Group announced our support for the “Task Force on Climate-related Financial Disclosures (TCFD)” recommendations in June 2020 in recognition of the importance of addressing climate change as a key management issue. Based on the TCFD recommendations, we analyze the effects of climate change on our business, and we actively disclose information, starting with the Carbon Disclosure Project (CDP).

We have also set a target of achieving carbon neutrality by 2050, and we promote collaboration throughout our Group as well as with all the stakeholders in our value chain to help achieve a decarbonized society.



Governance

To promote the preservation of the global environment in all of our business domains, the Itoki Group has established both the Itoki Group’s Environmental Policy—guidelines for all environmental activities—and specific principles. Under these guidelines, we have established an ISO 14001-based Environmental Management System (EMS), and by linking our Group-wide Environmental Management Cycle with the Environmental Management Cycles of each of our sites and businesses, we conduct environmental activities participated by all of our employees. In addition, during our annual management review, we report on the details of such activities, and our top management is committed to promoting environmental management.

We have also formulated the three-year Mid-Term Environmental Plan in line with our medium-term management plan, and we endeavor to specify key issues, implement monitoring, and promote countermeasures.

Risk management

In terms of risks and opportunities related to climate change and biodiversity, we evaluate business issues as well as environmental effects through EMS activities, comprehensively consider and identify the needs and expectations of our stakeholders, and promote company-wide initiatives as part of our Mid-Term Environmental Plan.

In terms of transition risks, we have identified increased costs from the introduction of carbon taxes as well as delays in responding to the behavioral changes of our stakeholders as risks that have an especially serious impact, and we will manage these risks through countermeasures that include the utilization of renewable energy as well as the development and design of environmentally-friendly products. In terms of physical risks, there are concerns about risks that include supply chain disruptions if abnormal weather becomes more frequent. We will handle such risks by reviewing our business continuity plan in accordance with environmental changes.

Strategy

Regarding the climate change predicted to occur in the long term, we referred to IPCC* information to define three scenarios (sustainable development, standard, and stagnation scenarios) and analyzed the situation. As a result, it has become clear that we face the risk of climate change having major effects on the Itoki Group’s business in the short, medium, and long term, starting with policy and regulatory risks. In addition to the increased frequency and scale of abnormal weather, which is already happening, possible risks include the introduction of carbon taxes, increased procurement costs, and shrinkage of existing markets.

The Itoki Group considers climate change to be a key management issue, and we will once again review how

our manufacturing business should be and consider our business strategy going forward. In addition, in our materiality (vital issues) matrix, we have defined “Helping build a carbon-neutral society” and “Safeguarding the natural environment and promoting recycling of resources” as key themes, and we have formulated medium-to-long-term CO₂ emission targets. We will promote low-emission workstyles by supporting customer workstyle reforms and promoting DX. We will also promote the development and design of environmentally-friendly products and introduce renewable energy to achieve in-house reduction of CO₂ emissions.

Finally, we will regularly monitor the details of our activities and consistently implement the PDCA cycle to promote progress toward achieving our targets.

*IPCC: Intergovernmental Panel on Climate Change

Metrics and targets

The Itoki Group has formulated the medium-to-long-term CO₂ emission targets below to address climate change, and we are promoting initiatives based on specific reduction plans.

As most of the Itoki Group’s CO₂ emissions are related to Scope 3: Category 1 “Purchased goods and services,” we will seek to calculate total emissions in a more detailed manner and build a system that enables more effective collaboration with all of our suppliers for further reduction of CO₂ emissions.

CO₂ emission targets

Item	2030 target*	2050 target
Scope 1 + 2	50% reduction	Net zero carbon
Scope 1 to 3	30% reduction	—

*Over 2013 levels

Implementing the TCFD recommendations

Classification	Risk and opportunity items	Risks	Opportunities	Countermeasures	Timeline on which risks and opportunities will increase	Impact	
Transition risks	Policy and legal	Introduction of carbon taxes	<ul style="list-style-type: none"> Our products become subject to carbon taxes, ultimately forcing them out of the market. Carbon taxes are imposed, leading to increased costs. 	<ul style="list-style-type: none"> Utilizing renewable energy Developing and designing environmentally-friendly products 	Medium term	★★★	
		Enhanced or stricter regulations (Act on the Rational Use of Energy, etc.)	<ul style="list-style-type: none"> The Act on the Rational Use of Energy becomes stricter, making it difficult to comply with such laws and ordinances through our efforts alone. Demand for renewable energy increases, and we cannot procure enough renewable energy to cover our energy use. 	<ul style="list-style-type: none"> Opportunities related to diverse workstyle proposals and consulting increase. Supporting diverse workstyles contributes to a reduction in customer CO₂ emissions. 	<ul style="list-style-type: none"> Conducting ongoing energy-saving activities in line with our CO₂ emission reduction roadmap Switching to delivery vehicles that emit less CO₂ 	Medium term	★★
	Technology	Research and development delays and stronger competition	<ul style="list-style-type: none"> The speed with which we can develop environmentally-friendly products slows down, while social trends lead to an increase in competing companies, both of which result in a reduction in our income. 	<ul style="list-style-type: none"> Workstyle demonstration experiments serve as a starting point for supporting customer workstyle reforms. 	<ul style="list-style-type: none"> Gaining a more precise understanding of market changes and expanding the related solution business 	Medium term	★★
	Market	Shrinkage of existing markets and increased procurement costs	<ul style="list-style-type: none"> Shrinkage of our core business decreases our income. The cost of procuring raw materials increases. The prices of electricity and fuel soar due to the changing global situation. 	<ul style="list-style-type: none"> Sales of products and solutions leading to decarbonization and circular economies increase. Sales of carbon offsetting products increase. 	<ul style="list-style-type: none"> Providing solutions that enable diverse workstyles Developing and designing environmentally-friendly products 	Medium term	★★
	Reputation	Changes in stakeholder behavior	<ul style="list-style-type: none"> Delays in our environmental protection measures damage our reputation with stakeholders, and it becomes difficult for us to conduct customer purchasing activities and raise funds from investors. 		<ul style="list-style-type: none"> Conducting sustainable procurement activities in collaboration with suppliers 	Medium term	★★★
Physical risks	Acute	Increased frequency and scale of torrential rain and other abnormal weather	<ul style="list-style-type: none"> Due to damage caused by abnormal weather, it becomes impossible to maintain our manufacturing systems as planned, which disrupts our supply. We end up being forced to move our manufacturing sites. Parts cannot be secured due to supply chain disruptions or other problems, and we have to stop our operations. Secondary disasters stemming from plant equipment occur, potentially disrupting local communities. 	<ul style="list-style-type: none"> The progress of customer workstyle reforms contributes to their business continuity plans. Reviewing our sites enables us to review and enhance our business. 	<ul style="list-style-type: none"> Creating a risk hazard map Taking preventive measures Reviewing our business continuity plan in line with environmental changes 	Short term	★★★
	Chronic	Increased mean air temperature	<ul style="list-style-type: none"> Due to temperature increases, it becomes difficult to procure wood that satisfies quality and other needs. The production output and suitable sites for producing natural materials, etc. change. Decreased productivity and more serious health damage result in increased costs. The nature of offices changes. 	<ul style="list-style-type: none"> Sales of products and services that adapt to climate change increase. Improvements in employee work environments lead to increased satisfaction. 	<ul style="list-style-type: none"> Conducting sustainable wood procurement activities Setting up work environments in accordance with temperature changes 	Long term	★★

Manufacturing and space creation



Safeguarding the natural environment and promoting recycling of resources

FY2022 KPIs and results

FY2022 target

Promote the sales of environmentally friendly products

FY2022 results

Developed **2** new environmentally friendly products
Implemented a project to promote the conversion of products to wood

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 procure environmentally friendly materials. In this way, we pursue manufacturing that considers how to reduce various types of environmental burden throughout each product's lifecycle.

Green procurement

Itoki has established green procurement standards—including striving to save resources by taking steps that include reducing used materials, using recycled materials, and recycling in general—and we evaluate and certify our suppliers. In addition, by regularly implementing continuous auditing, we conduct educational and awareness raising activities for our suppliers concerning Itoki's environmental activity policies, procurement standards, and the environment in general. Regarding our suppliers who have not yet obtained certification through a green procurement certification program, our procurement department and company-wide environmental secretariat provide various types of support aimed at obtaining green supplier certification.

Developing eco-friendly products (guidelines)

Itoki has so far established guidelines for engaging in active efforts to develop environmentally friendly products, and we conduct assessments during all stages of our product development process, including product planning, design, and manufacturing preparations. We also

review our guidelines and evaluation process as needed given changing social needs with respect to our Company.

Developing eco-friendly products (product introduction)

We are developing products that use recycled and non-plastic materials while also boasting a longer life, reducing CO₂ emissions, and contributing to the realization of a recycling society.

For our Torte U chairs, which went on sale in October of 2022, we used sustainable fabric made entirely of recycled plastic-bottle fiber for the upholstery. In addition, because the backrest and seat cushions can be replaced, the products can be used for a long time, which helps to reduce waste.

We also promote the utilization of new materials. Kenaf—an annual grass that is cultivated throughout Southeast Asia and other tropical regions and can be harvested in a short time—boasts high CO₂-absorbing ability (about seven times that of conifers) when grown and therefore helps to prevent global warming. We used this



kenaf as a raw material to jointly develop kenaf board with TOYOTA BOSHOKU CORPORATION. We then used this for the tabletops of our Meet Lounge Sustainable tables, which we started selling in 2022.

We also used upcycled rice husk material for the backrests and seats of our Olika eco and Wan eco chairs, which is an example of how we have effectively utilized waste as we simultaneously reduce resin use.

Creating sustainable spaces

Itoki considers sustainability in terms of creating work spaces as well. We focus on work-size and infection-prevention initiatives aimed at providing all people with healthy environments, set up art, etc., and consider the environment by proposing carbon offset and installing LED lighting. We also aim to improve job satisfaction by introducing ABW aimed at autonomous workstyles and utilizing ICT and DX.

Future issues

With environment-related needs changing on a daily basis, it has become necessary for Itoki to further clarify its objectives and roles in terms of contributing to the environment. We will therefore update our conventional environmentally friendly product approach in line with the times, and we will combine this with Itoki's basic manufacturing concepts to promote the creation of sustainable work spaces.

Effective resource utilization



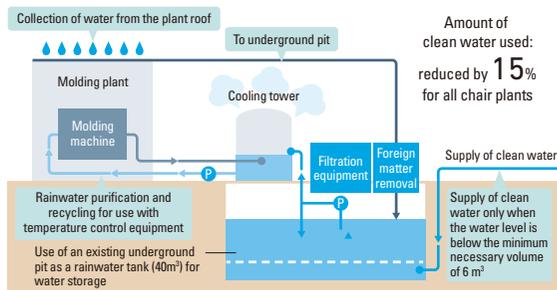
Safeguarding the natural environment and promoting recycling of resources

Basic approach

To help ensure that the people of the future inherit a beautiful planet and a naturally abundant, sustainable society in which to live, we are expected to restrain our use of natural resources and to effectively utilize the resources that we do have. Based on this approach, the Itoki Group actively promotes both effective resource utilization and recycling throughout the product lifecycle (including design, procurement, manufacturing, transportation, usage, and disposal), and we are aiming to help achieve a recycling society that reduces the environmental burden.

Water resource initiatives

There are currently concerns regarding the various effects of global population increases, climate change, and other factors on water resources, and we recognize the effective utilization of water resources as an urgent issue in terms of mitigating the effects of water shortages and similar problems on social activities as well as ensuring the stability of water resources. Based on the above thinking, the Itoki Group has formulated a water-use intensity reduction target (-1% year on year), and we are conducting reduction activities. Since 2018, we have run a rainwater storage and utilization system at our Kansai plant (Shiga), and we are actively reusing rainwater to reduce the amount of clean water (tap water and industrial water) used during our manufacturing process.



FY2022 KPIs and results

Waste reduction (industrial waste and general waste)

FY2022 target	1% year-on-year reduction (intensity)	FY2022 results	10% year-on-year reduction (intensity)
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Water usage reduction

FY2022 target	1% year-on-year reduction (intensity)	FY2022 results	15% year-on-year reduction (intensity)
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Effective resource utilization throughout the product lifecycle



The Itoki Group engages in efforts to utilize resources throughout the lifecycle of all products we sell (including design, procurement, manufacturing, transportation, usage, and disposal). In addition to promoting the reduction of generated waste through the three-R approach (reduce, reuse, and recycle), we have set targets for improving our recycling rate via more thorough separation, and we are working on comprehensively implementing the three Rs for all the resources we handle, including subsidiary materials such as raw materials and packaging materials related to manufacturing.

Achieving zero emissions

The Itoki Group defines zero emissions as follows: *less than 0.5% of all our industrial waste being dealt with through simple incineration or landfill disposal*. Based on this definition, we have achieved zero emissions at all our manufacturing sites in Japan. At each of our plants, we sign contracts with contractors capable of accurately separating resin, metal, and other materials and then transforming them into valuable resources, thereby engaging in such activities as reducing our waste.

Example: donating used furniture overseas

In collaboration with NX SHOJI CO., LTD., we have started a new initiative to donate office furniture that is still useful but has nowhere else to go—due to renovation, relocation, etc.—to overseas recipients. We plan to expand this initiative going forward.



→ For details, please see the press release.

Future issues

To achieve a recycling society, we believe it is necessary to continue promoting reduction and reuse while also improving the precision of recycling through ongoing activity reviews based on the visualization of waste disposal. In particular, in terms of recycling, we will continue to work on more effectively utilize resources by increasing the recycling rates of materials and chemicals.

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 CO₂ 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.

➔ Refer to 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.

Initiatives based on “Certification of Business Operators for Verification of Legality and Sustainability”

Itoki has obtained “Certification of Business Operators for Verification of Legality and Sustainability” from the Japan Office Institutional Furniture Association (JOIFA) in accordance with the revisions to the Green Purchasing Law in 2006. Based on this, we conduct annual surveys of our timber suppliers in determining such matters as their timber procurement routes and

certification for related processing and logging, and then release these results to the public. With the cooperation of our suppliers, we are working to spiral up the number of products that comply with the Act on Promoting Green Procurement.

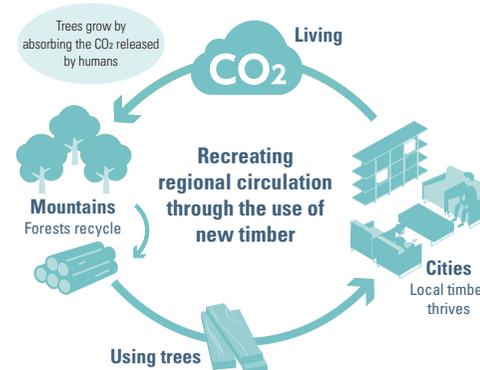
International forest certifications

The Itoki Group has obtained FSC® Chain of Custody Certification and sells FSC®-Certified products. Furthermore, in September 2015, we obtained additional certification from the international forest certification label of PEFC Chain of Custody. Forest certified products are products that use trees from properly managed forests and ensure timber traceability from the procurement of furniture materials to manufacturing and sales.



Case study: Econifa

Since 2010, we have been deploying “Econifa” solutions to commercialize local timber from Japan’s forests into well-designed furniture, which is then provided to urban



spaces. Through proper logging and management, forests can be revitalized to become places that nurture life for various biological organisms. The promotion of “Econifa,” which invigorates both forests and cities, contributes diversely to global environmental protection and the resolution of social issues.

Case study: workshop organized to consider marine plastic upcycling

In September 2022, with the cooperation of the Arakawa River Clean-aid Forum, a non-profit organization, we organized a cleanup activity along the banks of the Arakawa River along with a workshop to make accessories using the microplastics collected there. At the beginning of the workshop, a lecture on biodiversity highlighting marine plastic provided an opportunity to think about social issues.



Future issues

In addition to understanding the current status of our procured timber, it is necessary to maintain a multi-faceted approach by which we assess the impact of our business activities on nature, improve the accuracy of verifying legality by ranking timber logging areas, and engage in activities for the protection of Japan’s forests through developing products that use local and domestic timber. Through these activities, we will contribute to the conservation of biodiversity.



Safeguarding the natural environment and promoting recycling of resources

Chemical control and reduction



Safeguarding the natural environment and promoting recycling of resources

Basic approach

In order to promote manufacturing that emphasizes safety and health, the Itoki Group is committed to minimizing the use of and appropriately controlling chemical substances for our products from their design, development, and manufacturing stages to their use and disposal in conjunction with disclosing information by properly identifying the toxicity and other properties of chemical substances.

Basic approach to chemical substance control

The Itoki Group designs safe products in compliance with domestic and international chemical substance-related laws, regulations, and other requirements based on “the Itoki Group Green Procurement Guidelines for Chemical Substances.”

