

TAKARA STANDARD CO., LTD.

Three Months Ended June 30, 2023

Financial Results

August 1, 2023

Stock Code
7981

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1. Overview of Financial Results
for the Three Months Ended June 30, 2023

PP. 2 ~ 10

2. Topics

PP. 12 ~ 13

Financial Results Highlights

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Net sales increased 5.3% on continued strong performance in both new construction and remodeling, reaching a record high in the first quarter.

Operating profit decreased 16.8%, but revenue is expected to improve from the second quarter onward as the effects of price revisions will make a full-fledged contribution.

[Net sales] ¥57.2billion +5.3% YoY

Steady sales expansion centered on metropolitan areas.

The mid-to high-end series System Bathroom “GRANSPA” released in August 2022 contributed significantly to growth.

[Operating profit] ¥2.6billion (16.8)% YoY

[Profit attributable to owners of parent] ¥1.9billion (15.9)% YoY

Although operating profit and profit attributable to owners of parent were down 16.8% and 15.9% YoY, respectively, due to the impact of higher material and energy prices, the Company expects revenue to improve as the effects of price revisions to be implemented in FY2023 will fully contribute from the second quarter onward.

Revision of Merchandise Prices

Starting with orders received in April 2023	Revision rate
System Kitchens	Approx. 7-14%
Washstands	Approx. 7-16%

Starting with orders received in August 2023	Revision rate
System Bathrooms	Approx. 14%

Operating Results

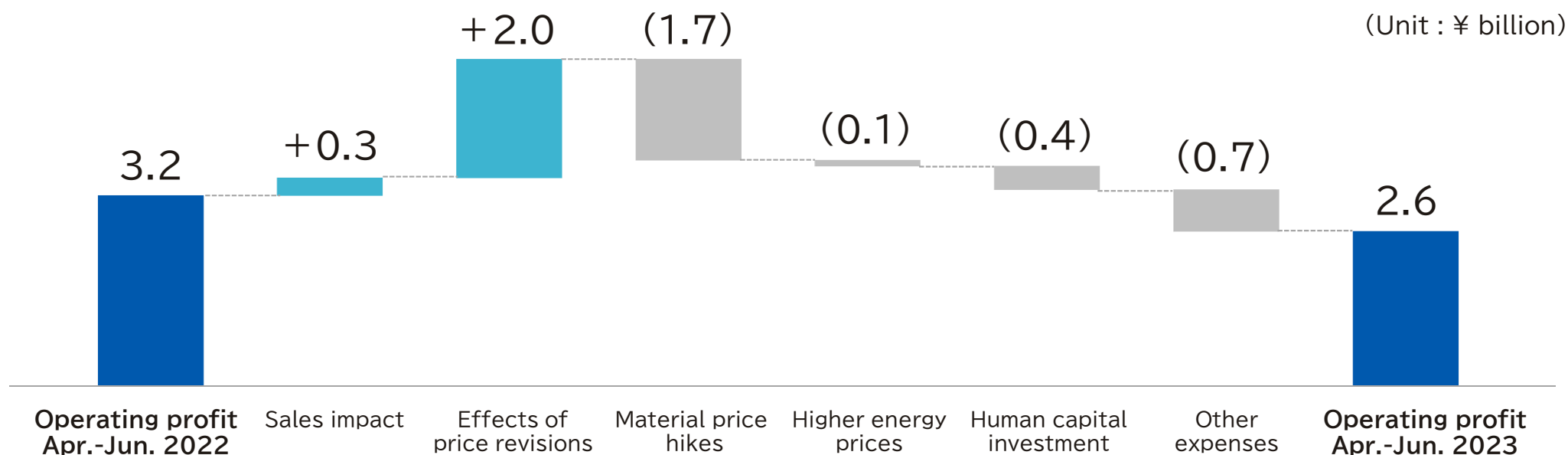
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(Unit : ¥ billion)

	Apr.-Jun. 2022		Apr.-Jun. 2023				Earnings Forecasts for Apr.-Sept. 2023	
	Amount	% of sales	Amount	% of sales	Change	% change	Amount	Progress
Net sales	54.3	100.0%	57.2	100.0%	+2.8	+5.3%	113.7	50.3%
Gross profit	18.9	34.9%	19.0	33.3%	+0.1	+0.7%	—	—
SG&A	15.7	28.9%	16.4	28.7%	+0.6	+4.3%	—	—
Operating profit	3.2	5.9%	2.6	4.7%	(0.5)	(16.8)%	6.6	40.7%
Ordinary profit	3.4	6.4%	2.8	5.0%	(0.6)	(17.8)%	6.8	42.3%
Profit attributable to owners of parent	2.2	4.2%	1.9	3.4%	(0.3)	(15.9)%	4.5	42.8%

