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Company: Takasho Co., Ltd.

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(Stock code: 7590, TSE Standard)

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Notice Regarding the Revision of the Financial Forecast for the Fiscal Year Ending January 20, 2024 and Revision of the Year-End Dividends

At its meeting held today, in light of recent business performance trends, the Board of Directors of Takasho Co., Ltd. (hereby referred to as “the Company”) resolved to revise the financial forecasts for the fiscal year ending January 20, 2024, which was released on March 3, 2023, and to revise the year-end dividends.

1. Revision of Consolidated Financial Forecast

Revision of the Financial Forecast for the Fiscal Year 3 (From January 21, 2023, to January 20, 2024)

	Net sales (JPY MM)	Operating income (JPY MM)	Ordinary income (JPY MM)	Net income attributable to owners of the parent (JPY MM)	Basic earnings per share (JPY)
Previously announced forecast (A)	22,700	1,016	1,048	651	38.65
Revised forecast (B)	19,250	△150	250	△170	△10.00
Variance in amount (B - A)	△3,450	△1,166	△798	△821	—
Variance in percentage (%)	△15.2	—	△76.1	—	—
(Ref.) Actual results for FY2023 4Q (Cumulative, from Jan.21, 2022, to Jan. 20, 2023) (C)	20,351	880	982	518	29.60
YoY (%) (B ÷ C)	94.6	—	25.5	—	—

(Reason for the Revision of Financial Forecast)

We’ve witnessed that “Lifestyle with gardening” has been penetrated and embedded in everyday life. In the face of novel coronavirus (hereafter referred to as “COVID-19”), and continuously in “with and after COVID-19” era, people worldwide reaffirmed the importance of health (garden therapy) and environment (green, nature).

Ever since our establishment, nurturing great urban environment and gardening culture is what we do. To capture these business opportunities, at this juncture, the Company strenuously promoted up-front investments in the value creation levers, such as CAPEX and recruiting for higher productivities as well as brand enhancement.

On the other hand, behavioral restrictions have been eased in accordance with the change in the positioning of COVID-19 under the Infectious Disease Control Law. Accordingly, people’s allocation of their time and budget

have been shifted to outdoor activities, such as travel, leisure, and eating out.

Also, other factors such as inflation, prolonged Ukraine affairs and conflicts in the Middle East, refrained consumption due to the price rise in energies and necessities in Europe, have been negatively affected our performance, resulting in slower sales than initially forecasted.

In this business environment, for the purpose of enhancing its brand value and fueling future growth, the Company intensified sales promotion campaigns. Leveraging on its technology and accelerating digital transformation (hereafter referred to as “DX”), the Company hosted its original exhibition, TGEF2023 (Takasho Garden Exterior Fair 2023), of which impactful hybrid style using both real and website mobilized a lot of visitors. Also, the Company broadcasted TV commercials, which are linked with its web platform in order to increase customer touchpoint and engagement.

As a result, sales in pro-use segment were almost in line with the initial forecast (95.7%). Nonetheless, sales in home-use segment were 72.4% and sales in overseas segment was 85.4% compared with the initial forecast, negatively affected by the continued stock adjustments caused by our retail partners’ stock overload and corresponding delivery adjustment.

While sales declined, operating profit also declined due to the occurrence of unparallel events, such as a sharp rise in purchase costs stemming from the yen's depreciation by 3% to 11% against the assumed exchange rate and recording of inventory write-down (98 million yen) by oversea subsidiaries to make high-cost inventory purchased in the previous fiscal year and dormant stock possible sales price.

Selling, general, and administrative expenses will be decreased by 3.8% compared with initial forecast. The Company continued efforts to hold exhibitions and other events to expand sales, DX-type sales promotion activities, capital investment, and personnel recruitment. On the other hand, a decrease in variable expenses is expected in parallel with the decrease in sales. Therefore, operating profit will decline by 834 million yen compared with initial forecast.

In ordinary income, although foreign exchange gains of 346 million yen were recorded due to the yen's depreciation in the current 3Q, ordinary income was 45.3% compared with initial forecast. Net income attributable to the parent company will be decreased by 487 million yen due to an increase in the tax burden rate from the impact of tax effect accounting.

Based on the actual situation in the cumulative first 3Q of FY2024 and foreboded headwinds in 4Q, and the fact that overseas sales subsidiaries will record an impairment loss of approximately 110 million yen on fixed assets, the Company had no choice but to revise the financial forecast for FY2024, as shown above

2. Revision of the Year-End Dividends

	Annual cash dividends per share		
	2nd quarter	Year-end	Total
Initial forecast	Yen	Yen	Yen
(announced on March 3, 2023)		16.00	16.00
Revised forecast		5.00	5.00
Actuals for FY2024	0.00		
Actuals for FY2023	0.00	23.00	23.00

(Reason for the Revision)

The Company recognizes that returning profit to our shareholders is one of the significant management objectives and will deliberate on such payouts, based on a comprehensive assessment of our business performance, financial condition, and future business development, such as, future investment needs etc., maintaining and expanding internal reserves to secure sufficient cash to finance business operation and sustainable growth.

Taking into consideration this basic policy and revision of FY2024 financial forecast, we have decided to pay a year-end annual dividend of ¥5 per share for FY2024, decrease by ¥ 11 from ¥16, initially forecasted.

Although the outlook for economic trends is still extremely uncertain, our policy is to give due consideration to the return of profits to our shareholders, while also taking into account various factors such as improvement in profitability, financial soundness, and the dividend payout ratio.

(Note) The performance forecast described in this report are based on information that is available to the Company, 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.

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