Moreover, regarding the reduction of chemical substances, we have set as our main targets the reduction of chemical substances subject to the PRTR system that are traced to volatile organic compounds (VOCs), etc., and are promoting improvements in the examination of coating materials and in the coating process.

Continuous enhancement and operation of our chemical substance management system

The Itoki Group is engaged in thorough control and

FY2022 KPIs and results

Reductions in substances requiring reporting under the PRTR system

Compared to FY2015	Reduction of	2022 Results	Reduction of
	7%		44%

reduction activities directed at the PRTR substances used at each of its plants and manufacturing group companies. Furthermore, we require raw material manufacturers to provide products that comply with “the Itoki Group Green Procurement Guidelines for Chemical Substances,” and as a general rule, we obtain Safety Data Sheets (SDS) to identify the properties and composition of the substances listed, whereby the company is thorough in its handling and risk management of them. In addition, we are switching to alternative substances with less environmental impact and powder coating.

Prompt, accurate risk assessment and appropriate management of chemical substances

Based on the SDS obtained from raw material manufacturers, we assess the hazardous properties of chemical substances and determine and implement the procedures for each handling site, including the wearing of protective equipment when handling chemical substances and

first-aid methods in the event of exposure.

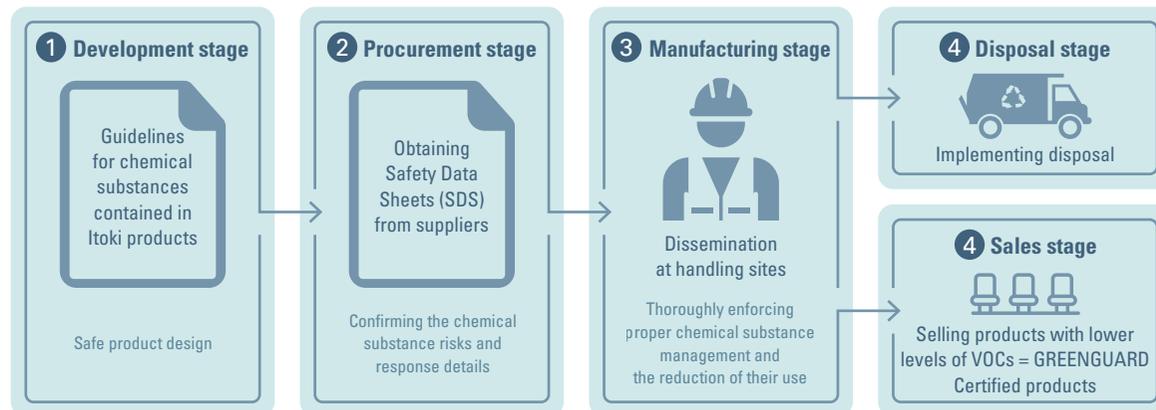
In addition to the above operations, we are also taking such protective measures as physically installing dikes with the purpose of preventing external leakage. We will continue our efforts to maintain proper assessments and operation management systems.

Case study: consideration for people’s health (GREENGUARD Certification)



Obtained Gold Certification for 54 products
*As of December 2022

Based on legal regulations and the guidelines set by the Japan Office Institutional Furniture Association (JOIFA), we are proactively adopting health-conscious materials. We have proceeded to obtain GREENGUARD Certification, an environmental certification system in the US. As of December 2022, 54 of our products, including the “vertebra03,” have obtained the more stringent standard of GOLD Certification.



Future issues

In the future, it will be necessary to shift from the current management based on the PRTR system to a database of all chemical substances handled and establish a system for seamless information sharing with relevant departments; and it will also be necessary to ensure that all those who handle chemical substances are thoroughly familiar with the control methods and other aspects of chemical substance control. We will continue to evolve the system and properly manage chemical substances.

Response to laws and regulations

Basic approach

The Itoki Group has established stricter in-house regulations beyond complying with environmental laws and regulations to prevent environmental pollution and to protect the environment; and each employee strives to understand and implement the background and intent of environmental laws and provisions.

Prevention of air, water, and soil pollution

In order to prevent air, water, and soil pollution during the manufacturing process in our factories, we take regular measurements as prescribed by law. Moreover, in order to protect the natural environment surrounding our production sites, we are engaged in reducing our emissions of substances that impact the environment in conjunction with monitoring according to stricter standards in such ways as setting more stringent voluntary regulation values and increasing the frequency of these measurements.

To minimize the impact on the surrounding environment in the event of an emergency, we maintain a rapid response system by reviewing as appropriate risk hazard maps that visualize the placement and storage volume of chemicals and other environmentally hazardous substances along with conducting regular drills according to emergency response procedures.



FY2022 KPIs and results

Waste water standard compliance

FY2022 target	Waste water standard compliance (including voluntary restrictions)	FY2022 results	Compliance rate of 100%
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Environmental accidents/legal violations/values exceeding standards

In FY2022, there were no environmental accidents, legal violations, values exceeding standards, or other incidents of nonconformity.

Processing nonconformity

In the event of an environmental accident or legal violation, the Itoki Group prepares a “Nonconformity Processing List” in accordance with the provisions of our environmental management system. This enables us to make continuous improvements by investigating and analyzing the nature and cause of the issue, examining and implementing corrective measures, and taking other appropriate actions, such as reviewing procedures.

Environmental management system

Itoki promotes environmental management with commitment from top management to implement group-wide environmental activities. An environmental management system organization (EMS organization) has also been established as a system for promoting environmental conservation activities based on “the Itoki Group Environmental Policies,” with the director in charge of Group-wide environmental management, including 13 domestic Group companies; and all Group employees participate in the environmental activities of the Itoki Environmental Management Cycle (PDCA).

Regarding EMS activities, Group-wide annual internal audits have been conducted for such matters as the performance of Divisions and Group companies relative to Group-wide targets, the implementation status of



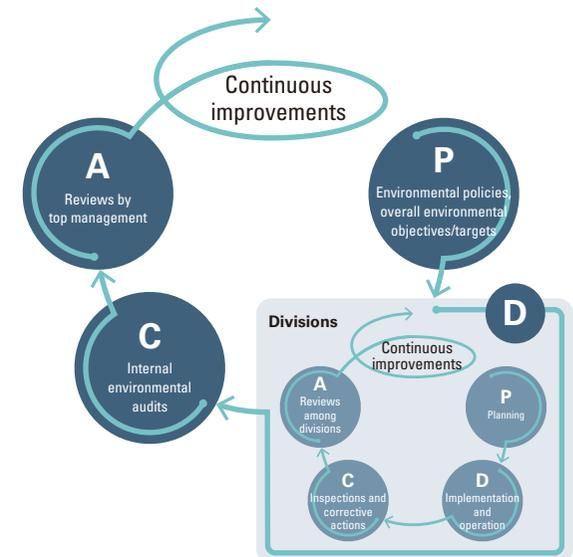
Responsible procurement in both human rights and environmental terms

management reviews, and legal compliance status to verify conformity to ISO 14001 requirements and the adequacy of maintenance conditions as well as to identify opportunities for improvement by providing top management with audit information. These audits assist us in maintaining and improving environmental compliance and further reducing environmental risks.

Additionally, in order to conduct effective audits, we conduct training for new internal auditors by an external organization along with more specific level-up training by qualified EMS internal auditors for the purpose of ensuring the competence and knowledge of internal auditors.

In order to ensure objectivity regarding the results of our environmental conservation activities, we have also introduced an audit and certification system by an external audit organization. Based on the results of the audits by the external audit organization, we promptly take corrective actions to improve our management system.

Itoki Environmental Management (Cycle)



Launch of ESG promotion projects

ESG promotion projects

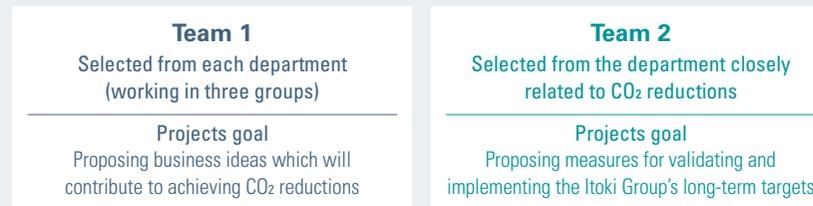
Itoki believes that ESG is not something for only the company or a particular person to commit to, but that each and every employee has their own issues that they should address. In July 2022, we established the “ESG Promotion Projects” directly under the president to further evolve ESG activities by encouraging all employees to voluntarily take the initiative for ESG as their own responsibility rather than having it be compulsory.

The ESG Promotion Project is responsible for accelerating ESG management by examining and planning specific measures focused on climate change and decarbonization measures within the context of the environment.

During the six months in which members across departments came up with ideas and had discussions, they were able to shed light on issues that had not been previously raised. With our vision of “Vibrant People, Beautiful Planet,” Itoki will further accelerate its efforts to steadily promote ESG management.

Project structure/goals in mind

The structure is composed of two groups.



<Points about the structure>

The framework is to personalize decarbonization and address it seriously as a business. To this end, Team 1 is composed of members from various departments who were selected mainly based on the recommendations of division heads; and Team 2 is composed of general managers committed to implementing the actual on-site target values.

Activity schedule for FY2022



Key topics of fiscal year 2022

■ Holding a study session

A study session was held on “Scope” and “TCFD,” which are important themes within the project.

The session addressed such questions as “What is Scope?” and “How are our day-to-day activities related to Scope?” It also covered “Trends in Decarbonization” under the theme of the TCFD, providing an opportunity to learn basic knowledge that project members should be cognizant of, such as the impact of climate change on companies.

■ Participation in the New Value Creation Program

In order to create new value, Team 1 attended the “Development of FORESIGHT CREATORS” program at Osaka University FORESIGHT over three months. They received helpful tips through a range of work on how to review proposed measures not for “kaizen (improvement) within the conventional framework” but to generate “ideas beyond the conventional framework.”



■ Final report session

Each team presented the measures they were considering to the management team at the report session for the six months of activities. During the Q&A session, there was a lively exchange of opinions that included advice on how to finalize tasks as a business and how to make the activities more effective in the future.



In order to carry out the recommendations made at the final report session in 2022, we have set new goals as we start off FY2023.

Creation of new value through products and services

Basic approach

The Itoki Group promotes increasingly sophisticated manufacturing functions to pursue global, advanced manufacturing. We also strive to improve corporate value and create a more affluent society by providing high-value-added products and services that support diverse workstyles.

FY2022 KPIs and results

FY2022 targets	FY2022 results
1) Creating healthy workplaces for everyone, both mentally and physically	1) 160 office proposals related to well-being
2) Achieving a Work From Anywhere system	2) Seven launches of products and solutions that help build smart offices

sound parasol

—Tables that enable web meetings even in open spaces—

- New meeting tables based on our Smart Office Concept
- ➔ For details on our Smart Office Concept, please see our website.



- Achievement of comfortable web meetings that enable you to clearly hear sounds just by sitting
- Symbolic design that makes web meetings more active
- Ability to move the entire table system, which makes it possible to more flexibly handle future layout changes, etc.

ADDCELL

—Booths designed to consider both people and sounds—



- A new floor-less structure that enables use by not only able-bodied people but also wheelchair users
- Availability of a universal type that automatically provides assistance to open and close the door and is therefore easy for any kind of worker to use
- Lineup of booths for diverse situations to accommodate one to four people

Act chairs

—Chairs that maximize work performance by adapting to the movements of people—



- A soft, firm backrest made of elastomer materials—somewhere between resin and rubber—to flexibly support movements of the upper body
- Resistance to both hypochlorous acid and alcohol to ensure that the chairs—including the backrest and arm rests—can be disinfected and kept clean

silta

—Texture that is unique to the real thing and creates a rich environment—



- Unique, impressive tables that skillfully use the outer peripheral part of logs—which we once turned into wood chips—as a live edge
- Based on research jointly conducted by Itoki with universities and research organizations, we confirmed that using a thick-chestnut-vener table improved focus and creativity while also reducing stress and anxiety based on a subjective evaluation.

common furniture

—Furniture that inspires creativity—



- A furniture series that restructures factory fixtures to harmonize with office space
- Lineup of colors, sizes, and variations to enable ease of use in the office while still taking advantage of the functionality and strength of factory fixtures
- Availability of a wide range of options to expand uses and possibilities in line with office space applications

Performance Trail

—A performance diagnosis service for individuals and organizations—



- Score calculation and visualization by using a unique performance model
- Gaining a broad understanding of organizations as well as physical and mental conditions
- Presenting key areas for improvement from various angles

Systema Streamer SAS-R

—Promoting reduced labor and increased efficiency—



- Higher speed (world's fastest speed level) thanks to lighter weight and improved equipment capacity
- Reduced installation footprint due to miniaturization by using a rack installation method
- Reduced power consumption due to the system's lighter weight and increased efficiency, which reduces running costs and contributes to preservation of the global environment thanks to lower energy requirements

Paving the way to the future with research and intellectual property



Creating innovation by combining technology with space

Basic approach

To continue creating new value for society, the Itoki Group is enhancing its research and development functions to help achieve the offices of the future, including not only workstyles but also new materials, DX, and new manufacturing technologies. In addition, we believe that our intellectual property provides the support necessary to create new value, so we are linking our management and intellectual property in an effort to conduct intellectual-property activities that lead to business growth.

Doing research that revitalizes co-creation work by utilizing AI in collaboration with the Musashino University Faculty of Data Science

Our Research Department is engaged in application research and development planning concerning advanced technologies that anticipate the trends of the times, including AI, data science, and the IoT in particular. We are also currently working on DX technologies aimed at business process reforms intended to anticipate the rapidly changing needs of our digital society, and we are actively focusing on interdisciplinary co-creation activities with university research labs and corporate development departments that boast diverse types of expertise.



Left: Takafumi Nakanishi, Associate Professor and Dean of the Department of Data Science, Faculty of Data Science, Musashino University
Right: Kazuhiro Ohashi, Executive Manager of the Digital Solution Planning Division, DX promotion center, Itoki Corporation

In terms of our joint research with the Takafumi Nakanishi Lab at Musashino University, we are promoting *research that revitalizes co-creation work by utilizing AI*. We are working on technology that helps to revitalize the creative process and ensure that learning leads to success by visualizing and analyzing group-work audio and images and then looking back on and evaluating the results.

In the near future, it will become increasingly standard for members of the business world and academia to form teams of talented people and then promote their business through hybrid-style work that fuses face-to-face and remote efforts. To socially implement the above new style and systems in a way that is better for both individuals and organizations, we are collaborating with next-generation users at university and company sites to develop highly original applications. Although there are various issues standing in the way of such implementation, we will continue to pursue co-creation with our partners as we promote unique activities that create value for the future.

➔ For details on our dialogues, please see the ITOKI Open-DX Lab site.

FY2022 KPIs and results

FY2022 targets	FY2022 results
1) Using active co-creation for technologies that resolve social issues	1) Five new research planning projects for the co-creation of new ways of working (joint research)/Seven joint project plans with new technology partners (technologies)
2) Cultivating DX human resources	2) DX promotion center reorganization Planned promotion under a DX (IT) human resources project team by the HR and DX promotion business units

Invention award system

To create a culture in which individuals who achieve new value are praised and to accelerate innovation, our Planning Division—which has jurisdiction over our Intellectual Property Department—established this award system in December of 2022, and two awards were presented during the same month. Our invention awards cover innovative inventions that can be directly linked to solving the problems of society or our customers. With this system, we will increase the motivation of our employees to be inventive and help to further revitalize Itoki's research and development.



Patto Challenge (Idea Challenge) project for all our employees

At the end of 2021, we launched this project, which is open to all our employees and is aimed at collecting and patenting ideas that suddenly occur to them. Collected ideas are posted to our in-house social media system, and then employees from all over the Company vote on them. The aim of this project is to give everyone the opportunity to invent something that leads to a patent, take advantage of such inspiration to ensure the future of Itoki's products and services, and help achieve more vibrant, lively employees.



Patent awareness raising activities

We are conducting activities aimed at raising awareness among our sales departments of the characteristics of Itoki's products whose uniqueness is guaranteed by patents. Our aim is to increase the intellectual property literacy of our sales departments and to boost the uniqueness of Itoki's products.



Pursuit of improved quality

Basic approach

The Itoki Group is committed to manufacturing goods that lead to greater customer satisfaction. We focus on the concept of manufacturing from the customer's perspective and strive to have our products and services reflect actual situations of usage and customer needs to improve their quality, so as to satisfy each of our customers with their diverse values.

Quality policies

Based on our corporate philosophy, we have established the quality policies below:

"We shall provide products and services that meet customers' needs and society's expectations and enable their users to share the excitement of using them."

➔ For details on our quality policies, please see our website.

Quality management system

Our quality management system based on ISO 9001 ensures quality control from the perspective of customer satisfaction and constant improvement of quality. The Itoki Group's quality management system is characterized by the proactive involvement of all employees engaged in its operation. Our top management participates in management reviews, which clearly demonstrates their commitment to the quality management system both internally and externally.