Analysis of Change in Operating Profit

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Sales impact	Sales for both remodeling and new construction increased, centered on metropolitan areas, and sales of the mid-to high-end series System Bathroom “GRANSPA,” released in August 2022, were strong in the remodeling market.
Effects of price revisions	Profits increased due to price revisions implemented in FY2022 and April 2023. The price revisions to be implemented in 2023 are expected to make a full-fledged contribution to profit growth from the second quarter onward.
Material price hikes	Market prices of major materials, such as steel sheets, stainless steel, and resin materials, continued to rise, boosting costs.
Higher energy prices	Costs increased due to higher prices for gas and electricity used in the manufacturing process and at the business sites.
Human capital investment	The Company aggressively invested in human capital that will contribute to sustainable growth by investing in human resources for growth businesses, promoting a new personnel system, improving remuneration including base increases, and strengthening company-wide DX training.
Other expenses	The increase was mainly due to distribution costs associated with the increase in sales and depreciation associated with the expansion of production facilities.

Net Sales by Product Category

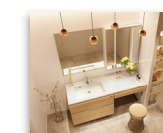
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Sales expanded steadily in all three main segments.

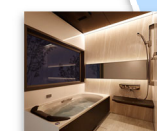
In the Bathroom segment, there were increased sales of the mid- to high-end series “GRANSPA” that was released in August 2022; sales of merchandise for newly built condominiums also increased.

(Unit : ¥ billion)

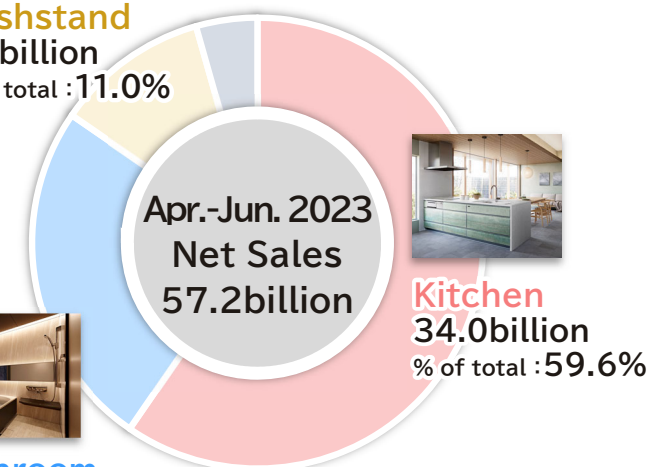
	Apr.-Jun. 2022		Apr.-Jun. 2023			
	Amount	% of total	Amount	% of total	Change	% change
Kitchen	32.6	60.1%	34.0	59.6%	+1.4	+4.3%
Bathroom	12.9	23.8%	14.3	25.0%	+1.4	+10.9%
Washstand	5.9	11.0%	6.2	11.0%	+0.2	+4.5%
Total incl. others	54.3	100.0%	57.2	100.0%	+2.8	+5.3%



Washstand
6.2billion
% of total : 11.0%



Bathroom
14.3billion
% of total : 25.0%



【Sales within total】

Panel-related sales	1.6	3.0%	1.7	3.1%	+0.1	+10.5%
Overseas business sales	0.3	0.6%	0.3	0.6%	(0.0)	(2.7)%

Shipment Growth Rate (Industry Comparison)

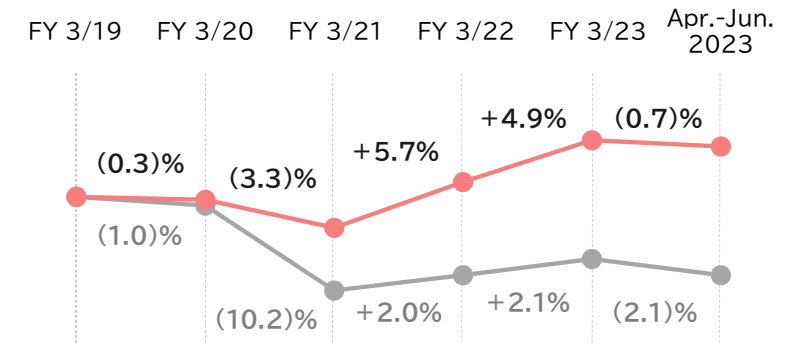
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The rate of change in our shipment volume from the previous year remained higher than that of the industry (as per the JAPAN ASSOCIATION OF KITCHEN & BATH).

