



November 25, 2022

To whom it may concern

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Notice of Revision to the Consolidated Financial Results Forecast for the Fiscal Year Ending January 20, 2023

Takasho Co., Ltd. hereby announces that in light of the most recent operating trends, a decision was passed at the meeting of the Board of Directors held today, to revise the financial results forecasts for the fiscal year ending January 20, 2023, disclosed on March 3, 2022, as described below.

Notice

1. Revision to the Consolidated Financial Results Forecast for the Fiscal Year Ending January 20, 2023
(From Jan. 21, 2022, to Jan. 20, 2023)

	Net sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent company	Basic Earnings Per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast FY2023 4Q (full year) (A)	23,204	1,568	1,639	1,184	67.55
Revision to the Forecast FY2023 4Q (full year) (B)	20,880	810	1,320	730	41.63
Increase or Decrease (B-A)	△2,324	△758	△319	△454	—
%	△10.0	△48.3	△19.5	△38.3	—
(Note) FY2022 4Q (C) ended Jan. 20, 2022	20,781	1,474	1,530	1,001	65.00
% (B ÷ C)	100.5	54.9	86.2	72.9	—

(Reason for revision)

At the time of the forecast, we had expected continued growth in the sales of gardening and garden exterior products as the new lifestyle (living in the garden) has taken hold for the last two years due to COVID-19 pandemic. Based on the initial expectation, we planned up-front investments such as proactive advertising and sales promotion for the

purpose of enhancing our brand value, CAPEX and recruiting in the areas of business expansion.

However, the third quarter of the current consolidated fiscal year, we have been affected unexpectedly by soaring maritime freight cost (Increase to 300%-400% per container from the initial forecast), rising raw material prices (Increased by 8% from the initial forecast, mainly by Aluminum) and the sharp depreciation of the yen (19%-29% lower than the initial forecast). Also, in the oversea market, people refrained from buying due to the price rise in electricity, gas, and necessities from the Ukraine affairs.

In this business environment, the FY 2023 3Q sales (Nine months ended October 20, 2022) of Pro-use accounted for a large proportion of sales maintained approximately same level (98.6%) compared to the initial forecast, due to the holding of our own exhibition TGEF2022 (Takasho Garden & Exterior Fair 2022) and the aggressive implementation of new DX-type sales promotion activities linked with TV commercials and a web platform for the purpose of enhancing our brand value.

On the other hand, overseas sales nosedived to 48.5% compared to the initial forecast not only for the above reasons, but also in U.S., due to the relaxation of voluntary curfew, customer attraction at home center and garden center temporary slowed down, inversely correlated with the surging demand for overseas travel and outdoor activities. In Europe, people refrained from buying due to the price rise in electricity, gas, and necessities from the Ukraine affairs. Under these circumstances, the stock adjustments and corresponding delivery adjustment were caused by merchants' stock overload, and overseas sales significantly decreased from the initial forecast.

In terms of operating income, while sales declined, selling, general and administrative expenses were approximately same level (98.1%) due to the soaring purchase price, sales promotion expenses such as real exhibitions, and up-front investment such as CAPEX and recruiting. The operating income has decreased to 43.8% compared to the initial forecast.

As for ordinary income, foreign exchange gains on foreign currency transactions of 463,162 thousand yen was recorded due to depreciation of the yen in the exchange market, it decreased to 78.6% compared to the initial forecast.

Also, net income attributable to parent company shares decreased to 60.1% compared to the initial forecast, as corporate tax burden increased due to elimination of operating loss carried forward.

Considering the financial results of 3rd Quarter (January 21, 2022, to October 20, 2022), market conditions are expected to remain largely unchanged in the fourth quarter, and we predict that it will be difficult to recover in the fourth quarter to eliminate the decline in sales and profits in the first nine months of the fiscal year. Therefore, we have revised our consolidated earnings forecast for the full year as shown above.

2. Dividend Forecasts

The Company's basic policy regarding dividends is to return profits to shareholders in line with business performance, while placing emphasis on maintaining stable dividends. We also target a dividend payout ratio of 30% (consolidated) as an indicator of shareholder return. Although we have decided to revise our earnings forecast downward, the year-end dividend for the fiscal year ending January 20, 2023 will remain unchanged at 23 yen per share as initially forecasted in consideration of the above basic policy, the business situation, and the business environment surrounding our company.

* Explanation on appropriate use of performance forecasts and other special notes.

The performance forecast described in this report are based on information that is available to the Group, as well as

certain assumptions and estimates that are deemed to be reasonable, and we make no assurance that such descriptions prove to be correct. Actual figures may significantly differ due to various factors.

In addition, this document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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