The processes that ensure safety and reliability

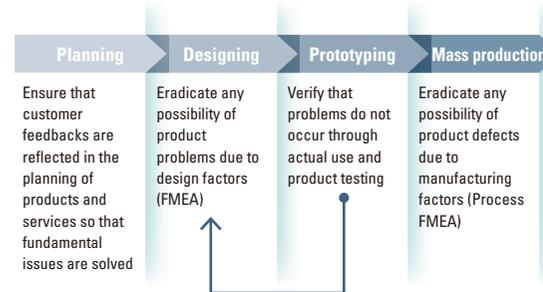
Systematic processes are in place to ensure product safety and reliability.

First, at the planning stage, we focus on ensuring that feedbacks from our customers are properly reflected. If specific problems are pointed out, and even if not, we will certainly consider the wide range of potential issues and possible improvements associated with the feedback

received and ensure they are reflected in the process. In the design stage that follows, a method called FMEA (Failure Mode and Effects Analysis) is used to exhaustively identify and evaluate factors that could cause failures, defects, or unsafe situations while in use.

In the prototyping stage, prototypes are built based on the design documents, the user experience is verified, and product tests are conducted on strength, durability, etc. to further improve the design. At the mass-production preparation stage, we proactively utilize "Process FMEA" to prepare for production. Our approach focuses specifically on changes in human resources, equipment, materials, and methods in the manufacturing process.

The processes that ensure good quality of products



A Case study: Thorough product testing

For product safety standards, in addition to JIS standards and industry standards, we have established internal standards that reflect market information and require even higher standards, and conduct more reliable quality evaluations. All Group companies are continuously working to enhance product evaluation capabilities.



Quality confirmation testing of chairs

Pursuing supreme quality through education and training

In order to comprehensively raise the level of quality management, Itoki actively promotes education and training related to development, design, manufacturing, and quality control, and strives to acquire the latest technologies and skills and put them into practice. The department responsible for quality assurance extends its efforts to provide regular guidance to Group companies and companies in our supply chains, including those overseas, to enhance quality in all processes.

Establishment of the Quality Academy

Itoki established the Quality Academy in 2023 with the aim of stepping up our efforts on education in the area of quality and creating further opportunities for employees to think about quality.

As a manufacturer, we will work to heighten the mindset of our employees for quality throughout the company by strengthening education from a systematic perspective in order to further improve the quality mindset that our employees should have.

Quality assurance for our customers

Itoki provides safe products that comply with the Office Furniture Product Liability Act Compliance Guidelines of the Japan Office Institutional Furniture Association (JOIFA). The product warranty period and standard usage period are set according to the standards set by the JOIFA's guidelines.

Dialog with our customers

The Itoki Group values having dialogs with our customers. Established in 1991, our Customer Support Center aims to deepen communication with customers and is committed to responding with sincerity. We regard customer feedbacks as important information for the company and communicate them to relevant internal departments and Group companies accordingly to help us make improvements.

Working with value co-creation partners



Basic approach

Itoki is committed to creating value that contributes to society through initiatives with suppliers, distributors and other stakeholders in our value chain ranging from research and development to procurement, production and disposal.

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.

➔ For details on our procurement policies, please visit our website.

➔ For our Green Procurement Initiatives, please turn to page 53.

Promoting sustainable procurement in our supply chain

The Itoki Group promotes sustainable procurement that emphasizes on compliance, the environment and human rights, with the aim of building a responsible supply chain.

In 2022, the Itoki Group CSR Procurement Guidebook was renamed to the Itoki Group Sustainable Procurement Guidebook in response to recent changes in expectations from society to companies. We reviewed its contents as well, and distributed them to our business partners. In the Sustainable Procurement Questionnaire (self-assessment) that we conduct with our applicable suppliers every three years, the Itoki Group received responses from a total of 75 suppliers in 2022, which enabled us to gather information about the status of each company's initiatives.

FY2022 KPIs and results

The availability percentage of information about sustainable procurement

FY2022 targets **70% and above**
(in terms of procurement amount)

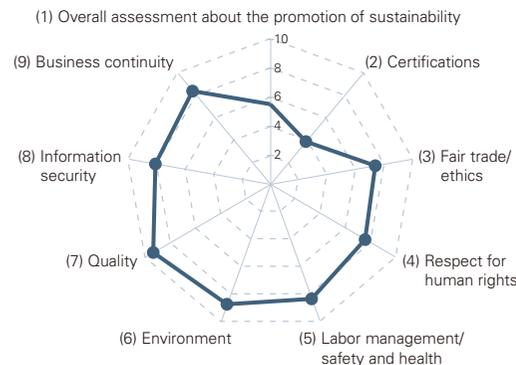
FY2022 results **63.3% and above**
(in terms of procurement amount)

We have a process in place in which suppliers whose responses cause concerns about potential risks are continuously interviewed to confirm their situations.

English and Chinese versions of the guidebook and procurement questionnaire have also been published, and a survey on overseas suppliers has been initiated.

As a further step in our efforts, we have recently established as a KPI the availability percentage of information about sustainable procurement. We are committed to further strengthening and promoting socially responsible procurement activities through mutual cooperation with our suppliers.

Average points for each item in the questionnaire to our suppliers in FY2022



➔ Please visit our websites for the Itoki Group Sustainable Procurement Guidebook.

Collaboration with our distributors

Itoki promotes interaction with its distributors through a variety of opportunities, regarding them as the most important partners in delivering value to customers.

Hosting the ORGATEC TOKYO 2022 Pre-opening Event

In order to strengthen partnerships with our distributors, we invited them from all over the country for the first time in two years after the COVID-19 outbreak, in conjunction with our exhibition at ORGATEC TOKYO 2022, which was held in Japan for the first time.

The event also provided an opportunity to showcase our new XORK, which embodies our concept of workplaces in a post-COVID-19 era, and to share Itoki's recommendations for the future way of working, as well as to strengthen our unity with the distributors.



➔ For details, please refer to the report on Itoki's exhibition booth available on our website.

Seminars that help to develop human resources

For Itoki and its distributors to grow together, the common challenge is to develop excellent human resources who will be at the forefront of sales activities. Various training sessions are held that are open to employees of our distributors in order to achieve more substantial human resource development.

Contribution to the community and education

Basic approach

The Itoki Group is committed to contributing to society and education, creating new value for them by responding to the expectations and requests expressed through dialogue and cooperation with local residents and those involved in education.

Contribution to local communities

Disseminating information on new ways of working through participating in the Setouchi Triennale

As a partner of the Setouchi Triennale 2022, which opened in April 2022, we lent a mobile office car designed and produced in our in-house project. Also, during the spring, summer, and autumn sessions, we reported on the realities of workcation by sending out reports on our website about our experiences visiting the event. During the summer session, some of our employees took part in the volunteer activities of the Koebitai, a group of volunteers supporting the Setouchi Triennale, and served as receptionists at the art festival. In the autumn session, we conducted an experimental demonstration of workcation and reported the results of the verification to the general public. The verification results showed that workcation in Setouchi produced positive effects on work performance, well-being indicators, and more, and that these effects lasted for four weeks. We will continue to come up with and disseminate activities leading to new ways of working and revitalization of local communities.



➔ Please visit our WORKERS happiness website for the news reports on the Setouchi Triennale.

➔ Please refer to our press release for the details about the results of the experimental demonstration in Setouchi.

SLOW WORK YAITA, a shared office designed for co-creation in the community

In April 2022, FMSTAFF Co., Ltd., an Itoki Group company, opened SLOW WORK YAITA, a shared office designed for co-creation in the community in Yaita City in northern Tochigi prefecture. The catchphrase of the facilities, “Work, connect and have fun in the community;” expresses the concept of workers from the local community and the greater Tokyo area coming together, working, striving to solve local problems, and having fun discovering new values rooted in Yaita. We are working with local communities, including Yaita City and Yaita Furusato Support Center TAKIBI, for their revitalization and development.



Building good health and interactive environment through ring tossing

ITOKI-Marui Co., Ltd., an Itoki Group company, manufactures and sells toss rings for competitions. Ring tossing helps to promote mental and physical health and to create interactions that connect people with each other. Our joint study with Nagaoka University of Technology showed that ring tossing works to reduce stress to a certain degree. We are also working with the researchers to develop the “Universal Toss Rings” that enable the elderly and people with disabilities to have fun playing with them. We will continue to actively participate in events and promote our activities.



Itoki participated in Kamakura Living Laboratory Day 2022 as an exhibitor

In November 2022, we exhibited the working style with VR, working car MOOW, and home furniture for working from home under the theme of mobile work at

“Kamakura Living Laboratory Day,” an event where various stakeholders including future-thinking companies, businesses, and organizations gathered to think about new lifestyles in the era in which people can expect to live “for 100 years and longer.” Since 2017, Itoki has been working with the University of Tokyo, Kamakura City, and its citizens on the Kamakura Living Lab project to develop furniture for working from home, and launched in 2019 ONOFF and UBIQ product lines, its proprietary furniture for working from home. Itoki still continues to propose new environments for working from home.



Contribution to education

Cooperation with PBL (Project Based Learning) programs

We cooperated with Seishin Gakuen high school and junior high school for its internship study tour, by accepting its students to take a tour at XORK and serving as a judge for the pitch contest. The pitch contest was a learning experience where the students made proposals for solving issues from their unique perspectives under the theme of “your thoughts about the workplace of the future.” Itoki will continue contributing to education through its ever-evolving office equipment and furniture.

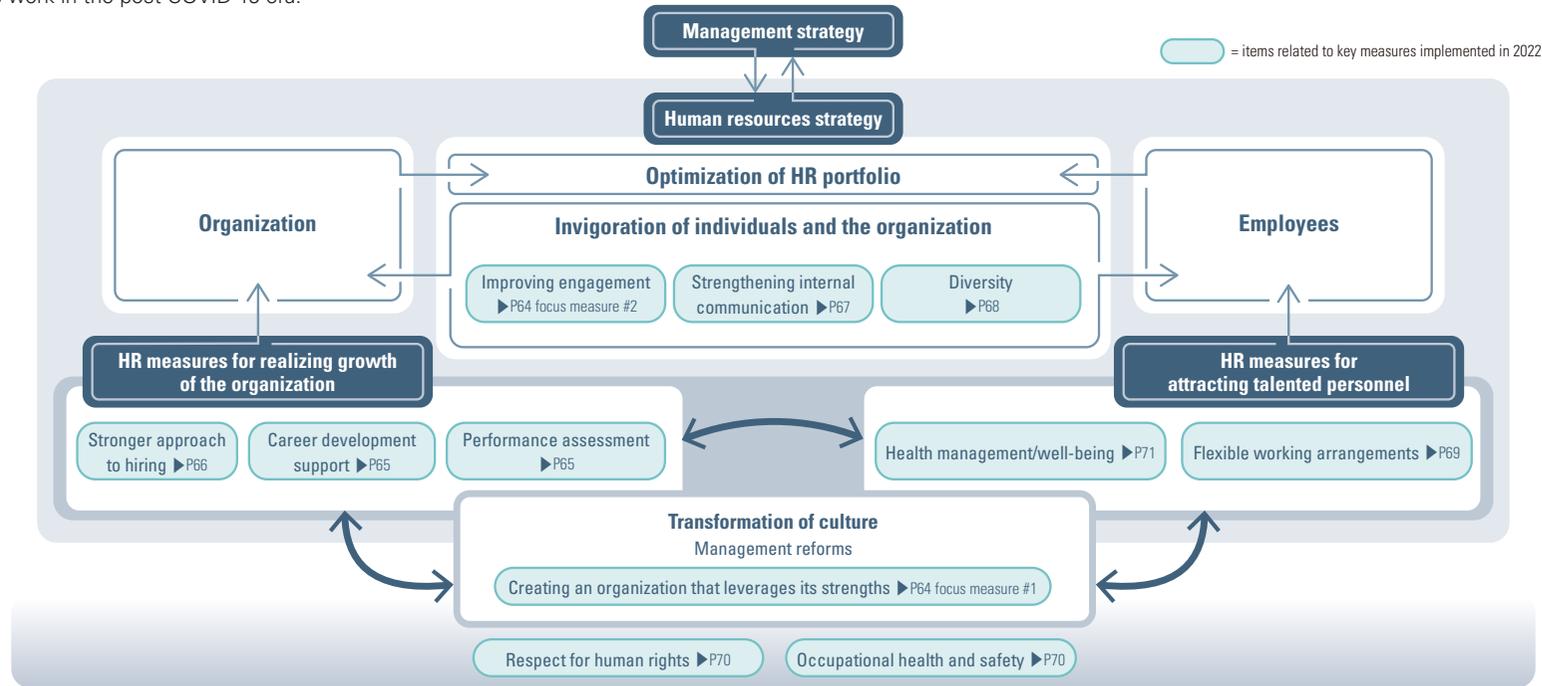


Major social contribution activities in 2022

- Provided a comfortable working environment in the lobby space of Narita Airport
- Installed a parking station for “HUBchari” shared bicycles of Homedoor, a certified NPO, in our premises of Osaka Showroom.
- Donation to the Pink Ribbon Foundation
- Sponsorship of the Nation-wide High School Chair Design Competition
- Sponsorship of Shibaura Business Model Competition
- Clean-up campaigns for local communities, and more

Human resources strategy

At Itoki, we believe that the execution of an integrated human resources strategy is essential to the achievement of our management strategy objectives. Based on this thinking, we have formulated a personnel plan that involves the hiring of employees in line with our business strategies and we are focused on nurturing individuals according to their specific needs. We have also put in place a human resources/performance evaluation system that encourages employee growth and enhances job satisfaction. In addition, our human resources strategy will support the achievement of our management strategy goals primarily by developing talent with diversity in mind and quickly introducing HR systems that are best suited to the way our employees work in the post-COVID-19 era.



FY2022 focus measure #1 Recognizing one's own strengths

To ensure that Itoki's management can leverage its strengths going forward, all employees in management positions participated in training to improve organizational performance. In addition, all full-time employees completed the CliftonStrengths®* assessment to discover their own capabilities and talents to help improve the performance of the organization as a whole, taking advantage of their strengths. *A trademark of Gallup, Inc.

Level of satisfaction with training overall	Level of understanding of training content	Possibility of practical implementation
93.4%	96.9%	96.5%

FY2022 focus measure #2 Improving employee engagement

Since 2016 we have conducted an engagement survey in order to gain an understanding of employee motivation and the factors that affect it. The survey result is a key indicator for management and by linking it to initiatives that aim to improve engagement within the organization, we seek to transform Itoki into a vibrant and thriving company where each individual employee can shine.

Pride
63.6% (+7.4ppt YoY)

[Key indicator] Itoki is a company that I feel proud to work for.

*No survey was conducted in FY2020

Support for self-directed career development

Basic approach

Based on our ideal HR profile, we provide a wide range of curricula revolving around an educational system that supports the growth of each employee according to their career aspirations. For individual meetings and various kinds of training, we make use of both online and face-to-face formats, depending on the content, in an effort to improve overall quality.

Strengthening manager training

We utilize various training programs to support the growth of management-level employees who fulfil the important role of managing other employees, based on the roles and necessary skills expected of them.

One-on-one training

In 2022 we conducted one-on-one training sessions with all manager-level employees with the aim of supporting their growth in building relationships of trust with their subordinates. We provided lectures and engaged in interactive role-playing to ensure that the managers accurately understood the one-on-one training content. These sessions established a foundation for one-on-one meetings throughout the company and they are now being utilized and implemented in individual departments.



Manager training

Expanding optional training

We are expanding our training curriculum and providing self-learning opportunities as a way of supporting the

self-directed career development of employees. In fiscal 2022 we improved our lineup of optional learning courses for each basic business skill and also expanded our learning content with the use of e-learning modules that can be accessed from anywhere at any time. We also focused on the self-determined efforts of younger and mid-career employees to build a career by running career design training sessions for any employees in their 20s or 30s wanting to take part.



Optional training session

Evaluation system (including evaluator training)

Itoki's evaluation system has two parts. One part is a performance (bonus) assessment based on the attainment of goals, while the other part is an assessment of work

performance (pay rise/promotion). Evaluation decisions are based on the goals set and the assessments thereof, as well as multiple discussions regarding personal development during the period, which are reflected in the employee's benefits.

By providing evaluators with management training and evaluator workshops, we aim to align their perspectives with each other and improve their skills in running employee development interviews. This helps generate evaluation feedback that contributes to employee growth.