Kitchen



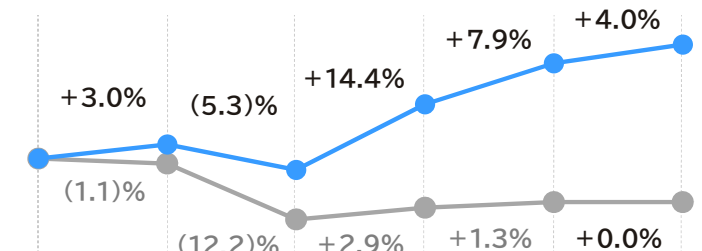
	FY 3/20	FY 3/21	FY 3/22	FY 3/23	Apr.-Jun. 2023
TAKARA STANDARD	(0.3)%	(3.3)%	+5.7%	+4.9%	(0.7)%
JAPAN ASSOCIATION OF KITCHEN & BATH	(1.0)%	(10.2)%	+2.0%	+2.1%	(2.1)%



Bathroom



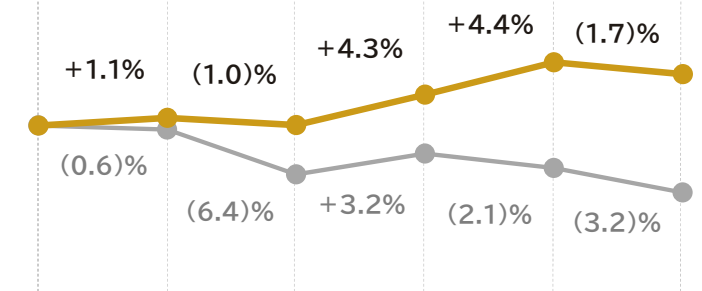
	FY 3/20	FY 3/21	FY 3/22	FY 3/23	Apr.-Jun. 2023
TAKARA STANDARD	+3.0%	(5.3)%	+14.4%	+7.9%	+4.0%
JAPAN ASSOCIATION OF KITCHEN & BATH	(1.1)%	(12.2)%	+2.9%	+1.3%	+0.0%



Washstand



	FY 3/20	FY 3/21	FY 3/22	FY 3/23	Apr.-Jun. 2023
TAKARA STANDARD	+1.1%	(1.0)%	+4.3%	+4.4%	(1.7)%
JAPAN ASSOCIATION OF KITCHEN & BATH	(0.6)%	(6.4)%	+3.2%	(2.1)%	(3.2)%



* Figures for the JAPAN ASSOCIATION OF KITCHEN & BATH are YoY percentage changes in the total numbers of System Kitchens, System Bathrooms, and Washstands.

Net Sales by Market

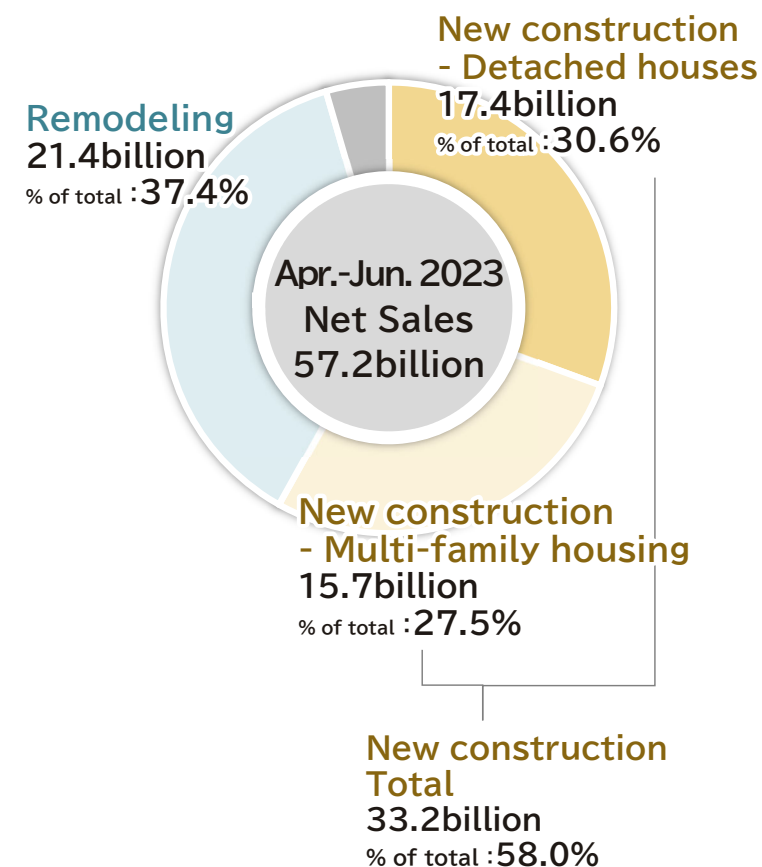
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Steady sales growth in both new construction and remodeling, centered on the three major metropolitan areas of Tokyo, Chubu, and Kinki.