Main initiatives in 2022

- Increased optional training (general employees, managers)
- Implemented training for newly appointed managers
- Produced a booklet with information about each department

Educational structure	First year	Younger employees	Mid-career employees	Management-level employees
Rank-based training	New employee training	Second-year training		
	First-year follow-up training	Third-year training		
		Training for employees eligible for promotion		
Company-wide training		Compliance, information security, internal controls, environment, human rights		
		Mental health (self-care)		Mental health (caring for subordinates)
			Life career planning seminar	
Training to strengthen management skills				Manager training
				Evaluator training
Selective training		Cross-industry training		
				Overseas assignment training
				Manager development
Optional training	Online optional training (marketing/strategy & organization/leadership & accounting/finance, global, transformation, & creation, etc.)			
		Career design training		
		External seminars		
Departmental training		Department-led training		

Hiring of diverse human resources



Basic approach

Itoki employees interact with a multitude of people and work on projects in teams. We seek individuals who can think about what is expected of them, and what they can do to help customers, society, and the company. We also look to hire people who can involve people around them, who are not afraid of failure, and can take full responsibility to the very end to get things done.

Mid-career hiring

In order to accelerate Itoki's transformation and growth up ahead, we are recruiting personnel from outside of the Group who possess entirely new knowledge. In addition to their hitherto experience and track record, we also make sure that they suit our ideal talent profile. We are also taking steps to prevent mismatches by redesigning the mid-career hiring page on our website so that potential recruits can learn about our corporate culture before they join the company. In fiscal 2022 we hosted an informal gathering so that mid-career recruits and new employees that joined the company in the same year could get to know each other.

We supported the integration and active participation of new employees by organizing meetings with their supervisors after the first and second months since joining the company.

New graduate hiring

We consider it important to take the time to deepen mutual understanding with every job-hunting student during the recruitment process to understand their aspirations for personal growth and self-fulfillment at Itoki, as well as how they hope to further their career, along with other objectives that may not be readily discernible from their job application form. And even though the COVID-19 pandemic

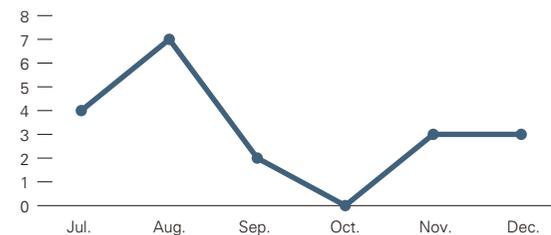
meant we had to limit our face-to-face screening opportunities and make greater use of online tools and procedures, we endeavored to deepen mutual understanding with candidates by holding online company information sessions. Also, we received a referral from one of our new graduate employees in 2021, which resulted in one new hire.



Employee referral program

In July 2022 we introduced an employee referral program as a new recruitment method with the aim of expanding employment opportunities. This method leverages the networks of employees to hire personnel. By sharing with our employees the types of people we want to hire, we aim to make use of their personal connections and approach potential job seekers to recruit qualified individuals. Moreover, the process of an employee considering the company's growth and vision and communicating the appeal of Itoki to a candidate for recruitment contributes to improvements in employee engagement. In fiscal 2022, we received 19 referrals in the first six months of the program, which led to the recruitment of 10 new employees.

Number of referrals



Reemployment scheme

In January 2023 we revised the reemployment scheme that we first introduced in March 2020. Any employee, in any position, who voluntarily resigned is now eligible for reemployment, in principle, as a full-time employee, regardless of the reasons for their previous departure. We have amended the system so as to broadly recruit individuals who want to utilize their past experiences at Itoki or at other companies.

Employment of disabled persons

As of December 2022, the ratio of disabled persons employed at Itoki is 2.59%. As a new initiative, we revamped the disability employment page on our website to disclose the status of disability employment at Itoki and encourage more applications by posting the results of an employee questionnaire. This has helped minimize differences in pre-employment and post-employment experiences.

Case example: Hiring in Vietnam

As part of an initiative to actively hire foreign nationals, we participated in the 2022 Sekisho Job Fair held at the Hanoi University of Science and Technology with the aim of recruiting engineers in the fields of circuitry design and production technology—positions that have been hard to fill domestically. We interviewed 18 candidates in Vietnam and then invited six of them to our Kansai plant for meetings with our executive officers. As a result, we plan to hire two of these candidates.



Internal communication

Purpose of internal communication and integration with management policies

At Itoki, we consider the aim of internal communication to be the maximization of corporate value. This is because we believe that basic awareness activities and internal publications/events that accurately communicate the company's policies and vision serve as the foundation for deepening and sustaining mutual understanding by enlivening communication. This ultimately boosts motivation, loyalty, and by extension, productivity, which contributes to earnings improvement.

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.



Applying the PDCA method to internal communication

Every year the Public Relations Department conducts a communication survey and ties it in with the results of an 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.

Harnessing the new CI and VI and redesigning lanyards to invigorate internal communication

The results of the surveys revealed that as a result of the COVID-19 pandemic, opportunities for face-to-face communication had diminished and employees were finding the workplace environment more challenging. As a solution to these issues and to simultaneously promote Itoki's new corporate identity (CI) and visual identity (VI), we decided to redesign the lanyards that hold the employee ID card. We designated a separate color for employees who have been at the company for less than a year to enhance their visibility to other employees, thereby creating an atmosphere in which senior and junior employees can feel more comfortable talking to each other, thus stimulating internal communication.



Launch of plant ambassador PR program

We kicked off a plant ambassador program by establishing a network of information hubs at each plant for the purpose of disseminating information about plant operations that are vital to a manufacturing company like Itoki. This initiative calls for plant employees to voluntarily give up their time; in 2022, the inaugural year of the program, we had 21 employees volunteering as plant ambassadors.



The plant ambassadors recommend information related to people, things, events, and other aspects of plant operations that the Public Relations Department would usually struggle to find out. Selected information is presented in the company newsletter, enabling employees to gain a deeper understanding of the manufacturing process of Itoki products. The information has also been favorably received by the sales departments because it helps them explain products to customers.



Whilst we primarily use digital means to send out information to employees through web-based company newsletters and the like, those employees who do not have access to a computer can be provided with a tablet upon request. The tablets can be used for not only viewing information, but for improving operational efficiency at manufacturing sites.



The plant ambassador activities, which started out as a volunteer initiative to provide information about plant operations, have expanded in scope because the ambassadors now field consultation and collaboration requests regarding events and initiatives at each site. With the participation of new members, we expect the breadth of activities to be expanded even further in 2023.

Promoting diversity



Creating offices that allow diverse human resources to excel

Basic approach

Guided by the commitment of Itoki's management team, we consider a diverse workforce to be made up of employees from all walks of life, irrespective of differences in gender, age, nationality, disability, terms of employment, work style, customs, and values. We want every individual in the organization to thrive and capitalize on their unique attributes in order to unleash their full potential.

Recognized in D&I Award 2022

In the D&I Award 2022—the largest in Japan to certify companies that are committed to diversity and inclusion—Itoki was recognized with the highest ranking of “Best Workplace.” We aim to be a company that can sustain the physical and mental health of employees and continually generate innovation and (added) value for the benefit of society. We will continue to attach importance to the diversity and inclusion (D&I) initiatives that underpin these aims.

LGBTQ Ally declaration

In July 2022, we held a training session for executive officers to deepen their understanding of LGBTQ issues. And in November we declared Itoki to be an “LGBTQ Ally” as a way of demonstrating our respect for diversity, especially with regard to sexual orientation and gender identity. We have also expressed our support of the Business for Marriage Equality campaign and its efforts to garner support for the legalization of same-sex marriage and we are committed to creating a more accepting society in which everyone, within and outside the



LGBTQ training for executives

Itoki declared its support as an LGBTQ Ally, aiming to create workplace environments where all people can be themselves with respect for sexual orientation, gender identity, and other forms of sexual diversity.

*An LGBTQ Ally is someone who stands up for, supports, and encourages people in the LGBTQ+ community.

FY2022 KPIs and results

FY2022 target	(1) 10% or higher ratio of women in management positions
	(2) Ratio of disabled persons employed: Above the legally mandated percentage
	(3) 30% or higher paternity leave ratio
	(4) Zero resignations due to nursing care reasons

company, can simply be themselves. Other concrete measures include our establishment of an LGBTQ external consultation service alongside our existing in-house point of contact, and we have also made it possible for anybody to use their preferred names within the company based on their gender identity. In recognition of these measures, we were awarded “Bronze” in the Pride Index* for 2022.



*The Pride Index is a performance index that measures LGBTQ+ and other sexual minority inclusion efforts at workplaces in Japan

Partnership system

With the aim of creating a workplace environment that respects different family structures and where everyone can be their true selves, in January 2023 we introduced a partnership system to extend benefits and policies to couples in a de facto relationship, same-sex partners, as well as their children and parents, treating them in the same way as legally recognized spouses and family members. At the same time, we have expressly stated in our policies that we prohibit SOGI (sexual orientation and gender identity) harassment and that we will not disclose sensitive personal information, such as a person's sexual orientation, gender identity, medical history, or fertility treatment, to other workers without the consent of the worker concerned.

Childcare leave support

With the aim of ensuring continued employment and enhancing productivity, since fiscal 2016 we have provided opportunities to childcare leave takers to meet with their supervisors and the Human Resources Department on three occasions (before taking leave, before returning to work, and then after their return to the workplace) to discuss their career plans and high-quality work styles. Also, in 2022 we pledged to work towards achieving a paternity leave ratio of 100% and we

FY2022 results	(1) Ratio of women in management positions:	10.7%
	(2) Ratio of disabled persons employed:	2.59%
	(3) Paternity leave ratio:	45.7%
	(4) Resignations due to nursing care reasons:	2

signed on as a member of the Iku-Boss Enterprise Alliance. By entering into a labor-management agreement that allows employees to work during childcare leave when a child is born, the percentage of male employees taking childcare leave in 2022 increased 19.4% year on year to 45.7%.



Empowerment of women

Itoki is participating in a project-based training program that aims to transform sales methods and nurture female sales professionals in different industries. We are currently carrying out sales transformation proof-of-concept tests within our organization. Our initiatives that involve the exchanging of skills between sales reps and interaction with other departments to establish and strengthen sales support systems have received high praise from the program's judges. We are taking the opportunities afforded by these demonstration tests to initiate changes within the company.

In addition, we are undertaking various initiatives to promote the advancement of women in the workplace, including the women's empowerment community called SPLi. Our efforts have been recognized by the Ministry of Health, Labour and Welfare with a rank three “Eruboshi” certification.

Main initiatives in 2022

- Supporting a balance between work and nursing care
- Mentoring initiative to connect senior and junior employees in other departments
- Encouraging the active participation of older employees

Work-life balance



Safeguarding employee mental and physical health



Support employee growth

Basic approach

Itoki is committed to supporting different work styles in our diverse workforce by promoting work-life management. We also help employees overcome the restrictions they might face when going through major life events by making them aware of, and encouraging them to use, the company's HR systems so they can play an active role in the organization for longer.

My Place work system

So that employees can work flexibly and in different ways, we made changes to our teleworking system as of July 1, 2022. Workers can now choose their own preferred remote work location, in addition to the existing option of working from home. In providing a greater level of freedom to employees in terms of work location based on their needs, we have also allowed for the possibility of employees taking a "workation" that combines work with leisure in an entirely different location, when travelling, for example. The aim of this is to enhance employee productivity and give scope to creativity.



Work style initiatives

In order to address and prevent excessive workloads, we are strengthening our communication with employees who have a tendency to work long hours. By issuing alerts about high workloads and arranging meetings between the Human Resources Department, the worker, and their supervisor, the parties can visualize the work involved and take steps to improve operations.

Encouraging the use of paid leave

We are currently focused on promoting the use of paid leave in order to improve job satisfaction and productivity by reassessing how employees work and take days off. All employees are planning to take 60% of their granted paid leave in fiscal 2022 and 65% in fiscal 2023, according to the schedule announced at the start of the year. This scheduling encourages employees to adjust their workload and cooperate with colleagues in order to make use of paid leave.

New and improved benefits program

At Itoki, we had previously used a scheme to offer mainly resort and hotel stay discounts to employees, but in April 2022 we rolled out an entirely new benefits program. Whilst the new program also offers accommodation

Various work-life management programs

General	Childcare	Nursing care
Teleworking No limitations on the number of teleworking days; allowance under My Place work system (working from home)	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	Nursing care leave of absence Total of one year of leave can be taken for each member of the same family
Staggered working hours Work start time can be brought forward or delayed by up to two hours in 15-minute segments	Childcare leave Can be taken by both male and female employees until two years and eight weeks after the birth of a child	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
Hourly-based annual paid leave Annual paid leave can be taken in hourly increments (up to five days per year)	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 nursing care Working hours can be reduced in 15-minute segments up to a maximum of two or three hours per day
Compensatory leave in half-day units Compensatory leave for working on public holidays can be taken in half-day units	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 nursing care Shift work in 15-minute segments within two hours is possible without changing regular working hours
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	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
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		

FY2022 KPIs and results

Ratio of paid leave taken



*Maximum number of days of annual paid leave granted is 25

subsidies, there are more comprehensive services on offer, such as self-learning support and assistance for major life events. More than 80% of employees have used the program in fiscal 2022 and such proactive utilization is expected to contribute to a healthy work-life balance primarily by further improving employee happiness and encouraging the use of paid leave.

Respect for human rights and occupational health and safety



Safeguarding employee mental and physical health



Ensuring transparent, reliable management

Respect for human rights

Basic approach

The Itoki Group shall, in order to allow all people to be lively and active, in all of its business activities and all of its relationships in the supply chain, make efforts to respect human rights based on the ideas set out in the United Nations' Guiding Principles on Business and Human Rights.

Human rights policy

To allow all people to be lively and active, the Itoki Group recognizes that all business activities must be underpinned by a strong respect for human rights. We therefore established the Itoki Group Human Rights Policy in 2018 as follows.

→ Visit our website for more information on the Itoki Group Human Rights Policy

Human rights due diligence

We engaged in a process of identifying human rights risks with the use of employee feedback from the “Respecting Human Rights” workshops held in fiscal 2021 and 2022 and information collected from consultation and reporting channels. Also, in collaboration with our suppliers, we are promoting sustainable procurement practices that take human rights into account, including labor conditions, child labor, and forced labor. In the future, we plan to identify notable human rights risks and take steps to prevent or mitigate them based on our human rights due diligence process and also by seeking advice from external experts.



Material from the “Respecting Human Rights” workshop

Specific initiatives

- Human rights education e-learning since FY2020
- “Respecting Human Rights” workshop since FY2021
- Harassment prevention training
- LGBTQ training for executives
- Consultation and reporting channels established within and outside the Company, etc.

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



Safety checks at a manufacturing site



Occupational health and safety briefing at the Kanto plant

FY2022 KPIs and results

Lost-time/non-lost-time accidents

FY2022 target	0	FY2022 results	Lost-time accidents	2
			Non-lost-time accidents	6

corporate activity and we proactively employ health and safety measures in an effort to prevent occupational accidents. Every year we carry out health and safety activities with the aim of zero occupational accidents, but in early 2022 a serious accident occurred at one of our production sites. We therefore conducted a comprehensive safety inspection of all our production sites, including those of Itoki Group companies. We considered measures to prevent similar accidents from occurring at each of our business sites and implemented permanent measures at all of our locations. We are also doubling down on safety education by re-emphasizing the “stop, call, wait” procedure.

Establishing labor-management relations

A sound labor-management relationship that allows for plentiful discussion about a company’s future vision and key issues is essential to building a company where employees can find fulfillment in their work. Guided by this philosophy, we hold labor-management conferences, opinion exchange meetings, and regular secretariat meetings in a bid to share information and known issues in an open and timely manner and to explore solutions candidly and constructively.

Main initiatives in 2022

- Company-wide Health & Safety Committee meetings
- Health and safety activities at each business site
- Meetings with partner companies to discuss accident prevention
- Company-wide call for health and safety slogan posters

Promoting health management



Safeguarding employee mental and physical health

Basic approach

Against the backdrop of Japan's declining birthrate and aging population, employee health management has become a key management issue for companies. At Itoki, we not only focus on promoting the health of our employees, but we have also adopted an original approach to health management by broadly sharing our experiences with our customers and society as "a company that creates people's Working Environment."

Health Management Promotion Committee

In recognizing that the physical and mental health of employees is an important management issue, in February 2017 we established a Health Management Declaration and set up a Health Management Promotion Committee with the President as chairperson. This committee is currently systematizing the initiatives and activities related to employee health that were hitherto mainly carried out by the Company and the health insurance association and is accelerating the activities so that strategic health management becomes one of Itoki's strengths.

→ Visit our website for more information on our Health Management Declaration

Understanding and improving performance

Every year we conduct an original Company-wide survey called Performance Trail to visualize performance. By visualizing the condition (to exercise abilities) and performance (level at which abilities are exercised) of each organization and individual, the ultimate goals of health activities and markers of change in employee awareness and behavior have become apparent. Going forward, we will continue with efforts to raise the performance of organizations and individuals.

Recognized for seven straight years in the White 500

In March 2023, Itoki was selected by the Ministry

FY2022 KPIs and results

Percentage of employees undergoing regular physical examinations

FY2022 target	Percentage of employees undergoing regular physical examinations:	100%
	Percentage of employees undergoing a secondary medical examination:	85%

FY2022 results	Percentage of employees undergoing regular physical examinations:	100%
	Percentage of employees undergoing a secondary medical examination:	83%

of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi in the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category "White 500") as an organization having outstanding health and productivity management. This marks the first time a company in the office furniture business has been named in the list for the seventh consecutive year. Since publishing our Health Management Declaration, we have continued to implement activities and initiatives designed to help employees work more healthily, spearheaded by the Company's cross-organizational Health Management Promotion Committee.



Making sure all employees receive physical examinations

At Itoki, we aim to raise the level of interest in health among employees. We are currently doing this by distributing our in-house health promotion magazine, offering e-learning-based health education sessions, and sharing health-related content about lifestyle and lifestyle-related diseases on the health insurance association's website.

Also, with the aim of maintaining the Company's 100% participation rate in regular physical examinations, we have established a designated period for checkups during which we run an awareness campaign. We are endeavoring to maintain the current percentage of employees undergoing physical examinations throughout the Company mainly by encouraging checkups through reporting lines.

Case example: Acquisition of CASBEE certification



The Nihonbashi Takashimaya Mitsui Building, in which our Tokyo office is located, has acquired the highest possible "S" rank score in the CASBEE-SWO certification. This certification recognizes a building's overall assessment mainly in terms of its environmental performance and efforts aimed at the physical and mental health and comfort of office workers.

→ https://www.itoki.jp/press/2022/2202_casbee.html

Case example: QOLism health promotion app

Through a joint project to promote health management with the Itoki health insurance association, we have adopted a health promotion app called QOLism to help foster healthy lifestyle habits and rhythms that naturally lead to improved health. The app also played host to an event called Itoki Walking, in which employees could form participating teams with colleagues in the same department or further afield.



Main initiatives in 2022

- Mental healthcare measures
- Measures to prevent lifestyle diseases
- Improvement in percentage of employees attending a secondary medical examination; cancer screening recommendations
- Quit smoking campaign

External recognition

ESG-related awards and recognition in Japan

Diversity

Highest rank of Best Workplace in the D&I Award 2022



Recognized in 2022

Bronze rating in the Pride Index 2022



Recognized in 2022

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

Work-life balance

Top Hundred Telework Pioneers award from the Ministry of Internal Affairs and Communications



Selected in 2021

Health management

Selected in the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) by METI and Nippon Kenko Kaigi



Selected for seven years in a row since 2017

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



Recognized in 2022

Bronze rating in the Japan Sports Agency’s Sports Yell Company program



Recognized on February 17, 2023 (expires on December 31, 2023)

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



Certified in 2022

Risk management

Resilience Certification for business continuity and contributing to society

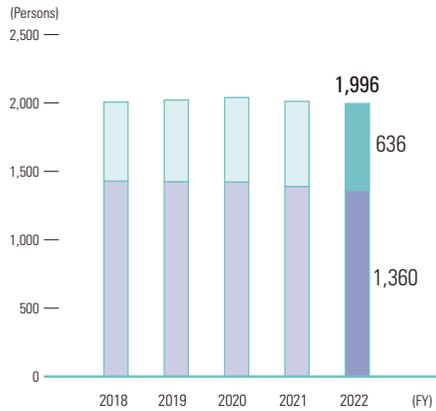


Certified in December 2022

Non-financial highlights

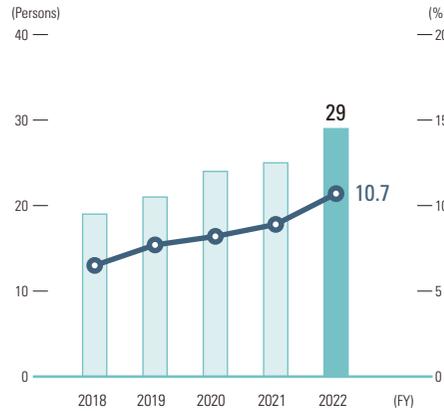
Employee status

Number of employees



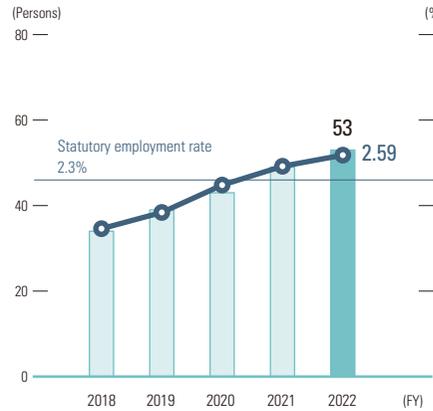
■ Male ■ Female

Female managers



■ No. of female managers (LHS)
● Ratio of female managers (RHS)

Employment of people with disabilities



■ No. of people with disabilities (LHS)
● Ratio of employment of people with disabilities (RHS)

Employee engagement key indicator scores



*Engagement survey not conducted in FY2020

Average age / Average years of employment

Average age	Full-time employees	Male	43 years and 0 months
		Female	38 years and 3 months
	Non-full-time employees	Male	53 years and 7 months
		Female	45 years and 7 months
Average years of employment	Full-time employees	Male	17 years and 2 months
		Female	12 years and 4 months
	Non-full-time employees	Male	22 years and 7 months
		Female	6 years and 7 months

Paid leave taken



■ No. of days of paid leave taken (LHS)
● Ratio of paid leave taken (RHS)

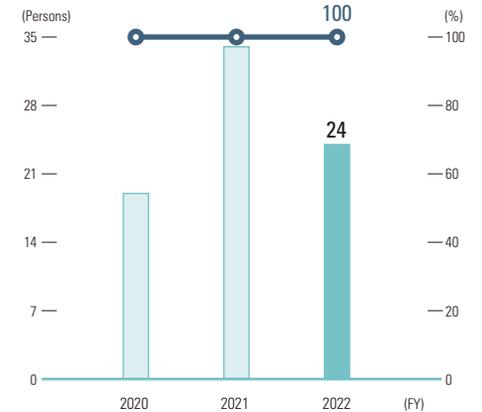
*No. of days of annual paid leave granted Maximum of 25 days

Childcare leave taken by male employees



■ No. of users of childcare leave (LHS)
● Ratio of childcare leave taken (RHS)

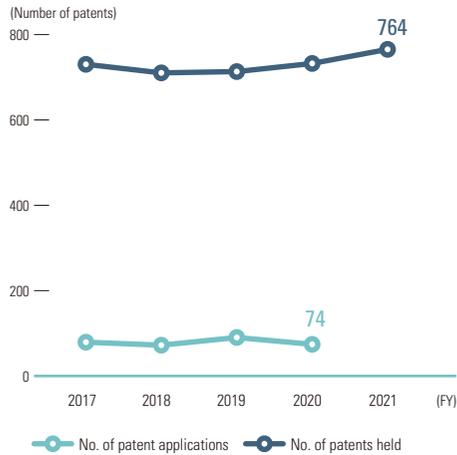
Childcare leave taken by female employees



■ No. of users of childcare leave (LHS)
● Ratio of childcare leave taken (RHS)

Intellectual property

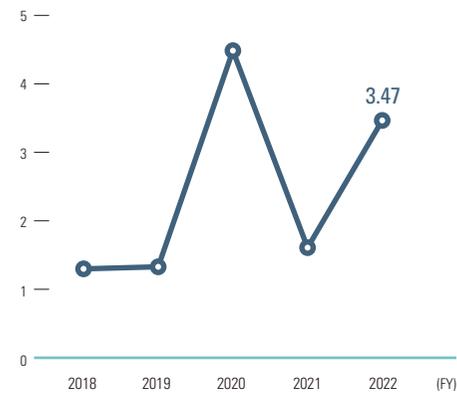
Number of patent applications* / Number of patents held



*In consideration of publication date of the patent application, data is stated only up to FY2021.

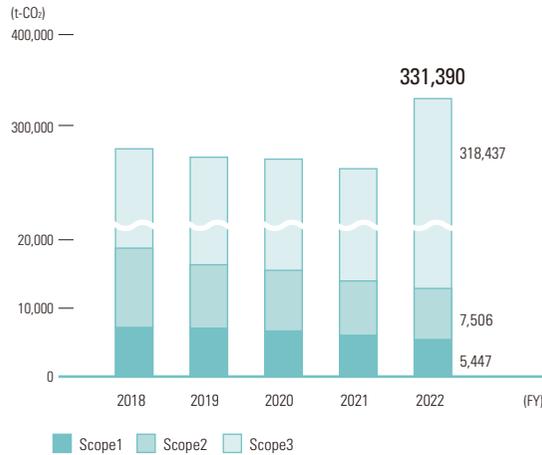
Labor safety

Labor accident frequency rate



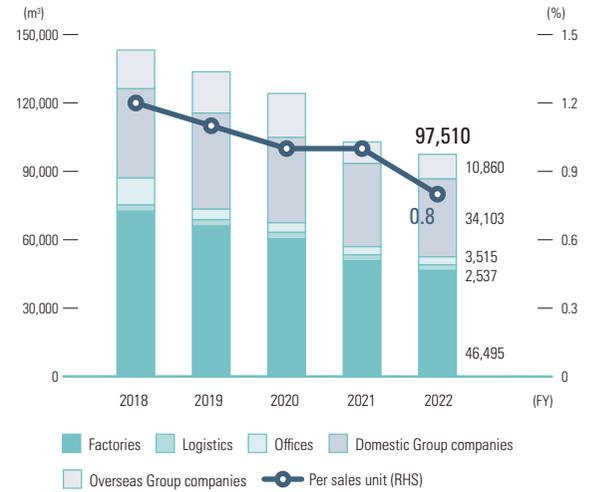
Environment

CO₂ emissions



*Calculation method of CO₂ emissions changed in FY2022. Please see page 49 for further details.

Water usage



Total energy input



Amount of waste generated / recycling rate



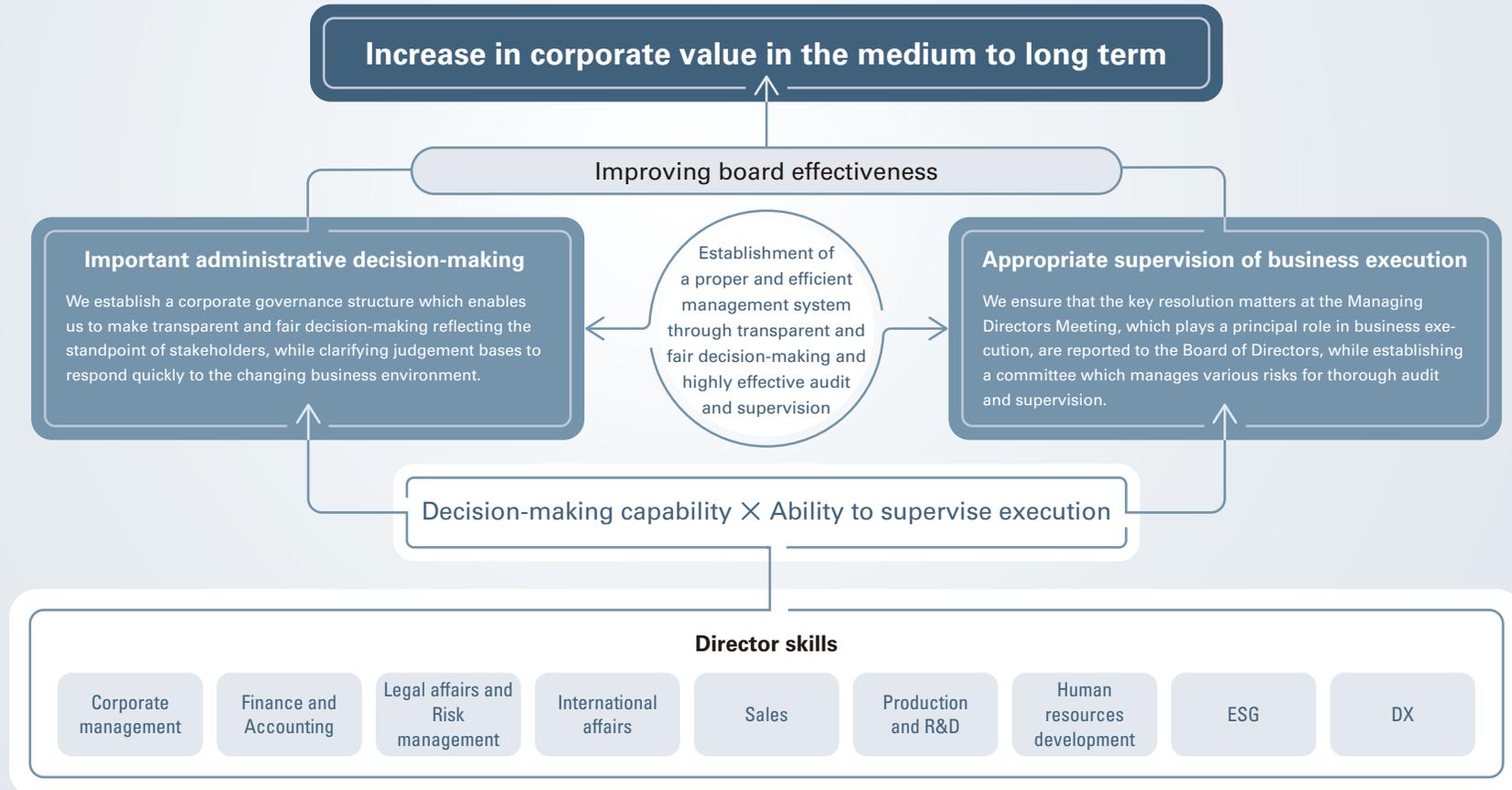
[Scope]
 • Employee status/Intellectual property/Labor safety: Itoki Corporation
 • Environment: Itoki Corporation, 13 domestic Group companies, 2 overseas Group companies

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





Hiroshi Nagata
External Director

External director discussion The roles of external directors in corporate governance

Itoki is taking steps to strengthen its underlying corporate governance with a view to realizing its Mission Statement: We Design Tomorrow. We Design WORK-Style.

Two of the company's external directors, Mr. Hiroshi Nagata and Mr. Shiro Nitanaï, recently sat down together to discuss how corporate governance is being strengthened.



Shiro Nitanaï
External Director

Itoki's ever-evolving corporate governance

Nagata At the request of Chairman Yamada, I accepted the role of external director in 2008. I have therefore held this position for 15 years, during which time the company's corporate governance has steadily evolved year after year. And even now I think it is continuing to evolve.

One example of this evolution is the fact that the members of the Board of Directors now have diverse career backgrounds. In 2008 when I was appointed to the Board as an external director, there were 12 members in total (directors and Audit & Supervisory Board members), but all of the directors, with the exception of myself, hailed from within Itoki. But now, however, eight of the 11 directors and Audit & Supervisory Board members worked elsewhere before joining Itoki's Board.

Generally, it is often said that the outside perspectives of external directors are important, but many of the company's internal directors have experienced work elsewhere. As a result, even the company's internal directors possess an external point of view and a multifaceted mindset and I surmise that this kind of thinking is contributing to effective discussions at the meetings of the Board of Directors and the Audit & Supervisory Board.

That the members possess external perspectives and multifaceted thinking is not the only attribute of the Board. It also has

a track record of openly discussing the various issues that have arisen in the past as agenda items.

Nitanaï I also agree with Mr. Nagata. He is often the one to get the ball rolling at Board meetings, opening the floodgates to lively discussions thereafter. I also think President Minato is the type of person who brings a casual atmosphere to Board meetings, which helps discussions proceed quite smoothly.

If I were to add something else about the company's external directors, Ms. Mariko Bando was recently appointed to the Board. I expect her to contribute to even livelier Board meeting discussions based on her wealth of experience.

Nagata Ms. Bando has long been instrumental in public office formulating policies designed to empower women, so naturally I expect her to contribute to the promotion of diversity, but considering that she currently serves as chancellor of Showa Women's University, she has ample experience in the field of school administration, so I think she can utilize her broad-ranging knowledge for the benefit of Itoki's school-related business projects.

Nitanaï Changing the topic slightly here, but as you well know, the perspectives of sustainability or ESG, have become really important for companies and are key factors that can shape the future prospects of a company. In my view, it is critically important that we, as Board members, understand the facts, including the global situation,

and routinely share with each other our views on the long-term direction we need to pursue and the sense of urgency required.

What we need to do is to develop a narrative that goes beyond just corporate social responsibility and instead links environmental (for PLANET) and social (for PEOPLE) issues to the long-term survival of the company, financial merits, and growth strategies. From this perspective, I believe we must have even more opportunities to discuss sustainability or ESG issues at the Board level.