In the remodeling market, sales increased by 8% due to the expansion in sales of the mid- to high-end series System Bathroom “GRANSPA.”

(Unit : ¥ billion)

		Apr.-Jun. 2022		Apr.-Jun. 2023			
		Amount	% of total	Amount	% of total	Change	% change
New construction	Detached houses	17.3	31.9%	17.4	30.6%	+0.1	+1.0%
	Multi-family housing	14.7	27.2%	15.7	27.5%	+0.9	+6.6%
	Total	32.0	59.0%	33.2	58.0%	+1.1	+3.6%
Remodeling		19.8	36.4%	21.4	37.4%	+1.5	+8.0%
Total incl. others		54.3	100.0%	57.2	100.0%	+2.8	+5.3%



Consolidated Balance Sheet

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Total assets at the end of June 2023 were ¥273.8 billion, an decrease of ¥5.9 billion from the end of the previous fiscal year.

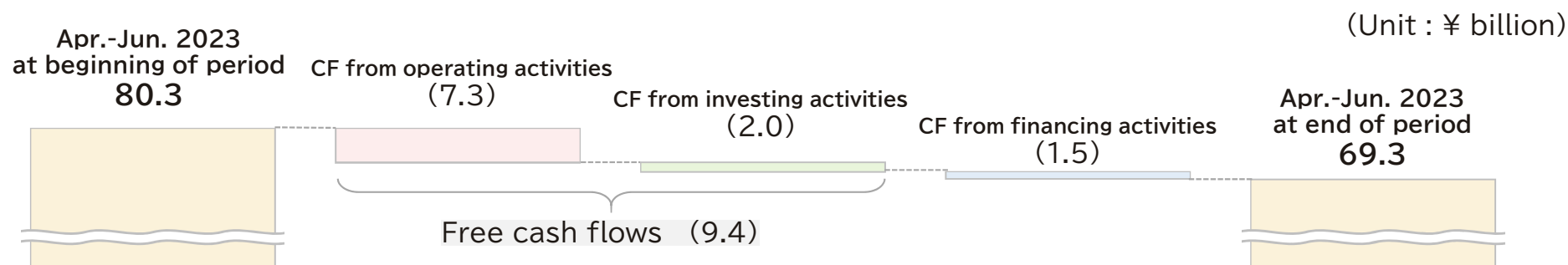
(Unit : ¥ billion)

		End-Mar. 2023	End-Jun. 2023	Change	Main Factors
Assets	Current assets	173.7	167.3	(6.4)	Cash and deposits (11.0) Trade receivables +1.1 Inventories +2.3
	Noncurrent assets	106.1	106.5	+0.4	
Total assets		279.8	273.8	(5.9)	
Liabilities	Current liabilities	76.1	69.0	(7.0)	Trade payables (8.8)
	Noncurrent liabilities	22.2	22.3	+0.1	
Total liabilities		98.3	91.4	(6.8)	
Total net assets		181.5	182.4	+0.9	Profit attributable to owners of parent +1.9 Valuation difference on available-for-sale securities +0.6 Dividends of surplus (1.8)
Total liabilities and net assets		279.8	273.8	(5.9)	

Consolidated Cash Flows

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Cash and cash equivalents decreased ¥11.0 billion from the beginning of the period to ¥69.3 billion, mainly due to a decrease in trade payables as a result of accelerated payments to some suppliers.



	Apr.-Jun. 2022	Apr.-Jun. 2023	Main Items
Cash and cash equivalents at beginning of period	88.6	80.3	
Cash flows from operating activities	1.4	(7.3)	Decrease in trade payables (8.6) Increase in trade receivables and inventories (3.5) Profit before income taxes 2.7
Cash flows from investing activities	(1.2)	(2.0)	Purchase of property, plant and equipment (2.1)
Free cash flows	0.2	(9.4)	
Cash flows from financing activities	(2.0)	(1.5)	Dividends paid (1.5)
Cash and cash equivalents at end of period	86.7	69.3	

Earnings Forecasts for FY Ending March 2024 and Shareholder Returns

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Earnings Forecasts

Net sales: +3.5%, Operating profit: +28.9%
(No change from the initial forecast)

(Unit : ¥ billion)