The outside perspectives Itoki needs

Nagata I first became aware of my own role as a director during my first-ever appointment as a director at a trading company. A large number of directors sat on the board of that company at the time, which meant the meetings were focused more on reporting and there was little time for discussion.

It was in that kind of environment that I dared to summon the courage and ask a question. To be honest, I felt like a fish out of water, but nevertheless, my question got answered. It was only then that I understood the significance of my presence at board meetings. In any meeting, if there is something you are mystified by or do not understand, it is important to seek answers by asking questions.

Since then, I have consistently employed this approach during

G

my tenure as a director at multiple companies. Of course, this applies to my position as an external director at Itoki as well. Especially because the external directors are not involved in the execution of business, many oddities and questions are likely to arise, so when they do, it is imperative that we seek clarification by asking questions. I certainly feel that the Board is functioning effectively at present because my questions are being answered sincerely during Board meetings.

Nitanai In my view, one key role of the external directors is to bring in perspectives that tend to be overlooked internally. Discussions at time-honored companies tend to be focused on the values considered important within the organization, as well as near-term events. That is perfectly natural. As external directors, I think we need to be aware of this and dare to express our opinions from long-term, external (society-facing), and multilateral points of view. In that regard, I recognize there to be limits to what I can do personally, but based on my modest experience, I hope to be of some use by expressing my views with the following three perspectives in mind.

First, the perspective of users. When I previously worked for the Japan Post Group, I was involved in workplace concept, design, and planning as a facility management supervisor on the user side. I also worked closely with some of the major furniture manufacturers, including Itoki. In addition, I think I can provide some insight and logic from the perspectives of a broad range of users in light of my experience undertaking workplace research studies for about 20 years for the Japan Facility Management Association. Second, the perspective of property developers. I also used to work in property development, overseeing redevelopment projects like the JP Tower building and the KITTE complex. In that role, I came to learn what developers and project operators expect from office furniture manufacturers. This perspective, which is not unlike the viewpoint of users, has become ingrained in me funnily enough, although I may be exaggerating somewhat. And third, the perspective of sustainability, or ESG if you like. I currently work as a consultant in sustainability and well-being architecture, so from that angle, I envisage a future for Japan and the world in which a sustainability revolution brimming with risks and opportunities is forthcoming.

As I said just a moment ago, I hope to be able to offer my advice based on these perspectives.

Nagata Seeing that Mr. Nitanai has just spoken about how his career background influences the kind of advice he brings to Itoki as an external director, I too would like to mention the overseas business acquisitions I experienced during my days at a trading company. I was in charge of the firm's M&A deals at a time when pretty much all of the trading houses were not interested in pursuing alliances with other companies. Of the deals I took charge of, some of them were successful, while others could be considered failures. But in the process, I learned what is required for an overseas M&A deal to be successful.

Frankly speaking, the success or failure of an overseas business hinges on the human resources involved. In other words, when venturing alone into another market, the key is whether you have capable personnel on the ground to get things done. If you do not, choosing the right partner becomes crucial. That said, if you rely on a partner, you need to be really sure they are trustworthy, based not only on your own assessment, but from a third-party point of view. To be honest, based on my observations of many M&A deals, I think there have been relatively few cases in which Japanese companies have achieved a favorable outcome.

Itoki's business, particularly its office furniture business, is primarily centered on the domestic market, but I believe there to be a strong likelihood of management expanding operations globally in the near future. When it does so, it should be mindful of the things we have discussed today in planning and executing an overseas strategy.

Looking to Itoki's future

Nagata Itoki continues to propose the creation of new office styles based on its Mission Statement of We Design Tomorrow. We Design WORK-Style. The company has hitherto focused its efforts on creating the ideal office space, but going forward, I think it will need to embrace slightly more sophisticated ideas.

To be more specific, it will need to go beyond the traditional framework of offices and office furniture and demonstrate to its customers, with the use of data, how its proposals can deliver

improvements when adopted by a client company, what outcomes can be expected depending on the improvements made, and what actions should be taken to achieve results. In other words, instead of offering solutions that only tell customers what to do, the company should instead make proposals that go one step further based on the potential changes in people's working styles as a result.

Such proposals will resonate the most with people who are in a position to foresee the outcomes, as well as the presidents of client companies. This is why Itoki's ultimate aim should be to make the dreams of company presidents come true by leveraging the copious amounts of case studies and data it has at its disposal. Only then do I think it can attain the status of being a leading company. In my view, this is what Itoki must set its sights on.

Nitanai As Mr. Nagata has just said, I too think it is important for the company to keep evolving by thinking outside the box. And if change is inevitable, then it is even more crucial that the company stands in the vanguard of that change. Going by the various initiatives Itoki has implemented so far as it rides the waves of change, I see ample potential for it to become a leading company. I am hoping management will push ahead with the determination needed for Itoki to become the industry leader in the near future.

Nagata As for future-oriented endeavors, initiatives related to materials are also key. Itoki was originally a manufacturer with a focus on assembly and processing. As a result, Itoki makes very few products itself from raw materials and has little control over the recycling process, an area that requires a considerable amount of consideration in terms of materials. As such, Itoki has long faced the dilemma of being a manufacturing company but lacking the concrete solutions to address environmental problems.

The company's materials laboratory (now called the Technology Development Department) is the manifestation of Itoki's approach to ending this dilemma and tackling issues of the environment more proactively. It is currently engaged in various research activities, including the search for alternative materials to potentially replace plastic, the cause of some of the biggest environmental issues. Up until now, very few processing companies have addressed environmental problems, but I am hoping that Itoki can achieve favorable results in this area.

Director diversity (board composition)

The Board of Directors consists of a well-balanced group of diverse directors with various backgrounds of highly specialized skills and experience to appropriately fulfill its responsibilities of formulating the basic administrative policies of the Itoki Group and appropriately supervising business affairs. As for Audit & Supervisory Board members, the persons with knowledge in finance, accounting, and legal affairs are selected, enabling them to audit and supervise the Board of Directors and their execution of duties from a neutral and objective viewpoint.

Skills matrix for 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
Masamichi Yamada	●	●		●	●			●	
Koji Minato	●			●	●			●	●
Yoshiaki Moriya		●	●	●	●			●	
Naoki Kaze	●				●	●			
Junsei Shinada	●				●				
Hiroshi Nagata	●			●	●				
Shiro Nitandai	●			●				●	
Mariko Bando	●		●	●			●	●	
Atsushi Fukuhara			●			●	●		
Osamu Ishihara			●	●			●		
Hisashi Shirahata		●		●					

Definition of skills

Name of skills	Definition
Corporate management	Management experience as CEO, COO, or the like, plus skills to lead business transformation from a long-term perspective
Finance and Accounting	Broad knowledge and experience in the finance and accounting field, plus skills to assess growth potential and profitability of businesses and to realize high capital efficiency
Legal affairs and Risk management	Broad knowledge and experience in the legal, risk management, and compliance fields, plus skills to make legal and beneficial judgements for the Company
International affairs	Experience in overseas business management and extensive knowledge and experience in overseas business environment, plus skills to lead international business activities
Sales	Extensive knowledge and experience in sales and marketing, plus skills to lead business transformation
Production and R&D	Extensive knowledge and experience in manufacturing development, plus skills to lead business transformation
Human resources development	Broad knowledge and experience in the human resources development field, plus skills to realize organizations in which each employee can perform at their full potential
ESG	Broad knowledge in the fields of "ESG" and "SDGs," where companies need to fulfill their social responsibilities, plus skills to resolve issues for companies and society
DX	Broad knowledge and experience in DX and IT, plus skills to promote business transformation and to resolve issues for companies and society

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



Reasons for appointing external directors

Name	Corporate management
Hiroshi Nagata	Mr. Hiroshi Nagata was appointed as external director to reflect his abundant 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 the Board of Directors meetings in an independent position and by expressing appropriate opinions. He doesn't fall under any of the conditions which require additional disclosures concerning independency 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 stakeholders of the Company.
Shiro Nitanei	Mr. Shiro Nitanei was appointed as external director to reflect his abundant experience and deep insight in corporate management and facility design in the management of the Company. He doesn't fall under any of the conditions which require additional disclosures concerning independency 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 stakeholders of the Company.
Mariko Bando	Although Ms. Mariko Bando has not been involved in corporate management other than by way of serving as an external director in the past, she has abundant experience and deep insight in the field of public administration and education. We therefore appointed her as external director and expect to receive her useful opinions and advice on diversity promotion and human resource development from a professional standpoint. We also expect her to fulfill management monitoring function from an independent viewpoint. She doesn't fall under any of the conditions which require additional disclosures concerning independency 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 stakeholders of the Company.

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 fulfill 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

Message from newly appointed external director

Digital Transformation (DX) is significantly changing the way how Japanese people work and live. The COVID-19 pandemic has accelerated DX and made remote work and online classes a reality. Accordingly, there have been significant changes in the workplace and time constraints. Interactive education, or so-called active learning, has also changed the functions and facilities of schools and classrooms, as well as how they should be.

The concept that we should concentrate on the actual work at home and the workplace should be the place to meet with others, exchange ideas, and build up a team is also gaining momentum, and raising a question of how our working environment should be in order not only to improve productivity but also to create a workplace which brings well-being to the people working there. Office environment is being affected by the changes in the working styles, at the same time, it significantly affects how we work. To "Design WORK-Style," it is essential that we have visions towards society and life.

Itoki, as a leading company that leads these changes, has a mission to give form to ideas and to create a specific place for the realization of these ideals. I hope Itoki continues to take on new challenges.



Mariko Bando
External Director

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.

Evaluation of the effectiveness of the board of directors

At Itoki, the Board of Directors makes an analysis and evaluation on the overall effectiveness of the Board of Directors, including the operation and agenda of the meetings, by listening to the opinions of directors and Audit & Supervisory Board members and having discussions with them. As a result, at a “free discussion” meeting held in January 2023, the following improvement proposals were made from external directors and Audit & Supervisory Board members: “Appeal focused on the field of ESG,” “Further improvement of our brand strength,” “Enhanced reporting at the Board of Director meetings (quality assurance, environment, new product development, status of Group companies, trend of other companies in the same industry, etc.),” etc. The Board of Directors has since taken actions to realize these improvement proposals and improve the Board’s effectiveness.

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 internal directors 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

Itoki has set up the Audit & Supervisory Board to audit the execution of duties by directors efficiently and effectively. The Audit & Supervisory Board formulates the audit policies, audit plans, and key audit items for each fiscal year and conducts audits accordingly. In addition to receiving regular reports from each department related to the internal control system, the Audit & Supervisory Board conducts confirmation tasks from various aspects in cooperation with the accounting auditors. The Audit & Supervisory Board also receives explanations on individual matters from directors and other officers as necessary.

Key audit items

- 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)

Compliance committee

Itoki has set up the Compliance Committee as the highest authority to promote compliance-oriented management. We held the Committee meetings three times in 2022, and the contents of the meetings were reported to the Risk Management Committee. We assign a compliance officer and a compliance coordinator selected from among employees to each business location to facilitate the on-site practice, give instructions, raise awareness, and ensure a thorough adherence in the workplace.

Key issues discussed at the Compliance Committee meetings

- Decision on key compliance measures
- Progress management and verification of key measures
- Analysis of compliance questionnaire results

Determination of compensation for directors and audit & supervisory board members

Compensation of directors (excluding external directors) consists of (1) fixed compensation, (2) performance-linked variable compensation, and (3) restricted stock compensation (non-monetary compensation). For (1) fixed compensation, monetary compensation is paid in accordance with the position-based monthly compensation table approved by the Board of Directors. For (2) variable compensation, position-based monetary compensation is calculated and paid based on the operating income for the fiscal year under review for the purpose of contributing to the improvement the Company’s performance, and in consideration of individual performance as well. Individual performance is assessed based on the evaluation index set for each business and each function in each responsible area. For (3) restricted stock compensation which aims to continually increase the corporate value and share the value with shareholders, position-based stock compensation is paid on the condition of current director status as an incentive for achieving business results in 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 fy2022

Classification	Total compensation, etc. (¥1 million)	Total compensation, etc., by type (¥1 million)			Number of eligible directors and Audit & Supervisory Board members
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (of which, external directors)	267 (17)	167 (12)	80 (4)	20 (1)	7 (2)
Audit & supervisory board members (of which, external audit & supervisory board members)	37 (9)	30 (7)	3 (1)	4 (1)	4 (2)
Total	304	197	83	24	11

Corporate governance system

Board of directors

Number of meetings held in FY2022: 17

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 FY2022: 13

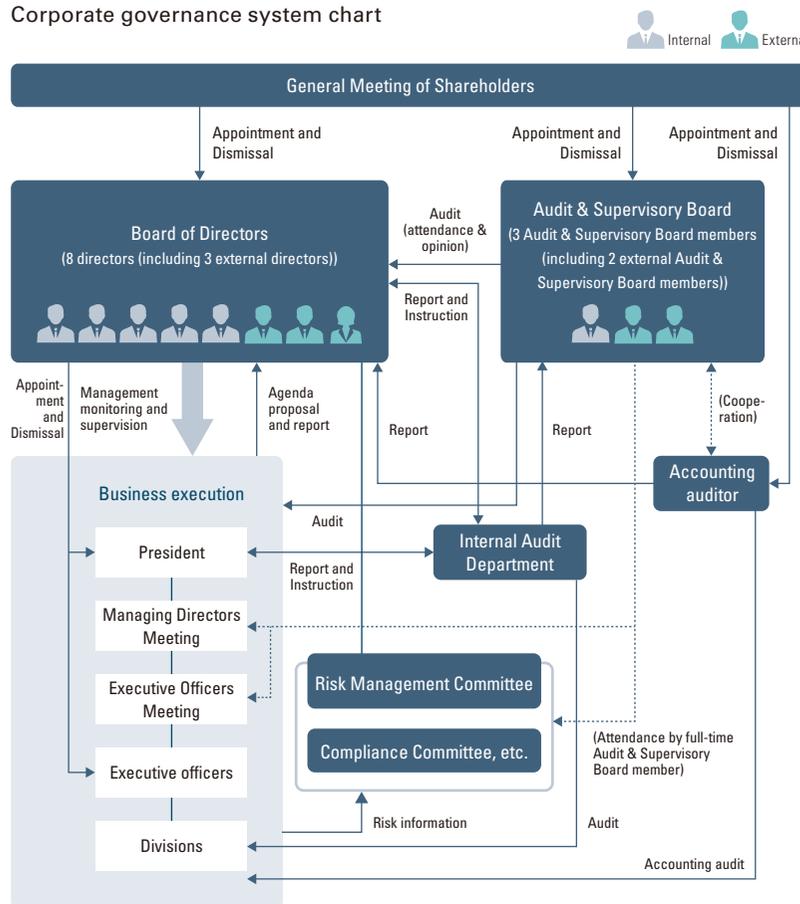
The Audit & Supervisory Board of Itoki consists of one full-time Audit & Supervisory Board member and two external Audit & Supervisory Board members who have abundant knowledge and experience in various fields (total three members). They hold discussions and make resolutions to form opinions concerning audit at the Audit & Supervisory Board meeting held once a month. Each member conducts audits on business execution status based on the audit policies, audit plans, and allocation of duties set out by the Audit & Supervisory Board. All Audit & Supervisory Board members attend the Board of Directors meeting, and the full-time member also attends important meetings such as the Managing Directors Meeting.

Internal audit department

Number of reports to full-time Audit & Supervisory Board member in FY2022: 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, and the full-time Audit & Supervisory Board member realizing higher effectiveness and efficiency of internal audit.

Corporate governance system chart



Accounting auditor

Number of information exchanges and review in FY2022: 4 (quarterly)

Accounting audit is conducted from a fair and independent standpoint. The Company's accounting audit for the fiscal year ended December 31, 2022 was conducted by 31 certified public accountants in total, including 2 appointed limited liability employees from KPMG AZSA LLC and 11 certified public accountants assisting the auditing duties.

Risk management committee

Number of meetings held in FY2022: 1

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 FY2022: 3

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.

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 three such cases in fiscal year 2022.

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, 2022)

	Number of cross-shareholdings	Total value on the Balance Sheet (¥1 million)
Unlisted shares	24	337
Shares other than unlisted shares	25	1,745

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.

Group governance

Itoki Corporation gives support and guidance to its Group companies so that they can achieve their goals set out in the medium-term management plan and annual plan. We also attend the Board of Directors meetings of our Group companies, and review and monitor whether reporting and resolutions are made in accordance with rules and standards.

Relevant departments of the Company give continuous guidance to each Group company for the management risk hedge purposes (compliance, accounting, operational process, labor management, information security, etc.). In addition, the Company's managers with department head experience and employees with specialized knowledge in accounting and finance take positions of non-full-time director or statutory auditor of Group companies so that overall governance of the Group will be further strengthened.

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) Itoki has established the "Internal Control Audit Office" and the "Internal Control Administration Office" in January 2009 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.

Board of Directors

Directors

Masamichi Yamada

Chairman



- 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

President &
Representative Director



- 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,
Administration Division)



- 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,
Sales Division)



- 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,
Planning Division)



- 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)

Directors

Hiroshi Nagata

External Director



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 Nitandai

External Director



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



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

Atsushi Fukuhara

Full-Time Audit & Supervisory Board member



Apr. 1984 Joined ITOKI CORPORATION (formerly Itoki Kosakusho Co., Ltd.)
 Jul. 2006 General Manager, Ud & Eco Research Center, R&D Department of the Company
 Mar. 2009 General Manager, Central Research Center of the Company
 Jan. 2012 Executive Officer and General Manager, Human Resources Control Department, Planning Division of the Company
 Jan. 2016 Executive Officer and General Manager, Risk Management Department, Administration Division of the Company
 Mar. 2016 Audit & Supervisory Board Member of the Company (current)

Osamu Ishihara

External Audit & Supervisory Board member



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)

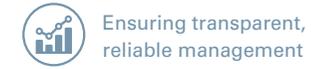
Hisashi Shirahata

External Audit & Supervisory Board member



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



Ensuring transparent, reliable 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

In fiscal year 2009, Itoki established a Risk management department to oversee responses to a wide range of risks, including compliance and security. Under the Itoki Group Risk Management Basic Rules, risk management is implemented mainly by the Risk Management Committee.

The Risk Management Committee, consisting of directors, heads of each division, and heads of general affairs, accounting, corporate planning, and audit departments, formulates a risk management policy, evaluates risks, and decides the level of countermeasures. It then instructs lower-level entities like the Compliance Committee, Information Security Committee, and the responsible departments to implement these measures.



Risk Management for Domestic Group Companies

Our group companies are also developing appropriate systems for the Risk Management Promotion System, Compliance Promotion System, and Information Security Promotion System in accordance with the nature of their business, thereby strengthening the risk management system of Itoki Group.

FY2022 KPIs and results

Target for FY2022

Zero major data security incidents

Construction of business continuity systems complete for the manufacturing divisions, which are subject to major impact from disasters (resilience certifications acquired)

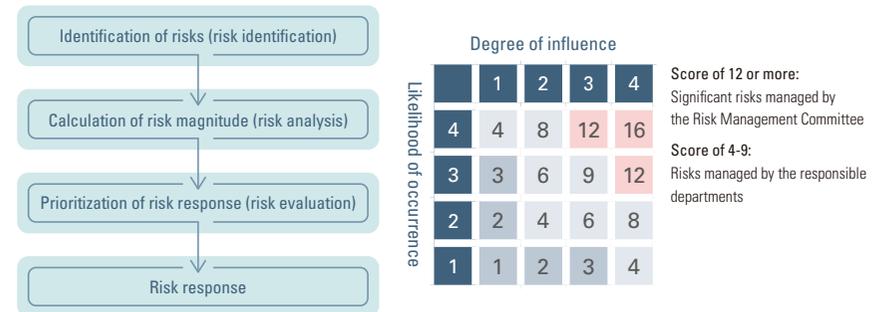
Performance for FY2022

Zero major data security incidents

Resilience certification acquisition complete

Risk management and response

Itoki's risk management identifies risks for a variety of possible threats, including changes in external and internal factors. In order to prioritize risk responses, each risk is evaluated by scoring its frequency of occurrence and the degree of impact. The committee manages major risks that score high in our risk assessment system, while other risks are managed by the responsible departments. For each risk, we use a Risk management sheet to specify specific risk details, countermeasures, related departments and laws and regulations, etc., to help avoid risks before they occur and respond promptly to problems when they do occur.



Resilience certification acquisition

In November 2022, we received Resilience Certification for our efforts to review and improve our business continuity plan and business continuity system, which are implemented as countermeasures against business stoppage due to disasters and accidents, one of our priority risks, in compliance with the "Guidelines for Certification of Organizations Contributing to Building National Resilience" set forth by the Cabinet Secretariat.

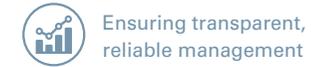


*The Resilience Certification is a system that certifies companies and organizations that support the aims of the Cabinet Secretariat's efforts to promote national resilience and are actively engaged in business continuity as "organizations contributing to building national resilience." The certified organizations are listed on the website of Association for Resilience Japan and the Cabinet Secretariat's National Resilience Promotion Office.

Significant risks and responses

No.	Major categories	Subcategories	Risk Name	Description of the main measures
1	Operational risks	Critical quality accident	Occurrence of critical quality issues	To prevent critical quality issues, we conduct various quality and durability tests, conduct regular inspections of each manufacturing process and facility, provide quality education to our employees, conduct legal audits, and conduct quality audits of external suppliers.
2		Information leak	Information leaks and cyber attacks	We are continuously strengthening our information security management system to ensure thorough management of personal and confidential information. In addition, we conduct surveys of outside contractors to ensure that they are properly managing personal information, etc., and confirm that there are no inappropriate business partners. In addition, to prepare for external attacks on information systems, firewalls, intrusion detection devices, and other means of security equipment are deployed to provide protection against unauthorized access. We regularly conduct mock drills against “targeted attack e-mails” to educate our employees and raise their awareness of increasingly sophisticated cyber-attack risks.
3		Human resources and labor	Violation of labor standards act	A system requiring application and approval for overtime work has been introduced, and each employee’s working hours are visualized and properly managed through an attendance management system.
4			Occurrence of employee health problems	We regard the physical and mental health of our employees as an important management issue, and our health management staff conducts interviews and follow-ups to prevent lifestyle-related diseases and infectious diseases, promotes smoking cessation, and implements mental health measures.
5			Human rights issues	We have established “Regulations for Prevention of Harassment” to prevent harassment in the workplace. Training is conducted annually to prevent harassment. In addition, a helpline and harassment consultation service have been established for the early detection and prevention of harassment.
6			Mass outbreak of infectious diseases	To prevent the spread of infection, we immediately interview anyone who may have had contact with our employees as soon as we receive information about a potentially infected or sick individual. We conduct PCR tests, and if there’s a high risk of infection, we instruct the relevant employees to stay home.
7	Hazard risks	Accidents and disasters	Supply chain risk	We conduct annual surveys and maintenance of our suppliers, and from the viewpoint of business continuity, we have a system in place to ensure that we are not dependent on specific suppliers and that procurement is conducted at reasonable prices.
8			Suspension of operations due to disasters or accidents	To prepare for events such as earthquakes, windstorms, floods, and fires that could significantly impact business continuity, we have established a system, formulated rules, and conducted safety training, fire drills, and regular inspections of our facilities. Furthermore, in order to minimize the impact on our business in the case of such an event, we have established a Disaster Countermeasures Headquarter System headed by the President and have formulated a Business Continuity Plan (BCP).
9			Occurrence of serious workplace accidents	We strive to create a safe and secure work environment for our employees and to maintain and promote their health. All of our employees recognize that safety is a basic condition for corporate activities, and we actively promote safety and health activities and education with the aim of preventing workplace accidents. With the goal of achieving zero workplace accidents every year, we conduct a wide variety of activities, including company-wide safety and health committee, safety and health activities at each workplace, Disaster Prevention Councils with our partner companies, and employee education and training.
10		Information system failures and malfunctions	Unplanned outages of information systems	To ensure that information systems can be used stably at all times, we have established a system of hardware failure countermeasures and software-induced failure countermeasures, as well as a system to shorten recovery time. In addition, critical communication lines and equipment are redundant in case of network failure.

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 officers and employees of the Group.

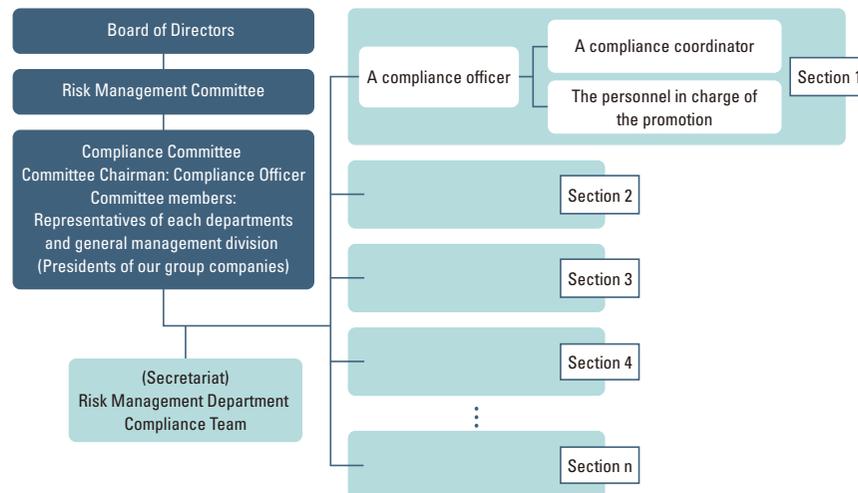
Compliance promotion system

Itoki Group has established the Compliance Committee, chaired by the director in charge of compliance, under the Risk Management Committee as the highest authority responsible for promoting compliance.

The committee met three times in FY2022 to plan and formulate specific measures and to manage and verify progress. Specific measures and guidance are provided by the Compliance Promotion Committee members and promotion staff assigned to key divisions.

In order to prevent misconduct, promote self-correction and ensure public trust, we have established a helpline for internal reporting. This helpline plays an important role as a mechanism for our employees to report irregularities and problems with confidence.

Compliance promotion system chart



FY2022 KPIs and results

Target for FY2022

Performance for FY2022

Promoting increased compliance throughout entire company

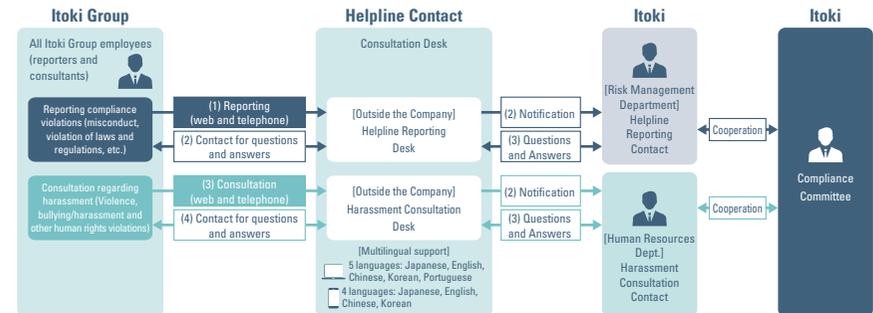
Completion of the training plan

Thorough compliance awareness

As a global corporation, Itoki Group recognizes that “compliance is a response to societal demands.” With this understanding, we encourage all our executives and employees to not only comply with laws and regulations, but also to adhere to both business ethics and internal norms. In addition, we are developing our business activities while flexibly responding to the expectations and requests of our stakeholders in Japan and other countries and regions, while also giving due consideration to social norms and social contributions.

In FY2022, we conducted training for directors and officers to update their compliance knowledge, as well as training by job level and workplace. In addition, we published “Compliance News” on a regular basis to strengthen and disseminate compliance throughout the Group.

In addition, we conduct an annual compliance survey of all Group employees and use the results to promote compliance and raise awareness.



Future issues

With the spread of teleworking due to the COVID-19 pandemic, new compliance issues related to employee labor management and information management have come to light, and we recognize the need to strengthen our compliance system from a broader perspective, rather than continuing to rely on conventional measures. To address this issue promptly and appropriately, Itoki has positioned the enhancement of its compliance system as a pressing issue and is working on it.

OUTCOME



*The relief sculpture exhibited here is Tsutomu Yamamoto's *cosmic net*.

OUTCOME

By helping to resolve various issues that surround the workplace, Itoki strives to create social value related to *making society and people happy* as well as *making the company and its employees happy*. In terms of problem-solving, Itoki also provides distinctive solutions to create economic value. We will continue to pursue social and economic value aimed at achieving both a more sustainable society and corporate growth.

Created social value

Safe, secure workplaces

Office proposals related to well-being

160

Improved job satisfaction

Affirmative responses to specific indicators on engagement surveys

63.6%

Reduced environmental impact

CO₂ emissions

331,390 t-CO₂

Created economic value

Free cash flow

10.727 billion yen

Total amount of cash dividends (annual)

1.675 billion yen

ROE

11.1%

*For details on social value, see p. 93.

*For details on economic value, see p. 27.

DATA

- 91 Financial and non-financial data (previous 11 years)
- 92 Financial data (quarterly basis)
- 93 Materiality targets and KPIs
- 95 Corporate data
- 97 Editor's note



Financial and non-financial data (previous 11 years)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating results (fiscal year):											
Sales	105,508	103,461	102,993	106,516	101,684	108,684	118,700	122,174	116,210	115,905	123,324
Workplace Business segment	—	—	—	—	—	—	—	—	83,032	80,561	85,945
Equipment & Public Works-Related Business segment	—	—	—	—	—	—	—	—	31,602	33,488	35,667
IT & Sharing Business segment	—	—	—	—	—	—	—	—	1,575	1,757	1,624
Cost of sales	70,027	67,118	66,797	68,374	65,021	69,966	77,436	80,495	74,322	74,186	77,575
Selling, general and administrative expenses	32,040	32,203	33,723	33,836	33,862	35,761	39,339	40,776	40,089	39,158	41,167
Operating income	3,441	4,140	2,472	4,306	2,800	2,956	1,925	903	1,798	2,560	4,582
Workplace Business segment	—	—	—	—	—	—	—	—	1,273	1,914	2,579
Equipment & Public Works-Related Business segment	—	—	—	—	—	—	—	—	1,225	974	1,482
IT & Sharing Business segment	—	—	—	—	—	—	—	—	(700)	(385)	449
Net income	2,702	3,910	2,160	4,530	1,907	2,402	1,725	(550)	(235)	1,166	5,294
Capital investment	2,627	3,563	2,441	2,083	2,176	1,895	6,615	3,845	4,538	3,424	6,973
Depreciation	2,588	2,652	2,624	2,389	2,534	2,316	2,329	3,168	3,431	3,181	2,828
Research and development expenses	1,396	1,499	1,432	1,759	2,337	2,403	2,453	2,612	2,467	2,344	2,286
Financial position (fiscal year-end):											
Total assets	89,256	95,261	96,721	98,175	95,681	102,221	108,703	108,778	105,096	103,898	115,288
Liabilities	51,016	52,234	53,532	50,863	50,278	54,894	61,210	62,944	60,906	58,822	65,377
Total capital	38,240	43,026	43,189	47,311	45,402	47,326	47,492	45,834	44,189	45,076	49,910
Cash flows:											
Cash flows from operating activities	8,259	3,162	5,715	4,522	5,072	3,565	1,384	3,586	4,561	2,774	5,804
Cash flows from investing activities	(14)	(1,978)	(1,742)	(803)	(4,044)	(2,971)	(3,094)	(3,221)	(1,152)	(1,170)	4,923
Cash flows from financing activities	(1,652)	51	(2,179)	(3,807)	(2,571)	(706)	(2,463)	0	(2,267)	(2,658)	(1,426)
Cash and equivalents at end-term	16,156	18,102	19,918	20,103	18,483	18,571	14,540	15,494	16,697	15,797	25,420
Information per share (yen):											
Net income	54.37	78.21	42.86	91.61	40.15	52.74	37.84	(12.08)	(5.18)	25.82	116.99
Cash dividends	10.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	15.0	17.0
Equity attributable to owners of the parent	723.51	814.79	825.78	953.51	986.85	1,028.87	1,027.45	995.80	969.43	992.89	1,100.33
Financial indicators:											
Operating income to sales ratio (%)	3.3	4.0	2.4	4.0	2.8	2.7	1.6	0.7	1.5	2.2	3.7
ROE (ratio of net income to equity attributable to owners of the parent) (%)	7.8	10.2	5.2	10.4	4.2	5.2	3.7	(1.2)	(0.5)	2.6	10.6
ROA (ratio of income before taxes to total assets) (%)	3.0	4.2	2.3	4.7	2.0	2.4	1.6	(0.5)	(0.2)	1.1	4.6
Total asset turnover ratio (multiple)	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Equity ratio (%)	40.3	43.1	43.0	46.5	47.0	45.7	43.1	41.7	41.6	43.2	43.2
ESG indicators:											
Number of employees	3,237	3,259	3,225	3,333	3,349	3,910	4,102	4,151	4,062	3,973	3,793
Number of directors	6	6	6	6	6	6	4	6	7	7	8
Labor accident frequency rate	2.61	1.44	0.00	0.00	1.38	0.00	1.30	1.33	4.49	1.61	3.47
CO ₂ emissions* ^{1 to 5} (t-CO ₂)							275,024	265,832	263,725	253,167	331,390
Water usage (m ³)							143,202	133,689	124,167	102,892	97,510
Waste emissions (t)							10,763	8,918	9,188	8,749	8,174

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 7.419 billion yen (6.4%) to 123.324 billion yen.