	FY3/2023 Results	FY3/2024 Forecasts	Change	
				% change
Net sales	227.4	235.3	+7.8	+3.5%
Operating profit	10.9	14.1	+3.1	+28.9%
Operating profit ratio	4.8%	6.0%	+1.2P	–
Ordinary profit	11.4	14.5	+3.0	+26.2%
Profit attributable to owners of parent	8.4	9.5	+1.0	+12.9%

Shareholder Returns

To improve capital efficiency and further enhance shareholder returns, we plan to increase dividends and purchase treasury shares in the FY Ending March 2024

Dividends

Annual dividend ¥54 (Interim: ¥27, Year-end: ¥27)

Y-o-Y dividend increase: ¥2,
Dividend payout ratio: 40%

Purchase treasury shares

Plan to purchase ¥3.8 billion(maximum) of treasury shares

Total return ratio approx. 80%

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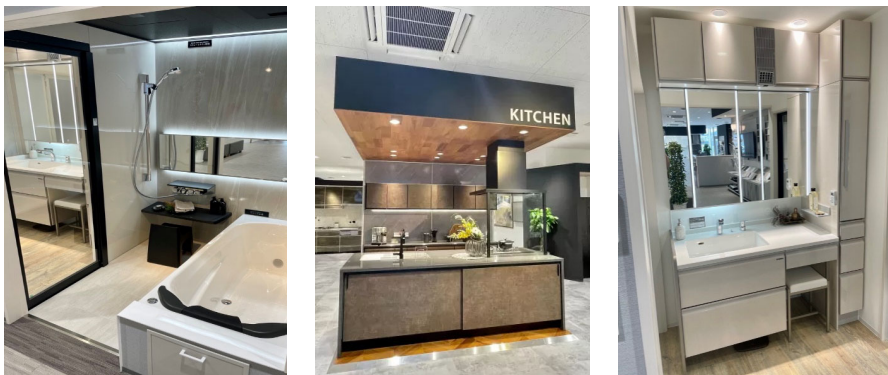
2. Topics

PP. 12 ~ 13

One of the largest housing equipment showrooms in Oita Oita Showroom relocated and reopened



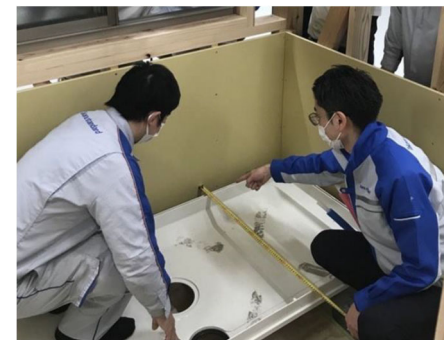
Relocated in April 2023. The new showroom is 1.3 times larger than the previous one, making it one of the largest in the prefecture. A full range of exhibits including System bathrooms, which are in high demand.



TAKARA STANDARD certified construction store training base to increase construction ability Osaka Training Base newly established



In June 2023, the Company began training at its second base following the Yokohama Training Base opened in April 2022 to meet expected further growth in demand for remodeling.



By starting operations at two locations, one in East Japan and the other in West Japan, we have established a system that can accommodate more participants.

Increased production capacity of acrylic artificial marble bathtubs by 15%

The Kanto Factory, the main plant for system baths, will be expanded to meet expected further growth in sales of System bathrooms.



Left : Acrylic artificial marble bathtub production line /
Right : System Bathroom "GRANSPA"

Our efforts to address the logistics industry's 2024 problem TAKARA STANDARD's Logistics Policy

In response to "Overtime cap in vehicles driving work" that will be applied under the labor reform law effective April 1, 2024, the Company will strive to shorten the working hours of drivers in product delivery.

Our Efforts

- (1) Reduction of waiting time at distribution centers
 - Introduction of automated equipment (automated warehouses, unmanned forklifts)
 - Reform of warehouse management system
- (2) Promotion of a modal shift to the use of railroads and ships
- (3) Clarification of incidental works related to delivery
- (4) Consideration of relay and joint transportation
 - Participation in experimental study of through trunk relay transport services called SLOC*
 - Resolution of logistics issues as a collaborative community with the furniture, appliance and housing equipment industry

*SLOC:

A new form of transportation in which cargo is transported by multiple shippers and multiple carriers by swap-body containers and trucks with detachable cargo beds (containers) and a container management system using QR codes.



Changing swap body containers

Sponsorship and participation in the International Enamellers Congress, which was held in Japan for the first time

Sponsored and participated in the International Enamellers Congress held in Kyoto in May 2023 as a leading Japanese enameling company.



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This document contains projections based on the Company's plans as of August 1, 2023.
These plans and projections are subject to risks and uncertainties that could cause actual results to differ from the plans.