Because we finished our planned investment in the completion of our Shiga plant AP center—the objective of which is to improve our earning power by strengthening our office-product assembly/production systems and expanding the production capacity of Systema Streamer SAS-R, our logistics equipment product—our capital investment increased year-on-year by 3.549 billion yen (103.7%) to 6.973 billion yen.

Due to income resulting from the sale of tangible and intangible assets—including non-business assets—to increase our asset efficiency, our investing cash flow increased by 4.923 billion yen (in contrast with the 1.17 billion yen decrease during the previous year).

Due to profit recorded on the sale of non-business assets to increase our asset efficiency, our earnings per share reached a new record high.

*1 The method for calculating CO₂ emissions was changed in FY2022. For details, see p. 49.

*2 For the FY2022 data, the city gas emissions were calculated by performing normal value conversion. No normal value conversion was performed for data from 2021 or before.

*3 For the FY2022 data, the total scope of calculations includes Itoki, 13 Group companies in Japan, and two overseas Group companies. For data from 2021 or before, the scope includes Itoki, 13 Group companies in Japan, and only one overseas Group company.

*4 For the FY2022 data, some of the Scope 3 calculations (3-1, 3-2, 3-4, 3-6, and 3-7) were performed using a more sophisticated method (including utilizing IDEA Ver. 2.3 coefficient data for some).

*5 For the FY2022 data, the Scope 2 data calculations were performed according to the market standards. For data from 2021 or before, the data calculations were performed according to the location standards, so there are some discrepancies.

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)

	December of 2020				December of 2021				December of 2022			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Statement of income												
Sales	37,707	26,997	21,489	30,017	32,121	29,451	22,396	31,871	35,345	28,411	26,205	33,363
Year-on-year change (%)	11.2	(9.3)	(24.5)	(0.1)	(14.8)	9.1	4.2	6.2	10.0	(3.5)	17.0	11.2
Quarterly composition ratio (%)	32.4	23.2	18.5	25.8	27.7	25.4	19.3	27.5	28.7	23.0	21.2	27.1
Cost of sales	23,710	17,765	13,811	19,036	20,101	18,729	14,443	20,872	21,483	18,030	16,678	21,384
Gross profit	13,997	9,232	7,678	10,981	12,020	10,722	7,953	10,999	13,862	10,381	9,527	11,979
Selling, general and administrative expenses	10,996	9,602	9,590	9,901	10,352	9,453	9,203	10,150	9,898	9,973	9,812	11,484
Operating income	3,001	(370)	(1,912)	1,079	1,667	1,269	(1,249)	849	3,964	407	(285)	496
Operating income to sales ratio (%)	8.0	(1.4)	(8.9)	3.6	5.2	4.3	(5.6)	2.7	11.2	1.4	(1.1)	1.5
Quarterly composition ratio (%)	166.9	(20.6)	(106.3)	60.0	65.7	50.0	(49.3)	33.5	86.5	8.9	(6.2)	10.8
Non-operating income	154	162	251	237	240	161	171	122	125	164	171	96
Non-operating expenses	273	168	107	172	250	257	101	185	115	130	177	539
Ordinary income	2,882	(376)	(1,768)	1,143	1,657	1,173	(1,179)	786	3,974	442	(291)	52
Extraordinary income	0	6	125	980	1,255	78	133	88	786	139	118	6,762
Extraordinary losses	116	42	55	1,503	20	456	518	1,474	44	64	38	3,465
Quarterly profit before taxes, etc.	2,766	(412)	(1,697)	620	2,893	795	(1,565)	(600)	4,716	516	(211)	3,351
Total corporate income taxes, etc.	1,039	134	(195)	654	1,028	490	(132)	(796)	1,381	246	(21)	1,585
Quarterly profit attributable to owners of the parent	1,760	(557)	(1,491)	53	1,942	348	(1,440)	316	3,388	288	(159)	1,777
Profit ratio (%)	4.7	(2.1)	(6.9)	0.2	6.0	1.2	(6.4)	1.0	9.6	1.0	(0.6)	5.3
Balance sheet												
Current assets	69,811	60,382	52,463	57,183	65,543	62,170	55,249	57,753	69,458	64,096	59,873	71,027
Cash and deposits	18,186	21,312	18,956	18,246	19,503	22,112	18,213	17,351	19,196	20,073	17,138	26,876
Notes and accounts receivable- trade	37,611	27,230	20,298	26,599	32,061	26,596	21,385	26,783	35,205	28,234	24,111	29,316
Notes and accounts receivable- trade and contract assets									4,161	3,872	4,372	4,411
Non-current assets	49,872	49,933	50,410	47,912	46,925	46,369	46,046	46,144	46,647	47,395	48,126	44,260
Property, plant, and equipment	27,612	27,350	27,329	26,206	25,184	24,779	24,887	24,417	25,105	26,042	26,932	24,978
Intangible assets	5,113	5,623	5,853	5,590	5,504	5,419	4,885	4,114	4,128	4,168	4,145	1,819
Investment and other assets	17,146	16,959	17,227	16,116	16,236	16,170	16,273	17,612	17,413	17,184	17,048	17,462
Total assets	120,352	110,940	103,453	105,096	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288
Current liabilities	55,449	46,097	40,198	43,646	49,245	45,266	40,307	42,544	51,837	47,138	43,655	49,099
Short-term borrowings	15,616	13,289	14,239	13,234	13,458	12,061	12,409	12,500	15,014	11,976	11,738	11,239
Non-current liabilities	18,327	18,220	18,079	17,259	17,506	17,088	16,257	16,277	16,334	16,020	16,178	16,278
Long-term borrowings	9,475	9,574	9,453	8,508	8,711	8,193	7,435	7,591	7,427	7,174	7,266	7,530
Total liabilities	73,777	64,318	58,277	60,906	66,751	62,354	56,565	58,822	68,172	63,158	59,833	65,377
Total net assets	46,575	46,621	45,175	44,189	45,717	46,186	44,730	45,076	47,933	48,333	48,166	49,910
Shareholders' equity	46,123	46,197	44,768	43,812	45,419	45,872	44,454	44,931	47,837	48,254	48,117	49,871
Total liabilities and net assets	120,352	110,940	103,453	105,096	112,469	108,540	101,295	103,898	116,105	111,492	108,000	115,288

Materiality targets and KPIs

Make society and its people happy

Key themes	Megatrends	2022 targets	2023 targets	2022 performance	2032 targets	Created social value	Related SDGs
 Creating an appealing work style and workplace	<ul style="list-style-type: none"> Increasing competition to secure human resources due to a decreasing overall population and working population Population concentration in urban areas 	(1) Creating healthy workplaces for everyone, both mentally and physically (2) Achieving a Work From Anywhere system		(1) 160 office proposals related to well-being (2) 7 launches of products and solutions that help build smart offices	<ul style="list-style-type: none"> Building innovative offices that lead to well-being Achieving free, sustainable work styles that enrich life 	Creating healthy workplaces for everyone, both mentally and physically, and contributing to decent work	
 Creating innovation by combining technology with space	<ul style="list-style-type: none"> IoT development Arrival of a DX society 	(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) 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	<ul style="list-style-type: none"> Achieving innovative new research technologies through open innovation and pursuing related business Appointing innovative DX human resources for each business 	Utilizing innovative technologies to create new value for working environments	
 Helping build a carbon-neutral society	<ul style="list-style-type: none"> Accelerated decarbonization trends due to concerns surrounding global warming 	(1) 9% reduction in CO ₂ emissions over 2013 (Scope 1,2,and3) (2) Validation of roadmap for mid- to long-term CO ₂ emissions targets (3) Helping reduce carbon usage over the entire product life-cycle	(1) 12% reduction in CO ₂ emissions compared to 2013 (Scope 1 to 3) (2) Starting up business to contribute to decarbonization	(1) 25% increase in CO ₂ emissions over 2013 (Scope 1,2,and3) (2) Validation of roadmap and identification of required measures completion (3) Calculating product CO ₂ emissions and expanding products for calculations	■ 2030 targets <ul style="list-style-type: none"> 30% reduction in CO₂ emissions compared to 2013 (Scope 1 to 3) Achieving 100% renewable energy use by all Itoki Group factories 	Achieving an environmentally friendly society that minimizes greenhouse gas emissions	
 Safeguarding the natural environment and promoting recycling of resources	<ul style="list-style-type: none"> Demand for efficient/cyclical use of resources Change in awareness regarding the need for a plastic-free society Responding to ecosystem changes caused by global warming 	(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 10.2% over previous year (base unit) (2) Water usage reduction of 14.5% over previous year (base unit) (3) 2 environmentally friendly products developed Implemented project to shift to wood products	<ul style="list-style-type: none"> Minimizing emissions of substances, etc. that have an environmental impact Contributing to biodiversity through products and services 	Setting up a resource recycling system to help achieve a society that has no concept of waste disposal	
 Responsible procurement in both human rights and environmental terms	<ul style="list-style-type: none"> Supply chain disruptions Increasing demand for social responsibility in terms of the supply chain 	<ul style="list-style-type: none"> At least a 70% assessment rate for sustainable procurement (procurement price ratio) 	<ul style="list-style-type: none"> At least an 85% assessment rate for sustainable procurement (procurement price ratio) 	<ul style="list-style-type: none"> Assessment rate for sustainable procurement (procurement price ratio) of 63.3% 	<ul style="list-style-type: none"> Achieving a handling rate of at least 80% in relation to sustainable procurement <i>human rights</i> and <i>business continuity</i> items 	Fulfilling our social responsibilities from perspectives that include human rights and the natural environment while building strong relationships with suppliers	

*The method for calculating CO₂ emissions was changed in FY2022. For details, see p. 49.

Make the company and its employees happy

Key themes	Itoki's initiatives	2022 targets	2023 targets	2022 performance	Examples	2032 targets	Related SDGs
 <p>Safeguarding employee mental and physical health</p>	<ul style="list-style-type: none"> Improving employee satisfaction Promoting health management 	(1) At least 66.2% affirmative responses to specific indicators on engagement surveys	(1) At least 70% affirmative responses to specific indicators on engagement surveys	(1) Affirmative responses to specific indicators on engagement surveys of 63.6% (improved 7.4 points over previous year)	<ul style="list-style-type: none"> Setting specific engagement survey indicators as management targets Introducing new benefit systems Providing health education to increase health literacy Considering mental health support systems 	<ul style="list-style-type: none"> At least 80% affirmative responses to specific indicators on engagement surveys Promoting health management that enables all employees to work in a healthy and vibrant way 	
		(2) At least 60% paid time off usage rate (3) Zero accidents resulting in time lost/accident closures	(4) 100% rate of routine physical examinations/85% rate of secondary diagnoses	(4) 100% rate of routine physical examinations/90% rate of secondary diagnoses (5) Creating working environments that promote mental and physical health			
 <p>Support employee growth</p>	<ul style="list-style-type: none"> Implementing work styles that maximize productivity Creating and expanding career development opportunities 	(1) Adoption of systems to implement location-independent work style	(1) Implementing work styles that enable the productive use of time	(1) Adoption of My Place system	<ul style="list-style-type: none"> Implementing volunteer planning in cooperation with NPOs 	<ul style="list-style-type: none"> Achieving decent work and improving productivity Achieving an environment that enables autonomous, self-directed career development (with at least 80% satisfaction) 	  
		(2) Expanded opportunities for career design for young employees (3) Increased number of voluntary paid leave users (4) Investment in internal facilities	(2) Expanding the next generation of career-design training	(2) Increased number of voluntary paid leave users (4) Remodeling/relocation of 15 offices, including Tokyo HQ			
 <p>Creating offices that allow diverse human resources to excel</p>	<ul style="list-style-type: none"> Improving the ratio of female managers and employees Promoting the employment of disabled persons Promoting flexible, diverse work styles 	(1) At least 10% women in management	(1) At least 12% female managers	(1) Rate of women in management: 10.7%	<ul style="list-style-type: none"> Starting up SPLI, a community aimed at developing female leadership. At least 12% of our female employees will independently participate as members. Endorsing the <i>Paternity Leave 100% Declaration</i> Becoming an IKUBOSS company member Revising our declaration of action and systems to more effectively respect the diversity of the LGBTQ community, etc. 	<ul style="list-style-type: none"> 2030 targets Achieving a ratio of female managers of at least 30% and appointing female officers Creating a workplace enabling anyone to work vibrantly 	
		(2) Rate of employment of people with disabilities: at least the legally-mandated rate	(2) At least a 40% paternity leave usage rate	(2) Rate of employment of people with disabilities: 2.59%			
 <p>Ensuring transparent, reliable management</p>	<ul style="list-style-type: none"> Respecting human rights Developing and strengthening our risk management system Maintaining and strengthening compliance awareness 	(1) Human rights risk identification	(1) Establishing a human rights due diligence process	(1) Holding human rights workshops and the identification of risks by organization completed	<ul style="list-style-type: none"> Providing training related to respecting human rights, company-wide workshops, and LGBTQ training for officers Finishing the establishment of our Japanese Group company risk management systems Providing compliance training for our officers and employees 	<ul style="list-style-type: none"> Finishing the establishment of risk management systems covering all Group companies Achieving truly safe data security and trustworthy management 	
		(2) Zero major data security incidents	(3) Finishing the establishment of business continuity systems for departments that are subject to major impact from disasters	(2) Zero major data security incidents (3) Resilience certification acquisition complete (4) Completion of training plan			
		(3) Construction of business continuity systems complete for the manufacturing divisions, which are subject to major impact from disasters (resilience certifications acquired)					
		(4) Promoting increased compliance throughout entire company					

*Establishing the achievement of the following high-priority financial target as a KPI: *sustainably improving our income.*

Corporate data

Stock information (current as of December 31, 2022)

Total number of authorized shares

149,830,000

Total number of issued shares

45,664,437
(treasury shares: 381,659)

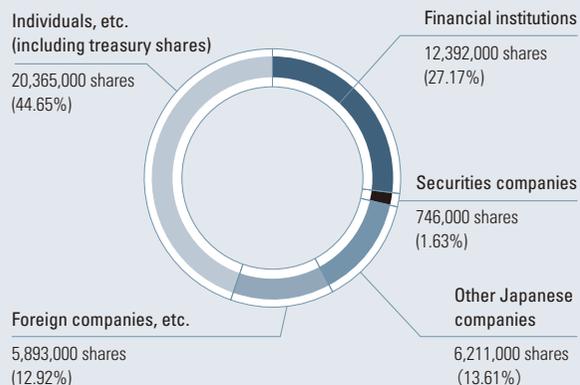
Number of shareholders

6,591

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)	5,079	11.21
Nippon Life Insurance Company (NISSAY)	2,225	4.91
Itoki Partner Stock Ownership Association	1,754	3.87
Assist Co., Ltd.	1,609	3.55
Shichiro Ito	1,356	2.99
Custody Bank of Japan, Ltd. (trust account)	1,341	2.96
Mizuho Bank, Ltd.	1,121	2.47
Itoki Employee Stock Ownership Association	1,106	2.44
Sumitomo Mitsui Banking Corporation	1,069	2.36
Fumiko Ito	963	2.12

(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 381,659 treasury shares.
3. The shareholding ratio was calculated after deducting treasury shares (381,659).

Stock price (relative stock price assuming that the price at the end of December of 2018 was 100)



TSR (total shareholder return)

Holding period	One year	Two years	Three years	Four years
Itoki	92.3%	60.4%	66.8%	111.6%
Furniture industry	107.5%	112.8%	96.3%	91.7%
TOPIX	115.2%	120.8%	133.3%	126.6%

Company overview (current as of December 31, 2022)

Company name	ITOKI CORPORATION
Founded on	December 1, 1890
Established on	April 20, 1950
Share capital	5,294 million yen
Number of Group employees	3,793
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		 Website Sustainability ESG Data Book
Financial	Integrated reports 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.

IT & Sharing Business
Furniture rental, office sharing, software development business, etc.

Head office ITOKI TOKYO XORK

Showroom Osaka Showroom

Office Plazas Yokohama Office Plaza, Nagoya Office Plaza, Hiroshima Office Plaza, and Fukuoka Office Plaza



Publication of the 2023 Integrated Report

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

This report was produced keeping in mind the objective of furthering an understanding of the company's management reforms. It represents our forward-looking commitment to solving social issues through our business activities and continuously embracing the challenge of creating unique value by further evolving our "Tech + Design" DNA that has been passed down since the time of Itoki's founding.

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.

Editor's note

Thank you for reading Itoki's 2023 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 CSR activities that contribute to the further enhancement of our corporate value.







We Design Tomorrow. We Design WORK-Style.

ITOKI CORPORATION

<https://www.itoki-global.com/>